

CHS Hedging Research



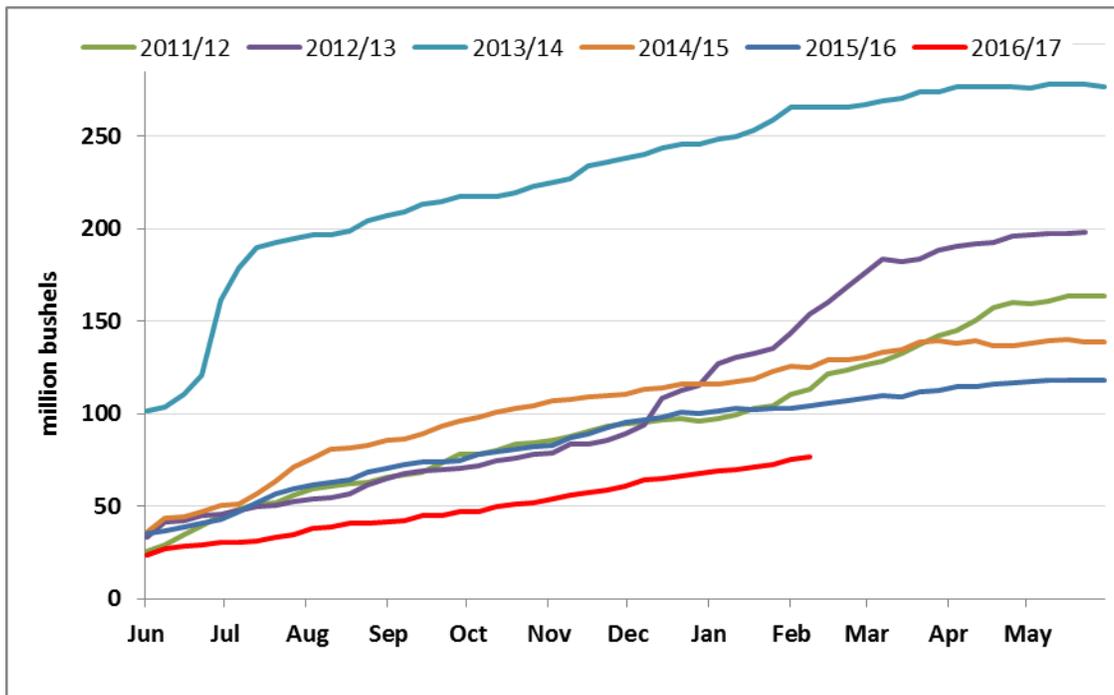
February 16, 2017

After the close recap

After a quiet overnight session, the market reopened and were very choppy. But midmorning someone hit the eject button and big losses mounted across the grain complex. The soybean market dropped 17 ½ cents, oil lost 42 points, and meal dropped \$4.90. The wheat complex was hit really hard also. Minny wheat was the big loser today dropping 17 ¾ cents. KC wheat was down 11 ¼ cents and Chicago lost “only” 7 cents. Corn was down 5 ¼ cents.

Highlights

This morning’s export sales report wasn’t good enough to keep the grain rally going. The soybean and wheat numbers were pretty good but everything else missed the mark. Wheat exports continue to move along with total commitments already at 86% of the USDA export total. However, one class of wheat is running way behind the pace of the previous 5 years. SRW exports have been very lackluster and aren’t even close to any of the previous years.



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With the big washout in wheat today, Egypt was quick to step in with a new wheat tender. It will be interesting to see if any US is even offered up, but given the freight situation, it shouldn't be very competitive.

Closer look

The USDA release its 10 year baseline numbers. Here is what the USDA says about the projections "Baseline projections focus on longer term underlying trends based on a set of assumptions, while forecasts focus more on predicting actual outcome within a shorter time frame (1 or 2 years). Each year, USDA makes 10-year projections of the food and agriculture sector. The commodity projections are used to forecast farm program costs and to prepare the President's budget. The projections reflect a number of assumptions that are spelled out in a baseline scenario and cover agricultural commodities, agricultural trade, and aggregate indicators of the U.S. farm sector such as farm income."

I like to think of baseline projections as coming from an accounting point of view and not an agronomy point of view.

Table 4. Acreage for major field crops and Conservation Reserve Program (CRP) assumptions, long-term projections

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<i>Million acres</i>												
Planted acreage, eight major crops												
Corn	88.0	94.5	90.0	89.5	89.5	88.5	88.0	88.0	87.0	87.0	86.5	86.0
Sorghum	8.5	6.8	6.3	6.3	6.3	6.2	6.0	5.9	5.8	5.7	5.6	5.6
Barley	3.6	3.1	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Oats	3.1	2.8	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Wheat	55.0	50.2	48.5	49.0	49.5	49.5	49.5	49.5	49.5	49.5	49.5	49.5
Rice	2.6	3.2	2.7	2.8	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9
Upland cotton	8.4	10.0	10.5	10.3	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Soybeans	82.7	83.7	85.5	85.0	84.5	84.5	85.0	85.0	85.0	85.0	85.0	85.0
Total	251.9	254.1	248.9	248.0	247.8	246.7	246.5	246.5	245.4	245.3	244.7	244.2
CRP acreage assumptions												
Total CRP	24.2	23.8	23.5	23.9	24.0	24.0	23.9	24.0	24.0	23.9	24.0	23.9
Total planted plus CRP	276.1	277.9	272.4	271.9	271.7	270.7	270.5	270.4	269.3	269.2	268.7	268.2
Harvested acreage, eight major crops												
Corn	80.7	86.8	82.3	81.8	81.8	80.8	80.3	80.3	79.3	79.3	78.8	78.3
Sorghum	7.9	6.0	5.4	5.4	5.4	5.3	5.1	5.1	5.0	4.9	4.8	4.8
Barley	3.2	2.6	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Oats	1.3	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Wheat	47.3	43.9	41.1	41.6	42.0	42.0	42.0	42.0	42.0	42.0	42.0	42.0
Rice	2.6	3.1	2.7	2.8	2.8	2.8	2.8	2.8	2.9	2.9	2.9	2.9
Upland cotton	7.9	9.5	9.5	9.0	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Soybeans	81.7	83.0	84.6	84.1	83.6	83.6	84.1	84.1	84.1	84.1	84.1	84.1
Total	232.6	236.0	228.9	227.9	227.6	226.5	226.4	226.4	225.3	225.2	224.6	223.2

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