

2017 Grain Marketing Strategies Workshop

Post Rock Extension District & Kansas State University

Jewell, Kansas – January 10, 2017

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KANSAS STATE
UNIVERSITY

Department of Agricultural Economics



Starting with Grain Market Outlook...

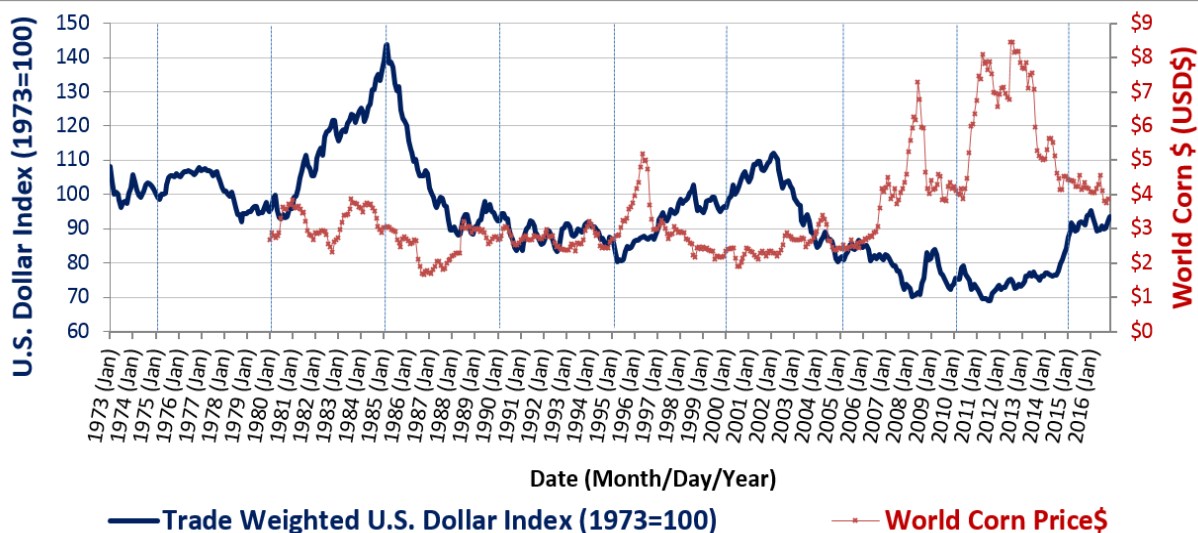
- 1) **Overall Grain Market Situation** – World & U.S.
- 2) **Currency Exchange Rate** impacts on the World grain trade & World grain prices
- 3) **Market Outlook** for Corn, Sorghum, Wheat & Soybeans

Current Grain Market Situation

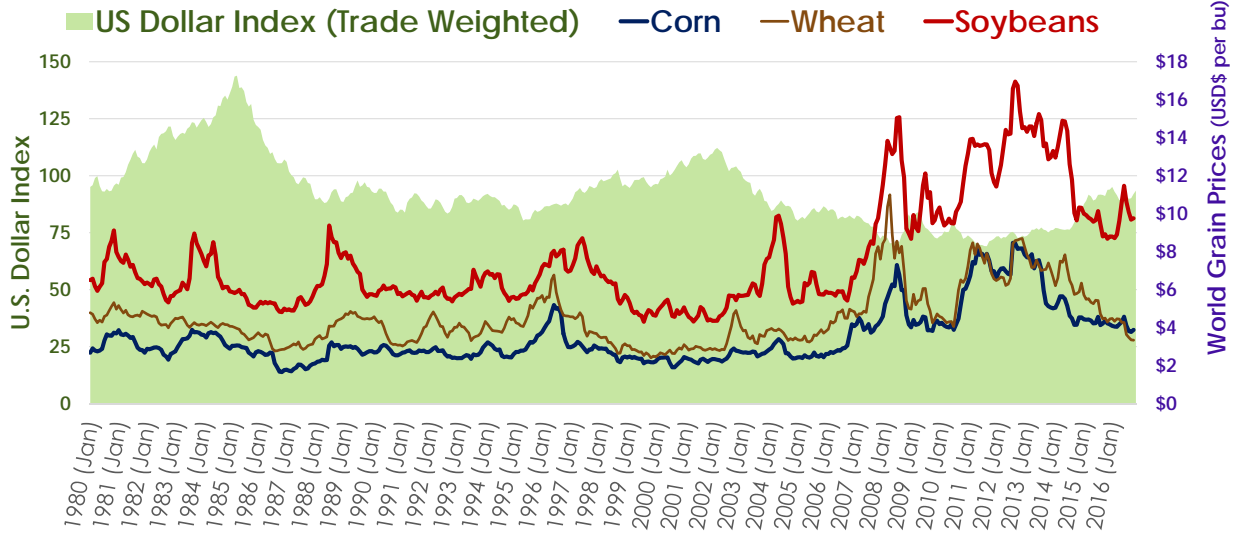
for U.S. & Kansas Farmers & Agribusinesses

- 1) Large grain supplies are limiting grain prices
- 2) Wheat prices in Kansas are below the Marketing Loan Rate
- 3) Grain farmers are now 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

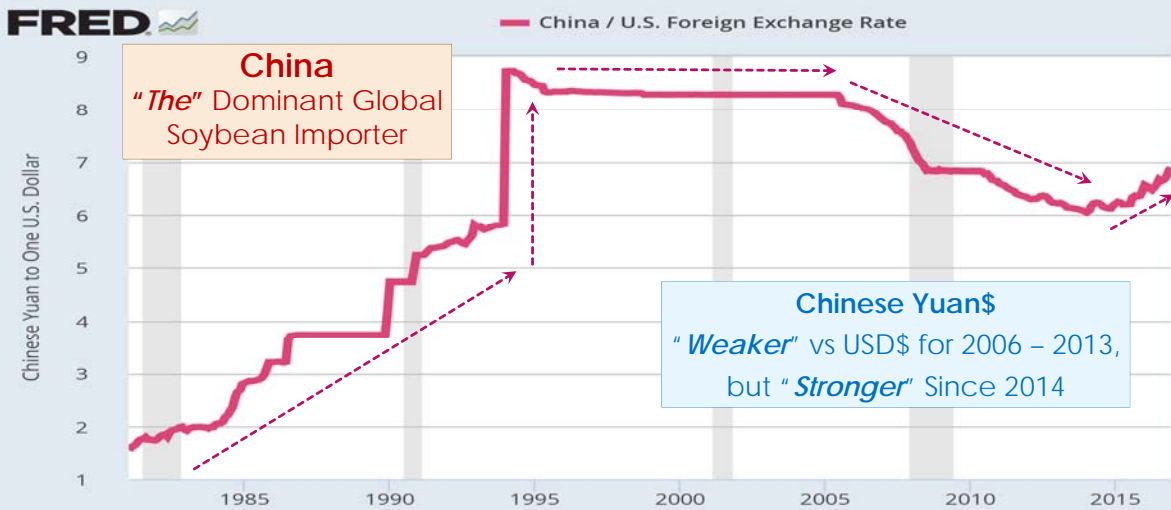
U.S. Dollar Index (Trade Weighted) 1973 – November 2016



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

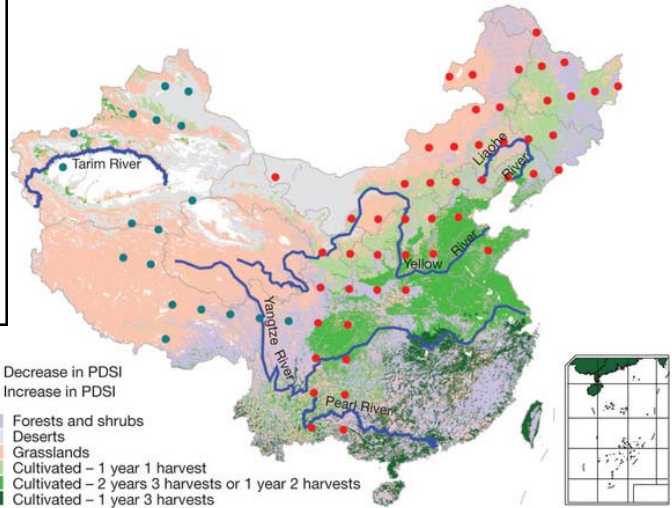
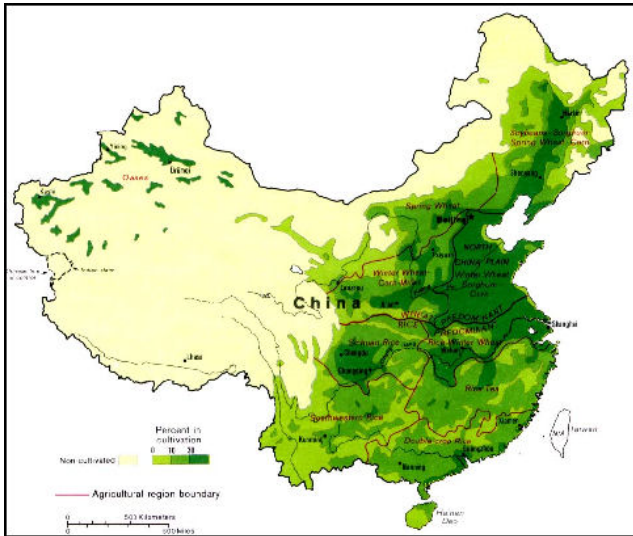


China Exchange Rates - Monthly



Source: Board of Governors of the Federal Reserve System (US)
fred.stlouisfed.org

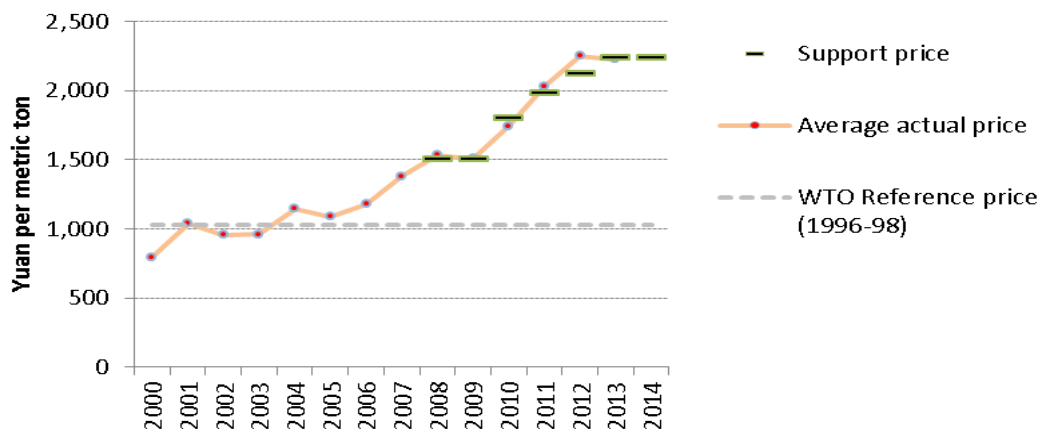
myf.red/g/c674

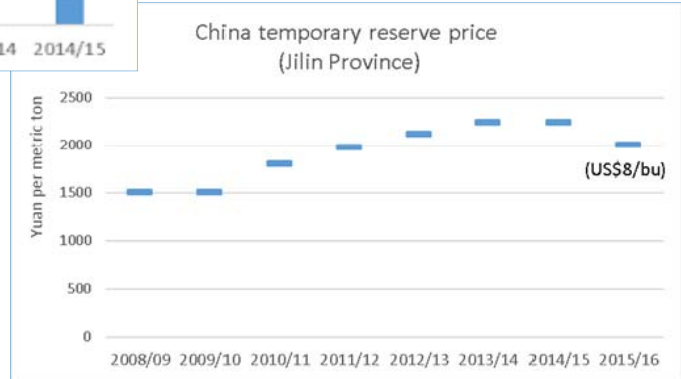
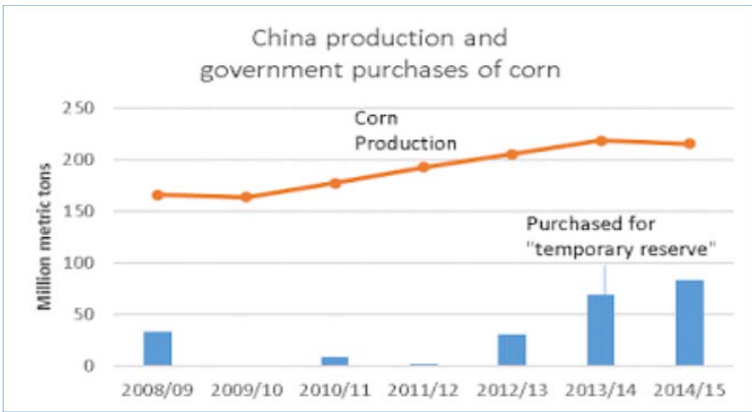


China Corn Temporary Reserve Price

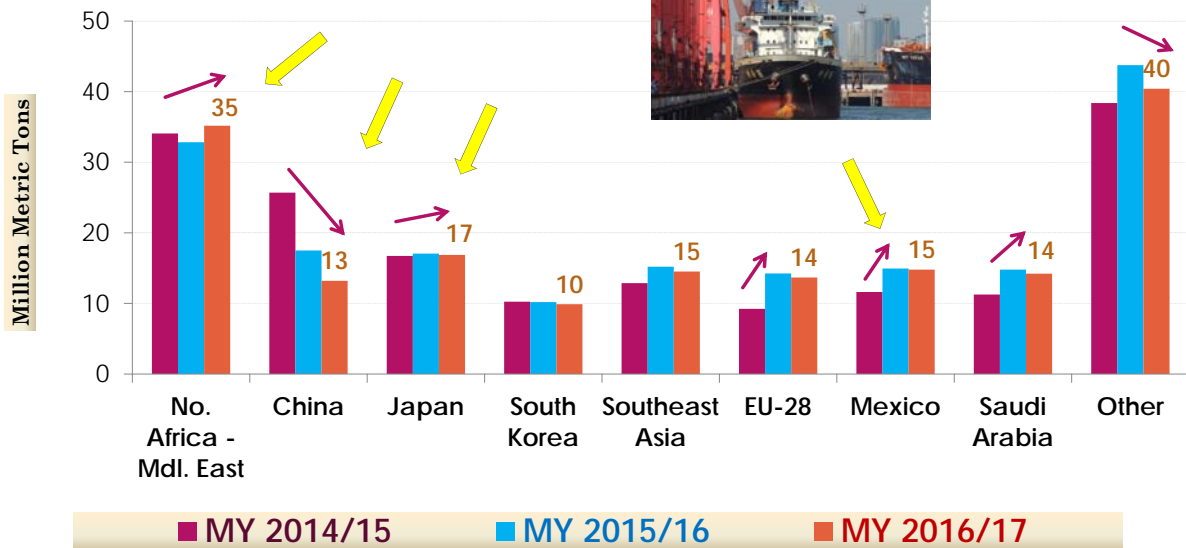
Source: www.dimsums.blogspot.com

China corn prices, 2000-15

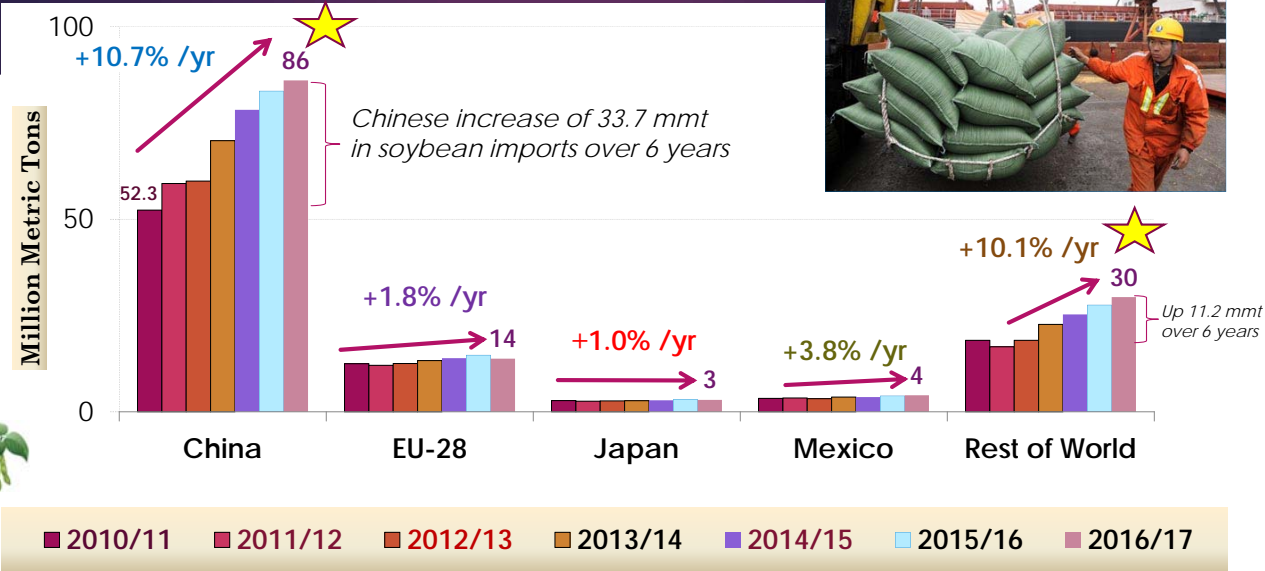




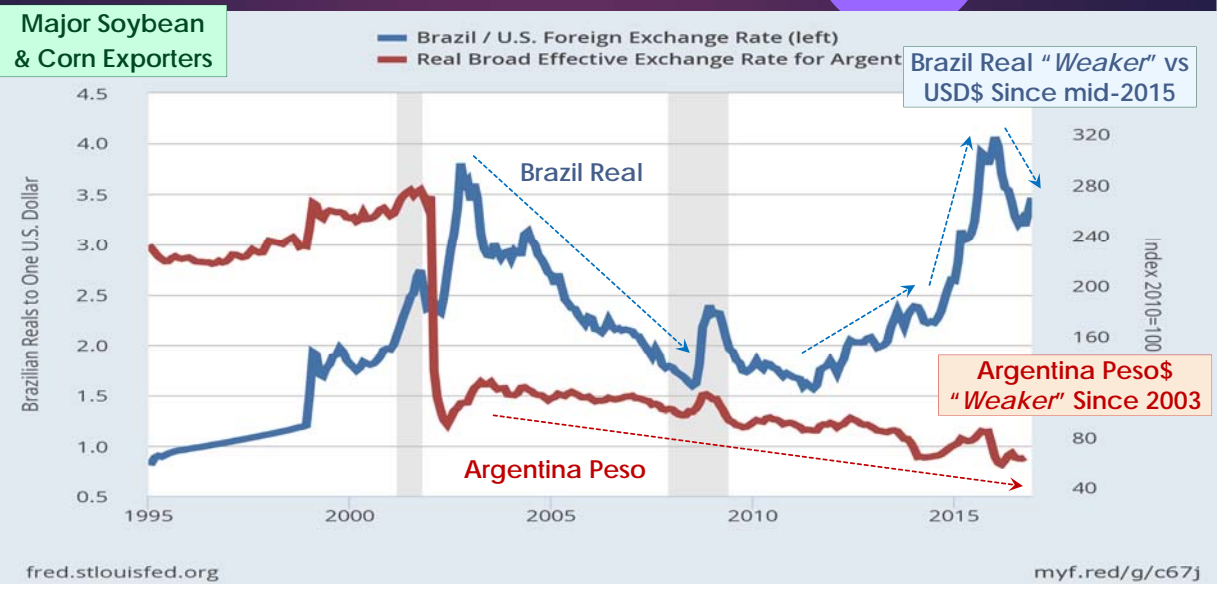
Coarse Grain Importers

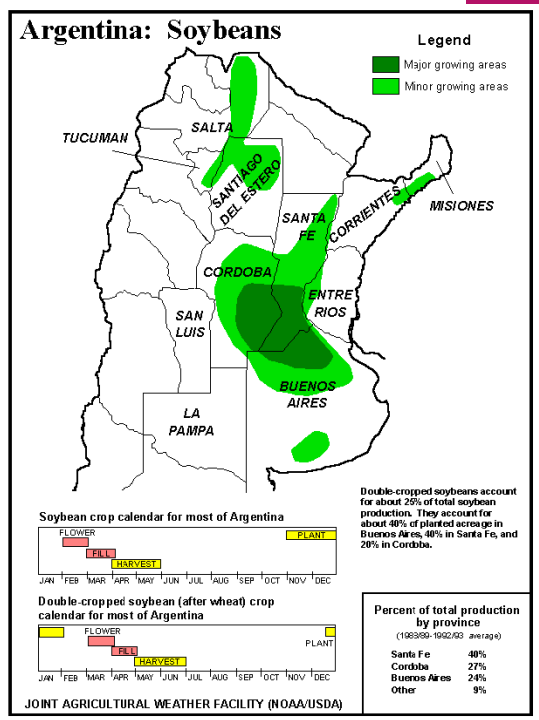
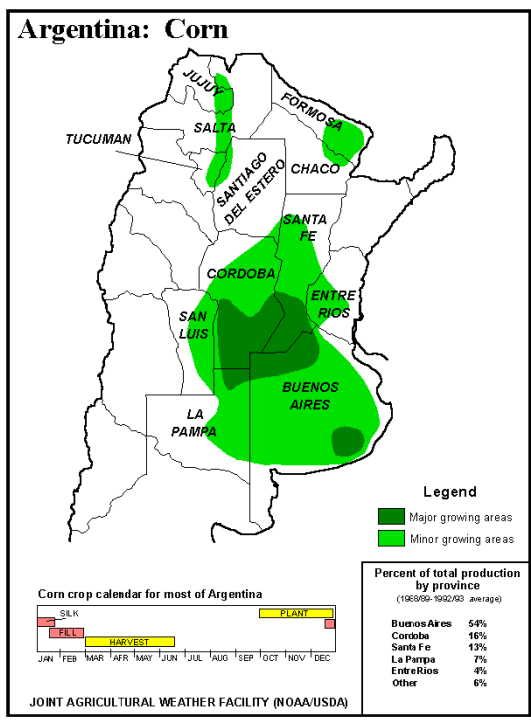
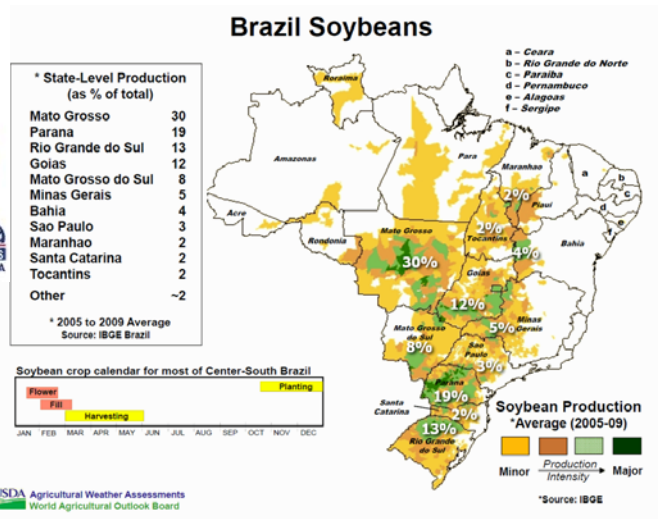
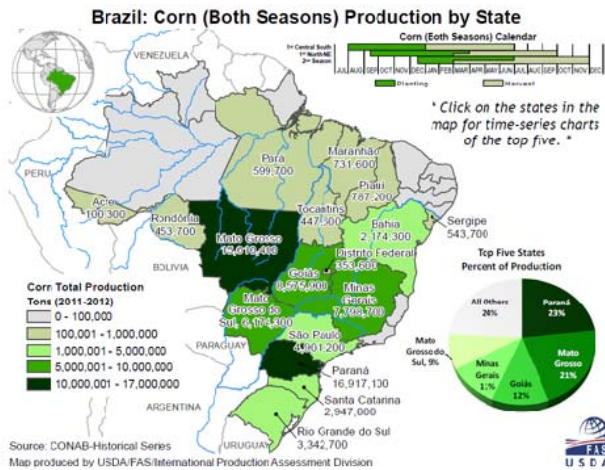


World Soybean Importers

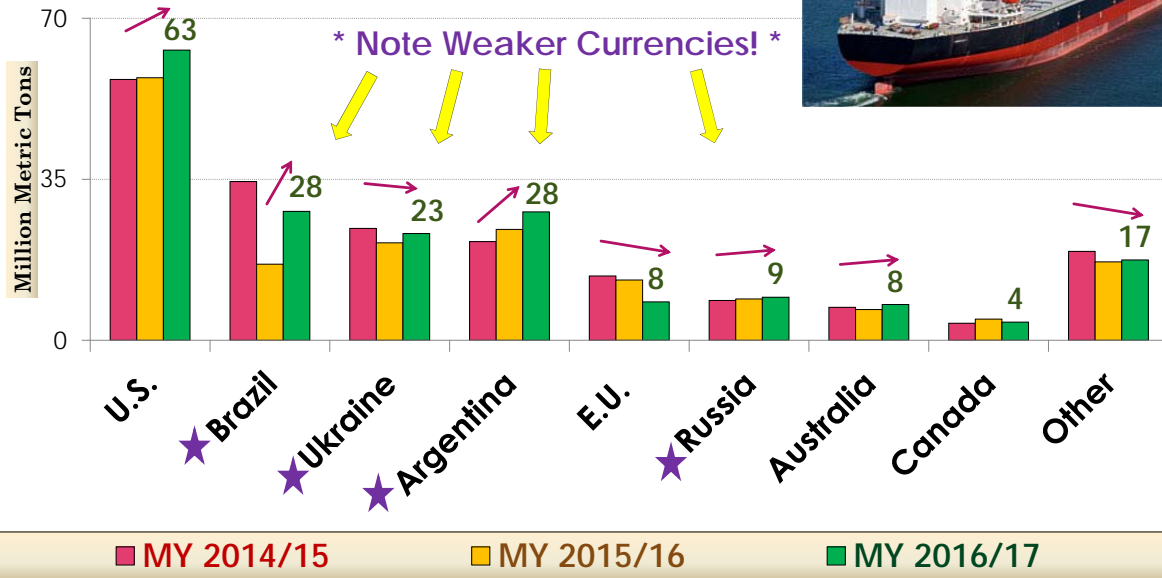


Brazil & Argentina Exchange Rates - Monthly

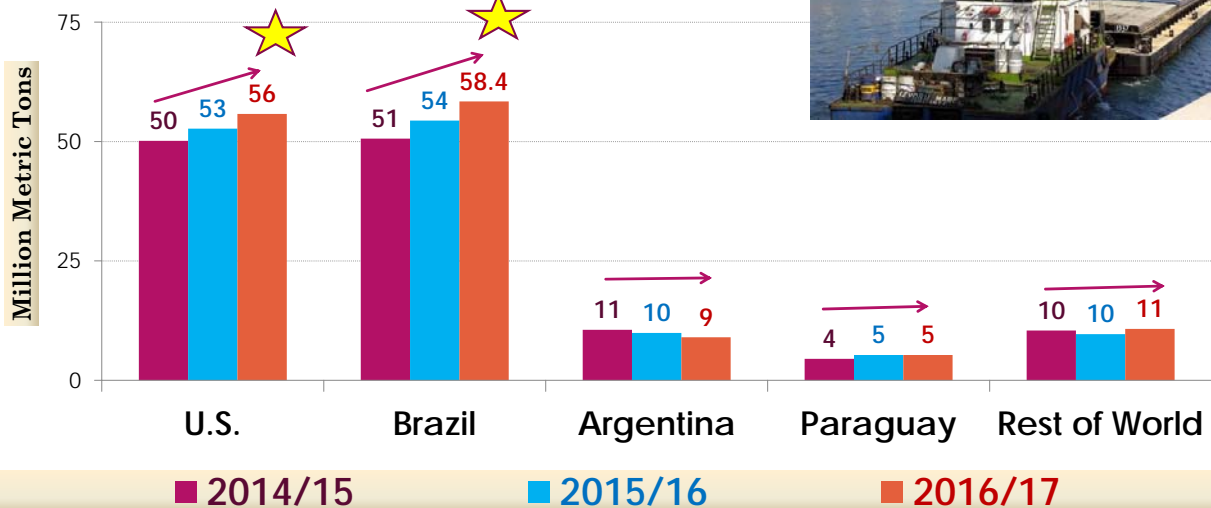




Coarse Grain Exporters



World Soybean Exporters

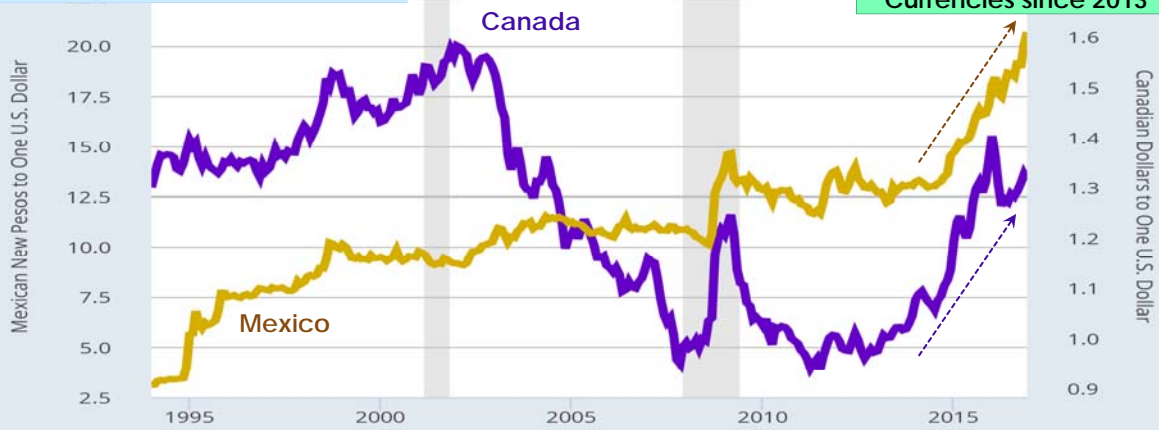


Canada & Mexico Exchange Rates - Monthly

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

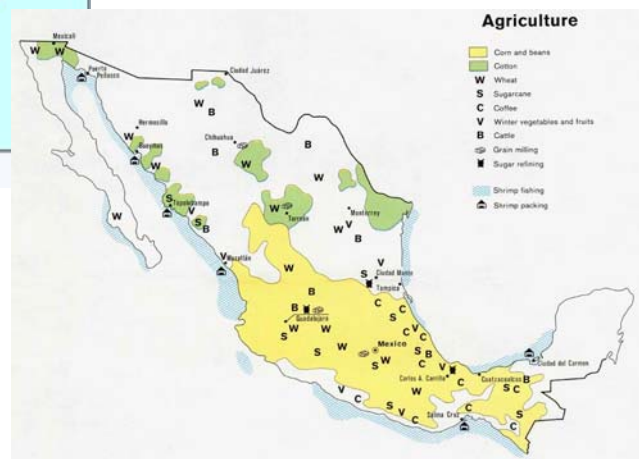
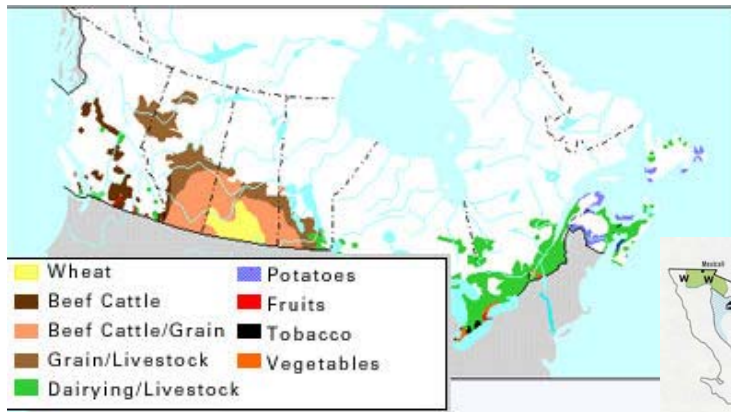
Canada / U.S. Foreign Exchange Rate (right)
Mexico / U.S. Foreign Exchange Rate (left)

USD\$ "Stronger" vs NAFTA
Currencies since 2013

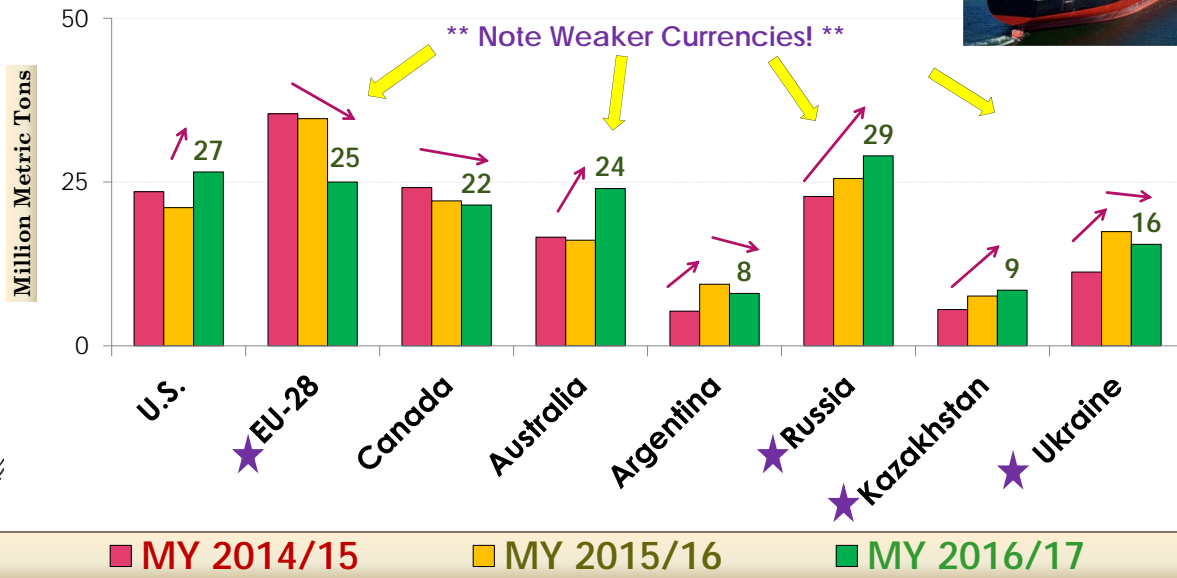


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myf.red/g/c67w



World Wheat Exporters

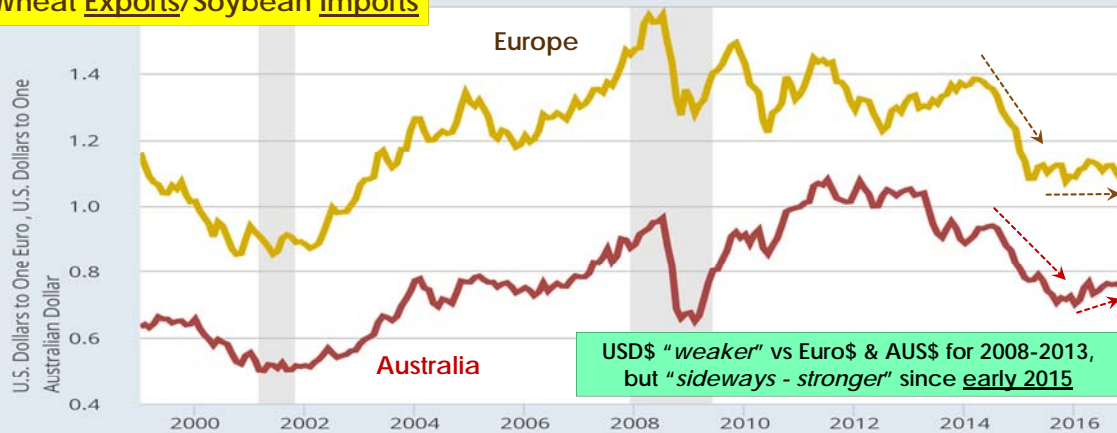


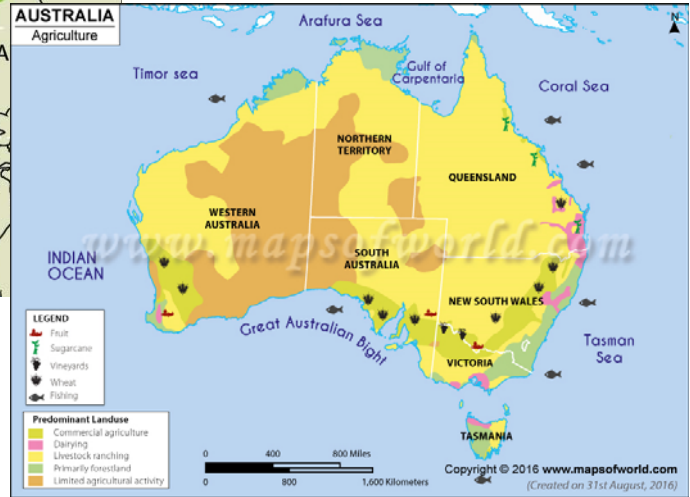
Euro & Australia Currency per U.S. Dollar

Australia: Wheat/Sorghum Exports

EU: Wheat Exports/Soybean Imports

— U.S. / Euro Foreign Exchange Rate
— U.S. / Australia Foreign Exchange Rate





Corn & Sorghum Markets



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U.S. Feedgrain Market Prospects:

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^{2016/17} = 5.650 bln bu (9 year high – vs 5.858 bb in 2007/08)
 - Corn Ethanol^{2016/17} = 5.300 bln bu (record high – vs 5.200 bb last 2 yrs)
 - Other FSI^{2016/17} = 1.435 bln bu (record high – vs 1.424 bb in 2011/12)
 - Exports^{2016/17} = 2.225 bln bu (9 year high – vs 2.437 bb in 2007/08)
- Sorghum exports declining from China "run" last 2-3 yrs

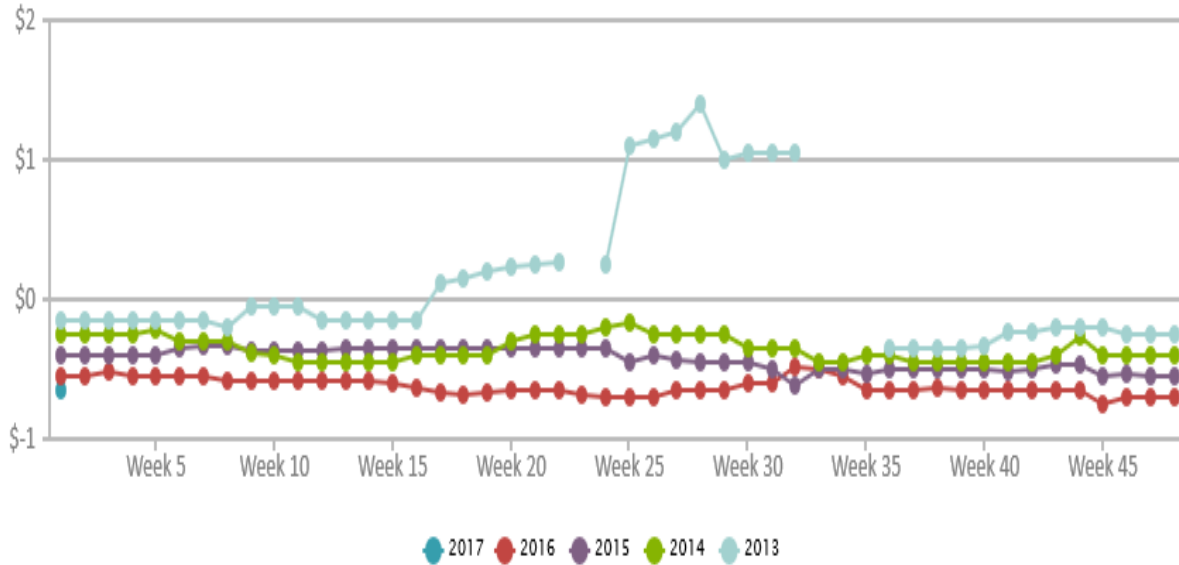
CME Corn Futures

Monthly Chart: Nov. 2007 – December 2017 + 1/6/2017 close



JEWELL , KS: Corn Basis - AGMARK

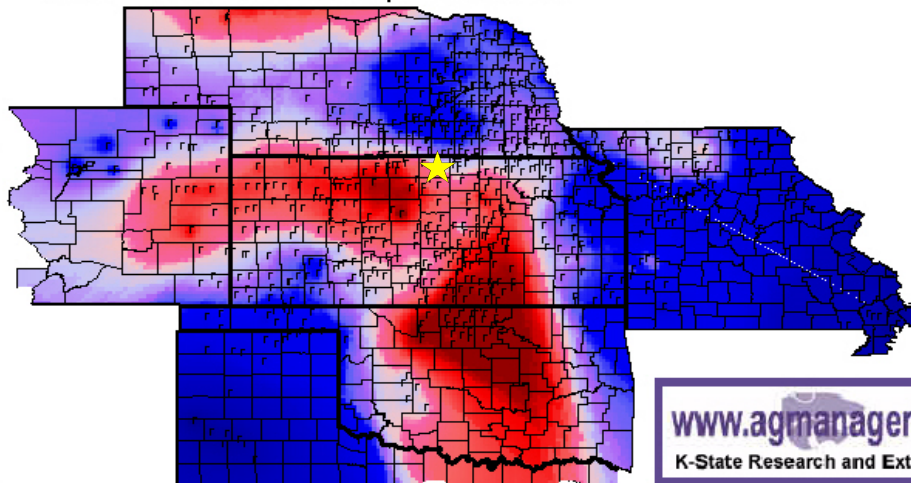
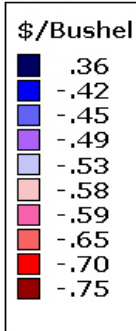
www.AgManager.info



Corn Basis, 01-04-2017

Basis = Cash Price - Nearby Futures Price

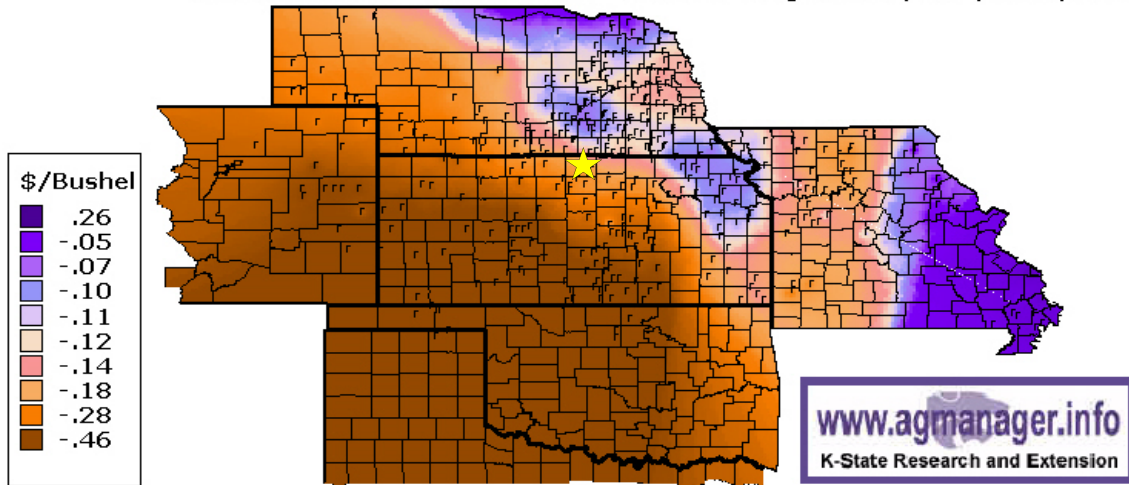
CBT Mar
Futures
Price: \$3.60



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K-State Research and Extension

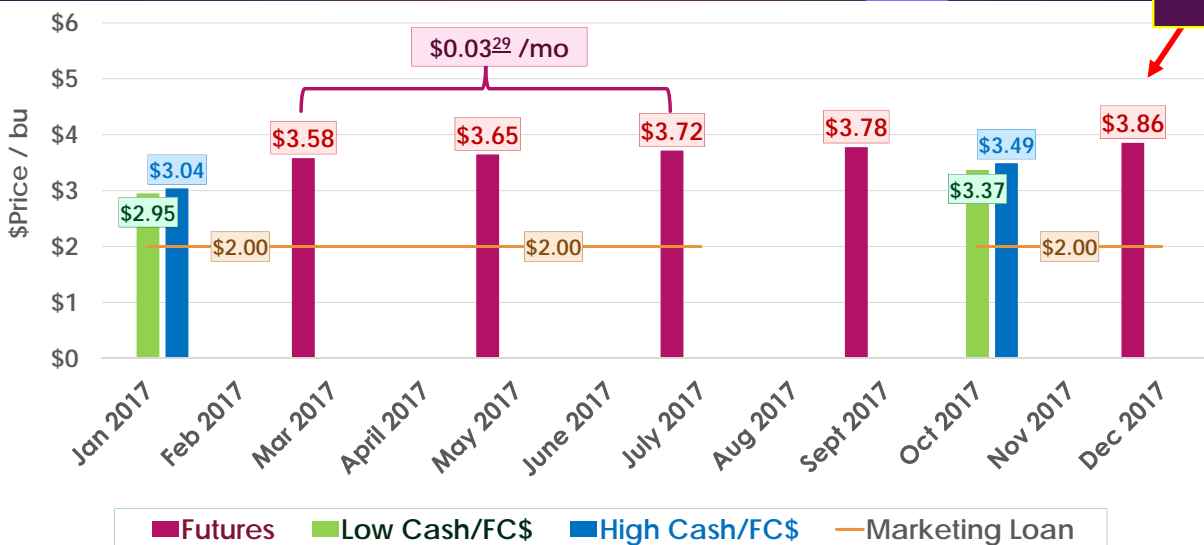
Corn Basis Deviation, 01-04-2017

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



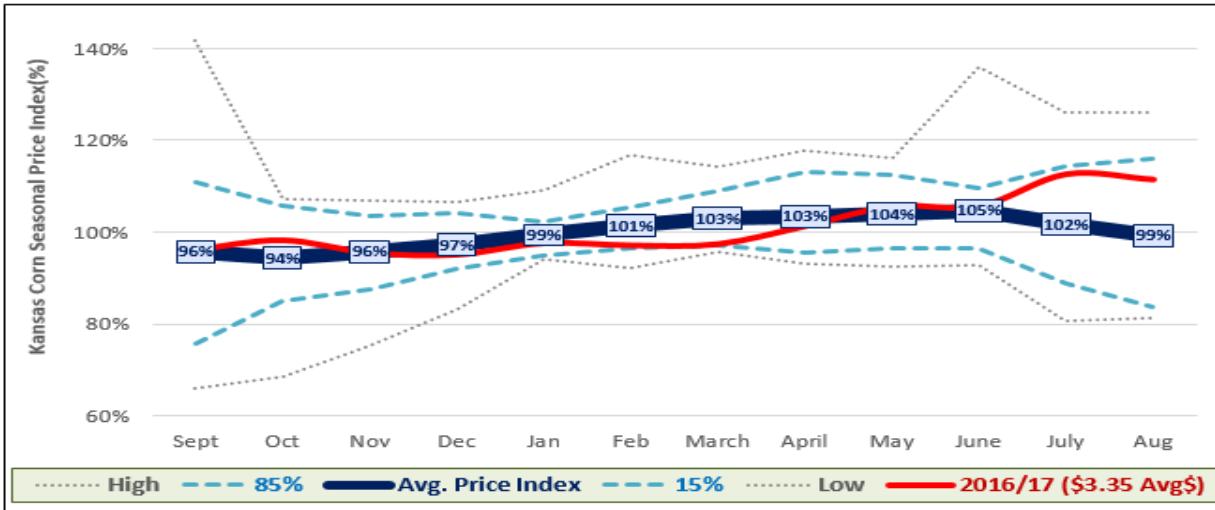
Corn Cash & Futures Prices – Jewell, KS

Local Elevators – January 6, 2017

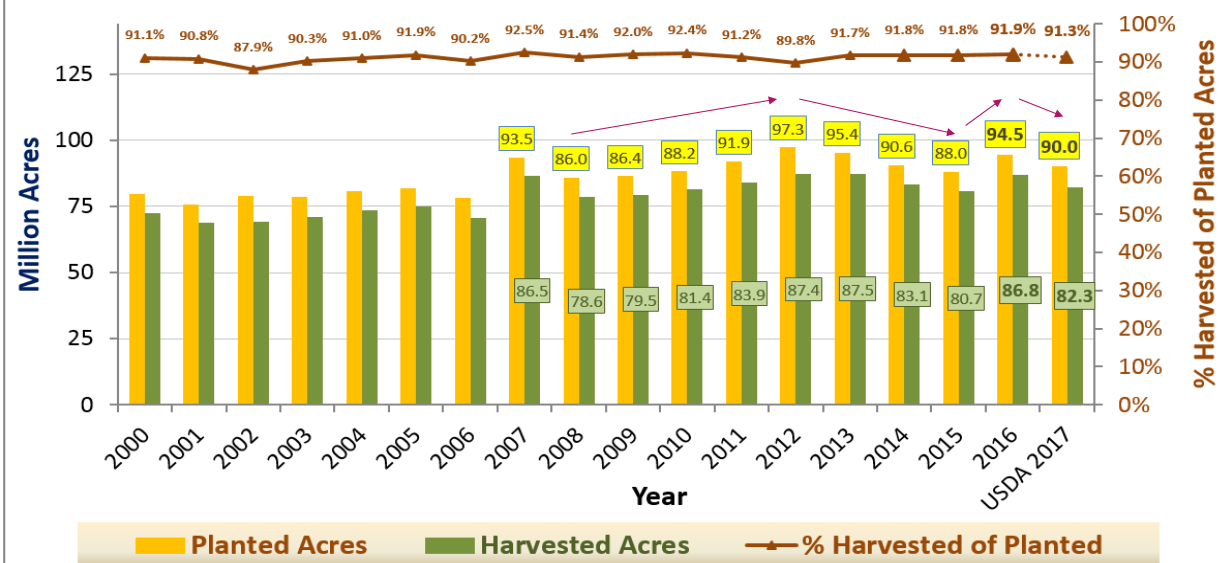


Kansas Corn Seasonal Cash \$ Index

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

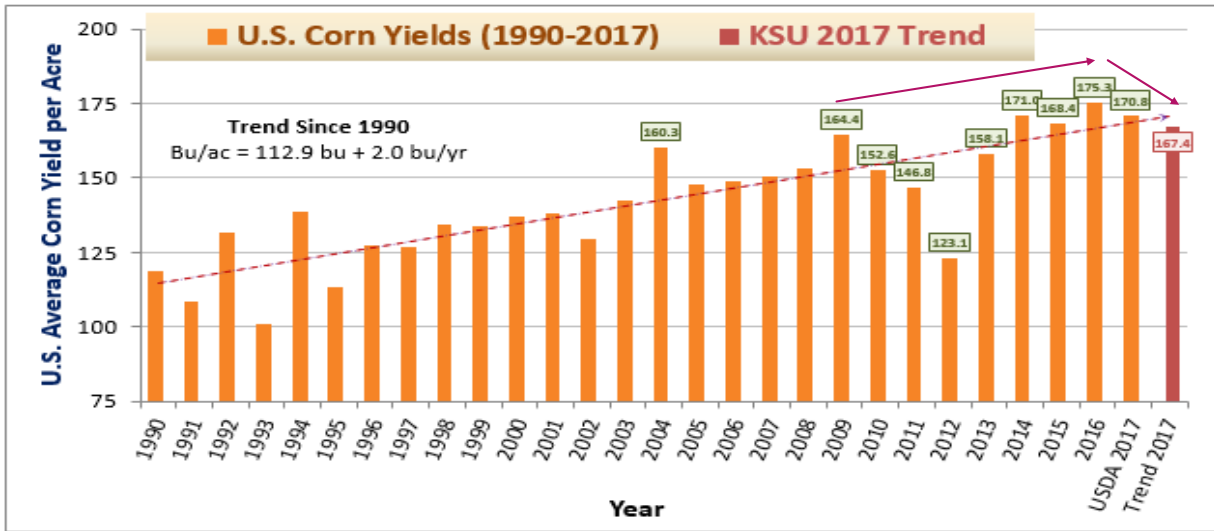


U.S. Corn Acreage: 2000-2017

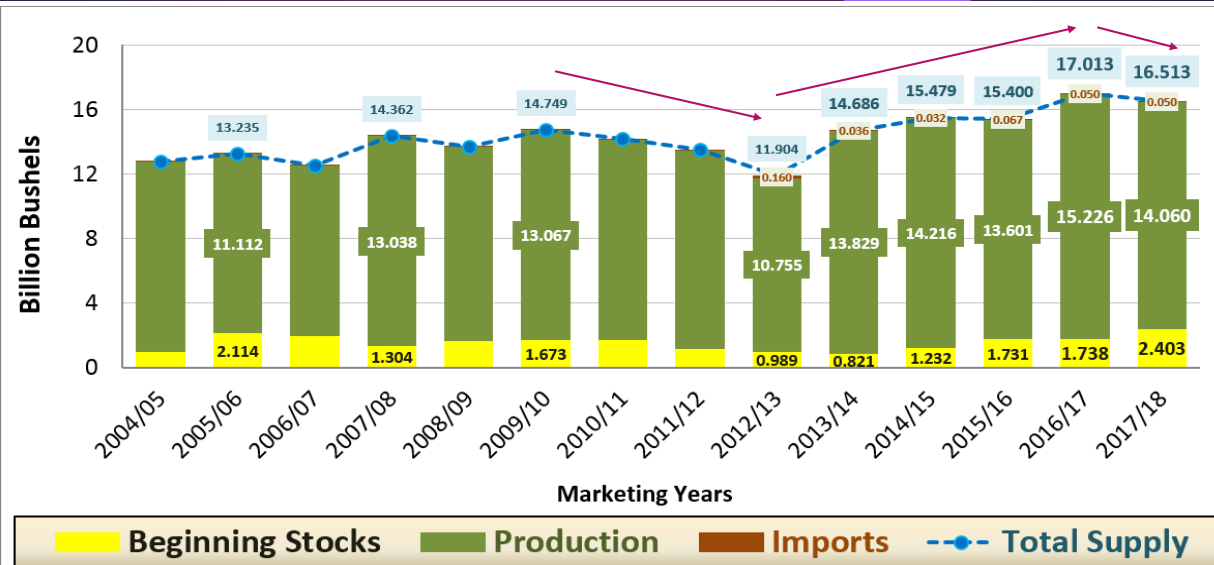


U.S. Corn Yields: 1973-2017^{Est}

USDA 2017 USDA Forecast = 170.8 bu/acre

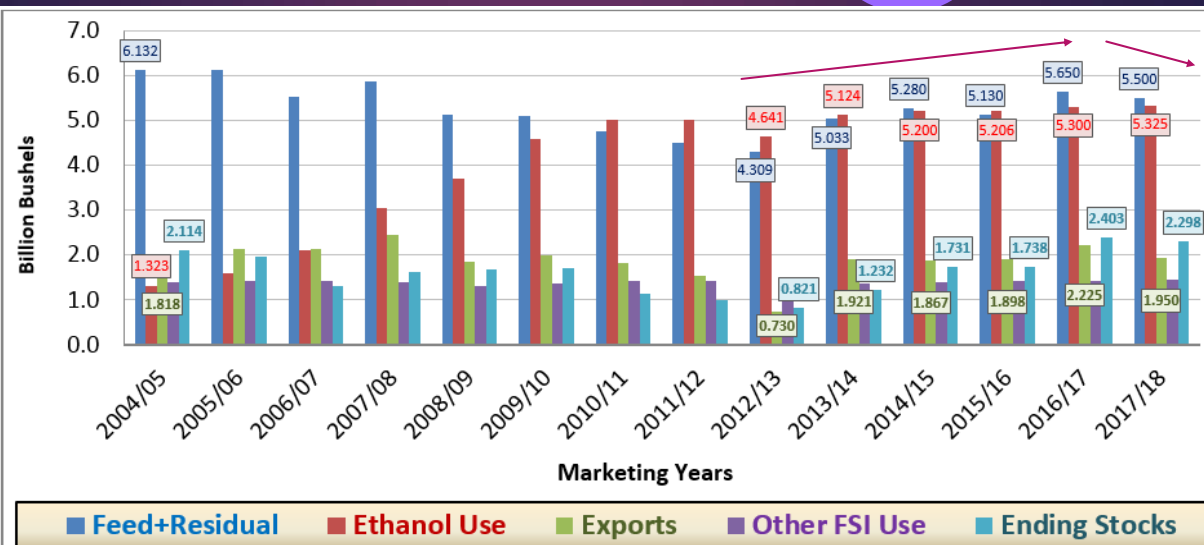


U.S. Corn Production & Supplies

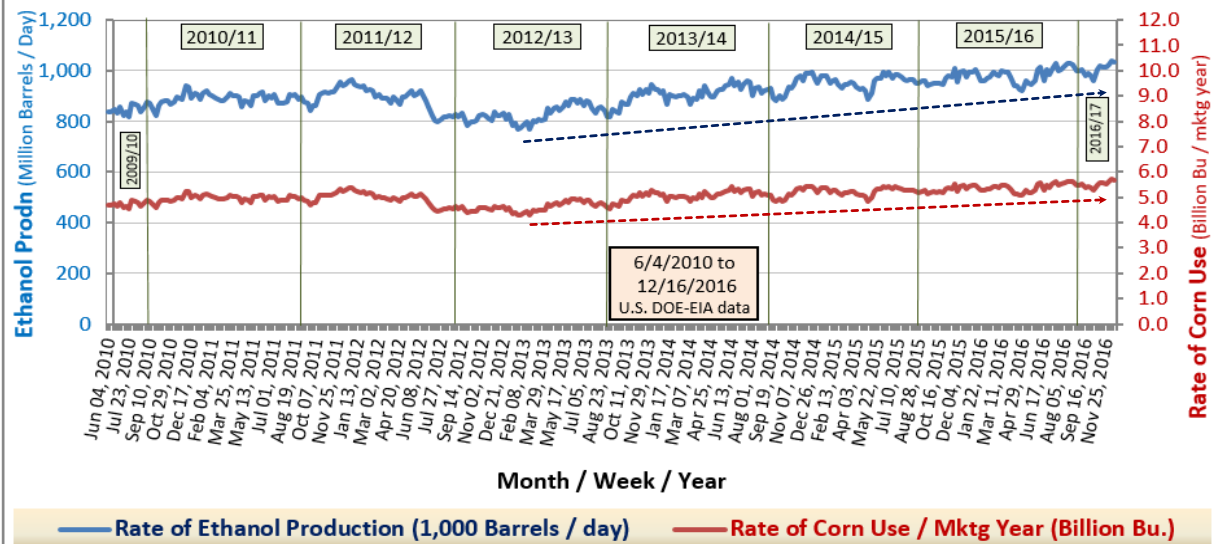




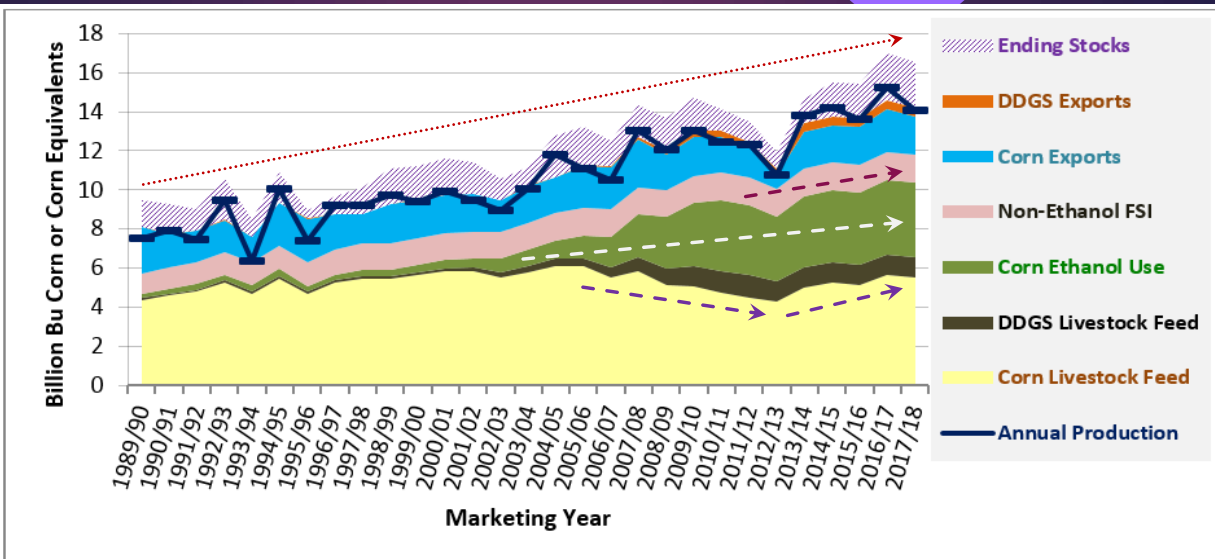
U.S. Corn Use – By Category



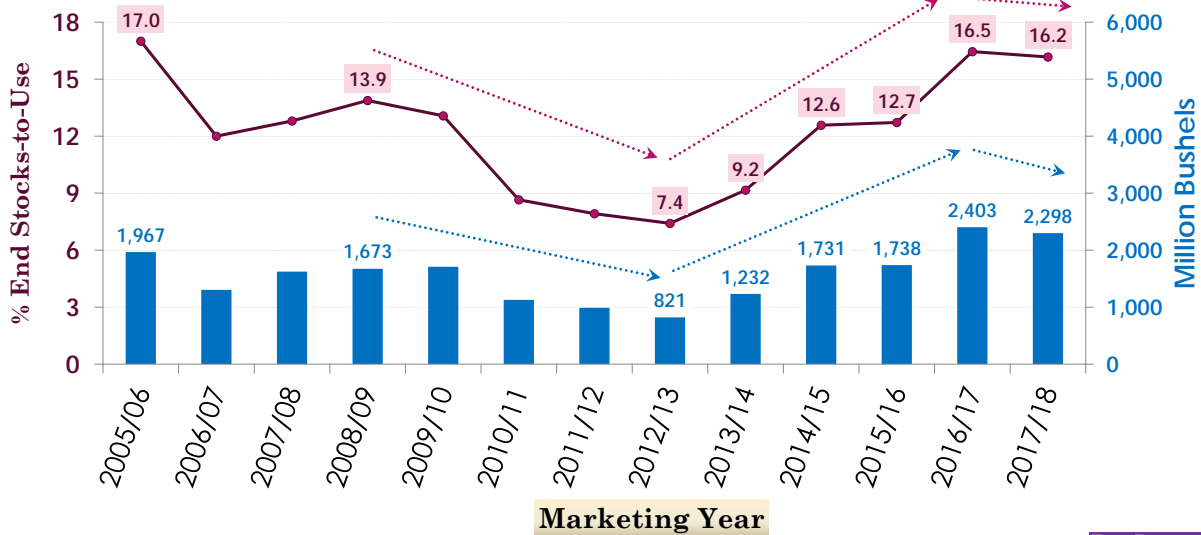
U.S. Ethanol Production & Corn Use



U.S. Corn Use - By Category since 1989

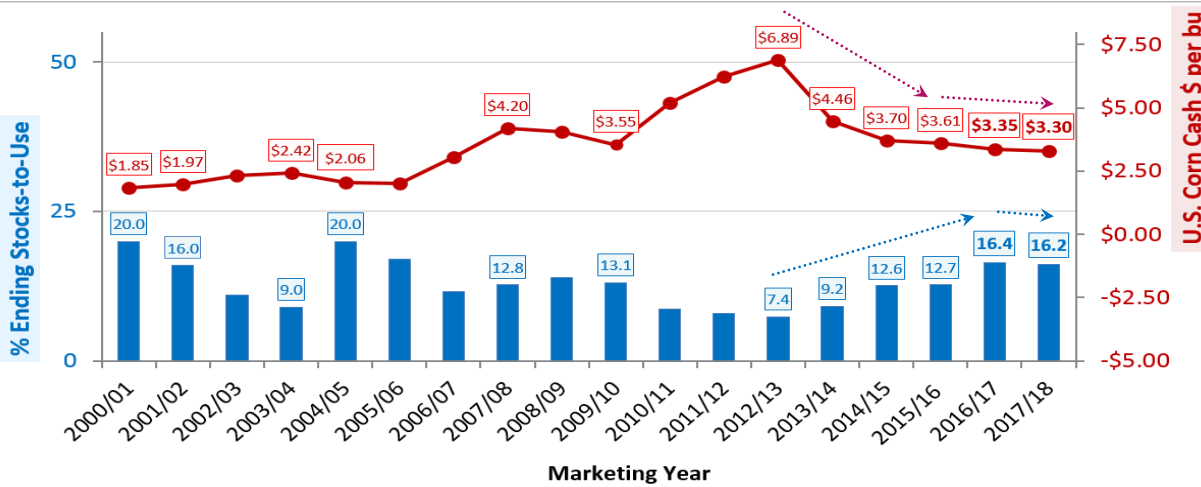


U.S. Corn Ending Stocks & % Stocks/Use



Ernst & Young

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

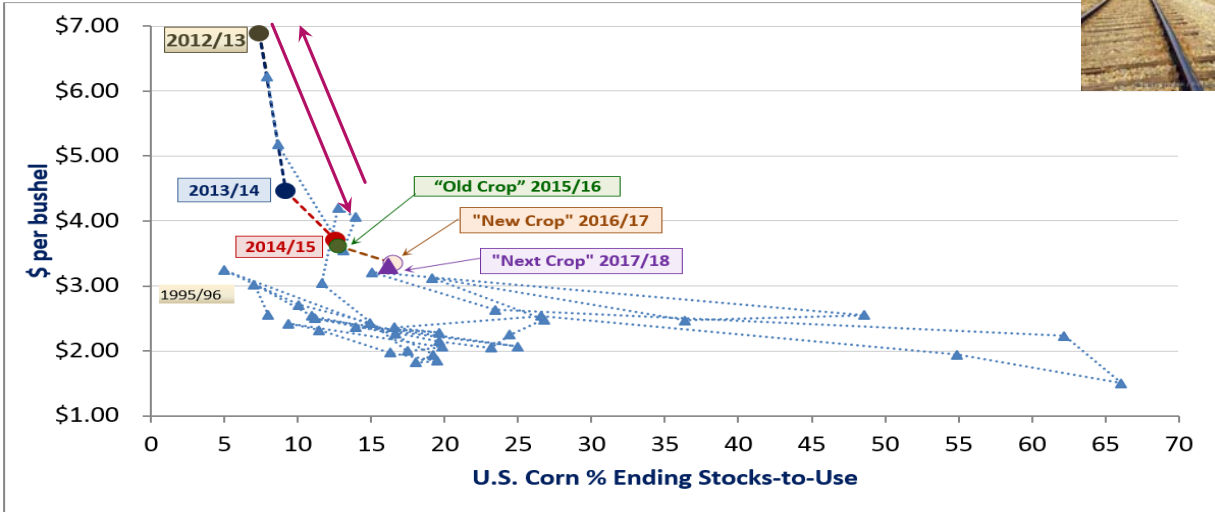
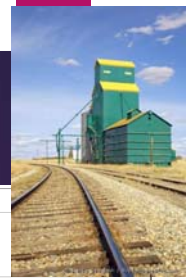


■ U.S. Corn % Ending Stocks/Use

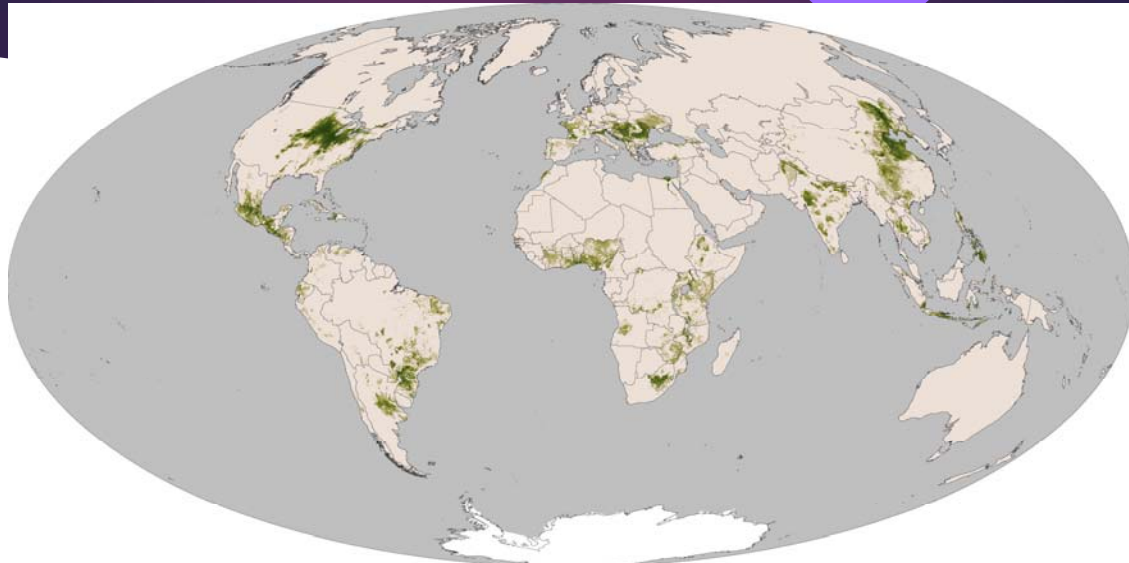
● U.S. Corn Price

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

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



World Corn (Maize) Production Regions



Monthly Crop Calendar for Corn

9/12/2016

	USDA Prod Est.	16/17	Change	Plant		Silk				Harvest							
				Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug		
EU	61.15	(0.95)		H H	H H	H H							P P	P P			H H
US	383.38	(1.54)		H H	H H	H H							P P	P P			S S
Mexico Summer	24.50	0.00			H H	H H	H H	H H	H H	H H	H H			P P	P P	P P	P P
Ukraine	26.00	0.00		H H	H H	H H							P P	P P			S S
Russia	14.00	0.00			H H	H H								P P			S S
China	216.00	(2.00)		H H	H H									P P	P P		
Indonesia Dry Region	9.60	0.00		H H	H H									P P	P P	P P	H H
Philippines Main	8.00	0.00		H H				P P	P P	P P	P P	H H	H H	P P	P P	P P	H H
Canada	12.35	0.35		H H	H H	H H								P P	P P	S S	S S
India	24.50	0.00		P P	H H	H H	H H	H H	H H						P P	P P	P P
Brazil 1st crop	82.50	2.50		P P	P P	P P	P P	P P	H H	H H	H H	H H	H H				
Argentina	36.50	0.00		P P	P P	P P		S S	S S			H H	H H	H H			
Philippines 2nd Crop				P P	P P	P P	P P	H H	H H	H H							
South Africa	13.00	0.00			P P	P P	P P	P P	P P	S S	S S			H H	H H	H H	H H
Mexico Winter								P P	P P	P P	P P			H H	H H	H H	H H
Brazil 2nd crop								P P	P P	P P				H H	H H	H H	H H
Indonesia Rainy Region					H H	H H	H H	H H						P P	P P	P P	P P
Nigeria	7.20	0.00		H H										P P	P P	P P	H H



Sources: USDA, AMIS, and CHS, Inc. locations

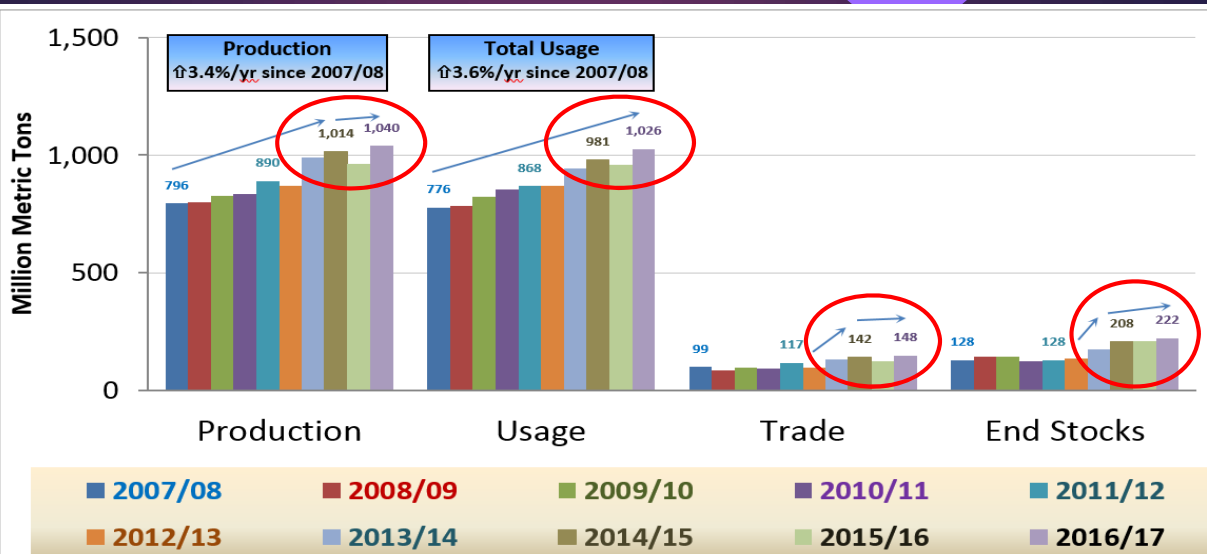
*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.

**Production estimates are for ALL CORN. Numbers will be listed next to the variety that comes first in the chart.

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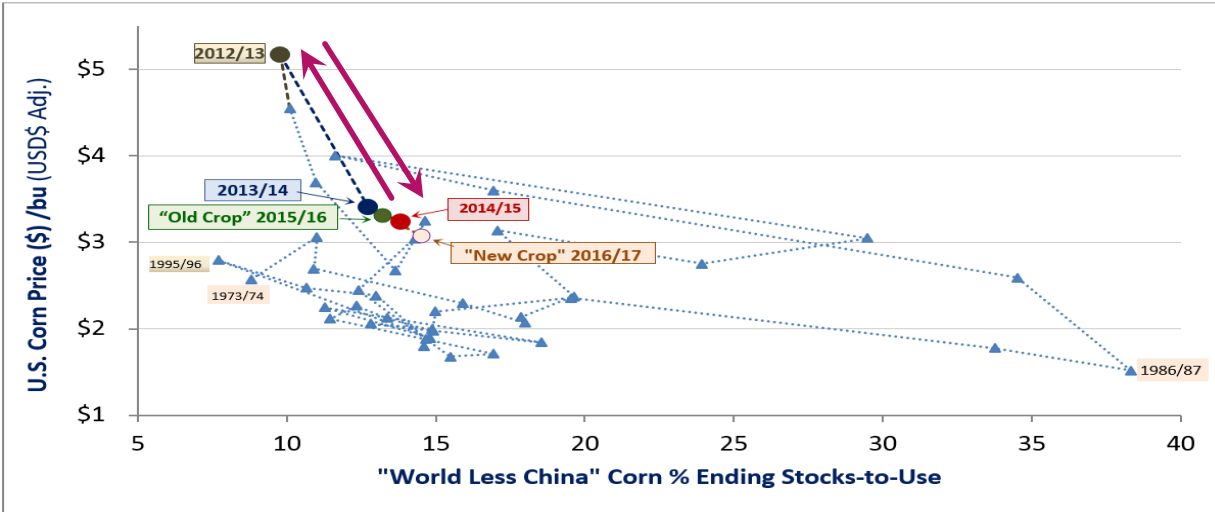


World Corn Supply, Use & Stocks

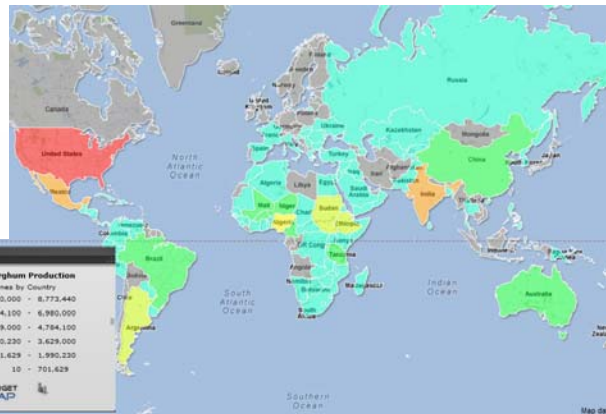
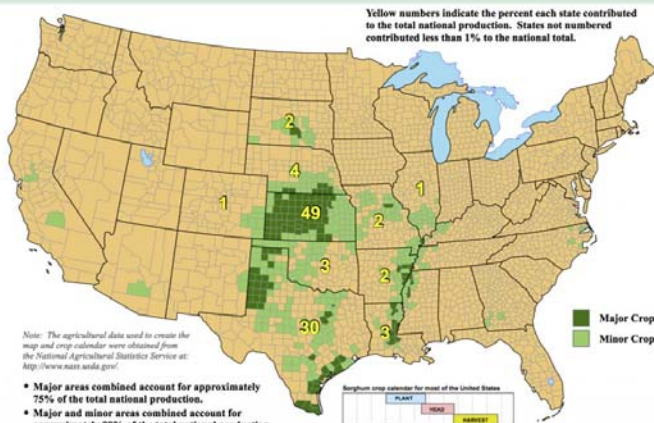


U.S. Corn \$^{USD adj} vs World^{Less China} % S/U

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

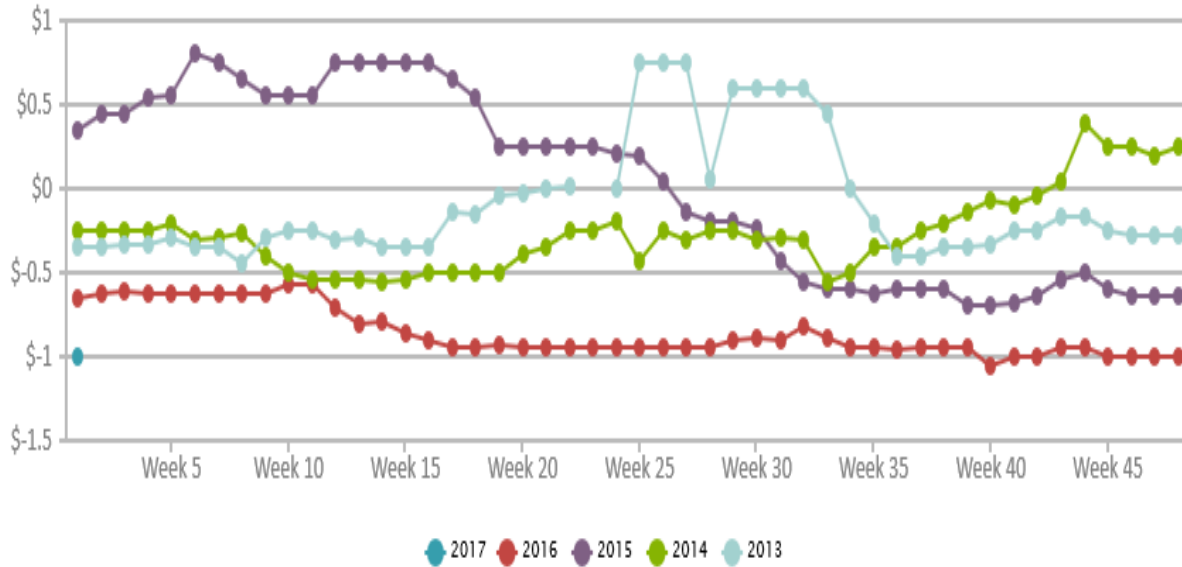


United States: Sorghum



JEWELL , KS: Grain Sorghum Basis - AGMARK

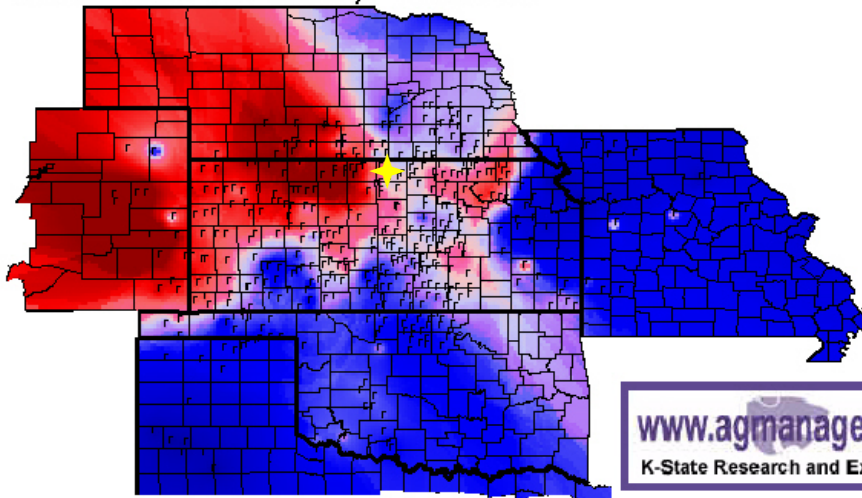
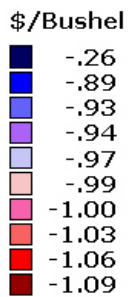
www.AgManager.info



Grain Sorghum Basis, 01-04-2017

Basis = Cash Price - Nearby Futures Price

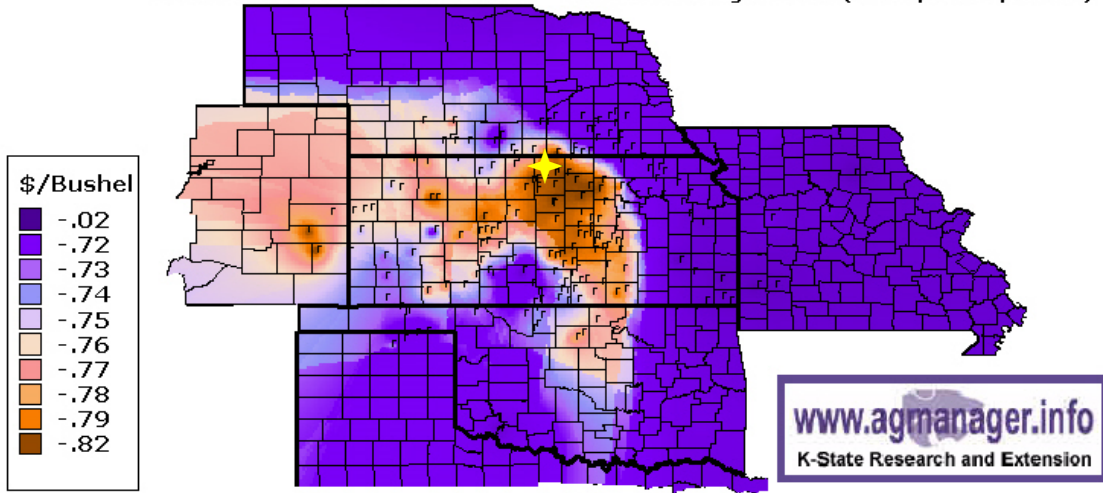
CBT Corn
Mar Futures
Price: \$3.60



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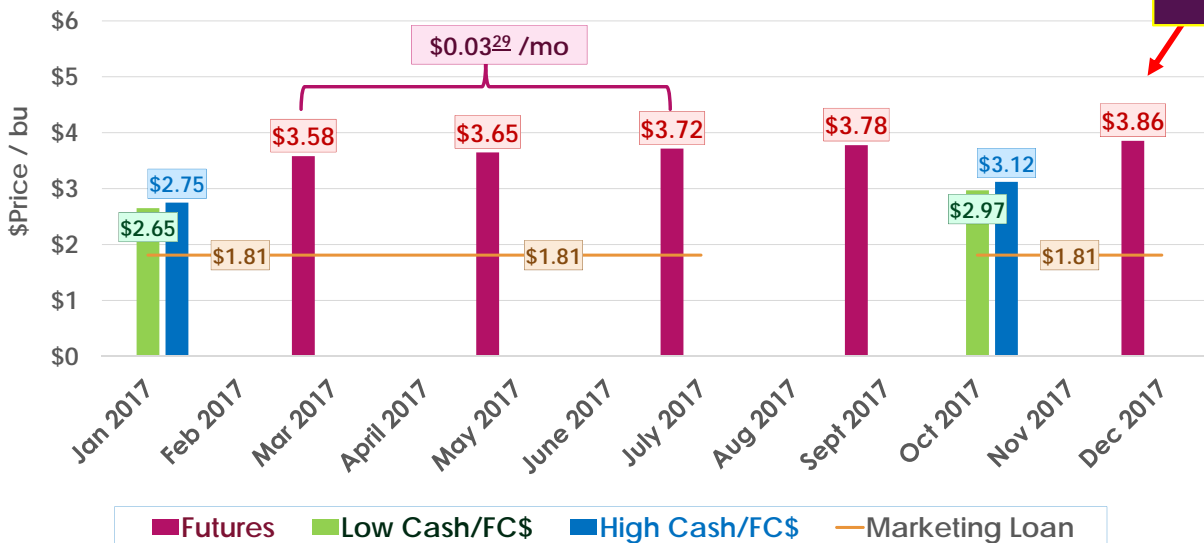
Grain Sorghum Basis Deviation, 01-04-2017

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



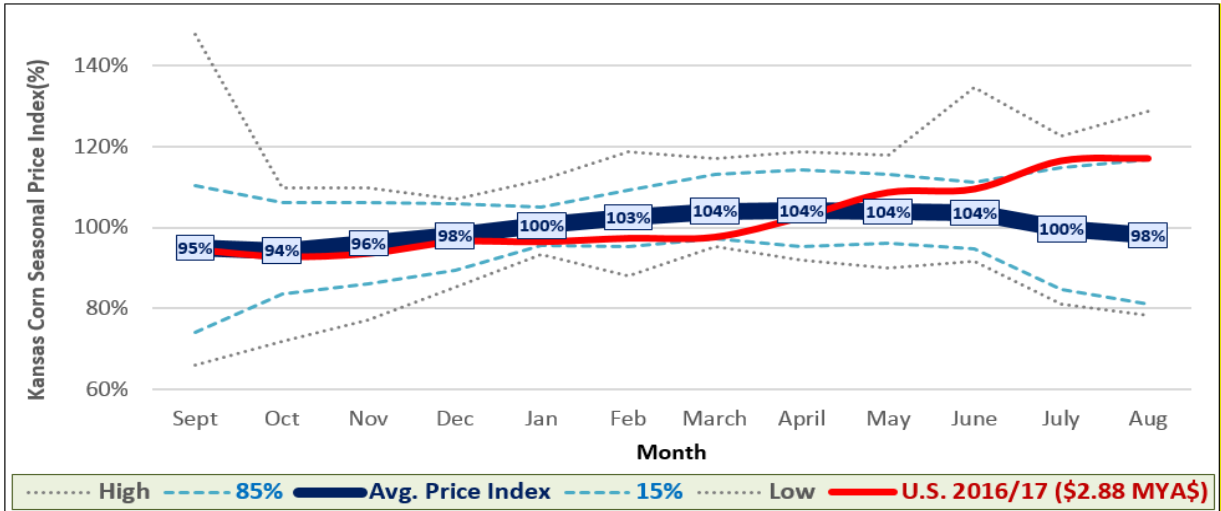
Sorghum Cash & Futures Prices – Jewell, KS

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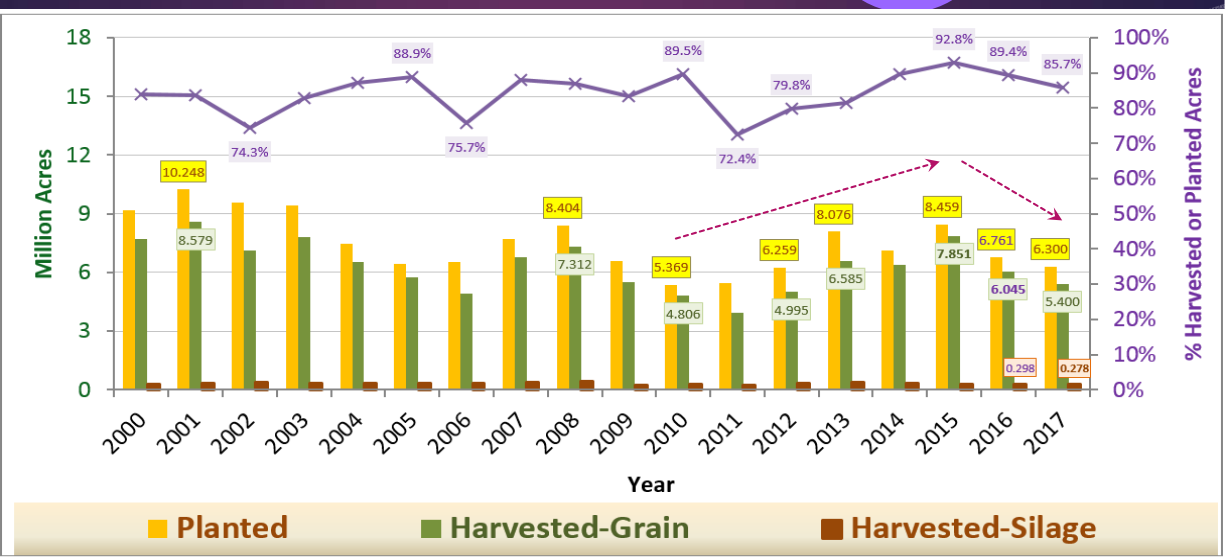


Kansas Sorghum Seasonal Cash \$ Index

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

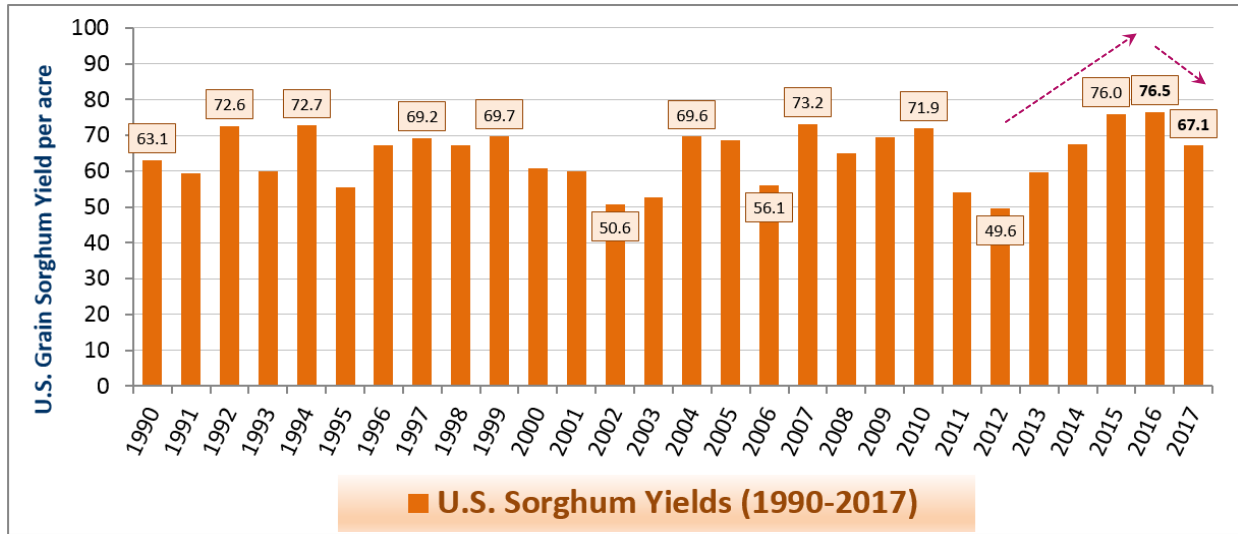


U.S. Sorghum Acreage: 2000-2017^{EST}



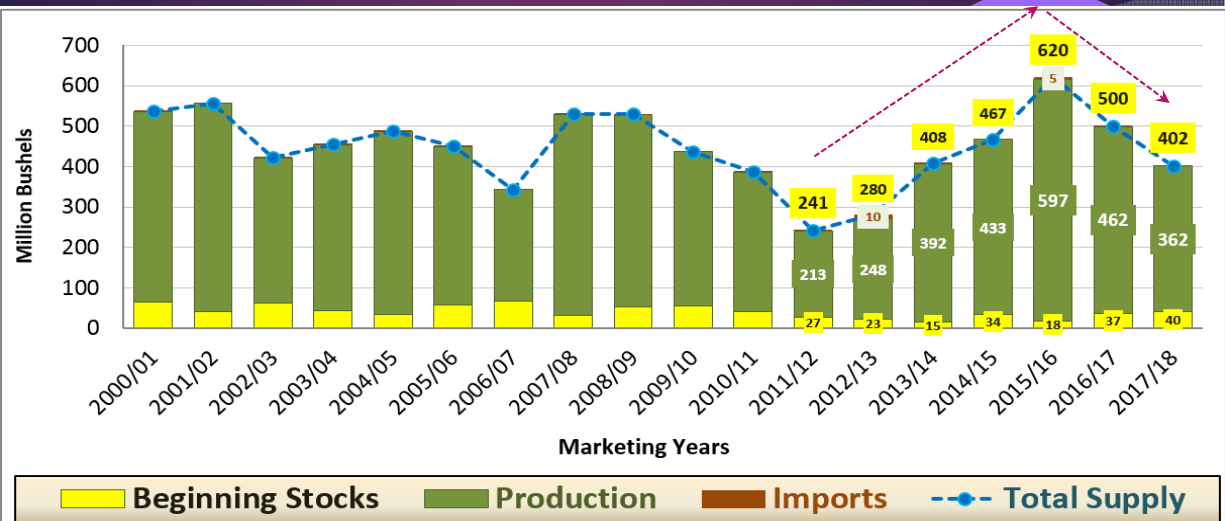
U.S. Sorghum Yields: 1990-2017

USDA 2017 USDA Forecast = 67.1



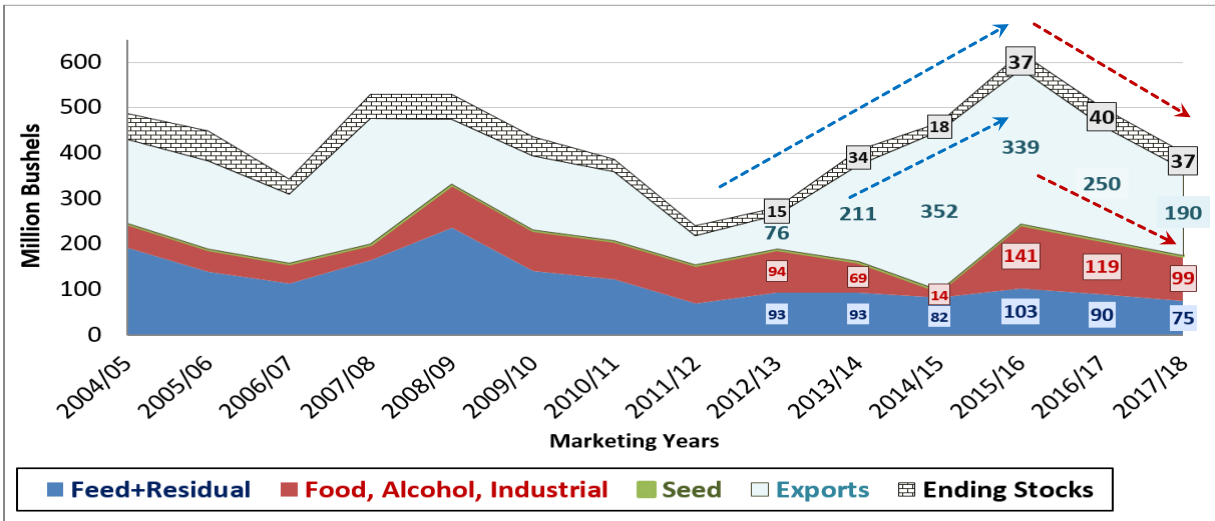
U.S. Sorghum Production & Supplies

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

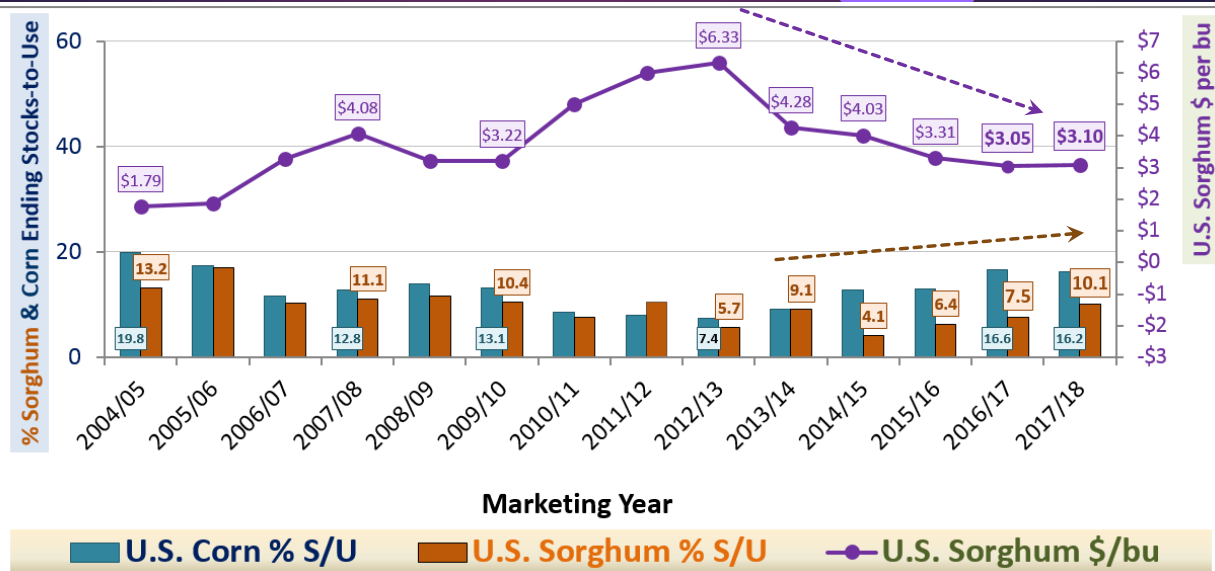


U.S. Sorghum Use & Ending Stocks

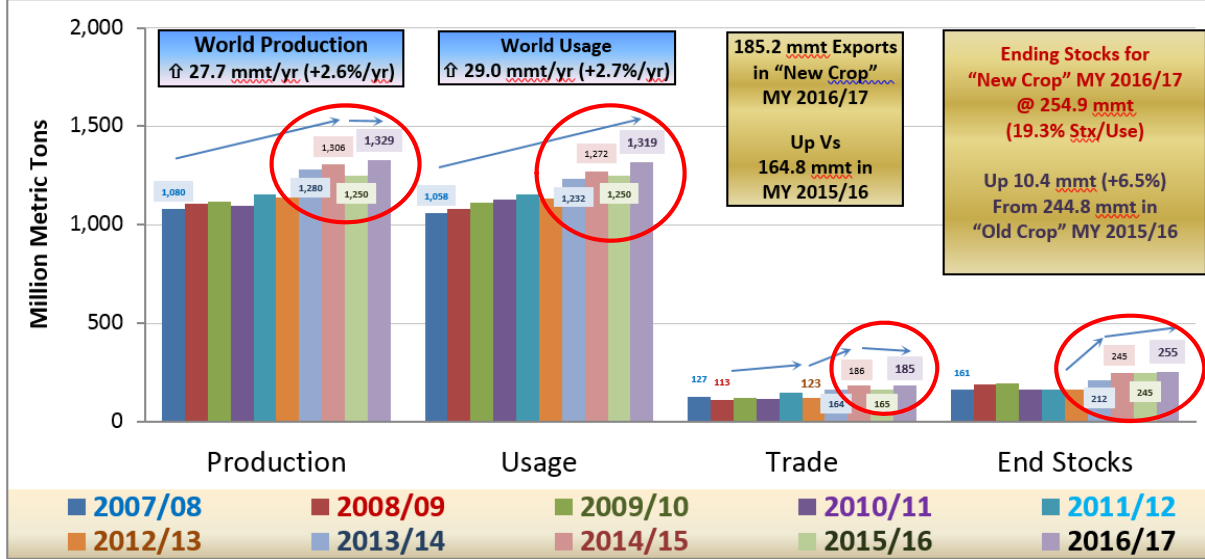
MY 2004/05 to "Next Crop" MY 2017/18



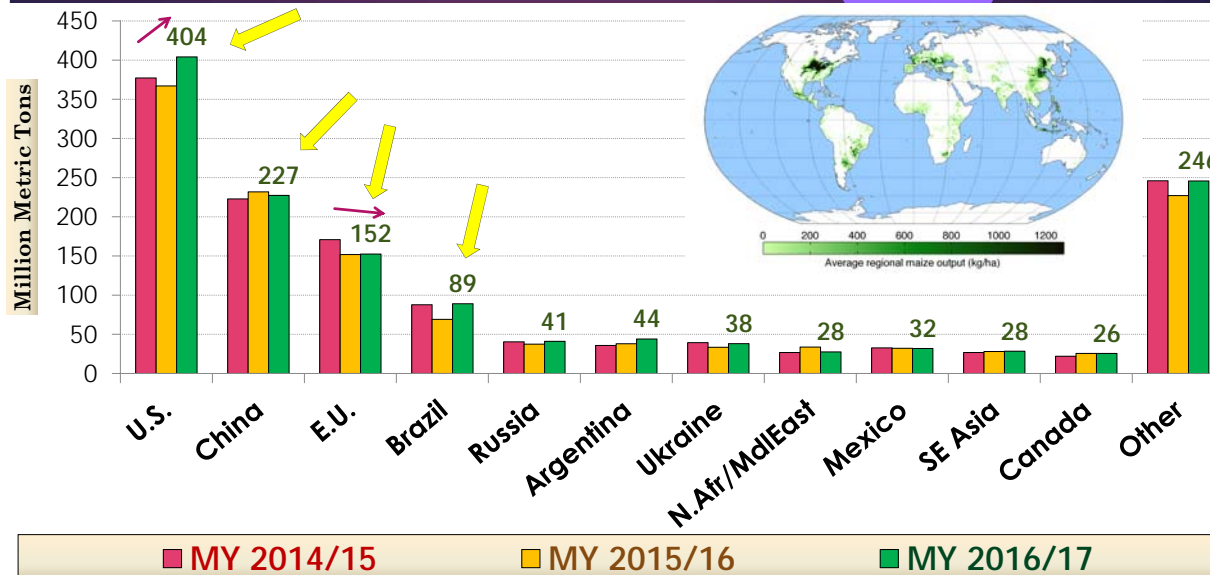
U.S. Sorghum & Corn %S/U vs U.S. Sorghum Price



World Coarse Grain Supply, Use & Stocks



World Coarse Grain Producers



Wheat Markets



KANSAS STATE UNIVERSITY Department of Agricultural Economics



World Wheat Market Prospects:

Large Supplies \Rightarrow A "Buyer's Market" (w. Quality concerns)

- **Record World Supplies & Usage Forecast in 2016/17**
 - 4th consecutive record high World wheat crop
- **Varying 2016/17 Crop Prospects by Country/Region**
 - ↑ U.S., **Australia***, **Russia**, Kazakhstan, Arg., India, Canada, Mdl. East
 - ↓ **Europe**, **N. Africa**, **China** (little change in Ukraine, Pakistan)
- **World wheat exports to remain a "buyer's market" unless or until World supplies & stocks decline**
 - "All World" vs "World Less China" perspective???

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U.S. Wheat Market Prospects:

Moderate U.S. Exports *Quality Issues*, Large Stocks, & Low Prices



- U.S. wheat exports are finding support from a lack of milling quality wheat available in the World market
- U.S. HRW Wheat 2016 ⇒ 11.2% protein, 60.7 lb test, 1.2% defects
Vs 12.3% protein, 59.3 lb test wt, 1.7% defects in 2015
- U.S. Spring Wheat²⁰¹⁶ ⇒ 14.2% protein, 61.2 lb test, 0.9% defects
Vs 14.2% protein, 61.4 lb test wt, 1.0% defects in 2015
- U.S. SRW Wheat 2016 ⇒ 9.4% protein & 58.6 lb test, 1.4% defects
Vs 10.0% protein, 56.9 lb test wt, 4.3% defects in 2015



CME Kansas Hard Red Winter Wheat

Monthly Chart: Nov. 2007 – December 2016 + 1/6/2017 close



CME Kansas Hard Red Winter Wheat

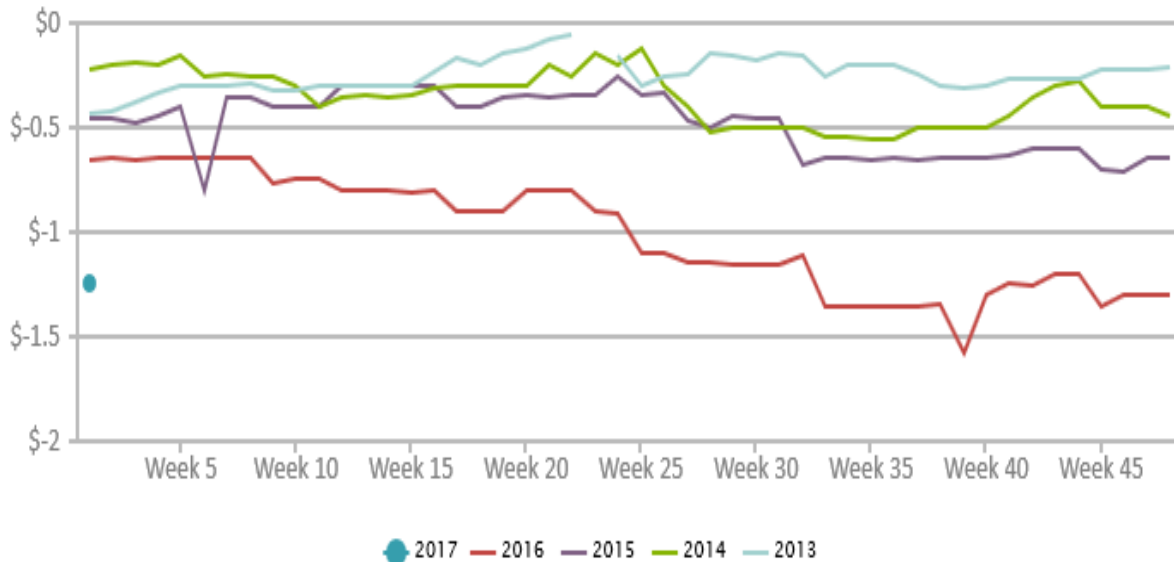


Monthly Chart: Oct. 2007 – November 2016 + 12/9/2016 close



JEWELL , KS: Hard Red Winter Wheat Basis - AGMARK

www.AgManager.info

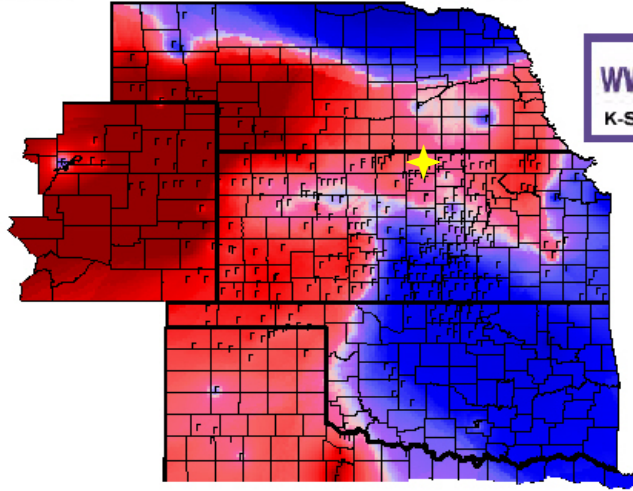


Wheat Basis, 01-04-2017

Basis = Cash Price - Nearby Futures Price

KCBT Mar
Futures
Price: \$4.27

\$/Bushel	
Dark Blue	-1.16
Blue	-1.00
Light Blue	-1.09
Light Purple	-1.15
Light Blue-Gray	-1.17
Light Pink	-1.18
Pink	-1.19
Red	-1.22
Dark Red	-1.28
Dark Red	-1.34

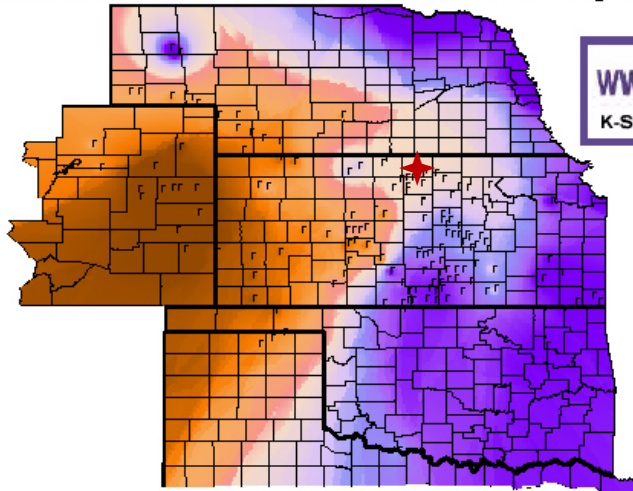


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Wheat Basis Deviation, 01-04-2017

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

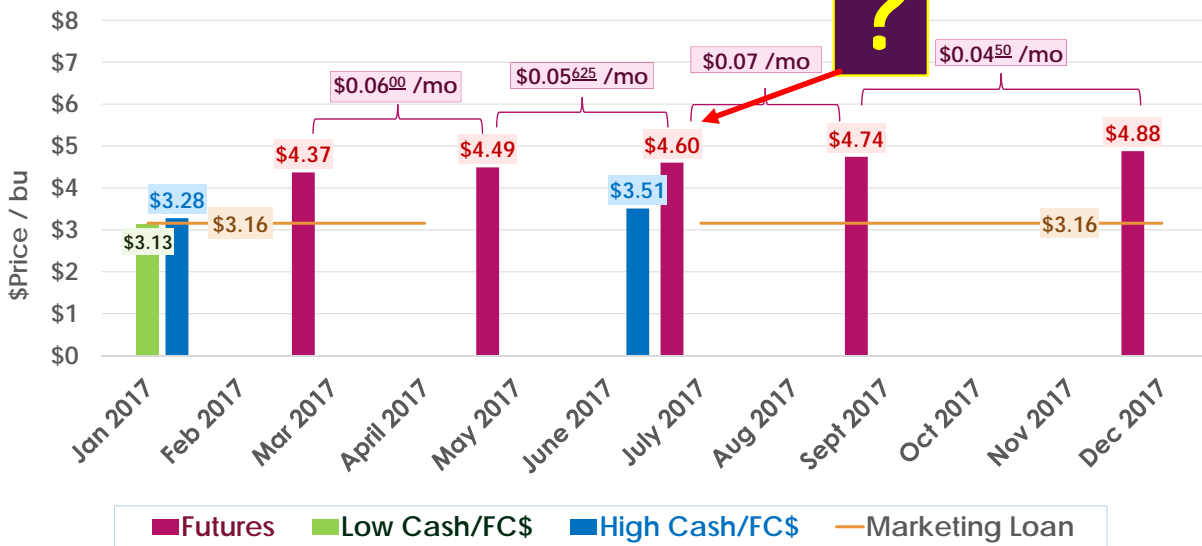
\$/Bushel	
Dark Purple	-.06
Purple	-.59
Light Purple	-.64
Light Blue	-.68
Light Blue-Gray	-.71
Light Orange	-.78
Orange	-.79
Dark Orange	-.83
Dark Orange	-.87
Dark Orange	-.92



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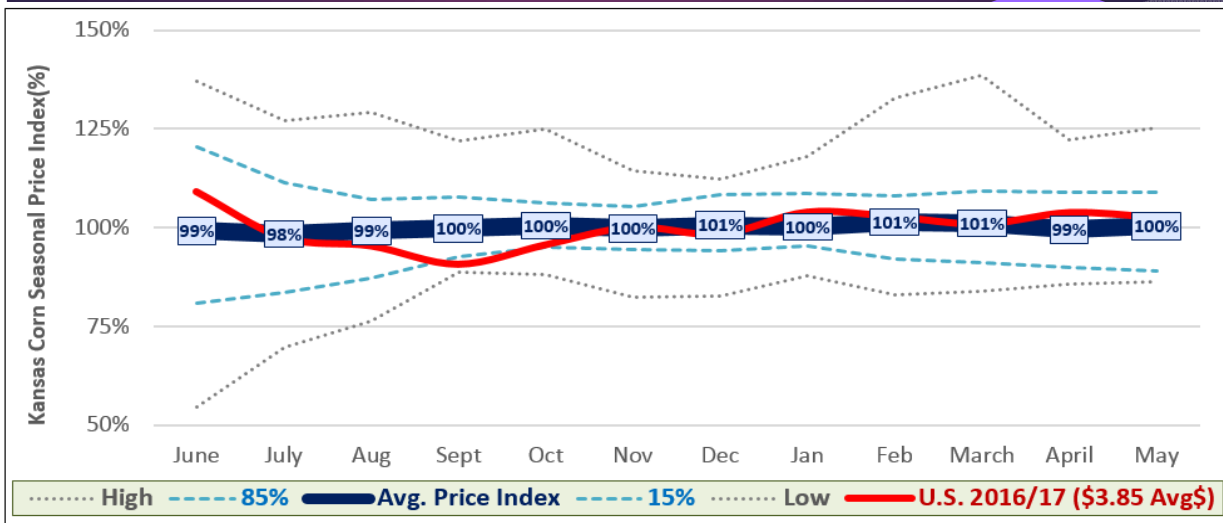
Wheat Cash & Futures Prices – Jewell, KS

Local Elevators – January 6, 2017

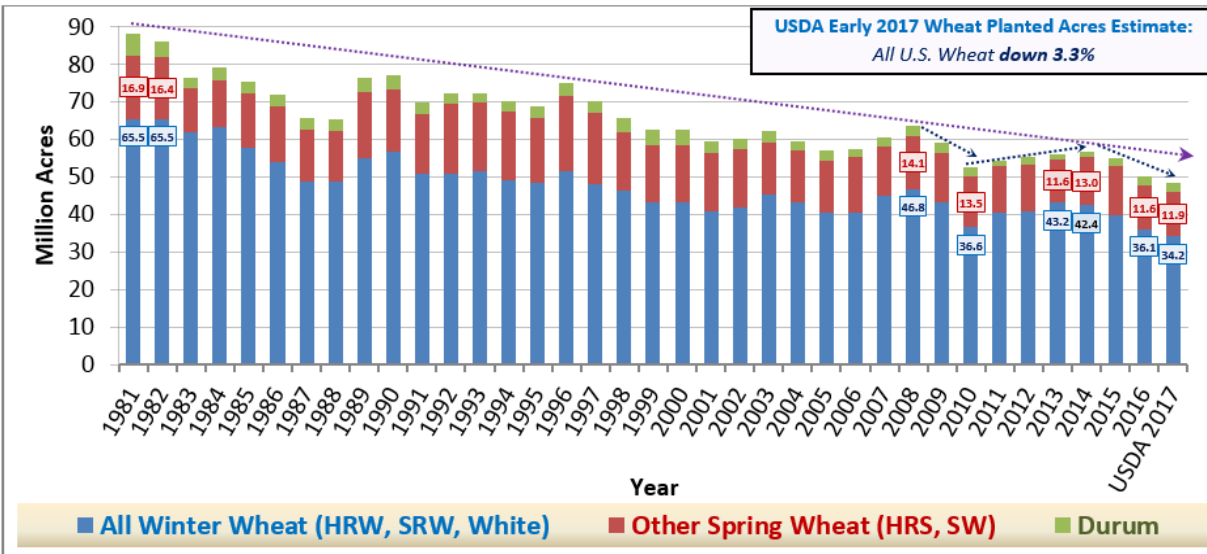


Kansas Wheat Seasonal Cash \$ Index

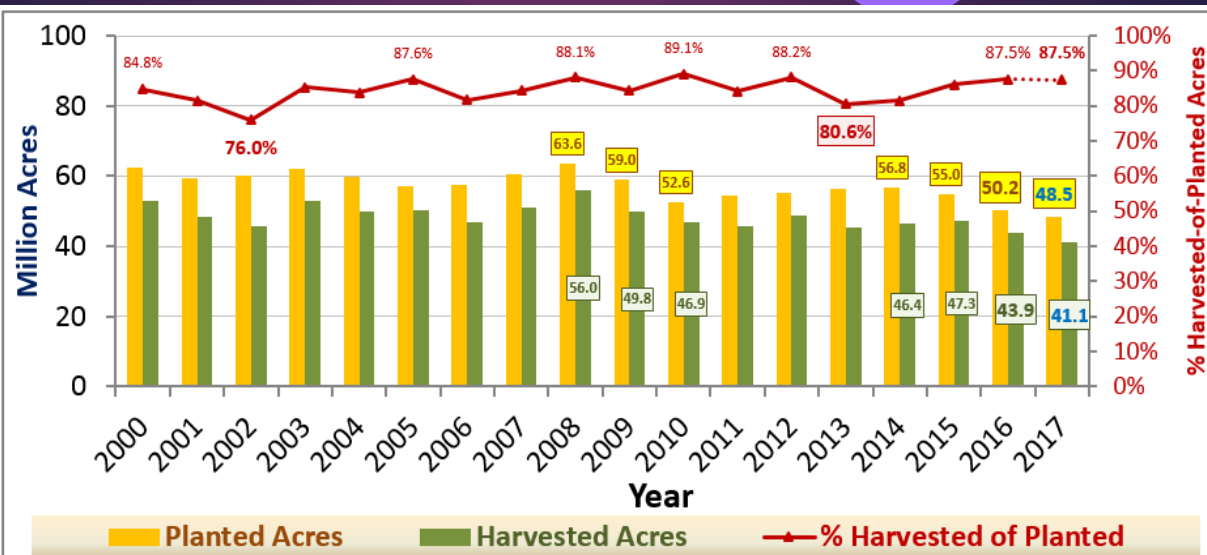
Monthly Prices: 1999/00 – 2015/16 + "Current" MY 2016/17



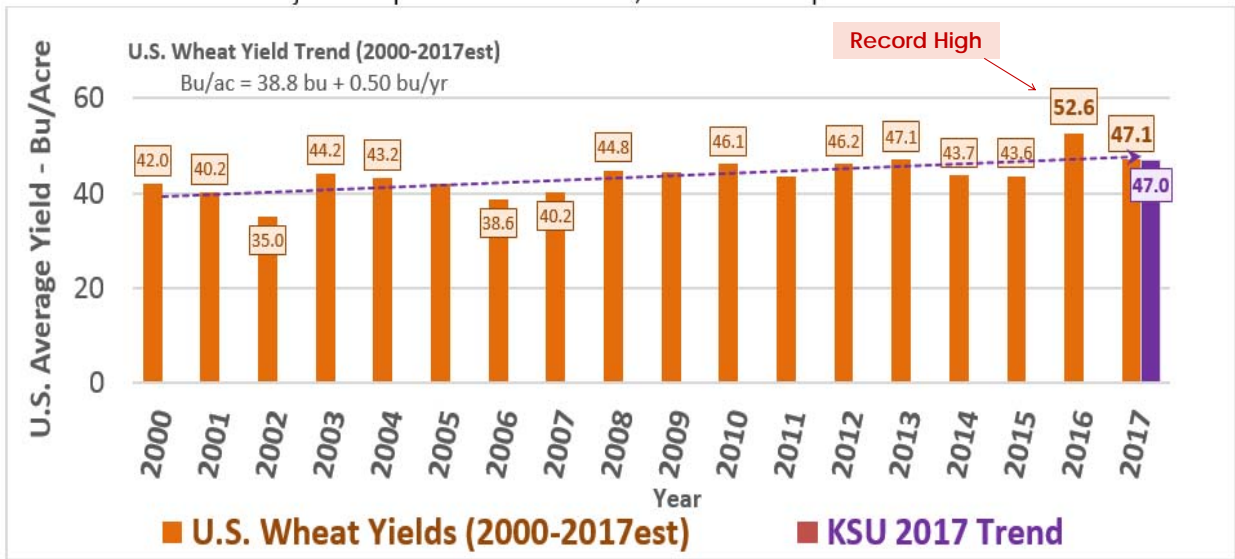
U.S. Wheat Seeded Acreage



U.S. Wheat Acreage: 2000-2017^{est}

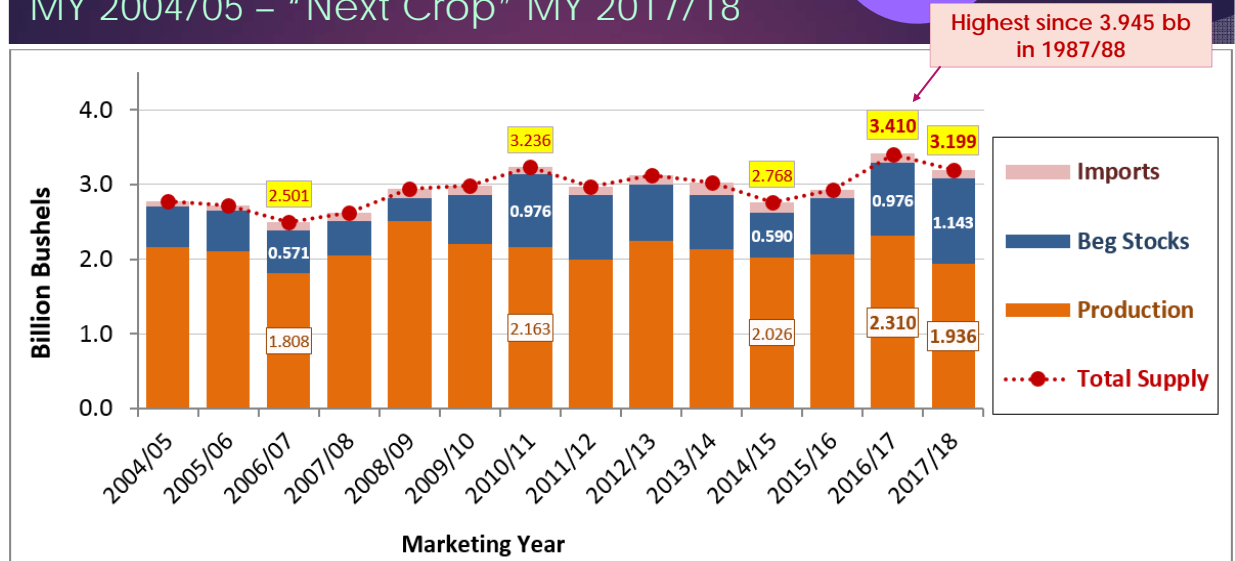


U.S. Wheat Yields: 1973-2017^{est}



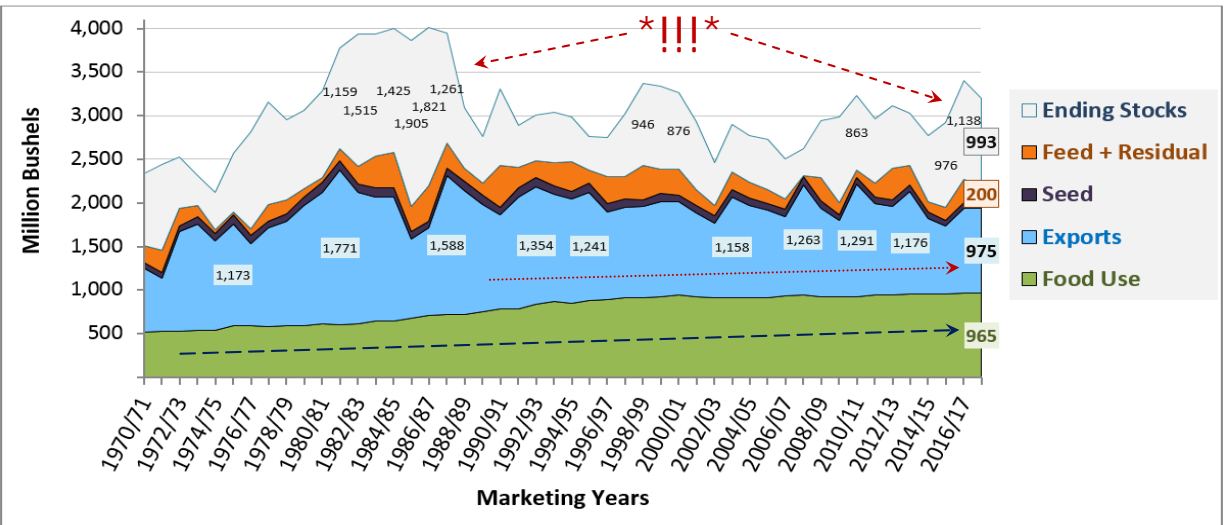
U.S. Wheat Production & Supplies

MY 2004/05 – “Next Crop” MY 2017/18



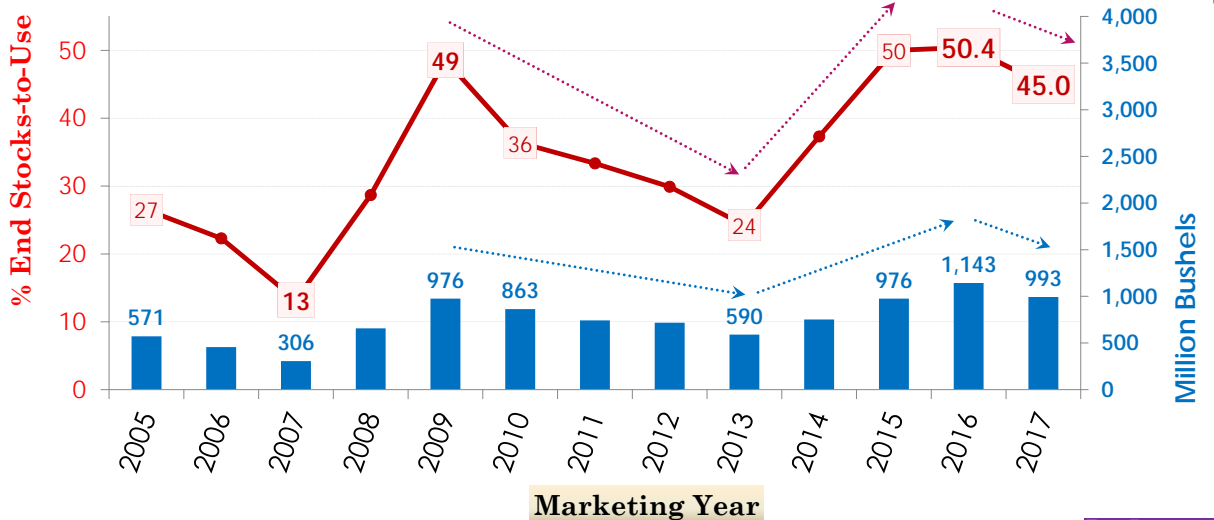
U.S. Wheat Use by Category & Stocks

MY 2004/05 – “Current Crop” MY 2016/17



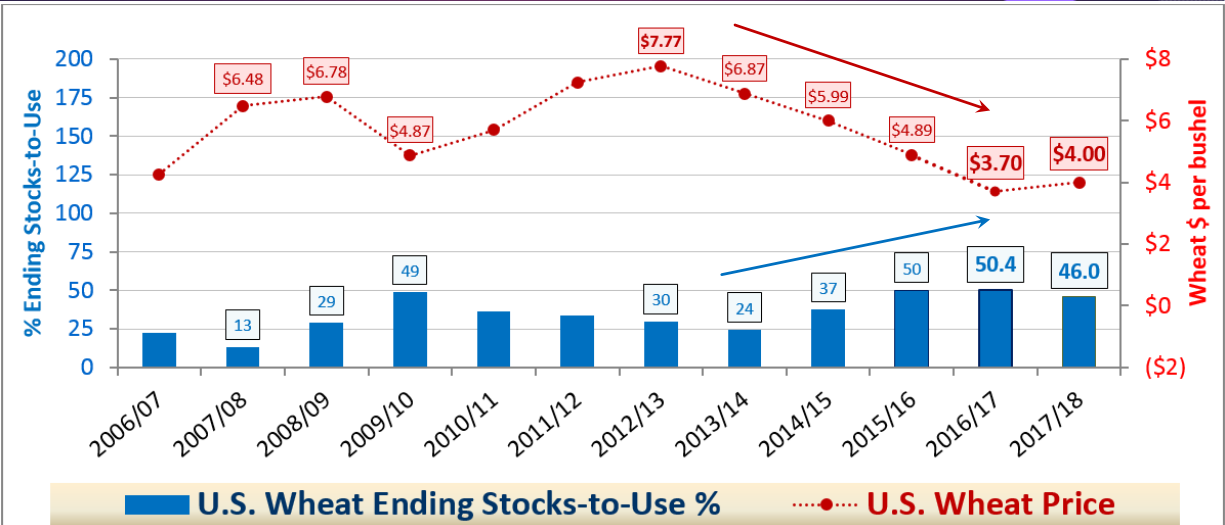
U.S. Wheat Ending Stocks & % Stocks/Use

MY 2005/06 – “Next Crop” MY 2017/18



U.S. Wheat Ending Stocks & Prices

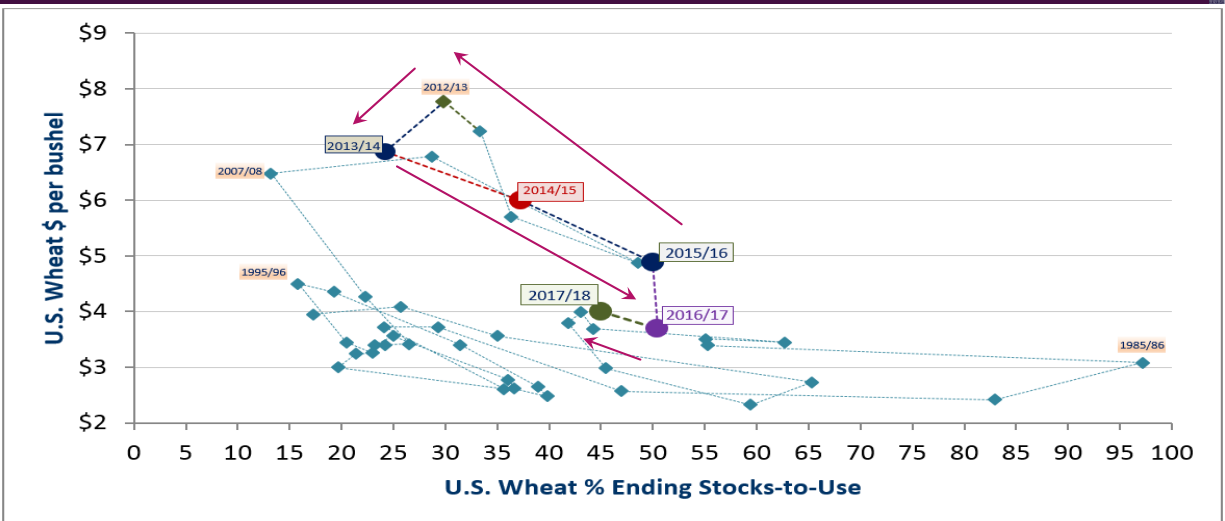
MY 2006/07 – “Next Crop” MY 2017/18 USDA



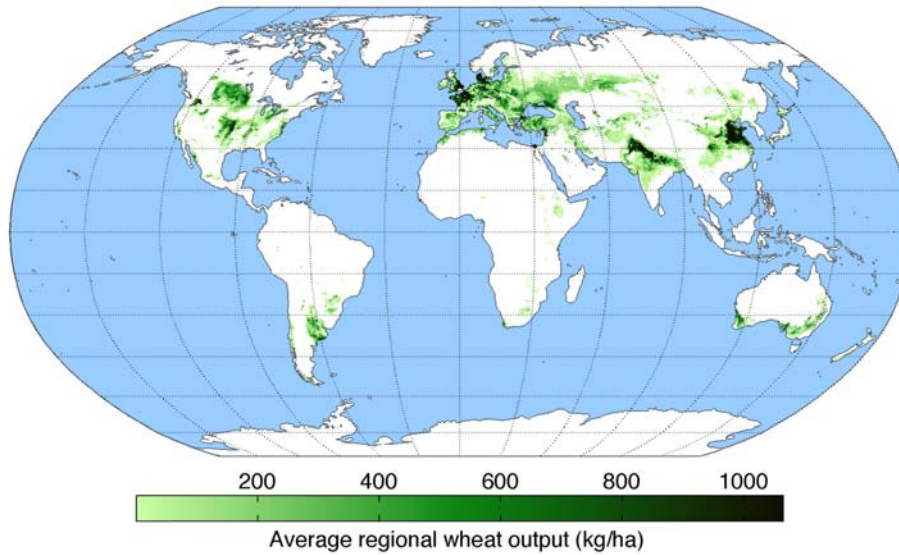
U.S. Wheat Board

U.S. Wheat Price vs U.S. % Stocks-to-Use

MY 1973/74 – “Next Crop” MY 2017/18



World Wheat Production Regions



Monthly Crop Calendar for Wheat

9/12/2016

	USDA Prod Est.		Plant		Headed		Harvest											
	16/17	Change	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug				
Brazil	6.00	0.70	H H	H H	H H	H H	H H				P	P	P	P	P	HE	HE	HE
Canada Spring	30.50	0.50	H H	H							P	P	P	P	HE	HE	HE	H
US Spring	63.16	0.00	H								P	P	P		HE	HE	HE	H H
Australia	27.50	1.00				H H	H H				P	P	P	P				
Russia Spring	72.00	0.00	H H								P	P	P	HE	HE	HE	H H	
Kazakhstan	16.50	1.50	H H								P	P					H H	
China Spring	128.00	(2.00)	H H								P	P	P	P			H H	
Ukraine Spring	27.00	0.00	H H								P	P	P	HE	HE	HE	H	
Argentina	14.40	0.00	HE	HE	HE	HE	H H	H H	H H		P	P	P	P	P			
Russia Winter			P	P	P							HE	HE	HE	H H	H H	H P	
Ukraine Winter			P	P								HE	HE			H H	P	
EU Winter	145.27	(2.23)	P	P	P	P	P	P								H H	H H	
Turkey	17.50	0.00	P	P	P	P	P						H H	H H	H H	H H		
Egypt	8.10	0.00	P	P	P	P					H H	H H	H H	H H				
US Winter				P	P	P					HE	HE	HE	HE	H H	H H	H	
India	90.00	2.00			P	P	P	P	P		H H	H H	H H					
China Winter					P	P	P				H H	H H						

Sources: USDA and AMIS

*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.

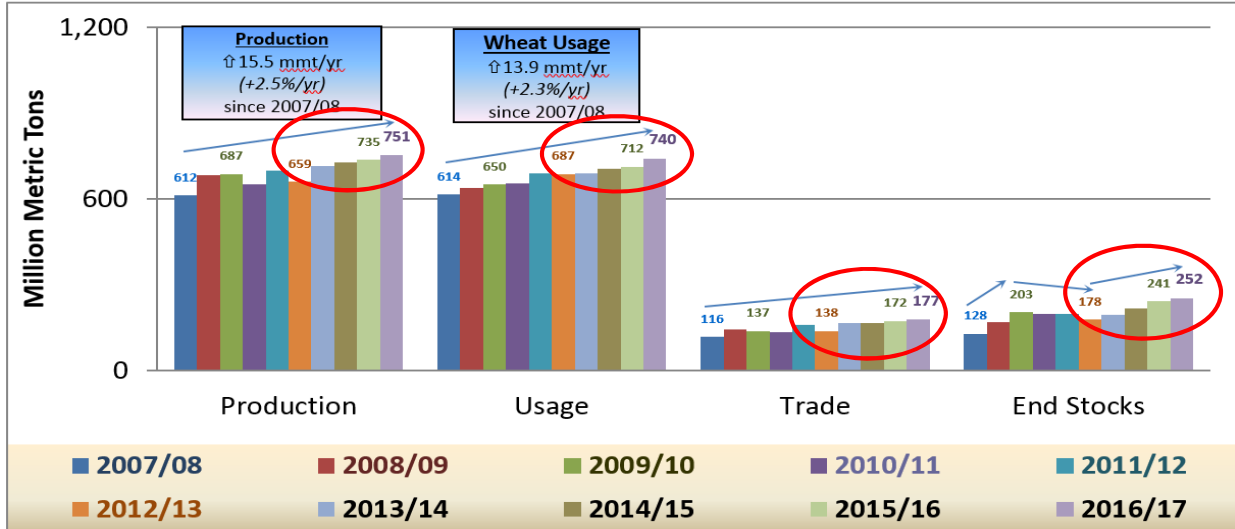
**Production estimates are for ALL WHEAT. Numbers will be listed next to the variety that comes first in the chart.

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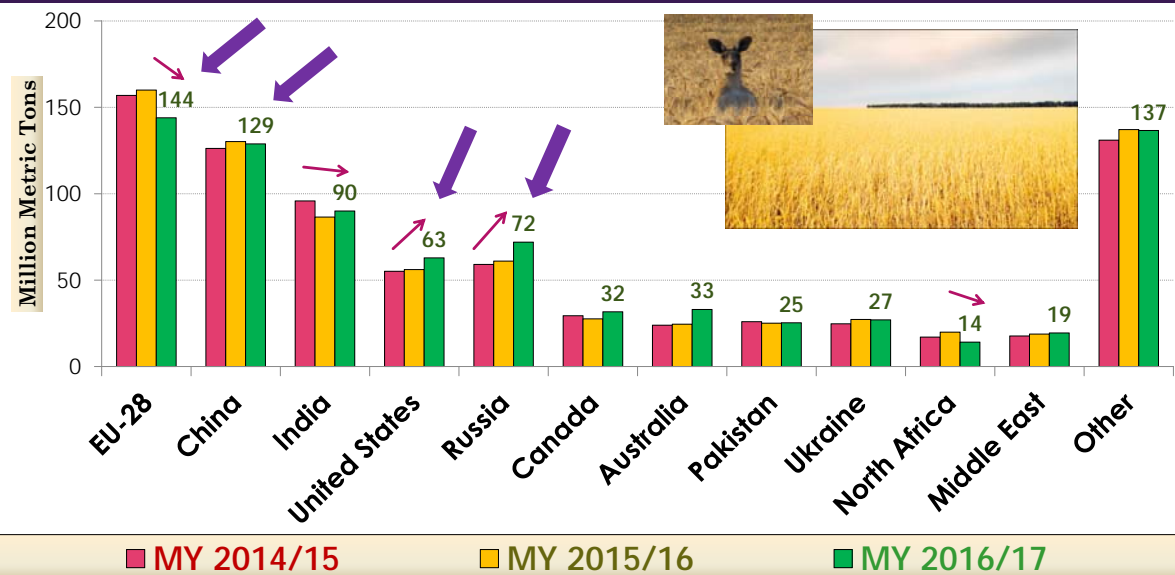


World Wheat Supply, Use & End Stocks

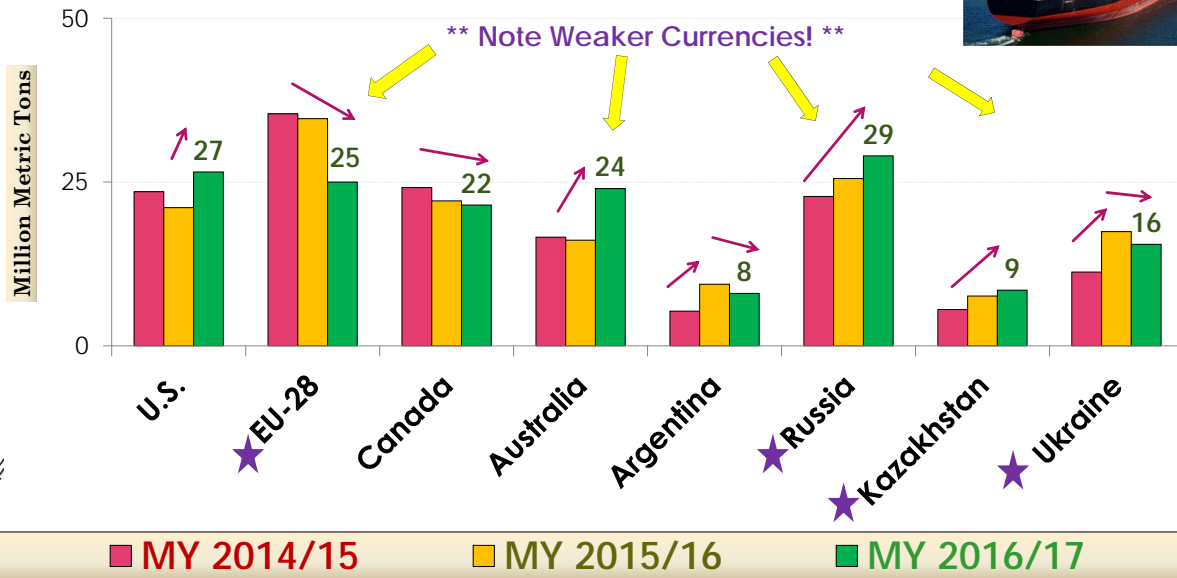
MY 2007/08 – MY 2016/17



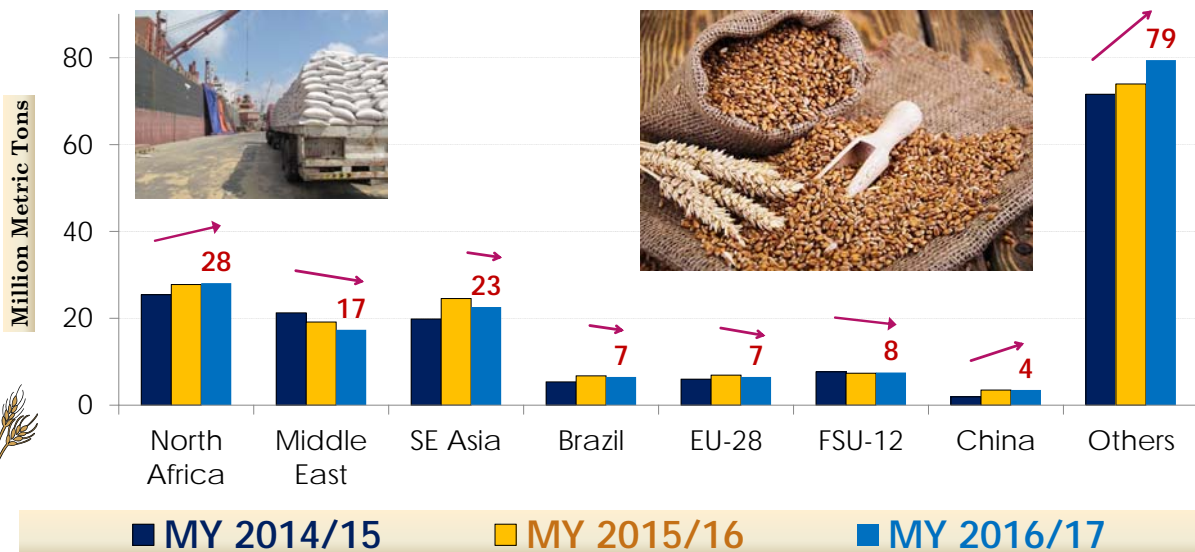
World Wheat Producers: MY 2014/15 – 2016/17



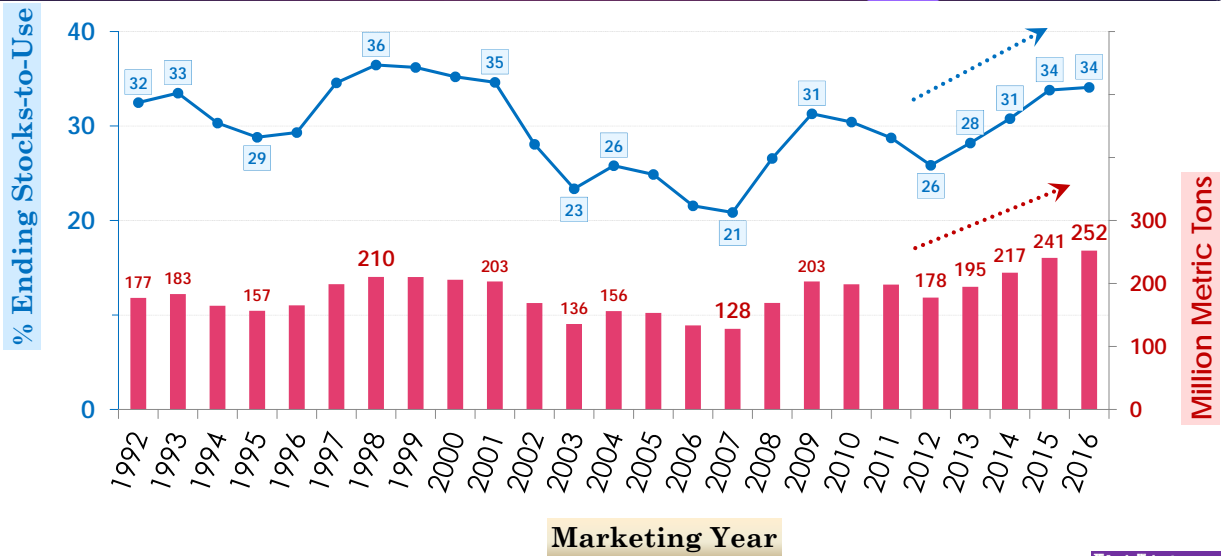
World Wheat Exporters



World Wheat Importers: MY 2014/15 – MY 2016/17

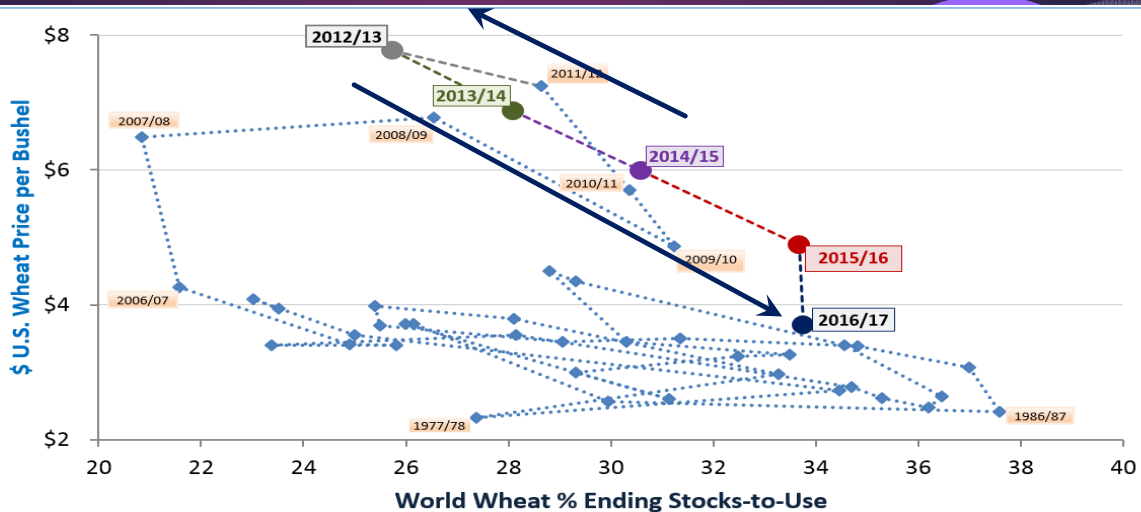


World Wheat Ending Stocks & % Stx/Use



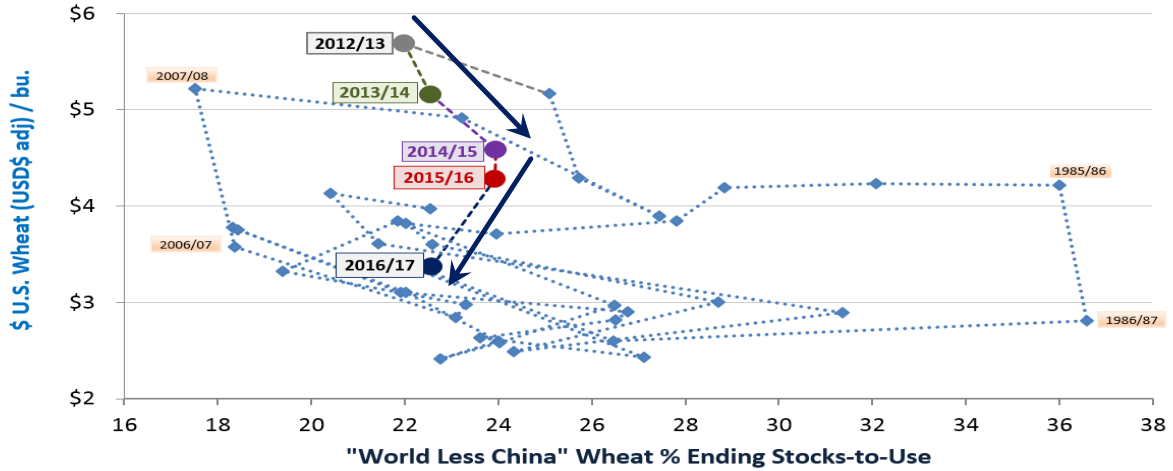
U.S. Wheat Price (\$) vs World %Stx/Use

MY 1973/74 – "Current" MY 2016/17

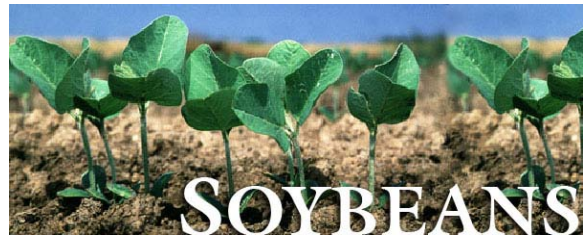


U.S. Wheat Price^{USD\$ adj} vs World Less China %Stx/Use

MY 1973/74 – "Current" MY 2016/17



Soybean Markets



KANSAS STATE UNIVERSITY

Department of Agricultural Economics

U.S. Soybean Market Prospects:



"Strong" Use & Exports – but with Large Stocks & Weak Prices

- U.S. soybean exports in 2016/17 to remain historically large in spite of higher U.S. Dollar exchange rate
 - Depends on China imports & 2017 South American crops
- Low Prices have supported record high U.S. Soybean Use
 - **Crush**^{2016/17} = 1.930 bln bu (*record > 1.886 bb in MY 2015/16*)
 - **Exports**^{2016/17} = 2.050 bln bu (*record > 1.936 bb vs MY 2015/16*)
 - "Uncertainty - Risk" ⇒ 2017 South American soybean crops

CME Soybean Futures

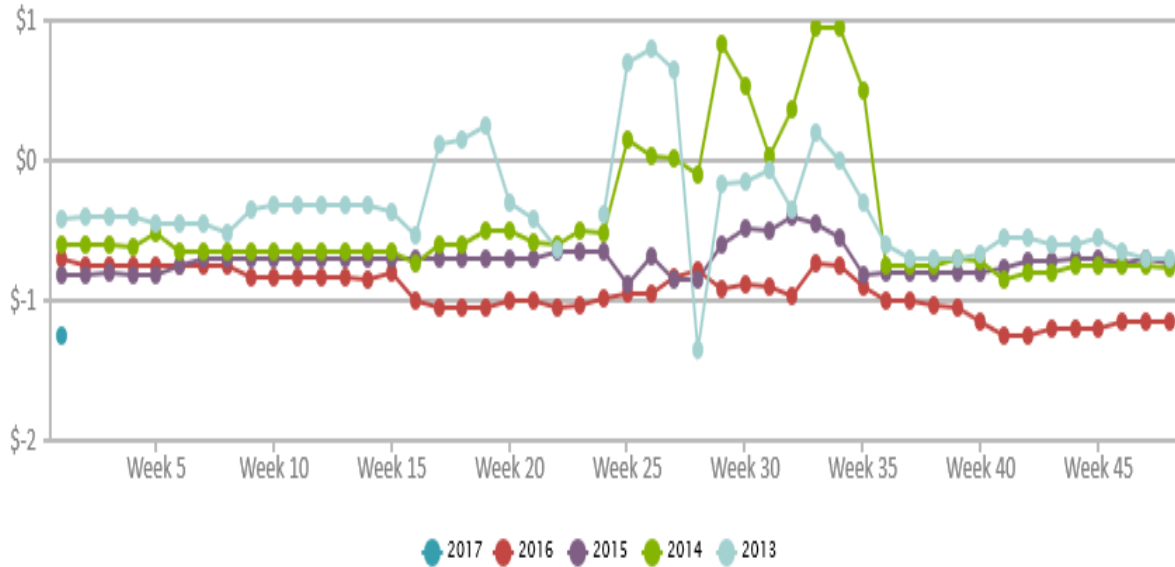


Monthly Chart: Nov. 2007 – December 2016 + 1/6/2017 close



JEWELL , KS: Soybeans Basis - AGMARK

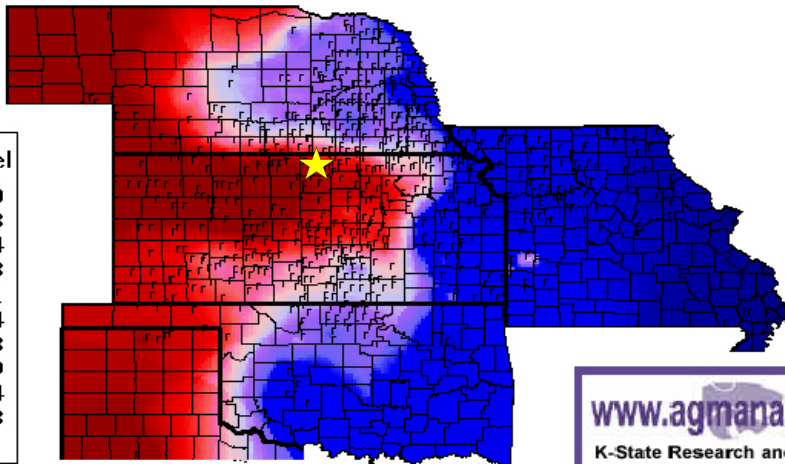
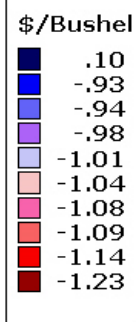
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Soybean Basis, 01-04-2017

Basis = Cash Price - Nearby Futures Price

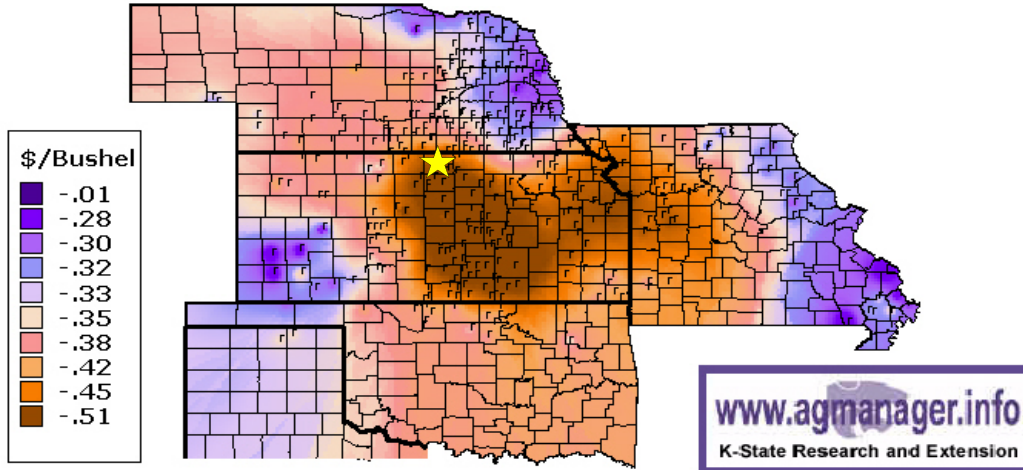
CBT Mar
Futures
Price: \$10.15



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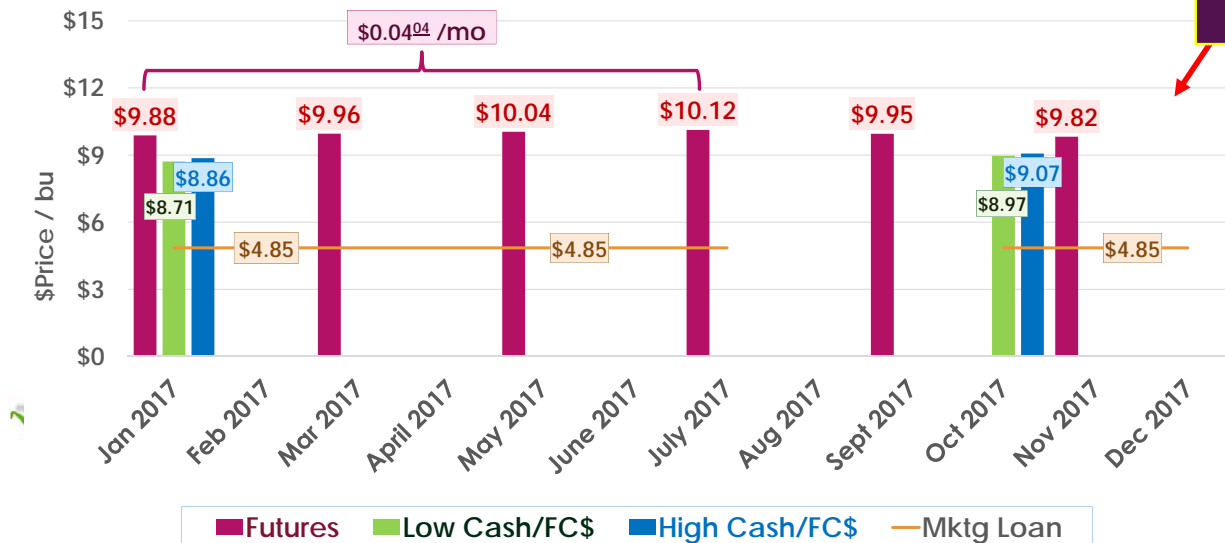
Soybean Basis Deviation, 01-04-2017

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



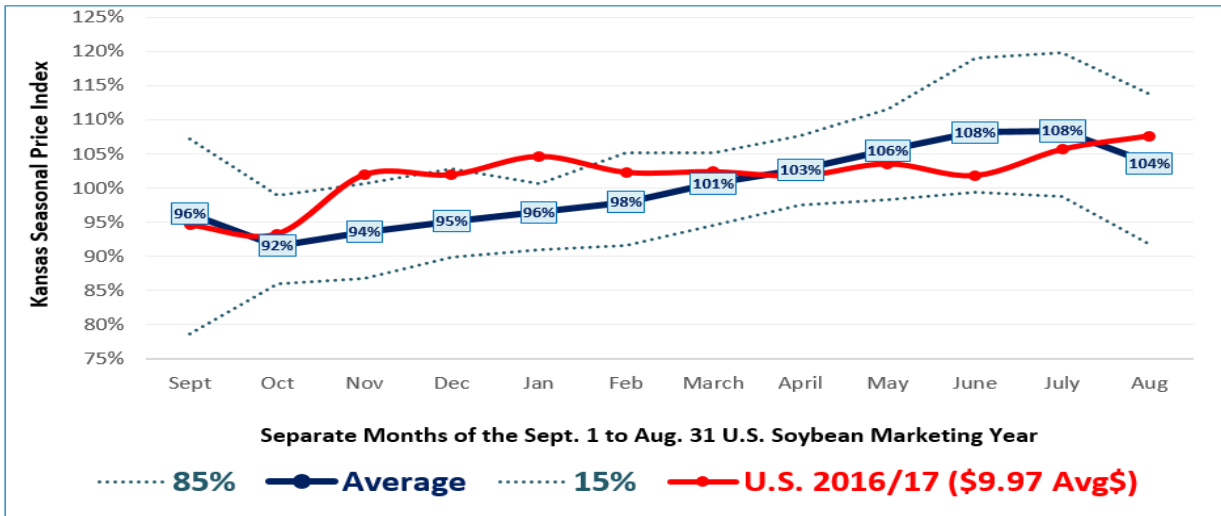
Soybean Cash & Futures Prices – Jewell, KS

Local Elevators – January 6, 2017

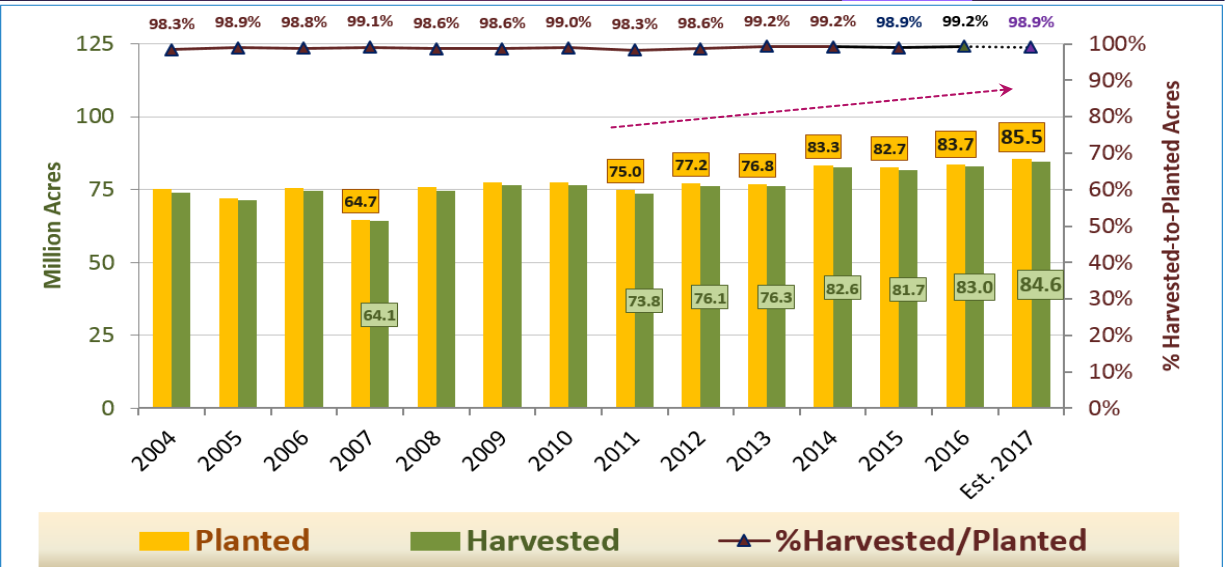


Kansas Soybean Seasonal Cash \$ Index

Monthly Prices: 1999/00 – 2015/16 + "Current" MY 2016/27

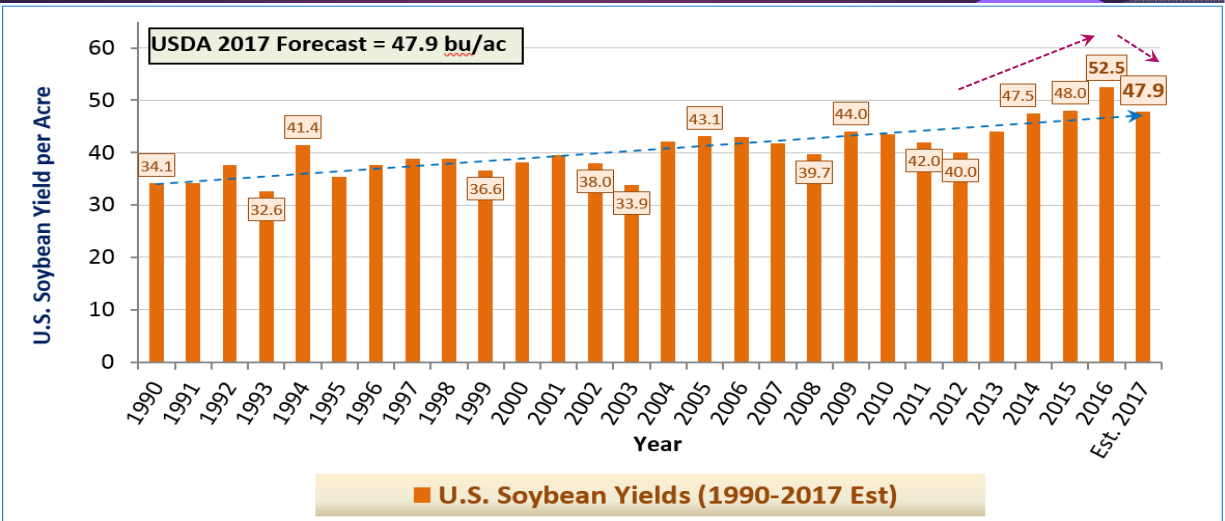


U.S. Soybean Acreage: 2004-2017^{Est}



U.S. Soybean Yields: 1990-2017^{EST}

USDA 2016 = 52.5 bu/ac; 2017 Forecast^{USDA} = 47.9



U.S. Soybean Production & Supplies

MY 2006/07 – “Next Crop” MY 2017/18^{Est}

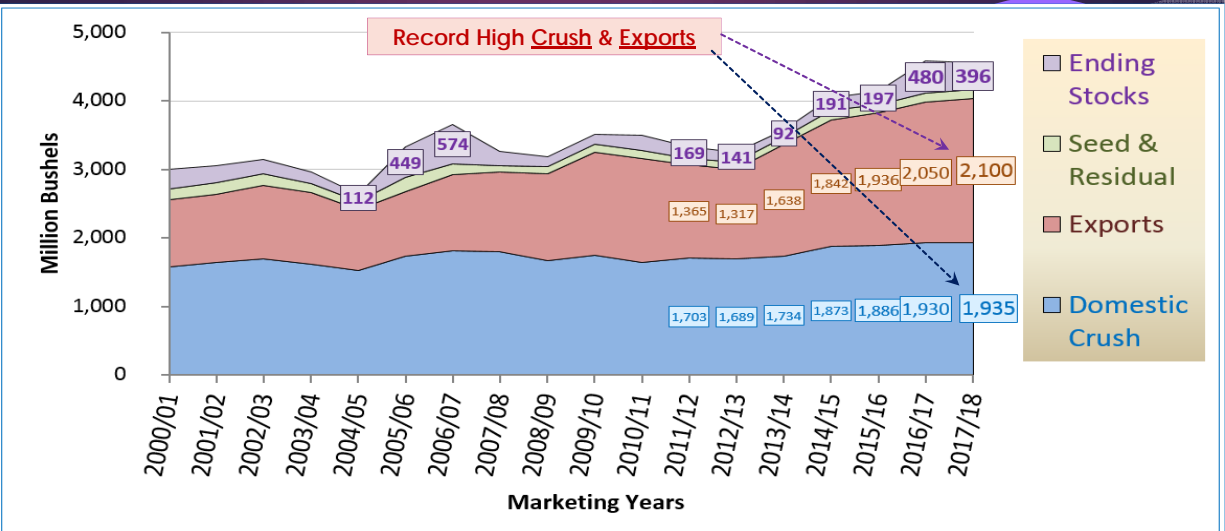




U.S. Soybean Use & Ending Stocks

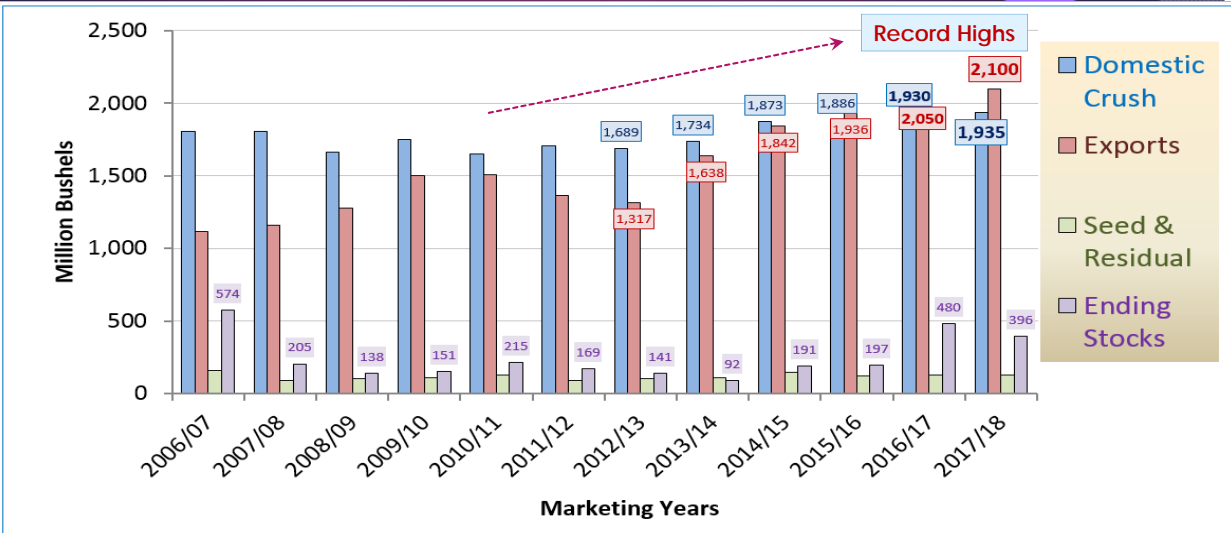


MY 2000/01 – “New Crop” MY 2016/17



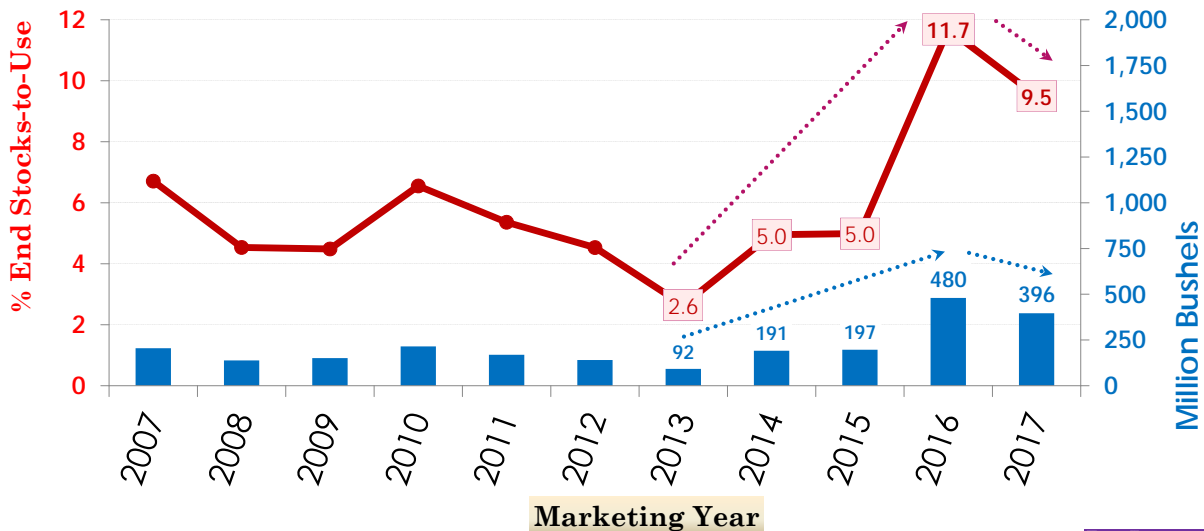
U.S. Soybean Use & Ending Stocks

MY 2006/07 – “Nex Crop” MY 2017/18 Est



U.S. Soybean Ending Stocks & % Stx/Use

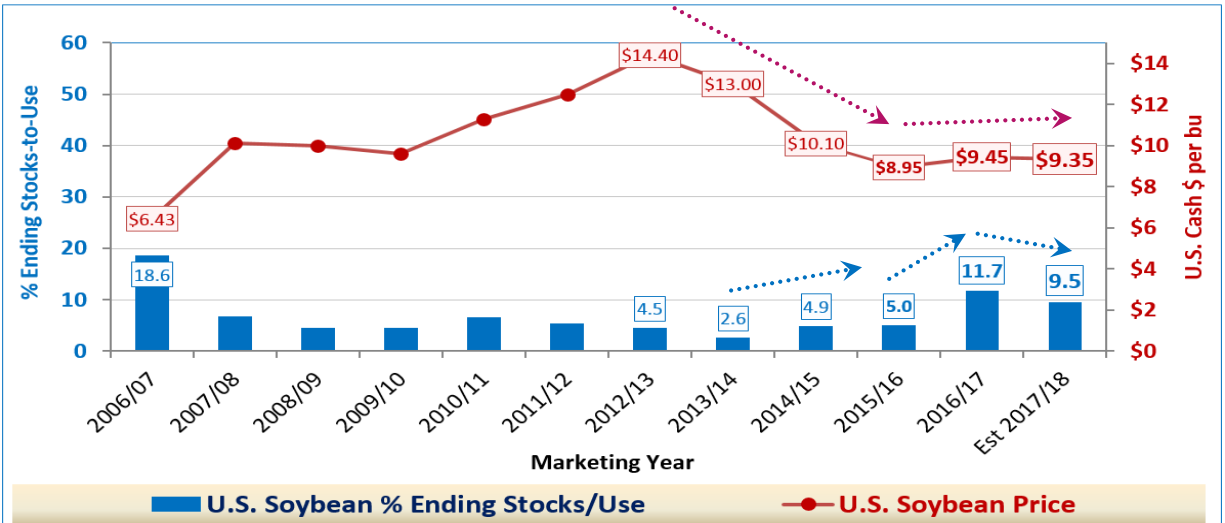
MY 2007/08 – “Next Crop” MY 2017/18 Est



U.S. Soybean % Stocks/Use vs Price\$



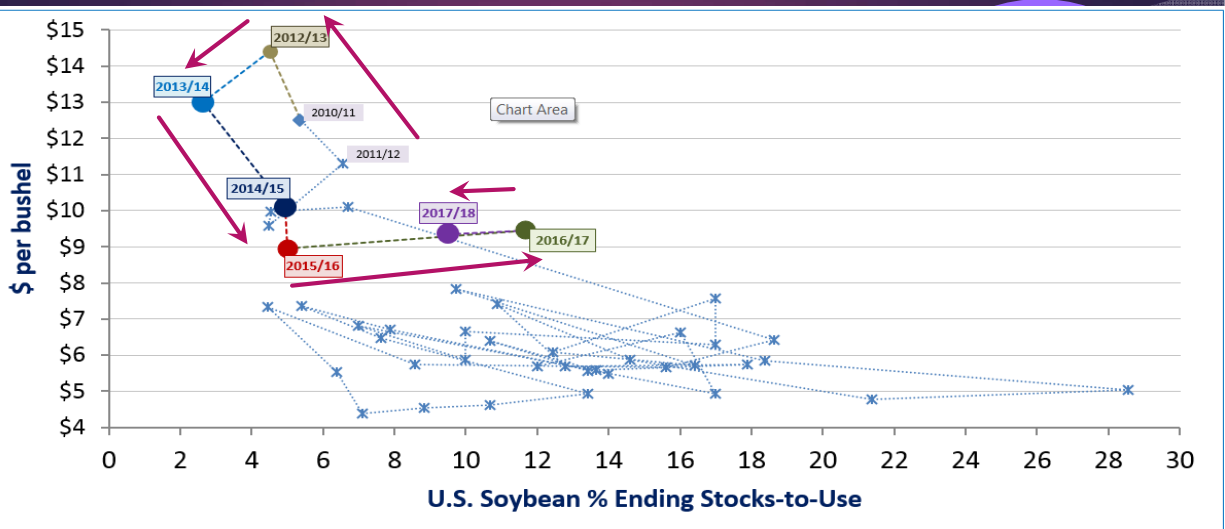
MY 2006/07 – “New Crop” MY 2016/17



U.S. Soybean \$ vs U.S. Stocks-to-Use



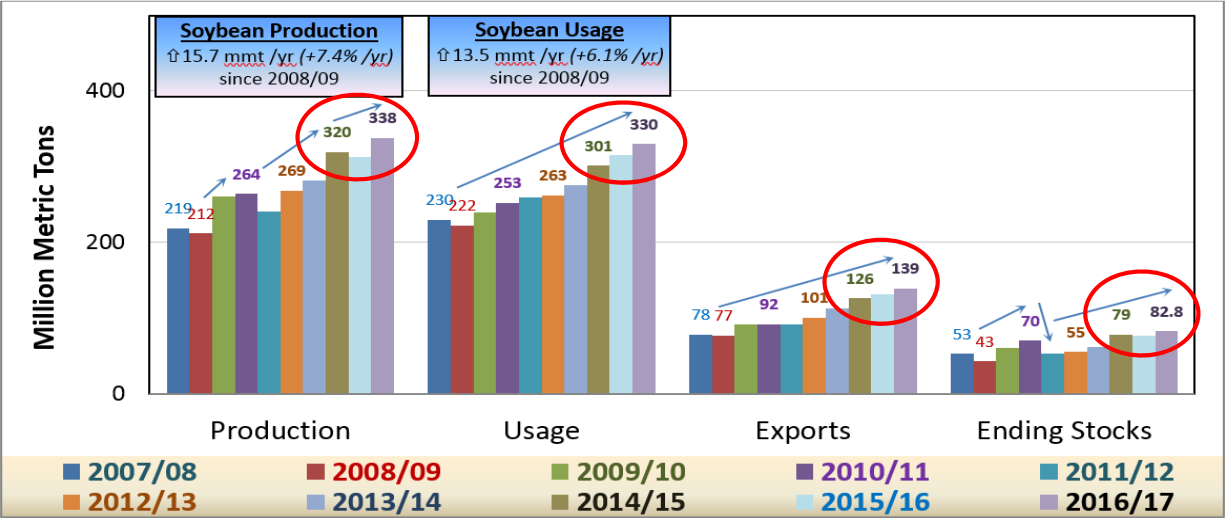
MY 1973/74 through “Next Crop” MY 2017/18 Est



World Soybean Supply, Use & Stocks



MY 2007/08 – MY 2016/17



Monthly Crop Calendar for Soybeans

9/12/2016

	USDA Prod Est.		Plant		Bloom		Harvest											
	16/17	Change	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug				
Ukraine	4.00	0.00	H	H						P	P	P	P	H	H			
EU	2.44	0.00	H	H	H	H				P	P	P	P					
Russia	2.90	0.00	H	H	H	H	H			P	P	P	P					
US	114.33	3.83		H	H	H	H				P	P	P	B	B	B		
China	12.50	0.30	H	H	H	H					P	P	P	P				
Canada	5.83	(0.42)		H	H	H	H				P	P	P	P	B	B	B	B
Indonesia	0.60	0.00	H	H	H	H					P	P	P	P	P	H	H	
Mexico	0.37	0.00	P	P	H	H	H	H	H	H								
India	9.70	(1.70)			H	H	H	H	H									
Paraguay	9.17	0.00		P	P	P	P	P	H	H	H	H	H	H				
Brazil	101.00	(2.00)			P	P	P	P	H	H	H	H	H	H				
Argentina	57.00	0.00			P	P	P	P	P	B	B		H	H	H	H		
South Africa	1.12	0.00				P	P	P		H	H	H	H					



Sources: USDA, AMIS, and CHS, Inc. locations

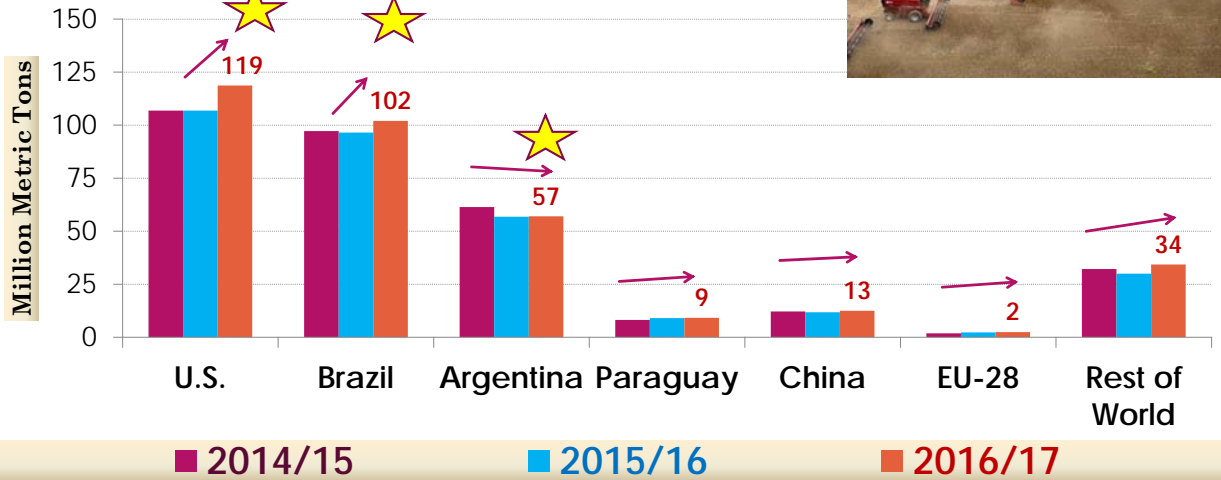
*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.

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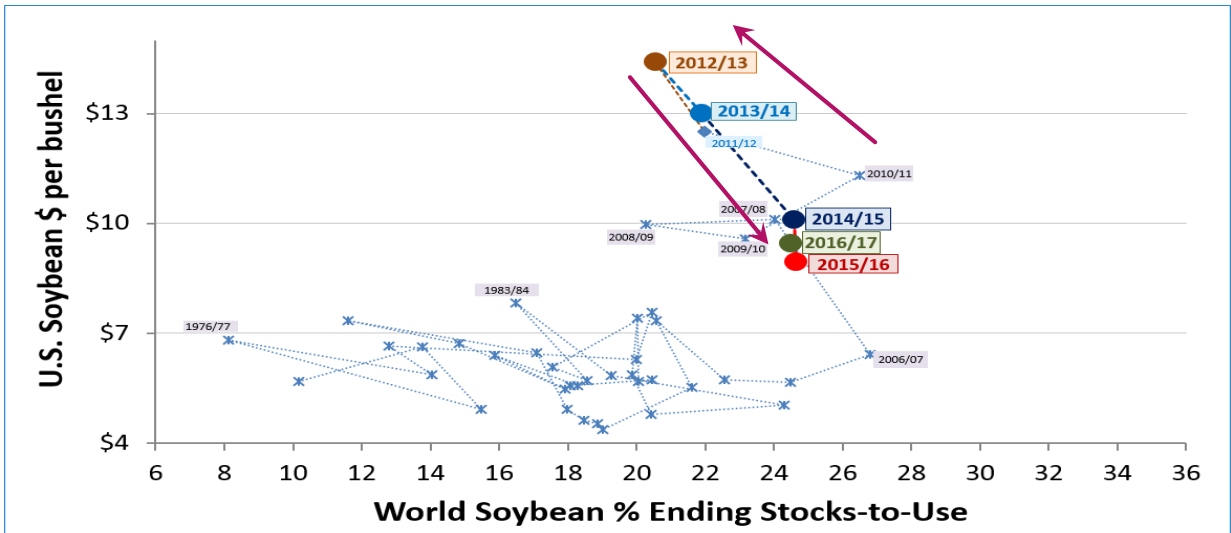
World Soybean Producers

MY 2014/15 – MY 2016/17



U.S. Soybean\$ vs World % Stocks/Use

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



Questions?

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