



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

July 12, 2018

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U.S. corn supply and use

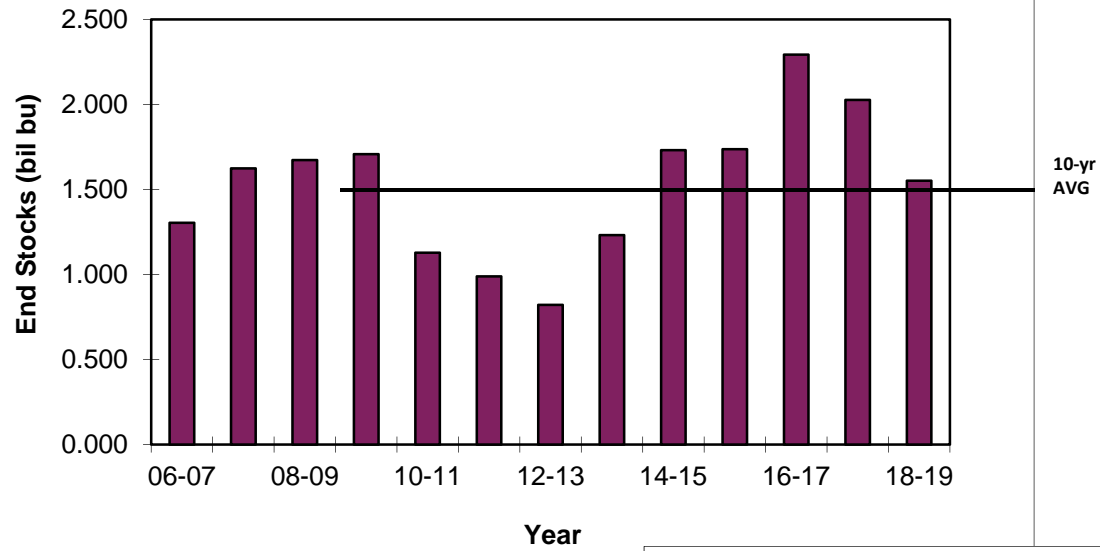
	2017/18 (USDA July 12)	2018/19 (USDA July 12)	2017/18 (FAPRI Mar. 2018)	2018/19 (FAPRI Mar.2018)
Area planted (mil. acres)	90.2	89.1	90.2	89.7
Yield (bu./harvested acre)	176.6	174	176.6	170.9
Production (mil. bu.)	14,604	14,230	14,604	14,068
Feed and residual use (mil. bu.)	5,450	5,425	5,556	5,478
Ethanol and coproduct use	5,600	5,625	5,556	5,578
Other domestic use	1,460	1,480	1,469	1,476
Exports	2,400	2,225	1,923	1,928
Ending stocks	2,027	1,552	2,443	2,101
Marketing yr. avg. price (\$/bu.)	3.30-3.50	3.30-4.30	3.23	3.57

Source: USDA WASDE, July 2018.

WASDE USDA Corn Summary July 12, 2018

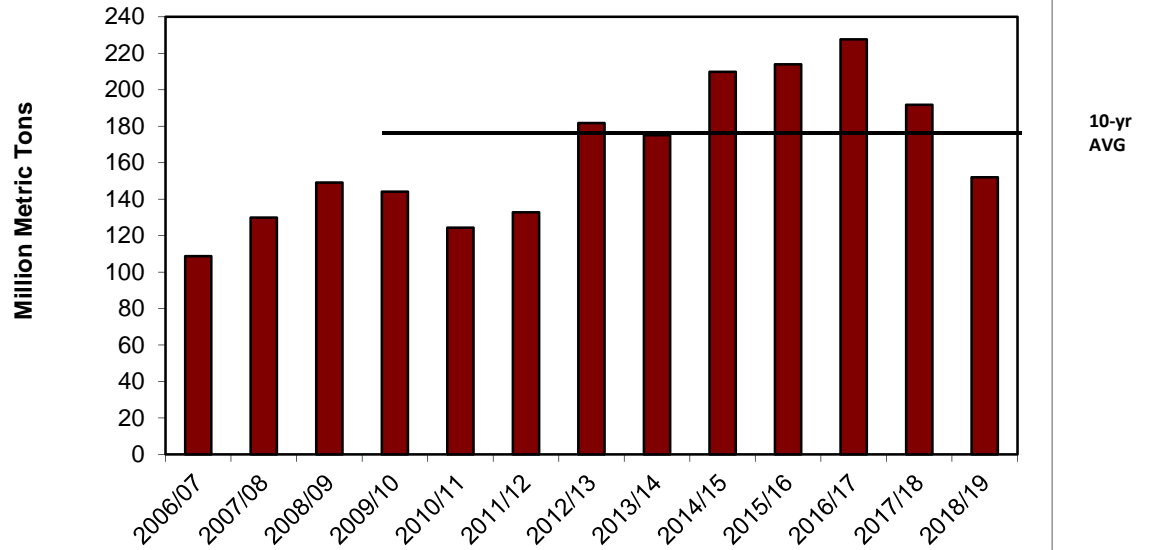
- 1) U.S. Average Farm Price – **Moderate Increase**
 - 2018- 19 USDA: \$3.80 (\$3.30- \$4.30)
 - 2017–18 USDA: \$3.40 (\$3.30 - \$3.50)
 - 2016- 17 USDA: \$3.36
 - 2015- 16 USDA: \$3.61
- 2) U.S. Ending Stocks-Significant decline, near 10 year average
 - 2018- 19 USDA: (1,552 Million Bushels)
 - 2017- 18 USDA: (2,027 Million Bushels)
 - 2016- 17 USDA: (2,293 Million Bushels)
 - 10 Year Average 08/09-17/18: (1,579 Million Bushels)
 - 20 Year Average 98/99-17/18: (1,592 Million Bushels)
- 3) World Ending Corn Stocks – Declining, falling below 10 year average
 - 2018- 19 World: (152 Million Metric Tons)
 - 2017- 18 World: (192 Million Metric Tons)
 - 2016- 17 World: (228 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. Export – **Moderate reduction**
 - 2018- 2019 USDA: (2,225 Million Bushels)
 - 2017- 18 USDA: (2,400 Million Bushels)
 - 2016- 17 USDA: (2,294 Million Bushels)

Corn: U.S. End Stocks

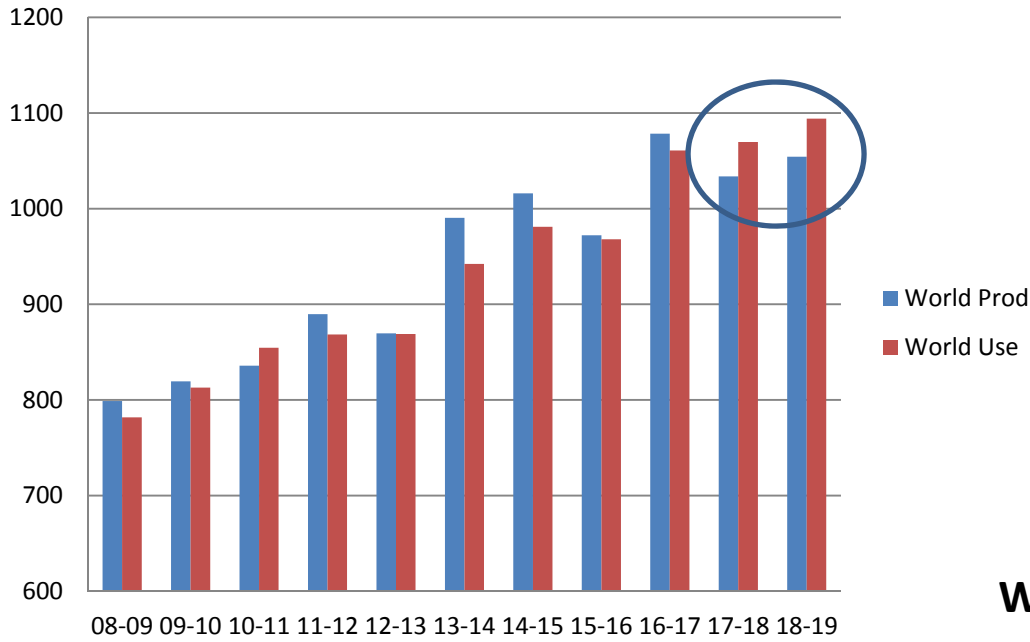


World End Stocks dip below average in 2018-19 but Domestic Carryovers, while declining, remain slightly above 10-yr average

Corn World End Stocks (MMT)

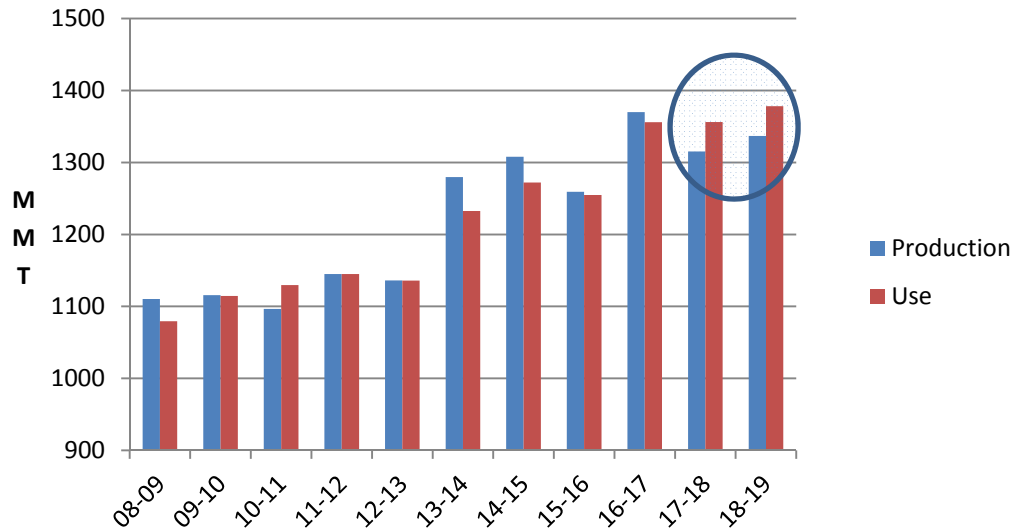


Corn World Production & Use

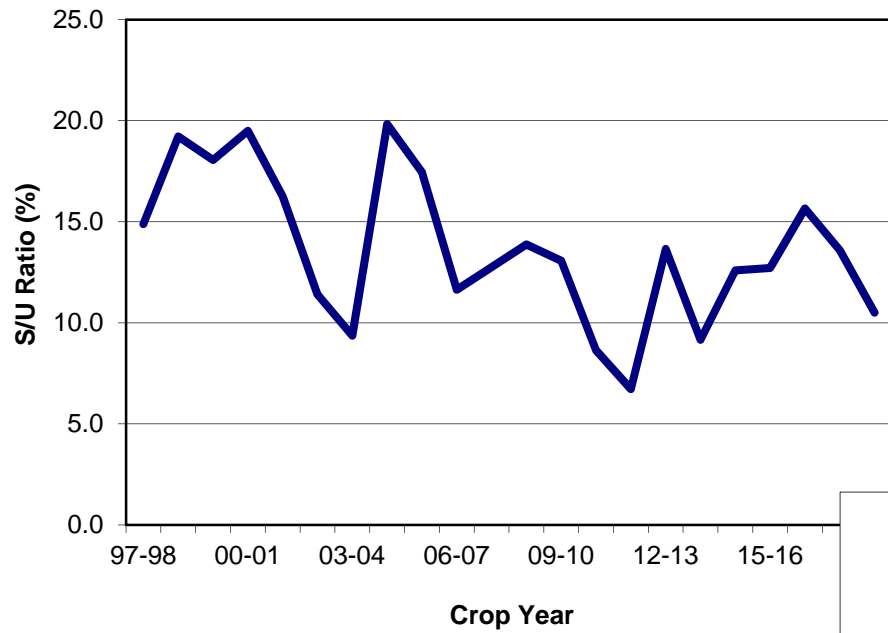


Use expected to exceed production for second consecutive year!

World Coarse Grains: Production & Use

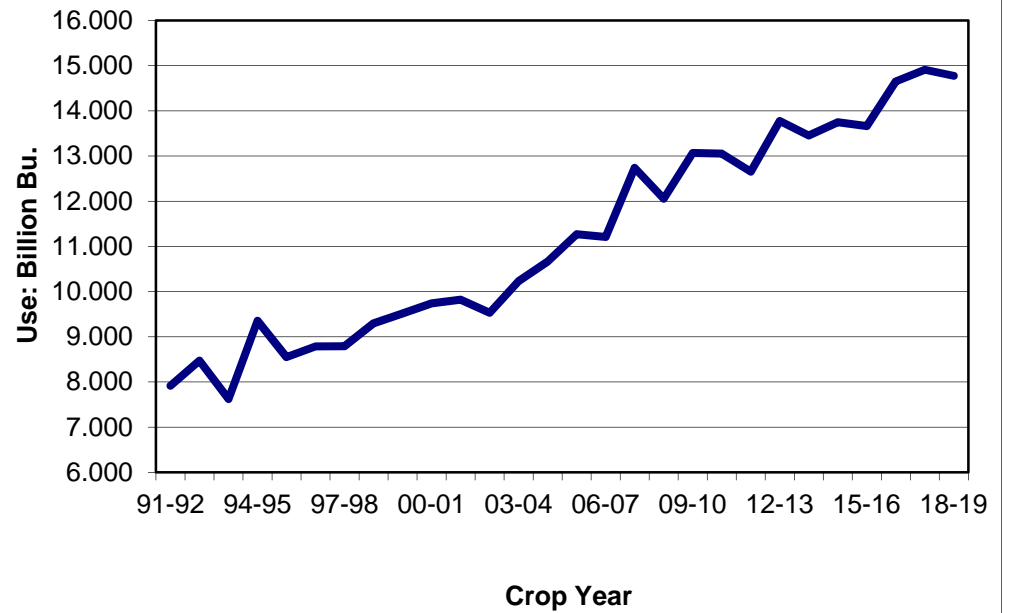


Corn: End Stocks/Use Ratio

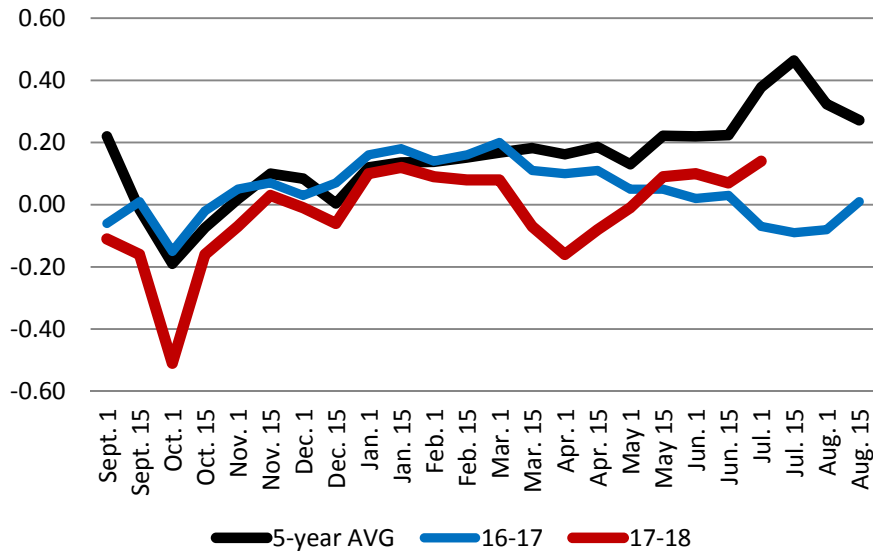


**Stocks/use decreasing
Small decline in total use**

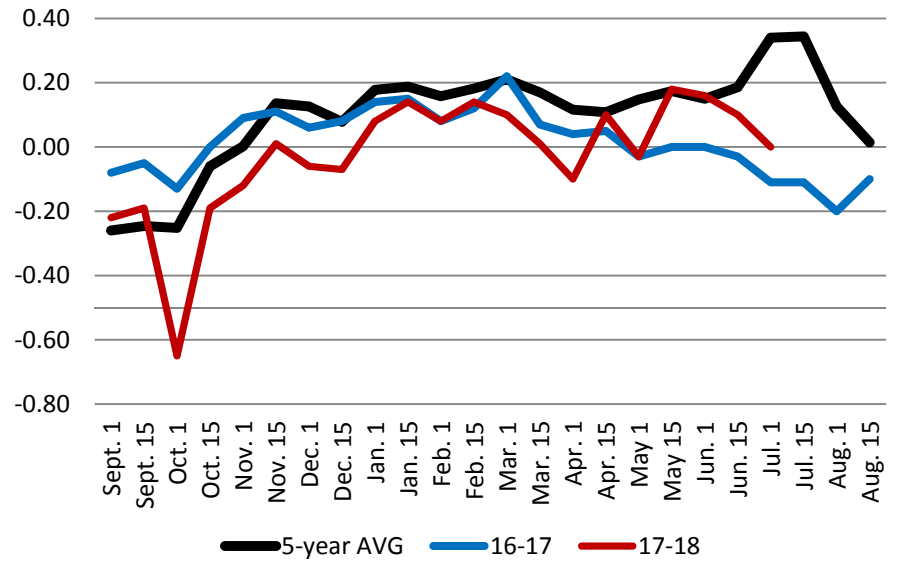
Use: Corn Total Use



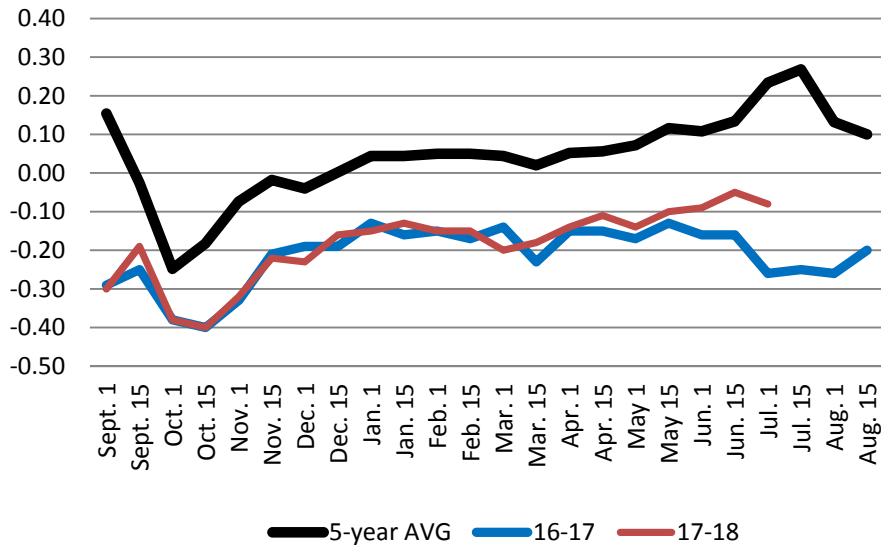
St Louis Corn Basis



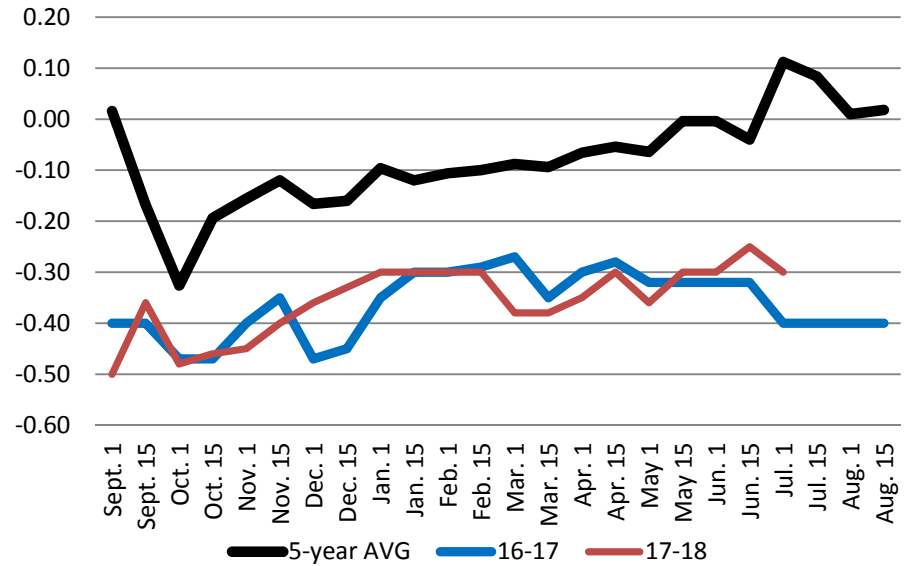
SE MO Corn Basis



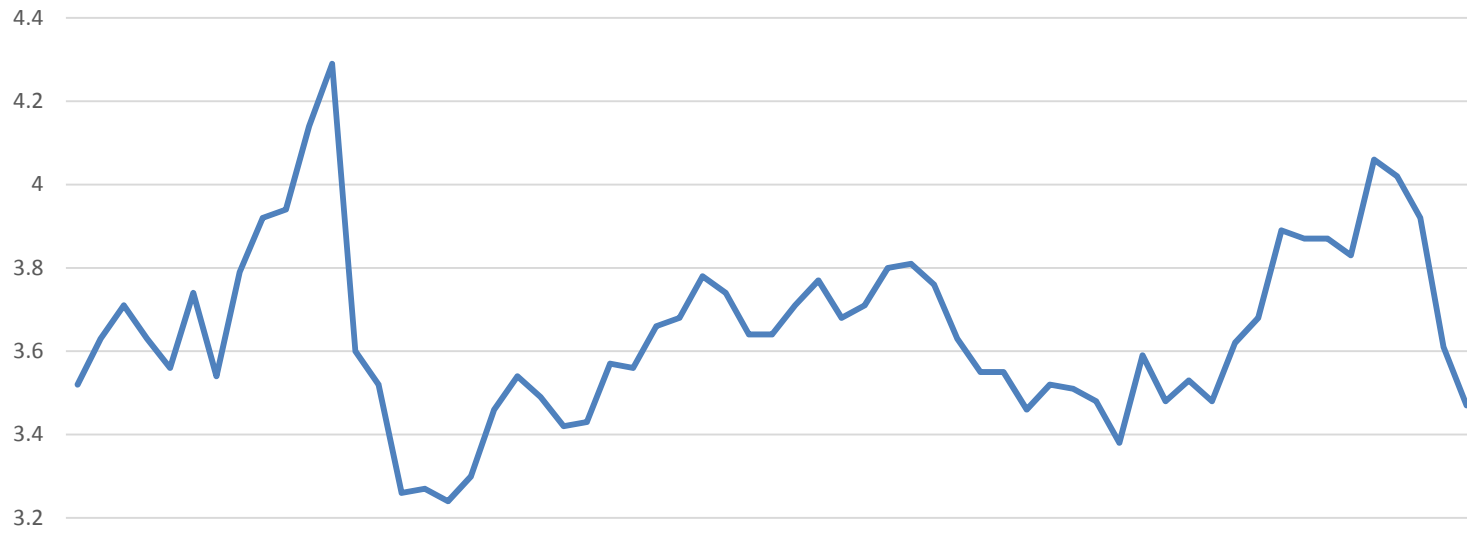
Kansas City Corn Basis



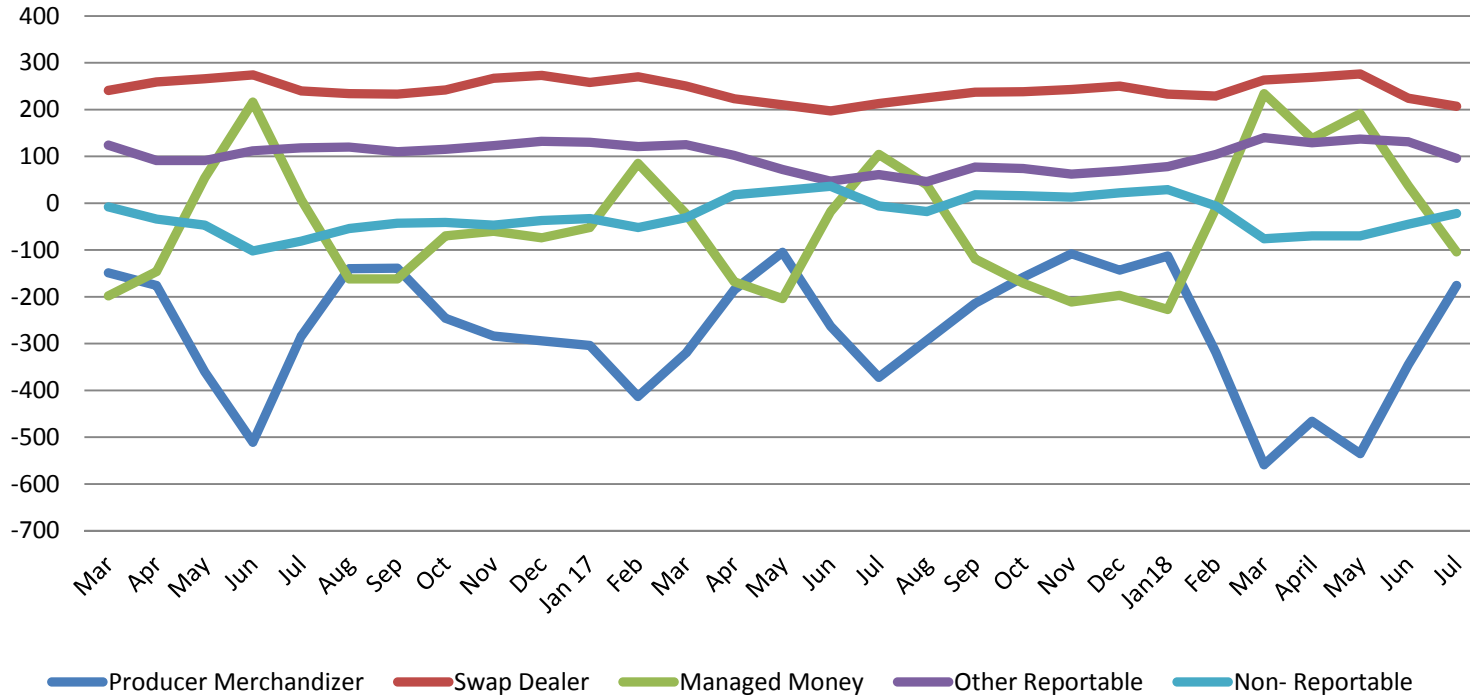
Central MO Corn Basis



Corn Futures Price



Corn COT Net Position

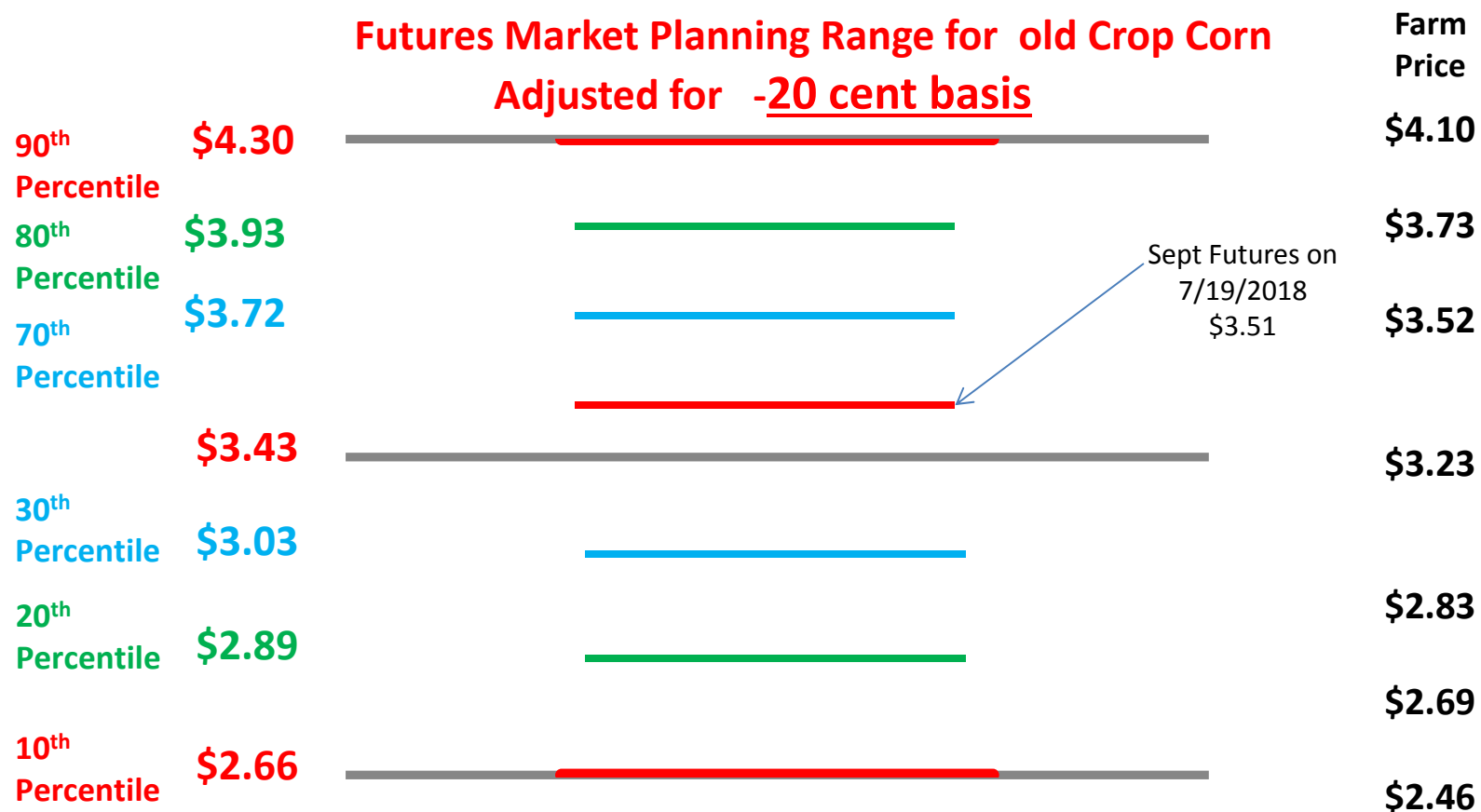


— Producer Merchandizer
 — Swap Dealer
 — Managed Money
 — Other Reportable
 — Non- Reportable

Old Crop – (17-18) Corn FAPRI Baseline Ranges March, 2018

Mar 2018 FAPRI Price: **Adjusted for \$0.20 basis**

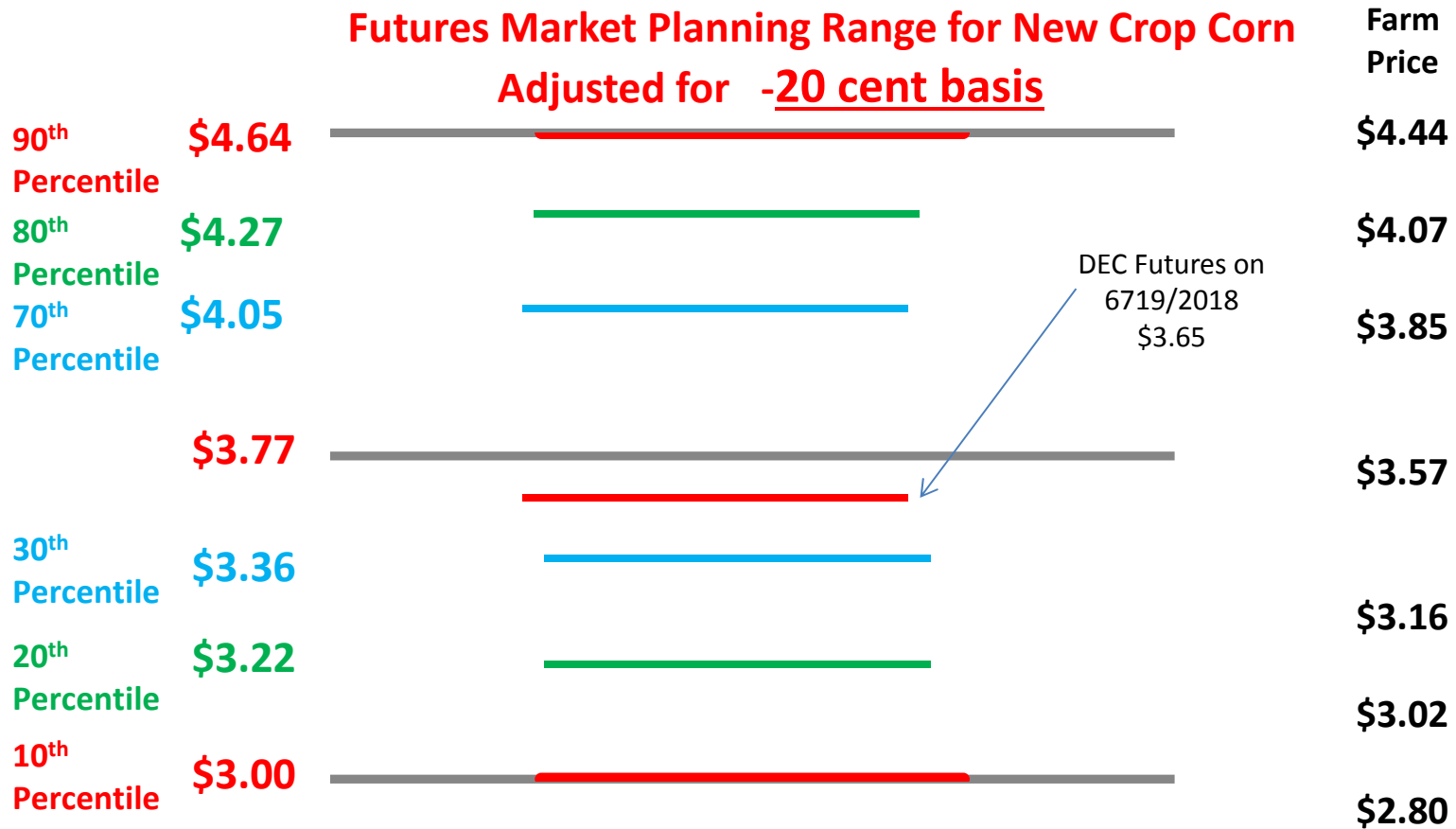
- Futures Price Equivalent of 2017- 2018 Projected Farm Price: **\$3.43**
- Futures Price Equivalent of FAPRI Range: **\$2.89 – \$3.93 @ 80 Percentile**
- Futures Price Equivalent of July 12 USDA Range: **\$3.50- \$3.70` Avg \$3.60**



New Crop – (18-19) Corn FAPRI Baseline Ranges March, 2018

Mar 2018 FAPRI Projected Farm Price: **Adjusted for \$0.20 basis**

- Futures Price Equivalent of 2018- 2019 Projected Farm Price: **\$3.77**
- Futures Price Equivalent of FAPRI Range: **\$3.22 - \$4.27 @ 80 Percentile**
- Futures Price Equivalent of July 12 USDA Range **\$3.50 - \$4.50** Average: **\$4.00**



U.S. soybean supply and use

	2017/18 (USDA July 12)	2018/19 (USDA July 12)	2017/18 (FAPRI Mar2018)	2018/19 (FAPRI Mar2018)
Area planted (mil. acres)	90.1	89.6	90.1	90.0
Yield (bu./harvested acre)	49.1	48.5	49.1	47.8
Production (mil. bu.)	4,392	4,310	4,392	4,259
Crush (mil. bu.)	2,030	2,045	1,953	1,976
Other domestic use	136	135	139	135
Exports	2,085	2,040	2,169	2,182
Ending stocks	465	580	457	449
Marketing yr. avg. price (\$/bu.)	9.35	8.00 – 10.50	9.23	9.38

Sources: USDA WASDE, July 2018.

WASDE-USDA Soybean Summary July 12, 2018

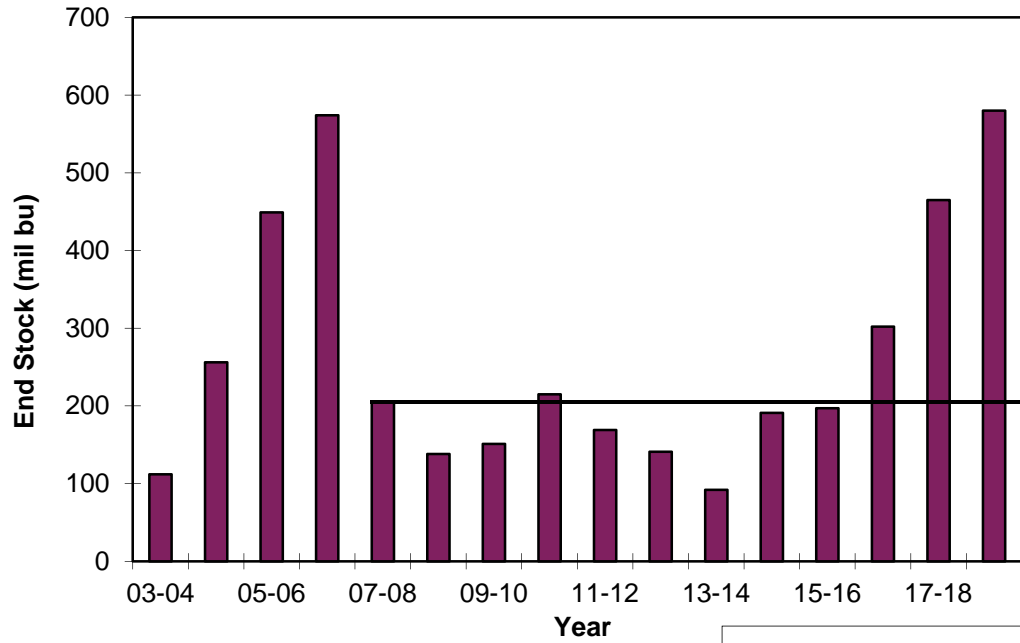
- 1) U.S. Average Farm Price- **Steady**
 - 2018- 19 USDA:\$9.25 (\$8.00 - \$10.50)
 - 2017- 18 USDA: \$9.35
 - 2016- 17 USDA: \$9.47

- 2) U.S. Ending Stocks- **Significantly above 10 Year Average**
 - 2018- 19 USDA: (580 Million Bushels)
 - 2017- 18 USDA: (465 Million Bushels)
 - 2016- 17 USDA: (302 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**
 - 2018- 19 World: (98 Million Metric Tons)
 - 2017- 18 World: (96 Million Metric Tons)
 - 2016- 17 World: (97 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 - **Moderate decline**
 - 2018- 19 USDA: (2,040Million Bushels)
 - 2017- 18 USDA: (2,085 Million Bushels)
 - 2016- 17 USDA: (2,166 Million Bushels)

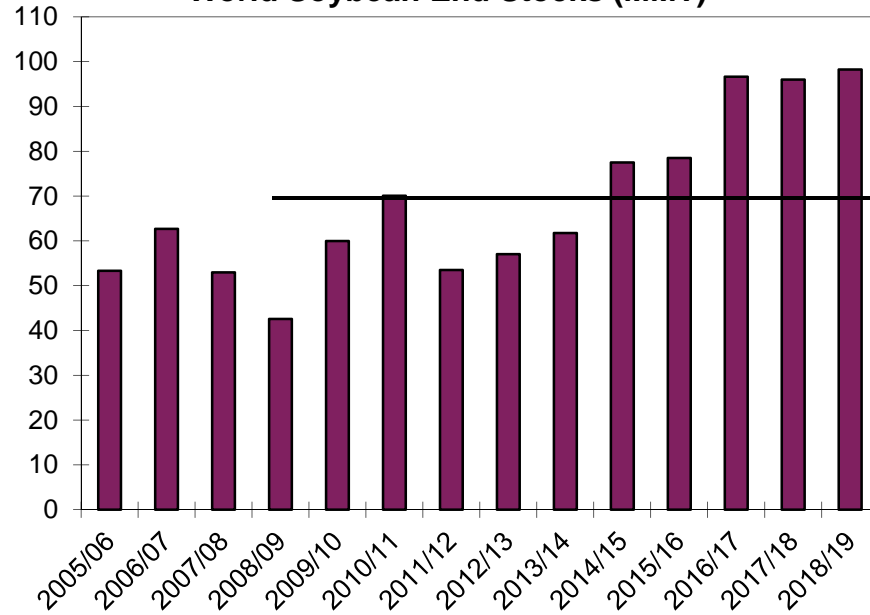
Soybean: U.S. End Stocks



10-yr
AVG

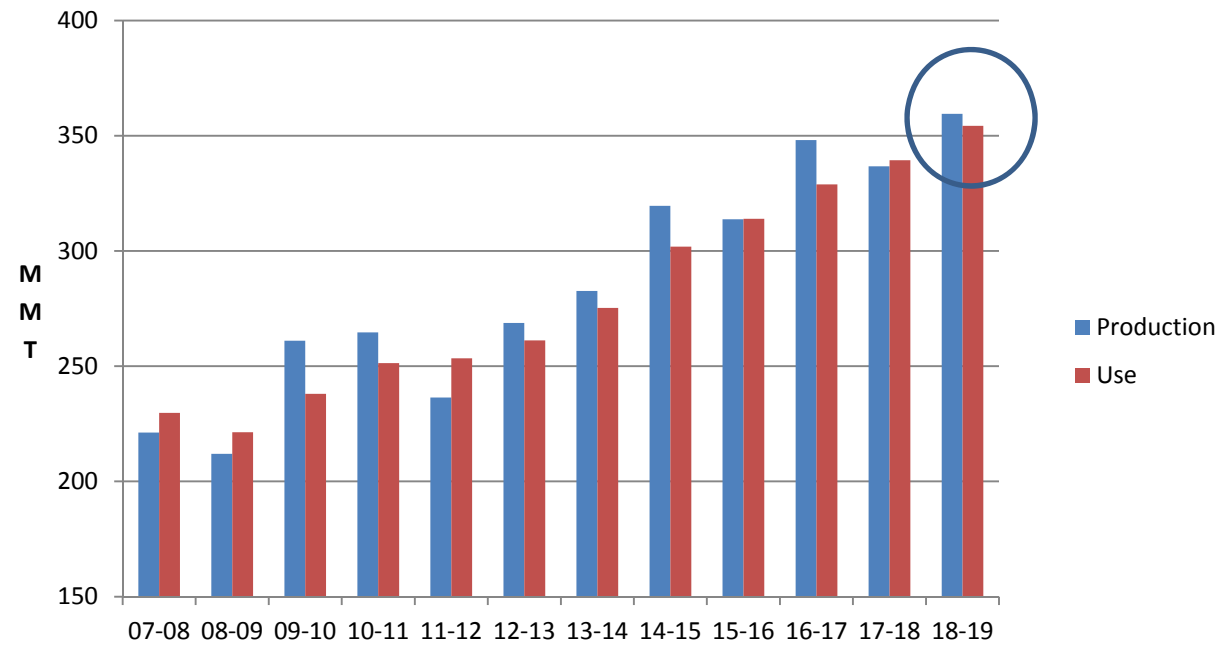
US and Global carryovers remain large, with domestic ending stocks expected to largest in more than 15-years.

World Soybean End Stocks (MMT)



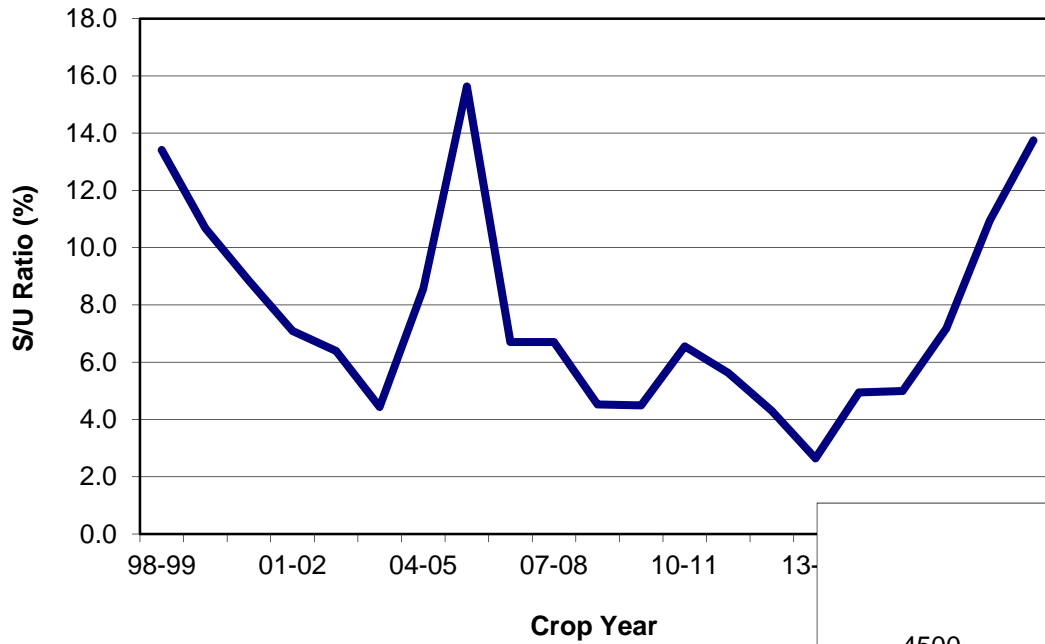
10-yr
AVG

World Soybean Production and Use



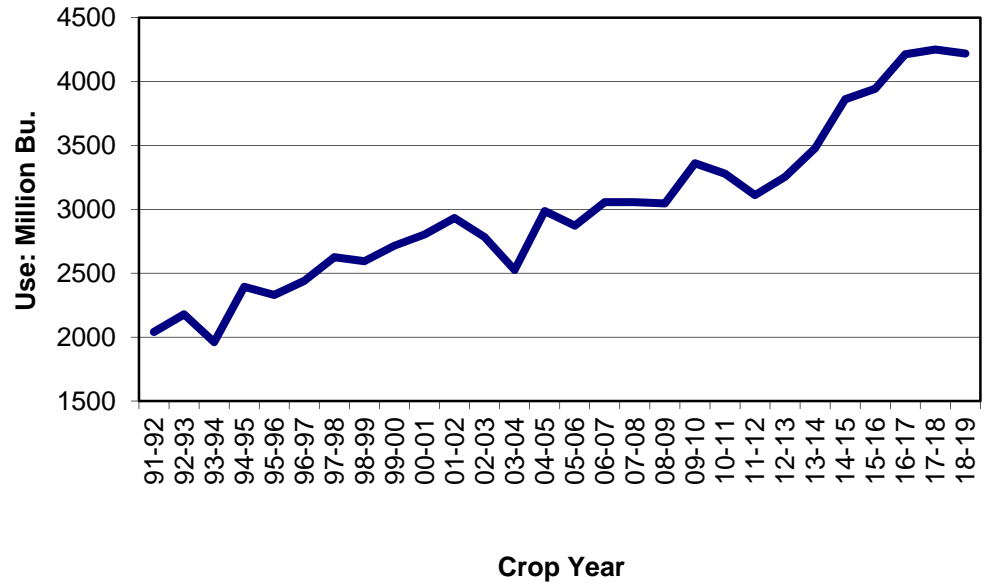
Global use continues to increase, but world production expected to exceed use.

Soybeans: End Stocks/Use Ratio

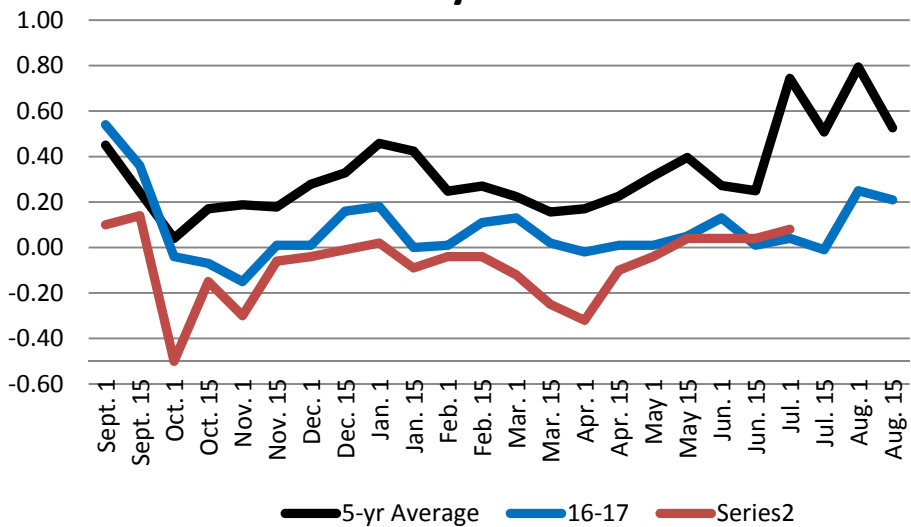


**Stocks/Use expected to increase
Total Use expected to decline slightly**

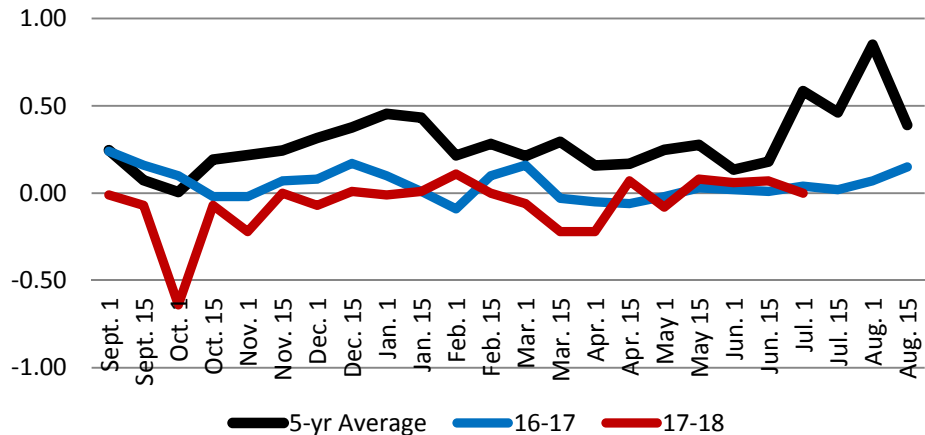
Soybean: Total Use



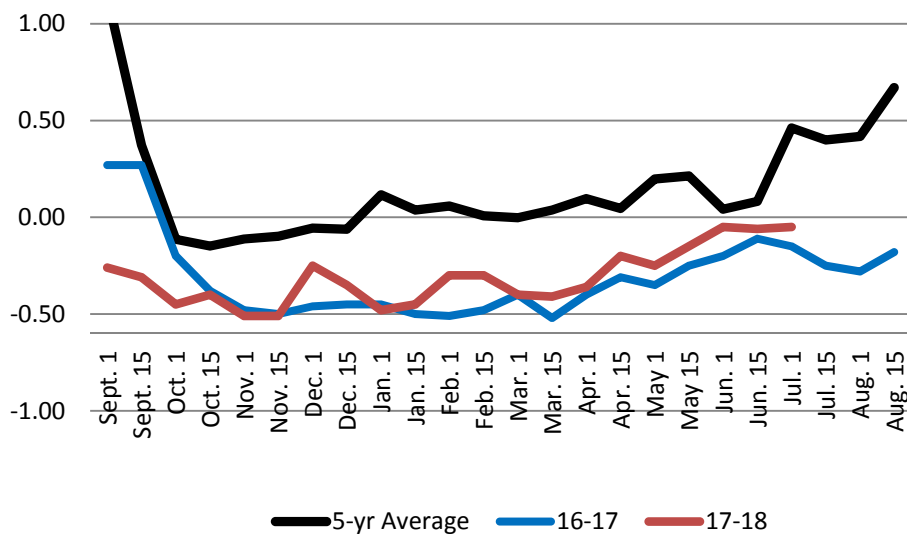
St Louis Soybean Basis



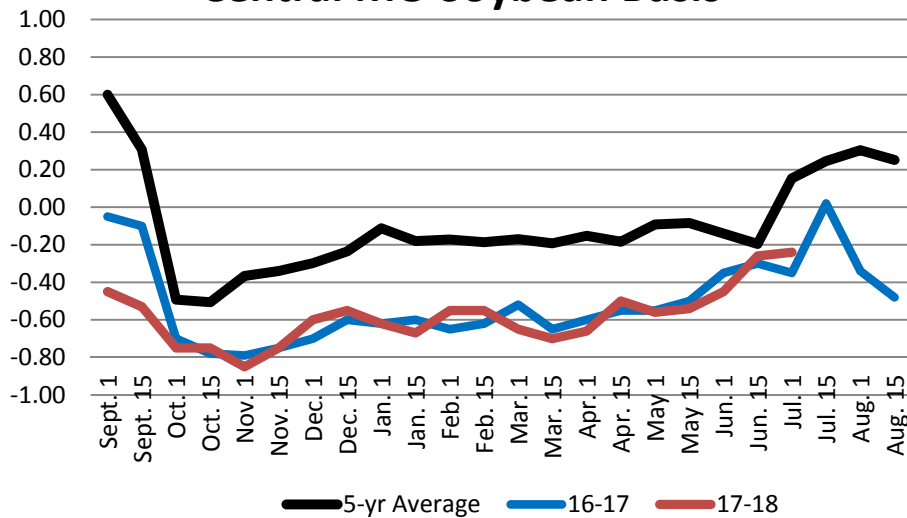
SE MO Soybean Basis



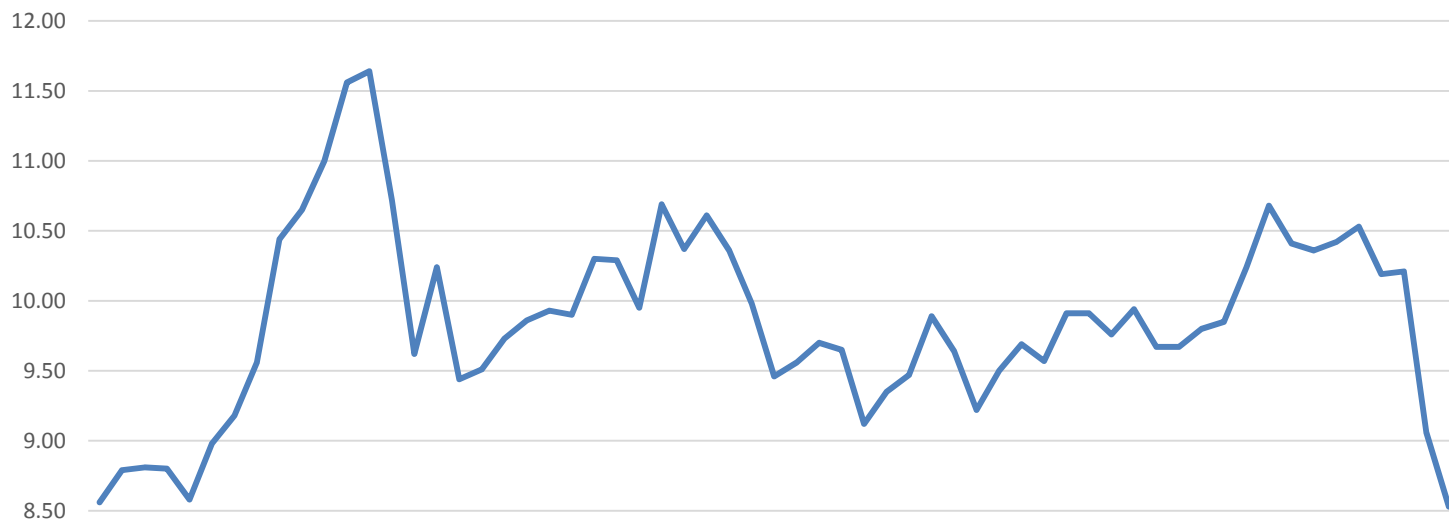
Kansas City Soybean Basis



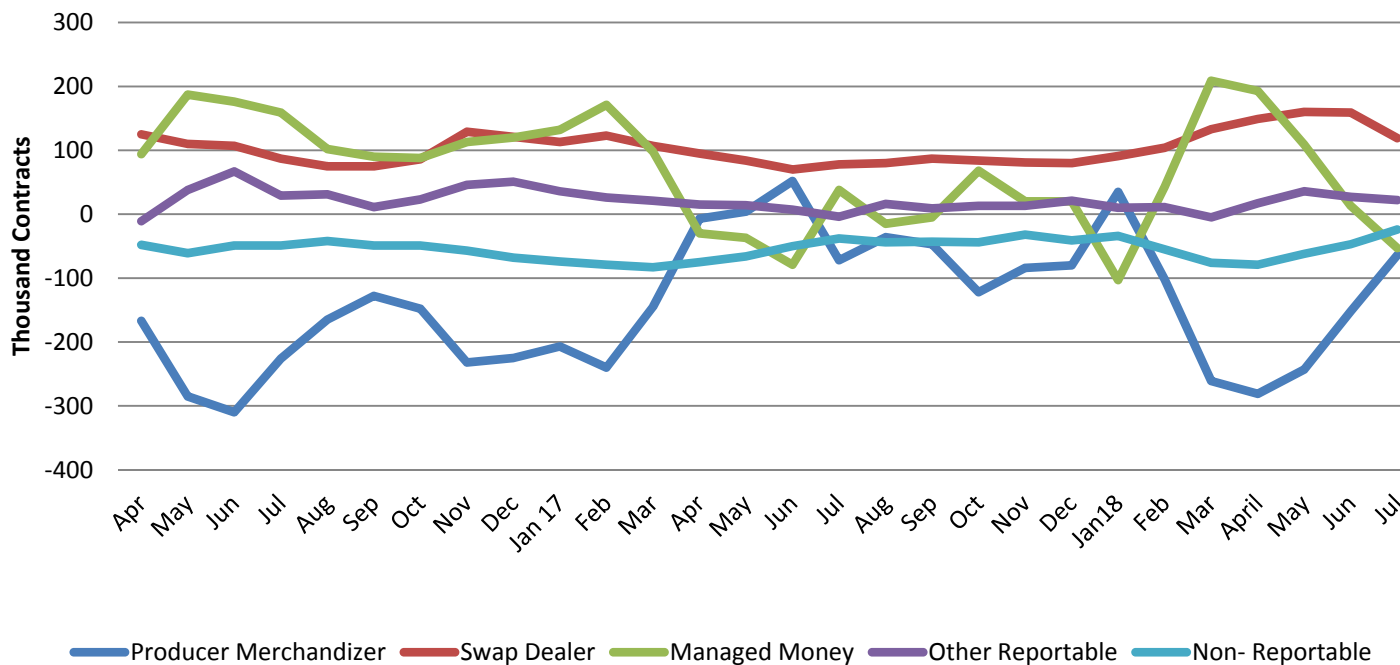
Central MO Soybean Basis



Soybean Futures Prices



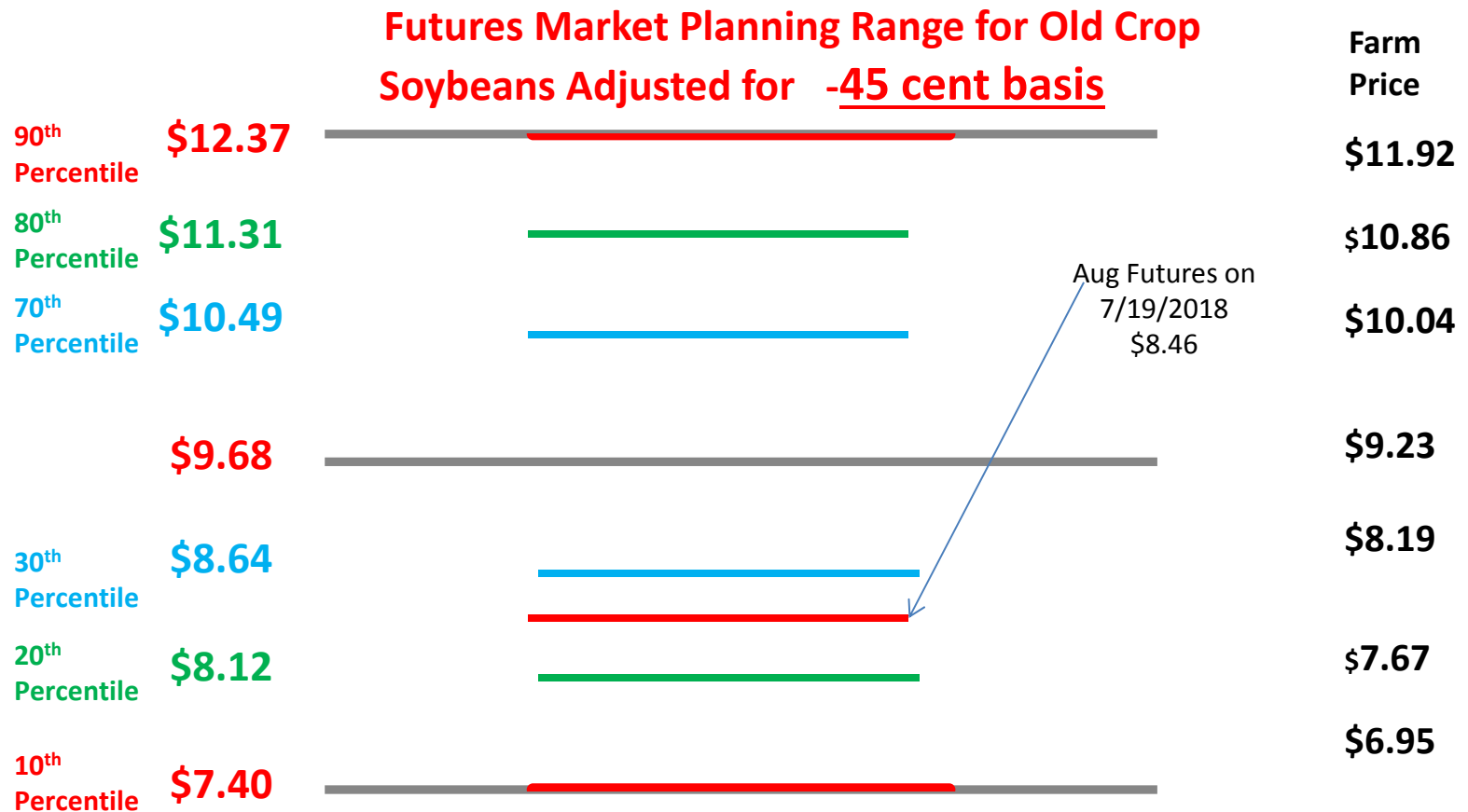
Soybean: COT Net Positions



Old Crop – (17-18) Soybean FAPRI Baseline Ranges March, 2018

Mar 2018 FAPRI Price: **Adjusted for \$0.45 basis**

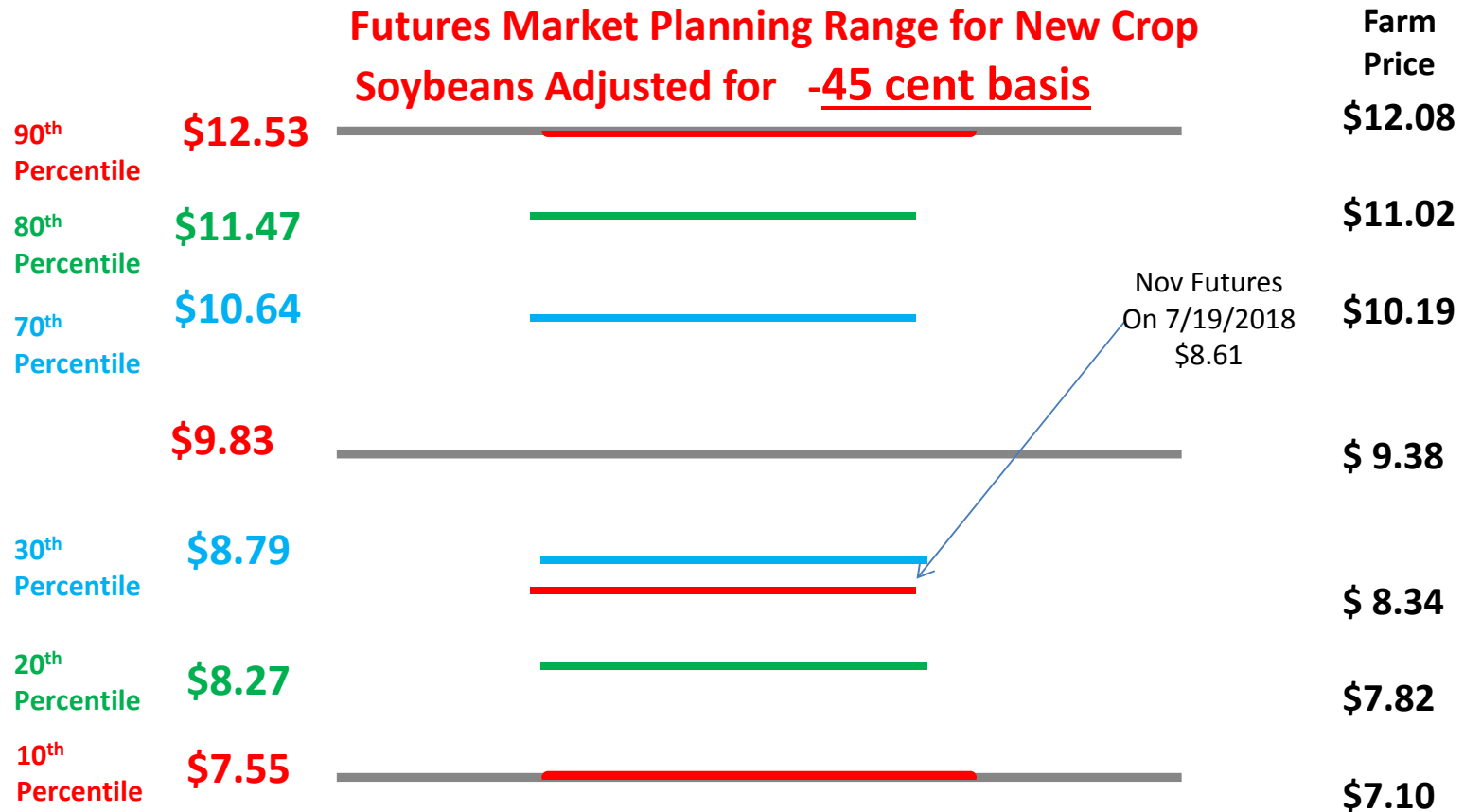
- Futures Price Equivalent of 2017- 2018 Projected Farm Price: **\$9.68**
- Futures Price Equivalent of FAPRI Range: **\$8.12 - \$11.31 @ 80 Percentile**
- Futures Price Equivalent of July 12 USDA Price: **Avg \$9.80**



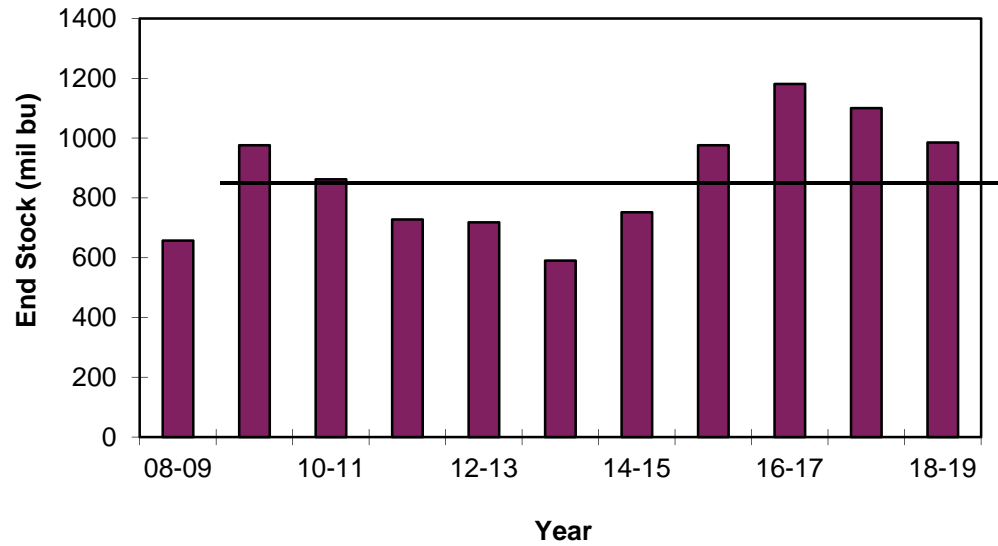
New Crop – (18-19) Soybean FAPRI Baseline Ranges March, 2018

Mar 2017 FAPRI Price: **Adjusted for \$0.45 basis**

- Futures Price Equivalent of 2018- 2019 Projected Farm Price: **\$9.83**
- Futures Price Equivalent of FAPRI Range: **\$8.27 - \$11.47 @ 80 Percentile**
- Futures Price Equivalent of July 12 USDA Range: **\$8.45 - \$10.95 Avg \$9.70**



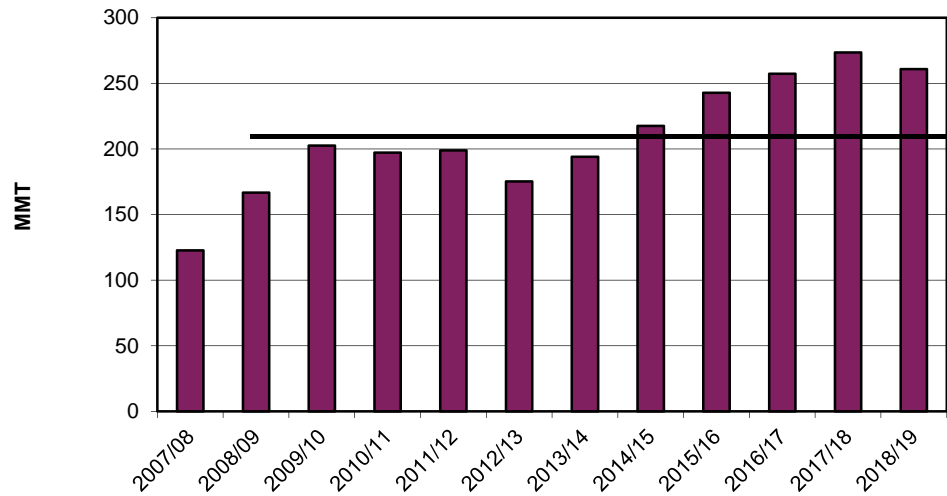
Wheat: U.S. End Stocks



10-yr
AVG

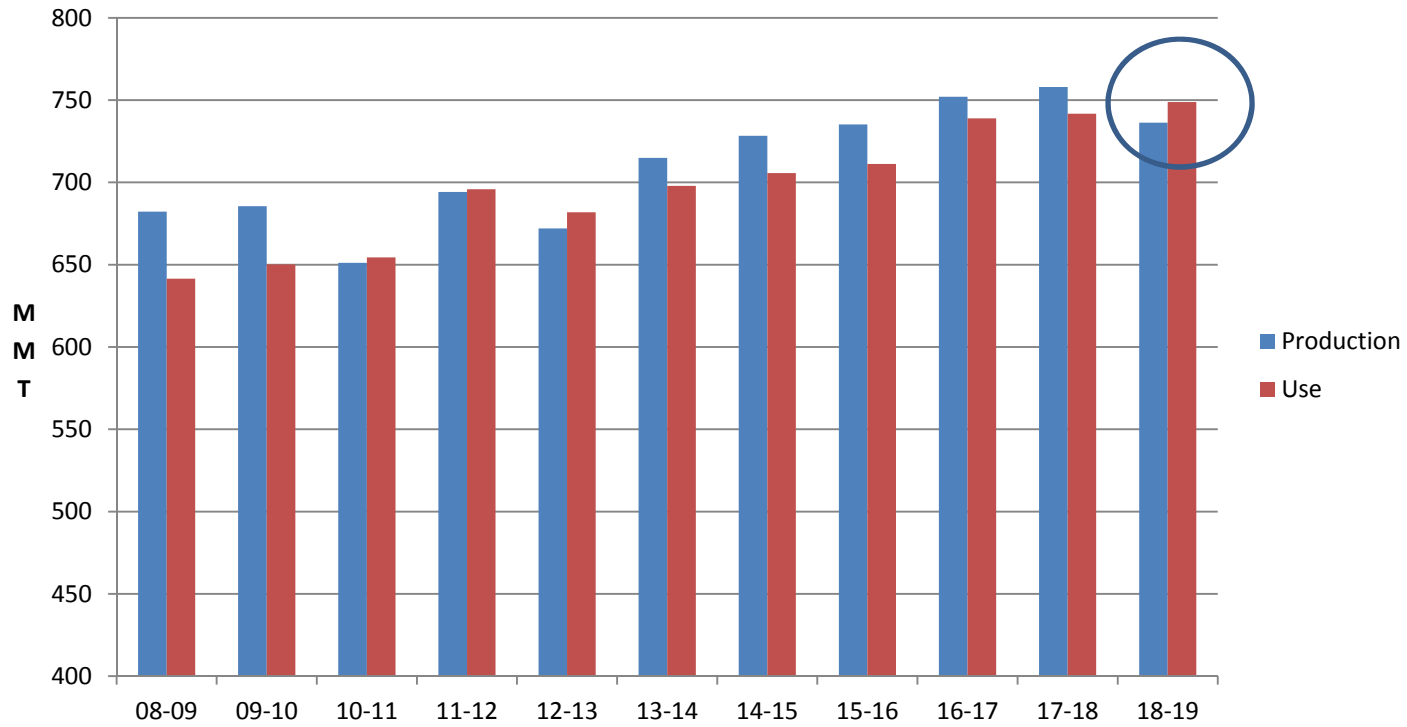
**In spite of decrease domestic
wheat carryover remains large.
Small decline in global stocks.**

World Wheat End Stocks



10-yr
AVG

World Wheat Production and Use



World Wheat Use Might Exceed Production in Coming Year

Basis Adjusted FAPRI Baseline Ranges for Futures Price Objectives

Old Crop 2017-18						
Corn			Soybeans			
USDA Basis	-0.20		USDA Basis	-0.45		
	Average	Futures		Average	Futures	
	<u>Farm Price</u>	<u>Price Obj</u>		<u>Farm Price</u>	<u>Price Obj</u>	
90%	4.10	4.30	90%	11.92	12.37	
80%	3.73	3.93	80%	10.86	11.31	
70%	3.52	3.72	70%	10.04	10.49	
Baseline Avg	3.23	3.43	Baseline Avg	9.23	9.68	
30%	2.83	3.03	30%	8.19	8.64	
20%	2.69	2.89	20%	7.67	8.12	
10%	2.46	2.66	10%	6.95	7.40	
New Crop 2018-19						
Corn			Soybeans			
USDA Basis	-0.20		USDA Basis	-0.45		
	Average	Futures		Average	Futures	
	<u>Farm Price</u>	<u>Price Obj</u>		<u>Farm Price</u>	<u>Price Obj</u>	
90%	4.44	4.64	90%	12.08	12.53	
80%	4.07	4.27	80%	11.02	11.47	
70%	3.85	4.05	70%	10.19	10.64	
Baseline Avg	3.57	3.77	Baseline Avg	9.38	9.83	
30%	3.16	3.36	30%	8.34	8.79	
20%	3.02	3.22	20%	7.82	8.27	
10%	2.80	3.00	10%	7.10	7.55	

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