KSU Drought Challenges Planning Retreat

Grain Market Outlook

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Daniel O’Brien, Extension Ag Economist

Kansas State University
Department of Agricultural Economics
FEEDGRAIN MARKETS:
CORN & GRAIN SORGHUM
CBOT Corn Futures
Weekly Continuous Chart: Jan. 2011 – February 8, 2013

March 2013 Close = $7.02 ¼ on 2/11/2013

$5.50

≈ $6.78
FEEDGRAIN MARKET SIGNALS

○ Corn Futures (2/11/2013)
  - NO “old crop” Carrying Charge
  - Bullish inversion MAR ⇒ JULY
  - ↓$1.45 or ↓21% to DEC-2013

○ Kansas Corn Basis
  - Historically narrow – Short & “tightly held” supplies
Est. MY 2012/13 Ending Stocks:
632 Million Bu. (5.6% S/U)
(20.5 days of U.S. corn use)

Record Low U.S. Corn
% Ending Stocks-to-Use
MY 1995/96 = 5.0%
Ethanol DDGS adjustments offset some of the Feed & Export Use drop since MY 2005/06
### U.S. Corn S-D for MY 2013/14

<table>
<thead>
<tr>
<th></th>
<th>Low Yield 25%</th>
<th>Trend Yield 65%</th>
<th>High Yield 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planted Ac. (mln.)</td>
<td>97.5</td>
<td>97.5</td>
<td>97.5</td>
</tr>
<tr>
<td>Harvested Ac. (mln.)</td>
<td>87.7</td>
<td>87.7</td>
<td>87.7</td>
</tr>
<tr>
<td>Yield (bu./ac.)</td>
<td>135.0</td>
<td>157.4</td>
<td>164.7</td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>632</td>
<td>632</td>
<td>632</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td><strong>11,988</strong></td>
<td><strong>13,977</strong></td>
<td><strong>14,625</strong></td>
</tr>
<tr>
<td><strong>Total Supplies</strong></td>
<td><strong>12,720</strong></td>
<td><strong>14,619</strong></td>
<td><strong>15,265</strong></td>
</tr>
<tr>
<td>Ethanol</td>
<td>4,750</td>
<td>5,000</td>
<td>5,150</td>
</tr>
<tr>
<td>Other Food, Seed, Ind.</td>
<td>1,380</td>
<td>1,420</td>
<td>1,440</td>
</tr>
<tr>
<td>Exports</td>
<td>1,250</td>
<td>1,450</td>
<td>1,500</td>
</tr>
<tr>
<td>Feed &amp; Residual</td>
<td>4,500</td>
<td>5,100</td>
<td>5,400</td>
</tr>
<tr>
<td><strong>Total Use</strong></td>
<td><strong>11,880</strong></td>
<td><strong>12,970</strong></td>
<td><strong>13,490</strong></td>
</tr>
<tr>
<td><strong>End Stocks (%S/U)</strong></td>
<td>(7.0%) 840</td>
<td>(12.7%) 1,649</td>
<td>(13.1%) 1,775</td>
</tr>
<tr>
<td><strong>U.S. Avg. Farm $</strong></td>
<td>$6.10-$7.10</td>
<td>$3.90-$4.90</td>
<td>$3.50-$4.50</td>
</tr>
</tbody>
</table>
**World Coarse Grain S-D**

- **Falling Coarse Grain crop Prospects (both U.S. & Foreign)**
- **World Coarse Grain Stks/Use in MY 2012/13 = 12.6% (Record low)**
FEEDGRAIN MARKET PROSPECTS

$ Rationing of Use
- Tight basis ⇒ Spring-Summer

Competition for U.S. Crop Acreage in Spring
- Corn vs Soybeans vs other crops

U.S. 2013 Crop Prospects?
- **IF** normal – trend yield U.S. corn crop in 2013 **THEN** will have ↓ \(P_{\text{corn}}\) later in 2013
- **But IF** U.S. Crop problems – U.S. corn prices to remain ↑, **BUT** will see more economic damage to the demand base for U.S. corn
WHEAT MARKET
KCBT WHEAT FUTURES

WEEKLY CONTINUOUS CHART: DECEMBER 2010 – FEBRUARY 8, 2013

MARCH 2013
Close = $7.89 ¼ on 2/11/2013

$7.85

$6.00
**WHEAT MARKET SIGNALS**

- **KCBT Wheat Futures** (2/11/2013)
  - Bearish “old crop” Carry ($0.057/mo)
  - “New crop” risk: MAY < JULY
  - ↑$0.19 ½ /bu (+2.4%) to JULY-2013

- **Kansas Wheat Basis**
  - “Average”-to-”narrow” basis levels & tightly held supplies
Est. MY 2012/13 Ending Stocks: 691 Million Bu. (28.2% S/U) (103 days of U.S. wheat use)

60 year low in MY 2007/08
306 mb (13.2% S/U)
## U.S. Wheat S-D for MY 2013/14

<table>
<thead>
<tr>
<th></th>
<th>Low Yield 25%</th>
<th>Trend Yield 60%</th>
<th>High Yield 15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planted Ac. (mln.)</td>
<td>56.2</td>
<td>56.2</td>
<td>56.2</td>
</tr>
<tr>
<td>Harvested Ac (mln.)</td>
<td>45.9</td>
<td>47.3</td>
<td>47.3</td>
</tr>
<tr>
<td>Yield (bu./ac.)</td>
<td>38.6</td>
<td>45.2</td>
<td>46.3</td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>691</td>
<td>691</td>
<td>691</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td><strong>1,771</strong></td>
<td><strong>2,140</strong></td>
<td><strong>2,192</strong></td>
</tr>
<tr>
<td>Total Supplies</td>
<td>2,592</td>
<td>2,946</td>
<td>2,998</td>
</tr>
<tr>
<td>Food Use</td>
<td>950</td>
<td>960</td>
<td>960</td>
</tr>
<tr>
<td>Seed Use</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Exports**(Wildcard!)**</td>
<td>****1,000</td>
<td>1,100</td>
<td>1,150</td>
</tr>
<tr>
<td>Feed &amp; Residual</td>
<td>100</td>
<td>200</td>
<td>225</td>
</tr>
<tr>
<td><strong>Total Use</strong></td>
<td><strong>2,125</strong></td>
<td><strong>2,335</strong></td>
<td><strong>2,370</strong></td>
</tr>
<tr>
<td>End Stocks (%S/U)</td>
<td>(21.9%) 467</td>
<td>(26.1%) 611</td>
<td>(26.4%) 628</td>
</tr>
<tr>
<td><strong>U.S. Avg. Farm $</strong></td>
<td>$8.75-$9.75</td>
<td>$7.75-$8.75</td>
<td>$7.50-$8.50</td>
</tr>
</tbody>
</table>
World Wheat Supply-Demand

World 2012/13 Stocks: 177 mmt
%Stks/Use = 26.0% (6 yr low)

Versus previous 30 year low of 128 mmt (20.9% S/U) MY 2007/08
Wheat Market Prospects

- U.S. HRW Wheat Problems
  - Drought Risk in Great Plains

- Other Wheat Exporters’ Crop Production in 2013
  - “At risk” in Black Sea Countries, Australia, Argentina, etc.

- Cross Market Effects from Corn
  - **IF** normal U.S. corn production, **THEN** less support for wheat $s
  - **But IF** U.S. corn problems **DO** occur – **THEN** wheat prices to follow suit to record highs, etc.
SOYBEAN MARKETS
CBOT SOYBEAN FUTURES


MARCH 2013 Close = $14.34 ¾ on 2/11/2013

$13.70

$11.00

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SOYBEAN MARKET SIGNALS

- CBOT Soybean Futures (2/11/2013)
  - Inverted market (bullish)
  - Waiting for So. American exports
  - ↓ $1.65 /bu or ↓ 12% to NOV-2013

- Kansas Soybean Basis
  - Historically narrow basis levels & tightly held supplies
Projected U.S. Soybean stocks in MY 2012/13 (125 mln bu, 4.05% S/U), i.e., 15 days inventory

New Record low in new crop MY 2012/13
## U.S. Soybean S/D - MY 2013/14

<table>
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<tr>
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<th>Low Yield 20%</th>
<th>Trend Yield 65%</th>
<th>High Yield 15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planted Acres (mln.)</td>
<td>77.0</td>
<td>77.0</td>
<td>77.0</td>
</tr>
<tr>
<td>Harvested Acres (mln.)</td>
<td>76.0</td>
<td>76.0</td>
<td>76.0</td>
</tr>
<tr>
<td>Yield (bu./ac.)</td>
<td>39.0</td>
<td>44.0</td>
<td>45.5</td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,964</td>
<td>3,344</td>
<td>3,458</td>
</tr>
<tr>
<td><strong>Total Supplies</strong></td>
<td>3,109</td>
<td>3,489</td>
<td>3,603</td>
</tr>
<tr>
<td>Crushings</td>
<td>1,600</td>
<td>1,720</td>
<td>1,775</td>
</tr>
<tr>
<td><strong>Exports</strong> <strong>(Wildcard)</strong></td>
<td>1,320</td>
<td>1,425</td>
<td>1,470</td>
</tr>
<tr>
<td>Seed &amp; Residual</td>
<td>100</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total Use</strong></td>
<td>3,020</td>
<td>3,255</td>
<td>3,359</td>
</tr>
<tr>
<td><strong>Ending Stocks</strong></td>
<td>(4.1%) 125</td>
<td>(7.1%) 234</td>
<td>(7.2%) 244</td>
</tr>
<tr>
<td><strong>U.S. Avg. Farm $</strong></td>
<td>$15.00-$16.00</td>
<td>$10.50-$11.50</td>
<td>$10.25-$11.25</td>
</tr>
</tbody>
</table>
World Soybean Supply-Demand

World Soybean Supply-End Stocks

World Soybean Stx/Use in MY 2012/13 = 22.9%

Compared to:
- 21.5% in MY 2011/12
- 27.8% in MY 2010/12
- 25.5% in MY 2009/10
- 19.6% in MY 2008/09**
SOYBEAN MARKET PROSPECTS

- **South America Crop Size**
  - To drive U.S. exports & prices in Spring
  - Major decline in U.S. exports expected

- **U.S. Soybean Acres**
  - Competing with U.S. Corn, other crops
  - **IF** Spring prices ↓ – may lower U.S. farmers incentive to plant soybeans

- **2013 U.S. Crop Prospects**
  - **IF** normal 2013 U.S. crop, **THEN** prices may ↓ sharply into fall
  - **BUT IF** U.S. soybean crop problems **DO** occur – **THEN** soybean prices will likely follow suit to record highs, etc.
QUESTIONS?

Daniel O’Brien – Extension Agricultural Economist
Kansas State University
DOBRIEN@KSU.EDU
KSUGRAINS on Twitter & Facebook

WWW.AGMANAGER.INFO