



Food & Agricultural
Policy Research Institute
University of Missouri

Strategies for Putting the Marketing Puzzle Together

Food and Agricultural Policy Research Institute (FAPRI)
Division of Applied Social Sciences
University of Missouri
www.fapri.missouri.edu

February 20, 2018

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U.S. corn supply and use

	2016/17 (USDA Feb.)	2017/18 (USDA Feb.)	2017/18 (FAPRI Nov.)	2018/19 (FAPRI, Nov.)
Area planted (mil. acres)	94.0	90.2	90.4	90.7
Yield (bu./harvested acre)	174.6	176.6	175.4	171.0
Production (mil. bu.)	15,148	14,604	14,578	14,244
Feed and residual use (mil. bu.)	5,467	5,550	5,623	5,492
Ethanol and coproduct use	5,439	5,525	5,470	5,490
Other domestic use	1,450	1,470	1,469	1,485
Exports	2,293	2,050	1,939	2,121
Ending stocks	2,293	2,352	2,422	2,128
Marketing yr. avg. price (\$/bu.)	3.36	3.05-3.55	3.20	3.55

Source: USDA WASDE, February 2018.

WASDE USDA Corn Summary Feb. 8, 2018

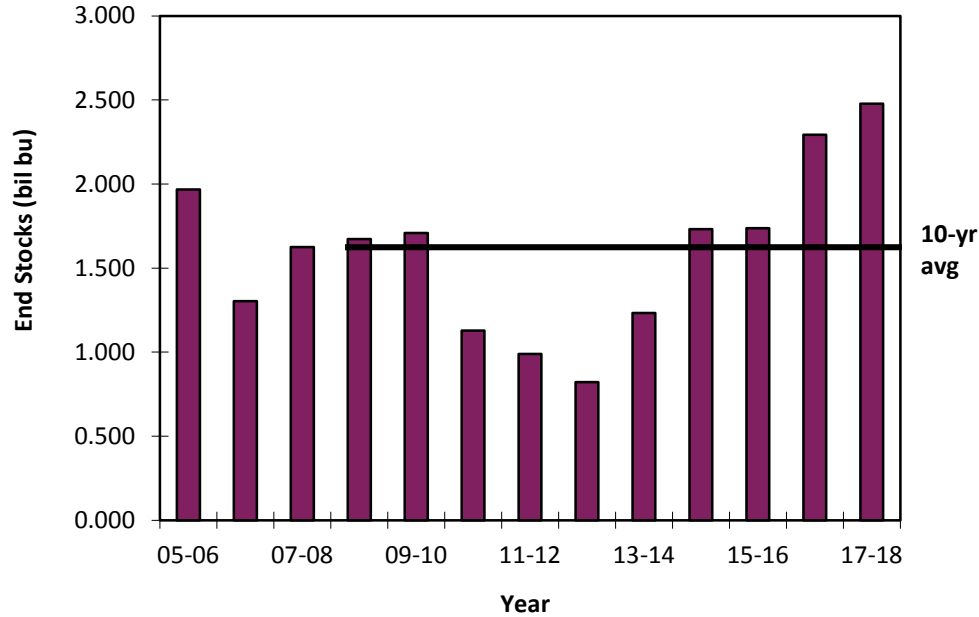
- 1) U.S. Average Farm Price - **Lower**
 - 2017-18 USDA: \$3.35 (\$3.05- \$3.55)
 - 2016-17 USDA: \$3.36
 - 2015-16 USDA: \$3.61

- 2) U.S. Ending Stocks - **Significantly above 10 year average**
 - 2017-18 USDA: (2,352 Million Bushels)
 - 2016-17 USDA: (2,293 Million Bushels)
 - 2015-16 USDA: (1,737 Million Bushels)
 - 10 Year Average 08/09-17/18: (1,579 Million Bushels)
 - 20 ear Average 98/99-17/18: (1,592 Million Bushels)

- 3) World Ending Corn Stocks - **Significantly above 10 year average**
 - 2017- 18 World: (203 Million Metric Tons)
 - 2016- 17 World: (229 Million Metric Tons)
 - 2015- 16 World: (215 Million Metric Tons)
 - 10 Year Average 08/09-17/18: (177 Million Metric Tons)
 - 20 Year Average 98/99-17/18: (158 Million Metric Tons)

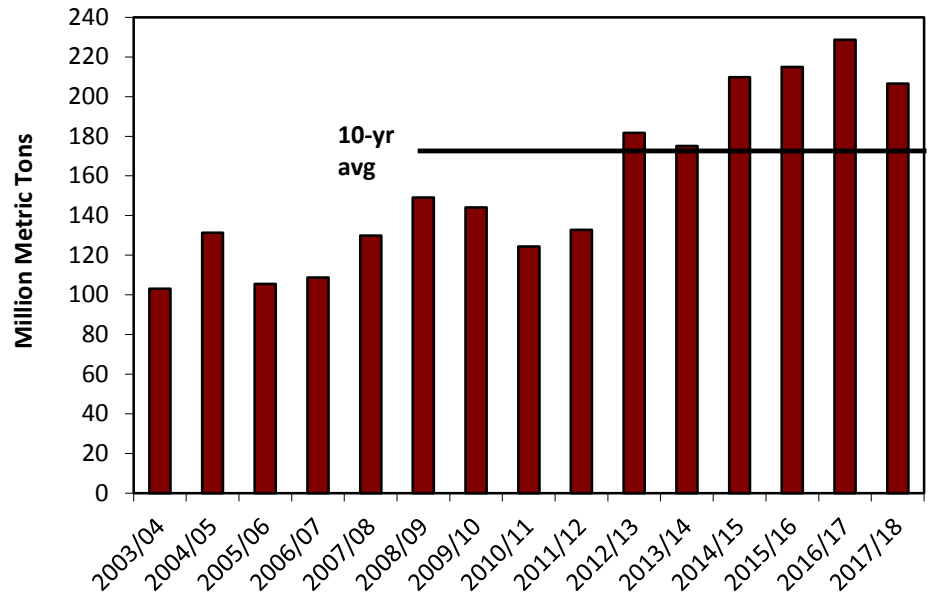
- 4) U.S. Exports - **Moderate decline**
 - 2017-2018 USDA: (2,050 Million Bushels)
 - 2016-17 USDA: (2,293 Million Bushels)
 - 2015-16 USDA: (1,901 Million Bushels)

Corn: U.S. End Stocks

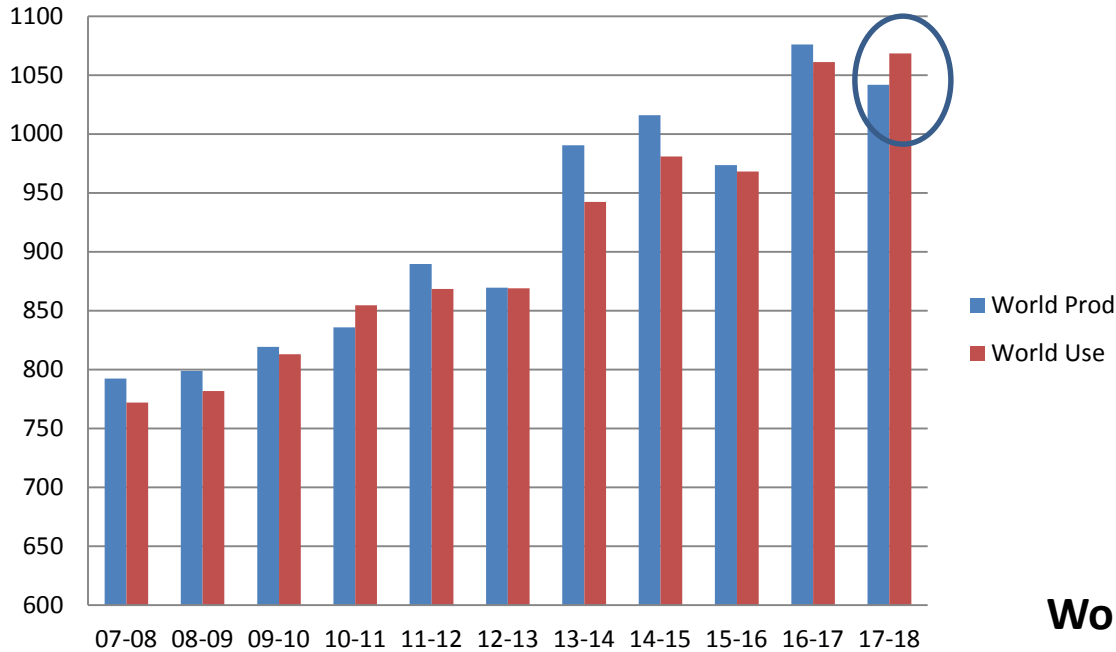


Chipping away at world end stocks, but increasing domestic carryovers pressure prices

Corn World End Stocks (MMT)

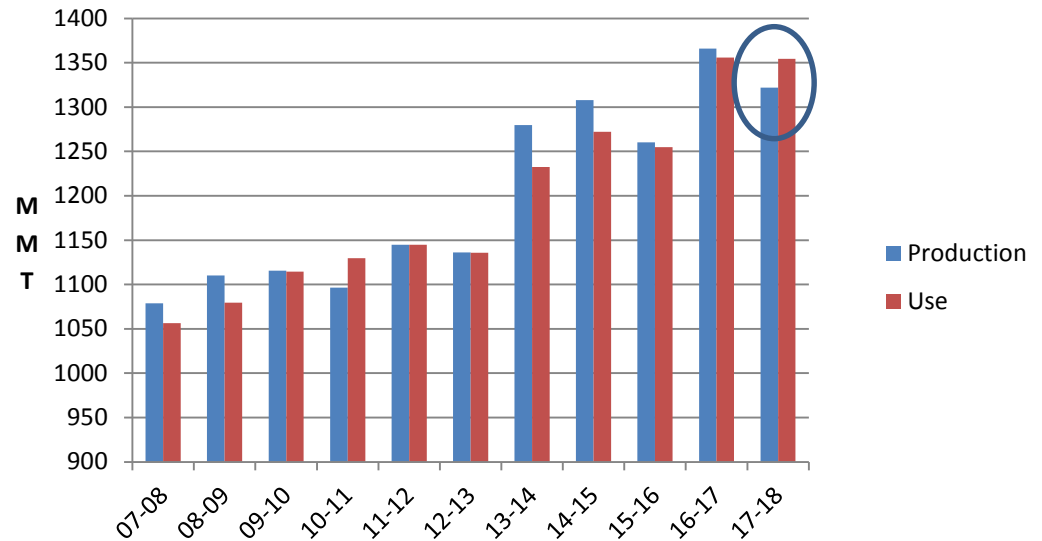


Corn World Production & Use

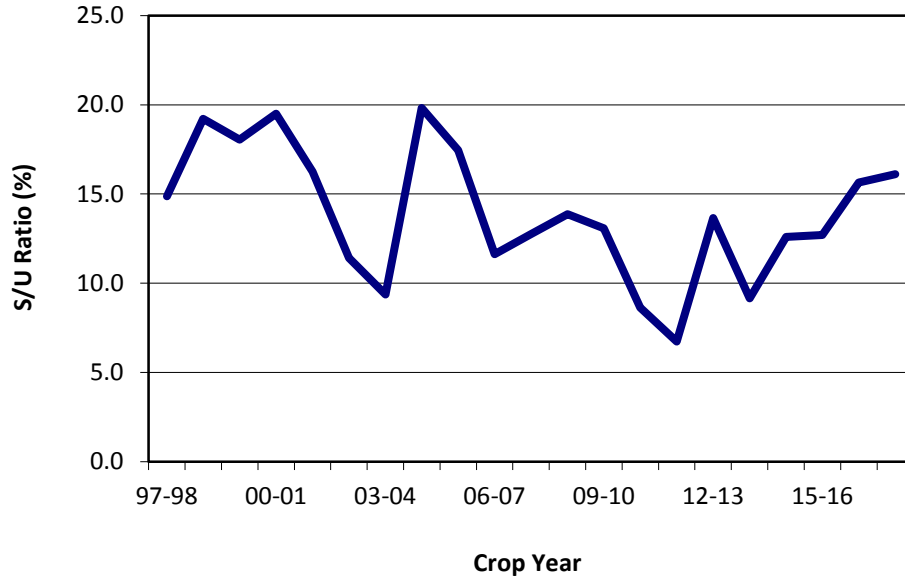


Large carryovers, but strong world demand has been keeping pace with production, use now expected to exceed production!

World Coarse Grains: Production & Use

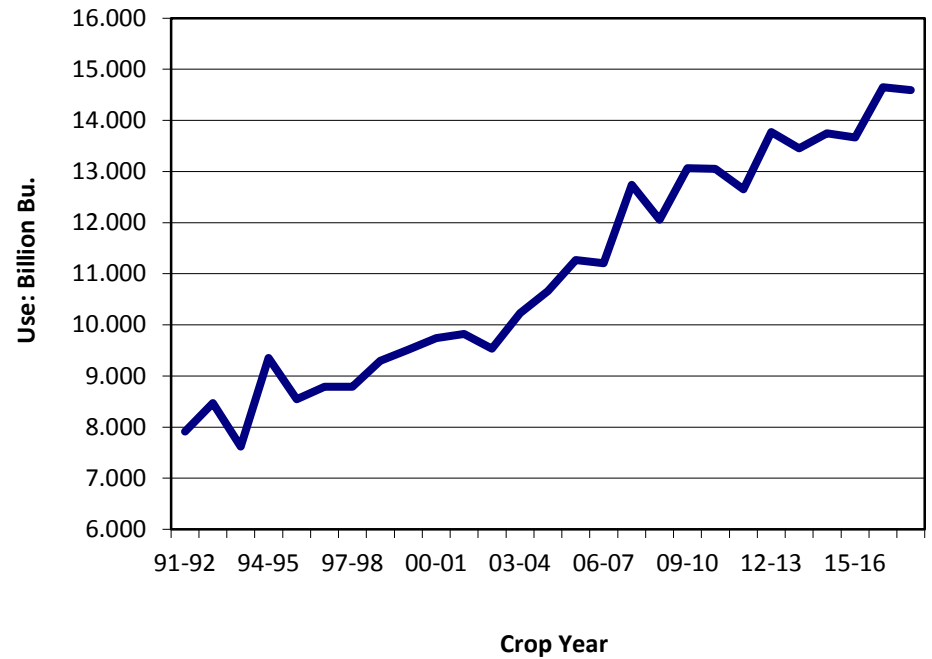


Corn: End Stocks/Use Ratio

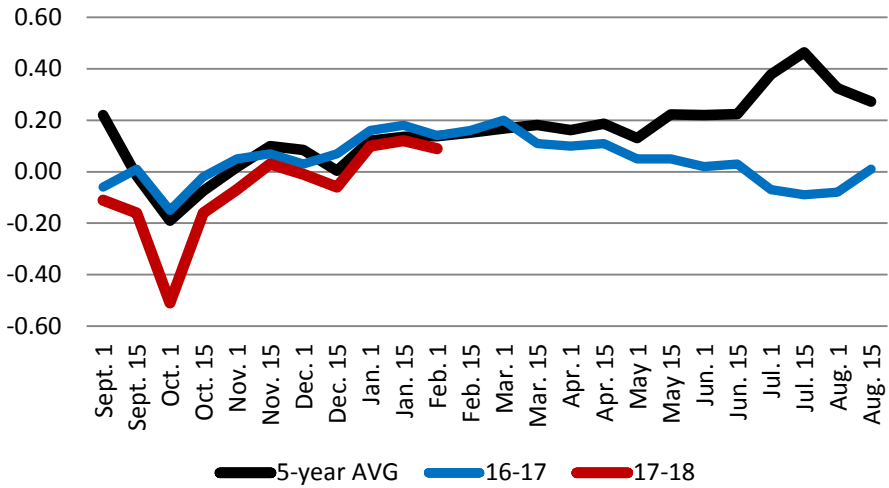


**Stocks/use increasing
small decline in total use
due to less exports.**

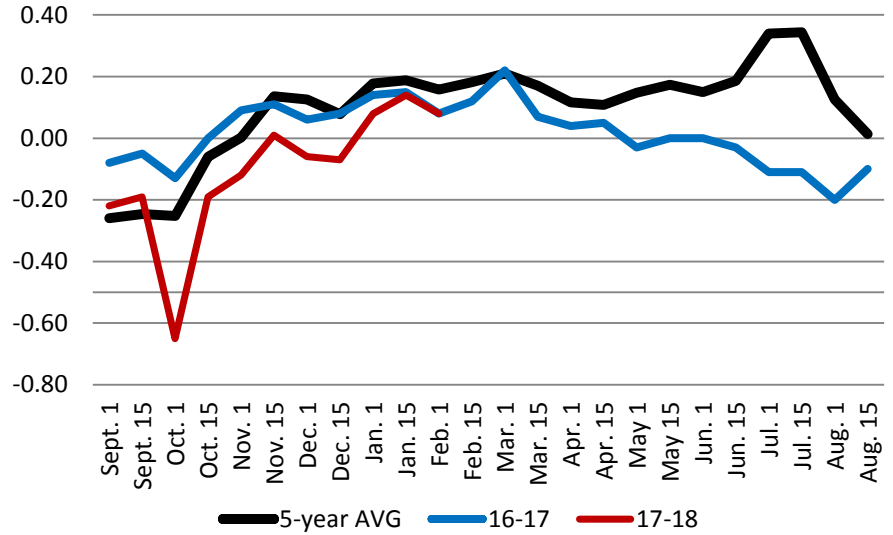
Use: Corn Total Use



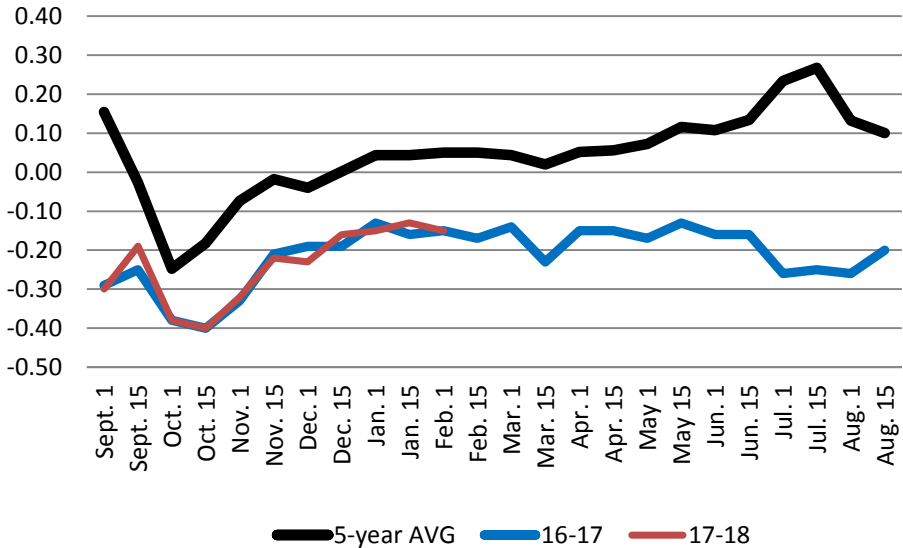
St. Louis Corn Basis



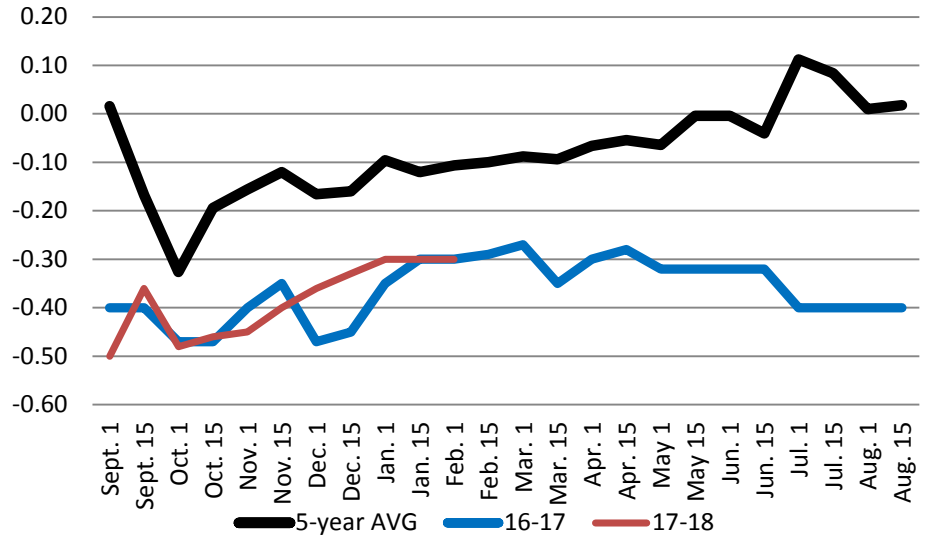
SE MO Corn Basis



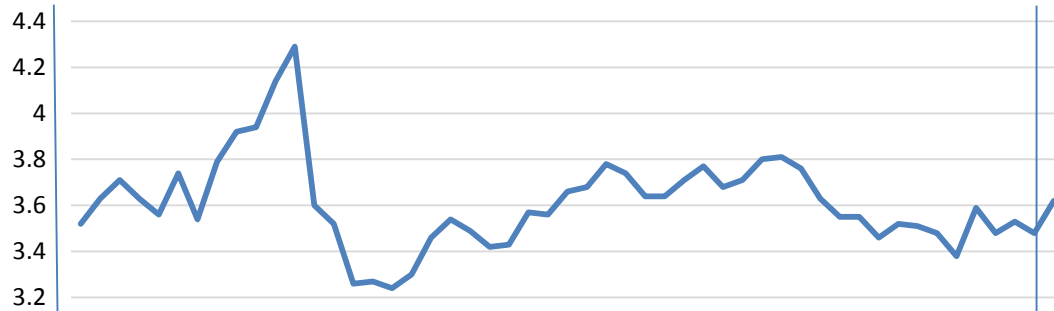
Kansas City Corn Basis



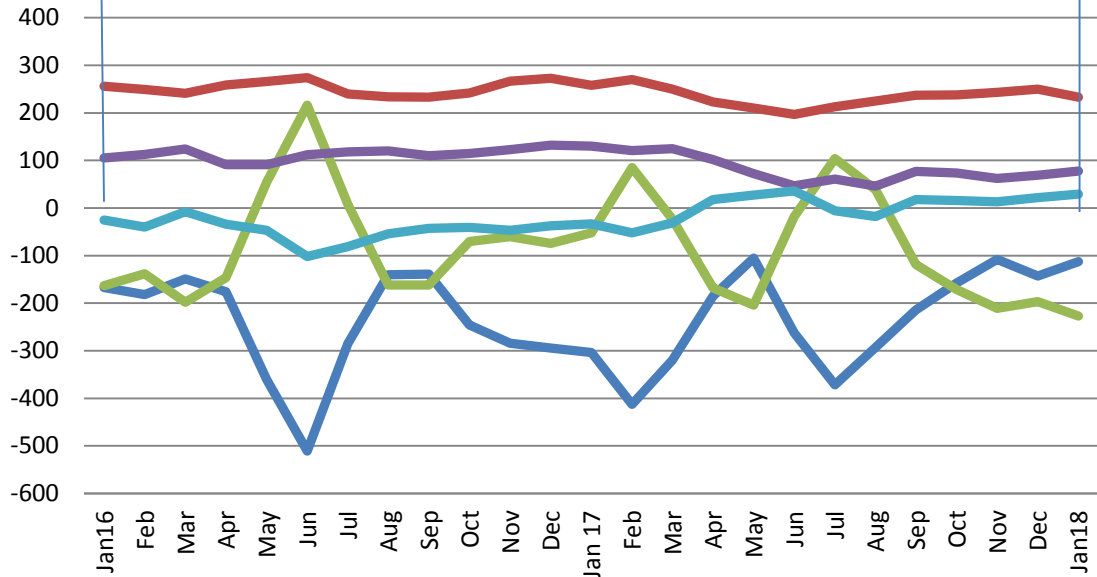
Central MO Corn Basis



Corn Futures Price



Corn COT Net Position

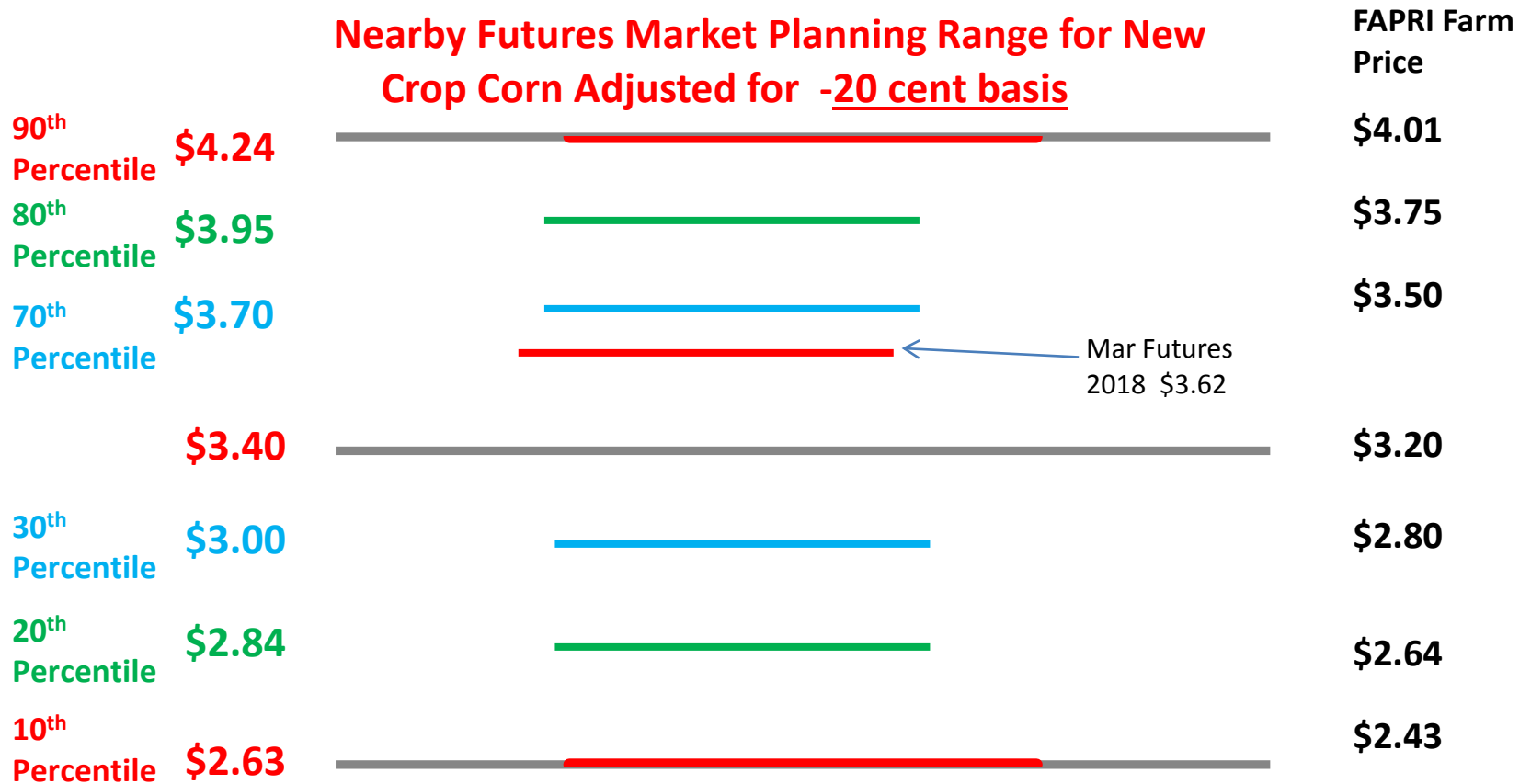


- Producer Merchandizer
- Swap Dealer
- Managed Money
- Other Reportable
- Non- Reportable

Old Crop – (17-18) Corn Nov, 2017 FAPRI Baseline Ranges

Nov 2017 FAPRI Price: **Adjusted for estimated -\$0.20 basis**

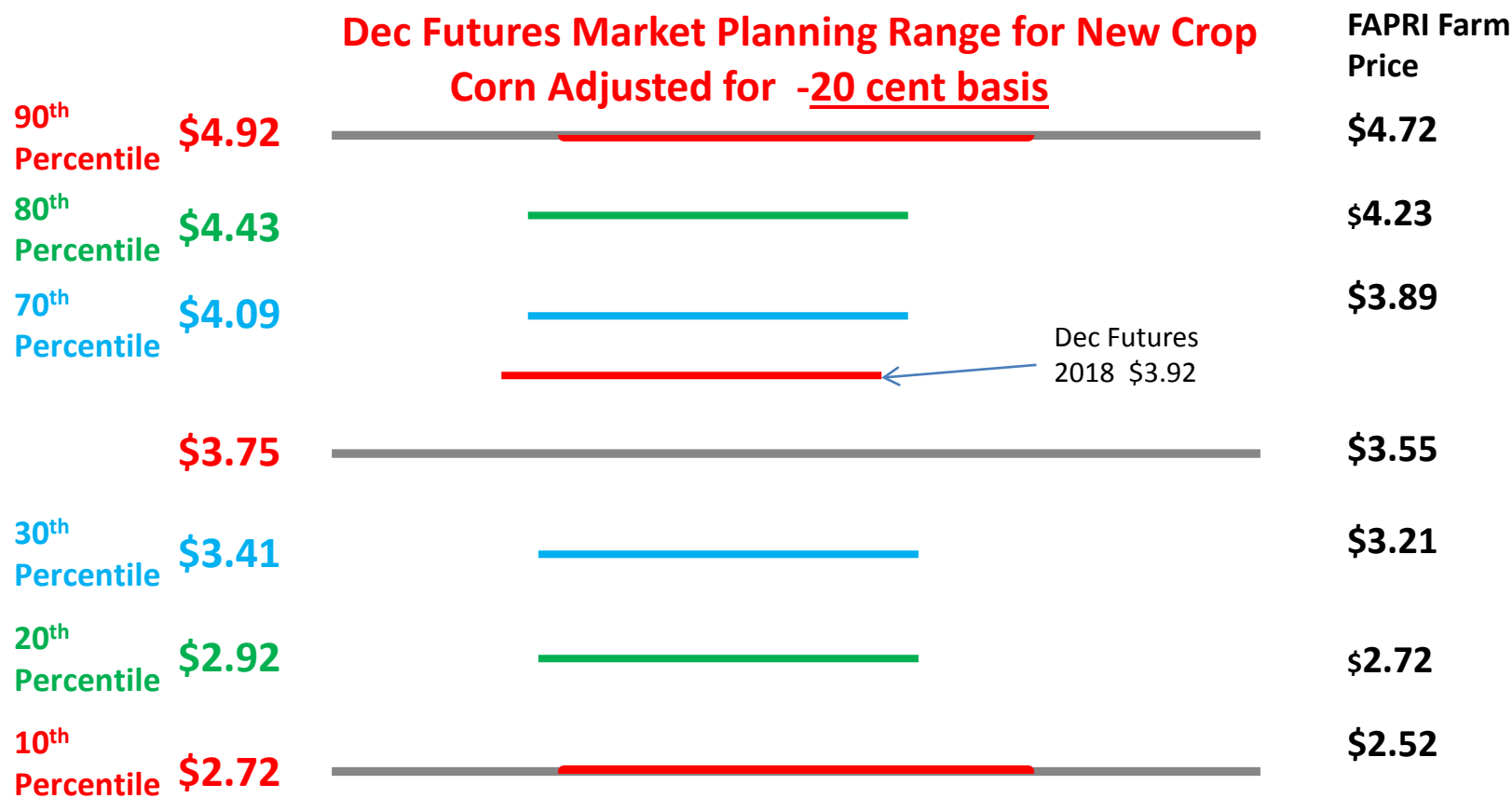
- FAPRI Projections for 2017- 2018 Farm Price: **\$3.40**
- FAPRI Range: **\$2.84 – \$3.95 @ 80 Percentile**
- Feb. 8 USDA Range: **\$3.25 - \$3.75. Avg \$3.50**



New Crop – (18-19) Corn Nov, 2017 FAPRI Baseline Ranges

Nov, 2017 FAPRI Price: **Adjusted for Estimated -\$0.20 basis**

- FAPRI Projections for 2018- 2019 Farm Price: **\$3.75**
- FAPRI Range: **\$2.92 - \$4.43 @ 80th Percentile**



U.S. soybean supply and use

	2016/17 (USDA Feb.)	2017/18 (USDA Feb.)	2017/18 (FAPRI Nov.)	2018/19 (FAPRI Nov.)
Area planted (mil. acres)	83.4	90.1	90.2	89.1
Yield (bu./harvested acre)	52.0	49.5	49.5	47.9
Production (mil. bu.)	4,296	4,392	4,425	4,228
Crush (mil. bu.)	1,899	1,950	1,952	1,957
Other domestic use	141	139	137	132
Exports	2,174	2,100	2,267	2,213
Ending stocks	302	530	396	336
Marketing yr. avg. price (\$/bu.)	9.47	8.90-9.70	9.30	9.56

Sources: USDA WASDE, February, 2018.

WASDE-USDA Soybean Summary Feb. 8, 2018

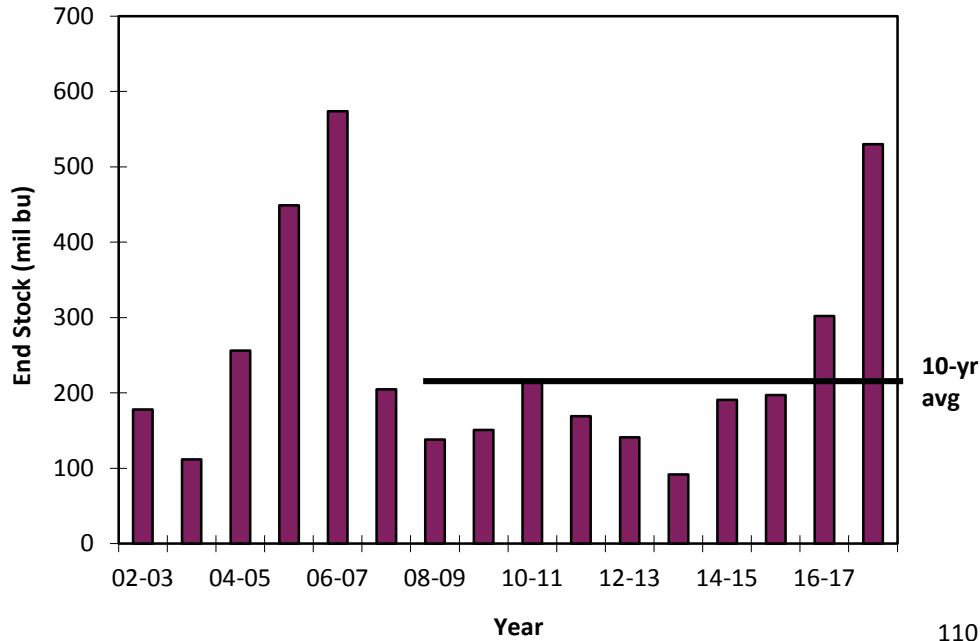
- 1) U.S. Average Farm Price - **Lower**
 - 2017-18 USDA: \$9.30 (\$8.90 - \$9.70)
 - 2016-17 USDA: \$9.47
 - 2015-16 USDA: \$8.95

- 2) U.S. Ending Stocks - **Significantly above 10 Year Average**
 - 2017-18 USDA: (530 Million Bushels)
 - 2016-17 USDA: (302 Million Bushels)
 - 2015-16 USDA: (197 Million Bushels)
 - 10 Year Average 08/09-17/18: (207 Million Bushels)
 - 20 Year Average 98/99-17/18: (247 Million Bushels)

- 3) World Ending Soybean Stocks - **Significantly above 10 Year average**
 - 2017-18 World: (98 Million Metric Tons)
 - 2016-17 World: (96 Million Metric Tons)
 - 2015-16 World: (78 Million Metric Ton)
 - 10 Year Average 08/09-17/18: (70 Million Metric Tons)
 - 20 Year Average 98/99-17/18: (55 Million Metric Tons)

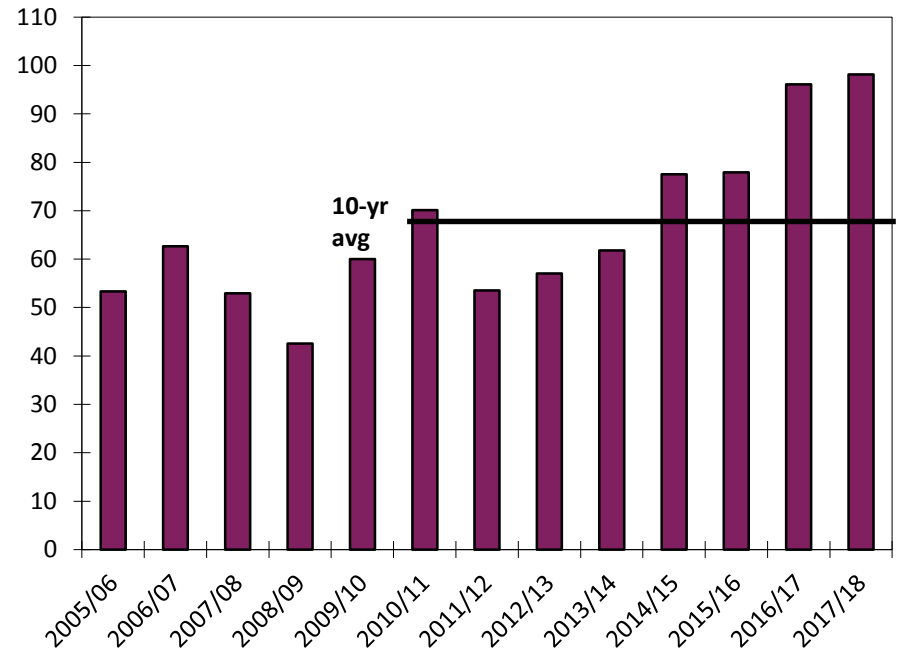
- 4) U.S. Export - **Small Decrease**
 - 2017-18 USDA: (2,100 Million Bushels)
 - 2016-17 USDA: (2,174 Million Bushels)
 - 2015-16 USDA: (1,942 Million Bushels)

Soybean: U.S. End Stocks

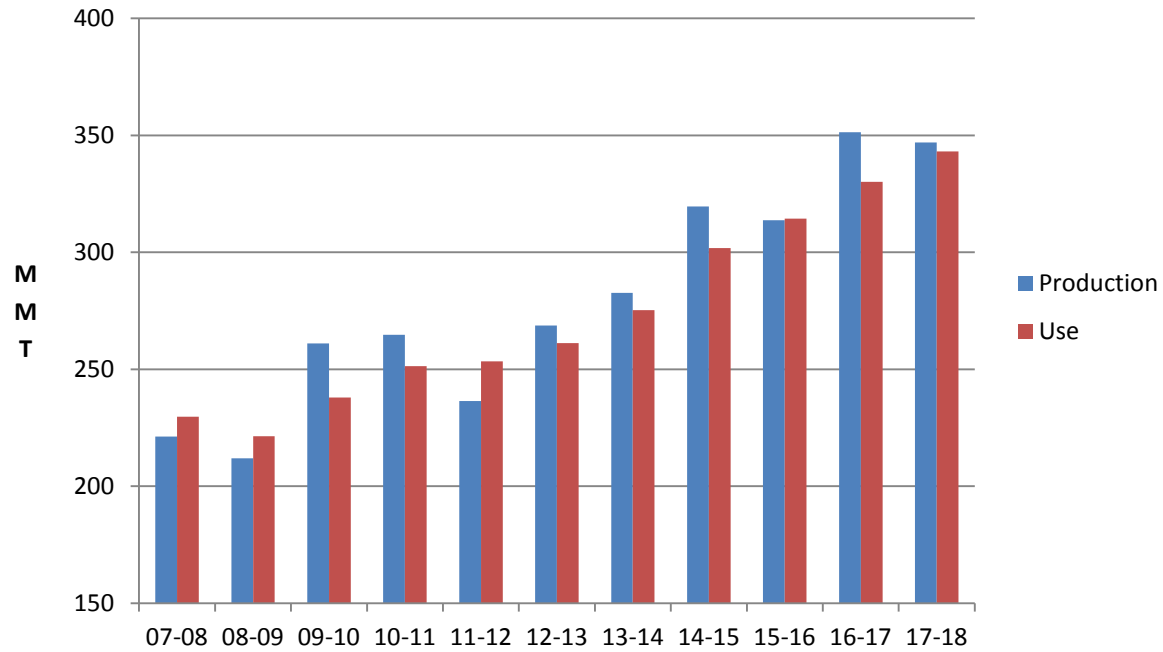


**U.S. ending stocks increasing.
Global carryover remains
Large.**

World Soybean End Stocks (MMT)

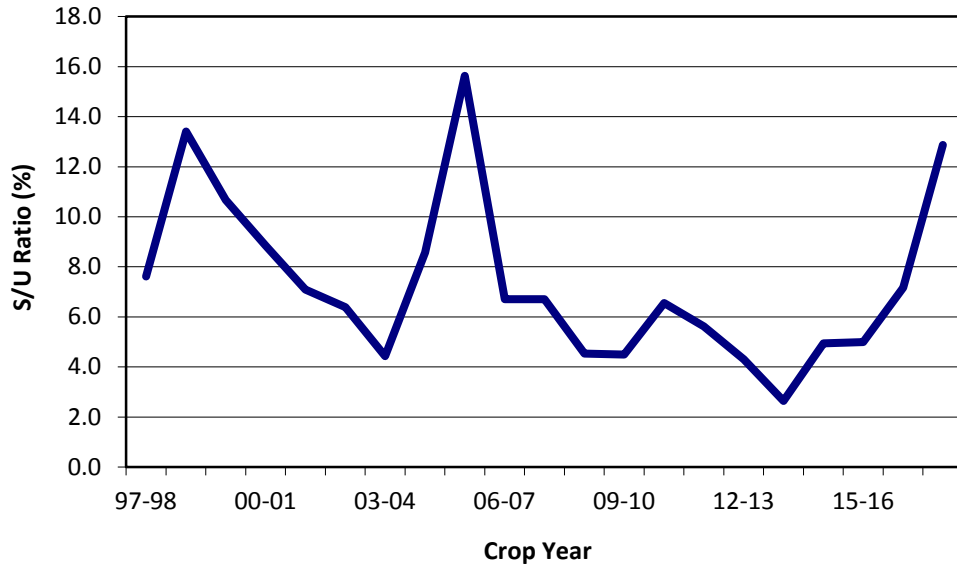


World Soybean Production and Use



Global use is gaining on production

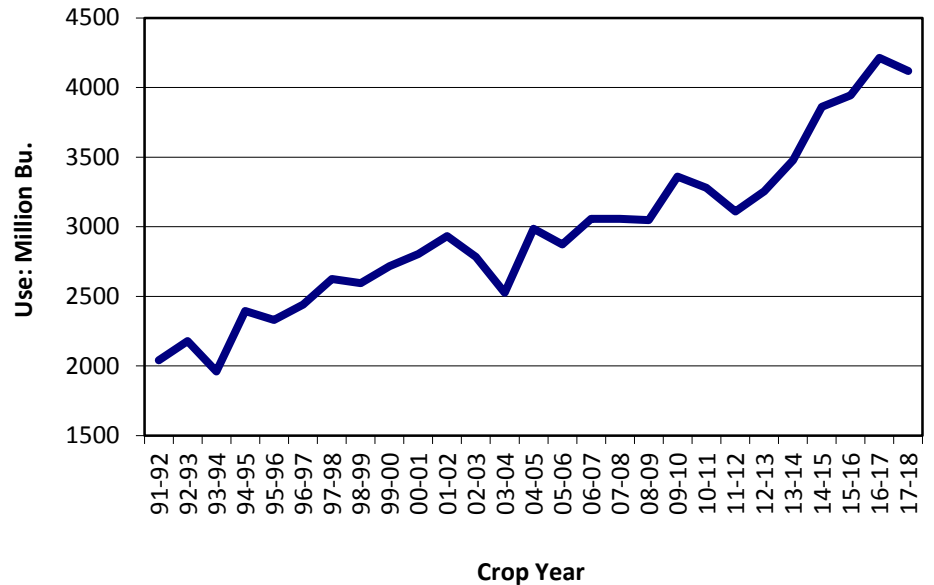
Soybeans: End Stocks/Use Ratio



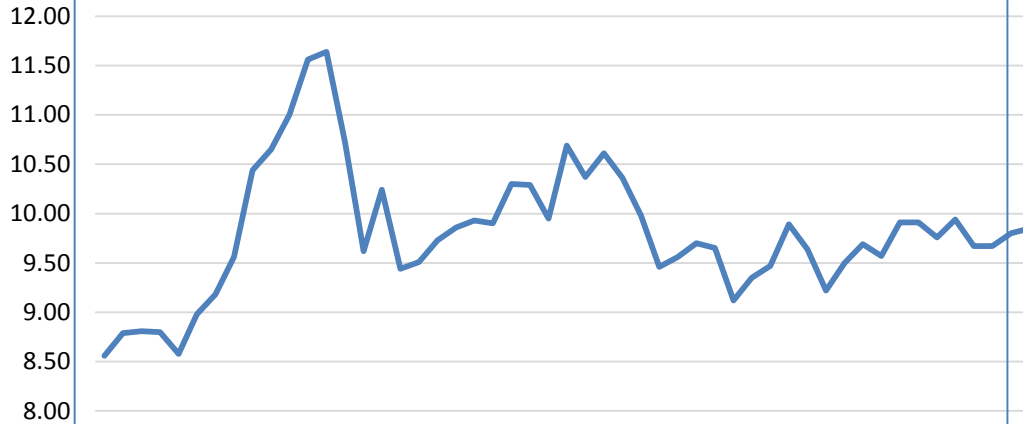
Stocks/use increasing

**Total use slight decrease?
(Exports: Brazil & Argentina
increase. US decrease?)**

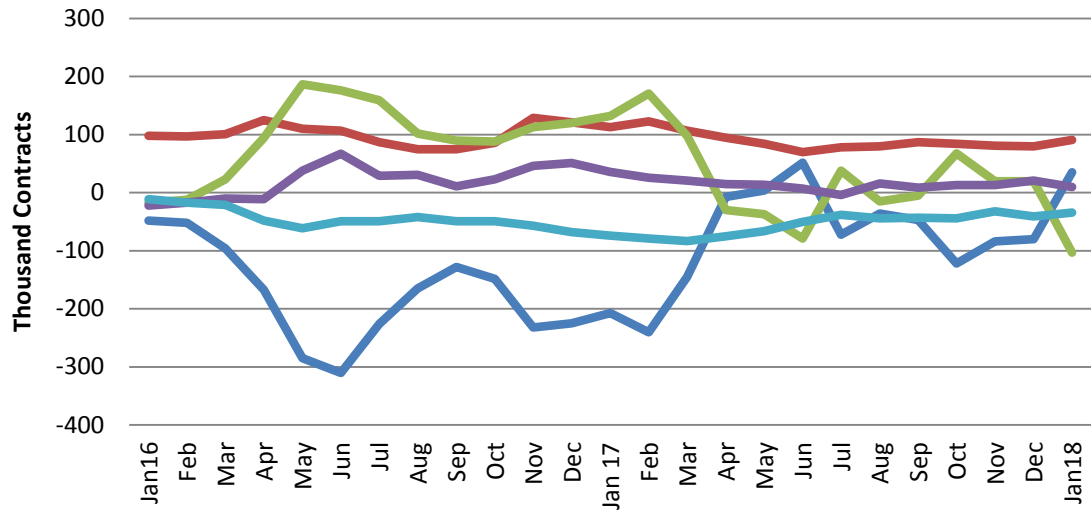
Soybean: Total Use



Soybean Futures Prices

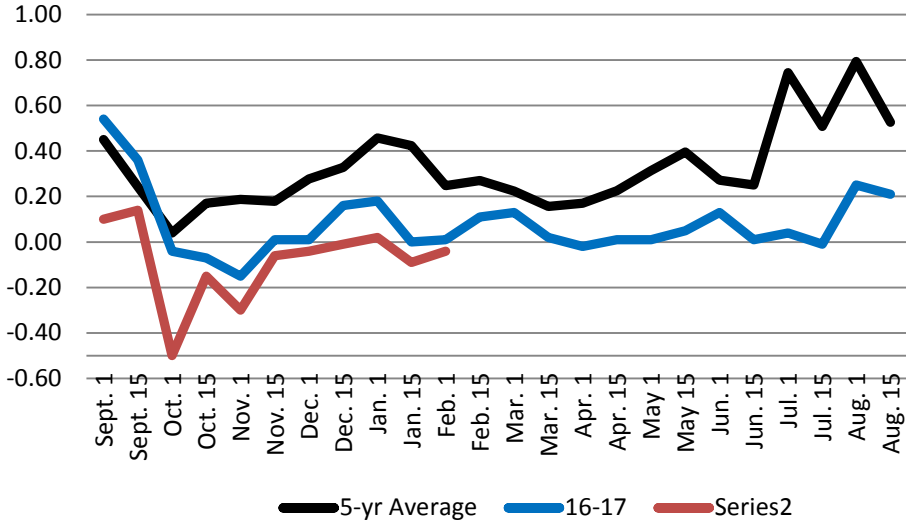


Soybean: COT Net Positions

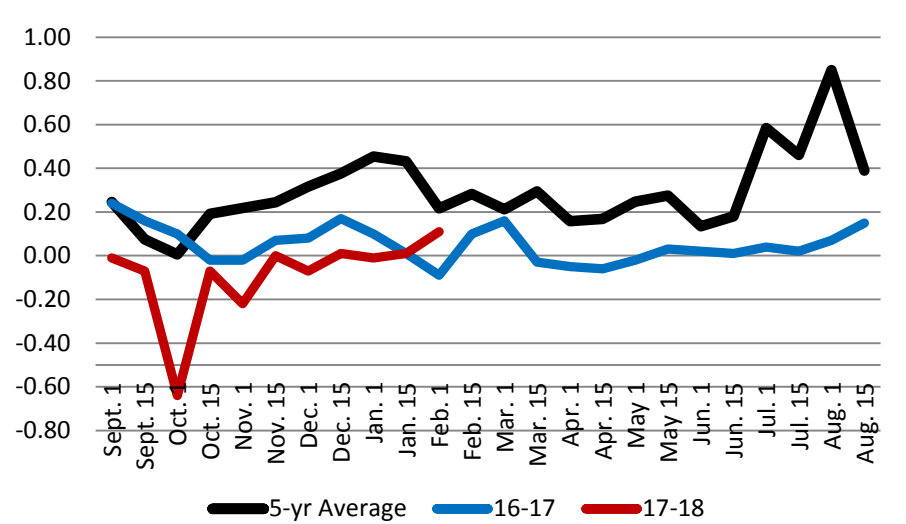


- Producer Merchandizer
 — Swap Dealer
 — Managed Money
- Other Reportable
 — Non- Reportable

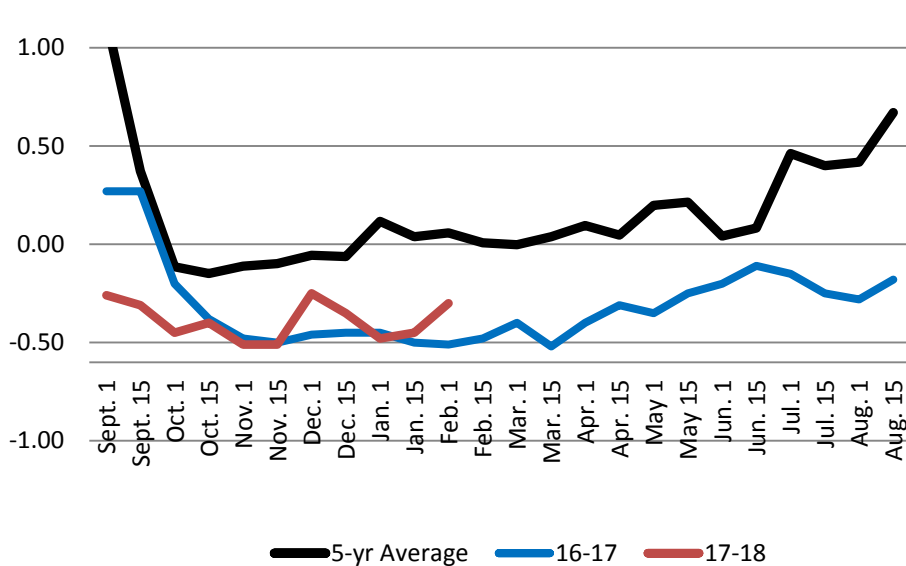
St. Louis Soybean Basis



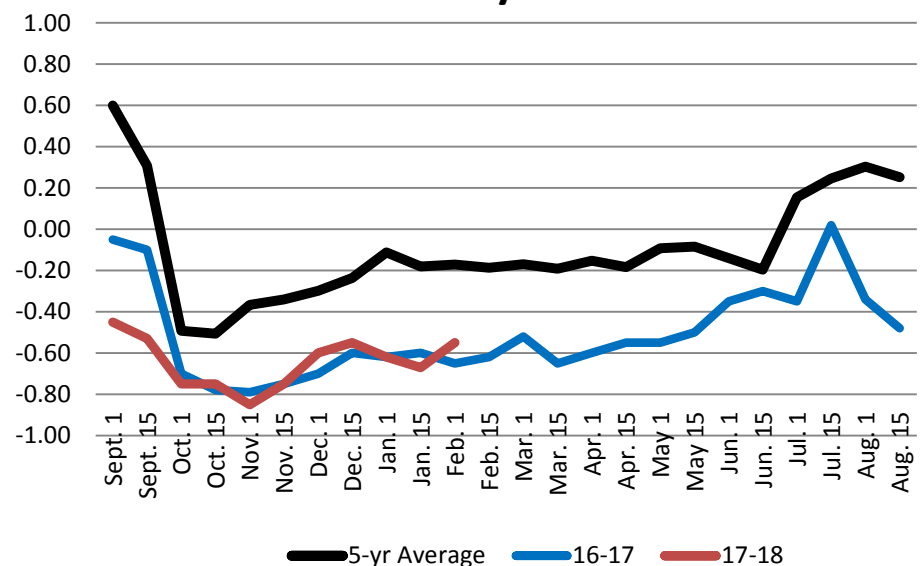
SE MO Soybean Basis



Kansas City Soybean Basis



Central MO Soybean Basis

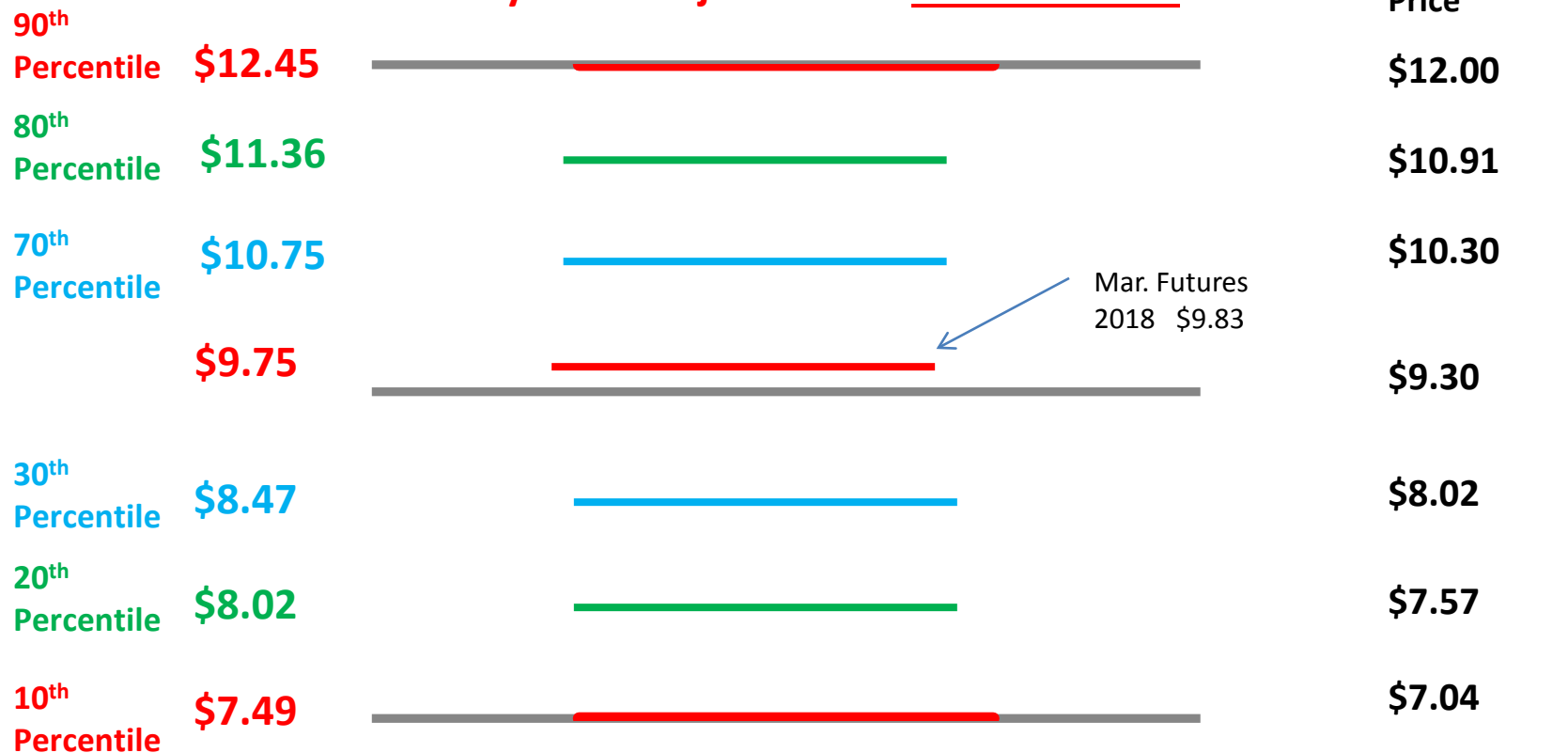


Old Crop – (17-18) Soybean Nov. 2017 FAPRI Baseline Ranges

Nov. 2017 FAPRI Price: **Adjusted for Estimated -\$0.45 basis**

- FAPRI Projections for 2017- 2018 Farm Price: **\$9.75**
- FAPRI Range: **\$8.02 - \$11.36 @ 80 Percentile**
- Feb. 8 USDA Range: **\$9.25 - \$10.15. Avg \$9.70**

Nearby Futures Market Planning Range for New Crop Soybeans Adjusted for -45 cent basis

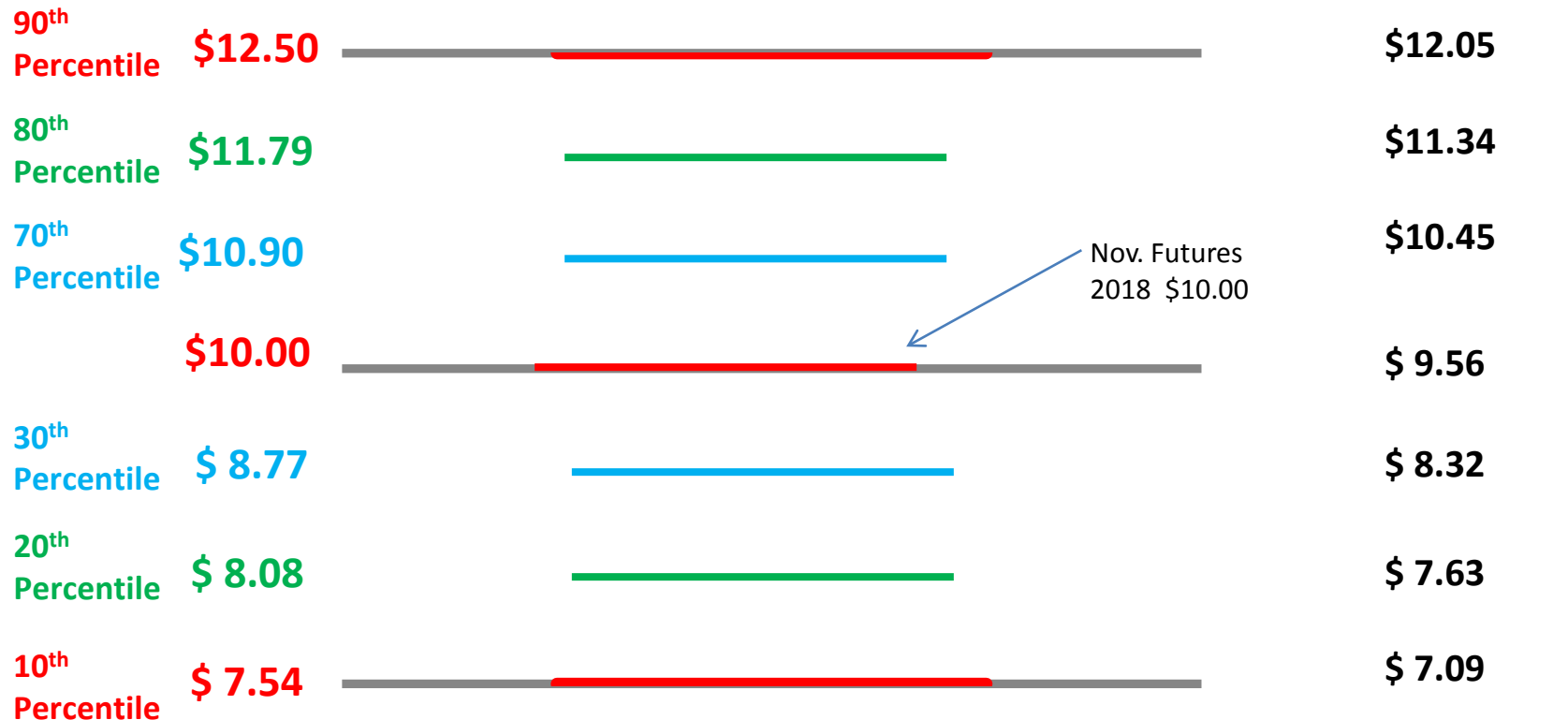


New Crop - (18 – 19) Soybean Nov, 2017 FAPRI Baseline Ranges

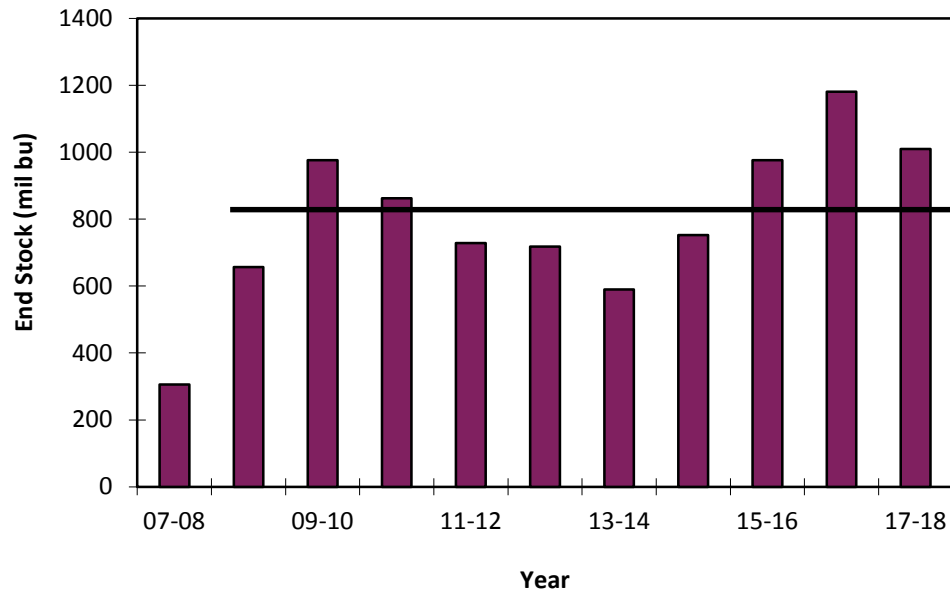
Nov. 2017 FAPRI Price: **Adjusted for Estimated -\$0.45 basis**

- FAPRI Projections for 2018- 2019 Farm Price: **\$10.00**
- FAPRI Range: **\$8.08 - \$11.79 @ 80 Percentile**

Nov Futures Market Planning Range for New Crop Soybeans Adjusted for -45 cent basis



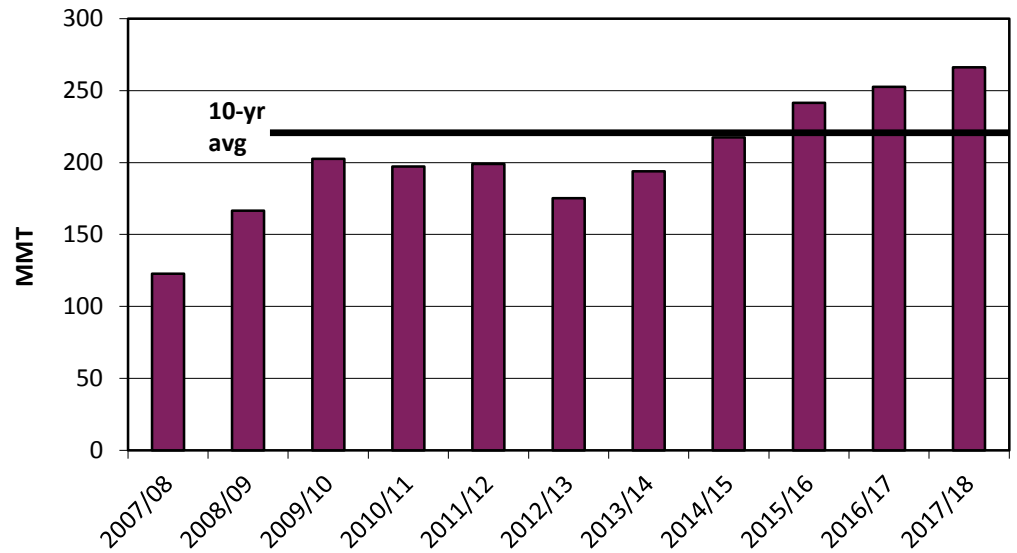
Wheat: U.S. End Stocks



10-yr
avg

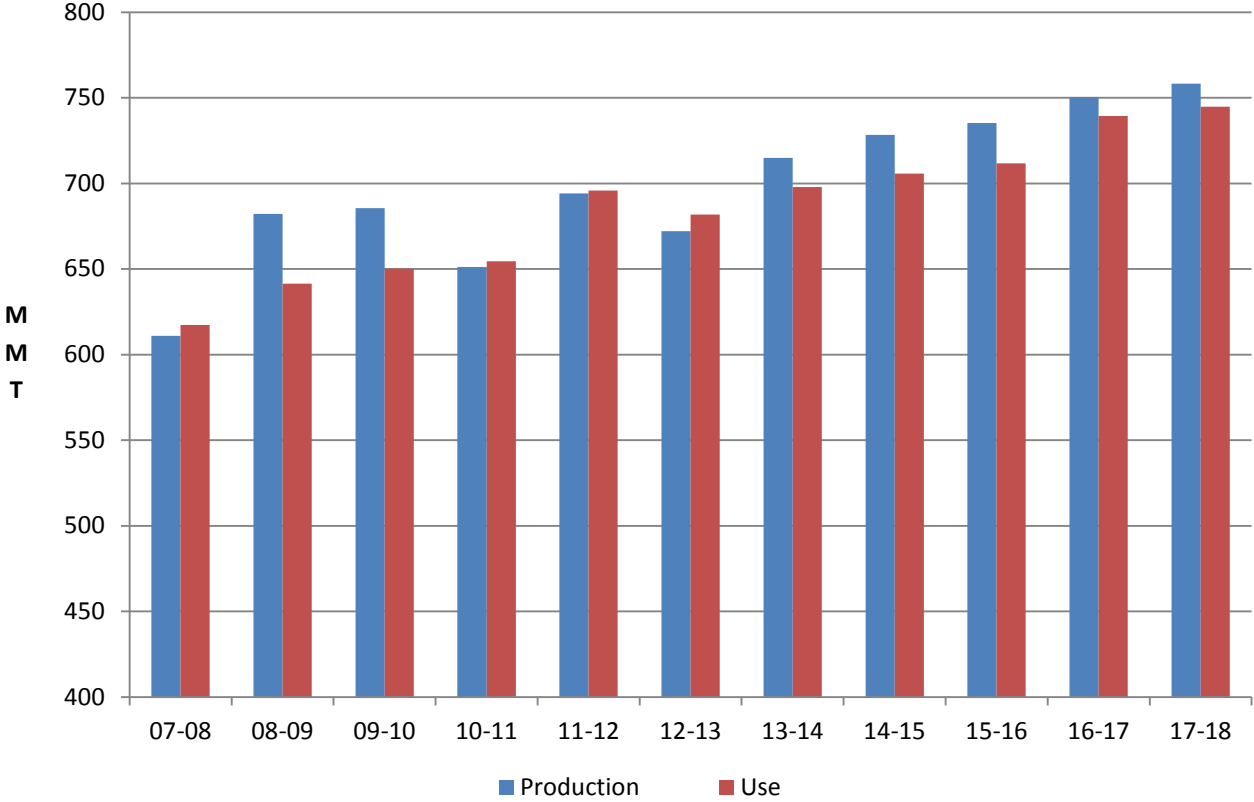
**Domestic wheat carryover
remains large.
Global stocks increasing.**

World Wheat End Stocks



10-yr
avg

World Wheat Production and Use



World wheat production continues to exceed demand

Basis Adjusted FAPRI Baseline Ranges for Futures Price Objectives

Old Crop 2017-18					
Corn			Soybeans		
USDA Basis	<u>-0.20</u>		USDA Basis	<u>-0.45</u>	
	Average	Futures		Average	Futures
	<u>Farm Price</u>	<u>Price Obj</u>		<u>Farm Price</u>	<u>Price Obj</u>
90%	4.03	4.23	90%	12.00	12.45
80%	3.75	3.95	80%	10.91	11.36
70%	3.50	3.70	70%	10.30	10.75
Baseline Avg	3.20	3.40	Baseline Avg	9.30	9.75
30%	2.80	3.00	30%	8.02	8.47
20%	2.64	2.84	20%	7.57	8.02
10%	2.43	2.63	10%	7.04	7.49

New Crop 2018-19					
Corn			Soybeans		
USDA Basis	<u>-0.20</u>		USDA Basis	<u>-0.45</u>	
	Average	Futures		Average	Futures
	<u>Farm Price</u>	<u>Price Obj</u>		<u>Farm Price</u>	<u>Price Obj</u>
90%	4.72	4.92	90%	12.05	12.50
80%	4.23	4.43	80%	11.34	11.79
70%	3.89	4.09	70%	10.45	10.90
Baseline Avg	3.55	3.75	Baseline Avg	9.56	10.01
30%	3.21	3.41	30%	8.32	8.77
20%	2.72	2.92	20%	7.63	8.08
10%	2.52	2.72	10%	7.09	7.54

FAPRI Nov. 2017 projections are for average “farm price” cash price. Market cash pricing objectives for use in the futures market must be adjusted for basis.