

International Grain Market Trends & Factors



2020 KSU Virtual Risk & Profit Conference

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Oilseeds and Soybeans - Current Market Outlook & Issues

Outline for Discussion

- I. Developing Issues to Watch
- II. Coarse Grains and Corn Overview and Outlook
- III. Wheat Overview and Outlook
- IV. Oilseeds and Soybeans Overview and Outlook
- v. Question and Responses

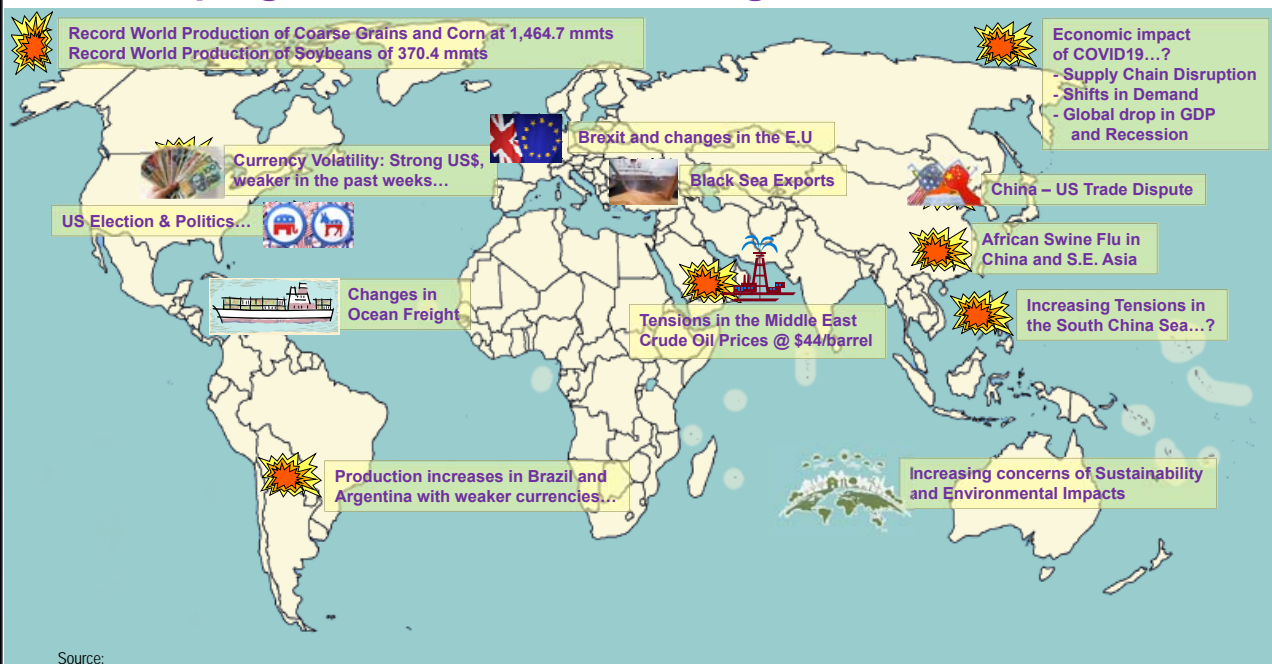


IGP Institute

MACRO ISSUES

The Big Picture...

Developing Issue to Watch – 14 August 2020



Coarse Grains - Current Market Overview, Outlook & Issues

Uncertainty in the market...

1. Impacts of COVID19
 - Supply Chain disruption, along with a shift in consumption and demand;
 - Global Recession and drop in per Capita GDP and Disposable Income;
2. Record Global Production in Coarse Grains and Oilseeds
 - Record Global Trade and competing exports out of the Black Sea, Brazil and Argentina
3. Growth in demand from Animal Agriculture
 - Impact of Animal Protein production, consumption, and related trade flows...
 - African Swine Fever in China and Southeast Asia
4. Strength in U.S. Currency
 - Weakness if other Exporting Countries supporting relative prices
 - Weakness in Importing Countries making U.S. commodities look expensive
5. Trade Tensions
 - U.S. & China
 - UK Trade Agreement Negotiations
 - Other bilateral trade Agreements – Kenya & Sub-Sahara Africa, Latin America, India
6. Politics
 - Geo-Political and Security issues with China
 - 2020 U.S. Election
 - Sustainability and the impact of "Climate Change" politics...?



CORN

World Situation & Outlook...

Corn - Current Market Overview, Outlook & Issues

World Corn



World Corn as of August 2020									
(in 000's mts)	15/16	16/17	17/18	18/19	19/20	20/21 Jly 20	Change m-m	20/21 Aug 20	
Beginning Stocks (1000 MT)	279,976	312,386	352,219	341,182	320,093	311,945	-650	311,295	
Area Harvested (1000 HA)	187,934	194,904	191,527	191,951	192,502	196,076	65	196,141	
Yield (MT/HA)	5.40	5.79	5.63	5.85	5.78	5.93	0.04	5.97	
Production (1000 MT)	1,015,045	1,127,624	1,078,621	1,123,446	1,112,398	1,163,212	7,821	1,171,033	
Total Supply (1000 MT)	1,295,021	1,440,010	1,430,840	1,464,628	1,432,491	1,475,157	7,171	1,482,328	
FSI Consumption (1000 MT)	387,891	405,673	419,076	423,293	412,740	426,987	195	427,182	
Feed and Residual (1000 MT)	613,816	657,085	672,314	703,042	705,772	727,539	4,430	731,969	
Total Dom. Cons. (1000 MT)	1,001,707	1,062,758	1,091,390	1,126,335	1,118,512	1,154,526	4,625	1,159,151	
MY Exports (1000 MT)	120,150	160,610	148,198	181,053	171,223	182,451	2,205	184,656	
MY Imports (1000 MT)	139,222	135,577	149,930	162,853	168,539	176,862	2,080	178,942	
	-19,072	25,033	-1,732	18,200	2,684	5,589	125	5,714	
Ending Stocks (1000 MT)	312,386	352,219	341,182	320,093	311,295	315,042	2,421	317,463	
Percent Stocks / Use	31.2%	33.1%	31.3%	28.4%	27.8%	27.3%	0.1%	27.4%	

- > World Corn Production at a record **1,171.0 mmts**, up 58.6 mmts LY's, up 7.8 mmts LM
- > Feed Demand at a record **732.0 mmts**
- > World Trade at a record **184.7 mmts**, up 13.5 mmts LY
- > End Stx/Use up slightly to **27.4%**, but still historically high

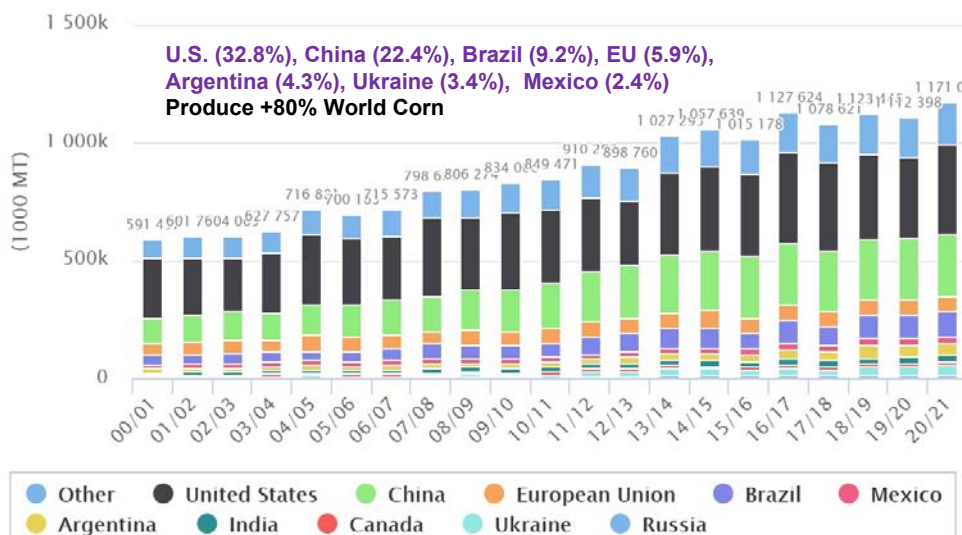
Source: https://www.nass.usda.gov/Statistics_by_Subject/index.php?sector=CROPS , USDA Oil Crops All Tables 20200110.xls

Corn - Current Market Overview, Outlook & Issues

Top 10 Countries for Corn.World.Production



Forecast Data reported on: 8/2020



- > Record World Corn Production drops to 1,171 mmts,
- > Up 7.8 mmts LM,
- > Up 58.6 mmts LY

Source: USDA FAS PS&D <https://apps.fas.usda.gov/psdonline/app/index.html#/app/composite/viz>

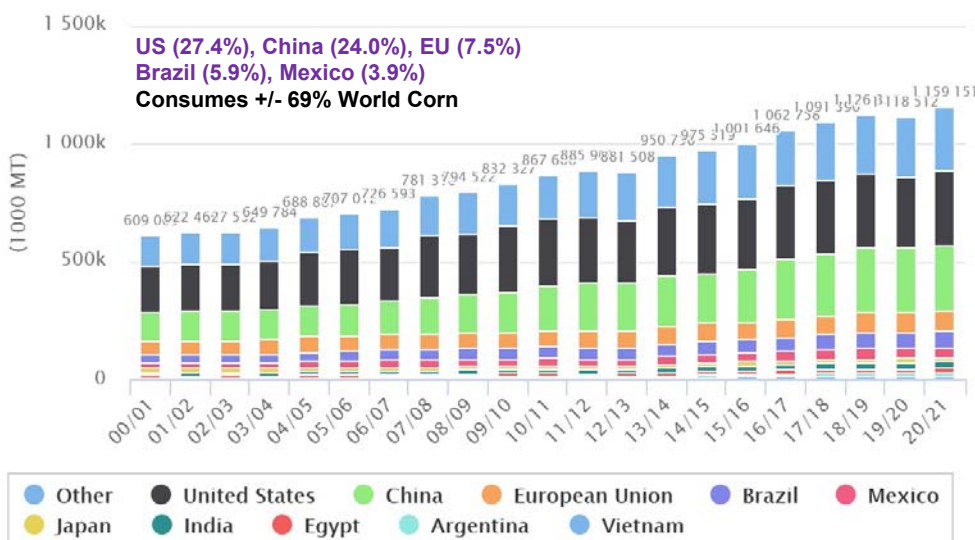
Source: FAS USDA

Corn - Current Market Overview, Outlook & Issues



Top 10 Countries for Corn.World.Total Consumption

Forecast Data reported on: 8/2020



Source: USDA FAS PS&D <https://apps.fas.usda.gov/psdonline/app/index.html#/app/compositeViz>

Source: FAS USDA

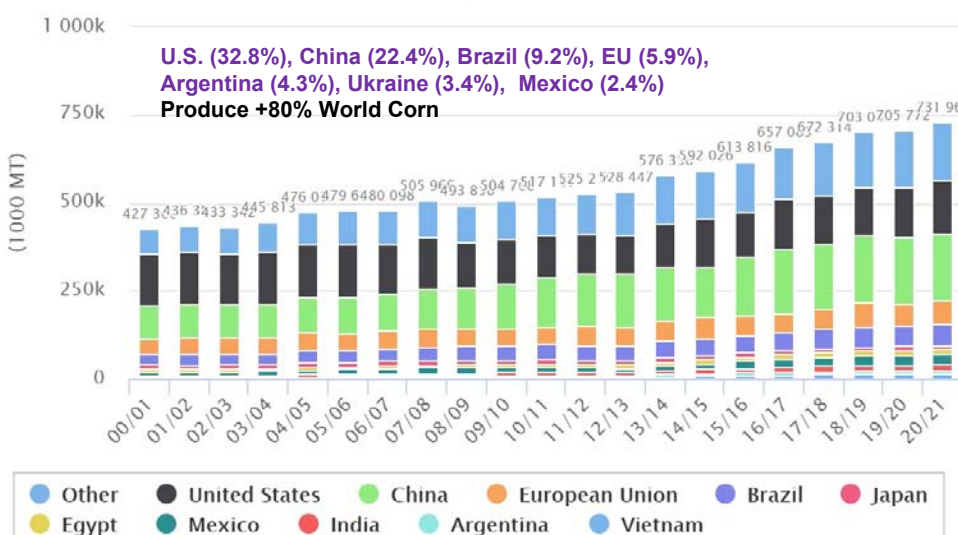
- World Corn Consumption will rise to a record **1,159.2 mmts**,
- Up 4.7 mmts LM
- Up 47.6 mmts LY

Corn - Current Market Overview, Outlook & Issues



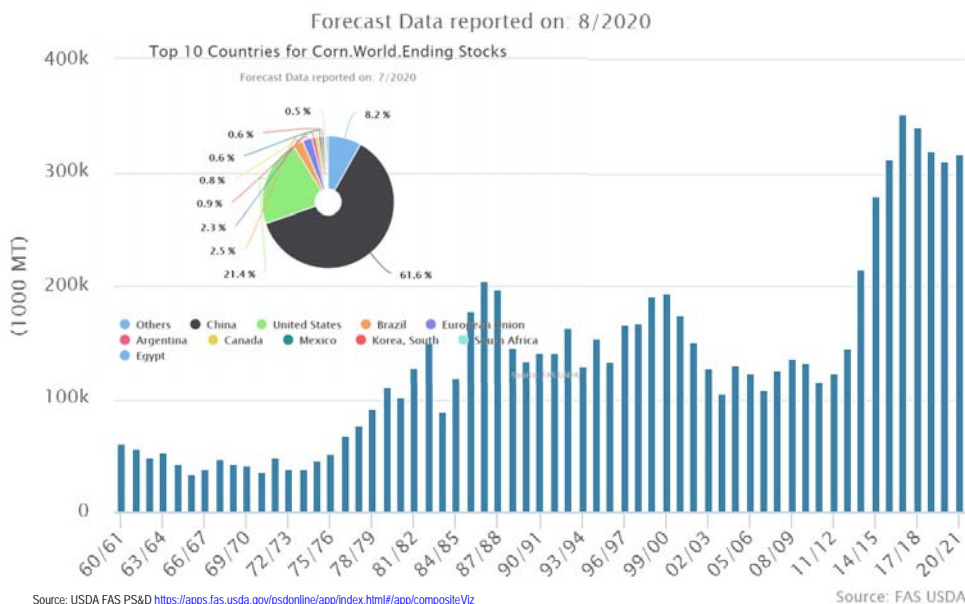
Top 10 Countries for Corn.World.Feed and Residual

Forecast Data reported on: 8/2020



Corn - Current Market Overview, Outlook & Issues

Corn.World.Ending Stocks for all Years.



- World Ending Stocks are estimated to increase modestly in 2020/21 following a three year decline, at **317.5 mmmts 2020/21 up 2.4 mmmts LY.**
- China will hold 62%, 194 mmmts of these stocks in 2020/21; compared to 204 mmmts 2019/20, **down 10 mmmts LY** **????**
- US will hold 21%, 67.3 mmmts of these stocks in 2020/21; compared to 57.1 mmmts 2019/20, **up 10.2 mmmts LY**

Corn - Current Market Overview, Outlook & Issues

U.S. Corn



U.S. Corn as of August 2020							
(in 000's bus)	16/17	17/18	18/19	19/20	20/21 Jly 20	Change m-m	20/21 Aug 20
Beginning Stocks	1,736,555	2,292,672	2,139,730	2,220,136	2,247,372	-19,993	2,227,378
Area Harvested	194,904	191,527	191,951	192,502	196,076	65	196,141
Yield	77.70	76.26	74.69	70.72	76.48	1.39	77.87
Production	15,143,763	14,605,278	14,336,312	13,613,400	14,995,780	278,098	15,273,877
Total Supply	16,880,318	16,897,950	16,476,041	15,833,536	17,243,151	258,104	17,501,256
FSI Consumption	6,883,289	7,054,807	6,790,681	6,258,219	6,623,099	0	6,623,099
Feed and Residual	5,466,392	5,302,588	5,427,586	5,598,436	5,848,353	74,975	5,923,329
Total Dom. Cons.	12,349,681	12,357,395	12,218,268	11,856,654	12,471,452	74,975	12,546,427
MY Exports	2,295,033	2,436,837	2,065,581	1,794,489	2,149,412	74,975	2,224,387
MY Imports	57,068	36,012	27,944	44,985	24,992	0	24,992
	2,237,965	2,400,825	2,037,637	1,749,504	2,124,420	74,975	2,199,395
Ending Stocks	2,292,672	2,139,730	2,220,136	2,227,378	2,647,280	108,153	2,755,433
Percent Stocks / Use	18.6%	17.3%	18.2%	18.8%	21.2%	0.7%	22.0%

- US Record Corn Production at a record **15,274 mbus**, up 1,660 mbus LY's, and up 278 mbus LM
- US Feed Demand at a record **5,923 mbus**, up 74 mbus LY
- End Stx up 75 mbus
- End Stx / Use up slightly to **22.0%**, historically high

Source: https://www.nass.usda.gov/Statistics_by_Subject/index.php?sector=CROPS , USDA Oil Crops All Tables 20200110.xls

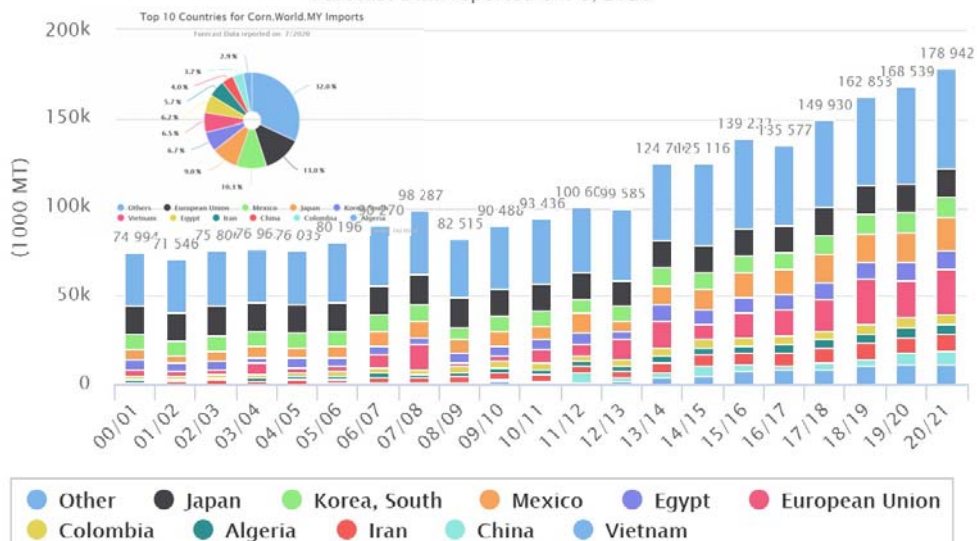
CORN

World Trade...

Corn - Current Market Overview, Outlook & Issues

Top 10 Countries for Corn.World.MY Imports

Forecast Data reported on: 8/2020



➤ Imports in 2020/21 are forecast to reach a record 178.9 mmts,

Up 10.4 mmts LY

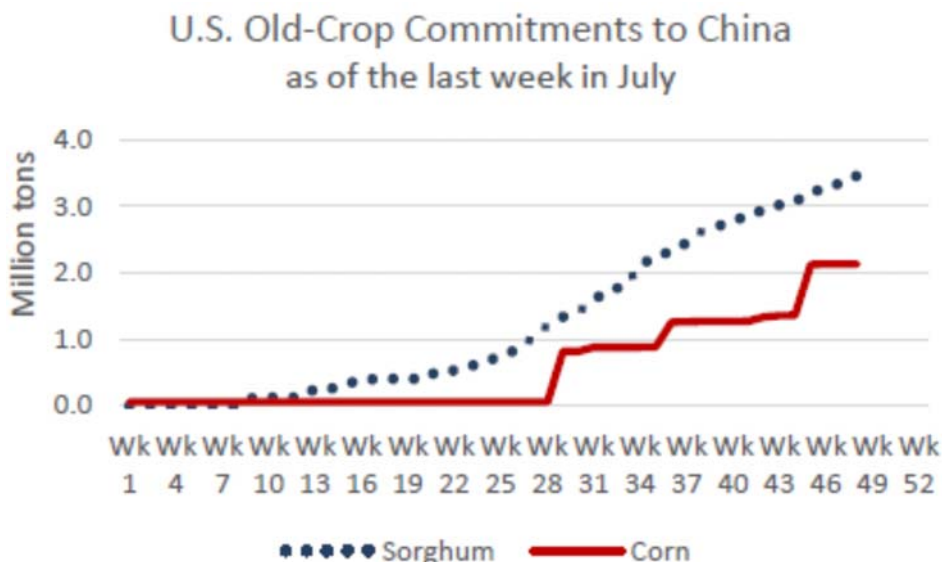
➤ Top 10 Importers make up 68.0% of Imports

Source: USDA FAS PS&D <https://apps.fas.usda.gov/psdonline/app/index.html#/app/compositeViz>

Source: FAS USDA

Corn - Current Market Overview, Outlook & Issues

Old Crop 2019/20 Sales to China



2019/20 MY

Total Corn and Sorghum equals 5.6 mmts; highest since 2013/14

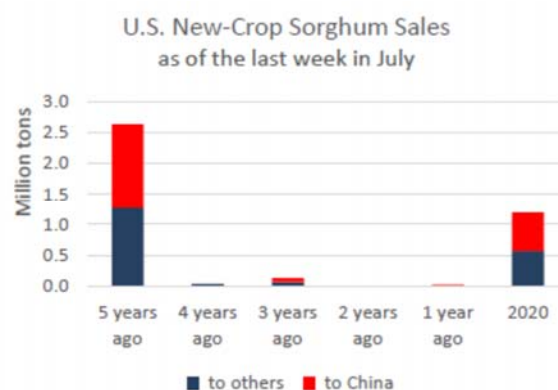
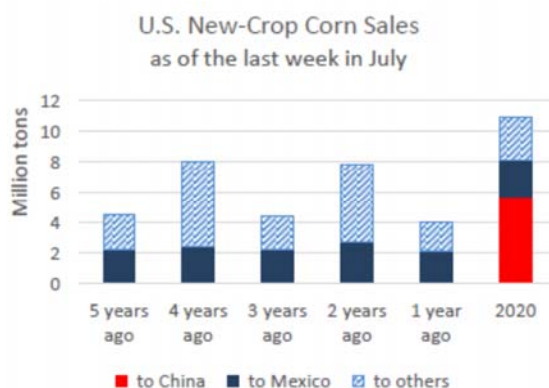
> Grain Sorghum = 3.5 mmts

> Corn – 2.1 mmts

Source: USDA FAS World Markets and Trade – 12 August 2020

Corn - Current Market Overview, Outlook & Issues

New Crop 2020/21 Sales to China in 2019/20



Corn imports are subject to the tariff-rate quota (TRQ) of 7.2 mmts. I would expect corn imports to significantly exceed this volume this coming marketing year.

China does not limit sorghum imports.

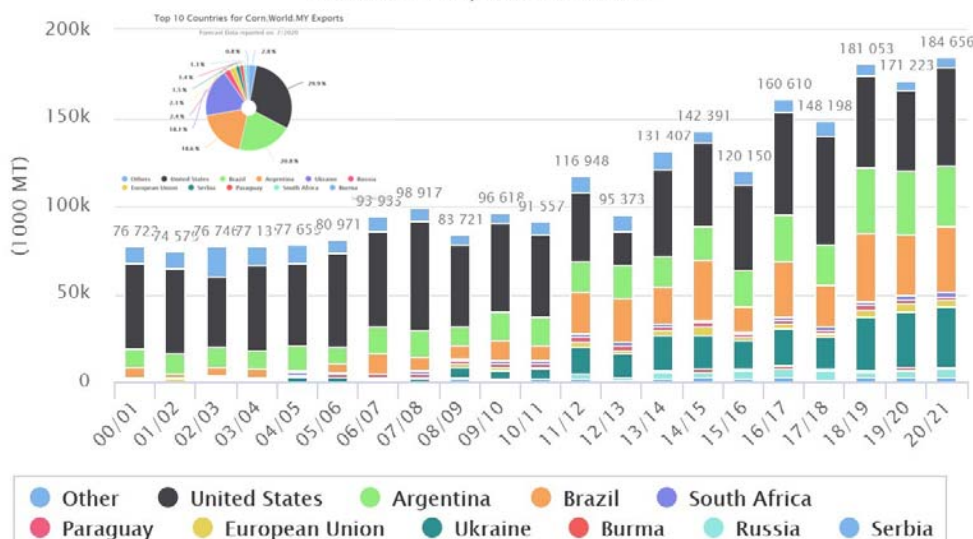
Note: 2015 and earlier, a distortion in the domestic price of Chinese corn and imported grain sorghum values is what lead to the increase in sorghum imports.

Source: USDA FAS World Markets and Trade – 12 August 2020

Corn - Current Market Overview, Outlook & Issues

Top 10 Countries for Corn.World.MY Exports

Forecast Data reported on: 8/2020



Exports in 2020/21 are forecast to reach a record **184.7 mmts**,

Up **13.43 mmts** from LY

- U.S. 29.9%
 - Brazil 20.8%
 - Argentina 18.6%
 - Ukraine 18.1%
- make up +/- 87% of world Corn Exports.

Corn - Current Market Overview, Outlook & Issues

Exporter Corn Price – FOB US\$/mt

Selected Export Bids



Current Values:

- US offers FOB for corn were down \$9/mt to \$162/mt
- Black Sea bids were \$1/mt higher at \$184/mt
- Argentine prices were \$1/mt higher at \$156/mt
- Brazilian offers were unchanged at \$166/mt.

US offers dropped below those of Brazil by the greatest price differential since Brazilian bids returned to publishing in early May.



CHINA CORN

A Focus on the Middle Kingdom...

Coarse Grains - Current Market Overview, Outlook & Issues Making Sense of China...?

In short, the China market is full of contradictions in terms of what we are told by China and its recovery, and, what is happening in the market.

1. Food Security is China's highest priority; always has been...
2. Lost economic performance due to Covid19, combined with a population that has struggled through some serious lock-downs, would challenge any country. Economy showing signs of improvement:
 - China's unemployment rate in June fell 0.2 points 5.7% with indications the economy is improving.
 - Last week, China saw its foreign trade rise 6.5% y-o-y in July, with exports and imports up 10.4% and 1.6%; respectively.
3. Flood waters have ravaged the lower Yangtze regions and significant losses have occurred in key grain and hog producing areas due to either rising flood waters or devastating diseases like ASF being spread further.
4. China's hog herd is seriously depleted - numbers recently announced by the Chinese government claim numbers are at 340 million head, which is down by 37% on the base line "pre-ASF" number of 540 million head. Trade participants still believe this figure is closer to 50%, and a protein supply deficit is more like 15 to 20 mmts both this year and next.
5. There is no doubt that politics is playing the overall role in distorting the market. There are two key events coming up:
 - firstly, is the Phase One talks between China and the US on August 15th,
 - secondly, the US Presidential election in November.

Corn - Current Market Overview, Outlook & Issues

China Corn – Supply & Demand



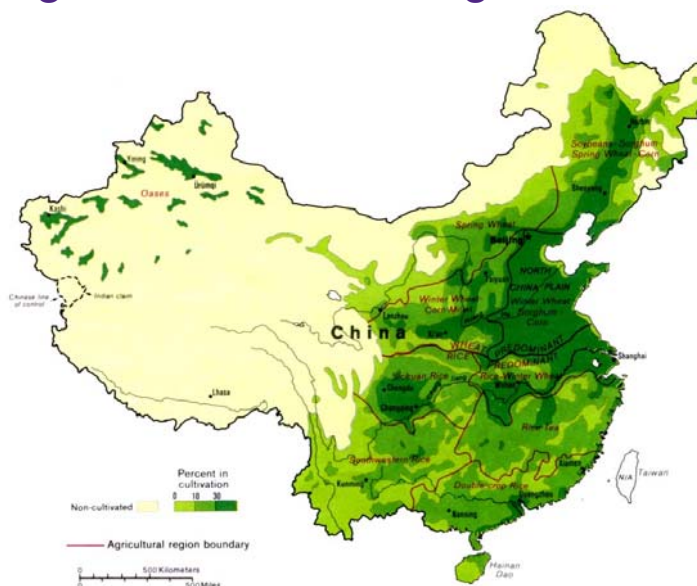
China Corn as of August 2020									
(in 000's mts)	15/16	16/17	17/18	18/19	19/20	20/21 July 20	Change m-m	20/21 Aug 20	
Beginning Stocks (1000 MT)		212,017	223,017	222,525	210,319	204,069	0	204,069	
Area Harvested (1000 HA)		44,178	42,399	42,129	41,280	42,000	0	42,000	
Yield (MT/HA)		5.97	6.11	6.11	6.32	6.19	0.00	6.19	
Production (1000 MT)		263,613	259,071	257,330	260,770	260,000	0	260,000	
Total Supply (1000 MT)		475,630	482,088	479,855	471,089	464,069	0	464,069	
FSI Consumption (1000 MT)		70,000	76,000	83,000	85,000	87,000	0	87,000	
Feed and Residual (1000 MT)		185,000	187,000	191,000	189,000	190,000	0	190,000	
Total Dom. Cons. (1000 MT)		255,000	263,000	274,000	274,000	277,000	0	277,000	
MY Exports (1000 MT)		77	19	19	20	20	0	20	
MY Imports (1000 MT)		2,464	3,456	4,483	7,000	7,000	0	7,000	
		-2,387	-3,437	-4,464	-6,980	-6,980	0	-6,980	
Ending Stocks (1000 MT)		212,017	223,017	222,525	210,319	204,069	0	194,049	
Percent Stocks / Use		87.5%	84.6%	76.8%	74.5%	70.1%	0.0%	70.1%	

- Flooding has had minimal impact of Chinese corn production at **260 mmts**
- Chinese **feed demand** appears to be rebounding as swine herd is rebuilt and other animal protein production increases.
- Chinese corn imports of **7.0 mmts** is likely understated.
- Chinese Ending Stocks of **194 mmts**, is one of the greatest unknowns ...???

Source: USDA FAS 10 July 2020; GHA World & US Grains Data for Supply Chain Pres 20200710

Current Market Overview, Outlook & Issues

Agricultural Producing Area in China



Source: https://en.wikipedia.org/wiki/Agriculture_in_China#/media/File:China_agricultural_1986.jpg

Current Market Overview, Outlook & Issues

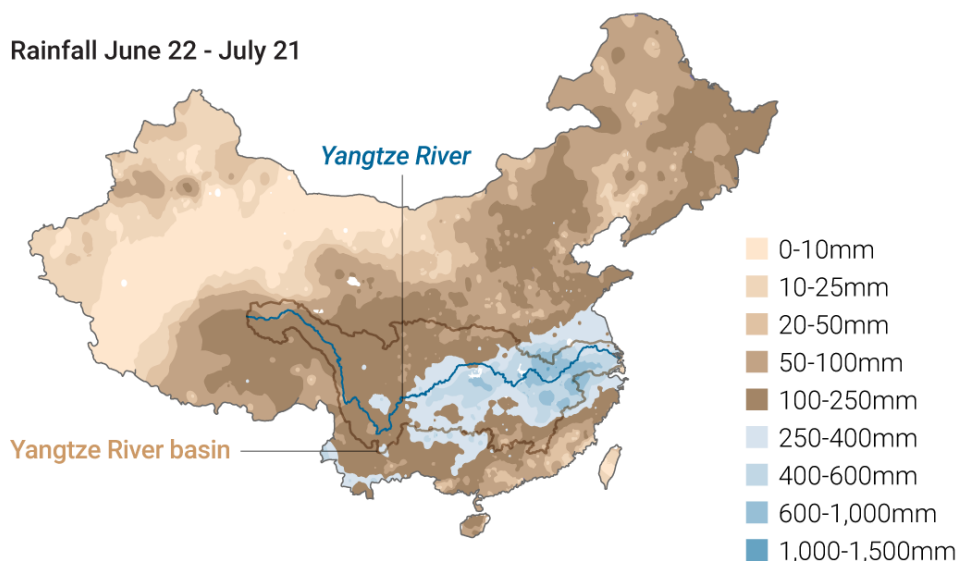
China's Yangtze River

Intense rain and severe flooding has been battering China since early June but, according to the China Meteorological Administration, the country has experienced a 20% increase in heavy rainfall since 1961. Currently, the water level of 433 rivers is above the flood control line, with 33 of them reaching record highs.

On July 2, the Yangtze River experienced its first flood peak of the year.

The Changjiang Water Resources Commission reported the water level had reached 146.97 meters with peak inflows of 53,000 cubic meters / second, the same rate as the 1998 floods.

Rainfall June 22 - July 21



Source: Southern China Morning Post, 27th July 2020, by Dennis Wong: <https://multimedia.scmp.com/infographics/news/china/article/3094790/china-floods/index.html>

Corn - Current Market Overview, Outlook & Issues

China Feed Demand – July 2020



China's 2020 Annual Feed Consumption Forecast			
	2019	2020	% change
Total Consumption	226,360	227,220	0.4%
Swine	76,510	70,740	-7.5%
Broiler	84,580	90,700	7.2%
Layer	30,830	30,940	0.3%
Aquaculture	21,400	21,300	-0.4%
Ruminants	10,740	10,900	1.4%

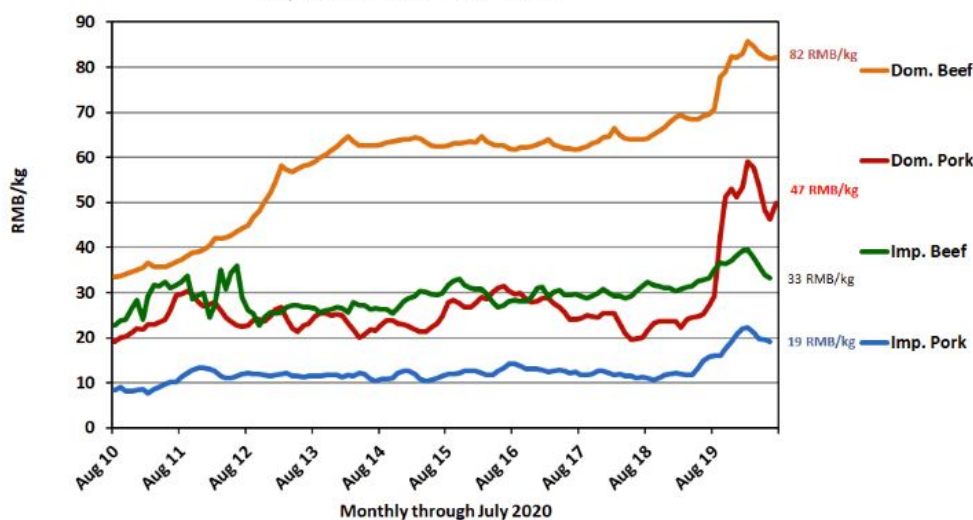
Source: 2020 China Agricultural Outlook Conference; in 1,000 tons

FAS Beijing Feed and Residual Estimates and Forecast (Million Metric Tons)				
Grain	2018/19	2019/20	2020/21	Change
Corn	184.0	180.0	188.0	8
Sorghum	1.5	3.9	5.0	1.1
Barley	2.4	3.1	2.5	-0.6
Wheat	20.0	18.0	19.0	1
Total	207.9	205	214.5	9.5

Source: USDA FAS GAIN China Grain and Feed Update 28 June 2020

Corn - Current Market Overview, Outlook & Issues

China Beef, Pork Prices
Imported and Domestic



- China's domestic hog prices are back to almost record levels
- Yet US pork imports have fallen by close to 40% in the last two months;
- Yet, the cheapest pork in the world is from the US and its export pork volume is falling into China.

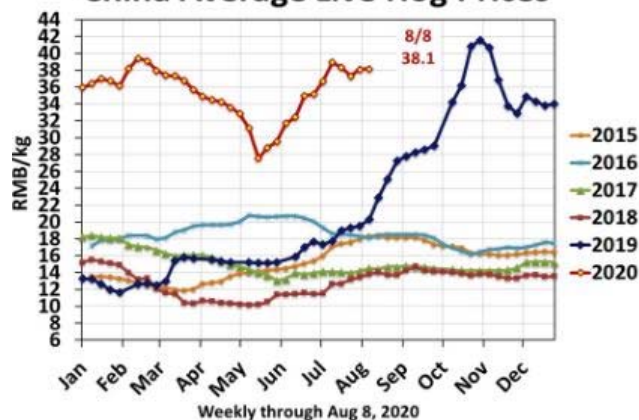
Source: Global Agritrends, https://s3.amazonaws.com/globalagritrends/content_sections/images/000/009/624/qiant/Simon5.png?1597197538

Corn - Current Market Overview, Outlook & Issues

China, % change on a year earlier



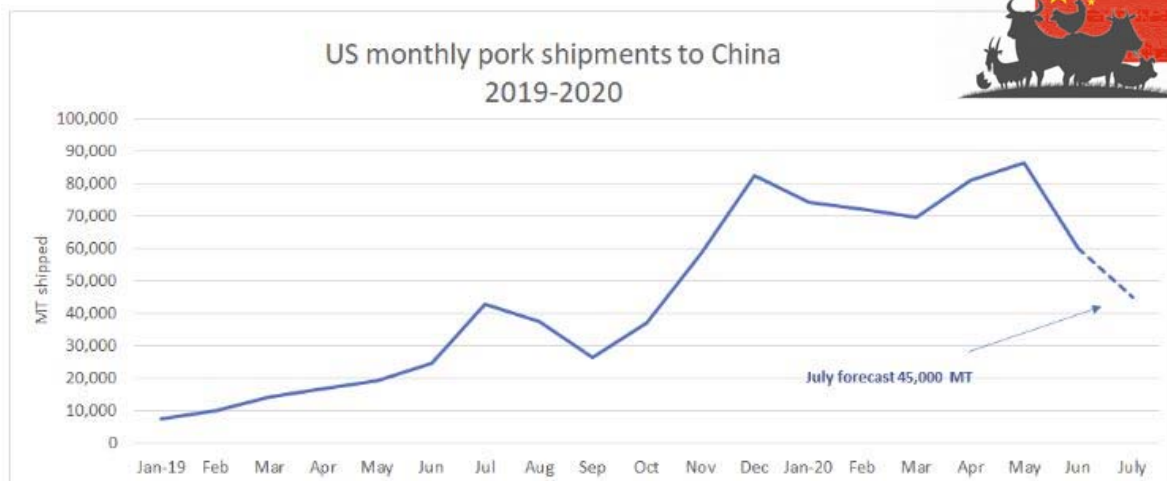
China Average Live Hog Prices



- High correlation between the change in Chinese Pork Prices and the Change in China's CPI
- 6.95 Chinese RMB to \$1.00 US Dollar [Spot Rate 12 August 2020]
- China's domestic hog prices are back to almost record levels
- Yet US pork imports have fallen by close to 40% in the last two months;

Source: Global Agritrends, https://s3.amazonaws.com/globalagritrends/content_sections/images/000/009/624/qiant/Simon5.png?1597197538

Corn - Current Market Overview, Outlook & Issues



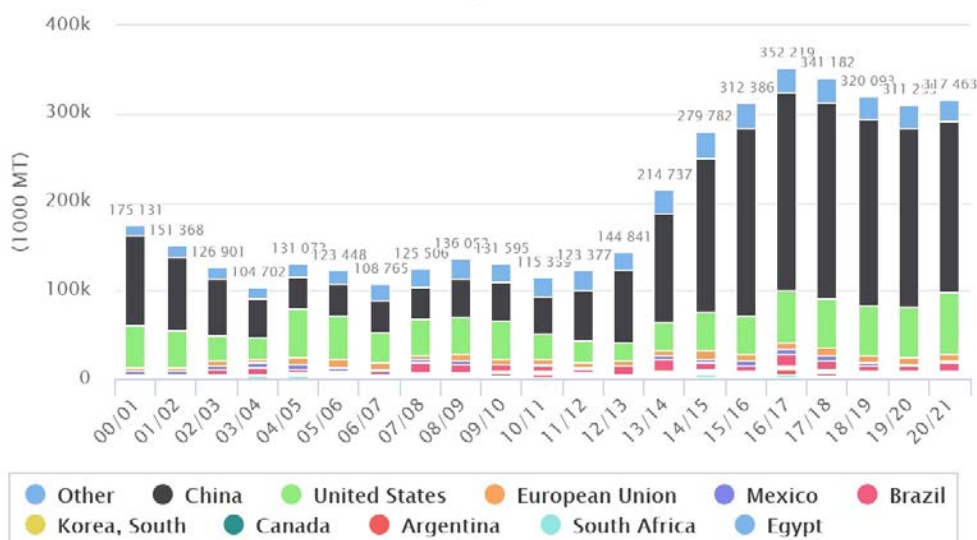
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Source: Global AgriTrends, https://s3.amazonaws.com/globalagritrends/content_sections/images/000/009/624/giant/Simon5.png?1597197538

Corn - Current Market Overview, Outlook & Issues

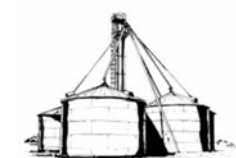
Top 10 Countries for Corn.World.Ending Stocks

Forecast Data reported on: 8/2020



Source: USDA FAS PS&D <https://apps.fas.usda.gov/psdonline/app/index.html#/app/compositeViz>

Source: FAS USDA



- If we take out China, the Ending Stocks situation is historically "Looser"

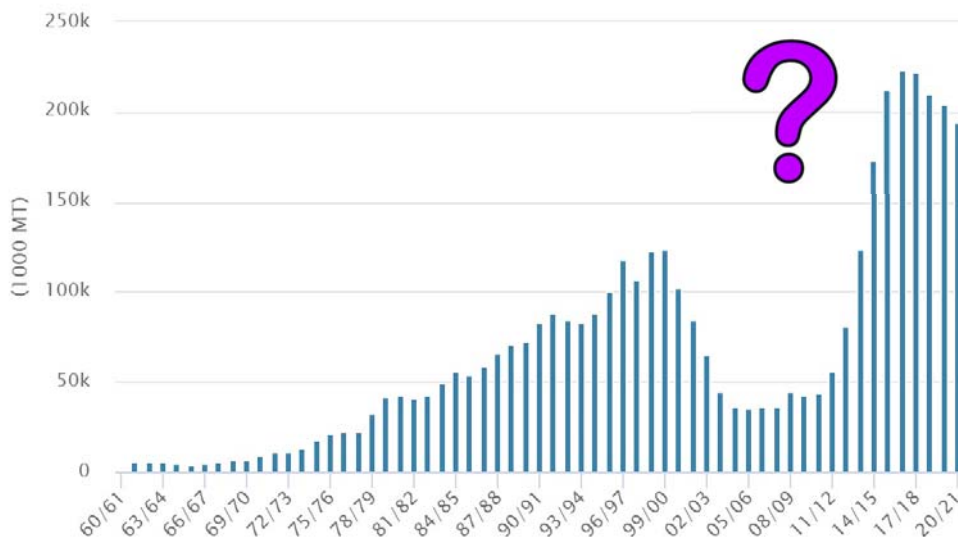
2018/19 = 109.8 mmts
2019/20 = 107.8 mmts
2020/21 = 123.0 mmts

Up 16.2 mmts LY

Corn - Current Market Overview, Outlook & Issues

Corn.China.Ending Stocks for all Years.

Forecast Data reported on: 7/2020



Source: USDA FAS PS&D <https://apps.fas.usda.gov/psdonline/app/index.html#/app/compositeViz>

Source: FAS USDA



➤ Fourth year USDA shows a decline in China's Ending Stocks; However, still historically large...

➤ But what is the reality...? Who much...? Quality...?

➤ Government Policy...?

Corn - Current Market Overview, Outlook & Issues

Corn.China.MY Imports for all Years.

Forecast Data reported on: 7/2020



Source: USDA FAS PS&D <https://apps.fas.usda.gov/psdonline/app/index.html#/app/compositeViz>

Source: FAS USDA



➤ China Imports were at 7.0 mmts in 2019/20

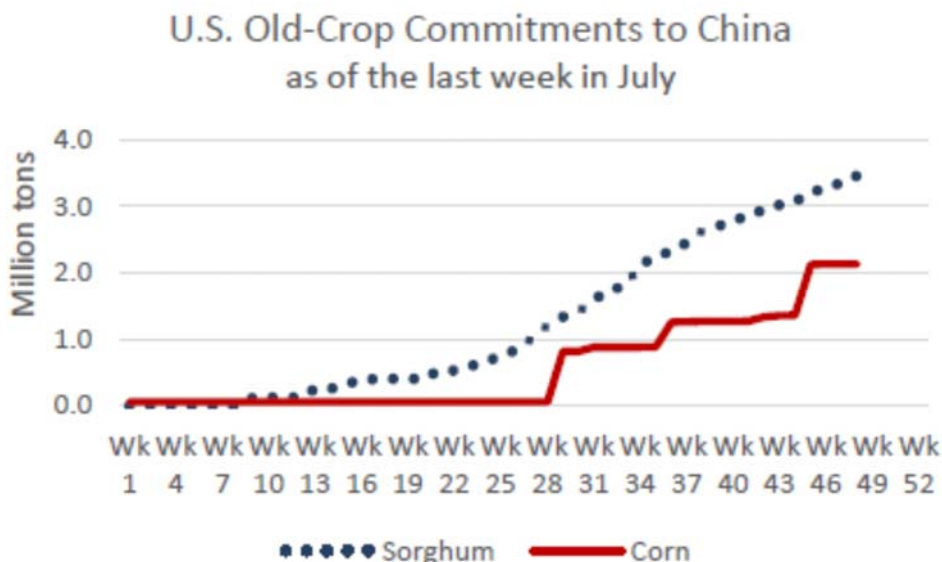
Expected to remain at 7.0 to 7.2 mmts in 2020/21

* China's TRQ = 7.2 mmts

- Current prices relationships would suggest even larger corn imports.
- Recovery of Swine Production Sector...?
- Other livestock sectors...?
- Meat Imports...?
Beef: 4.67 lbs Feed
Pork: 3.5 lbs Feed
Chicken: 28 lbs Feed
* Carcass Weight

Corn - Current Market Overview, Outlook & Issues

Old Crop 2019/20 Sales to China



2019/20 MY

Total Corn and Sorghum equals 5.6 mmts; highest since 2013/14

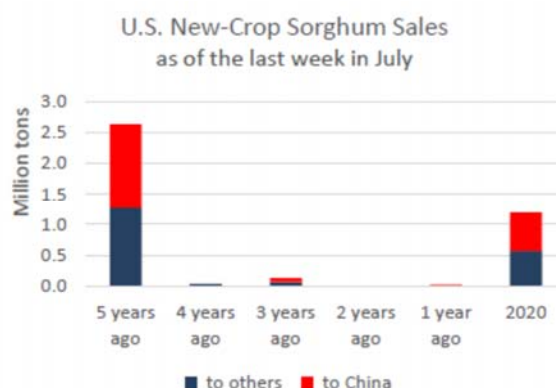
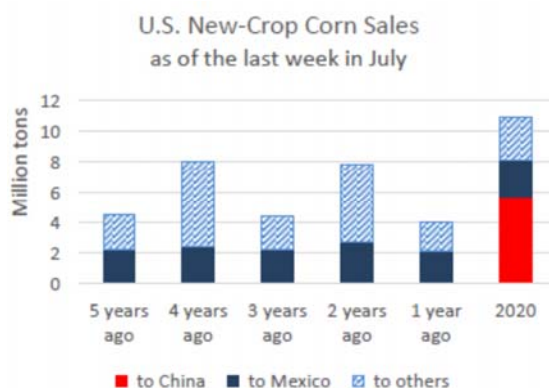
> Grain Sorghum = 3.5 mmts

> Corn – 2.1 mmts

Source: USDA FAS World Markets and Trade – 12 August 2020

Corn - Current Market Overview, Outlook & Issues

New Crop 2020/21 Sales to China in 2019/20



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2015 and earlier, a distortion in the domestic price of Chinese corn and imported grain sorghum values is what lead to the increase in sorghum imports.

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Coarse Grains - Current Market Overview, Outlook & Issues

Making Sense of China...?

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2. Last week, China saw its foreign trade rise 6.5% y-o-y in July, with exports and imports up 10.4% and 1.6%; respectively.
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Source: Global Agritrends 12 August 2020



Coarse Grains - Current Market Overview, Outlook & Issues

Making Sense of China...?



China markets is full of contradictions in terms of what we are told by China and its recovery, and, what is happening in the market.

Do not forget; on the surface China may look and act, for the most part, like a market-based economy; but in reality, it is not,,,

The invisible hand of the Chinese government is omnipresent; and, if and where needed, will exert pressure against regular market forces.

- Simon Quilty, Global Agritrends



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