Institute of Ag Professionals

Proceedings of the

2015 Crop Pest Management Shortcourse &

Minnesota Crop Production Retailers Association Trade Show

www.extension.umn.edu/Ag-Professionals
Do not reproduce or redistribute without the written consent of author(s).
GRAIN MARKET OUTLOOK FOR 2016
(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
Quiz Time!

Was that the second Golden Age of American Agriculture?
The Golden Age of American Agriculture

About the first Golden Age...

• the decade leading up to and during World War I
• “average gross income of farms more than doubled, and the value of these farms more than tripled”
• 1910-1914 became benchmark years for calculating “parity” (price and profit levels on par with the Golden Age)

Anna and Lars Hilden, circa 1918
Iowa corn prices relative to production costs, 1975-2015

USDA/NASS Iowa corn price received by farmers

USDA/ERS estimate of commodity costs, North Central Region (1975-95) and Heartland Region (1998-2014)
Quiz Time!

Can we see the Second Golden Age of American Agriculture in the price of corn?
U.S. Corn Prices Received by Farmers

Golden Age!
U.S. Corn Prices Received by Farmers, 1891-1921

The First Golden Age!
U.S. Corn Prices Received by Farmers, 1984-2014

The Second Golden Age!
Minnesota Prices Received by Farmers, 1990-2015

How did we get here?

Corn
Soybeans

$ per bushel

0 2 4 6 8 10 12 14 16 18

Corn Supply and Demand
November 1, 2015 Corn Yield
Bushels and Change from Previous Month

US Total: 169.3 +7.3

Record High Yields
Increased Yields over previous month
Decreased Yields
Unchanged

USDA, NASS - Crop Production November 2015

The Van Trump Report
U.S. Corn Yields, 1985-2015

(yields are increasing about 1.8 bu./acre each year)

169 bpa 2015 projected
Minnesota Corn Yields, 1985-2015

(yields are increasing about 2.3 bu./acre each year)
Quiz Time!

Has any state ever averaged 200 bu./acre or more in corn yields?

Yes! Illinois in 2014
The crop condition index is based on weekly USDA crop ratings. An index of 500 reflects a crop in excellent condition, 400 is good, 300 is fair, 200 is poor and 100 is very poor.
The crop condition index is based on weekly USDA crop ratings. An index of 500 reflects a crop in excellent condition, 400 is good, 300 is fair, 200 is poor and 100 is very poor.
U.S. Corn Ending Stocks, 1990-2015 Crop Years

Updated for the December WASDE report
Changes in Ending Stocks Drive Changes in Corn Prices, 1951-2015

% Change in US Corn Ending Stocks from Previous Year

% Change in the National Average Corn Price

Changes in Ending Stocks Drive Changes in Corn Prices, 1951-2015
Changes in Ending Stocks Drive Changes in Corn Prices, 1951-2015
Changes in Ending Stocks Drive Changes in Corn Prices, 1951-2015

2015/16
Quiz Time!

Do you have a girlfriend?
The last run!
Apple Valley, MN
October 28, 2010
Soybean Supply and Demand
U.S. Soybean Exports, 1990-2015

Updated for the December WASDE report

[Graph showing soybean exports from 1990 to 2015]
U.S. Soybean Yields, 1985-2015

(yields are increasing about .4 bu./acre each year)

48.3 bpa 2015 projected

Actual 30-year trend
Minnesota Soybean Yields, 1985-2015

43.5 bpa trend/50 projected
Quiz Time!

Has any state ever averaged 60 bu./acre or more in soybean yields?

No
(IL, IN, IA and NE at 56 bpa: 2014 or 2015)
The crop condition index is based on weekly USDA crop ratings. An index of 500 reflects a crop in excellent condition, 400 is good, 300 is fair, 200 is poor and 100 is very poor.
The crop condition index is based on weekly USDA crop ratings. An index of 500 reflects a crop in excellent condition, 400 is good, 300 is fair, 200 is poor and 100 is very poor.
<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1,000</td>
</tr>
<tr>
<td>1991</td>
<td>1,500</td>
</tr>
<tr>
<td>1992</td>
<td>2,000</td>
</tr>
<tr>
<td>1993</td>
<td>2,500</td>
</tr>
<tr>
<td>1994</td>
<td>3,000</td>
</tr>
<tr>
<td>1995</td>
<td>3,500</td>
</tr>
<tr>
<td>1996</td>
<td>4,000</td>
</tr>
<tr>
<td>1997</td>
<td>4,500</td>
</tr>
<tr>
<td>1998</td>
<td>5,000</td>
</tr>
<tr>
<td>1999</td>
<td>5,500</td>
</tr>
<tr>
<td>2000</td>
<td>6,000</td>
</tr>
<tr>
<td>2001</td>
<td>6,500</td>
</tr>
<tr>
<td>2002</td>
<td>7,000</td>
</tr>
<tr>
<td>2003</td>
<td>7,500</td>
</tr>
<tr>
<td>2004</td>
<td>8,000</td>
</tr>
<tr>
<td>2005</td>
<td>8,500</td>
</tr>
<tr>
<td>2006</td>
<td>9,000</td>
</tr>
<tr>
<td>2007</td>
<td>9,500</td>
</tr>
<tr>
<td>2008</td>
<td>10,000</td>
</tr>
<tr>
<td>2009</td>
<td>10,500</td>
</tr>
<tr>
<td>2010</td>
<td>11,000</td>
</tr>
<tr>
<td>2011</td>
<td>11,500</td>
</tr>
<tr>
<td>2012</td>
<td>12,000</td>
</tr>
<tr>
<td>2013</td>
<td>12,500</td>
</tr>
<tr>
<td>2014</td>
<td>13,000</td>
</tr>
<tr>
<td>2015</td>
<td>14,000</td>
</tr>
</tbody>
</table>

U.S. Soybean Production, 1990-2015

Updated for the December WASDE report

[Graph showing soybean production from 1990 to 2015]
Updated for the December WASDE report
Changes in Ending Stocks and Soybean Prices, 1970-2015

% Change in the National Average Soybean Price

% Change in US Soybean Ending Stocks from Previous Year
Changes in Ending Stocks and Soybean Prices, 1970-2015

- % Change in the National Average Soybean Price
- % Change in US Soybean Ending Stocks from Previous Year

2015 projected
World Soybean Ending Stocks, 2002-2015 crop years
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
Quiz Time!

My students speak!
(version 2.0)
My students speak!

“My favorite class taken in four years at the U of M.”
My students speak!

“Please move the class to the afternoon, so I don’t fall asleep.”
My students speak!

“Fast Eddie was genuinely the most helpful and informative instructor I have had in my learning career.”
My students speak!

“I wish the basic concepts were explained in lameness terms.”
My students speak!

“I wish the basic concepts were explained in lameness terms.”
layman’s?
My students speak!

“Ed is a nice professor but he gets off topic a lot.”
Price Predictions

Behold a seasonal price pattern that has held true for decades!
Cash corn prices are, on average, lowest at harvest and highest in the spring.
Cash soybean prices are, on average, lowest at harvest and highest in the spring.
Cash wheat prices are, on average, lowest at harvest and highest in the spring.
Summary

1. The 2\textsuperscript{nd} Golden Age is over
2. Demand is good, but supply is gooder
3. Need a positive thought? The corn balance sheet is not getting worse
4. Supply shock needed for higher prices
Grain Marketing is Simple*
*it's just not easy

2nd Edition

Edward Usset

Companion book to Winning The Game workshops & Commodity Challenge

Looking for a book?

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