Unpredictable Grain Markets in 2019-20

The “Ups & Downs” of U.S. Trade Tensions

- U.S.-Japan Trade Agreement (+)
  - Likely positive impact on U.S. wheat exports vs TPP Countries

- U.S. vs China (?)
  - Soybeans & Sorghum (Working towards final resolution)

- USMCA Trade Agreement U.S.-Mexico-Canada \( \Rightarrow \) To be ratified (+)
  - Mexico grain purchases from the U.S.
  - Canada grain export competition vs U.S. (Wheat, Oilseeds)
Grain Market Events to Come ....

1) 2019 U.S. Corn & Soybean harvest (Oct-Nov 2019)
   o Corn\textsuperscript{2019} < 13.8 bln bu? ⇐ End Stocks < 1.929 bb?
   o Soybeans\textsuperscript{2018} < 3.55 bln bu? ⇐ End Stocks < 460 mb?

2) U.S. HRW Wheat Seedings (Oct 2019)
   o Dry soils & Fall Harvest conflicts may ↓ HRW seedings in 2019
   o Struggling profitability for 2013-2018 HRW Wheat

More Grain Market Events to Anticipate

3) Production of “New Crop” MY 2019/20 Export Competitors
   • Soybeans So-Am 2020  \textbf{Up} 2-3% vs MY 2018/19 ⇐ ‘China demand’
   • Corn So-Am + Ukraine 2020 \textbf{Strong growth} since MY 2015/16
   • Argentina politics / export taxes & Brazil - Ukraine \textbf{domestic issues}

4) 2019 U.S. Spring Wheat Crop ⇒ Harvest Damage
   • Wet conditions stopped harvest & damaged last 20-30%
   • USDA to \textit{re-survey} & for the \textbf{November Crop Production} report
More Grain Market Events to Anticipate

5) 2020 U.S. Plantings of Fall Harvested Crop (April-May 2020)

- 1st determine U.S. crops in fall 2019 (Have short crops or not?)
- Soybeans U.S 2020 Uncertain ≈ U.S.-China Trade Status
- Corn U.S. 2020 Up ≈ U.S. Ethanol & Feed Demand

6) 2020 U.S. HRW Crop Development (April-June 2020)

Q? What will the protein &/or quality condition of the 2020 crop be?

Q? What “cross over” HRS vs HRW wheat market impacts will occur?
U.S. Corn & Sorghum Stocks.....

- **Corn**: “Moderate” Stocks & % S/U
  - End Stocks $^{2019/20}$ ⇒ 1.929 bln bu (vs 2.114 bb last year)
  - % Stocks/Use $^{2019/20}$ ⇒ 13.8% S/U (vs 14.6% S/U last year)

- **Grain Sorghum**: “Low” Price$’s (Still hurt by trade issues)
  - End Stocks $^{2019/20}$ ⇒ 52 mln bu (Exports & ↑ Ethanol Use)
  - % Stocks/Use $^{2019/20}$ ⇒ 14.4% S/U (vs 19.1% S/U last year)

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CME Corn Futures

**Weekly** Chart: September 2014 – October 21, 2019

- DEC 2019: $3.92
  - 10/22/2019 a.m.

- Important Dates:
  - $3.18 (10/1/2014)
  - $3.01 (8/31/2016)
  - $3.35 (12/12/2017)
  - $3.30 (7/13/2018)
  - $3.40 (9/9/2019)
Corn Cash & Futures $’s
Garden City, KS Local Elevators – October 21, 2019

Futures Low $ High $ —Marketing Loan-Finney Co.

GARDEN CITY, KS: Corn Basis - GARDEN CITY COOP
www.AgManager.info
Corn Basis, 10-16-2019

Basis = Cash Price - Nearby Futures Price

CBT Dec Futures Price: $3.92

$/Bushel

- .61
- .19
- .22
- .27
- .28
- .29
- .34
- .39
- .48
- .49

Corn Basis Deviation, 10-16-2019

Basis Deviation = Current Basis - 3 Year Average Basis (2016, 2017, 2018)

$/Bushel

- .67
- .30
- .28
- .26
- .24
- .20
- .18
- .17
- .15
- .10

www.agmanager.info
K-State Research and Extension
U.S. Corn Acreage

Final 2019?

U.S. Corn Harvested Acres

<table>
<thead>
<tr>
<th>Year</th>
<th>Million Acres</th>
<th>% Harvested of Planted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>93.5</td>
<td>82.5%</td>
</tr>
<tr>
<td>2008</td>
<td>86.5</td>
<td>83.4%</td>
</tr>
<tr>
<td>2009</td>
<td>88.2</td>
<td>86.2%</td>
</tr>
<tr>
<td>2010</td>
<td>81.4</td>
<td>85.7%</td>
</tr>
<tr>
<td>2011</td>
<td>97.3</td>
<td>86.7%</td>
</tr>
<tr>
<td>2012</td>
<td>88.0</td>
<td>88.0%</td>
</tr>
<tr>
<td>2013</td>
<td>94.0</td>
<td>91.9%</td>
</tr>
<tr>
<td>2014</td>
<td>80.8</td>
<td>88.9%</td>
</tr>
<tr>
<td>2015</td>
<td>86.7</td>
<td>89.9%</td>
</tr>
<tr>
<td>2016</td>
<td>81.7</td>
<td>88.9%</td>
</tr>
<tr>
<td>2017</td>
<td>81.8</td>
<td>89.0%</td>
</tr>
<tr>
<td>2018</td>
<td>81.6</td>
<td>90.3%</td>
</tr>
<tr>
<td>2019</td>
<td>79.7</td>
<td>91.7%</td>
</tr>
<tr>
<td>2019 October</td>
<td>81.1</td>
<td>91.7%</td>
</tr>
<tr>
<td>2019 KSU Projection</td>
<td>80.8</td>
<td>91.8%</td>
</tr>
</tbody>
</table>
U.S. Corn Yields
USDA 2019 USDA Forecast = 168.4 bu/ac

U.S. Corn Production & Supplies
## U.S. Wheat Stocks

- **All U.S. Wheat**: "Large & Moderating" Stocks
  - **End Stocks** 2019/20: 1.043 bln bu (1.080 bb last year)
  - **% Stocks/Use** 2019/20: 49.2% S/U (53.0% Stx/Use last year)

- **U.S. HRW Wheat**: "Still Large" Carryover (BUT declining)
  - **End Stocks** 2019/20: 491 mln bu (732 mb last year)
  - **% Stocks/Use** 2019/20: 56.9% S/U (70.5% Stx/Use last year)

- **U.S. HRS Wheat**: "Uncertain S-D" ⇒ 2019 Harvest Problems
  - **End Stocks** 2019/20: 308 mln bu ? (263 bb last year)
  - **% Stocks/Use** 2019/20: 54.1% S/U ? (45.1% Stx/Use last year)

- **U.S. SRW Wheat**: "Significant declines" in forecast Carryout
  - **End Stocks** 2019/20: 110 mln bu (158 mb last year)
  - **% Stocks/Use** 2019/20: 37.7% S/U (46.9% Stx/Use last year)
**U.S. Wheat Stocks.....**

- **U.S. White Wheat**: “Positive Export news for Asia Markets”
  - **End Stocks 2019/20**: 85 mln bu (88 bb last year)
  - **% Stocks/Use 2019/20**: 30.4% S/U (31.8% Stx/Use last year)

- **U.S. Durum Wheat**: “Uncertain S-D” ⇒ 2019 Harvest Problems
  - **End Stocks 2019/20**: 49 mln bu (55 mb last year)
  - **% Stocks/Use 2019/20**: 43.4% S/U (50.0% Stx/Use last year)

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**Prices for HRS Wheat 14% Protein** (Minneapolis, MN) vs **HRW Wheat – Ordinary Protein** (Kansas City, MO)

[Graph showing price comparison over time]
Gulf and PNW HRS 14.0 Export Basis

Managed Money (Spec) Positions in CME KS HRW Wheat
CFTC Commitment of Traders to 10/15/2019

U.S. Trade Weighted Dollar Index vs HRS & HRW Cash Prices (St. Louis Fed/FRED & USDA)
Wheat Cash & HRW Wheat Futures
Salina, KS Local Elevators - October 22, 2019 a.m.

Price $/bu

VSR Effect?

$0.04083 /mo
$0.04375 /mo
$0.04375 /mo
$0.05125 /mo

Marketing Loan - Saline County

Futures Low $ High $

SALINA, KS: Hard Red Winter Wheat Basis - CARGILL

www.AgManager.info
Wheat Basis, 10-16-2019
Basis = Cash Price - Nearby Futures Price

KCBT Dec Futures Price: $4.25

$/Bushel
- .10
- .24
- .25
- .34
- .38
- .39
- .48
- .52
- .63
- .60

Wheat Basis Deviation, 10-16-2019
Basis Deviation = Current Basis - 3 Year Average Basis (2016, 2017, 2018)
U.S. Wheat Yields

Year
Average Yield - Bu/Acre
42.0 35.6 44.2 40.2 54.3 46.1 56.2 47.1 46.2 45.7 45.6 46.2 47.7 51.4 51.2

U.S. Wheat Production & Supplies

Marketing Year
Production
1.808 2.502 1.808 2.165 2.135 2.768 2.026 2.309 1.741 1.885 1.962
Total Supply
2.239 2.502 1.808 2.165 2.135 2.768 2.026 2.309 1.741 1.885 1.962
Top 15 U.S. Wheat Export Buyers – Last 12 years
Average Yearly Shipments (MY 2007/08 – 2018/19)

Top 15 U.S. Wheat Export Buyers – Last 3 years
Average Yearly Shipments (MY 2016/17 – 2018/19)
Wheat Market Forecast for “New Crop” MY 2019/20

USDA & KSU estimates for U.S. Stk/Use & Prices

### Wheat Market Forecast for “New Crop” MY 2019/20

#### USDA & KSU estimates for U.S. Stk/Use & Prices

#### U.S. Wheat Price ($) vs U.S. % Stocks/Use

**U.S. Wheat Price ($) vs U.S. % Stocks/Use**

**MY 2007/08 – “New Crop” MY 2019/20**

**U.S. Wheat % S/U @ 49%-56% last 5 years**

**U.S. Wheat Avg. Farm Price ($/bushel)**

<table>
<thead>
<tr>
<th>Item</th>
<th>USDA estimate</th>
<th>KSU Scenario #1 2019/20</th>
<th>KSU Scenario #2 2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019/20</td>
<td>2019/20</td>
<td>2019/20</td>
</tr>
<tr>
<td>Planted Area (million acres)</td>
<td>45.158</td>
<td>45.158</td>
<td>45.158</td>
</tr>
<tr>
<td>Harvested Area (million acres)</td>
<td>38.052</td>
<td>-1.3725 m     36.680</td>
<td>-12.5% 36.302</td>
</tr>
<tr>
<td>% Harvested/Planted Area</td>
<td>84.26%</td>
<td>-3.9% 80.39%</td>
<td>-3.9% 80.39%</td>
</tr>
<tr>
<td>Yield / harvested acre [bu/ac]</td>
<td>51.6</td>
<td>-0.4 bu/ac 51.2</td>
<td>-0.4 bu/ac 51.2</td>
</tr>
<tr>
<td>Million Bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Stocks (million bushels)</td>
<td>1,080</td>
<td>1,080</td>
<td>1,080</td>
</tr>
<tr>
<td>Production (million bu.)</td>
<td>1,962</td>
<td>-84 mb 1,878</td>
<td>-84 mb 1,878</td>
</tr>
<tr>
<td>Imports (million bu.)</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Total Supply (million bu.)</td>
<td>3,162</td>
<td>-84 mb 3,078</td>
<td>-84 mb 3,078</td>
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<tr>
<td>Food Use</td>
<td>960</td>
<td>960</td>
<td>960</td>
</tr>
<tr>
<td>Seed Use</td>
<td>68</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>Exports</td>
<td>950</td>
<td>950</td>
<td>+50 mb 1,000</td>
</tr>
<tr>
<td>Feed &amp; Residual Use</td>
<td>140</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>Total Use</td>
<td>2,118</td>
<td>2,118</td>
<td>+50 mb 2,168</td>
</tr>
<tr>
<td>Ending Stocks (million bu.)</td>
<td>1,044</td>
<td>-84 mb 960</td>
<td>-134 mb 910</td>
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<tr>
<td>% Ending Stocks-to-Use</td>
<td>49.29%</td>
<td>45.33%</td>
<td>41.97%</td>
</tr>
<tr>
<td>U.S. Wheat Avg. Farm Price ($/bushel)</td>
<td>$4.70</td>
<td>$5.03 (U.S. Stocks/Use)</td>
<td>$5.33 (U.S. Stocks/Use)</td>
</tr>
</tbody>
</table>
World Wheat Market Prospects:
Large Supplies ⇒ Less of a “Buyer’s Market”

- **Record** Supplies & **Record** Use in MY 2019/20
  - Production ↑ 2.1% /yr vs Use ↑ 1.9% ⇒ Stocks ↑ 10.3% Since 2007/08

- MY 2019/20 crops ↑ - most nations (except Kazakhstan, Brazil, No. Africa)

- Ongoing “**competitive buying pressure**” in World Trade
  - Slowed growth in % End Stocks/Use since MY 2018/19
  - “**Tighter**” supplies from a “World-Less-China” perspective

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World Wheat Supply, Use & Stocks

![Diagram showing world wheat supply, use, and stocks from 2007/08 to 2019/20.](chart)

- **Production** ↑ +2.1%/year
- **Total Use** ↑ +1.9%/year
- **Exports** ↑ +4.5%/year
- **End Stocks / Use** 39.6% in MY 2019/20
  - **Record High**
  - Stocks & % Stocks/Use ↑ 10.3%/year over last 12 years
**World & World-less-China Wheat Stocks & S/U**

Marketing Year

- **World Stocks**
- **World-China Stocks**
- **World % Stocks/Use**
- **World-China % Stocks/Use**

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


- World Wheat % S/U @ record 37%-38% last 3 years
U.S. Wheat $ vs Non-China % Stx/Use

BUT
“World-Less-China” % Stocks/Use are the TIGHTEST since 2013/14

Soybean Markets

KANSAS STATE UNIVERSITY
Department of Agricultural Economics
U.S. Soybean Market Prospects in 2018-19

A. U.S.-China Trade Dispute
   • HAS affected U.S. Soybean export shipments, forward purchases & prices, with recent positive negotiation news

B. U.S. Exports forecast down 17%+ vs 2-3 years ago highs
   • Foreign buyer “switching” between U.S. & South America

C. Market Focus in Fall-Winter 2018-19
   • So. America crops – response to China demand in 2019

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

- Soybean: Still “Moderately Large” Stocks & % S/U
  - End Stocks 2019/20 ⇒ 460 mln bu (Down vs 913 mb last year)
  - % Stocks/Use 2019/20 ⇒ 11.4% S/U (Down vs 23.0% last year)

- Cotton: Large % Stocks/Use & Lower $’s in MY 2019/20
  - Production 2019/20 ⇒ 21.7 mln bales (18.4 & 20.9 mb last 2 years)
  - End Stocks 2019/20 ⇒ 7.0 mln bales (4.85 & 4.2 mb last 2 years)
  - % Stocks/Use 2019/20 ⇒ 35.9% S/U (27.3% & 21.5% last 2 years)
CME Soybean Futures

Weekly Chart: September 2014 through October 22, 2019 a.m.

Soybean Cash & Futures Price $'s

Salina, KS Local Elevators - October 22, 2019 a.m.
U.S. Soybean Acreage

For 2019 ???
Question re: Final
Harvested Acres

U.S. Soybean Yields
USDA 2019 = 46.9 bu/ac

Final 2019???
Impact of Wet Harvest???
45 bu/ac is still possible?
World Soybean Supply, Use & Stocks

Production: Up 5.4% /yr
Total Use: Up 5.3% /yr
Exports: Up +8.5% /yr
Ending Stocks: Up 10.0% /yr

China: 32.7 mmt in soybean imports over the last 9 years - but declines last 2 years

Soybean Importer Purchases

China: +13.1% /yr To 2016/17
EU-28: +2.3% /yr
SE Asia: +8.2% /yr
Mexico: +7.3% /yr
Rest of World: +11.7% /yr

Up 16.6 mmt over 9 years
Questions?

Daniel O’Brien – Extension Ag Economist

Blog:  www.ksugrains.wordpress.com

KSUGrains on Twitter

www.AgManager.info