

International Grain Markets

2022 Risk & Profit Conference

Manhattan, Kansas

August 16-17, 2022

GUY ALLEN & DANIEL O'BRIEN
KANSAS STATE UNIVERSITY

IGP Institute

KANSAS STATE
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Department of Agricultural Economics



Opening Perspective

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Topics to Address

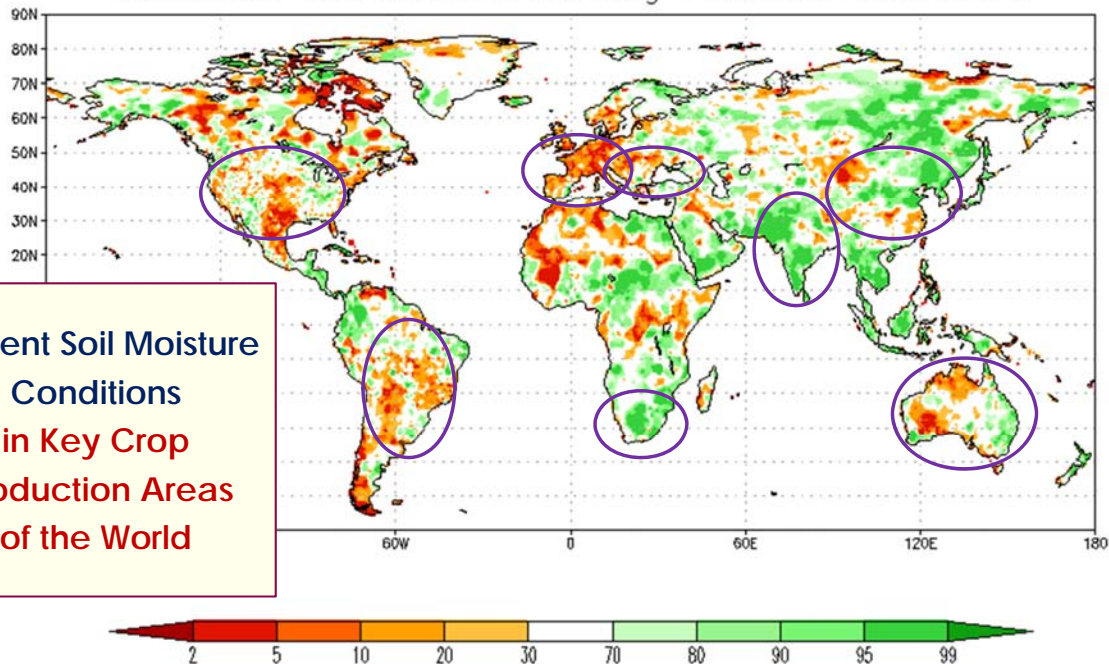
3

- ▶ Global Grain Supply-Demand Trends
- ▶ Rising Energy Costs
- ▶ Ukraine – Russia Conflict
- ▶ China - Geopolitical & Global Economic Risks
- ▶ Brazil & Argentina Crop Production Issues
- ▶ Other Countries in Crisis & possible ramifications

Calculated Soil Moisture Ranking Percentile 20220814

4

**Current Soil Moisture
Conditions
in Key Crop
Production Areas
of the World**



Wheat Markets *Global Focus*

5



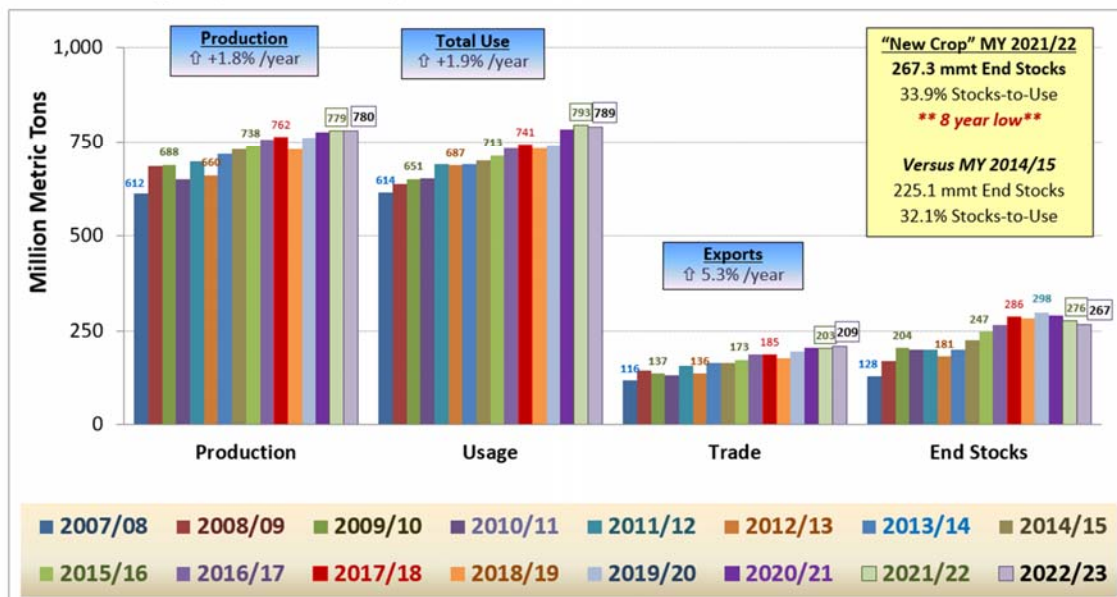
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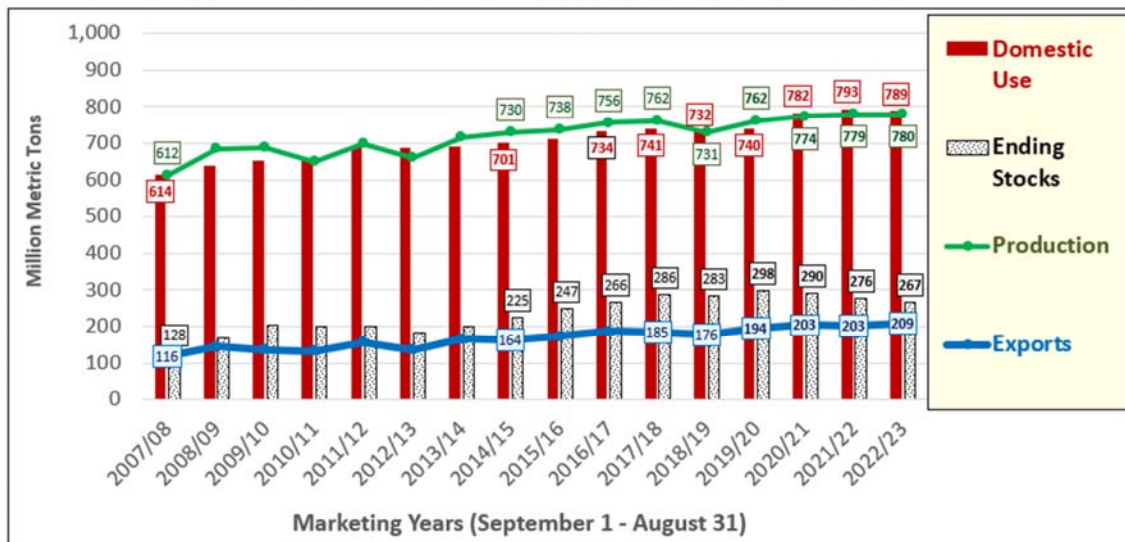
World Wheat Usage & Ending Stocks: MY 2007/08 - "New Crop" 2022/23

as of the August 12, 2022 USDA WASDE Report



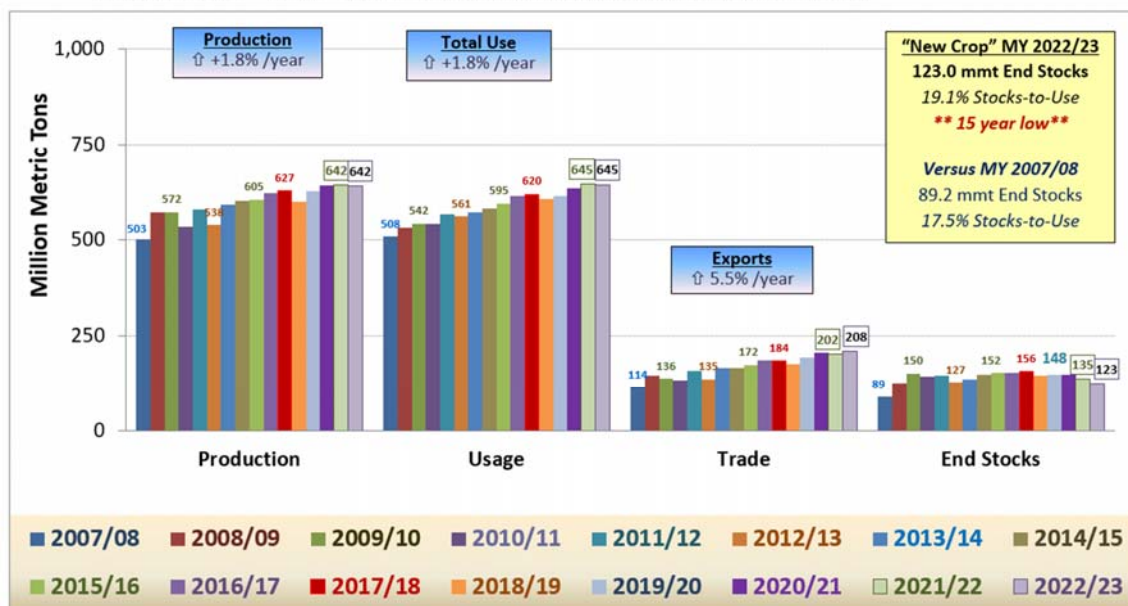
World Wheat Supply-Demand Trends

MY 2006/07 – “New” MY 2022/23 as of the August 12, 2022 USDA WASDE report



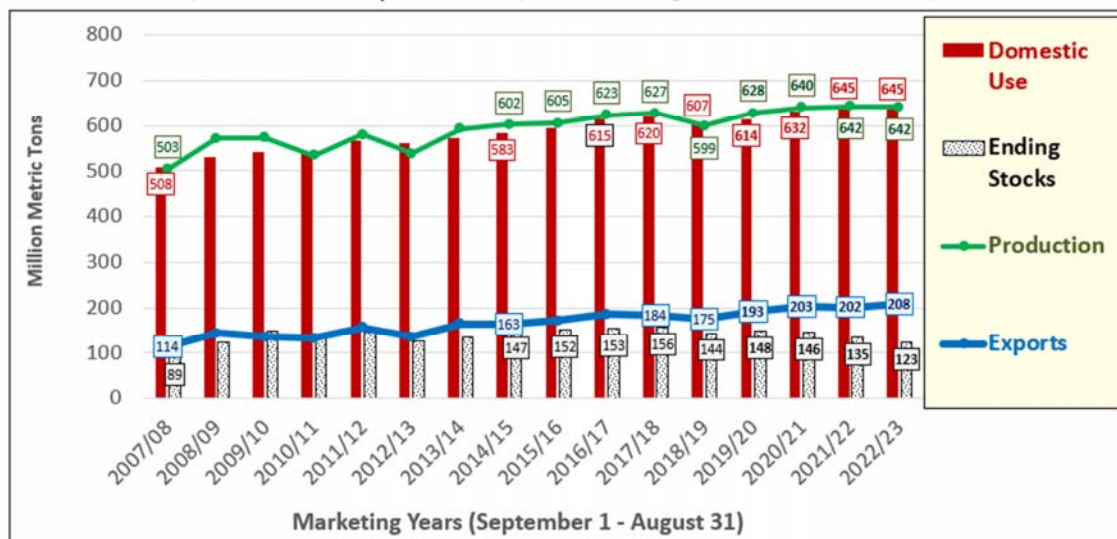
“World Less-China” Wheat Usage & Ending Stocks:

MY 2007/08 - “New” MY 2022/23, as of the August 12, 2022 USDA WASDE Report



World *Less-China* Wheat Supply-Demand Trends

MY 2007/08 – “New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE report



World vs “World *Less-China*” Ending Stocks & % Stocks-to-Use

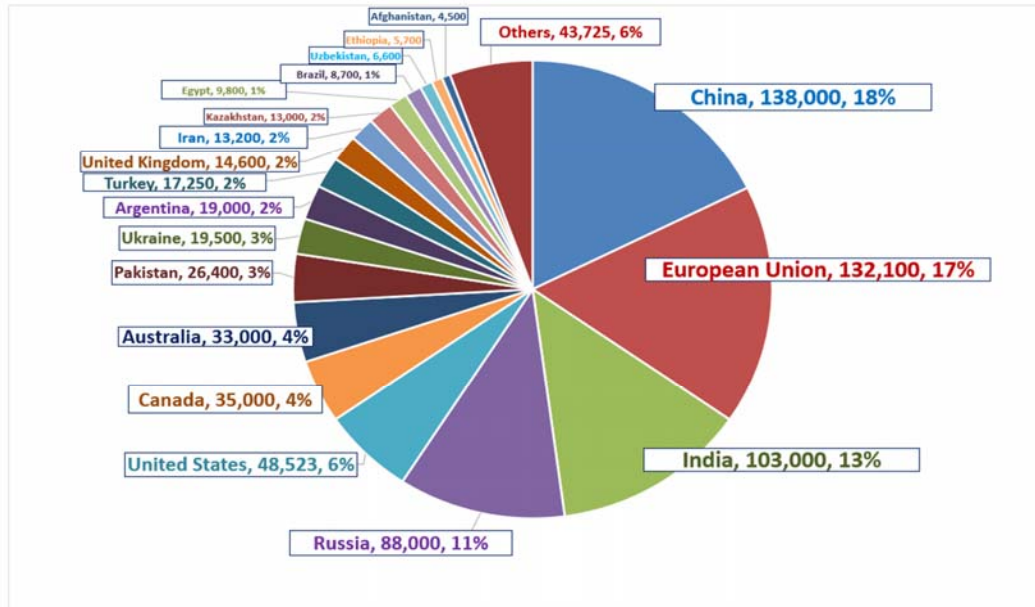
MY 2007/08 through “New” MY 2022/23 as of the August 12, 2022 USDA WASDE report



Top World Wheat Producing Countries – “New Crop” MY 2022/23

11

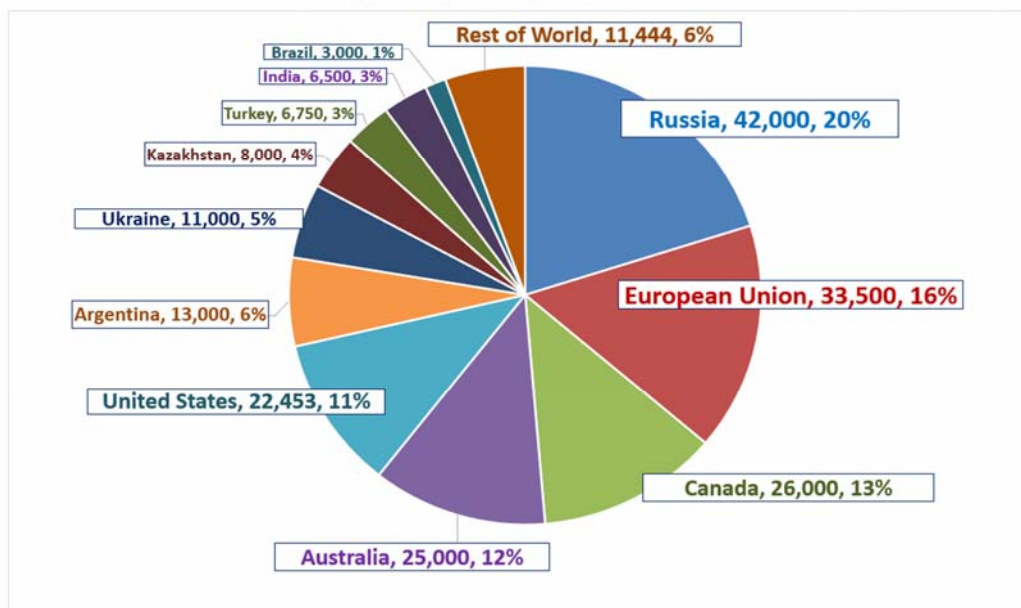
Source: USDA FAS PSD-Online, (1,000 mt); as of August 12, 2022



Top World Wheat Exporting Countries – MY 2022/23

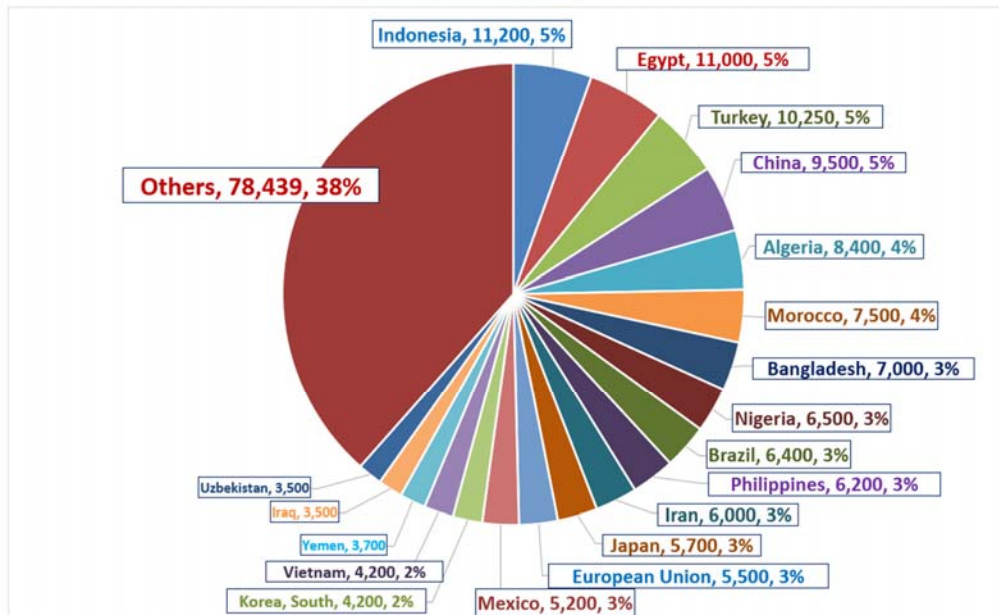
12

Source: USDA FAS PSD-Online, (1,000 mt); as of August 12, 2022



Top World Wheat Importing Countries – “New Crop” MY 2022/23

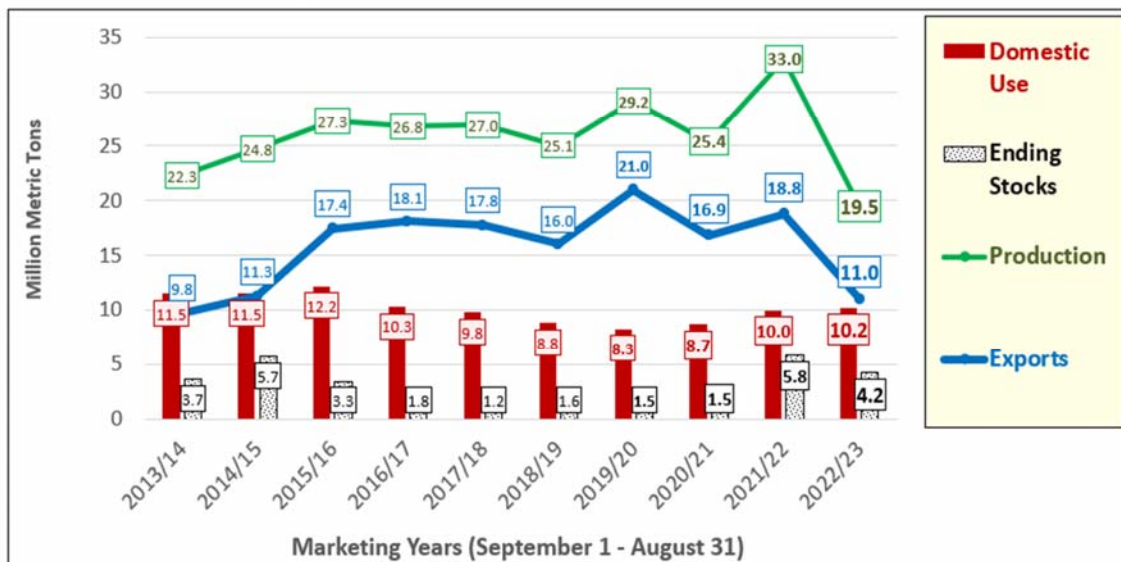
Source: USDA FAS PSD-Online, (1,000 mt); as of August 12, 2022



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Ukraine Wheat S-D Trends: MY 2013/14 – “New Crop” MY

2022/23 as of the August 12, 2022 USDA WASDE report



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Ukraine Wheat S-D Trends: MY 2013/14 – “New Crop” MY

2022/23 as of the August 12, 2022 USDA WASDE report



Russia Wheat Supply-Demand Trends: MY 2013/14 –

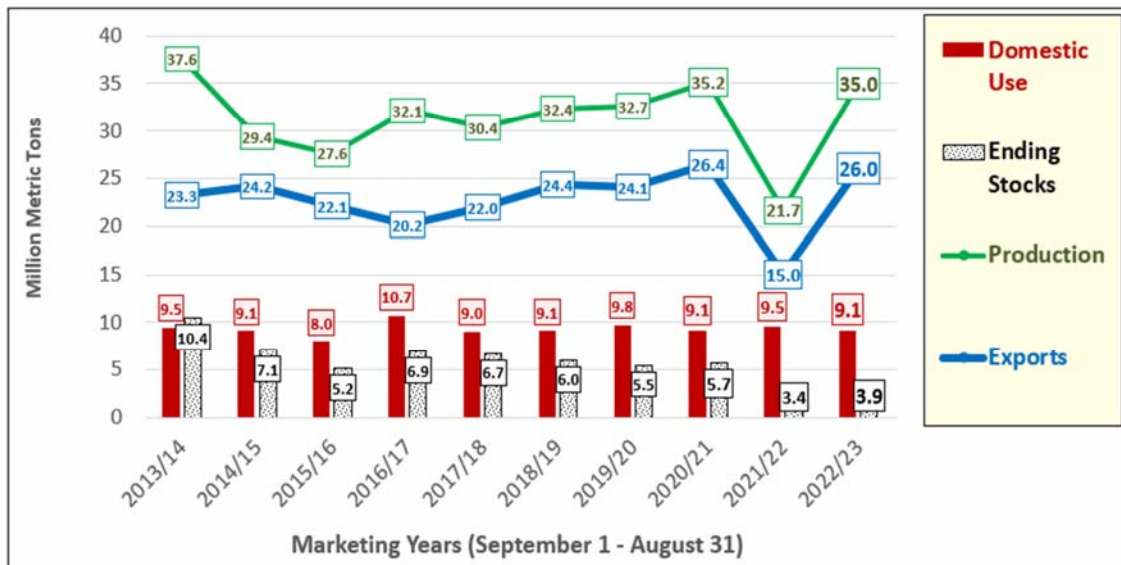
“New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE report



Canada Wheat Supply-Demand Trends

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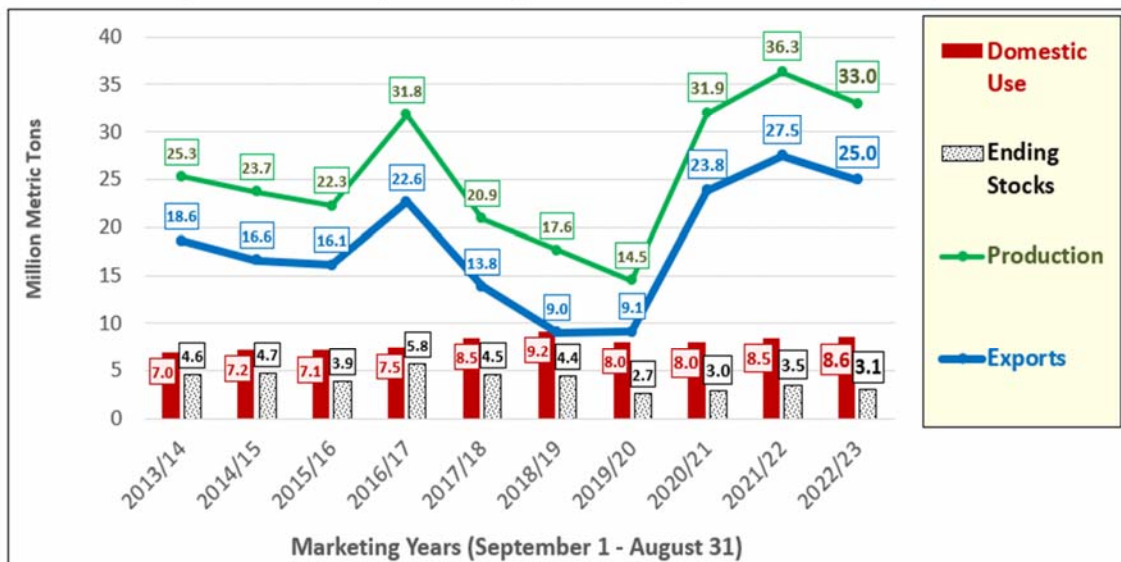
MY 2013/14 – “New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE report



Australia Wheat Supply-Demand Trends

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MY 2013/14 – “New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE report



European Union Wheat S-D Trends

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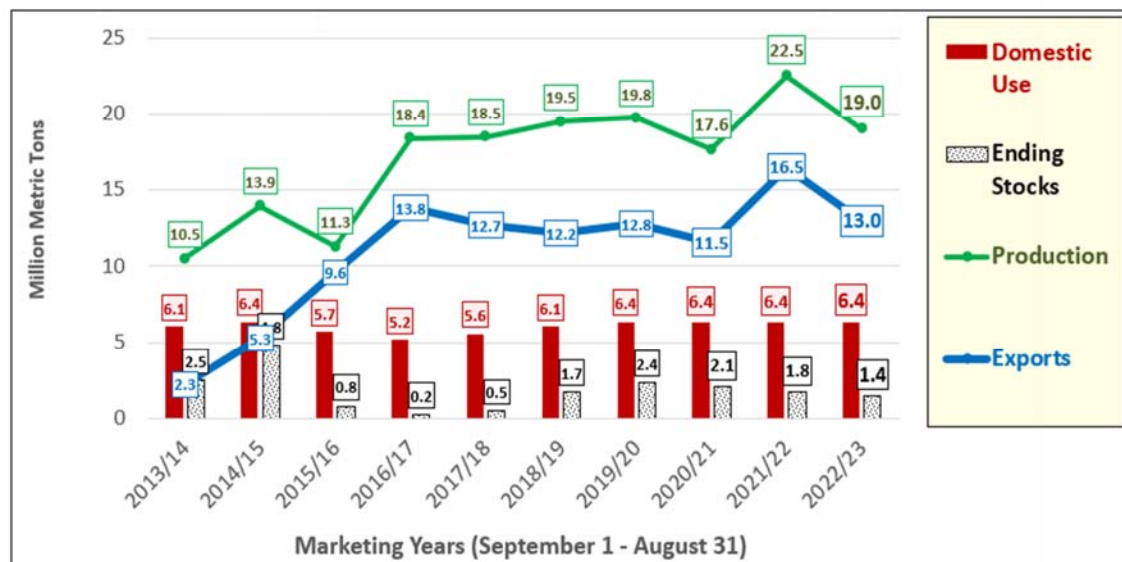
MY 2013/14 – “New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE report



Argentina Wheat S-D Trends

20

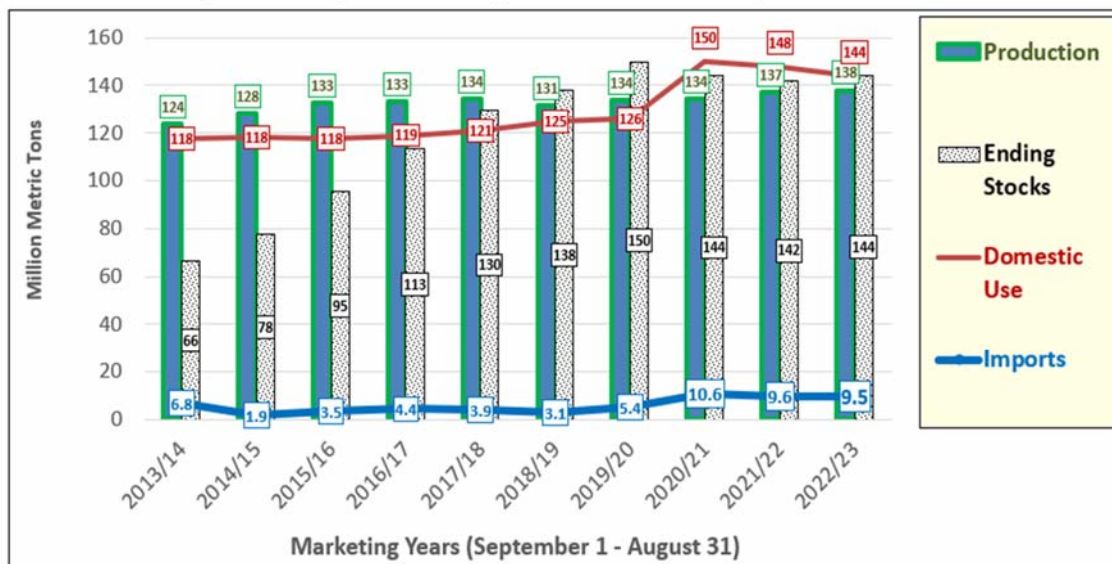
MY 2013/14 – “New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE report



China Wheat Supply-Demand Trends: MY 2013/14 –

21

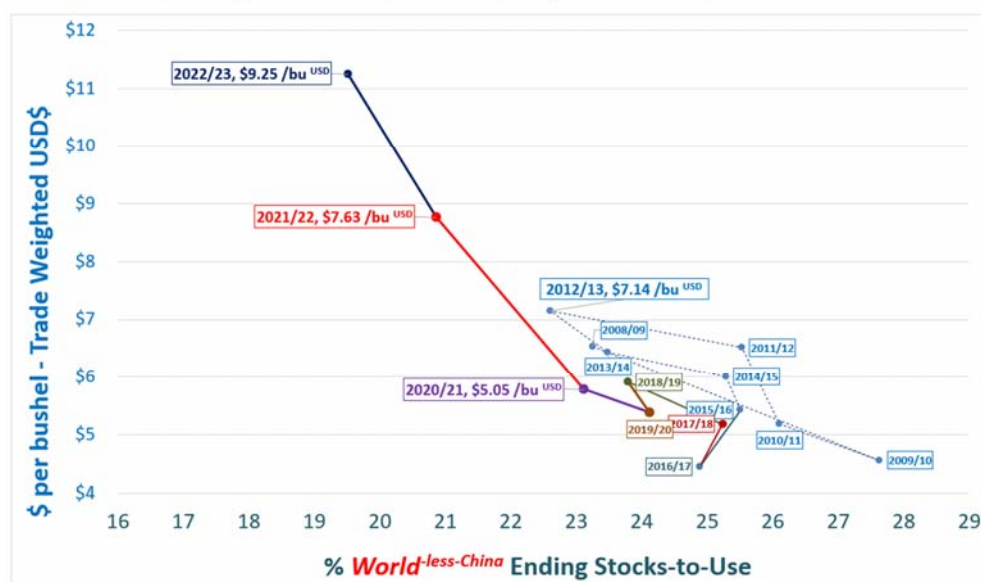
“New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE report



U.S. Wheat \$ Trade-Wtd. USD\$ Adj vs “World Less-China” % Stocks-to-Use:

22

MY 2008/09 through “New” MY 2022/23 as of the August 12, 2021 USDA WASDE report



Coarse Grains Global Markets

23

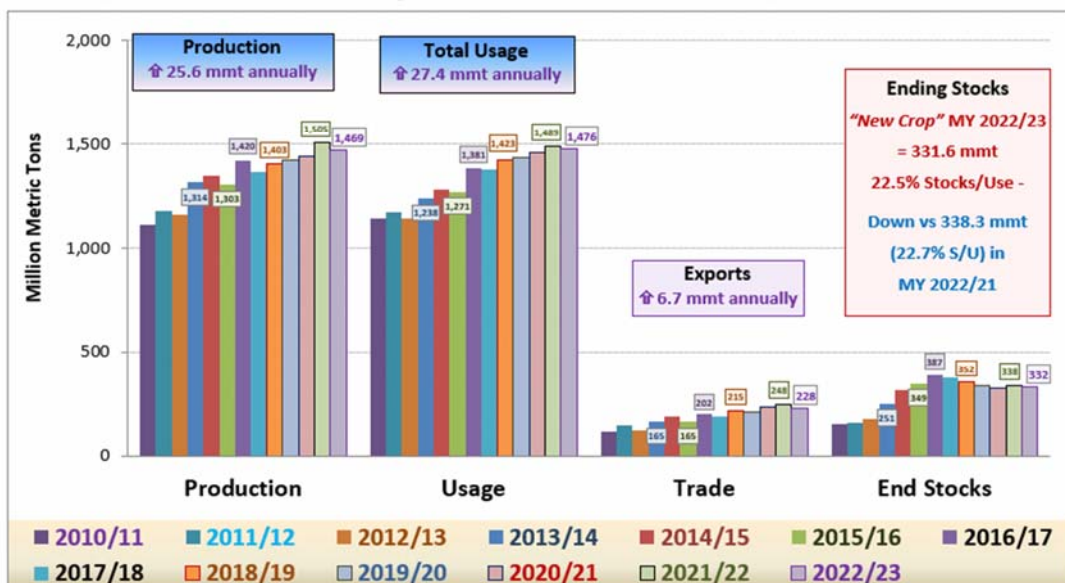


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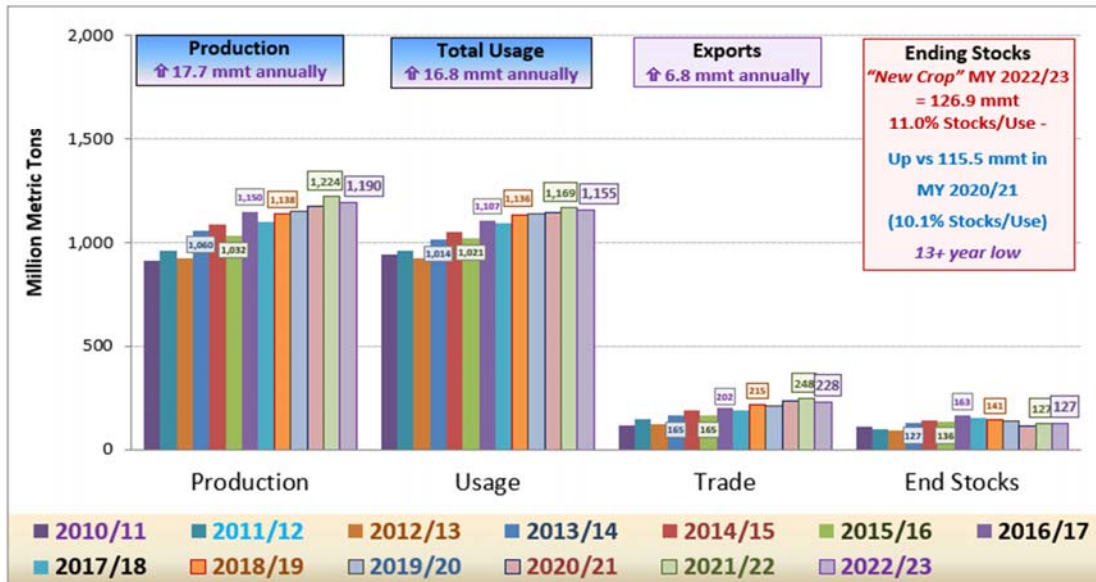
World Coarse Grain Supply-Demand: MY 2007/08 thru "New Crop" 2022/23 as of the August 12, 2022 USDA WASDE report

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“World Less-China” Coarse Grain Supply-Demand:

MY 2007/08 thru “New Crop” 2022/23 as of the August 12, 2022 USDA WASDE



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World Corn Supply-Demand Trends: MY 2007/08 – “New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE report



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“World ^{Less-China}” Corn Supply-Demand: MY 2007/078 – “New Crop”

MY 2022/23 as of the August 12, 2022 USDA WASDE report



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World vs “World ^{Less-China}” % Corn Stocks-to-Use

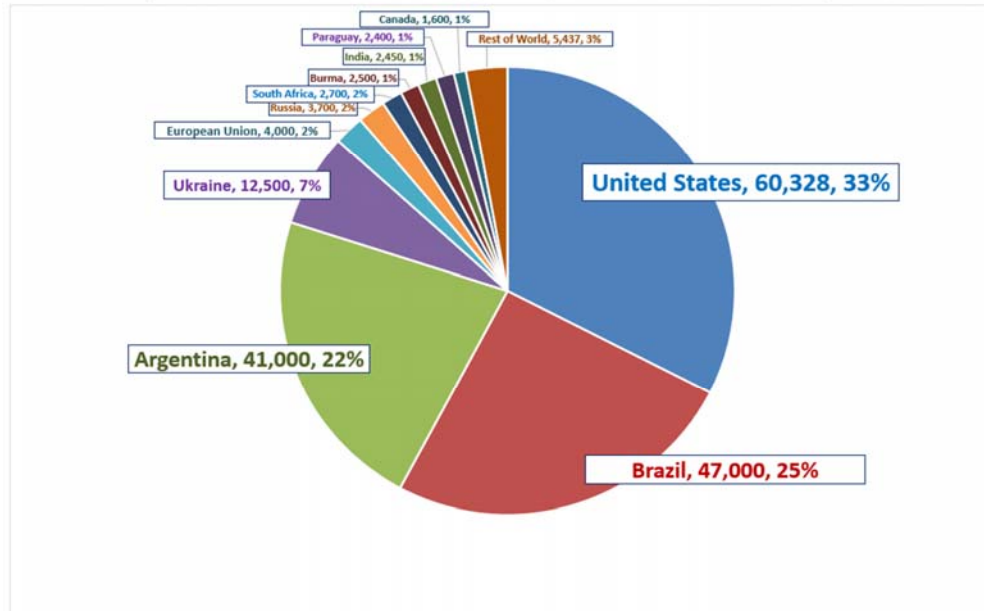
MY 2007/08 through “New” MY 2022/23, as of the August 12, 2022 USDA WASDE report.



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Top Projected World Corn Exporting Countries – “New Crop” MY 2022/23

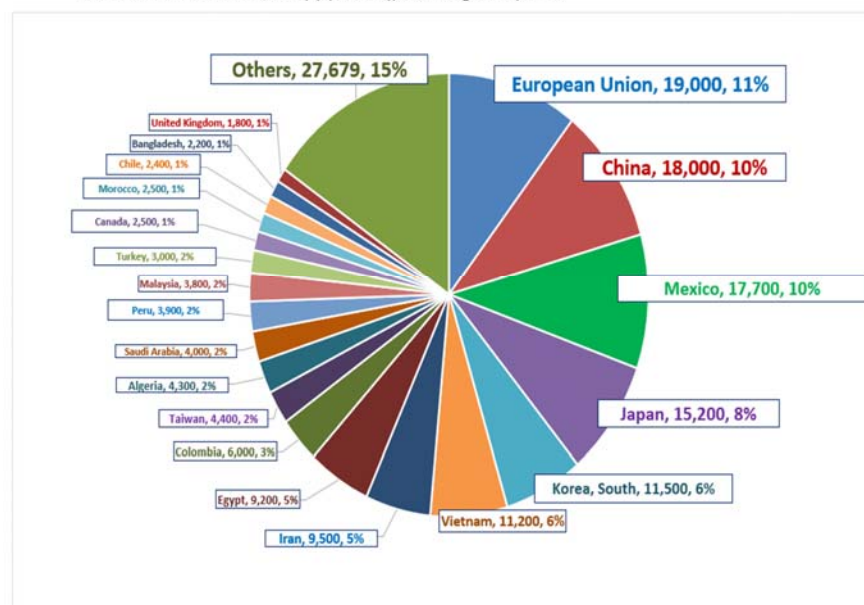
Source: USDA FAS PSD-Online, (1,000 mt); 9/1/2019 - 8/31/2022 as of August 12, 2022



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Top World Corn Importing Countries – “New Crop” MY 2022/23

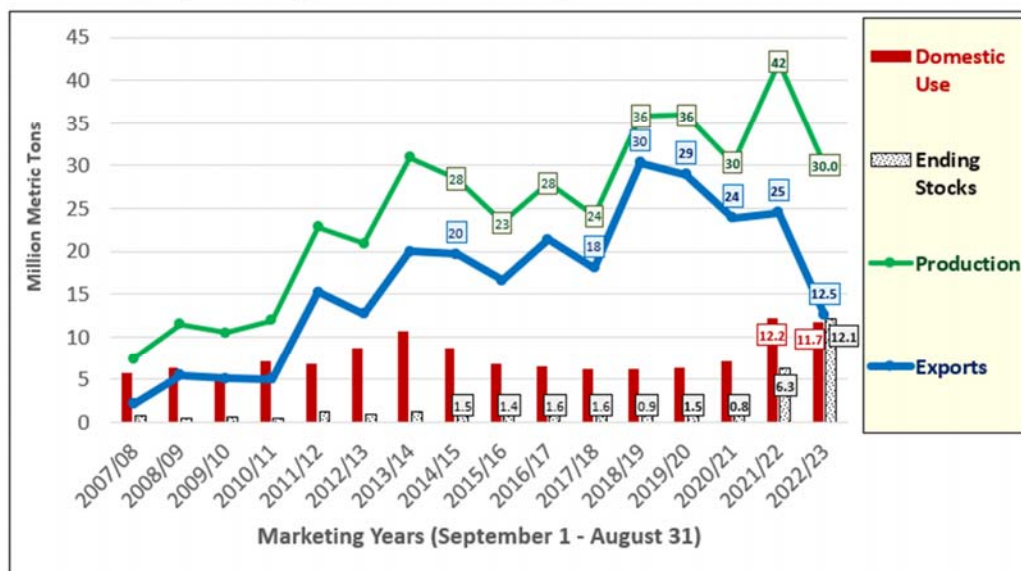
Source: USDA FAS PSD-Online, (1,000 mt); as of August 12, 2022



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Ukraine Corn Supply-Demand: MY 2006/07 – “New Crop” MY

2022/23, as of the August 12, 2022 USDA WASDE report



Brazil Corn Supply-Demand: MY 2007/08 – “New Crop” MY 2022/23 as of

the August 12, 2022 USDA WASDE report



Argentina Corn Supply-Demand: MY 2007/08 – “New Crop” MY 2022/23

as of the August 12, 2022 USDA WASDE report



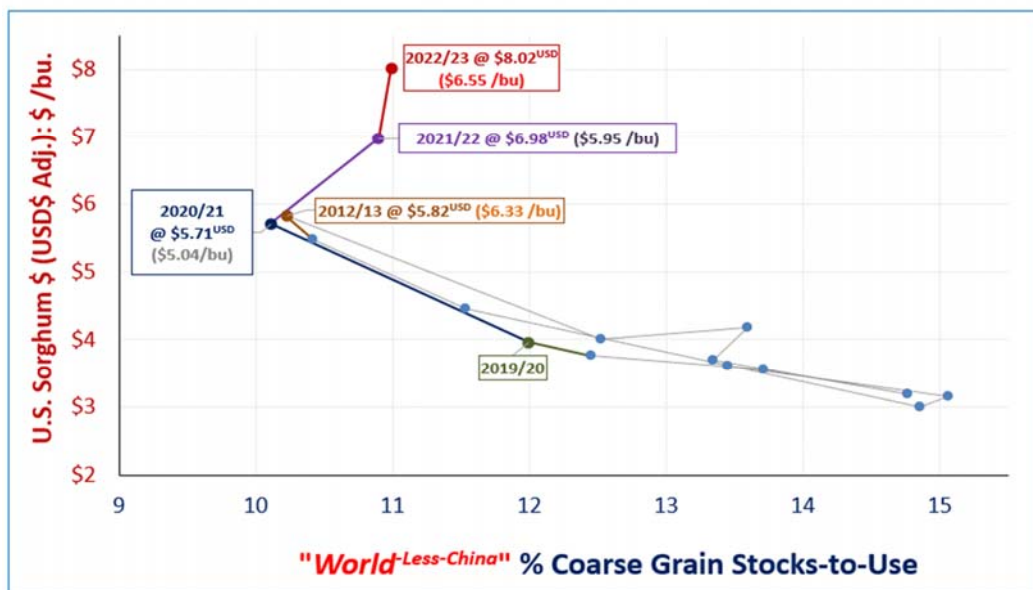
China Corn Supply-Demand: MY 2007/08 – “New Crop” MY 2022/23

2022/23 as of the August 12, 2022 USDA WASDE report



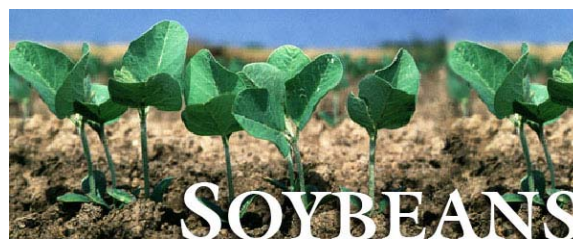
U.S. Sorghum \$'s ^{USD\$ Adj.} vs *World Coarse Grain^{Less-China}* % S/U

MY 1975/76 thru "New Crop" MY 2022/23 as of the August 12, 2022 USDA WASDE



Soybean Markets

36



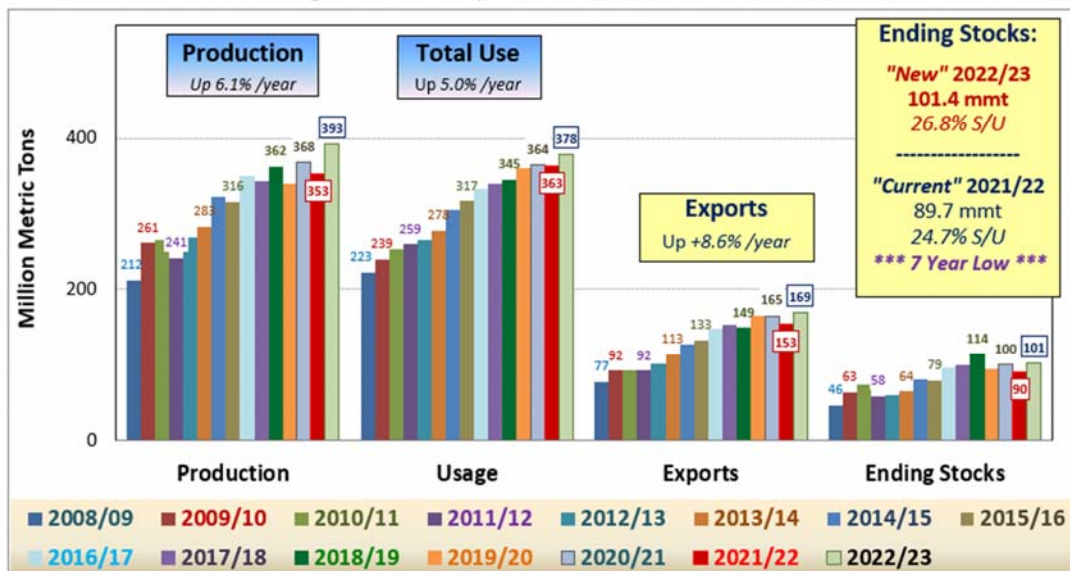
SOYBEANS

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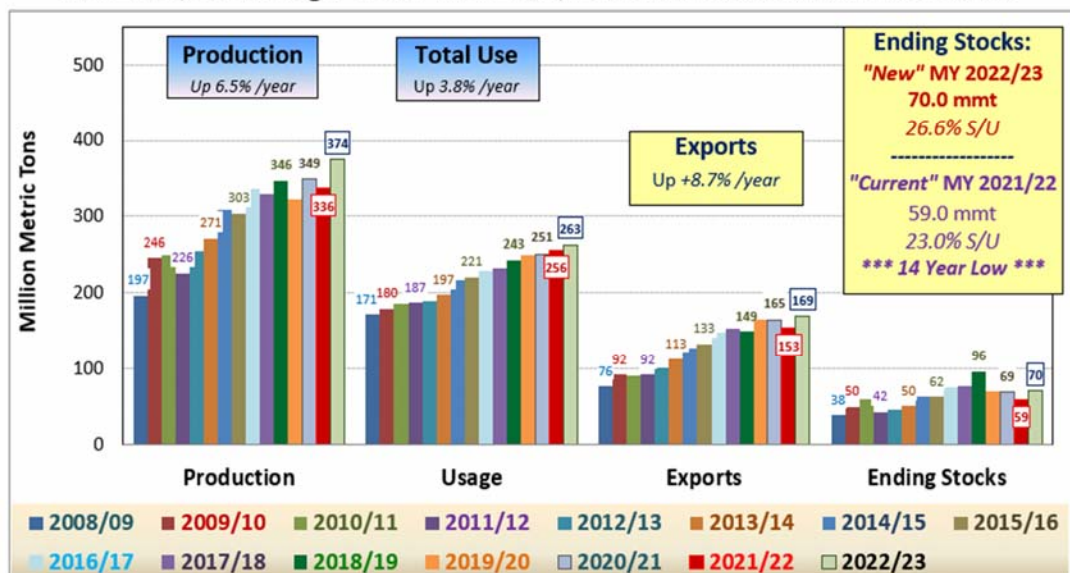
World Soybean Usage & Ending Stocks

MY 2008/09 through "New Crop" MY 2022/23 as of the August 12, 2022 WASDE Report



"World Less-China" Soybean Use & Ending Stocks

MY 2008/09 through "New" MY 2022/23 as of the August 12, 2022 WASDE Report



World vs % "World Less-China" Soybean Stocks-to-Use

MY 2007/08 through "New Crop" MY 2022/23, as of the August 12, 2022 USDA WASDE report.



World Soybean Supply-Demand

MY 2007/08 – "New" MY 2022/23 as of the August 12, 2022 USDA WASDE Report



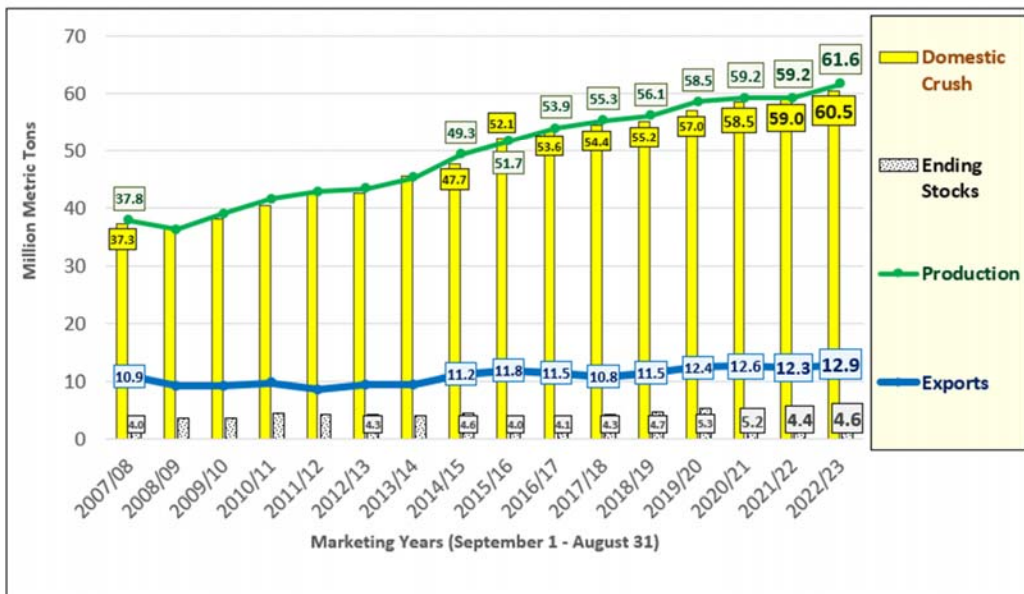
World Soybean Meal Supply-Demand

MY 2007/08 – “New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE Report



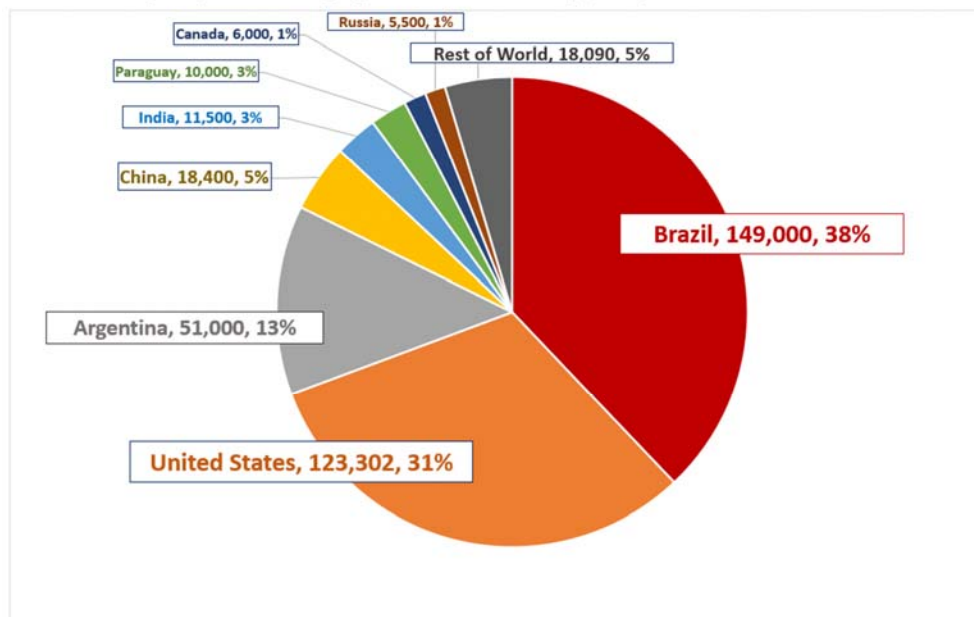
World Soybean Oil Supply-Demand

MY 2007/08 – “New Crop” MY 2022/23 as of the August 12, 2022 USDA WASDE Report



Top Soybean Producing Countries: "New Crop" MY 2022/23

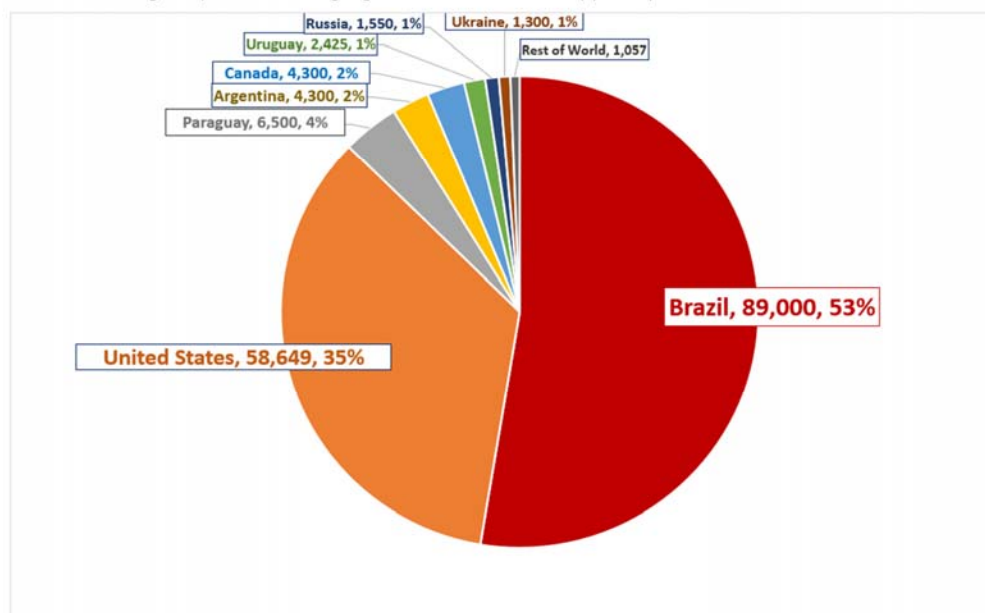
as of the August 12, 2022 USDA Foreign Agricultural Service PSD Online (1,000 mt)



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Top World Soybean Exporters: "New Crop" MY 2022/23

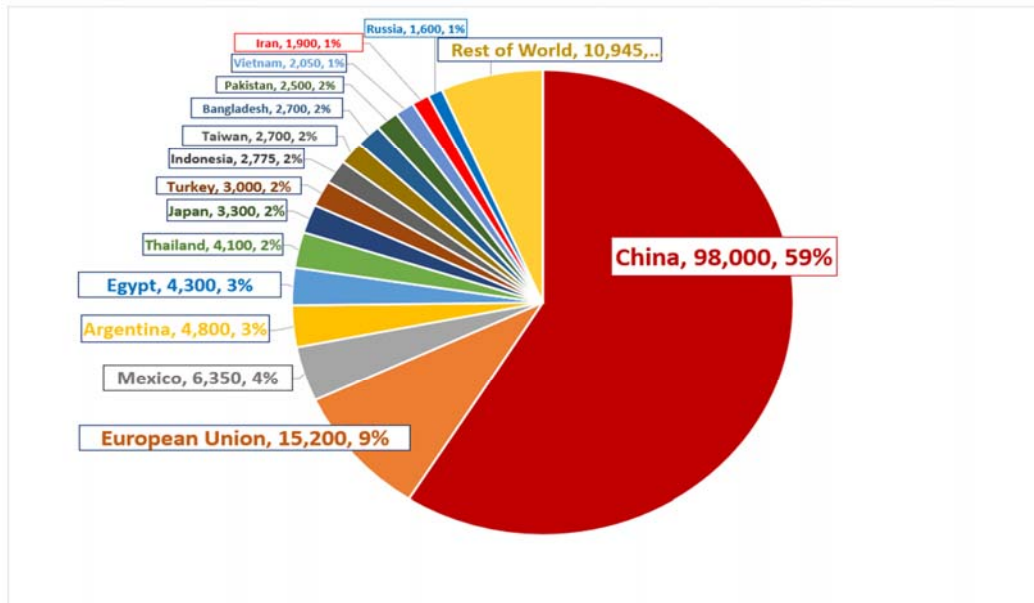
as of the August 12, 2022 USDA Foreign Agricultural Service PSD Online (1,000 mt)



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Top World Soybean Import Buyers: “New” MY 2022/23

as of the August 12, 2022 USDA Foreign Agricultural Service PSD Online (1,000 mt)



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Brazil Soybean Supply-Demand

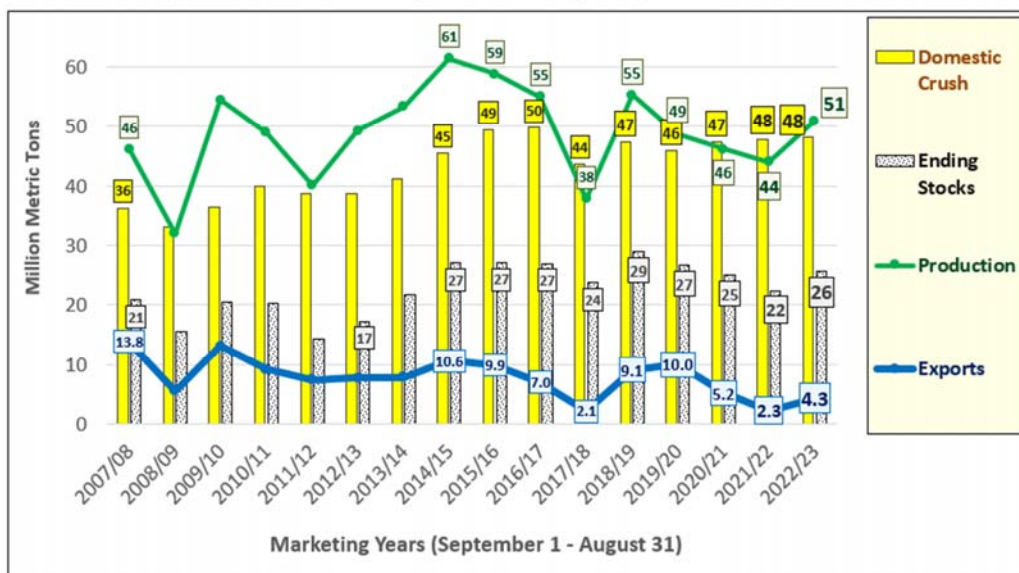
MY 2007/08 – “New” MY 2022/23 as of the August 12, 2022 USDA WASDE Report



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Argentina Soybean Supply-Demand

MY 2007/08 – “New” MY 2022/23 as of the August 12, 2022 USDA WASDE Report



China Soybean Supply-Demand

MY 2007/08 – “New” MY 2022/23 as of the August 12, 2022 USDA WASDE Report



China Soybean Meal Supply-Demand

MY 2007/08 – “Current” MY 2021/22 as of the August 12, 2022 USDA WASDE Report



China Soybean Oil Supply-Demand

MY 2007/08 – “Current” MY 2021/22 as of the August 12, 2022 USDA WASDE Report



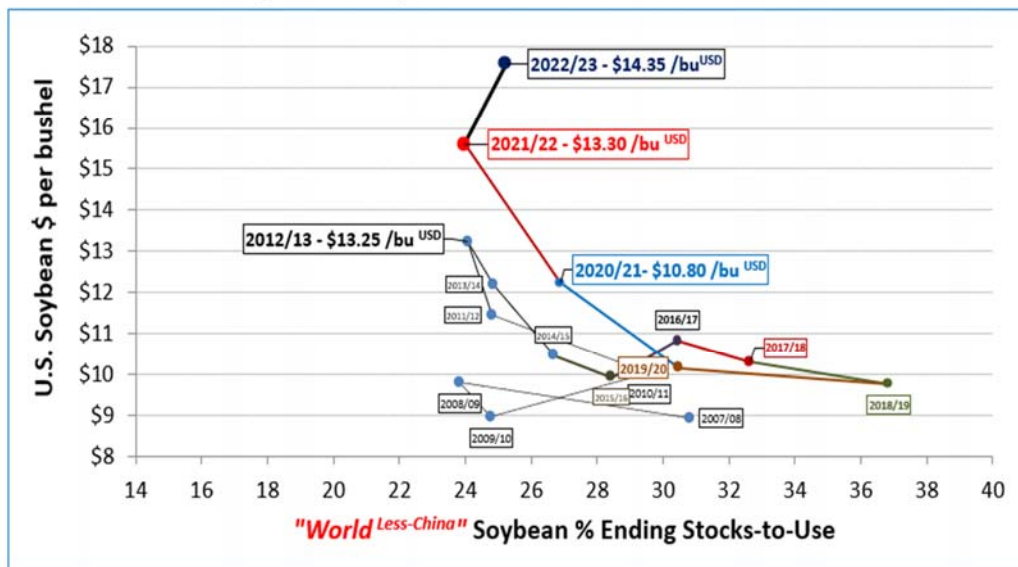
Japan Soybean Supply-Demand

MY 2007/08 – “Current” MY 2021/22 as of the August 12, 2022 USDA WASDE Report



U.S. Soybean $\$^{USD\$ Adj}$ vs “World Less-China” % Stks/Use

MY 2007/08 through “New Crop” MY 2022/23 as of the August 12, 2022 WASDE Report



WEATHER

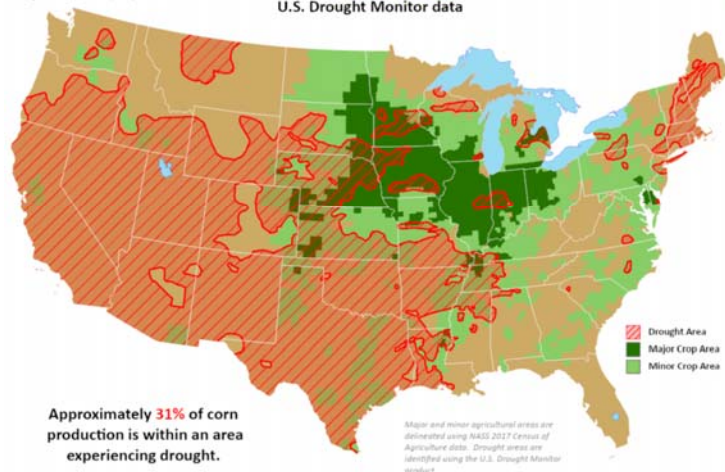
WEATHER IMPACTS FROM AROUND THE WORLD...

Weather Impacts World Weather Concerns

USDA
United States
Department of
Agriculture

Corn Areas in Drought

Reflects August 2, 2022
U.S. Drought Monitor data



Wheat – If dry conditions persist in the western growing areas into September and October planting may be delayed or reduced acres.

Approximately 58% of winter wheat production area experiencing drought.

Corn – Hot weather during pollination reduced yields in some areas, as corn was a week to 10 days late due to cool spring weather. Western and Southern corn belt increasingly experiencing dry hot conditions lowering yield expectations.

Approximately 31% of production area experiencing drought.

Grain Sorghum – Primary growing areas experiencing dry hot conditions lowering yield expectations.

Approximately 81% of production area experiencing drought.

Soybeans – August is a critical month for soybean production. Western and Southern soybean areas increasingly experiencing dry hot conditions lowering yield expectations.

Approximately 28% of production area experiencing drought.

Source: USDA <https://www.usda.gov/sites/default/files/documents/AgInDrought.pdf>

Weather Impacts

Weather Concerns Around the World

Dry in western U.S.
Corn and Soybean Belt

Very dry across Europe's
major cropping areas...

Stress for Summer
Crops across China

Dry in many regional
areas of South India

Dry in many regional
areas of Southeast Asia

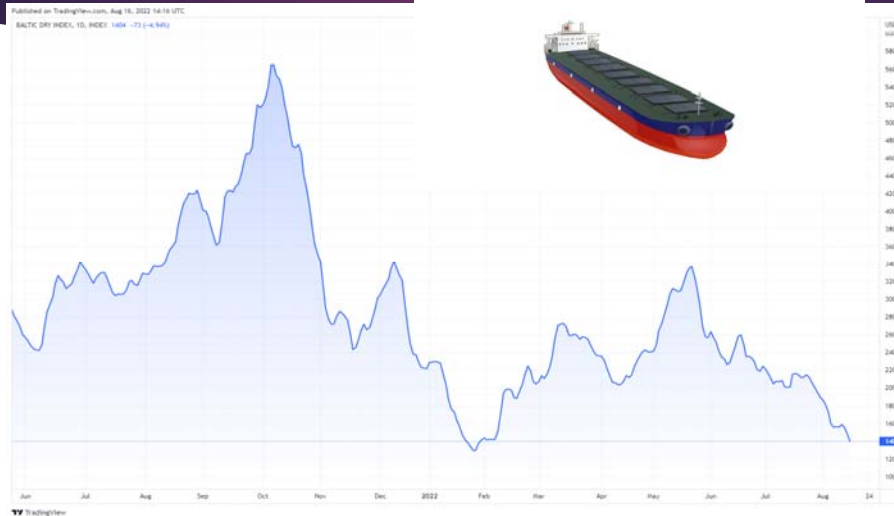
Dry across Argentina's
Cropping areas



OCEAN FREIGHT

BLUE WATER SHIPPING...

Ocean Freight Overview London Baltic Exchange – Dry Index



Dry Bulk Index – 1404

23 rd May 2022	- 3369
26 January 2022	- 1296
8 th October 2021	- 5650
19 th January 2021	- 1644

- Freight market trading lower on waning demand (*Global Recession*)
- Higher fuel costs in combination with tighter emission regulations
- 24th February Russia invades Ukraine
- October 2021 Ocean Freight has rallied to a thirteen year highs

Source: Trading View - <https://www.tradingview.com/chart/?symbol=INDEX%3ABDI>

Ocean Freight Overview London Baltic Exchange – Dry Index



Dry Bulk Index – 1404

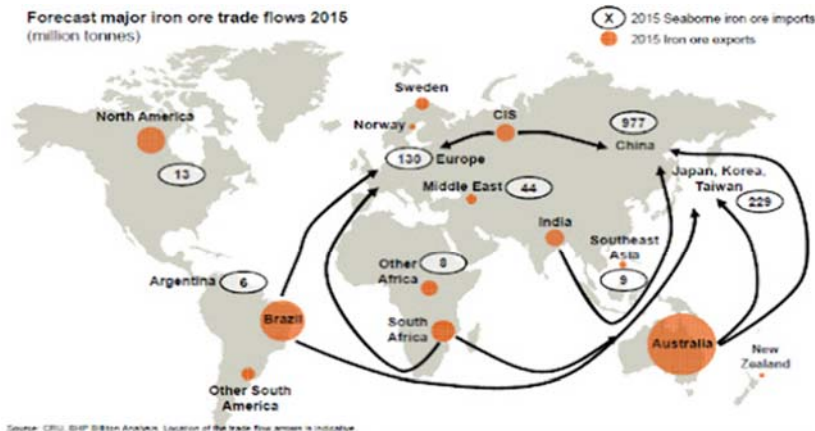
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- October 2021 Ocean Freight has rallied to a thirteen year highs
- Longer Routes:** (Iron Ore)
 - Tubarao, Brazil (1) to Shanghai, China (12) = 10,857 nm
 - Port Walcott, Australia (3) to Shanghai, China (12) = 3,309 nm
- Robust demand as economies restock
- Capacity down in the wake of heavy "scrapping" program due to initial Covid19 impact

Source: Trading View - <https://www.tradingview.com/chart/?symbol=INDEX%3ABDI>

Ocean Freight Overview Dry Bulk Index - Iron Ore

Forecast major iron ore trade flows 2015
(million tonnes)



Source: CRIU, SHIP-Bottom Analysis. Location of the trade flow arrow is indicative.

Source: Statista - <https://www.statista.com/statistics/264016/global-seaborne-trade-of-iron-ore-since-1985/> and USDA PS&D

Annual Global Trade (2019-20)
Total Dry Bulk = 4.6 billion mts

Iron Ore = 1.504 bmts (33%)

Coal = 1.292 bmts (28%)

Grains & Oilseeds

Wheat = 0.200 bmts

Corn = 0.202 bmts

Soybeans = 0.173 bmts

Rice = 0.050 bmts

Other Grain = 0.048 bmts

Other Seed = 0.019 bmts

Meals = 0.095 bmts

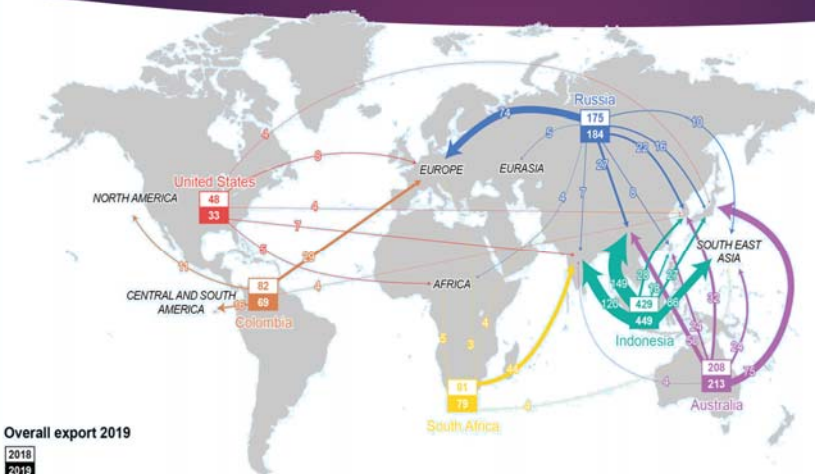
Total = 0.787 bmts (17%)

Longer Routes: (Iron Ore)

Tubarao, Brazil (1) to Shanghai, China (12) = 10,857 nm

Port Walcott, Australia (3) to Shanghai, China (12) = 3,309 nm

Ocean Freight Overview Dry Bulk Index - Coal



Overall export 2019

2018
2019

This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries, and to the name of any territory, city or area.

Source: Statista - <https://www.statista.com/statistics/264016/global-seaborne-trade-of-iron-ore-since-1985/> and USDA PS&D

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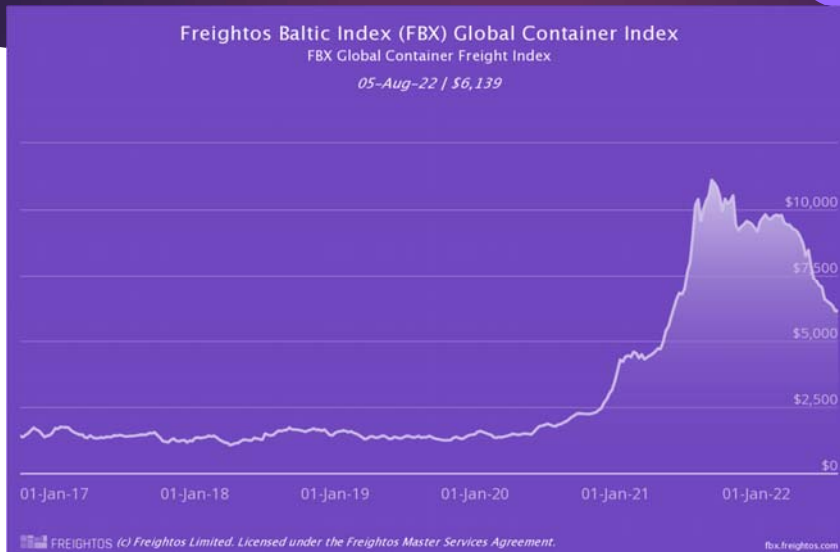
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Ocean Freight Overview Container Freight Index



Container Freight Index - 5650

5th August 2022 - \$ 6,139
9th September 2021 - \$11,109
7th January 2022 - \$ 9,167

Container Freight has fallen back in the last six months after a rally to a all time highs in 2021

- Caught out of position with robust demand as economies restock post Covid19
- Shifting Supply Chains, exit from China (12 to 24 months to adjust)
- Capacity down in the wake of heavy "scrapping" program due to initial Covid19 impact
- Higher fuel costs in combination with tighter emission regulations
- Waning Demand

MACRO FINANCIAL ISSUES ARISING THE VALUE OF A DOLLAR...

Current Market Outlook & Issues

U.S. Dollar Index - Cash

U.S. Dollar Index Cash (DXY00) - Barchart.com



Weekly - Nearby

Wk 15th August 2022
Settled = 106.531

Wk 11th July 2022
High = 109.294

The United States Dollar is expected to trade at 106.99 by the end of this quarter, according to "Trading Economics" global macro models and analysts' expectations. Looking forward, we estimate it to trade at 110.33 in 12 months time.

Source: BarChart.com <https://www.barchart.com/futures/quotes/DXY00/interactive-chart>

Current Market Outlook & Issues

U.S. Dollar Index - Cash

Dollar Index (UTC-5)



50 Year Chart

At a 20 year high!

The United States Dollar is expected to trade at 106.99 by the end of this quarter, according to "Trading Economics" global macro models and analysts' expectations. Looking forward, we estimate it to trade at 110.33 in 12 months time.

Historically, the United States Dollar reached an all time high of 164.72 in February of 1985. United States Dollar - data, forecasts, historical chart - was last updated on August of 2022.

Source: Trading View - <https://tradingeconomics.com/united-states/currency>

source: tradingeconomics.com

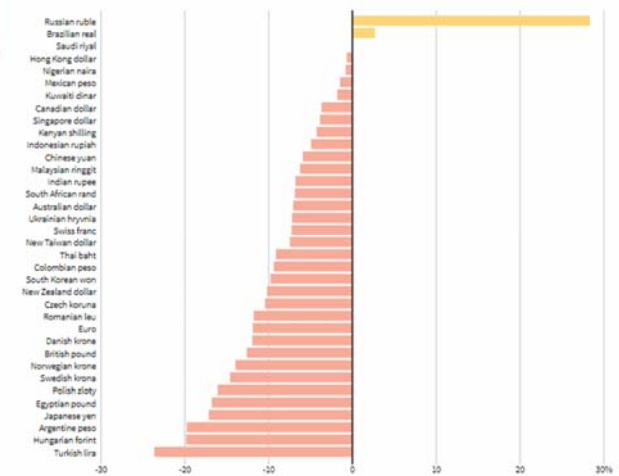
Current Market Outlook & Issues

U.S. Dollar Index

- ▶ U.S. Dollar Index – 106.531 High 109.294
- ▶ Interest Rate Differential driving value as other currencies decline;
- ▶ U.S. Dollar showing strength as “flight to safety” and relatively higher U.S. interest rates.
- ▶ U.S. inflation rates at 9.1%, approaching double digits levels.
- ▶ U.S. CPI at 6.1%

Global foreign exchange rates

Currencies against the US dollar, year-to-date change



Source: Thomson Reuters Datastream
By Michael Ovasio | REUTERS GRAPHICS



Questions?

Daniel O'Brien – Extension Ag Economist

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www.AgManager.info

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