Grain Markets Situation & Outlook

Ohio Grain Farmers' Symposium

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What Matters?

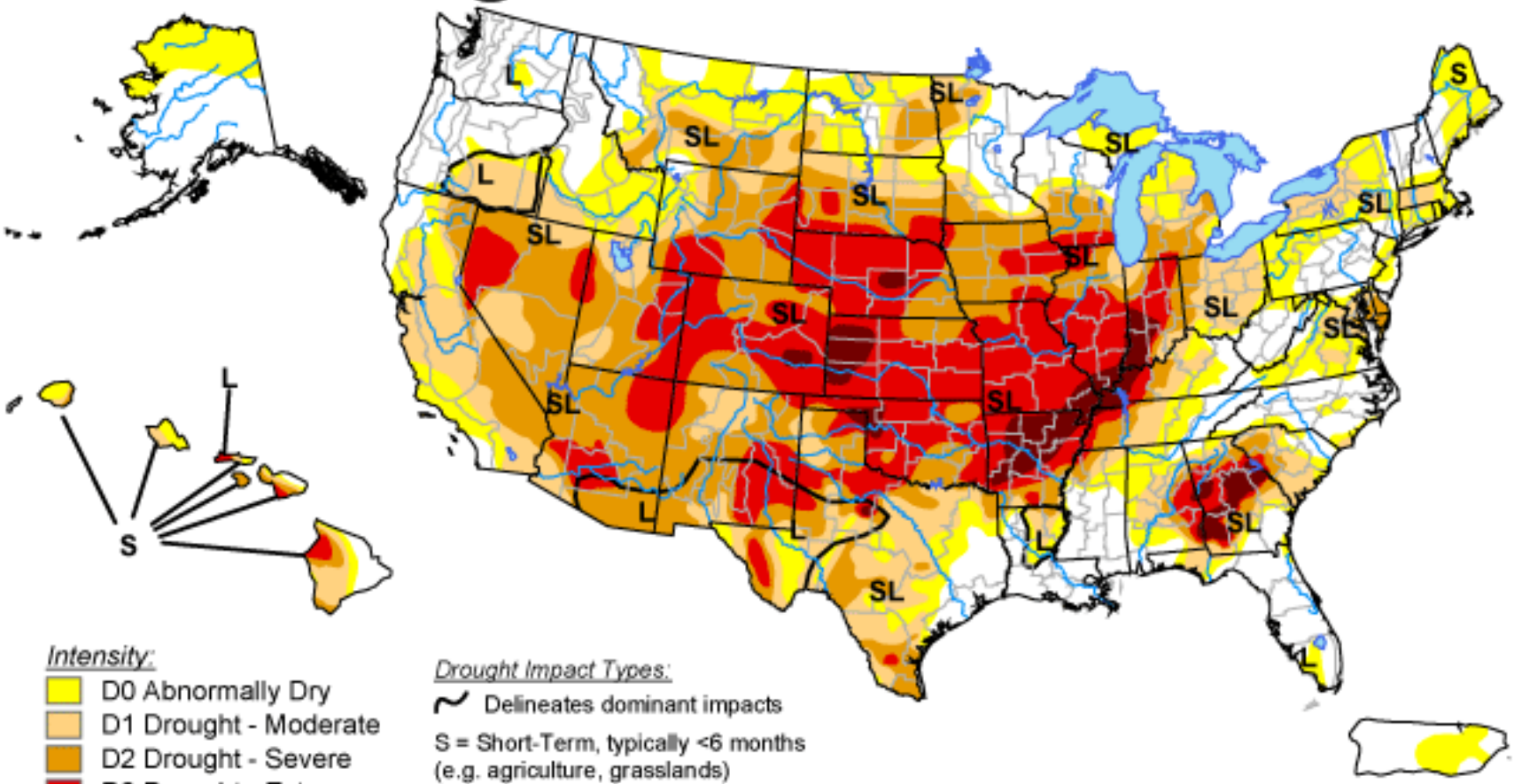
- Continuing Drought in the US
  - Yield Prospects for WW
  - Shipping
  - Yield Prospects for 2013
- S. American Crops
- US Balance Sheets & Price Forecasts
- Marketing

We know how bad it was this summer.

- 50 year drought, at least
- Greatly reduced C & S yields

U.S. Drought Monitor

July 31, 2012
Valid 7 a.m. EDT



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:

Delineates dominant impacts

S = Short-Term, typically <6 months (e.g. agriculture, grasslands)

L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

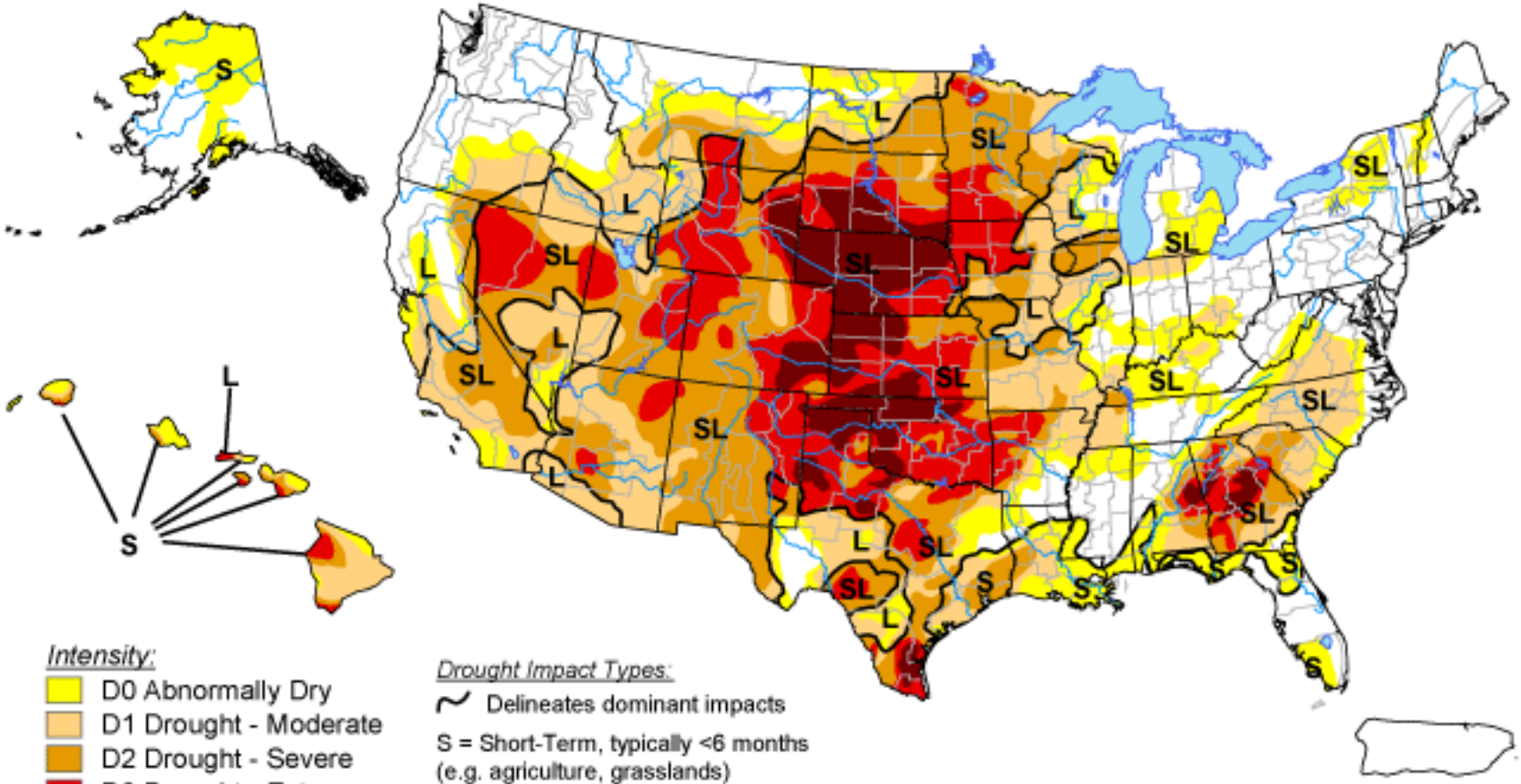
http://droughtmonitor.unl.edu/

Released Thursday, August 2, 2012

Author: Mark Svoboda, National Drought Mitigation Center

U.S. Drought Monitor

December 4, 2012
Valid 7 a.m. EST



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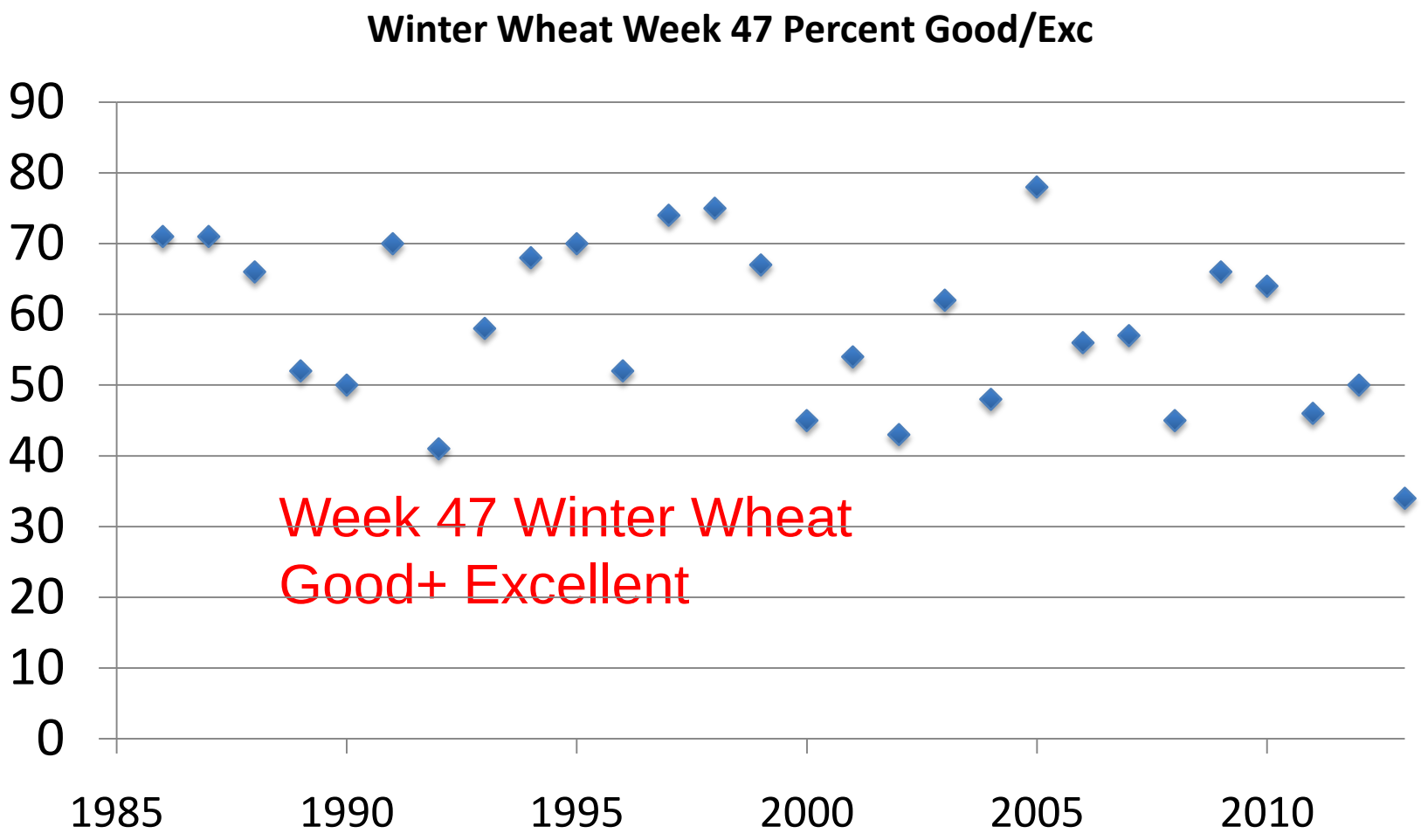
http://droughtmonitor.unl.edu/

Released Thursday, December 6, 2012

Author: Rich Tinker, NOAA/NWS/NCEP/CPC

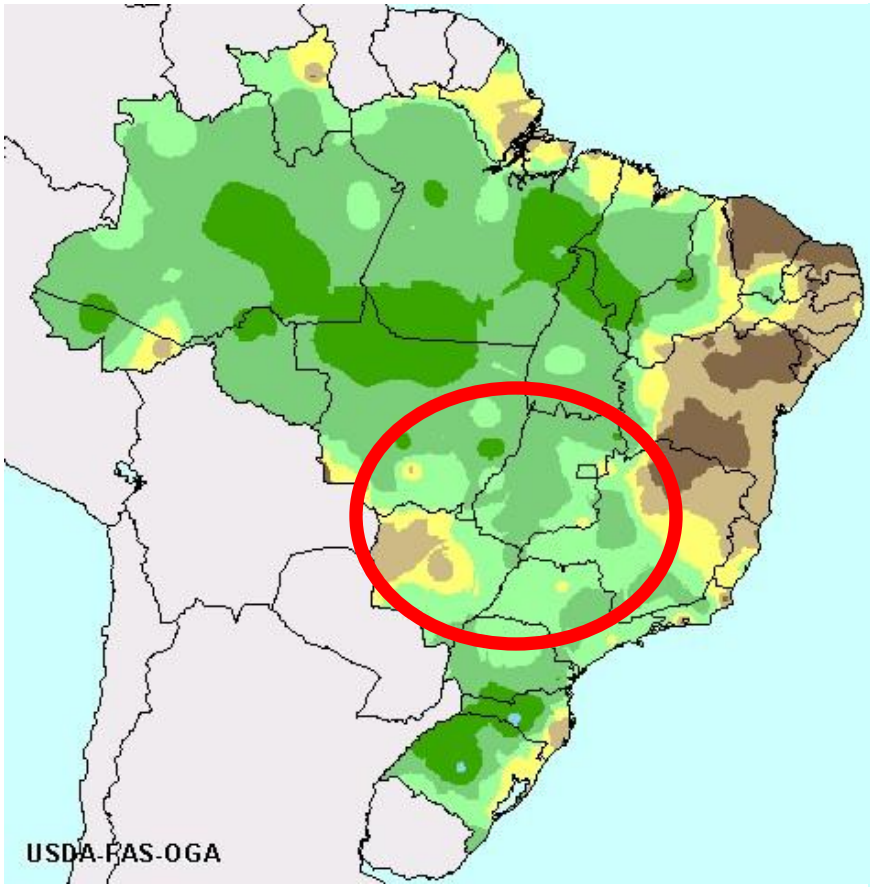
Winter Wheat Conditions are Very Poor:

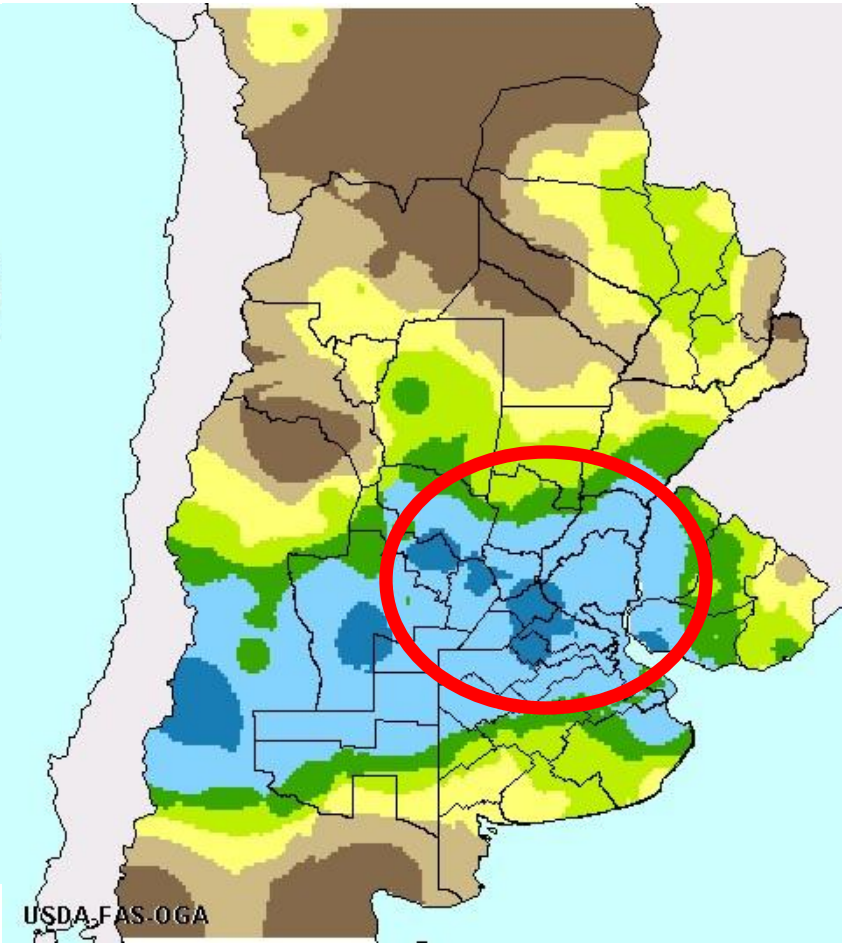


How does it matter?

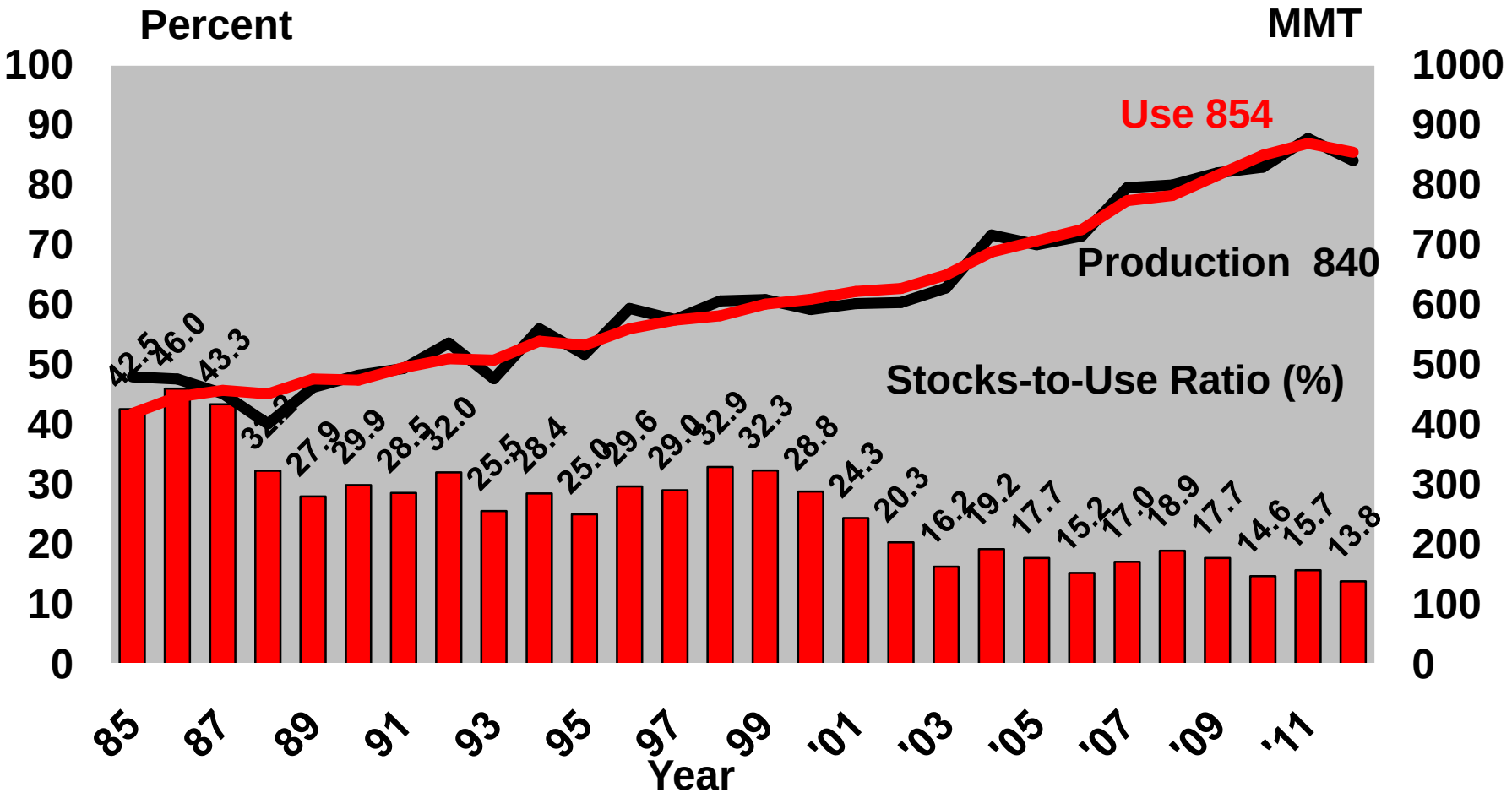
- Fears of MS River closure between StL & Cairo unless water levels improve.
  - Biggest problem for OH may be upriver transport of fertilizer, etc.
- Lower expected winter wheat yields?
  - At national level, very very weak evidence of correlation.
- Certainly doesn't help '13 C/S prospects, but still too early to lower top end estimates.

South American Wx Improving



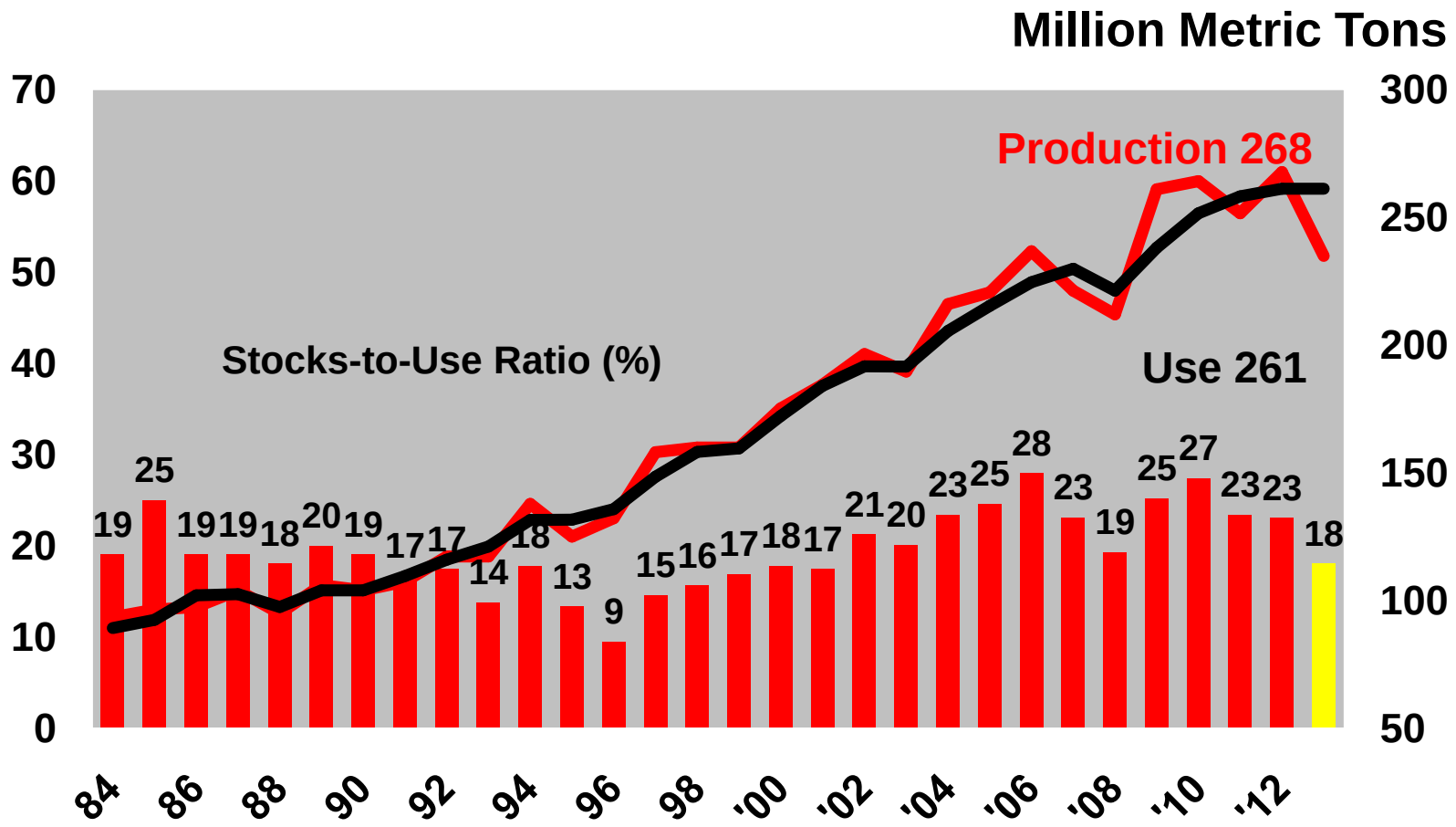


Global Corn Inventories Very Low



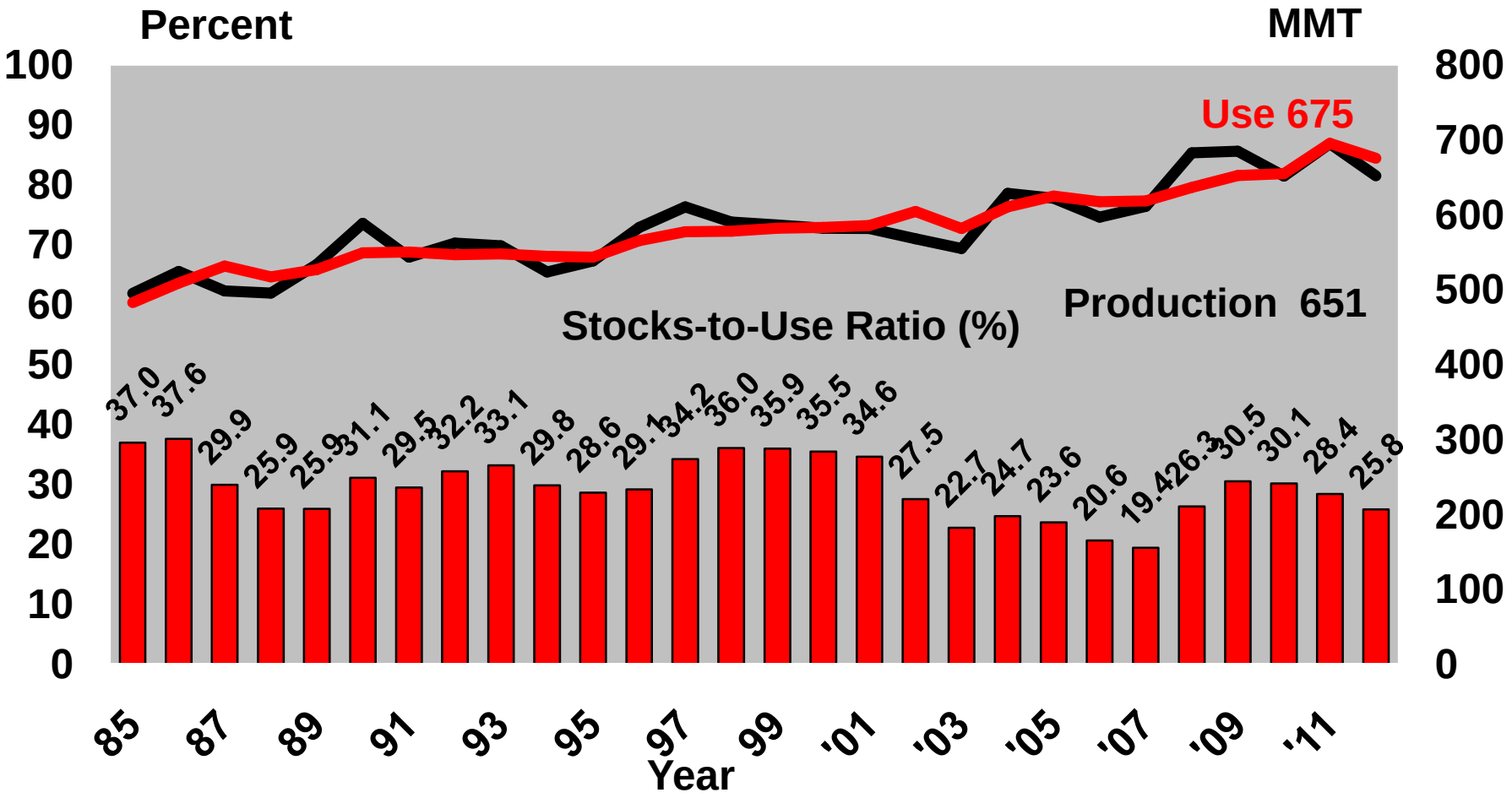
CORN	2010/11	2011/12	2012/13 Proj. Oct	2012/13 Proj. Nov	13/14 MCR Proj
			Million Acres		
Area Planted	88.2	91.9	96.9	96.9	96.5
Area Harvested	81.4	84	87.7	87.7	88.78
			Bushels		
Yield per Harvested Acre	152.8	147.2	122	122.3	157
			Million Bushels		
Beginning Stocks	1708	1128	988	988	647
Production	12447	12358	10706	10725	13938
Imports	28	29	75	100	25
Supply, Total	14182	13515	11769	11814	14610
Feed and Residual	4795	4547	4150	4150	5000
Food, Seed & Industrial 2/	6426	6437	5850	5867	6400
Ethanol & by-products 3/	5019	5011	4500	4500	5000
Domestic, Total	11221	10984	10000	10017	11400
Exports	1834	1543	1150	1150	1900
Use, Total	13055	12527	11150	11167	13300
Ending Stocks	1128	988	619	647	1310
CCC Inventory	0	0	0	0	
Free Stocks	1128	988	619	647	
Outstanding Loans	48	41	50	50	
Avg. Farm Price ($/bu) 4/	5.18	6.22	7.10 - 8.50	6.95 - 8.25	5.00

S.Am '13 forecast is 33mmt greater than '12 production…



SOYBEANS	2010/11	2011/12 Est.	2012/13 Proj. Nov	2012/13 Proj. Dec	2013/14 MCR
			Million Acres		
Area Planted	77.4	75	77.2	77.2	78.2
Area Harvested	76.6	73.8	75.7	75.7	77
			Bushels		
Yield per Harvested Acre	43.5	41.9	39.3	39.3	43
			Million Bushels		
Beginning Stocks	151	215	169	169	130
Production	3329	3094	2971	2971	3311
Imports	14	16	20	20	15
Supply, Total	3495	3325	3160	3160	3326
Crushings	1648	1703	1560	1570	1600
Exports	1501	1362	1345	1345	1475
Seed	87	90	89	89	90
Residual	43	1	26	26	30
Use, Total	3280	3155	3021	3031	3195
Ending Stocks	215	169	140	130	131
Avg. Farm Price ($/bu) 2/	11.3	12.5	13.90 - 15.90	13.55 - 15.55	

World Wheat Supplies Far Better Situation than ’07/08

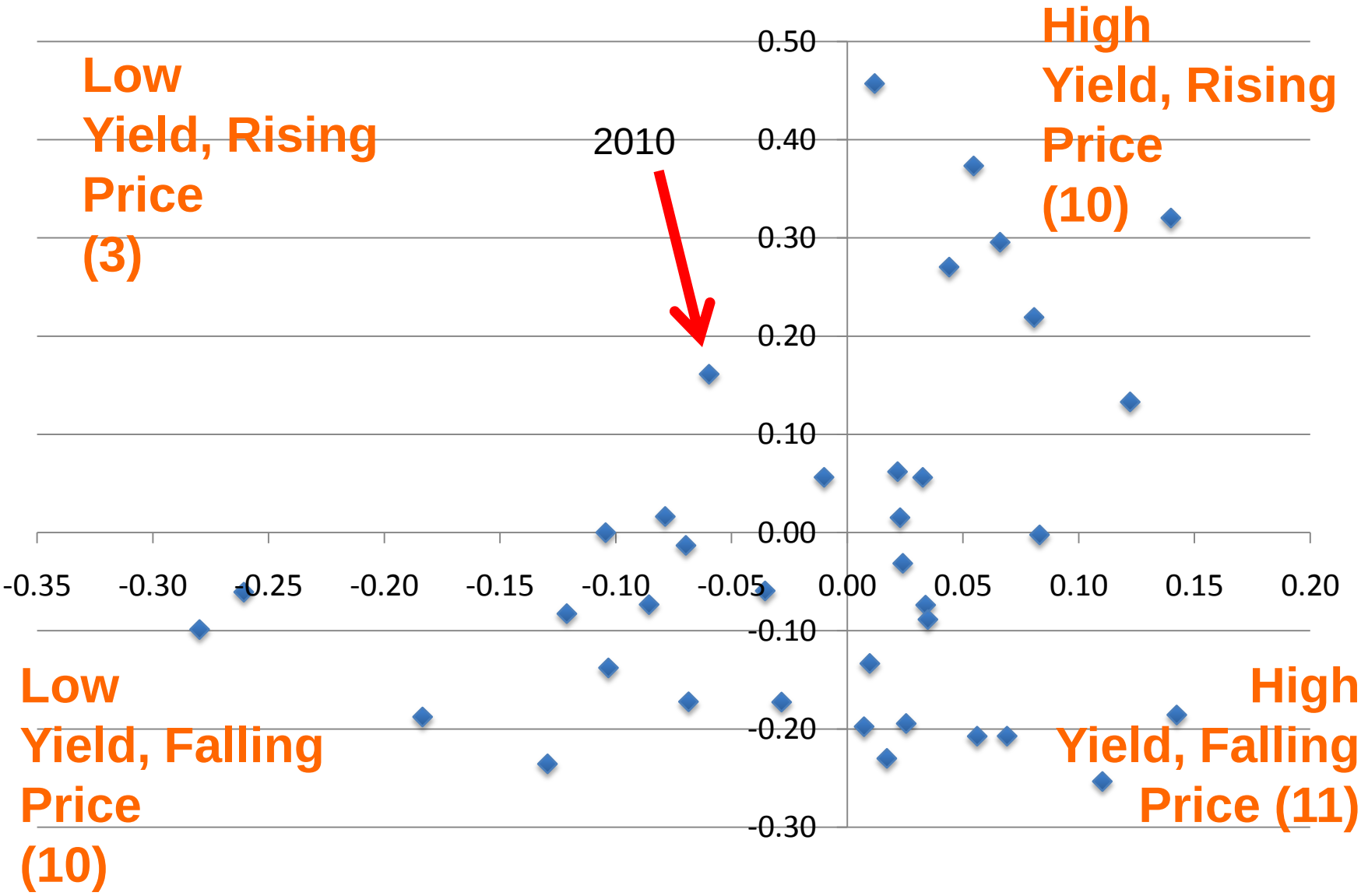


Source: WOAB, USDA

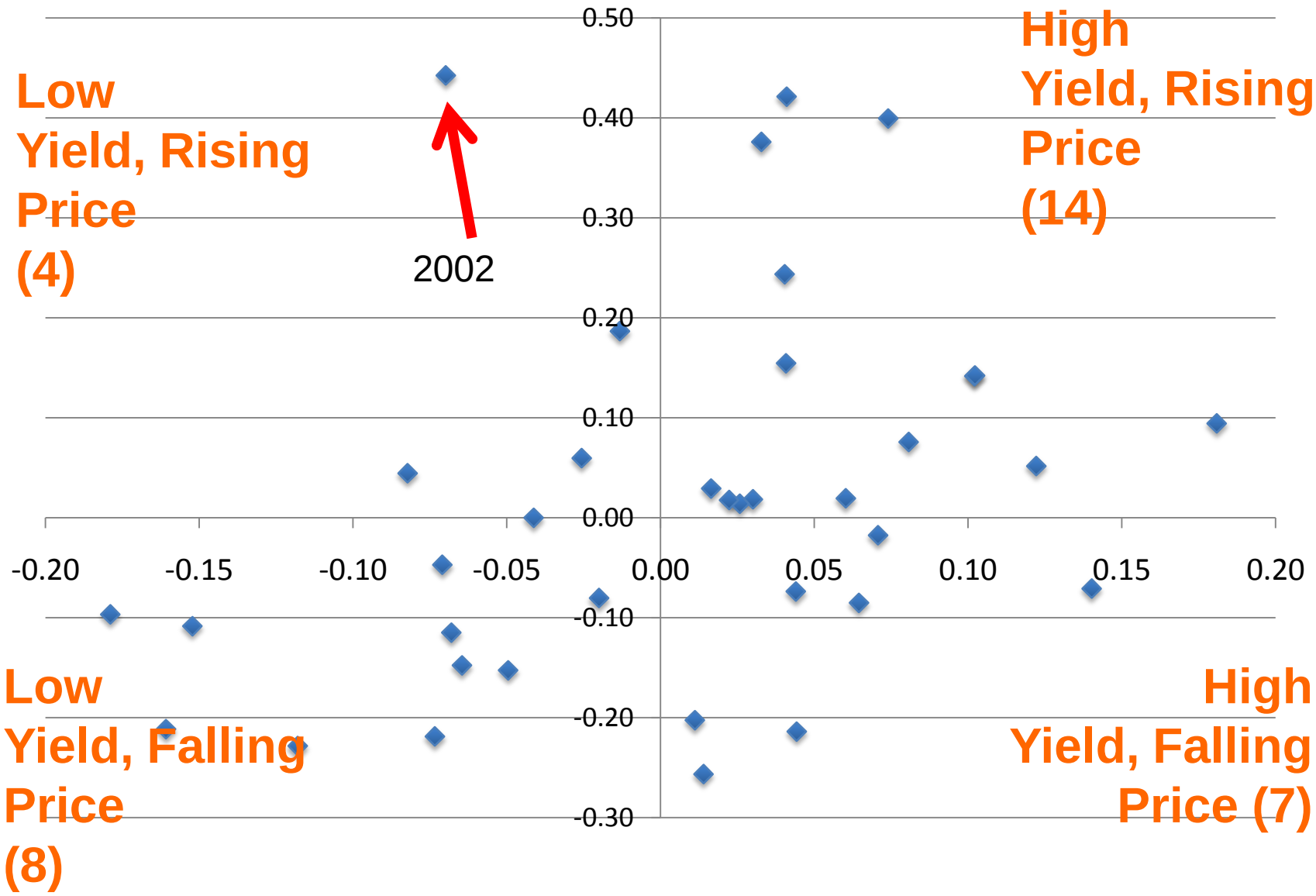
Some takeaways…

- If corn yield<152, prices go lower
- Unless soybeans see at least 1.5m more planted acres, they have much less downside.
- But where do the acres come from?

Dec/Nov New Crop Corn Price v Final Old Crop Corn Yield (1975-2010)



Dec/Nov New Crop Corn Price v Final Old Crop Soybean Yield (1975-2010)



Summary

- Markets are very, very tight, and prices reflect that…
- How much feed demand has been destroyed? Will it come back?
- How much will we plant in 2013?
  - Corn wants acreage
  - Soybeans want acreage
  - Cotton can give some acreage
  - Wheat won’t give acreage; will probably increase.

To Do for 2013

- Crop Producers:
  - Insure, Insure, Insure in 2013.
    - Over time, early marketing (between now & Jan) and call purchasing is best strategy for post short crop years.
    - Pay close attention to insured yields and the trend yield adjustment this year.
  - Hold 2012 crop, hedge it, buy calls, look to profit from basis improvements—wait for desperation—but basis will fall if Mississippi closes.

Questions?

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