

2018 Corn & Soybean Market Outlook & Strategies

Home, Kansas

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UNIVERSITY

Department of Agricultural Economics



Topics to be discussed.....

1) Grain Market Analysis & Outlook for 2018

- Corn & Grain Sorghum
- Soybeans
- Cattle Prices

2) 2018 Grain Marketing Strategies to consider

& focus on seasonal opportunities that may come...

Dow Jones Industrial Index

Weekly, October 2015 – February 13, 2018



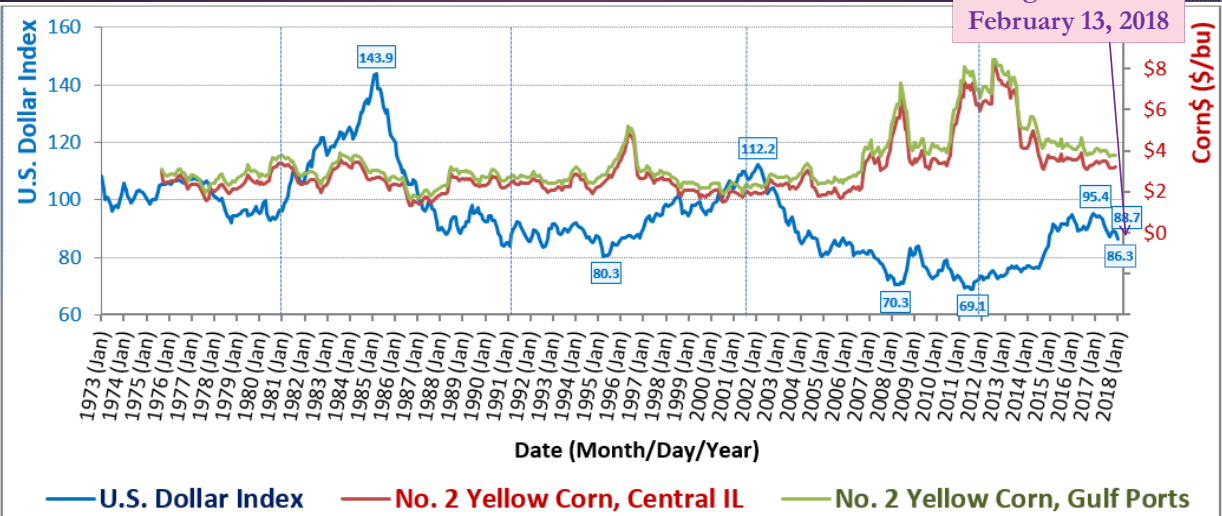
U.S. Dollar Index

Weekly, August 2015 – February 12, 2018



U.S. Dollar Index & Cash Corn Prices

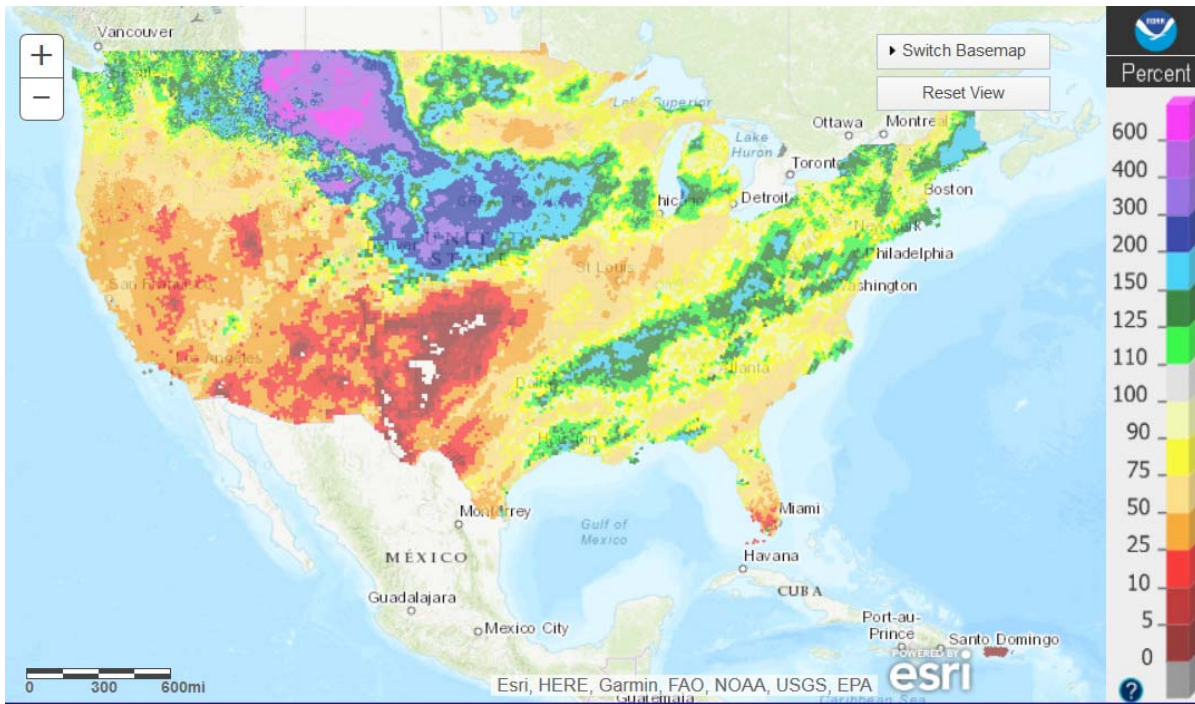
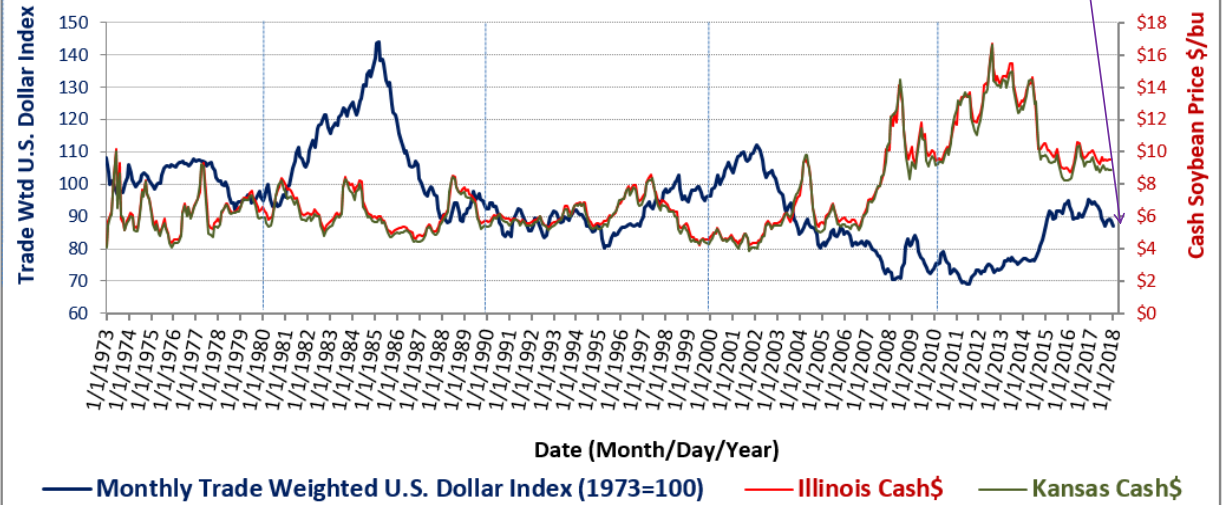
Monthly Chart: January 1973 through February 2, 2018



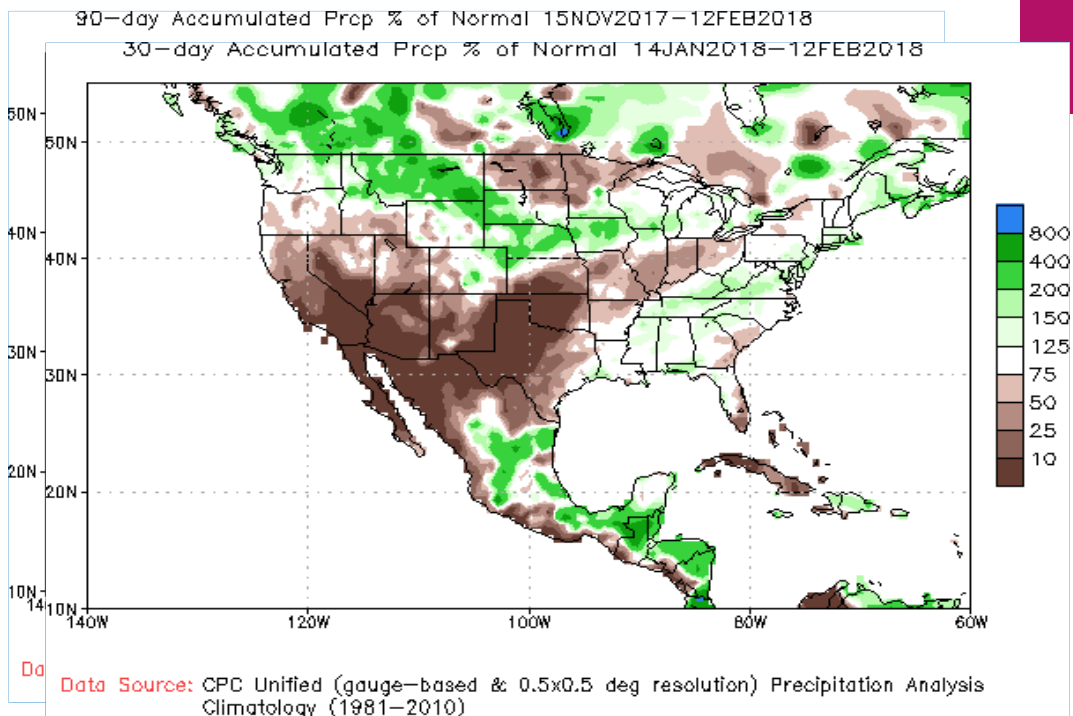
U.S. Dollar Index & Cash Soybean Prices

Monthly Chart: January 1973 through February 2, 2018

89.59
Avg. Index #
February 13, 2018

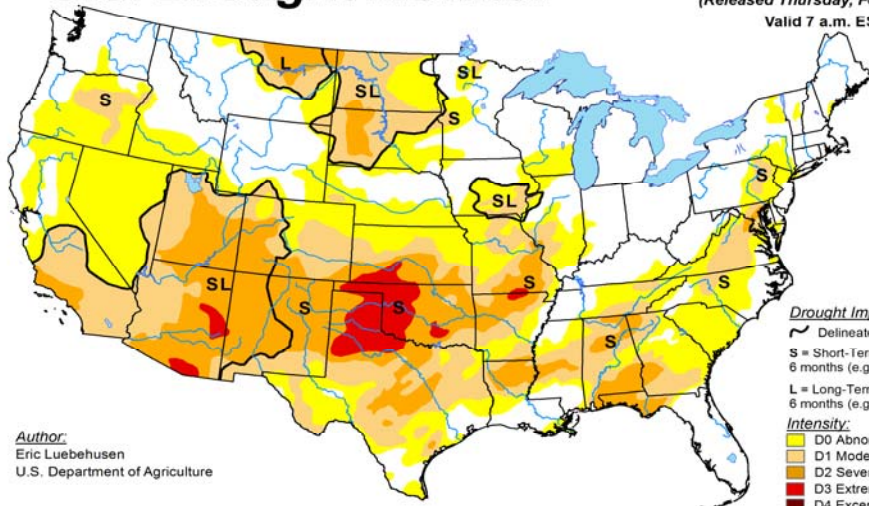


Displaying Last 60-Day Percent of Normal Precipitation



U.S. Drought Monitor

February 6, 2018
 (Released Thursday, Feb. 8, 2018)
 Valid 7 a.m. EST



Author:
 Eric Luebbehusen
 U.S. Department of Agriculture

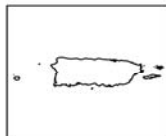
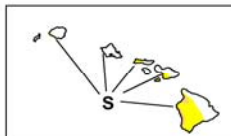
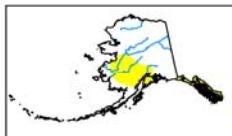
Drought Impact Types:

- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

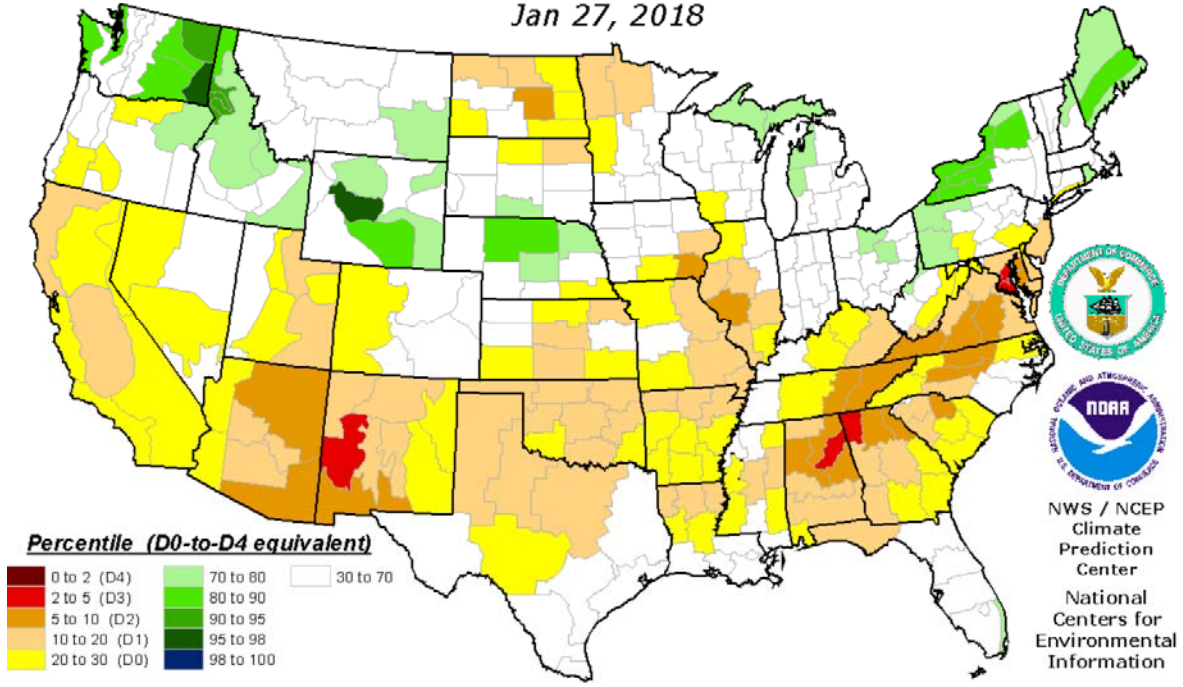
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



<http://droughtmonitor.unl.edu/>

Objective Short-Term Drought Indicator Blend Percentiles
 Jan 27, 2018



Corn & Sorghum Markets



KANSAS STATE UNIVERSITY

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U.S. Corn & Sorghum Supply-Use

- Prospects ➔ "*LARGE*" 14.6 billion bu 2017 U.S. Corn Crop
- Large Supplies & Stocks are limiting Feedgrain Price\$'s
- Low Price\$'s are supporting Corn Use
 - Livestock Feed ^{2017/18} = 5.550 bln bu (*10 year high* – vs 5.858 bb in 2007/08)
 - Ethanol ^{2017/18} = 5.525 bln bu (*Record high* – vs 5.439 bb last year)
 - Other FSI ^{2017/18} = 1.470 bln bu (*Record high* – vs 1.452 bb in 2016/17)
 - Exports ^{2017/18} = 2.050 bln bu (vs 2.293 bb in '16/17 & 1.901 in '15/16)

U.S. Corn & Grain Sorghum Stocks.....

- Corn: "*Large*" Stocks & % Stx/Use
 - End Stocks ^{2017/18} ⇒ 2.352 bln bu (*2nd highest since 1987/88*)
 - % Stocks/Use ^{2017/18} ⇒ 16.1% S/U (*Highest since 2005/06*)
- Grain Sorghum: "*Tighter*" Stocks & % Stx/Use than Corn
 - End Stocks ^{2017/18} ⇒ 24 Mln bu (*15 - 55 mb since 2008/09*)
 - % Stocks/Use ^{2017/18} ⇒ 6.4% S/U (*Historically "tight"*)

CME Corn Futures



Weekly Chart: December 2008 – January 2018 + 2/13/2018

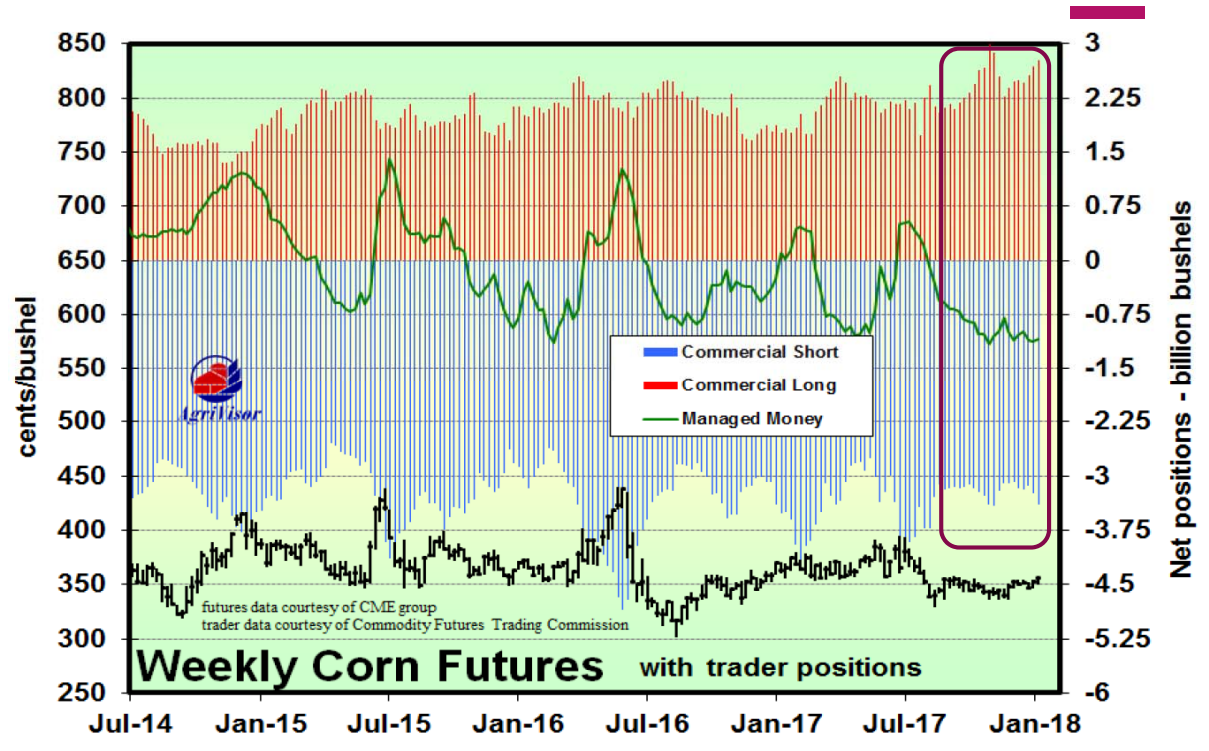
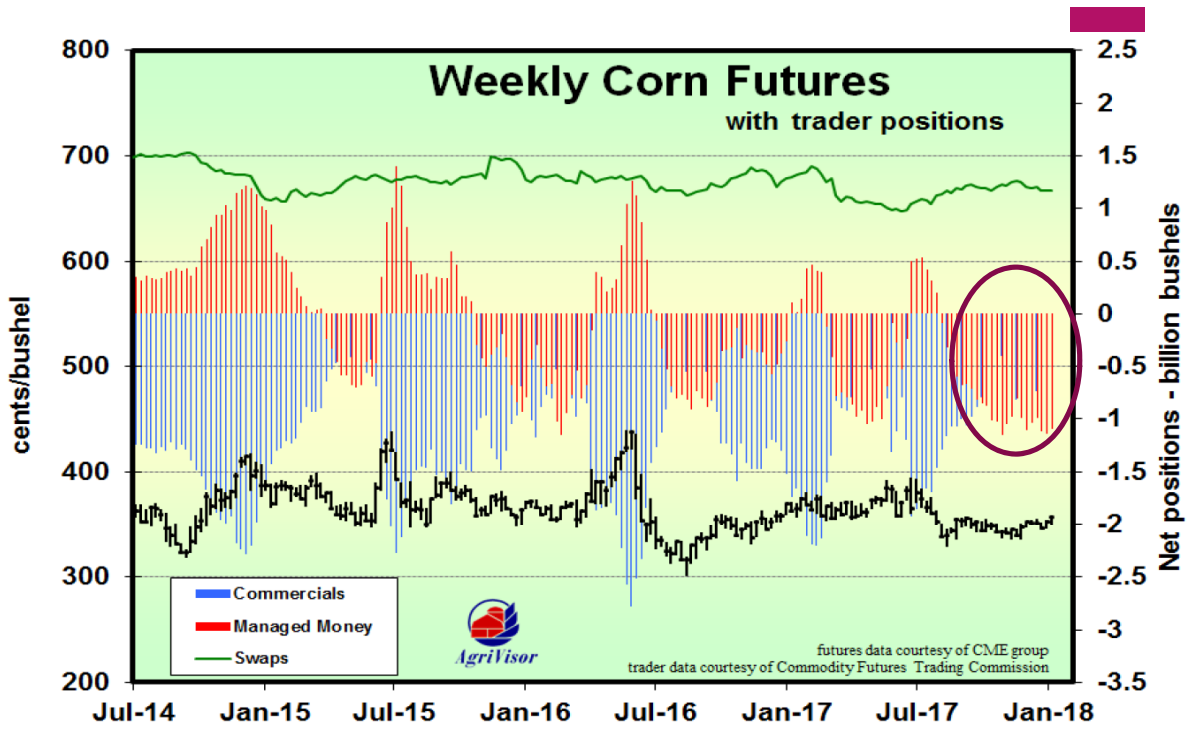


CME Corn Futures



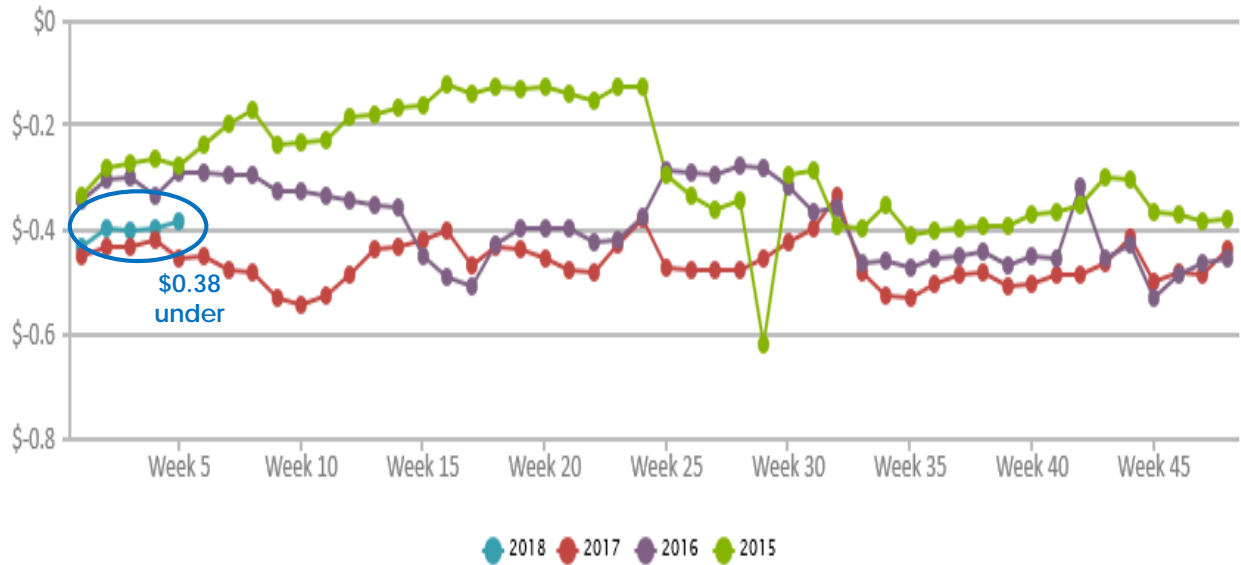
Weekly Chart: December 2008 – January 2018 + 2/12/2018





HANOVER, KS: Corn Basis - FARMERS COOP

www.AgManager.info

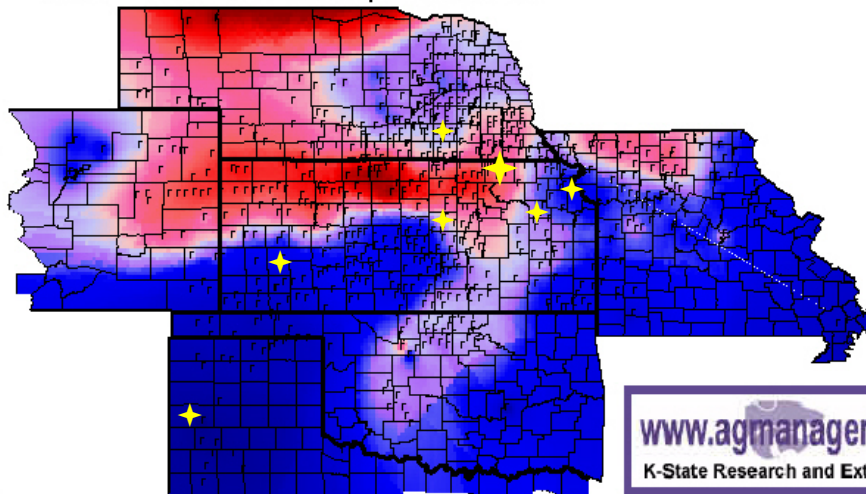
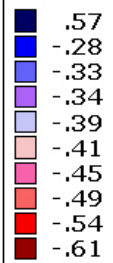


Corn Basis, 02-07-2018

Basis = Cash Price - Nearby Futures Price

CBT Mar
Futures
Price: \$3.65

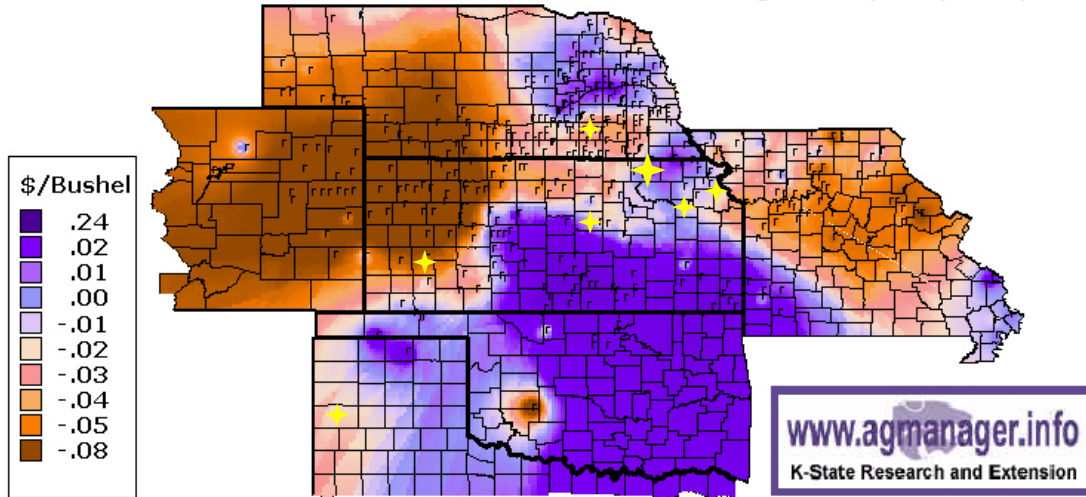
\$/Bushel



www.agmanager.info
K-State Research and Extension

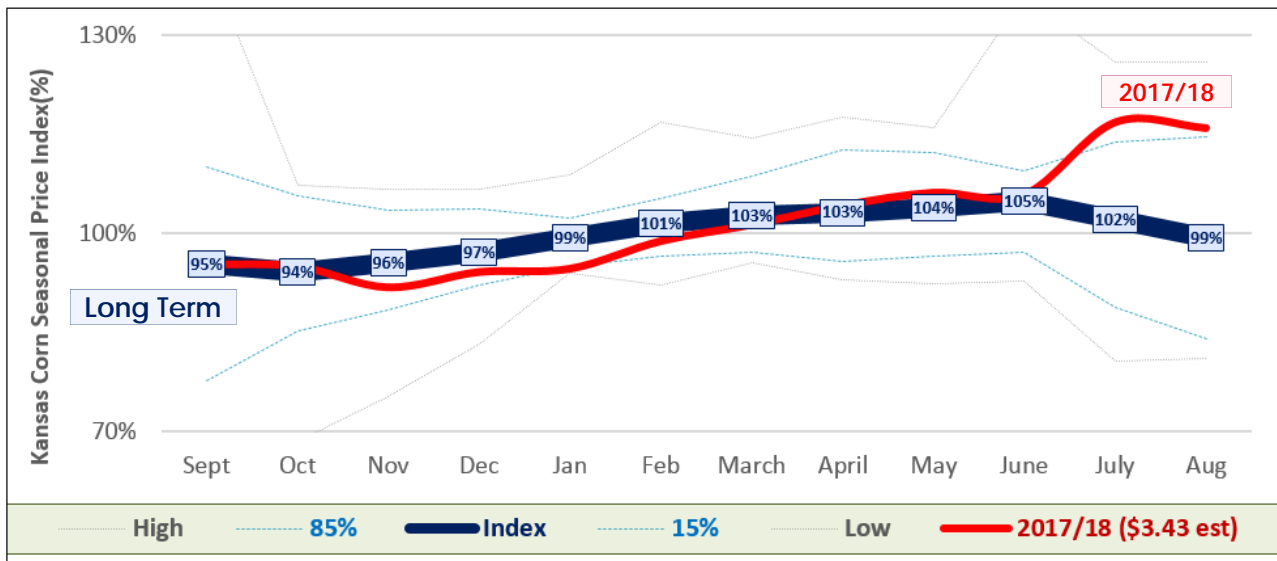
Corn Basis Deviation, 02-07-2018

Basis Deviation = Current Basis - 3 Year Average Basis (2015, 2016, 2017)



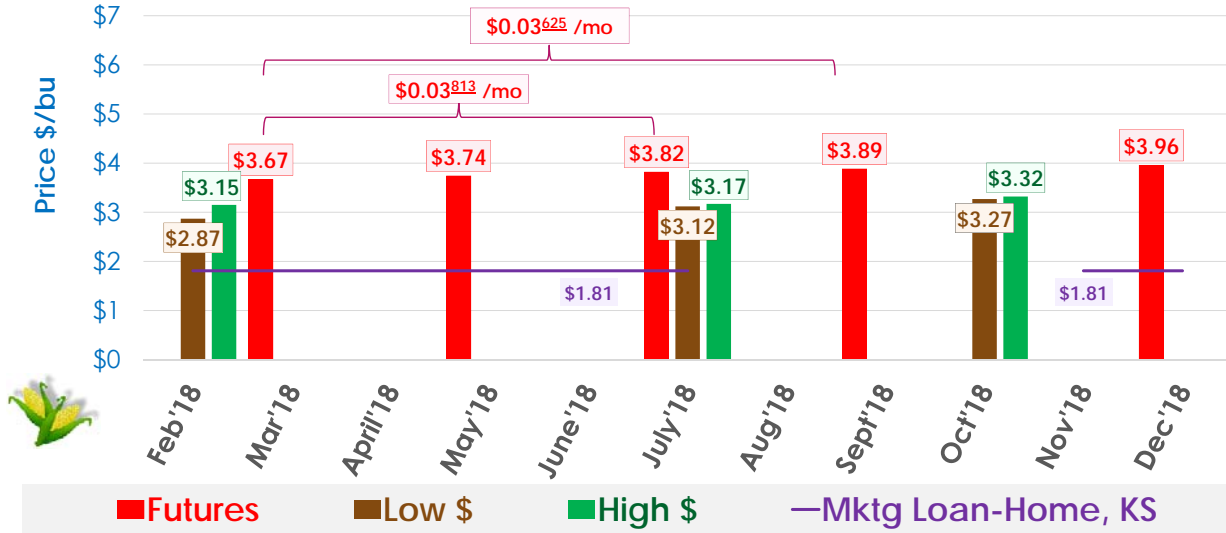
Kansas Corn Seasonal Cash \$ Index

Monthly: Long Term Average & "New Crop" MY 2017/18 Forecast



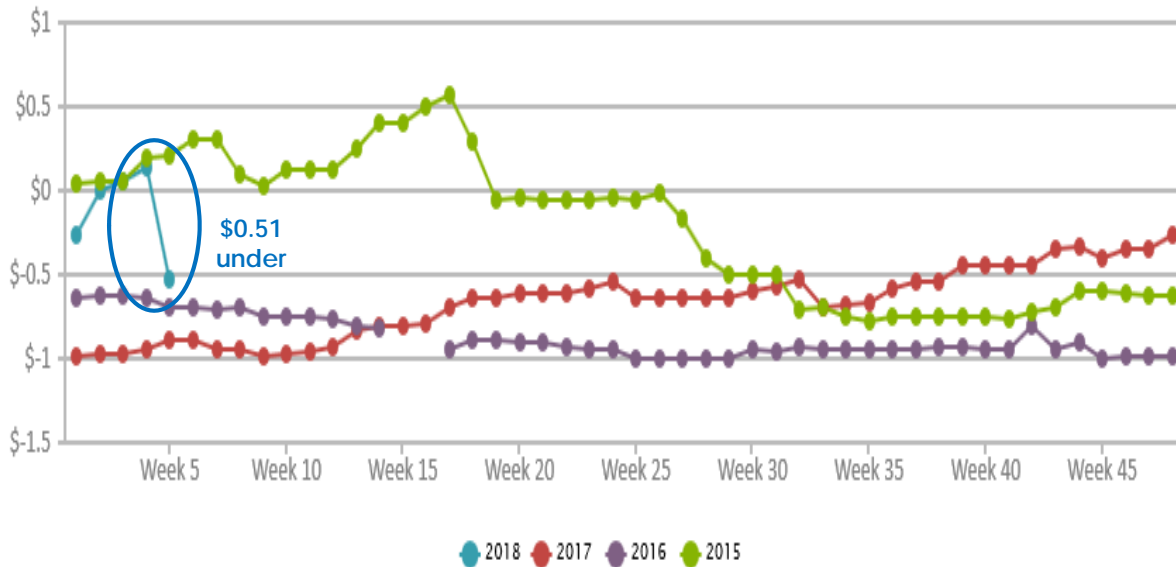
Grain Sorghum Cash & Corn Futures (\$/bu)

Home, KS Local Elevators – February 13, 2018



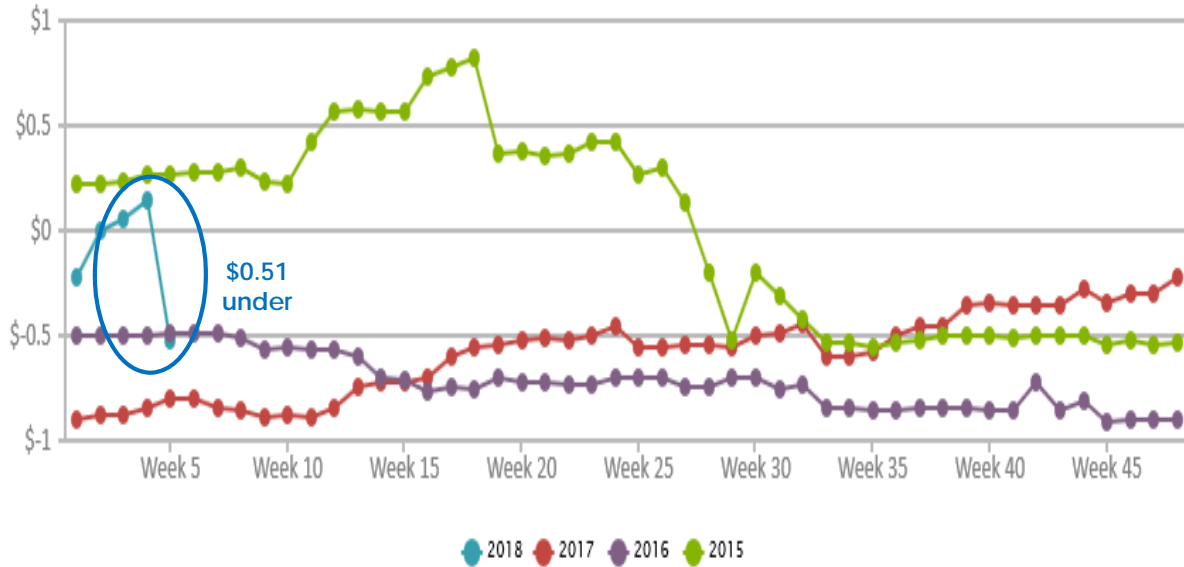
FRANKFORT, KS: Grain Sorghum Basis - BEATTIE COOP

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HANOVER , KS: Grain Sorghum Basis - FARMERS COOP

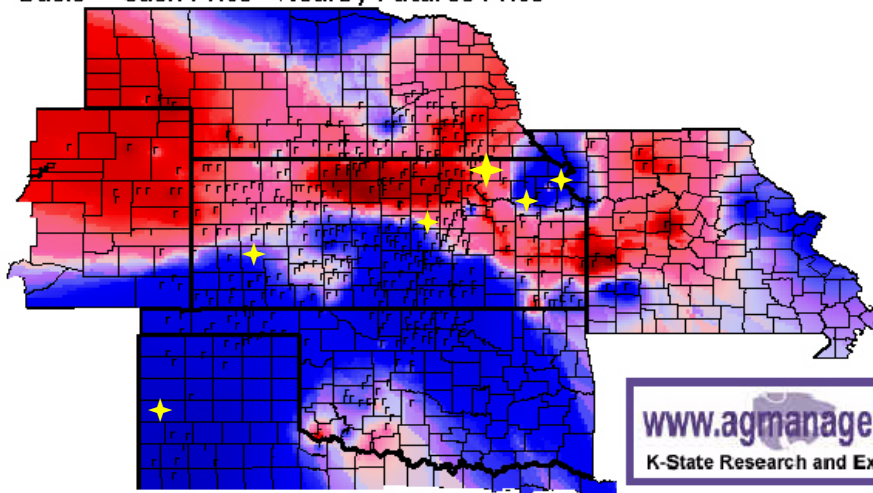
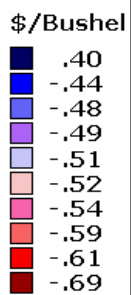
www.AgManager.info



Grain Sorghum Basis, 02-07-2018

Basis = Cash Price - Nearby Futures Price

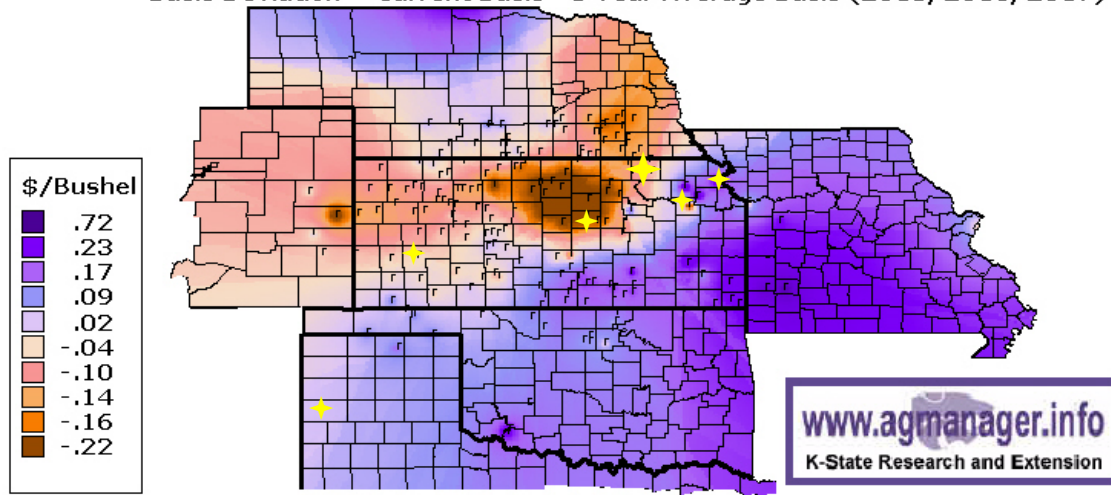
CBT Corn
Mar Futures
Price: \$3.65



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Grain Sorghum Basis Deviation, 02-07-2018

Basis Deviation = Current Basis - 3 Year Average Basis (2015, 2016, 2017)

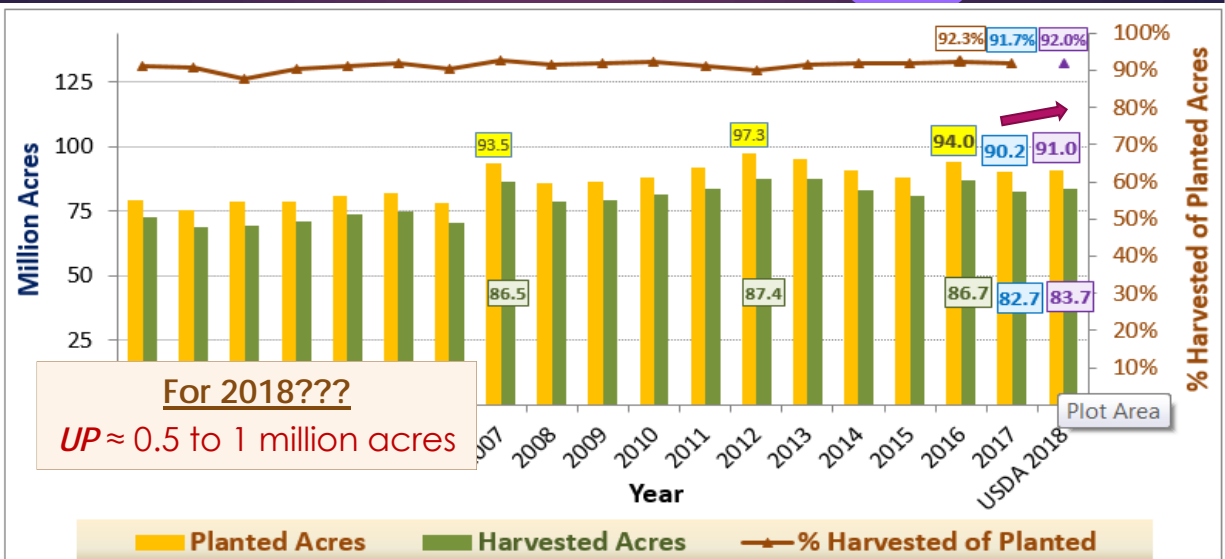


U.S. Corn Supply and Demand

| | 2016/17 estimate | 2017/18 forecast | Change from January 12 | Change from 2016/17 | |
|--------------------------------|---------------------|---------------------|------------------------------|------------------------|-------------------------------------|
| Planted area (million acres) | 94.0 | 90.2 | -- | -3.8 | ↓ Crop BUT still Large Supply |
| Harvested area (million acres) | 86.7 | 82.7 | -- | -4.0 | |
| Yield (bushels per acre) | 174.6 | 176.6 | -- | 2.0 | |
| | | | <i>Million bushels</i> | | |
| Beginning stocks | 1,737 | 2,293 | -- | 556 | ↑ Domestic Use & ↓ Exports |
| Production | 15,148 | 14,604 | -- | -544 | |
| Imports | 57 | 50 | -- | -7 | |
| Total supply | 16,942 | 16,947 | -- | 5 | |
| Feed and residual | 5,467 | 5,550 | -- | 83 | ↑ % Stocks/Use & ↓ Prices |
| Food, seed, and industrial | 6,889 | 6,995 | -- | 106 | |
| Ethanol | 5,439 | 5,525 | -- | 86 | |
| Domestic use | 12,356 | 12,545 | -- | 189 | |
| Exports | 2,293 | 2,050 | 125 | -243 | |
| Total use | 14,649 | 14,595 | 125 | -54 | |
| Ending stocks | 2,293 | 2,352 | -125 | 59 | |
| | | | <i>Percent</i> | | |
| Stocks to use ratio | 15.7 | 16.1 | -1.0 | 0.5 | |
| | | | <i>Dollars per bushel</i> | | |
| Average market price | 3.36 | 3.05/3.55 | 0.05 | -0.06 | |



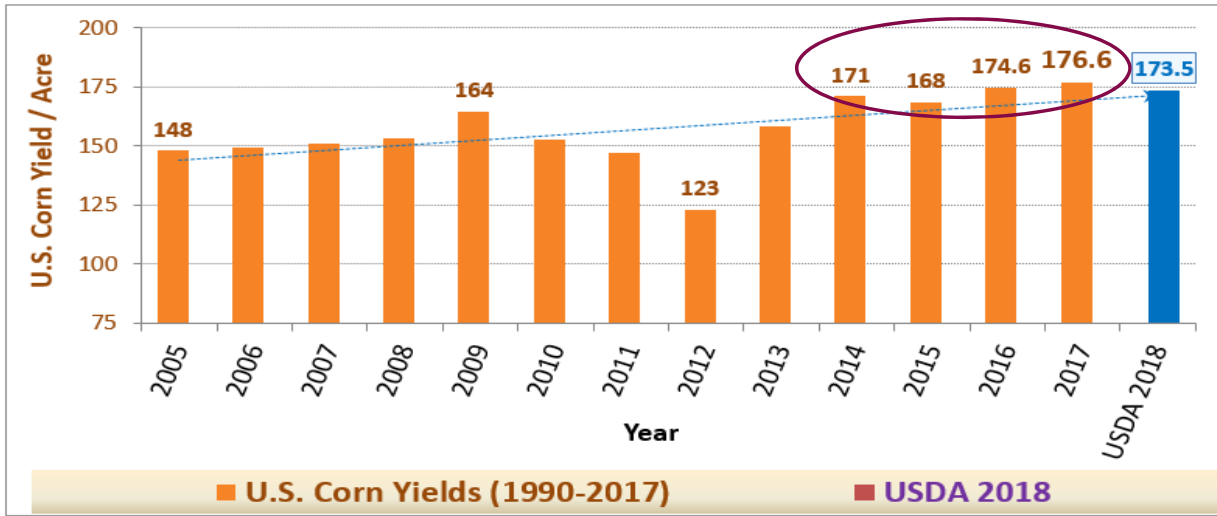
U.S. Corn Acreage



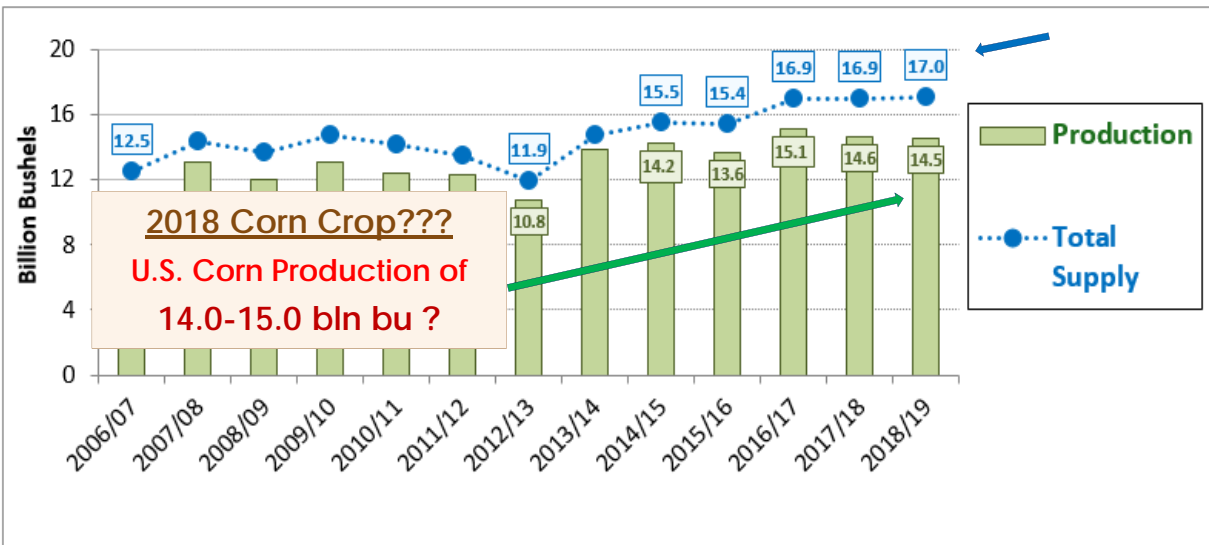
U.S. Corn Yields

USDA 2017 USDA Forecast = 176.6 bu/ac

2018 Trend Yield???
170 bu/ac (1973-2017 trend)

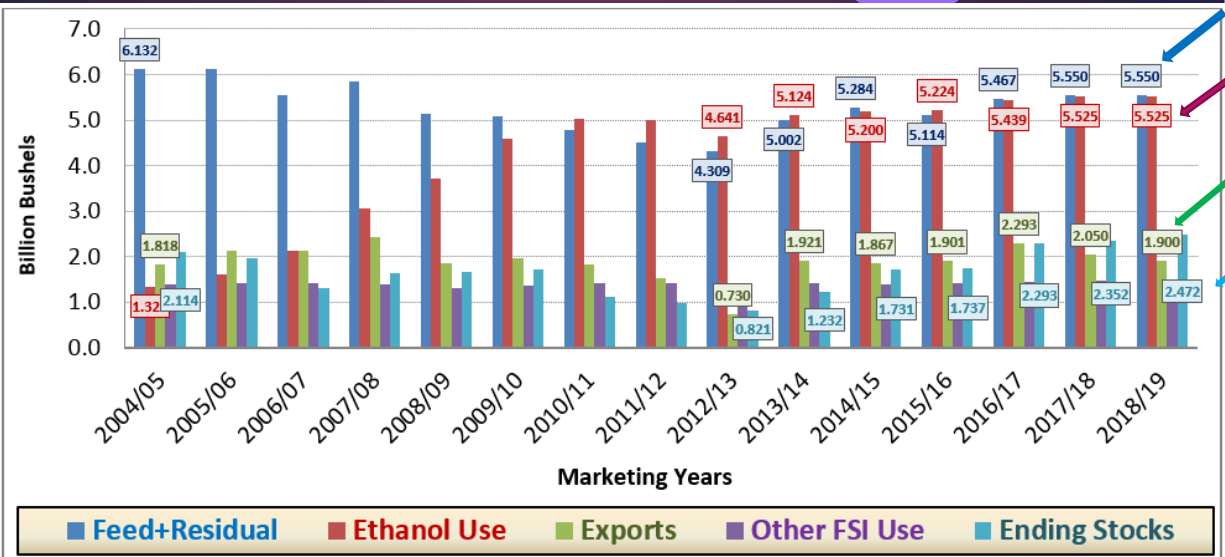


U.S. Corn Production & Supplies

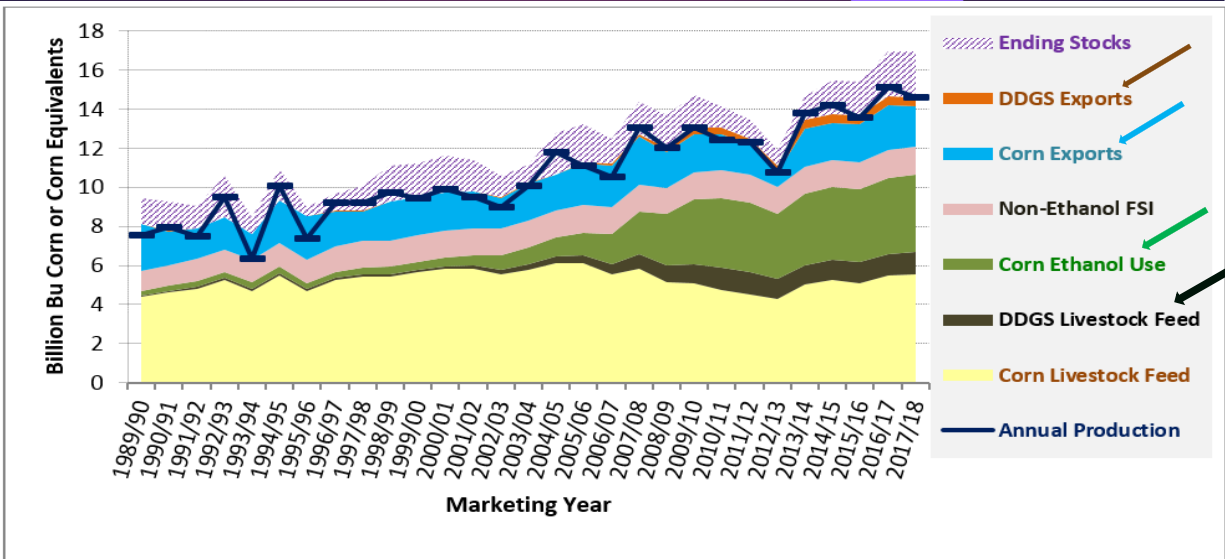


2018 Corn Crop???
U.S. Corn Production of
14.0-15.0 bln bu ?

U.S. Corn Use – By Category



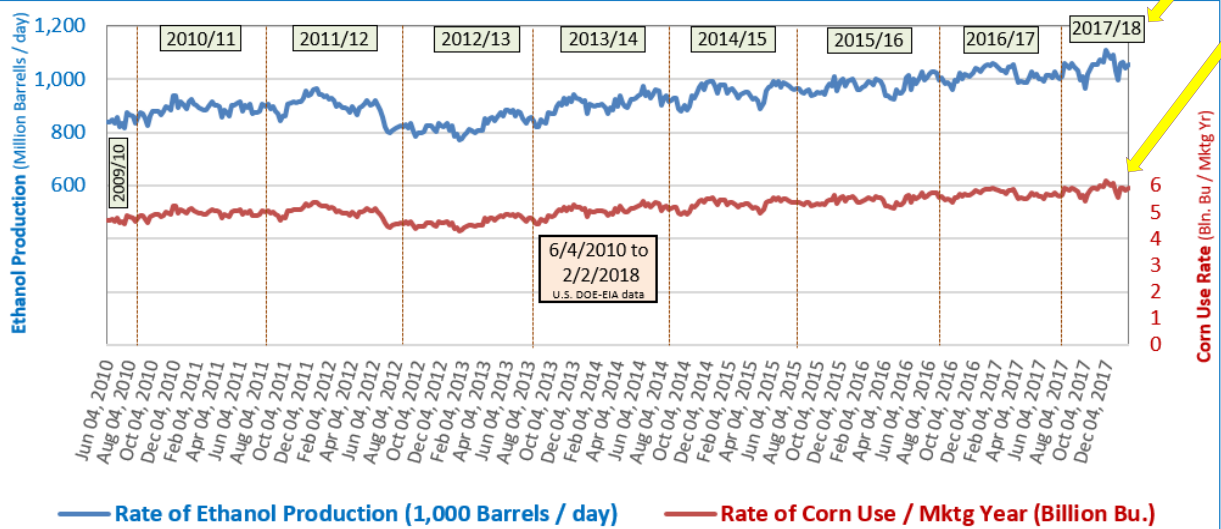
U.S. Corn Use – By Category



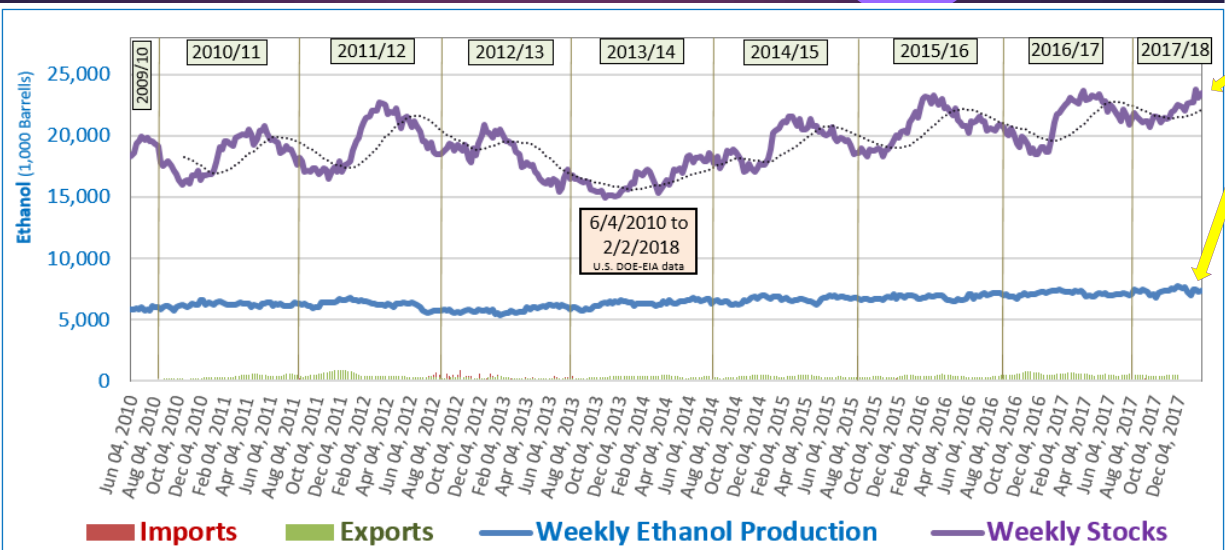
U.S. Meat Production and Prices

| | 2017 estimate | 2018 forecast | Change from January 12 | Change from 2017 | | |
|-----------------------|------------------|------------------|------------------------------|---------------------|---------------------------|--|
| <i>Billion pounds</i> | | | | | | |
| Production | | | | | | |
| Beef | 26.17 | 27.73 | -0.04 | 1.55 | +6.0% | |
| Pork | 25.58 | 26.89 | -0.07 | 1.30 | +5.1% | |
| Broilers | 41.66 | 42.60 | 0.15 | 0.94 | +2.2% | |
| Turkey | 5.98 | 5.97 | -0.03 | -0.01 | -0.2% | |
| Total meat | 100.15 | 103.94 | 0.01 | 3.80 | +3.8% | |
| <i>Dollars/cwt</i> | | | | | | |
| Prices | | | | | | |
| Steers | 121.52 | 119.25 | 1.00 | -2.27 | } Prices to decline | |
| Hogs | 50.48 | 48.00 | 0.25 | -2.48 | | |
| <i>Cents/lb</i> | | | | | | |
| Broilers | 93.5 | 90.8 | 0.3 | -2.8 | | |
| Turkey | 96.1 | 91.3 | 0.3 | -4.8 | | |

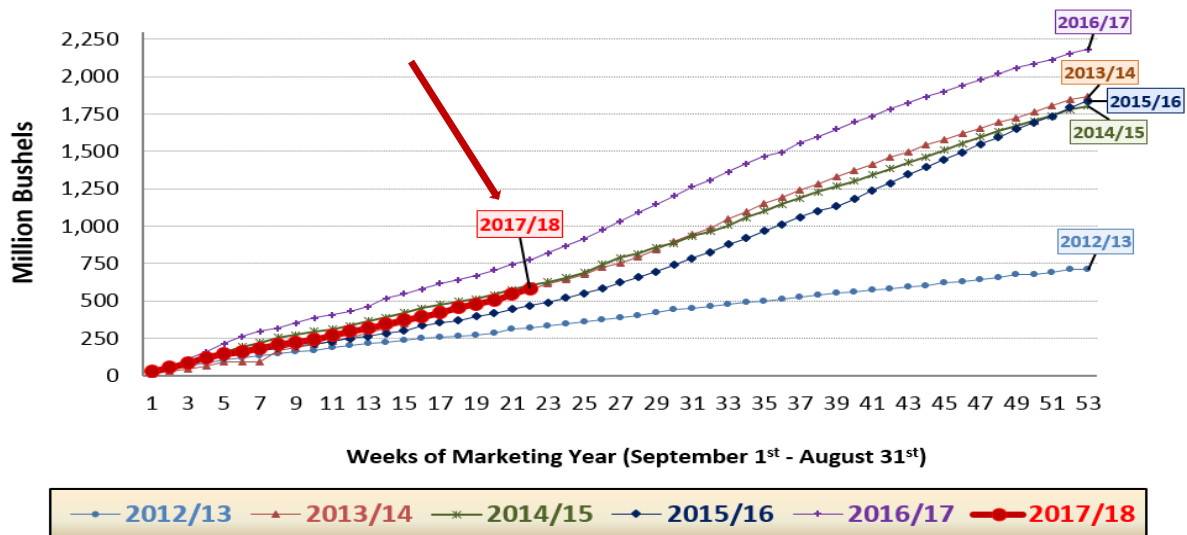
U.S. Corn Ethanol Use - Weekly thru February 2, 2018



U.S. Ethanol Prodn, Stocks, & Trade - Thru 2/2/2018

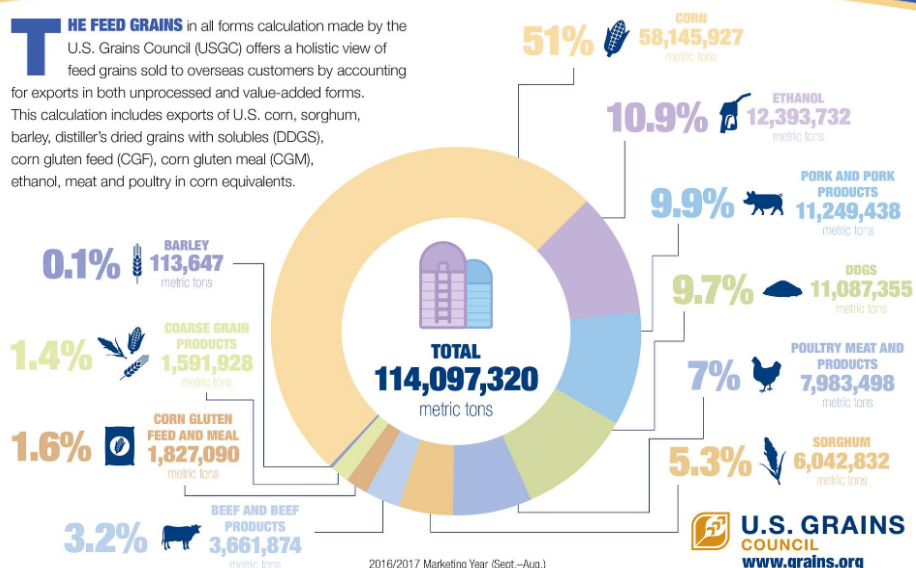


U.S. Corn Exports - Weekly thru February 1, 2018



How US Grain Was Exported in 2016/2017

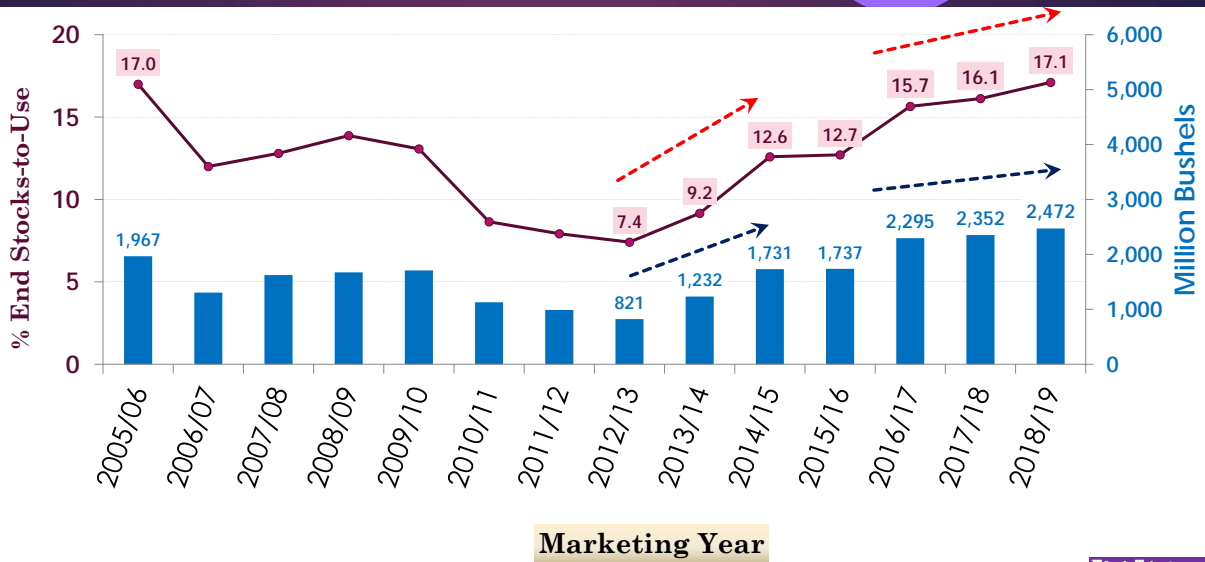
THE FEED GRAINS in all forms calculation made by the U.S. Grains Council (USGC) offers a holistic view of feed grains sold to overseas customers by accounting for exports in both unprocessed and value-added forms. This calculation includes exports of U.S. corn, sorghum, barley, distiller's dried grains with solubles (DDGS), corn gluten feed (CGF), corn gluten meal (CGM), ethanol, meat and poultry in corn equivalents.



2016/2017 Marketing Year (Sept.-Aug.)

U.S. GRAINS COUNCIL
www.grains.org

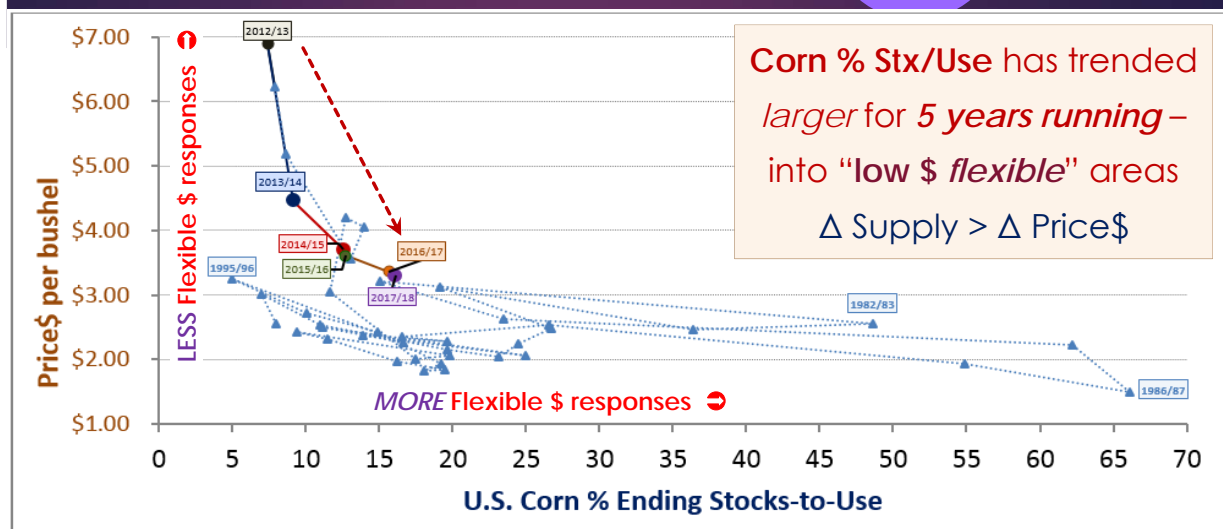
U.S. Corn Ending Stocks & % Stx/Use



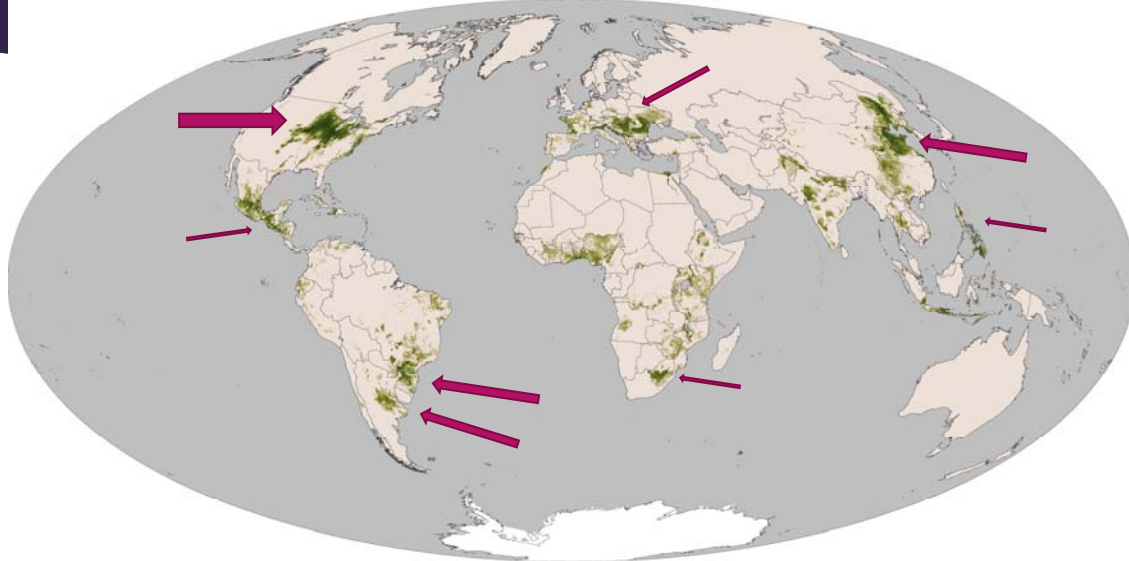
U.S. Corn % Stocks/Use vs Price\$



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



World Corn (Maize) Production Regions



Monthly Crop Calendar for Corn

1/12/2016

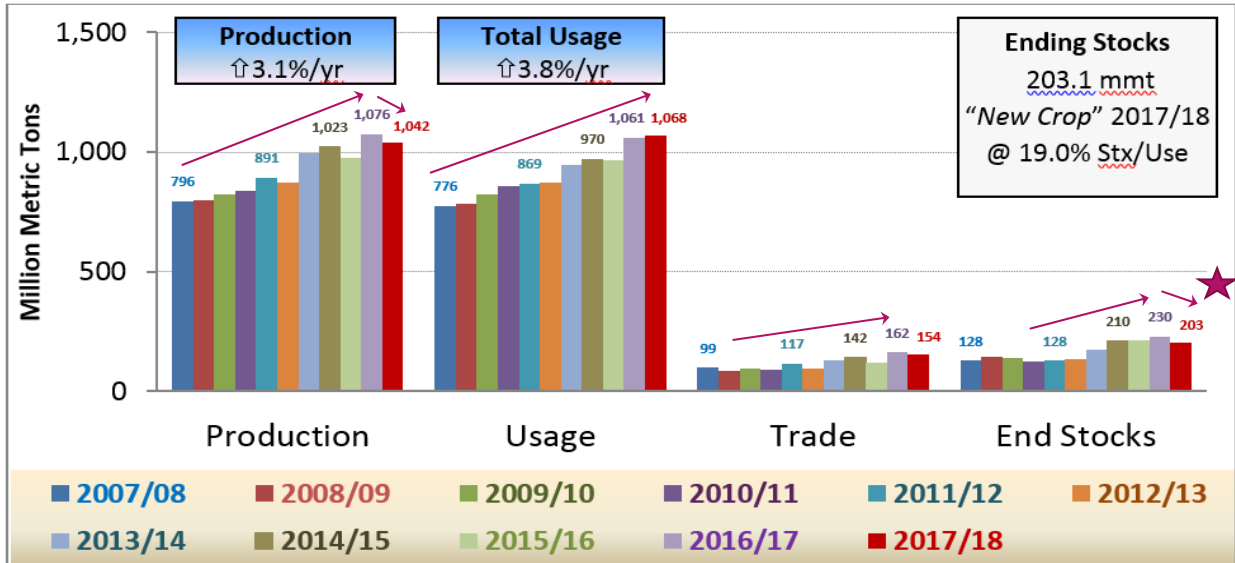
| | USDA Prod Est. | | Plant | Silk | Harvest | | | | | | | | | | |
|-------------------------------|----------------|--------|-------|------|---------|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| | 15/16 | Change | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | |
| EU | 57.75 | 0.00 | | | | P | P | P | P | | H | H | H | H | |
| US | 345.49 | (1.33) | | | | | P | P | P | S | S | S | | H | |
| Mexico <i>Summer</i> | 23.50 | 0.00 | H | H | H | H | H | | | | | | | H | |
| Ukraine | 23.50 | 0.50 | | | | | P | P | P | | | | | H | |
| Russia | 13.00 | (0.50) | | | | | P | P | | S | S | | | H | |
| China | 224.58 | (0.42) | | | | | P | P | P | S | S | | | H | |
| Indonesia <i>Dry Region</i> | 9.60 | 0.00 | | | | | P | P | P | P | P | H | H | H | |
| Philippines <i>Main</i> | 7.80 | 0.00 | P | P | P | P | H | H | H | H | H | H | H | H | |
| Canada | 13.60 | 0.00 | | | | | P | P | P | P | S | S | | H | |
| India | 21.00 | 0.00 | H | H | | | | | P | P | P | P | P | H | |
| Brazil <i>1st crop</i> | 81.50 | 0.00 | H | H | H | H | H | H | | | | | | P | |
| Argentina | 25.60 | 0.00 | S | S | | | H | H | H | H | | | | P | |
| Philippines <i>2nd Crop</i> | | | H | H | H | H | | | | | | | | P | |
| South Africa | 8.00 | (4.00) | P | S | S | | | H | H | H | H | H | H | | |
| Mexico <i>Winter</i> | | | P | P | P | P | P | H | H | H | H | H | H | | |
| Brazil <i>2nd crop</i> | | | | P | P | P | P | | | H | H | H | H | | |
| Indonesia <i>Rainy Region</i> | | | | P | P | P | P | P | P | | | | | H | |
| Nigeria | 7.00 | 0.00 | | | P | P | P | P | P | H | 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.

World Corn Supply, Use & Stocks



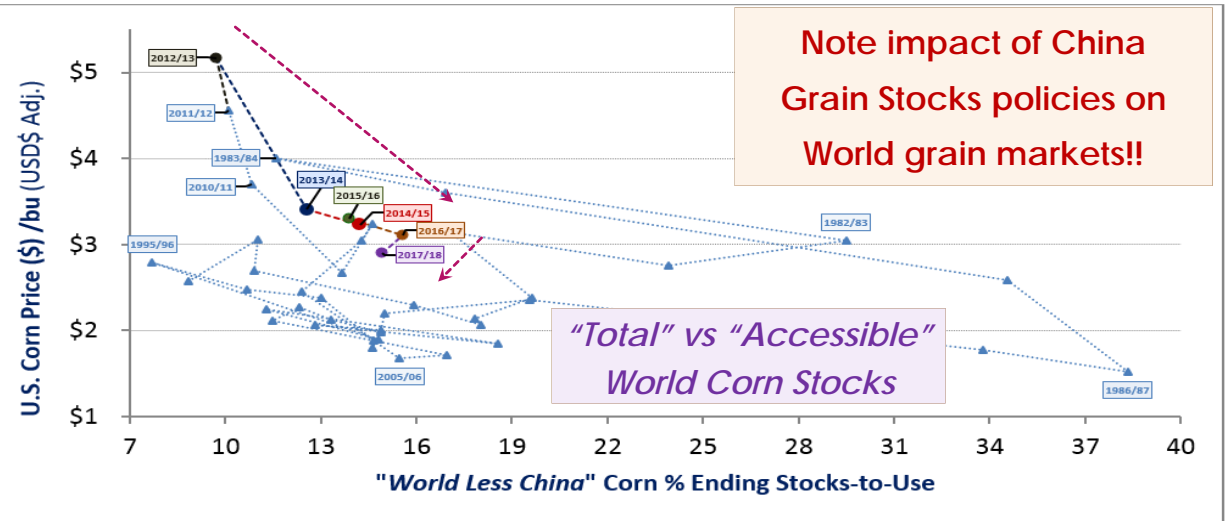
World Corn Production

| Country or Region | 2016/17 estimate | 2017/18 forecast | Change from January 12 | Change from 2016/17 |
|----------------------|------------------|------------------|------------------------|---------------------|
| <i>Million Tons</i> | | | | |
| World | 1,076.0 | 1,041.7 | -2.82 | -34.2 |
| United States | 384.8 | 371.0 | -- | -13.8 |
| Foreign | 691.2 | 670.8 | -2.82 | -20.4 |
| Argentina | 41.0 | 39.0 | -3.00 | -2.0 |
| Brazil | 98.5 | 95.0 | -- | -3.5 |
| Mexico | 27.6 | 26.5 | 0.30 | -1.1 |
| Canada | 13.2 | 14.1 | -- | 0.9 |
| European Union | 61.5 | 60.1 | -- | -1.4 |
| Serbia | 7.6 | 4.0 | -- | -3.6 |
| FSU-12 | 47.3 | 42.3 | -0.48 | -5.0 |
| Ukraine | 28.0 | 24.1 | -0.88 | -3.9 |
| Russia | 15.3 | 13.5 | -- | -1.8 |
| South Africa | 17.5 | 12.5 | -- | -5.0 |
| China | 219.6 | 215.9 | -- | -3.7 |
| India | 26.3 | 25.0 | -- | -1.3 |

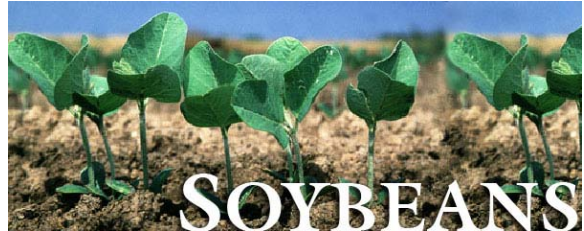
↓ World Crop
 BUT still
 Large Supply
 ↓ China
 ↓ EU
 ↓ Brazil
 ↓ FSU-12
 ↓ So. Africa
 ↓ Mexico
 ↑ Argentina
 ↑ Canada

U.S. Corn Price\$ vs "World-China" % S/U

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



Soybean Markets



KANSAS STATE
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Department of Agricultural Economics

USDA



U.S. Soybean Supply-Use

- 2017 U.S. Soybean Production & Supplies @ *record HIGHS*
- Large Soybean Stocks in U.S. & So. America** limit Price\$'s
- Low Price\$'s support Use in "*New Crop*" MY 2017/18 ***
 - Soy Crush^{2017/18} = 1.950 bln bu (*Record – vs 1.899 bb 1 year ago*)
 - Exports^{2017/18} = 2.100 bln bu (*2nd highest – vs record 2.174 bb 1 year ago*)
 - Total Use^{2017/18} = 4.188 bln bu (*2nd highest – vs 4.213 bb 1 year ago*)
 - SBM Use^{2017/18} = 46.5 mln tons (*vs 44.95 in MY 2016/17 & 45.1 in MY 2015/16*)

U.S. Soybean Market Prospects

- *Strong Use & Exports - BUT Large Stocks, & Weaker Prices*
 - U.S. soybean exports in 2017/18 to be *historically large* in spite of large 2017 South American Production (*BUT declining #s*)
 - ❖ Depends on continued growth in import demand from **China, EU, Southeast Asia, Mexico, & elsewhere** (*Threat of trade disputes!*)
 - Problems have emerged in fall-winter 2017-2018 re: **2018 South American soybean crop risk** (*i.e., La Nina effects, etc.*)

U.S. Soybean & Cotton Stocks.....

- Soybean: "Large" Stocks & % S/U
 - End Stocks ^{2017/18} ⇒ 530 mln bu (High vs 574 mb in 2006/07)
 - % Stocks/Use ^{2017/18} ⇒ 12.7% S/U (High vs 18.6% in 2006/07)

- Cotton: "Large" 2017 Crop & "Growing" Stocks
 - Production ^{2017/18} ⇒ 21.3 mln bales (17.2 & 12.9 mb last 2 years)
 - End Stocks ^{2017/18} ⇒ 6.0 mln bales (2.75 & 3.8 mb last 2 years)
 - % Stocks/Use ^{2017/18} ⇒ 33.6% S/U** (15.1% & 30.2% last 2 years)

CME Soybean Futures

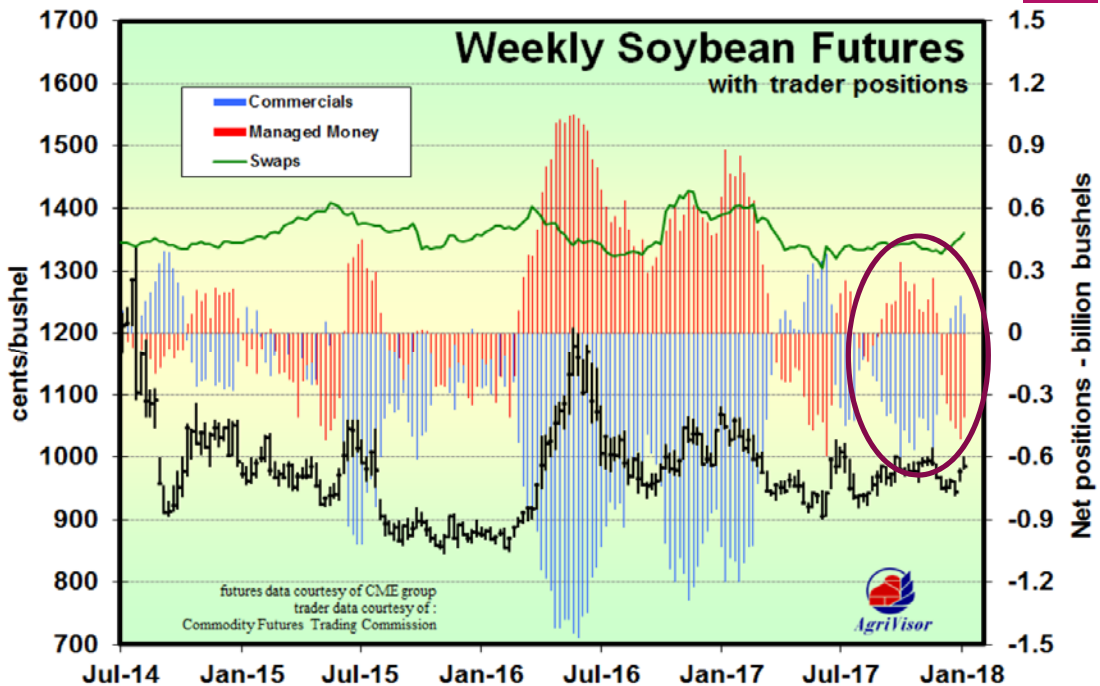
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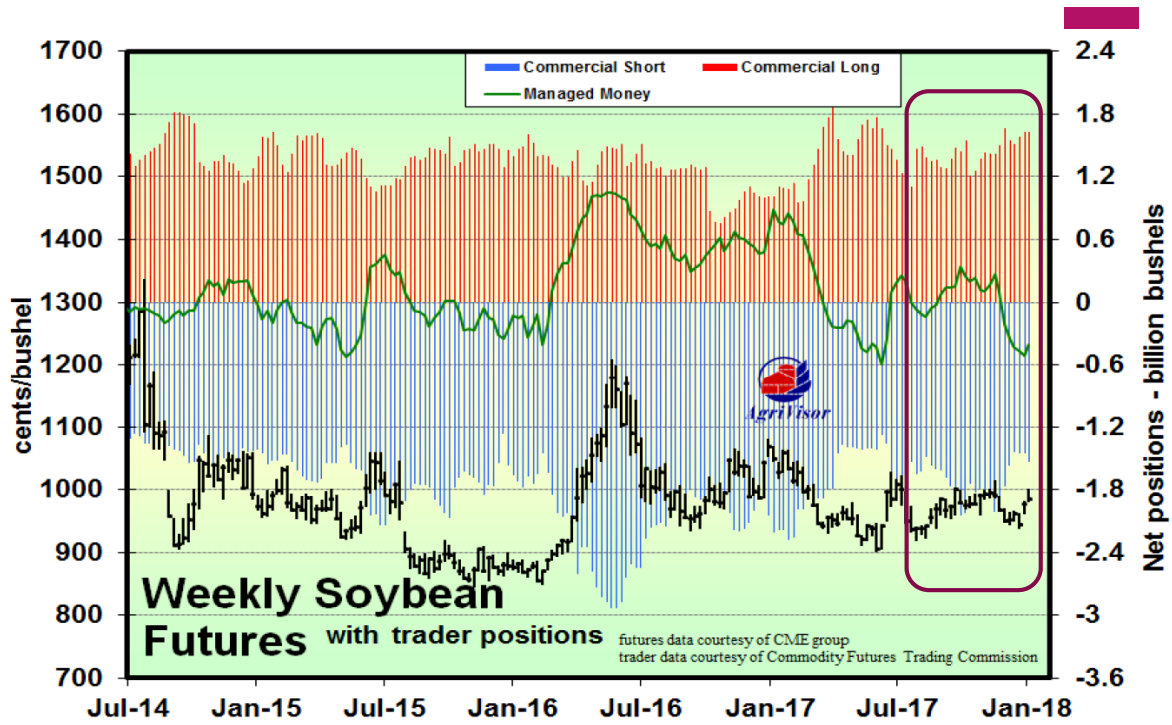


CME Soybean Futures



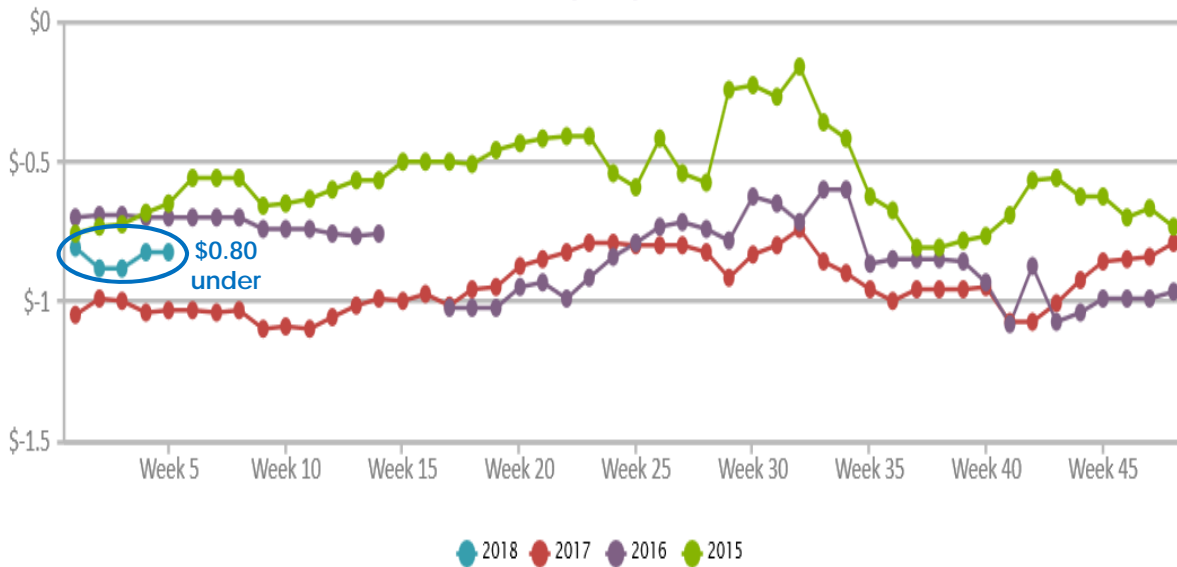
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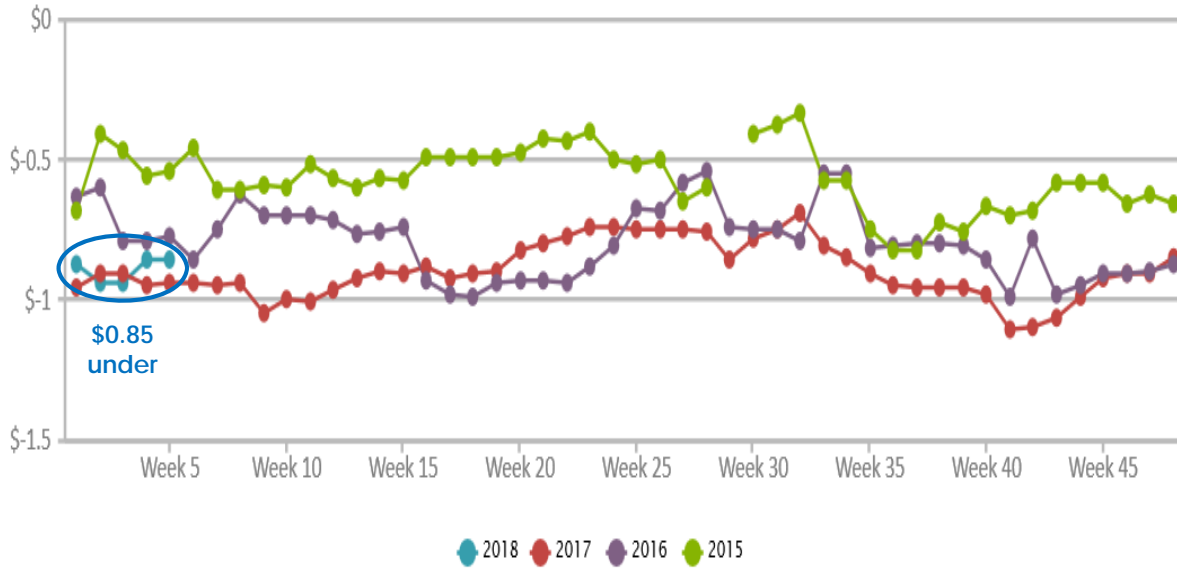
FRANKFORT, KS: Soybeans Basis - BEATTIE COOP

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HANOVER , KS: Soybeans Basis - FARMERS COOP

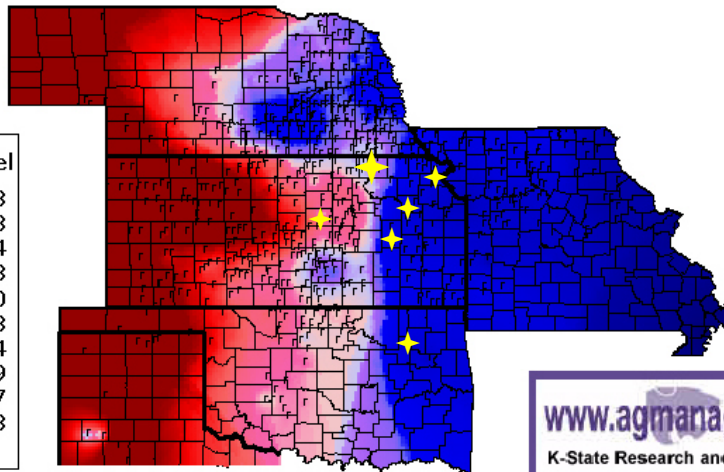
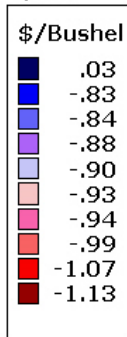
www.AgManager.info



Soybean Basis, 02-07-2018

Basis = Cash Price - Nearby Futures Price

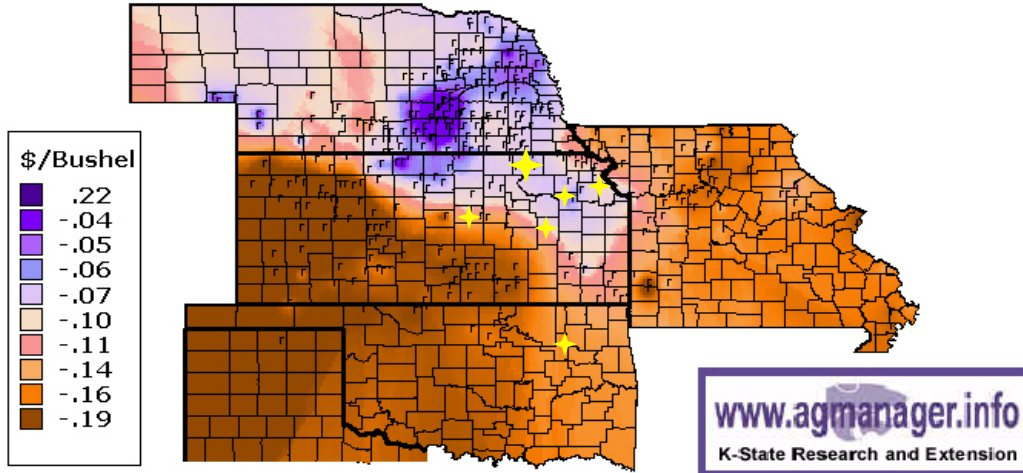
CBT Mar
Futures
Price: \$9.83



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K-State Research and Extension

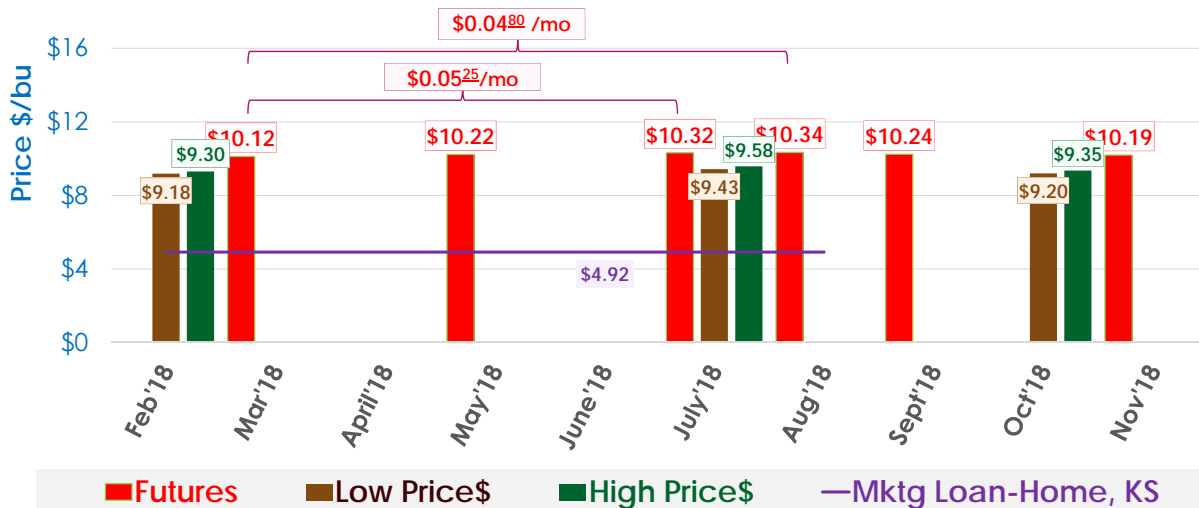
Soybean Basis Deviation, 02-07-2018

Basis Deviation = Current Basis - 3 Year Average Basis (2015, 2016, 2017)



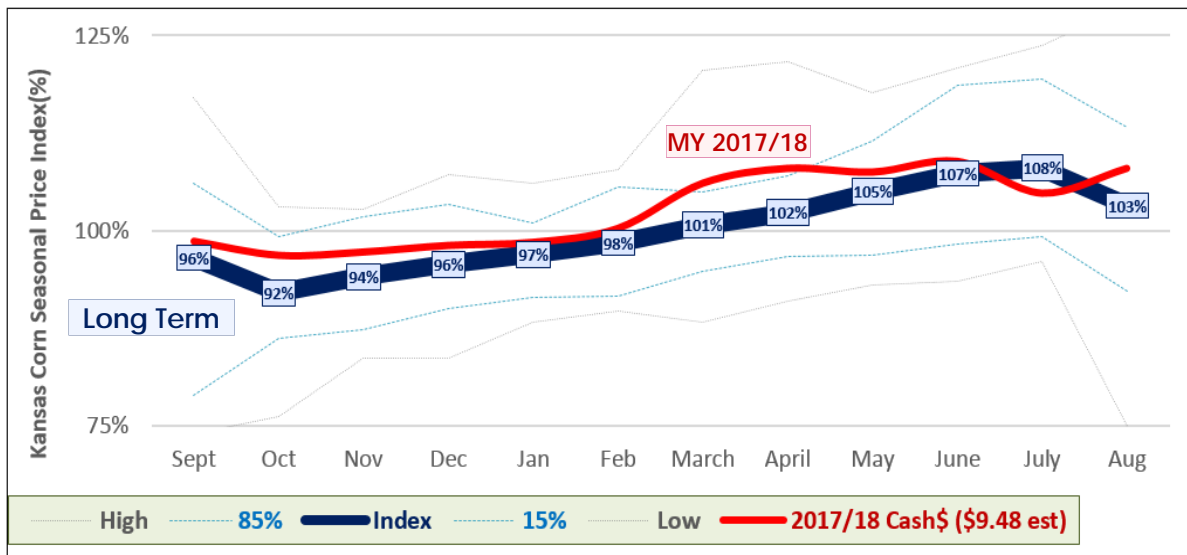
Soybean Cash & Futures Price\$'s

Home, KS Local Elevators - February 13, 2018



Kansas Soybean Seasonal Cash \$ Index

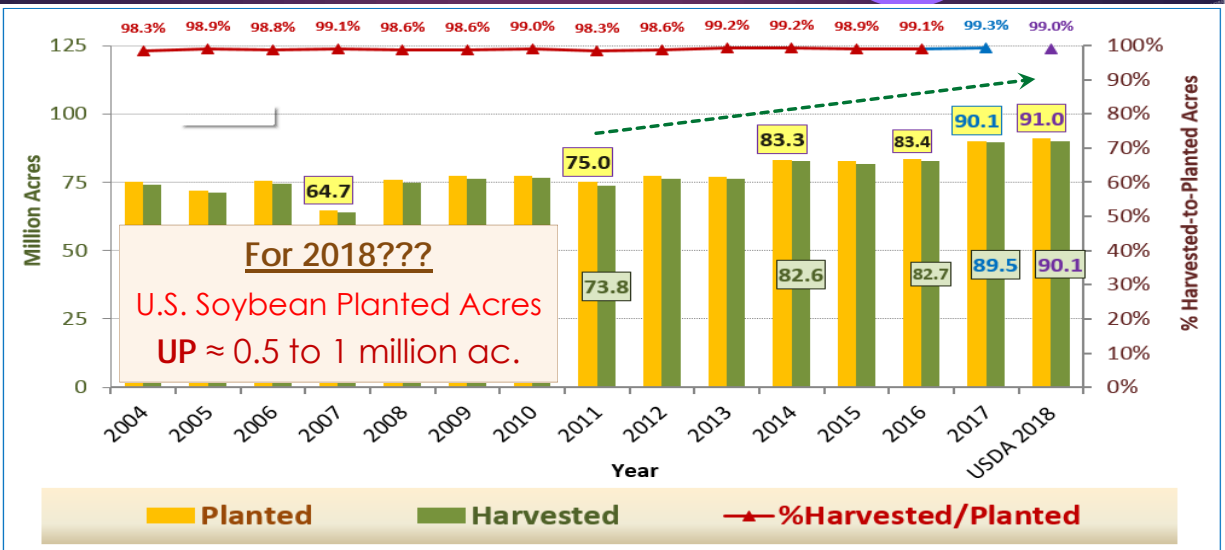
Monthly Prices: Long Term Average + "New Crop" MY 2017/18



U.S. Soybean Supply and Demand

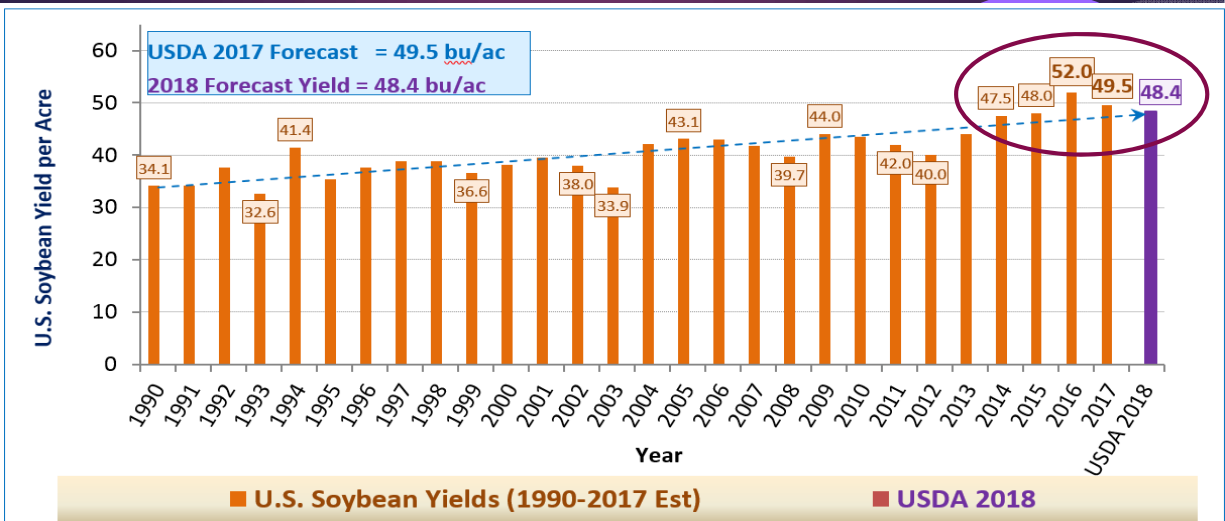
| | 2016/17 estimate | 2017/18 forecast | Change from January 12 | Change from 2016/17 | |
|--------------------------------|---------------------|---------------------------|------------------------------|------------------------|--------------------------------------|
| Planted area (million acres) | 83.4 | 90.1 | -- | 6.7 | ↑ Record Crop and Large Supply |
| Harvested area (million acres) | 82.7 | 89.5 | -- | 6.8 | |
| Yield (bushels per acre) | 52.0 | 49.1 | -- | -2.9 | |
| | | <i>Million bushels</i> | | | |
| Beginning stocks | 197 | 302 | -- | 105 | ↑ Record Use & ↑ Exports |
| Production | 4,296 | 4,392 | -- | 95 | |
| Imports | 22 | 25 | -- | 3 | |
| Total supply | 4,515 | 4,718 | -- | 203 | ↑ Stocks/Use & ↓ Prices |
| Crush | 1,899 | 1,950 | -- | 51 | |
| Seed and residual | 141 | 138 | -- | -3 | |
| Domestic use | 2,040 | 2,088 | -- | 48 | |
| Exports | 2,174 | 2,100 | -60 | -74 | |
| Total use | 4,213 | 4,188 | -60 | -25 | |
| Ending stocks | 302 | 530 | 60 | 228 | |
| | | <i>Percent</i> | | | |
| Stocks to use ratio | 7.2 | 12.7 | 1.6 | 5.5 | |
| | | <i>Dollars per bushel</i> | | | |
| Average market price | 9.47 | 8.90/9.70 | -- | -0.17 | |

U.S. Soybean Acreage

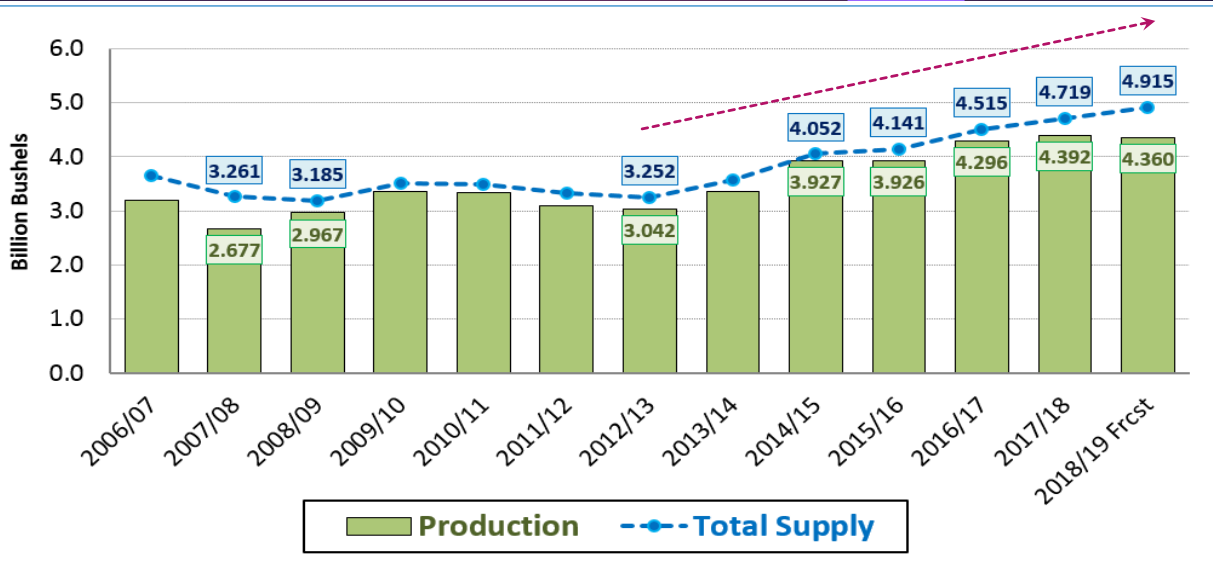


U.S. Soybean Yields

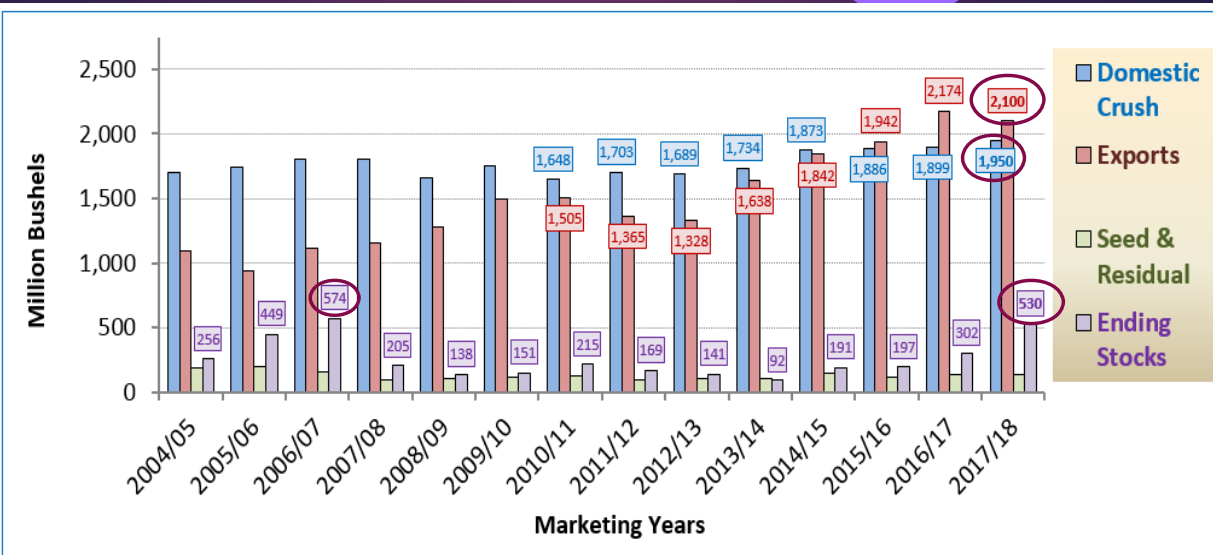
USDA 2017 = 49.5 bu/ac; 2018 Forecast = 48.4



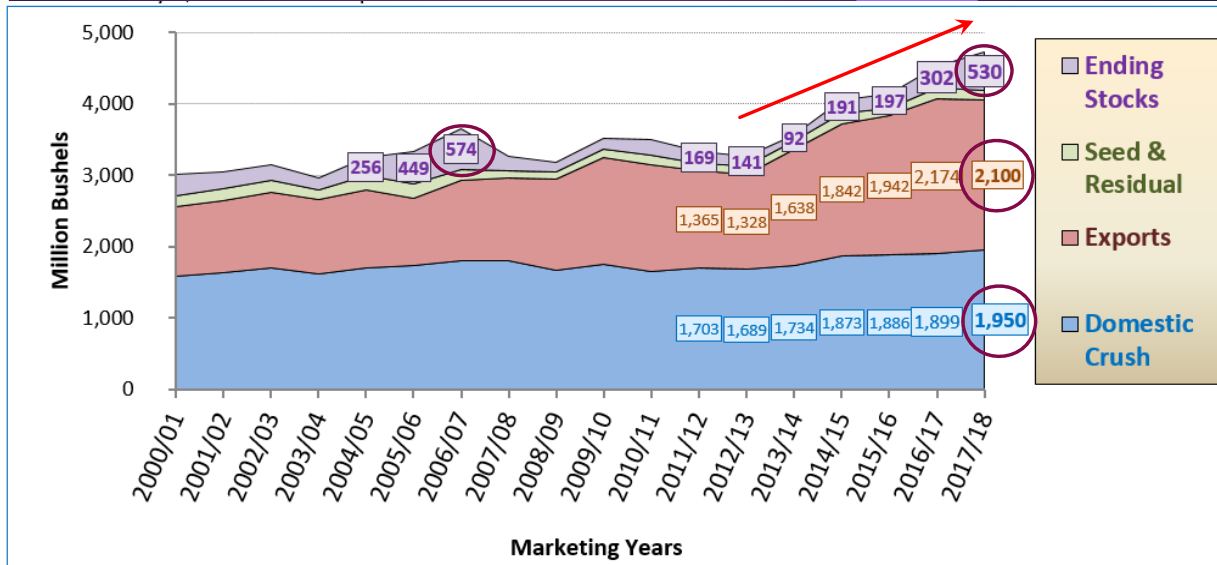
U.S. Soybean Production & Supplies



U.S. Soybean Use & End Stocks

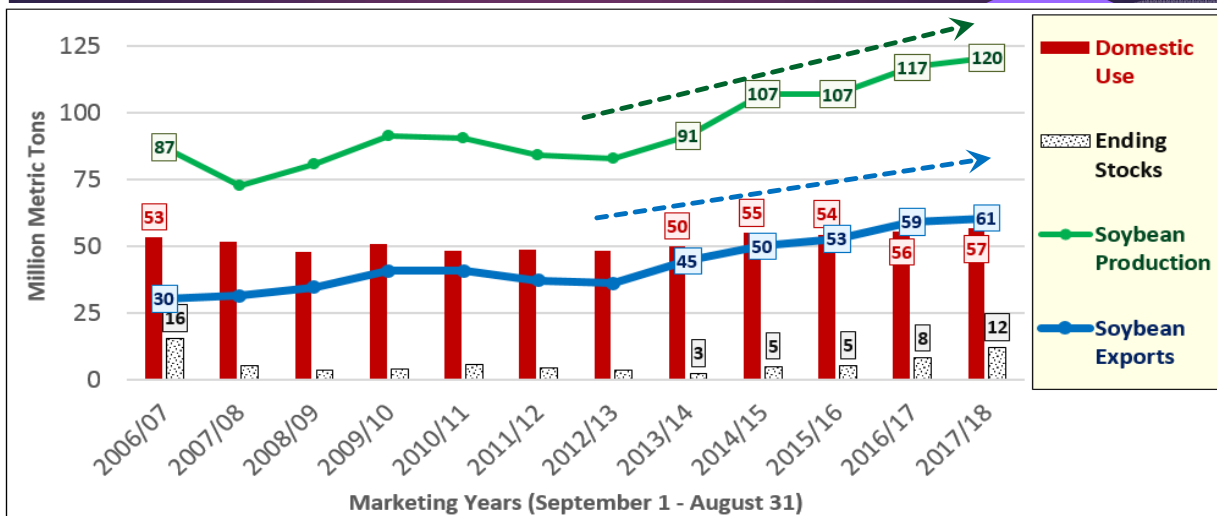


U.S. Soybean Use & End Stocks

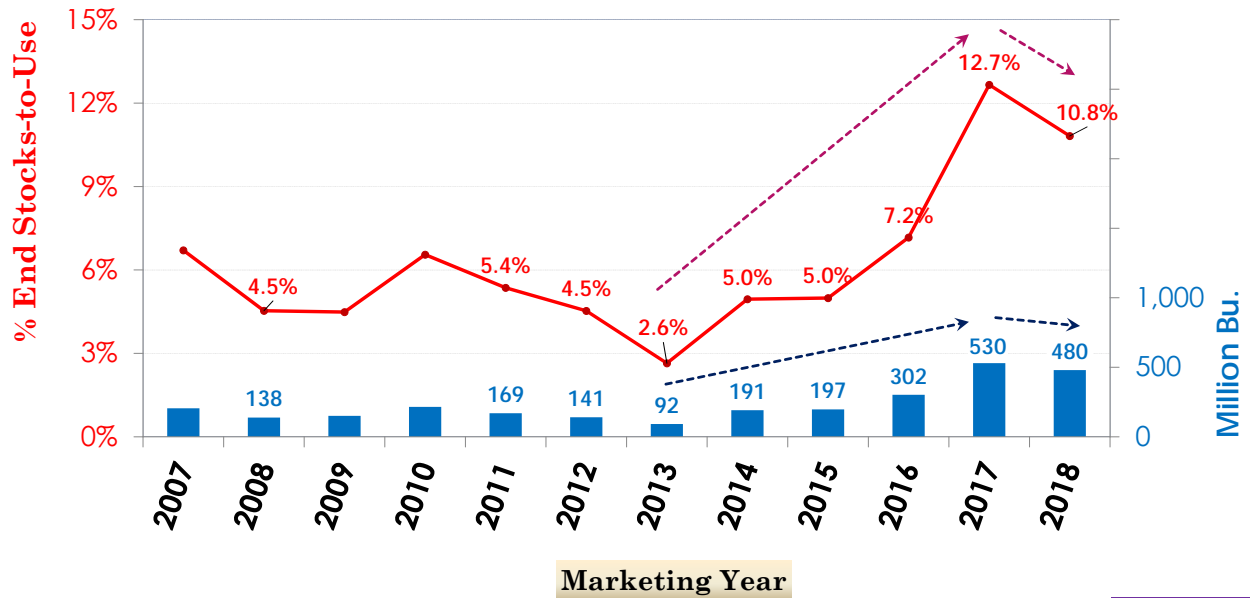


U.S. Soybean Supply-Demand

MY 2006/07 thru MY 2017/18



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

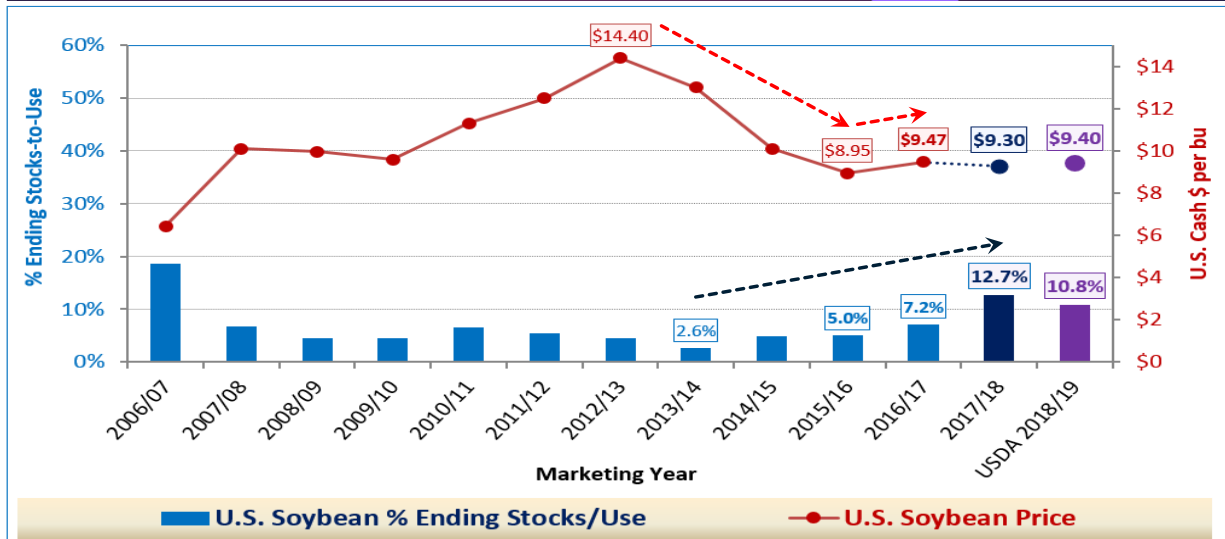


Ernst & Young



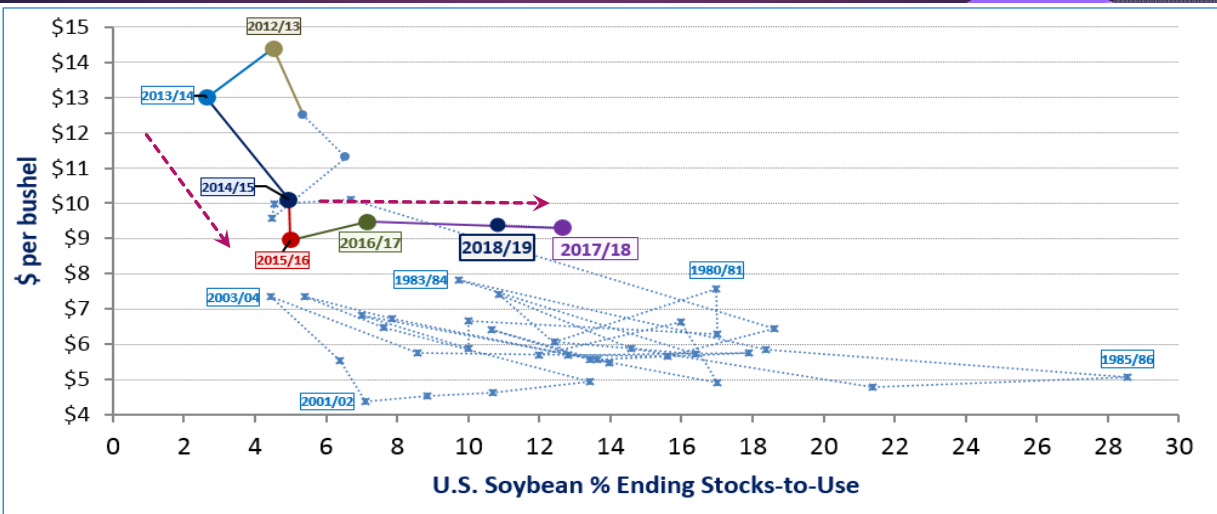


U.S. Soybean % Stocks/Use vs Price\$

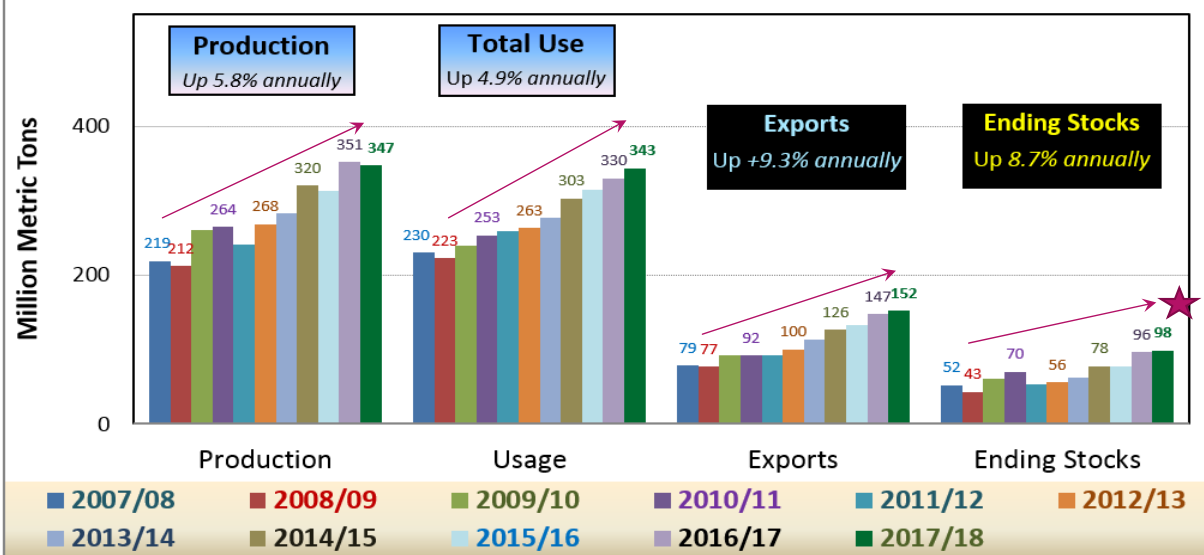


U.S. Soybean \$ vs U.S. Stx-to-Use

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



World Soybean Supply, Use & Stocks



Agribusiness



edn PROGRESSIVE FARMER

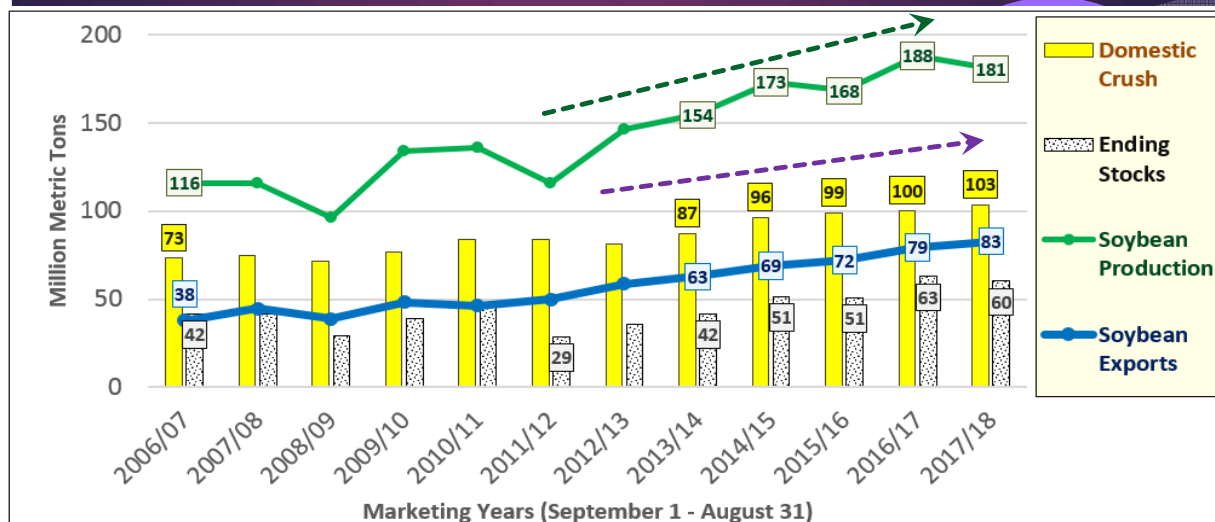
Brazil Logistics Improve - 1

World Soybean Production

| Country or Region | 2016/17 estimate | 2017/18 forecast | Change from January 12 | Change from 2016/17 | |
|---------------------|------------------|------------------|------------------------|---------------------|----------------|
| <i>Million Tons</i> | | | | | |
| World | 351.3 | 346.9 | -1.7 | -4.4 | ↓ World Crop |
| United States | 116.9 | 119.5 | -- | 2.6 | ↑ U.S. Crop |
| Foreign | 234.4 | 227.4 | -1.7 | -7.0 | ↓ Foreign Crop |
| Argentina | 57.8 | 54.0 | -2.0 | -3.8 | ↑ Canada |
| Brazil | 114.1 | 112.0 | 2.0 | -2.1 | ↑ China |
| Paraguay | 10.7 | 9.2 | -0.2 | -1.5 | ↓ Brazil** |
| Canada | 6.6 | 8.0 | -- | 1.4 | ↓ Argentina** |
| India | 11.5 | 9.5 | -0.5 | -2.0 | ↓ Paraguay |
| China | 12.9 | 14.2 | -- | 1.3 | ↓ India |

South America Soybean Supply-Demand

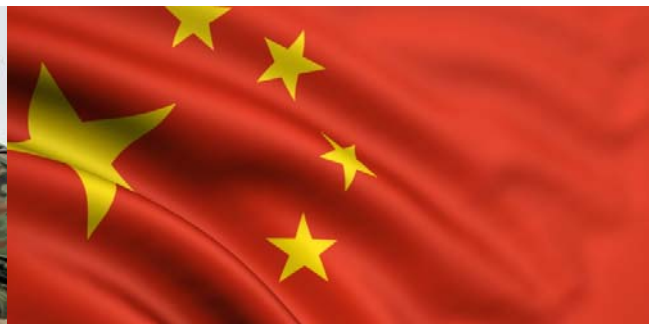
MY 2006/07 thru MY 2017/18



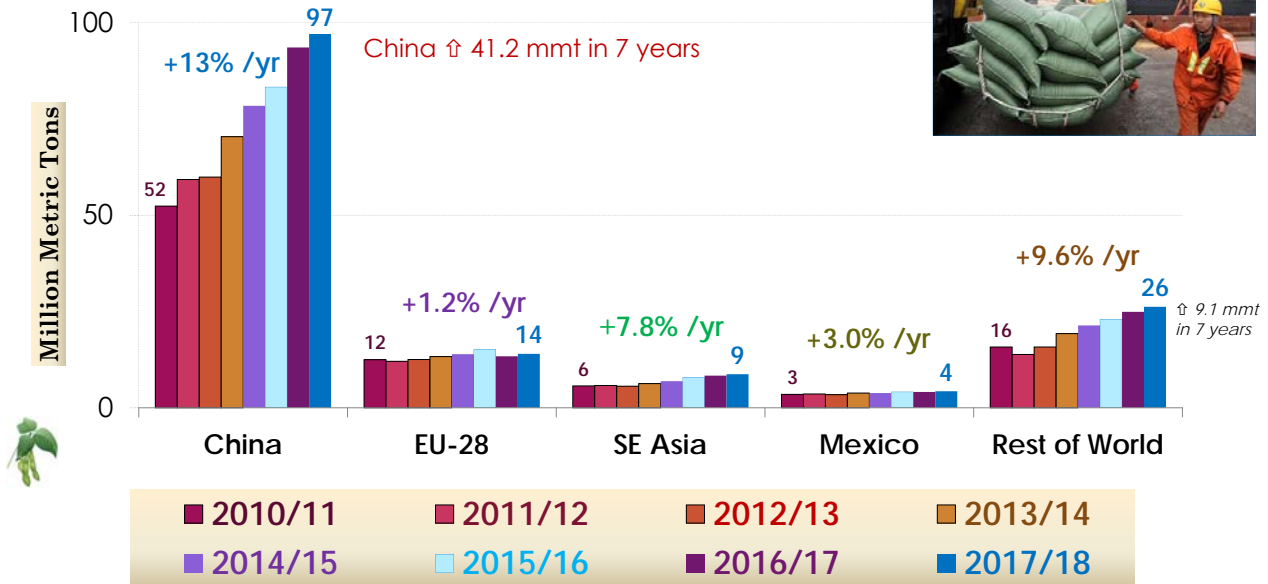
World Soybean Supply and Use



| | 2016/17 estimate | 2017/18 forecast | Change from January 12 | Change from 2016/17 | |
|-----------------------|---------------------|---------------------|------------------------------|------------------------|---|
| <i>Million Tons</i> | | | | | |
| Beginning stocks | 77.9 | 96.1 | -0.4 | 18.2 | ↑ Beg. Stocks ↓ Production ↑ Total Supply |
| Production | 351.3 | 346.9 | -1.7 | -4.4 | |
| Total Supply | 429.3 | 443.1 | -2.0 | 13.8 | |
| Domestic crush | 288.5 | 300.1 | -1.4 | 11.6 | ↑ Crush ↑ Total Use ↑ Trade ↑ End Stocks |
| Total use | 330.1 | 343.2 | -1.3 | 13.1 | |
| Trade | 147.2 | 152.0 | -0.2 | 4.7 | |
| Ending Stocks | 96.1 | 98.1 | -0.4 | 2.0 | |
| Addendum: | | | | | |
| Beginning stocks | | | | | |
| Argentina plus Brazil | 49.8 | 61.1 | -0.2 | 11.3 | |
| Imports* | | | | | |
| China | 93.5 | 97.0 | -- | 3.5 | |

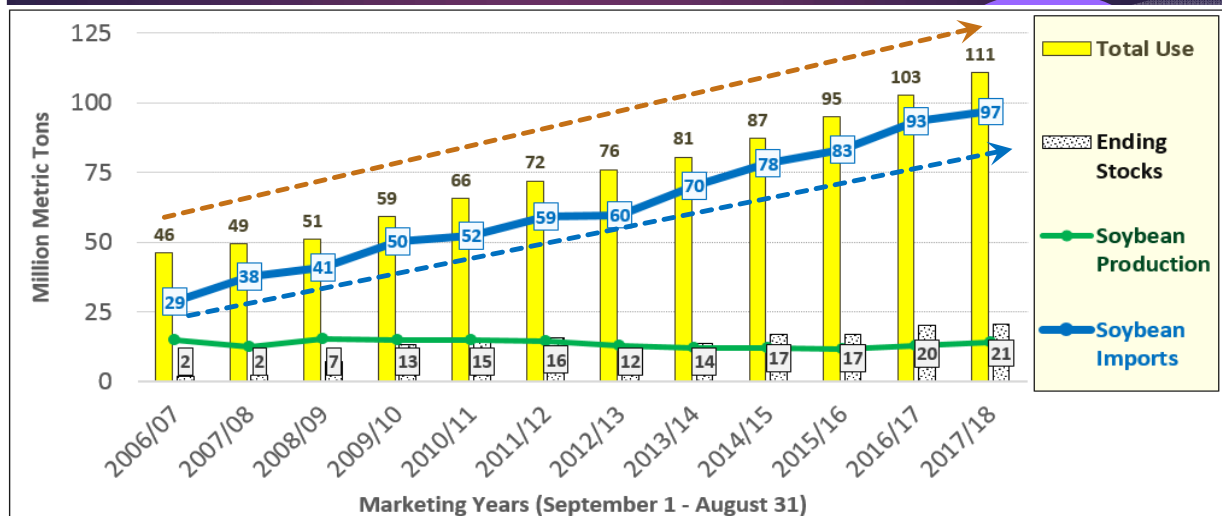


Soybean Importer Purchases



China Soybean Supply-Demand Trends

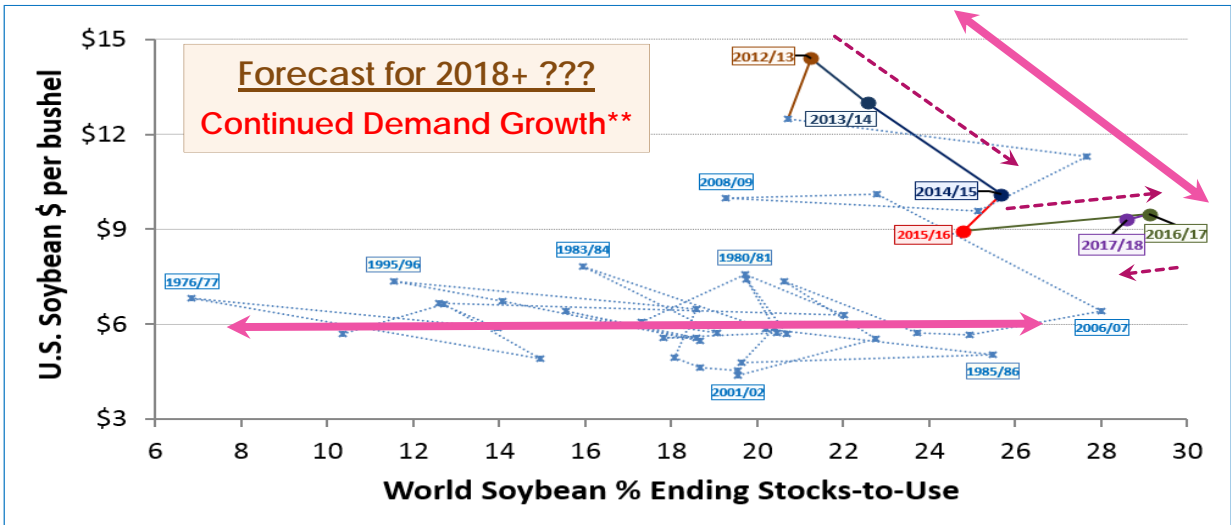
MY 2006/07 thru MY 2017/18



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



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



Questions?

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