

# ***2018/19 Crop Market Outlook & Strategies***

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EXTENSION

# November CBOT Soybean Futures



# December CBOT Corn Futures

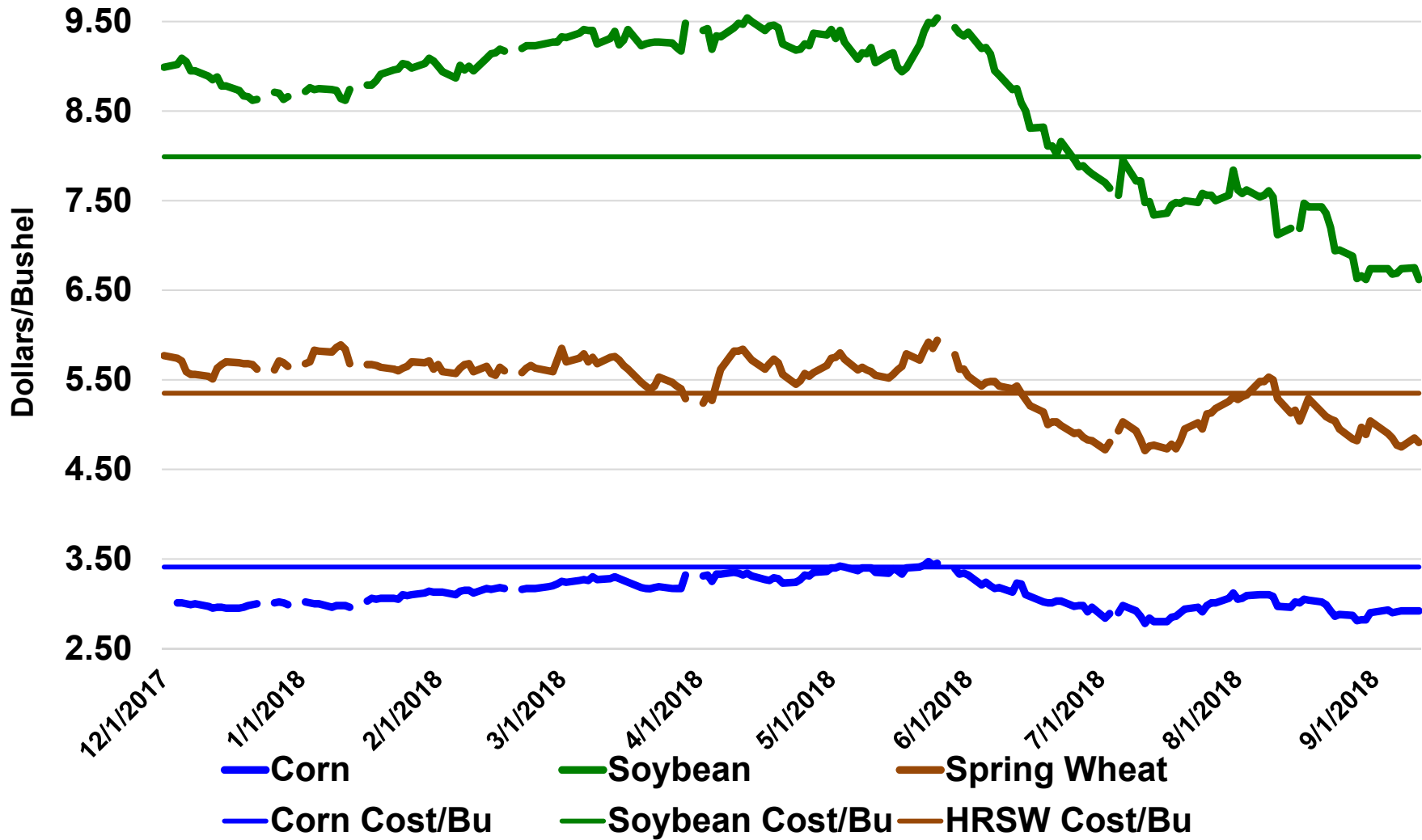


# Dec. MGEX Spring Wheat Futures



# North Dakota Cash Grain Prices

(01/12/18 – 09/11/18)



# Background

- Grain flows for the 2018 harvest are NOT going to be normal.
- Storage space, both on-farm and commercial, will be at a premium.
- Farmers will need to significantly modify their grain storage and crop marketing plans to adjust.
  - Storage constrains.
  - Cash flow needs.



# Background

- Local elevators have not been able to sell soybeans into the PNW export terminals since late JUNE.
  - There is currently no bid for soybean delivery to PNW through **February, 2019**.
  - Approximately 70 - 75% of the N.D. soybeans are sold to PNW export terminals.
  - Approximately 98% of the soybeans sold through the PNW are shipped to China.



# Background

- Local elevators are trying to allocate enough internal storage space to receive and hold soybeans that have already been contracted for harvest delivery.
  - Must also keep working room and storage for spring wheat and corn.
- All elevators in region have dramatically lowered cash bids for soybean.
  - Futures market decrease.
  - Wider (more negative) basis.





# Background

- Some elevators have pulled all soybean bids, more elevators are likely to follow.
- Farmers are making alternative plans to store soybeans, but may not understand the severity of the problem!
  - Delayed Pricing contracts for soybeans may not be available or disappear quickly.
  - Many elevators will go to “cash only” and have VERY wide basis.



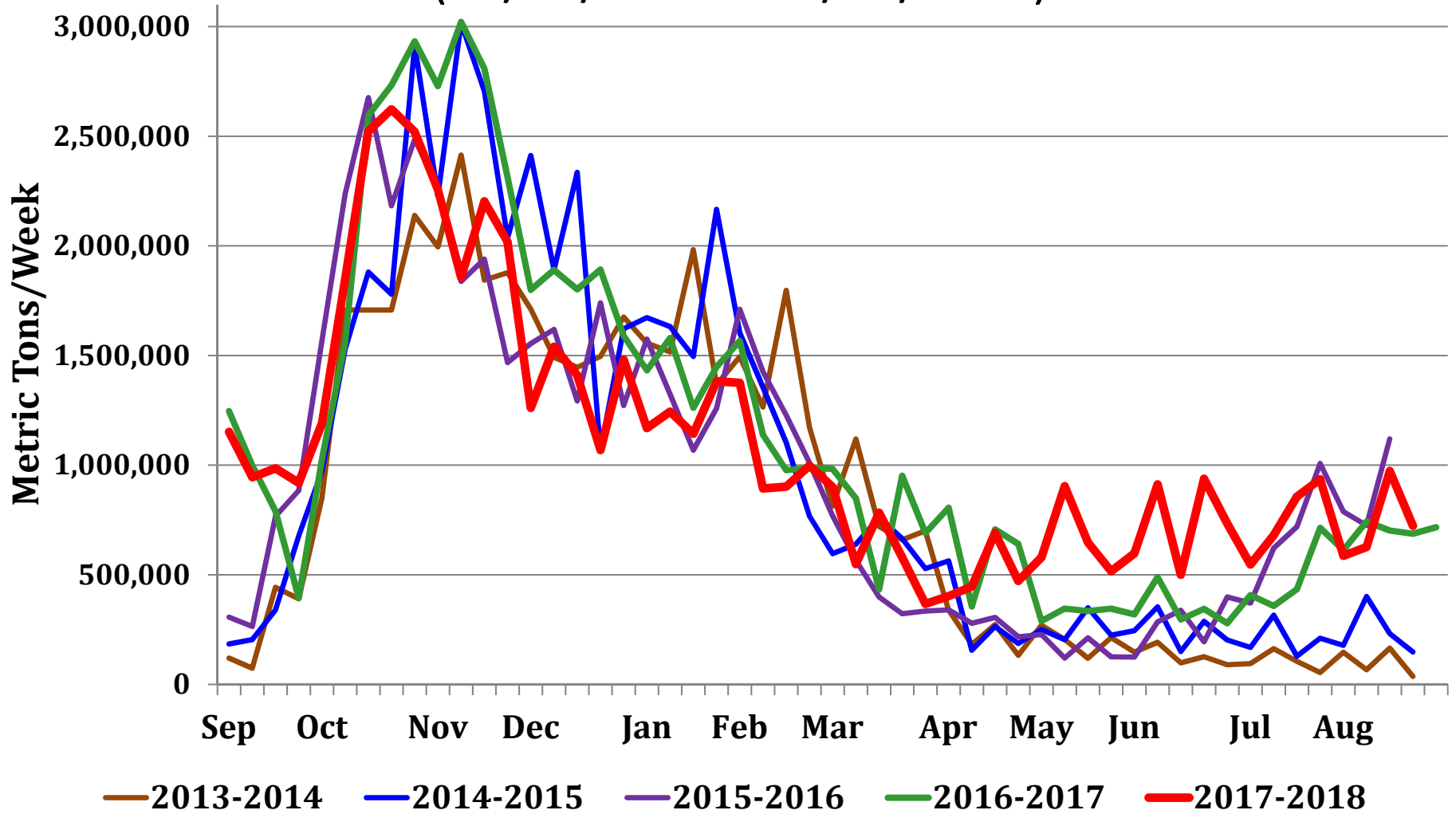
# Suggestions!

- Farmers should be prepared to store soybeans until mid-summer of 2019.
- Why?
  - We don't know when the Chinese tariffs will be reduced or removed.
  - It will take several months before soybeans will begin to flow efficiently into PNW.
  - There is a chance that the tariffs will be removed and then return later.



# Weekly U.S. Soybean Export Sales

(09/01/2013 – 08/30/2018)

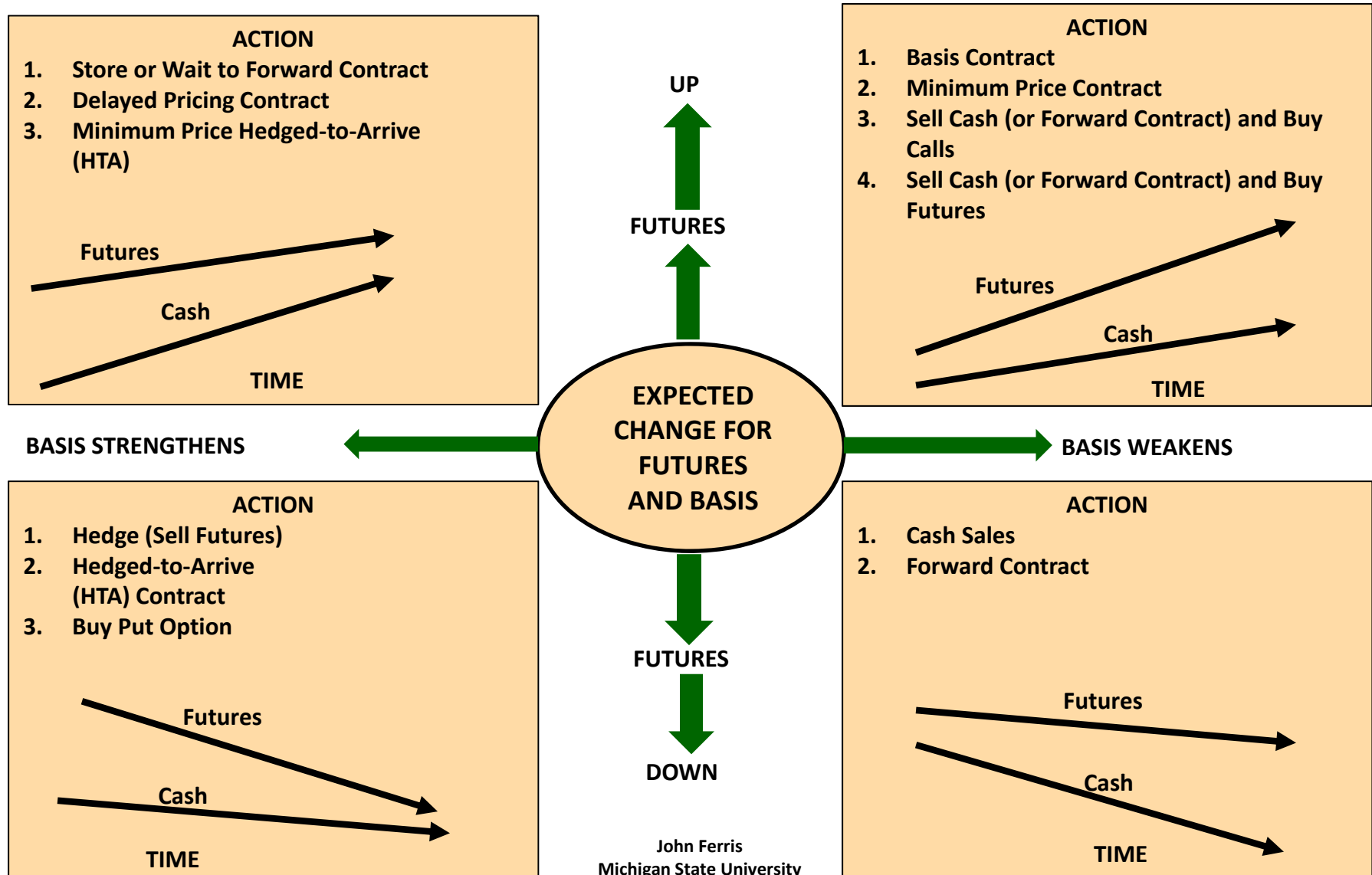


# What can farmers do now?

- Try to avoid temporary or emergency storage for soybeans.
  - Dr. Hellevang has materials.
- If tariffs are reduced or removed, futures market prices will rise but basis levels will not.
  - Once again, it will take time for the flow of grain to the PNW to become efficient.
  - My estimate is three months.



# Strategies for Product Sellers



# What can farmers do now?

- Soybean Marketing Strategies, with storage
  - Consider hedging (must use a broker).
    - Assumes futures market will “over react” when tariffs are reduced/removed.
    - Choose futures contract which is two contracts forward.
      - Captures carry in the market.
      - Allows time for basis to recover.
    - Sell cash soybeans when basis narrows.
    - Margin calls will occur if futures price continues to increase.



# What can farmers do now?

- Soybean Marketing Strategies, with storage
  - Consider Futures Fixed or Hedge-to-Arrive contract.
    - Choose futures contract which is two contracts forward.
    - Lock in basis later.
  - Use CCC loan.
    - Provides nine month window to allow price recovery.
    - Provides cash flow.
    - Lower interest rate than lender.
    - Silage bags may be allowed, varies by county.
      - Check with your county FSA.



# What can farmers do now?

- Soybean Marketing Strategies, without storage
- Consider selling corn at harvest and storing soybeans.
  - Corn basis levels are not expected to weaken during harvest, but may improve later.
  - Frees up on-farm storage and generates cash flow.
  - May change harvest field efficiency.
    - Trucks/Carts and grain drying.



# What can farmers do now?

- Soybean Marketing Strategies, without storage
  - Can buy corn options or futures contracts to participate in market rallies.
    - This is not hedging!
    - Margin calls will occur if prices decrease.
    - Options work “best” when there is a large price movement in a short period of time.
      - Can buy and sell at any time.
    - Be sure to work with banker to get line of credit arranged.



# What can farmers do now?

- Soybean Marketing Strategies, without storage
- Consider selling corn at harvest and storing soybeans.
  - Use a Delayed Pricing (DP) contract on corn.
    - DP contracts should be considered “short term” marketing strategy.
    - Works best for two, maybe three, months.
    - May be able to get partial cash advance.



# What can farmers do now?

- Soybean Marketing Strategies, without storage.
- Consider selling spring wheat and storing soybeans.
  - Frees up on-farm storage and generates cash flow.
  - Timing may limit ability to deliver spring wheat from on-farm storage.



# What can farmers do now?

- Soybean Marketing Strategies, without storage
  - Can buy spring wheat options or futures contracts to participate in market rallies.
    - This is not hedging!
    - Margin calls will occur if prices decrease.
    - Options work “best” when there is a large price movement in a short period of time.
      - Can buy and sell at any time.
    - Be sure to work with banker to get line of credit arranged.



# What can farmers do now?

- Consider selling other crops not as impacted by tariffs:
  - Dry Edible Beans – pinto, navy or black.
  - Sunflower and Flax.
  - Pulse crops – Lentil and Field Pea (recent price declines).
  - May or may not free up storage, but generates cash flow.



# What can farmers do now?

- CCC loans
  - May or may not free up on-farm storage.
  - Generates cash flow.
  - Should be considered an “intermediate” strategy.
    - Nine month loan
    - Grain is used as collateral for USDA loan
    - Loan rates are set for each county



# What can farmers do now?

- 2018 National Average Loan Rates:
  - Soybean = \$5.00
  - Corn = \$1.95
  - Wheat = \$2.94
  - Barley = \$1.95
  - Minor Oilseeds = \$10.09/cwt.
  - Dry Peas = \$5.40/cwt.
  - Lentils = \$11.28/cwt.
  - 3.25% interest



# What can farmers do now?

- 2018 Cass County Loan Rates:
  - Soybean = \$4.74
  - Corn = \$1.78
  - Wheat = \$3.23
  - Barley = \$1.83
  - Oil Sunflower = \$10.60/cwt.
  - Canola = \$10.04/cwt.
  - <https://www.fsa.usda.gov/programs-and-services/price-support/ldp-rates/index>





# Questions?

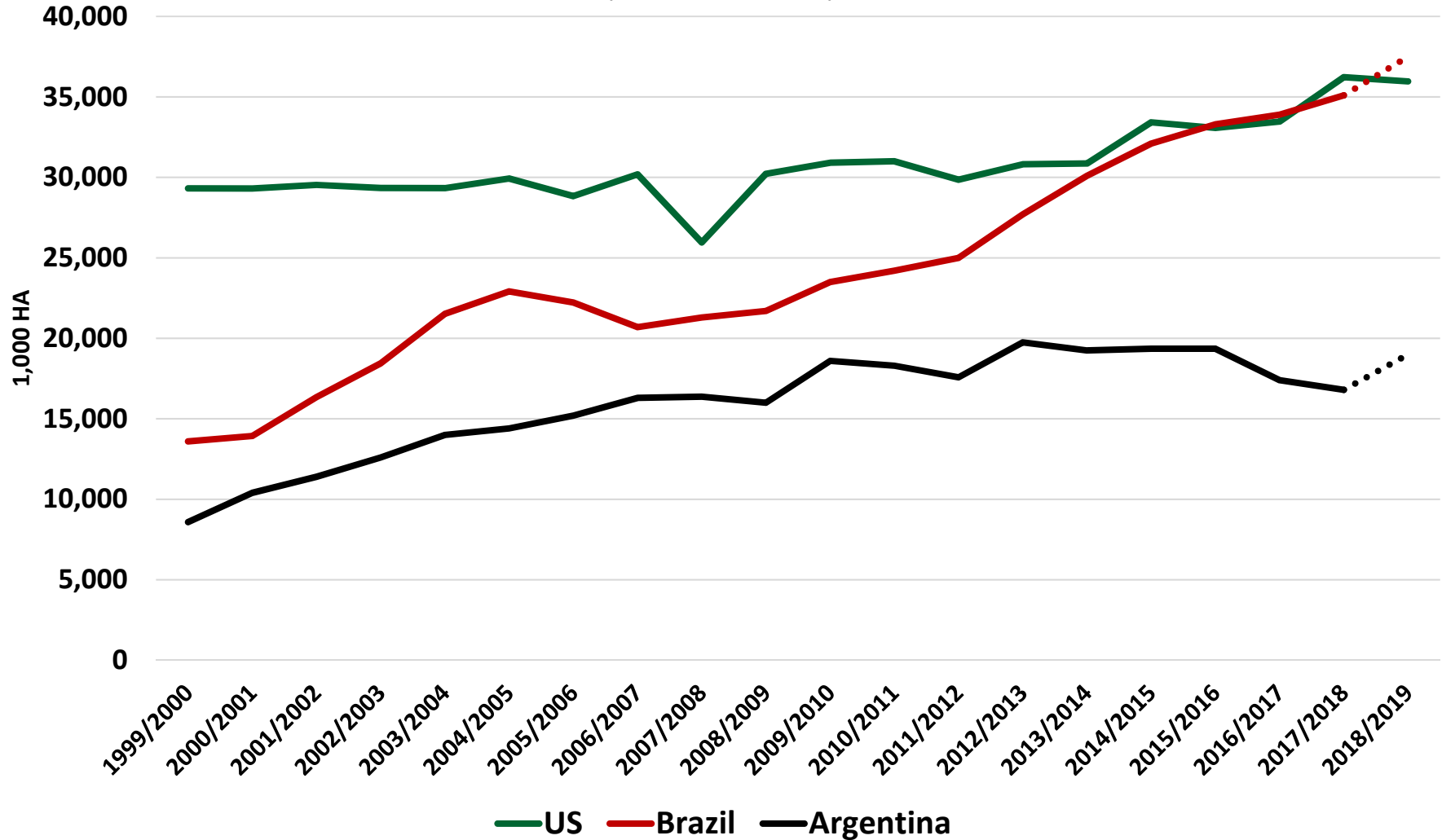


# Background Information



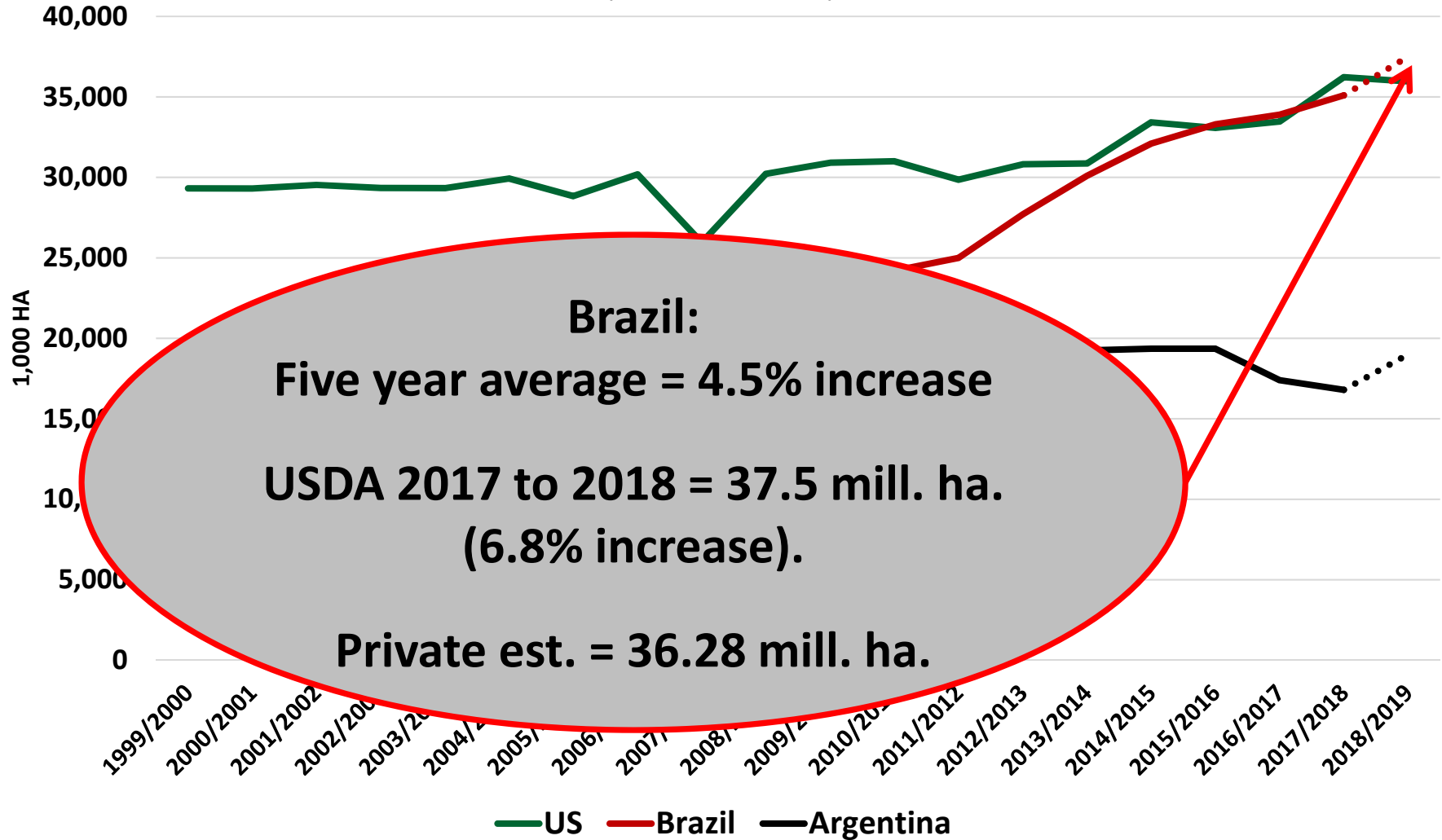
# Historical Soybean Harvested Area

(1,000 Hectares)



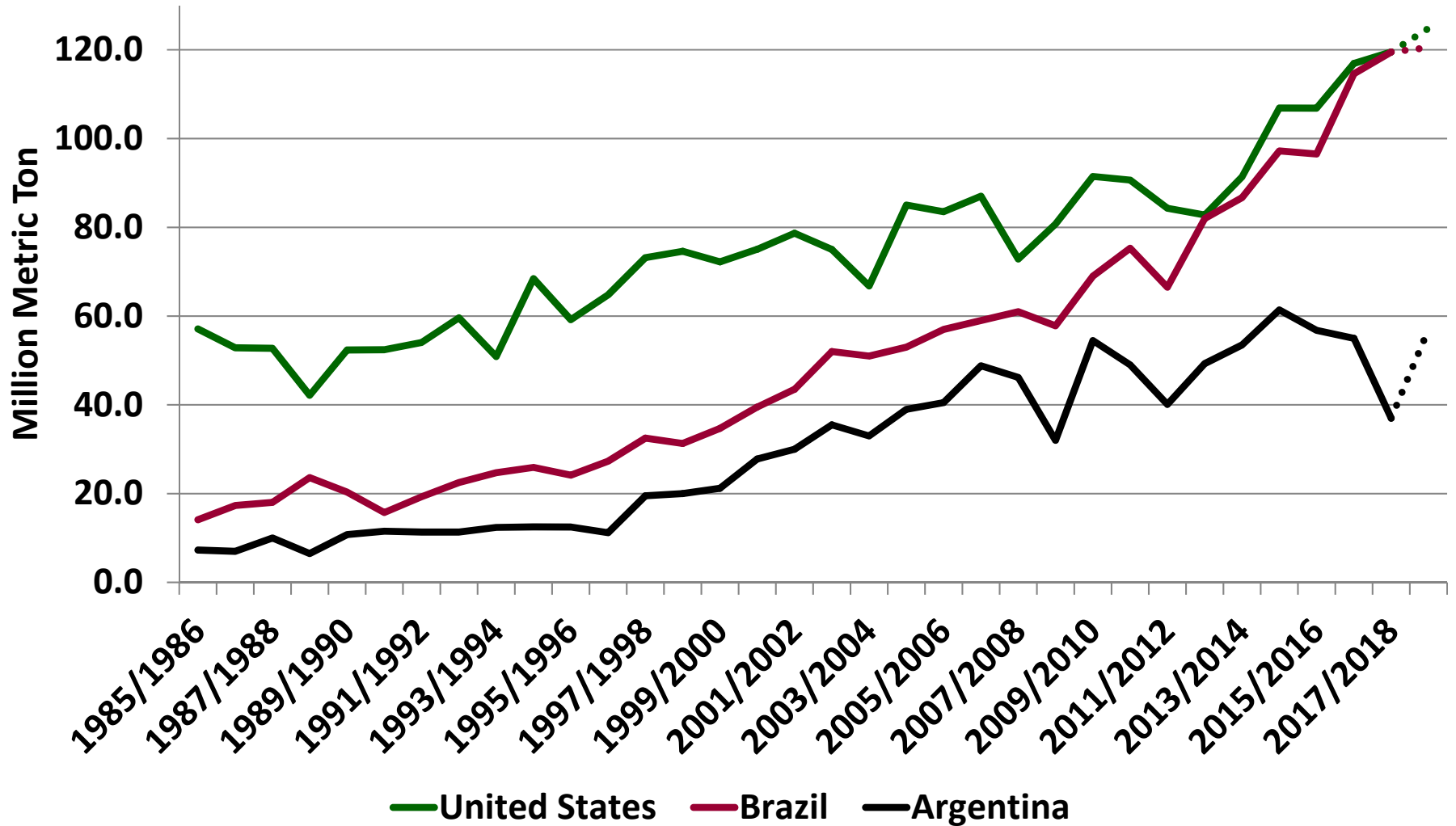
# Historical Soybean Harvested Area

(1,000 Hectares)



# Historical Soybean Production

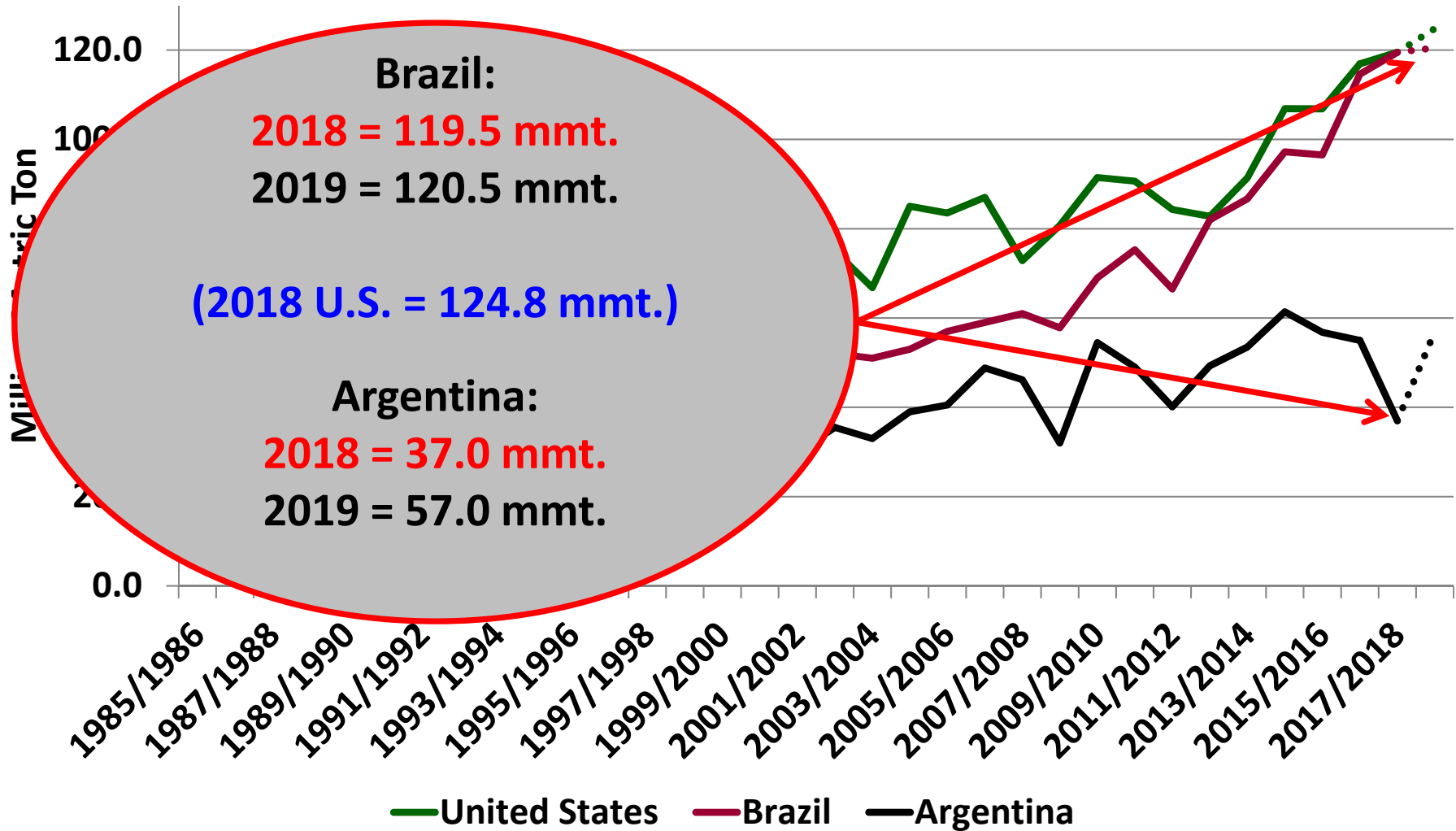
(Million Metric Ton)



# Historical Soybean Production

(Million Metric Ton)

FO1





**How will China  
compensate?**





# U.S. Soybean Export Destinations

(1,000 Metric Ton)

| Country     | 2012/13  | 2013/14  | 2014/15  | 2015/16  | 2016/17  |
|-------------|----------|----------|----------|----------|----------|
| China       | 21,522.4 | 27,602.2 | 29,640.8 | 29,855.0 | 36,148.3 |
| Mexico      | 2,565.4  | 3,194.5  | 3,438.8  | 3,252.6  | 3,665.0  |
| Indonesia   | 1,682.4  | 2,291.5  | 1,875.9  | 2,028.6  | 2,296.9  |
| Japan       | 1,751.0  | 1,826.4  | 2,011.4  | 2,145.6  | 2,137.2  |
| Netherlands | 734.6    | 1,015.6  | 1,879.4  | 2,037.7  | 2,044.9  |
| Taiwan      | 1,120.0  | 1,133.6  | 1,310.8  | 1,232.9  | 1,292.7  |
| ROW         | 6,867.2  | 7,462.3  | 9,644.2  | 10,286.8 | 10,532.7 |
| Total       | 36,243.0 | 44,526.1 | 49,801.3 | 50,839.2 | 58,117.7 |

# World Soybean Imports

(1,000 Metric Ton)

| Country        | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19<br>(Jun) | 2018/19<br>(Aug) |
|----------------|---------|---------|---------|---------|------------------|------------------|
| China          | 78,350  | 83,230  | 93,495  | 97,000  | 103,000          | 95,000           |
| European Union | 13,914  | 15,120  | 13,422  | 14,100  | 14,200           | 15,800           |
| Mexico         | 3,819   | 4,126   | 4,126   | 4,600   | 4,650            | 4,750            |
| Japan          | 3,004   | 3,186   | 3,175   | 3,250   | 3,250            | 3,300            |
| Thailand       | 2,411   | 2,798   | 3,077   | 3,150   | 3,225            | 3,250            |
| Egypt          | 1,947   | 1,300   | 2,115   | 3,000   | 2,900            | 3,150            |
| ROW            | 20,917  | 23,578  | 24,913  | 29,177  | 28,144           | 29,579           |
| Total          | 124,362 | 133,338 | 144,323 | 154,277 | 159,369          | 154,829          |

# World Soybean Exports

(1,000 Metric Ton)

| Country       | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19<br>(Jun) | 2018/19<br>(Aug) |
|---------------|---------|---------|---------|---------|------------------|------------------|
| Brazil        | 50,612  | 54,383  | 63,137  | 74,650  | 72,950           | 75,000           |
| United States | 50,136  | 52,870  | 58,960  | 56,744  | 62,324           | 56,064           |
| Argentina     | 10,575  | 9,922   | 7,026   | 3,100   | 8,000            | 8,000            |
| Paraguay      | 4,576   | 5,400   | 6,129   | 6,250   | 5,900            | 5,900            |
| Canada        | 3,763   | 4,236   | 4,591   | 5,500   | 5,800            | 5,500            |
| ROW           | 6,548   | 5,705   | 7,502   | 5,993   | 7,399            | 7,499            |
| Total         | 126,210 | 132,516 | 147,345 | 152,237 | 162,373          | 157,963          |

# World Soybean Crush

(1,000 Metric Ton)

| Country        | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19<br>(Jun) | 2018/19<br>(Aug) |
|----------------|---------|---------|---------|---------|------------------|------------------|
| China          | 74,500  | 81,500  | 88,000  | 92,000  | 102,000          | 95,000           |
| United States  | 50,975  | 51,335  | 51,742  | 55,248  | 54,431           | 56,064           |
| Argentina      | 40,235  | 43,267  | 43,303  | 39,150  | 44,000           | 43,000           |
| Brazil         | 40,435  | 39,747  | 40,411  | 43,000  | 43,200           | 42,700           |
| European Union | 14,450  | 14,950  | 14,400  | 14,900  | 14,900           | 16,300           |
| India          | 7,700   | 5,500   | 9,000   | 7,600   | 9,100            | 9,000            |
| ROW            | 36,515  | 38,725  | 40,490  | 44,396  | 45,842           | 46,604           |
| Total          | 264,810 | 275,024 | 287,346 | 296,294 | 313,473          | 308,668          |

# China Oilseeds Supply - Distribution

(1,000 Metric Ton)

| <b>Domestic Consumption</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19<br/>(Jun)</b> | <b>2018/19<br/>(Aug)</b> |
|-----------------------------|----------------|----------------|----------------|----------------|--------------------------|--------------------------|
| <b>Fish Meal</b>            | 1,474          | 1,439          | 2,019          | 1,440          | 1,450                    | 1,550                    |
| <b>Rapeseed Meal</b>        | 11,032         | 11,314         | 11,634         | 12,363         | 12,292                   | 12,292                   |
| <b>Soybean Meal</b>         | 57,467         | 62,663         | 68,646         | 72,094         | 79,814                   | <b>74,370</b>            |
| <b>Other</b>                | 8,761          | 7,912          | 8,492          | 9,552          | 9,496                    | 9,611                    |
| <b>Total</b>                | <b>78,734</b>  | <b>83,328</b>  | <b>90,791</b>  | <b>95,449</b>  | <b>103,052</b>           | <b>97,823</b>            |

# China Oilseeds Supply - Distribution

(1,000 Metric Ton)

| <b>Imports</b>       | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19<br/>(Jun)</b> | <b>2018/19<br/>(Aug)</b> |
|----------------------|----------------|----------------|----------------|----------------|--------------------------|--------------------------|
| <b>Fish Meal</b>     | <b>1,031</b>   | <b>1,042</b>   | <b>1,583</b>   | <b>1,000</b>   | <b>1,000</b>             | <b>1,000</b>             |
| <b>Rapeseed Meal</b> | <b>142</b>     | <b>359</b>     | <b>875</b>     | <b>1,250</b>   | <b>1,000</b>             | <b>1,000</b>             |
| <b>Soybean Meal</b>  | <b>58</b>      | <b>24</b>      | <b>61</b>      | <b>130</b>     | <b>30</b>                | <b>30</b>                |
| <b>Other</b>         | <b>553</b>     | <b>403</b>     | <b>657</b>     | <b>670</b>     | <b>620</b>               | <b>735</b>               |
| <b>Total</b>         | <b>1,784</b>   | <b>1,828</b>   | <b>3,176</b>   | <b>3,050</b>   | <b>2,650</b>             | <b>2,865</b>             |

# China Oilseeds Supply - Distribution

(1,000 Metric Ton)

| <b>Total Domestic Use</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19<br/>(Jun)</b> | <b>2018/19<br/>(Aug)</b> |
|---------------------------|----------------|----------------|----------------|----------------|--------------------------|--------------------------|
| Palm Oil                  | 5,700          | 4,800          | 4,830          | 4,900          | 4,900                    | <b>5,250</b>             |
| Peanut Oil                | 2,819          | 2,919          | 2,999          | 3,110          | 3,166                    | 3,166                    |
| Rapeseed Oil              | 7,800          | 8,600          | 8,700          | 8,800          | 8,300                    | <b>8,650</b>             |
| Soybean Oil               | 14,200         | 15,350         | 16,350         | 16,850         | 18,450                   | <b>17,600</b>            |
| Sunflower Oil             | 998            | 1,379          | 1,332          | 1,431          | 1,617                    | 1,517                    |
| Other                     | 2,141          | 1,832          | 1,891          | 2,138          | 2,097                    | 2,097                    |
| <b>Total</b>              | <b>33,658</b>  | <b>34,880</b>  | <b>36,102</b>  | <b>37,229</b>  | <b>38,530</b>            | <b>38,280</b>            |

# China Oilseeds Supply - Distribution

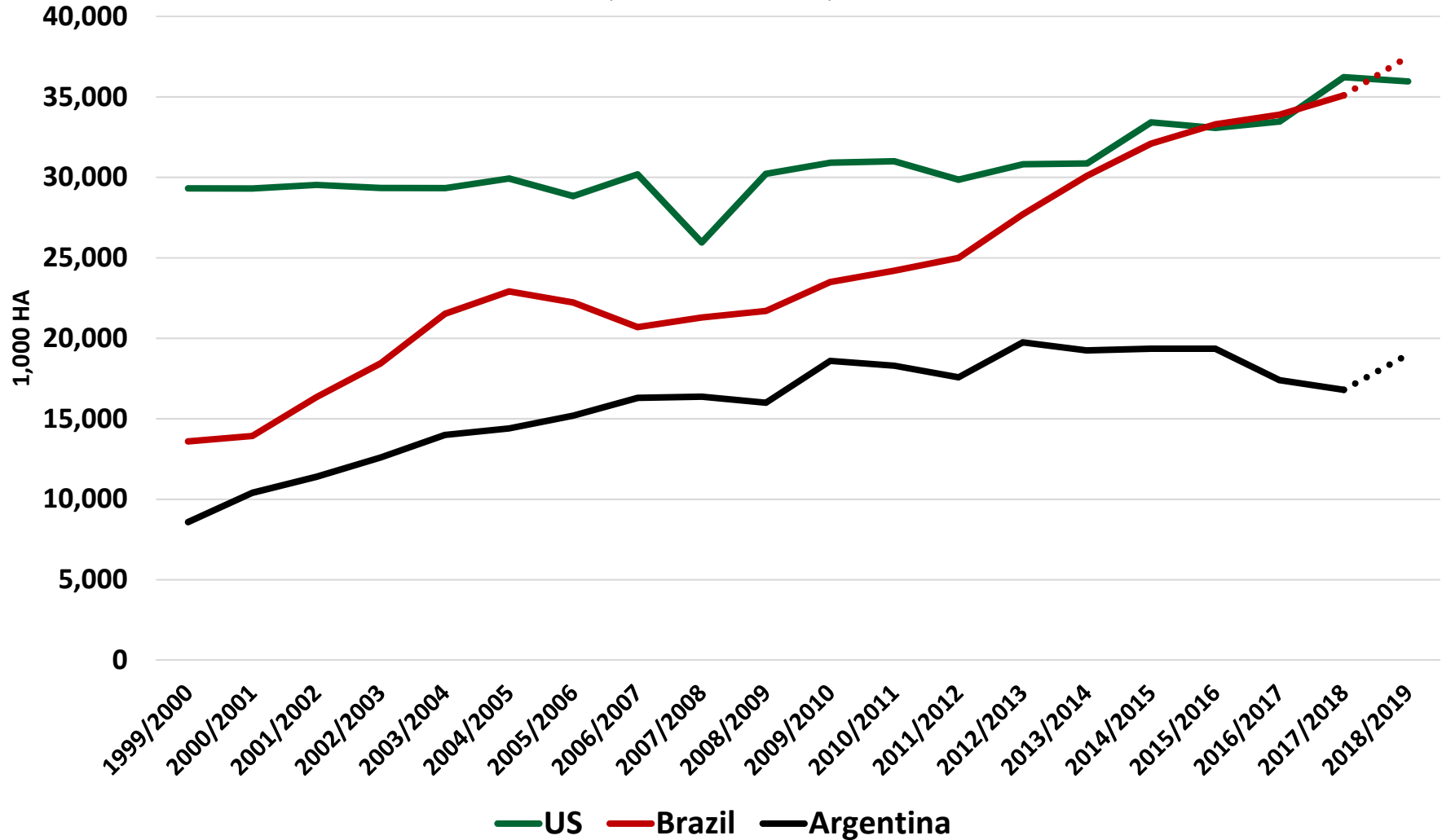
(1,000 Metric Ton)

| Imports       | 2014/15      | 2015/16      | 2016/17      | 2017/18      | 2018/19<br>(Jun) | 2018/19<br>(Aug) |
|---------------|--------------|--------------|--------------|--------------|------------------|------------------|
| Palm Oil      | 5,696        | 4,689        | 4,881        | 5,050        | 4,950            | <b>5,250</b>     |
| Peanut Oil    | 141          | 113          | 111          | 110          | 110              | 110              |
| Rapeseed Oil  | 732          | 768          | 802          | 900          | 700              | 1,000            |
| Soybean Oil   | 773          | 586          | 711          | 450          | 350              | 700              |
| Sunflower Oil | 534          | 878          | 725          | 750          | 900              | 800              |
| Other         | 751          | 737          | 773          | 756          | 758              | 758              |
| <b>Total</b>  | <b>8,627</b> | <b>7,771</b> | <b>8,003</b> | <b>8,016</b> | <b>7,768</b>     | <b>8,618</b>     |



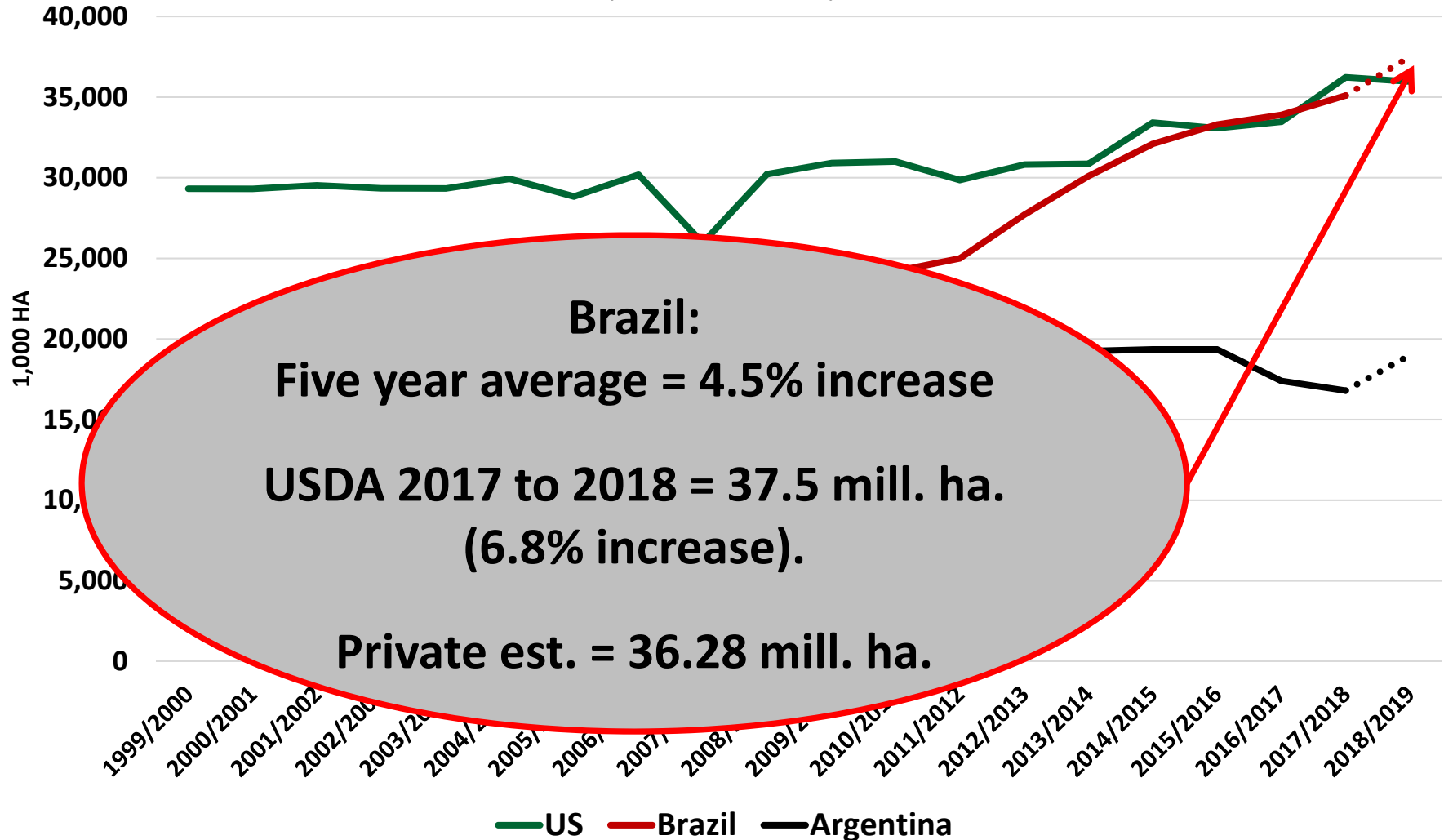
# Historical Soybean Harvested Area

(1,000 Hectares)



# Historical Soybean Harvested Area

(1,000 Hectares)



# Questions?

