

# 2017 Feedgrain Market Outlook

## Texas A&M Agri-life Feedgrain Marketing Workshop

Amarillo, Texas – January 26, 2017

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UNIVERSITY

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## Current Grain Market Situation

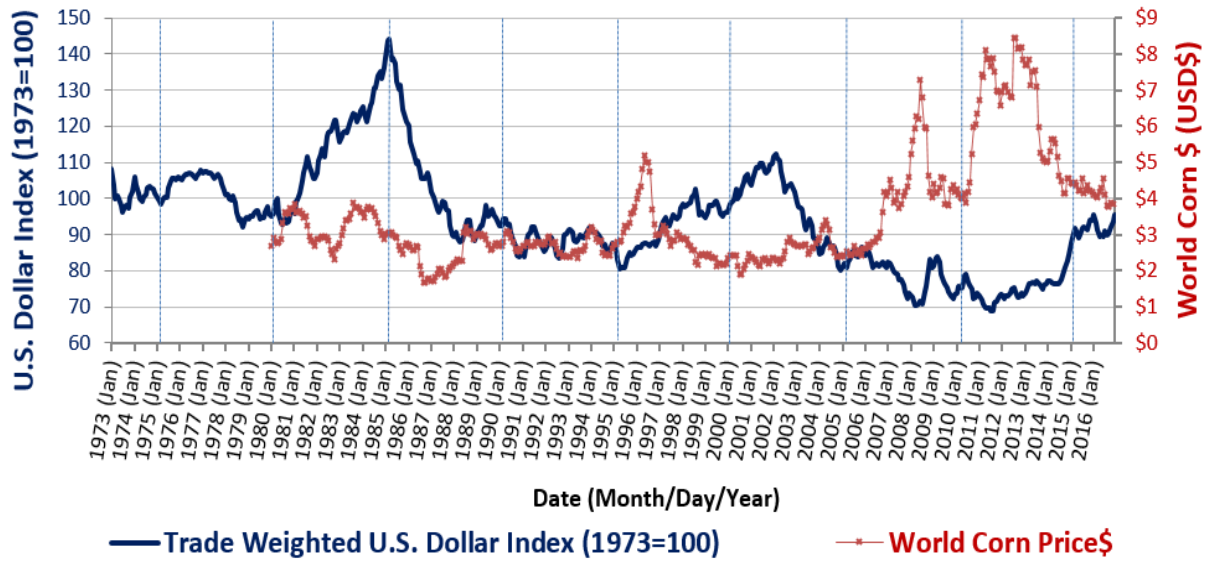
for U.S., Texas & Kansas Farmers & Agribusinesses

2

- 1) Large grain supplies are limiting grain prices
- 2) Wheat \$'s near Marketing Loan (Feedgrain \$'s  $\uparrow$  Loan)
- 3) Grain farmers are focusing on marketing 2016 Crops
- 4) U.S. & World Crop production plans for 2017??
  - More soybeans are likely in 2017 in South America & U.S.
  - Lower U.S. & World wheat acres with some World crop risk emerging
  - 2017 U.S. Corn acres to be same or lower – ???? in Brazil & Argentina

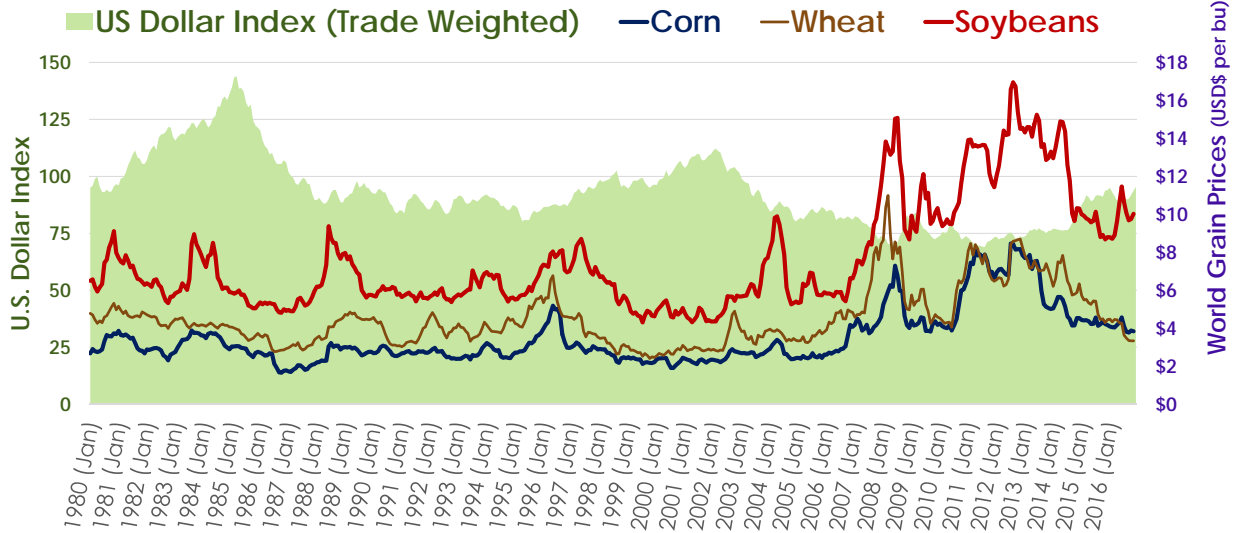
# U.S. Dollar Index (Trade Weighted) 1973 – Dec 2016

3



# U.S. Dollar Index vs World Grain \$'s 1980 – 2016

4



# Corn & Sorghum Markets

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## U.S. Feedgrain Market Prospects:

6

Low Prices "helping" Use, but Large Supplies are "limiting prices"

- Record large World & U.S. feedgrain supplies
- Low Corn \$'s have supported U.S. domestic use
  - Livestock Feed<sup>2016/17</sup> = 5.600 bln bu (9 year high – vs 5.858 bb in 2007/08)
  - Corn Ethanol<sup>2016/17</sup> = 5.325 bln bu (record high – vs ≈ 5.200 bb last 2 yrs)
  - Other FSI<sup>2016/17</sup> = 1.435 bln bu (record high – vs 1.429 bb in 2015/16)
  - Exports<sup>2016/17</sup> = 2.225 bln bu (9 year high – vs 2.437 bb in 2007/08)
- Sorghum exports declining from China "run" last 2-3 yrs

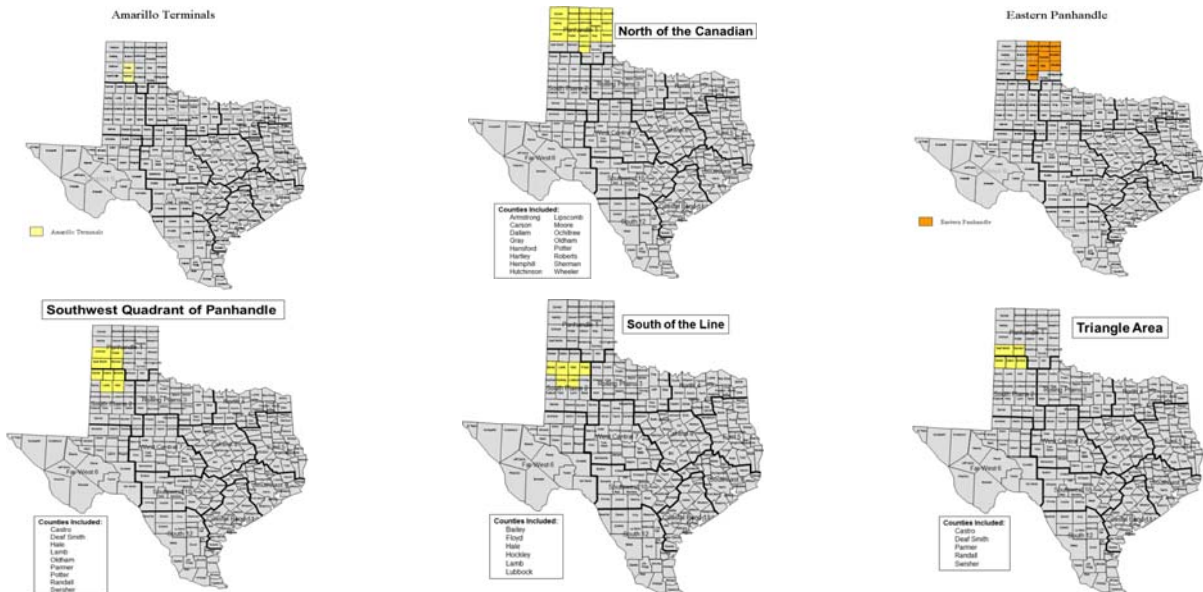
# CME Corn Futures

Monthly Chart: Nov. 2007 – December 2017 + 1/25/2017

7

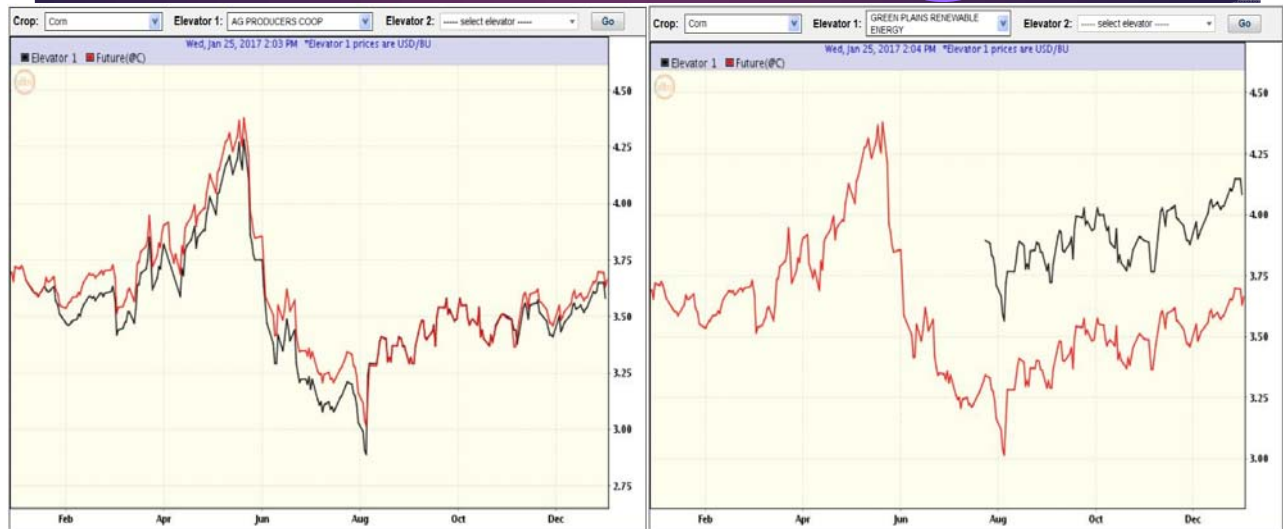


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# Corn Cash - Futures: Bushland & Hereford, TX

9

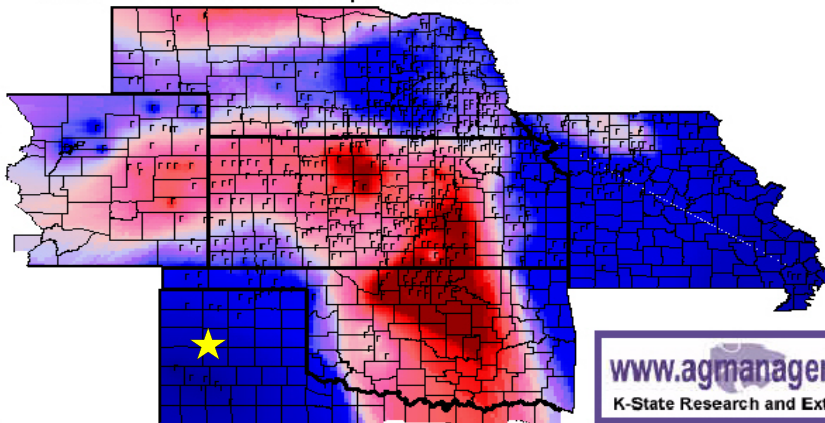
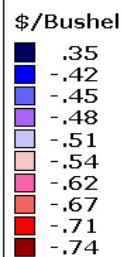


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## Corn Basis, 01-19-2017

Basis = Cash Price - Nearby Futures Price

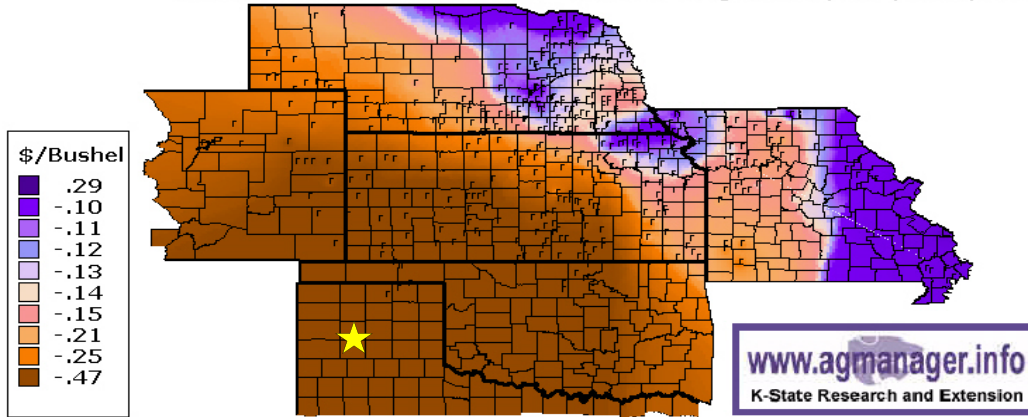
CBT Mar  
Futures  
Price: \$3.66



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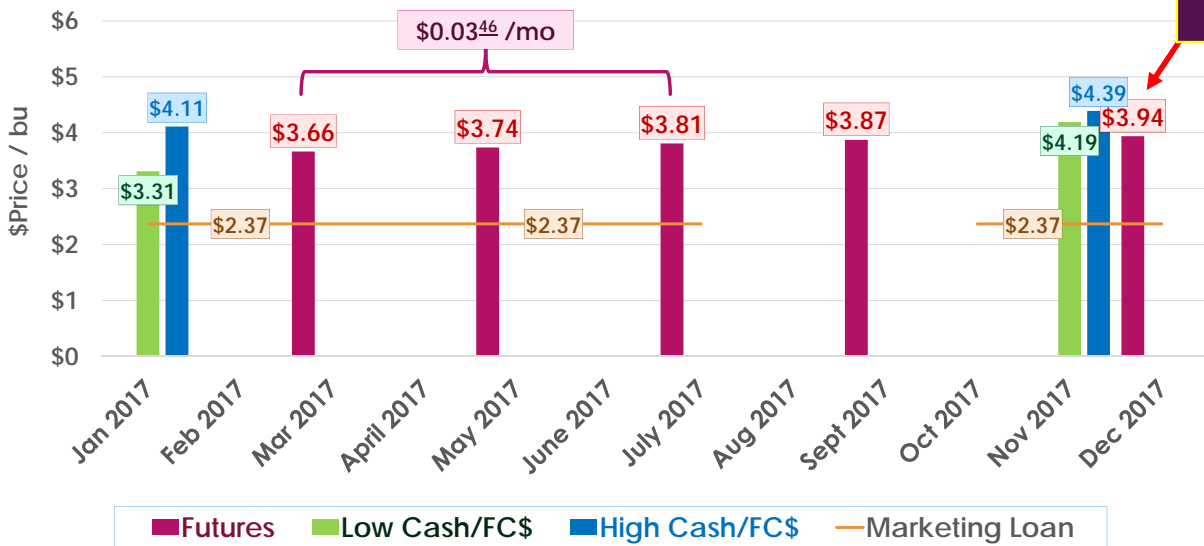
### Corn Basis Deviation, 01-19-2017

Basis Deviation = Current Basis - 3 Year Average Basis (2014, 2015, 2016)



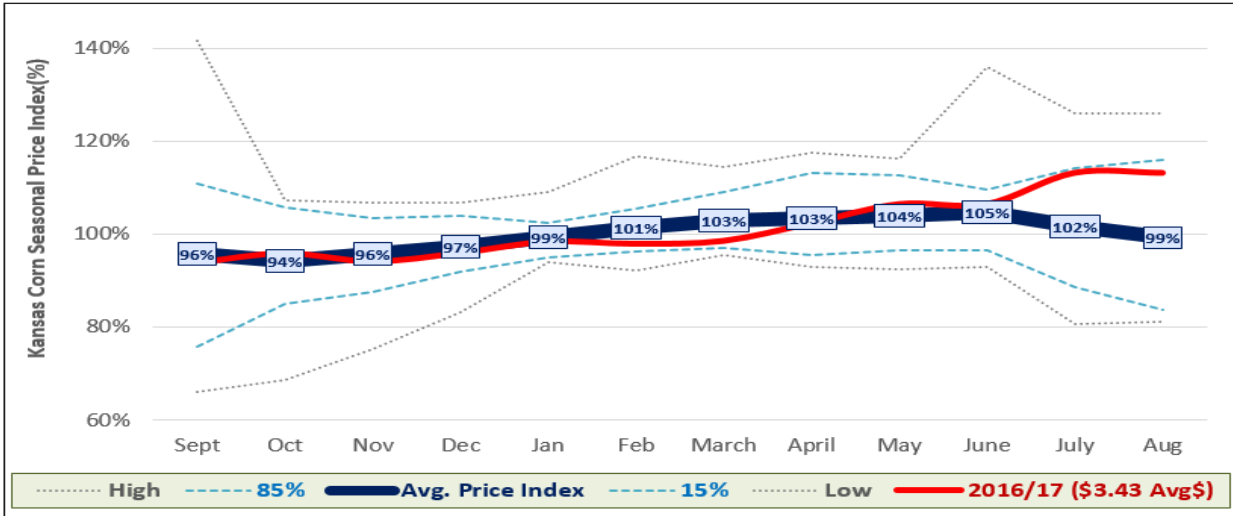
### Corn Cash & Futures Prices – Amarillo, TX

Regional Elevators – January 25, 2017

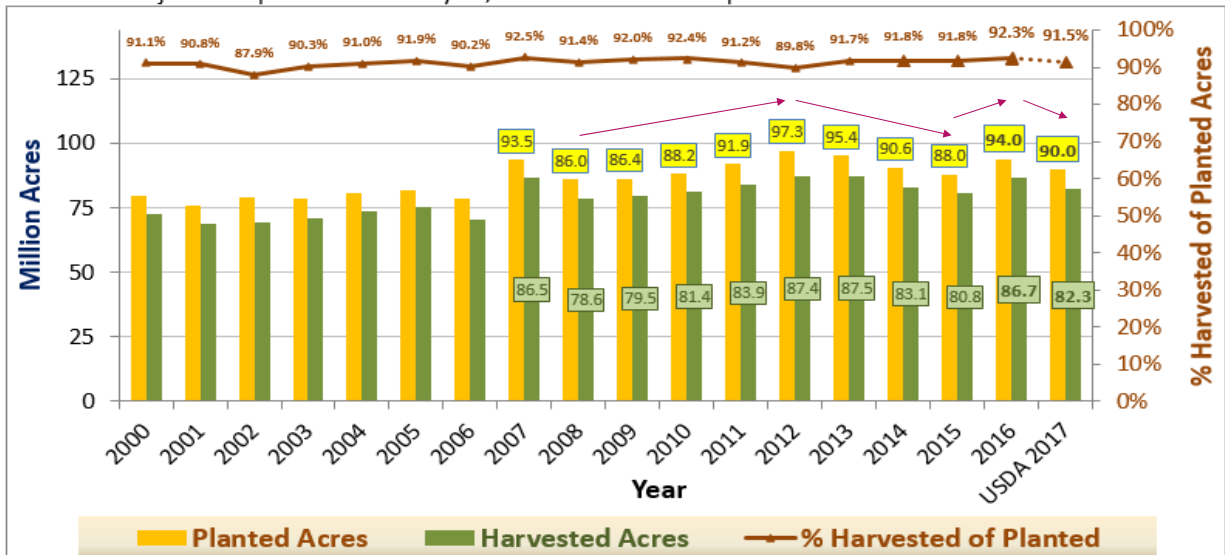


# Kansas Corn Seasonal Cash \$ Index 13

Monthly Prices: 1999/2000 – 2015/16 + Forecast MY 2016/17



# U.S. Corn Acreage: 2000-2017 14

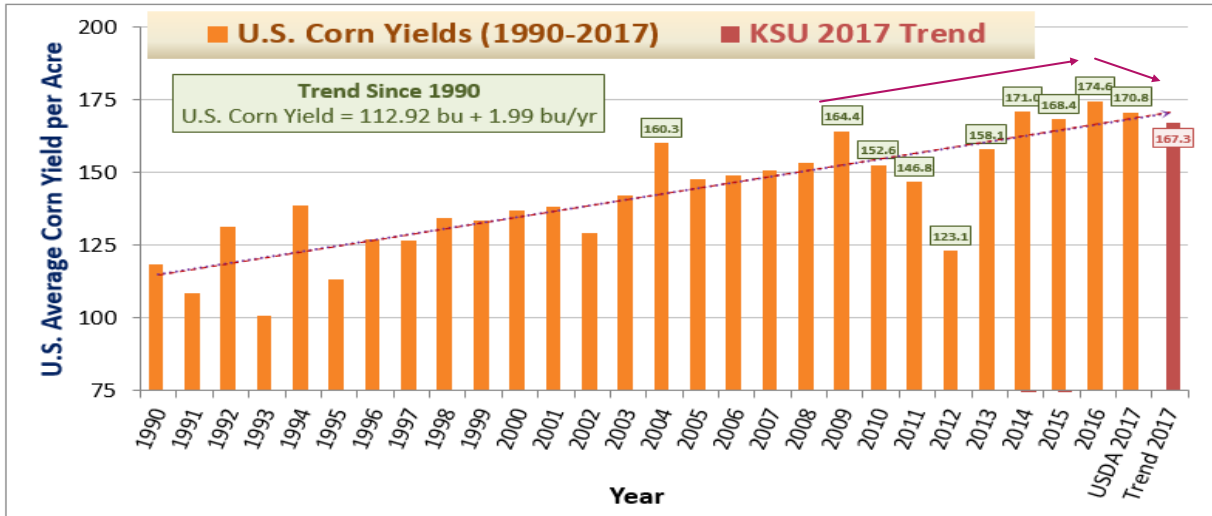


# U.S. Corn Yields: 1990-2017<sup>Est</sup>

15



USDA 2017 USDA Forecast = 170.8 bu/acre



# U.S. Corn Production & Supplies

16

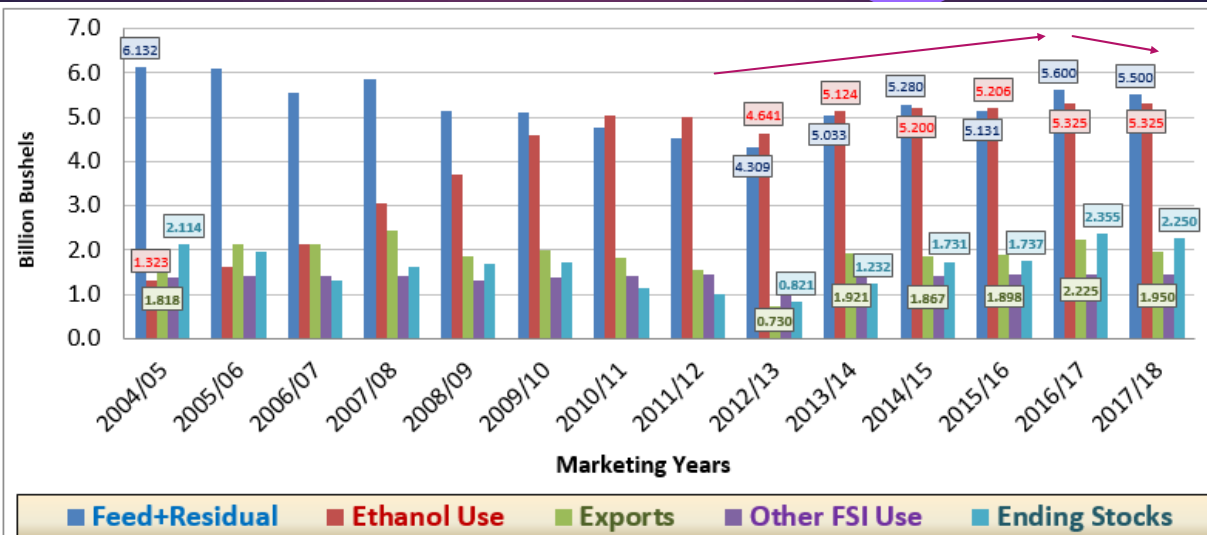






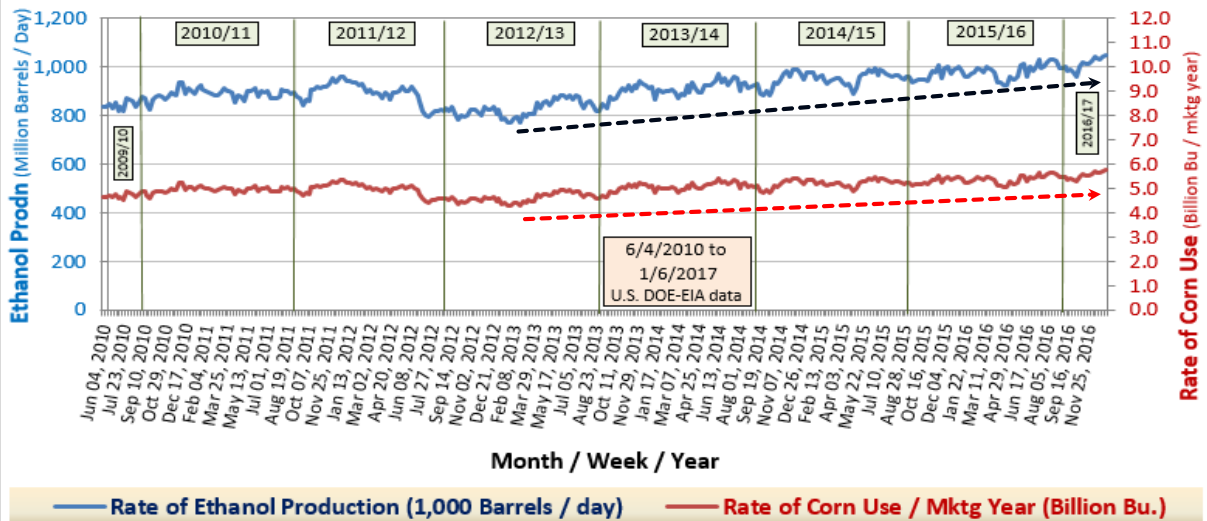
## U.S. Corn Use – By Category

18



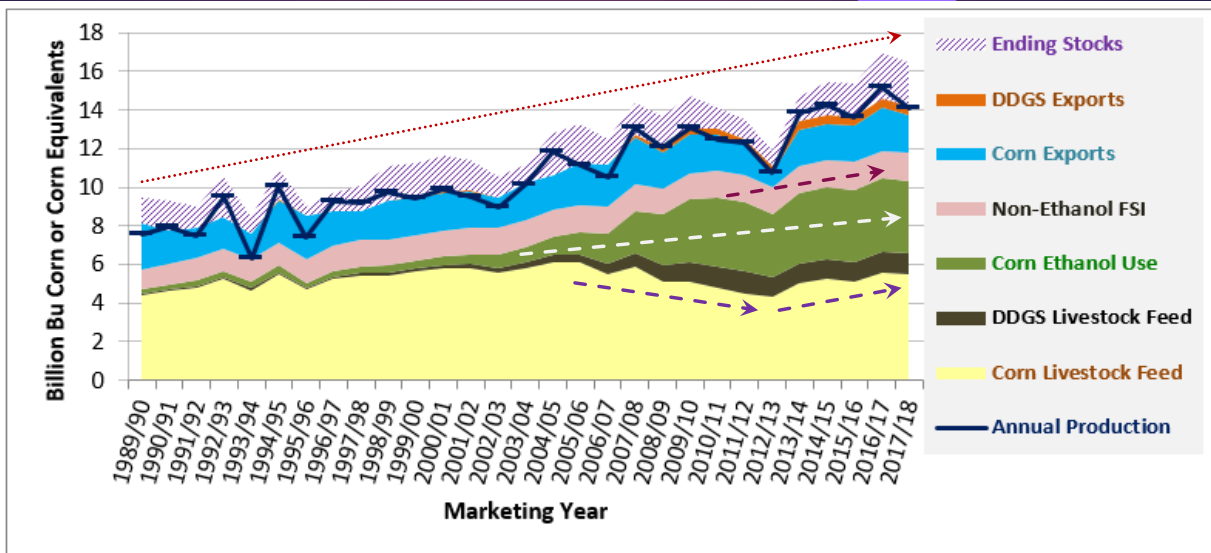
# U.S. Ethanol Production & Corn Use

19

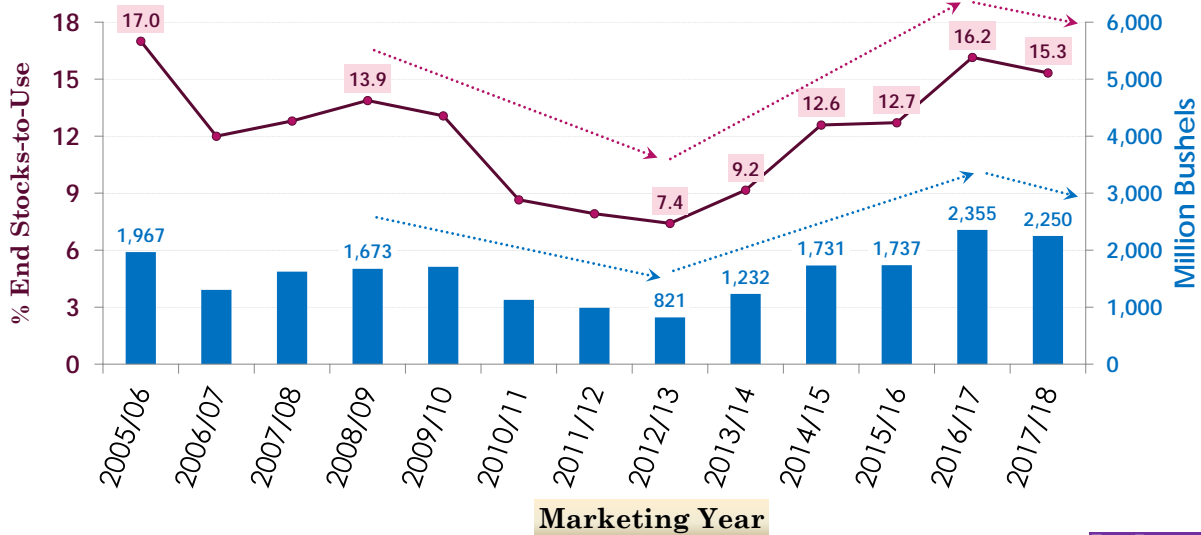


# U.S. Corn Use – By Category since 1989

20



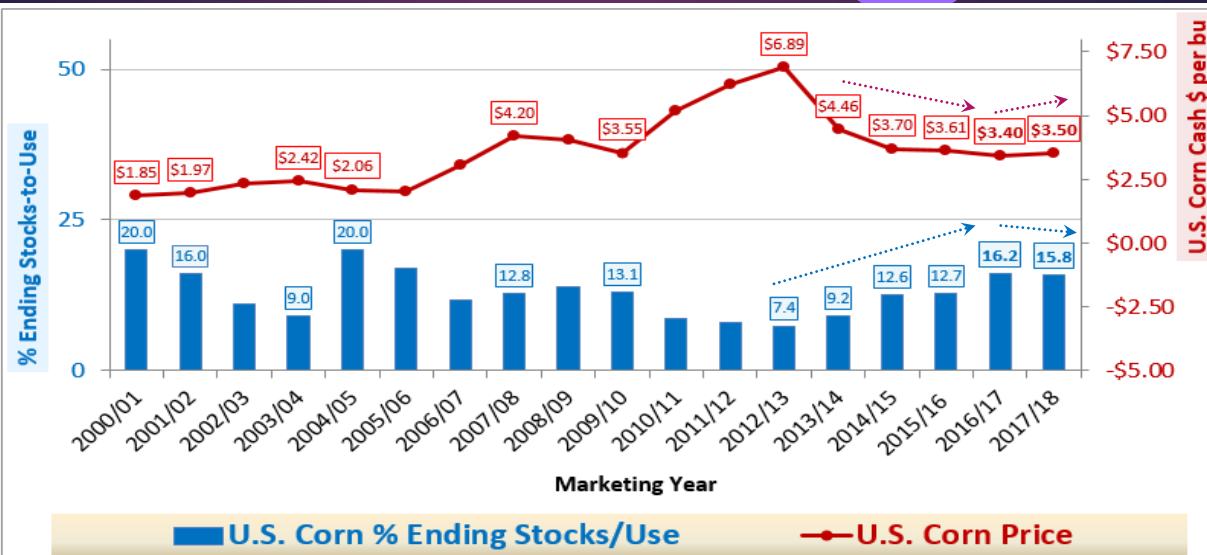
# U.S. Corn Ending Stocks & % Stocks/Use



Ernst & Young

# U.S. Corn % Stocks/Use vs Price\$

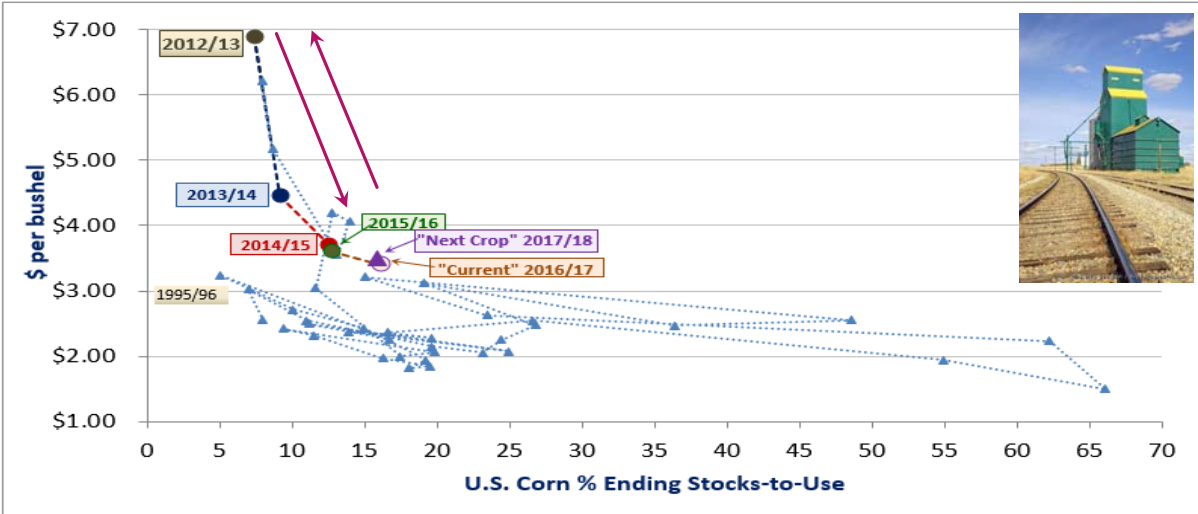
22



# U.S. Corn Price\$ vs U.S. % Stocks-to-Use

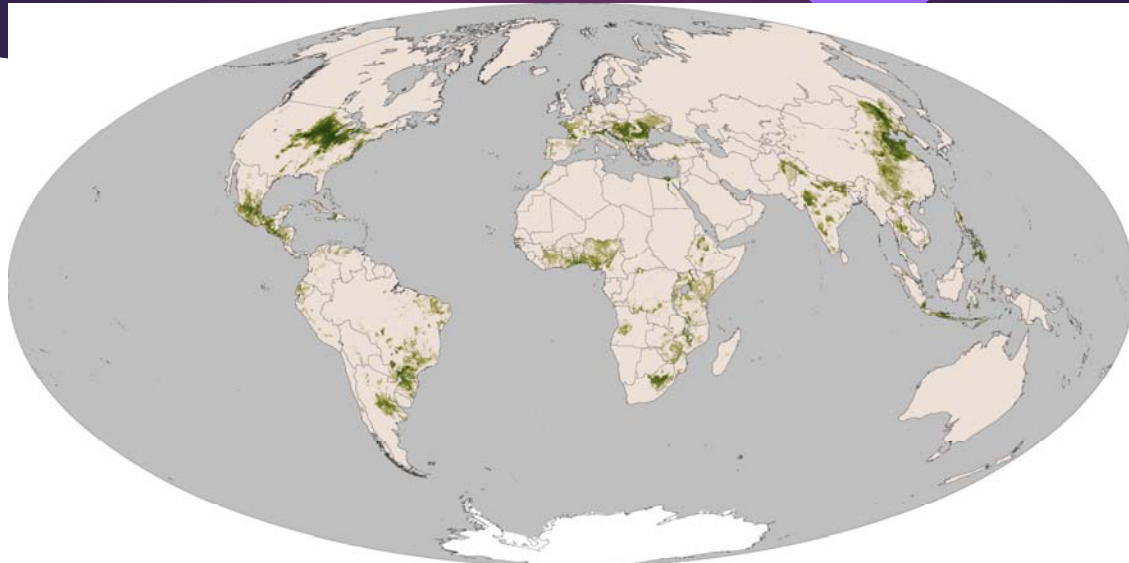
23

MY 1973/74 through "Next Crop" MY 2017/18




# World Corn (Maize) Production Regions

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### Monthly Crop Calendar for Corn

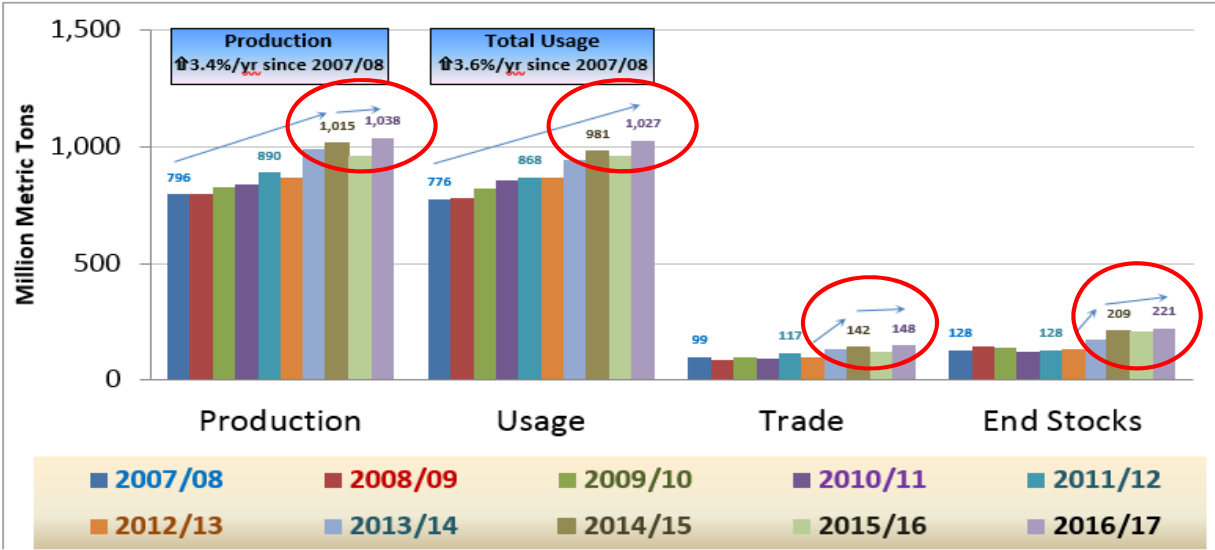
	Plant		Silk		Harvest														
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep							
EU	H	H	H	H				P	P	P	P		H	H	H	H			
US	H	H	H					P	P	P		S	S	S		H			
Mexico Summer	H	H	H	H	H	H	H	H											
Ukraine	H	H	H					P	P	P		S	S			H			
Russia	H	H	H	H				P	P			S	S	S					
China	H	H			 CHS Hedging Jenna Roe				P	P	P	P				H	H		
Indonesia Dry Region	H	H							P	P	P	P	P	P		H	H	H	H
Philippines Main					P	P	P	P	P	P	P		H	H	H	H			
Canada	H	H	H	H					P	P	P	P	S	S	S	S	H		
India	H	H	H	H	H	H	H	H	H	H					P	P	P		
Brazil 1st crop	P	P	P	P	P	P	H	H	H	H	H	H				P	P	P	
Argentina	P	P	P	P	S	S	S		H	H	H	H	H					P	P
Philippines 2nd Crop	P	P	P	P	H	H	H	H	H								P	P	
South Africa	P	P	P	P	P	P	S	S				H	H	H	H	H			
Mexico Winter					P	P	P	P	P	P		H	H	H	H	H			
Brazil 2nd crop						P	P	P	P			H	H	H	H	H	H		
Indonesia Rainy Region	H	H	H	H	H	H			P	P	P								
Nigeria								P	P	P	P	P	P	P	H	H	H	H	

Sources: USDA, AMIS, and CHS, Inc. locations  
 \*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.  
 \*\*Production estimates are for ALL CORN. Numbers will be listed next to the variety that comes first in the chart.

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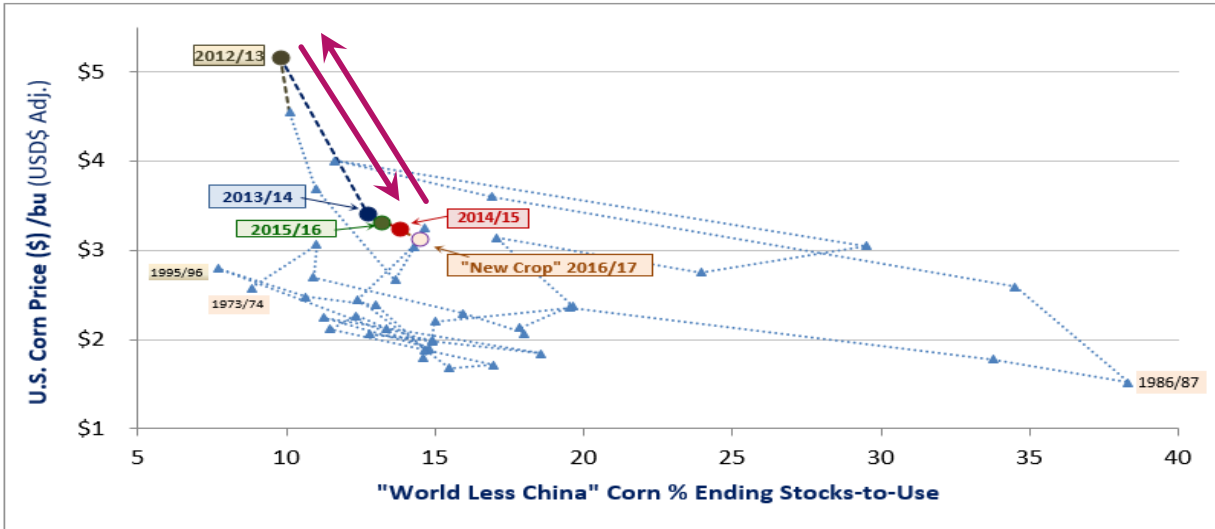
## World Corn Supply, Use & Stocks



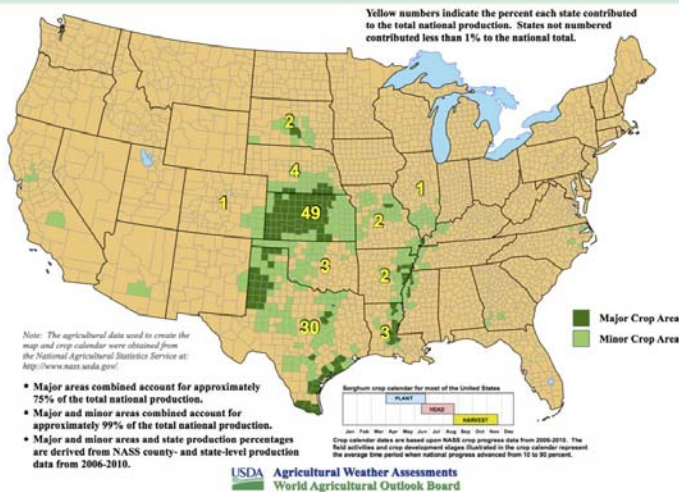


# U.S. Corn \$<sup>USD adj</sup> vs World<sup>Less China</sup> % S/U

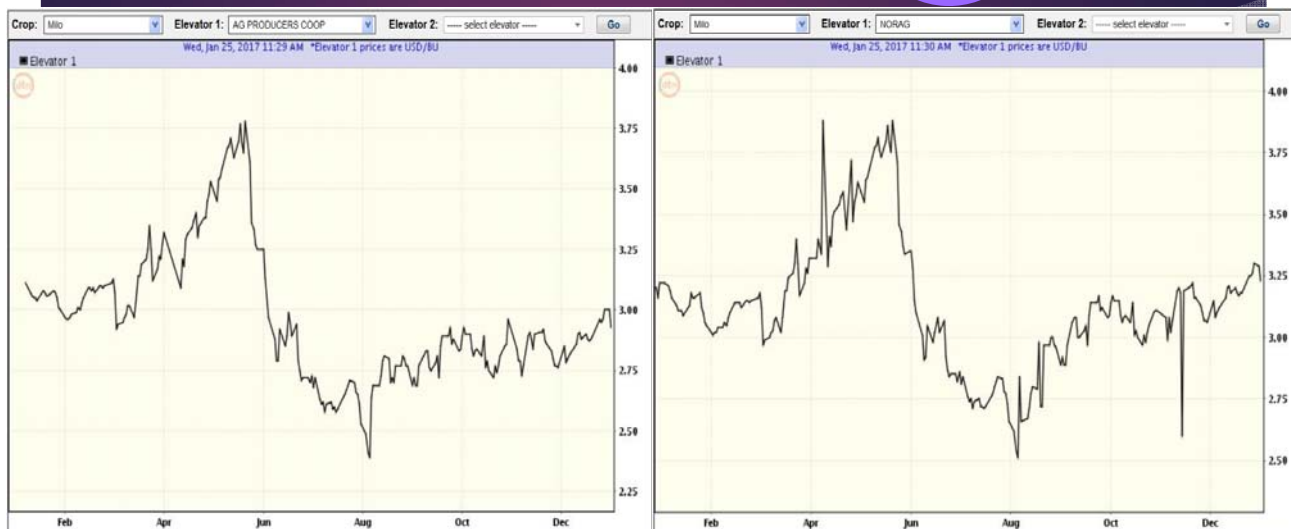
MY 1973/74 through "New Crop" MY 2016/17



## United States: Sorghum



# Grain Sorghum Cash \$'s: Bushland & Hart, TX <sup>29</sup>

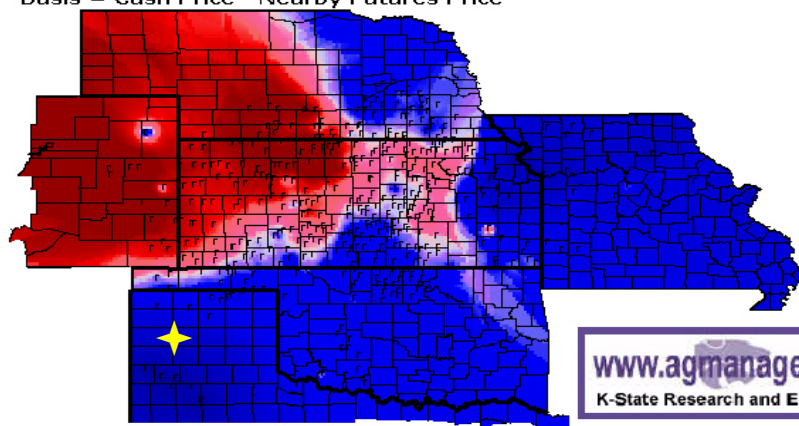
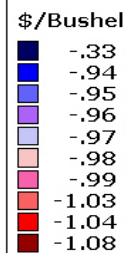


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## Grain Sorghum Basis, 01-19-2017

Basis = Cash Price - Nearby Futures Price

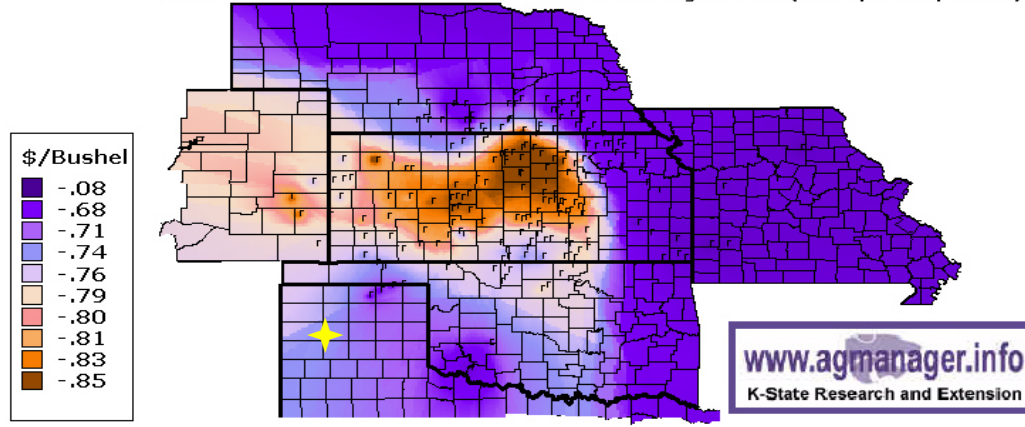
CBT Corn  
Mar Futures  
Price: \$3.66



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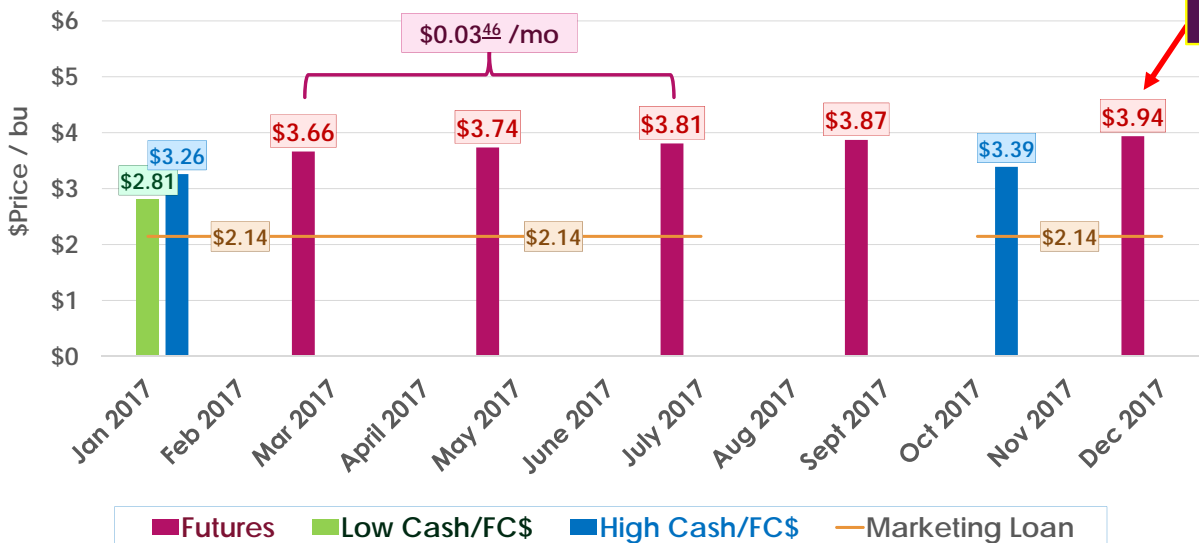
### Grain Sorghum Basis Deviation, 01-19-2017

Basis Deviation = Current Basis - 3 Year Average Basis (2014, 2015, 2016)



### Sorghum Cash & Futures – Amarillo, TX

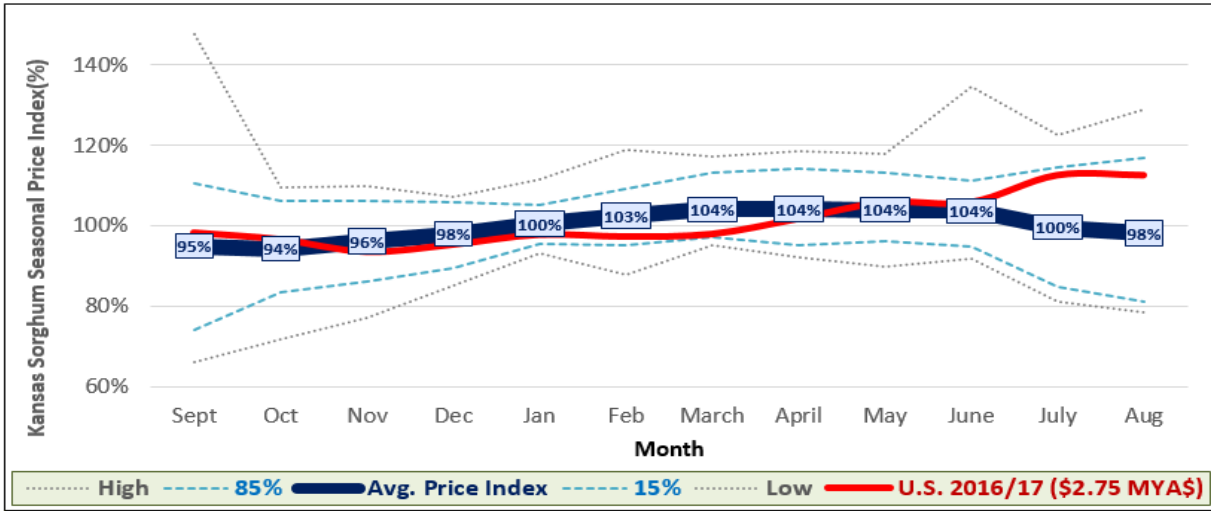
Regional Elevators – January 25, 2017



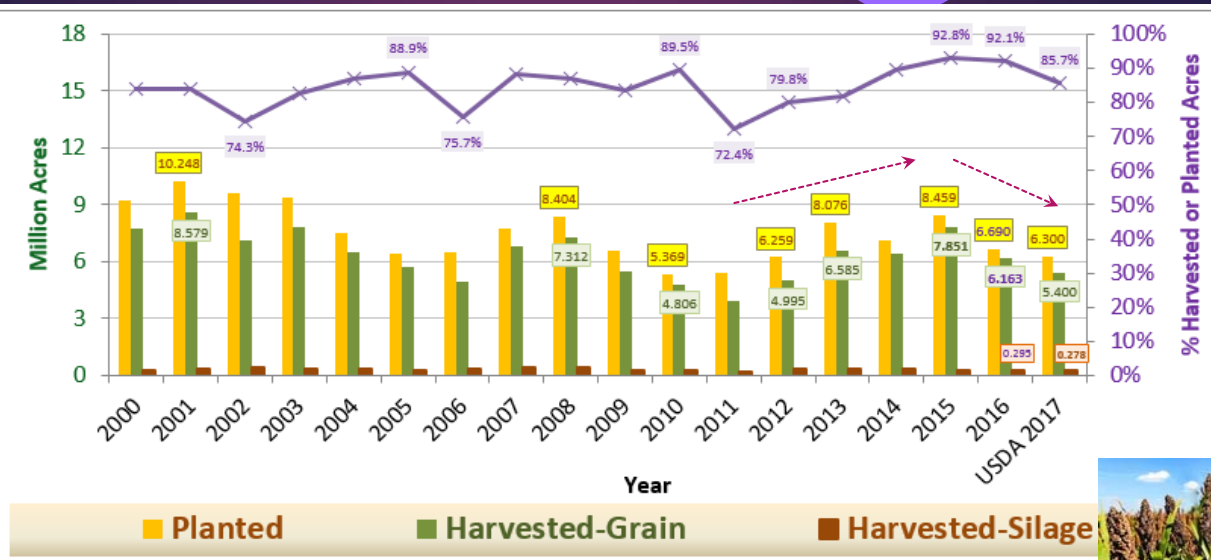


# Kansas Sorghum Seasonal Cash \$ Index

Monthly Prices: 1999/2000 – 2015/16 + Forecast MY 2016/17



# U.S. Sorghum Acreage: 2000-2017<sup>EST</sup>

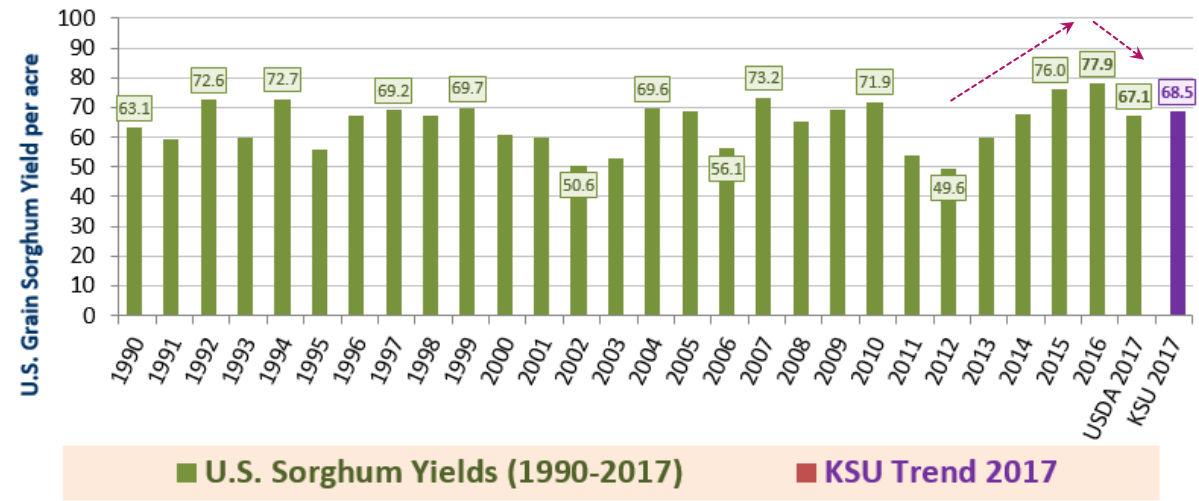


# U.S. Sorghum Yields: 1990-2017

USDA 2017 USDA Forecast = 67.1



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# U.S. Sorghum Production & Supplies

NY 2000/01 to "Next Crop" MY 2017/18

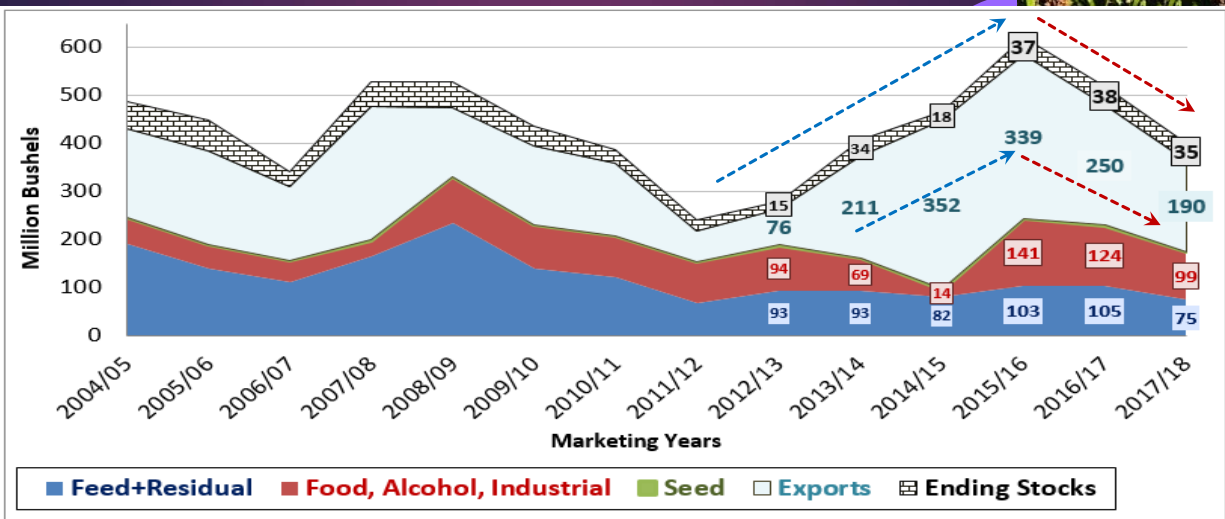


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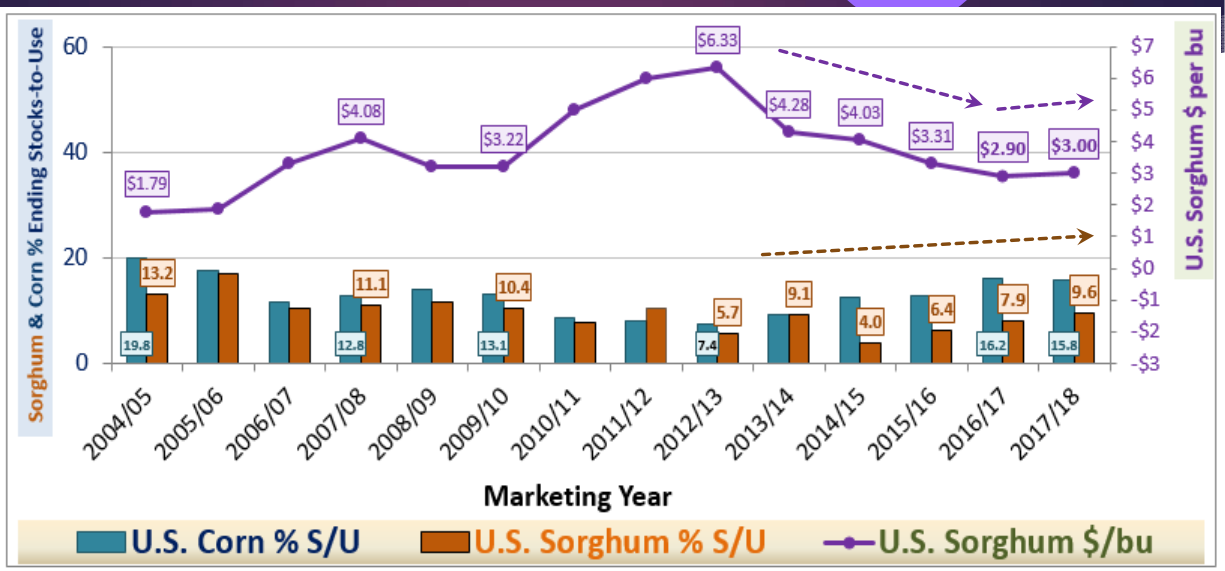


# U.S. Sorghum Use & Ending Stocks

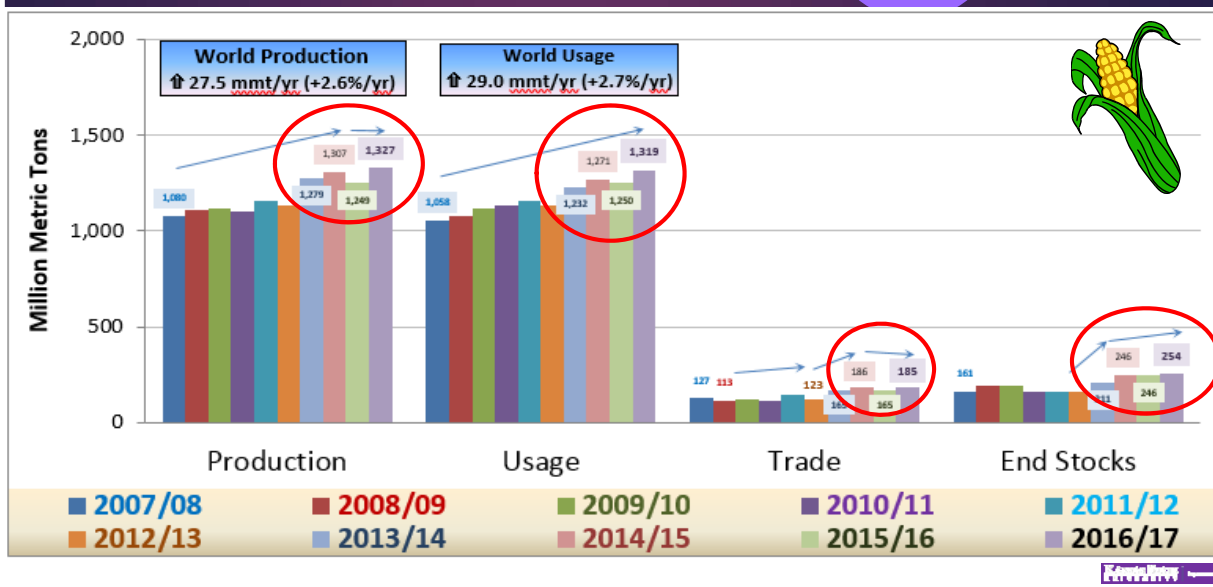
MY 2004/05 to "Next Crop" MY 2017/18



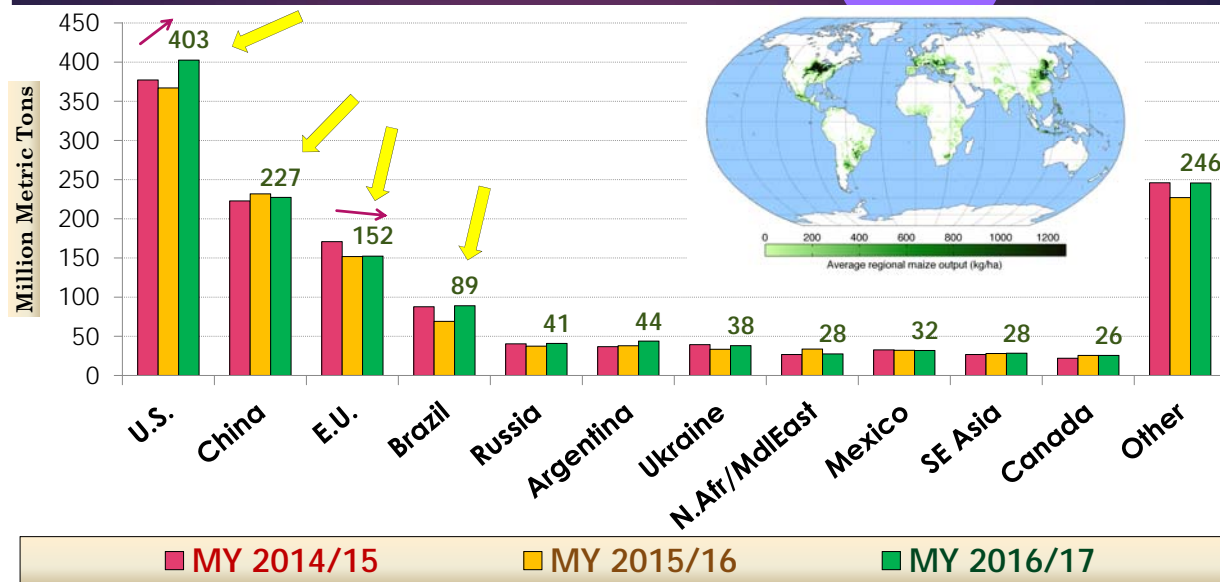
# U.S. Sorghum & Corn %S/U vs U.S. Sorghum Price



# World Coarse Grain Supply, Use & Stocks 39

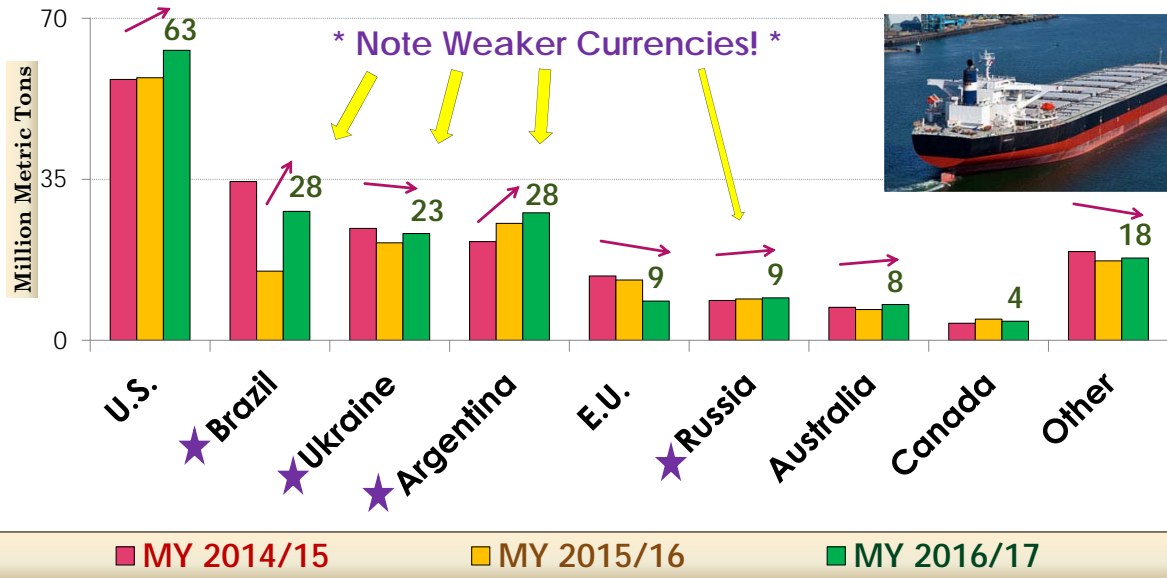


# World Coarse Grain Producers 40



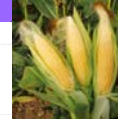
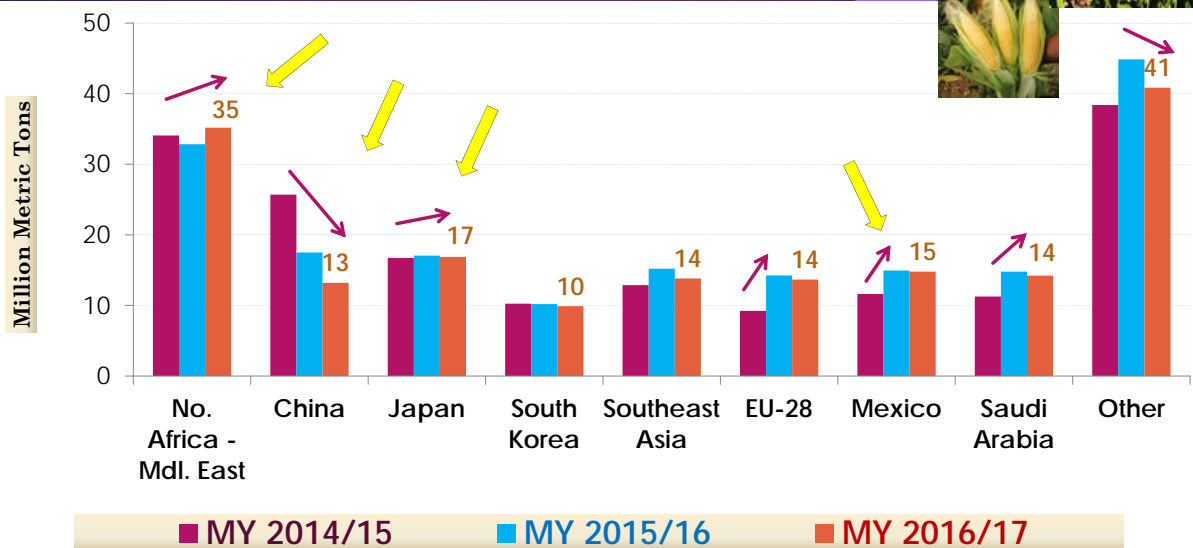
# Coarse Grain Exporters

41



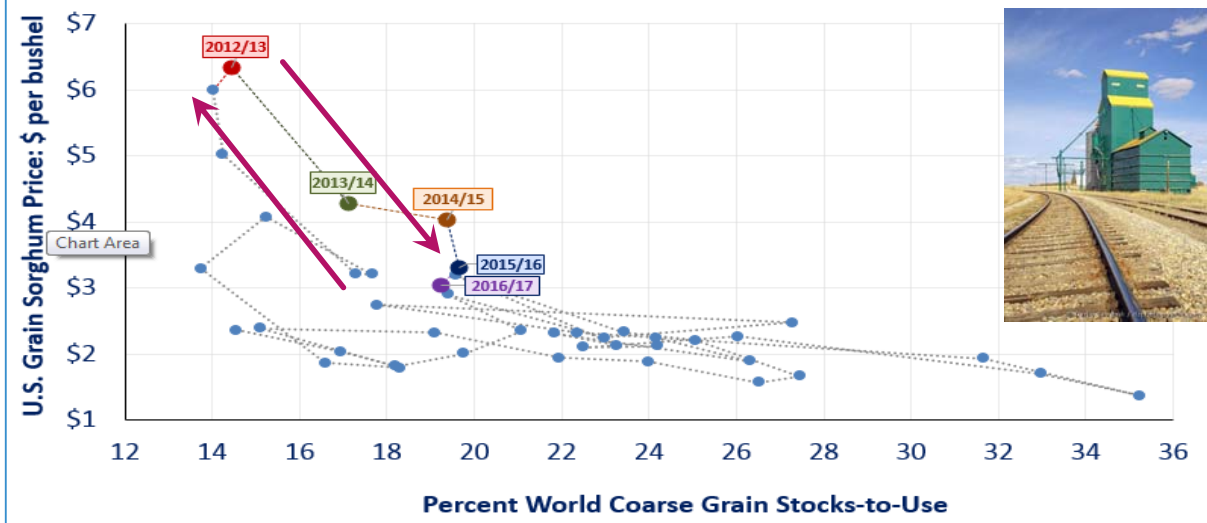
# Coarse Grain Importers

42



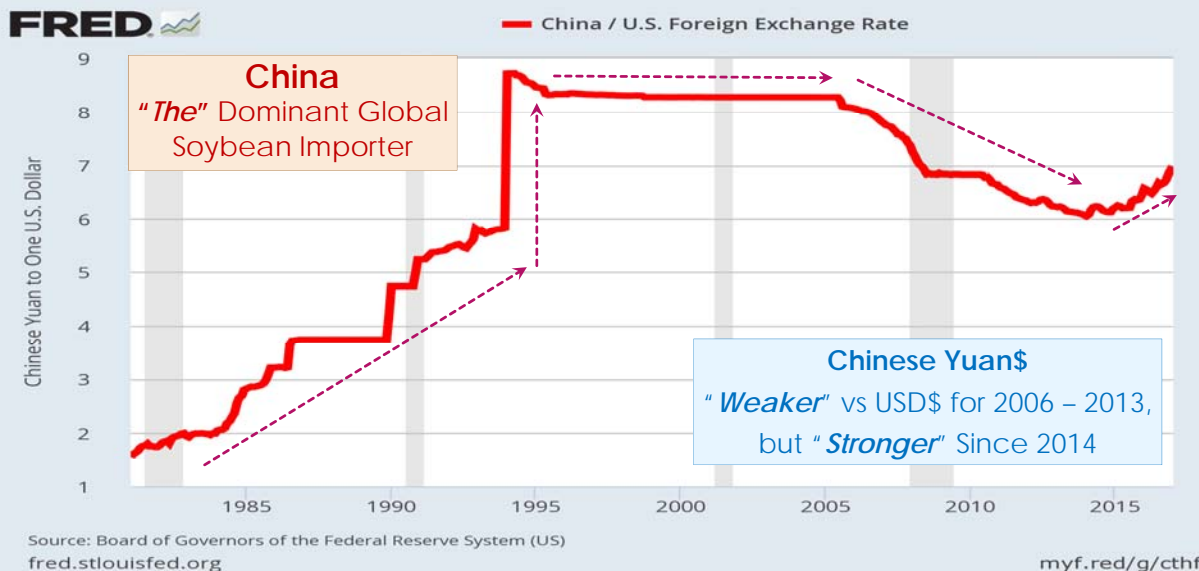
# U.S. Sorghum \$ vs World Coarse Grain % S/U 43

MY 1973/74 through "New Crop" MY 2016/17



# China Exchange Rates - Monthly

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## China Corn & Soybean Supply-Demand Ests.

Source: [www.dimsums.blogspot.com](http://www.dimsums.blogspot.com)

Item	Unit	2015/16	2016/17 Dec.	2016/17 Jan
Planted area	1000 ha	38,117	36,026	36,026
Harvested area	1000 ha	38,117	36,016	36,021
Yield	Kg/ha	5,892	5,960	5,978
Production	MMT	224.58	214.65	215.33
Imports	MMT	3.2	1.0	1.0
Consumption	MMT	194.05	210.72	210.72
--Food	MMT	7.65	7.82	7.82
--Feed	MMT	121.01	133.53	133.53
--Industrial use	MMT	54.17	57.75	57.75
--Seed	MMT	1.66	1.61	1.61
Loss and other	MMT	9.56	10.01	10.01
Exports	MMT	0.01	0.5	0.5
Surplus	MMT	33.73	4.43	5.11

Item	Unit	2015/16	2016/17 Dec.	2016/17 Jan
Planted area	1000 ha	6,590	7,156	7,156
Harvested area	1000 ha	6,590	7,150	7,150
Yield	Kg/ha	1,762	1,748	1,748
Production	MMT	11.6	12.5	12.5
Imports	MMT	83.23	85.31	85.31
Consumption	MMT	96.67	99.72	99.77
--Crushing	MMT	82.89	85.50	85.50
--Food	MMT	10.35	11.18	11.18
--Seed	MMT	0.54	0.56	0.61
Loss and other	MMT	2.89	2.48	2.48
Exports	MMT	0.11	0.20	0.20
Surplus	MMT	-1.9	-2.1	-2.2

## China vs U.S. Corn Net Return Estimates

Source: [www.dimsums.blogspot.com](http://www.dimsums.blogspot.com)

Estimated net returns to corn production, Fall 2016

Item	Unit	Taozhuang village	Central Illinois
Yield	bu/acre	131	231
Price	US\$/bu	5.46	3.30
Gross income	\$/acre	715	762
Cost	\$/acre	<u>252</u>	<u>555</u>
"Net" income	\$/acre	463	207
<b>"Dividend" to villagers</b>	\$/acre	358	<b>Land rent</b> 220
"service center" expense	\$/acre	105	<b>Farmer loss</b> (-43)

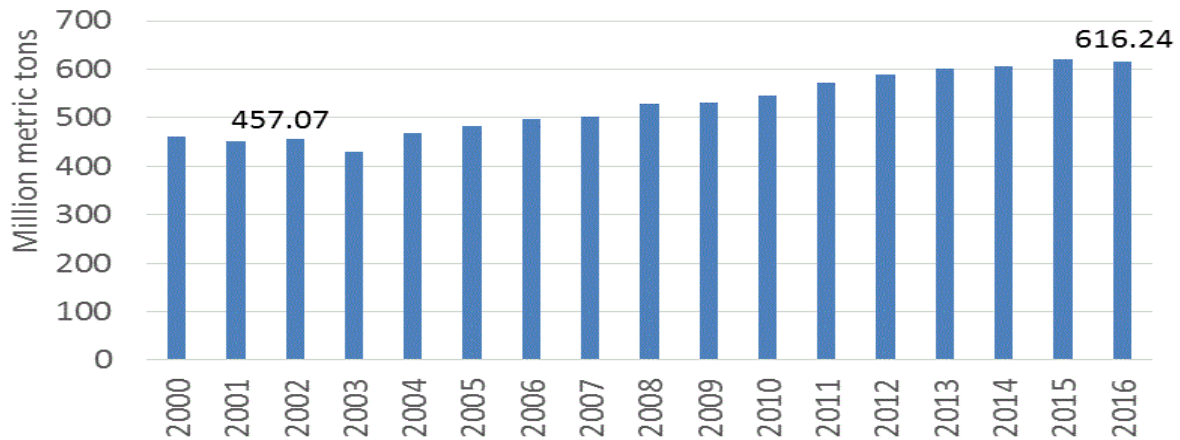
Sources: Ministry of Agriculture web site,

# China Grain Output: Years 2000-2016

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Source: [www.dimsums.blogspot.com](http://www.dimsums.blogspot.com)

China "grain" production, 2000-2016

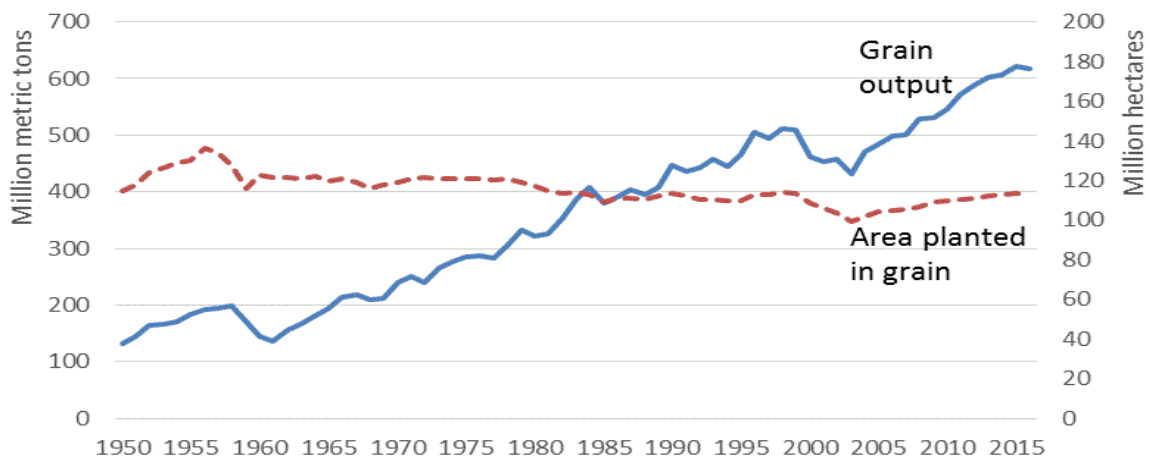


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# China Grain Output vs Planted Area: 1950-2016

Source: [www.dimsums.blogspot.com](http://www.dimsums.blogspot.com)

China grain output, 1950-2016



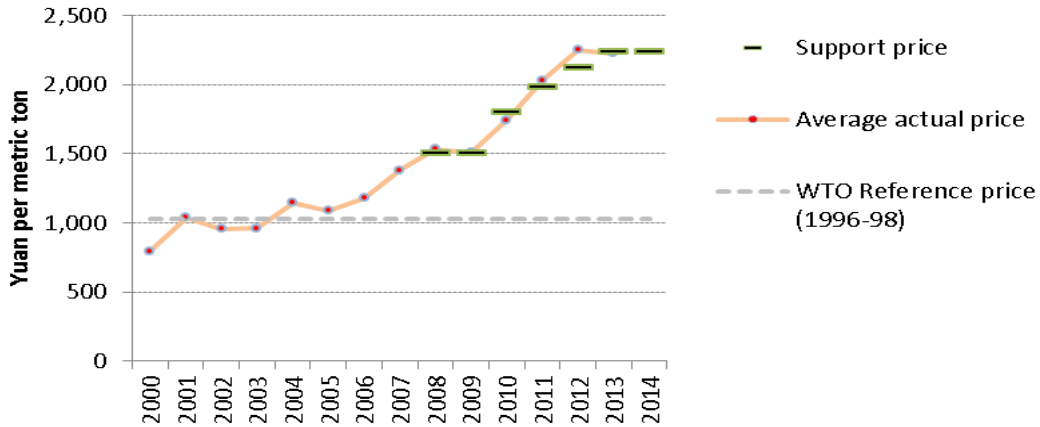


# China Corn Temporary Reserve Price

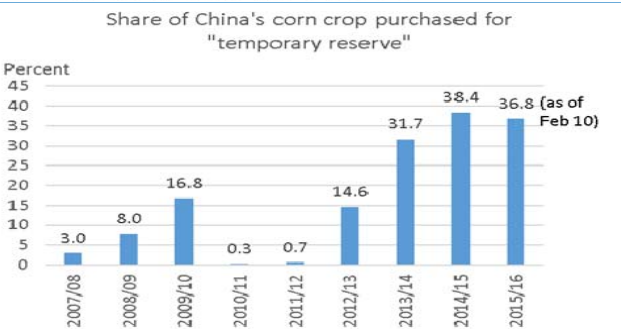
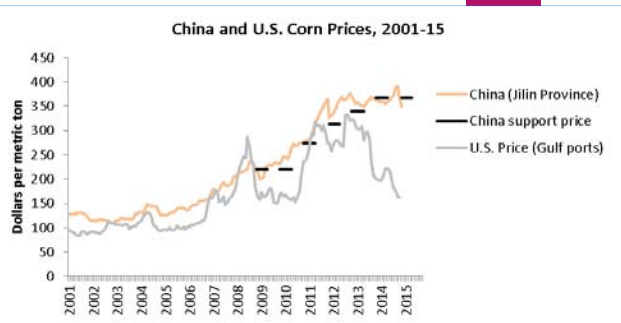
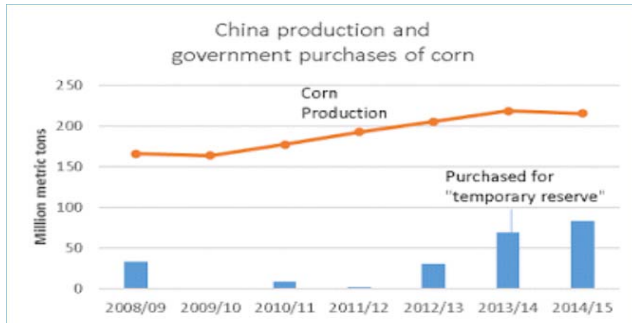
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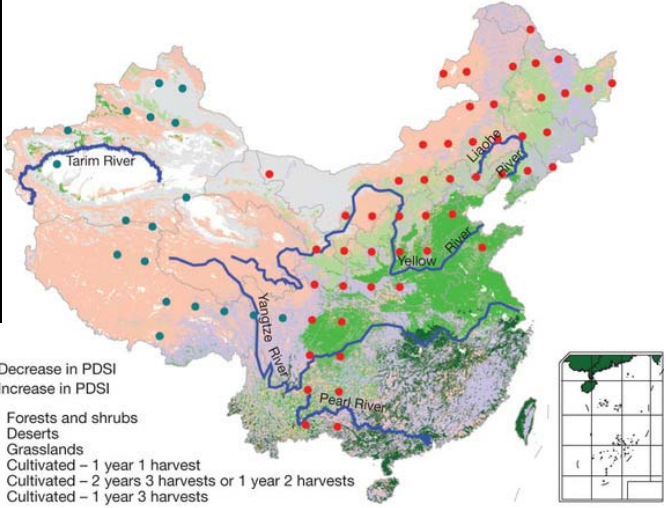
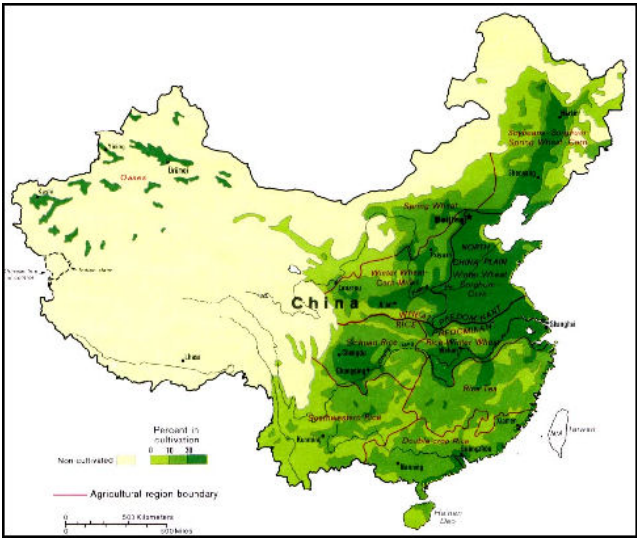
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### China corn prices, 2000-15



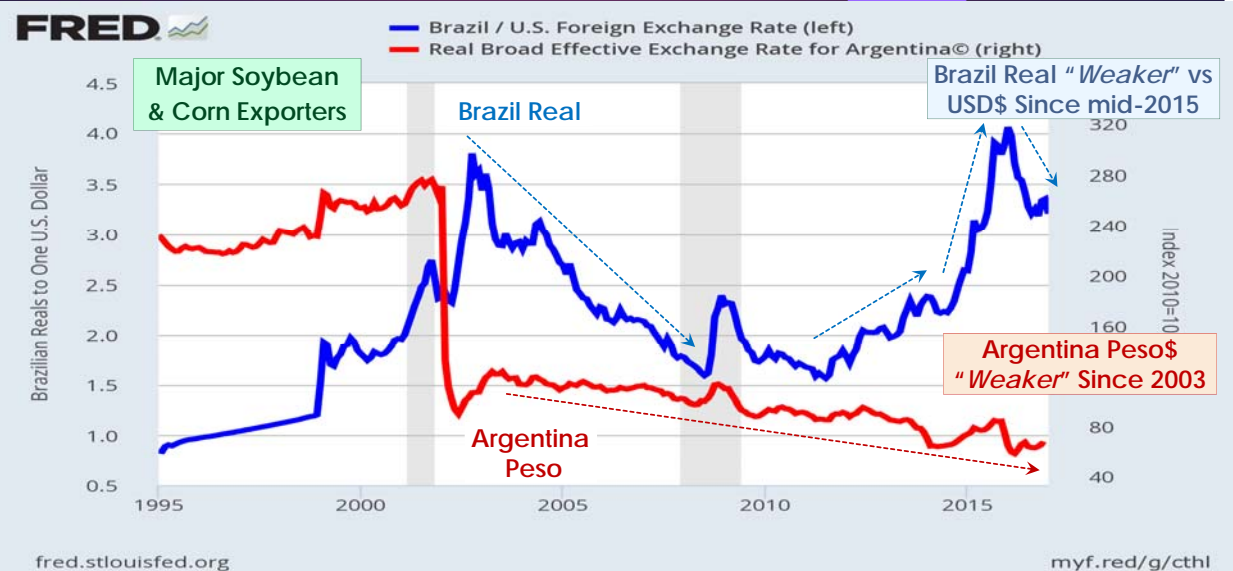
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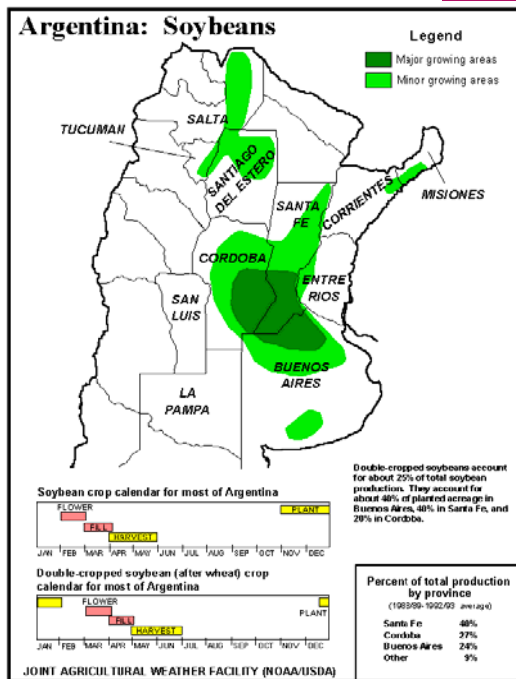
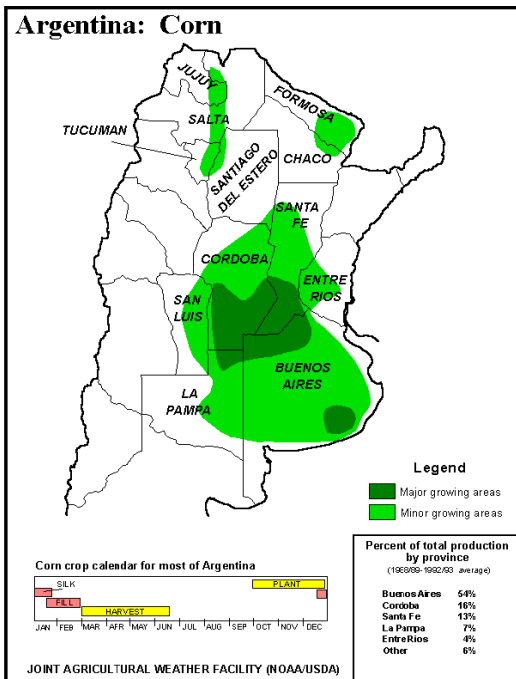
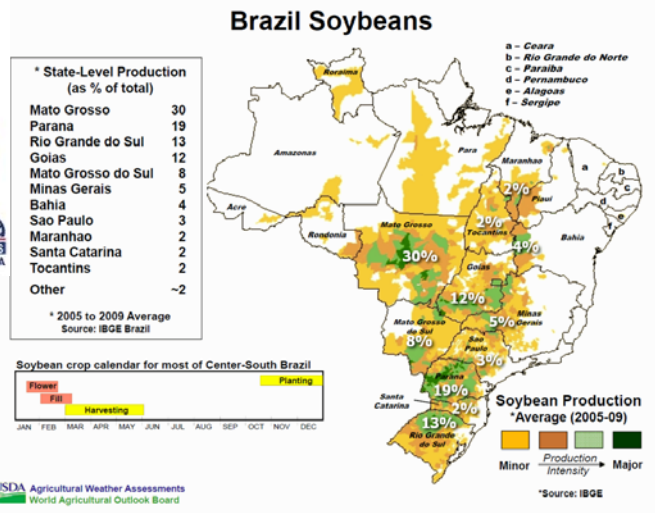
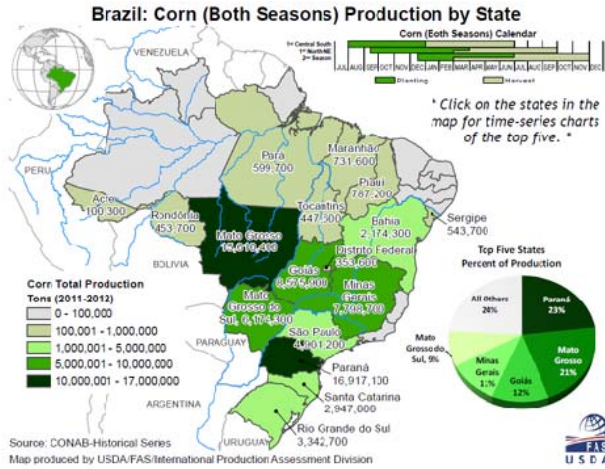




- Decrease in PDSI
- Increase in PDSI
- Forests and shrubs
- Deserts
- Grasslands
- Cultivated - 1 year 1 harvest
- Cultivated - 2 years 3 harvests or 1 year 2 harvests
- Cultivated - 1 year 3 harvests

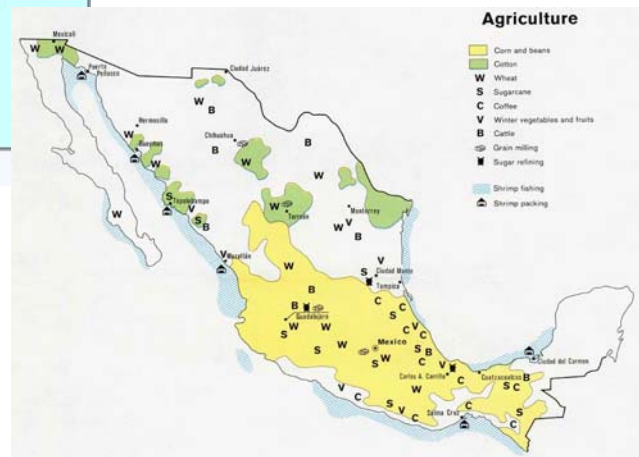
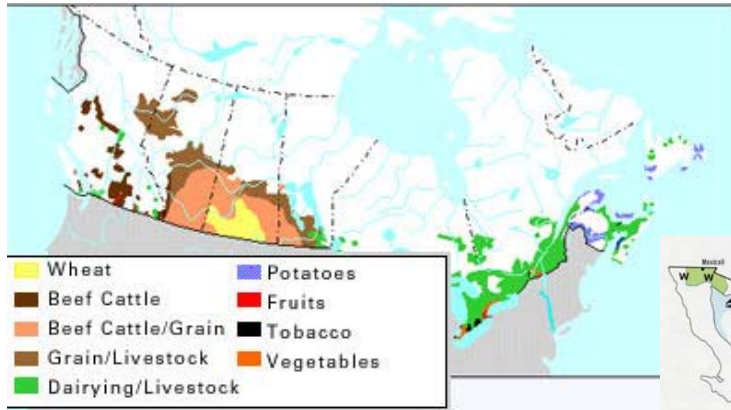
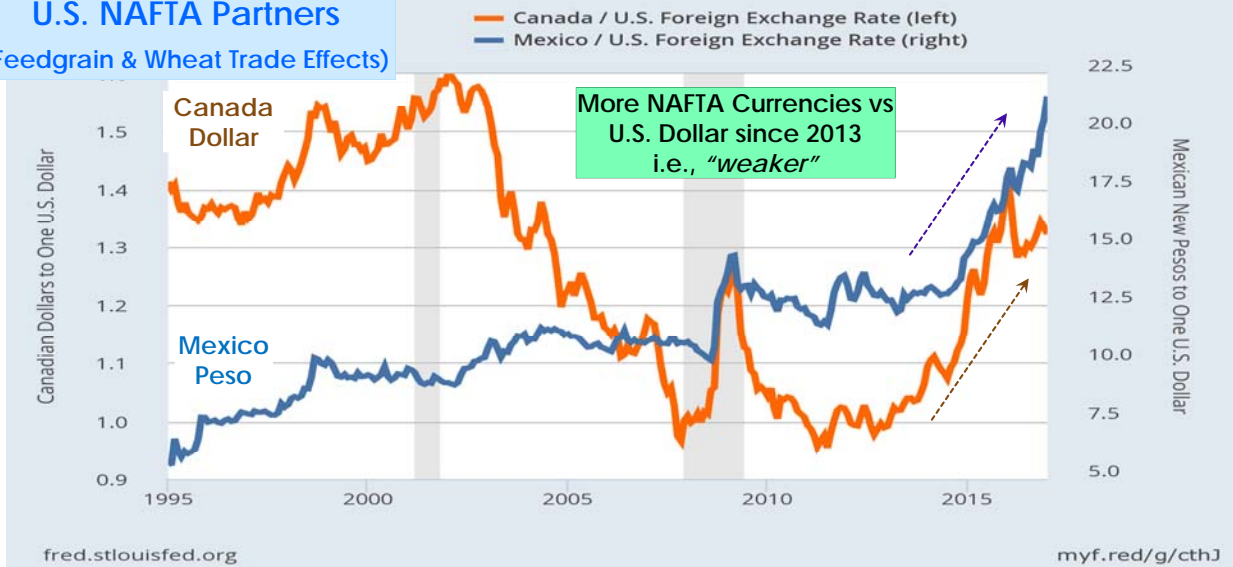
## Brazil & Argentina Exchange Rates - Monthly





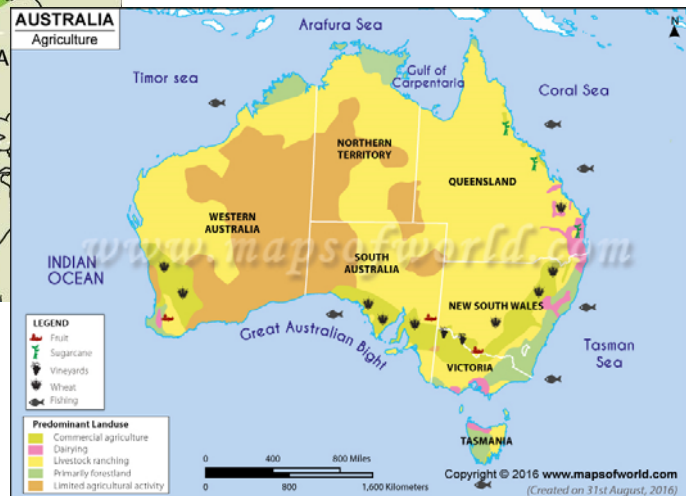
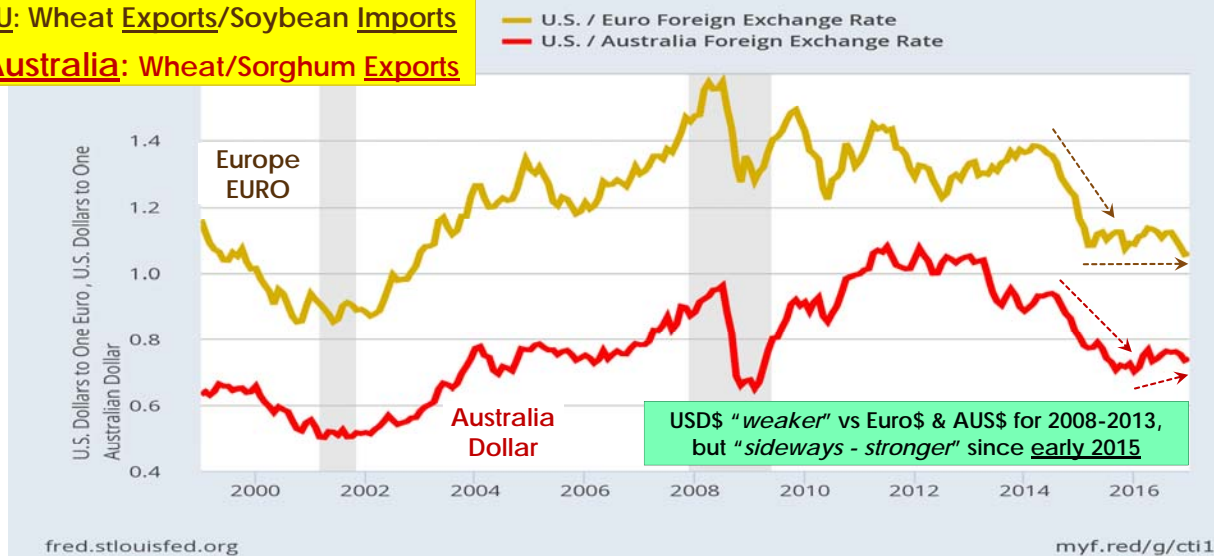
# Canada & Mexico Exchange Rates - Monthly

U.S. NAFTA Partners  
(Feedgrain & Wheat Trade Effects)



# Euro & Australia Currency per U.S. Dollar

EU: Wheat Exports/Soybean Imports  
 Australia: Wheat/Sorghum Exports



# Questions?

Daniel O'Brien – Kansas State University

[www.AgManager.info](http://www.AgManager.info)

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