

2017 Grain Market Outlook

Grain Marketing Strategies Workshop

Otis, Kansas – February 14, 2017

DANIEL O'BRIEN

EXTENSION AGRICULTURAL ECONOMIST

KANSAS STATE
UNIVERSITY

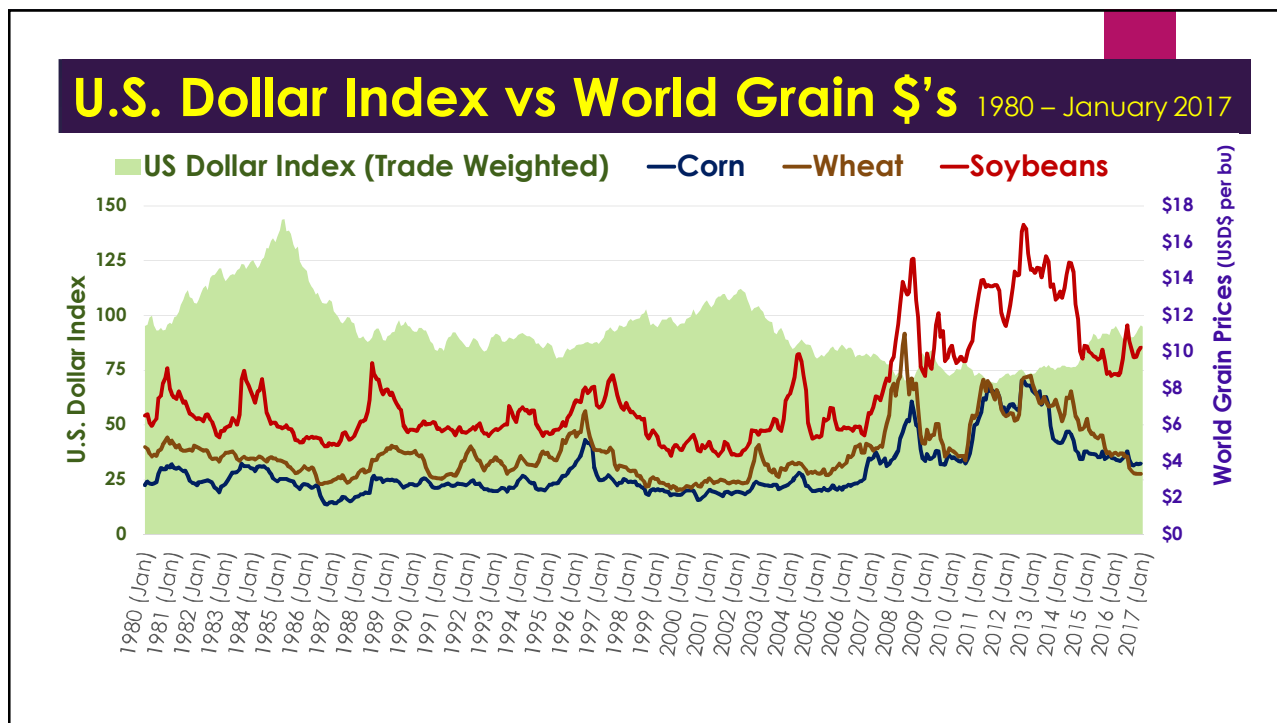
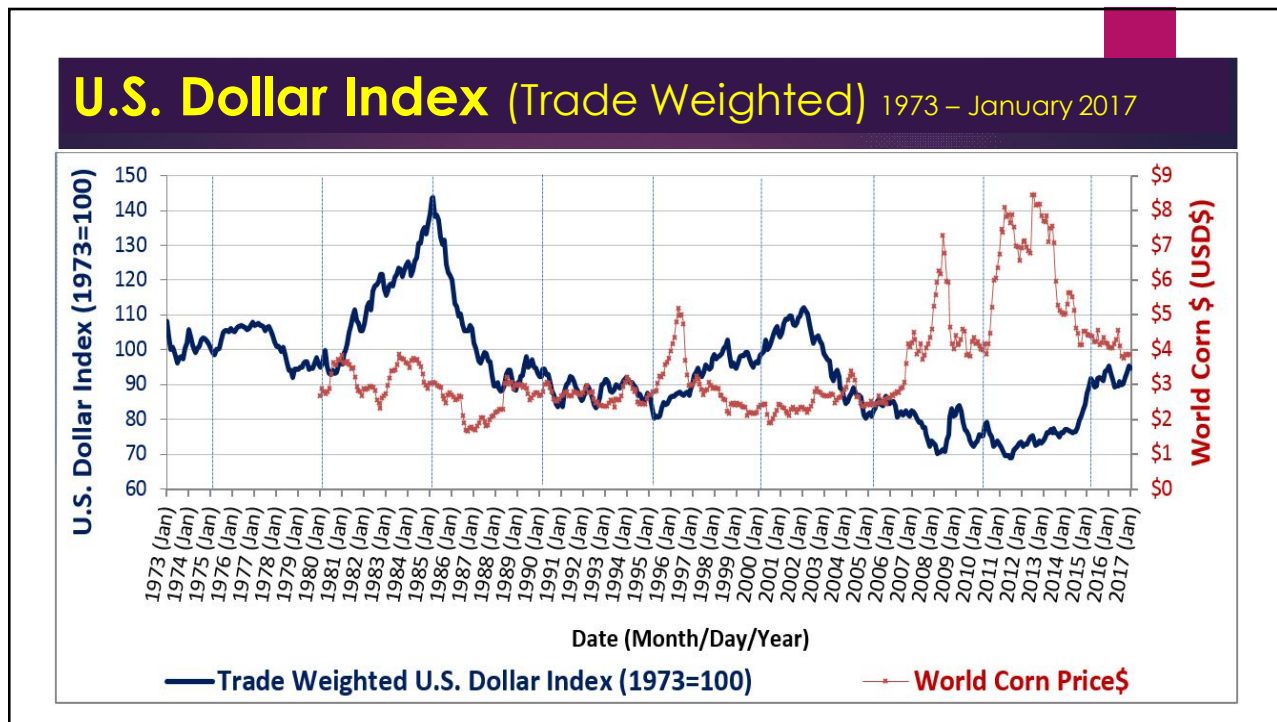
Department of Agricultural Economics

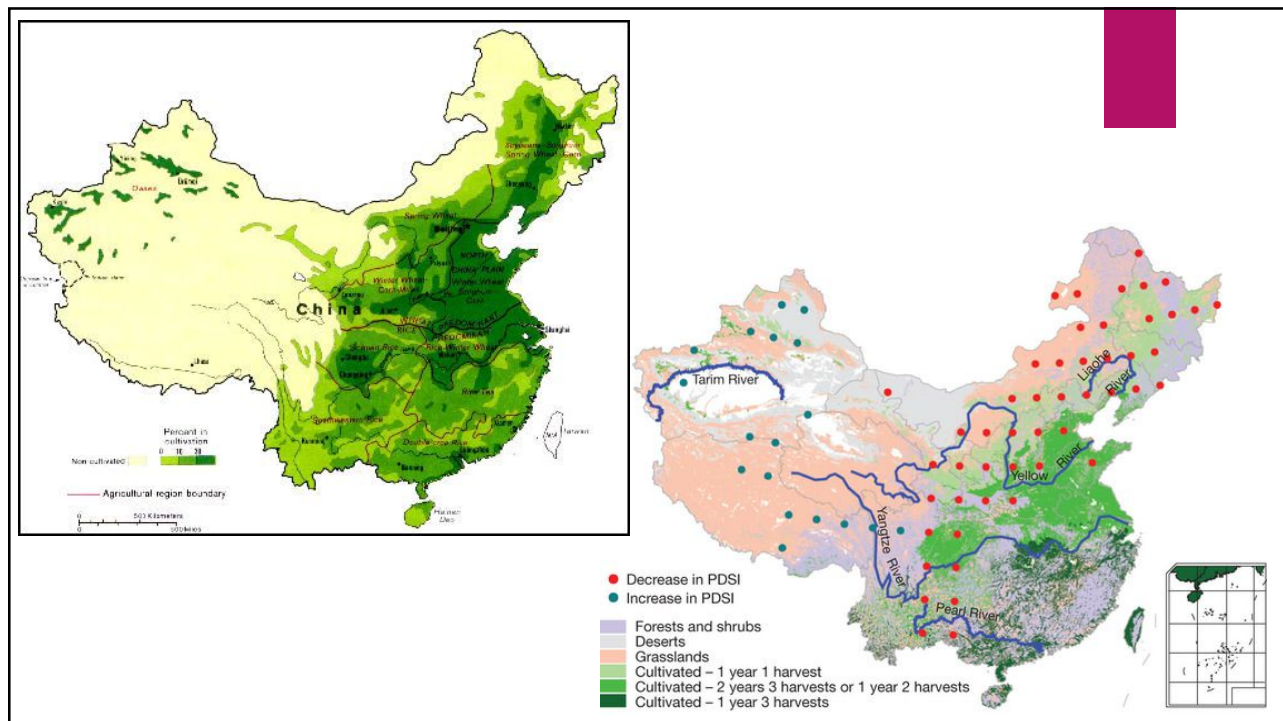
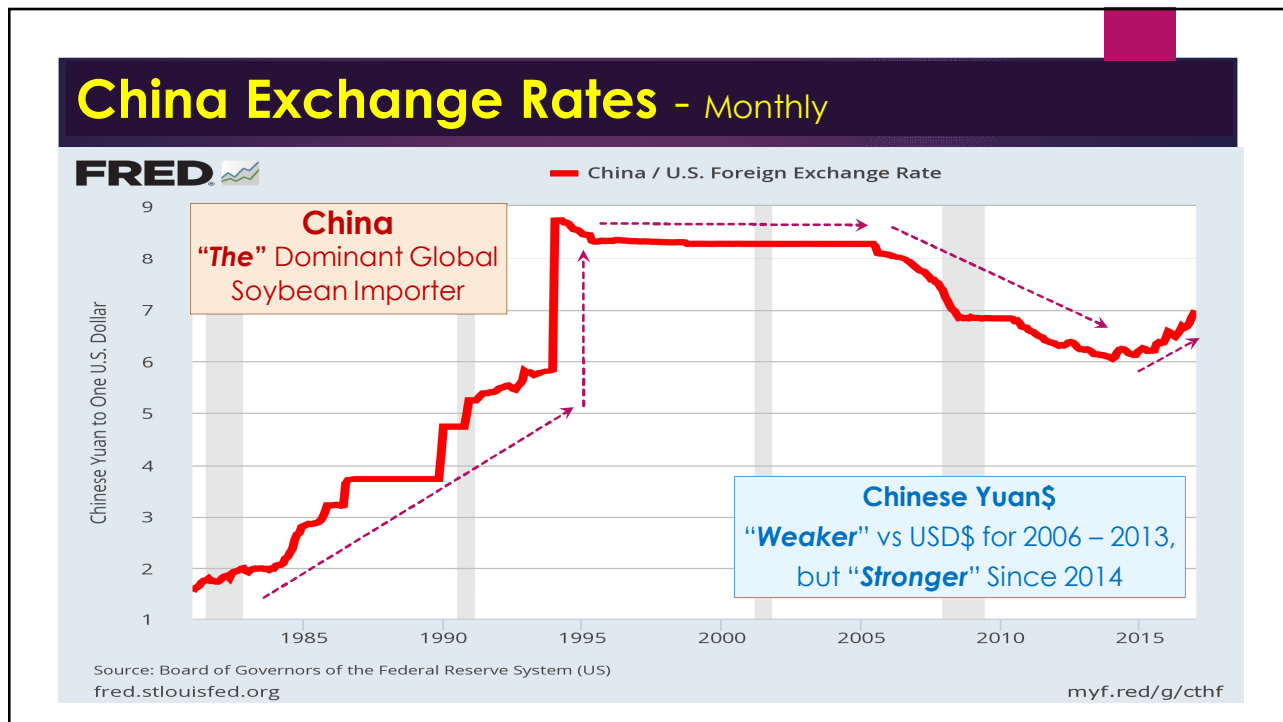


Current Grain Market Situation

for U.S. & Kansas Farmers & Agribusinesses

- 1) Large grain supplies are limiting grain prices
- 2) **Wheat \$'s near Marketing Loan** (Feedgrain \$'s \uparrow Loan)
- 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 lower** – ???? in Brazil & Argentina





China Corn & Soybean Supply-Demand Ests.

Source: www.dimsums.blogspot.com

Item	Unit	2015/16	2016/17 Dec.	2016/17 Jan
Planted area	1000 ha	38,117	36,026	36,026
Harvested area	1000 ha	38,117	36,016	36,021
Yield	Kg/ha	5,892	5,960	5,978
Production	MMT	224.58	214.65	215.33
Imports	MMT	3.2	1.0	1.0
Consumption	MMT	194.05	210.72	210.72
--Food	MMT	7.65	7.82	7.82
--Feed	MMT	121.01	133.53	133.53
--Industrial use	MMT	54.17	57.75	57.75
--Seed	MMT	1.66	1.61	1.61
Loss and other	MMT	9.56	10.01	10.01
Exports	MMT	0.01	0.5	0.5
Surplus	MMT	33.73	4.43	5.11

Item	Unit	2015/16	2016/17 Dec	2016/17 Jan
Planted area	1000 ha	6,590	7,156	7,156
Harvested area	1000 ha	6,590	7,150	7,150
Yield	Kg/ha	1,762	1,748	1,748
Production	MMT	11.6	12.5	12.5
Imports	MMT	83.23	85.31	85.31
Consumption	MMT	96.67	99.72	99.77
--Crushing	MMT	82.89	85.50	85.50
--Food	MMT	10.35	11.18	11.18
--Seed	MMT	0.54	0.56	0.61
Loss and other	MMT	2.89	2.48	2.48
Exports	MMT	0.11	0.20	0.20
Surplus	MMT	-1.9	-2.1	-2.2

China vs U.S. Corn Net Return Estimates

Source: www.dimsums.blogspot.com

Estimated net returns to corn production, Fall 2016

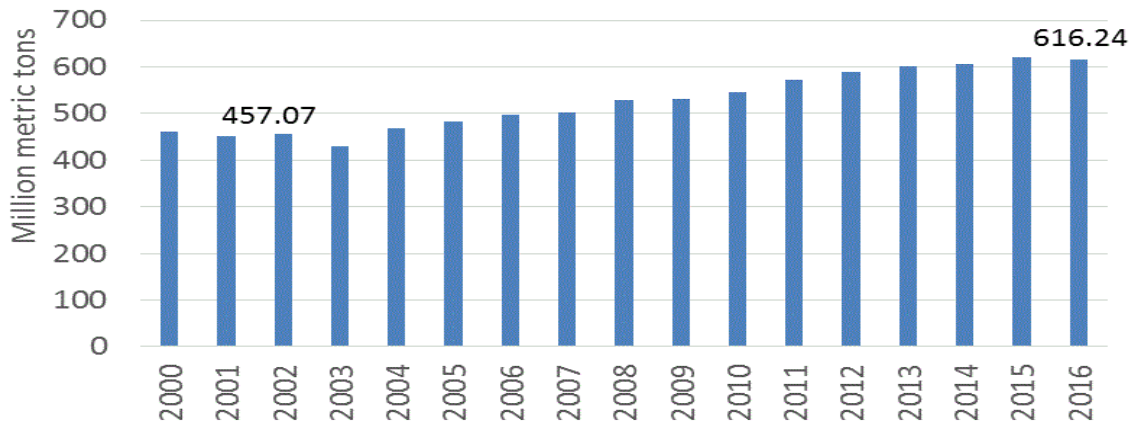
Item	Unit	Taozhuang village	Central Illinois
Yield	bu/acre	131	231
Price	US\$/bu	5.46	3.30
Gross income	\$/acre	715	762
Cost	\$/acre	<u>252</u>	<u>555</u>
"Net" income	\$/acre	463	207
"Dividend" to villagers	\$/acre	358	Land rent 220
"service center" expense	\$/acre	105	Farmer loss (-43)

Sources: Ministry of Agriculture web site,

China Grain Output: Years 2000-2016

Source: www.dimsums.blogspot.com

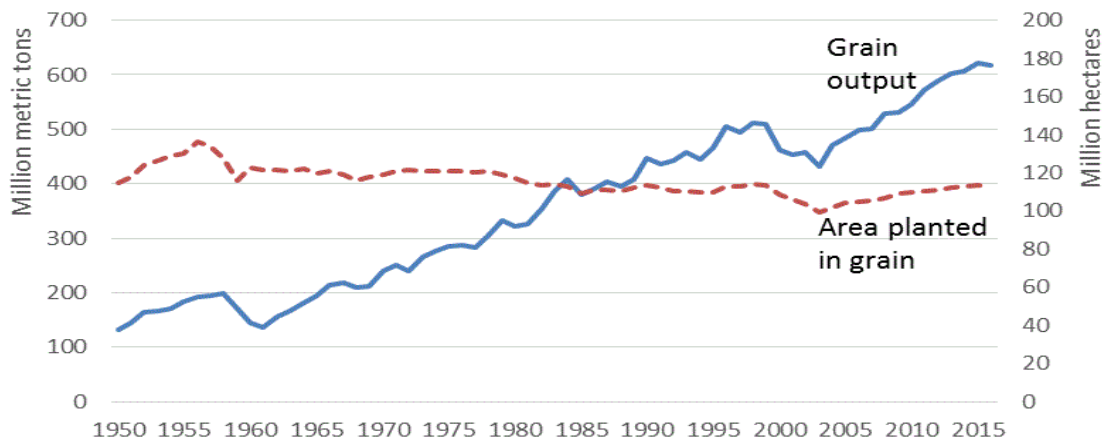
China "grain" production, 2000-2016



China Grain Output vs Planted Area: 1950-2016

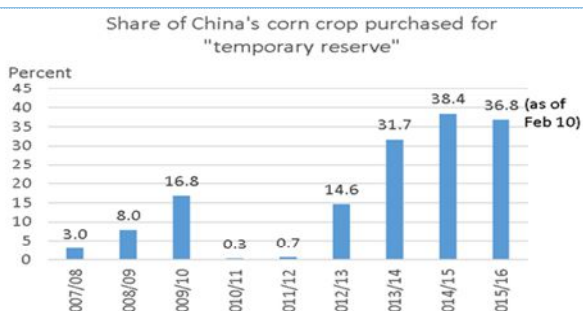
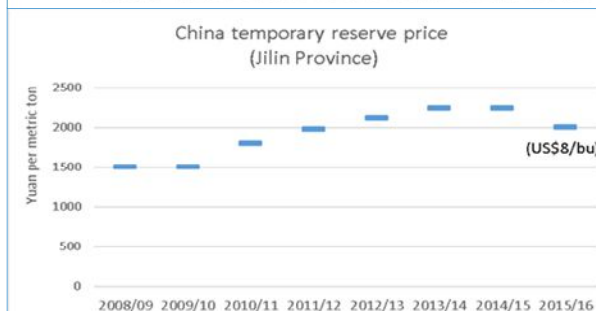
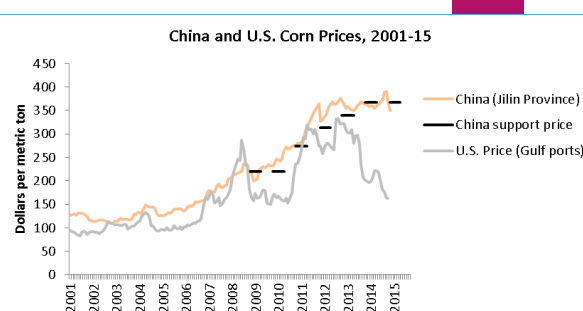
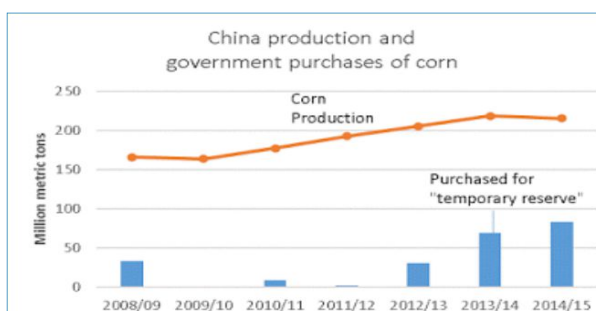
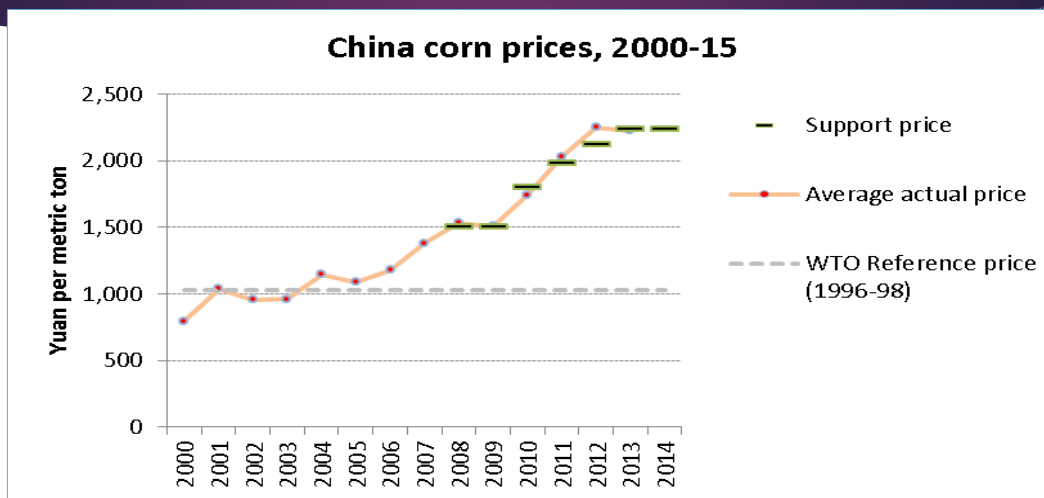
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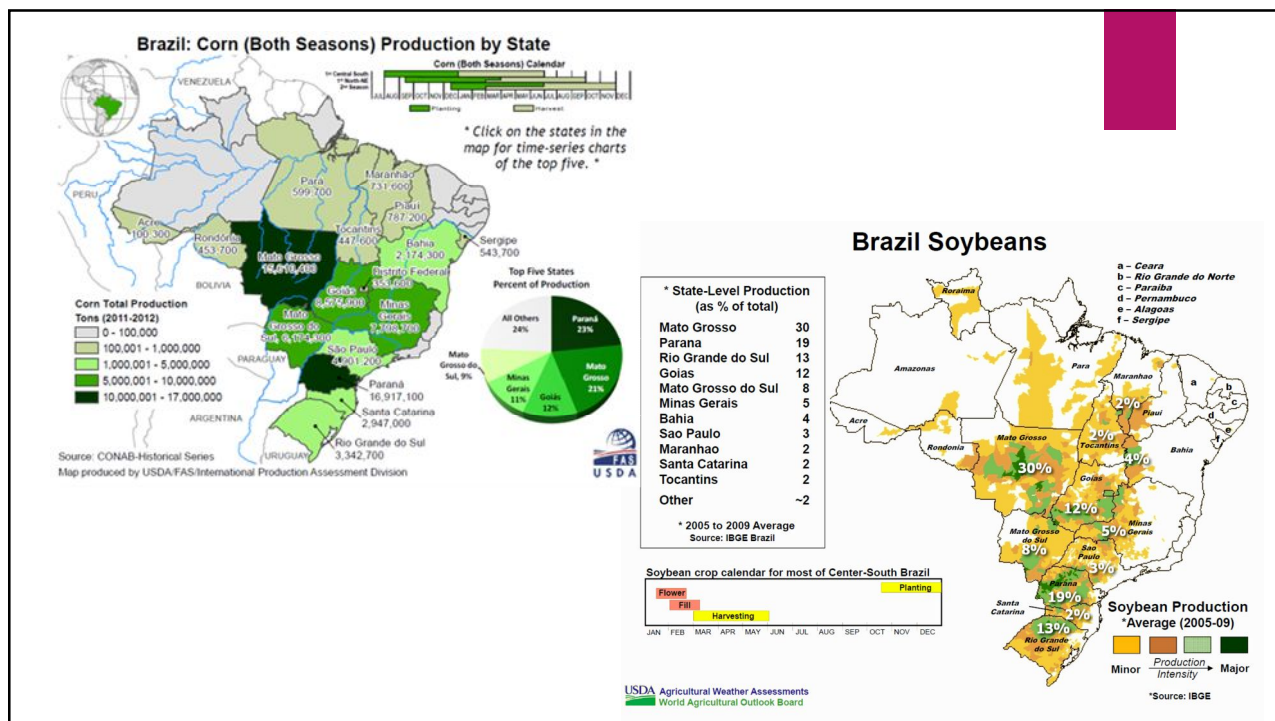
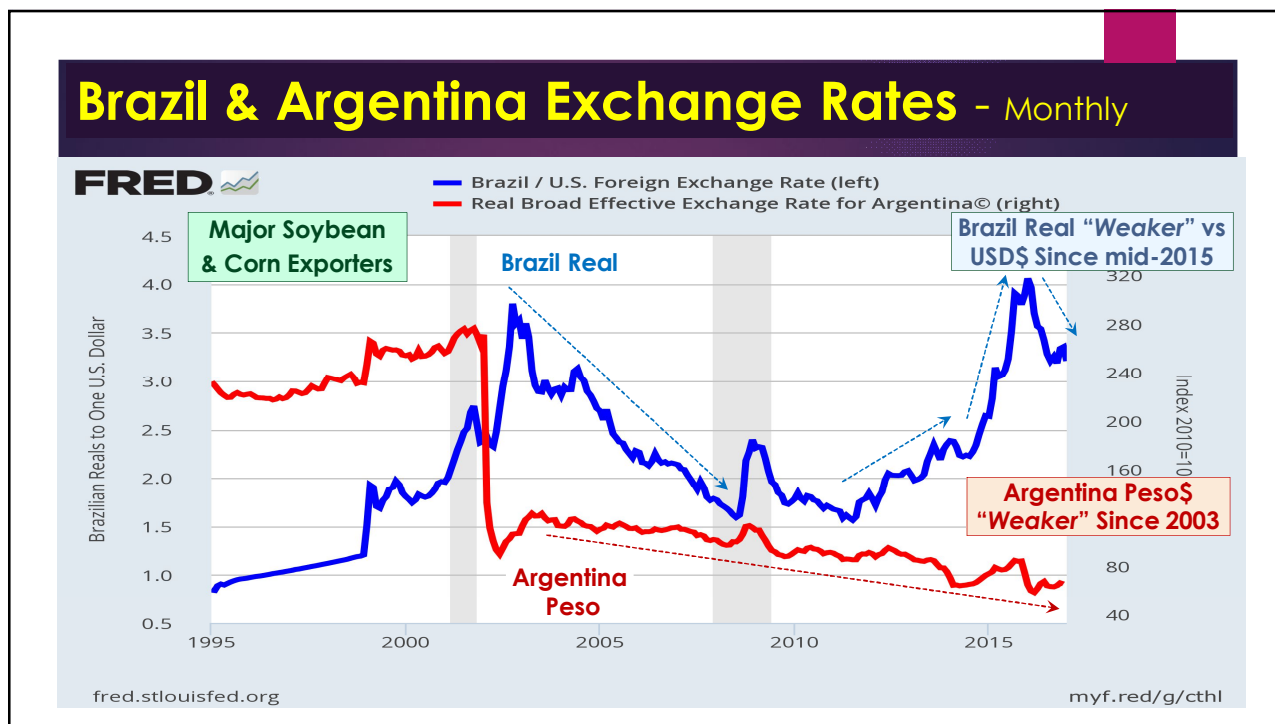
China grain output, 1950-2016

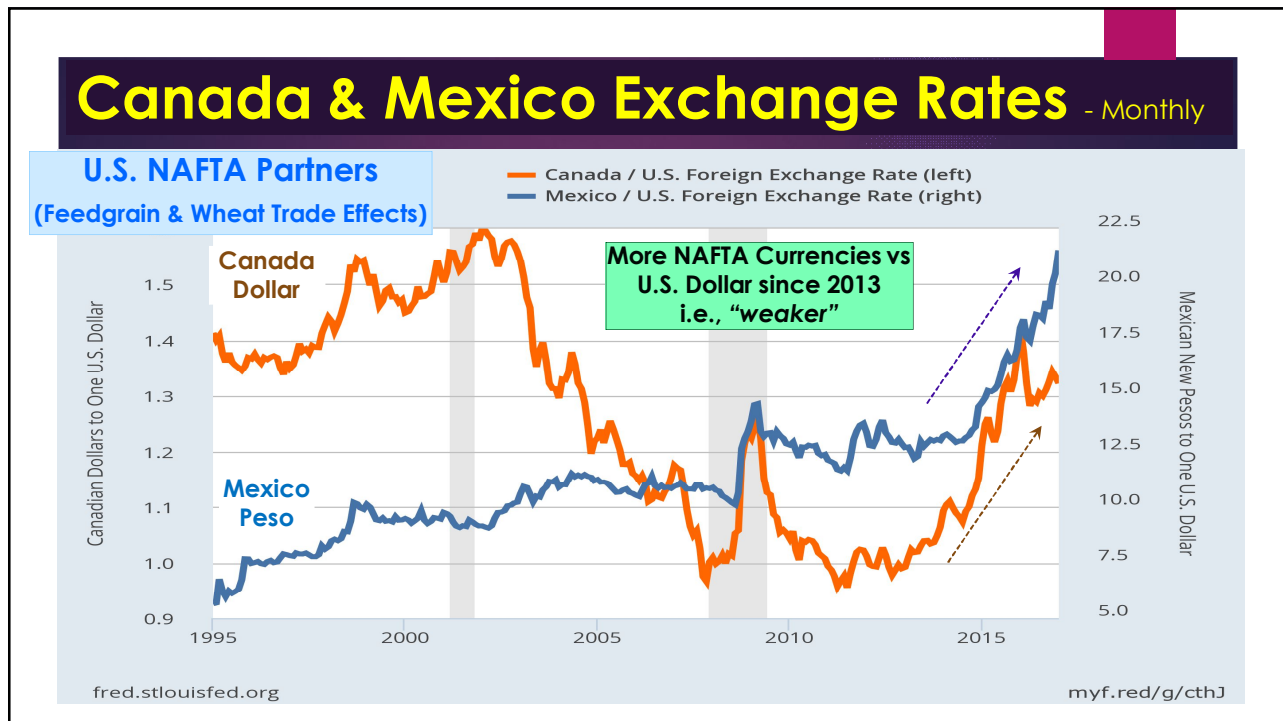
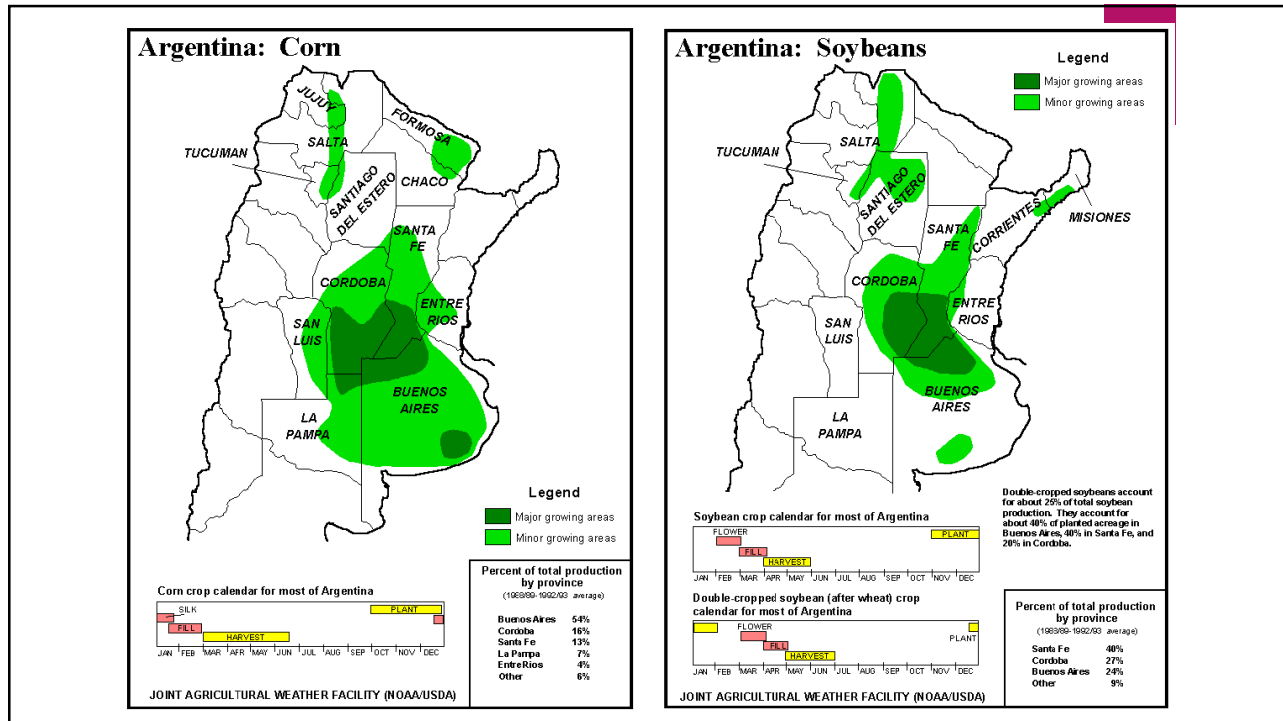


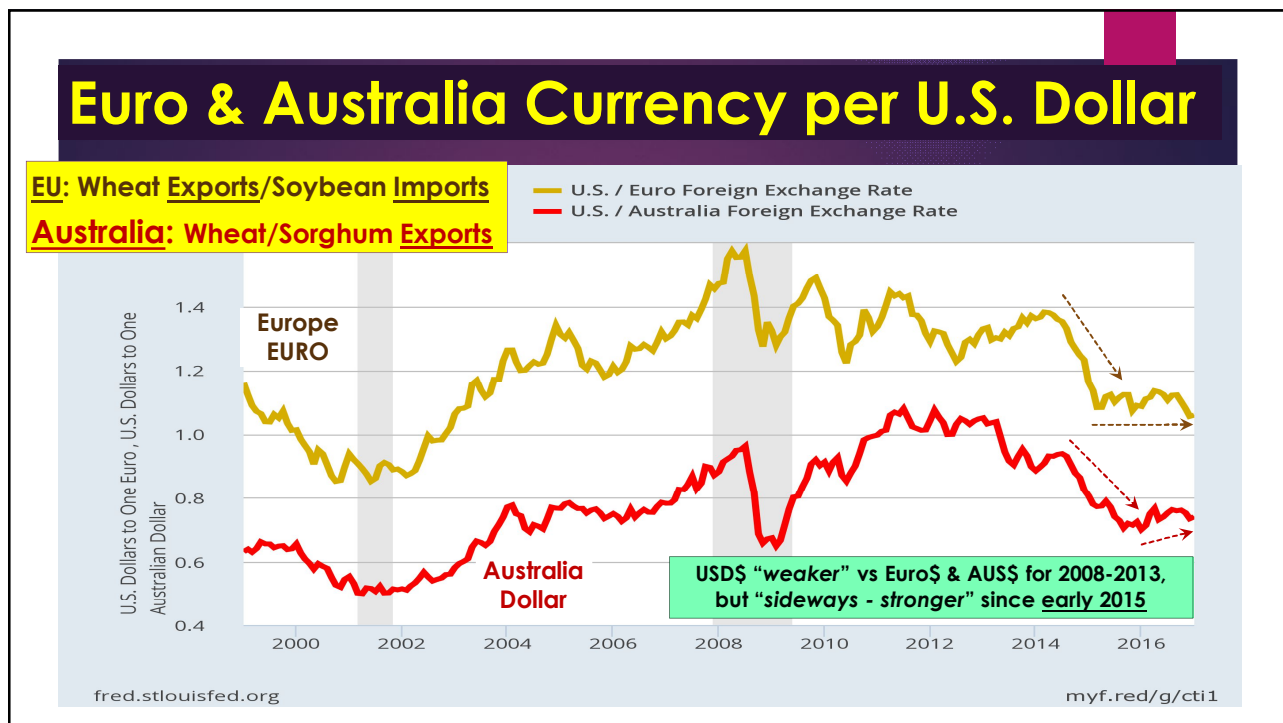
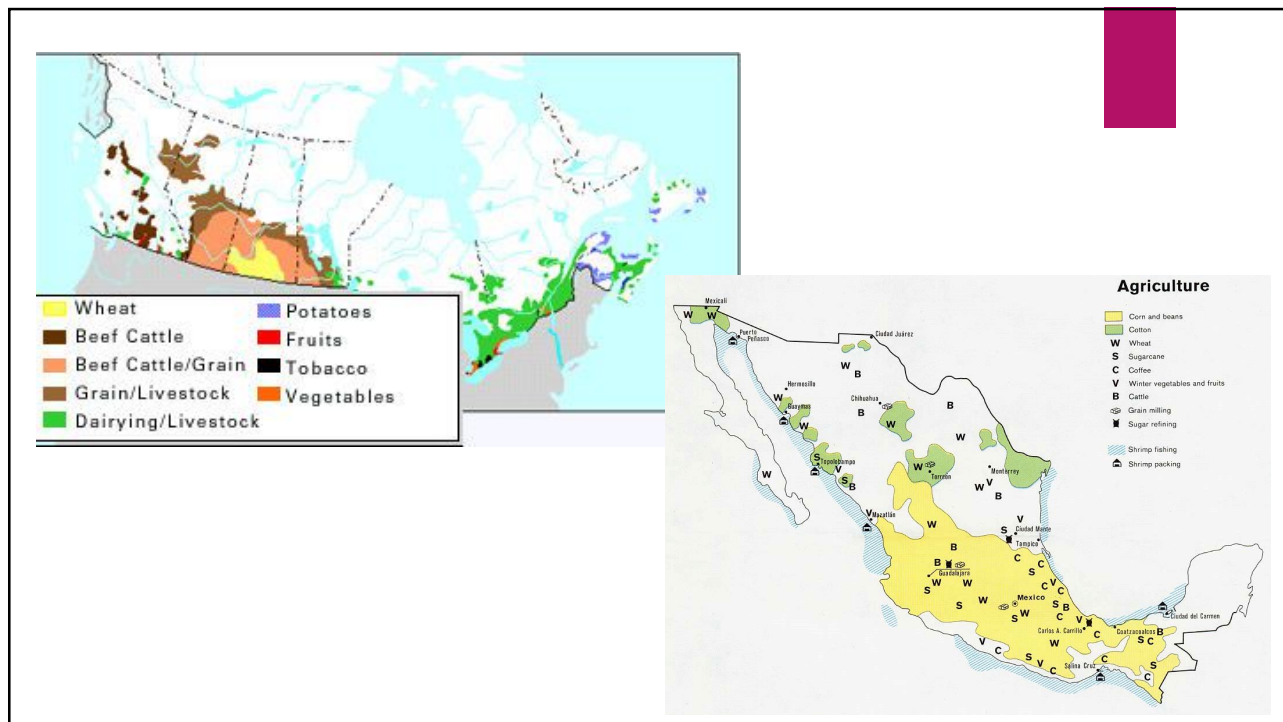
China Corn Temporary Reserve Price

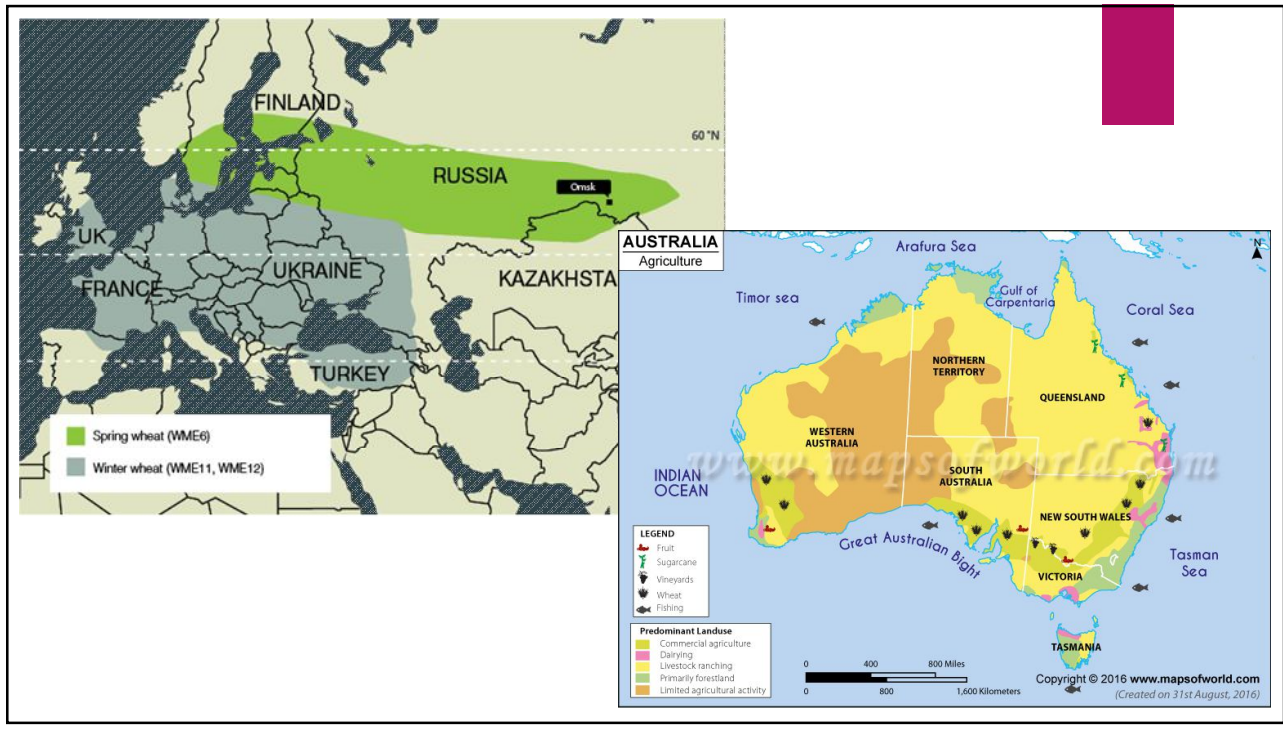
Source: www.dimsums.blogspot.com











Corn Markets

The complex block features a dark purple header with the title 'Corn Markets' in yellow. Below the header is a collage of three images: a wide-angle shot of a vast green cornfield, a close-up of several golden-brown corn cobs, and a photograph of a large industrial corn processing plant with silos and conveyor belts. At the bottom of the collage, the 'KANSAS STATE UNIVERSITY' logo is displayed in white on a purple background, followed by the text 'Department of Agricultural Economics'.

U.S. Feedgrain Market Prospects:

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

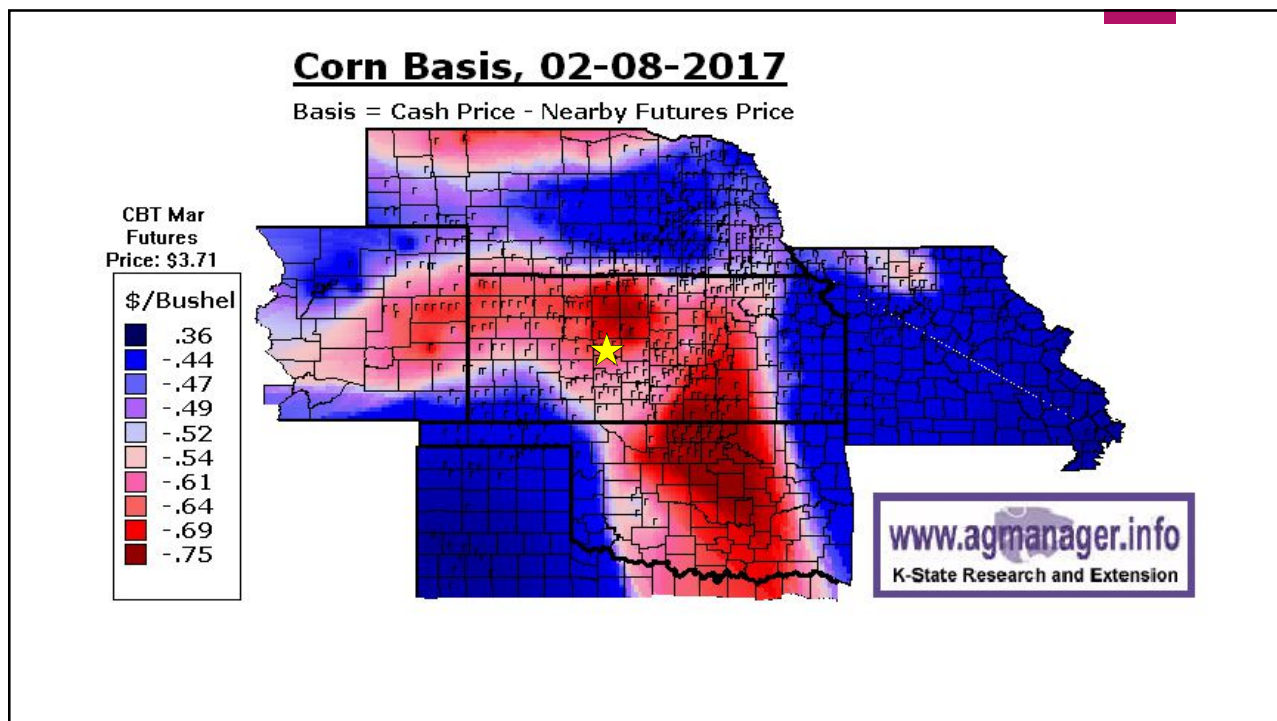
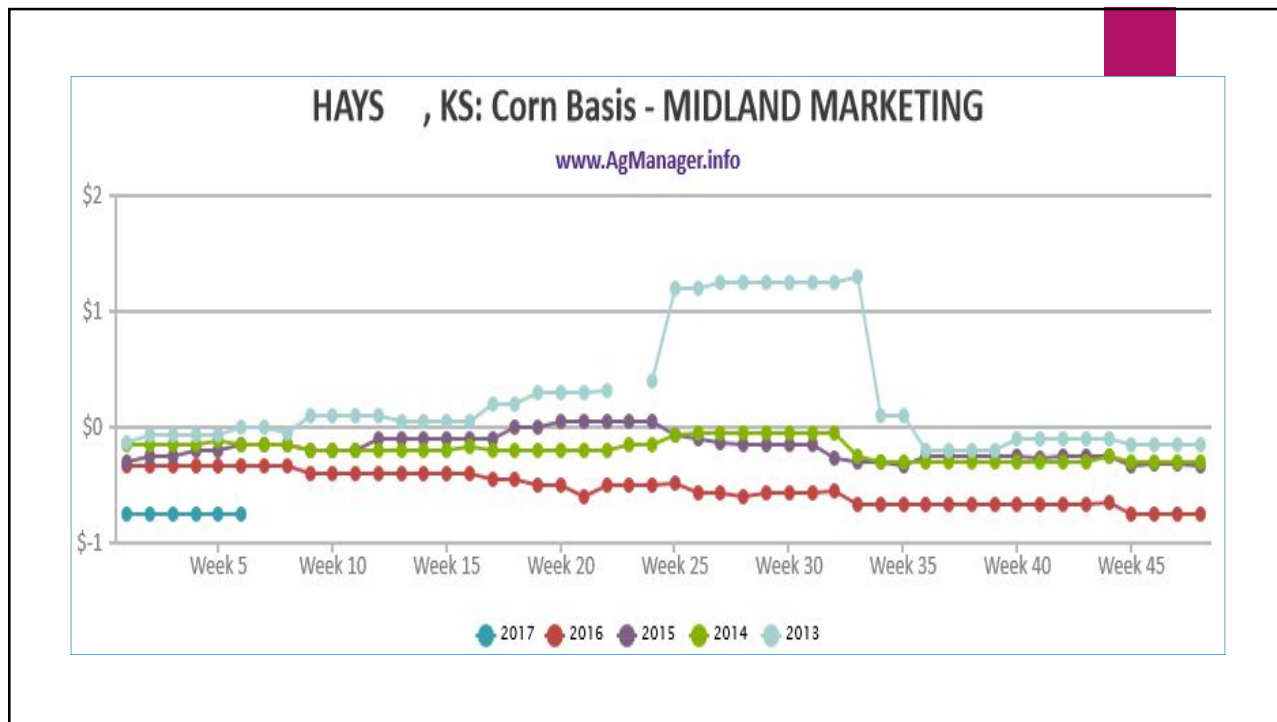
- Record large World & U.S. feedgrain supplies
- Low Corn \$'s have supported U.S. domestic use
 - Livestock Feed^{2016/17} = 5.600 bln bu (9 year high – vs 5.858 bb in 2007/08)
 - Corn Ethanol^{2016/17} = 5.350 bln bu (record high – vs ≈ 5.200 bb last 2 yrs)
 - Other FSI^{2016/17} = 1.445 bln bu (record high – vs 1.429 bb in 2015/16)
 - Exports^{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

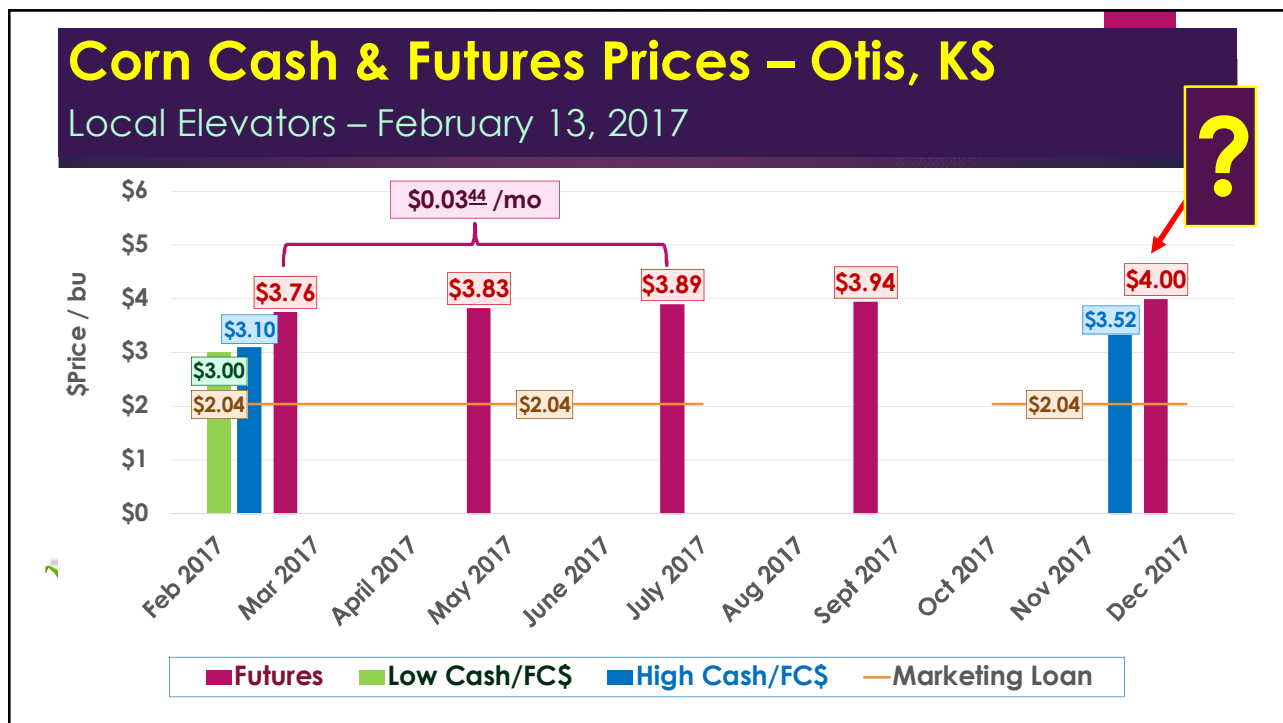
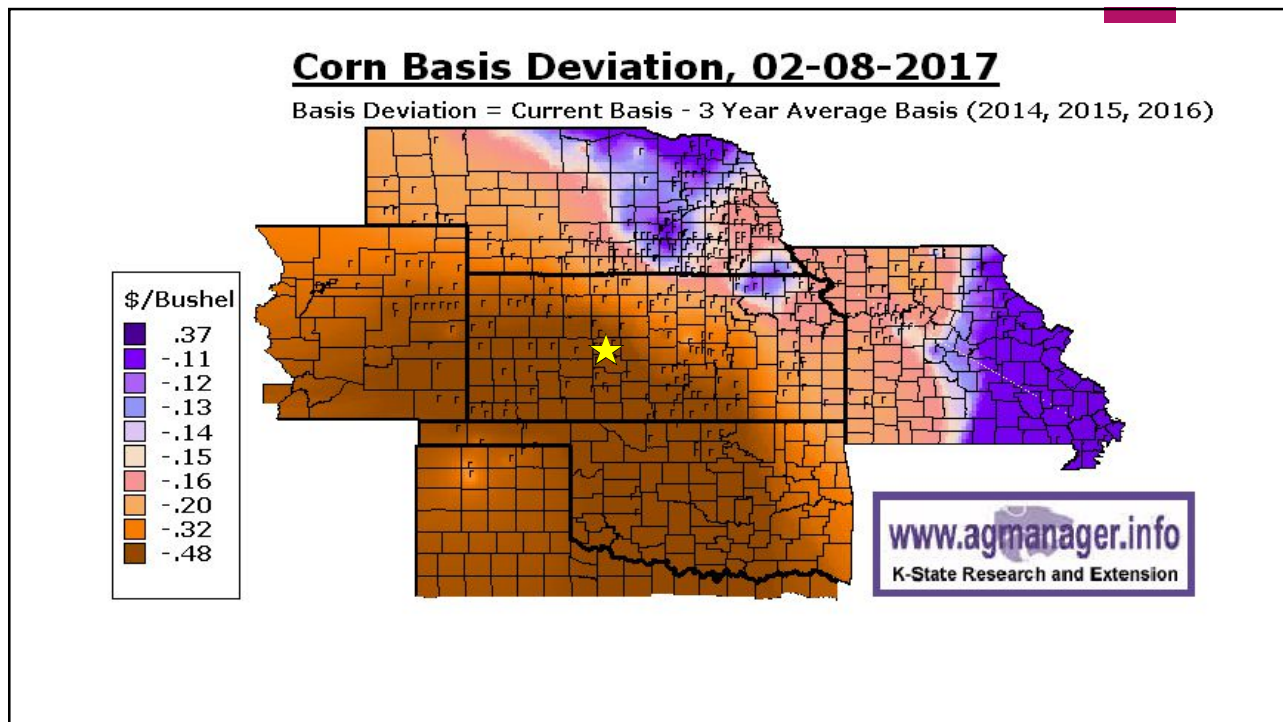
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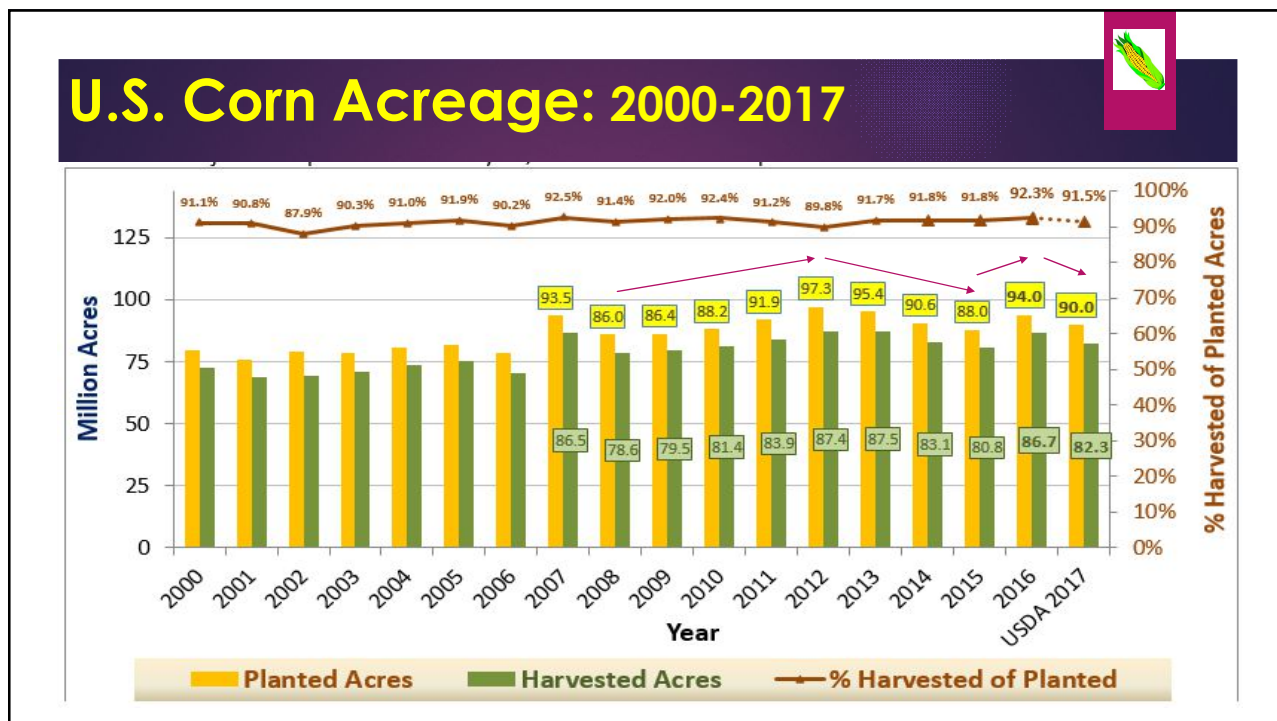
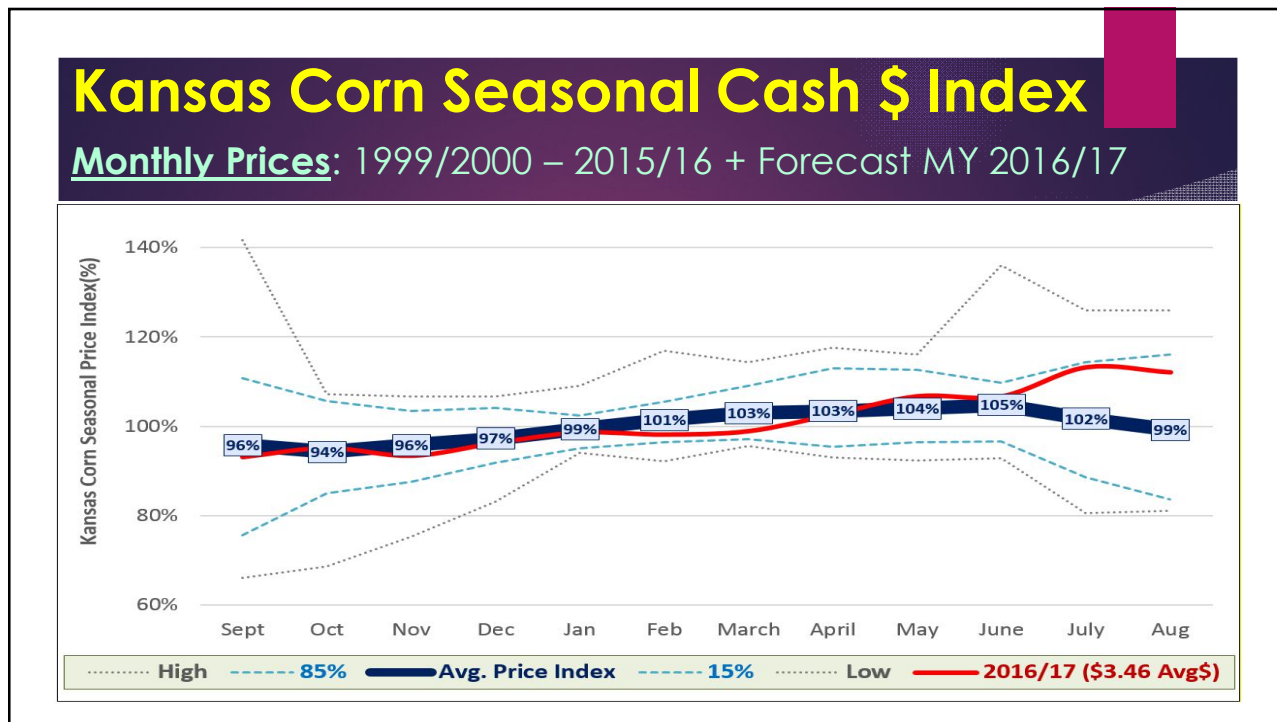
CME Corn Futures

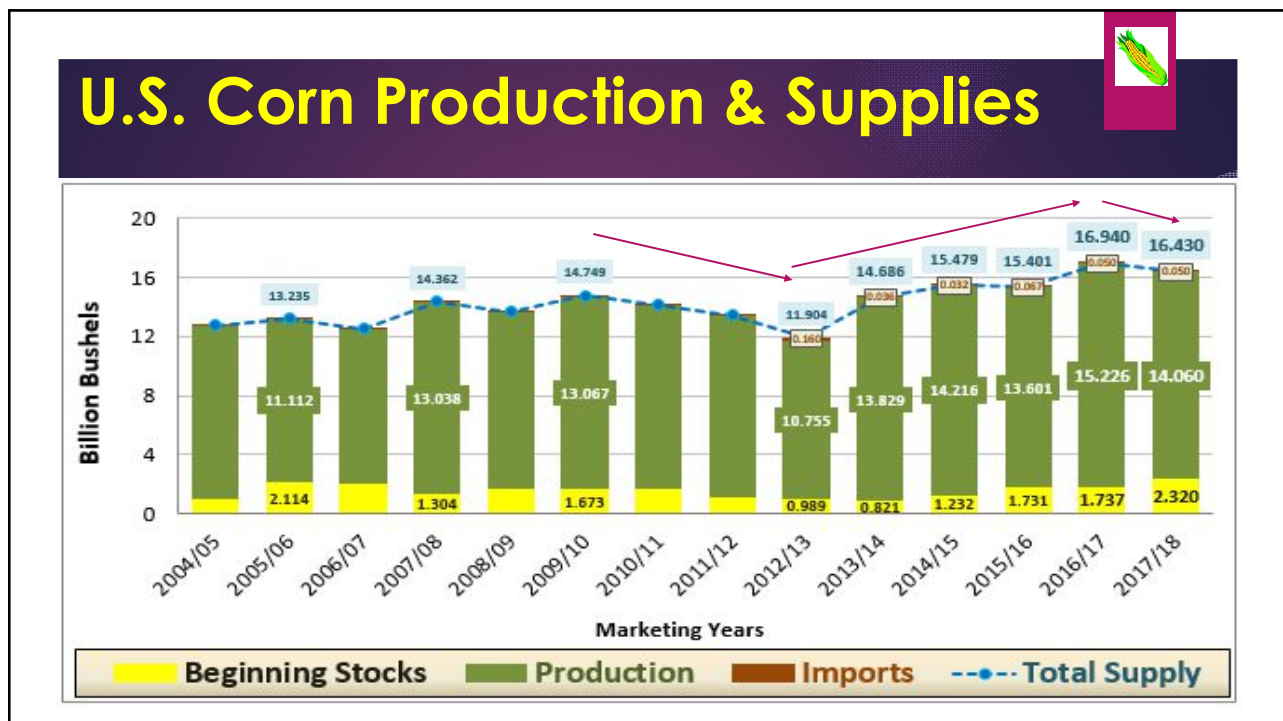
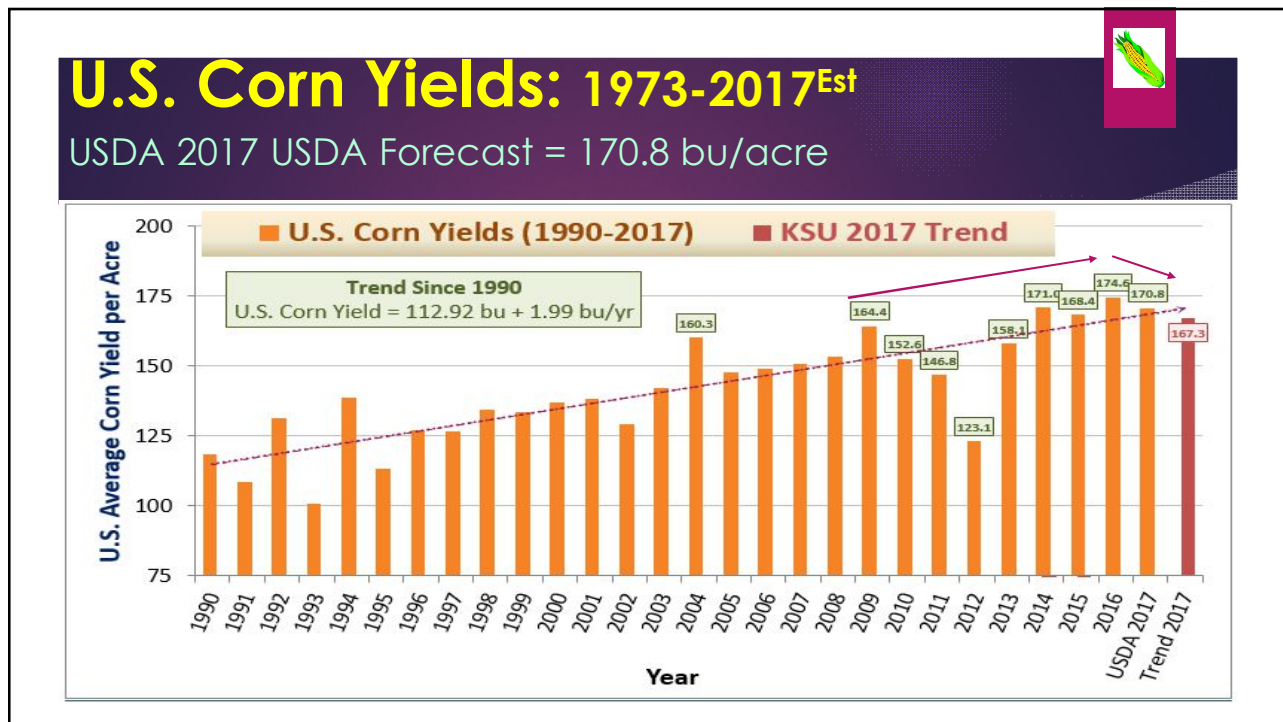
Monthly Chart: Dec. 2007 – January 2017 + 2/13/2017

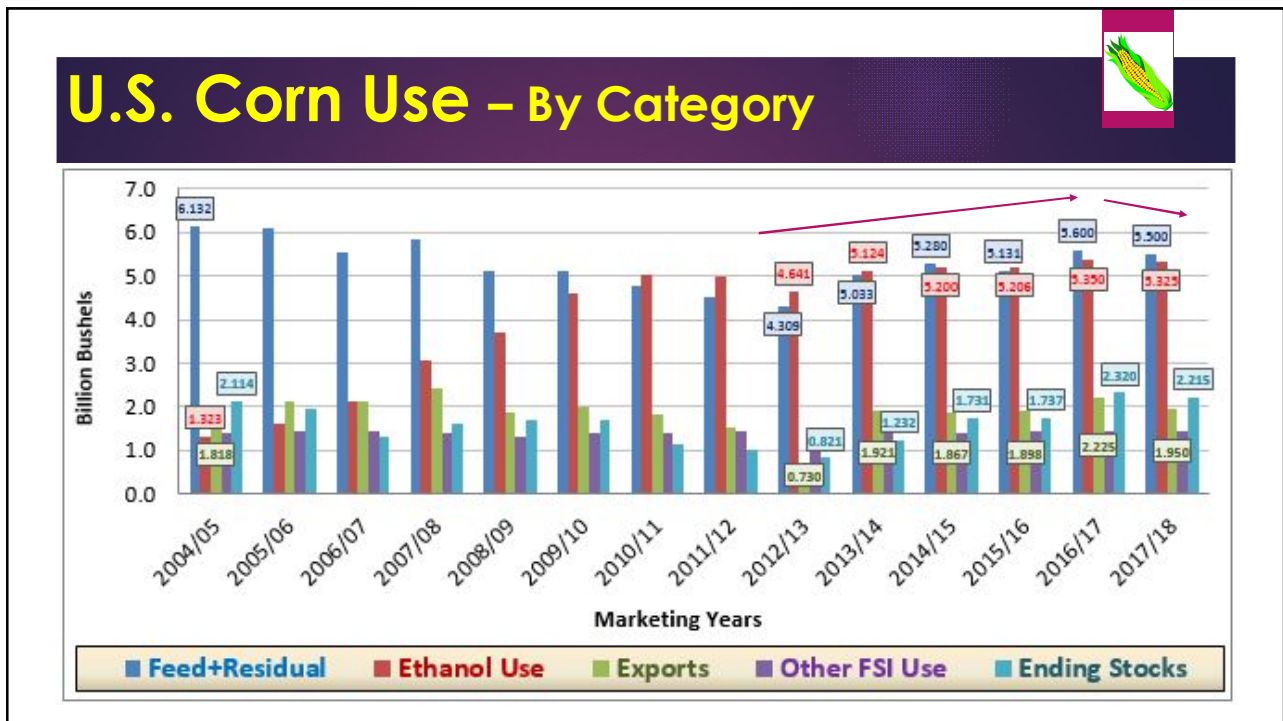


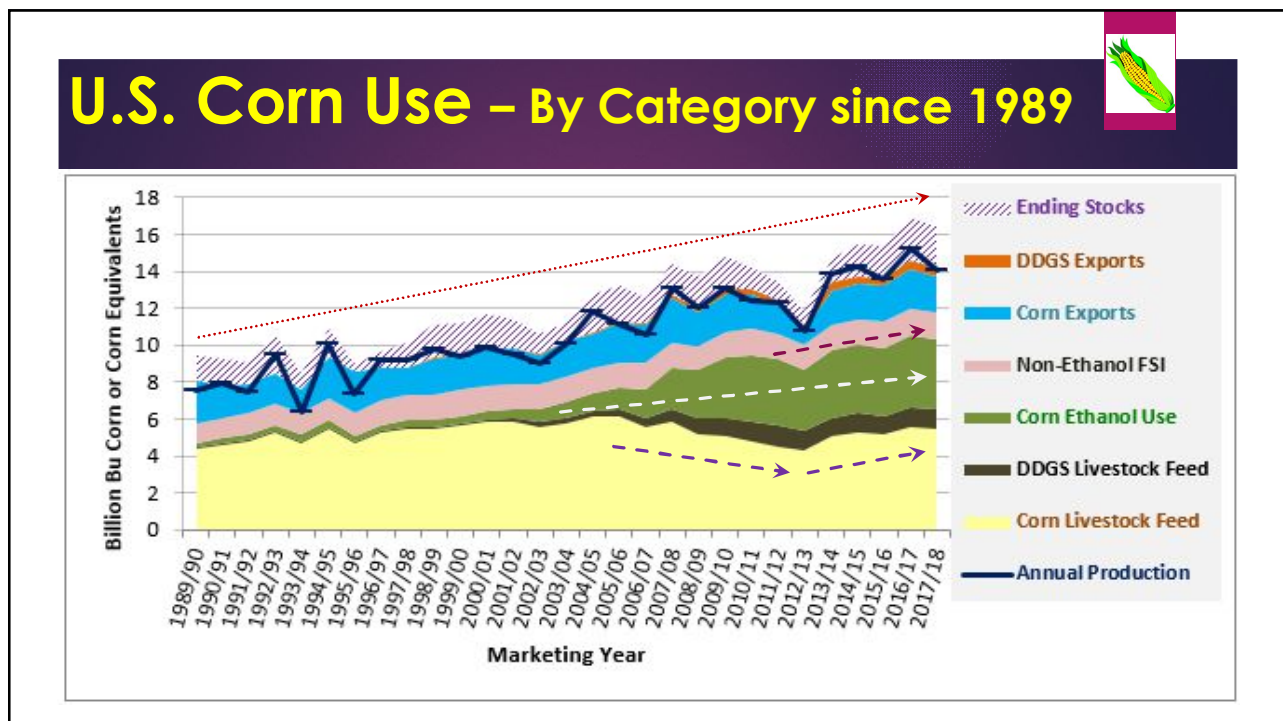
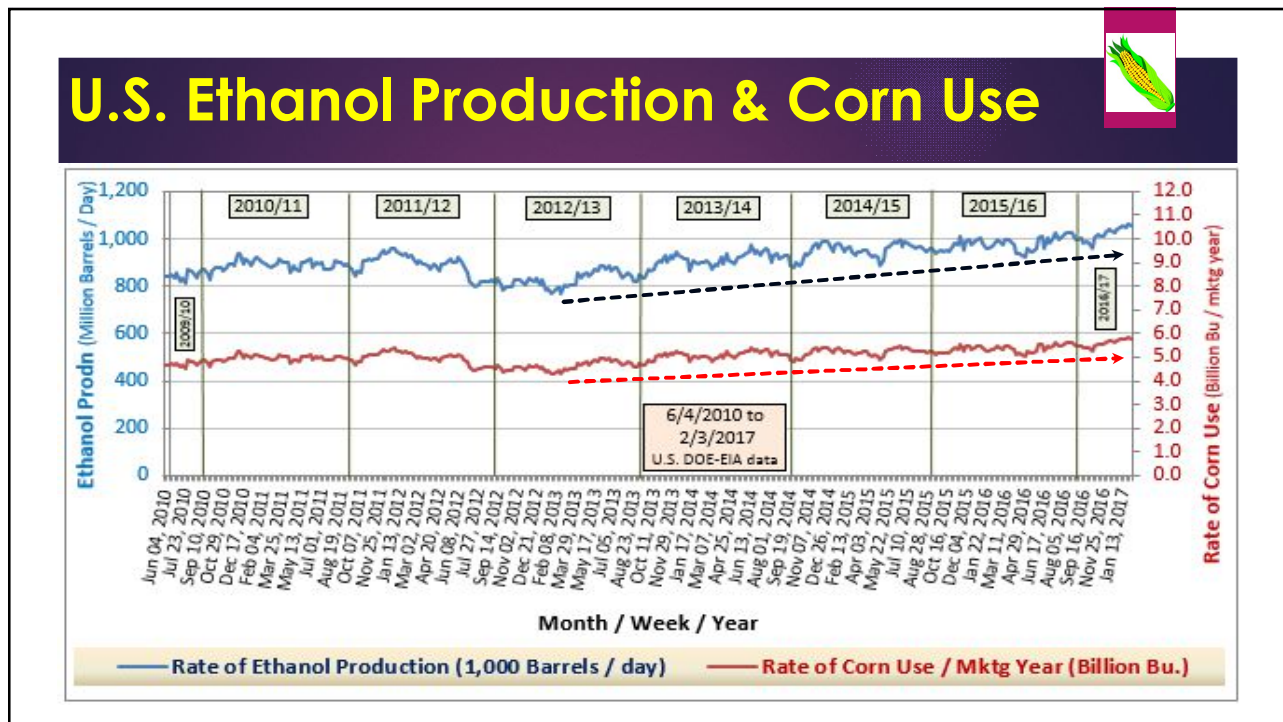


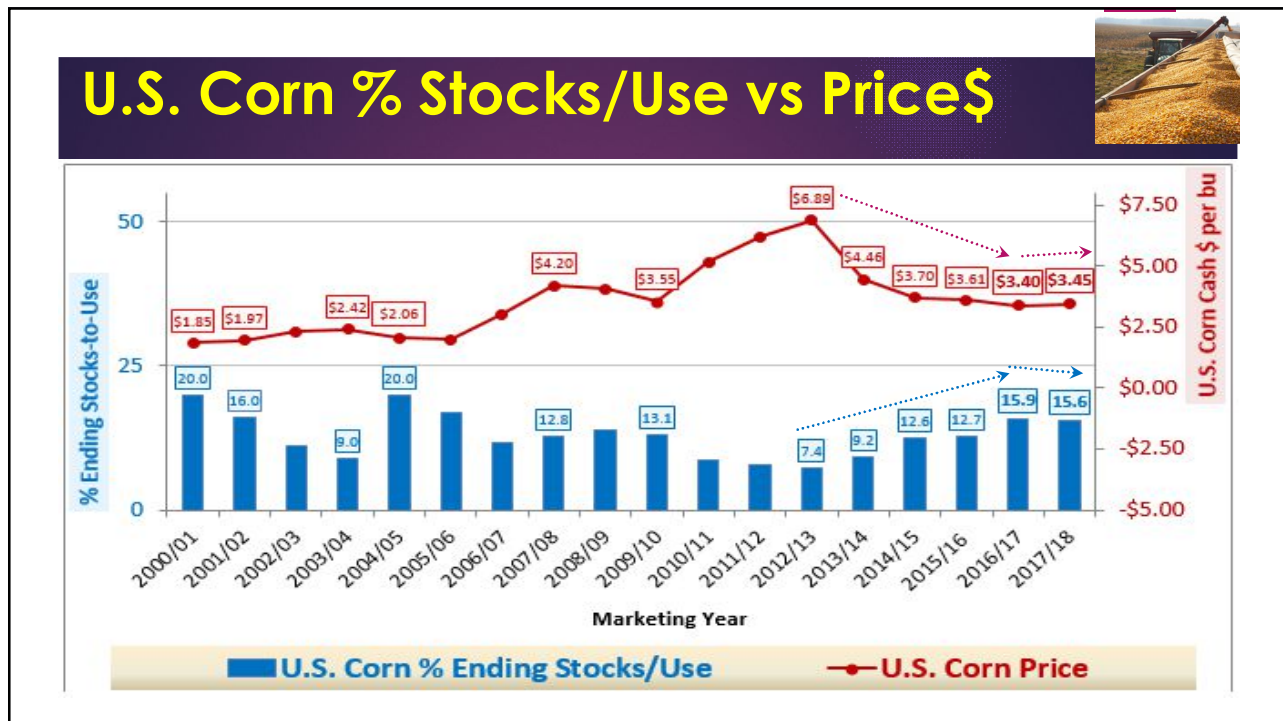
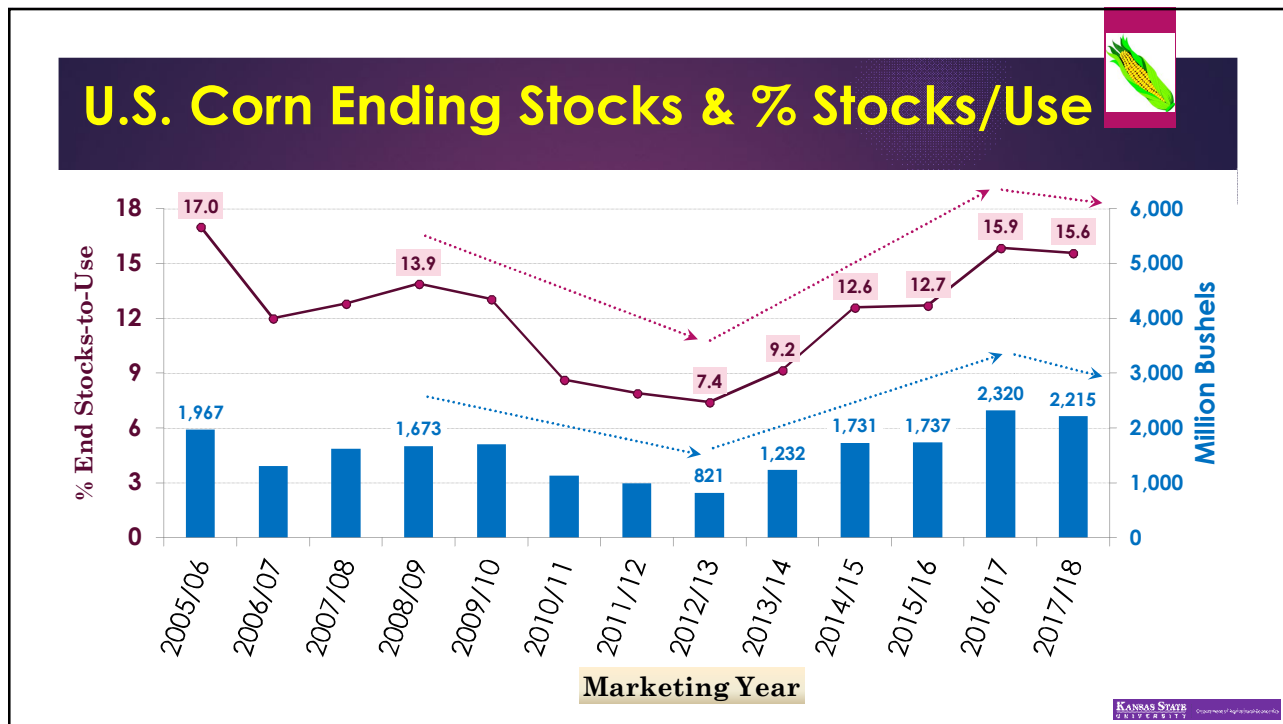


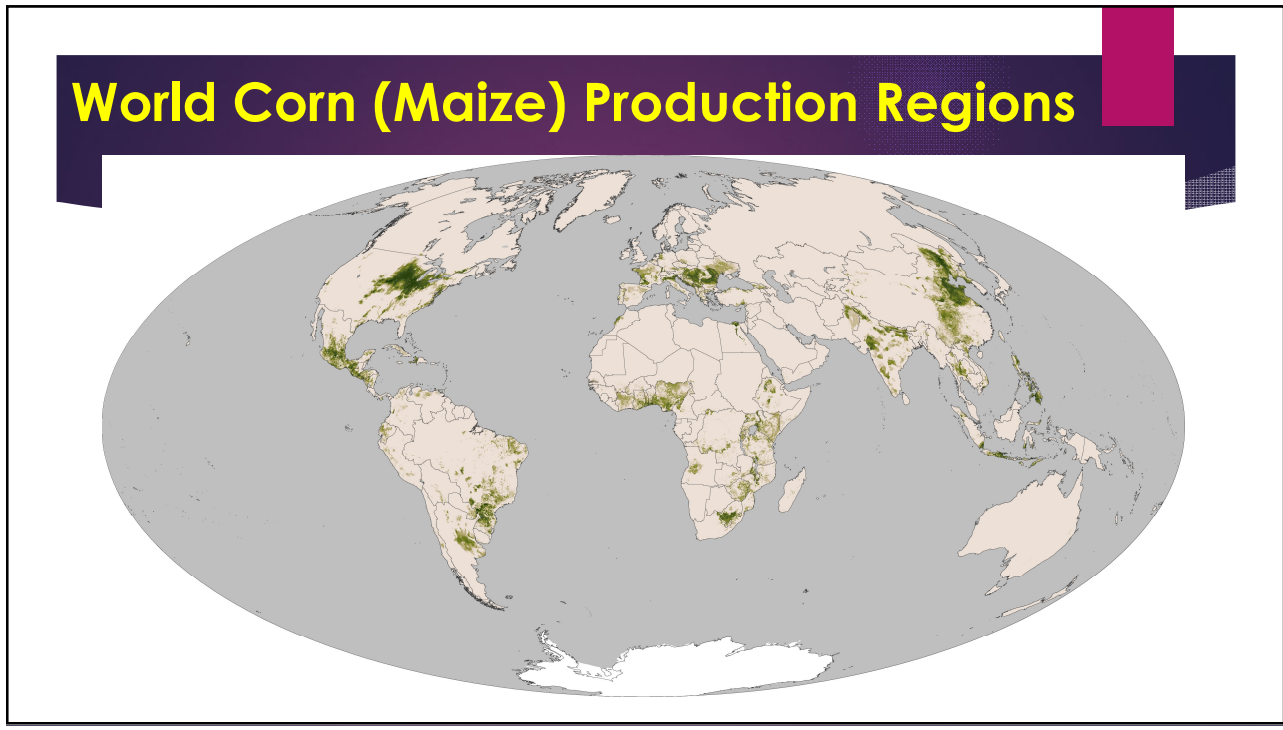
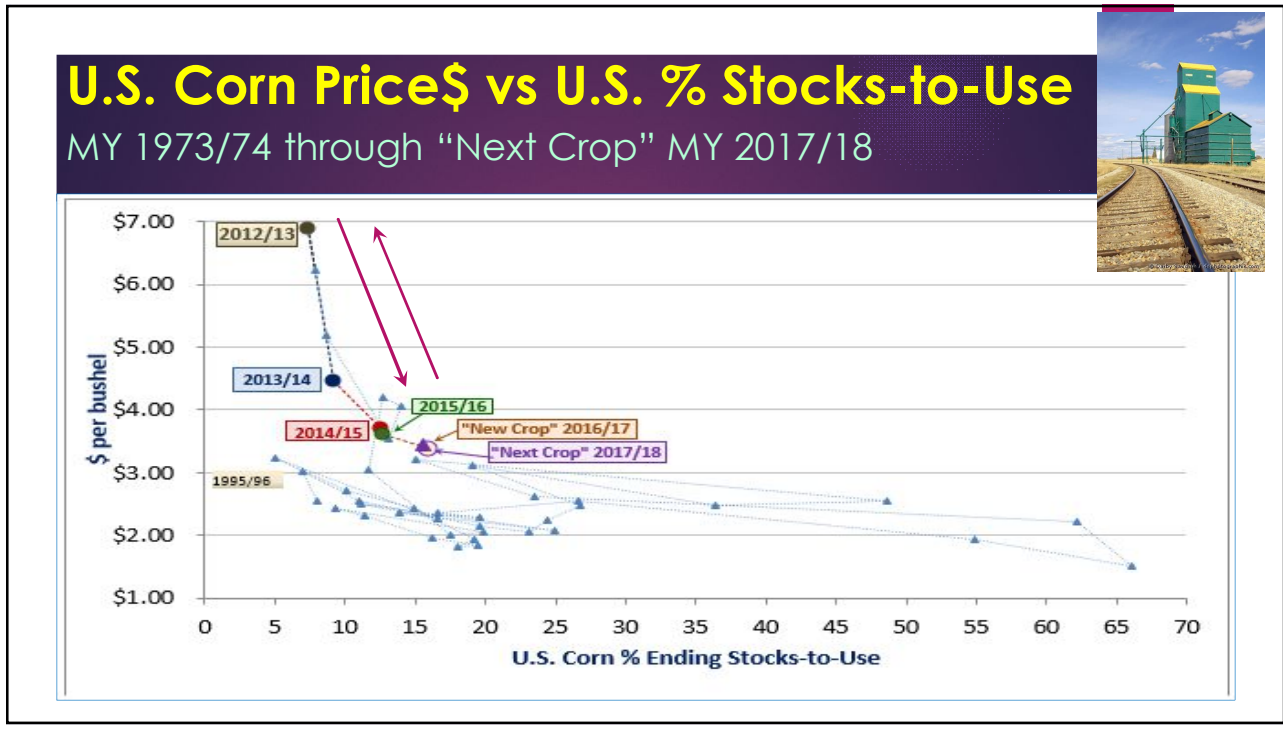










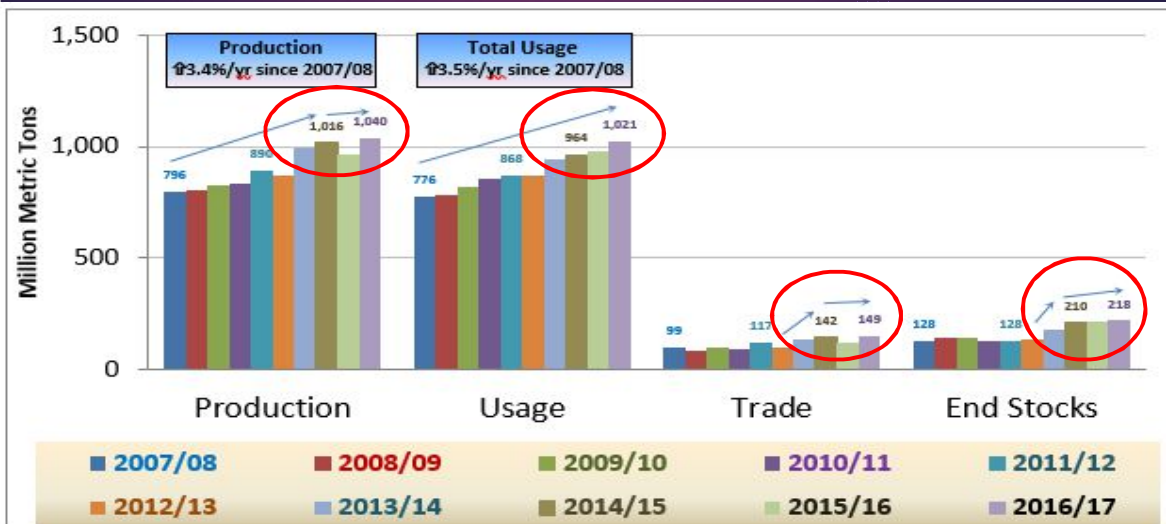


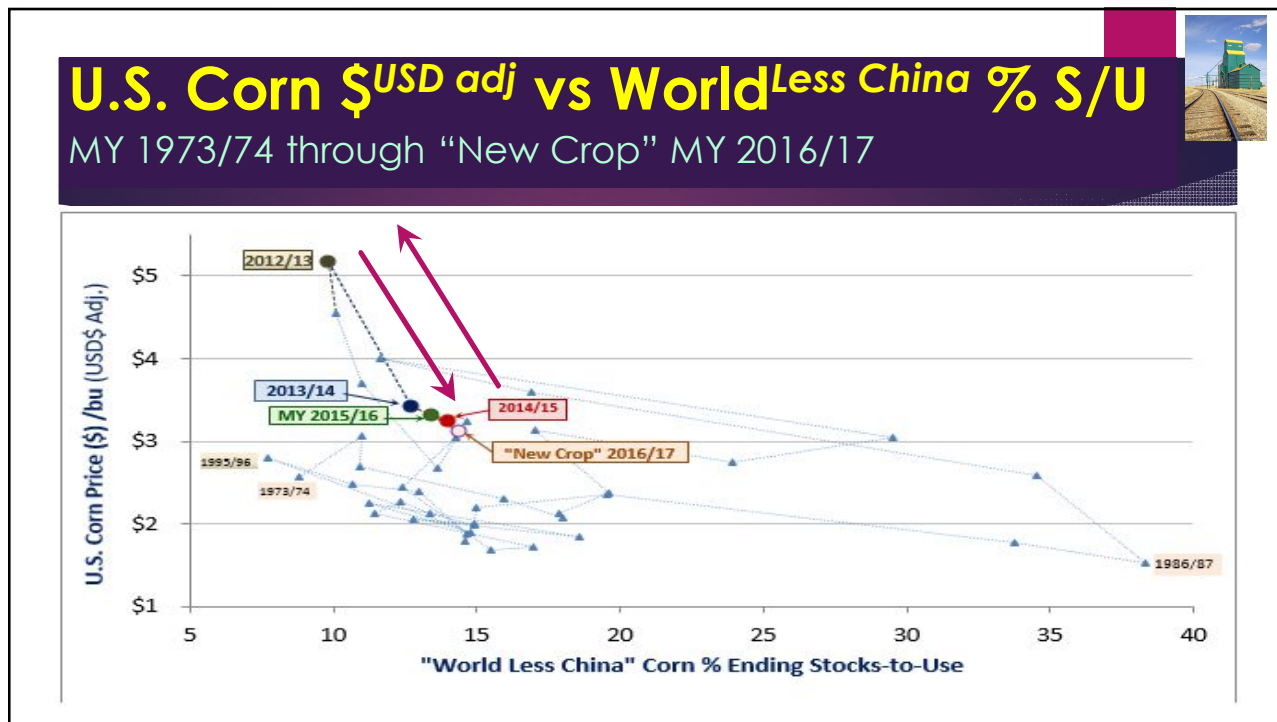
Monthly Crop Calendar for Corn												
	Plant		Silk			Harvest						
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
EU	H	H	H	H							H	H
US	H	H	H							S	S	H
Mexico <i>Summer</i>	H	H	H	H	H	H	H	H		P	P	
Ukraine	H	H	H							S	S	H
Russia	H	H	H	H						S	S	
China	H	H										H
Indonesia <i>Dry Region</i>	H	H										H
Philippines <i>Main</i>					P	P	P	P	H	H	H	H
Canada	H	H	H	H							S	S
India	H	H	H	H	H	H	H	H				
Brazil <i>1st crop</i>	P	P	P	P	P	H	H	H	H			
Argentina	P	P	P	P	S	S	S	H	H	H		
Philippines <i>2nd Crop</i>	P	P	P	P	H	H	H	H				
South Africa	P	P	P	P	P	S	S					
Mexico <i>Winter</i>												
Brazil <i>2nd crop</i>												
Indonesia <i>Rainy Region</i>	H	H	H	H	H							
Nigeria												

Sources: USDA, AMIS, and CHS, Inc. locations
 *Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.
 **Production estimates are for ALL CORN. Numbers will be listed next to the variety that comes first in the chart.

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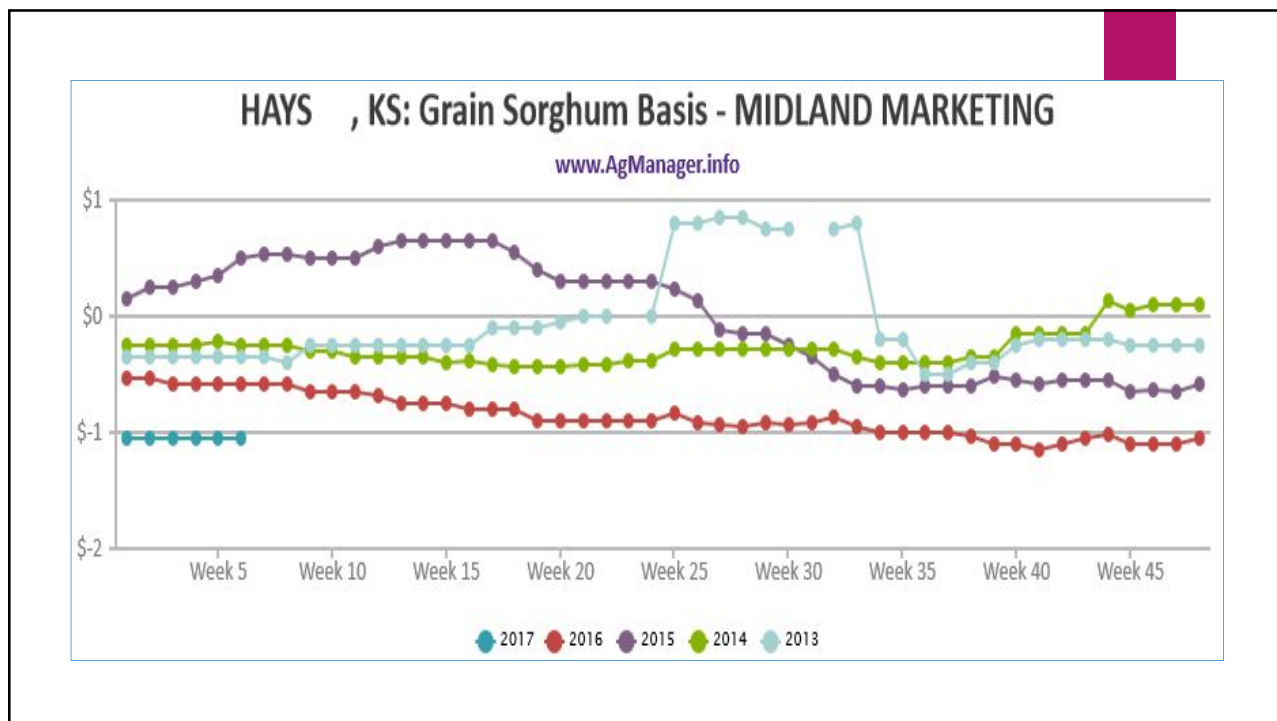
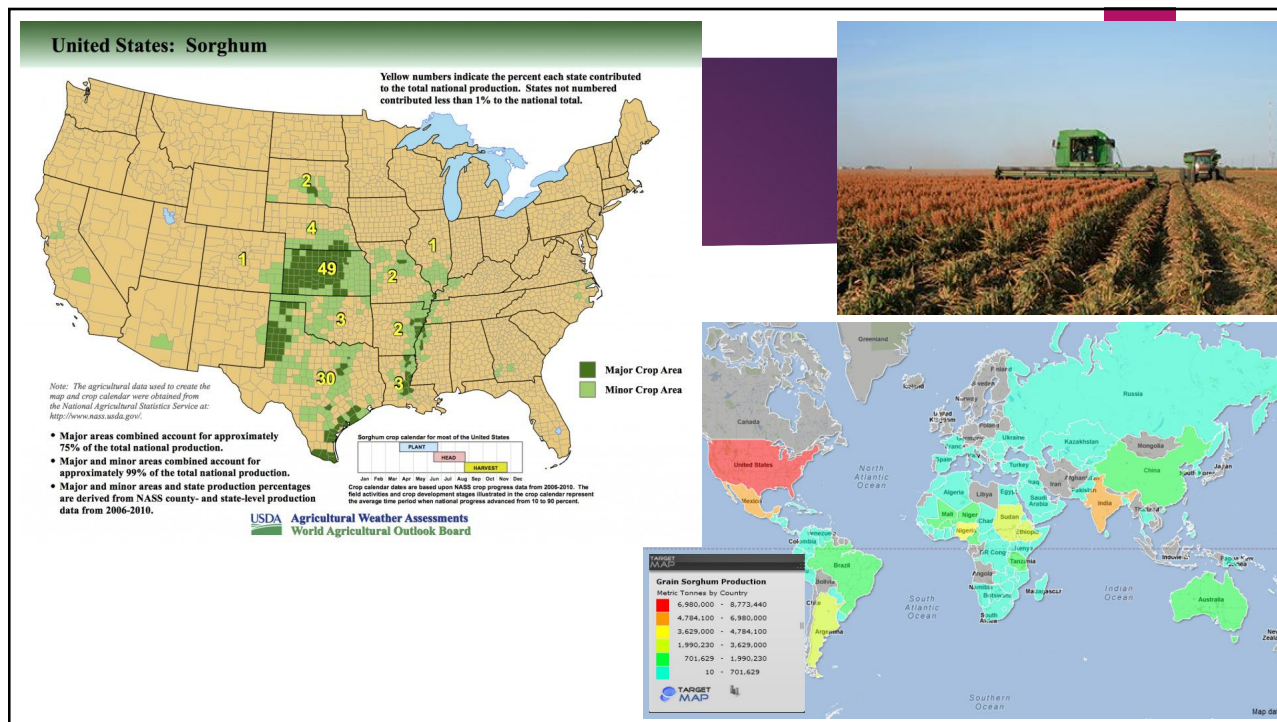
World Corn Supply, Use & Stocks

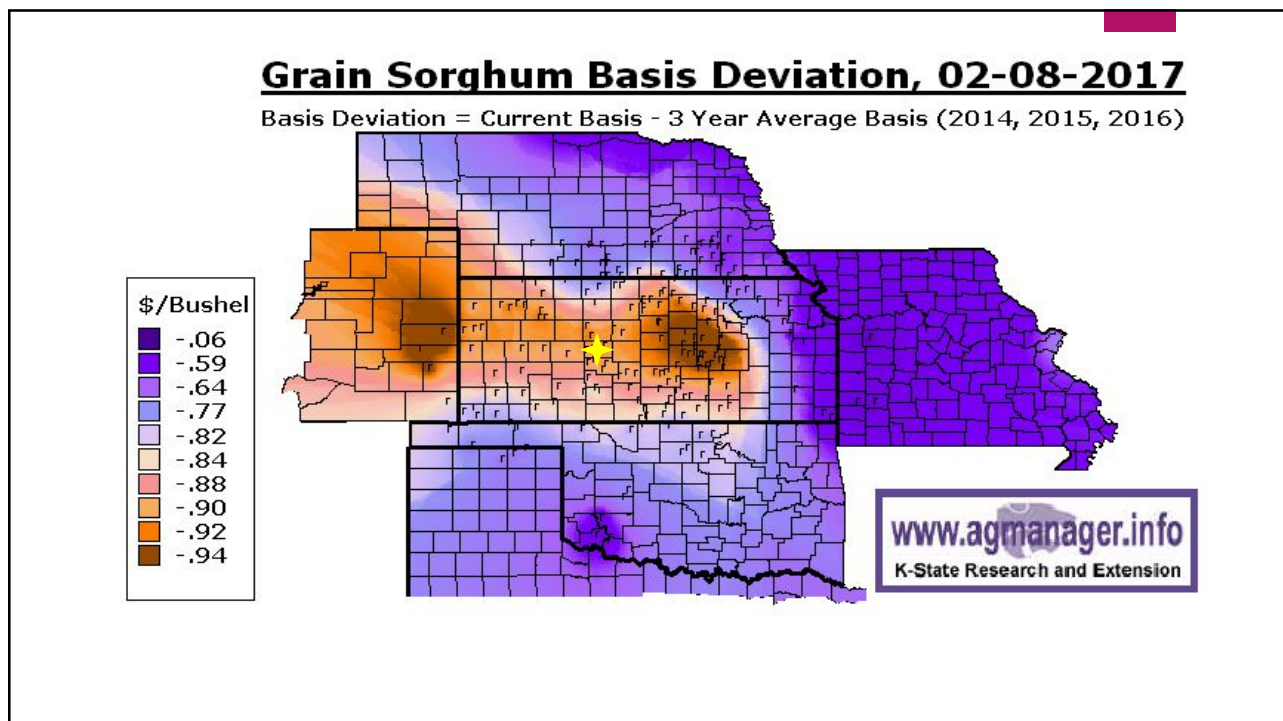
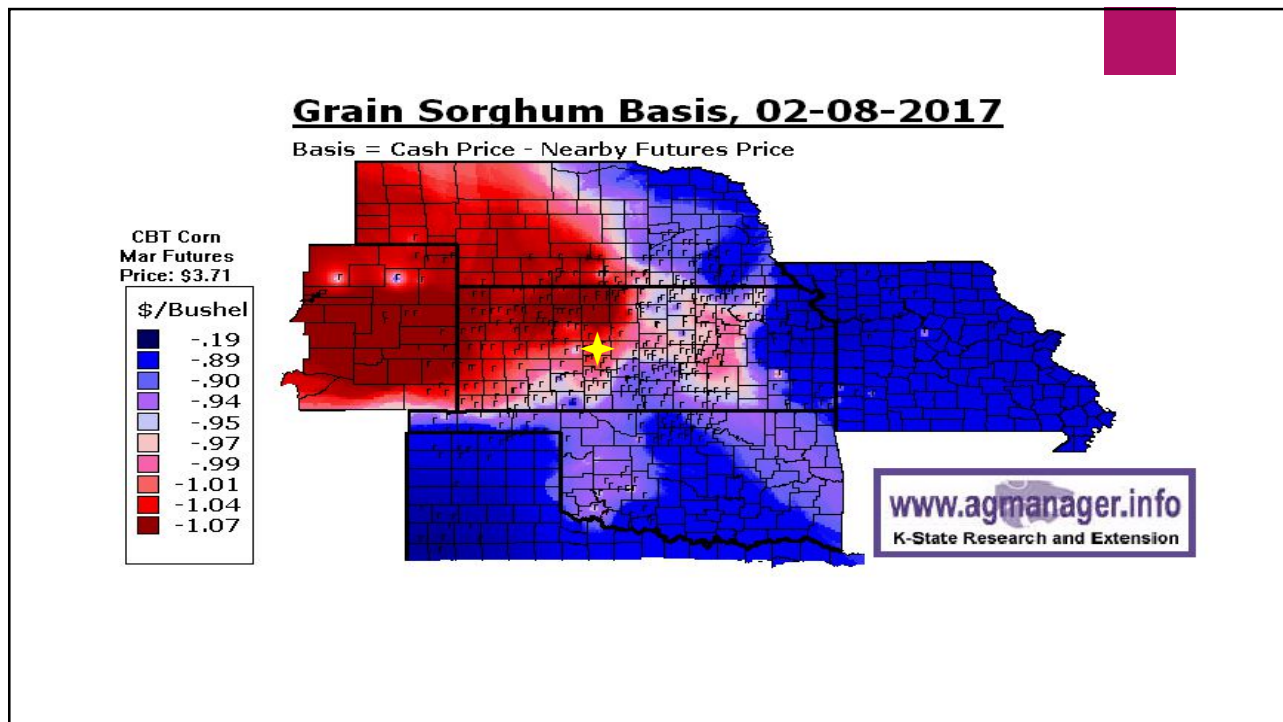


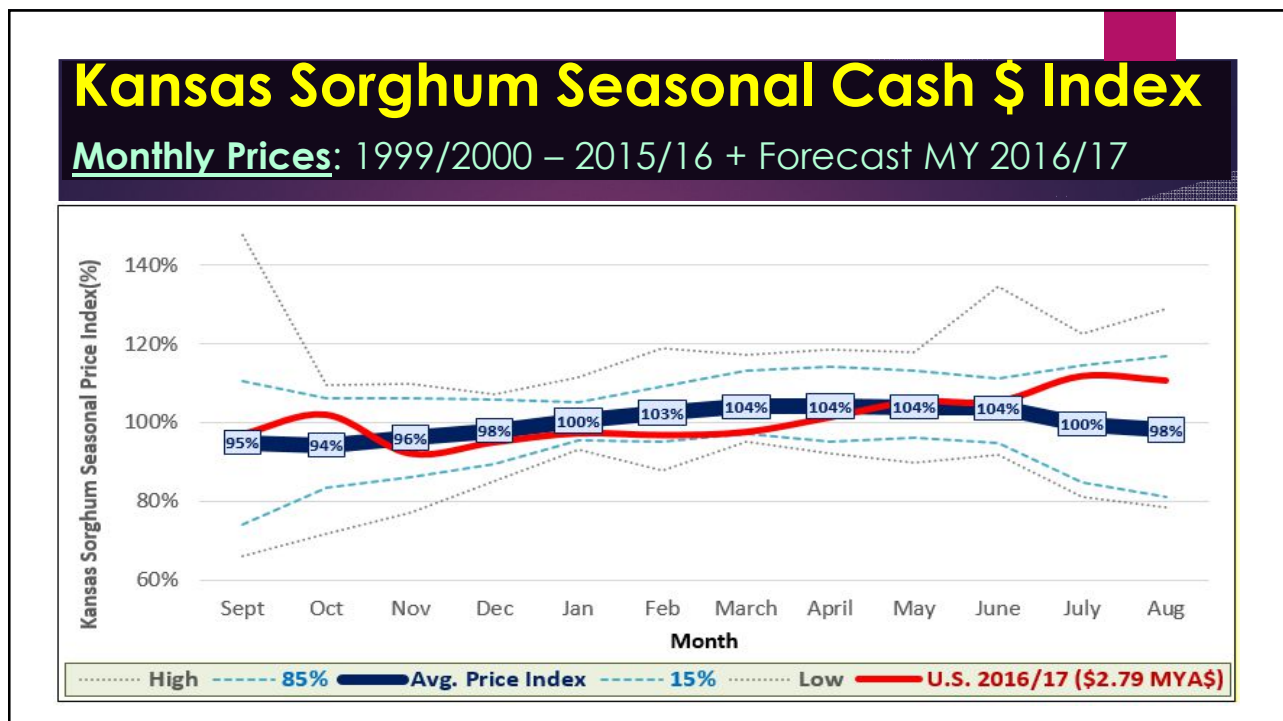
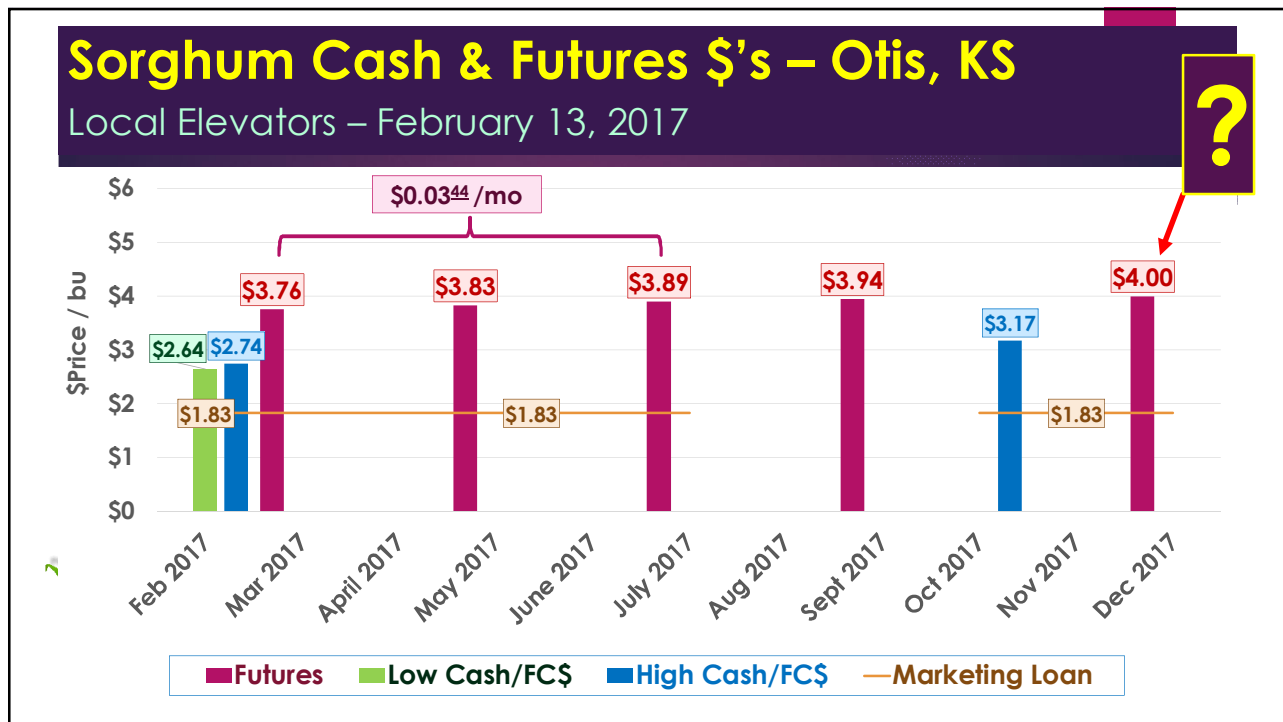


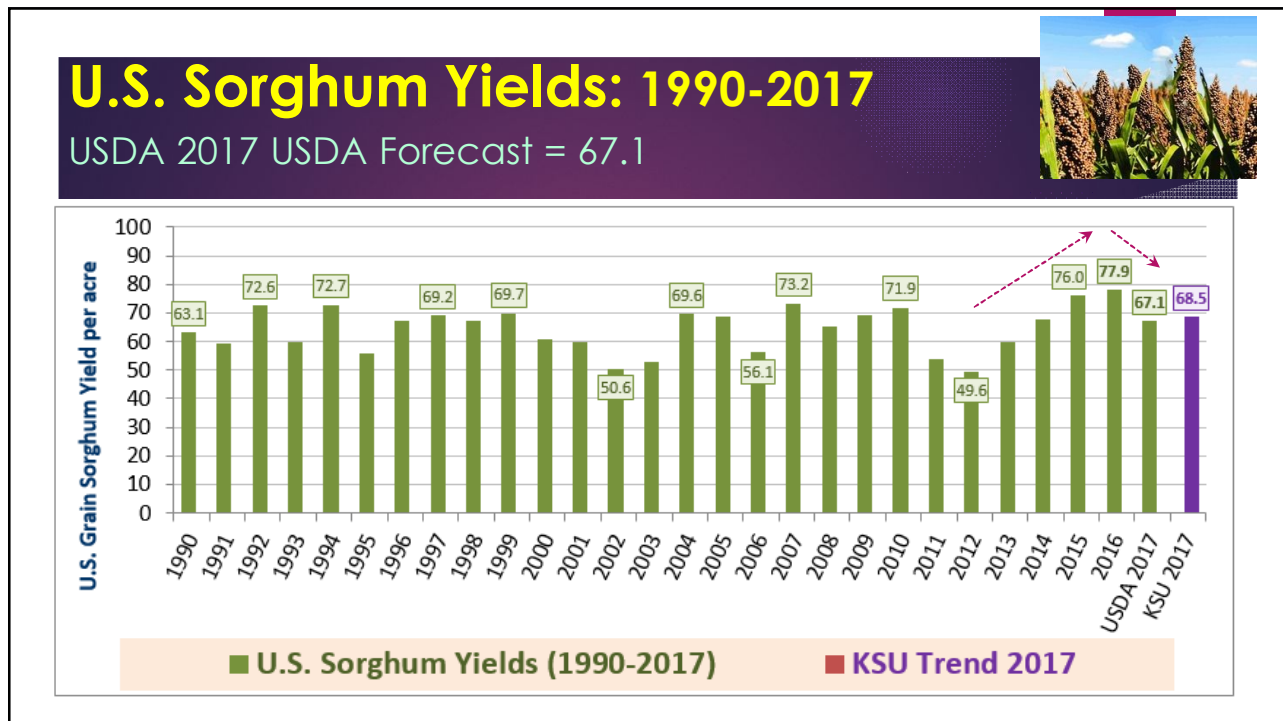
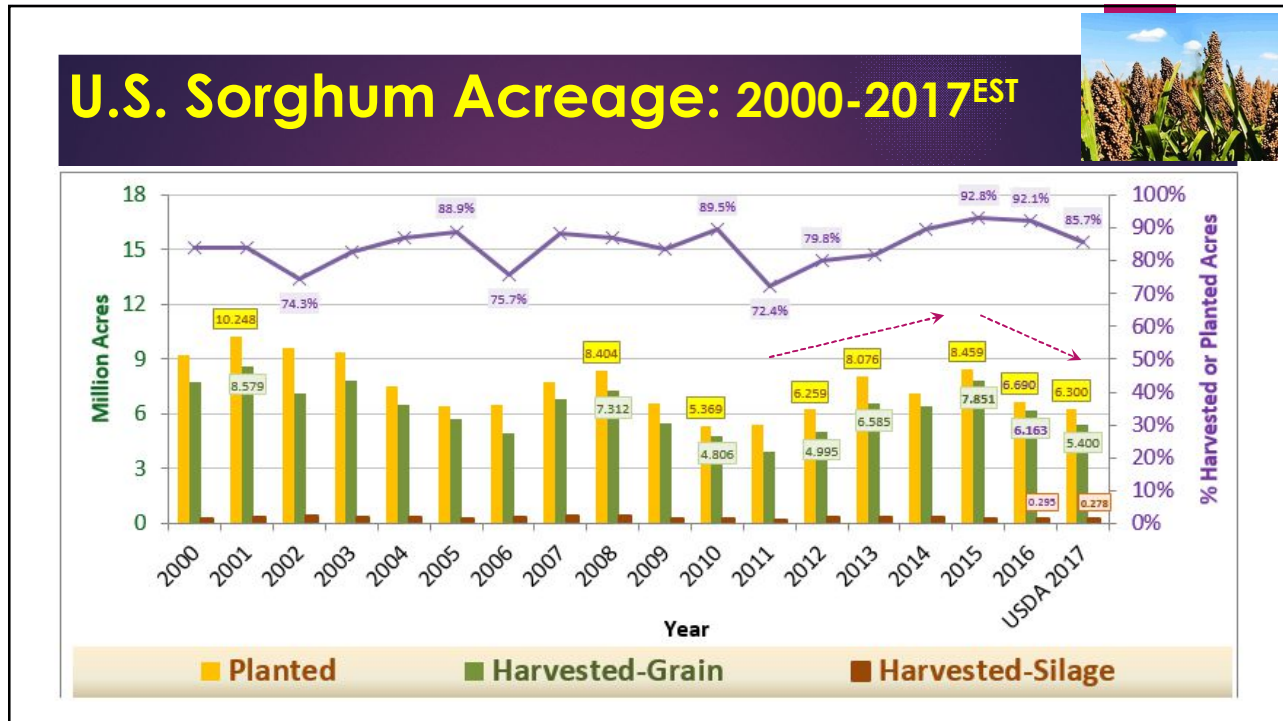
Grain Sorghum Markets

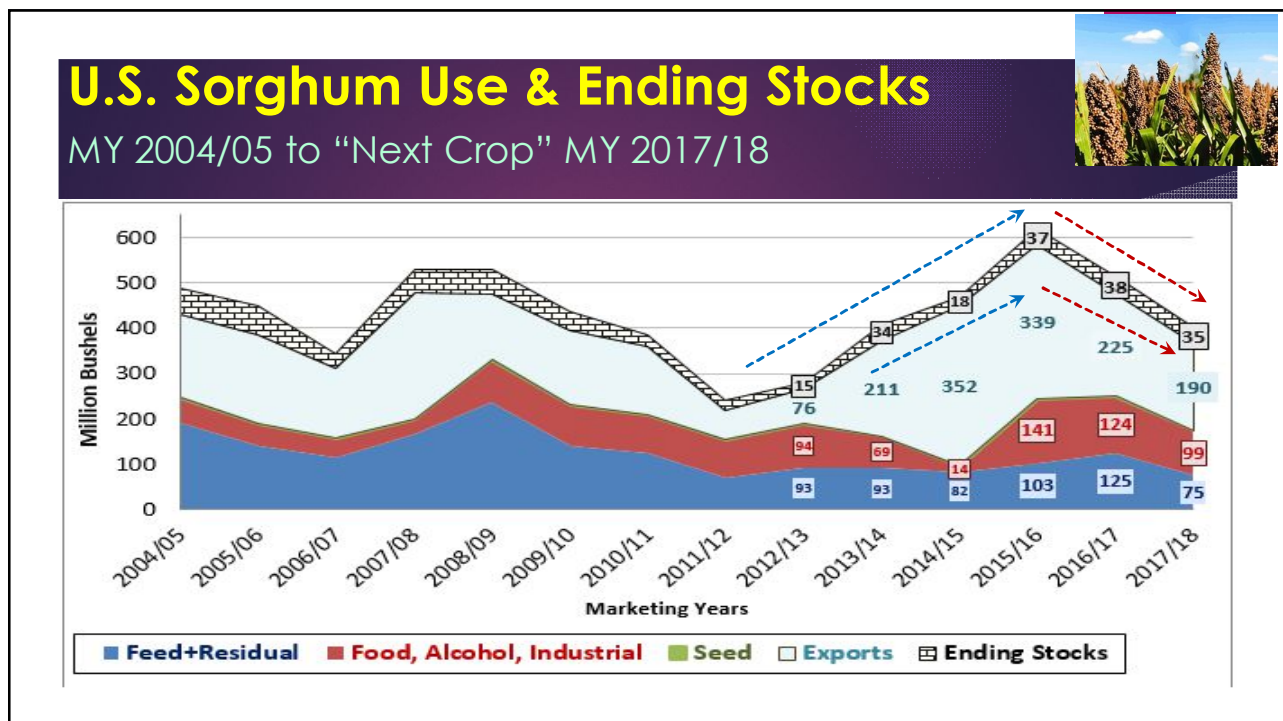
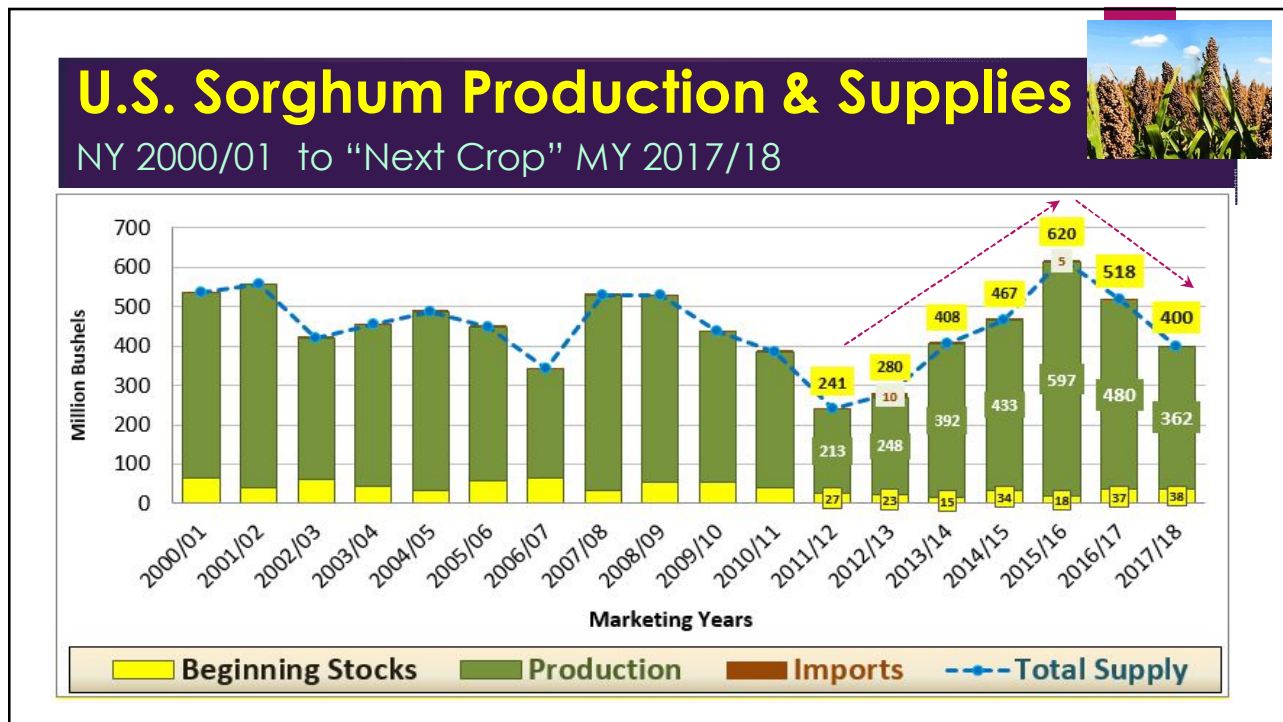
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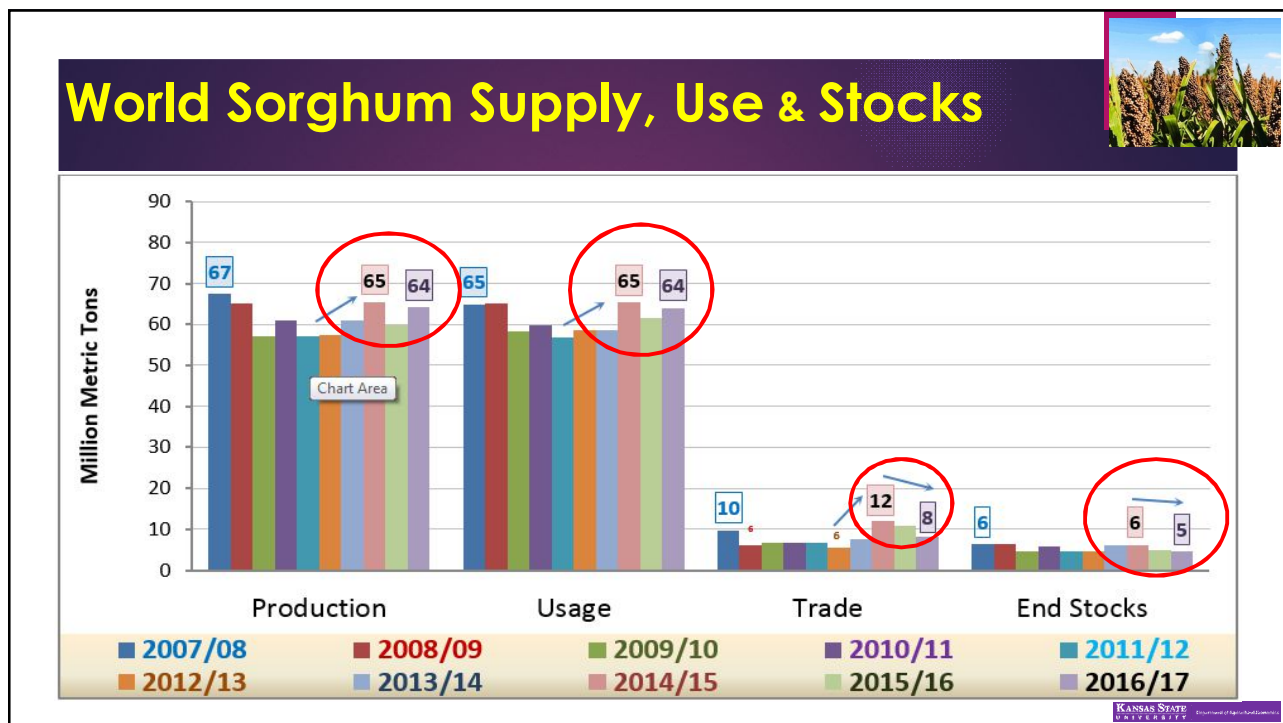
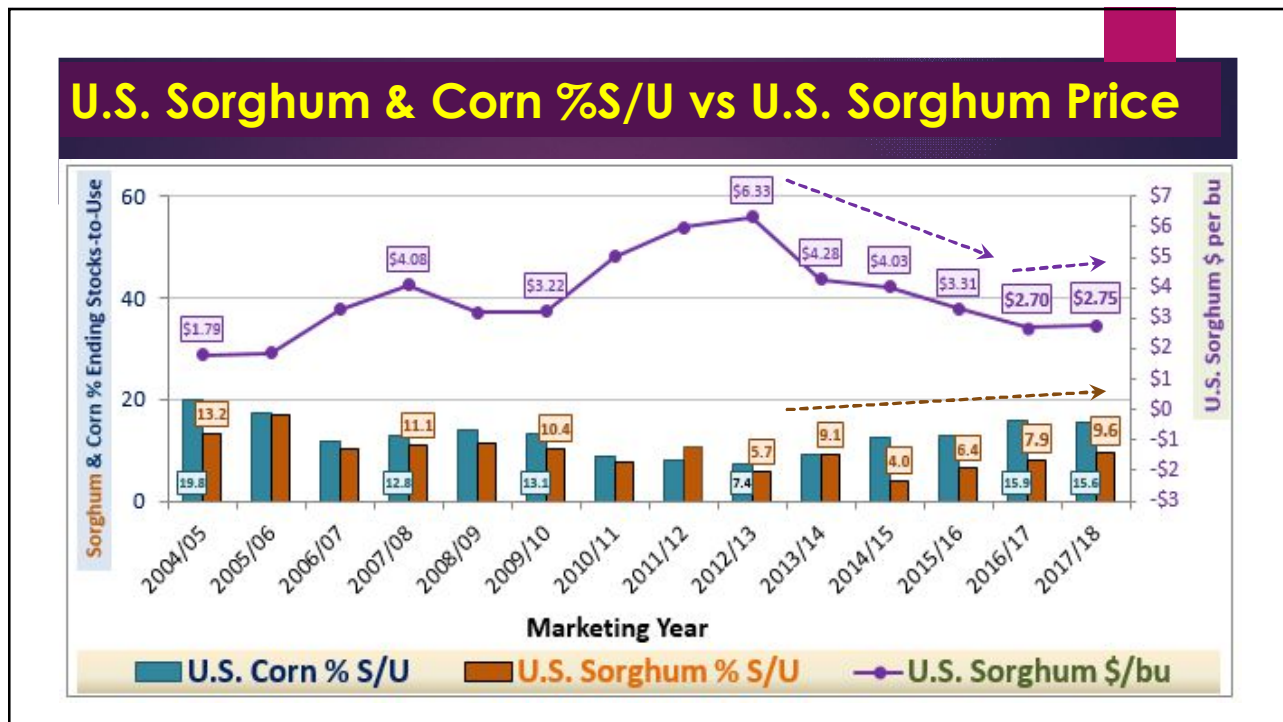


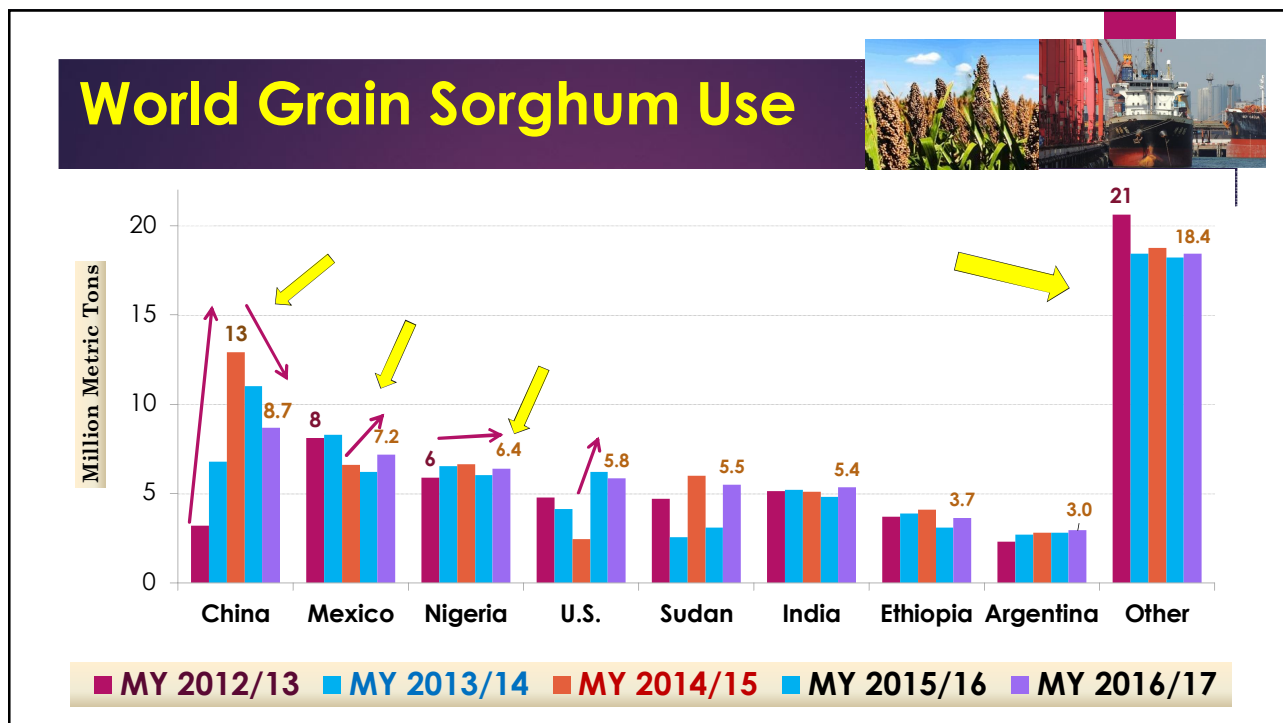
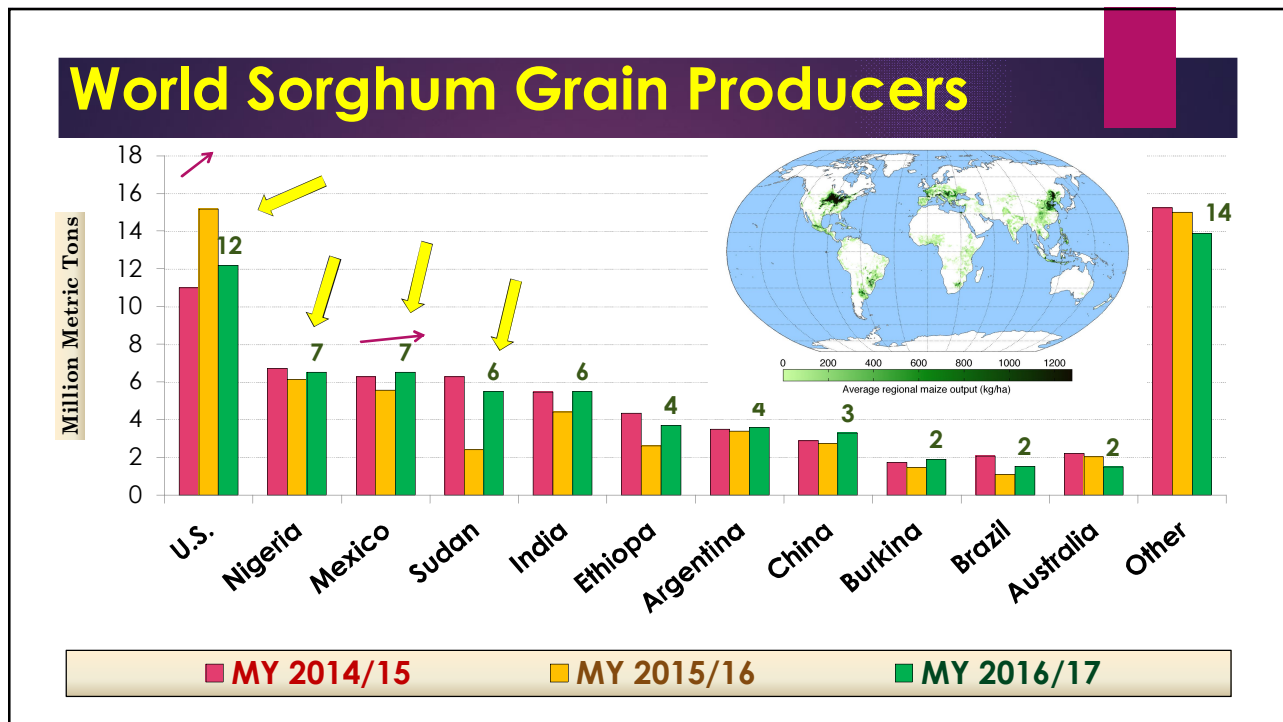


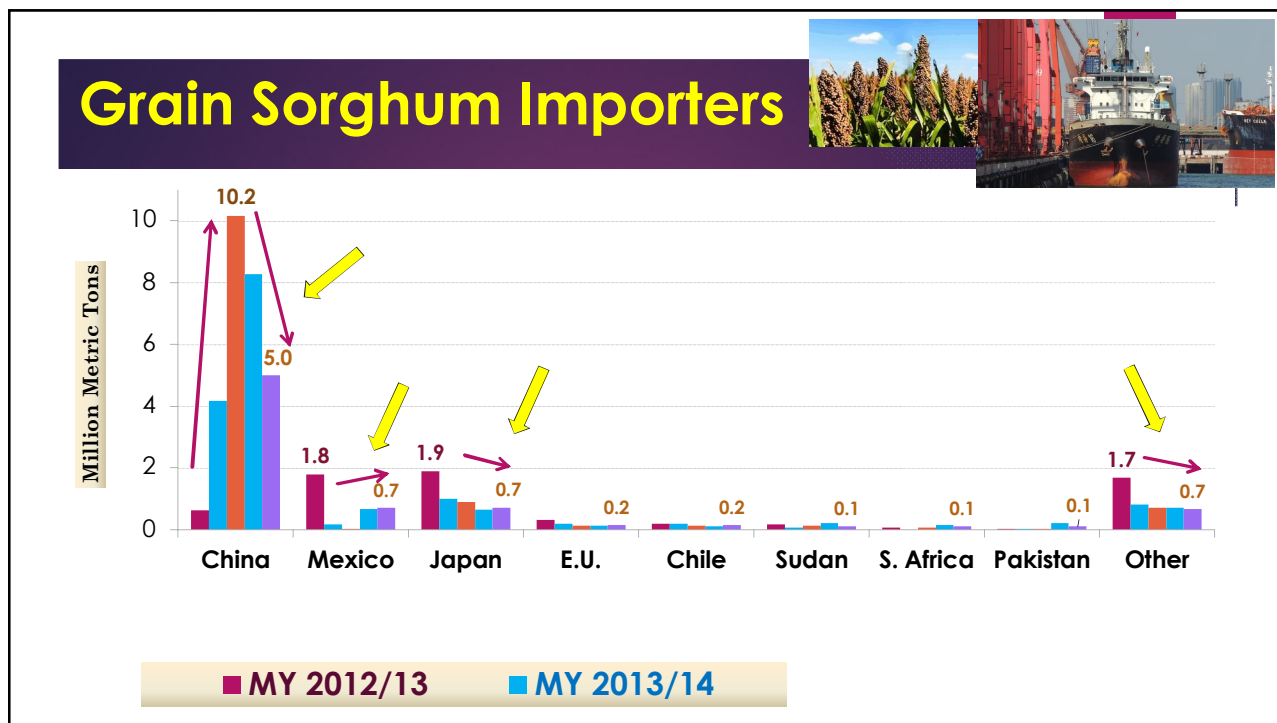
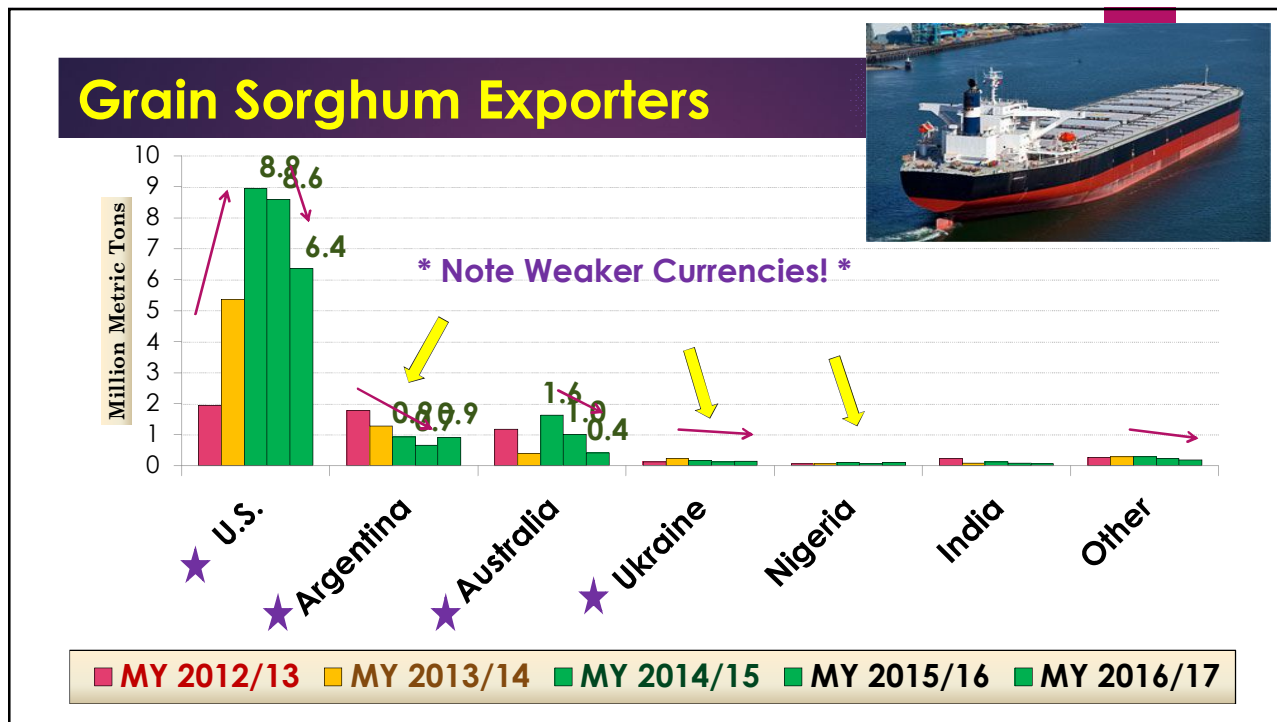


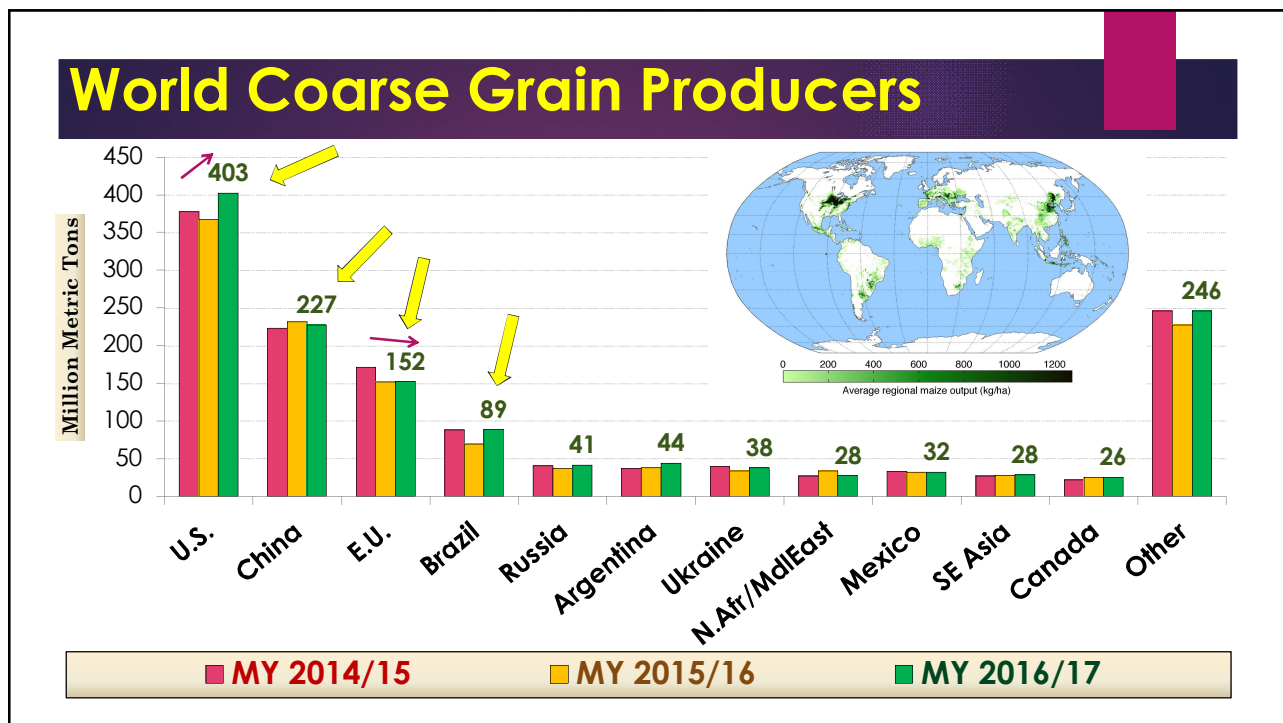
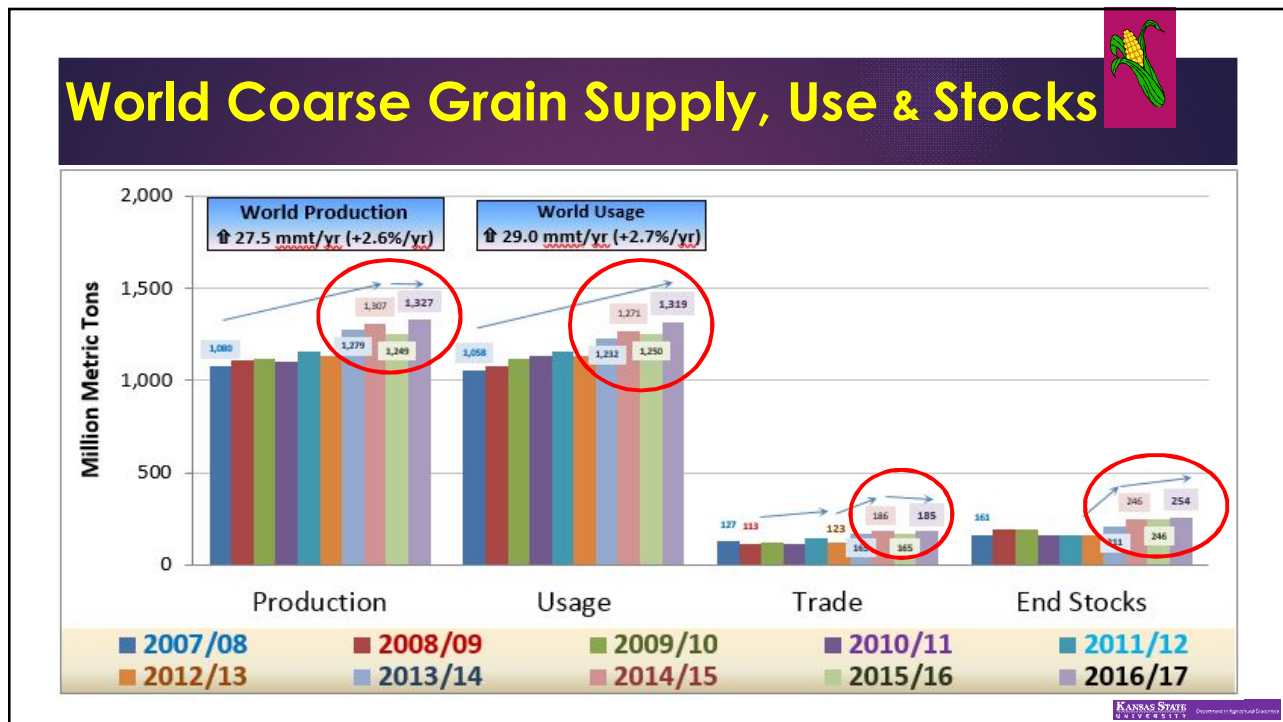


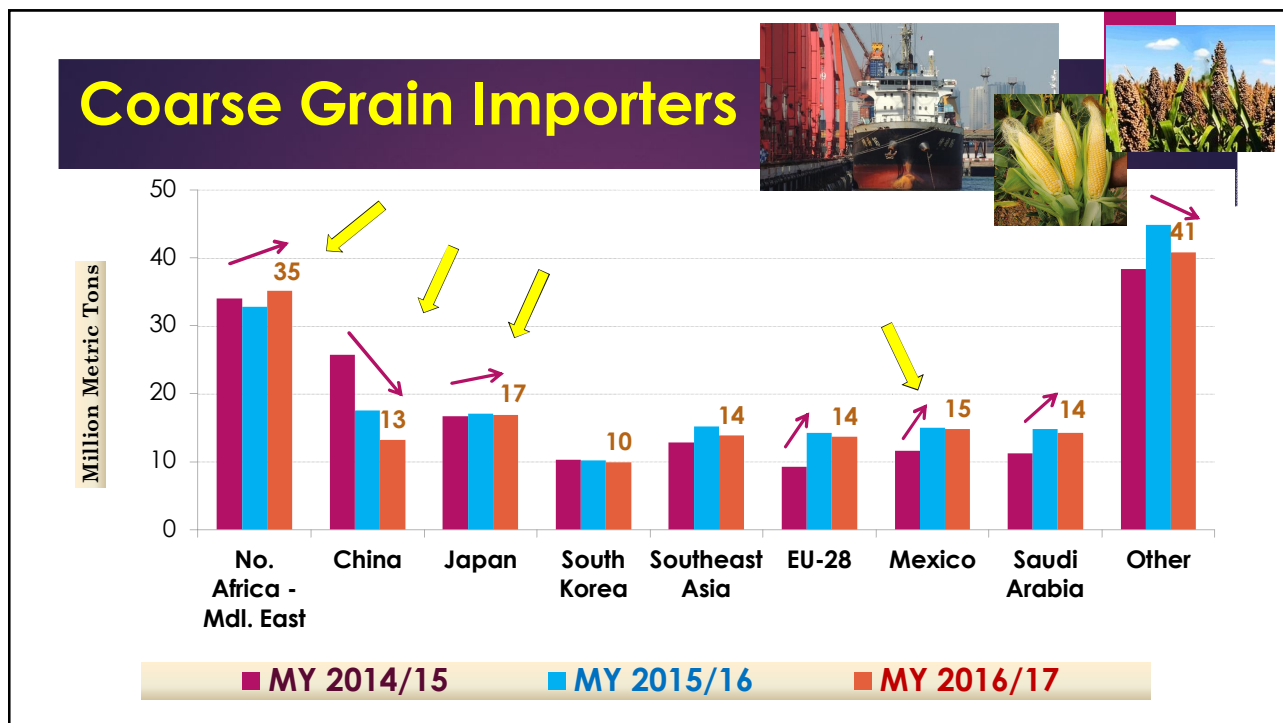
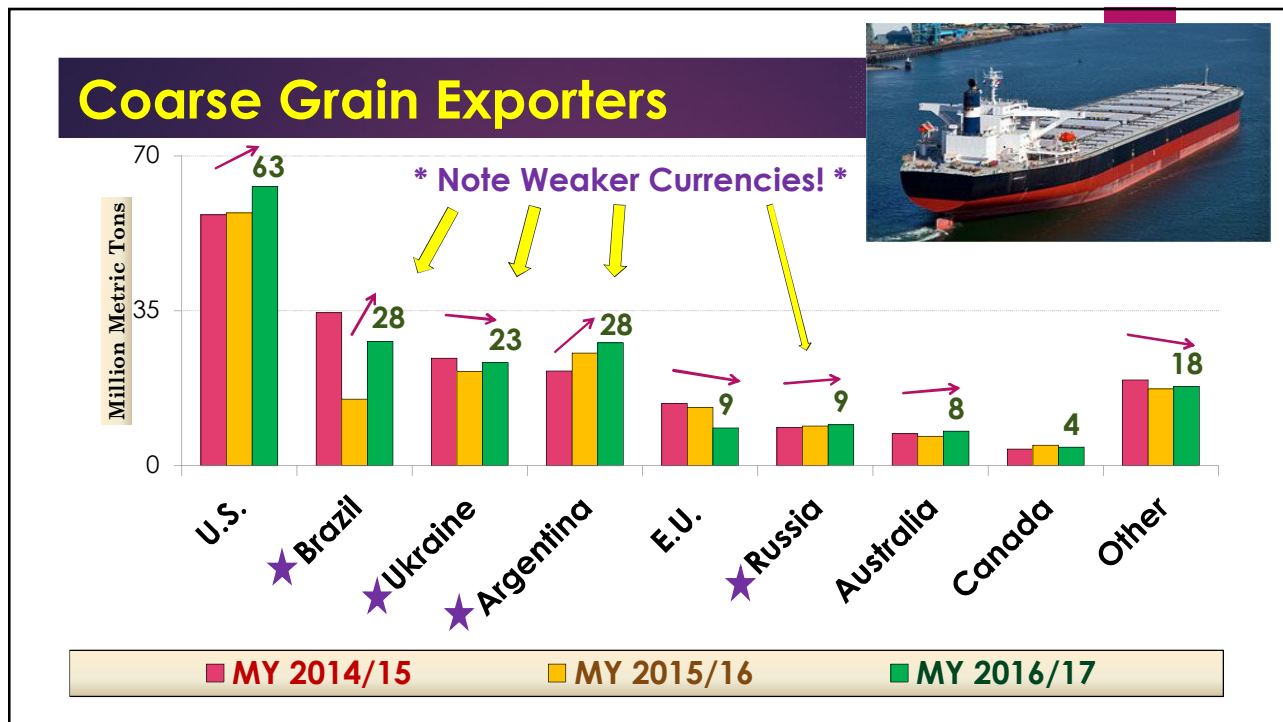


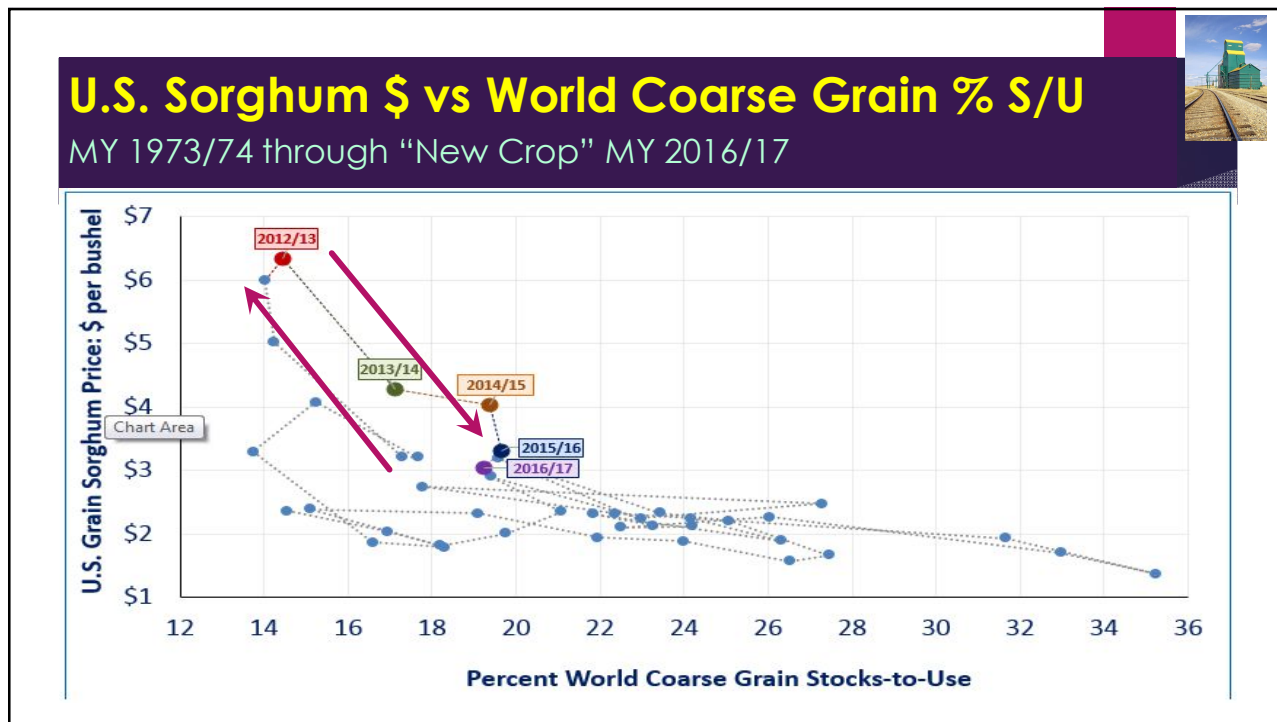












Wheat Markets

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World Wheat Market Prospects:

Large Supplies ⇒ A “Buyer’s Market” (w. Quality concerns)

- **Record World Supplies & Usage Forecast in 2016/17**
 - 4th consecutive record high World wheat crop
- **Varying 2016/17 Crop Prospects**
 - ↑ U.S., **Australia***, **Russia**, Kazakhstan, Arg., India, Canada, Mdl. East
 - ↓ **Europe, N. Africa, China** (small Δ'g in Ukraine & Pakistan)
- **World wheat exports to remain a “buyer’s market” unless or until World supplies & stocks decline**
 - “All World” vs “World Less China” perspective???

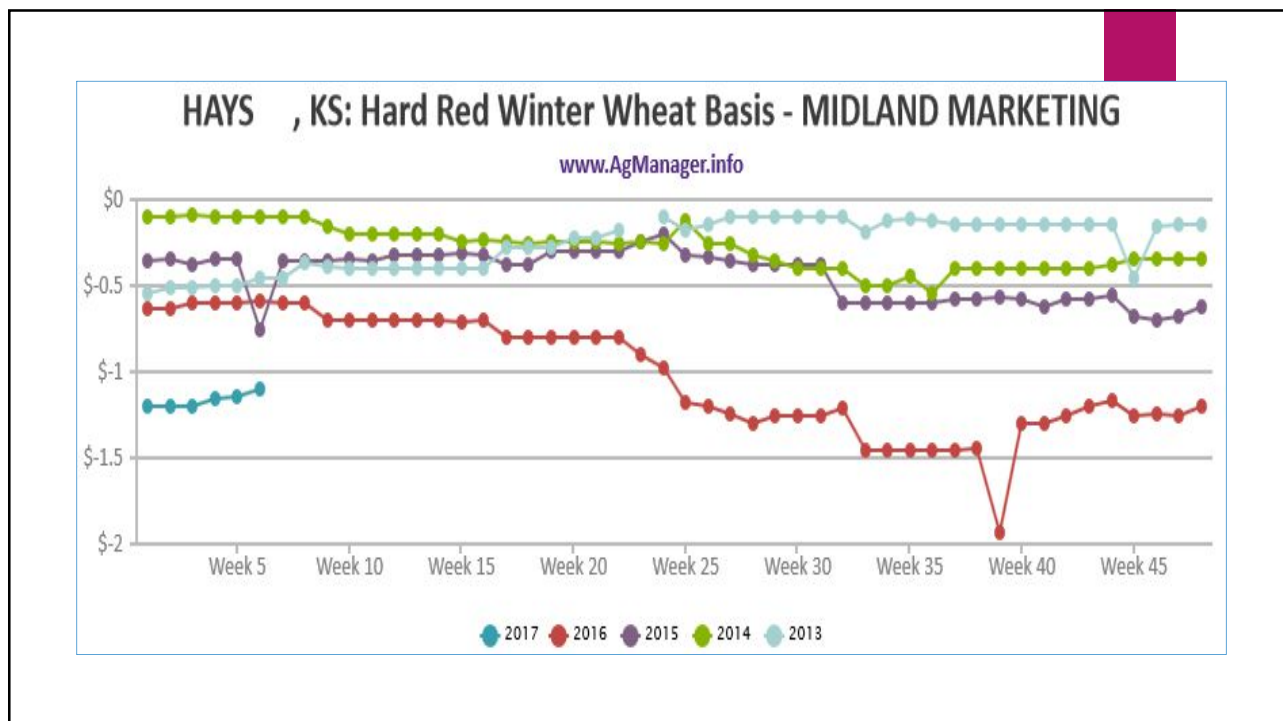
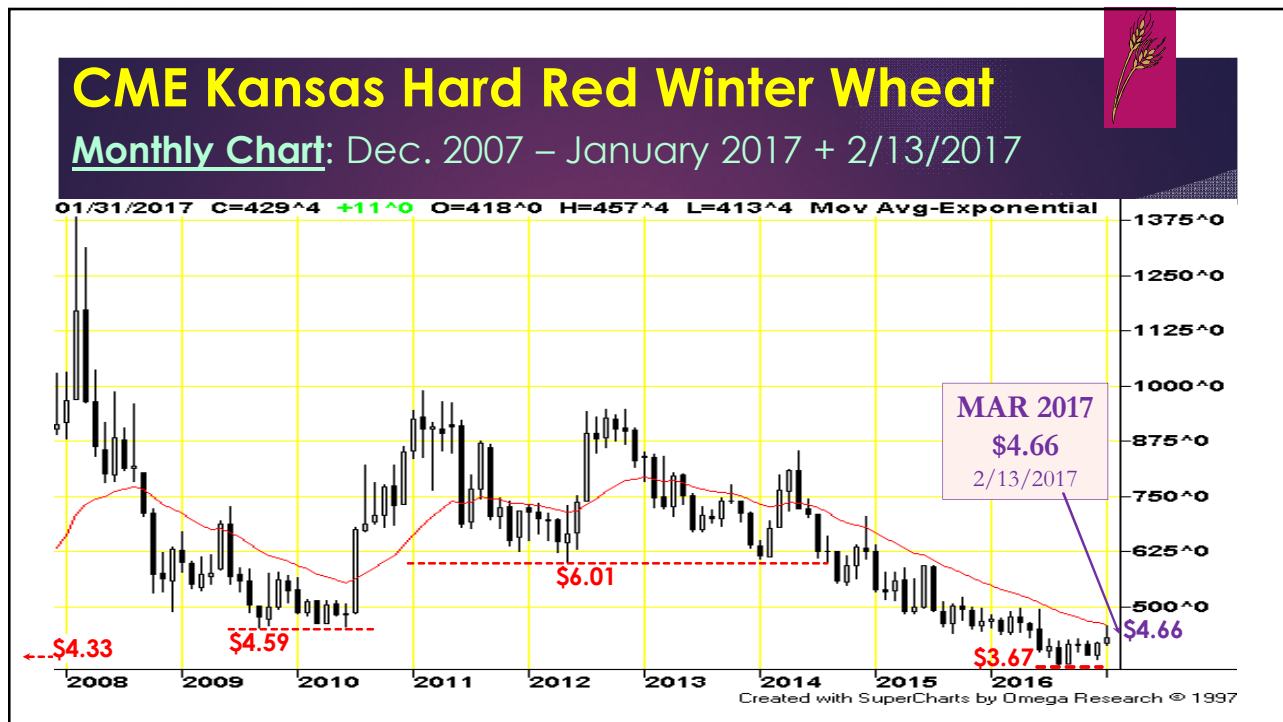
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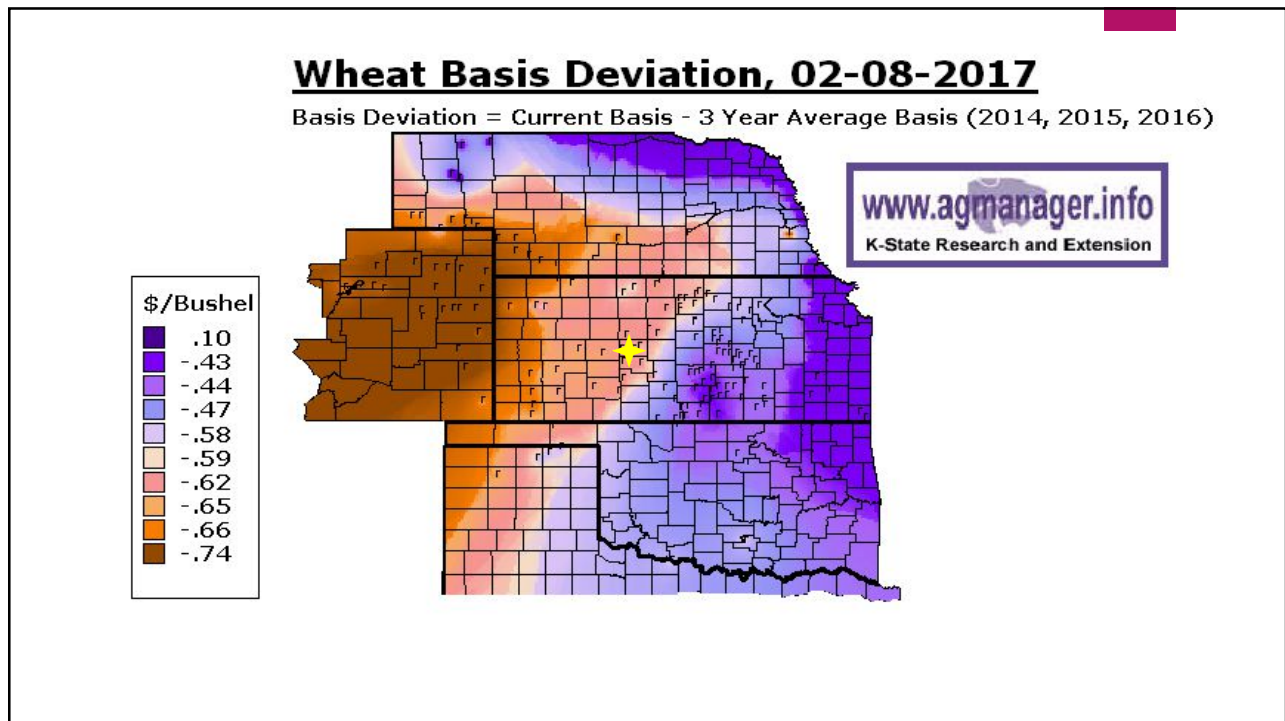
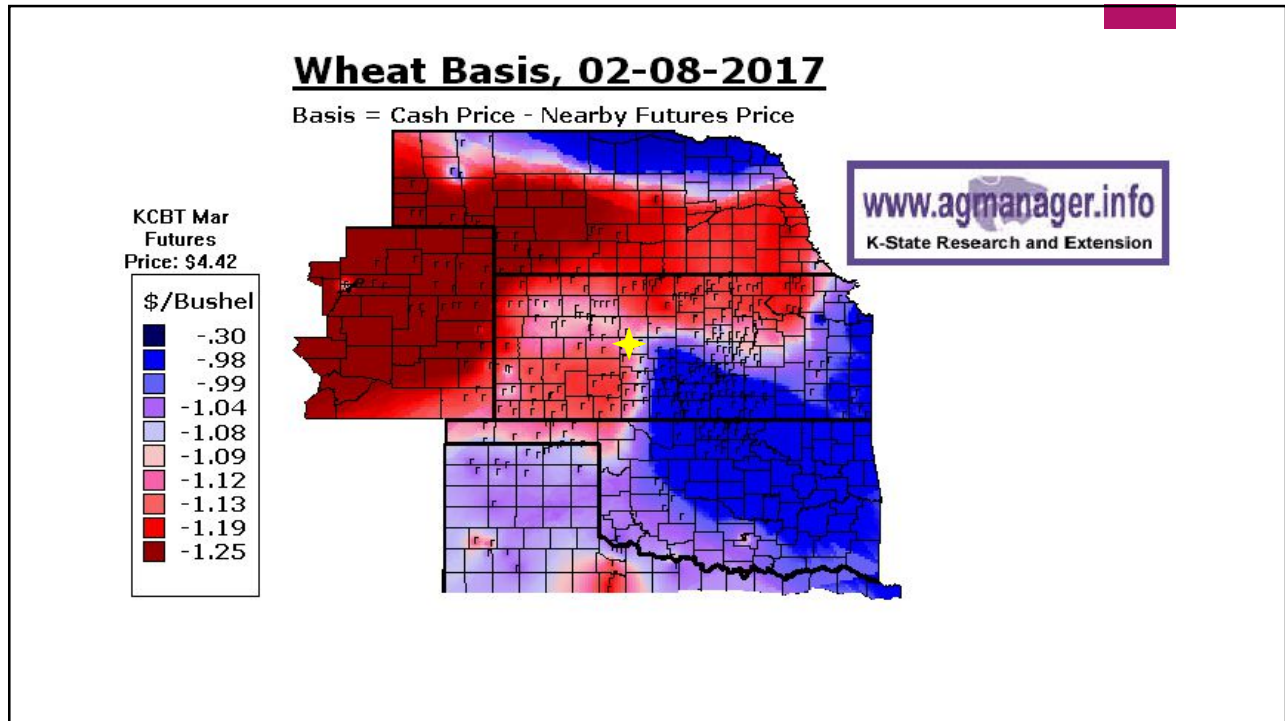
U.S. Wheat Market Prospects:

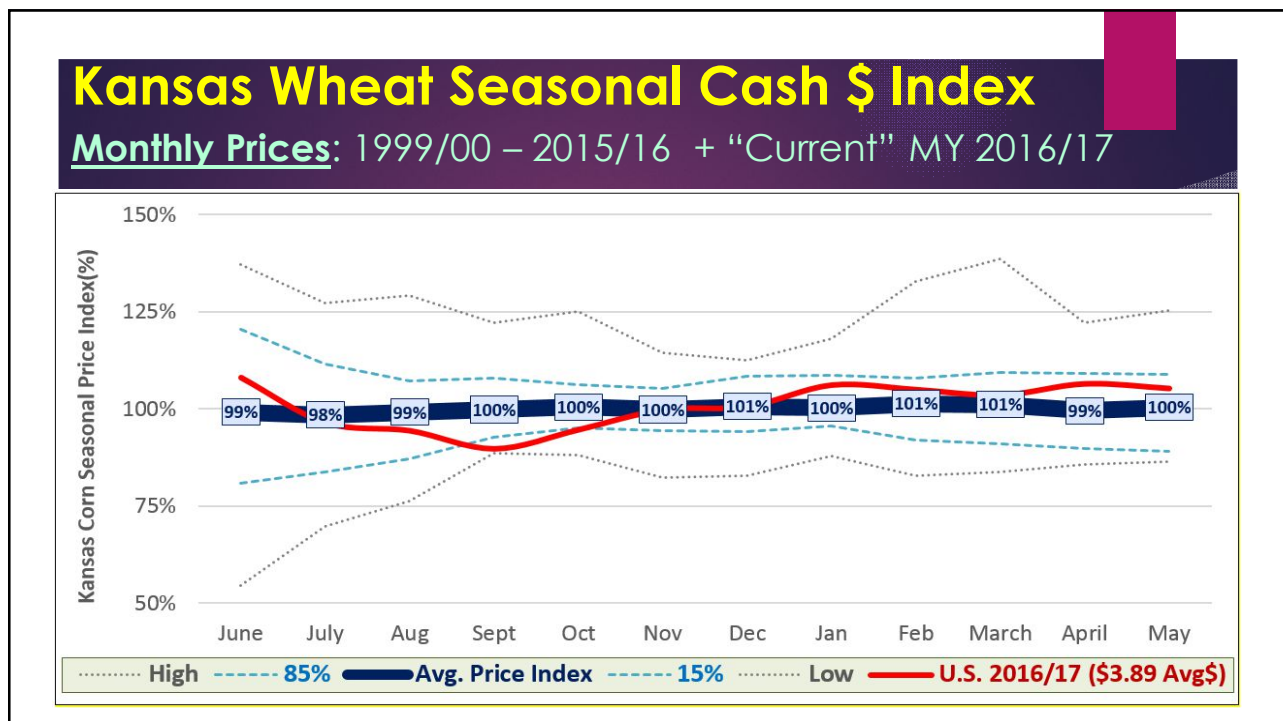
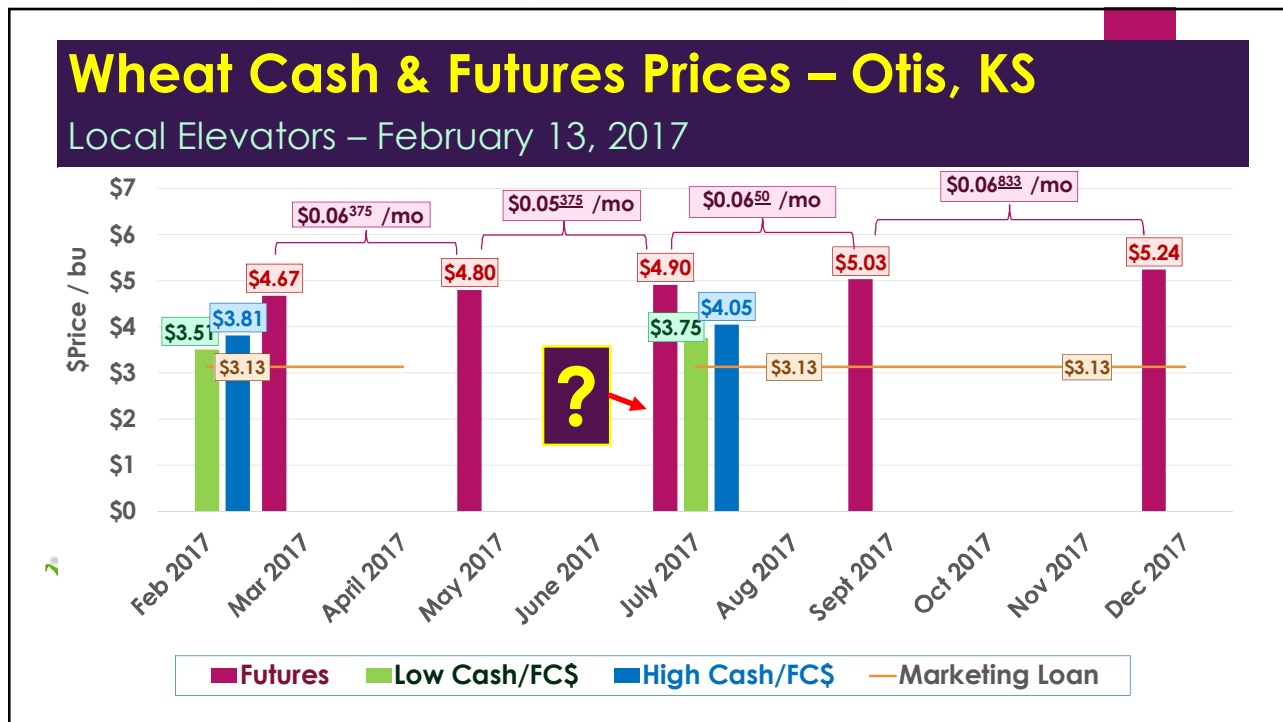
Moderate U.S. Exports *Quality Issues*, Large Stocks, & Low Prices

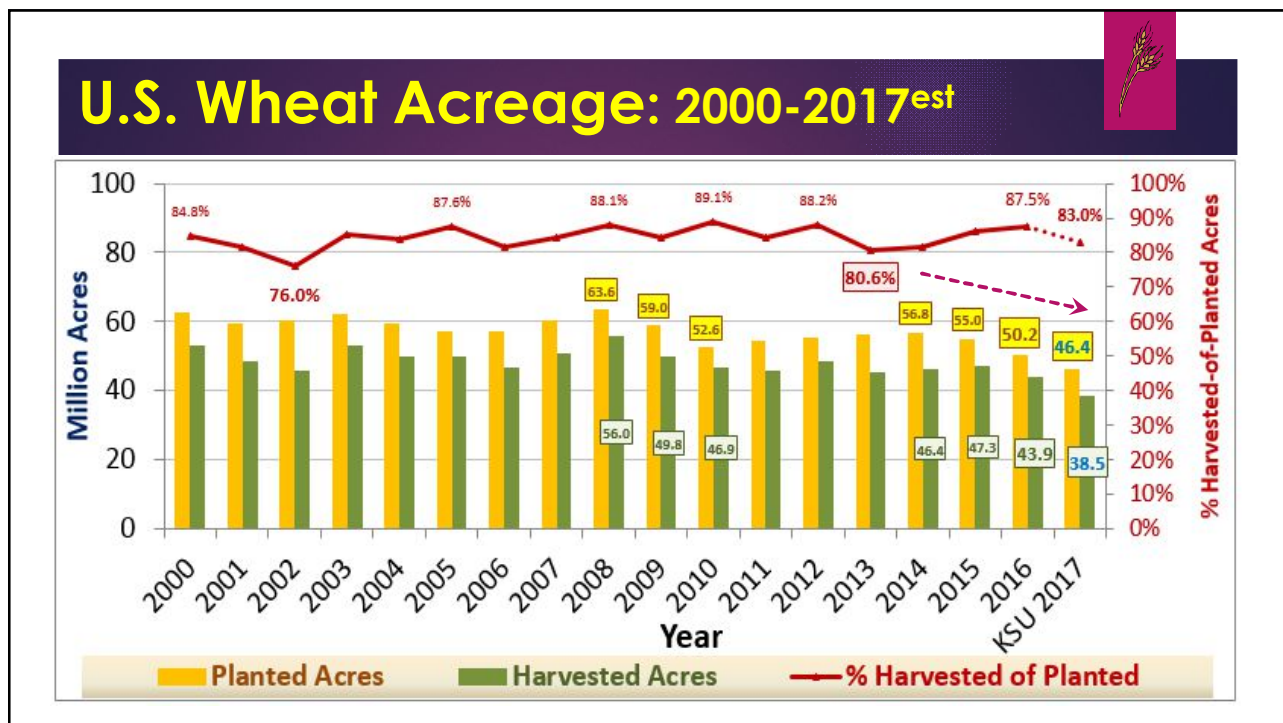
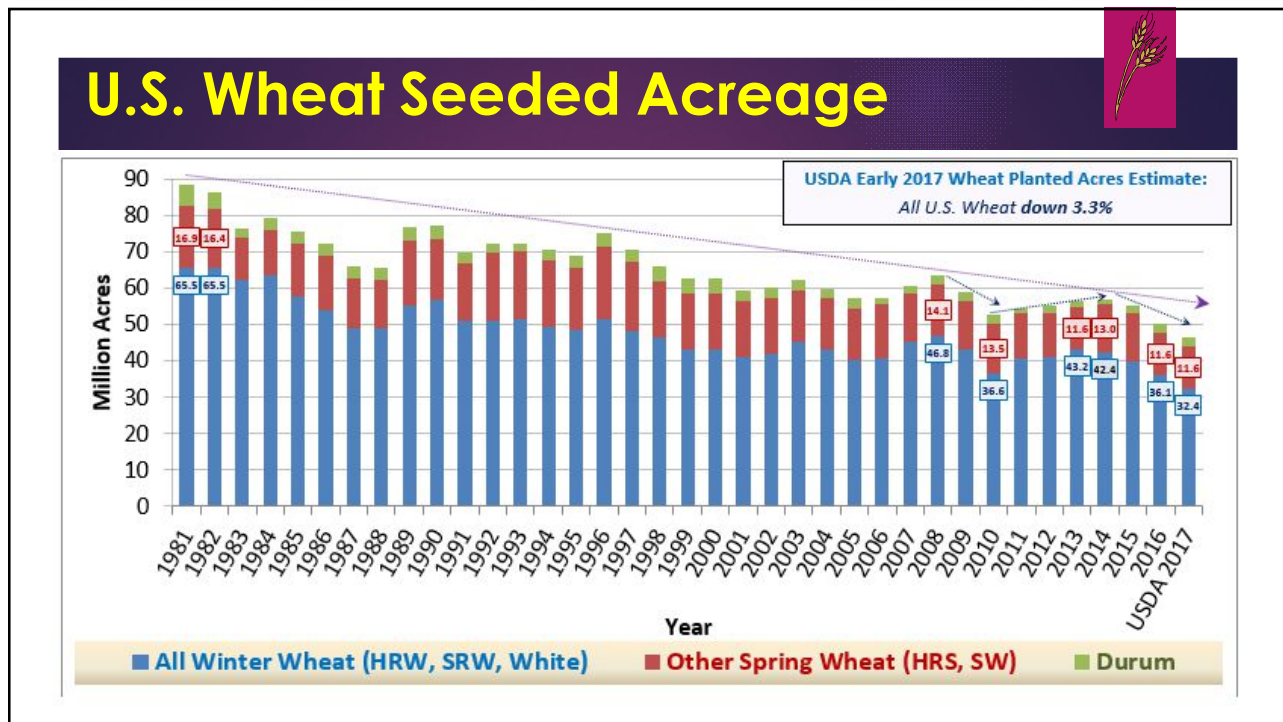
- **U.S. wheat exports are finding support from a lack of milling quality wheat available in the World market**
- **U.S. HRW Wheat 2016** ⇒ **11.2% protein**, 60.7 lb test, 1.2% defects
Vs 12.3% protein, 59.3 lb test wt, 1.7% defects in 2015
- **U.S. Spring Wheat 2016** ⇒ **14.2% protein**, 61.2 lb test, 0.9% defects
Vs 14.2% protein, 61.4 lb test wt, 1.0% defects in 2015
- **U.S. SRW Wheat 2016** ⇒ **9.4% protein** & 58.6 lb test, 1.4% defects
Vs 10.0% protein, 56.9 lb test wt, 4.3% defects in 2015

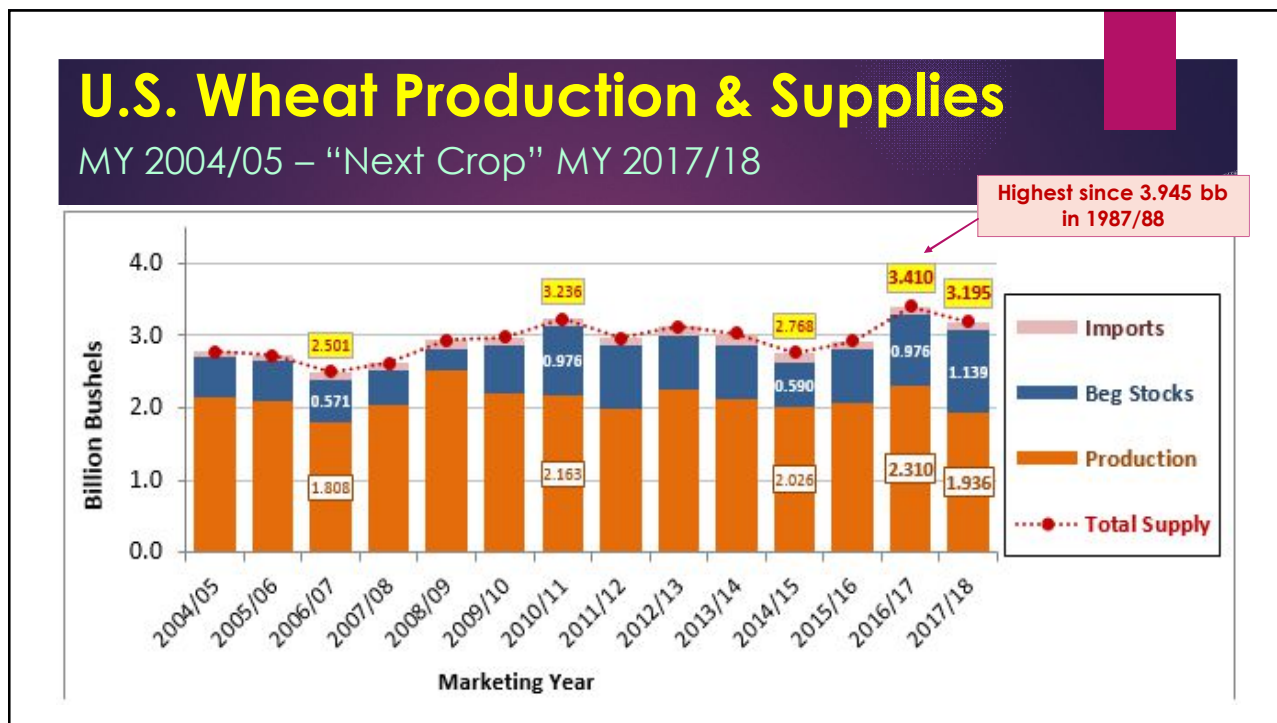
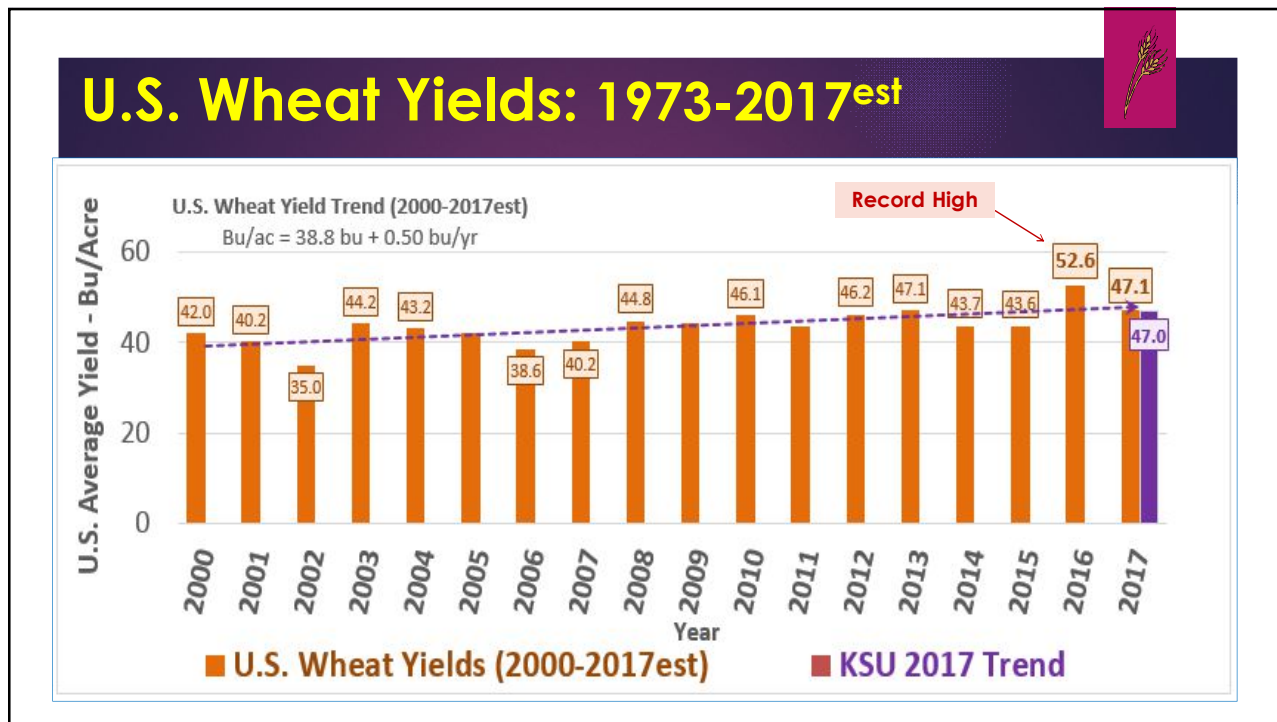
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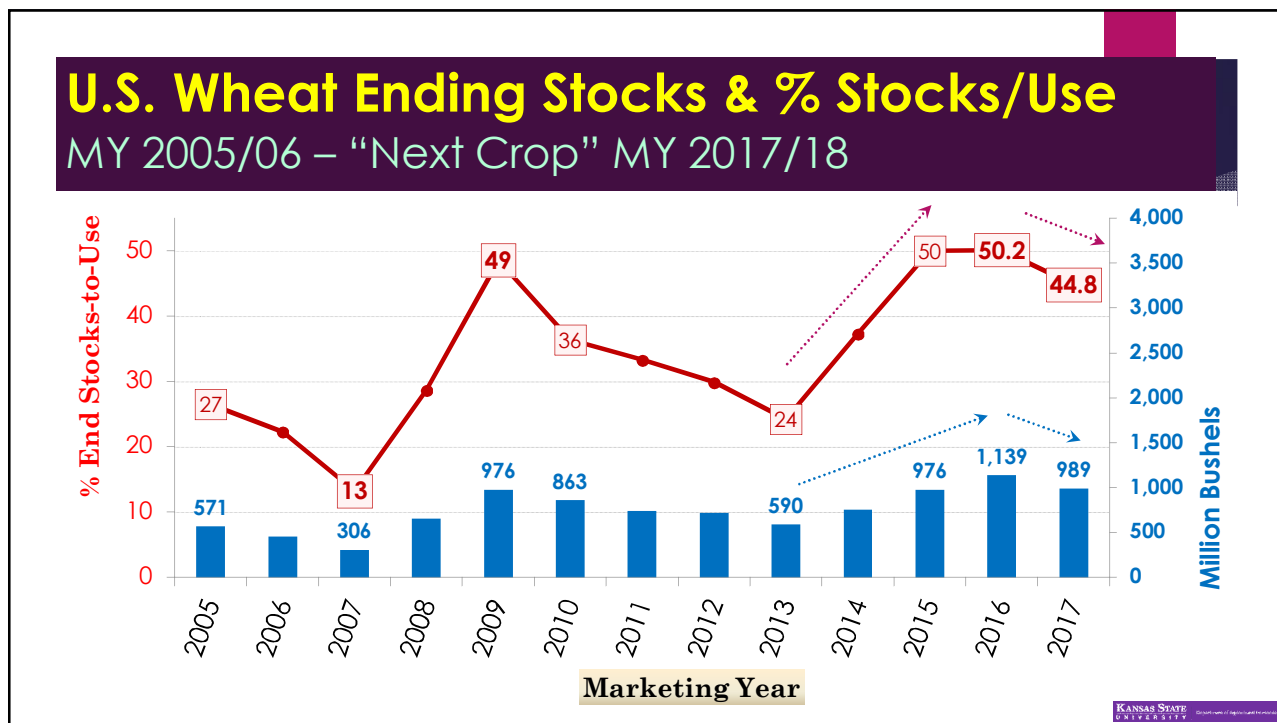
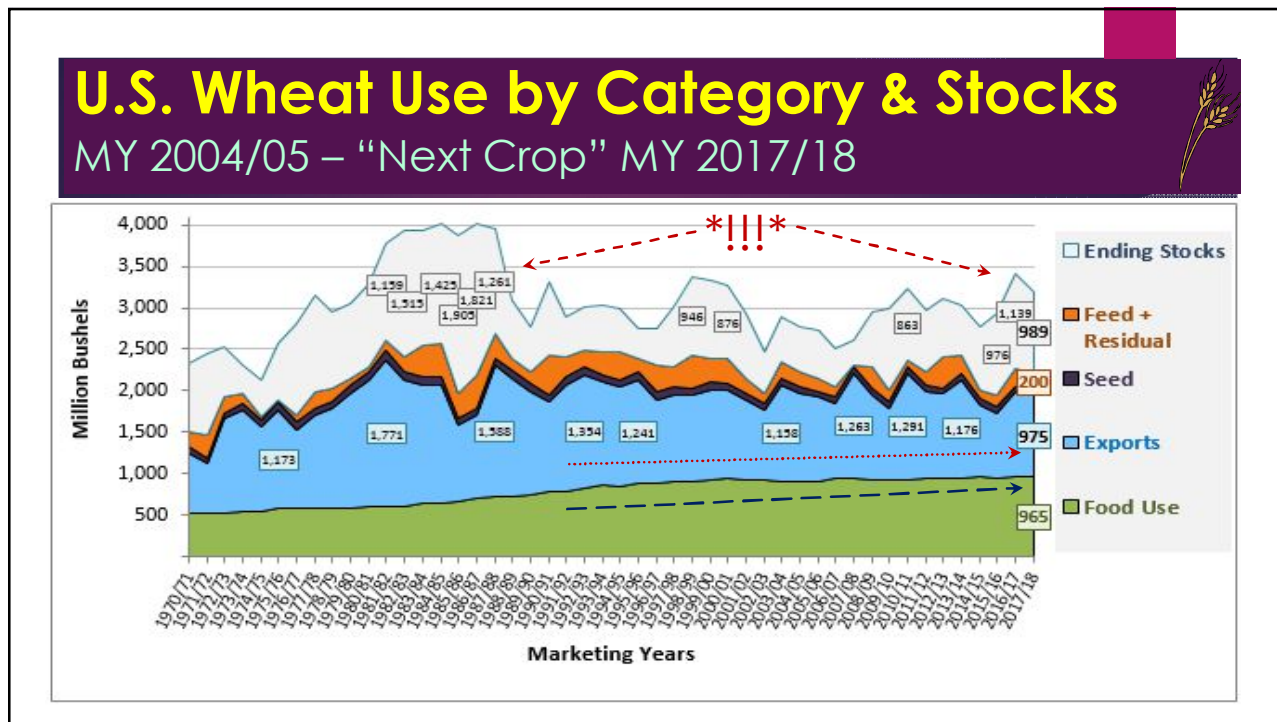


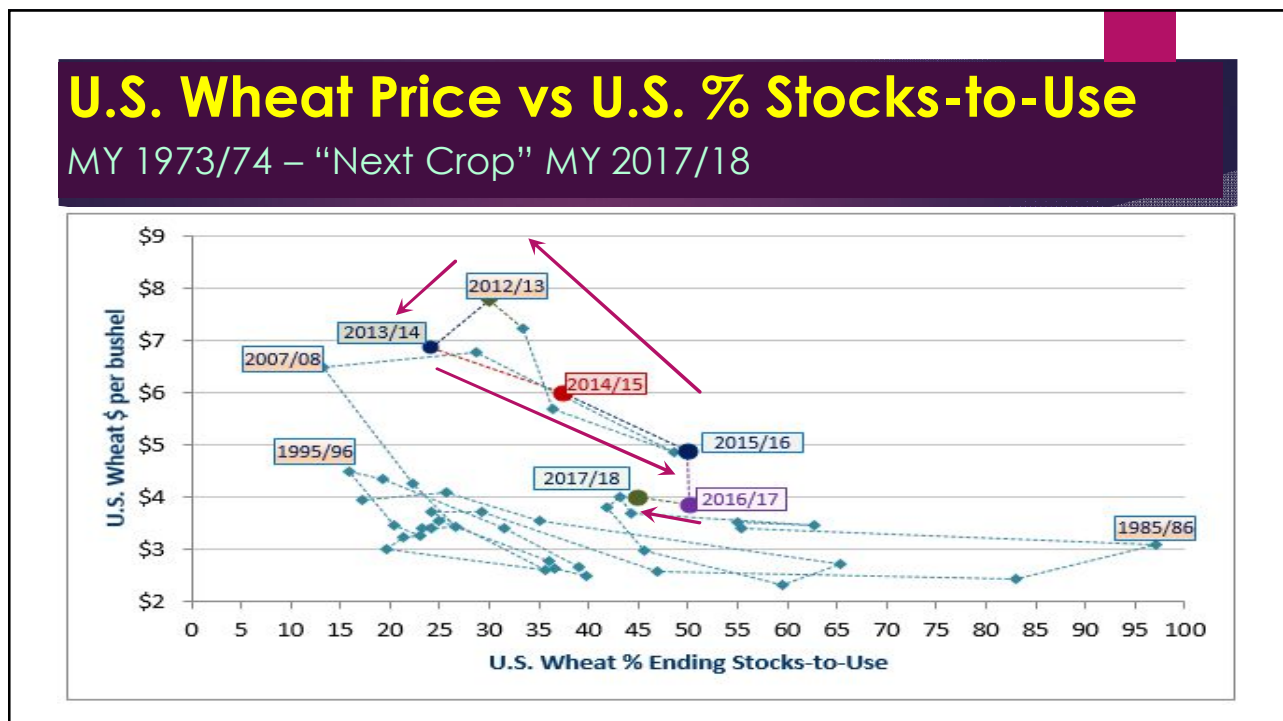
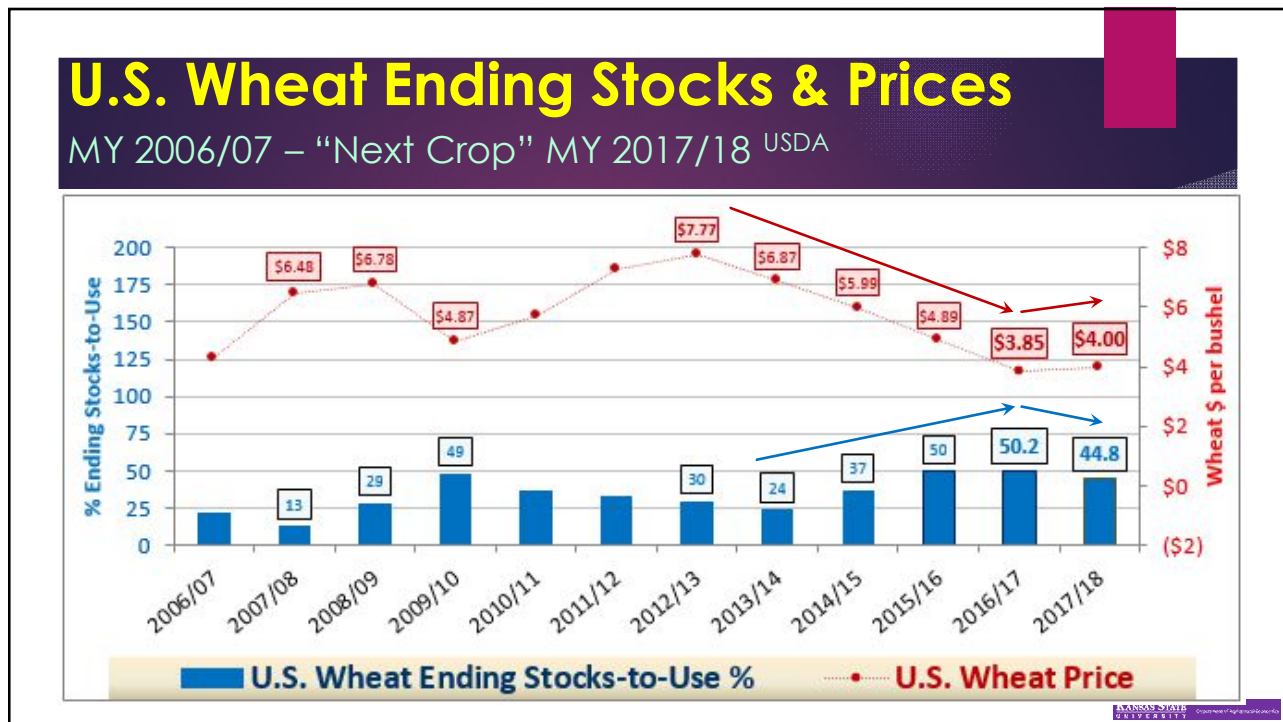


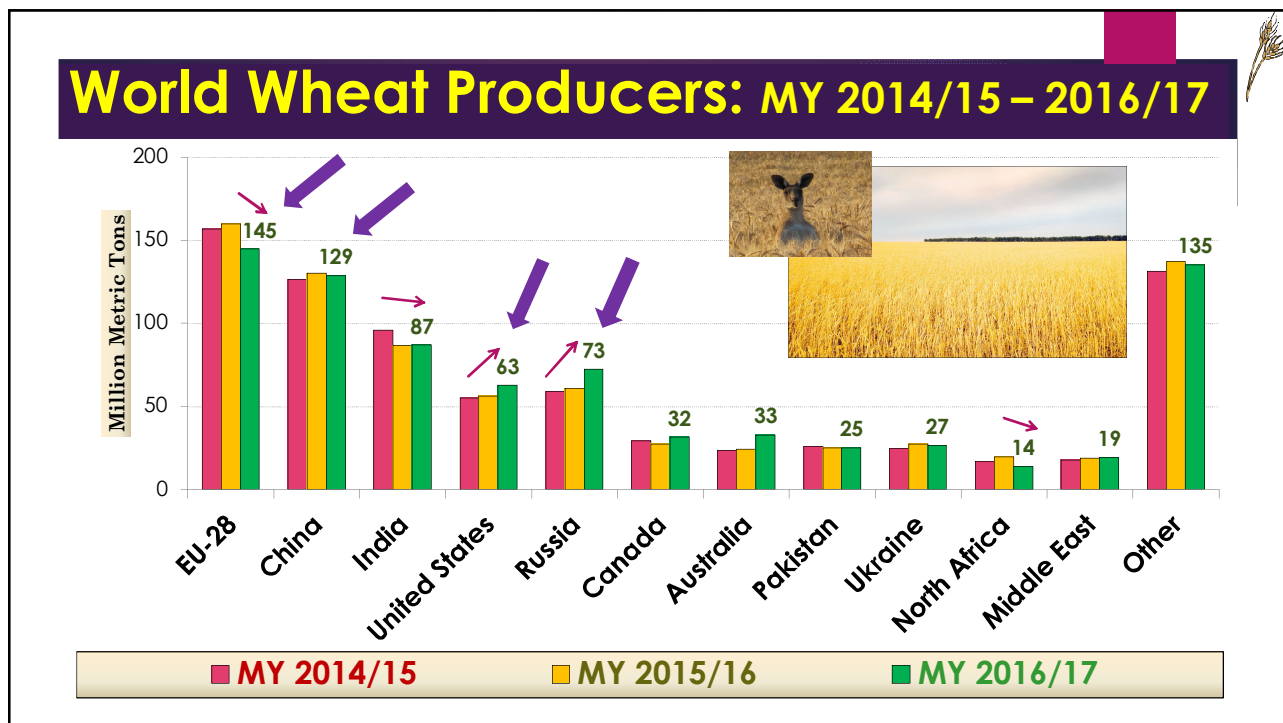
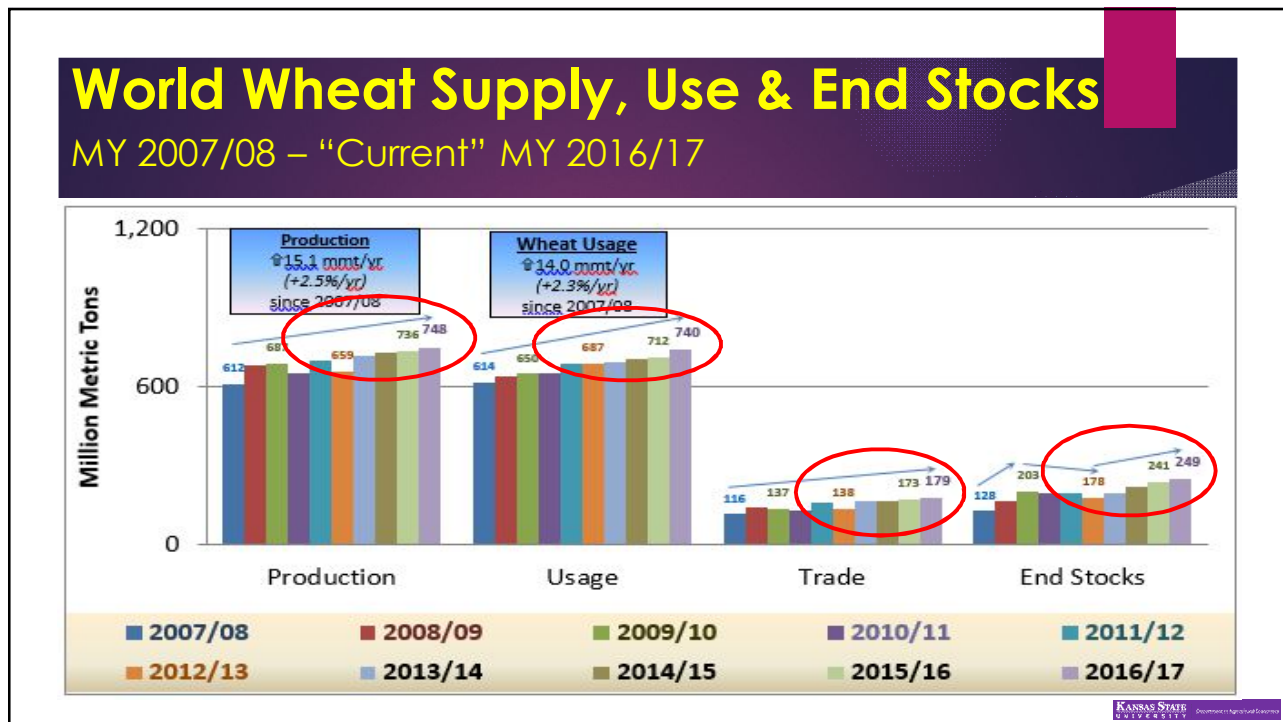


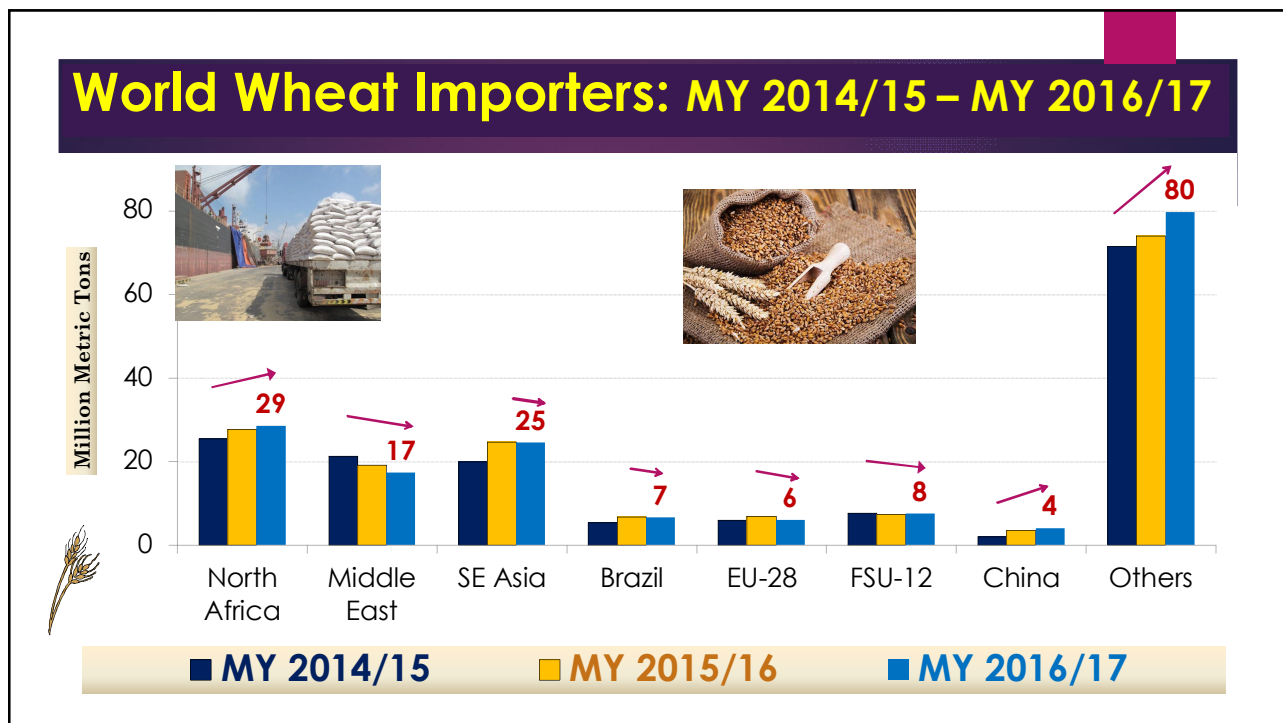
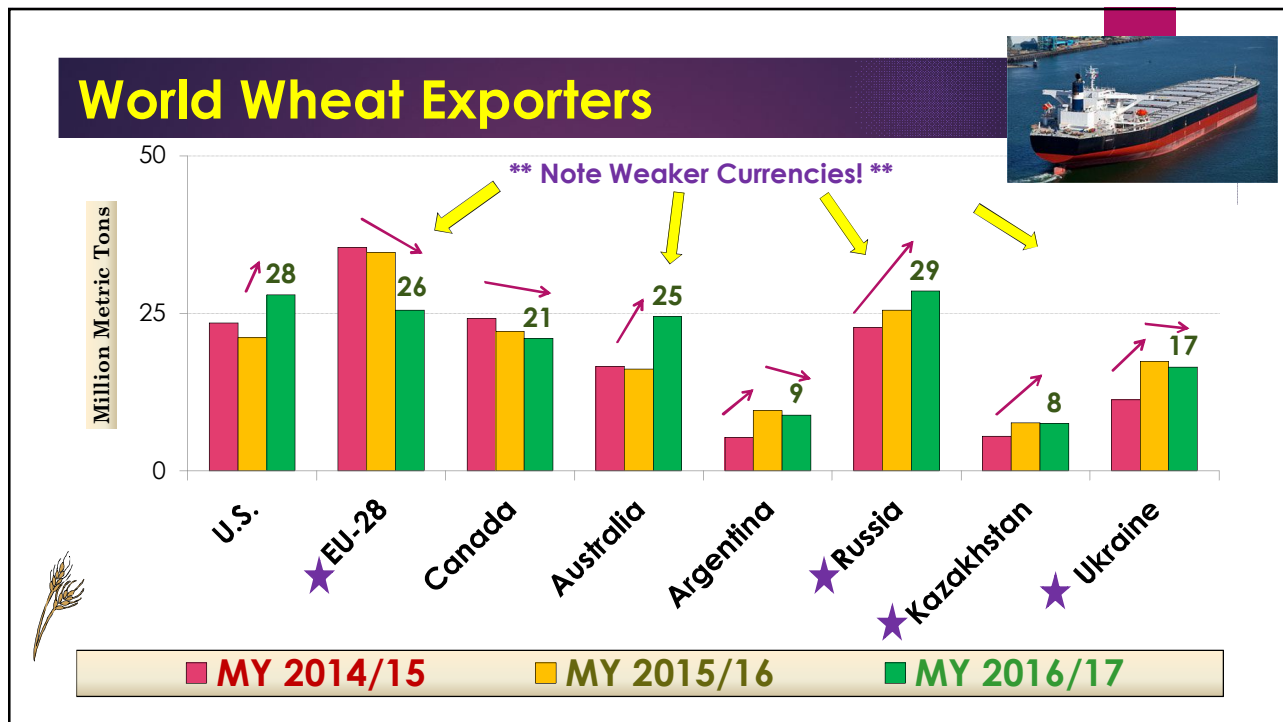


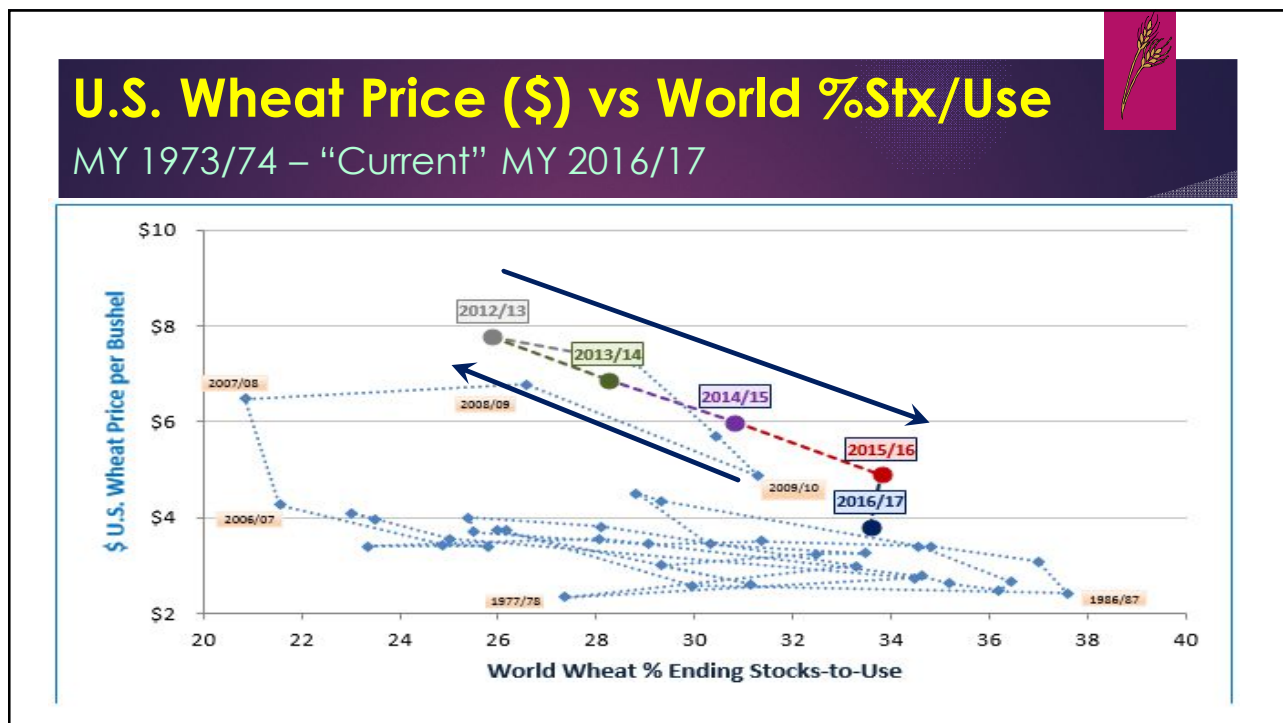
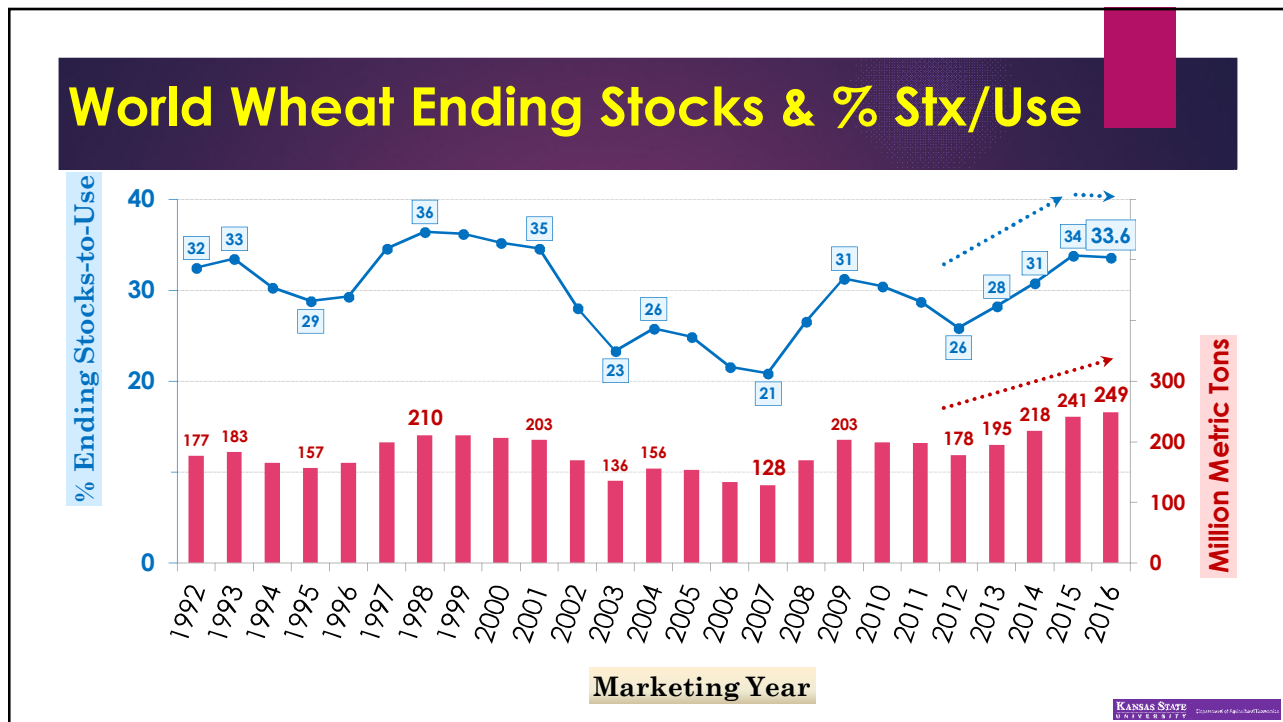


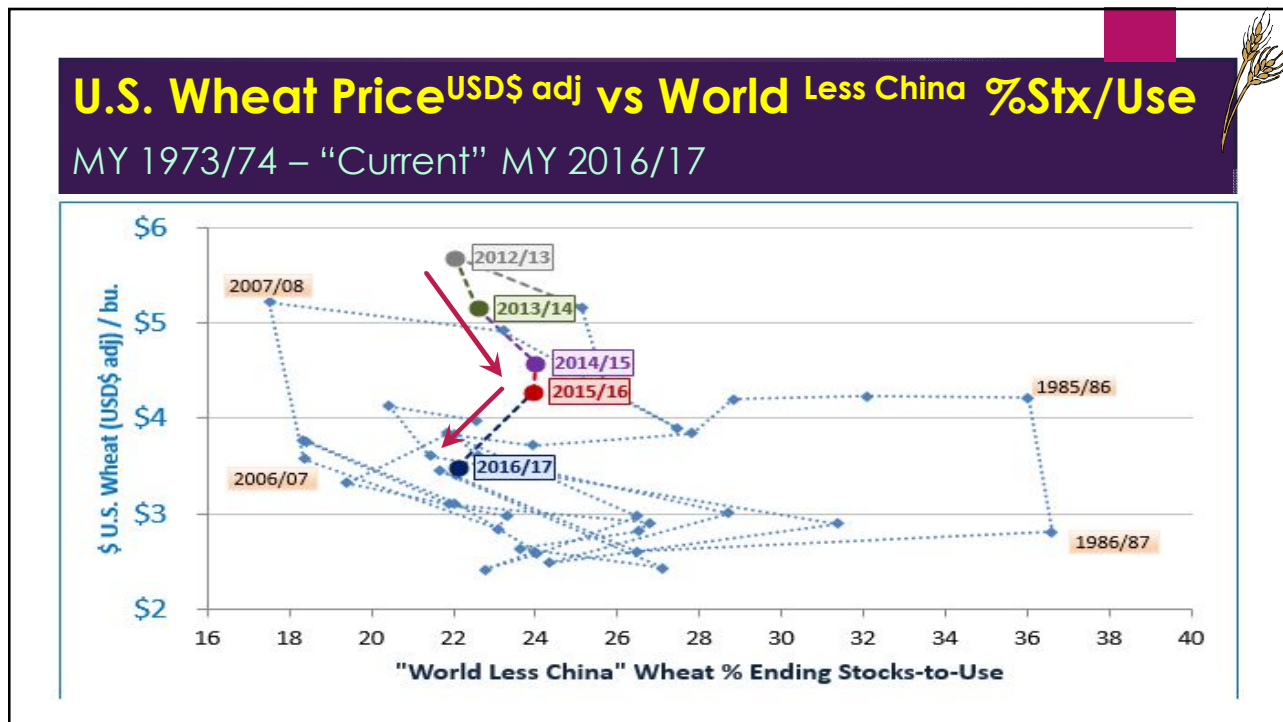












Soybean Markets





Department of Agricultural Economics

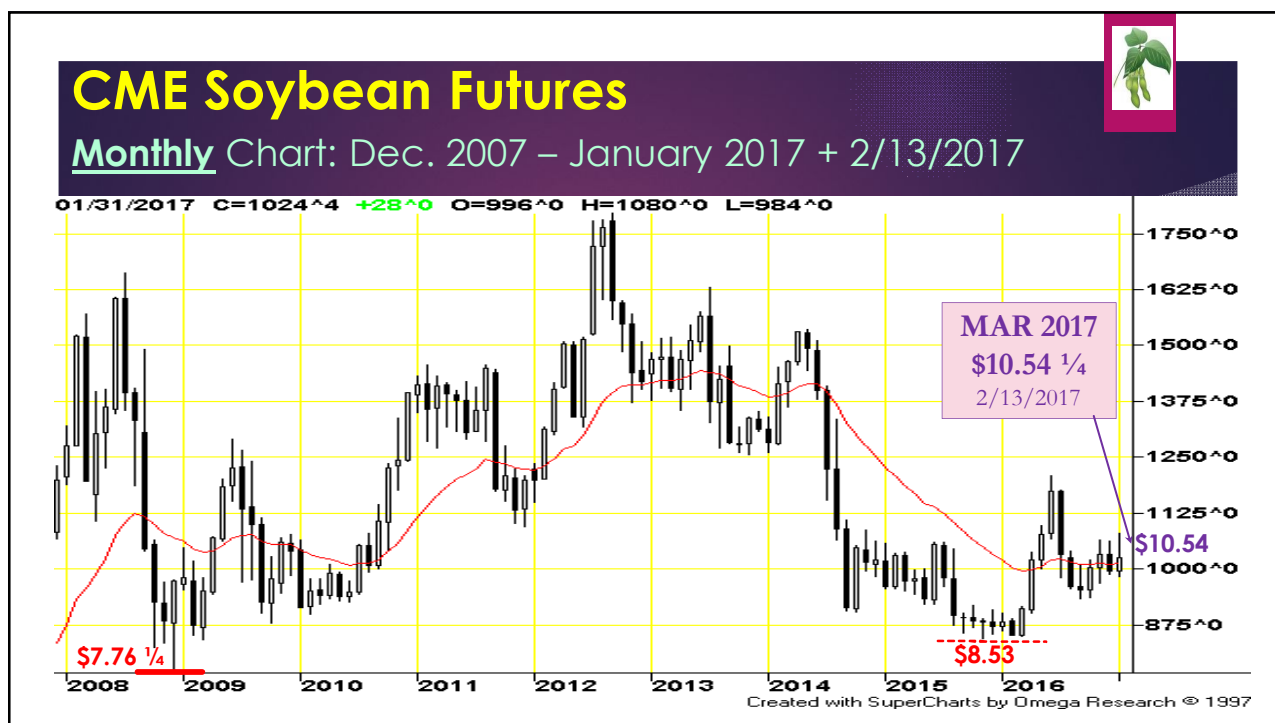
U.S. Soybean Market Prospects:

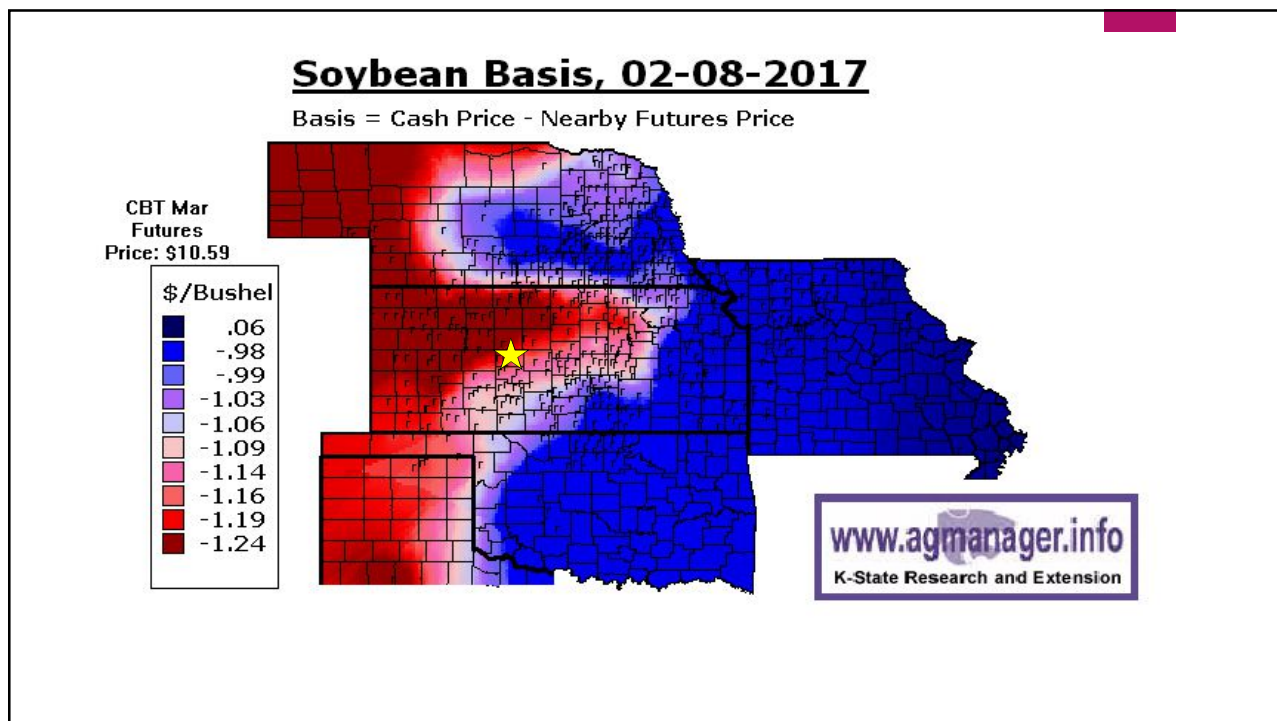
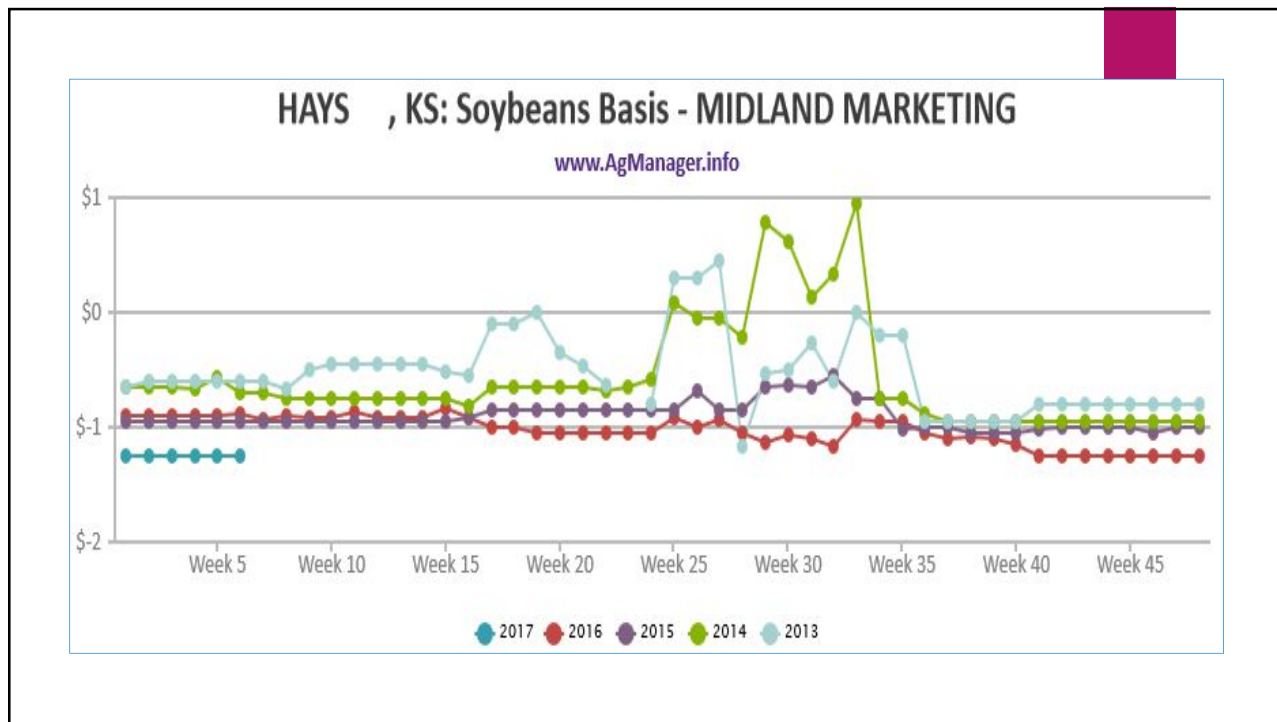
“Strong” Use & Exports – but with Large Stocks & Weak Prices

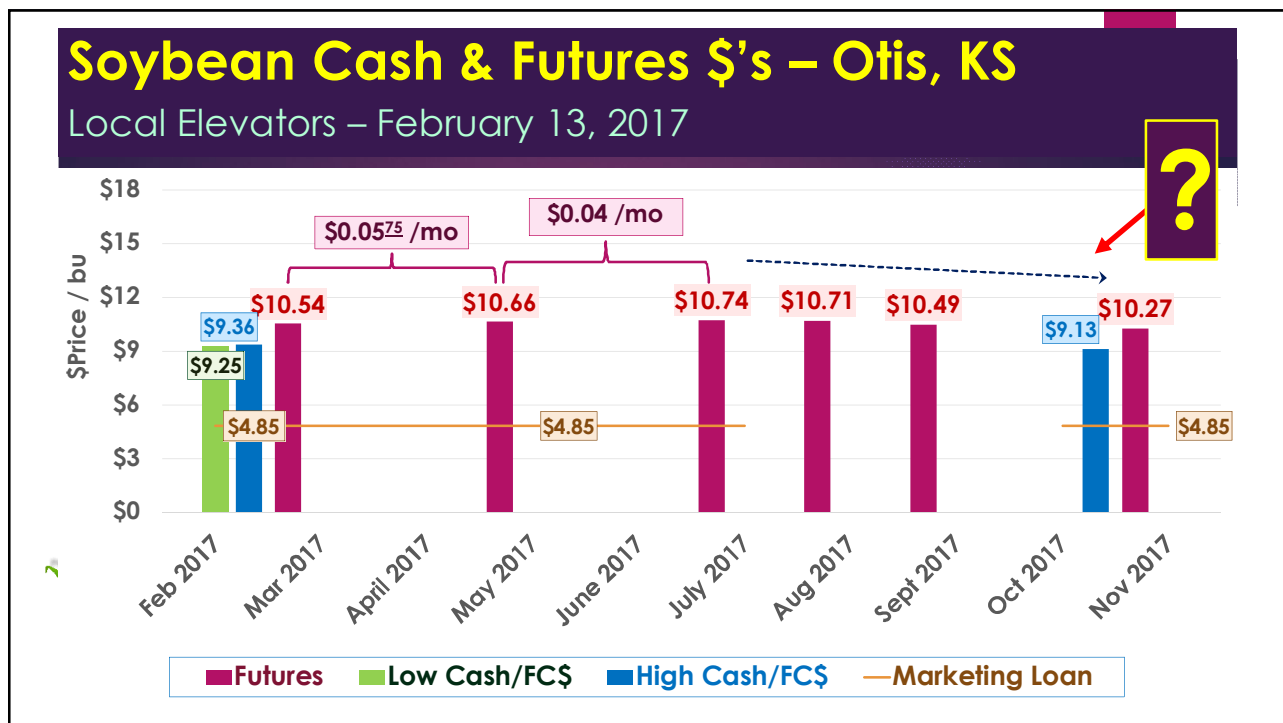
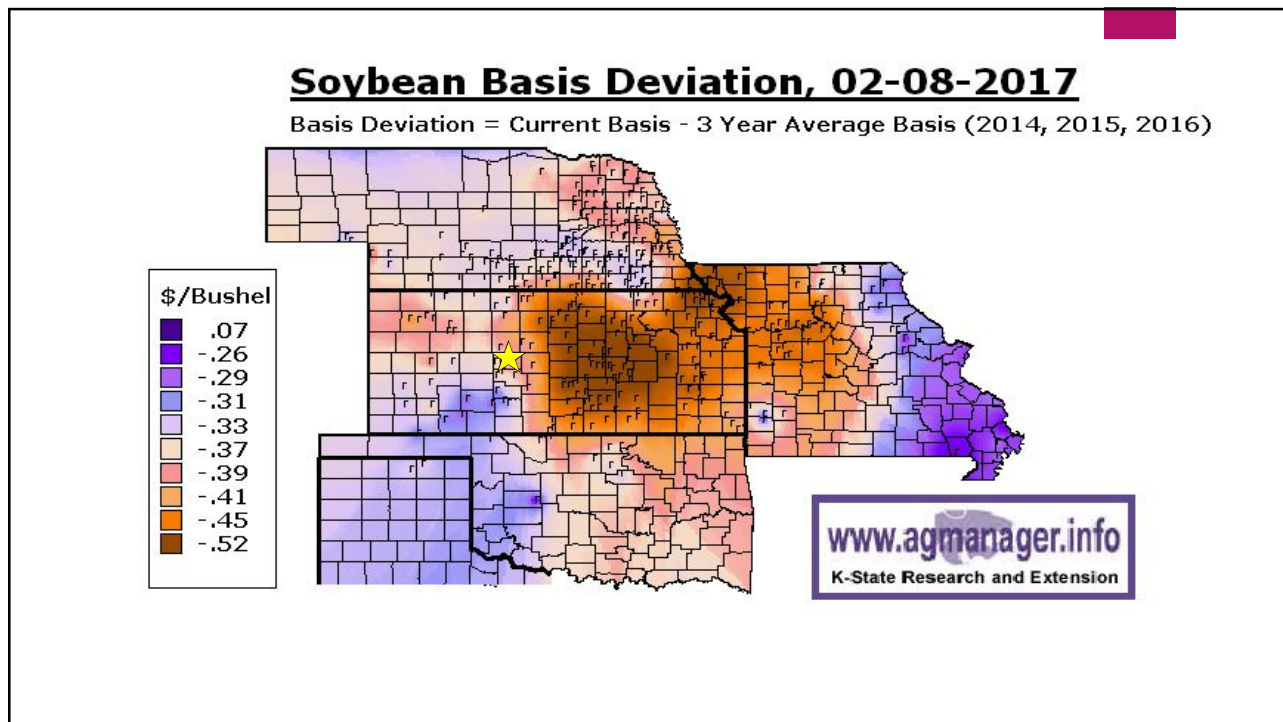


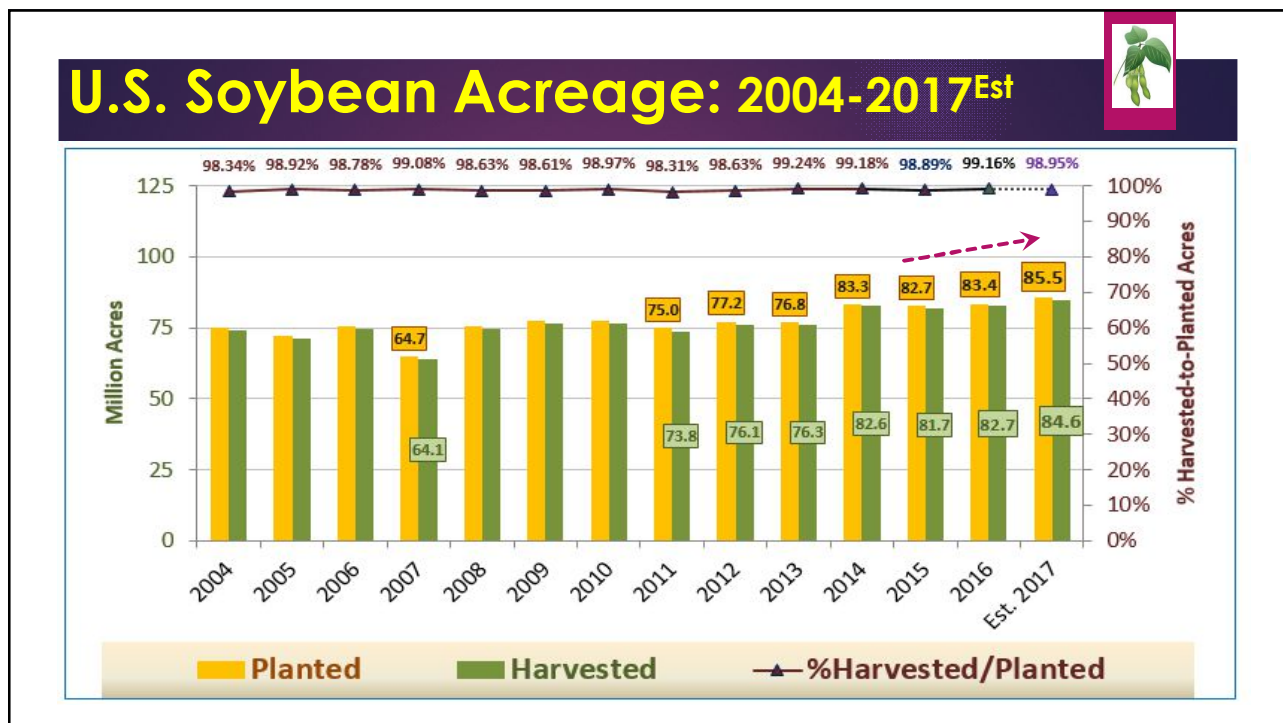
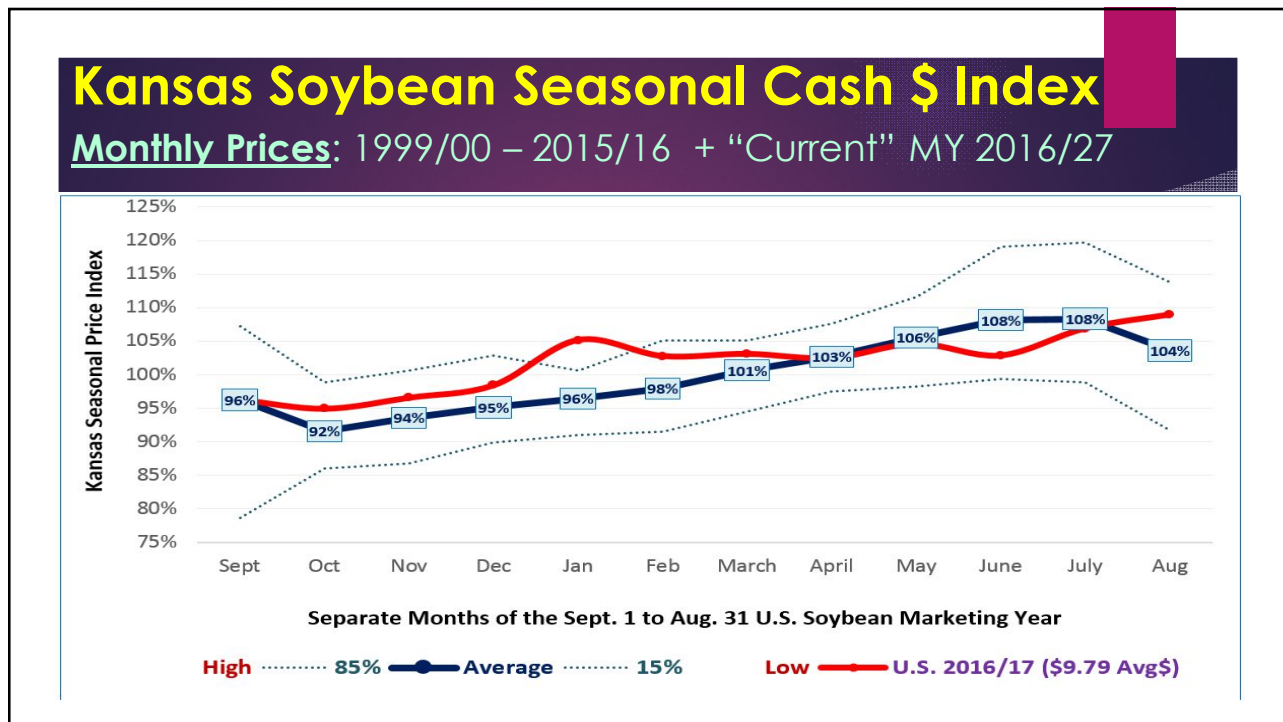
- **U.S. soybean exports in 2016/17 to remain historically large in spite of higher U.S. Dollar exchange rate**
 - Depends on China imports & 2017 South American crops
- **Low Prices have supported record high U.S. Soybean Use**
 - **Crush**^{2016/17} = 1.930 bln bu (*record > 1.886 bb in MY 2015/16*)
 - **Exports**^{2016/17} = 2.050 bln bu (*record > 1.936 bb vs MY 2015/16*)
- **“Uncertainty - Risk” ⇒ 2017 South American soybean crops**

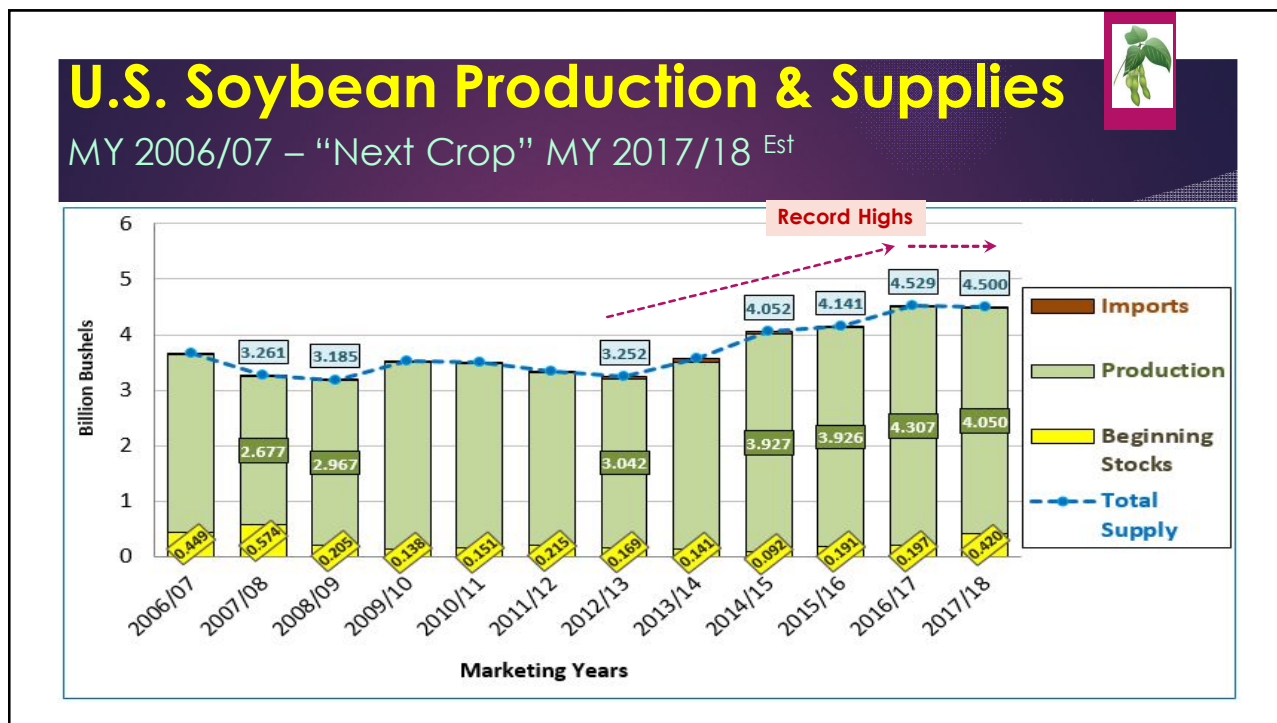
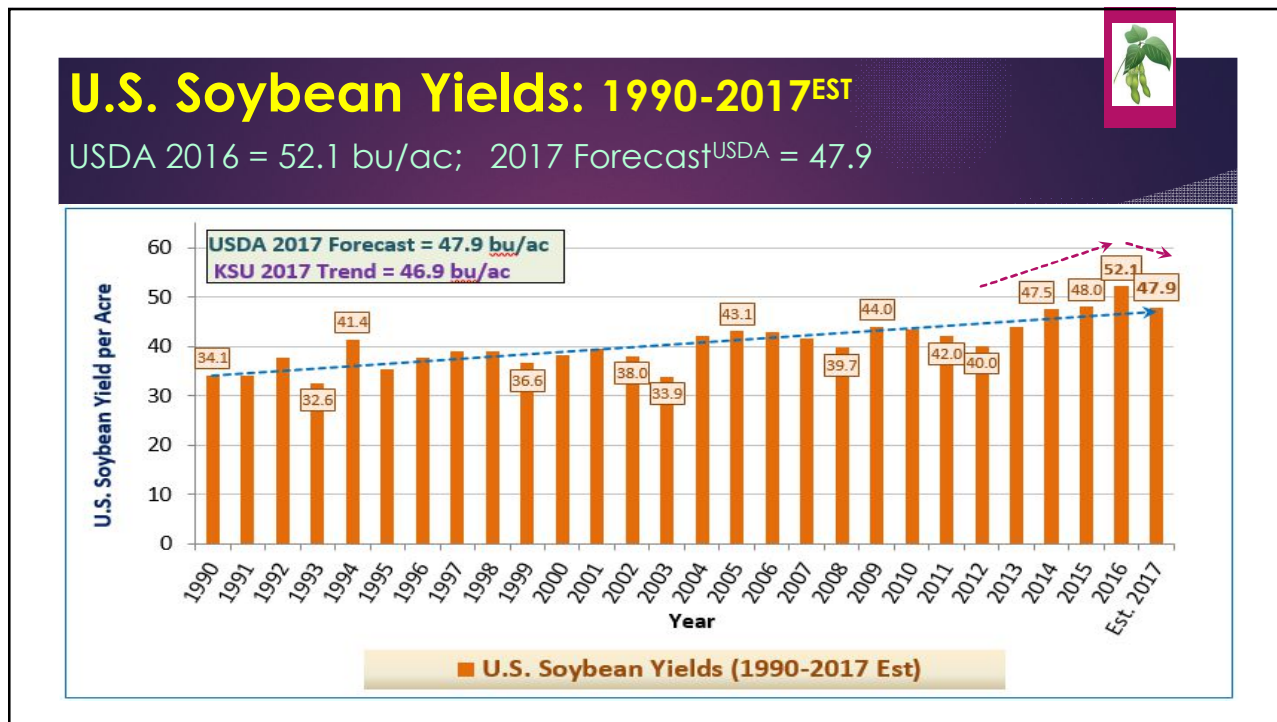








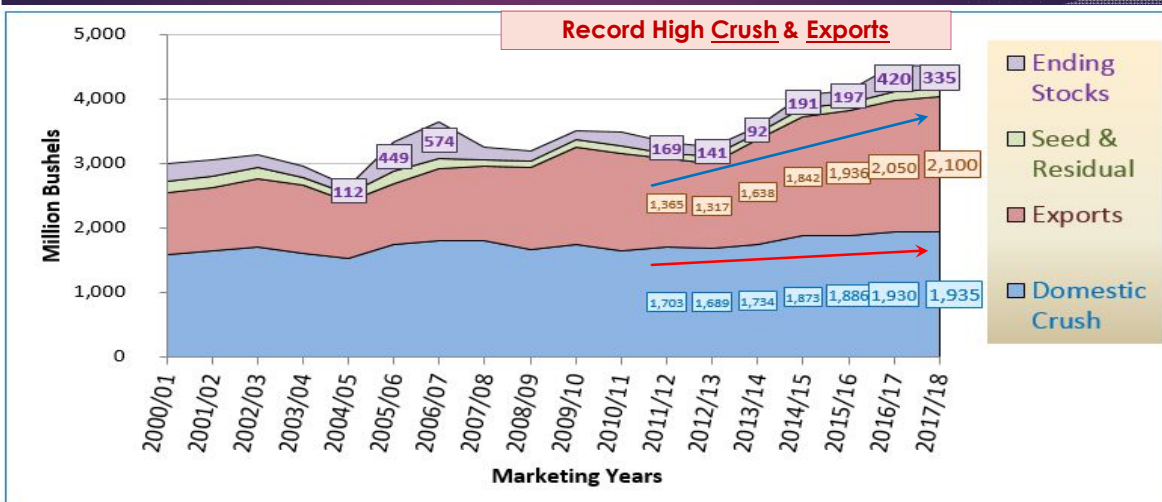


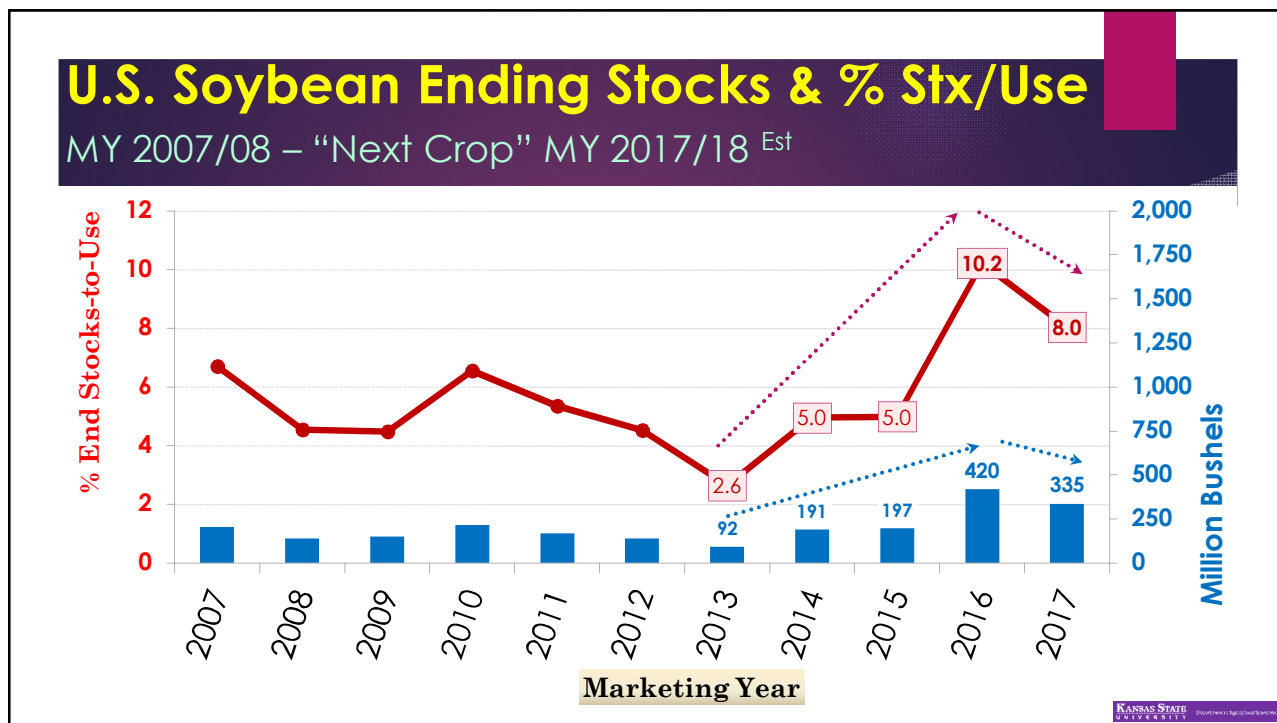
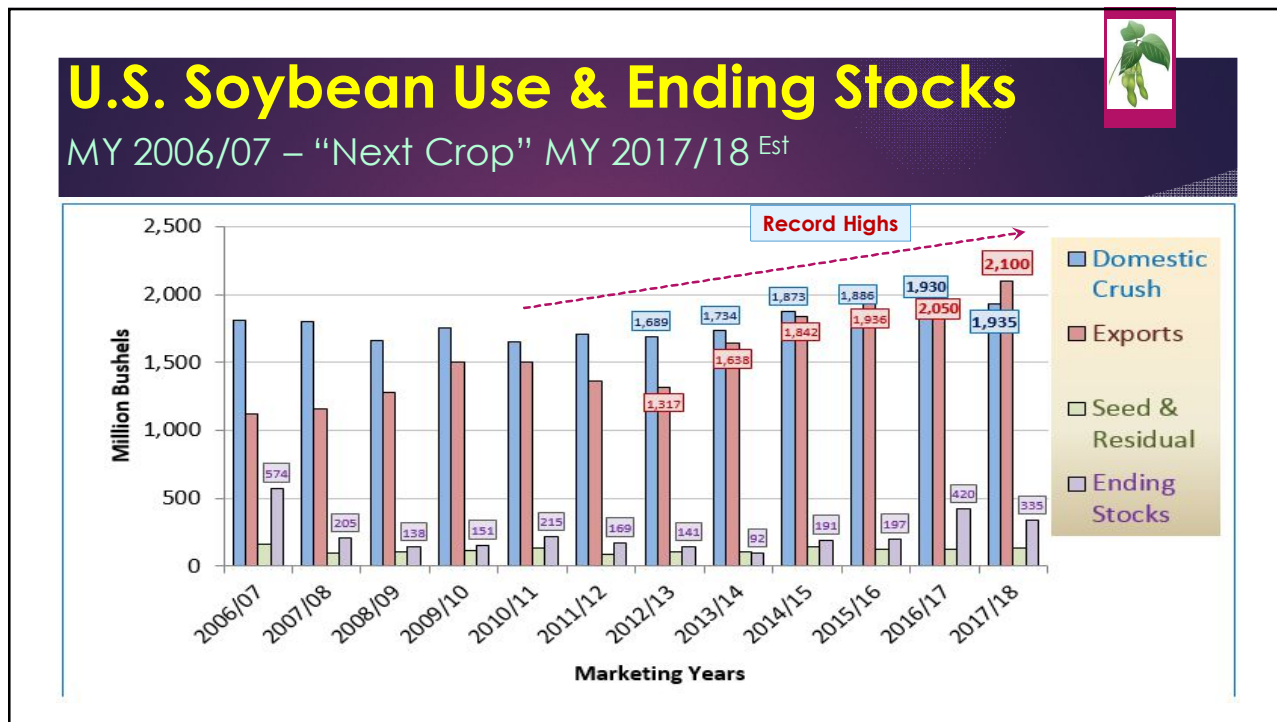


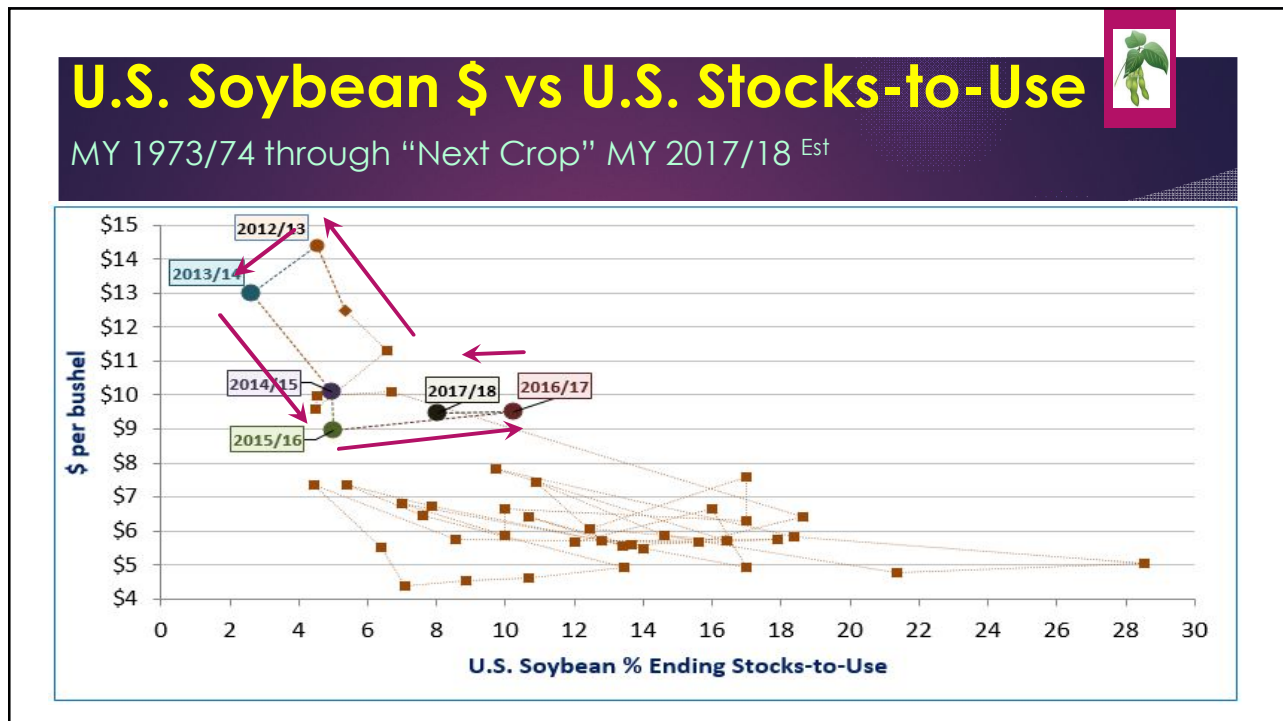
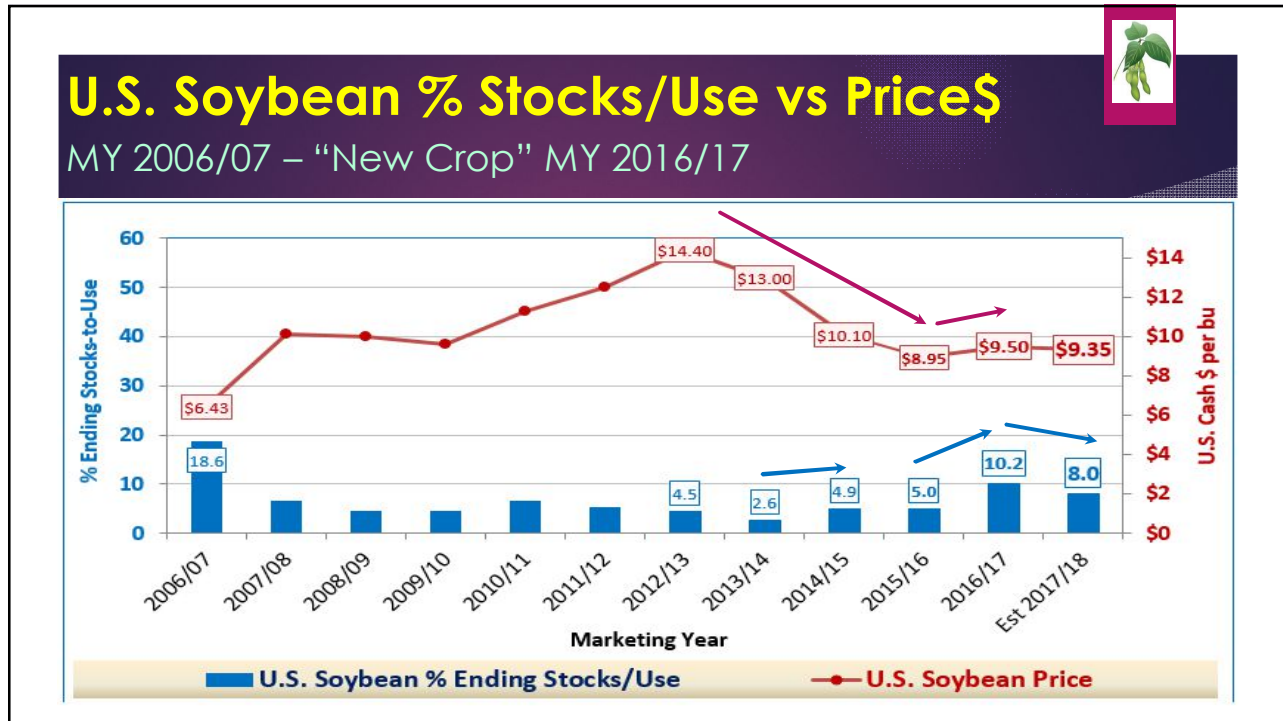


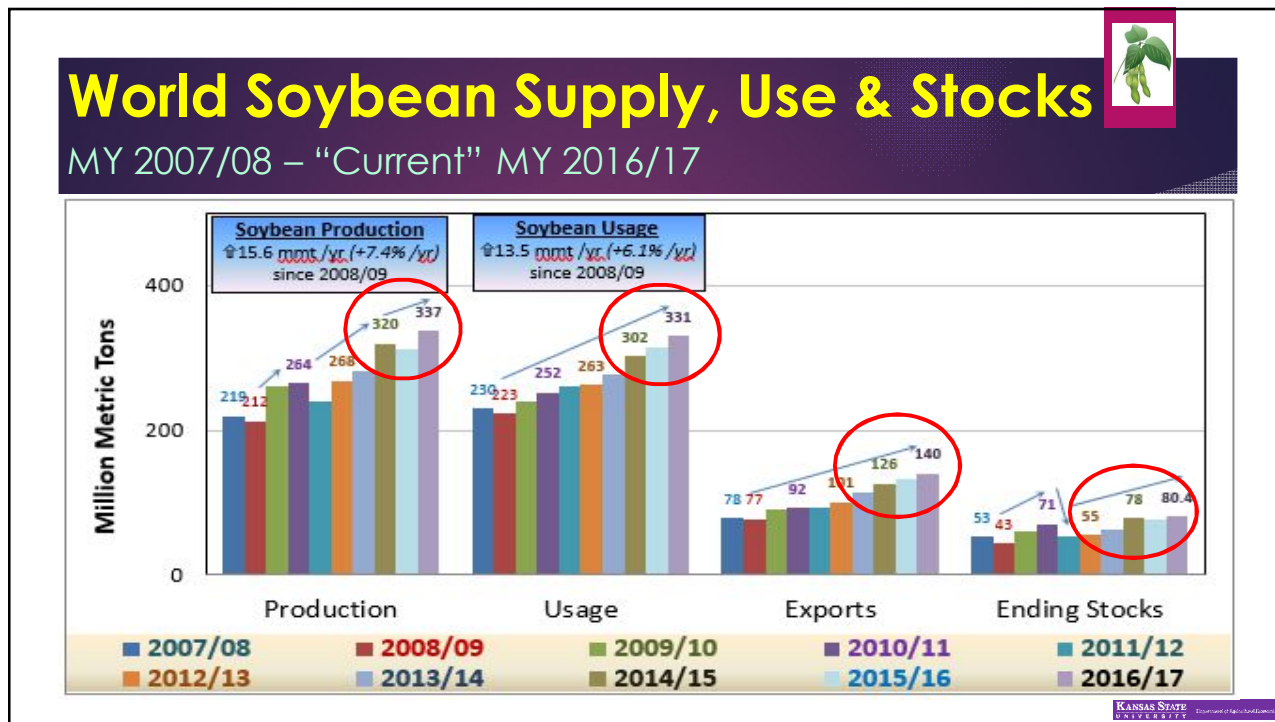
U.S. Soybean Use & Ending Stocks

MY 2000/01 – “Current” MY 2016/17









Monthly Crop Calendar for Soybeans

9/12/2016

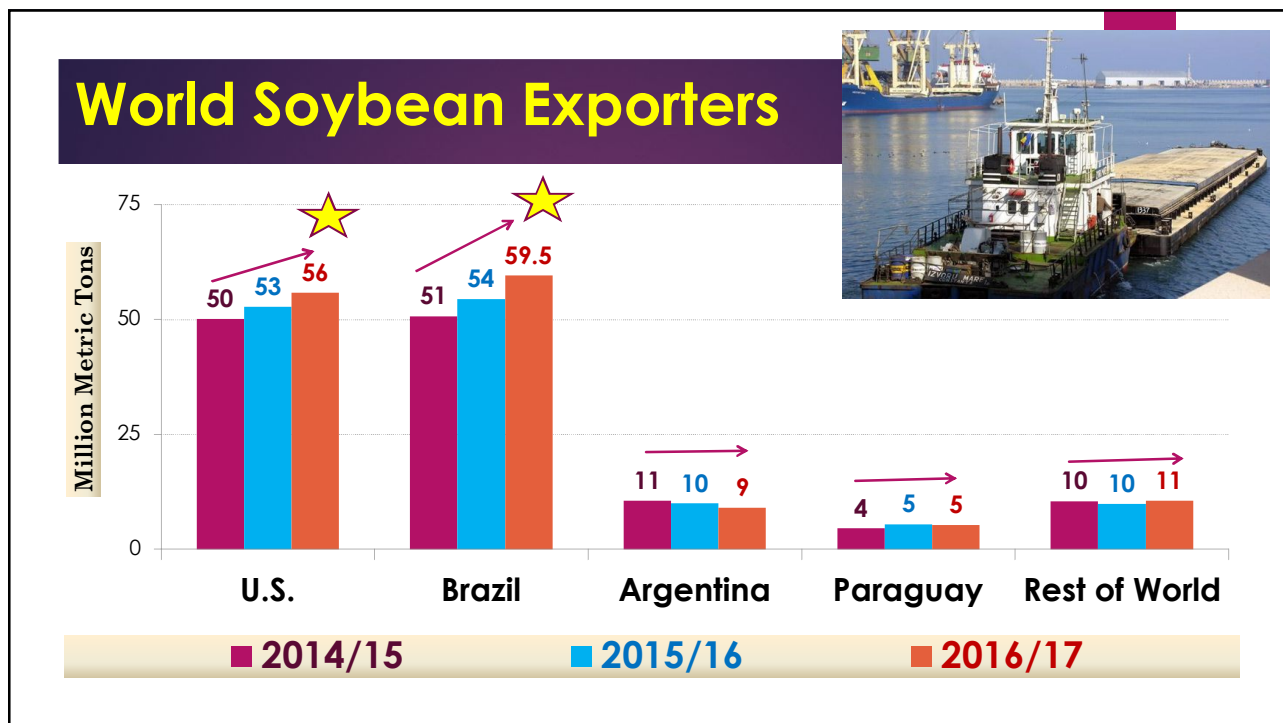
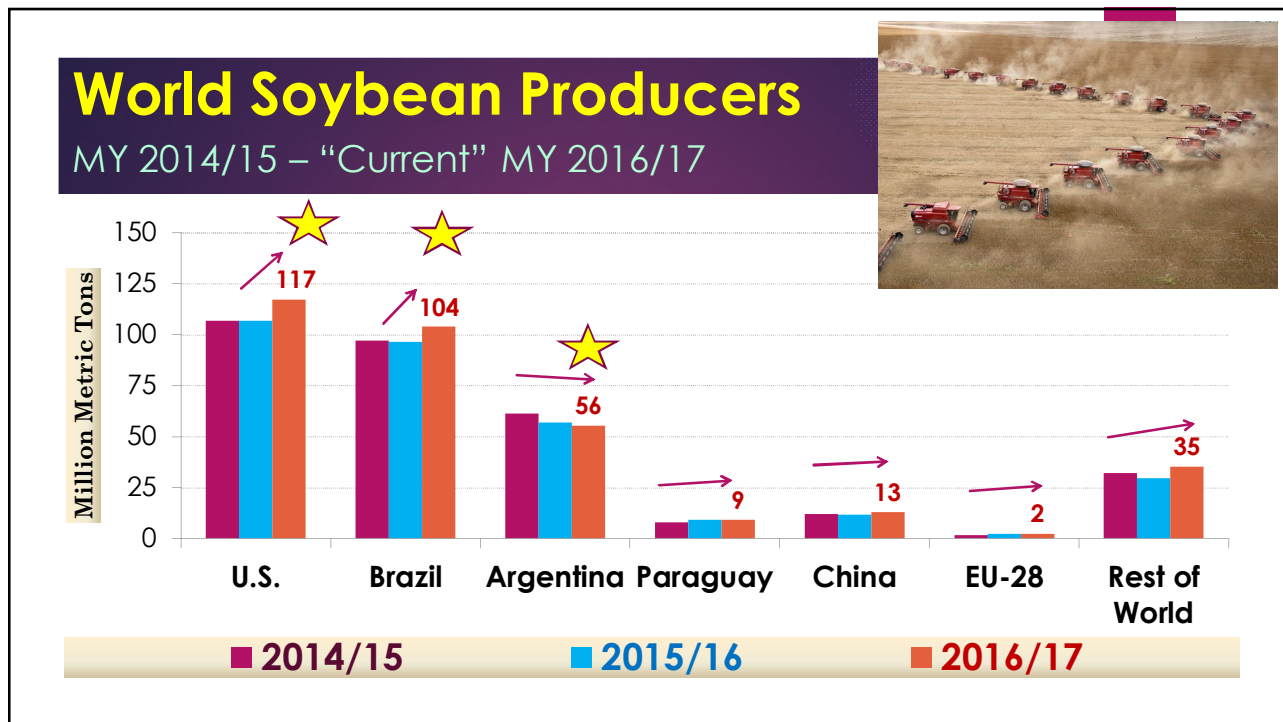
	USDA Prod Est.	Change	Plant		Bloom		Harvest											
	16/17		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug				
Ukraine	4.00	0.00	H	H						P	P	P	P		H	H		
EU	2.44	0.00	H	H	H	H				P	P	P	P					
Russia	2.90	0.00	H	H	H	H	H				P	P	P	P				
US	114.33	3.83		H	H	H	H					P	P	P	B	B	B	
China	12.50	0.30	H	H	H	H					P	P	P	P				
Canada	5.83	(0.42)		H	H	H	H					P	P	P	P	B	B	B
Indonesia	0.60	0.00	H	H	H	H					P	P	P	P	P	P	H	H
Mexico	0.37	0.00	P	P	H	H	H	H	H	H					P	P	P	P
India	9.70	(1.70)				H	H	H	H						P	P	P	P
Paraguay	9.17	0.00		P	P	P	P	P	H	H	H	H	H	H	H			
Brazil	101.00	(2.00)			P	P	P	P	H	H	H	H	H	H	H			
Argentina	57.00	0.00				P	P	P	P	B	B	H	H	H	H			
South Africa	1.12	0.00				P	P	P		H	H	H	H					

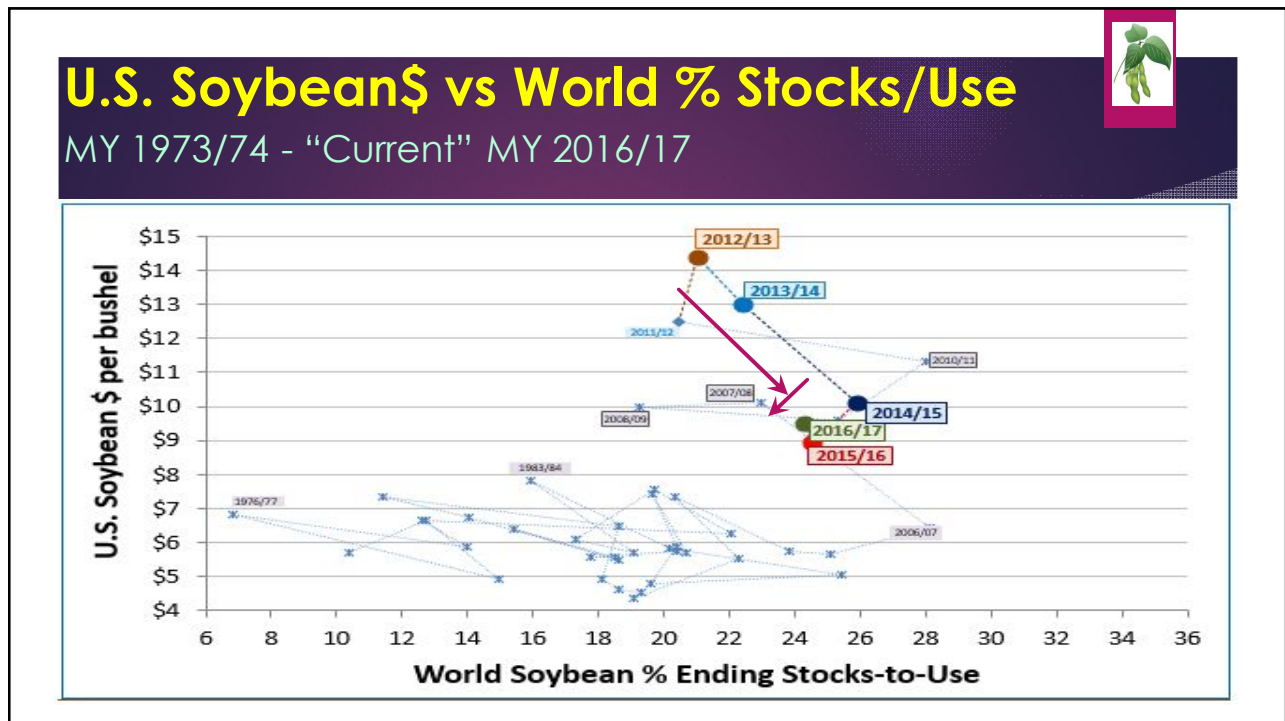
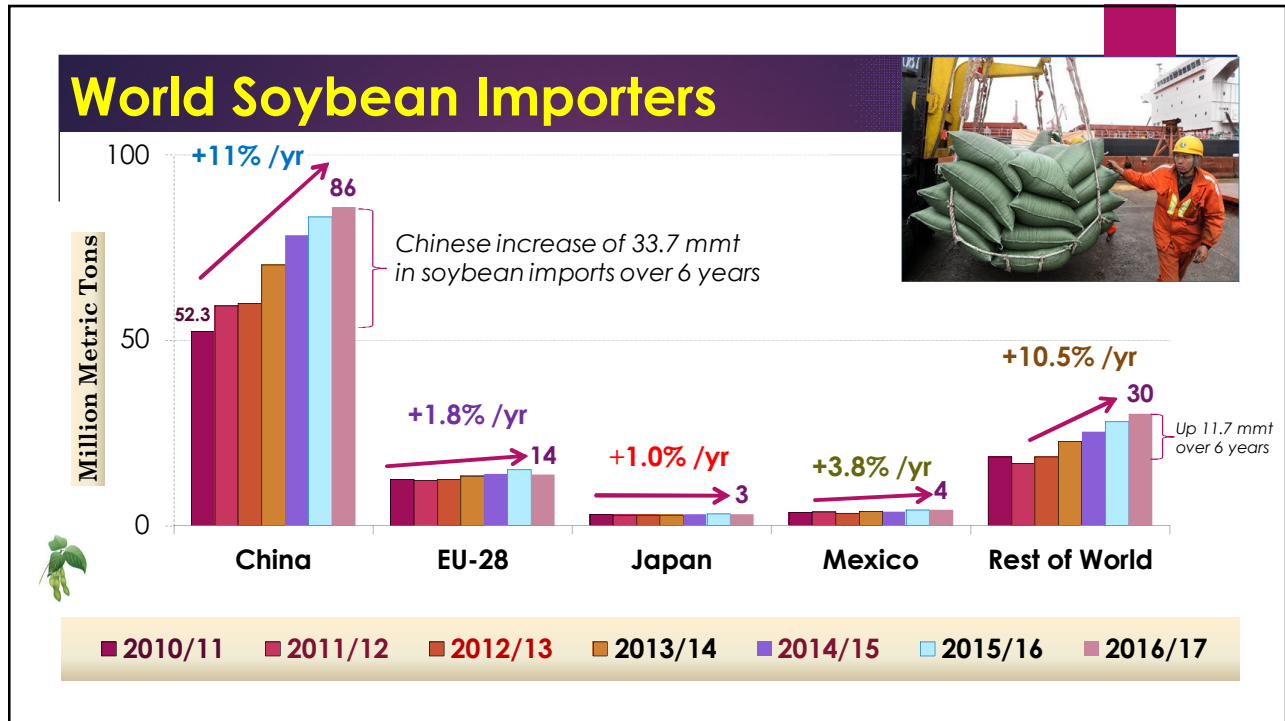
CHS CHS Hedging
Jenna Roe

Sources: USDA, AMIS, and CHS, Inc. locations

*Production estimates are in million metric tons and come from the FAS/USDA's most recent monthly World Agricultural Production report.

This material has been prepared by a sales or trading employee or agent of CHS Hedging, LLC and should be considered a solicitation. The information contained in this presentation is taken from sources which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. There is a risk of loss when trading commodity futures and options. CHS Hedging, LLC bases its recommendations solely on the judgment of CHS Hedging, LLC personnel.





Questions?

Daniel O'Brien – Kansas State University

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