

2017 Grain Marketing Strategies Workshop

Midway Extension District

Russell, Kansas - December 12, 2016

DANIEL O'BRIEN

EXTENSION AGRICULTURAL ECONOMIST

KANSAS STATE
UNIVERSITY

Department of Agricultural Economics



Starting with Grain Market Outlook...

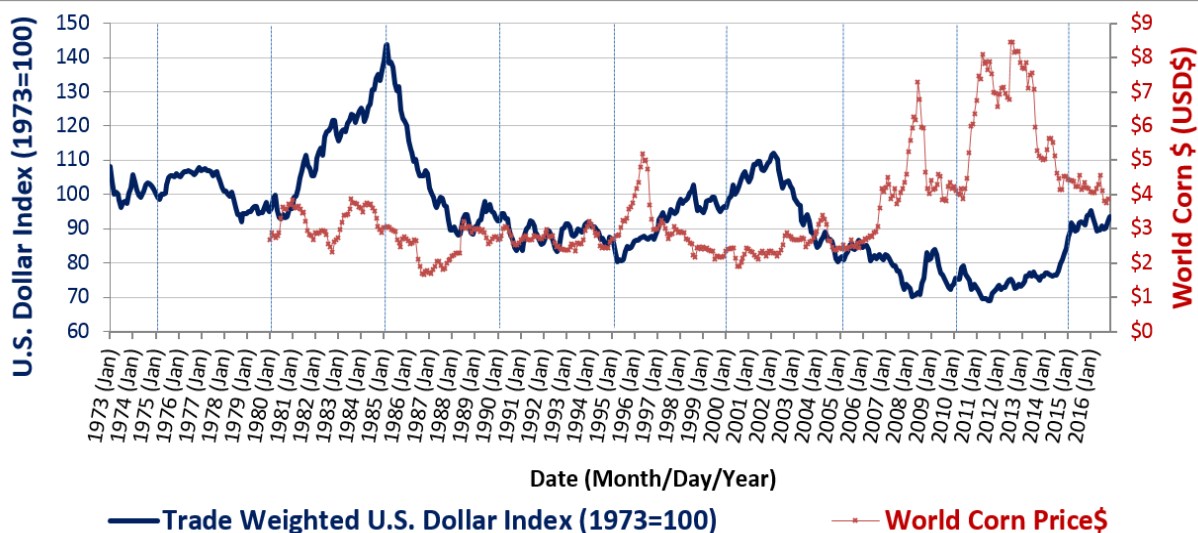
- 1) **Overall Grain Market Situation** – World & U.S.
- 2) **Currency Exchange Rate** impacts on the World grain trade & World grain prices
- 3) **Market Outlook** for Corn, Sorghum, Wheat & Soybeans

Current Grain Market Situation

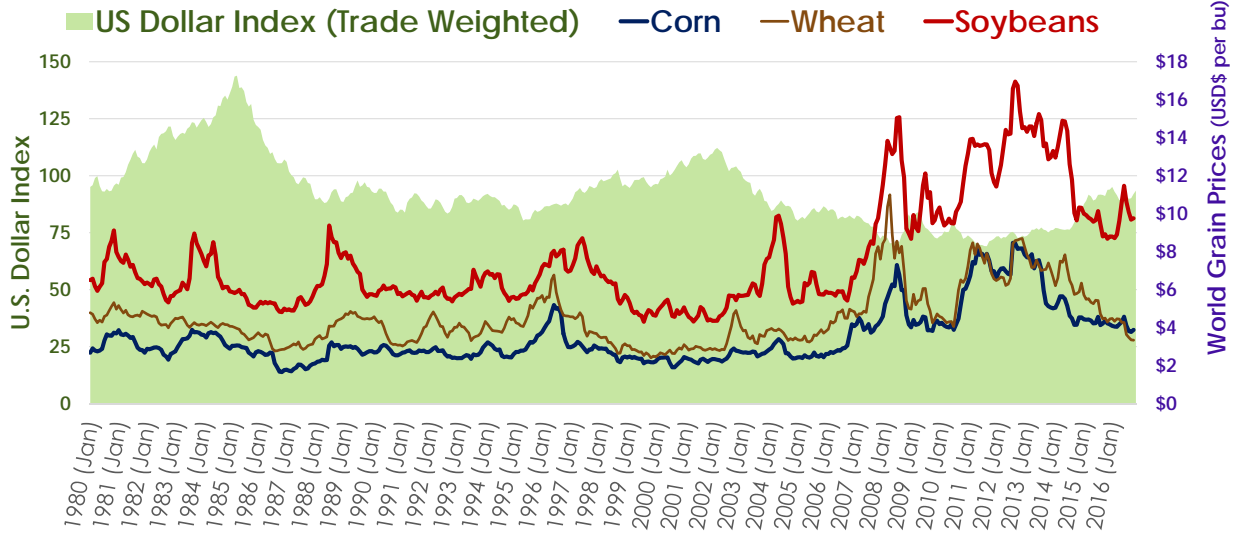
for U.S. & Kansas Farmers & Agribusinesses

- 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

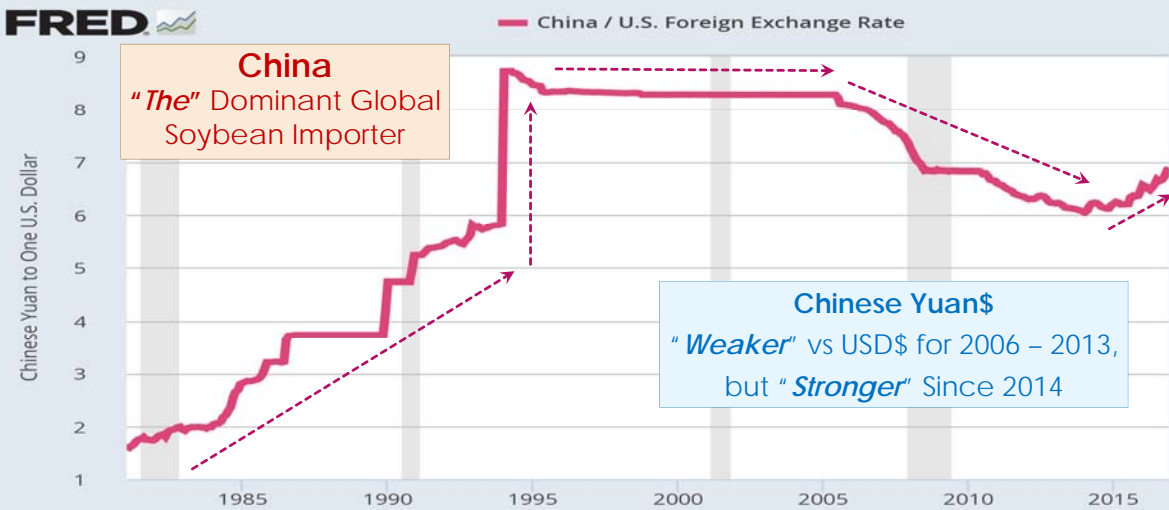
U.S. Dollar Index (Trade Weighted) 1973 – November 2016



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

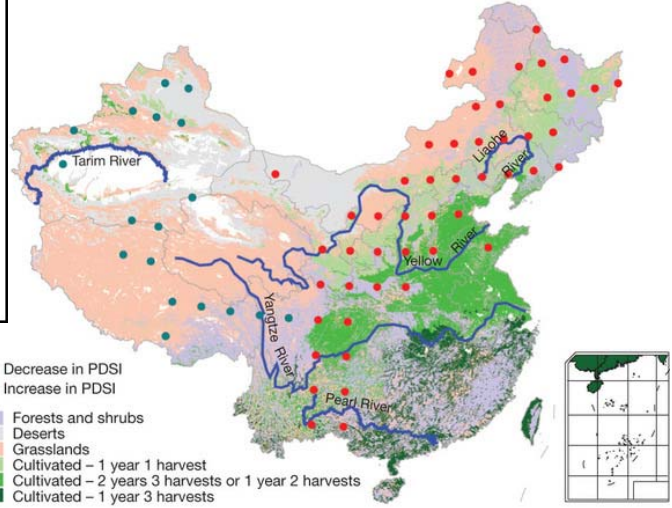
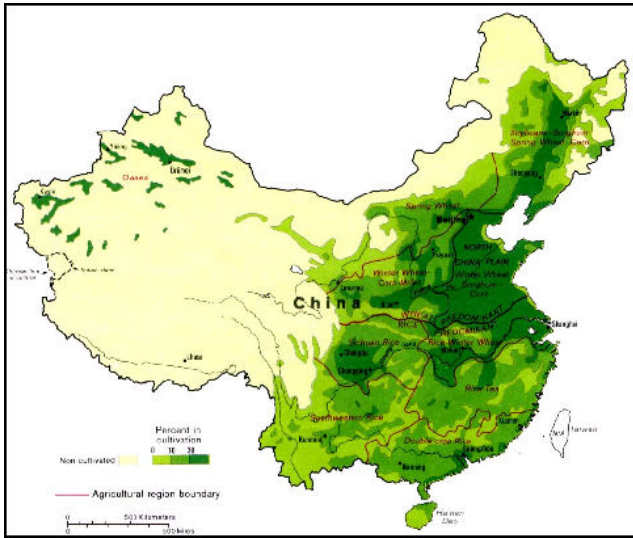


China Exchange Rates - Monthly



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

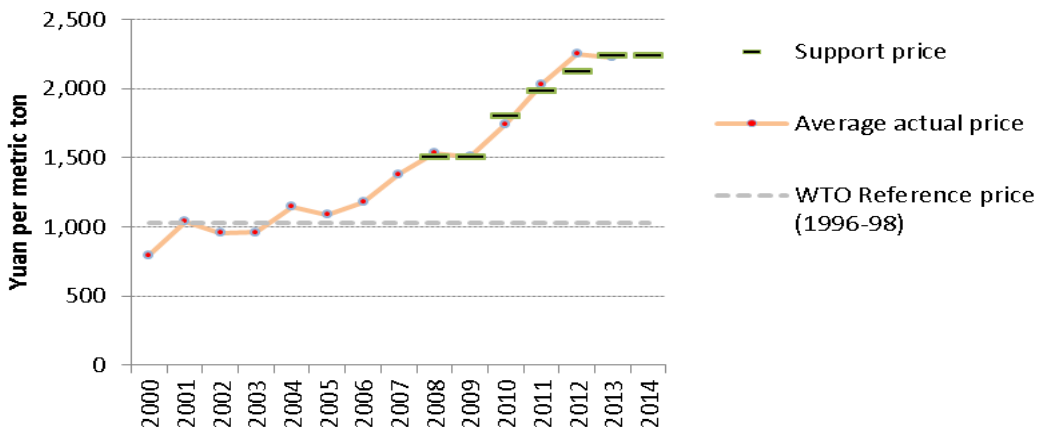
myf.red/g/c674

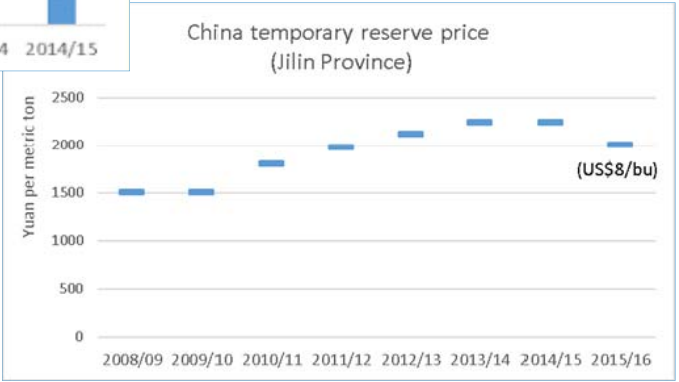
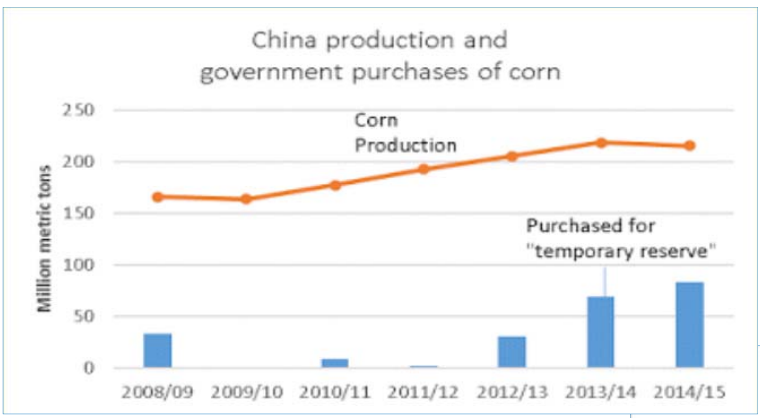


China Corn Temporary Reserve Price

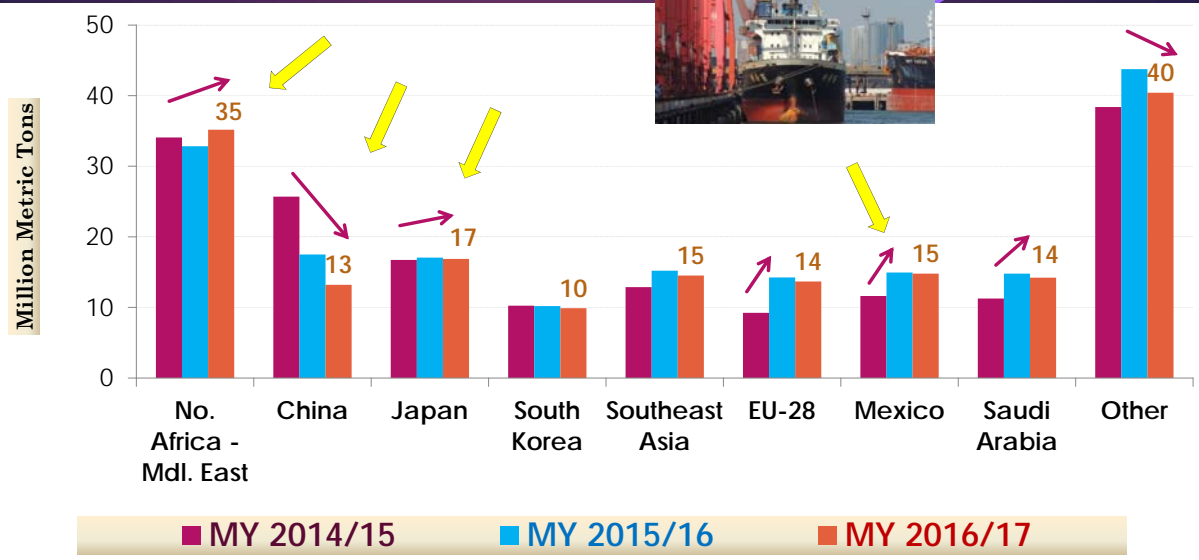
Source: www.dimsums.blogspot.com

China corn prices, 2000-15

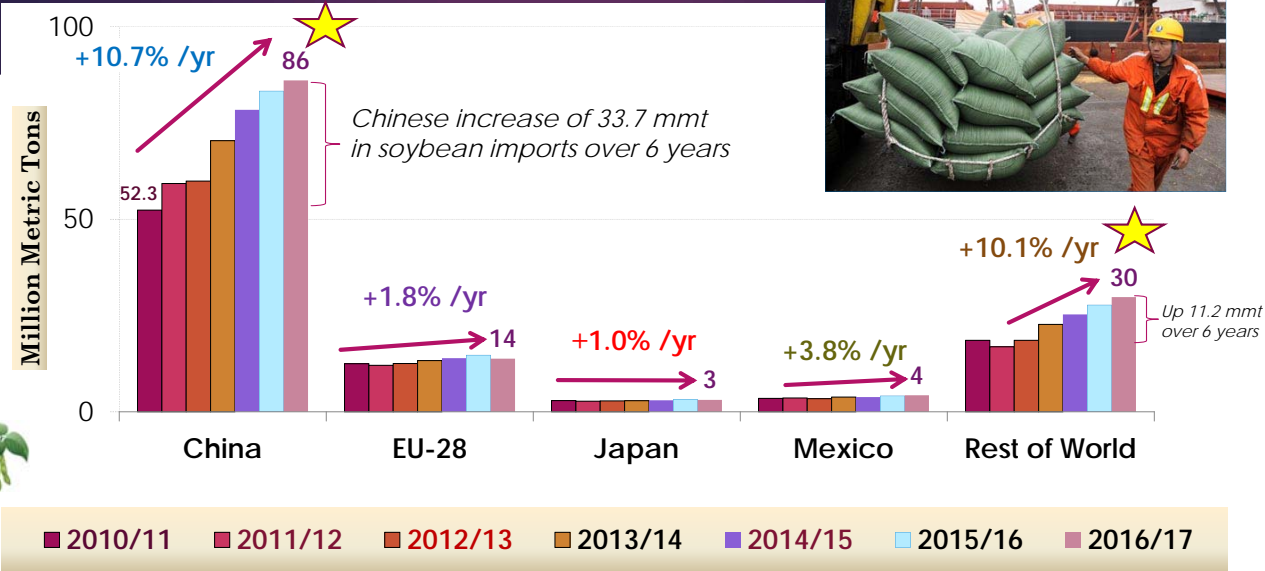




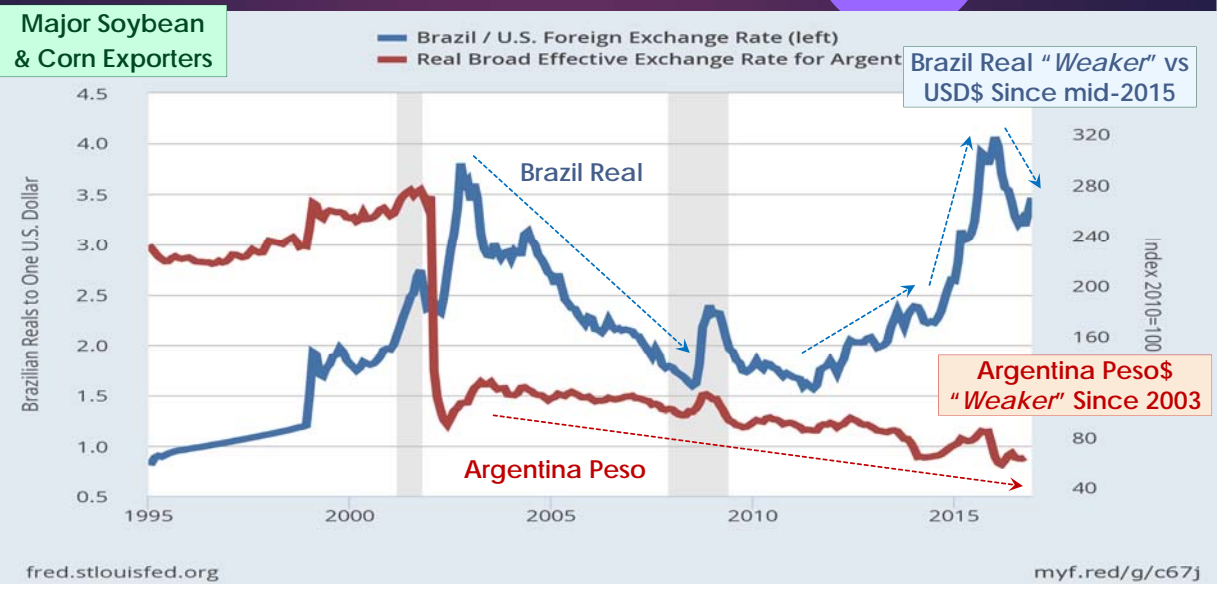
Coarse Grain Importers

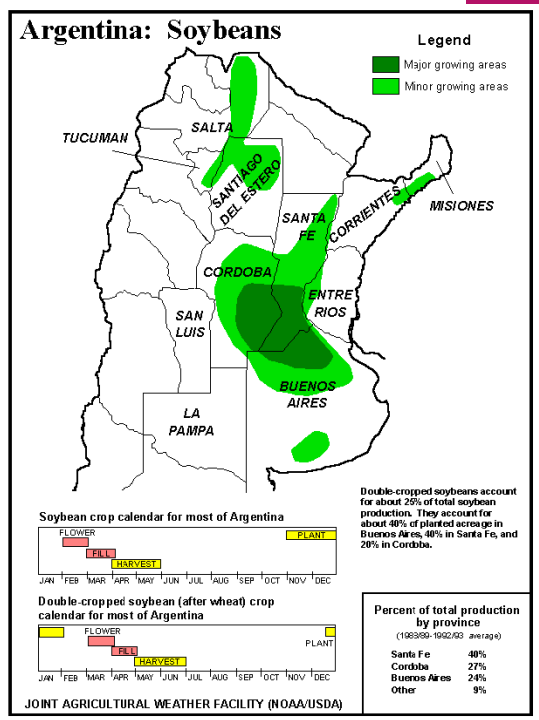
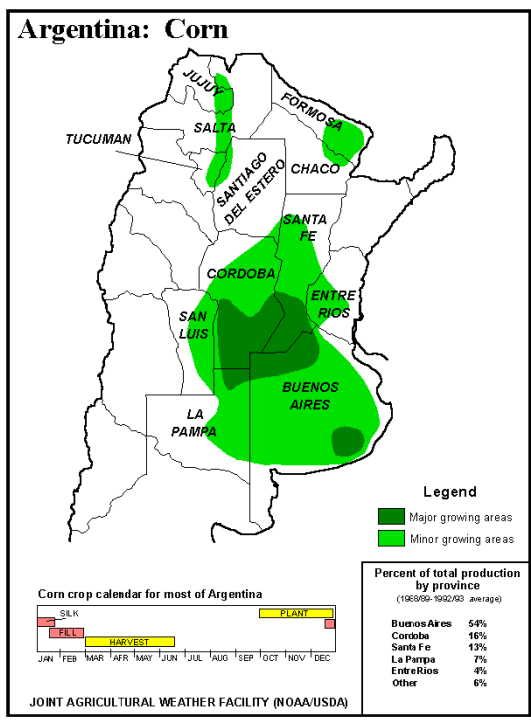
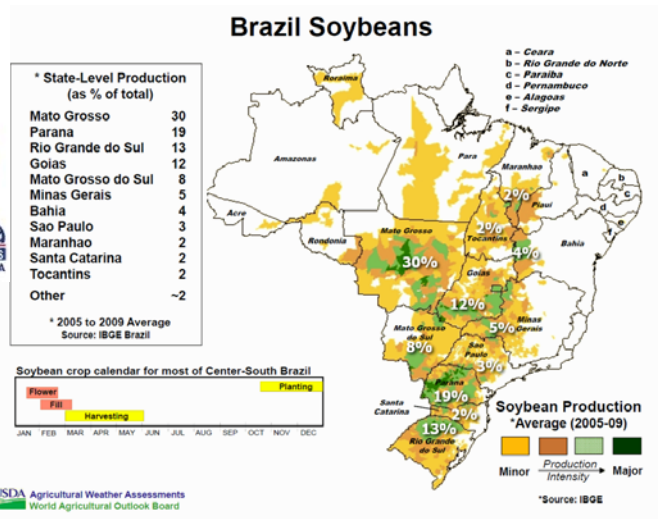
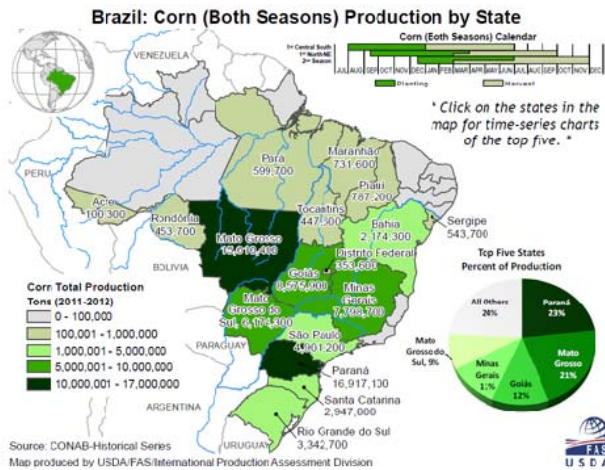


World Soybean Importers

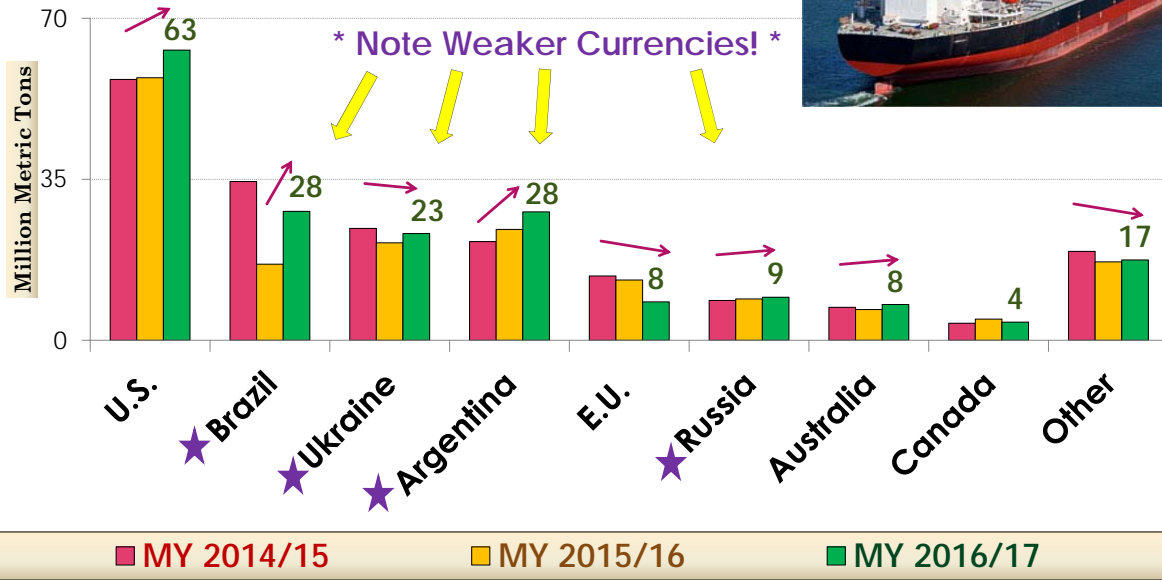


Brazil & Argentina Exchange Rates - Monthly

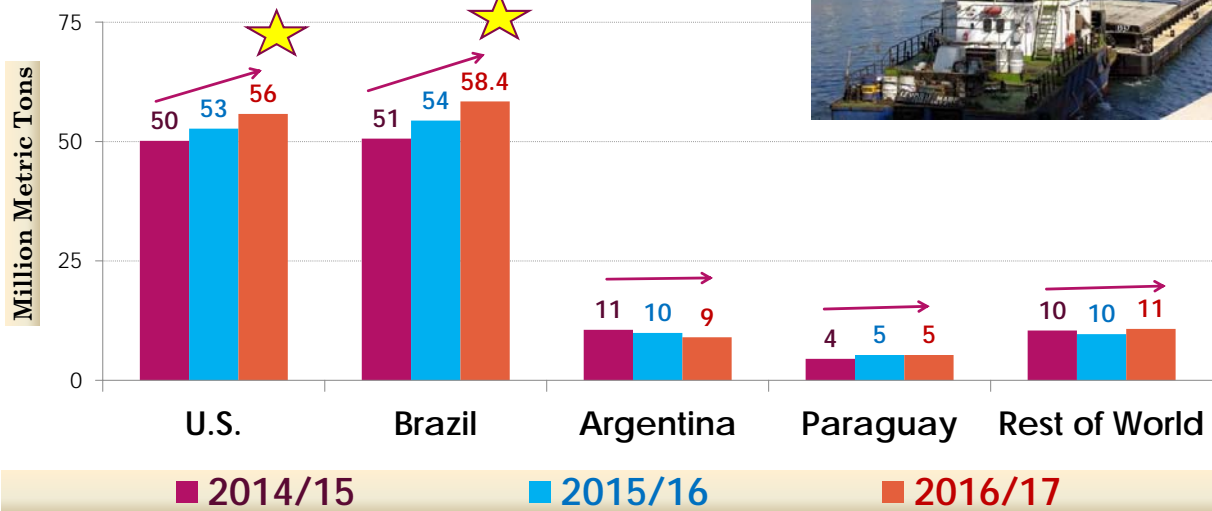




Coarse Grain Exporters



World Soybean Exporters

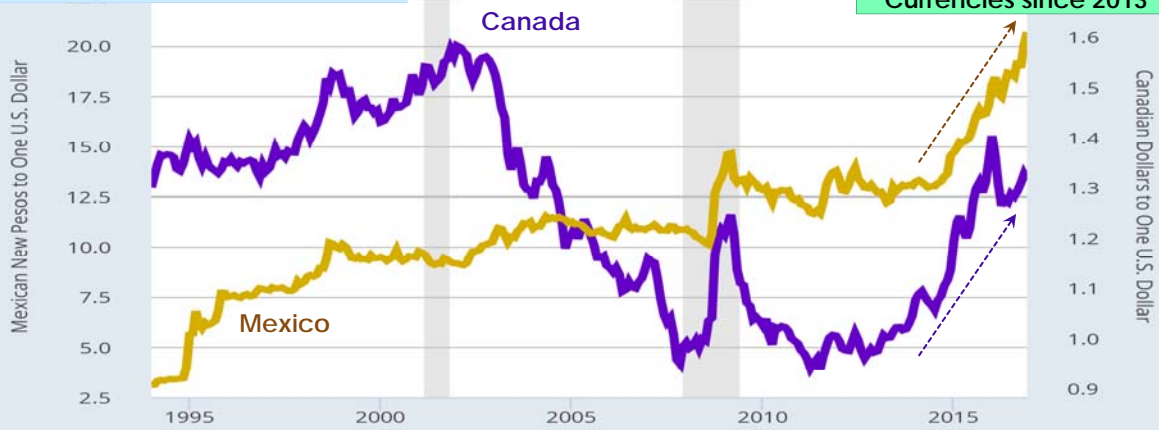


Canada & Mexico Exchange Rates - Monthly

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

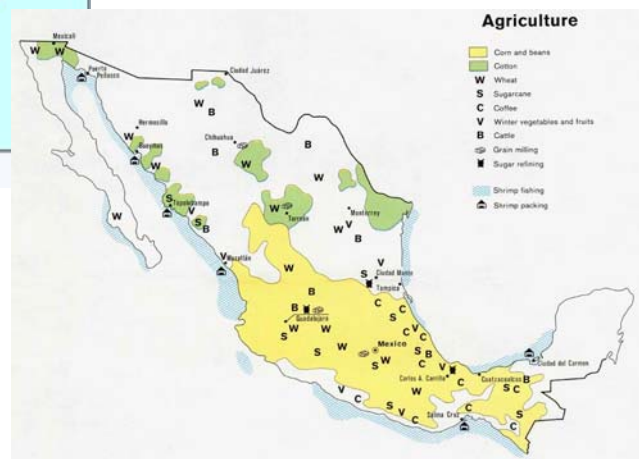
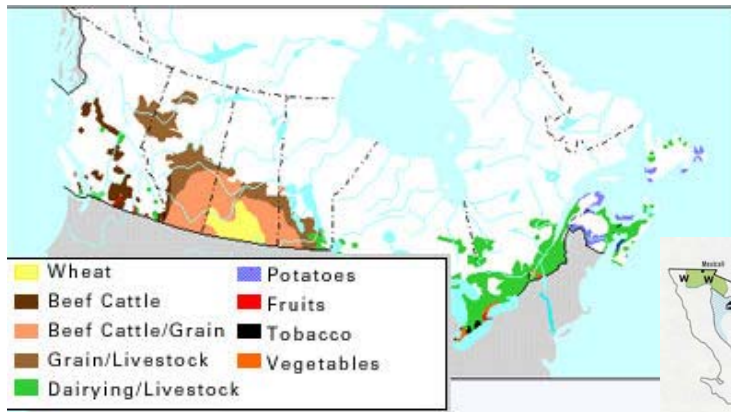
Canada / U.S. Foreign Exchange Rate (right)
Mexico / U.S. Foreign Exchange Rate (left)

USD\$ "Stronger" vs NAFTA
Currencies since 2013

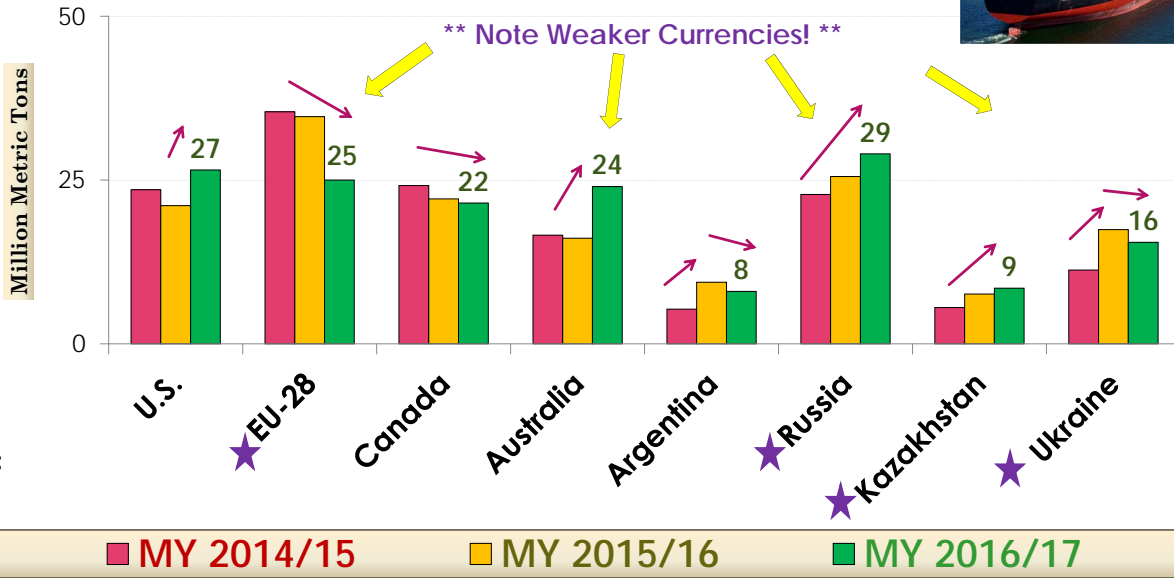


fred.stlouisfed.org

myf.red/g/c67w



World Wheat Exporters

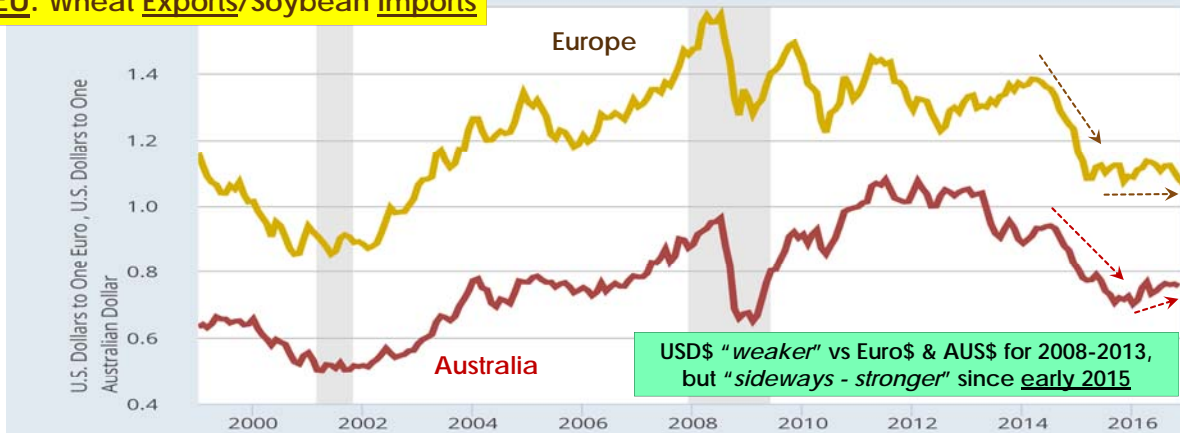


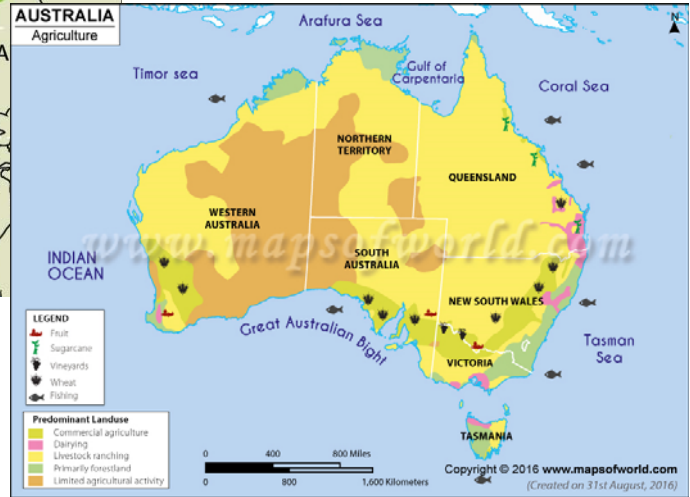
Euro & Australia Currency per U.S. Dollar

Australia: Wheat/Sorghum Exports

EU: Wheat Exports/Soybean Imports

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





Corn & Sorghum Markets



KANSAS STATE UNIVERSITY

Department of Agricultural Economics

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

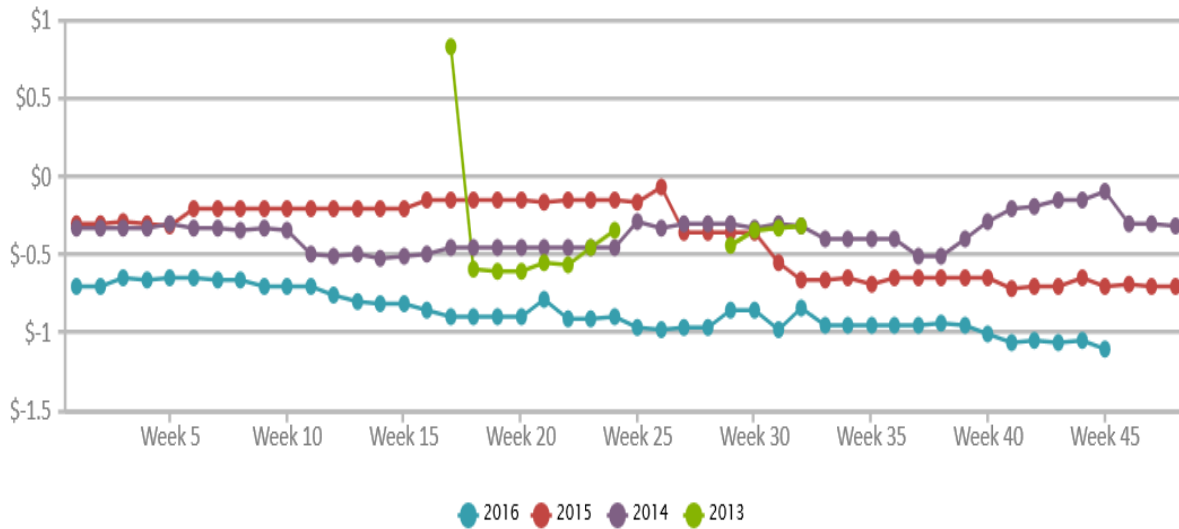
CME Corn Futures

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



RUSSELL, KS: Corn Basis - AG CO

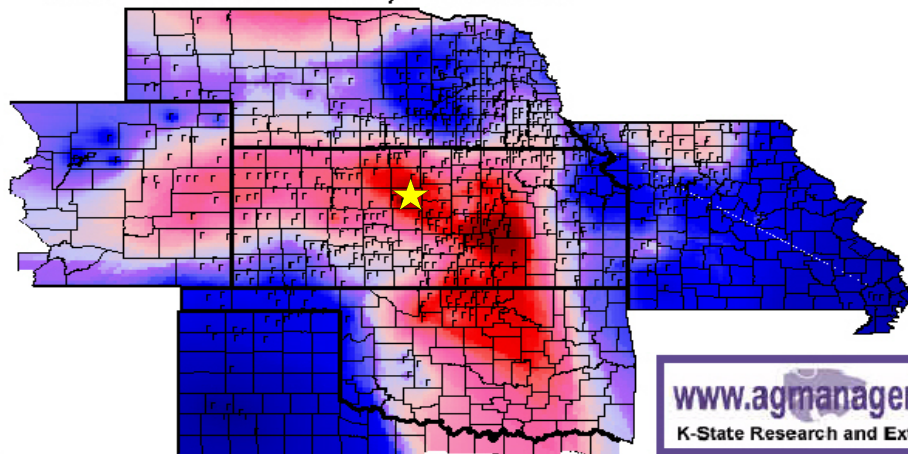
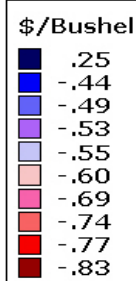
www.AgManager.info



Corn Basis, 12-07-2016

Basis = Cash Price - Nearby Futures Price

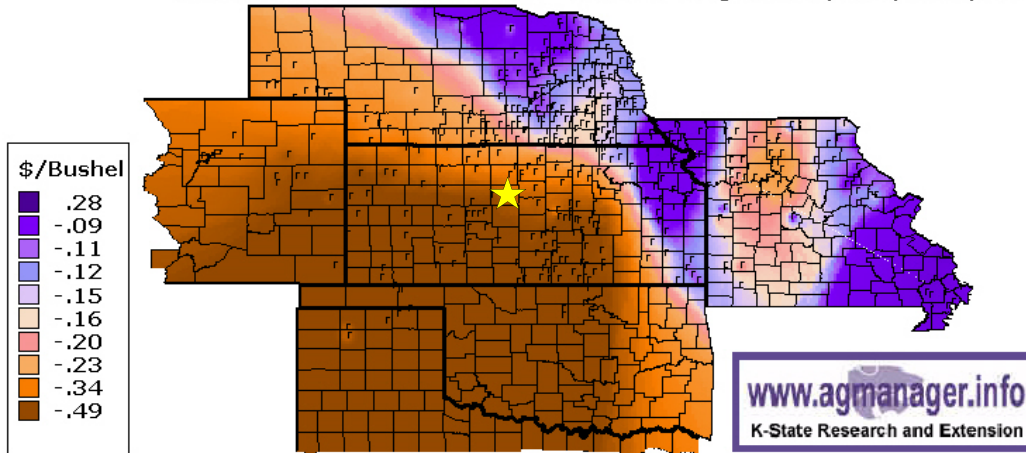
CBT Mar
Futures
Price: \$3.58



www.agmanager.info
K-State Research and Extension

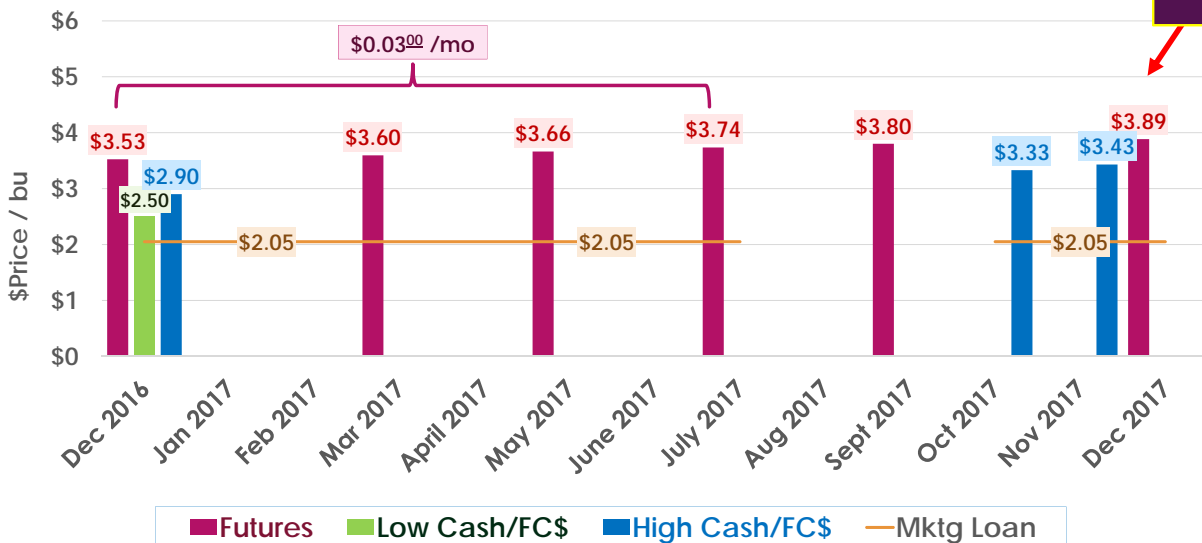
Corn Basis Deviation, 12-07-2016

Basis Deviation = Current Basis - 3 Year Average Basis (2013, 2014, 2015)



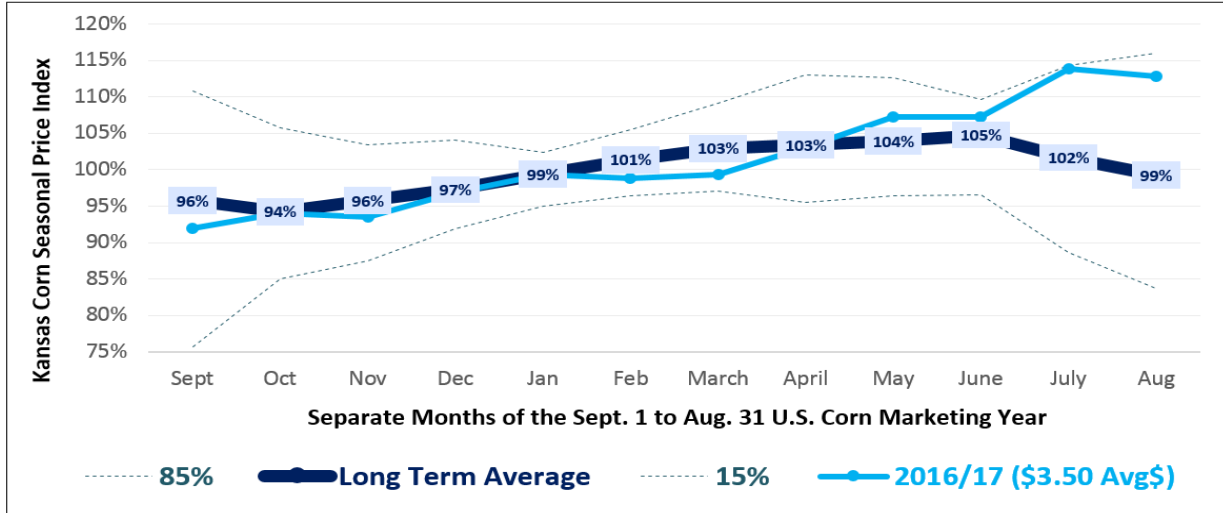
Corn Cash & Futures Prices – Russell, KS

Local Elevators – December 9, 2016



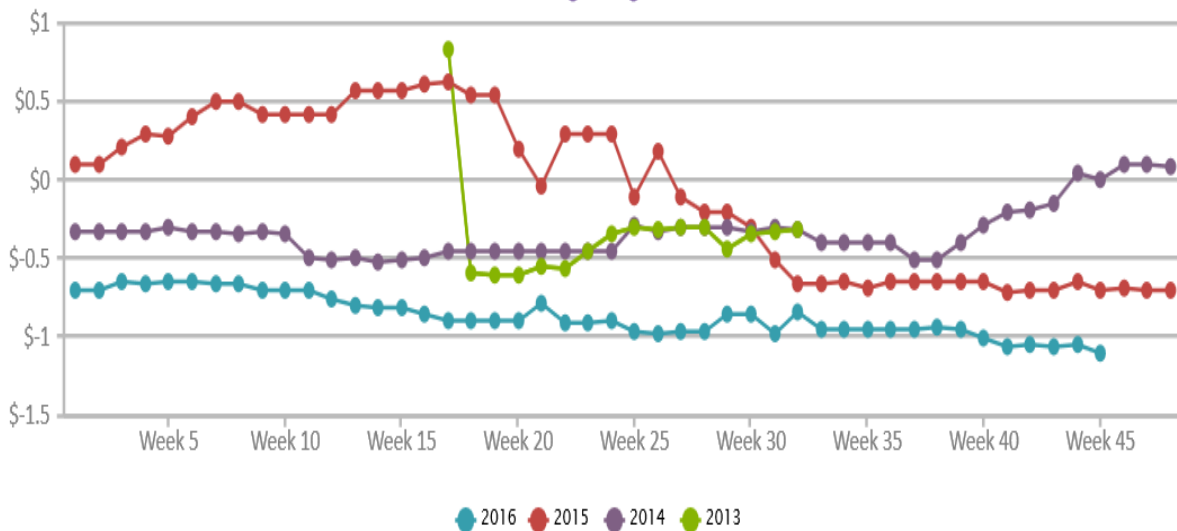
Kansas Corn Seasonal Cash \$ Index

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



RUSSELL, KS: Grain Sorghum Basis - AG CO

www.AgManager.info

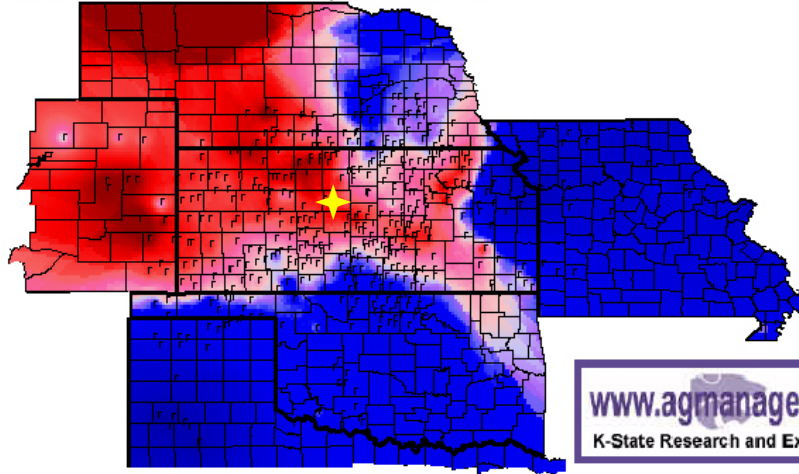
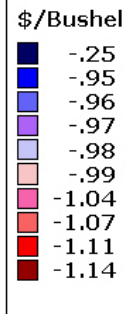




Grain Sorghum Basis, 12-07-2016

Basis = Cash Price - Nearby Futures Price

CBT Corn
Mar Futures
Price: \$3.58

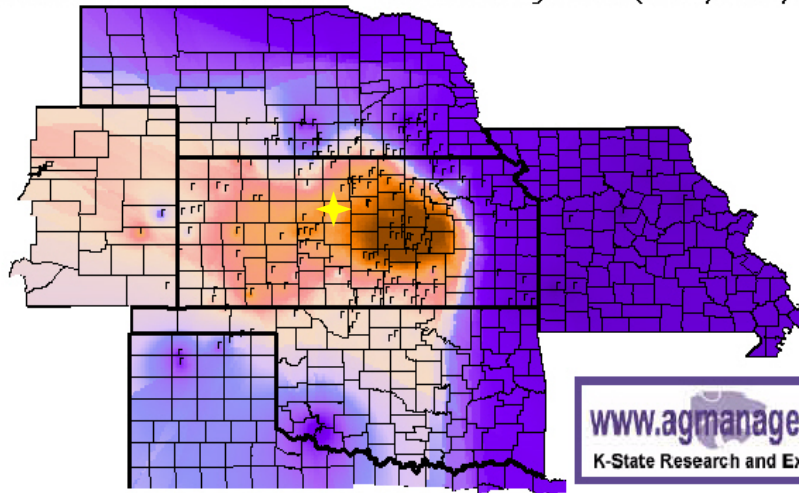
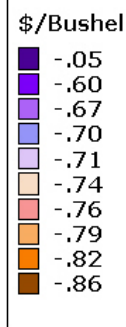


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Grain Sorghum Basis Deviation, 12-07-2016

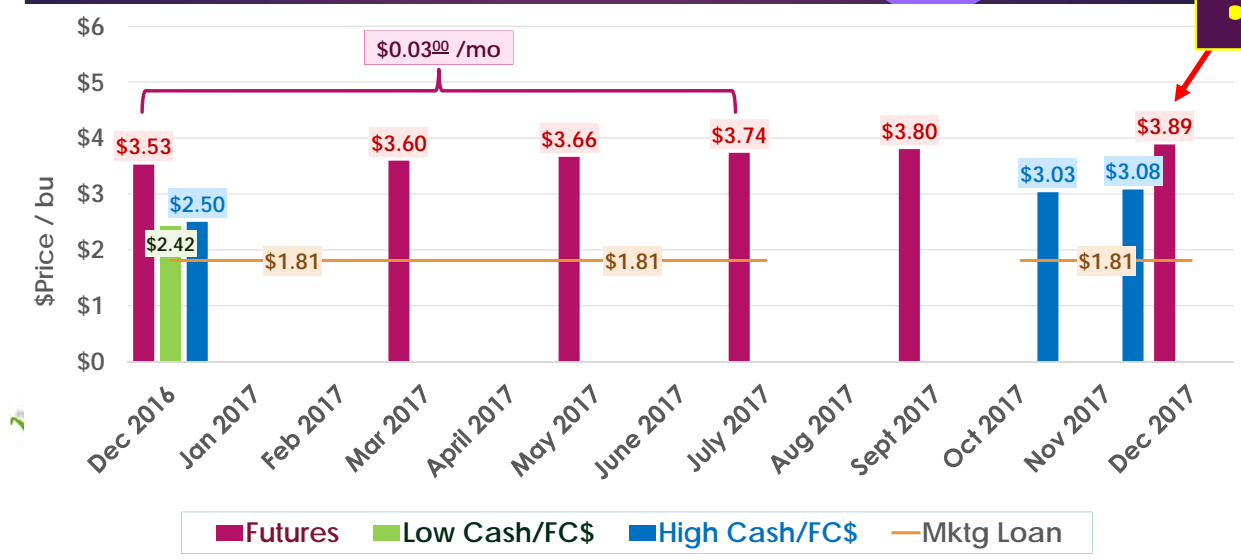
Basis Deviation = Current Basis - 3 Year Average Basis (2013, 2014, 2015)



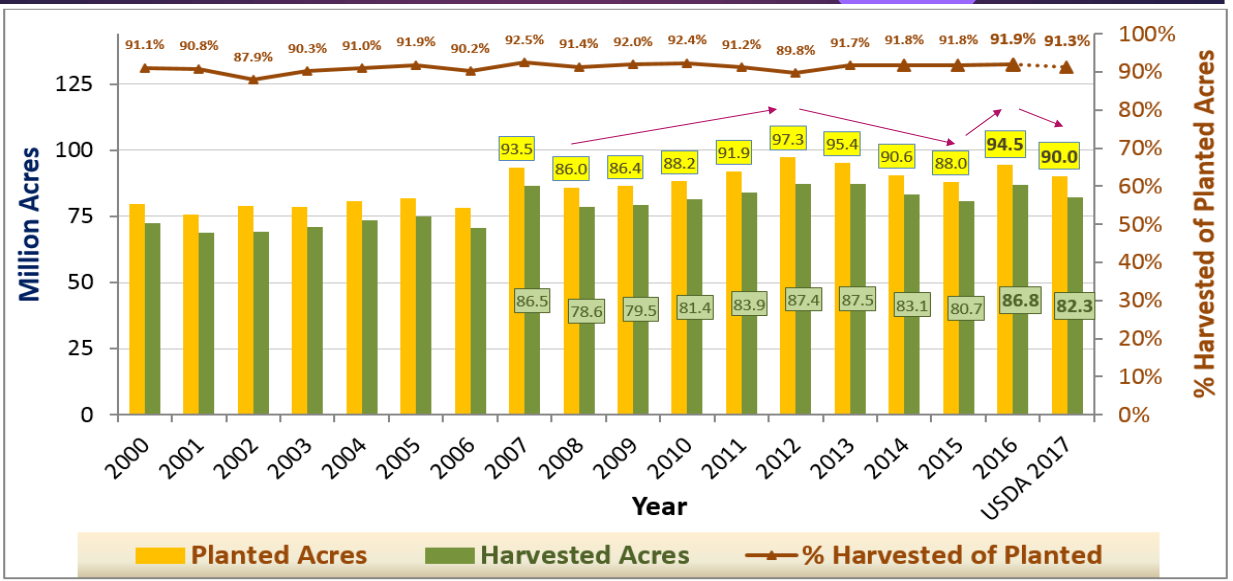
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Sorghum Cash & Futures Prices – Russell, KS

Local Elevators – December 9, 2016

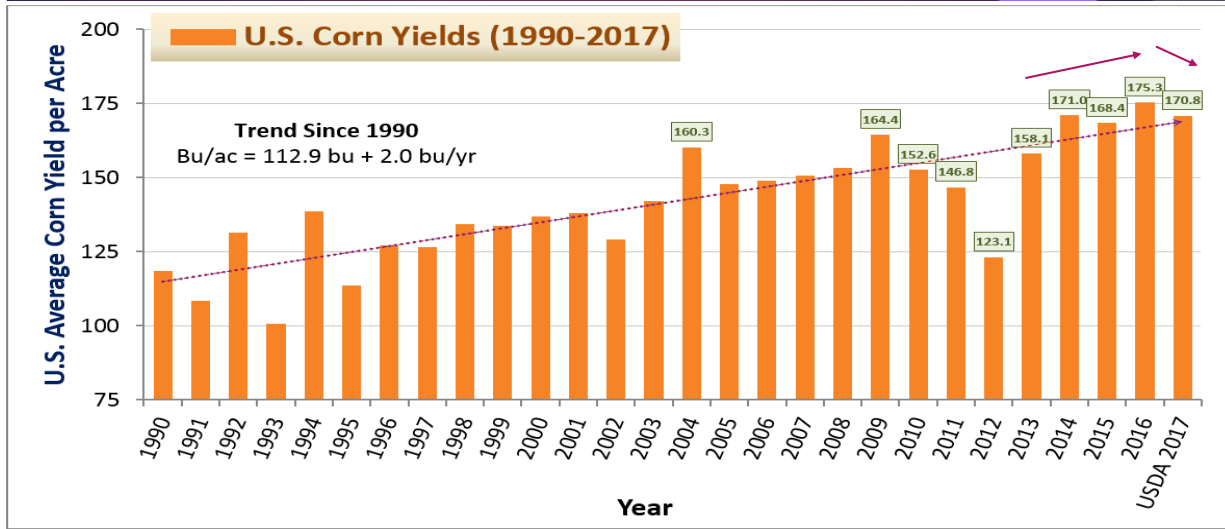


U.S. Corn Acreage: 2000-2017

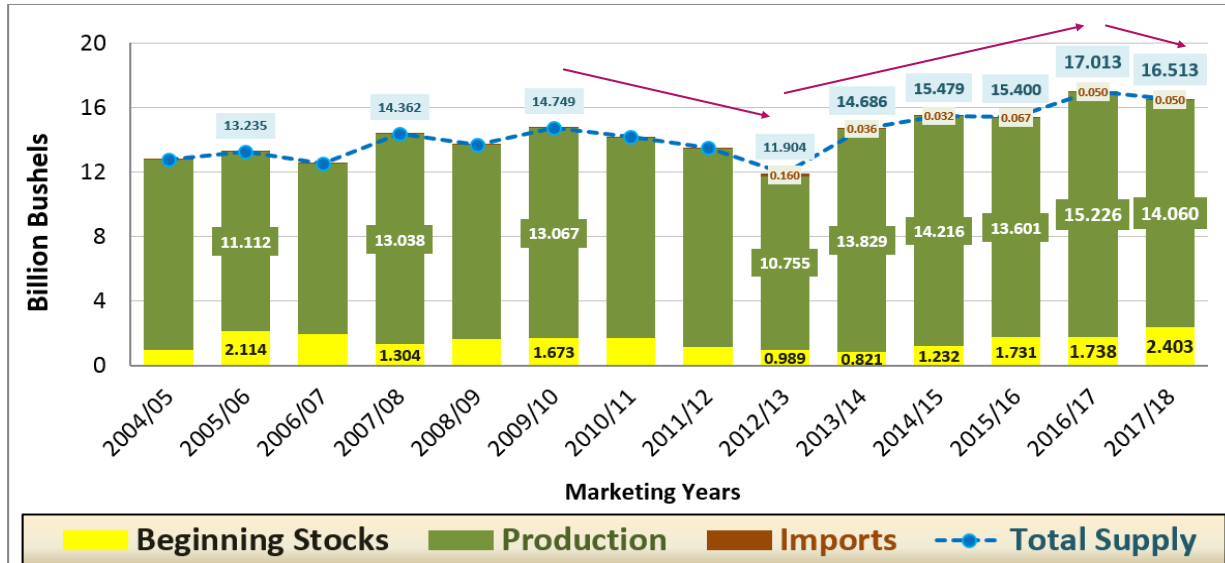


U.S. Corn Yields: 1973-2017^{Est}

USDA 2017 USDA Forecast = 170.8 bu/acre

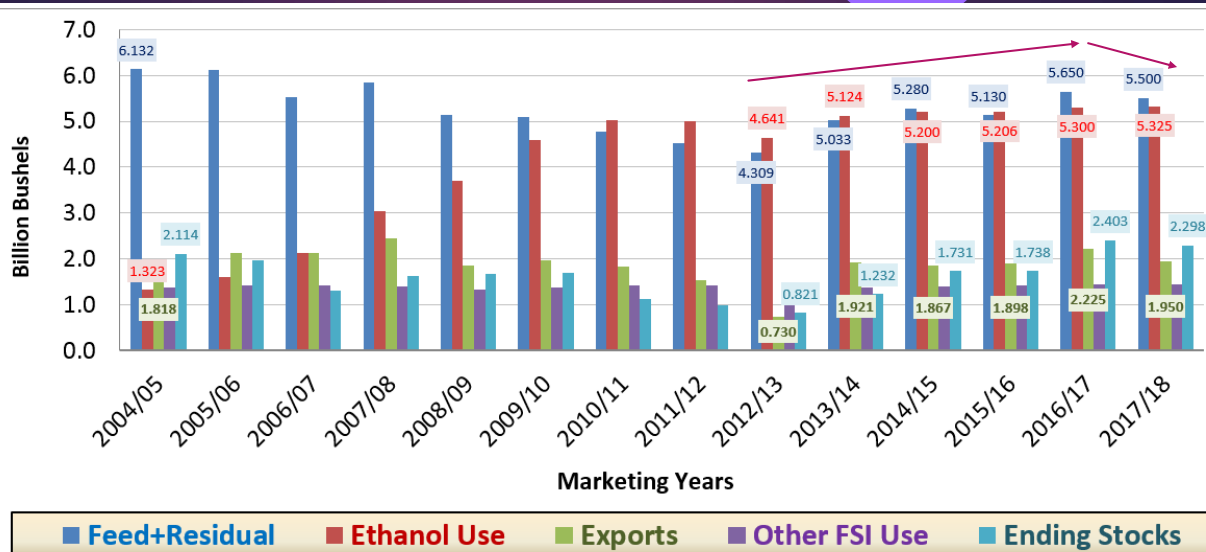


U.S. Corn Production & Supplies

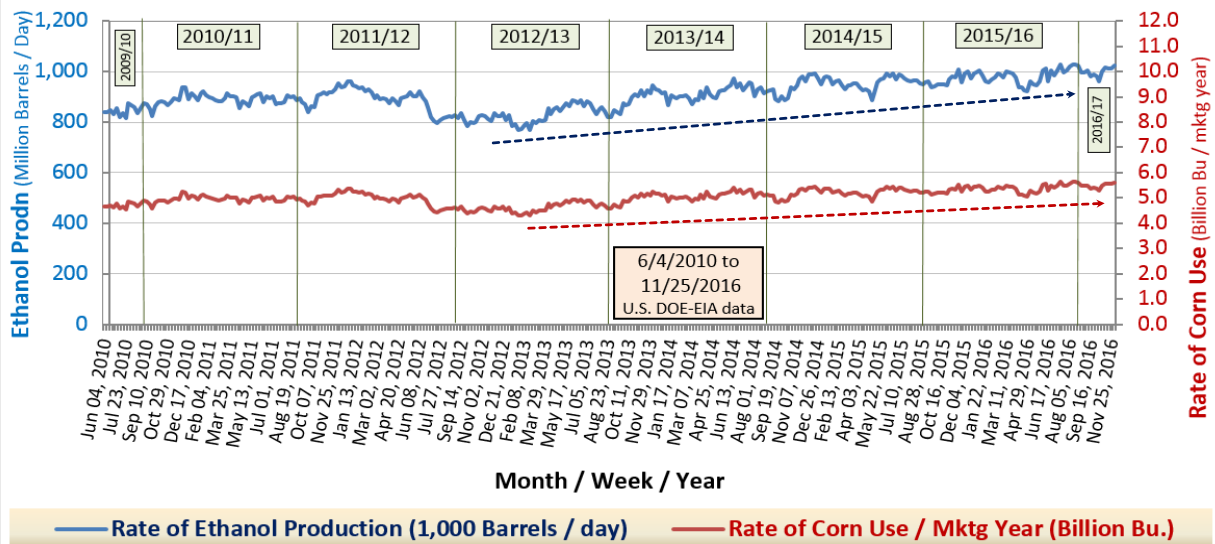




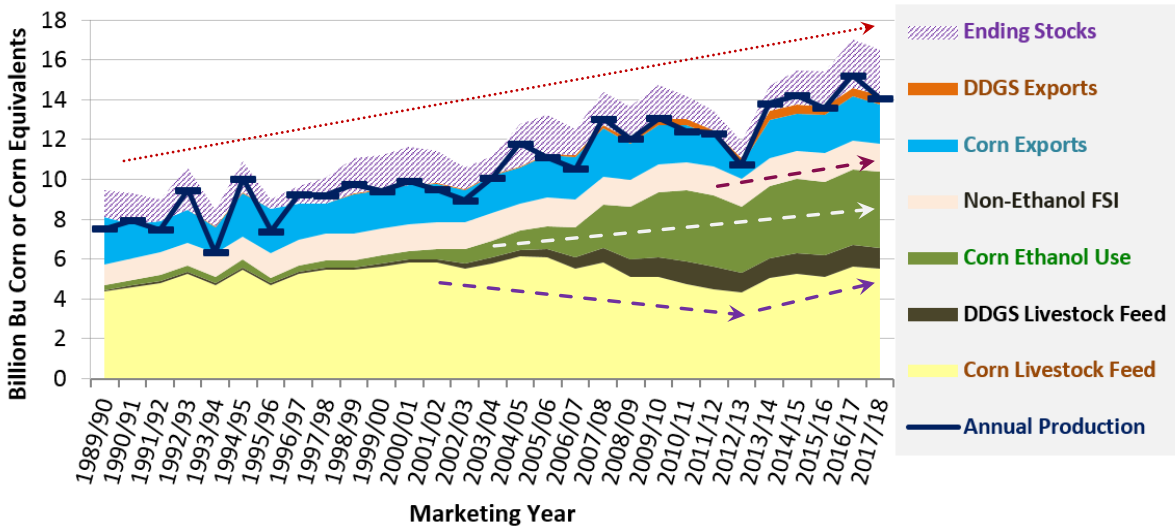
U.S. Corn Use – By Category



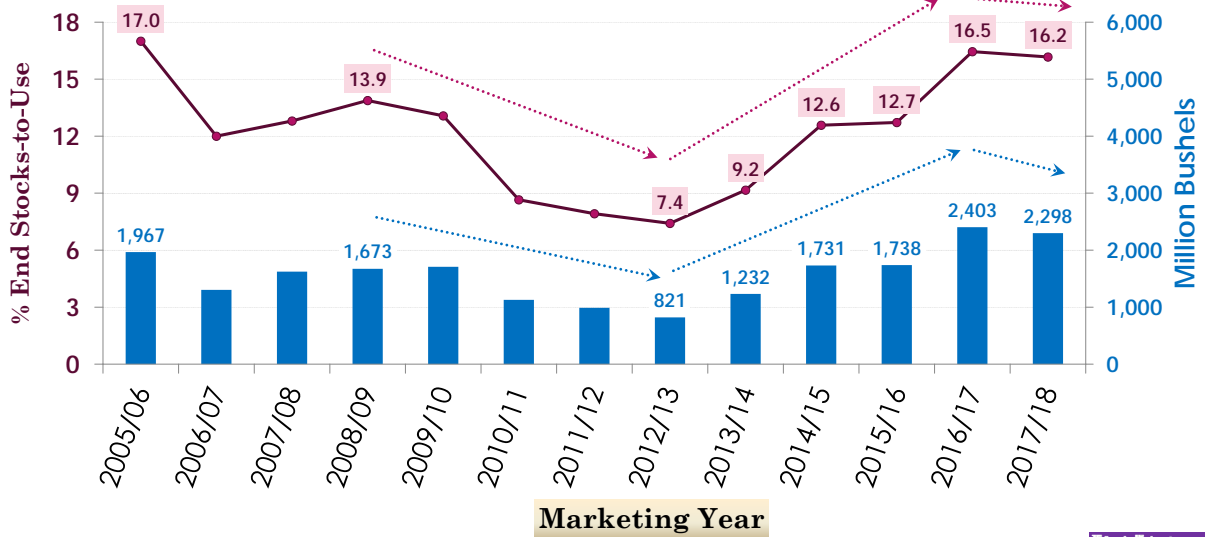
U.S. Ethanol Production & Corn Use



U.S. Corn Use - By Category

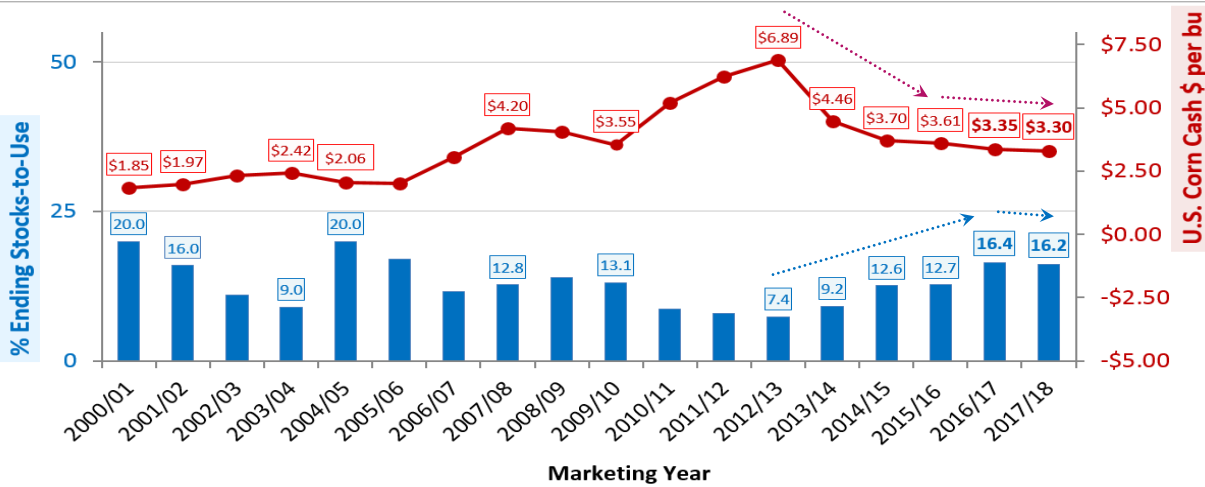


U.S. Corn Ending Stocks & % Stocks/Use



Ernst & Young

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

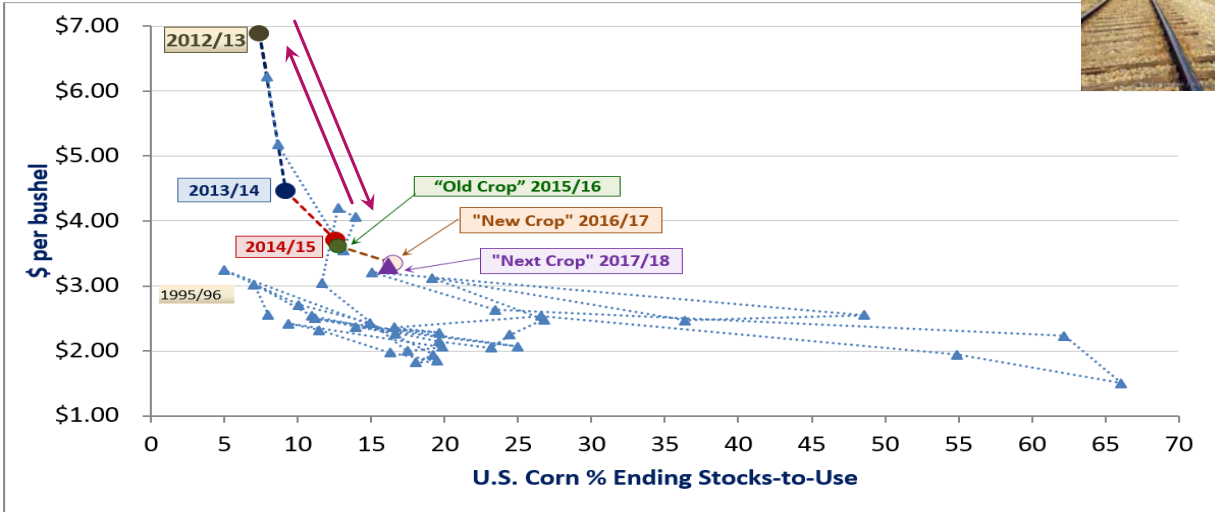
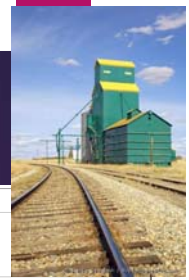


■ U.S. Corn % Ending Stocks/Use

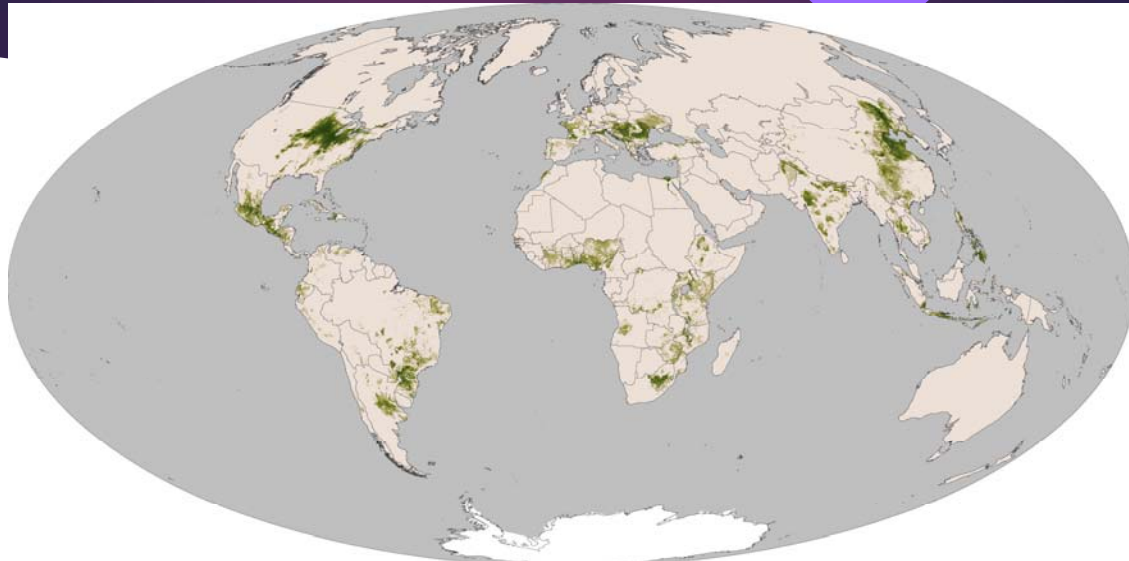
● U.S. Corn Price

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	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	P P
Ukraine	26.00	0.00		H H	H H	H H							P P	P P			S S	S S
Russia	14.00	0.00			H H	H H	H H							P P			S S	S S
China	216.00	(2.00)		H H	H H									P P	P P	P P		
Indonesia Dry Region	9.60	0.00		H H	H H									P P	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	P P	H H
Canada	12.35	0.35		H H	H H	H H								P P	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	H H				
Argentina	36.50	0.00		P P	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	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	H H
Mexico Winter								P P	P P	P P	P P			H H	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	H H
Indonesia Rainy Region					H H	H H	H H	H H						P P	P P	P P	P P	H H
Nigeria	7.20	0.00		H H										P P	P P	P P	P P	H H



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

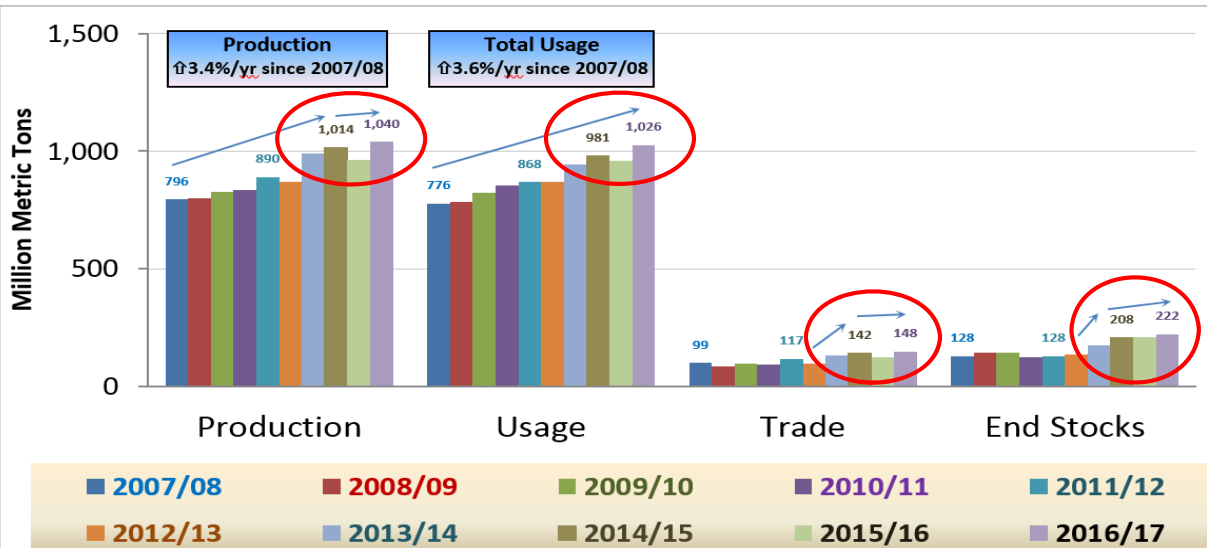
*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.

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

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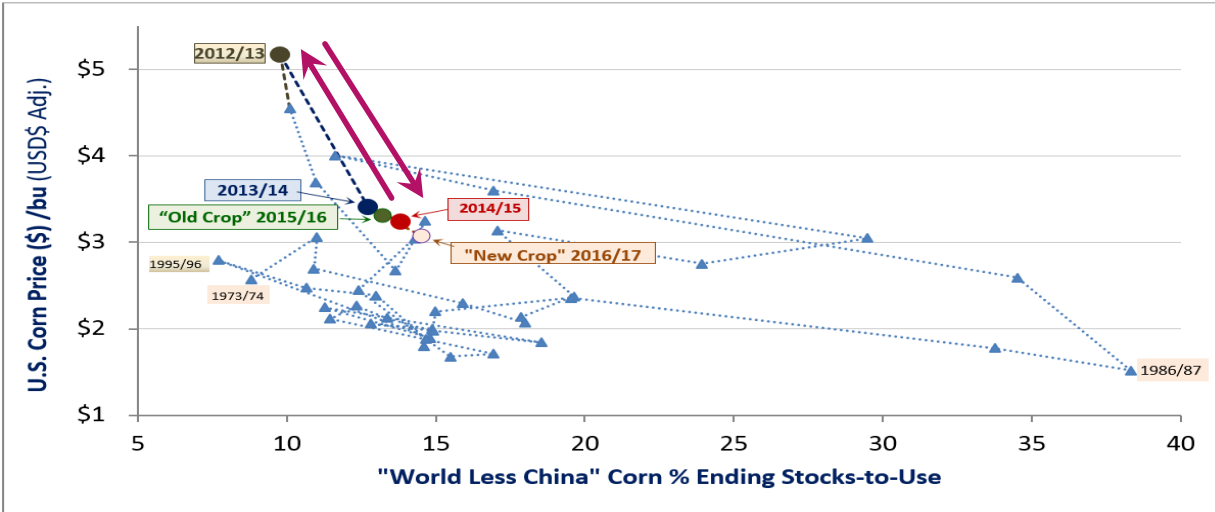


World Corn Supply, Use & Stocks

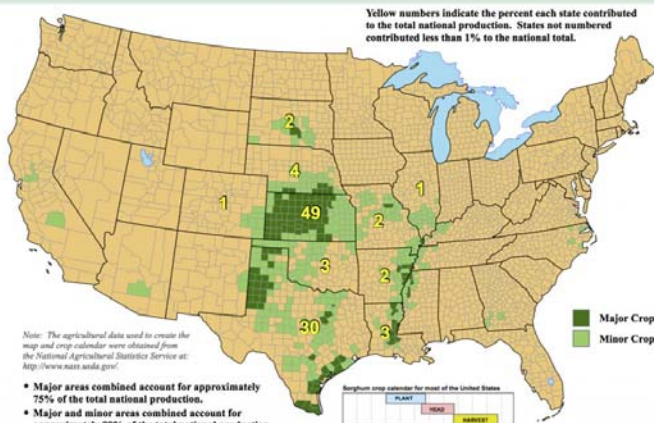


U.S. Corn \$^{USD adj} vs World^{Less China} % S/U

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



United States: Sorghum



Note: The agricultural data used to create the map and crop calendar were obtained from the National Agricultural Statistics Service at: <http://www.nass.usda.gov/>

- Major areas combined account for approximately 75% of the total national production.
- Major and minor areas combined account for approximately 99% of the total national production.
- Major and minor areas and state production percentages are derived from NASS county- and state-level production data from 2006-2010.

USDA Agricultural Weather Assessments
World Agricultural Outlook Board

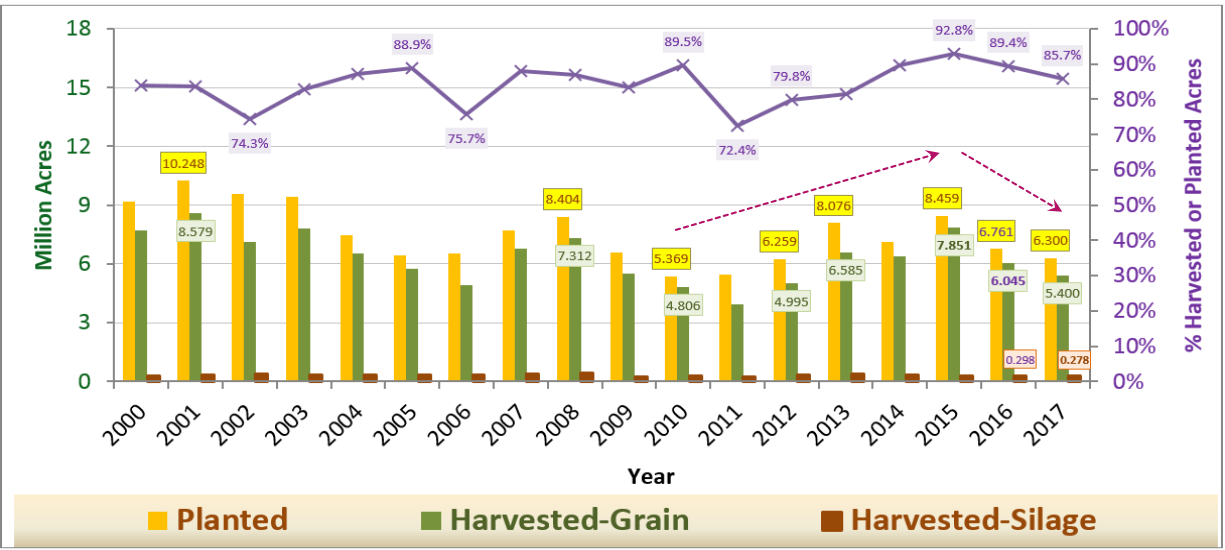
Sorghum crop calendar for most of the United States

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Crop calendar dates are based upon NASS crop progress data from 2006-2010. The field activities and crop developmental stages illustrated on the crop calendar represent the average time period when national averages advanced from 15 to 95 percent.

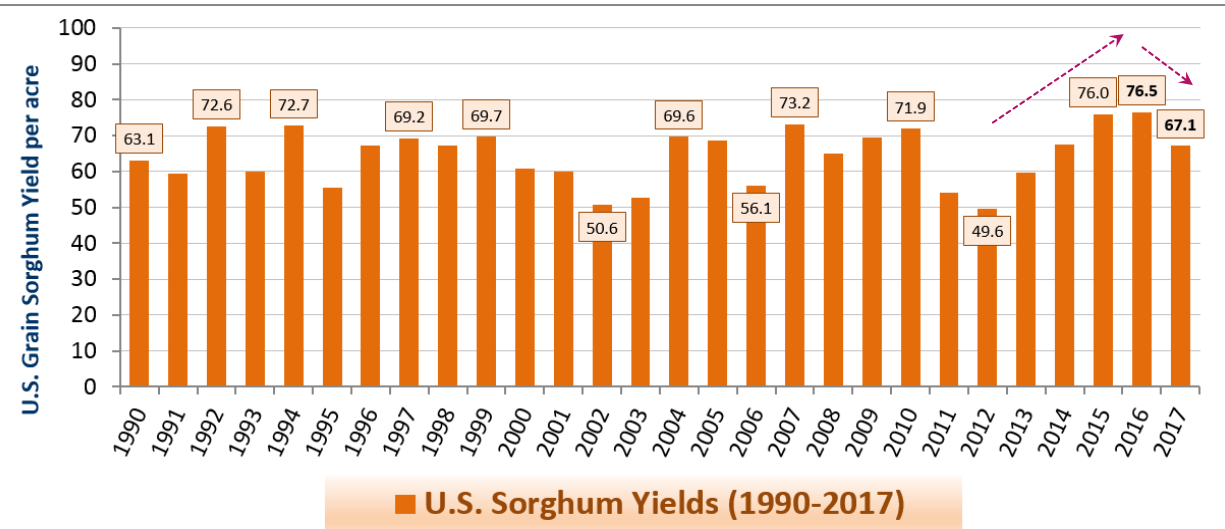


U.S. Sorghum Acreage: 2000-2017^{EST}



U.S. Sorghum Yields: 1990-2017

USDA 2017 USDA Forecast = 67.1



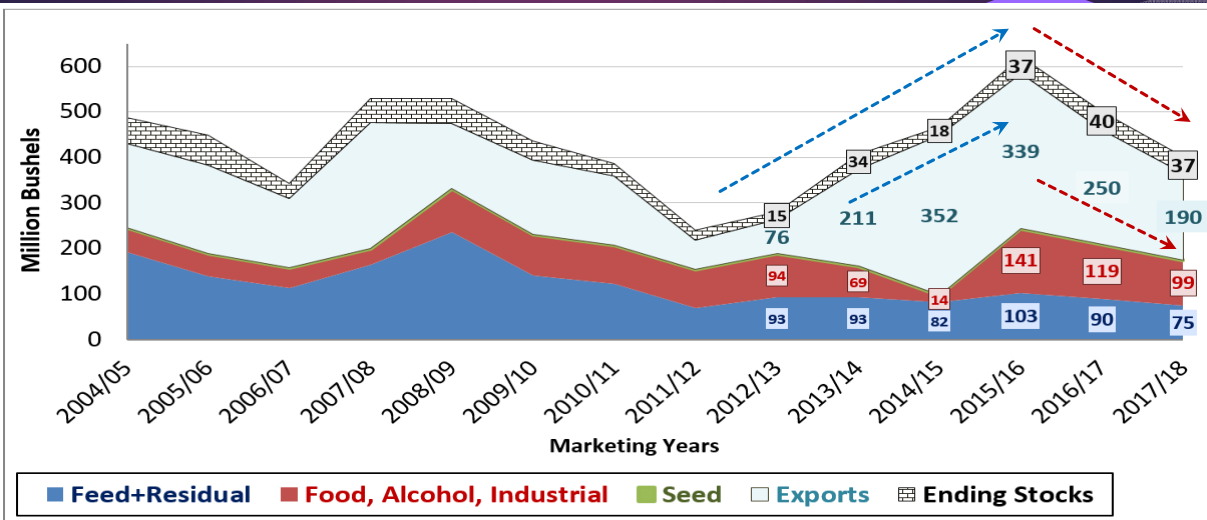
U.S. Sorghum Production & Supplies

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

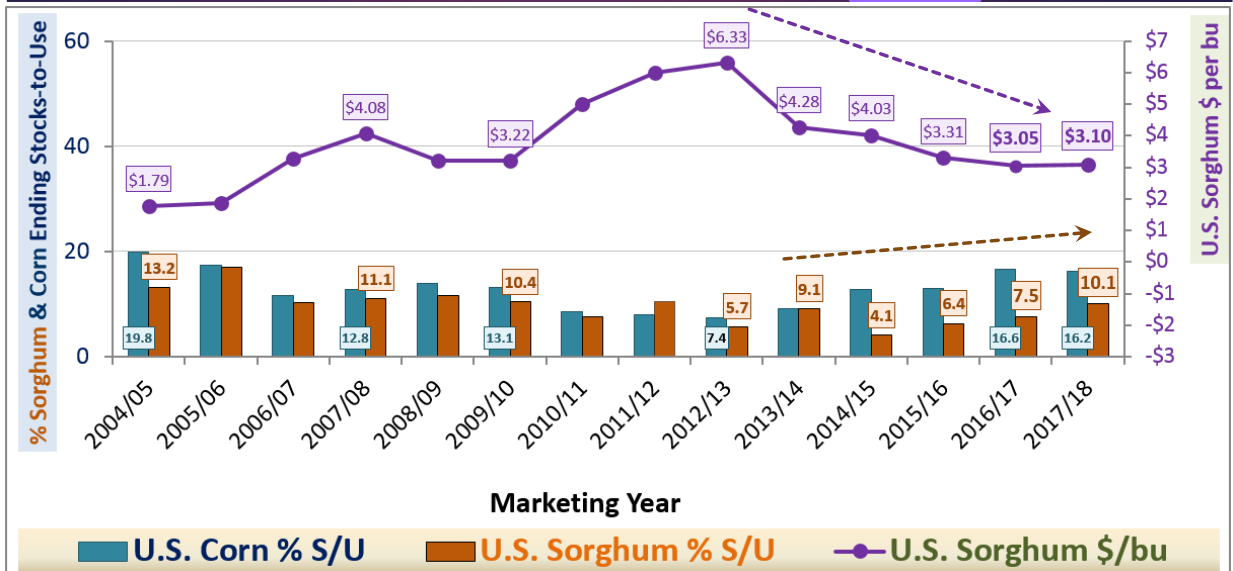


U.S. Sorghum Use & Ending Stocks

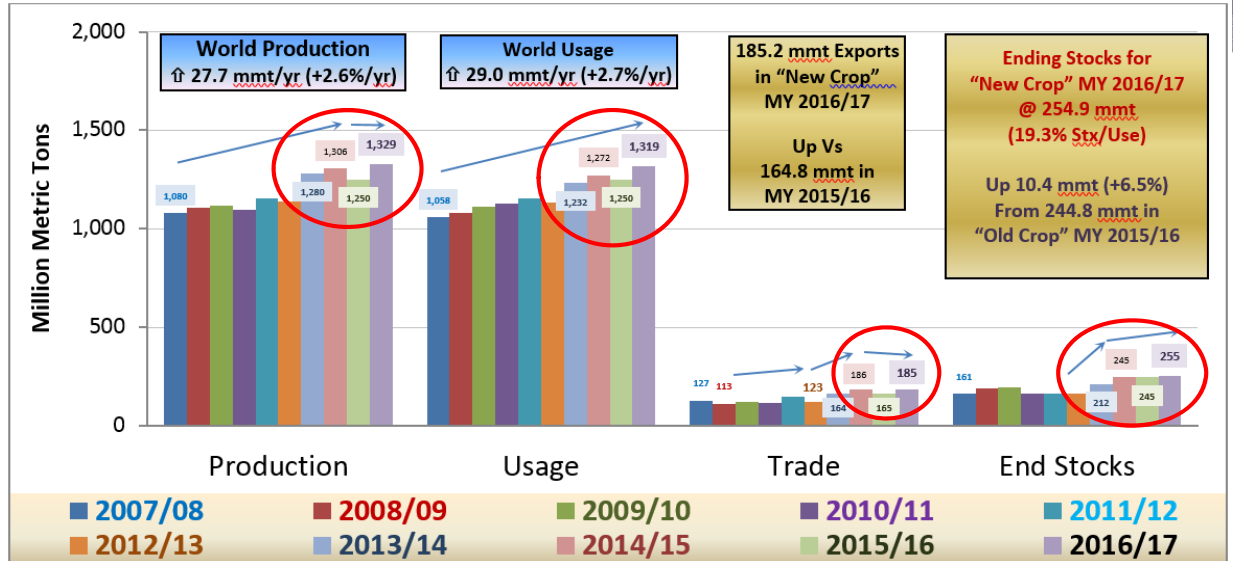
MY 2004/05 to "Next Crop" MY 2017/18



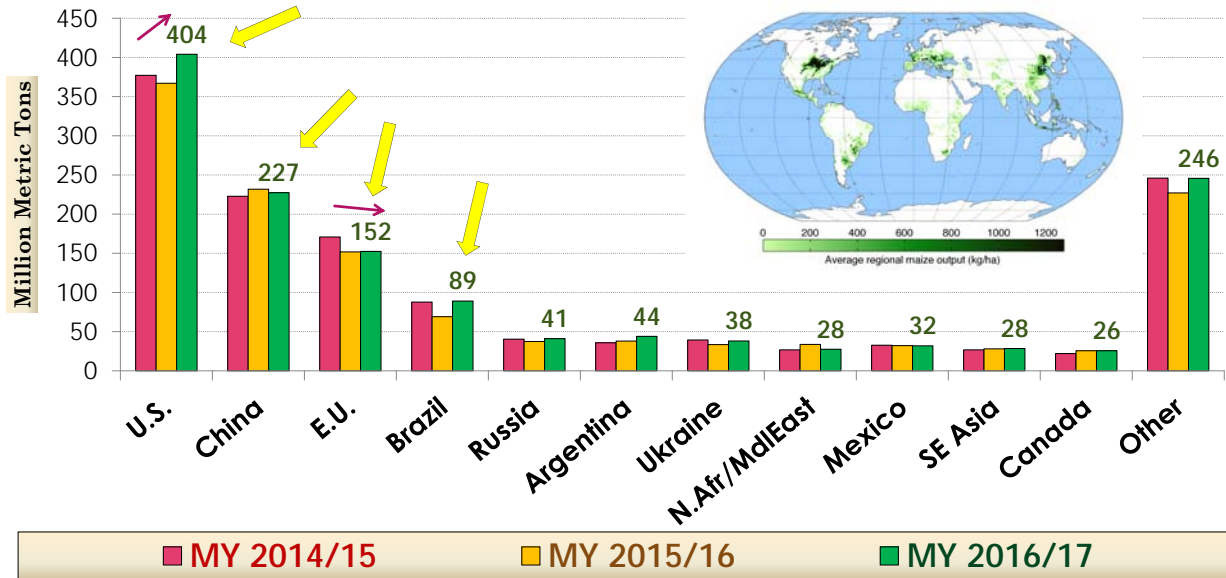
U.S. Sorghum & Corn %S/U vs U.S. Sorghum Price



World Coarse Grain Supply, Use & Stocks



World Coarse Grain Producers



Wheat Markets



World Wheat Market Prospects:

Large Supplies ⇒ 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???

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 Wheat 2016** ⇒ **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

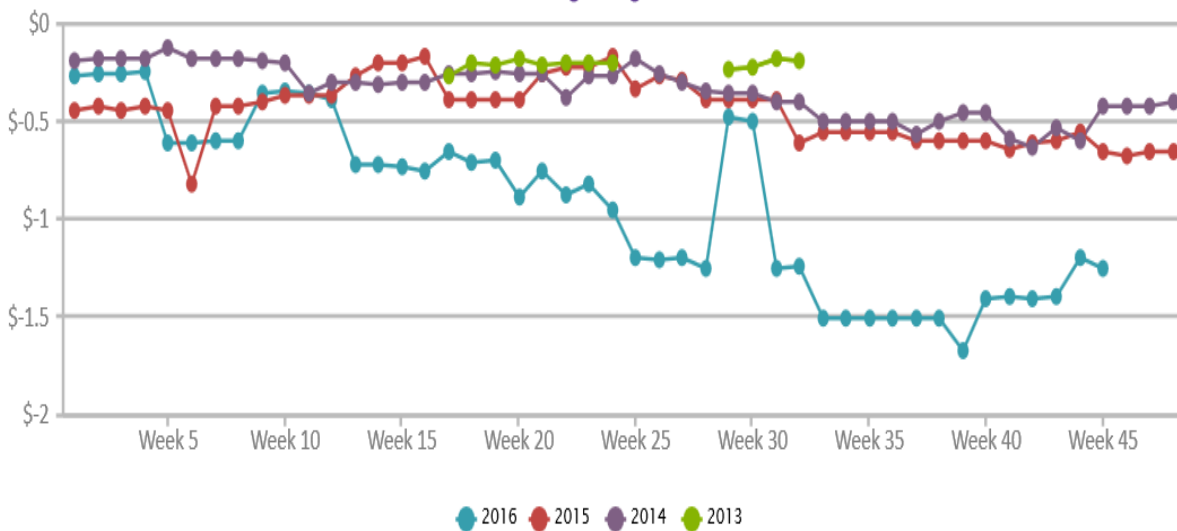


Monthly Chart: Oct. 2007 – November 2016 + 12/9/2016 close



RUSSELL, KS: Hard Red Winter Wheat Basis - AG CO

www.AgManager.info



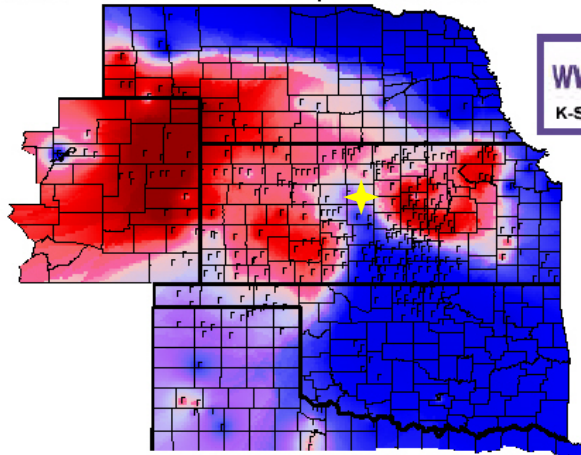


Wheat Basis, 12-07-2016

Basis = Cash Price - Nearby Futures Price

KCBT Mar
Futures
Price: \$4.00

\$/Bushel	
Dark Blue	.20
Blue	-1.14
Light Blue	-1.24
Very Light Blue	-1.26
White	-1.29
Light Pink	-1.33
Pink	-1.34
Red	-1.37
Dark Red	-1.39
Black	-1.46



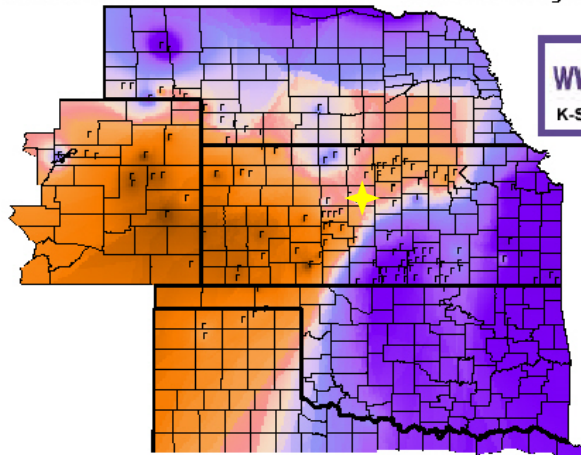
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Wheat Basis Deviation, 12-07-2016

Basis Deviation = Current Basis - 3 Year Average Basis (2013, 2014, 2015)

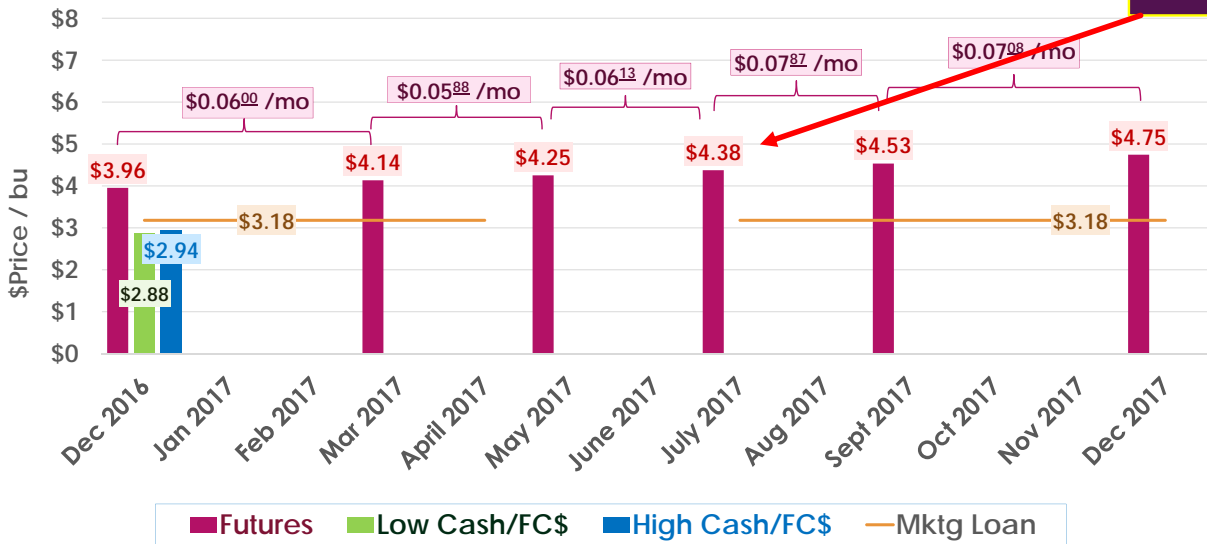
\$/Bushel	
Dark Purple	-.04
Purple	-.72
Light Purple	-.76
Very Light Purple	-.82
White	-.84
Light Orange	-.86
Orange	-.87
Dark Orange	-.88
Red-Orange	-.94
Dark Red-Orange	-.98



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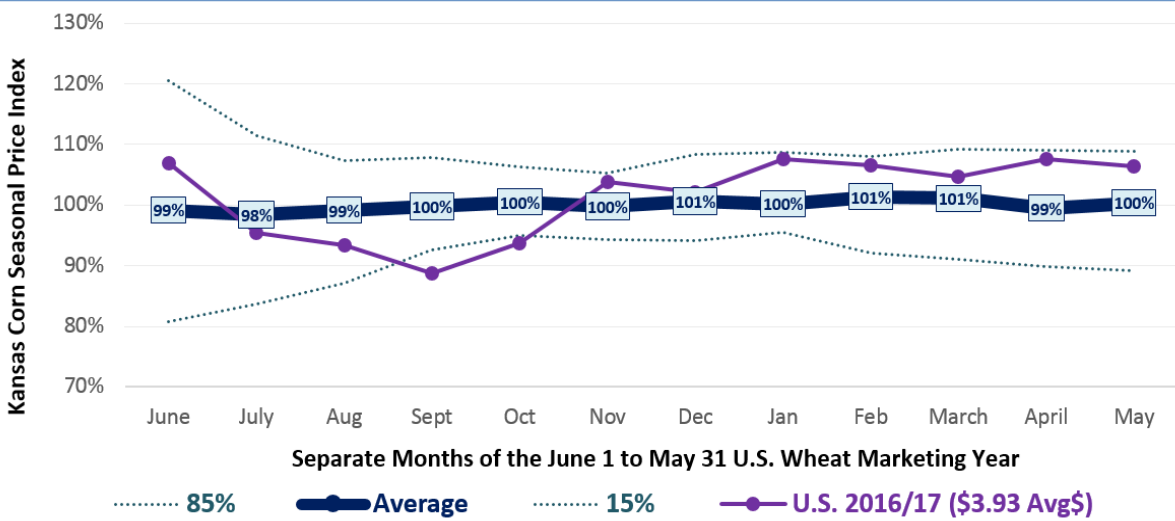
Wheat Cash & Futures Prices – Russell, KS

Local Elevators – December 9, 2016

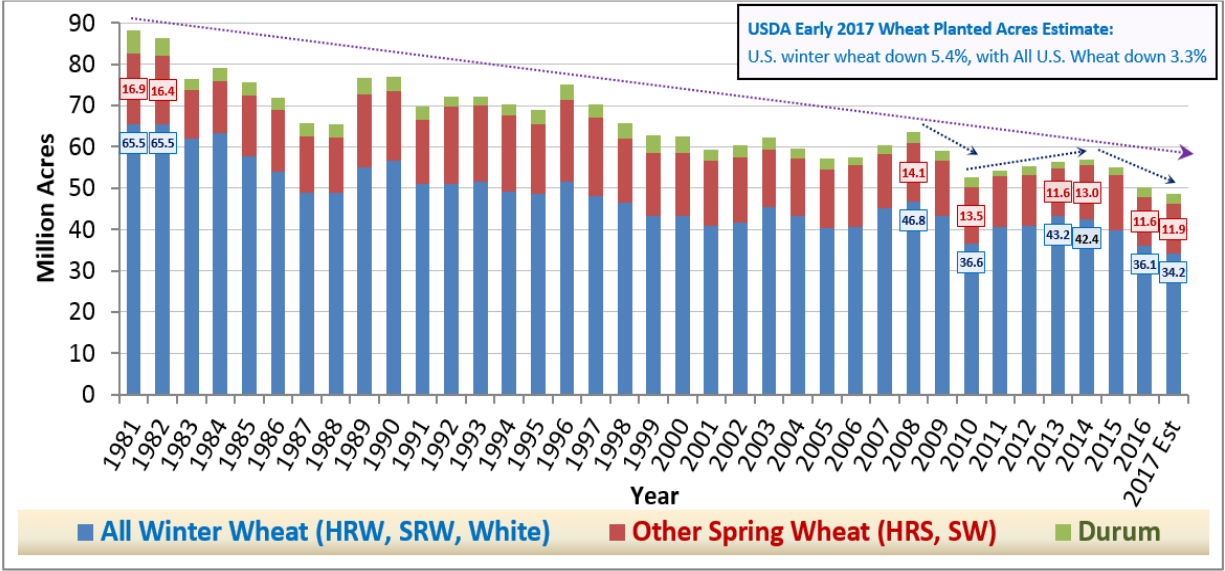


Kansas Wheat Seasonal Cash \$ Index

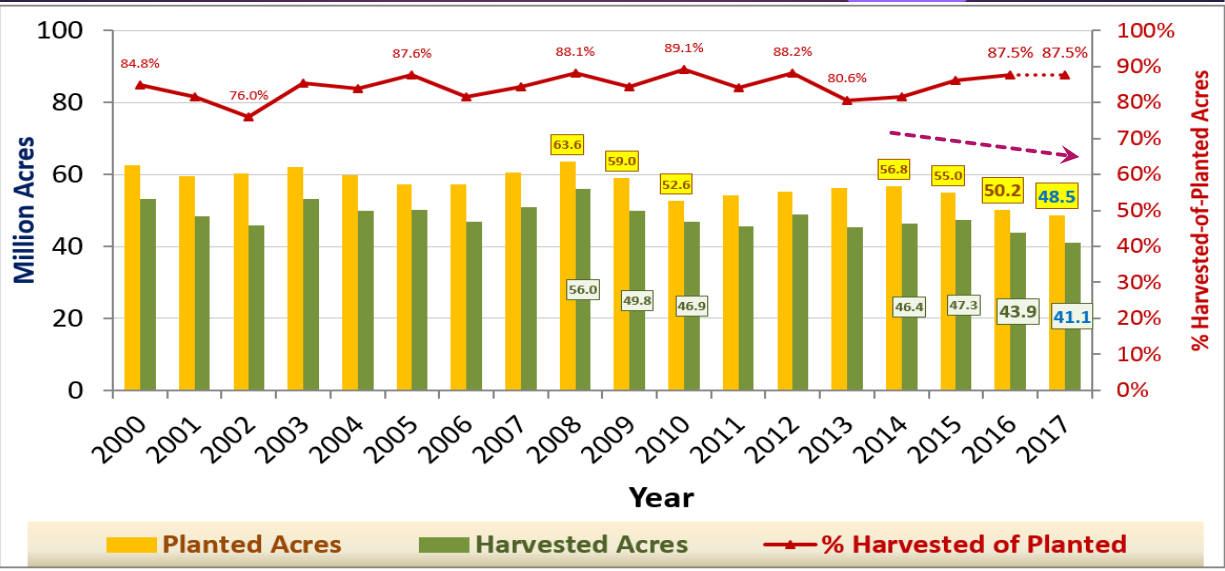
Monthly Prices: 1999/00 – 2015/16 + "Current" MY 2016/17



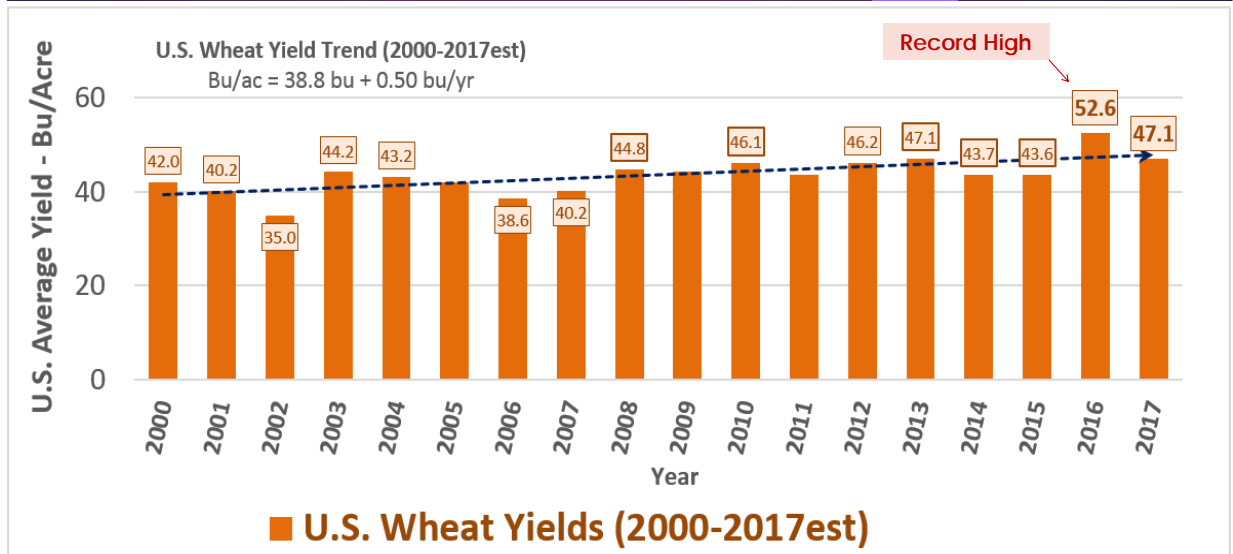
U.S. Wheat Seeded Acreage



U.S. Wheat Acreage: 2000-2017est

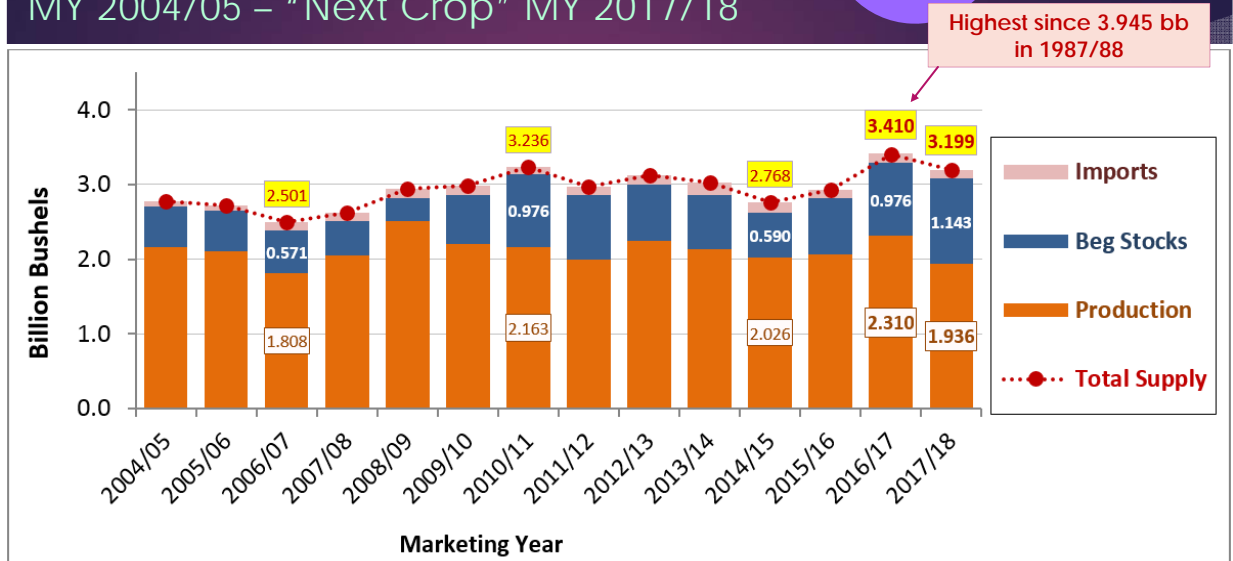


U.S. Wheat Yields: 1973-2017^{est}



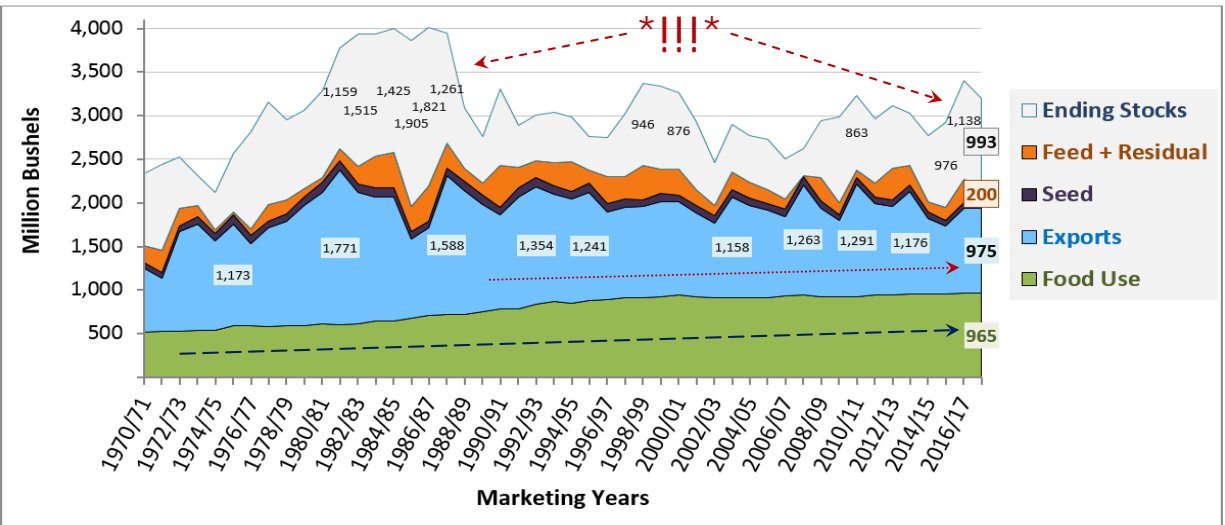
U.S. Wheat Production & Supplies

MY 2004/05 – “Next Crop” MY 2017/18



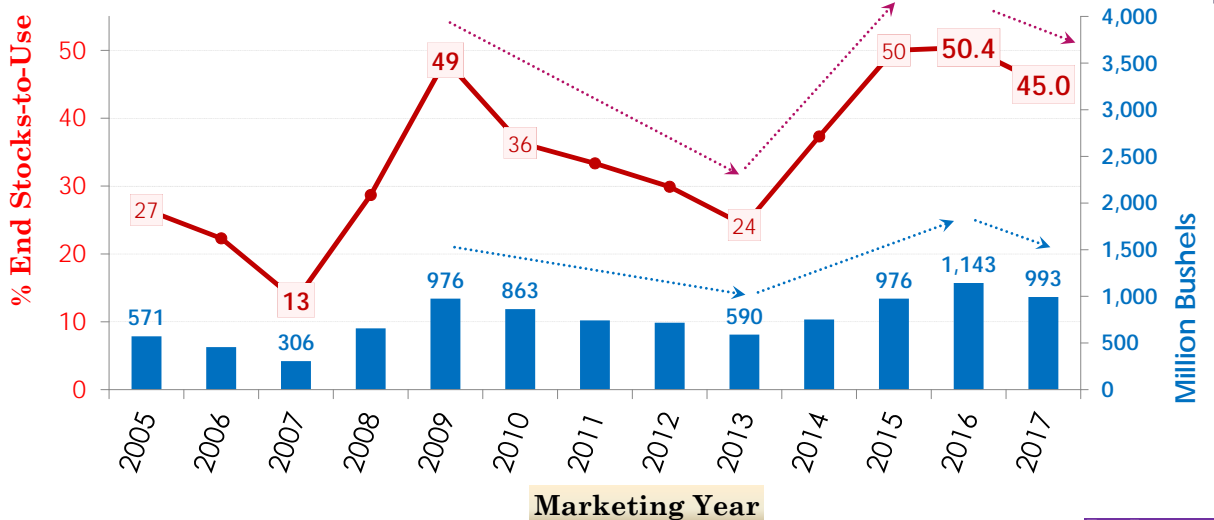
U.S. Wheat Use by Category & Stocks

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



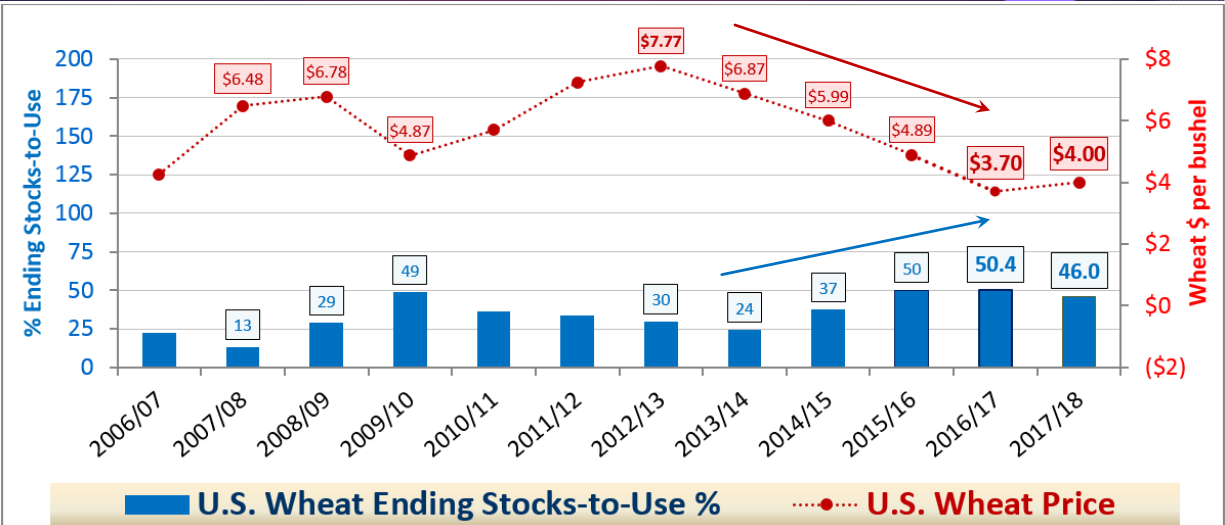
U.S. Wheat Ending Stocks & % Stocks/Use

MY 2005/06 – “Next Crop” MY 2017/18



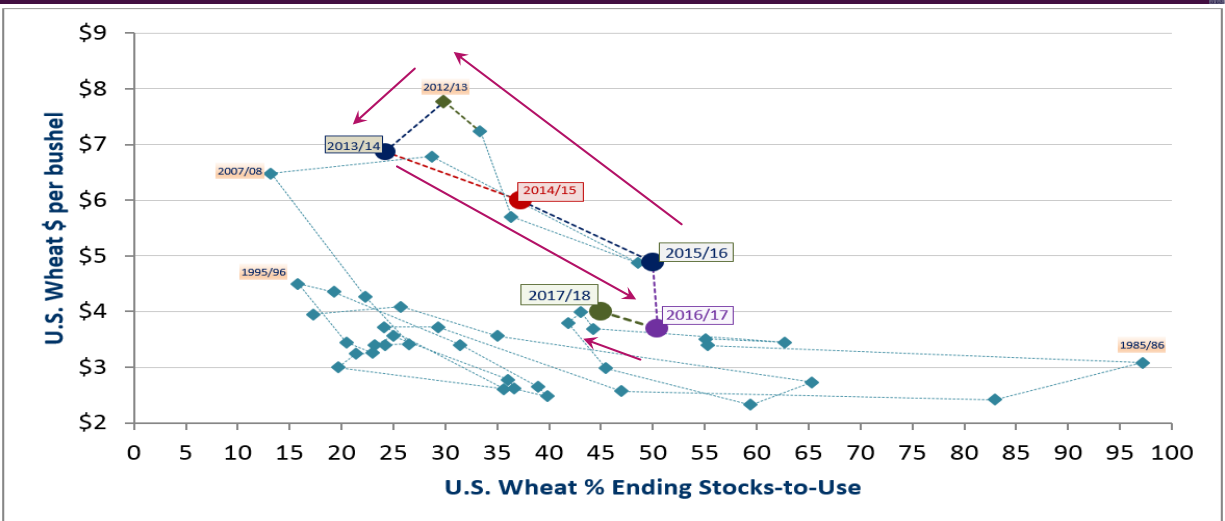
U.S. Wheat Ending Stocks & Prices

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

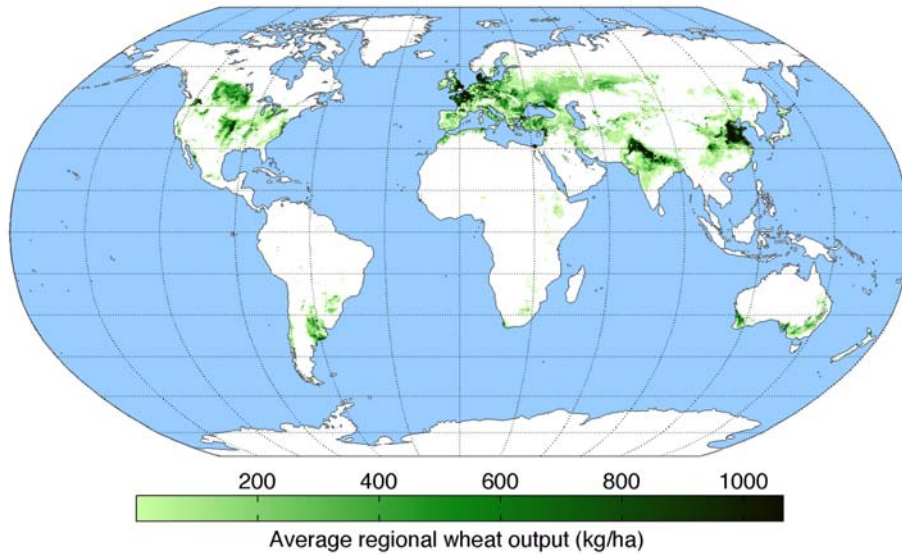


U.S. Wheat Price vs U.S. % Stocks-to-Use

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				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	P	
Russia Winter			P	P	P							HE	HE	HE	H H	H H	H H	P
Ukraine Winter			P	P								HE	HE			H H	H H	P
EU Winter	145.27	(2.23)	P	P	P	P	P	P							H H	H H	H H	H
Turkey	17.50	0.00	P	P	P	P	P						H H	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 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.

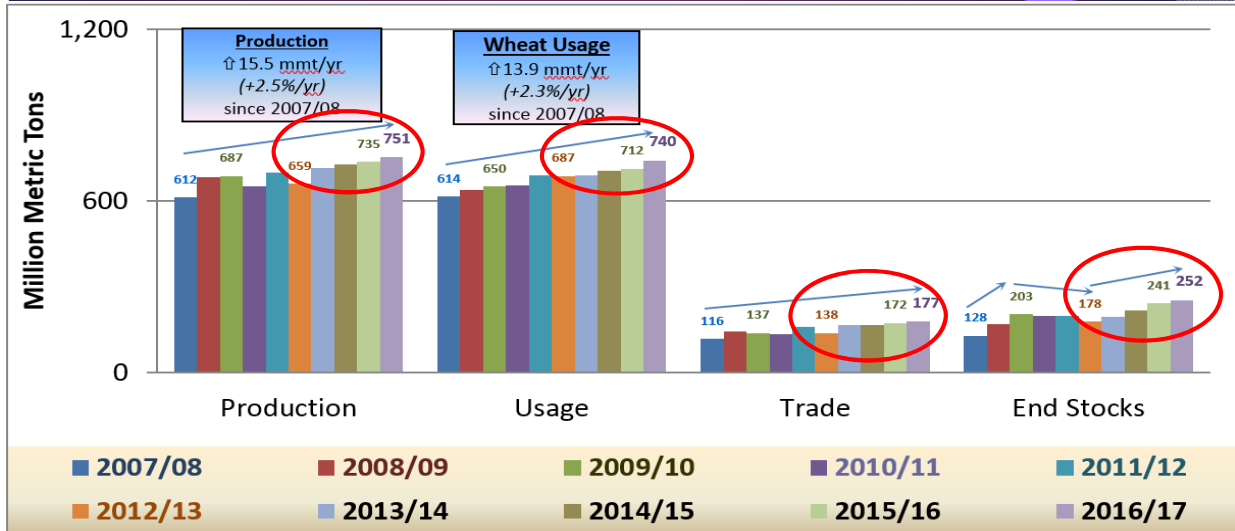
**Production estimates are for ALL WHEAT. Numbers will be listed next to the variety that comes first in the chart.

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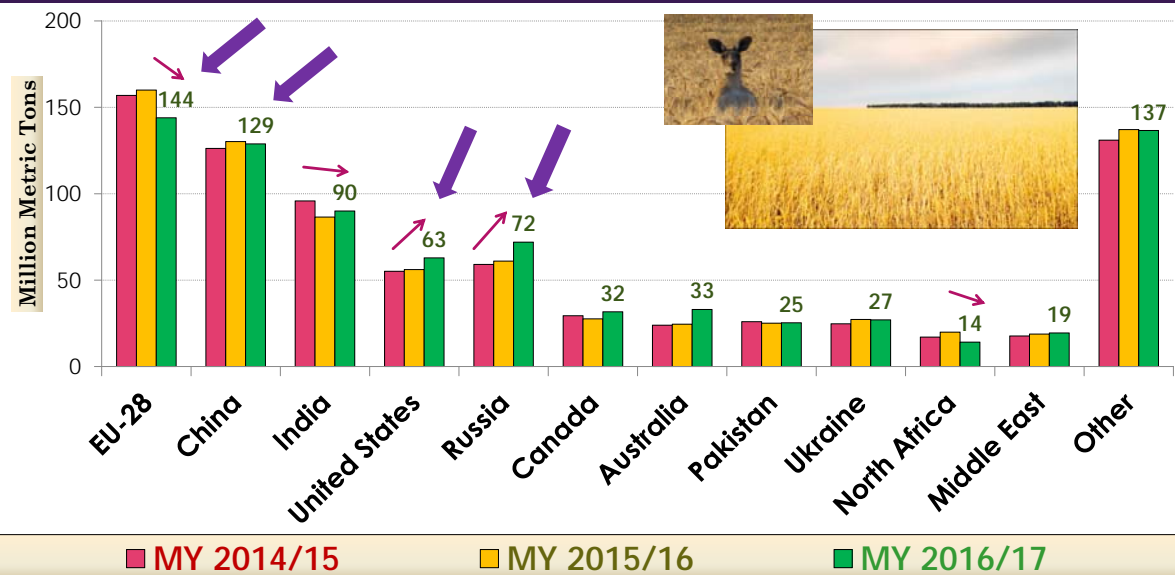


World Wheat Supply, Use & End Stocks

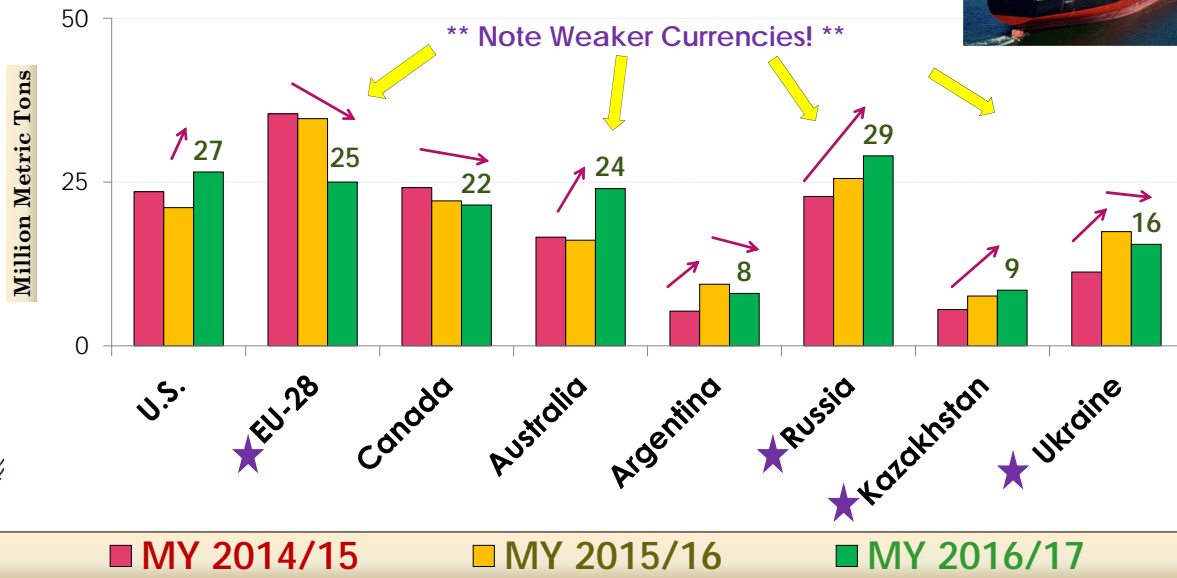
MY 2007/08 – MY 2016/17



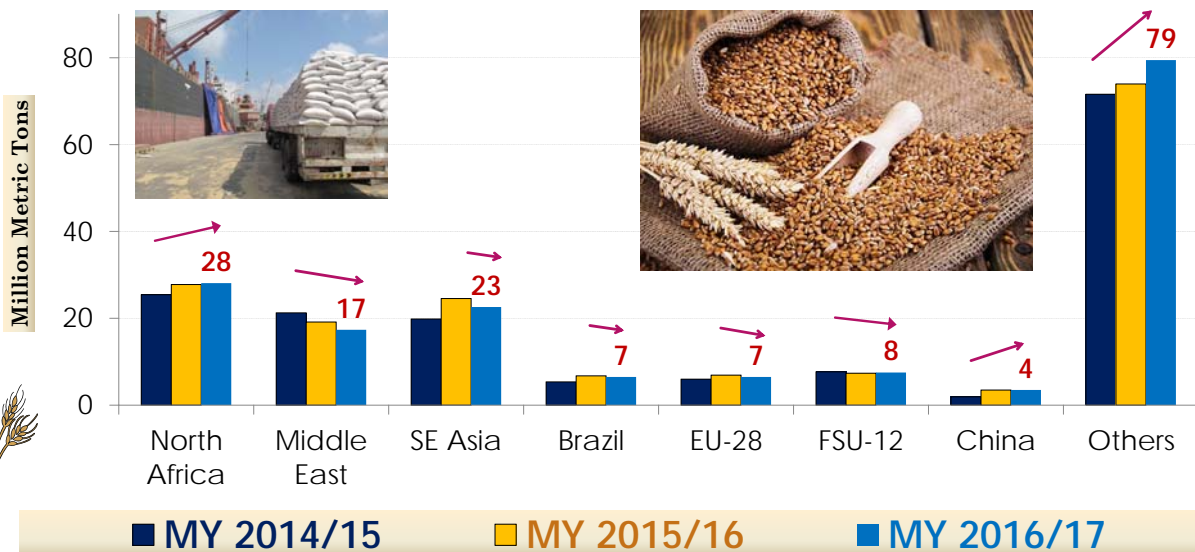
World Wheat Producers: MY 2014/15 – 2016/17



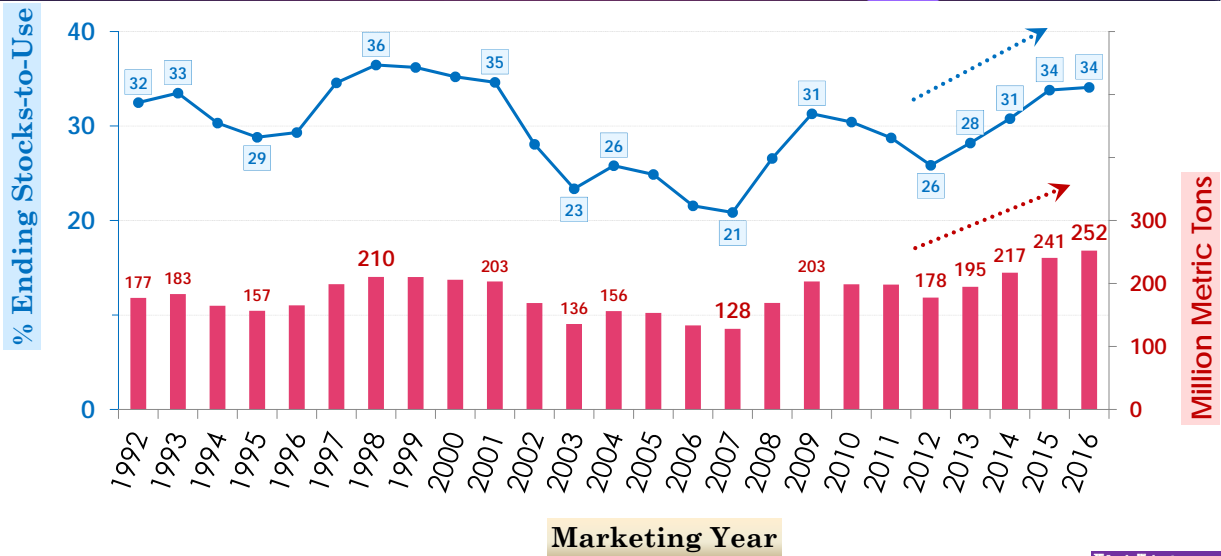
World Wheat Exporters



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

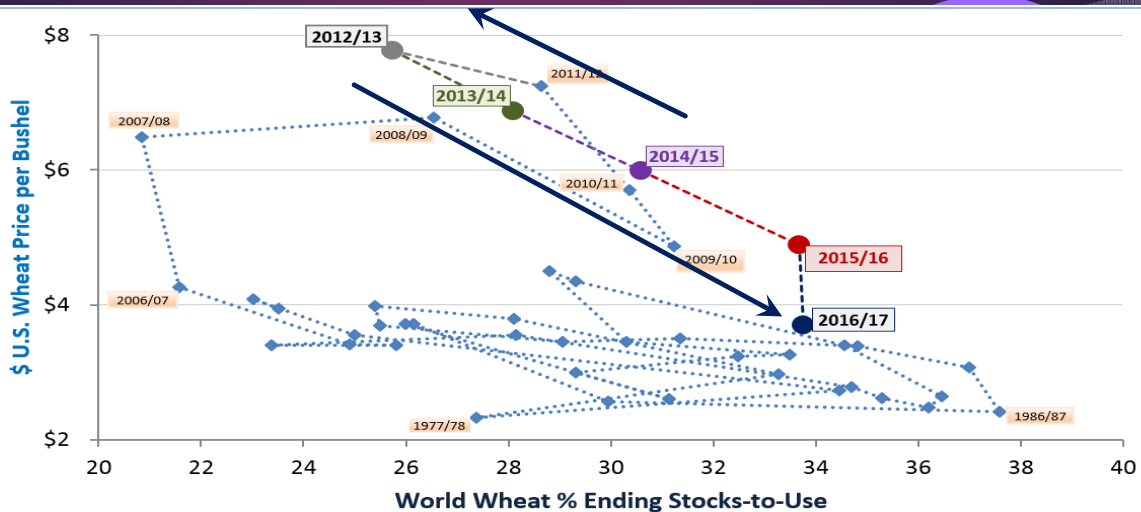


World Wheat Ending Stocks & % Stx/Use



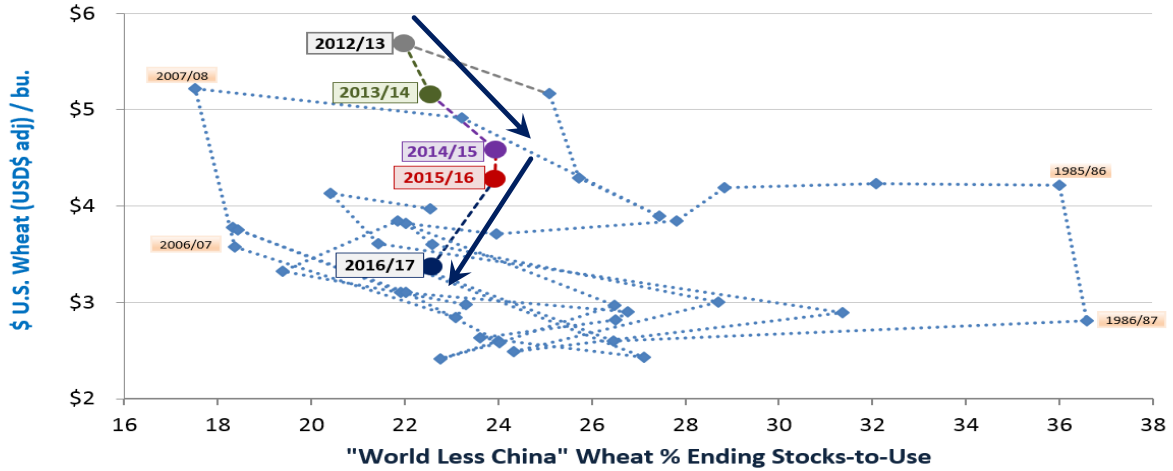
U.S. Wheat Price (\$) vs World %Stx/Use

MY 1973/74 – "Current" MY 2016/17

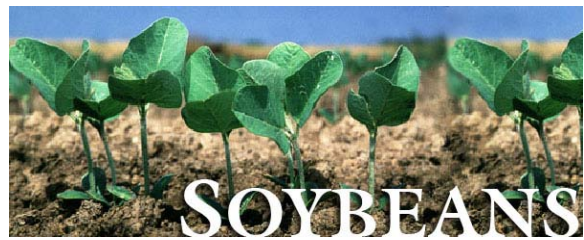


U.S. Wheat Price^{USD\$ adj} vs World Less China %Stx/Use

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

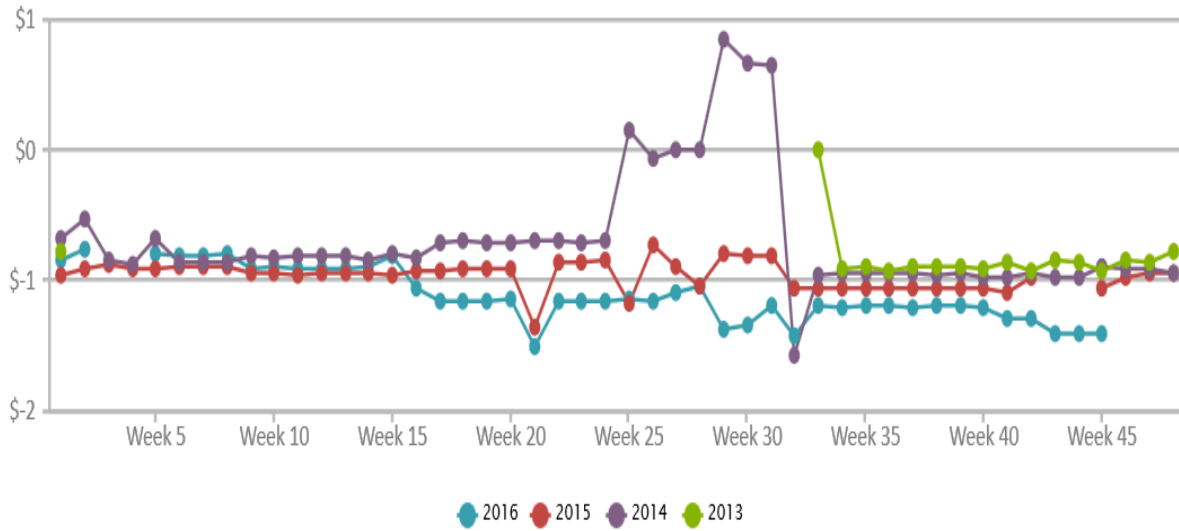


Monthly Chart: Oct. 2007 – November 2016 + 12/9/2016 close



RUSSELL, KS: Soybeans Basis - AG CO

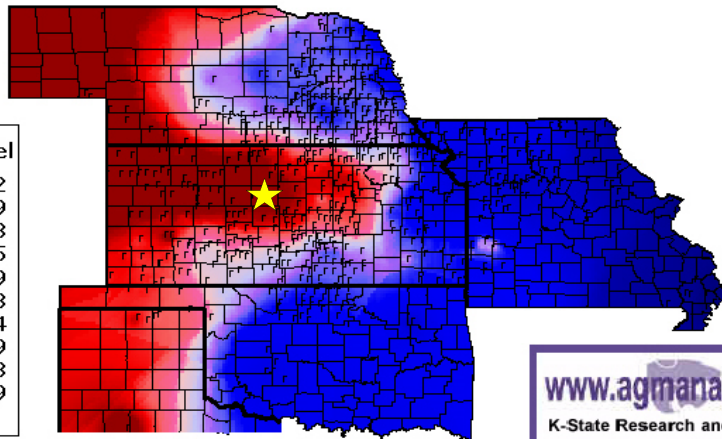
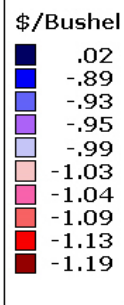
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Soybean Basis, 12-07-2016

Basis = Cash Price - Nearby Futures Price

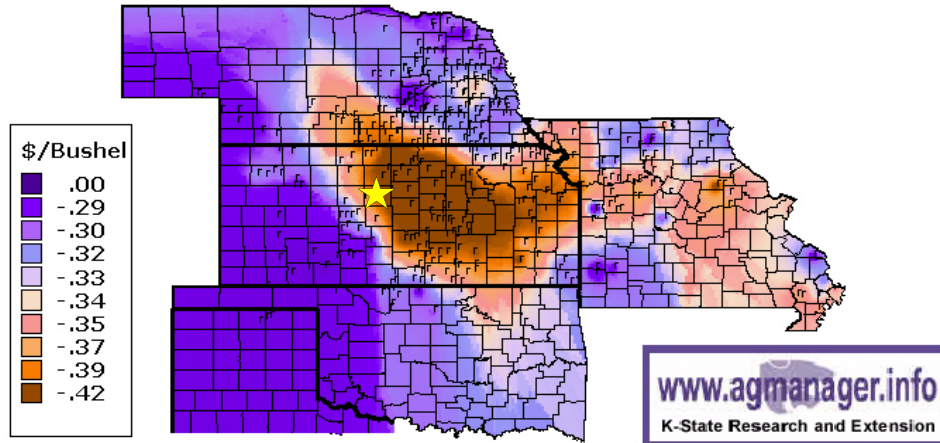
CBT Jan
Futures
Price: \$10.49



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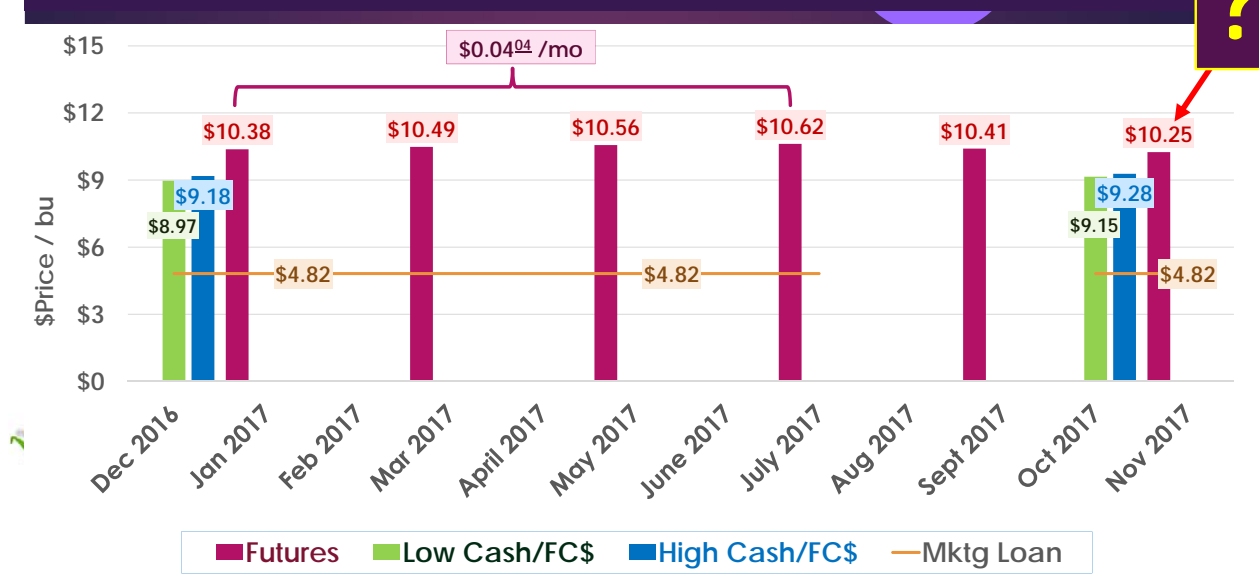
Soybean Basis Deviation, 12-07-2016

Basis Deviation = Current Basis - 3 Year Average Basis (2013, 2014, 2015)



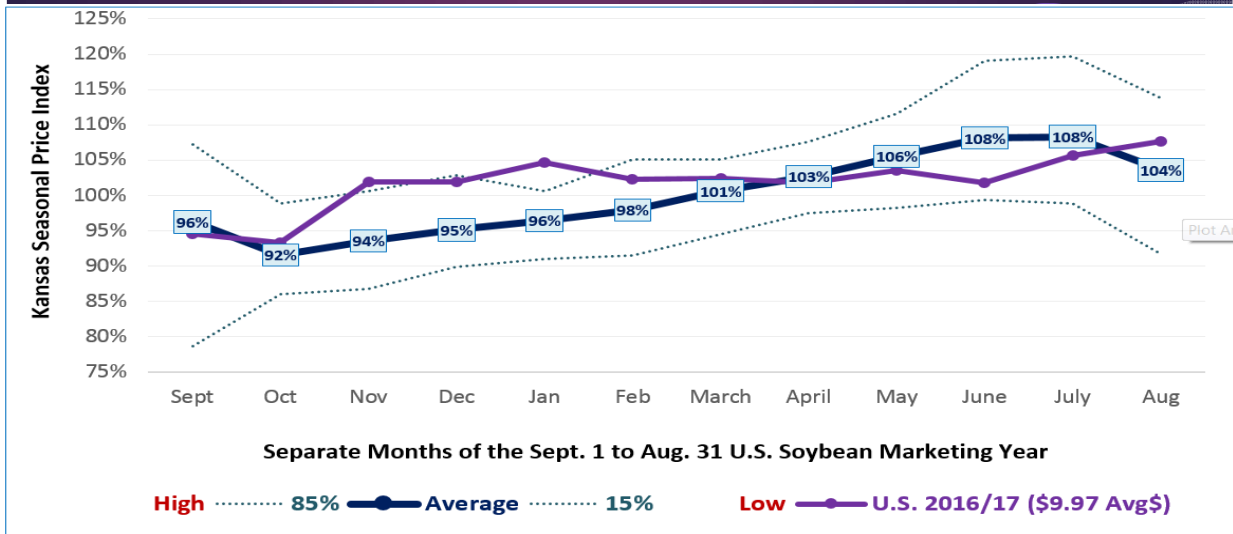
Soybean Cash & Futures Prices – Russell, KS

Local Elevators – December 9, 2016

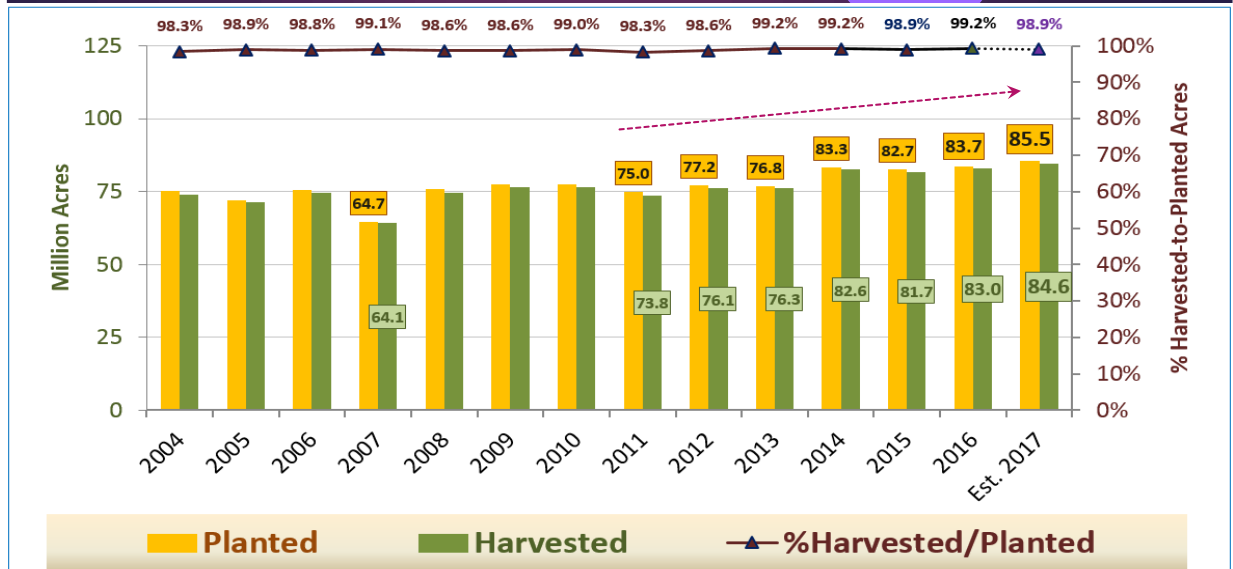


Kansas Soybean Seasonal Cash \$ Index

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

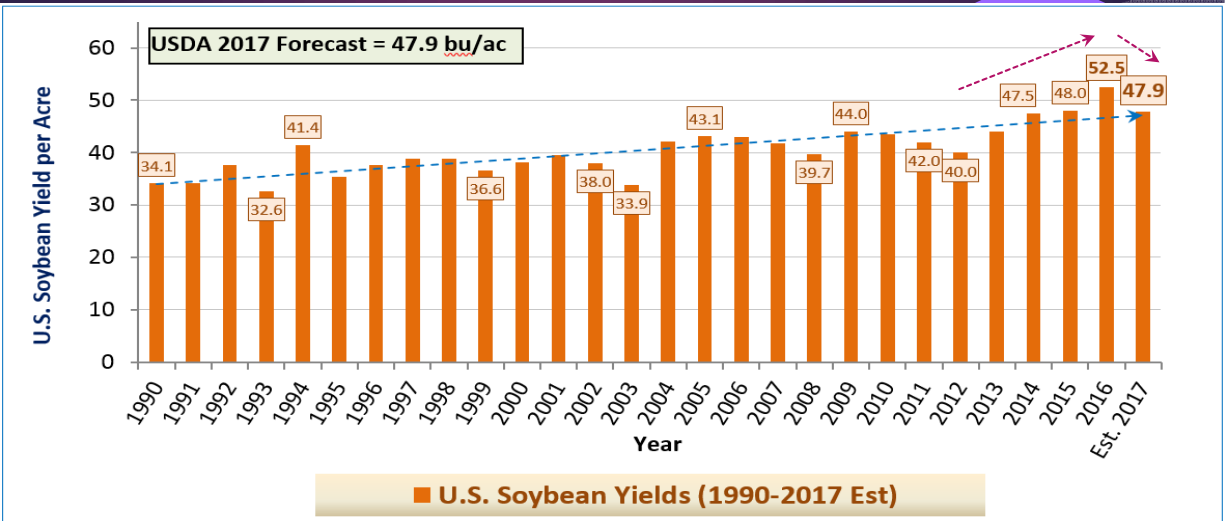


U.S. Soybean Acreage: 2004-2017^{Est}



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}

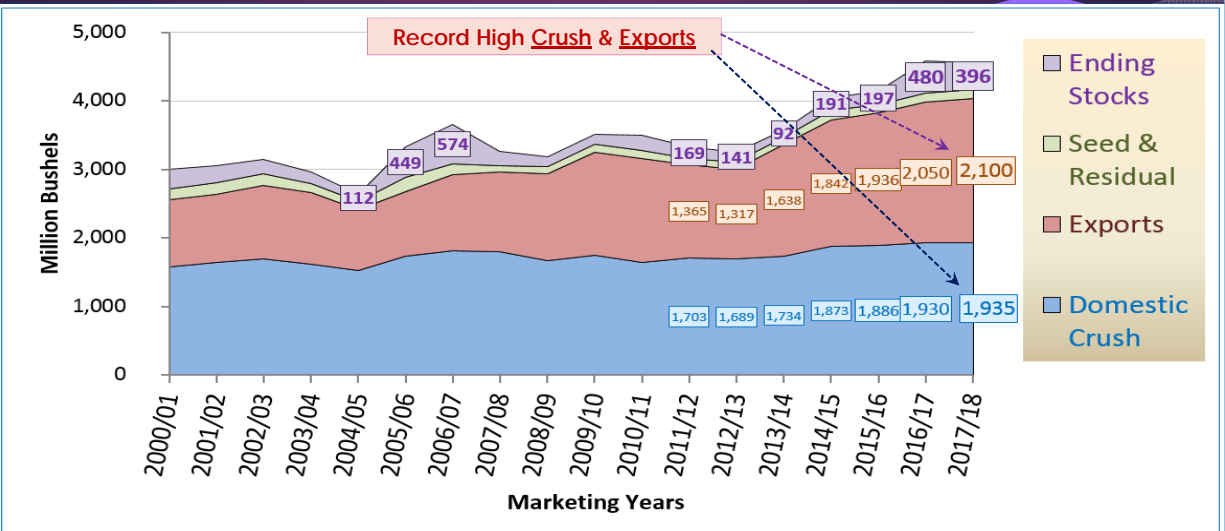




U.S. Soybean Use & Ending Stocks

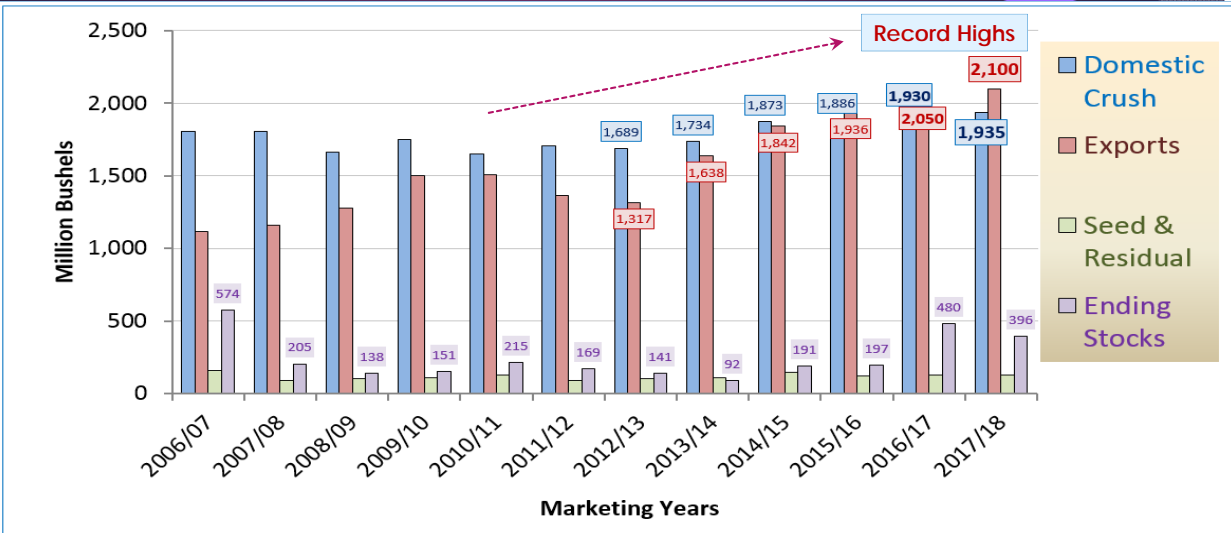


MY 2000/01 – “New Crop” MY 2016/17



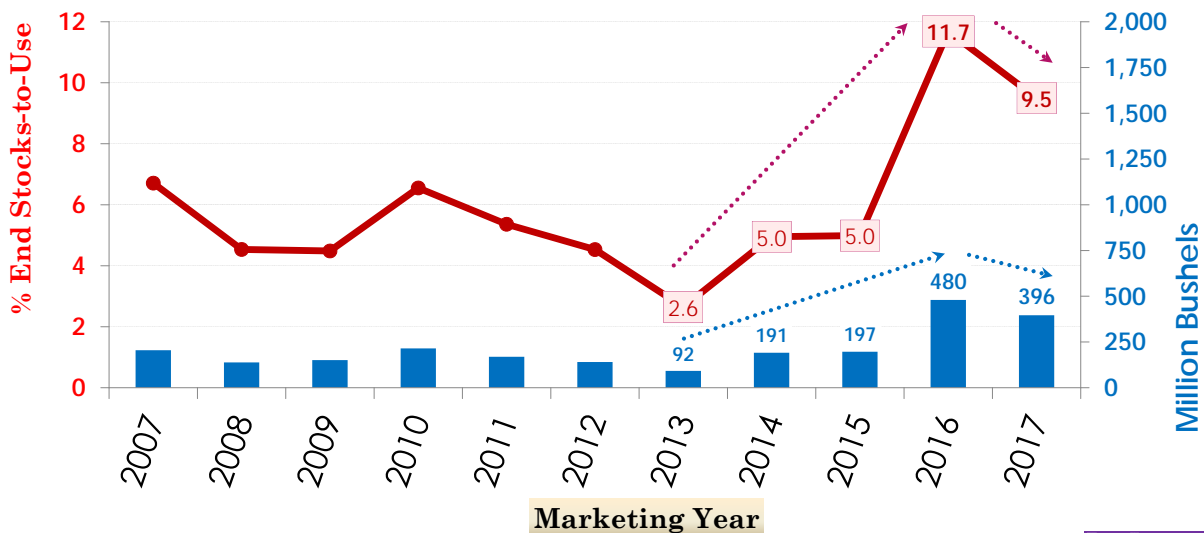
U.S. Soybean Use & Ending Stocks

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



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

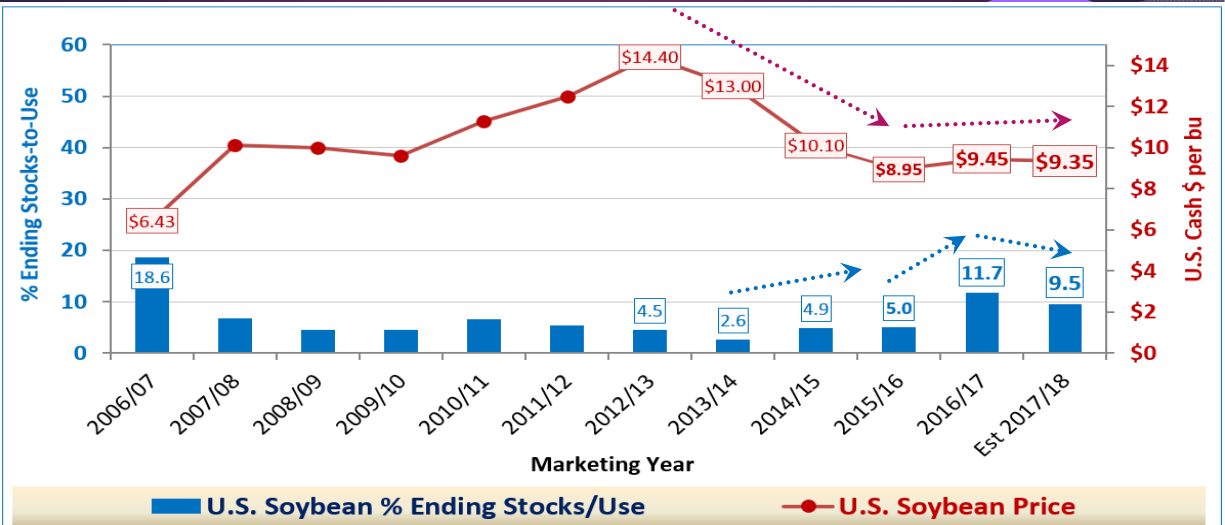
MY 2007/08 – “Next Crop” MY 2017/18 Est



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



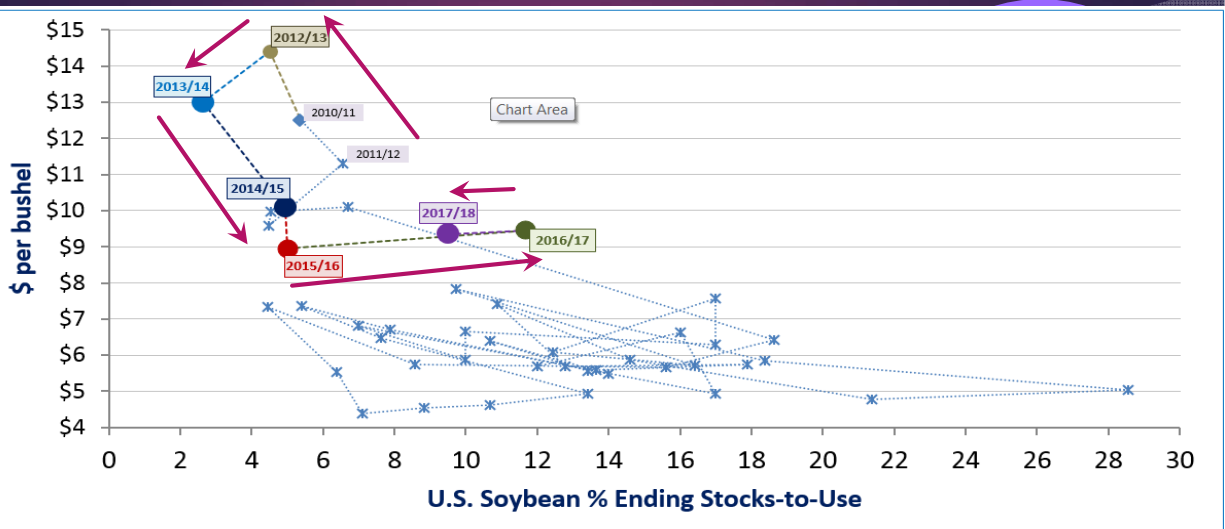
MY 2006/07 – “New Crop” MY 2016/17



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

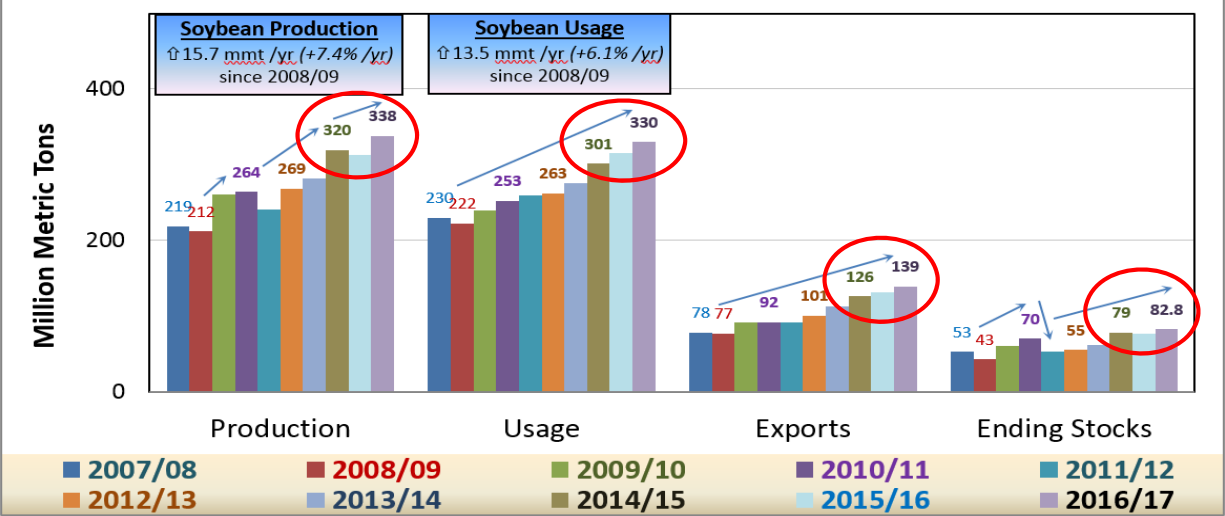


MY 1973/74 through “Next Crop” MY 2017/18 Est



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	P	P	P	P	P	P	P	
India	9.70	(1.70)			H	H	H	H	H			P	P	P	P	P	P	
Paraguay	9.17	0.00		P	P	P	P	P	H	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

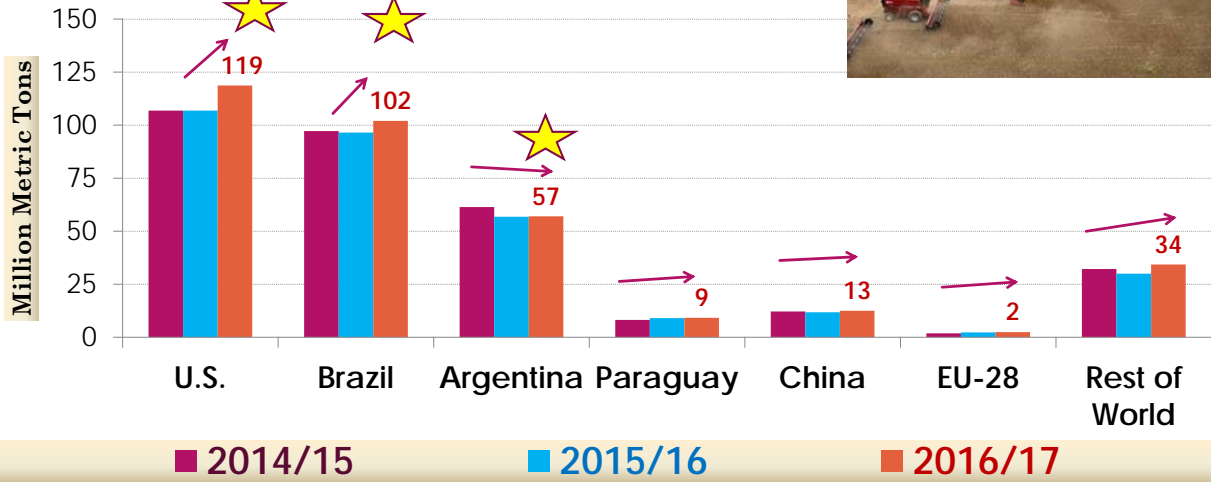
*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.

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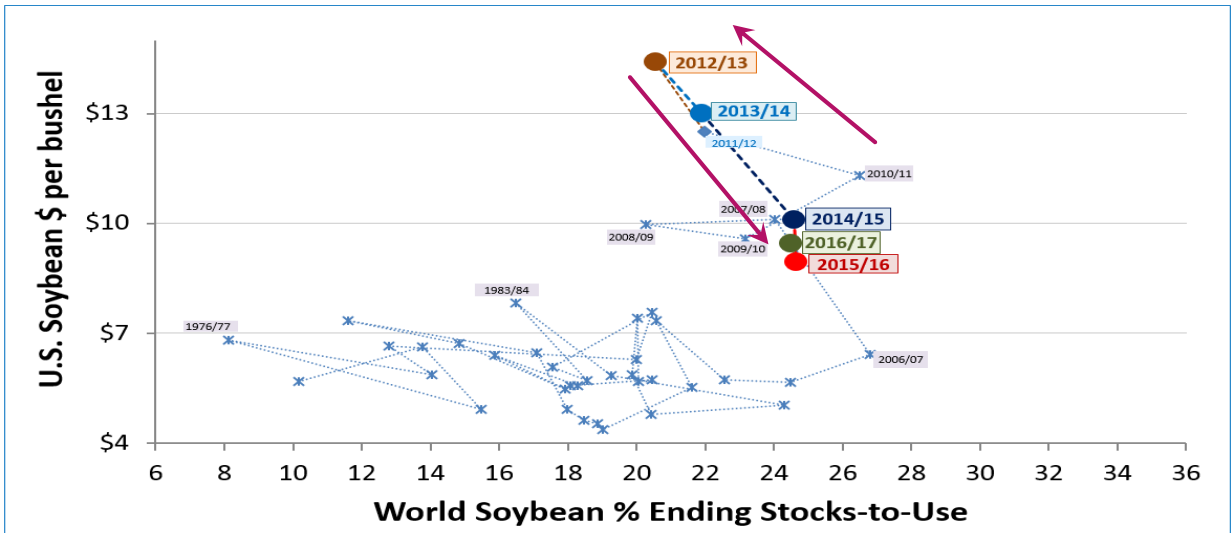
World Soybean Producers

MY 2014/15 – MY 2016/17



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

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



Questions?

Daniel O'Brien – Extension Agricultural Economist

Kansas State university

dobrien@ksu.edu

KSUGrains on Twitter & Facebook

www.AgManager.info

KANSAS STATE
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