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# Teagasc National Tillage Forum 2015

## Grain Market Review & Outlook

09-Sep-2015

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R&H Hall



- 
- Supply
  - Demand
  - Economies/Politics
  - Forward Selling
  - Planting Prospects for 2015/16
  - Conclusion

# Drivers of Current Price Range

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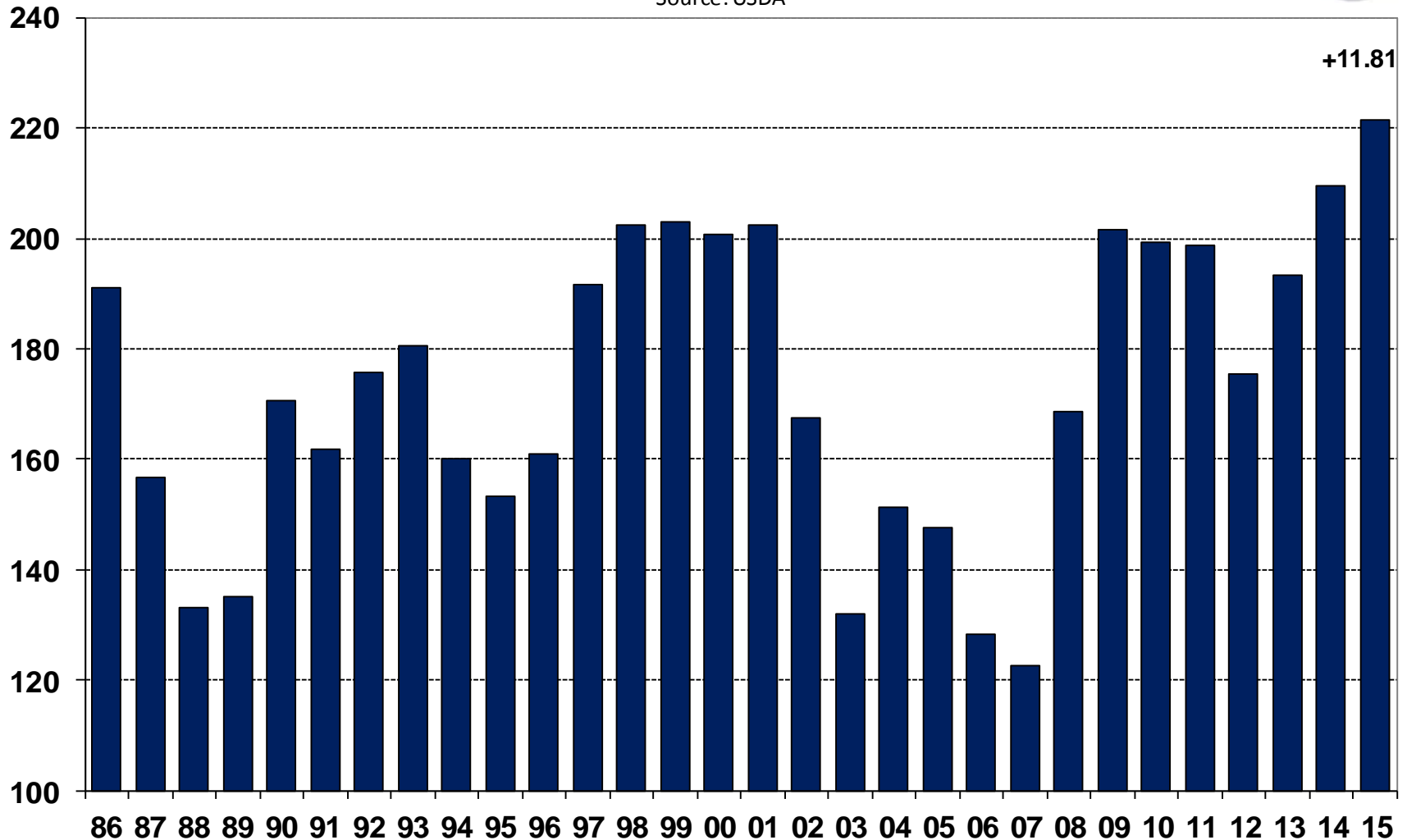
- **Supply**

- Stocks continue to grow
- Consecutive years of large crops, in exporting regions.
  - Record Global Wheat Production
  - Third largest Global Corn crop on record.
- Emerging exporters
  - Ukraine
  - Brazil

# Stocks Continue To Grow

## World Wheat Carryout (mmt)

Source: USDA

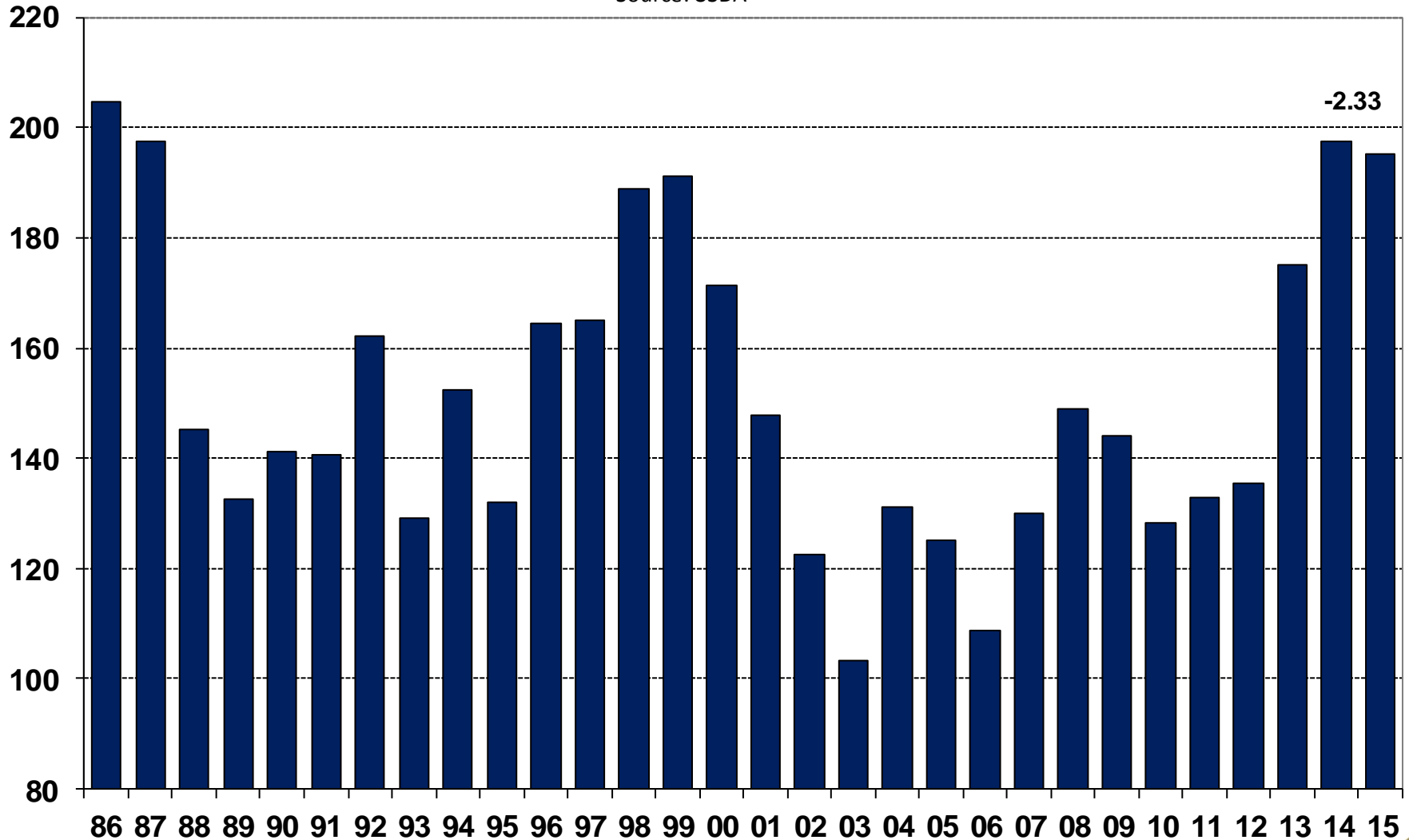


# Stocks Continue To Grow



## World Corn Carryout (mmt)

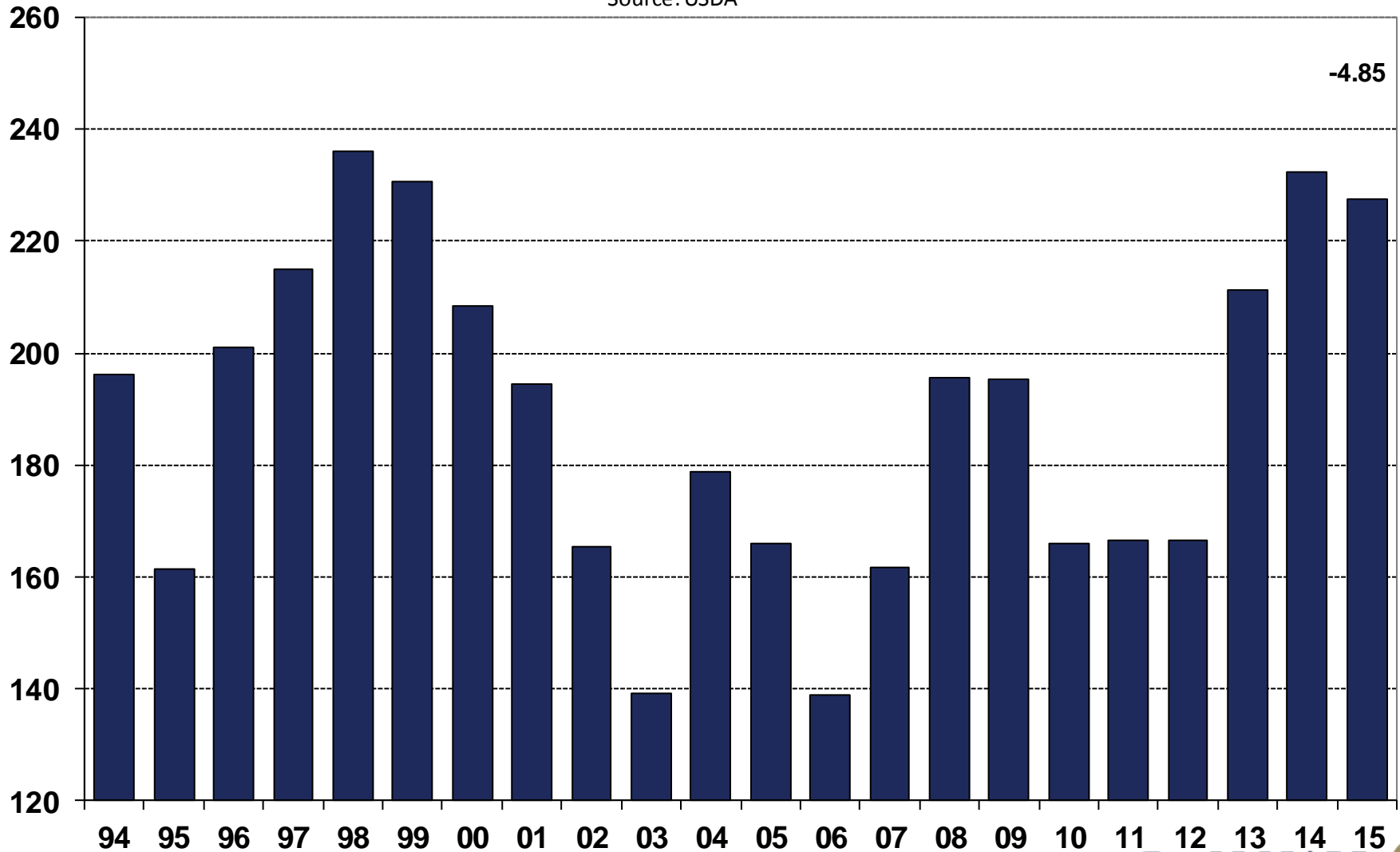
Source: USDA



# Stocks Continue To Grow

## World Coarse Grains Carryout (mmt)

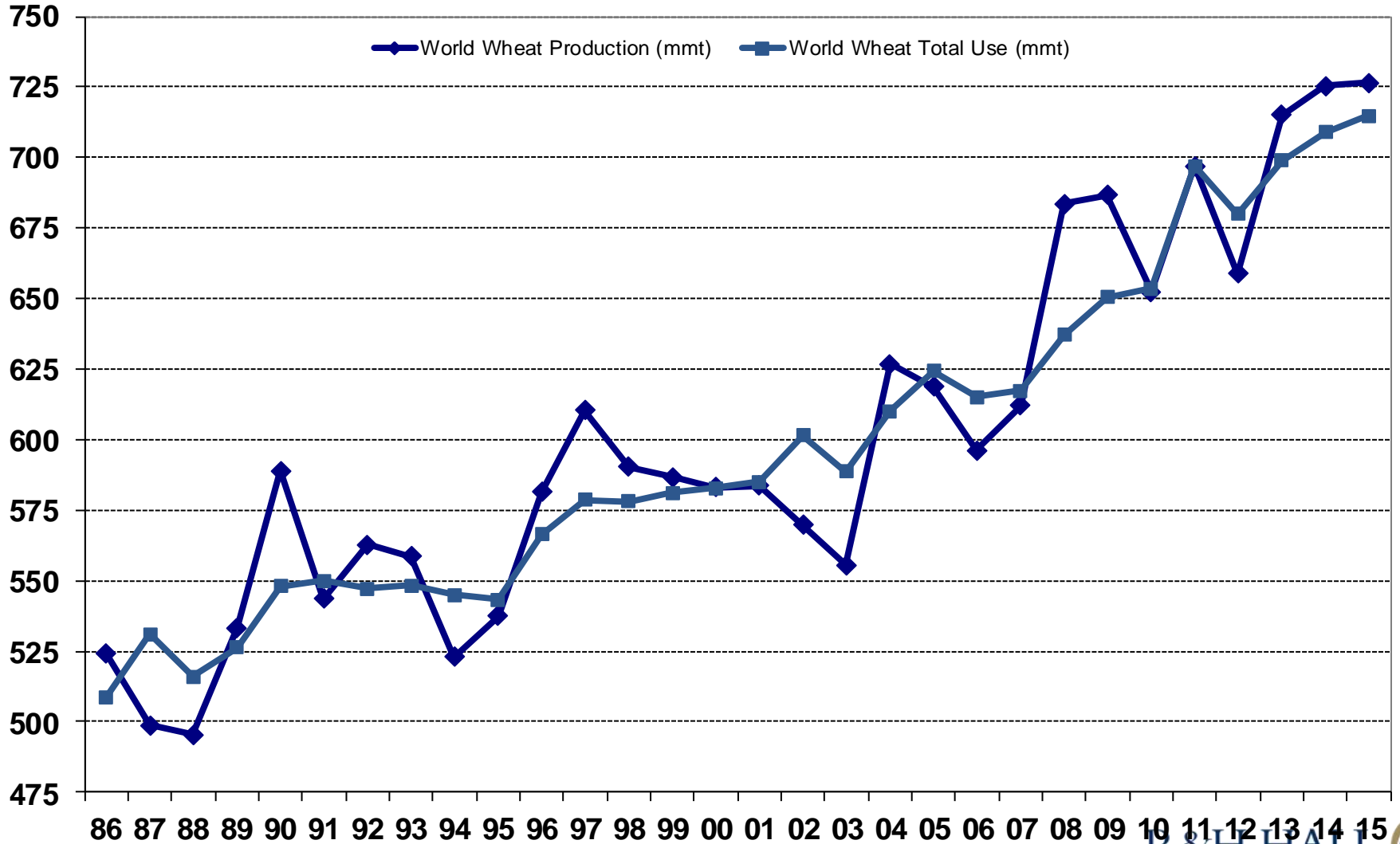
Source: USDA



# Record Wheat Production

## World Wheat (mmt)

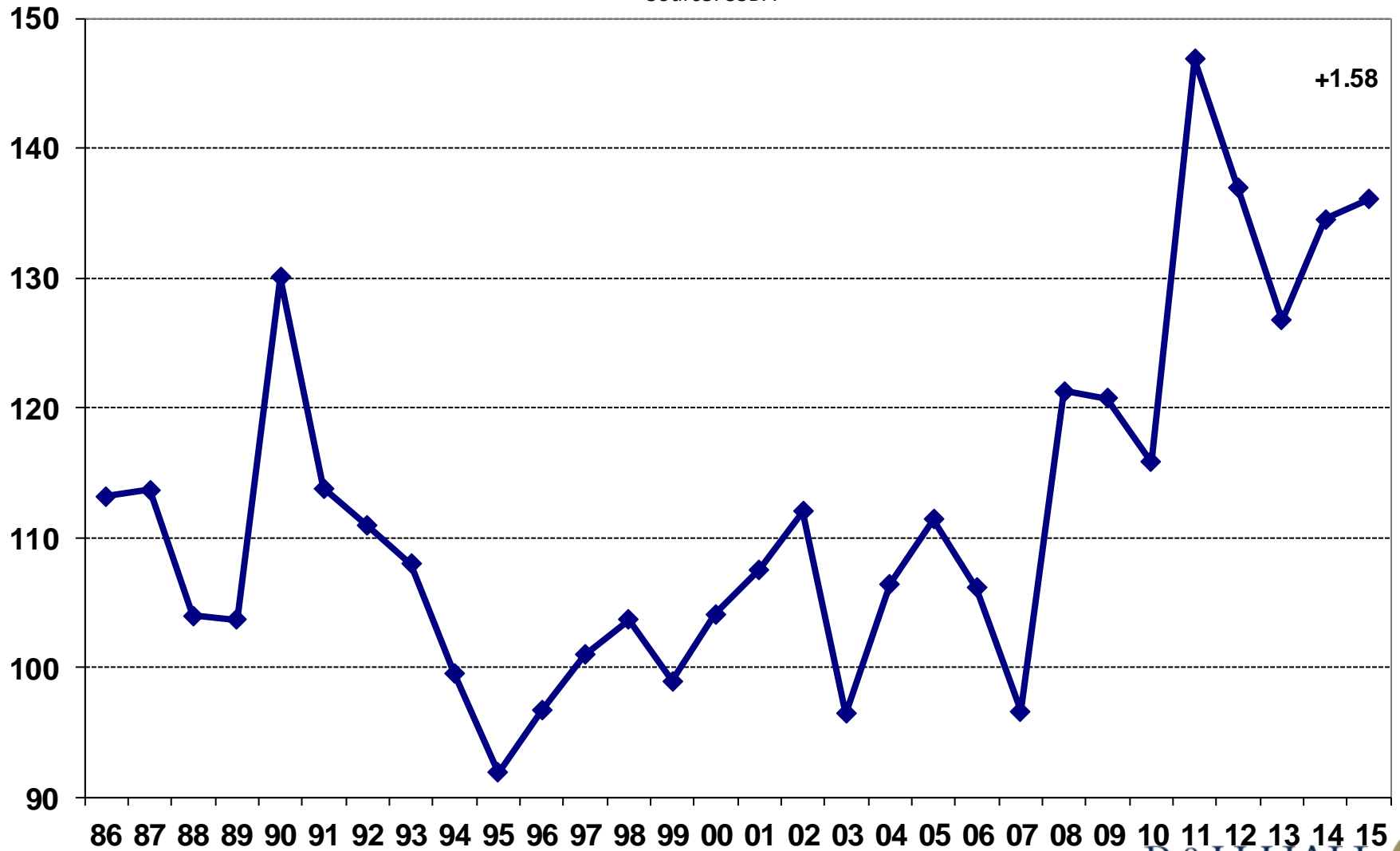
Source: USDA



# 75% of wheat goes for food use

## World Wheat Feed Use (mmt)

Source: USDA

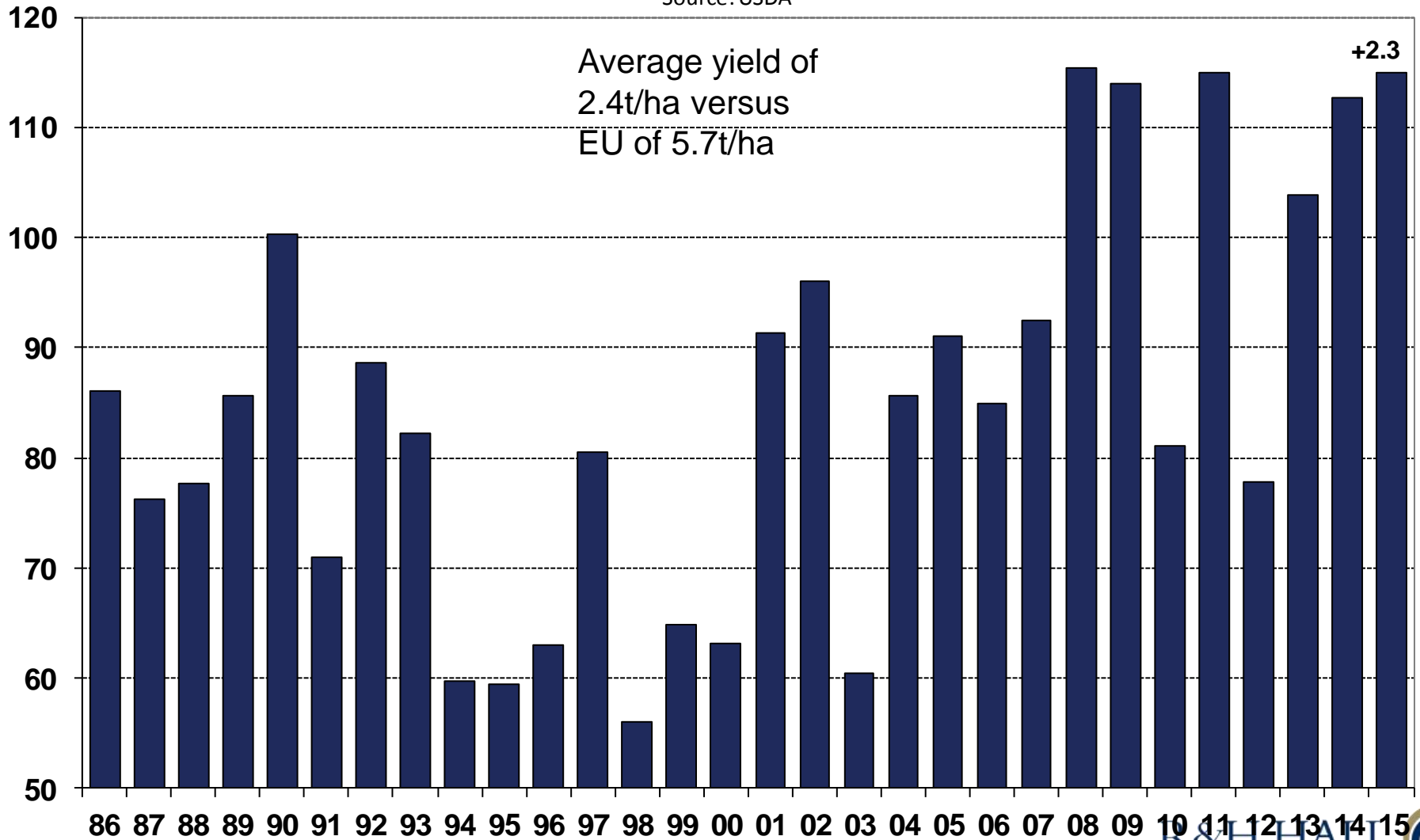




# Dominance of Black Sea

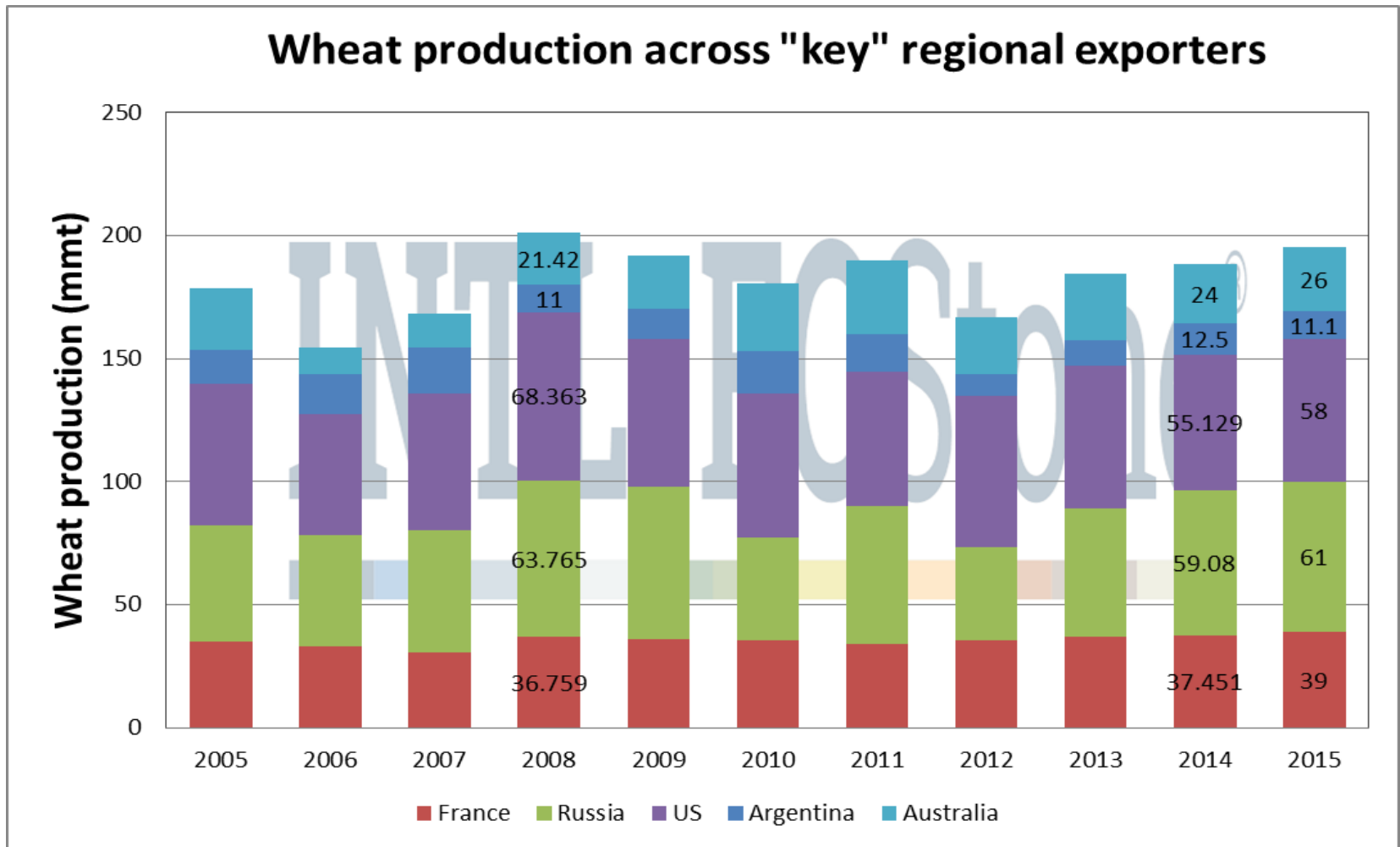
## FSU-12 Wheat Production (mmt)

Source: USDA



# Consecutive Large Crops in Exporting Regions

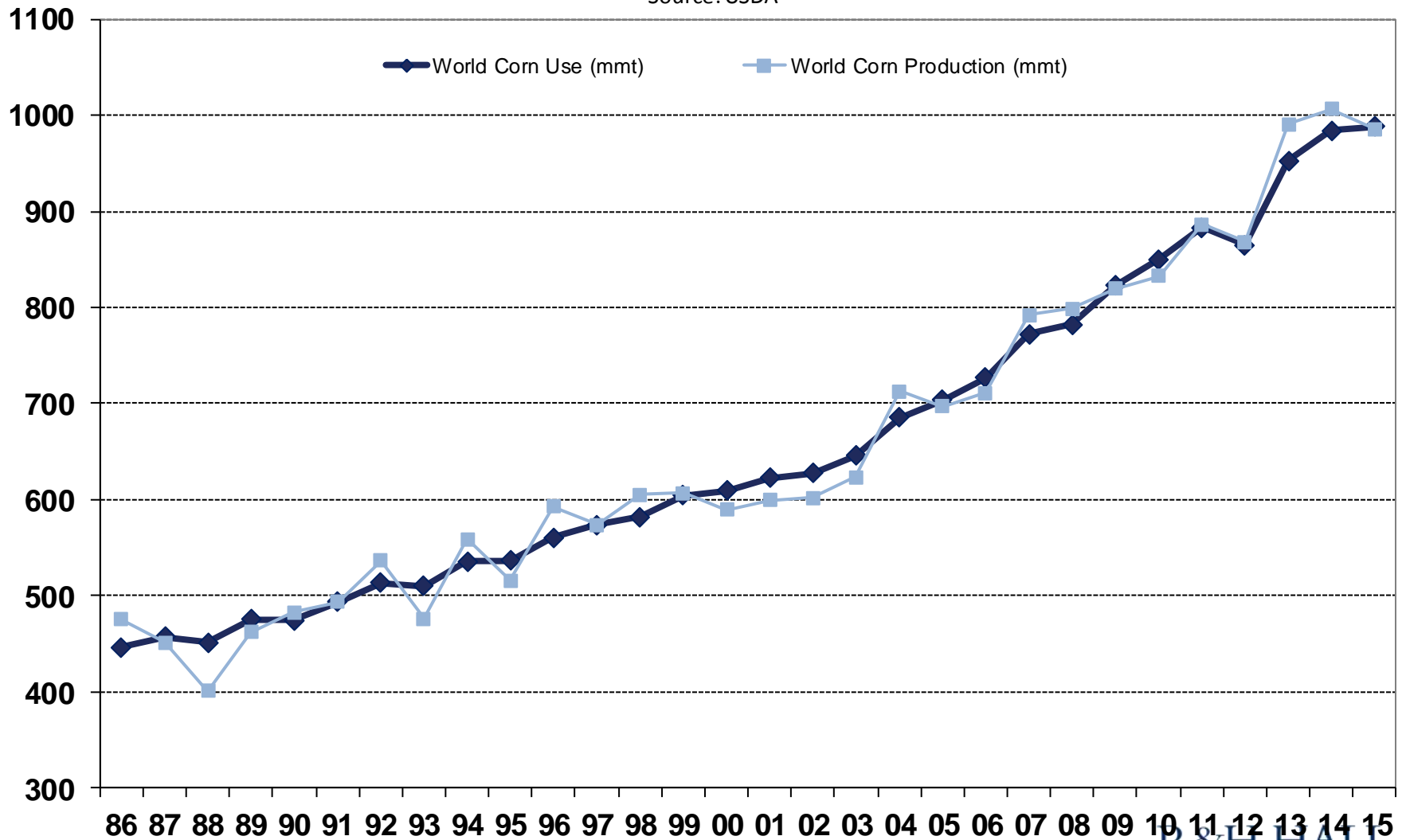
## 1: Successive successful global wheat harvests



# Third Largest Crop on Record

## World Corn (mmt)

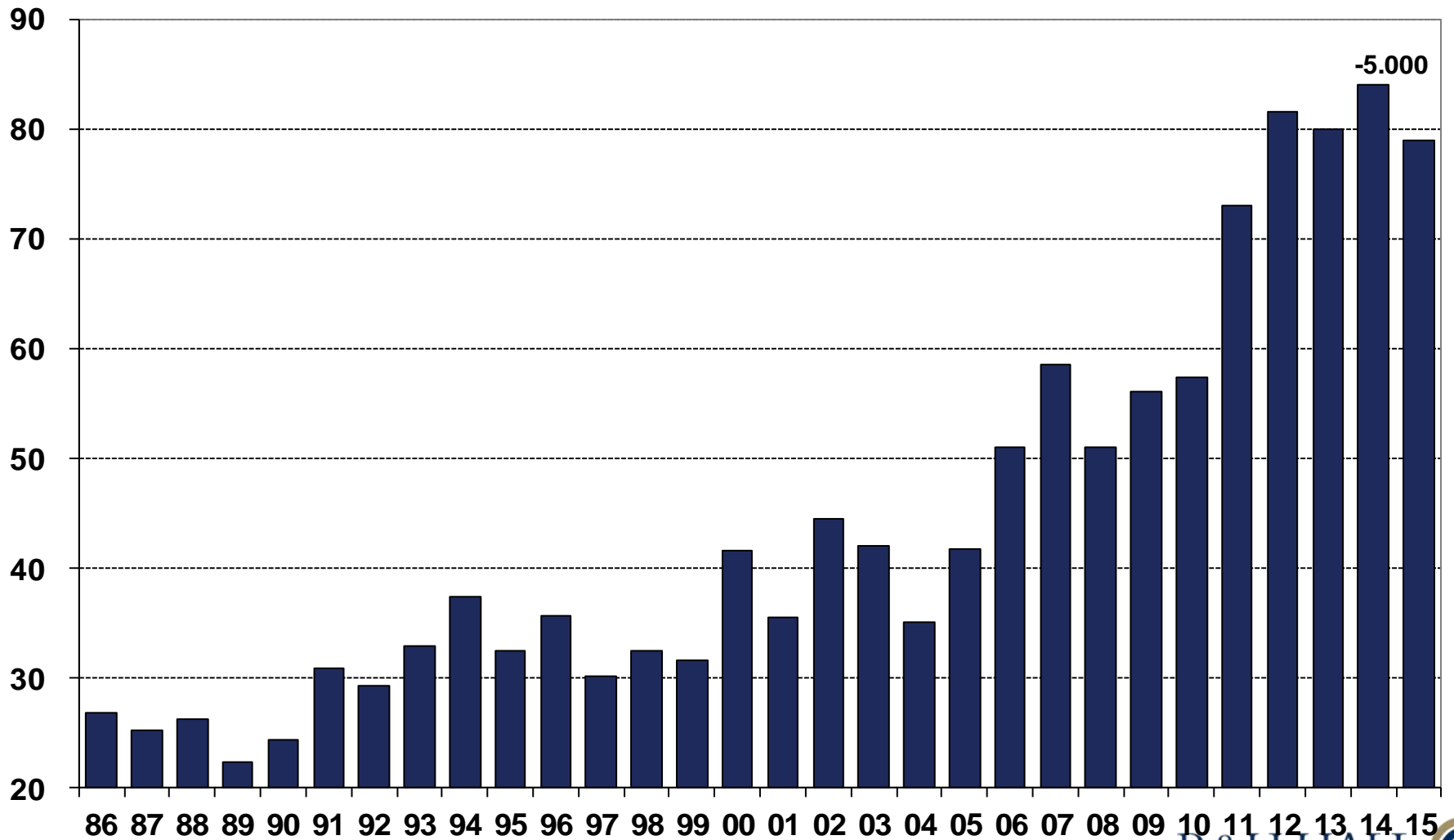
Source: USDA



# Emerging Exporters

## Brazil Corn Production (mmt)

Source: USDA

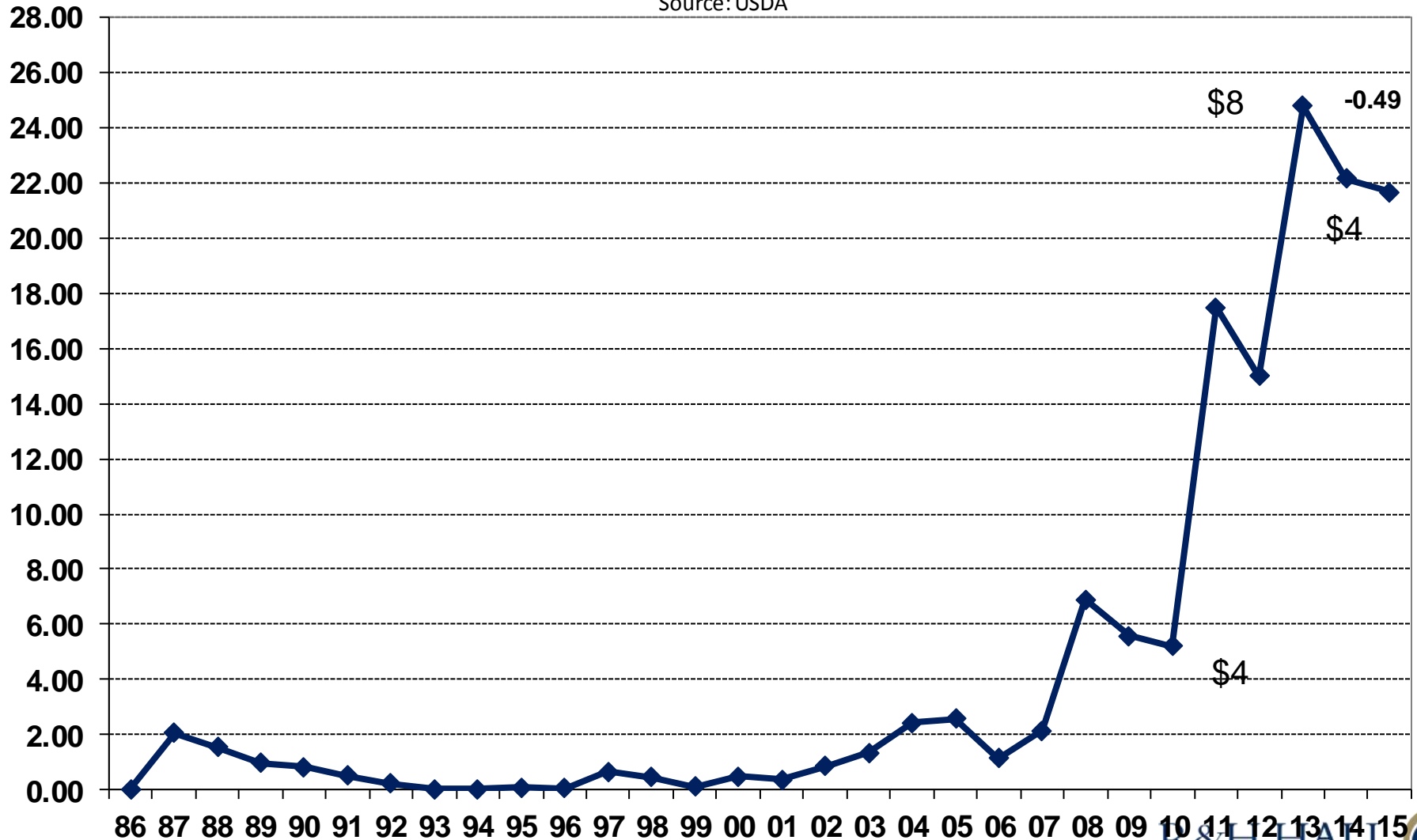


# Emerging Exporters



## FSU-12 Corn Exports (mmt)

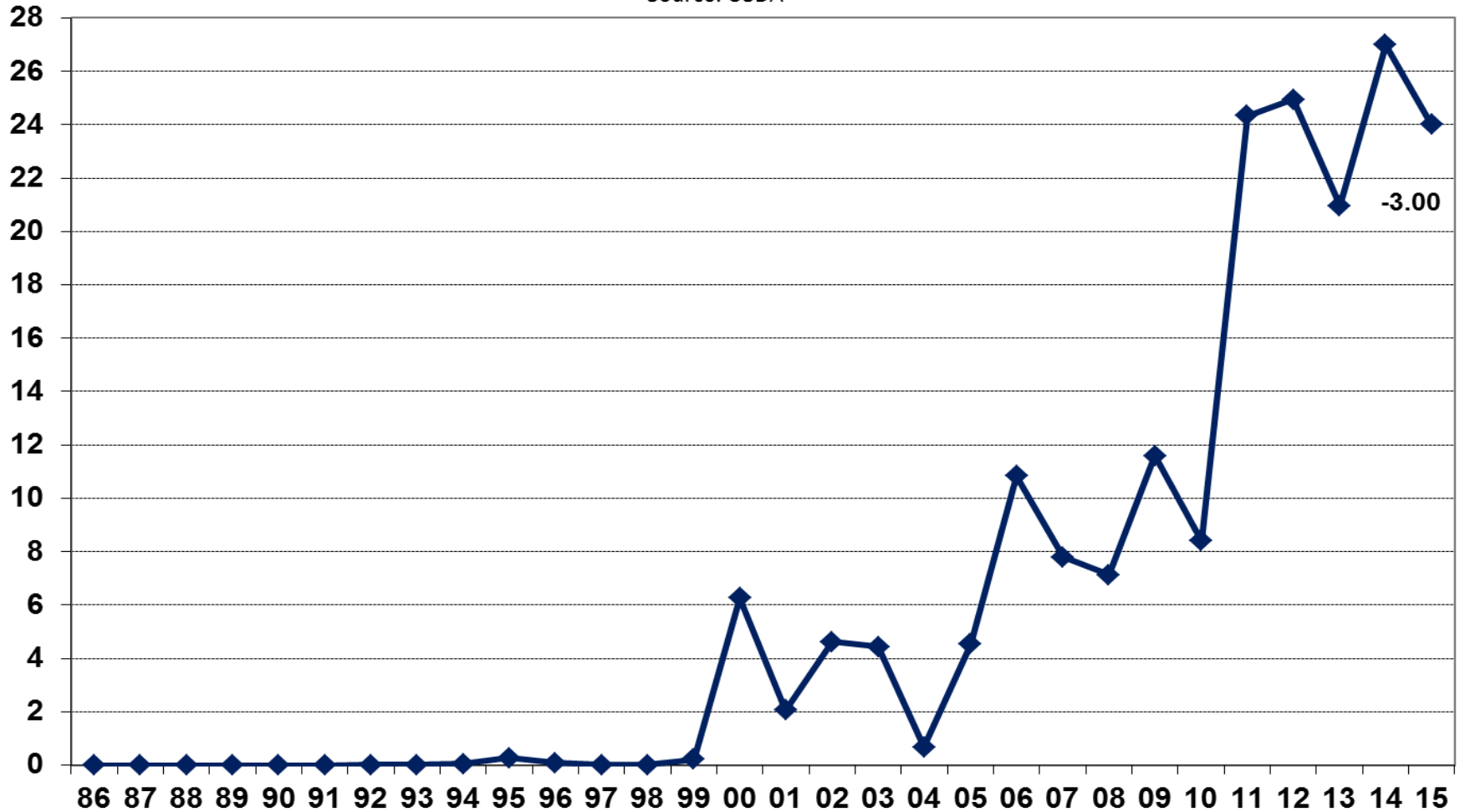
Source: USDA



# Emerging Exporters

## Brazil Corn Exports (mmt)

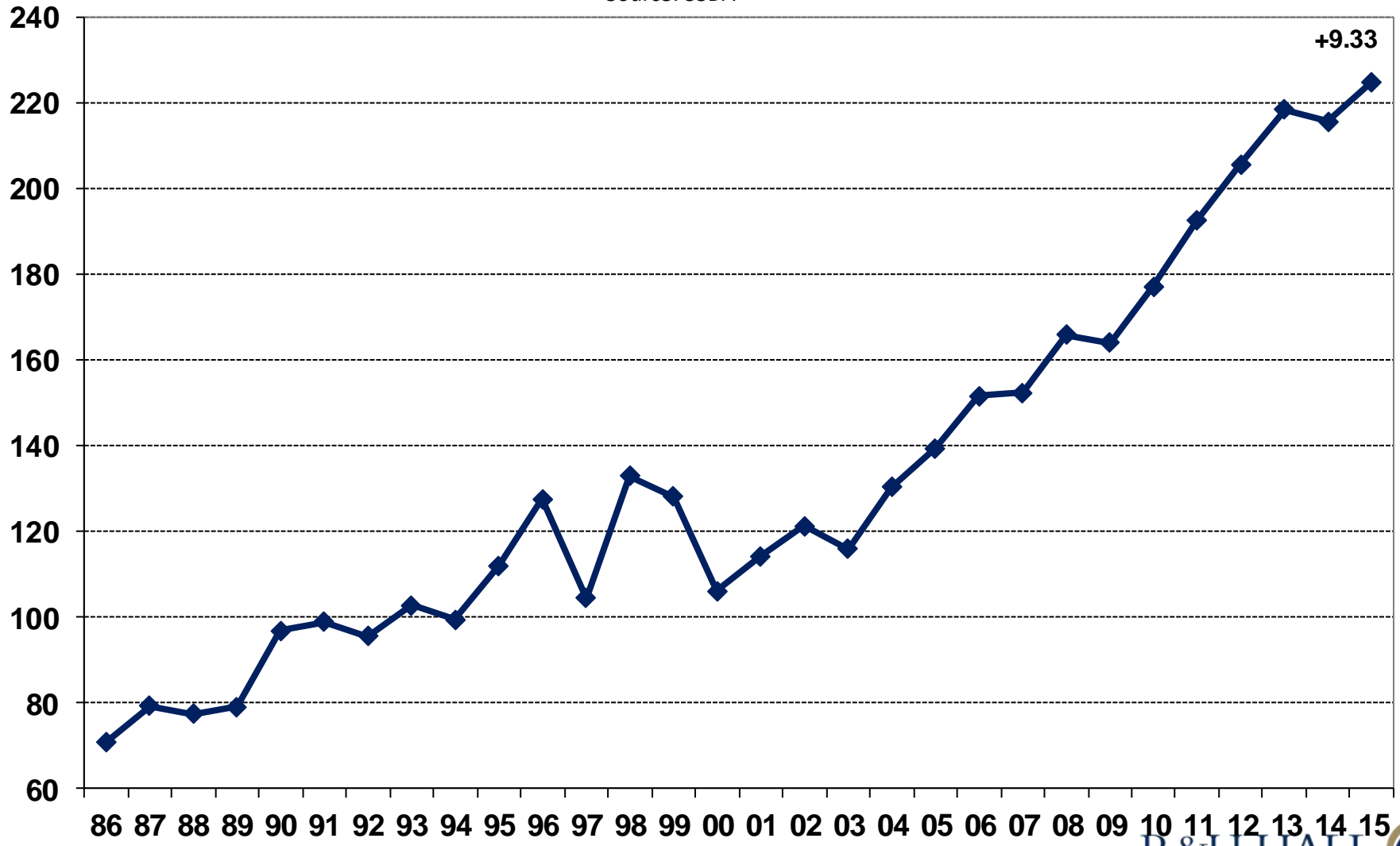
Source: USDA



# Record Chinese Production

## China Corn Production (mmt)

Source: USDA



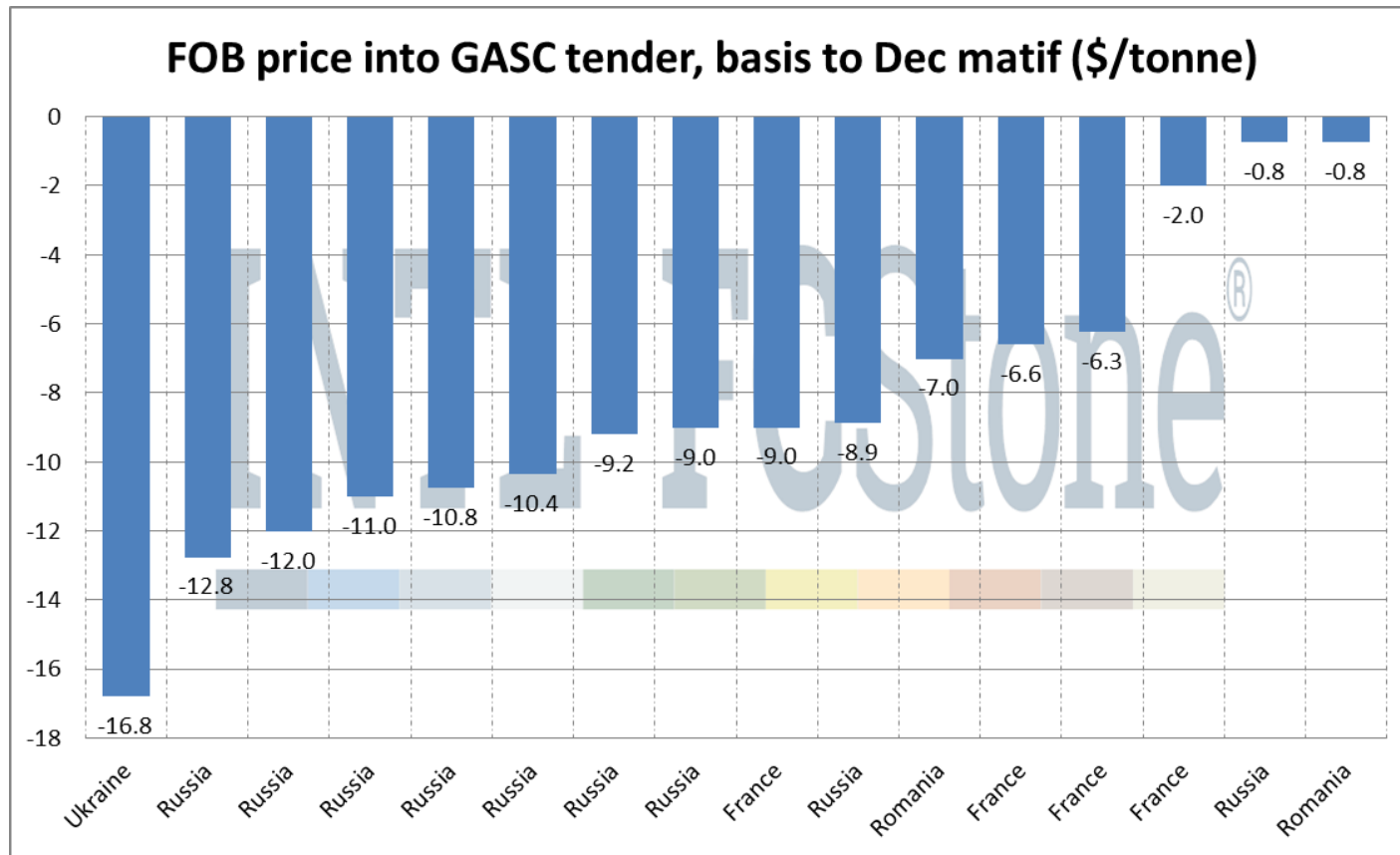
# Drivers of Current Price Range

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- **Demand**
- **We are in a Feed Grain Market Looking for Demand rather than Supply**
  - Ethanol
  - Dietary change



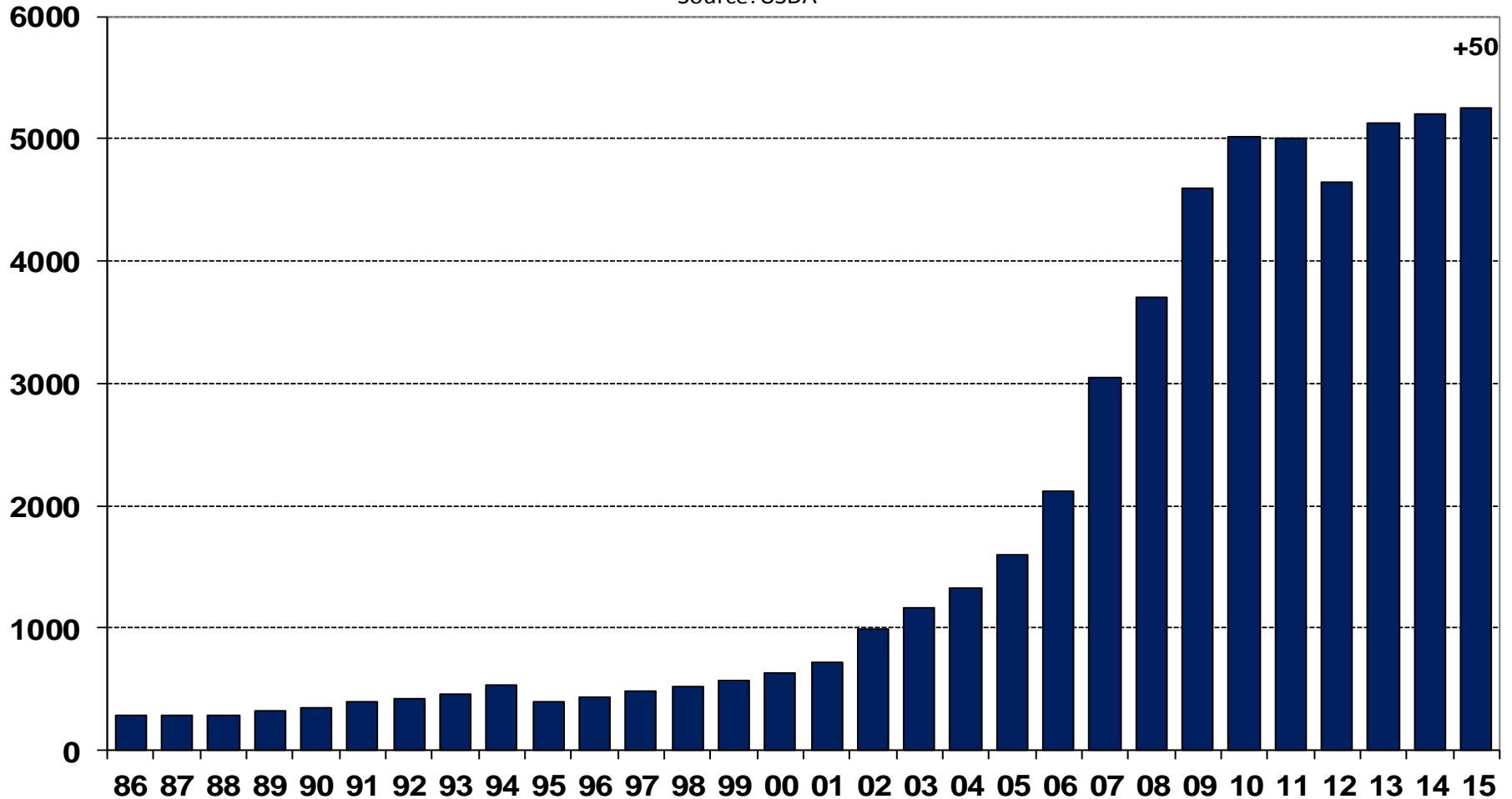
A bearish wheat market: In the most recent Egyptian tender over **1mmt of wheat was offered** and **2 cargoes were bought!** Russia/Black sea origins most aggressive



# Demand Drivers

## US Corn Use for Ethanol (million bushel)

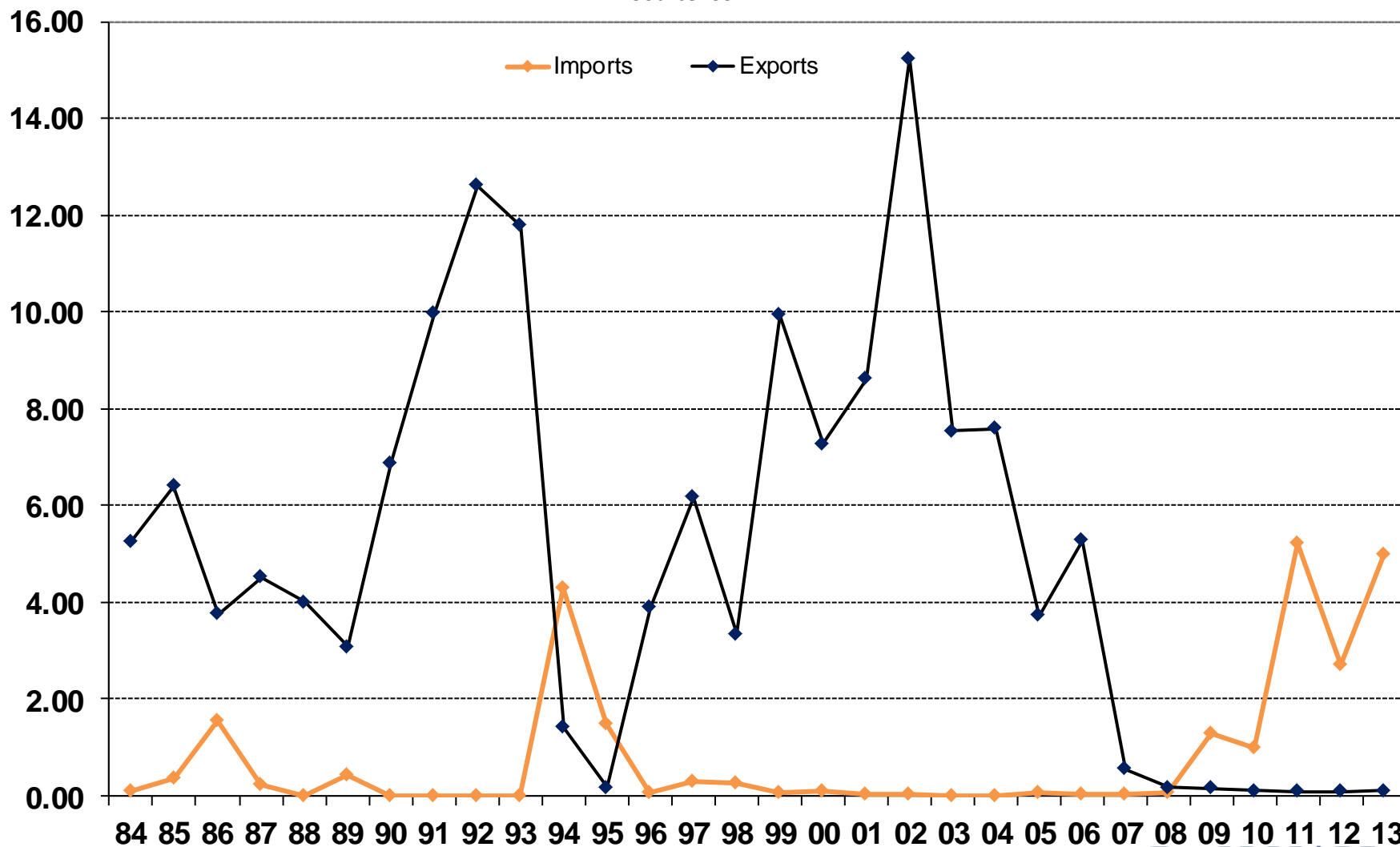
Source: USDA



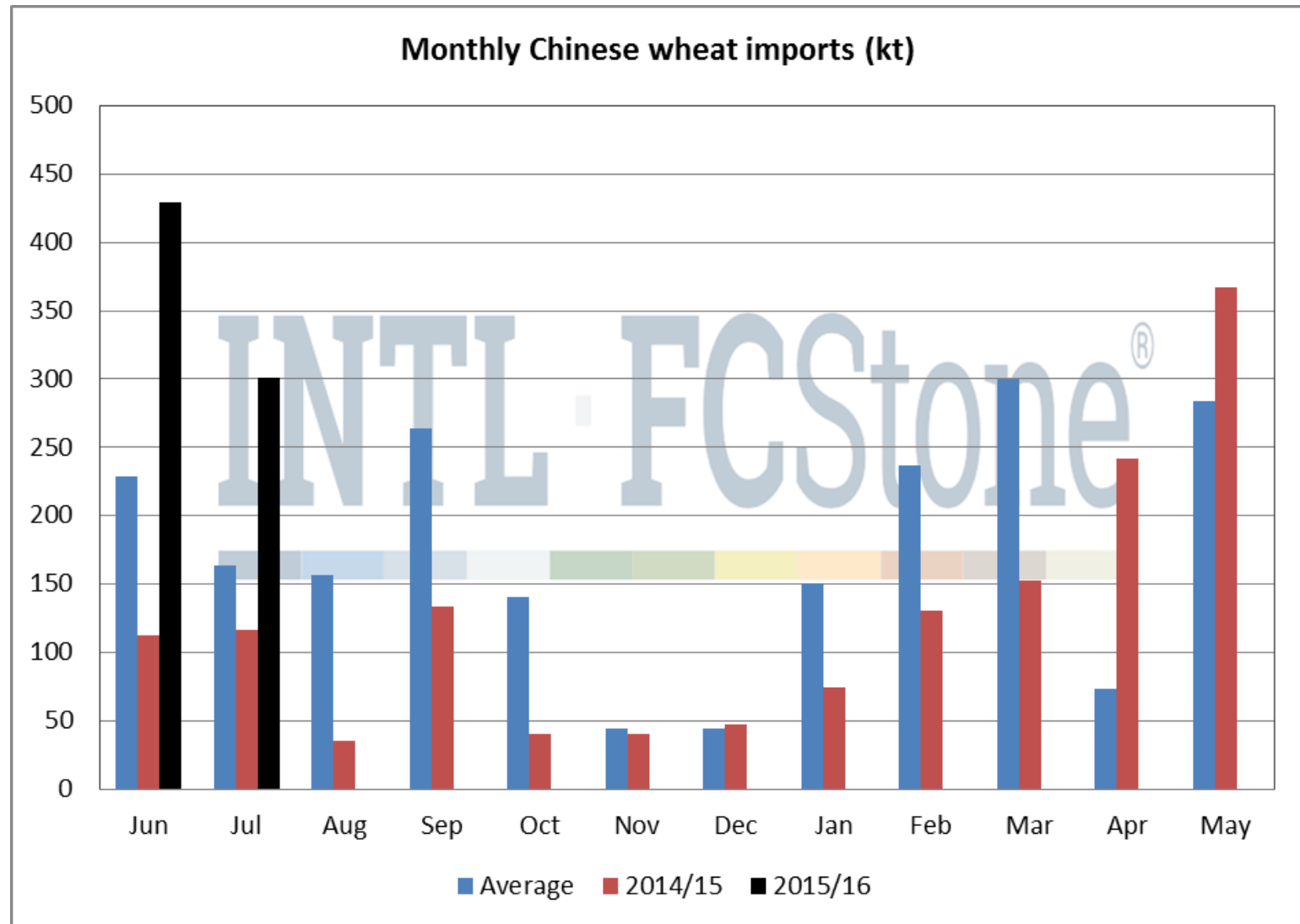
# Demand Drivers

## China Corn Imports-Exports (mmt)

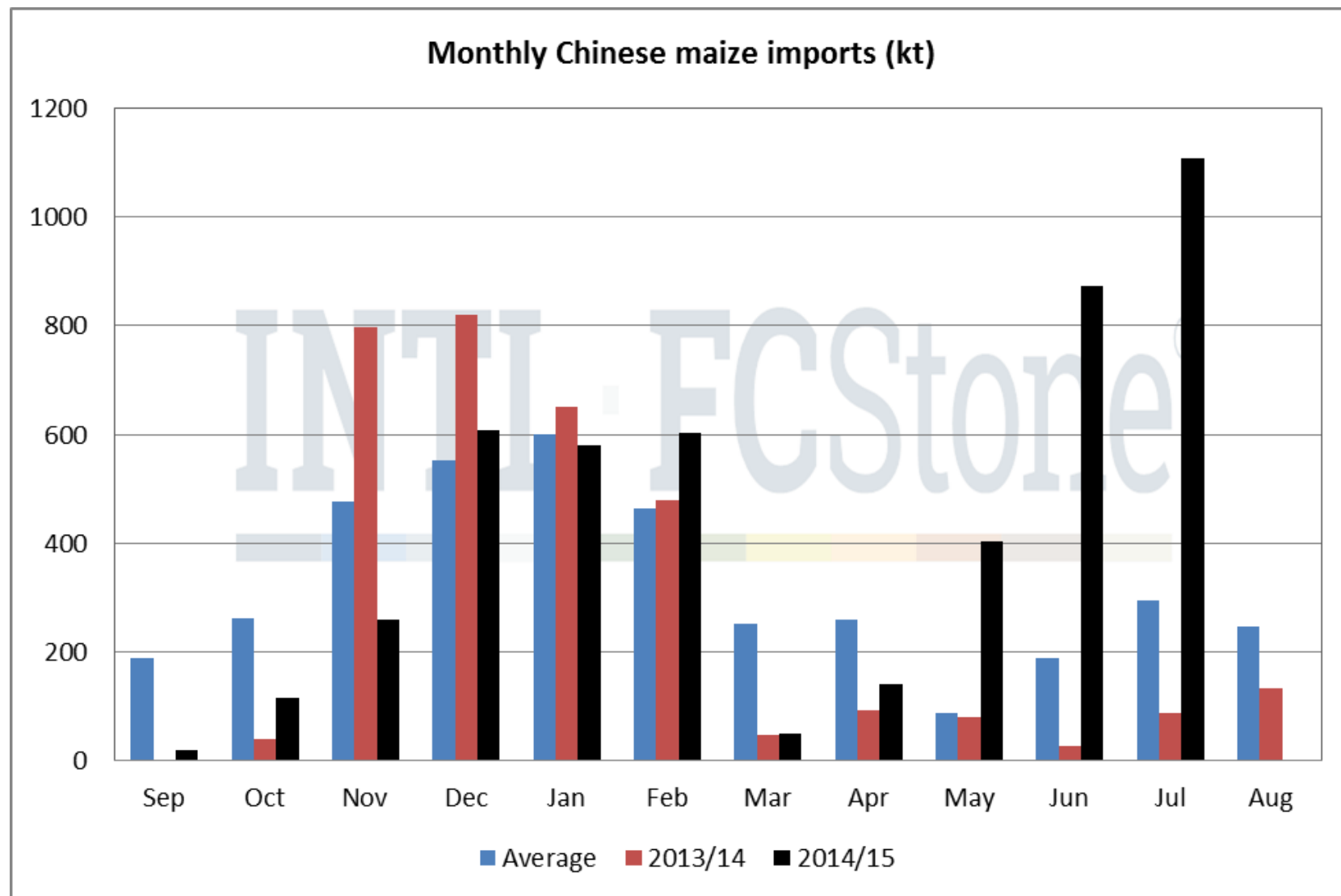
Source: USDA



# Demand Drivers- wheat imports strong in July



# and maize imports were over 1mmt.....



# Drivers of Current Price Range

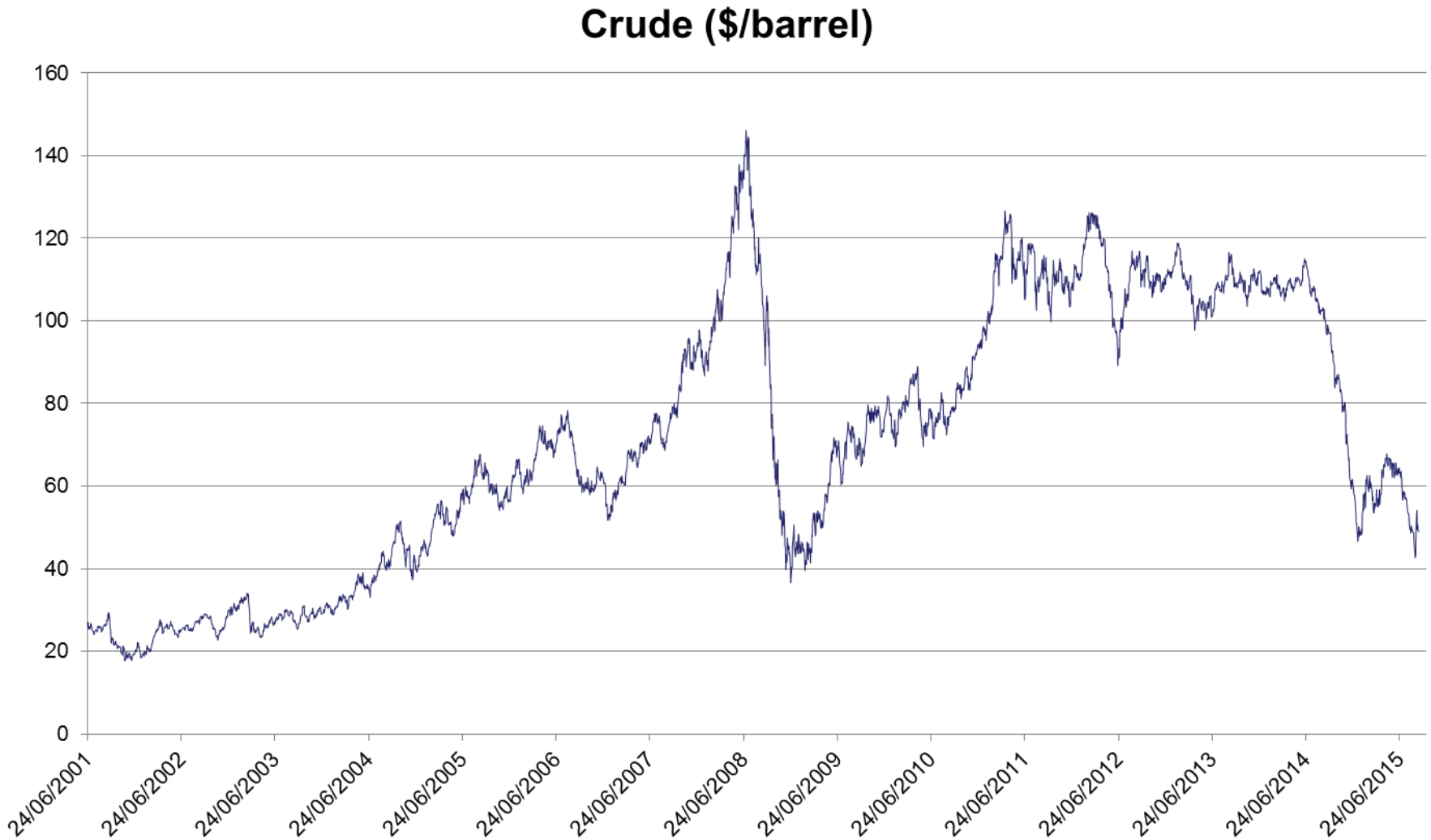
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- **Economies/Politics**
  - Slowing Asian Economy
  - Energy
  - Funds
  - Currency

# With recent share price collapse and slowing growth how sustainable is this demand?

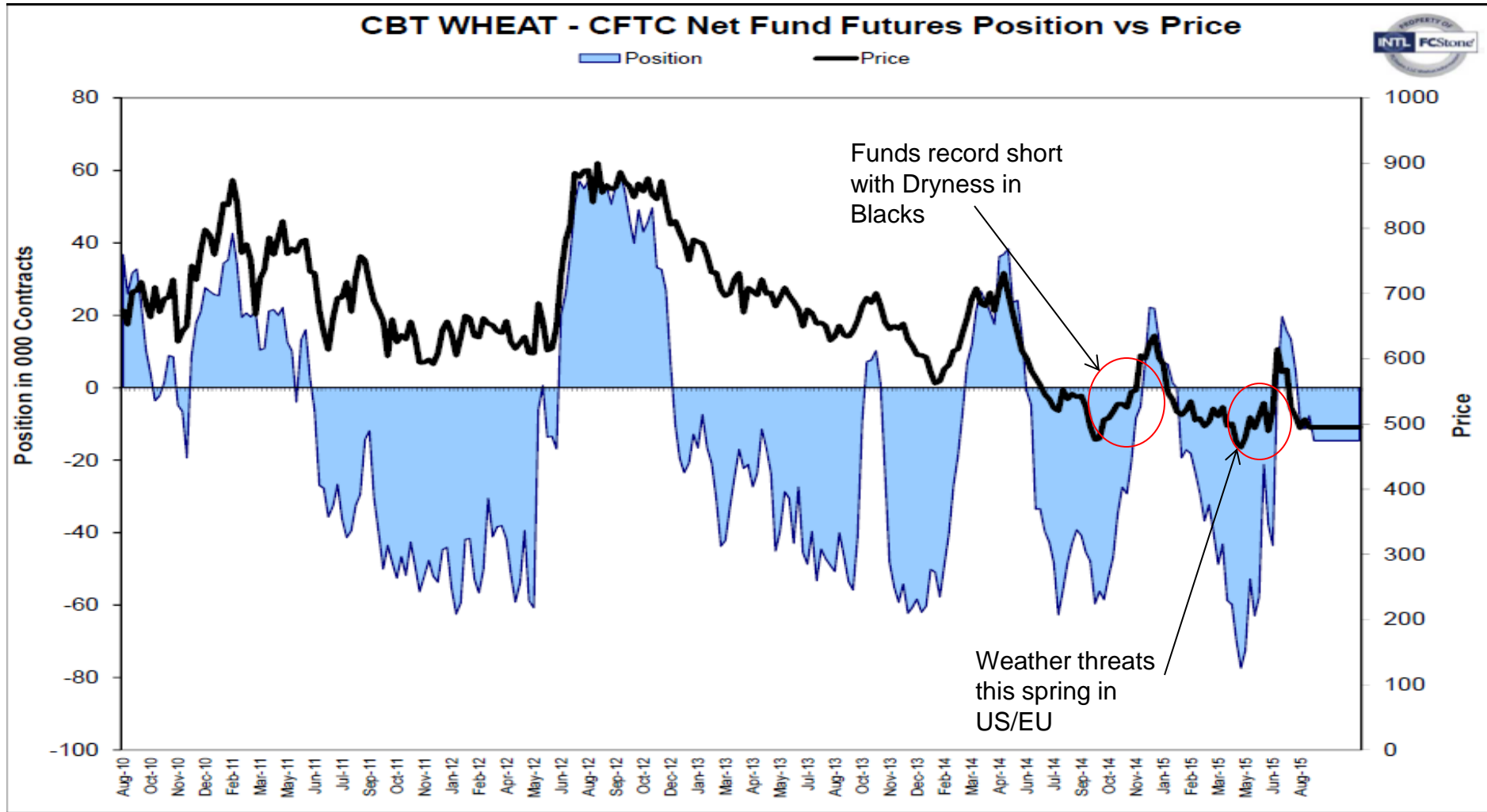


# Oil Prices back to 2009 levels

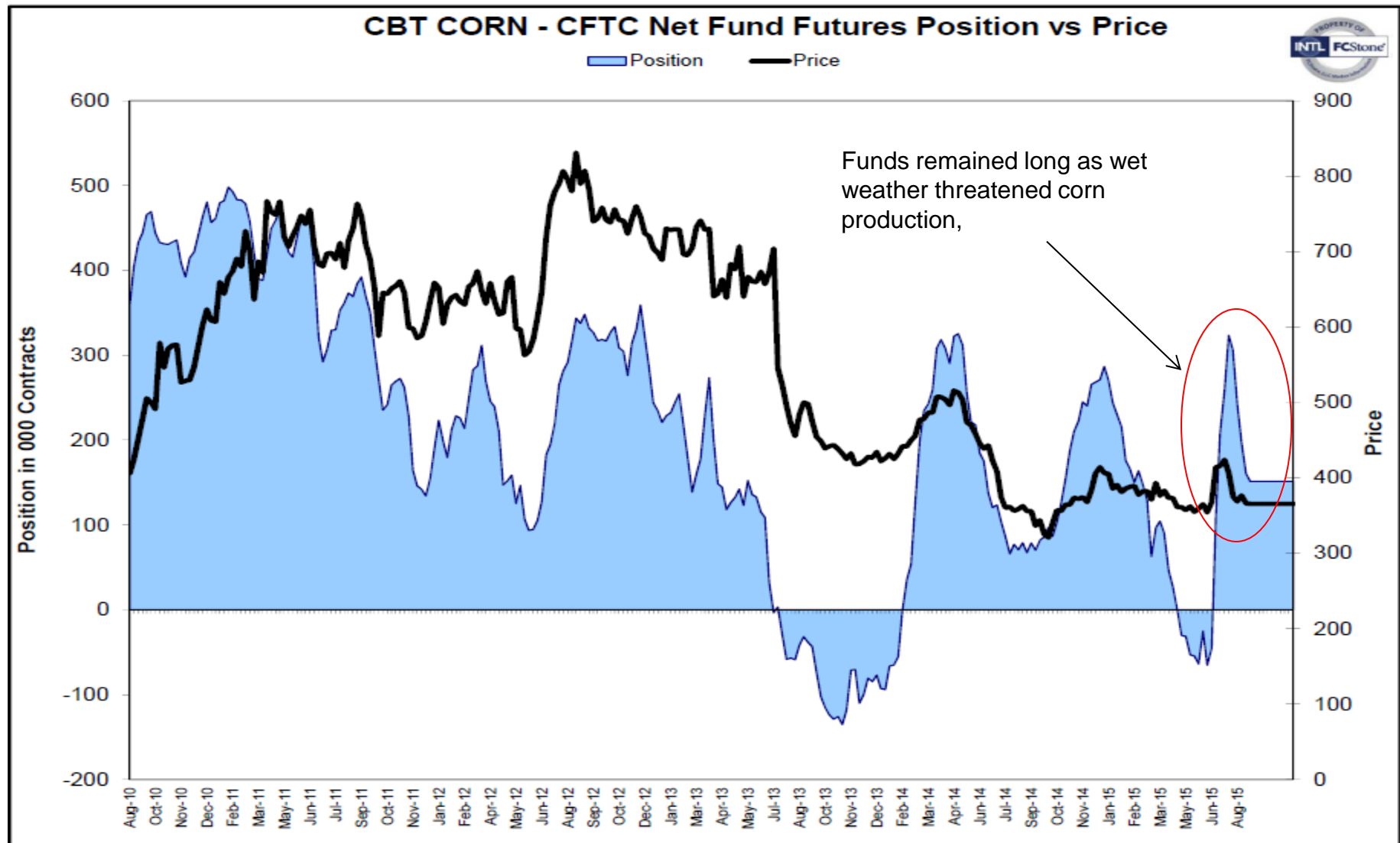




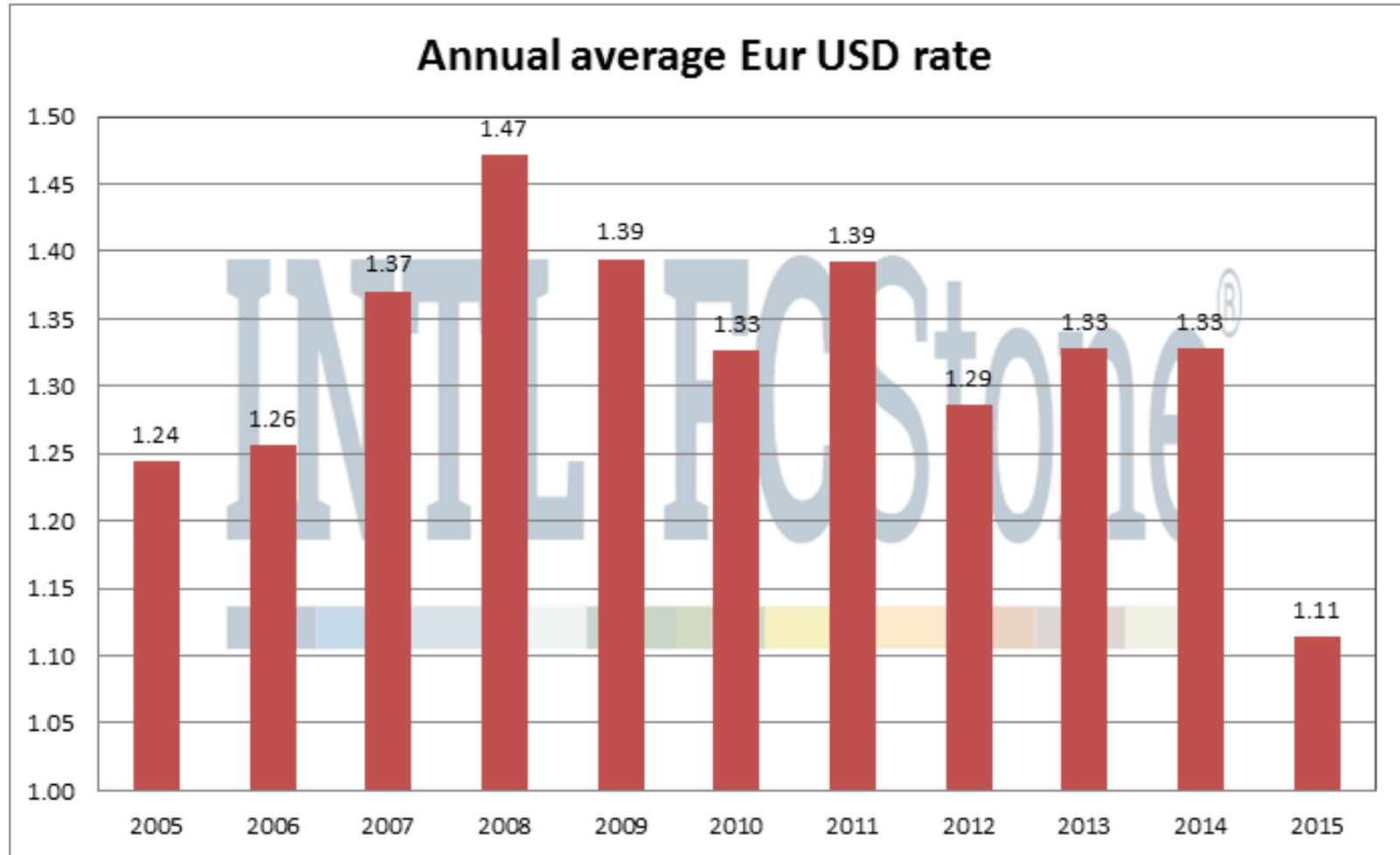
# Funds remain extremely on-edge regarding global demand outlook



# And funds remain extremely on-edge regarding global demand outlook



# Currency – Why are we not at €150

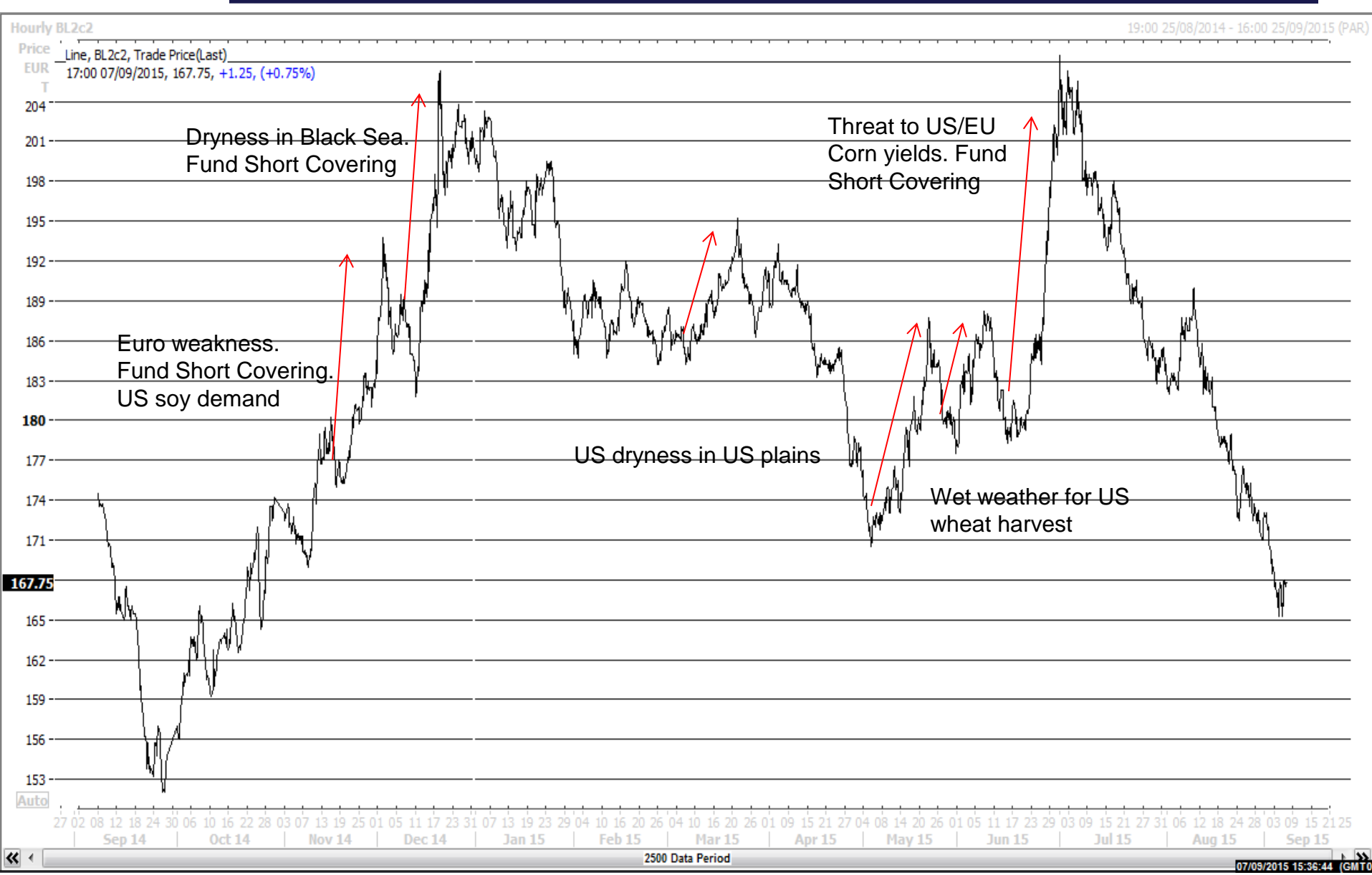


# Forward Selling - Making a Selling Decision

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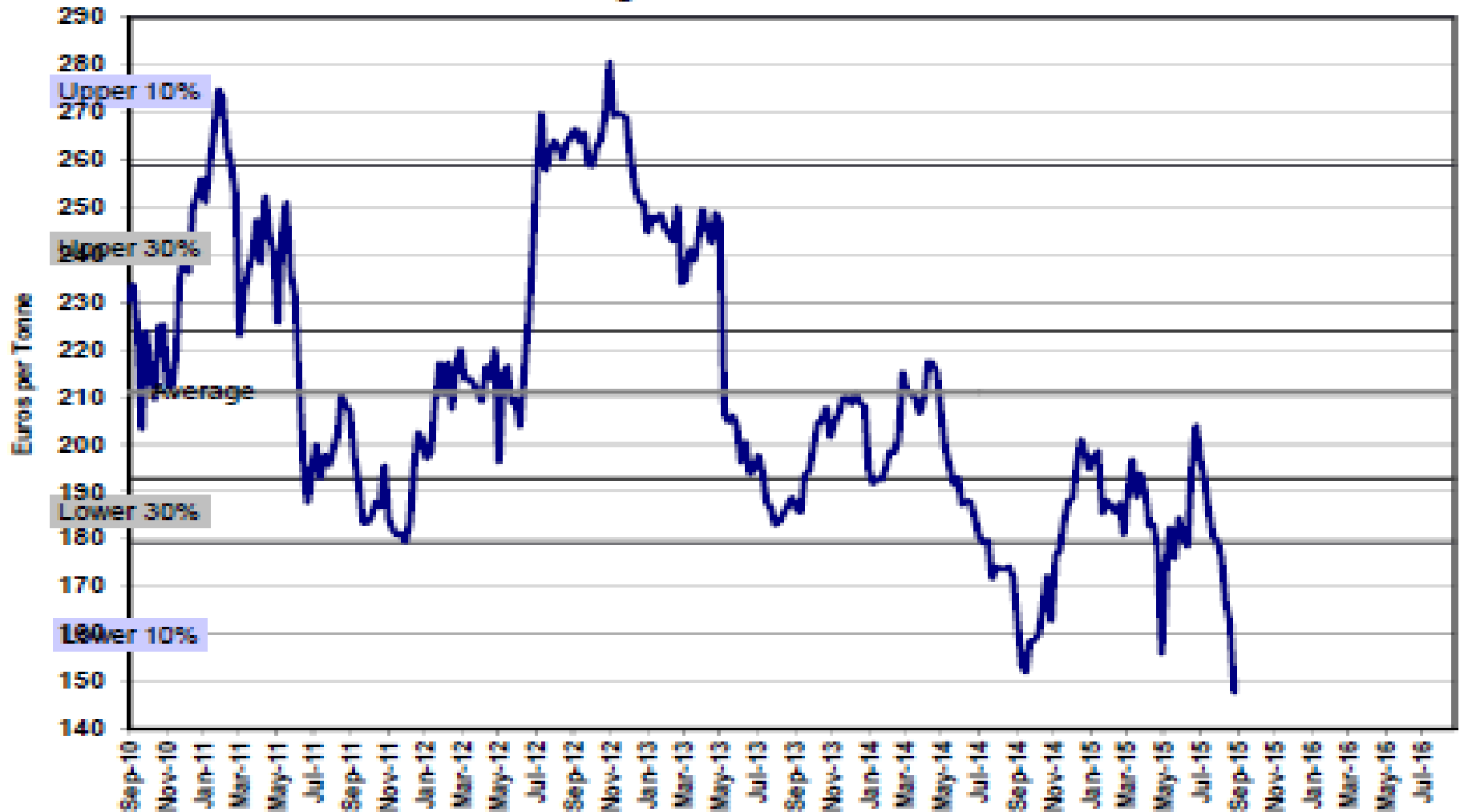
- Have a marketing plan
- Know your cost of production
- Set a price that you are willing to sell at
- Avoid target prices (as 75% of population will be using them).
- Recognise your business, cash flow requirement and storage constraints.
- Recognise the market drivers.
- Utilise all the information that is available to you.
- Once sold, Live with your decision!

# Forward Selling – Market gives Opportunities. Matif Wheat (€)

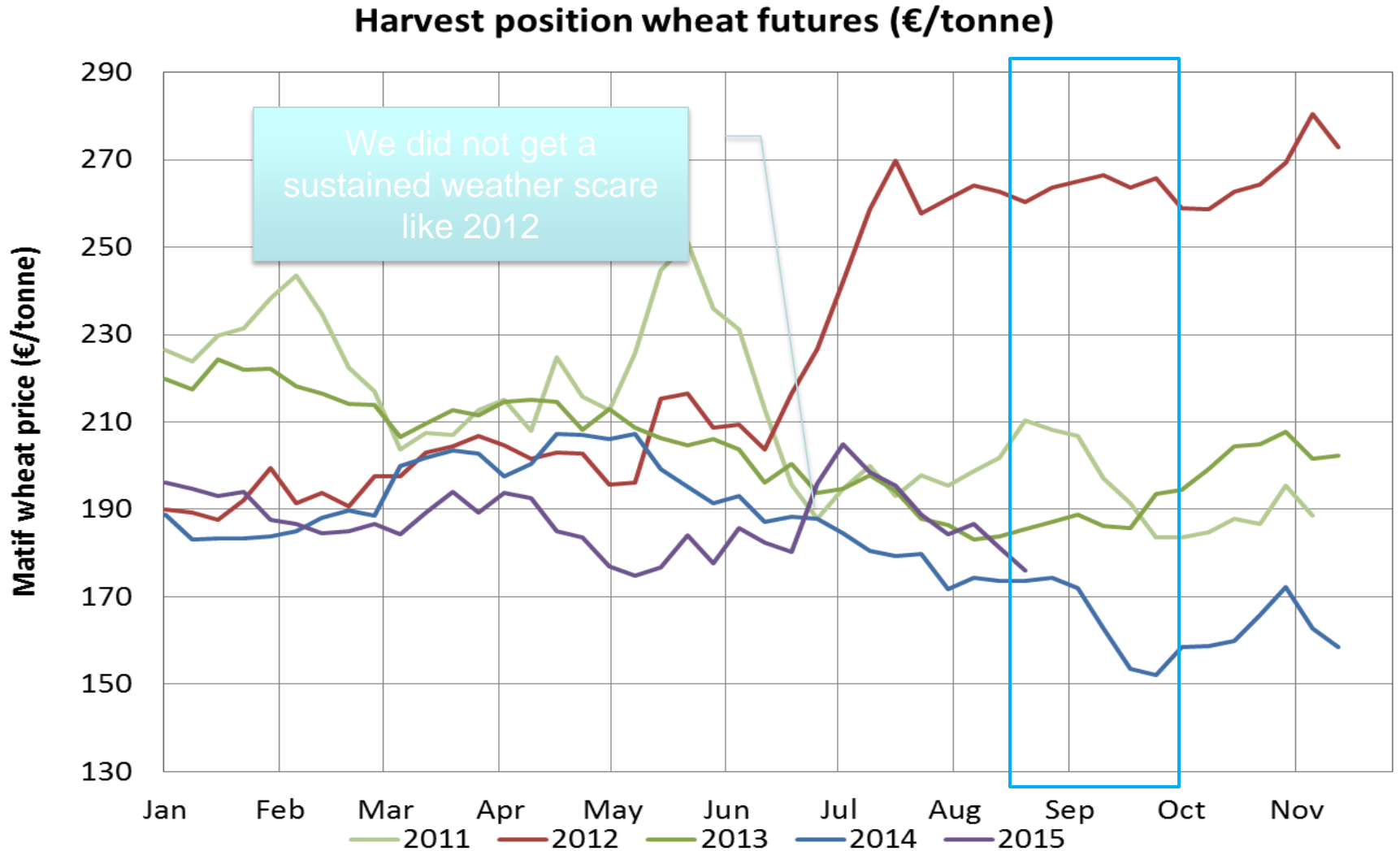


# Seasonal Price Chart

Paris Milling Wheat Prices the Last 5 Years



# Seasonal Price – Matif Wheat



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- Planting Prospects for 2016.
    - Will the farmer Plant?



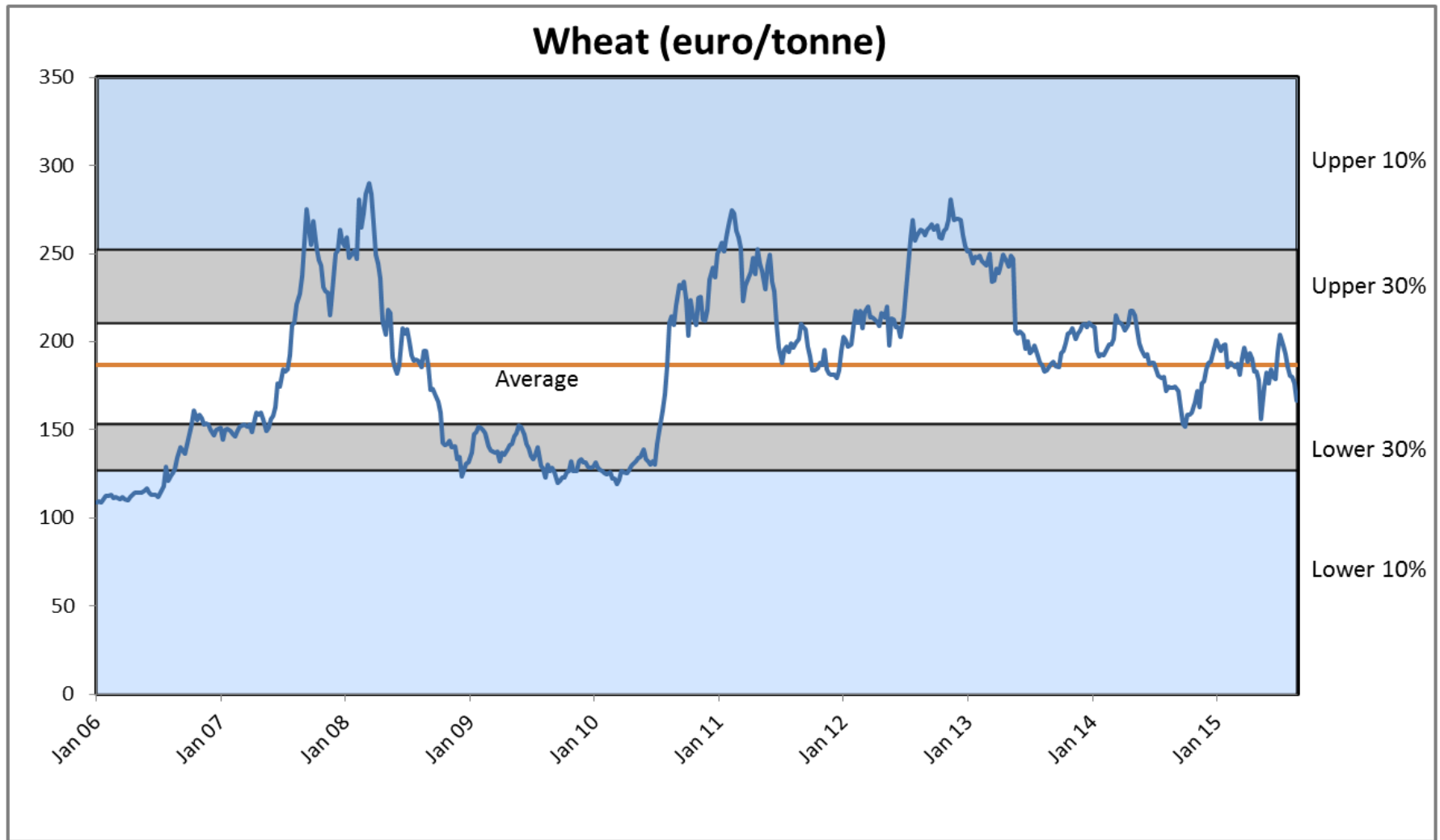
# Weakest economies to be engines of supply growth:

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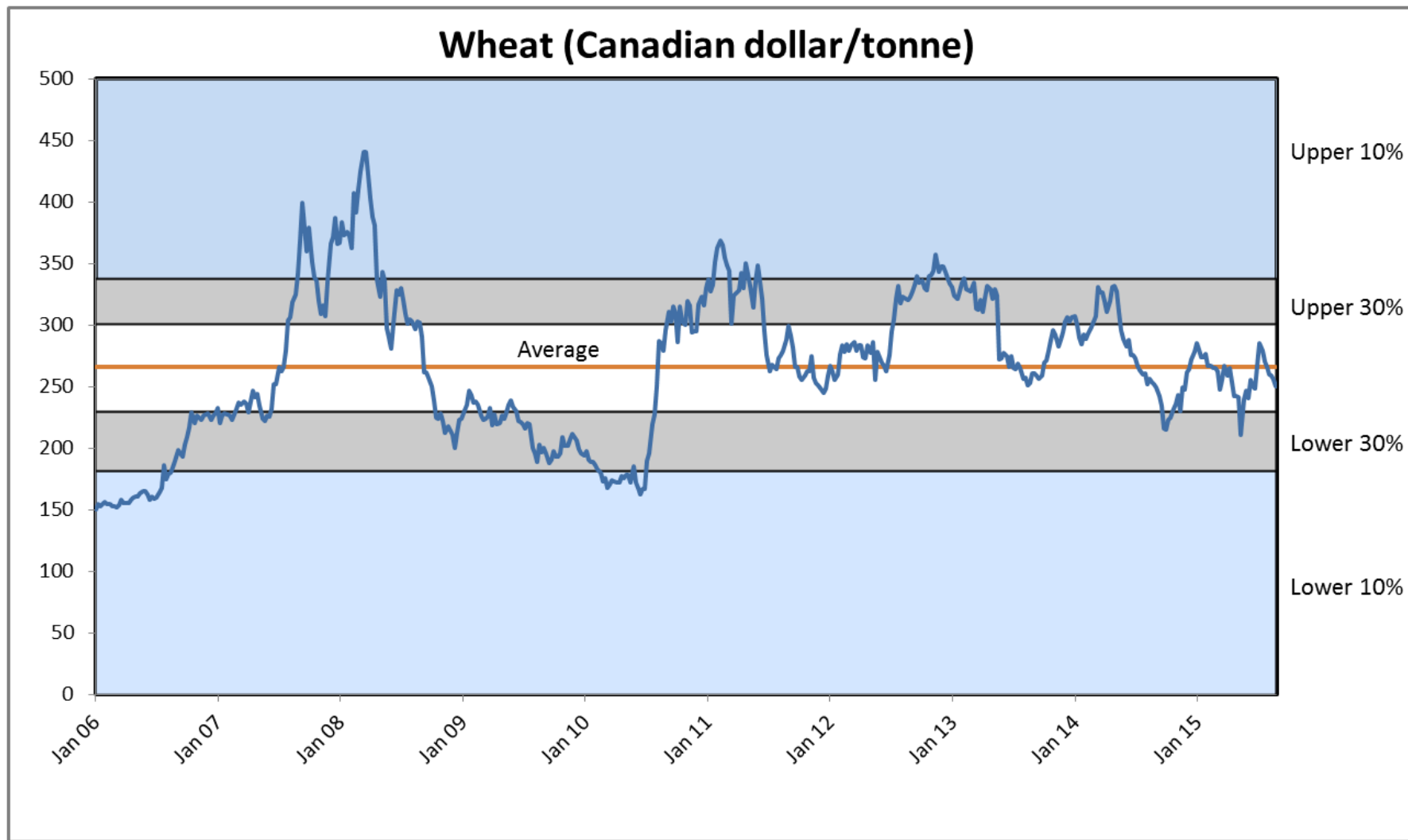
There are three growers in the world today due to extreme currency values:

1. The grower with cheap inputs receiving low prices (US)
2. The grower with average costs and average prices (EU, Canada) prices
3. The grower with high input costs and high prices (Ukraine, Russia, Brazil, Argentina)

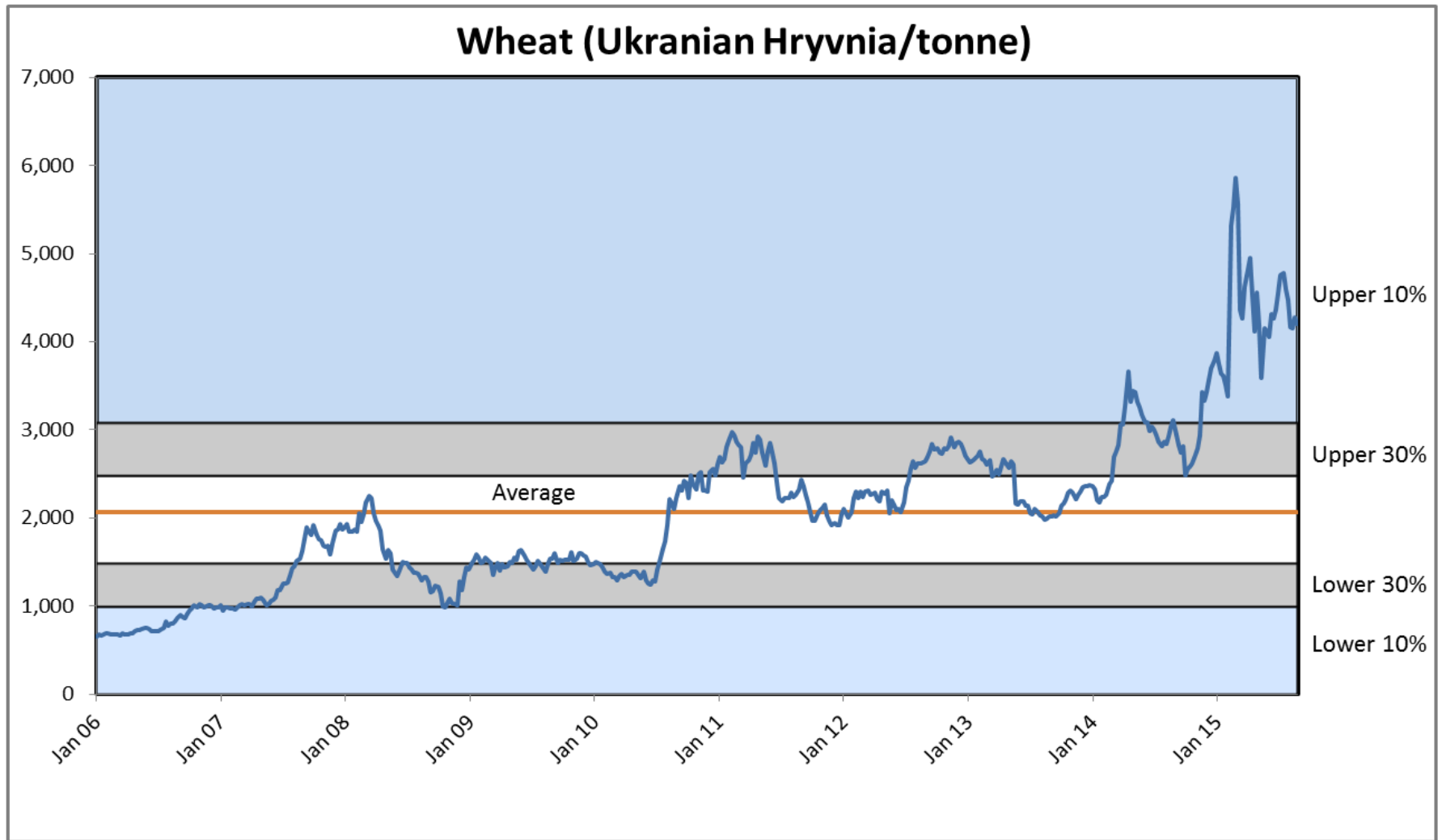
# Will growers plant? Europe – 2016 futures price of €184, above average: Probably



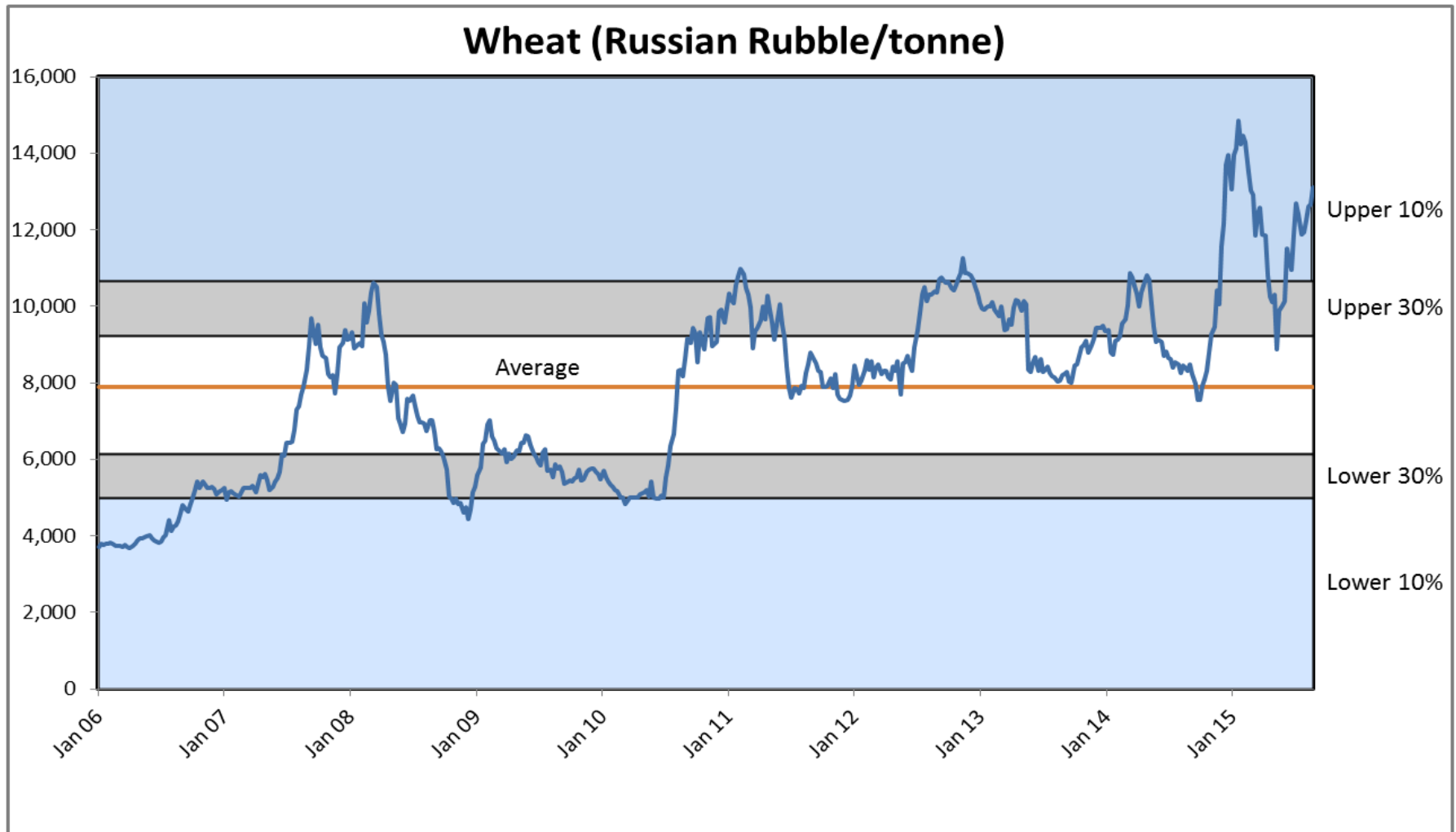
# Will growers plant? Canada – 2016 futures price at above average prices = Probably, yes



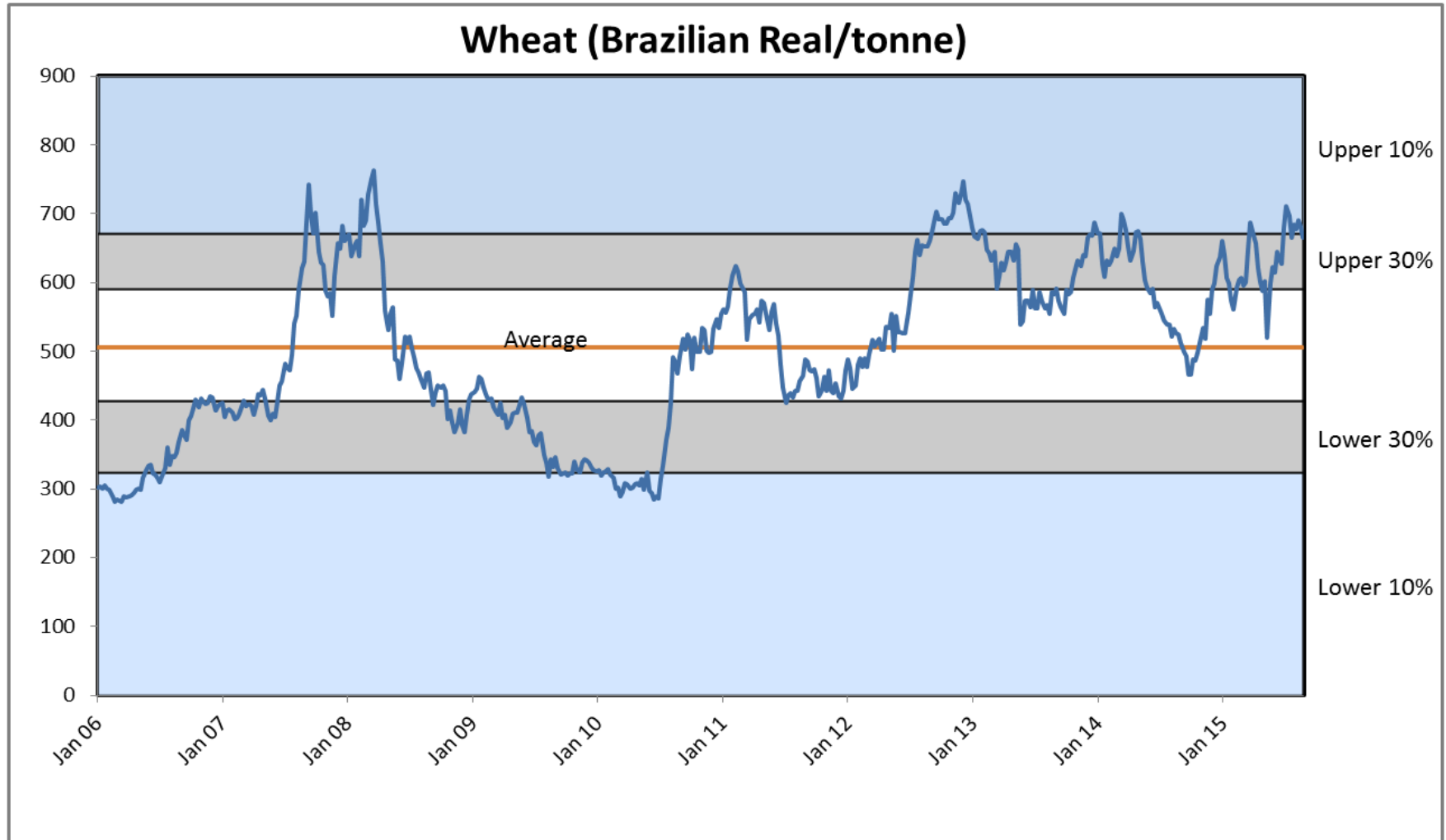
# Will growers plant? Ukraine – 2016 futures price at near record highs = Yes



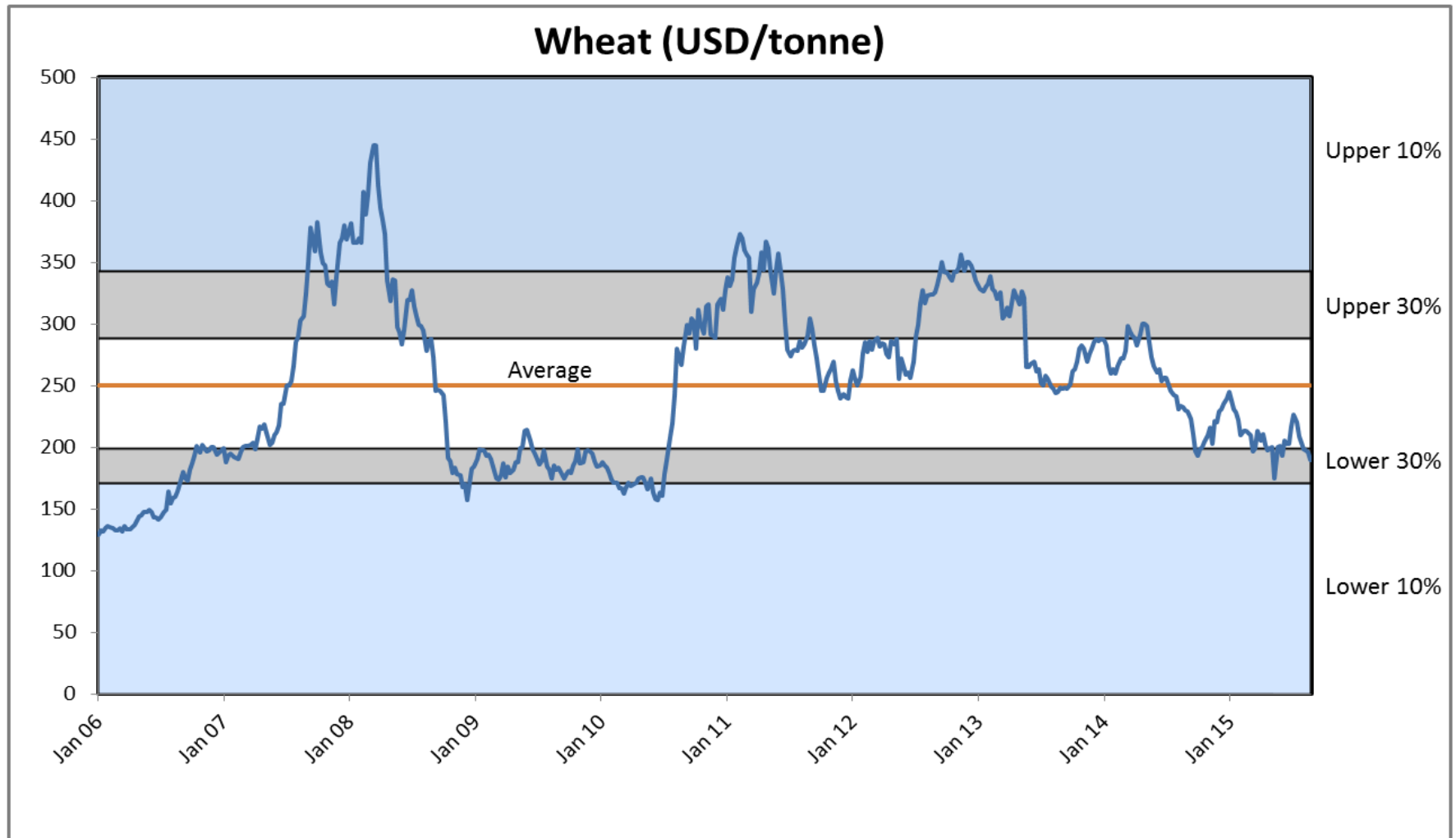
# Will growers plant? Russia – 2016 futures price at near record highs = Yes



# Will growers plant? Brazil – 2016 futures price at near record highs = Yes



# Will growers grow? US– 2016 futures price at near lows = possible contraction (but getting excellent yields in recent years)



# Conclusion

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- We are in a lower price environment
- Politics and weather will cause prices spikes.
- We need sustained weather problems in Exporting regions for longer term higher prices.
- Demand will continue to grow but at a slower pace.
- We are in a market that is looking for demand rather supply.