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

2014 Crop Market Outlook

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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
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

January 3, 2006 Through July 22, 2014

No. of Contracts

Cents/Lb.

Index Funds  Hedge Funds  Nearby Futures

Weekly

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

- Days of Use
- 20-yr avg
- 10-yr avg


Values: 0, 20, 40, 60, 80, 100, 120, 140

Average values: 71 (10-yr avg)
Corn

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

### US Corn Supply and Use

<table>
<thead>
<tr>
<th>Area</th>
<th>August 2014/2015</th>
<th>Net Change Jul to Aug</th>
<th>% Change Jul to Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planted mil acres</td>
<td>91.6</td>
<td>0.0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Harvested mil acres</td>
<td>83.8</td>
<td>0.0</td>
<td>0.00%</td>
</tr>
<tr>
<td>% Harvested</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yield harvested acre</td>
<td>167.4</td>
<td>2.1</td>
<td>1.27%</td>
</tr>
</tbody>
</table>

### Supply

<table>
<thead>
<tr>
<th>Category</th>
<th>August 2014/2015</th>
<th>Net Change Jul to Aug</th>
<th>% Change Jul to Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning stocks mil bu</td>
<td>1,181</td>
<td>(65)</td>
<td>-5.22%</td>
</tr>
<tr>
<td>Production mil bu</td>
<td>14,032</td>
<td>172</td>
<td>1.24%</td>
</tr>
<tr>
<td>Imports mil bu</td>
<td>30</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total Supply mil bu</td>
<td>15,243</td>
<td>107</td>
<td>0.71%</td>
</tr>
</tbody>
</table>

### Demand

<table>
<thead>
<tr>
<th>Category</th>
<th>August 2014/2015</th>
<th>Net Change Jul to Aug</th>
<th>% Change Jul to Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feed and residual mil bu</td>
<td>5,250</td>
<td>50</td>
<td>0.96%</td>
</tr>
<tr>
<td>Food, seed, and industrial mil bu</td>
<td>1,385</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Ethanol mil bu</td>
<td>5,075</td>
<td>25</td>
<td>0.50%</td>
</tr>
<tr>
<td>Total Domestic Use mil bu</td>
<td>11,710</td>
<td>75</td>
<td>0.64%</td>
</tr>
<tr>
<td>Exports mil bu</td>
<td>1,725</td>
<td>25</td>
<td>1.47%</td>
</tr>
<tr>
<td>Total Use mil bu</td>
<td>13,435</td>
<td>100</td>
<td>0.75%</td>
</tr>
<tr>
<td>Ending stocks mil bu</td>
<td>1,808</td>
<td>7</td>
<td>0.39%</td>
</tr>
<tr>
<td>Stocks to Use ratio percent</td>
<td>13.46%</td>
<td>-0.05%</td>
<td></td>
</tr>
<tr>
<td>Days of use on hand</td>
<td>49.12</td>
<td>(0)</td>
<td></td>
</tr>
</tbody>
</table>

### Price

<table>
<thead>
<tr>
<th>Category</th>
<th>August 2014/2015</th>
<th>Net Change Jul to Aug</th>
<th>% Change Jul to Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethanol as % of Production</td>
<td>36%</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td>Average farm price $/bu</td>
<td>3.55-4.25</td>
<td>3.9</td>
<td>-2.50%</td>
</tr>
</tbody>
</table>
Corn

December Corn Futures and 2014 Marketing Plan

South American crop conditions

Planting Intentions

Grain Stocks

Crop conditions

Weather outlook

Acreage Report/

Grain Stocks

Weather

Tassel and

August Crop

Report

Cash sales at

harvest

Mar 13 Sold 20% at 484
May 13 Sold 20% at 495
Jul 1 Sold 20% at 422
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