Kansas Grain Market Outlook
Leavenworth County
Tonganoxie, Kansas - November 30, 2016
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Topics to be discussed.....
1) Overall Grain Market Situation – World & U.S.
2) Currency Exchange Rate impacts on the World grain trade & World grain prices
3) Market Outlook for Com & Soybeans
   “Revenue Insurance Planning & Harvest Price Perspective for Com & Soybeans”

Current Grain Market Situation for U.S. & Kansas Farmers & Agribusinesses

1) Large grain supplies are limiting grain prices
2) Wheat prices in Kansas are below the Marketing Loan Rate
3) Grain farmers are now focusing on marketing 2016 Crops
4) U.S. & World Crop production plans for 2017??
   - More soybeans are likely in 2017 in South America & U.S.
   - Lower U.S. & World wheat acres with some World crop risk emerging
   - 2017 U.S. Corn acres to be same or higher - lower in Brazil & Argentina


China Exchange Rates - Monthly

China Com Temporary Reserve Price

China corn prices, 2000-15

Source: www.dimsuns.blogspot.com
Canada & Mexico Exchange Rates - Monthly

U.S. NAFTA Partners (Feedgrain & Wheat Trade Effects)

USD$ “Stronger” vs Currencies since 2012

Canada  Mexico

World Wheat Exporters

** Note Weaker Currencies! **

Euro & Australia Currency per U.S. Dollar

The Com Market

U.S. Feedgrain Market Prospects:

Low Prices “helping” Use, but Large Supplies are “limiting prices”

• Record large World & U.S. feedgrain supplies
  - Low Com $’s have supported U.S. domestic use
    - Livestock Feed\textsuperscript{}2016/17 = 5.650 bln bu (9 year high - vs 5.858 bb in 2007/08)
    - Corn Ethanol\textsuperscript{}2016/17 = 5.300 bln bu (record high - vs 5.200 bb last 2 yrs)
    - Other FSI\textsuperscript{}2016/17 = 1.435 bln bu (4 year high - vs 1.424 bb in 2011/12)
    - Exports\textsuperscript{}2016/17 = 2.225 bln bu (9 year high - vs 2.437 bb in 2007/08)
  - Sorghum exports declining from China “run” last 2-3 yrs

CME Corn Futures


DEC 2016 $3.36 ½
11/29/2016

\textsuperscript{Note: Feedgrain is defined as corn, soybeans, and other grains used in livestock feed. Corn Ethanol is defined as corn used to produce ethanol. Other FSI includes all other feedgrains such as sorghum, barley, and triticale.}
U.S. Corn Ending Stocks & % Stocks/Use

Marketing Year

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

World Corn (Maize) Production Regions

World Corn Supply, Use & Stocks

World Coarse Grain Producers
Soybean Markets

U.S. Soybean Market Prospects:
“Strong” Use & Exports – but with Large Stocks & Weak Prices

- U.S. soybean exports in 2016/17 to remain historically large in spite of higher U.S. Dollar exchange rate
  o Depends on China imports & 2017 South American crops

- Low Prices have supported record high U.S. Soybean Use
  o Crush\textsuperscript{2016/17} = 1.930 bln bu (record > 1.886 bb in MY 2015/16)
  o Exports\textsuperscript{2016/17} = 2.050 bln bu (record > 1.936 bb vs MY 2015/16)
  o “Uncertainty” re: 2017 South American soybean crop size

CME Soybean Futures


TOPEKA, KS: Soybeans Basis - CARGILL

Soybean Basis, 11-23-2016

Basis = Cash Price - Nearby Futures Price
U.S. Soybean Use & Ending Stocks
MY 2004/05 – “New Crop” MY 2016/17
Record High Exports & Crush

U.S. Soybean % Stocks/Use vs Price$
MY 2006/07 – “New Crop” MY 2016/17

World Soybean Supply, Use & Stocks
MY 2007/08 – MY 2016/17

World Soybean Producers
MY 2014/15 – MY 2016/17
**U.S. Soybeans vs World % Stocks/Use**

MY 1973/74 - “New Crop” MY 2016/17

Questions?
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**Grain Market Prospects for 2017**

A ‘Test Drive’ of 2017 Grain Sales Strategies
Tonganoxie, Kansas - November 30, 2016

**The Corn Market**

CME Corn Futures

Northeast KS Corn Seasonal Cash $ Index

What Corn Marketing Strategies are Likely to Work Best in 2017 in Northeast Kansas?

For “Old Crop” 2016 Corn
- **On-Farm Storage** ⇒ Yes, but not until spring-summer 2017
- **Off-Farm Storage** ⇒ Maybe, but will need larger 2017 rallies
- **Storage Hedges / Fwd Contracts** ⇒ No – discounted futures
- **Buying Puts or Marketing Loans** ⇒ + Mktg Loans (Ø put costs)
- **Selling Cash & Buy Call Options** ⇒ Ø wide Basis (+ after sales)

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For “New Crop” 2017 Corn
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- **Forward Contracts** ⇒ Maybe, but watch for wide basis bids
- **Buying Puts** ⇒ ??? – Maybe @ spring/summer rallies
- **Marketing Loans** ⇒ Be aware of Mktg Loan$ vs Net Put$
- **Forward Contract + Buy Calls** ⇒ Ø wide Basis (+ rally protection)

Soybean Markets

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**What Soybean Marketing Strategies are Likely to Work Best in 2017 in Northeast Kansas?**

For “Old Crop” 2016 Soybeans
- **On-Farm Storage**: Yes, but risk to 2017 South America crop
- **Off-Farm Storage**: Ditto On-Farm storage but at higher costs
- **Storage Hedges / Fwd Contracts**: No! - discounted futures
- **Buying Puts or Marketing Loans**: + Buying Puts (@ Mktg Loan)
- **Selling Cash & Buy Call Options**: Use after cash sales “IF”...

For “New Crop” 2017 Soybeans
- **Storage Hedges**: ??? - How much risk of low fall 2017 $s?
- **Forward Contracts**: Ditto, but watch for wide fall ’17 basis bids
- **Buying Puts**: Yes - @ spring/summer rallies
- **Marketing Loans**: Extremely low Mktg Loan$s vs Net Put$s
- **Forward Contract + Buy Calls**: Use as post-FC rally protection