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UMS' 1999 MARKET OUTLOOK



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CURRENT SITUATION



- **CORN CARRYOVER HAS DOUBLED AND BEANS TRIPLED SINCE 1996.**
- **THE AVERAGE U.S. CASH CORN PRICE IS DOWN 66 CENTS AND SOYBEANS ARE DOWN \$2.15 SINCE THE 1996 HIGH.**
- **MOOD OF COUNTRY-- FEAR.**

CORN

SUPPLY/DEMAND

	96/97	97/98	98/99		
			JAN.	FEB.	?
AREA PLANTED	79.2	79.5	80.2	80.2	
HARVESTED	72.6	72.7	72.6	72.6	
YIELD/ACRE	127.1	126.7	134.4	134.4	
BEGINNING STOCKS	426	883	1,308	1,308	
PRODUCTION	9,233	9,207	9,761	9,761	
TOTAL SUPPLY	9,672	10,099	11,079	11,081	
FOOD	5,302	5,505	5,700	5,700	UP 50
SEED- INDUSTRIAL	1,692	1,782	1,870	1,870	
EXPORTS	1,795	1,504	1,700	1,700	
TOTAL USE	8,789	8,791	9,270	9,295	9,345
ENDING STOCKS	883	1,308	1,809	1,774	1,724
U.S. AVERAGE PRICE	\$2.71	\$2.43		\$1.95	

1999 WHAT IF?

UMS 1999 CORN PROJECTIONS

DN 1.5 MIL. DN .8 MIL. UP .6 MIL.

PLANTED	78.7	79.4	80.8
HARVESTED	72.4	73.0	74.3
YIELD	114.2	129.4	137.8
CARRY-IN	1,736	1,736	1,736
PROD.	8,269	9,452	10,244
T. SUPPLY	10,015	11,198	11,990
DOM. USE	7,376	7,699	7,814
EXPORTS	1,587	1,776	1,863
TOTAL USE	8,963	9,475	9,650
E. STOCKS	1,052	1,723	2,340
U.S. AVG.	\$2.50	\$1.95	\$1.50

SOURCE: UMS

CORN ASSUMPTIONS

- ✓ EXPECT UNPRICED OWNERSHIP INTO SUMMER.
- ✓ TRY TO STARVE THE MARKET THIS SPRING.
- ✓ ELEVATORS WILL OFFER FREE DEFERRED PRICING.
- ✓ EXPECT RESUMPTION OF BEAR TREND BY MID-MAY.
- ✓ WEATHER - IF IT DEVELOPS, IT WILL BE LATE IN THE GROWING SEASON.
- ✓ LDP WILL BE A CRITICAL PART OF 1999 PROFIT.
- ✓ MUST DEFEND LDP AGAINST PRE-HARVEST LOW.
- ✓ FEED BUYERS SHOULD BUY FALL LOWS.
- ✓ OVERALL CORN IS NEGATIVE, BUT NOT AS BAD AS IT COULD BE IF ACRES WOULD INCREASE DRASTICALLY.

SOYBEANS

SUPPLY/DEMAND

	1996/97	1997/98	1998/1999	
			JANUARY	FEBRUARY
PLANTED	64.2	70.0	72.4	72.4
HARVESTED	63.3	69.1	70.8	70.8
YIELD	37.6	38.9	38.9	38.9
BEGINNING STOCKS	183	132	200	200
PRODUCTION	2,380	2,689	2,757	2,757
IMPORTS	9	5	6	6
SUPPLY, TOTAL	2,573	2,826	2,963	2,963
CRUSHING	1,436	1,597	1,595	1,590
EXPORTS	882	870	830	810
SEED	82	86	87	88
RESIDUAL	41	72	61	65
TOTAL USE	2,441	2,626	2,573	2,553
ENDING STOCKS	132	200	390	410
FARM PRICE	\$7.35	\$6.45	\$5.35	\$5.20

SOURCE: USDA

1999 WHAT IF?

UMS 1999 SOYBEAN PROJECTIONS

UNCHANGED

UP 1.75 MIL.

UP 2.75 MIL.

PLANTED	72.4	74.2	75.2
HARVESTED	71.2	73.0	74.0
YIELD	32.7	38.5	39.5
CARRY-IN	410	410	410
PRODUCTION	2,340	2,810	2,921
SUPPLY	2,758	3,228	3,339
CRUSH	1,637	1,670	1,675
EXPORTS	850	880	910
USE	2,609	2,673	2,735
STOCKS	144	555	604
PRICE	\$6.75	\$4.48	\$4.20

SOURCE: UMS

UMS SOYBEAN ASSUMPTIONS FOR 1999

- **ACREAGE WILL GROW BY AT LEAST 1.75 MIL.**
- **DEMAND FAILS TO GROW AT THE PACE OF PRODUCTION.**
- **CARRYOVER INCREASES DRASTICALLY.**
- **SOYBEANS MOVE BELOW THE VARIABLE COST OF PRODUCTION.**
- **MANAGEMENT OF LDP IS CRITICAL TO SOYBEAN PROFITS.**
- **WHO QUILTS FIRST -- U.S. OR S.A. PRODUCERS?**
- **HOW LONG WILL THE LOW LAST?**

WE EXPECT



- **A BIG REDUCTION IN WHEAT AND A MODEST REDUCTION IN CORN ACRES, RESULTING IN A --**
 - ☞ **BIG INCREASE IN SOYBEANS ACRES.**
 - ☞ **INCREASE IN BOTH CORN AND SOYBEAN CARRYOVER.**
- **NORMAL WEATHER -- YIELD.**

WE BELIEVE



- **OPPORTUNITIES STILL EXIST TO MINIMIZE THE BEARISH OR BULLISH IMPACT ON PRODUCERS!**
- **LIMITED PRODUCER ACTION DUE TO FEAR OF CASH FLOW, FEAR OF YIELD, AND FEAR OF THE UNKNOWN!**
- **MOST PRODUCERS WILL SELL THEIR 1999 CROP AT MARKETING LOAN - STORAGE COST +/- BASIS!**
- **LOAN DEFICIENCY PAYMENT (LDP) WILL BE CRITICAL TO PRODUCER SURVIVAL!**
- **U.S. POLICY TO ALLOW FREE FALL IN PRICE TO STIMULATE DEMAND AND REDUCE ACRES IS FLAWED FROM THE PRODUCER PERSPECTIVE.**

WE HOPE POLICYMAKERS WILL HELP BY



- **NOT INFLUENCING THE LDP PROGRAM TO REDUCE BUDGET EXPOSURE.**
- **REVIEWING WAYS FOR PRODUCERS TO GET A BIGGER PIECE OF THE INCOME PIE.**
- **HELPING IMPROVE PRODUCER UNDERSTANDING AND IMPLEMENTING MARKETING PLANS TO HANDLE FUTURE MARKET VOLATILITY.**
- **REVIEWING POLICY FOR ALTERNATIVE SUPPLY MANAGEMENT WHEN DEMAND FAILS.**

Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results. Before trading, one should be aware that with potential profits there is also potential for losses which may be very large. You should read the "Futures and Option Risk Disclosure Statement(s)" and should understand the risks before trading. Commodity trading may not be suitable for recipients of this presentation/publication. Those acting on this information are responsible for their own actions. Although every reasonable attempt has been made to ensure the accuracy of the information provided, Utterback Marketing Services, Inc. assumes no responsibility for any errors or omissions. Any republication, or other use of this information and those expressed herein without the written permission of Utterback Marketing Services, Inc. is strictly prohibited. Copyright Utterback Marketing Services, Inc. 1999.
