Global Grain Market Outlook

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Idaho Barley Commission
December 2014

Key Points

- ❑ **Outside Market Influences / Volatility**
- ❑ **World & U.S. Grain Market Fundamentals**
- ❑ **Barley, Corn and Wheat Market Trends**

Outside Market Influences

- **Speculative $$$ Bearish Grains**

- **Global economic worries**
  - Japan unexpectedly slips into recession
  - Chinese and European economies slowing - bearish to oil demand
  - Stronger U.S. economic growth
  - Dollar at 4 ½ year high

- **BIG UNCERTAINTIES remain in 2015…**
  - U.S. political gridlock – budget and debt ceiling
  - Global economic growth prospects?

World & U.S. Supply & Demand (USDA WASDE, Dec. 10, 2014)

	World Barley	U.S. Barley	World Corn	U.S. Corn	World Wheat	U.S. Wheat
Output	139.4 MMT - 4%	3.8 MMT - 18%	991.6 MMT + 0.2%	365.9 MMT + 3%	722.2 MMT +1%	55.1 MMT - 5%
Carryout	23.5 MMT - 5%	1.5 MMT - 17%	192.2 MMT + 11%	50.8 MMT + 62%	194.9 MMT + 5%	17.8 MMT +11%
Stocks / Use (previous year)	16.7% (17.5%)	32% (37%)	19.8% (18.1%)	17% (11%)	27% (26%)	31% (24%)

Barley Market 2014/15

- **Lower world and U.S. production after significant recovery in 2013**
- Sluggish domestic market
  <u>Beer sales flat for past 5 years</u>
  - +1.3% in 2012 (+15% craft)
  - -1.9% in 2013 (+17%)
  - -0.5% in 2014 (+18%)

- **World stocks-to-use 17%**
- **U.S. stocks-to-use 32%**

Barley Price Outlook

- **Ave. U.S. farm-gate price projection**
  MY 2014/15 - $4.85 - $5.45/bu, down 15%
  MY 2013/14 - $6.06, down 6%
  MY 2012/13 - $6.43, up 20%
- **Idaho malting barley prices**
  $6.00/bu Nov. 2014 vs.
  $5.50 - $5.75/bu Nov. 2013
- **Idaho feed barley prices**
  $2.40 - $3.00/bu Nov. 2014 vs.
  $3.77 - $4.30/bu Nov. 2013
- **MY 2015/16 projected price $4.62/bu (FAPRI), down 10%.**

Corn Market 2014/15

- **RECORD U.S. production in 2013 & 2014**
- **14.4 billion bu, up 3.4%**
- **Ave. yield of 173.4 bpa, up 9%**
- **Harvested acreage 83 million, down 5%**

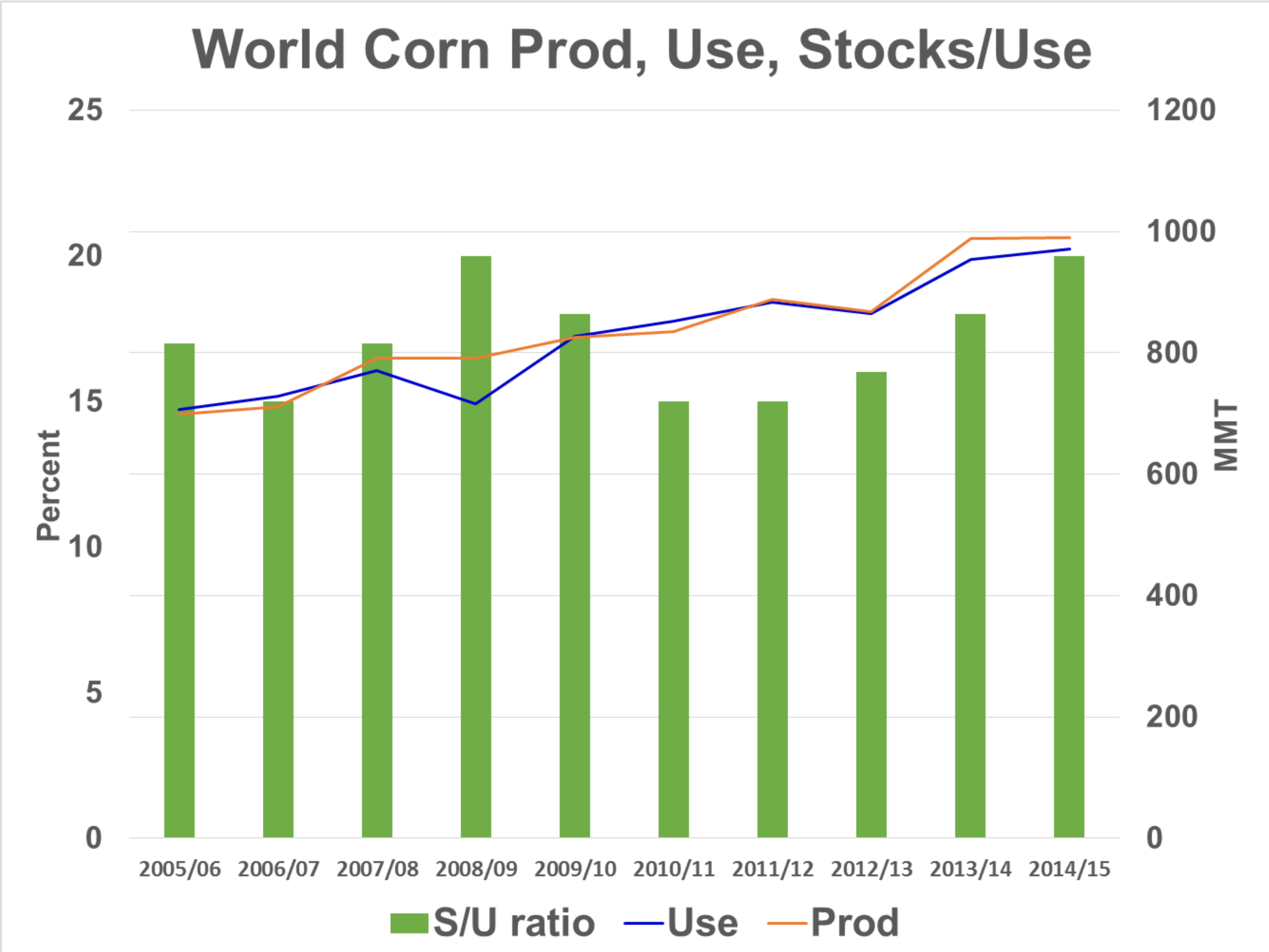
DEMAND

- **Increasing feed use, up 5%**
- **Record ethanol use, up 0.3%**
- **Recovery in exports?** Slumped to multi-year low in MY 12/13 (731 million bu). Projected at 1.75 billion bu this year.

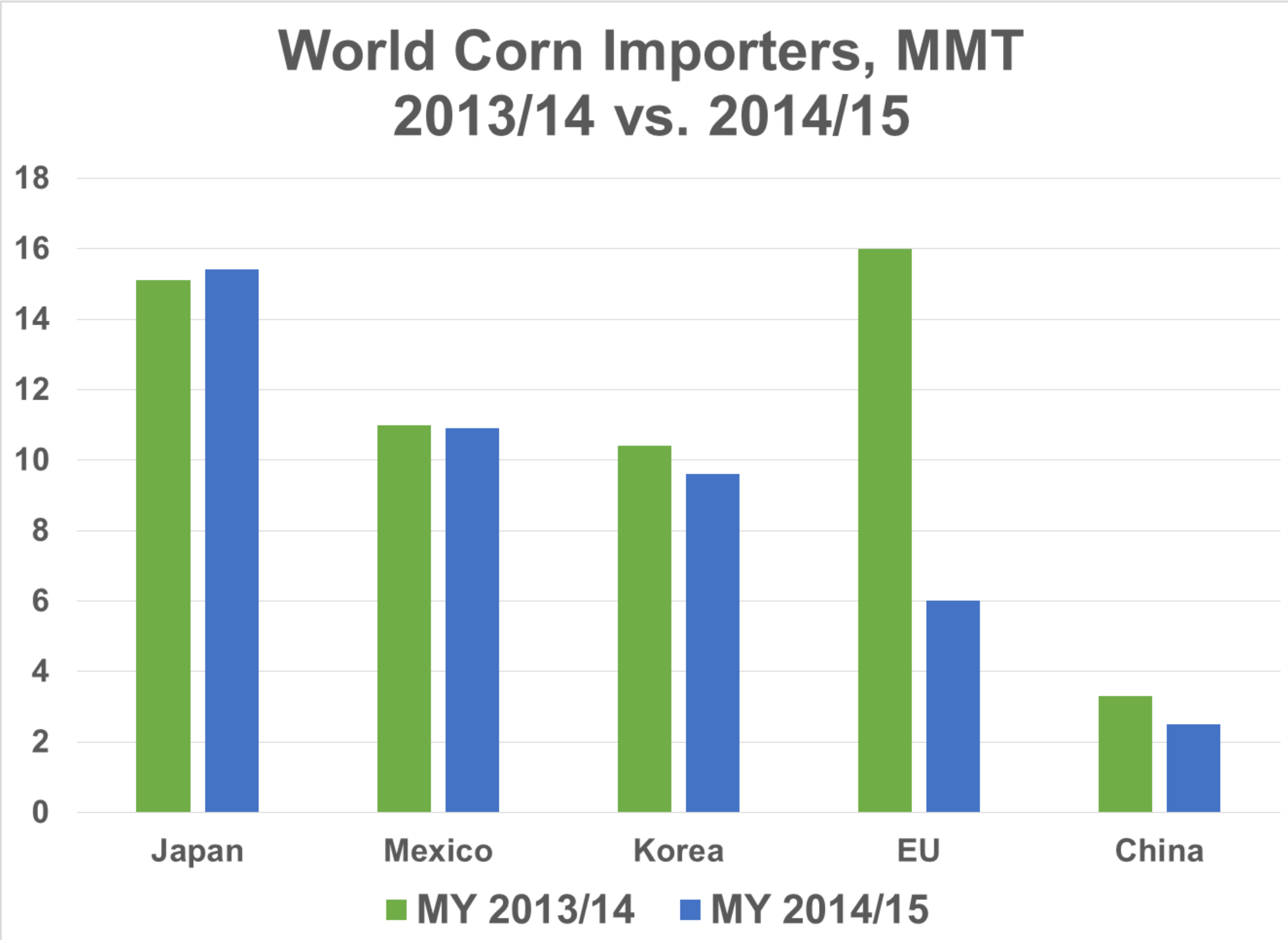
- **WILD CARD: Chinese imports?** 2.0 MMT projected for MY 14/15 vs. 3.3 MMT last year. U.S. corn still not accepted due to unapproved GMO content.

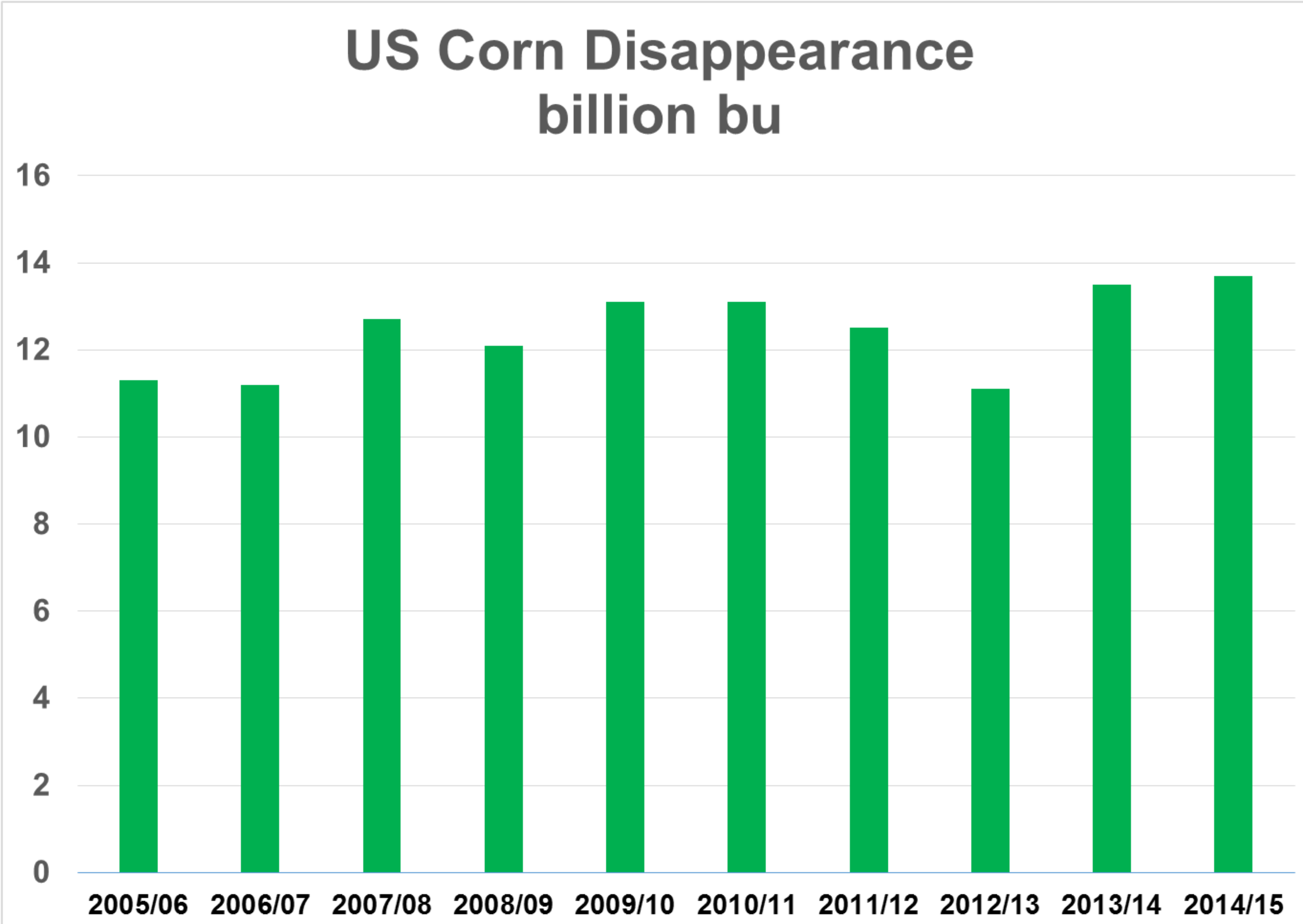
- **Two back to back years of increasing stocks, +52% last year and +62% this year.**

  - **World corn stocks-to-use 20%**
  - **U.S. corn stocks-to-use 17%**



World Corn Prod, Use, Stocks/Use
25
20
15
10
5
0
Percent
1200
1000
800
600
400
200
0
MMT
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
S/U ratio
Use
Prod


World Corn Importers, MMT
2013/14 vs. 2014/15
18
16
14
12
10
8
6
4
2
0
Japan
Mexico
Korea
EU
China
MY 2013/14
MY 2014/15


US Corn Disappearance
billion bu
16
14
12
10
8
6
4
2
0
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15


ZCH15 - Corn - Daily Line Chart
ZCH15: 380-4
SMA (20): 386-1
540-0
520-0
500-0
480-0
460-0
440-0
420-0
400-0
380-4
360-0
340-0
320-0
Jan 14
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec


ZCZ15 - Corn - Daily Line Chart
ZCZ15: 408-6
SMA (20): 416-5
510-0
500-0
490-0
480-0
470-0
460-0
450-0
440-0
430-0
420-0
408-6
400-0
390-0
380-0
370-0
360-0
Jan 14
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec


ZC - Corn - Weekly Nearest Line Chart
ZCZ15: 366-6
850-0
800-0
750-0
700-0
650-0
600-0
550-0
500-0
450-0
400-0
366-6
300-0
2010
2011
2012
2013
2014

Corn Price Outlook

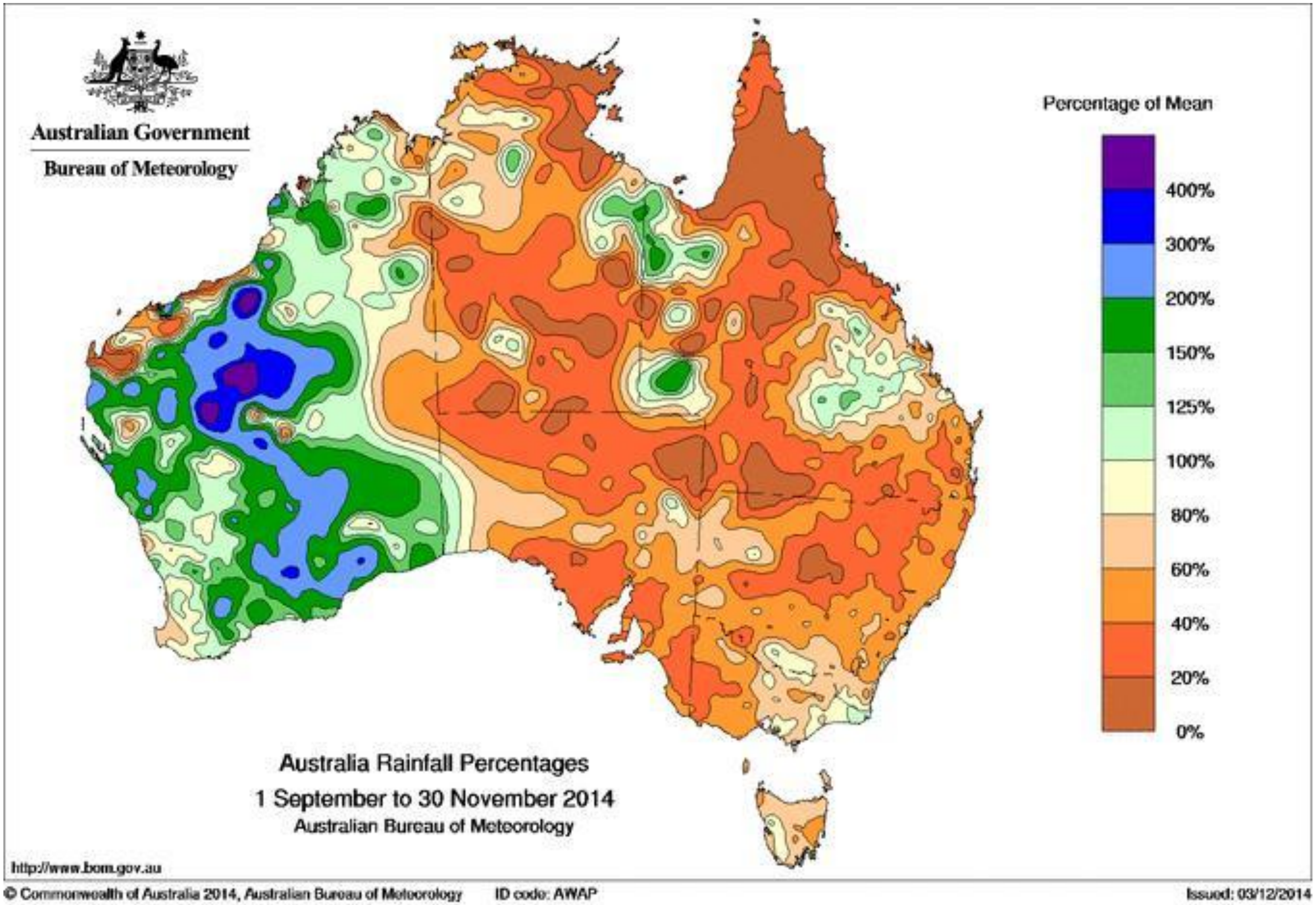
- **Ave. U.S. farm-gate price projection:**
  <u>MY 2014/15 - $3.20 - $3.80/bu, down 22%</u>
  MY 2013/14 - $4.46, down 35%
  MY 2012/13 - $6.89, up 11%

- **MY 2015/16 projected price $3.89/bu (FAPRI), up 11%.**

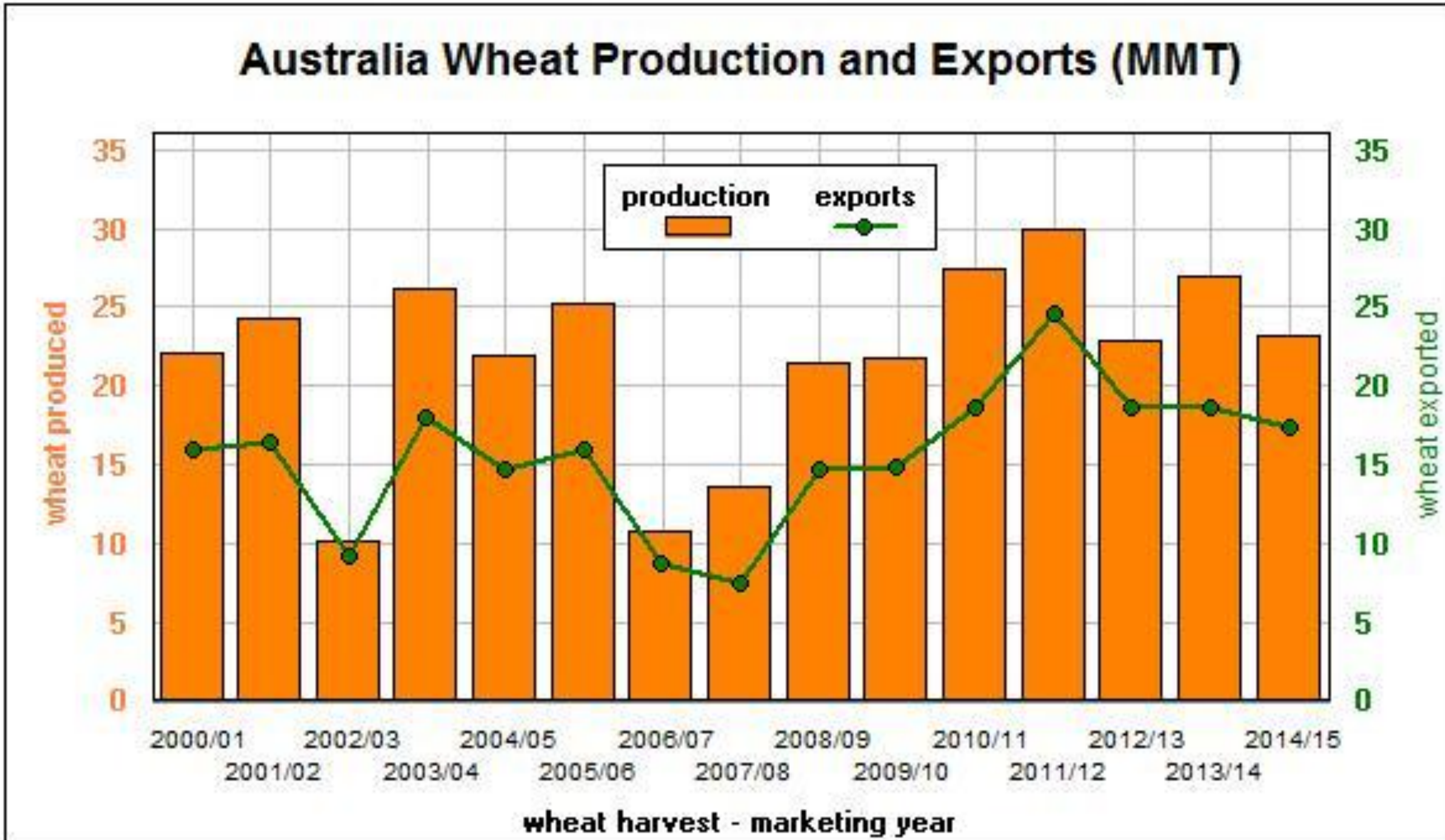
Wheat Markets 2013/14

- **RECORD global wheat crop.**
- **World stocks-to-use 27%**
- **U.S. stocks-to-use 31%**
- **U.S. wheat export sales pace has slowed but opportunities could emerge this winter -** cumulative sales 66% vs. 5-year average of 64%.
- Southern Hemisphere harvest underway, problems in Argentina, Brazil and Australia.

Southern Hemisphere Wheat Crops

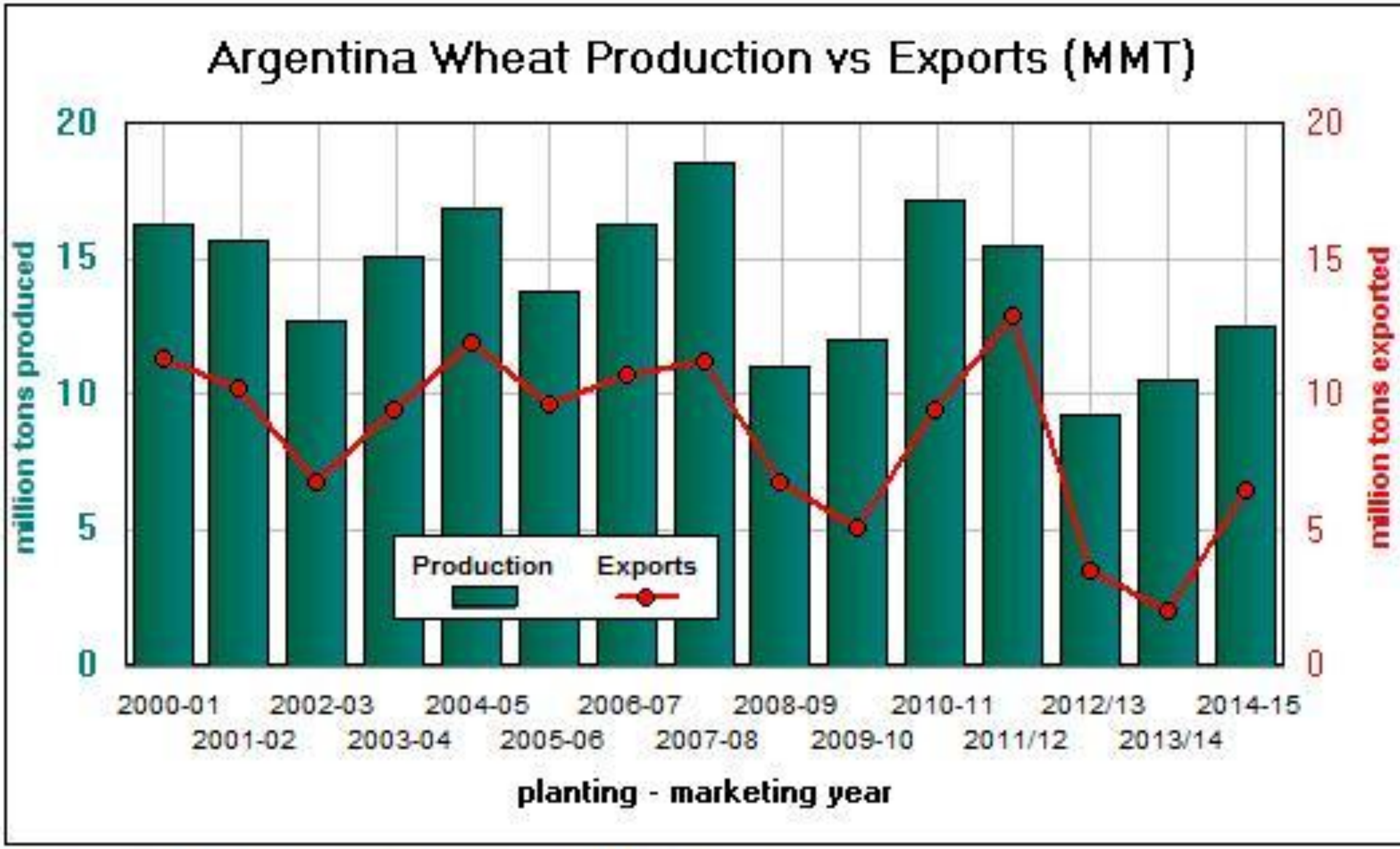


Southern Hemisphere Wheat Crops

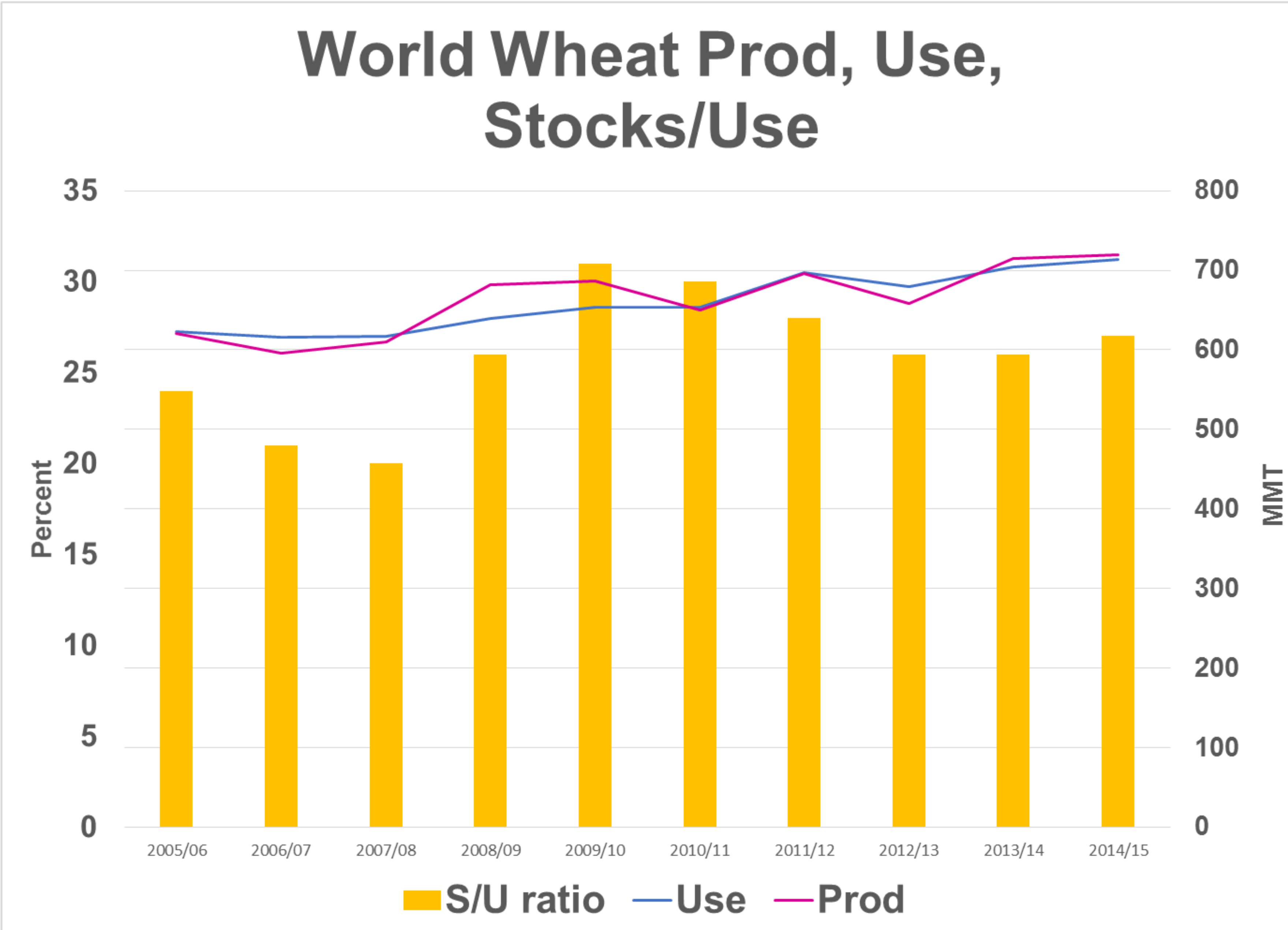


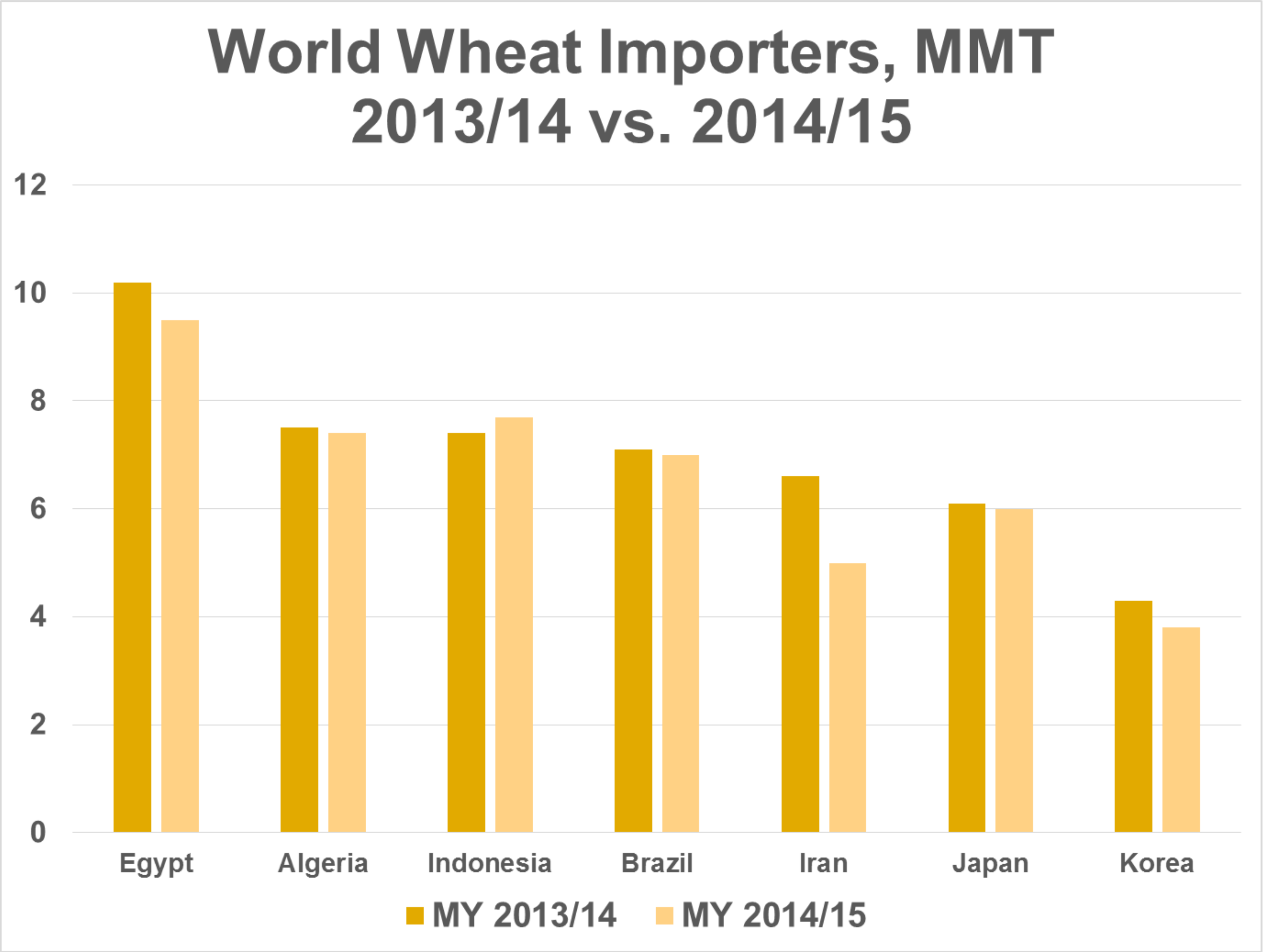
Data source USDA; far right ABARES estimate

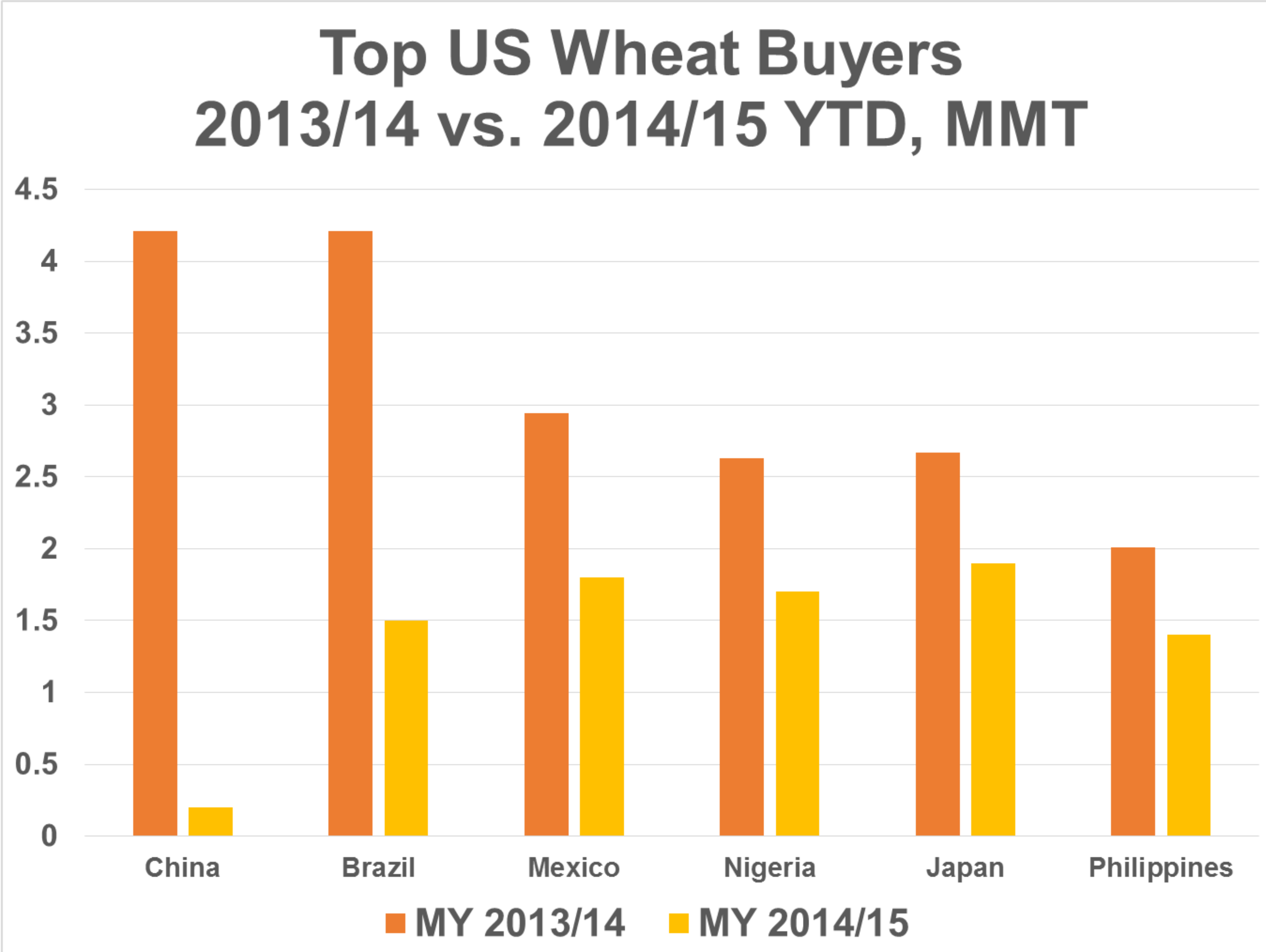
Southern Hemisphere Wheat Crops

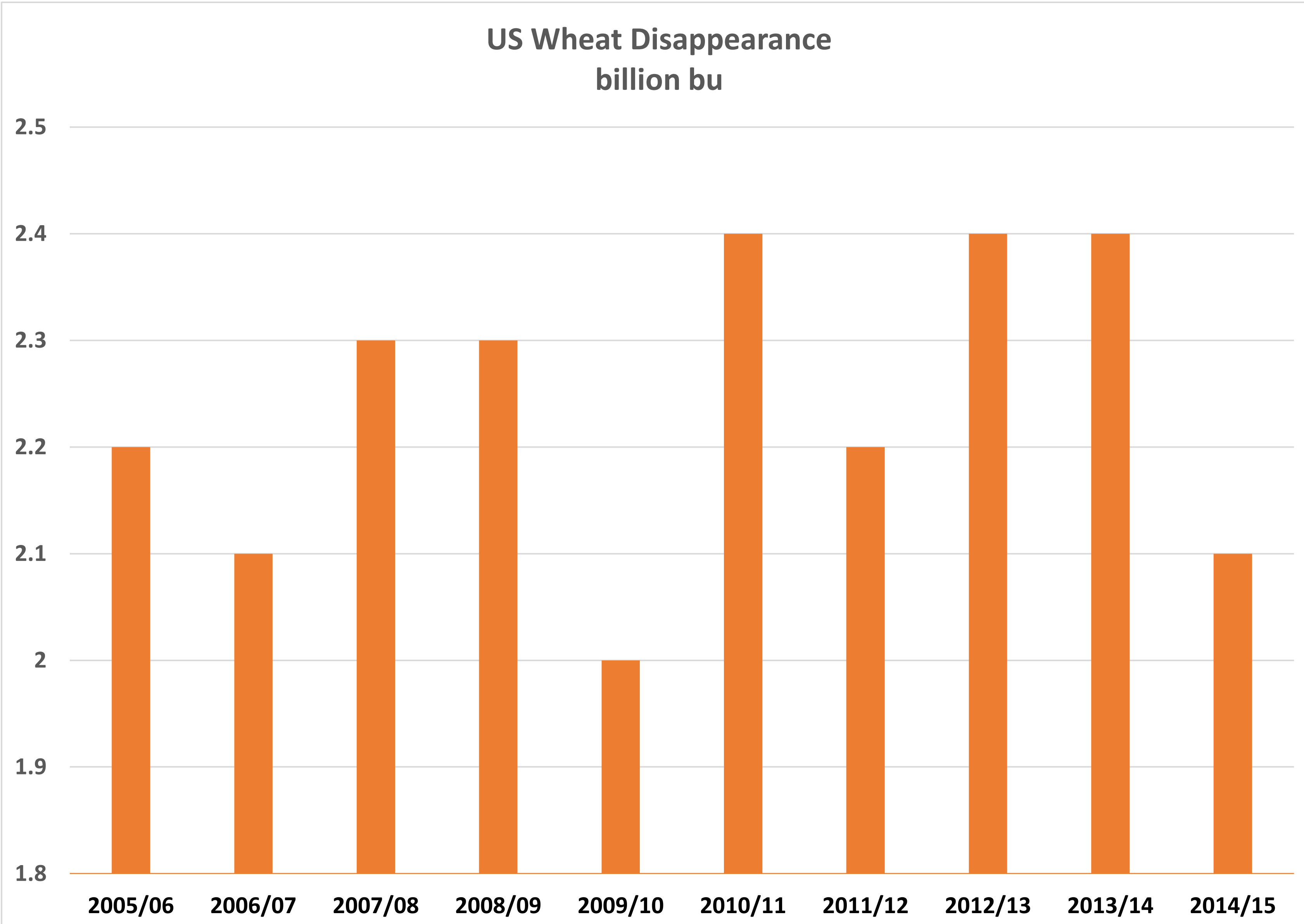


Data source USDA; far right November 2014 estimates


World Wheat Prod, Use, Stocks/Use
35
30
25
20
15
10
5
0
Percent
800
700
600
500
400
300
200
100
0
MMT
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
S/U ratio
Use
Prod


World Wheat Importers, MMT
2013/14 vs. 2014/15
12
10
8
6
4
2
0
Egypt
Algeria
Indonesia
Brazil
Iran
Japan
Korea
MY 2013/14
MY 2014/15

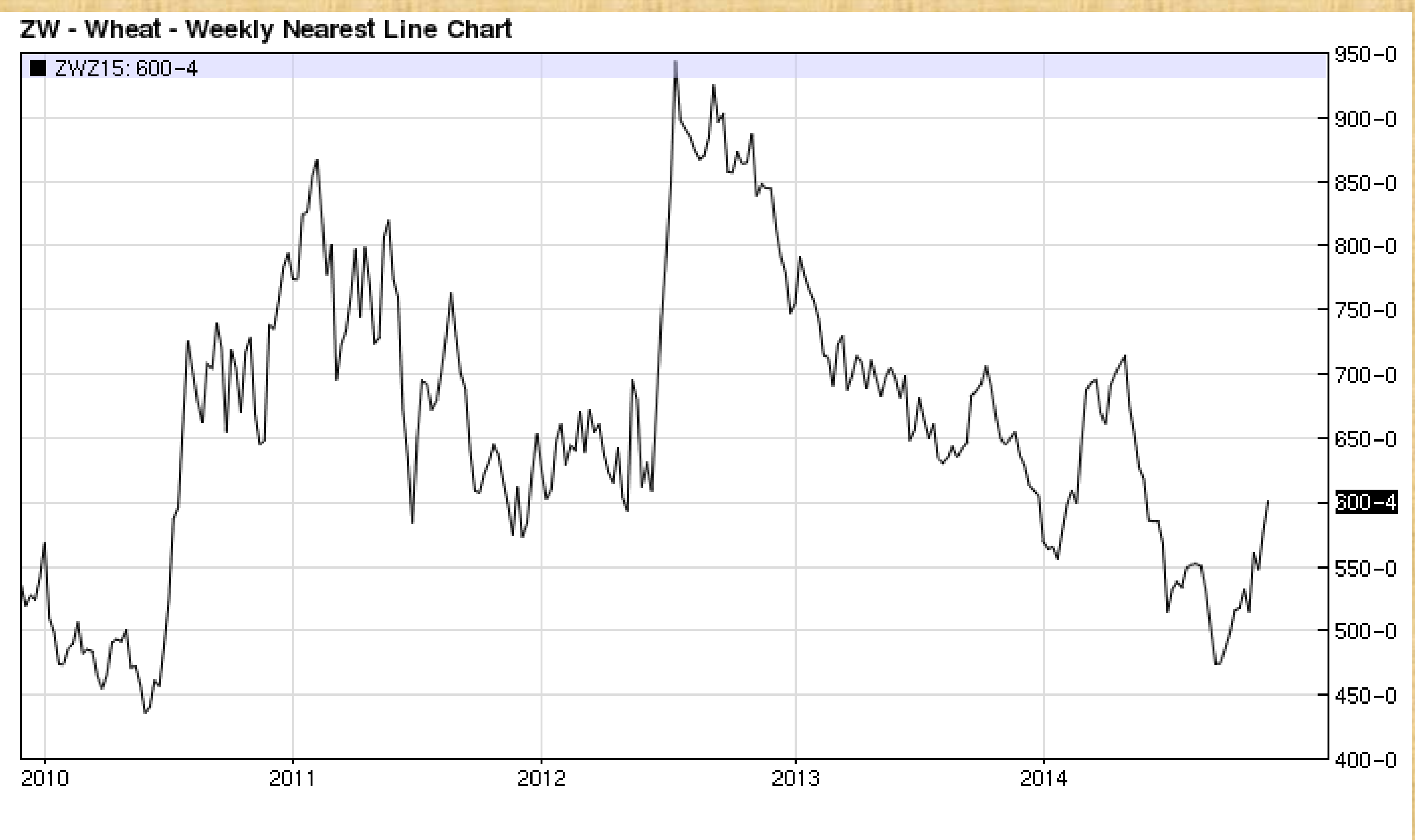

Top US Wheat Buyers
2013/14 vs. 2014/15 YTD, MMT
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
China
Brazil
Mexico
Nigeria
Japan
Philippines
MY 2013/14
MY 2014/15



US Wheat Disappearance
billion bu
2.5
2.4
2.3
2.2
2.1
2
1.9
1.8
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15


ZWH15 - Wheat - Daily Line Chart
ZWH15: 598-4
SMA (20): 556-3
780-0
760-0
740-0
720-0
700-0
680-0
660-0
640-0
620-0
598-4
580-0
560-0
540-0
520-0
500-0
480-0
Jan 14
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

ZWZ15 - Wheat - Daily Line Chart
ZWZ15: 622-6
SMA (20): 588-6
780-0
760-0
740-0
720-0
700-0
680-0
660-0
640-0
622-6
600-0
580-0
560-0
540-0
520-0
Jan 14
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec


ZW - Wheat - Weekly Nearest Line Chart
ZWZ15: 600-4
950-0
900-0
850-0
800-0
750-0
700-0
650-0
600-4
550-0
500-0
450-0
400-0
2010
2011
2012
2013
2014

Wheat Price Outlook

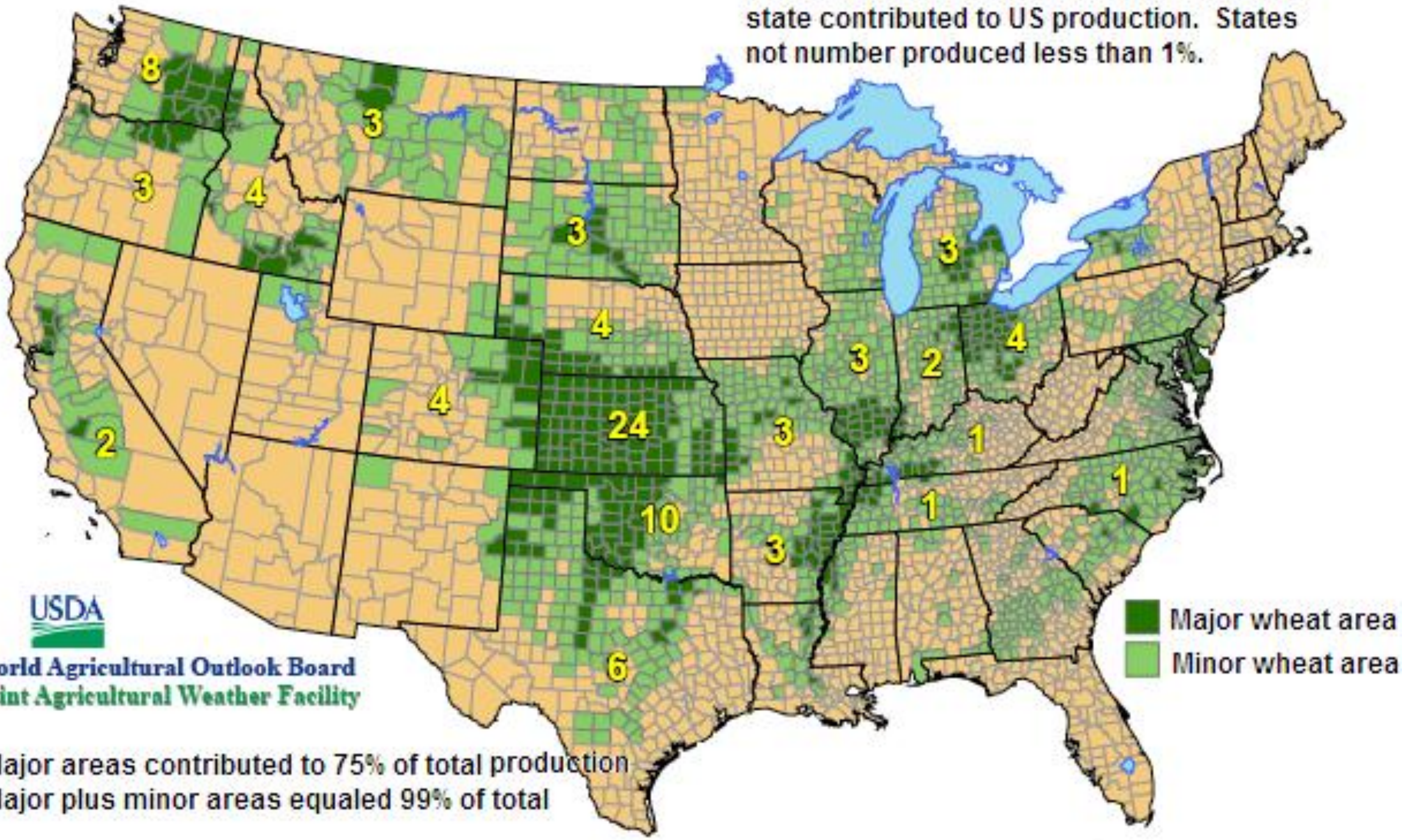
- **Ave. U.S. farm-gate price projection:**
  <u>MY 2014/15 - $5.80 - $6.20/bu, down 13%</u>
  MY 2013/14 - $6.87, down 12%
  MY 2012/13 - $7.77, up 7%

- **Idaho SWW prices:** $6.25 - 6.50/bu Nov. 2014 vs. $5.95 Nov. 2013
- **Idaho HRS prices:** $7.12 – 7.21/bu Nov. 2014 vs. $7.00 Nov. 2013

- **MY 2015/16 projected price $5.36/bu (FAPRI), down 9%.**

United States: Winter Wheat

Yellow numbers indicate the percent each state contributed to US production. States not number produced less than 1%.



USDA
World Agricultural Outlook Board
Joint Agricultural Weather Facility

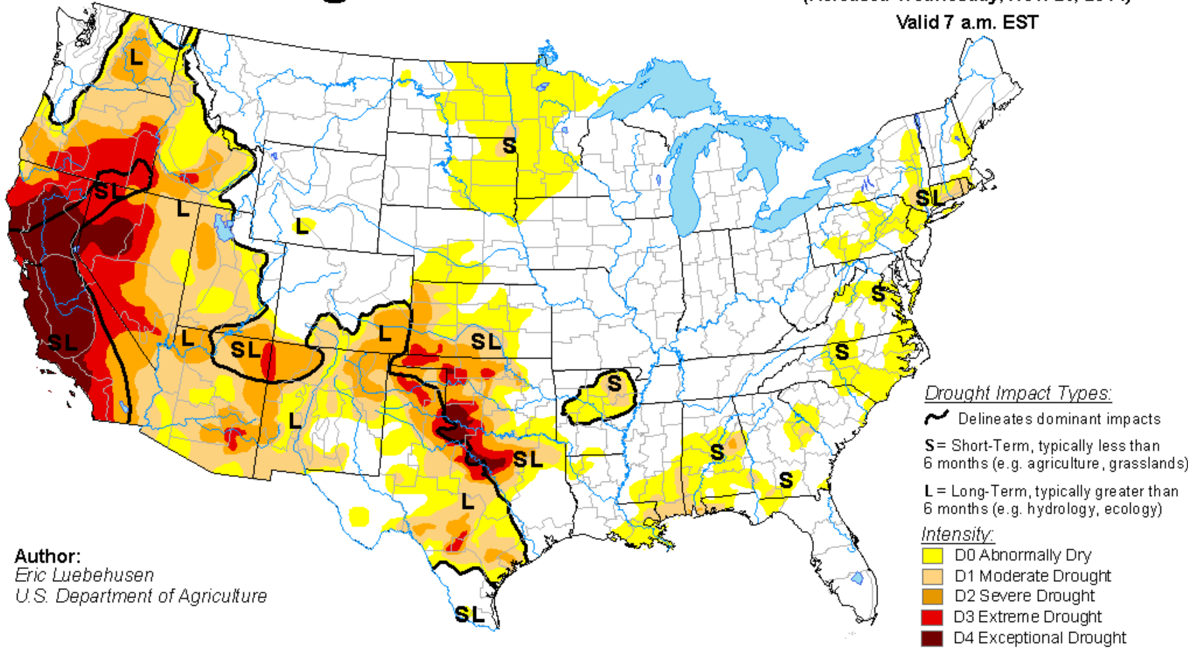
Major areas contributed to 75% of total production
Major plus minor areas equaled 99% of total

U.S. Drought Monitor

November 25, 2014

(Released Wednesday, Nov. 26, 2014)

Valid 7 a.m. EST

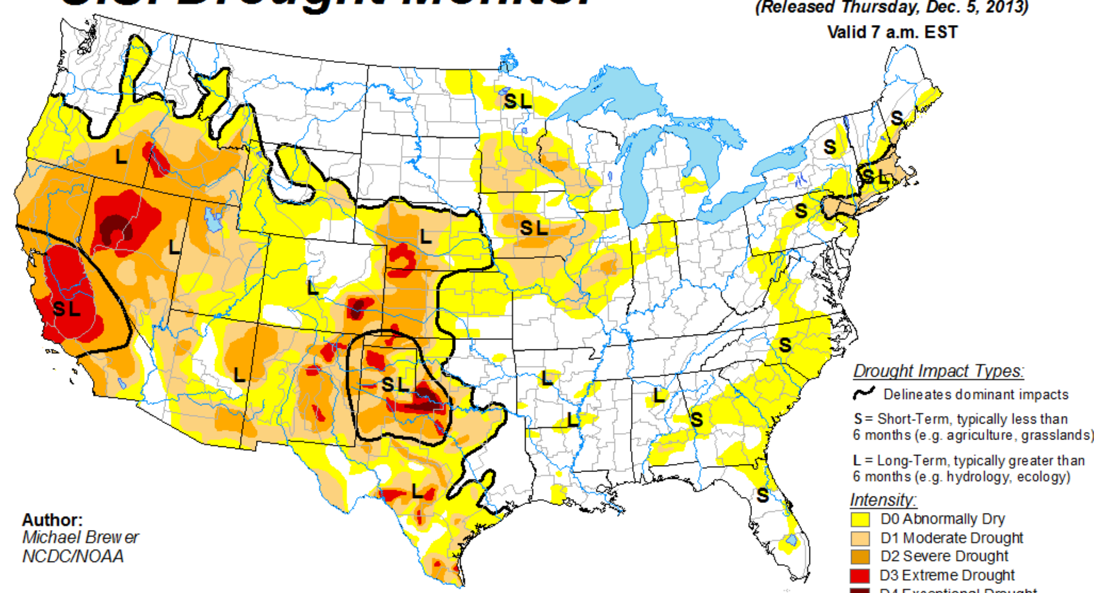


U.S. Drought Monitor

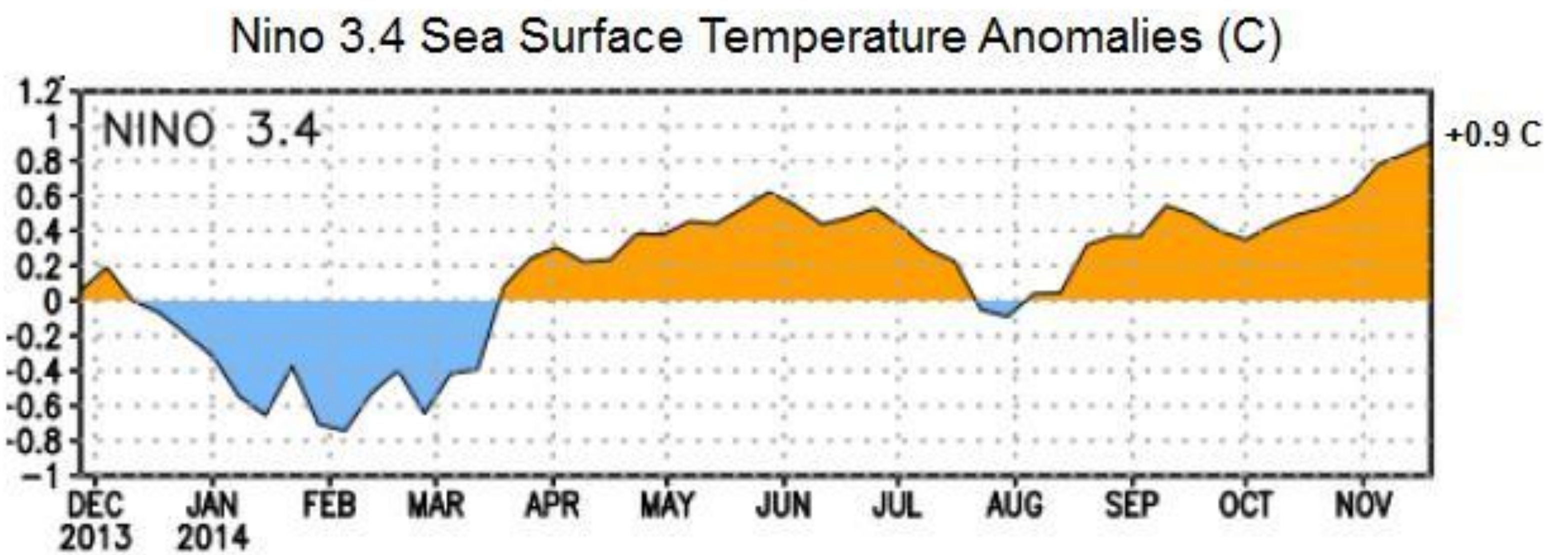
December 3, 2013

(Released Thursday, Dec. 5, 2013)

Valid 7 a.m. EST



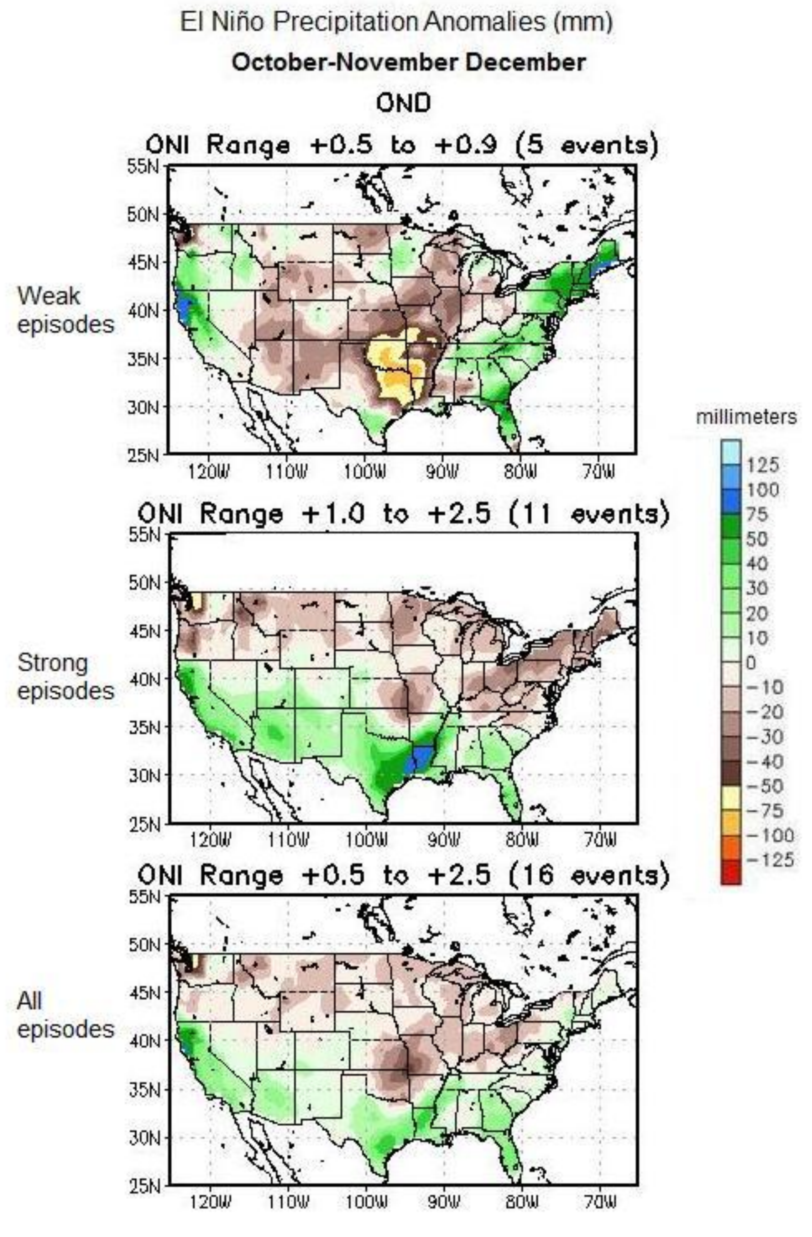
Emergence of El Nino?



Data source Climate Prediction Center

- **Northern jet stream builds up a warm ridge of high pressure in Western Canada that leads to moderate temperatures and reduced precipitation.**

- **Strong southern storm track in the winter season and heavy rainfall in the southern U.S.**



Data source Climate Prediction Center NOAA

2015 GRAIN MARKETING / HEDGING WORKSHOPS

Featuring CHS Hedging Grain Market Analyst Brian Rydlund, Minneapolis, MN

8:30 a.m. to Noon

- **January 14, 2015 – Idaho Falls Hampton Inn (Lindsey Blvd)**
- **January 15, 2015 – Burley Inn**

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Pre–register by January 8, 2015 by calling Idaho Barley Commission at 208-334-2090 or 208-409-9165 or email kolson@idahobarley.org

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