

“Things, they are a changin’...” and
not for the better

2014 Crop Market Outlook

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Combest Endowed Chair of Agricultural Competitiveness

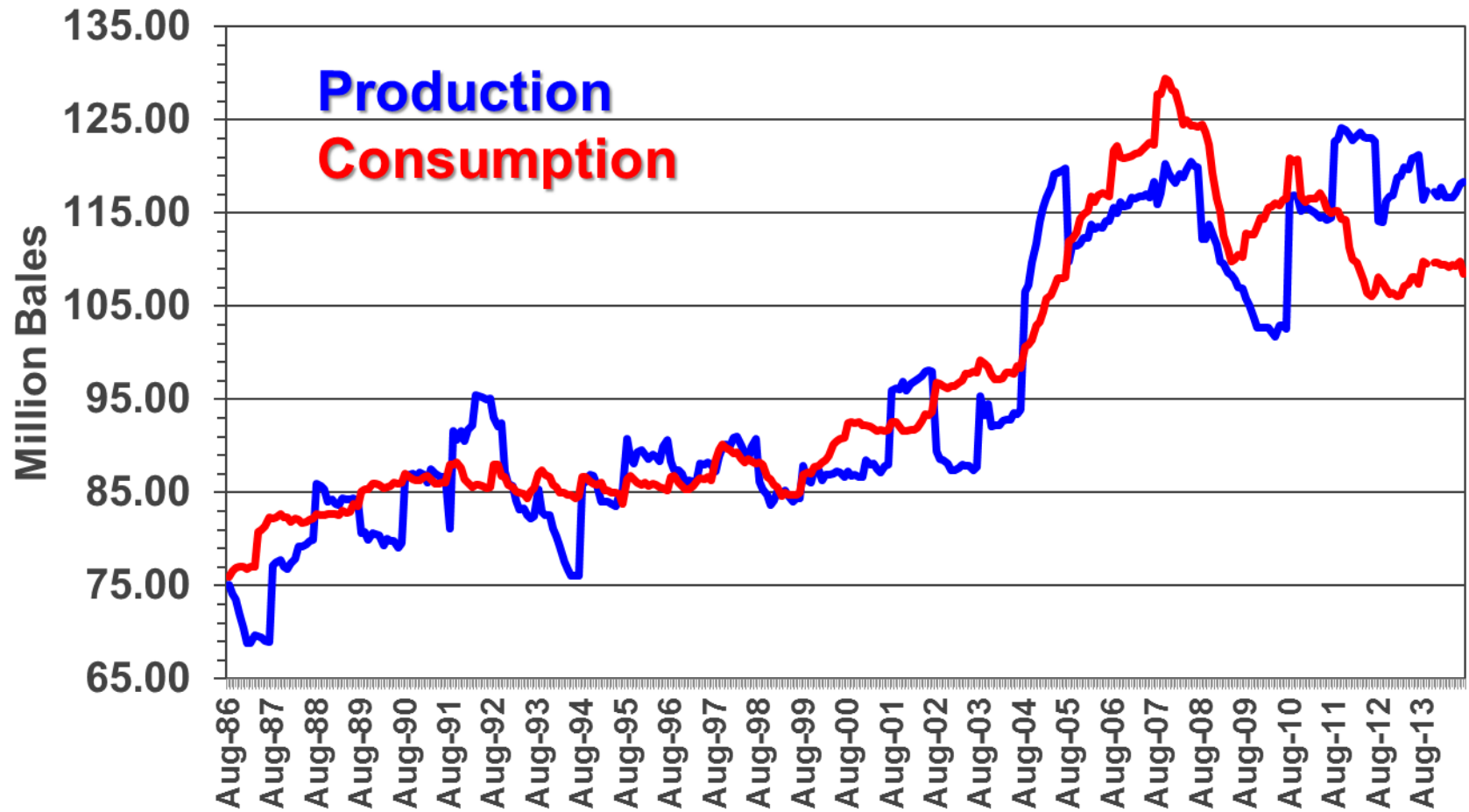
Texas Tech University

Thanks to John Robinson and Mark Welch of Texas AgriLife Extension Service for the use of some of their slides and insights.

What a difference a year makes...

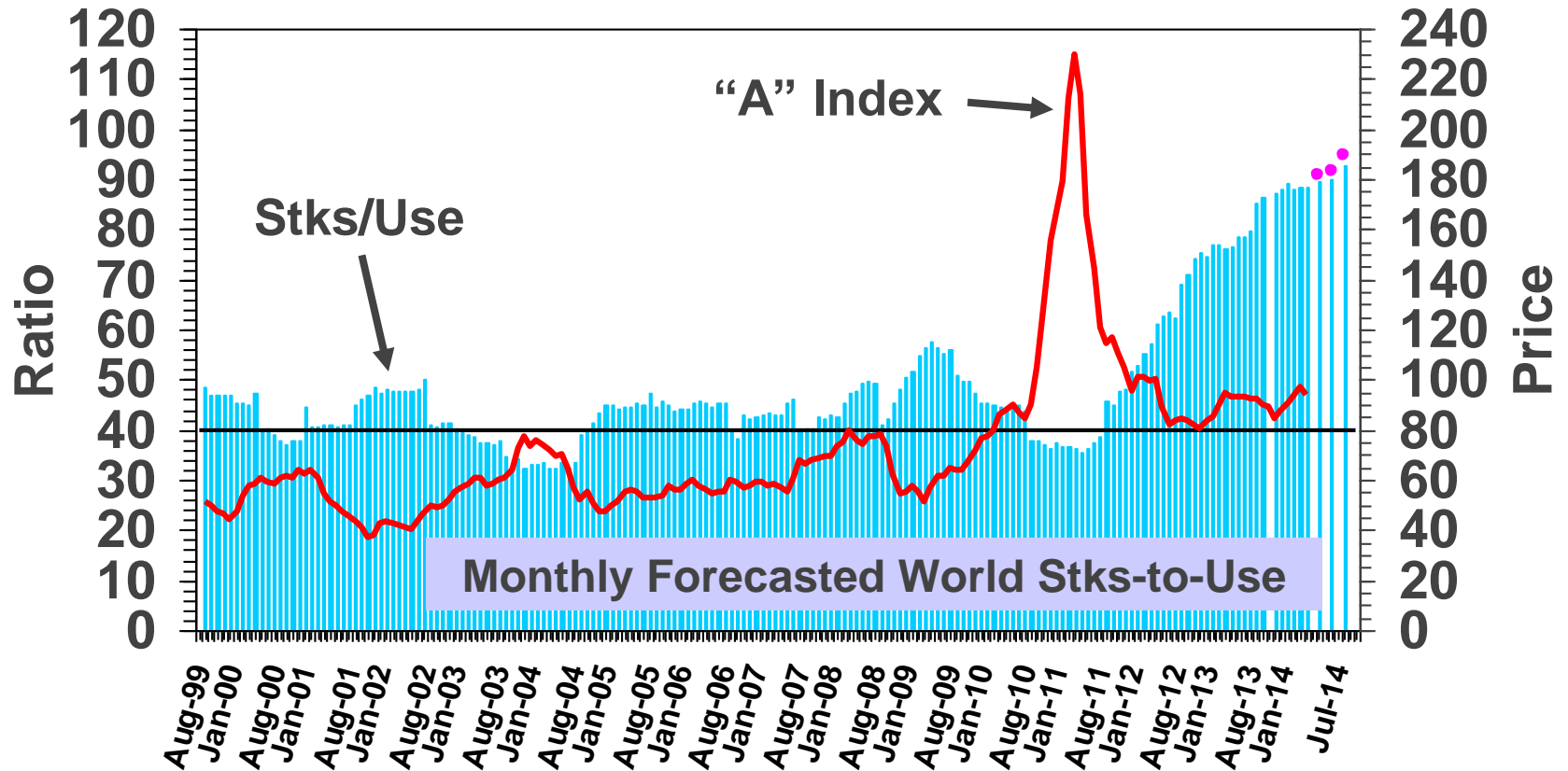
- Better overall weather conditions (both here and other major producing areas)
- Total demand lower than in recent high years (cotton still not recovered)
- Unfortunately, that means lower prices

Cotton—Overall, More Stocks



Source: Monthly WASDE Outlook

World Price

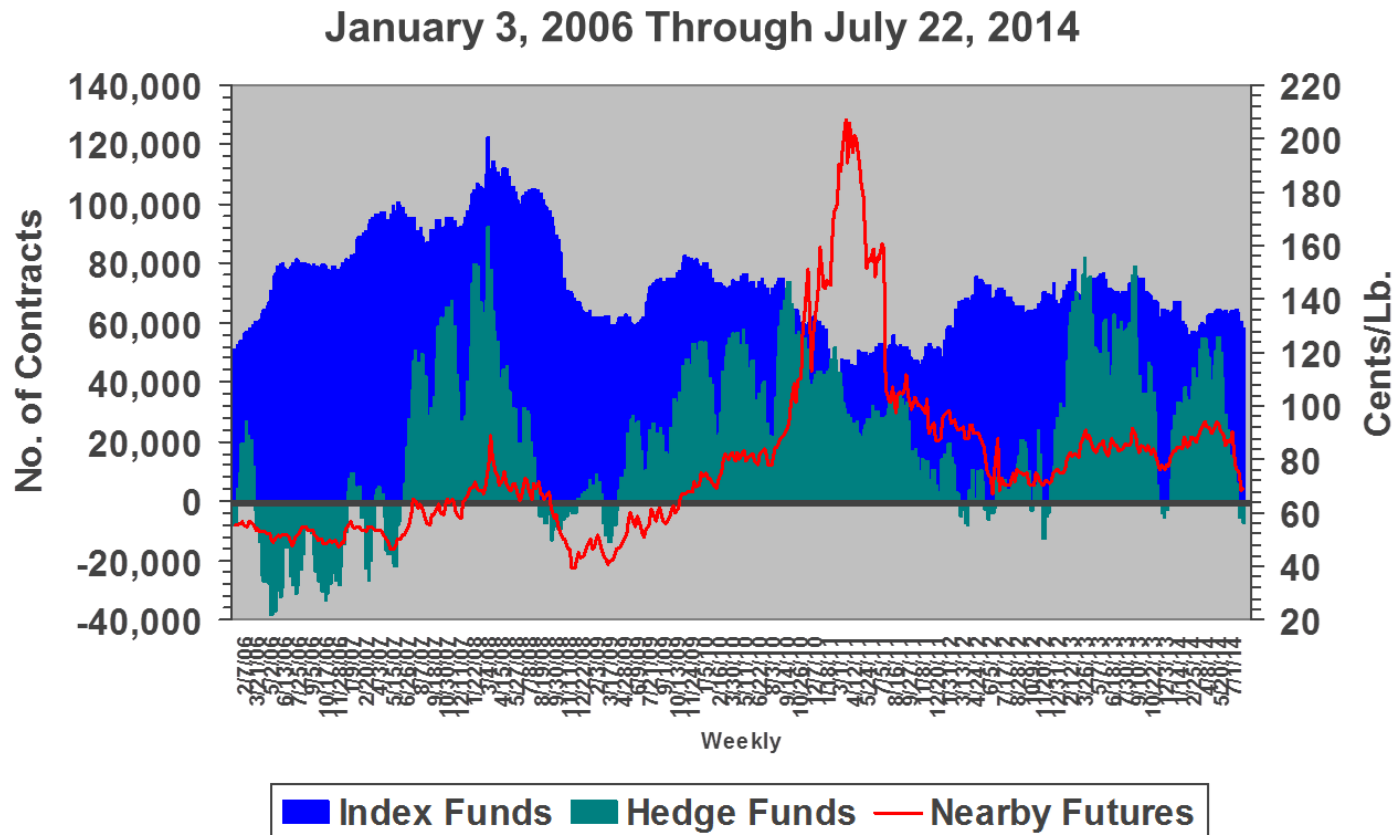


Projected May, June, July 2014/15

Changes in Chinese Policy

- Shifting focus from stock accumulation to price supports
 - Likely smaller overall production in China and less fewer stocks
 - How will China unwind its stocks?

The Influence of Hedge Funds

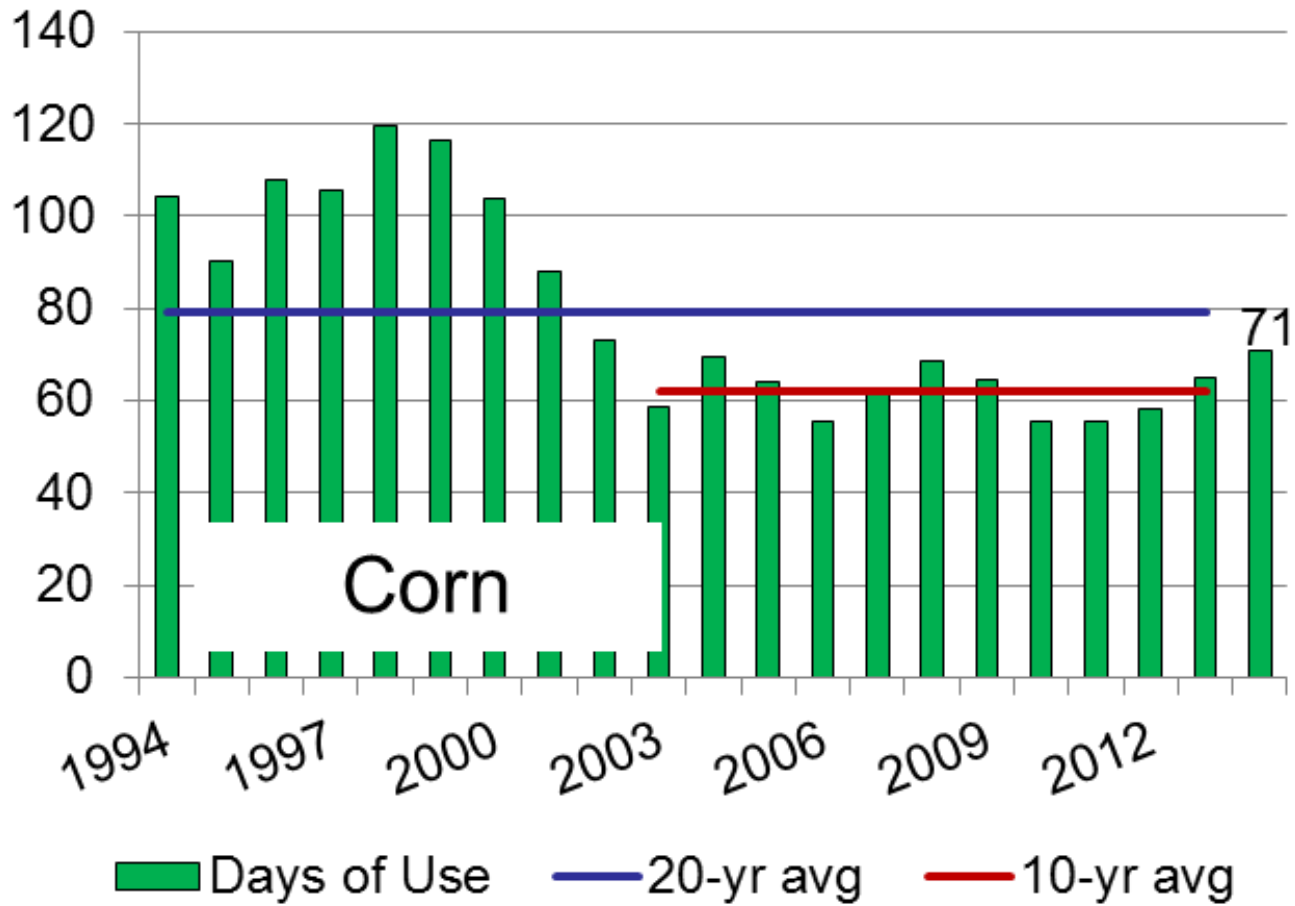


Source: Commitment of Traders Supplemental Report (Futures and Options)

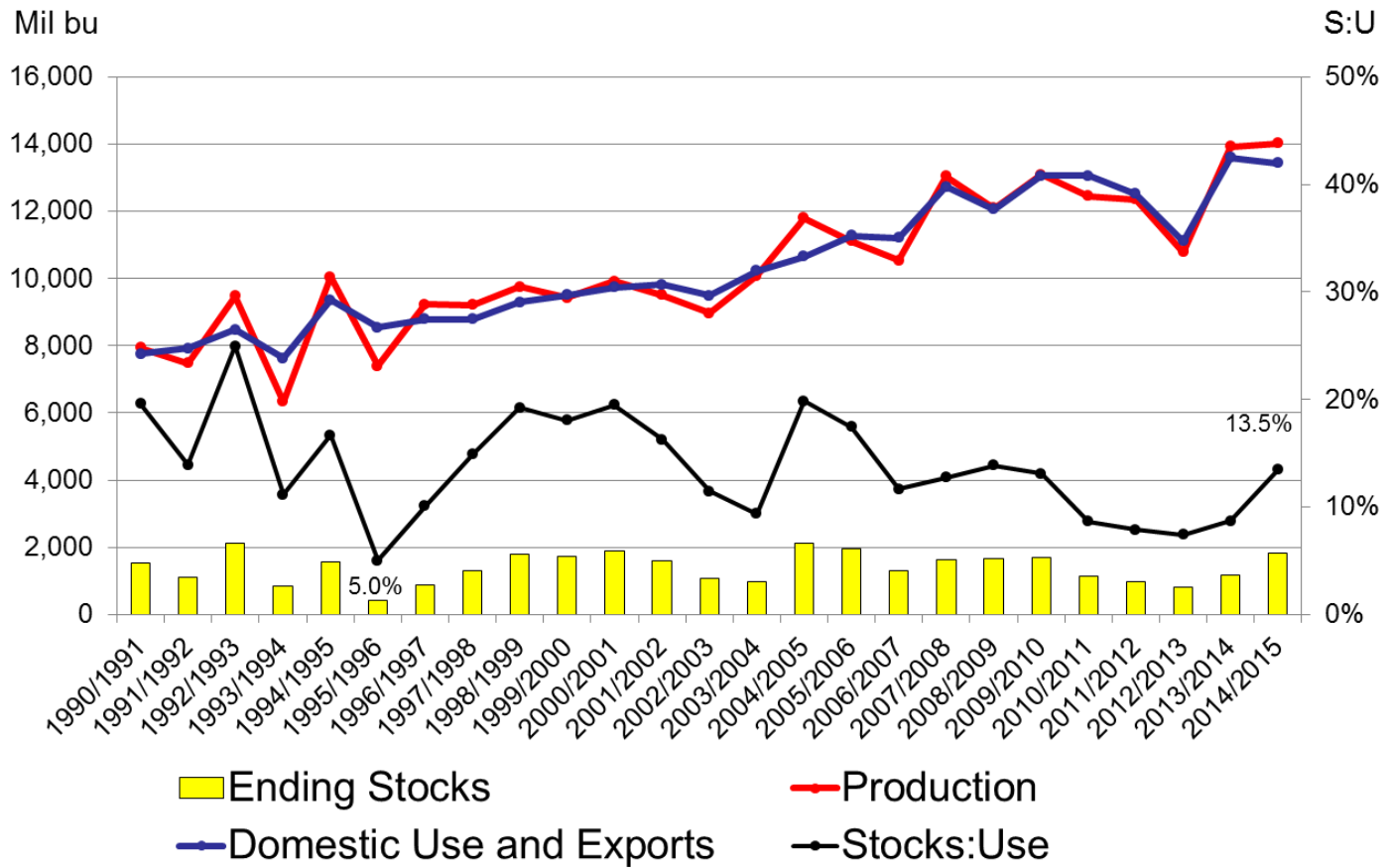
Price Expectations

- Dec'14 futures between 62 and 75
 - Implies U.S. farm price between 55 and 69
- USDA (per July WASDE) forecasts range in U.S. average farm price between 60 and 76

Corn



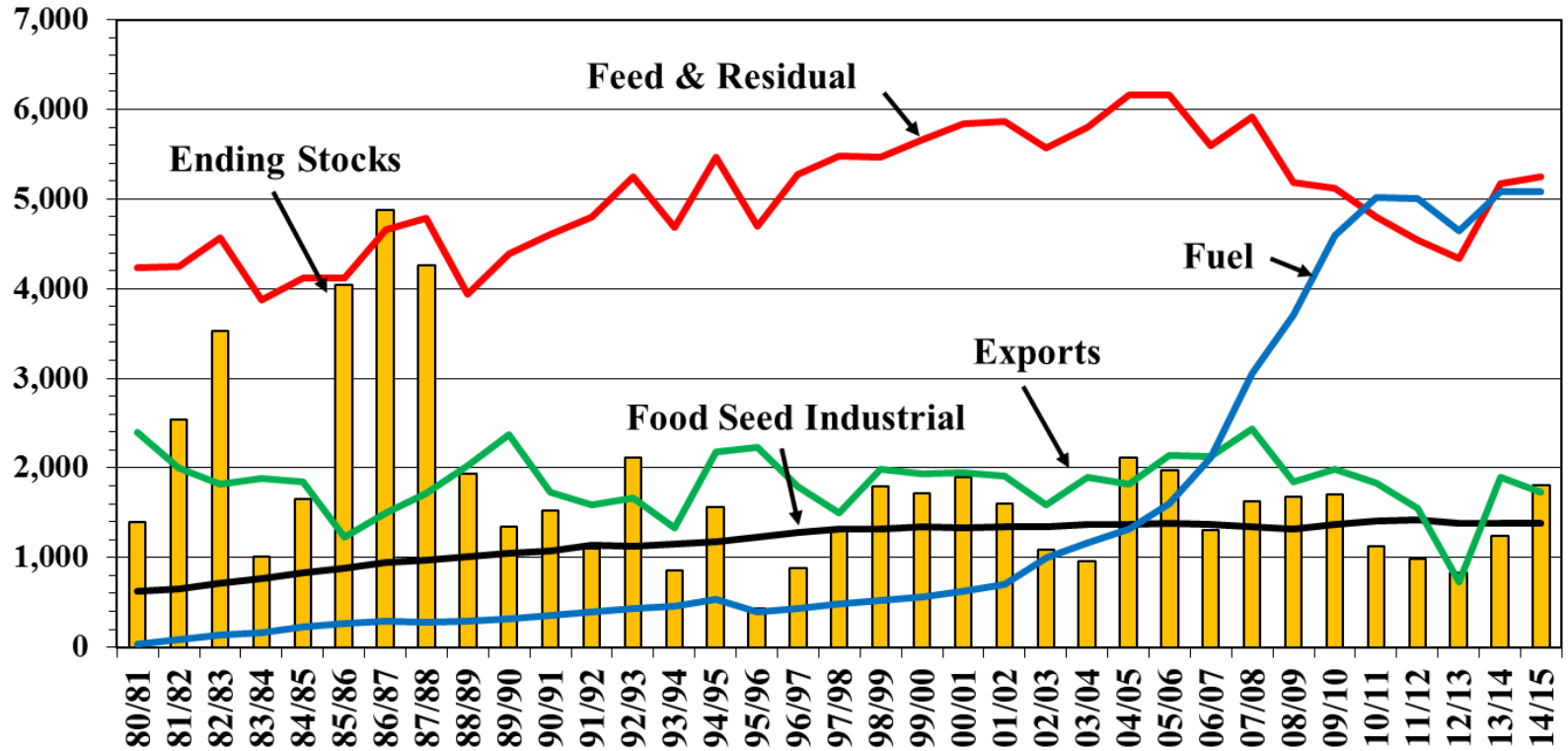
Corn



Source: USDA March World Agricultural Supply and Demand Estimates, August 12, 2014

Corn

Million Bushels



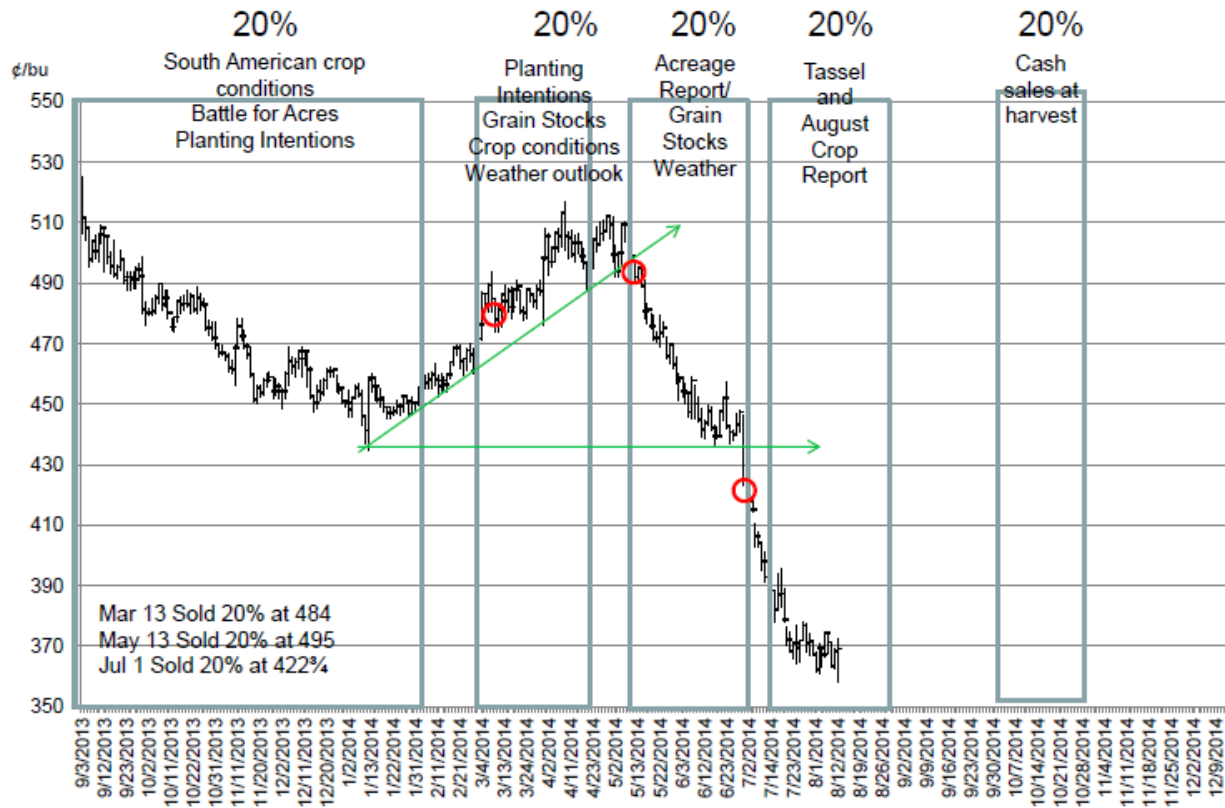
Source: USDA WASDE, August 12, 2014

Corn

US CORN SUPPLY AND USE			August		
			2014/2015	Net Change	% Change
AREA			8/12/2014	Jul to Aug	Jul to Aug
	Planted	mil acres	91.6	0.0	0.00%
	Harvested	mil acres	83.8	0.0	0.00%
	% harvested				
YIELD	harvested acre	bu/ac	167.4	2.1	1.27%
SUPPLY					
	Beginning stocks	mil bu	1,181	(65)	-5.22%
	Production	mil bu	14,032	172	1.24%
	Imports	mil bu	30	0	0.00%
	Total Supply	mil bu	15,243	107	0.71%
DEMAND					
	Feed and residual	mil bu	5,250	50	0.96%
	Food, seed, and industrial	mil bu	1,385	0	0.00%
	Ethanol	mil bu	5,075	25	0.50%
	Total Domestic Use	mil bu	11,710	75	0.64%
	Exports	mil bu	1,725	25	1.47%
	Total Use	mil bu	13,435	100	0.75%
	Ending stocks	mil bu	1,808	7	0.39%
	Stocks to Use ratio	percent	13.46%	-0.05%	
	Days of use on hand		49.12	(0)	
PRICE	Ethanol as % of Production		36%	(0)	
	Average farm price	\$/bu	3.55-4.25		
			3.9	-0.1	-2.50%

Corn

December Corn Futures and 2014 Marketing Plan



Conclusions

- Entering a period of lower overall prices— weather events can still play an important role, especially grains and oilseeds
- Preseason and in-season marketing will take on new importance
- Better weather conditions for now; could help in having confidence in preseason sales