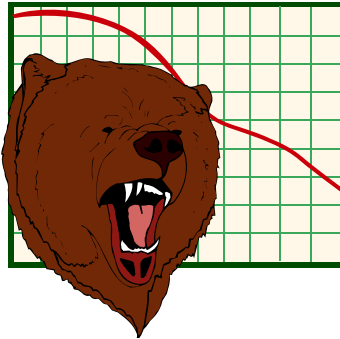


MARKET OUTLOOK

(WELCOME TO A BEAR MARKET)



Edward Usset, Grain Marketing Economist usset001@umn.edu

Center for Farm Financial Management www.cffm.umn.edu

Book link www.cffm.umn.edu/simple/

Corn & Soybean Digest Columnist <http://cornandsoybeandigest.com>

Welcome to a bear market

Let's talk supply and demand

Post-harvest marketing thoughts



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Corn Demand

Corn demand is good!

- Feed demand for corn will reach 5.7 bb, 1.4 bb better than 2012 and best in 10 years
- Corn used for ethanol will set a record
- Corn exports will easily top 2 bb, and reach the second highest level in 20 years



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Corn Supply

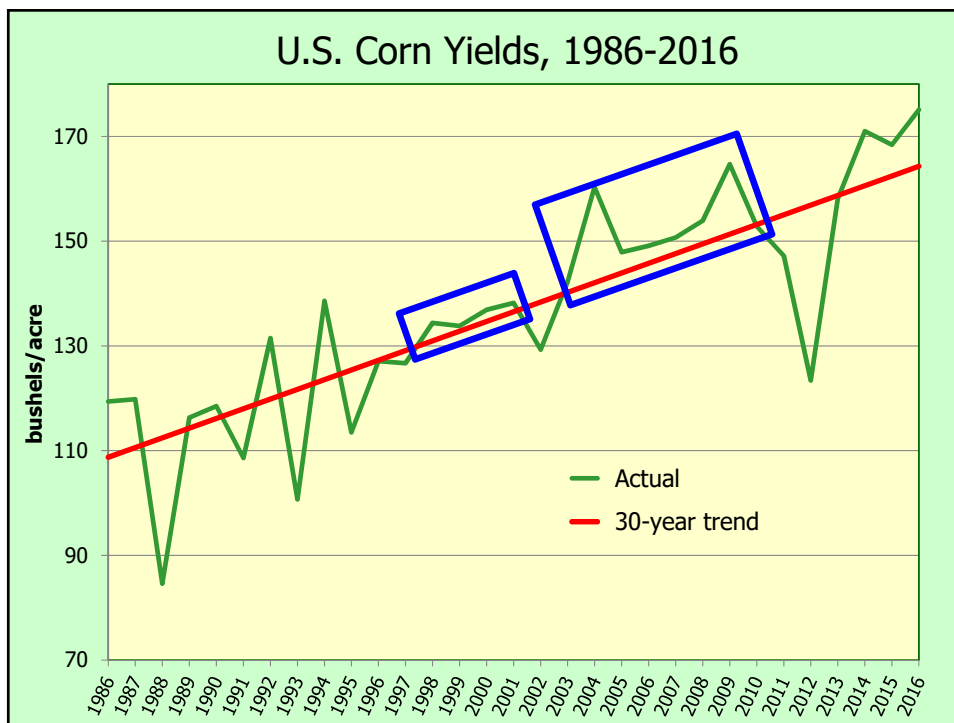
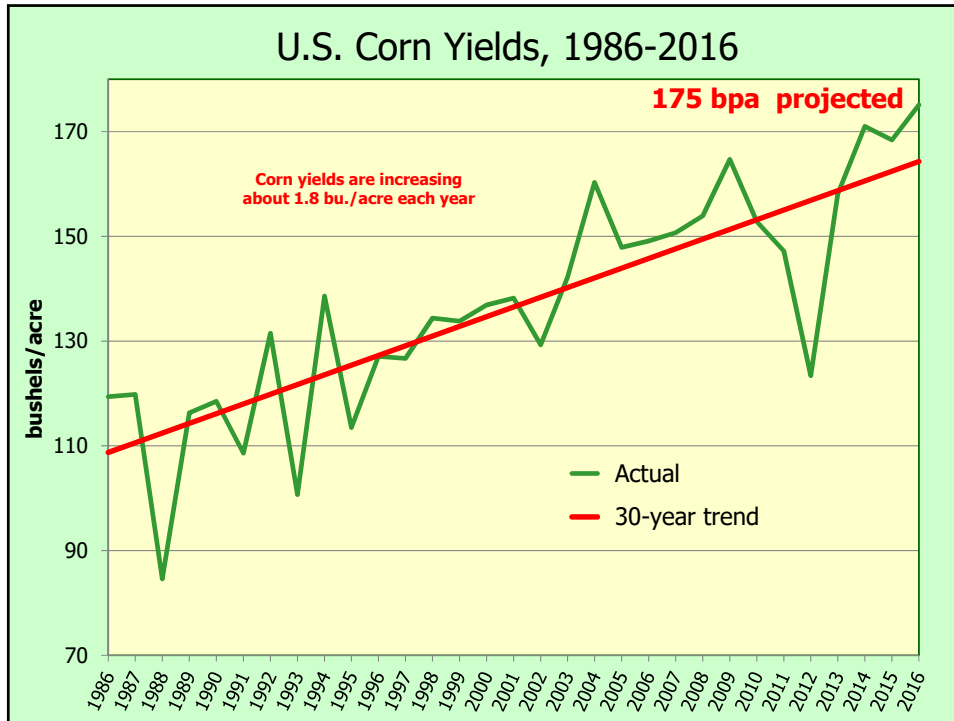
Corn supply is gooder!

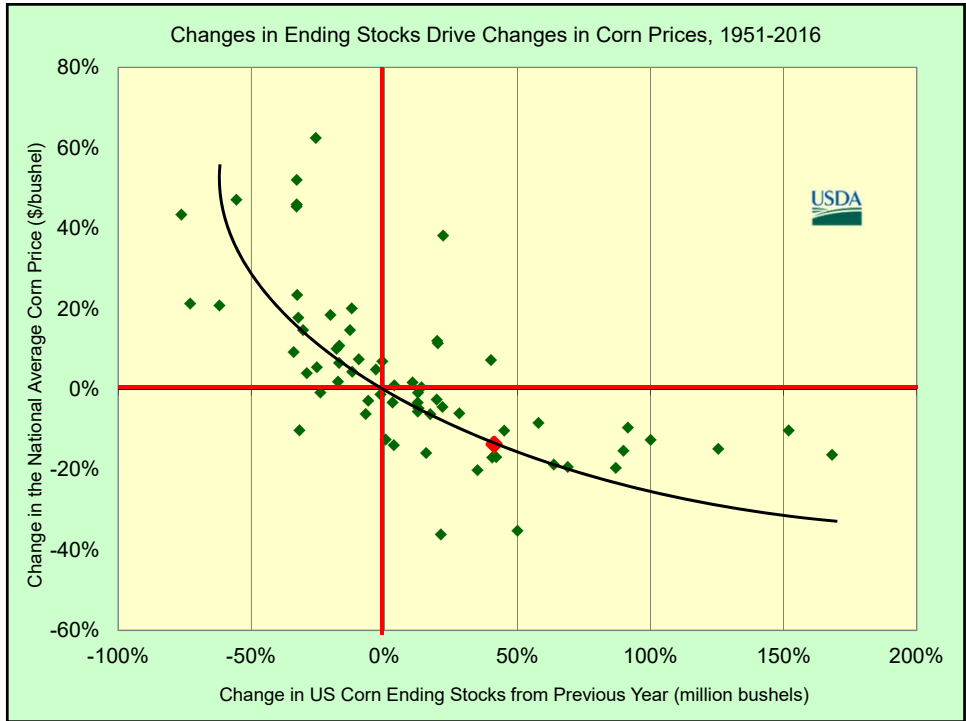
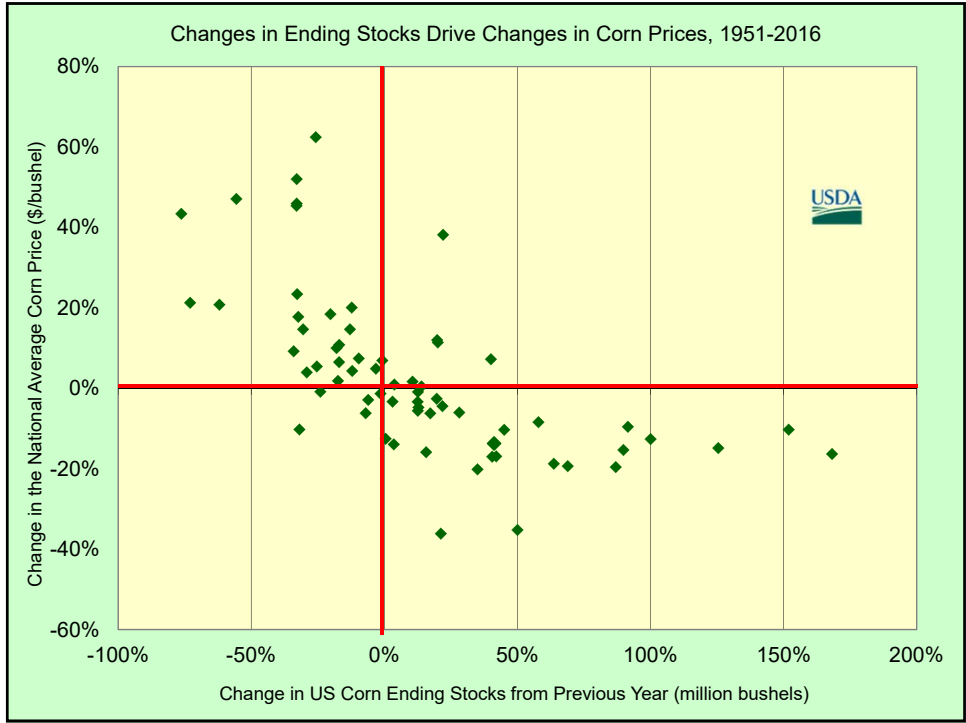
- Planted acres of 94.1 ma is close to record
- La-Nina – where are you? Yields are projected to set another national record
- Above trend-line yields are expected for the third straight year

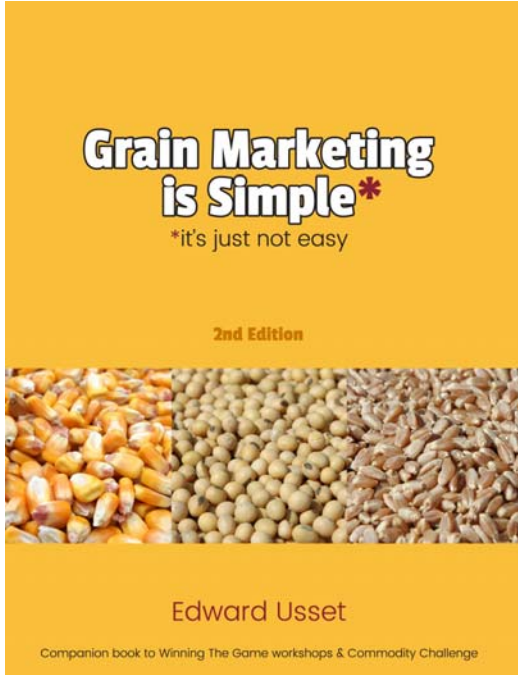
Net result? Ending stocks of corn will increase for 4th time in the last 5 years.



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.







**Grain Marketing
is Simple***
*it's just not easy

2nd Edition

Edward Usset

Companion book to Winning The Game workshops & Commodity Challenge

<http://cffm.umn.edu/simple/>

- **The 2nd Edition is here!**
- **Completely revised and updated**
- **Five common mistakes in marketing, pre- and post-harvest marketing plans**
- **New section on pricing tools!**
- **Meet Covered Cal, Hank Holder and many other celebrity producers**

Soybean Demand

Soybean demand is good!

- Crush demand will set another record
- Export demand will also set a record
- Chinese imports of soybeans will set another record
- Soybean exports will exceed crush for the first time ever



Soybean Supply

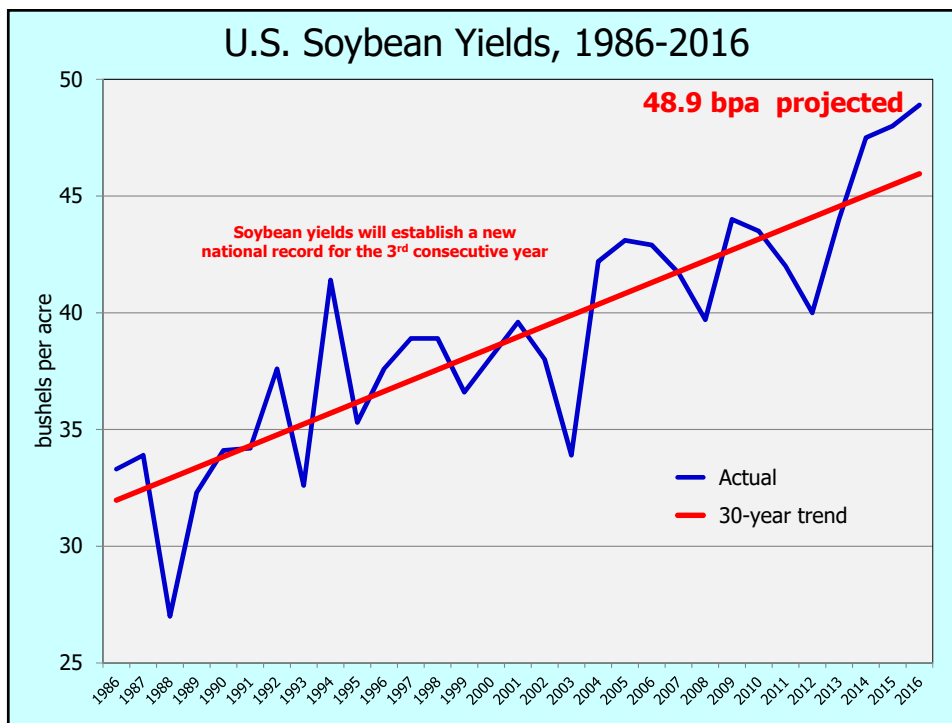
Soybean supply is gooder!

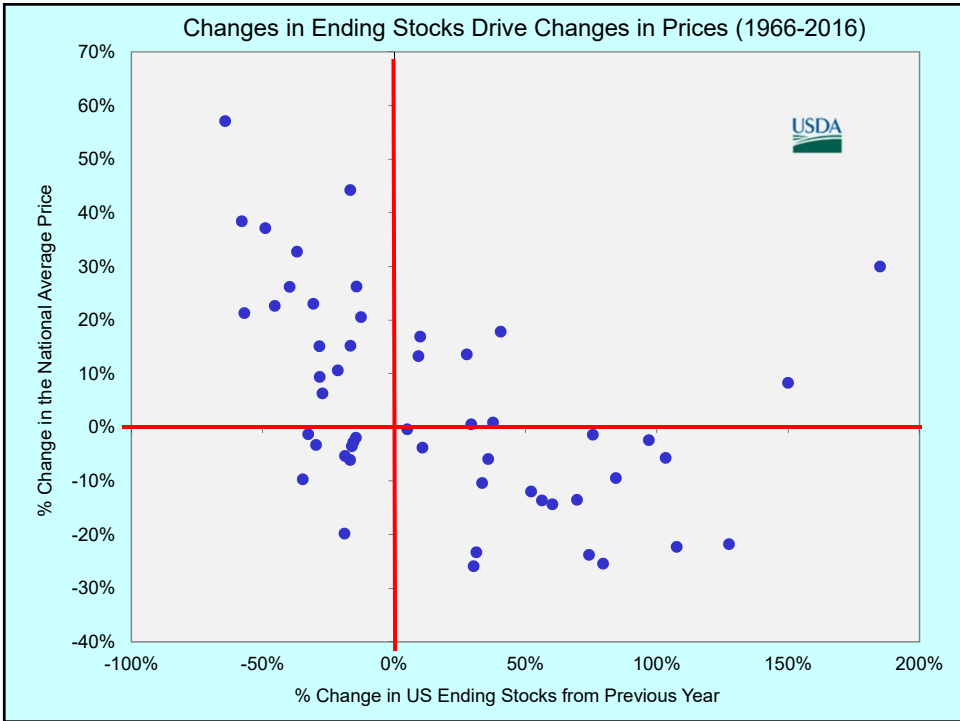
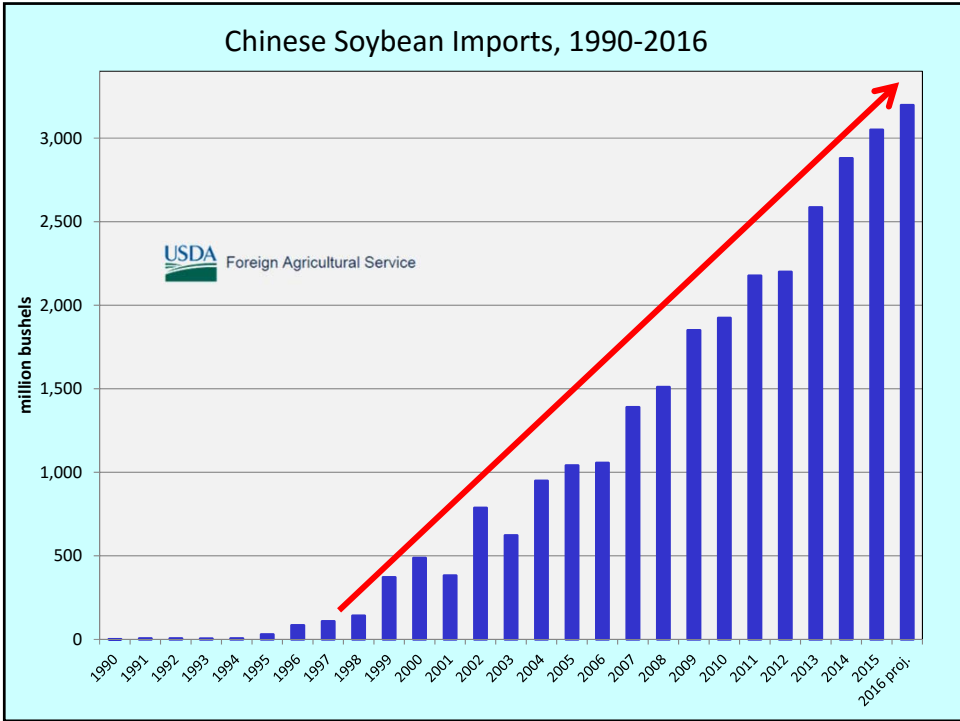
- Record planted acres
- Yields are projected to set a national record, for the third year in a row
- Production will top 4 bb for the first time

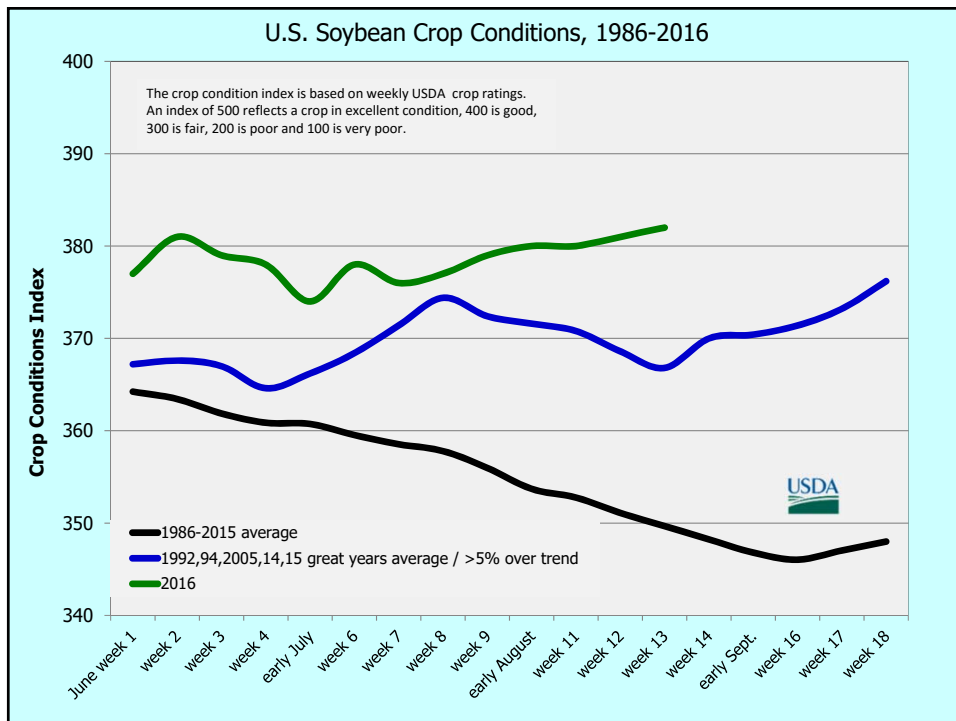
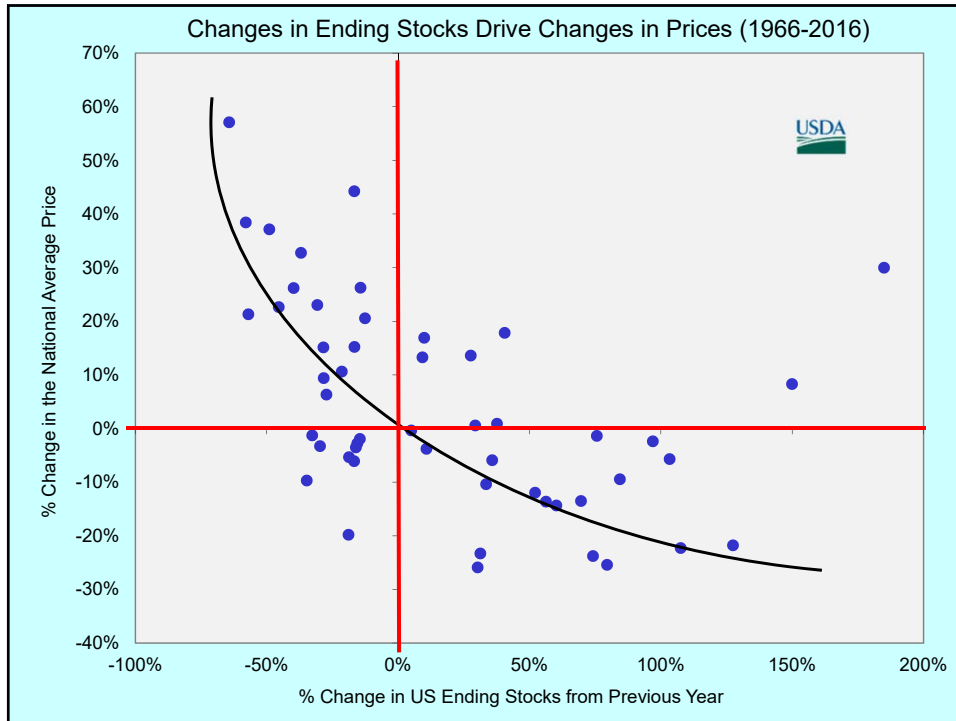
Net result? Ending stocks of soybeans will increase for the 3rd consecutive year.

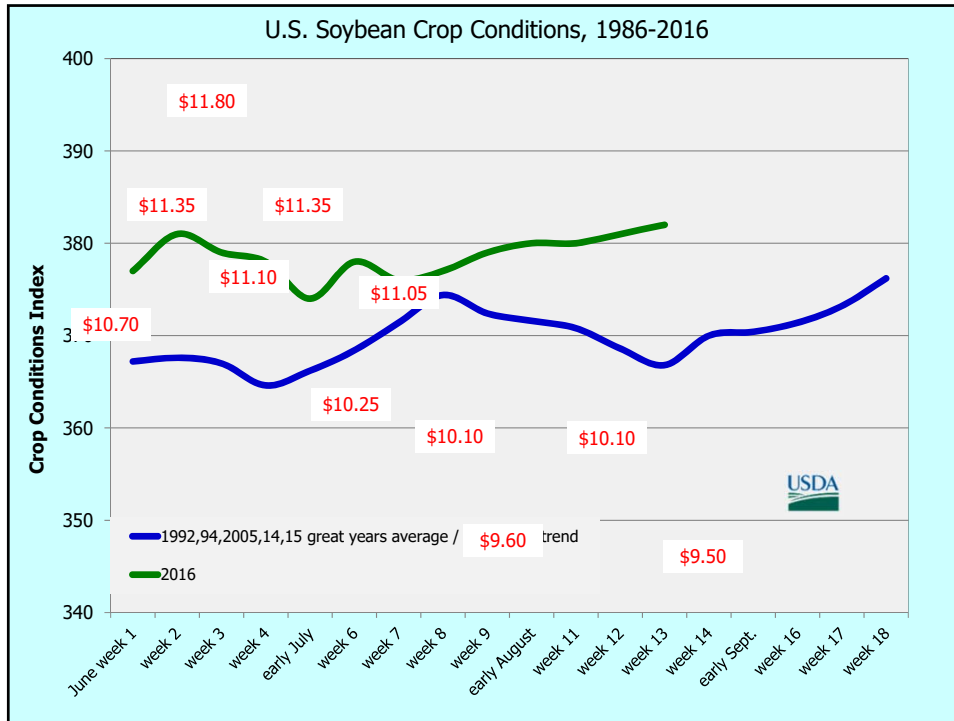


Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.









Quiz Time!

Do the "pros" know more about the markets than the rest of us?



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Quiz Time!

“Soybeans trip up top traders”

Reuters News August 24, 2016

Cargill and Bunge separately sold most of the soybeans they were trading on behalf of farmers at about \$9 a bushel, well below the peak near \$12 in June.



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Nov'16 soybean futures



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Wheat Demand

Wheat demand is **not** so good!

- Food demand creeps higher
- Export demand remains under 1 bb
- Feed demand is good, due to poor quality



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Wheat Supply

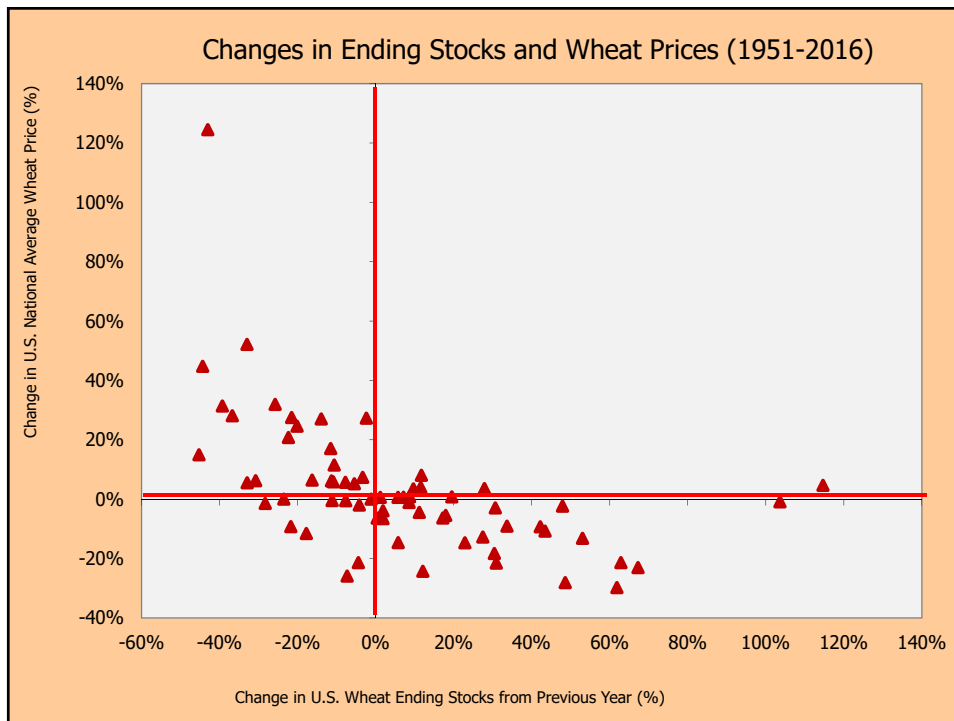
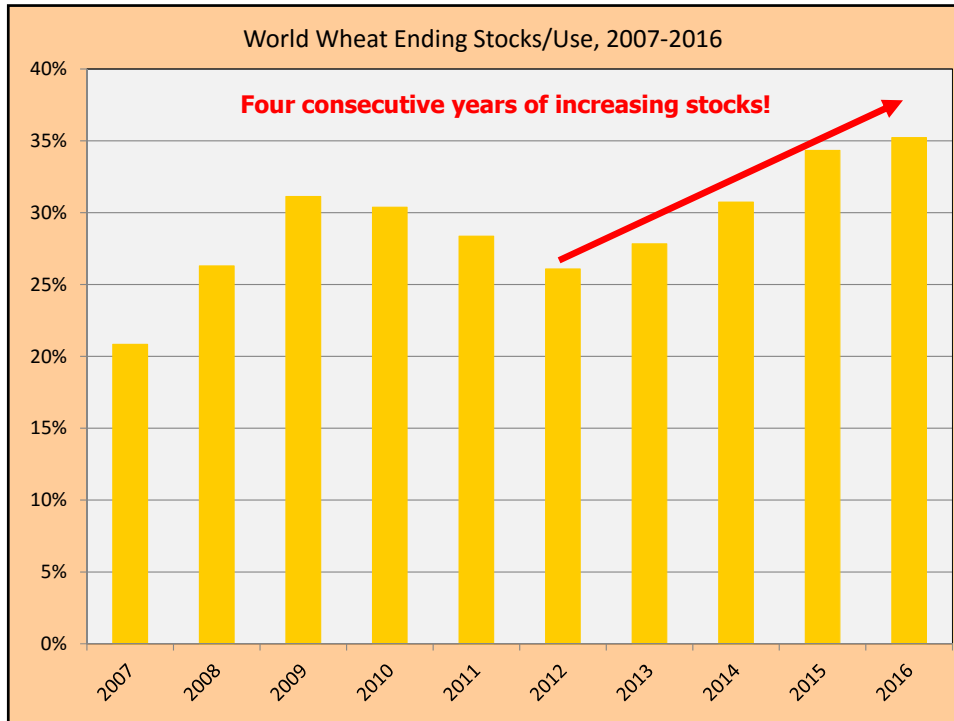
Wheat supply is **gooder!**

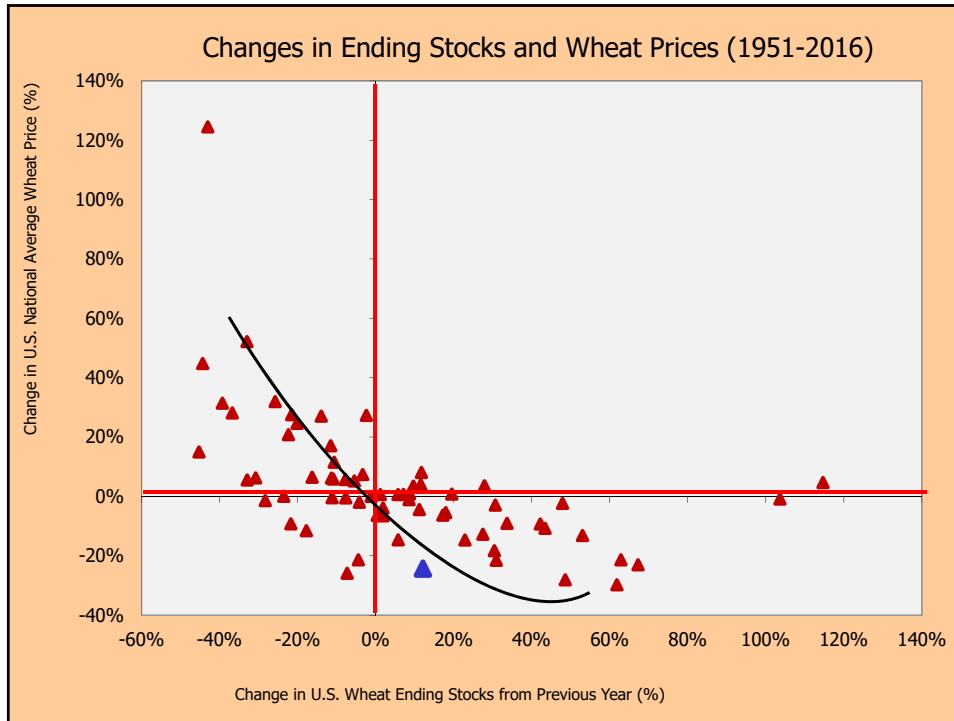
- Despite the lowest planted acres since 1970...
- Yields set a national record, beating the previous record (2013) by 5.5 bpa, or 12%
- Production will be the 2nd highest since 2003

Net result? U.S. ending stocks of wheat will increase for 3rd consecutive year, world stocks for the 4th consecutive year.



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.





COMMODITY CHALLENGE

- A premier on-line trading game, features real time cash, futures and options quotes
- Unlike other trading websites, Commodity Challenge highlights marketing decisions and risk management tools (not speculation)
- Educational and free!

www.commoditychallenge.com



Quiz Time!

If the latest USDA projections for 2016 hold, the U.S. will set **national yield records** in all three major crops (corn, soybeans and wheat).

When did this last happen?

1979

(109.5 / 32.1 / 34.2)
(175.1 / 48.9 / 52.6)



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Post-harvest marketing thoughts



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Post-Harvest Marketing Plans

Corn

	SW MN <u>September</u>
Dec`16 Futures	\$3.29
harvest basis	48 under
harvest price	\$2.81
Jul`17 Futures	\$3.53



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Sizing Up The Market

2016 **corn** market at harvest

- ✓ Harvest basis is weak
- ✓ Carrying charges are large
- ✓ There is a strong temptation to store corn because futures prices are low
- ✓ Look for rallies to sell



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Post-Harvest Marketing Plans

Soybeans

	SW MN <u>September</u>
Nov'16 futures	\$9.53
harvest basis	75 under
harvest price	\$8.78
Jul'17 futures	\$9.65



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Sizing Up The Market

2016 **soybean** market at harvest

- ✓ Harvest basis is very poor
- ✓ The carry is small
- ✓ There is a strong temptation to store soybeans because futures prices are low
- ✓ Look for rallies to sell



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Post-Harvest Marketing Plans

Spring Wheat

	RRV
	<u>August 26</u>
Sep`16 futures	\$4.93
harvest basis	60 under
harvest price	\$4.33
Mar`17 futures	\$5.05



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.

Sizing Up The Market

2016 **HRS wheat** market at harvest

- ✓ Prices are the lowest since the harvest of 2006
- ✓ Basis is poor / carrying charges small
- ✓ There is a strong temptation to store wheat because futures prices are low
- ✓ Look for rallies to sell



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.



What have we learned?

1. Demand is good, supply is gooder
2. The bear market will continue until a production problems strike a major region or country
3. Look for rallies to sell



Copyright © 2016 Center for Farm Financial Management, University of Minnesota. All Rights Reserved.