

Corn Market Outlook for 2016

2016 KSU Corn School

Salina, KS

January 15, 2016

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Key Corn Market Decisions & Issues for Kansas Farmers & Agribusinesses

- 1) Marketing the remaining 2015 Corn Crop
- 2) Likely 2016 crop insurance coverage prices & revenue protection issues? (*February Avg. DEC 2016 Corn\$*)
- 3) 2016 Corn production plans – Acres? Crop inputs?
- 4) Plans for Pre-harvest sales for 2016 Corn Production

Topics to be discussed today.....

- 1) Key factors "*driving*" the U.S. Corn Market since 1998
- 2) World Corn Supply-Demand situation & trends
- 3) U.S. Corn Market situation today – as of January 11th
- 4) Key factors to watch for when making grain marketing decisions during January-October 2016

Grain Market "Drivers"

Key issues affecting grain markets over 1998-2015 Period

- ▶ **Corn ethanol use (by U.S.) & Soybean exports (to China) have "driven" grain Supply-Demand**
 - ⇒ "*Demand-pull*" caused higher prices, crop acreage competition, & higher crop production through 2013-2014
- ▶ **Transportation Logistics have Impacted Grain Exports**
 - ⇒ U.S. exports have been limited by higher shipping costs to key markets versus the Black Sea, Australia, & other competitors
 - ⇒ Panama Canal improvements may help the U.S. to Asia mkts

More Grain Market “Drivers”

Key issues

- ▶ Wheat has increasingly substituted for Feedgrains in World Livestock Feed Markets since 2012
 - ⇒ Issues of “Food” versus “Feed” quality wheat, & the degree of adoption by foreign livestock feeders
- ▶ U.S. Grain Exports & Prices are limited by \uparrow U.S. Dollar
 - ⇒ Most impact for wheat (several export competitors), but also corn & soybeans (competing with *South America & Ukraine*)

U.S. Dollar Index (ICE Futures)

Monthly Chart: November 2006 – December 2015 + 1/14/2016



Grain Market Price Behavior

Economic principles shown in market patterns over time

- ▶ Prices tend to return to breakeven cost over time
 - ⇒ High grain prices & profits lead to economic responses that eventually cause lower prices & losses (& vice versa)
 - ⇒ Evidence in Corn, Soybean & Wheat markets over 2005-2015 period
- ▶ Market response to Supply Prospects & Prices
 - Price = f(Supply): Varying \$ response to “short” vs “abundant” Stocks/Use
 - Use = f(Prices): Usage affected conversely by “high” vs “low” prices

Corn Market



CME Corn Futures

Weekly Chart: December 2013 – January 8, 2016 + 1/14/2016



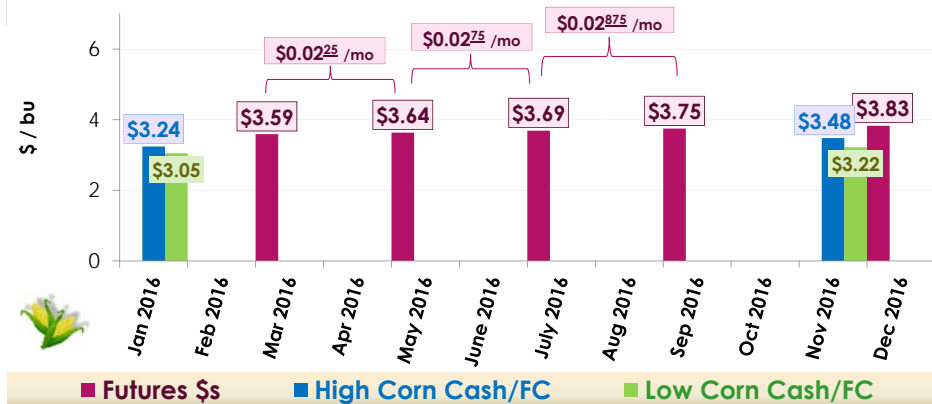
CME Corn Futures

Monthly Chart: Nov. 2006 – December 31, 2015 + 1/14/2016



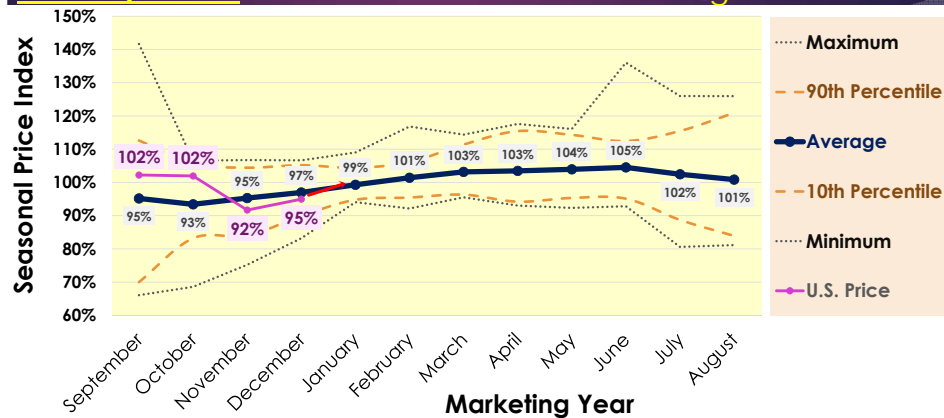
Corn Futures - Feedgrain Cash\$

Salina, Kansas Local Elevators January 14, 2016



Kansas Corn Seasonal Cash \$ Index

Monthly Prices: 1999/2000 – 2015/16 Marketing Years

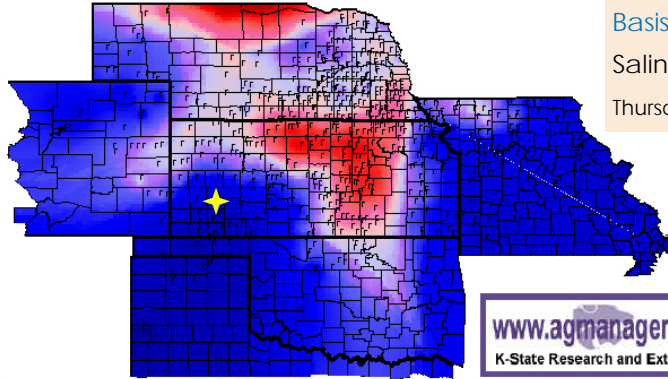
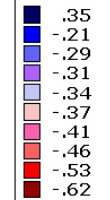


Corn Basis, 01-06-2016

Basis = Cash Price - Nearby Futures Price

CBT Mar
Futures
Price: \$3.53

\$/Bushel



Corn \$Price & Basis

\$3.24 /bu

Basis = (\$0.35) /bu

Salina, KS

Thursday, 1/14/2016

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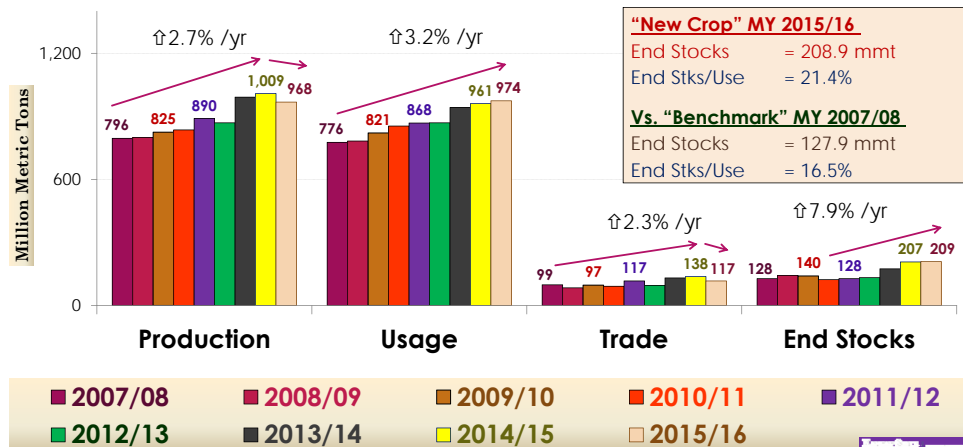
World Corn Market Prospects:

Large Supplies ⇒ A "Buyer's Market"

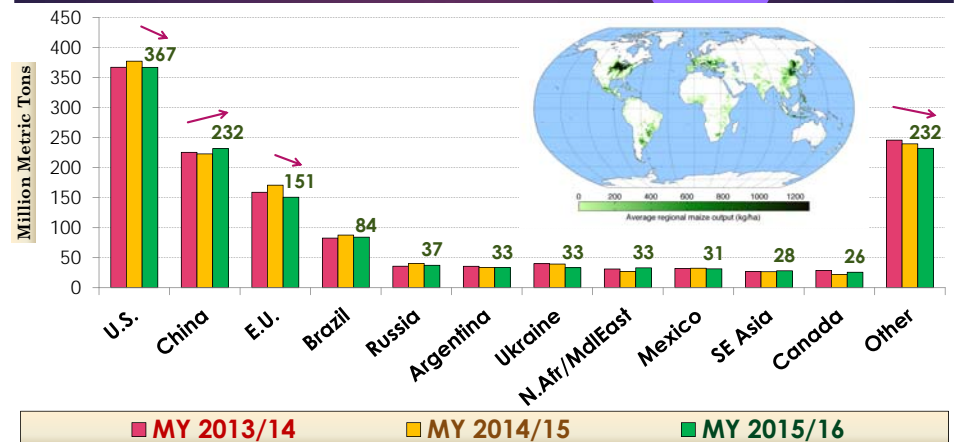
- Record World Supplies & Usage in MY 2015/16
- Varying World Coarse Grain Crop Prospects
 - ↑ Australia, Canada, North Africa/Middle East, SE Asia, China
 - ↓ U.S., Brazil, Argentina, European Union, Mexico, Russia, Ukraine
- Coarse grain exports likely to remain a "buyer's market" until World stocks eventually "tighten up"
 - U.S. & World Crop Uncertainty in 2016? (El Nino / La Nina...??)

Source: USDA, FAO, etc.

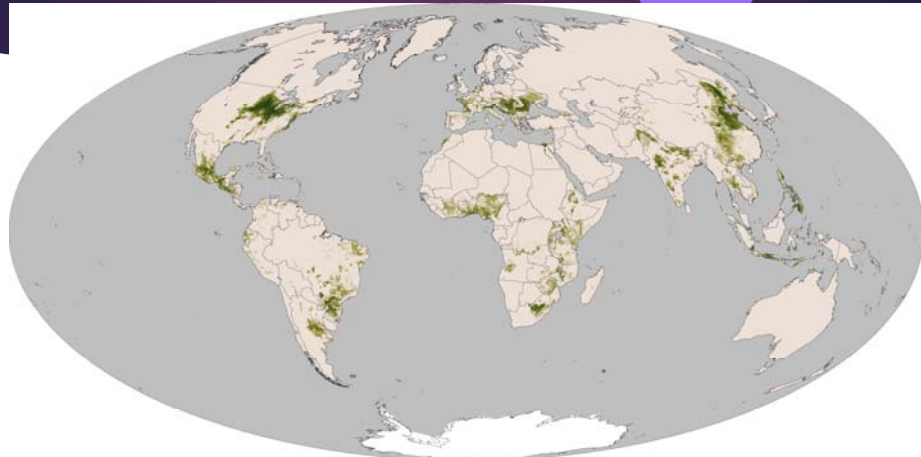
World Corn Supply, Use & Stocks



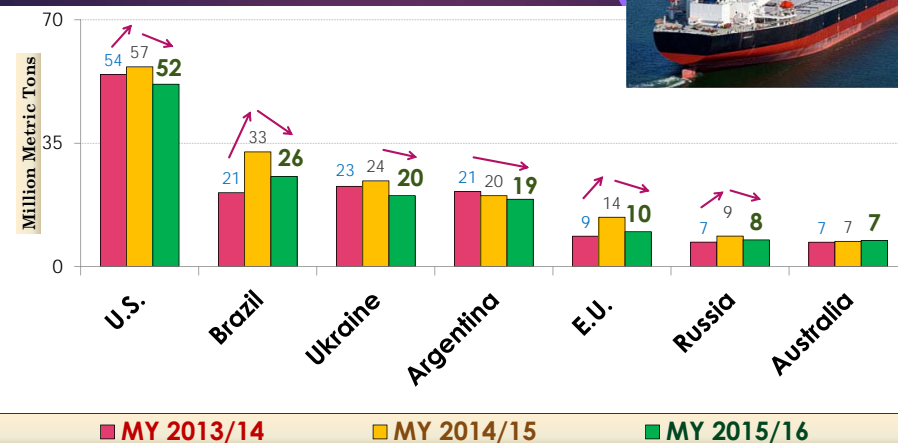
World Coarse Grain Production



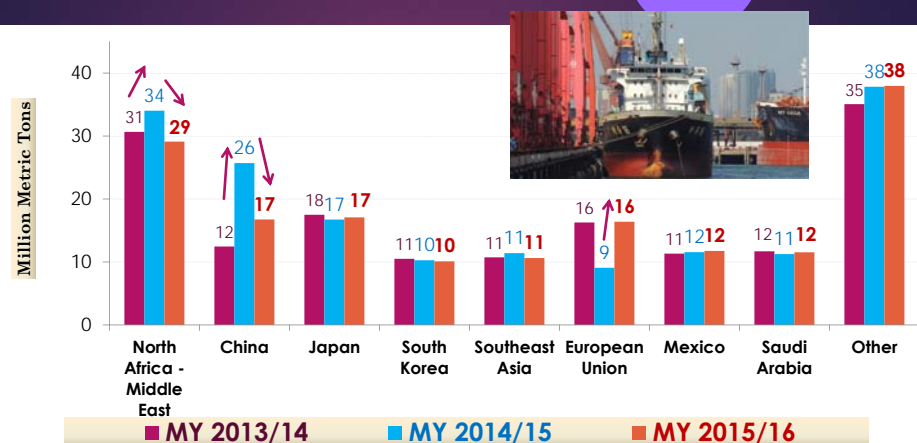
World Corn (Maize) Production Regions



Coarse Grain Exporters



Coarse Grain Importers



U.S. Feedgrain Market Prospects:

Low Prices "helping" Use, but Outside Factors "hurting"

- Strong U.S. sorghum exports to China to continue?
- Low Corn Prices have supported U.S. domestic use
 - **Livestock Feed**^{2015/16} = 5.300 bln bu (2nd highest since 2007/08)
 - **Corn Ethanol**^{2015/16} = 5.200 bln bu (2nd highest, down 9 mb vs 2014/15)
 - **Other FSI**^{2015/16} = 1.370 bln bu (up 61 mb)
 - **Exports**^{2015/16} = 1.700 bln bu (down 164 mb vs 2014/15)
- Financial markets impacting U.S. Ethanol Use & Exports

U.S. Corn Production in 2015-2016

Planted Acres ≈ 90.5 million²⁰¹⁶ (USDA)

vs 88.0 million²⁰¹⁵

Harvested Acres ≈ 82.7 million²⁰¹⁶ (USDA)

vs 80.7 million²⁰¹⁵

Yield = 168.1 bu/ac²⁰¹⁶ (USDA)

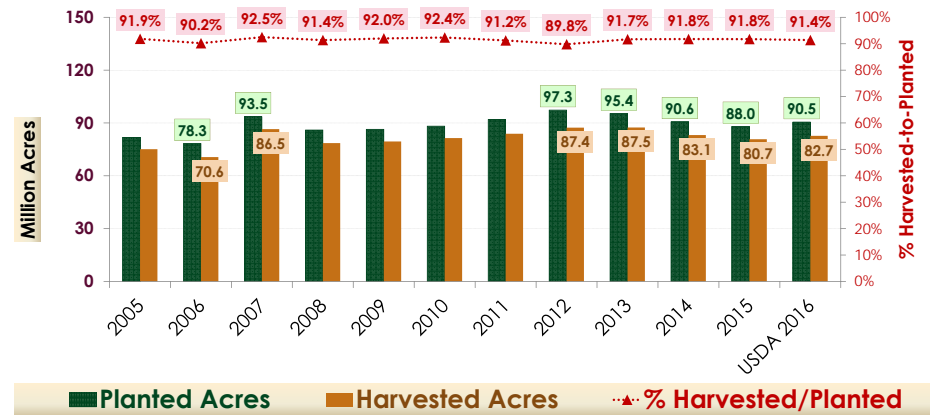
vs 168.4 bu/ac²⁰¹⁵

Production = 13.900 bln bu²⁰¹⁶ (USDA)

vs 13.601 bln bu²⁰¹⁵

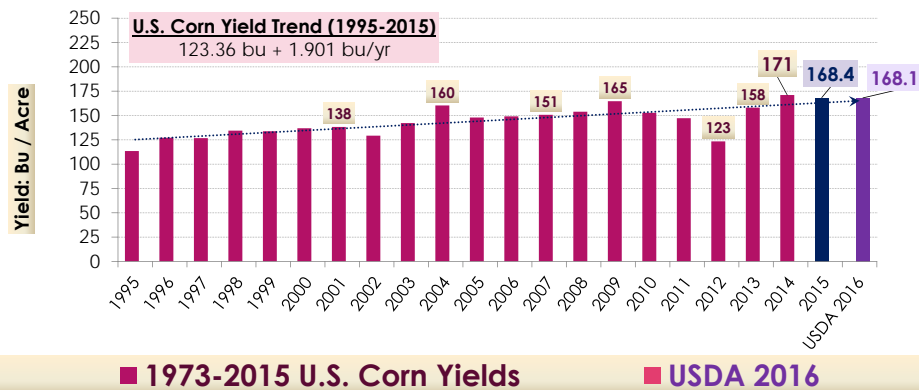


U.S. Corn Acreage



U.S. Corn Yields

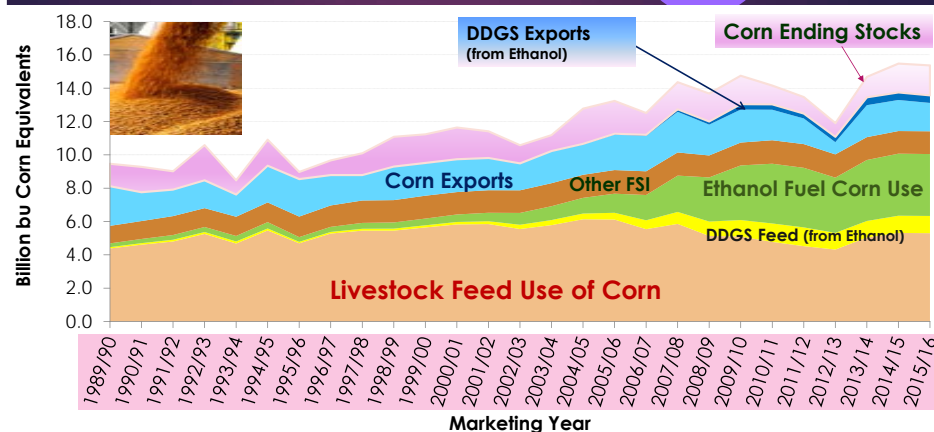
USDA 2015 = 168.4 bu/ac; 2016 USDA Forecast = 168.1



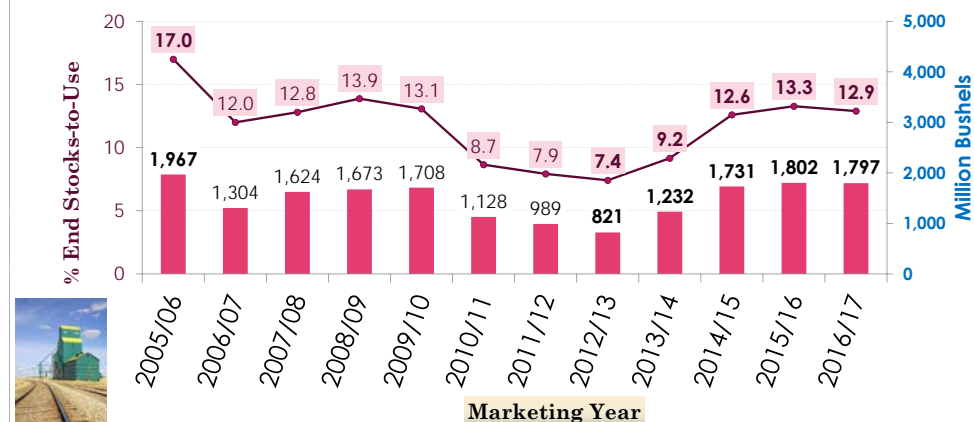
U.S. Corn Production & Supplies



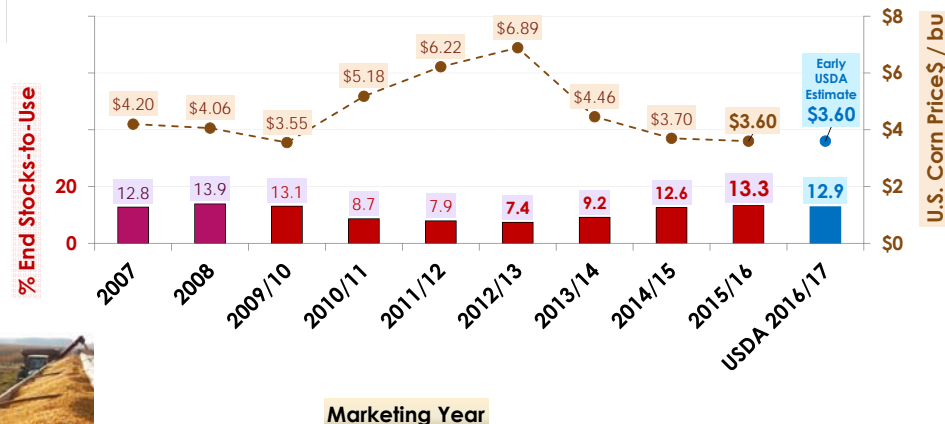
U.S. Corn Use - With DDGS #s



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



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



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Questions?

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