



KSU DROUGHT CHALLENGES PLANNING RETREAT

GRAIN MARKET OUTLOOK

FEBRUARY 12, 2013



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Department of Agricultural Economics

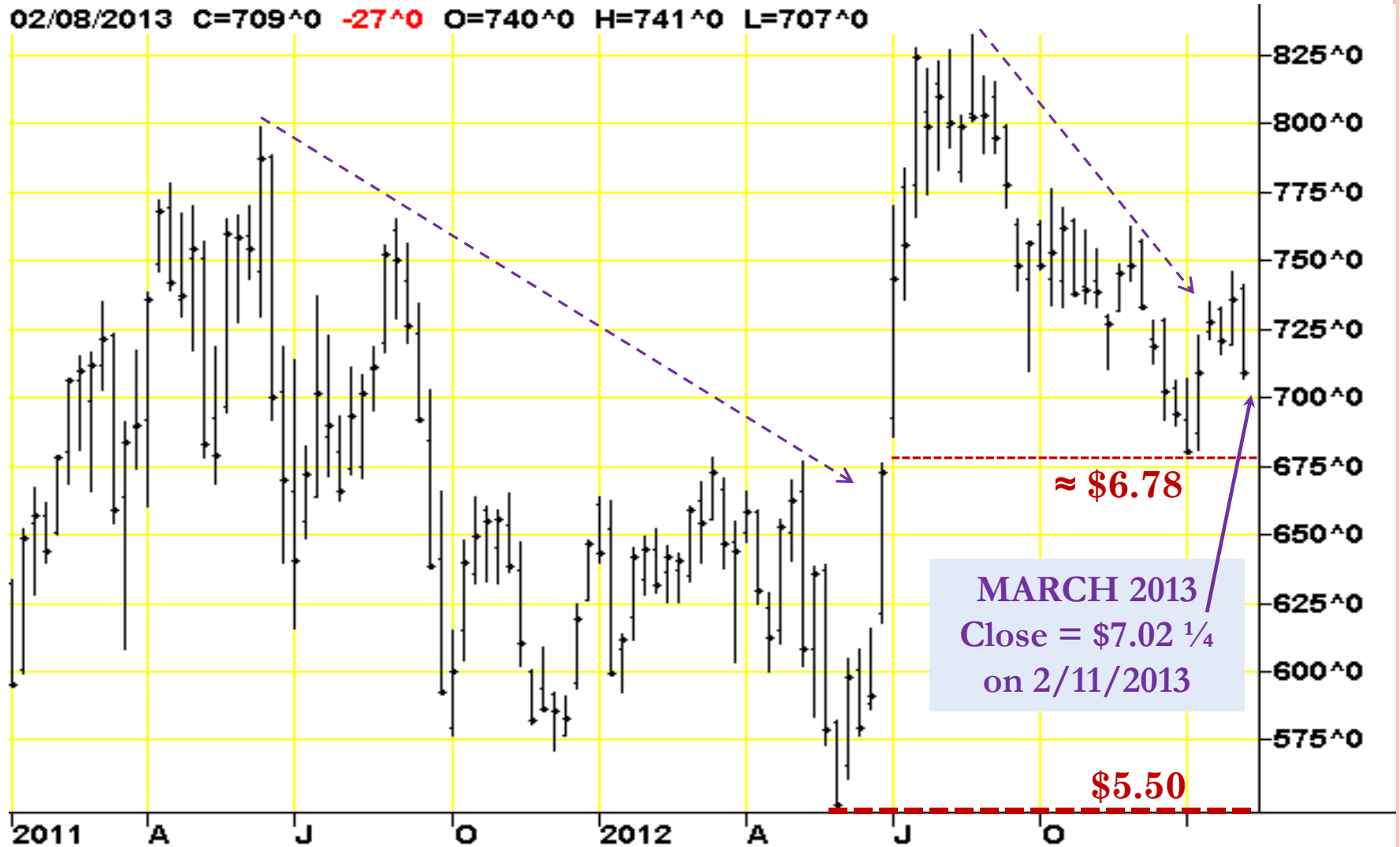
FEEDGRAIN MARKETS: CORN & GRAIN SORGHUM



CBOT CORN FUTURES



WEEKLY CONTINUOUS CHART: JAN. 2011 – FEBRUARY 8, 2013



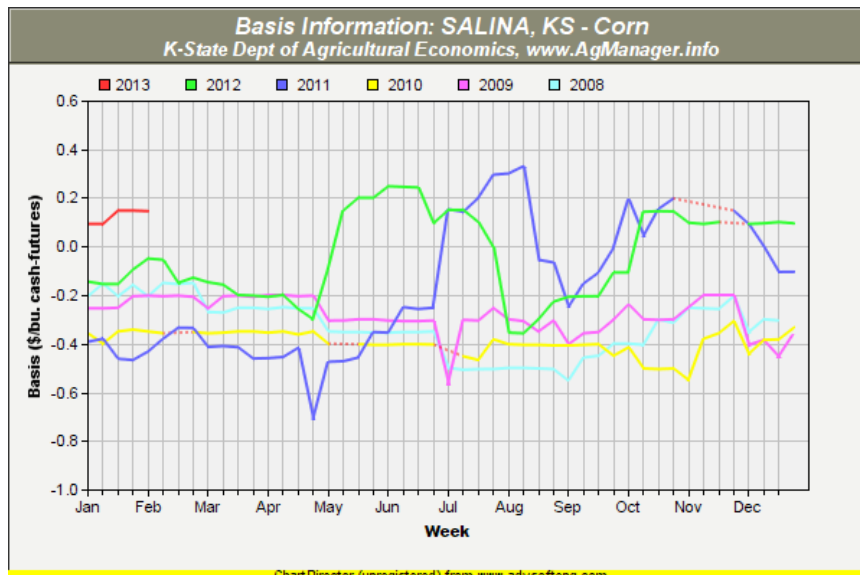
FEEDGRAIN MARKET SIGNALS



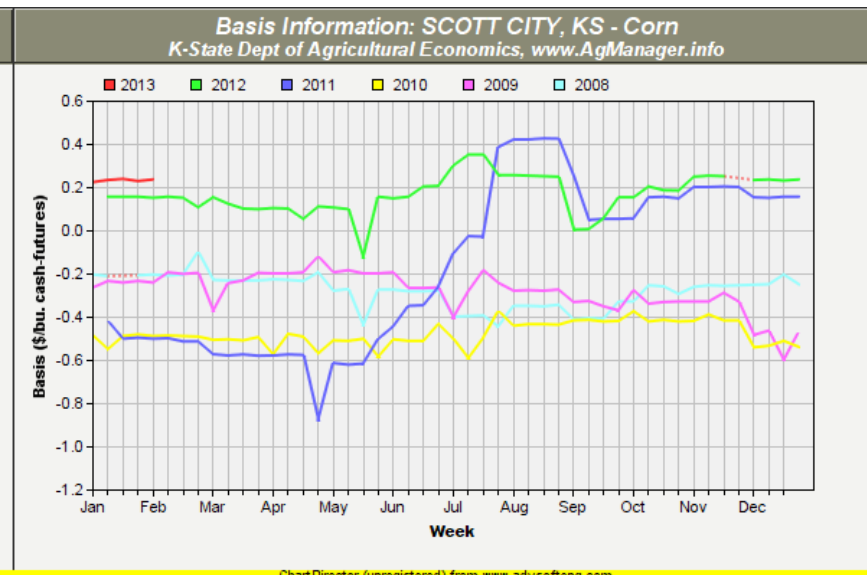
- **Corn Futures (2/11/2013)**
 - NO “old crop” Carrying Charge
 - Bullish inversion MAR ⇒ JULY
 - ↓\$1.45 or ↓21% to DEC-2013

ELEC. CORN (@C) [10]				
Month	Last	Chg	High	Low
Mar-13	701'6	-7'2	713'6	701'0
May-13	700'4	-8'2	713'0	699'4
Jul-13	691'2	-7'6	700'6	689'4
Sep-13	575'2	-9'4	585'0	574'0
Dec-13	557'0	-6'2	564'2	555'0
Mar-14	568'0	-6'0	574'2	566'0

- **Kansas Corn Basis**
 - Historically narrow – Short & “tightly held” supplies

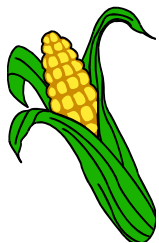
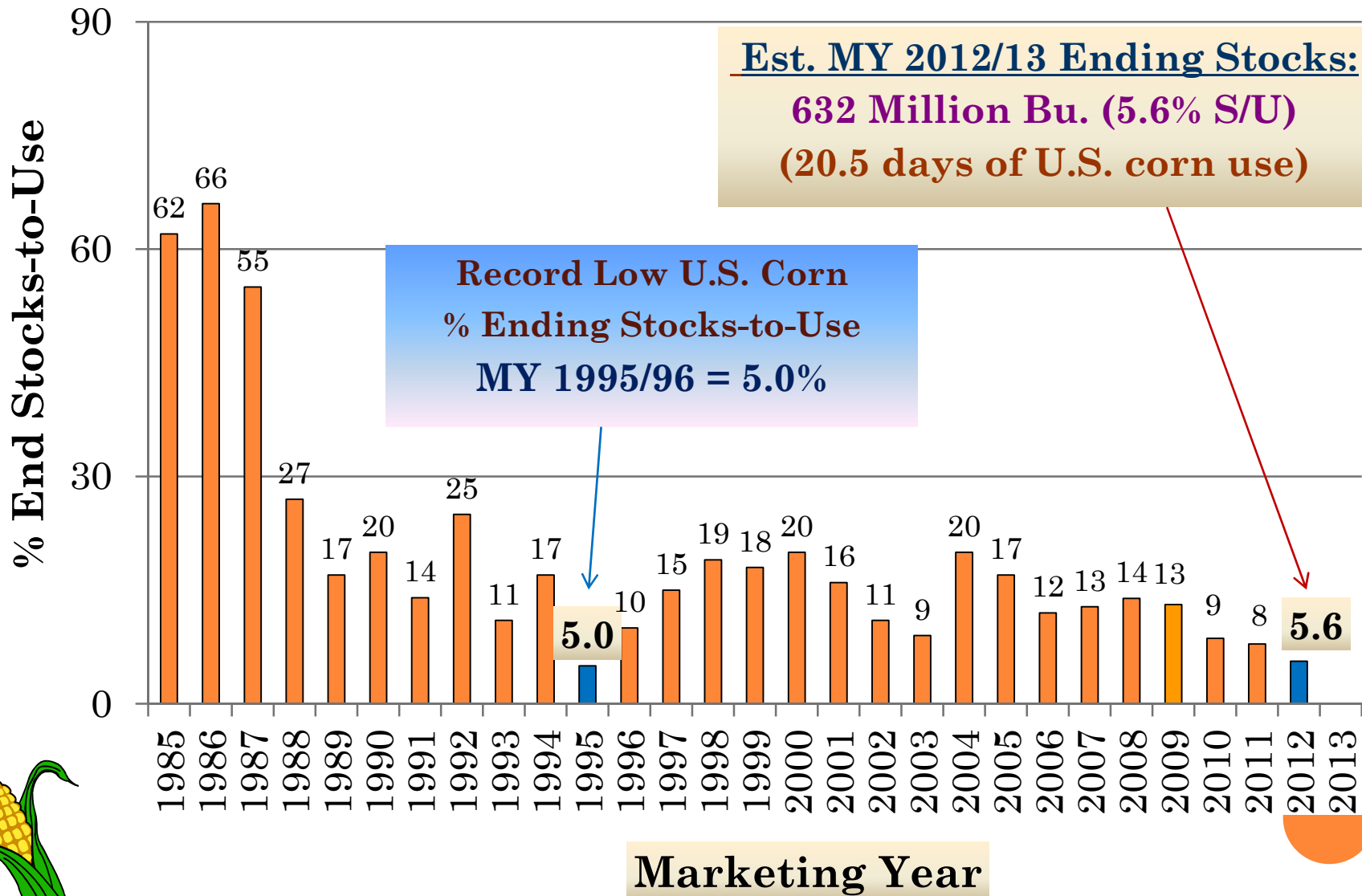


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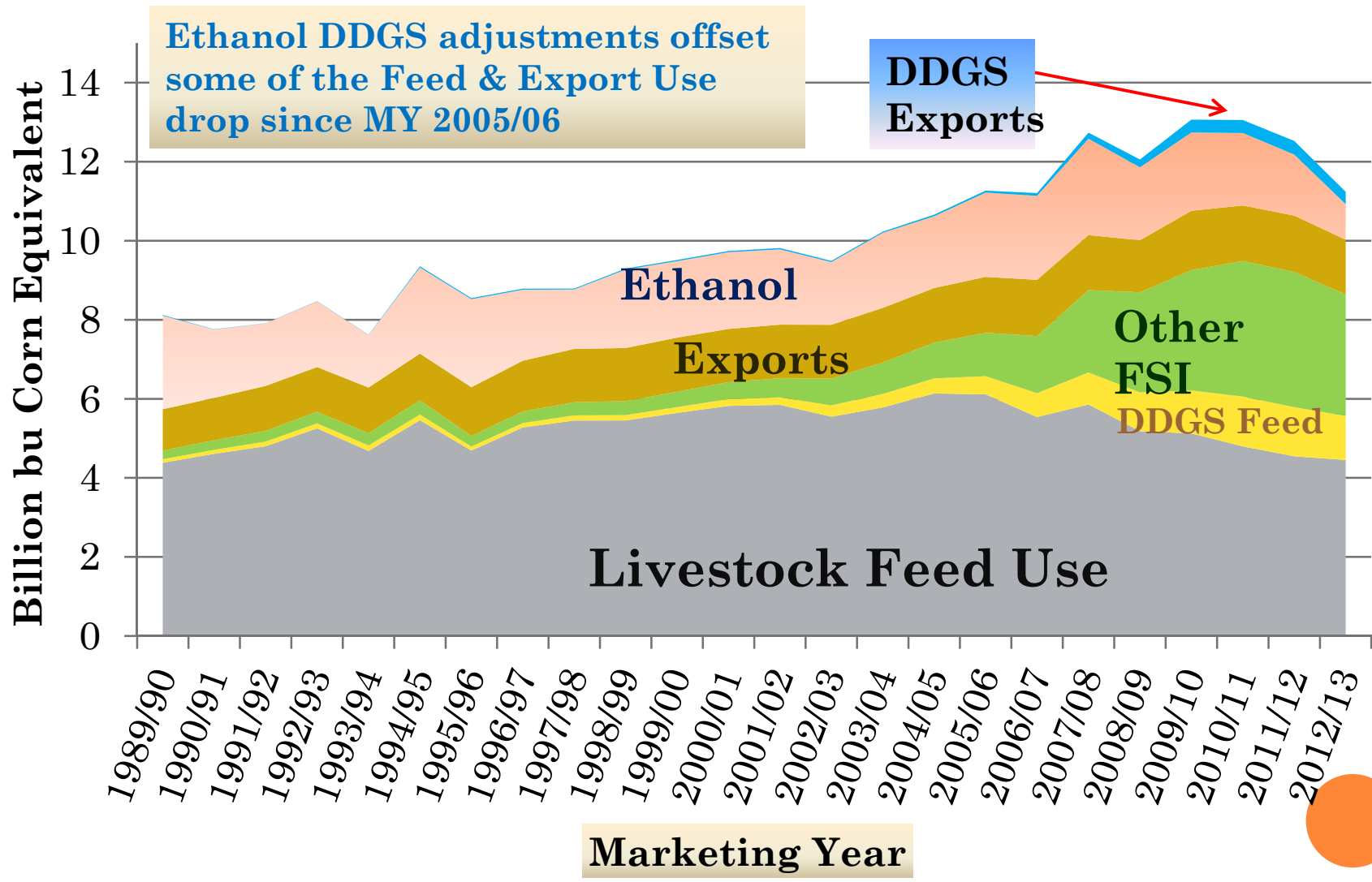


ChartDirector (unregistered) from www.advsofteng.com

U.S. CORN %ENDING STOCKS/USE



U.S. CORN USE WITH DDGS #S

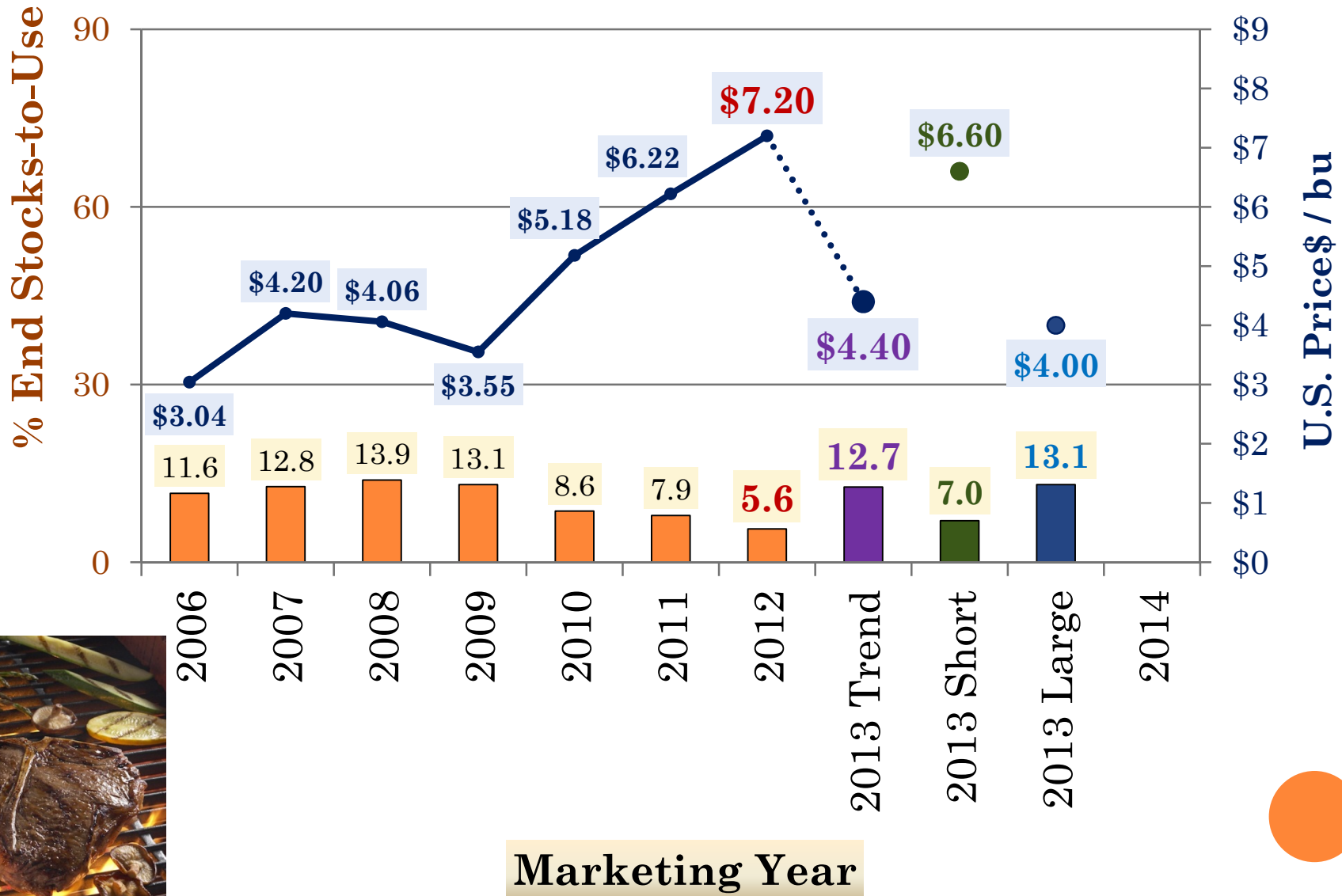




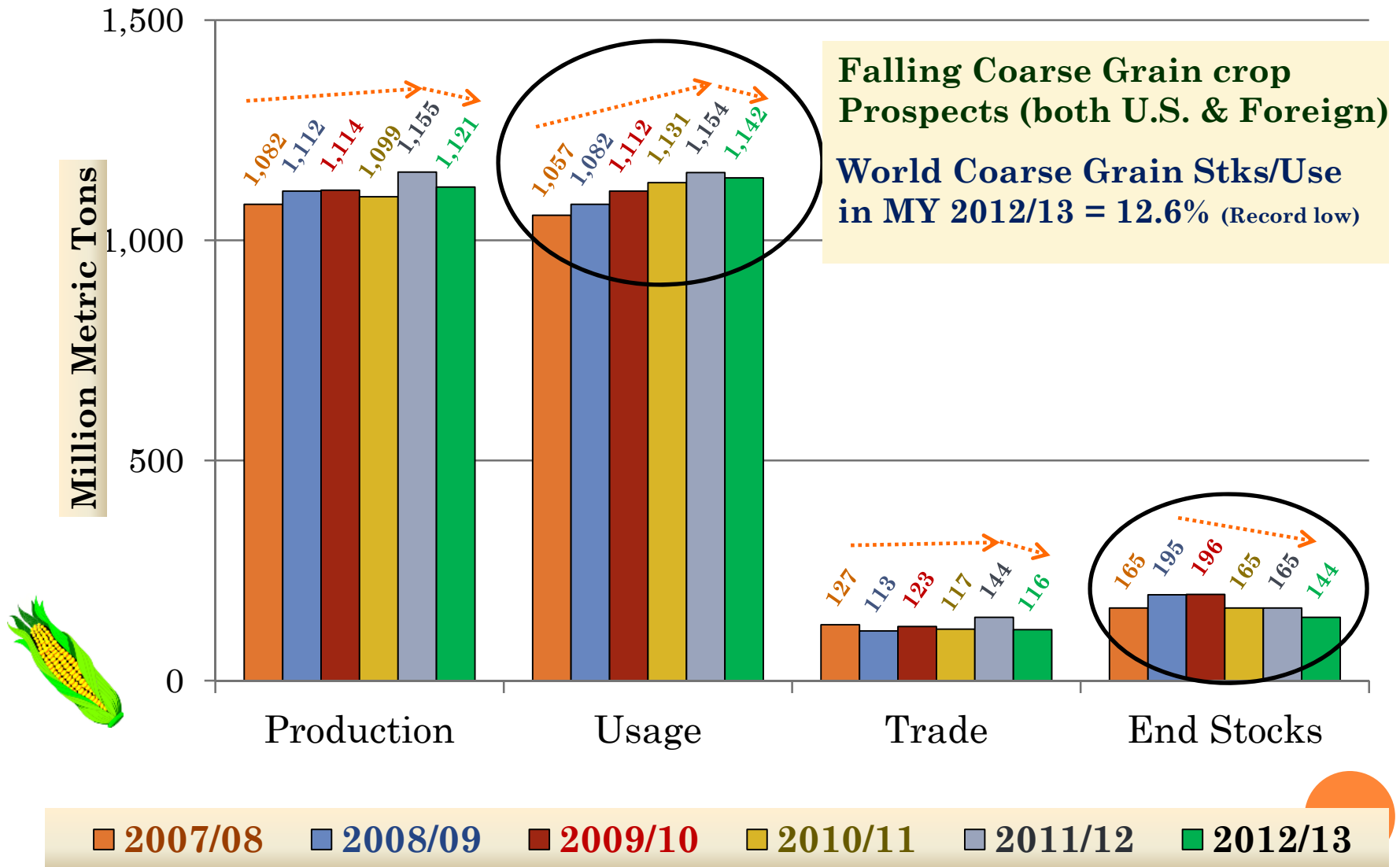
U.S. CORN S-D FOR MY 2013/14

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

U.S. CORN %STX/USE VS PRICE\$



WORLD COARSE GRAIN S-D



FEEDGRAIN MARKET PROSPECTS

○ \$ Rationing of Use

- Tight basis \Rightarrow 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 \downarrow P_{corn} later in 2013
- **But IF** U.S. Crop problems – U.S. corn prices to remain \uparrow , **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



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WHEAT MARKET SIGNALS



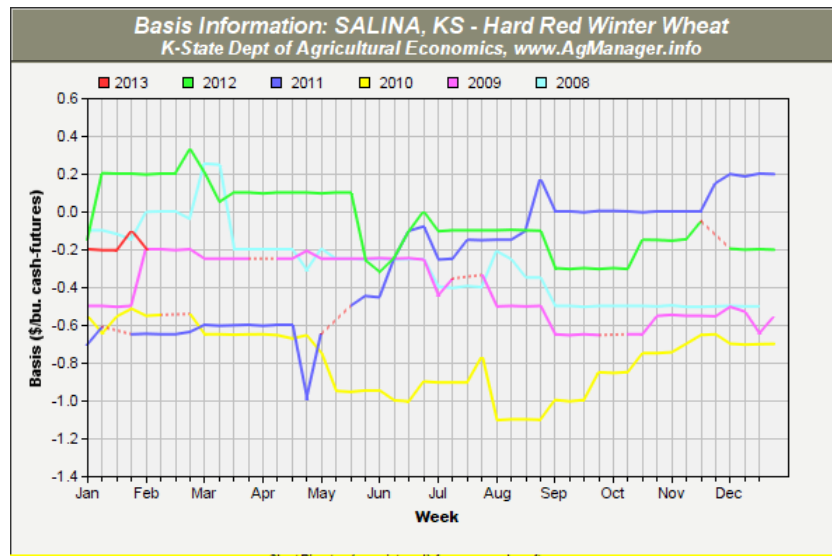
○ KCBT Wheat Futures (2/11/2013)

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

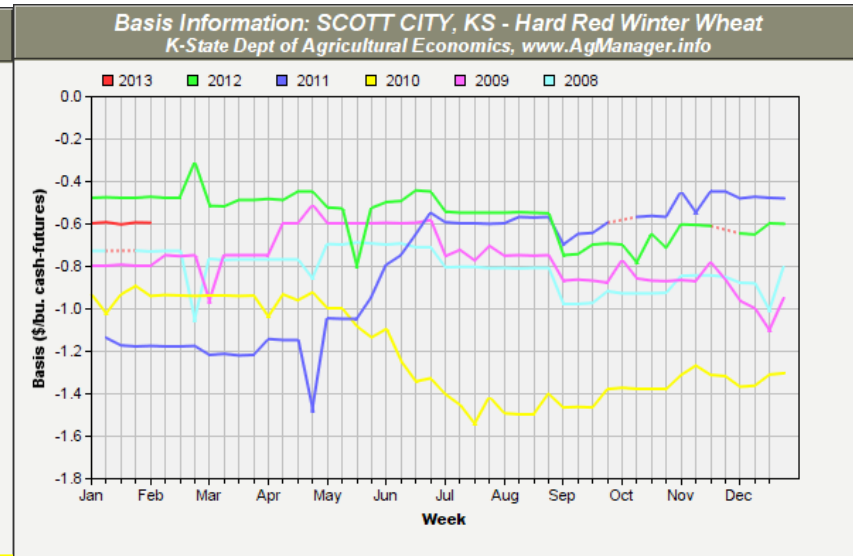
ELEC. HRW WHEAT (@KW) [10]				
Month	Last	Chg	High	Low
Mar-13	789'4	-10'2	803'4	789'0
May-13	801'0	-10'2	815'0	800'2
Jul-13	809'0	-10'0	822'2	808'2
Sep-13	820'4	-10'2	829'2	820'4
Dec-13	835'0	-10'4	845'4	835'0

○ Kansas Wheat Basis

- “Average”-to-”narrow” basis levels & tightly held supplies

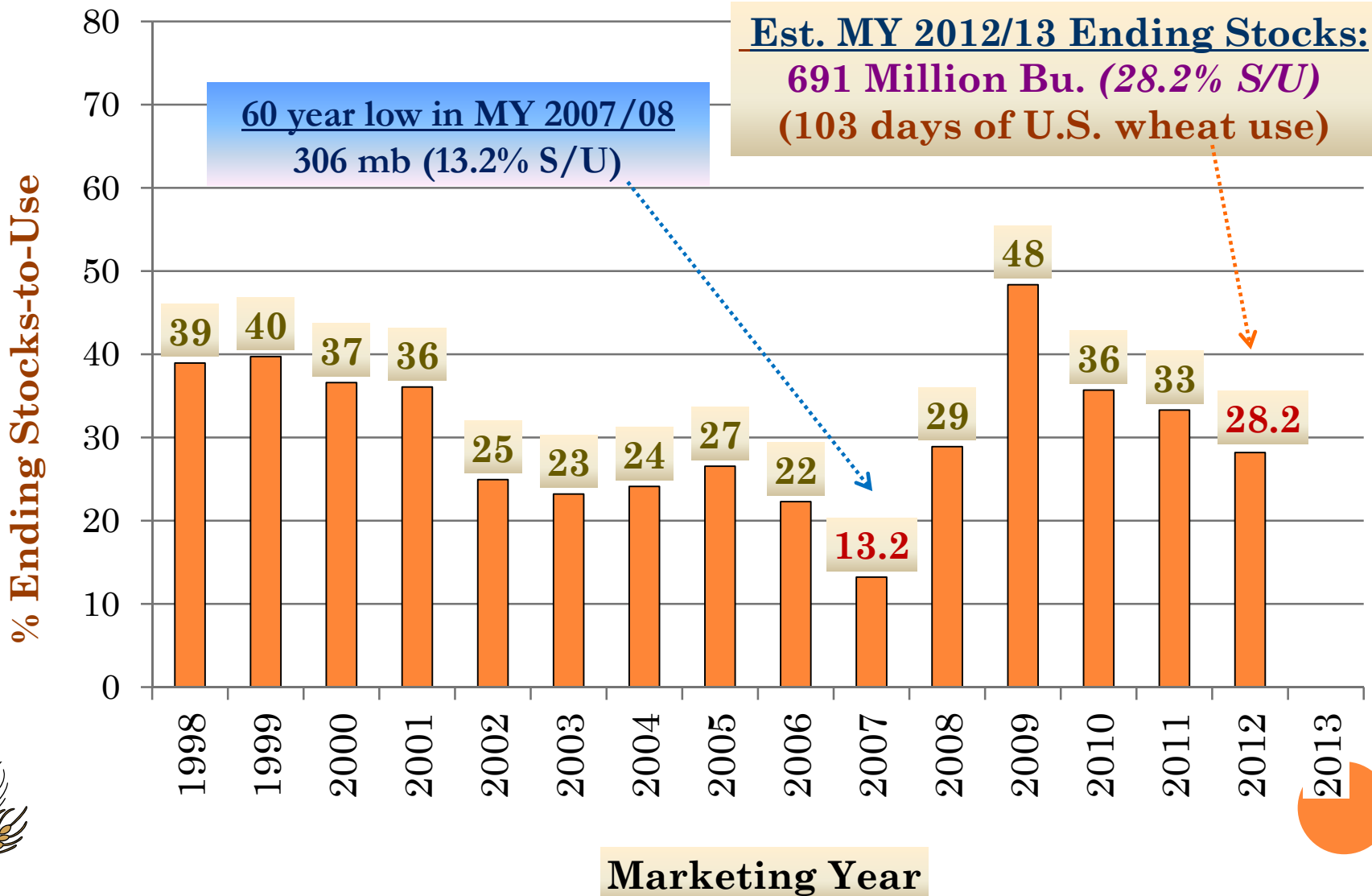


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U.S. WHEAT % STOCKS/USE

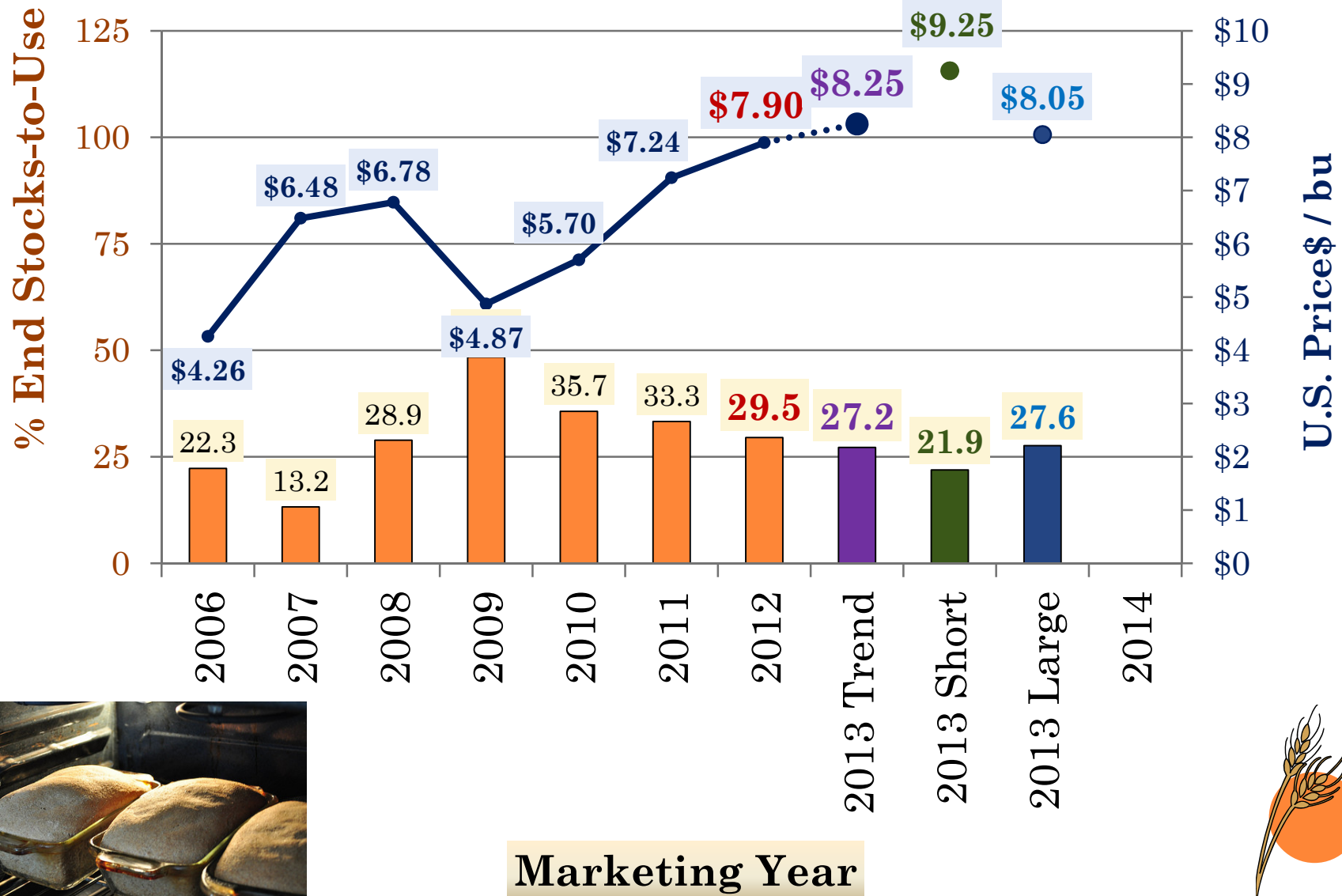




U.S. WHEAT S-D FOR MY 2013/14

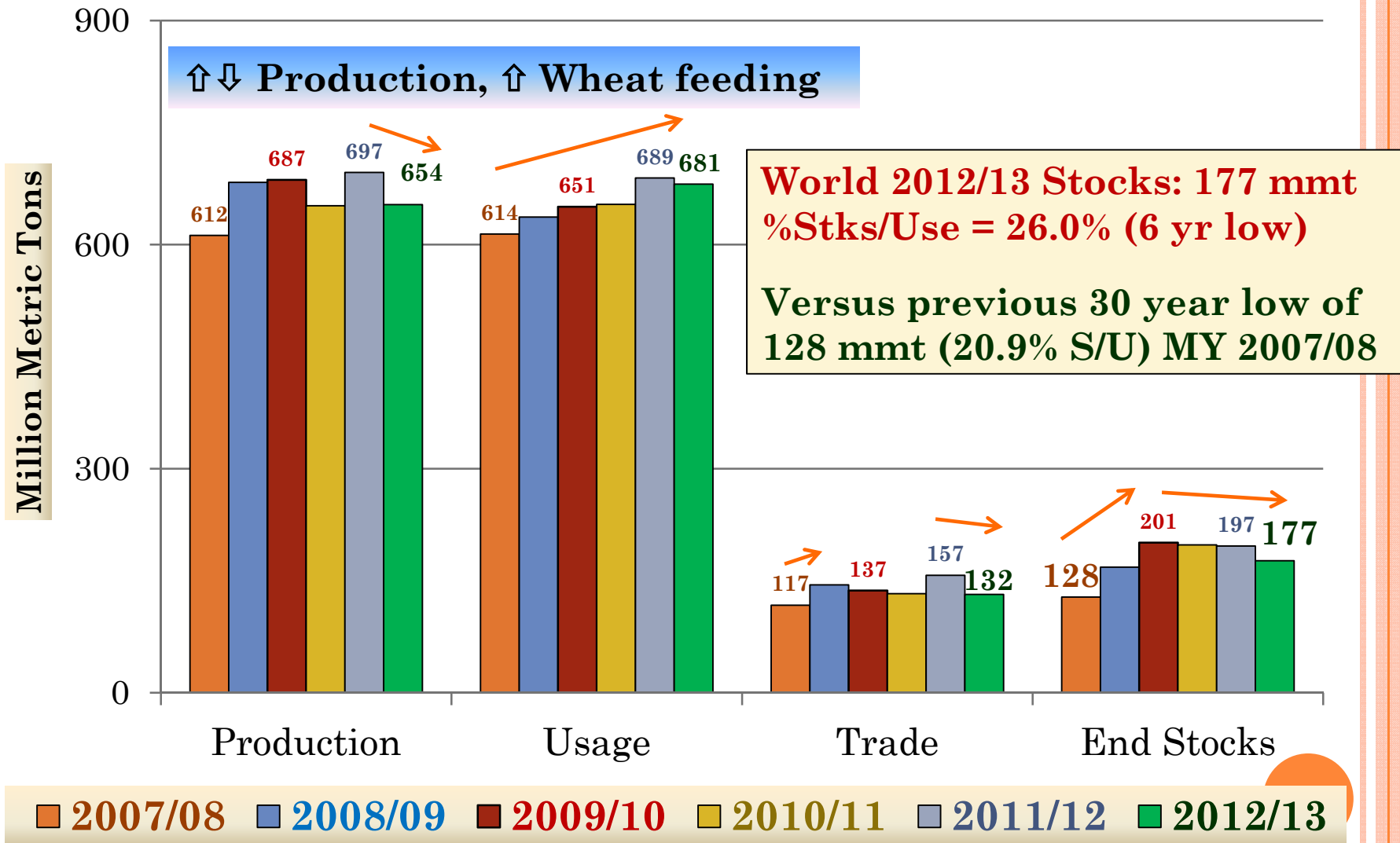
	Low Yield 25%	Trend Yield 60%	High Yield 15%
Planted Ac. (mln.)	56.2	56.2	56.2
Harvested Ac (mln.)	45.9	47.3	47.3
Yield (bu./ac.)	38.6	45.2	46.3
Beginning Stocks	691	691	691
Production	<u>1,771</u>	<u>2,140</u>	<u>2,192</u>
Total Supplies	2,592	2,946	2,998
Food Use	950	960	960
Seed Use	75	75	75
Exports**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

U.S. WHEAT % STX/USE VS PRICE\$



Marketing Year

WORLD WHEAT SUPPLY-DEMAND



WHEAT MARKET PROSPECTS



○ U.S. HRW Wheat Problems

- Drought Risk in Great Plains

○ Other Wheat Exporters' Crop Production in 2013

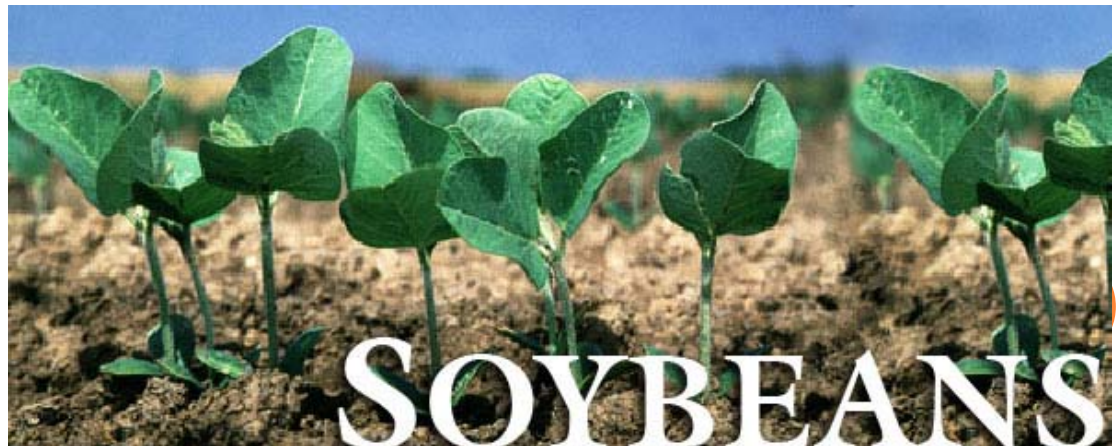
- “At risk” in Black Sea Countries, Australia, Argentina, etc.

○ 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



SOYBEANS

CBOT SOYBEAN FUTURES

WEEKLY CONTINUOUS CHART: JANUARY 2011 – FEBRUARY 11, 2013

02/08/2013 C=1452^{^4} -21^{^6} O=1492^{^0} H=1497^{^0} L=1451^{^0}



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SOYBEAN MARKET SIGNALS



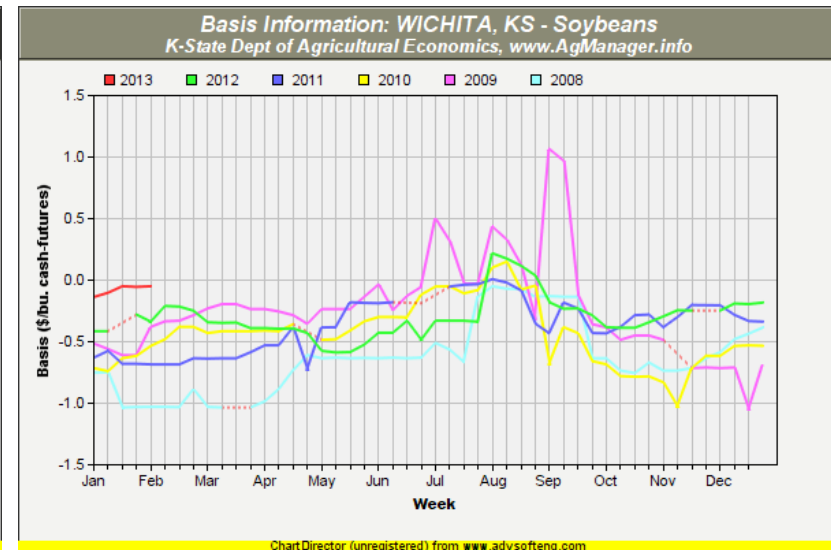
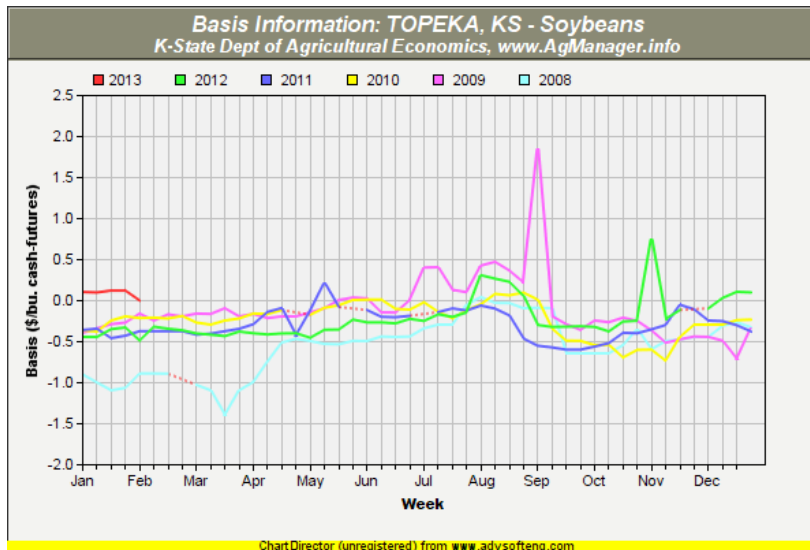
○ CBOT Soybean Futures (2/11/2013)

- Inverted market (bullish)
- Waiting for So. American exports
- ↓\$1.65 /bu or ↓12% to NOV-2013

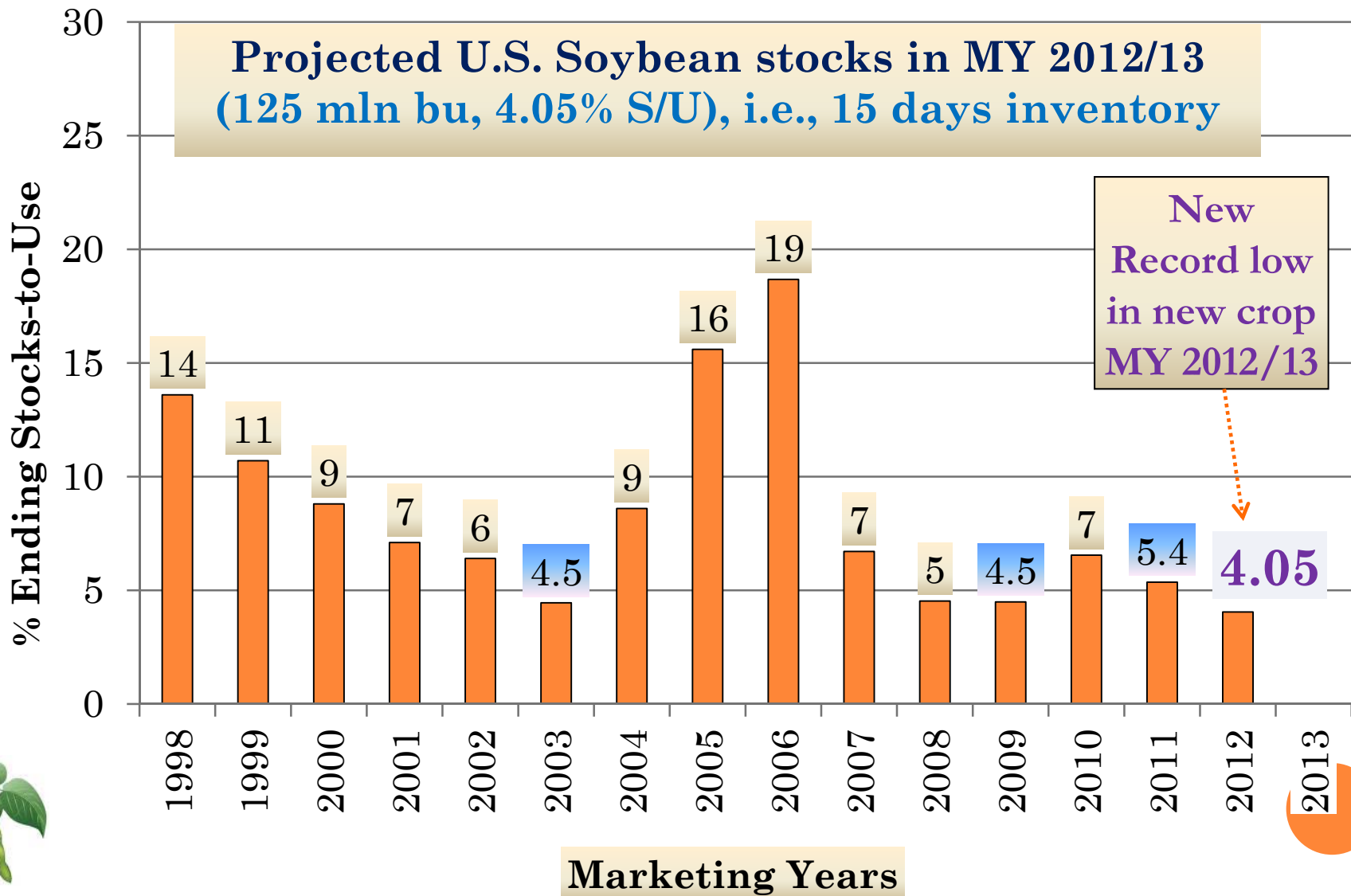
ELEC. SOYBEANS (@S) [10]				
Month	Last	Chg	High	Low
Mar-13	1434'6	-17'6	1450'6	1429'2
May-13	1420'0	-16'6	1434'2	1412'0
Jul-13	1410'0	-15'4	1423'4	1401'0
Aug-13	1372'4	-16'2	1382'0	1366'2
Sep-13	1312'6	-16'6	1320'0	1305'6
Nov-13	1269'4	-12'4	1282'0	1263'0
Jan-14	1271'6	-15'2	1280'0	1270'0

○ Kansas Soybean Basis

- Historically narrow basis levels & tightly held supplies



U.S. SOYBEAN %END STX/USE

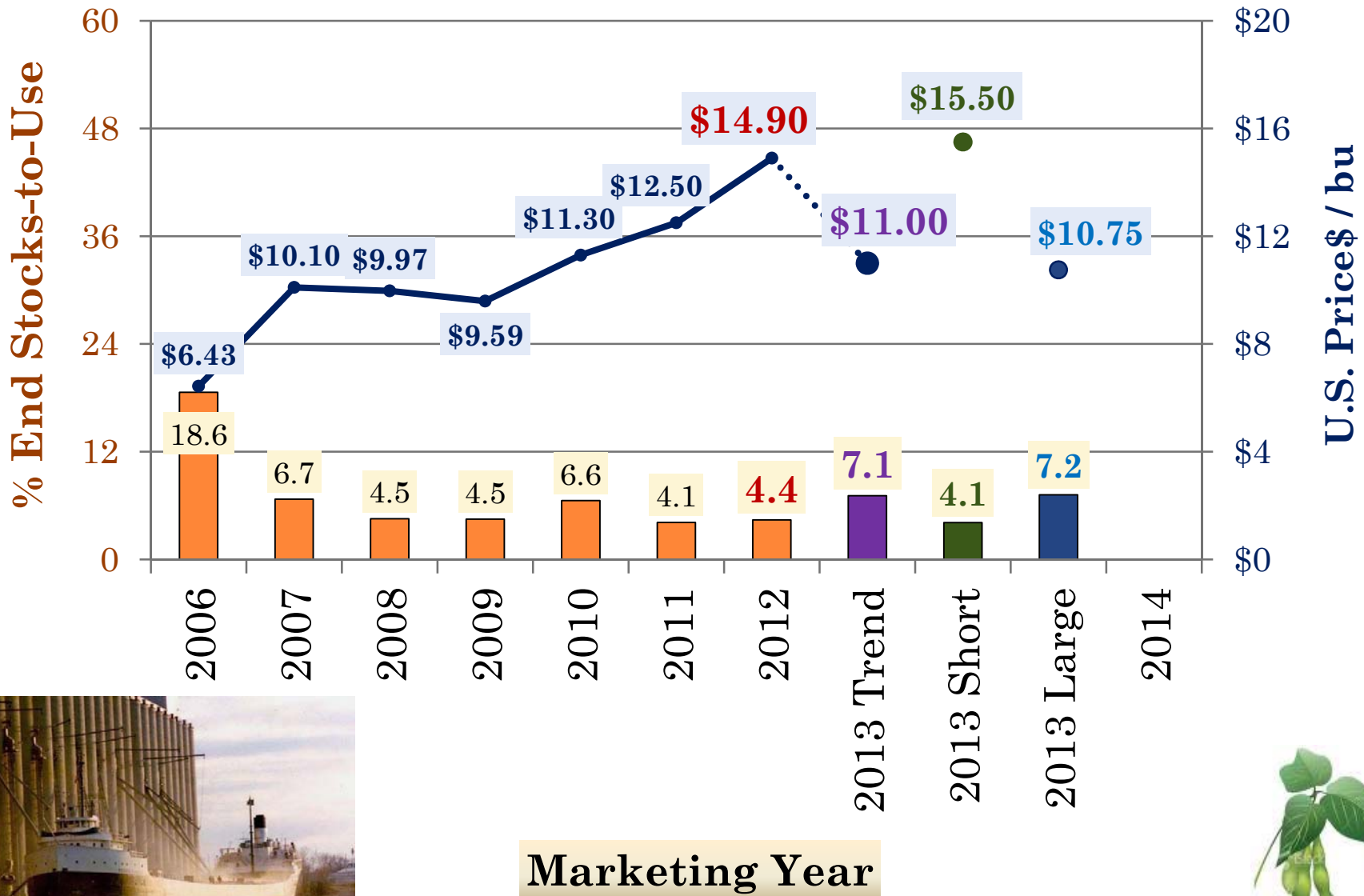


U.S. SOYBEAN S/D - MY 2013/14

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

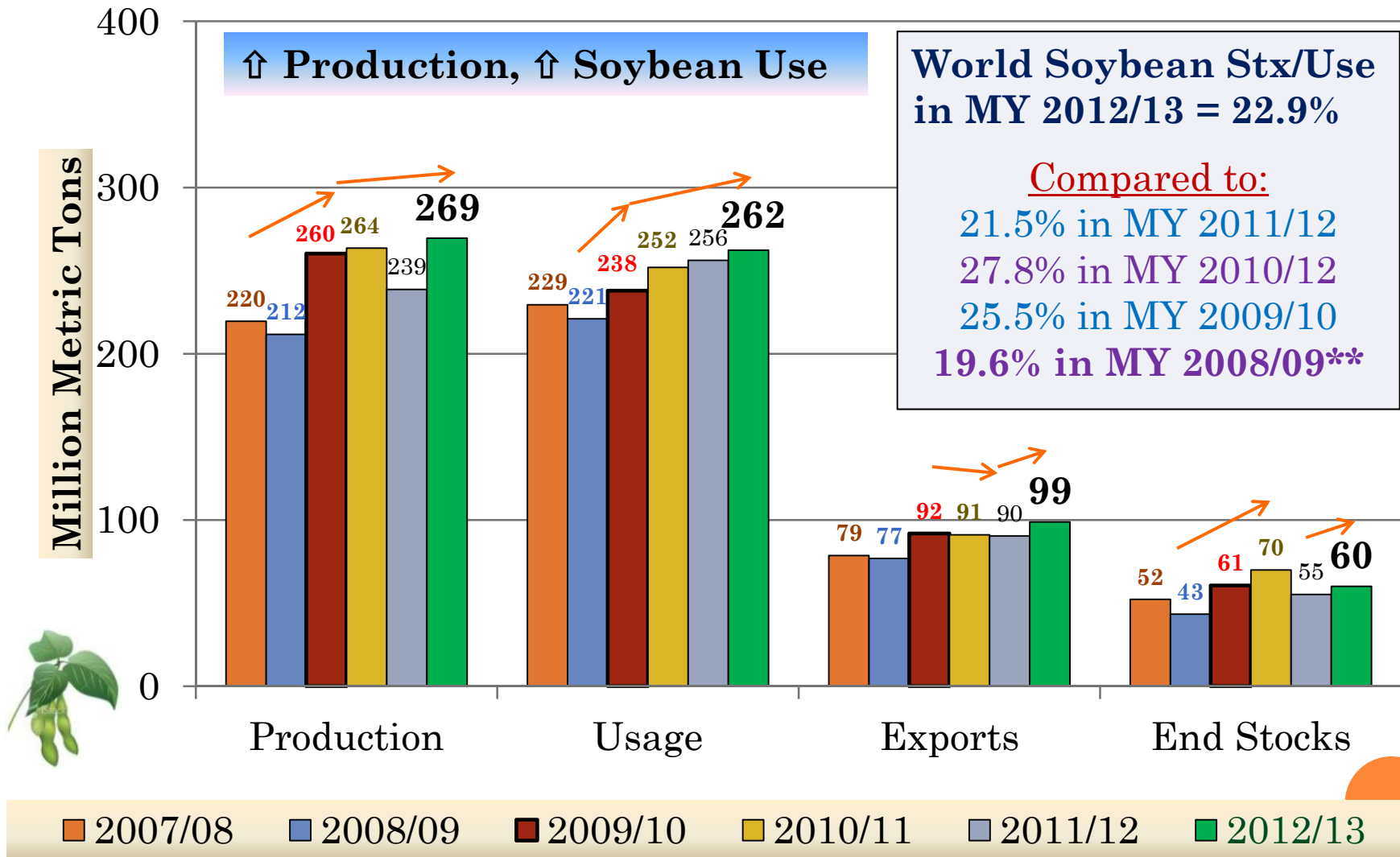


U.S. SOYBEAN %STX/USE VS PRICE\$



Marketing Year

WORLD SOYBEAN SUPPLY-DEMAND



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.





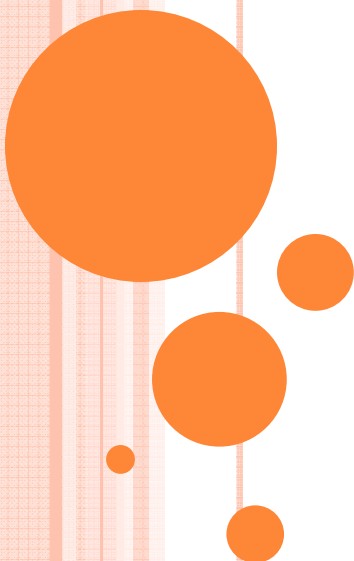
QUESTIONS?

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