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 ⇝ 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)
   - Corn\(^{2019}\) < 13.8 bln bu?   \(\Rightarrow\) End Stocks < 2.000 bb?
   - Soybeans\(^{2018}\) < 3.6 bln bu?   \(\Rightarrow\) End Stocks < 600 mb?

2) U.S. HRW Wheat Seedings (Oct 2019)
   - Dry soils & Fall Harvest conflicts may ↓ HRW seedings in 2019
   - 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  \(\uparrow\) 2-3% vs MY 2018/19 \(\Rightarrow\) ‘China demand’
   - Corn \(^{So-Am + Ukraine}\) 2020  \(\uparrow\) 35% per year since MY 2015/16
   - Argentina politics / export taxes & Brazil & Ukraine domestic issues

4) 2019 U.S. Spring Wheat Crop \(\Rightarrow\) Harvest Damage
   - Wet conditions stopped harvest & damaged last 20-30%
   - USDA to re-survey & for the 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 2019 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} \Rightarrow 1.808 \text{ bln bu} \quad (\text{vs } 2.114 \text{ bb last year})
  - % Stocks/Use $^{2019/20} \Rightarrow 12.8\% \text{ S/U} \quad (\text{vs } 15.0\% \text{ S/U last year})

- **Grain Sorghum:** "Low" Price$'s (Still hurt by trade issues)
  - End Stocks $^{2019/20} \Rightarrow 54 \text{ mln bu} \quad (\downarrow \text{Exports} \& \uparrow \text{Ethanol Use})
  - % Stocks/Use $^{2019/20} \Rightarrow 15.0\% \text{ S/U} \quad (\downarrow \text{vs } 18.6\% \text{ S/U last year})

CME Corn Futures
Weekly Chart: September 2014 – October 4, 2019

DEC 2018
$3.84 ¼
10/4/2019
**Corn Cash & Futures $’s**  
*Garden City, KS Local Elevators – October 4, 2019*

<table>
<thead>
<tr>
<th>Price $/bu</th>
<th>Futures</th>
<th>Low $</th>
<th>High $</th>
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<tbody>
<tr>
<td><strong>$3.84</strong></td>
<td>$3.60</td>
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<td><strong>$4.01</strong></td>
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<td>$2.43</td>
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<tr>
<td><strong>$4.04</strong></td>
<td></td>
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<td>$2.43</td>
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**Mktg Loan-Finney Co.**

- **$0.0408 /mo**
- **$0.0225 /mo**
- **$0.0163 /mo**
- **$0.0125 /mo**

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**GARDEN CITY, KS: Corn Basis - GARDEN CITY COOP**

*www.AgManager.info*

- **2019**
- **2018**
- **2017**
Corn Cash & Futures $’s
Salina, KS Local Elevators – October 4, 2019

Price $/bu

Futures
Low $
High $
Mktg Loan-Saline Co.

SALINA, KS: Corn Basis - CARGILL
www.AgManager.info

2019 2018 2017
World Corn Supply, Use & Stocks

- Production: ↑ 3.2%/yr
- Total Usage: ↑ 3.7%/yr

Ending Stocks: 295.6 mmt
"New Crop" 2019/20
@ 26.2% Stx/Use

U.S. Corn $USD-adj vs WorldLess China %Stx/Use
MY 2007/08 through “New Crop” MY 2019/20
Sorghum Cash & Futures $’s
Salina, KS Local Elevators – October 4, 2019

Price $/bu

Futures
Low $
High $
Mktg Loan-Finney Co.

SALINA, KS: Grain Sorghum Basis - CARGILL
www.AgManager.info

2019  2018  2017
U.S. Wheat Stocks.....

- **All U.S. Wheat**: “Large & Moderating” Stocks
  - End Stocks \(2019/20\) ⇒ 1.080 bln bu (1.004 bb last year)
  - % Stocks/Use \(2019/20\) ⇒ 53.0% S/U (46.2% Stx/Use last year)

- **U.S. HRW Wheat**: “Still Large” Carryover (also declining)
  - End Stocks \(2019/20\) ⇒ 462 mln bu (506 mb last year)
  - % Stocks/Use \(2019/20\) ⇒ 52.0% S/U (68.2% Stx/Use last year)

World Wheat Market Prospects:
Large Supplies ⇒ Less of a “Buyer’s Market”

- **Record Supplies** - & - **Record Usage** in MY 2019/20
  - ↑2.1% in Production vs ↑1.5% in Usage ⇒ ↑13.1% in End Stocks

- Forecast ↑ in 2019 crops in all nations except Kazakhstan

- More “competitive buying pressure” in World Trade
  - “Tighter” supplies from a “World-Less-China” perspective
  - Some evidence “healthy” **U.S. HRW wheat exports** in MY 2019/20
Wheat Cash & HRW Wheat Futures
Garden City, KS Local Elevators - October 4, 2019

Price $/bu

- Futures
- Low $
- High $
- Marketing Loan - Finney County

VSR Effect?

GARDEN CITY, KS: Hard Red Winter Wheat Basis - GARDEN CITY COOP

www.AgManager.info

2019  2018  2017
U.S. Wheat Price ($) vs World % Stx/Use

World Wheat % S/U @ 39%-40% last 3 years

U.S. Wheat $ vs Non-China % Stx/Use
MY 1973/74 – “New Crop” MY 2017/18

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

Commercial Hedge Positions in Soybeans
CFTC Commitment of Traders to 10/1/2019

[Graph showing commercial hedge positions in soybeans from June 2006 to June 2019, with data points indicating long and short commercial hedges, and soybean futures prices.]
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**: “Large” Stocks & % S/U
  - **End Stocks** 2019/20 $\Rightarrow$ 548 mln bu (Down vs 913 mb last year)
  - **% Stocks/Use** 2019/20 $\Rightarrow$ 13.6% S/U (Down vs 23.0% last year)

- **Cotton**: Large % Stocks/Use & Lower $'s in MY 2019/20
  - **Production** 2019/20 $\Rightarrow$ 21.9 mln bales (18.4 & 20.9 mb last 2 years)
  - **End Stocks** 2019/20 $\Rightarrow$ 7.2 mln bales (4.85 & 4.2 mb last 2 years)
  - **% Stocks/Use** 2019/20 $\Rightarrow$ 36.9% S/U (27.3% & 21.5% last 2 years)

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**CME Soybean Futures**

*Weekly Chart*: September 2014 through October 4, 2019

- **NOV 2019**
  - $\$9.16 \ 1/4$
  - 10/4/2019

- **$8.66 (9/11/2015)**
- **$8.12 (9/18/2016)**
- **$8.15**
U.S. Soybean Acreage

For 2019 ???
Question re: Final Harvested Acres

U.S. Soybean Yields

USDA 2019 = 47.9 bu/ac

Final 2019???
Impact of Wet Harvest???
45 bu/ac is still possible?
China Soybean Supply-Demand
2007/08 through “New Crop” MY 2019/20

Soybean Importer Purchases

China soybean imports up 16.6 mmt over 9 years - but declines last 2 years

End of 32.7 mmt in soybean imports over the last 9 years - but declines last 2 years
U.S. Soybean $ vs World % Stx/Use
MY 2007/08 through “New Crop” MY 2019/20

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

World Cotton Production

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<tr>
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<tbody>
<tr>
<td>World</td>
<td>119.0</td>
<td>124.9</td>
<td>-0.7</td>
<td>5.9</td>
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<tr>
<td>United States</td>
<td>18.4</td>
<td>21.9</td>
<td>-0.7</td>
<td>3.5</td>
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<tr>
<td>Foreign</td>
<td>100.7</td>
<td>103.0</td>
<td>-0.1</td>
<td>2.4</td>
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<tr>
<td>Argentina</td>
<td>1.1</td>
<td>1.0</td>
<td>--</td>
<td>-0.1</td>
</tr>
<tr>
<td>Brazil</td>
<td>12.8</td>
<td>12.0</td>
<td>--</td>
<td>-0.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.7</td>
<td>4.1</td>
<td>--</td>
<td>0.4</td>
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<tr>
<td>Australia</td>
<td>2.2</td>
<td>1.4</td>
<td>-0.5</td>
<td>-0.8</td>
</tr>
<tr>
<td>China</td>
<td>27.8</td>
<td>27.8</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>India</td>
<td>26.5</td>
<td>29.5</td>
<td>0.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>7.6</td>
<td>8.0</td>
<td>--</td>
<td>0.4</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>3.3</td>
<td>3.0</td>
<td>--</td>
<td>-0.3</td>
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<tr>
<td>Turkmenistan</td>
<td>0.9</td>
<td>1.2</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>African Franc Zone</td>
<td>5.4</td>
<td>5.9</td>
<td>-0.1</td>
<td>0.5</td>
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## U.S. Cotton Supply and Demand

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</thead>
<tbody>
<tr>
<td>Planted area (million acres)</td>
<td>14.10</td>
<td>--</td>
<td>13.76</td>
<td>-0.14</td>
<td>-0.34</td>
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<tr>
<td>Harvested area (million acres)</td>
<td>10.21</td>
<td>--</td>
<td>12.51</td>
<td>-0.13</td>
<td>2.30</td>
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<tr>
<td>Yield (pounds per acre)</td>
<td>864</td>
<td>--</td>
<td>839</td>
<td>-16</td>
<td>-25</td>
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<tr>
<td>Beginning stocks</td>
<td>4.20</td>
<td>-0.10</td>
<td>4.85</td>
<td>-0.40</td>
<td>0.65</td>
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<tr>
<td>Production</td>
<td>18.37</td>
<td>--</td>
<td>21.86</td>
<td>-0.65</td>
<td>3.50</td>
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<tr>
<td>Imports</td>
<td>0.00</td>
<td>**</td>
<td>0.01</td>
<td>--</td>
<td>**</td>
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<tr>
<td>Total supply</td>
<td>22.57</td>
<td>-0.10</td>
<td>26.72</td>
<td>-1.05</td>
<td>4.15</td>
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<tr>
<td>Mill use</td>
<td>2.98</td>
<td>-0.02</td>
<td>3.00</td>
<td>-0.10</td>
<td>0.02</td>
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<td>Exports</td>
<td>14.76</td>
<td>0.55</td>
<td>16.50</td>
<td>-0.70</td>
<td>1.74</td>
</tr>
<tr>
<td>Total use</td>
<td>17.74</td>
<td>0.52</td>
<td>19.50</td>
<td>-0.80</td>
<td>1.76</td>
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<tr>
<td>Unaccounted</td>
<td>-0.02</td>
<td>-0.22</td>
<td>0.02</td>
<td>-0.25</td>
<td>0.04</td>
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<tr>
<td>Ending stocks</td>
<td>4.85</td>
<td>-0.40</td>
<td>7.20</td>
<td>--</td>
<td>2.35</td>
</tr>
<tr>
<td>Stocks to use ratio</td>
<td>27.3</td>
<td>-3.2</td>
<td>36.9</td>
<td>1.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Average market price</td>
<td>70.50</td>
<td>0.50</td>
<td>58.00</td>
<td>-2.00</td>
<td>-12.50</td>
</tr>
</tbody>
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### Questions?

**Daniel O’Brien – Extension Ag Economist**

Blog:  [www.ksugrains.wordpress.com](http://www.ksugrains.wordpress.com)

[KSUGrains](http://www.AgManager.info) on Twitter

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