Southern Outlook Conference

September 23-25, 2013
Embassy Suites Atlanta Airport
4700 Southport Road
Atlanta, GA 30337

The Southern Extension Committees for Marketing, Farm Management and Public Affairs invite you to attend the Southern Outlook Conference. The conference is an annual event attended by Extension economists, county agents, and industry professionals interested in the market outlook for Southern crops and livestock. In addition to commodity outlooks, experts have been invited to speak on economic topics that impact the South.

Sponsored by:
Southern Land Grant Universities
Southern Extension Marketing, Farm Management and Public Affairs Committees
Southern Risk Management Education Center
The University of Georgia College of Agricultural and Environmental Sciences
AgFirst Farm Credit
Grains Outlook for 2014

SAEA Crops Outlook Organized Symposium
Dallas, TX
February 4, 2014

Dr. Nathan B. Smith (UGA) and Dr. Mark Welch (TAMU)
Corn
Corn Situation

• Record production.
• Leveling off of corn-starch ethanol industry.
  – Reduction in gasoline use.
  – End of blender’s tax credit and import ban.
  – 10% blend wall reached.
• Major challenge now facing the industry is how to create a second-stage growth phase.
U.S. Corn Supply and Demand

Source: January 10, 2013 WASDE and previous years USDA reports.
Change in Pattern for Corn Use?

Million bushels

Source: USDA WASDE Report, 1/10/2014
Feed and Residual Use

Dairy
Other Cattle
Hogs
Poultry
Other Livestock

GCAU: -1.4%
Feed/GCAU: +13.41%

USDA Feed Grain Database and Agricultural Marketing Resource Center, January 27, 2014
U.S. Ethanol Production

2013/2014 daily average = 37.628 mil gal per day
Implies use of 4,905 mil bu of corn (2.8 gal/bu)
January USDA estimate = 5,000 mil bu

13/14 average to 12/13: +8.1%
13/14 average to 3-yr:  +2.9%

Energy Information Administration, Weekly Petroleum Status Report, data for week ending 1/24/2014
Ethanol conversion rate, Agricultural Marketing Resource Center, Iowa State University
Ethanol Profitability per gallon
Agricultural Marketing Resource Center, Iowa State University
http://www.agmrc.org/renewable_energy/

December 2013 prices:
corn $4.35/bu, +0%; natural gas $4.79/1000 ft³, +0%; ddgs $212/ton, +3%; ethanol $2.30/gallon, +17%
U.S. Ethanol Consumption

Mil gallons

- 3-yr avg: 13.204 bil gal
- 2012/13: 13.199 bil gal
- 2013/14: +5% over 12/13 and +4% avg

EIA, Short Term Energy Outlook, January 2014
http://www.eia.gov/
Global Corn Supply and Demand

Source: USDA WASDE Report, 1/10/2014
- Argentina 2nd largest exporter
- Brazil, Ukraine, Romania and South Africa increase production/exports when US crop short
Export Sales Commitments for the week 1/23/2014: 72.4 million bushels
Average weekly export sales this marketing year: 36.6 million bushels
Pace to reach MY Export Sales Target of 1,450 million bushels: 6.3 million bushels
China Corn Trade

WASDE, 1/10/2014
U.S. Corn Yields

y = 1.8548x + 100.55
Can Corn Dip to $3.50?

JANUARY 31, 2014
By: Ed Clark, Top Producer Business and Issues Editor

If weather does an about-face and approaches normal this year throughout the Corn Belt, some believe rising surpluses could send corn prices almost $1 lower from current levels.

"Yes, we are going to $3.50 corn," predicts Dan Basse, president of AgResource Co. Such prices would not exactly be ancient history. "From 2000 to 2005, corn prices were below the cost of production," he says, adding that corn was $3 per bushel as recently as 2009. Basse believes that soybean prices could potentially drop to $9 per bushel.

However, that’s not his worst-case scenario. With normal weather, corn prices by 2015/16 could reach levels as low as $3.25, and with good weather, possibly to $2.75 for a time. But Basse is not all bearish. By 2018/19, he expects corn prices to rebound to current levels, $4.25 to $4.50. The recovery will largely occur because bearish commodity prices will force a 20- to 24-million acre cutback for all crops, not just corn, Basse believes. To bring supply and demand back into balance, the laws of economics suggest that prices — for a time — have to fall below the cost of production.
## 2014/15 Corn Projections

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Area Planted</strong></td>
<td>95.4M</td>
<td>90.6M</td>
<td>93M</td>
<td>95M</td>
</tr>
<tr>
<td><strong>Area Harvested</strong></td>
<td>87.7M</td>
<td>83.8M</td>
<td>86M</td>
<td>87.9M</td>
</tr>
<tr>
<td><strong>Yield per Harv Acre</strong></td>
<td>158.8</td>
<td>155</td>
<td>160</td>
<td>165</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>13,925</td>
<td>12,989</td>
<td>13,760</td>
<td>14,504</td>
</tr>
<tr>
<td><strong>Total Supply</strong></td>
<td>13,925</td>
<td>14,620</td>
<td>15,391</td>
<td>16,135</td>
</tr>
<tr>
<td><strong>Total Disappear</strong></td>
<td>13,150</td>
<td>13,250</td>
<td>13,400</td>
<td>13,550</td>
</tr>
<tr>
<td><strong>Ending Stocks</strong></td>
<td>1,631</td>
<td>1,370</td>
<td>1,978</td>
<td>2,591</td>
</tr>
</tbody>
</table>

1,000,000 Bushels
## U.S. Corn S&D

**Dec ‘13**

### Table: Planted Acreage, Harvested Acreage, and Yield

<table>
<thead>
<tr>
<th></th>
<th>13/14</th>
<th>14/15</th>
<th>14/15</th>
<th>14/15</th>
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</thead>
<tbody>
<tr>
<td>Planted Acreage (Mil. Acs.)</td>
<td>95.3</td>
<td>95.0</td>
<td>93.5</td>
<td>92.0</td>
</tr>
<tr>
<td>Harvested Acreage (Mil. Acs.)</td>
<td>87.2</td>
<td>87.3</td>
<td>85.9</td>
<td>84.6</td>
</tr>
<tr>
<td>Yield (Bushels)</td>
<td>160.4</td>
<td>161.0</td>
<td>161.0</td>
<td>161.0</td>
</tr>
</tbody>
</table>

### Table: Supply

<table>
<thead>
<tr>
<th></th>
<th>13/14</th>
<th>14/15</th>
<th>14/15</th>
<th>14/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Stocks</td>
<td>824</td>
<td>1,792</td>
<td>1,792</td>
<td>1,792</td>
</tr>
<tr>
<td>Production</td>
<td>13,989</td>
<td>14,055</td>
<td>13,830</td>
<td>13,620</td>
</tr>
<tr>
<td>Imports</td>
<td>30</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Total Supply</td>
<td>14,842</td>
<td>15,867</td>
<td>15,642</td>
<td>15,432</td>
</tr>
</tbody>
</table>

### Table: Disappearance

<table>
<thead>
<tr>
<th></th>
<th>13/14</th>
<th>14/15</th>
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<th>14/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feed and Residual</td>
<td>5,200</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
</tr>
<tr>
<td>Food, Seed &amp; Industrial</td>
<td>6,400</td>
<td>6,500</td>
<td>6,500</td>
<td>6,500</td>
</tr>
<tr>
<td>Exports</td>
<td>1,450</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Total Use</td>
<td>13,050</td>
<td>14,000</td>
<td>14,000</td>
<td>14,000</td>
</tr>
</tbody>
</table>

### Table: Ending Stocks, Carryover/Use (%), Oct avg futures ($/Bu.)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Ending Stocks</td>
<td>1,792</td>
<td>1,867</td>
<td>1,642</td>
<td>1,432</td>
</tr>
<tr>
<td>Carryover/Use (%)</td>
<td>13.7</td>
<td>13.3</td>
<td>11.7</td>
<td>10.6</td>
</tr>
<tr>
<td>Oct avg futures ($/Bu.)</td>
<td>4.40</td>
<td>4.30</td>
<td>4.60</td>
<td>4.90</td>
</tr>
</tbody>
</table>

**Percent change in quantity demanded with 1% change in corn price:** -0.2%

Bob Wisner, Iowa State University

**Or 1% chg. in corn supply = 5% chg. in price**

*With all other market factors unchanged*
Corn Considerations

• South America shifting back to soybeans.
• Exports, livestock feeding and size of U.S. and foreign corn crops will influence corn prices in the future.
• Fertilizer prices flat.
• Coming to an end of the Ag “Super Cycle”.
• Next market mover March 1 Stocks and Prospective Plantings on March 31
Wheat
### Wheat Situation

<table>
<thead>
<tr>
<th></th>
<th>US (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Planted Acres</td>
<td>54.4</td>
</tr>
<tr>
<td>Harvest Acres</td>
<td>45.7</td>
</tr>
<tr>
<td>Yield (bu/ac)</td>
<td>43.7</td>
</tr>
</tbody>
</table>

- 2014 U.S. Winter Wheat plantings down 3% at 41.89 mil. acres.
U.S. Wheat Stocks

000 bu

1-Sep 1-Dec 1-Mar 1-Jun

5-year avg 2012/2013 2013/2014

NASS: 1/10/2014
World Wheat Production

Billion bushels


U.S. Foreign

WASDE 1/10/2014
US Wheat Price and Wheat Stocks of Major Exporters

Source: USDA, Foreign Agricultural Service, PS&D, 1/10/2014
2014 U.S. Winter Wheat Crop Condition Ratings

Trend: 47.5
2014 Texas Winter Wheat Condition Ratings

Average: 30 bu.
U.S. Drought Monitor

January 28, 2014
(Released Thursday, Jan. 30, 2014)
Valid 7 a.m. EST

Drought Impact Types:
* Delineates dominant impacts
  - S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
  - L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

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

Author:
Anthony Artusa
NOAA/NWS/NCEP/CPC

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

http://droughtmonitor.unl.edu/
Wheat Futures – Monthly Nearest

ZW - Wheat - Monthly Nearest OHLC Chart

Op: 555.0, Hi: 572.0, Lo: 554.0, Cl: 572.0

Vol: 78,685  Open Interest: 429,508
Wheat Price Outlook

• US wheat supply decreasing but so it price.
• Concerns with wheat condition in the Midwest (winter damage vs winter kill).
• Fewer winter wheat seedings.
• Fewer spring wheat seedings?
• Lower prices due to world supplies increasing.
Thank You

Nathan Smith
nathans@uga.edu
229-386-3512
barley, corn, millet, mixed grains, oats, rice, rye, sorghum, soybeans, and wheat

PSD, 1/10/2014