



# 2015 Market Outlook

**Darin Newsom**  
**DTN Senior Analyst**

***DTN/The Progressive Farmer***  
**2014 Ag Summit**  
**December 9, 2014**

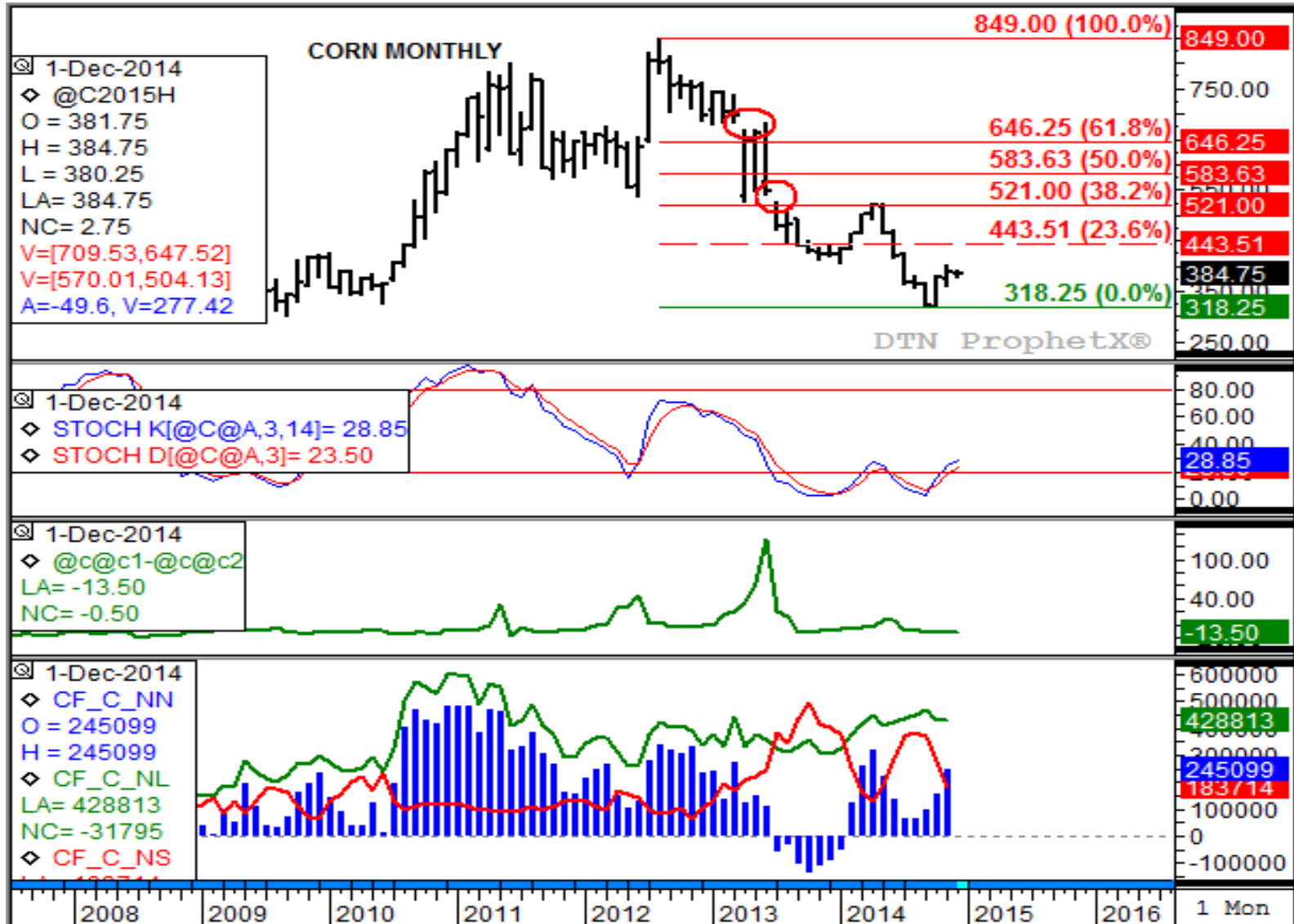


*Here Comes The Sun*

# 2015 Corn Outlook

**We've Seen This  
Show Before**

# Outlook: December 10, 2013



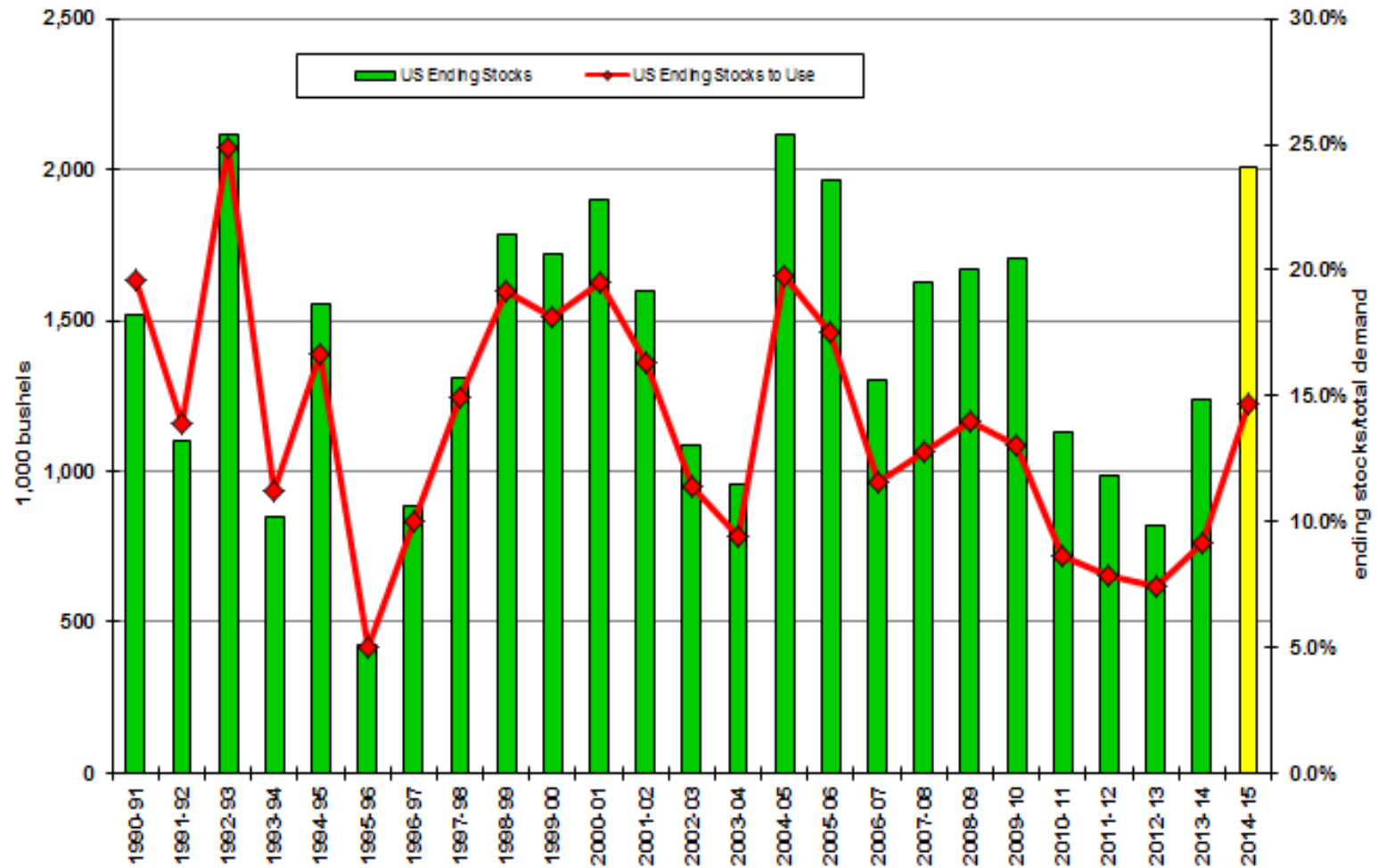
Fundamentals

Cash

Technicals

CORN	2009-10	2014-15
Acres (harvest)	79.5	83.1
Yield	164.7	173.4
Production (bb)	13.092	14.407
Tot Supply (bb)	14.774	15.668
Tot Dem (bb)	13.066	13.660
Ending Stocks	1.708	2.008
ES/Use	13.1%	14.7%
NCI.X	\$3.35	\$3.36
Basis	-\$0.31	-\$0.41
Bullish ++	Oct-09	Oct-14
Nearby Spread	-13.25	-12.50
Breakout	Aug-10	Aug-15
Eventual Peak	Jun-11	Jun-16

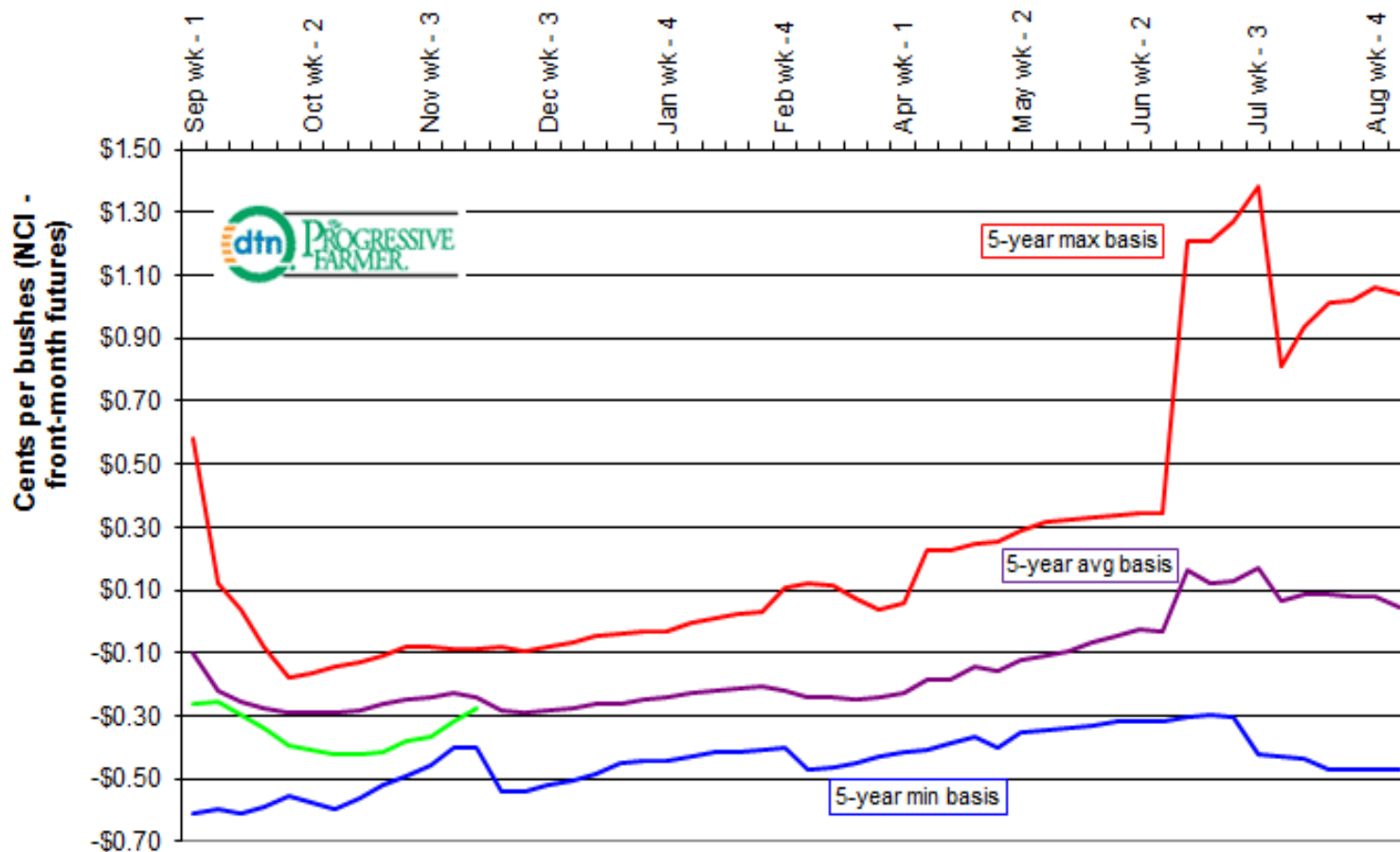
### CORN: US ENDING STOCKS AND ENDING STOCKS TO USE



# Corn Spreads vs. Cost of Carry

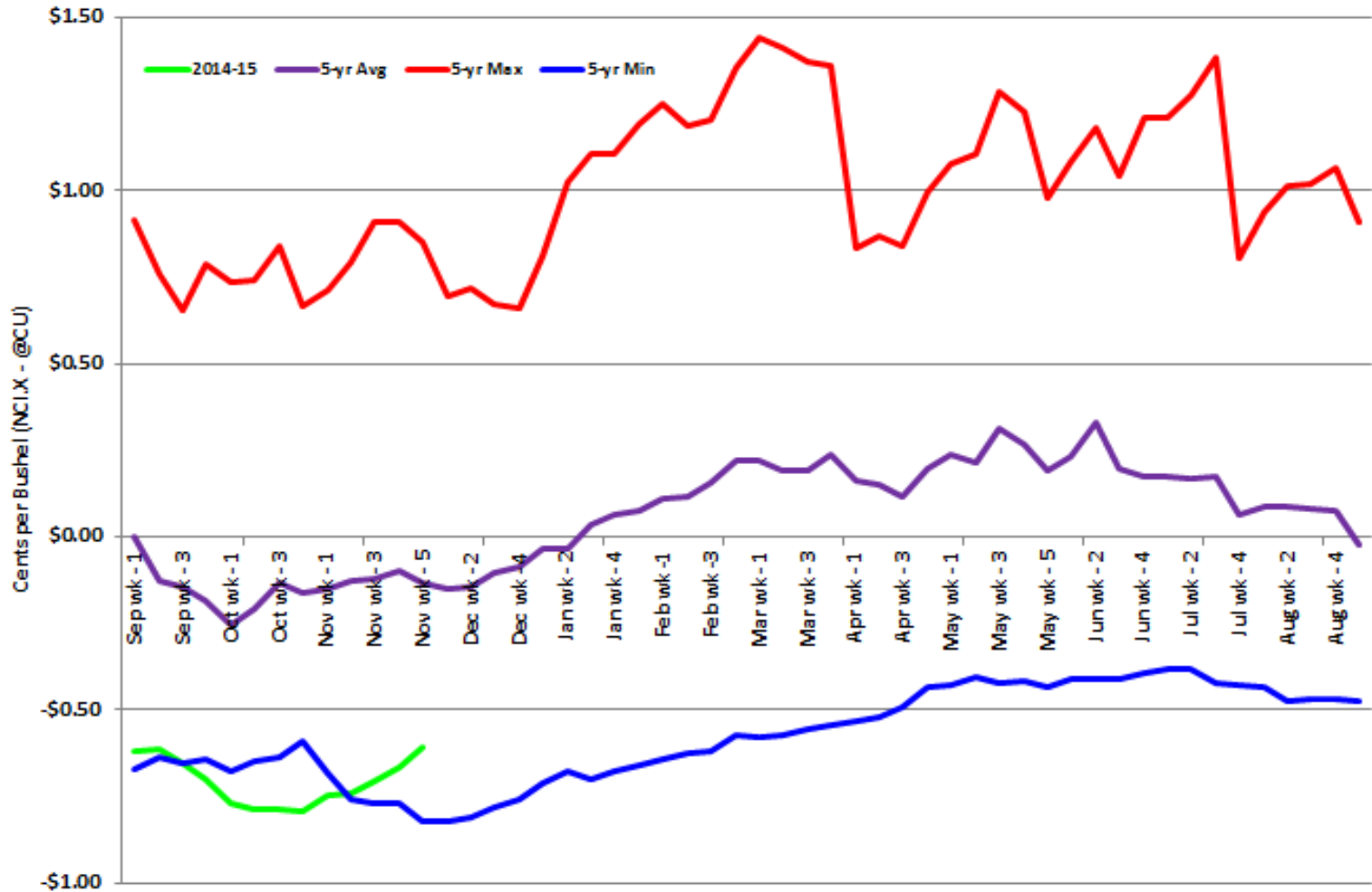
	Month	Price		@CH15	@CK15	@CN15	@CU15	@CZ15	@CH16	@CK16	@CN16		
@CZ14	Dec 14	368' 6s	Market Carry	13.25	21.75	28.75	33.75	43.00	52.25	58.75	64.25		
			Cost of Carry	17.90	30.10	42.11	54.30	72.21	90.11	101.92	114.12		
			% Full Carry	74.00%	72.25%	68.28%	62.15%	59.55%	57.98%	57.64%	56.30%		
@CH15	Mar 15	382' 0s	Market Carry		8.50	15.50	20.50	29.75	39.00	45.50	51.00		
			Cost of Carry		12.27	24.34	36.61	54.62	72.63	84.50	96.77		
			% Full Carry		69.28%	63.68%	55.99%	54.47%	53.70%	53.85%	52.70%		
@CK15	May 15	390' 4s	Market Carry			7.00	12.00	21.25	30.50	37.00	42.50		
			Cost of Carry			12.12	24.43	42.51	60.58	72.50	84.81		
			% Full Carry			57.77%	49.12%	49.99%	50.35%	51.04%	50.11%		
@CN15	Jul 15	397' 4s	Market Carry				5.00	14.25	23.50	30.00	35.50		
			Cost of Carry				12.35	0.00	0.00	60.57	72.92		
			% Full Carry				40.48%	--- %	--- %	49.53%	48.68%		
@CU15	Sep 15	402' 4s	Market Carry					9.25	18.50	25.00	30.50		
			Cost of Carry					18.17	36.34	48.32	60.70		
			% Full Carry					50.91%	50.91%	51.74%	50.25%		
@CZ15	Dec 15	411' 6s	Market Carry						9.25	15.75	21.25		
			Cost of Carry						0.00	30.27	42.70		
			% Full Carry						--- %	52.03%	49.77%		
@CH16	Mar 16	421' 0s	Market Carry							6.50	12.00		
			Cost of Carry							12.08	24.55		
			% Full Carry							53.83%	48.87%		
@CK16	May 16	427' 4s	Market Carry								5.50		
			Cost of Carry									12.51	
			% Full Carry									43.96%	

### NATIONAL AVERAGE CORN BASIS (DTN National Corn Index - front month futures)

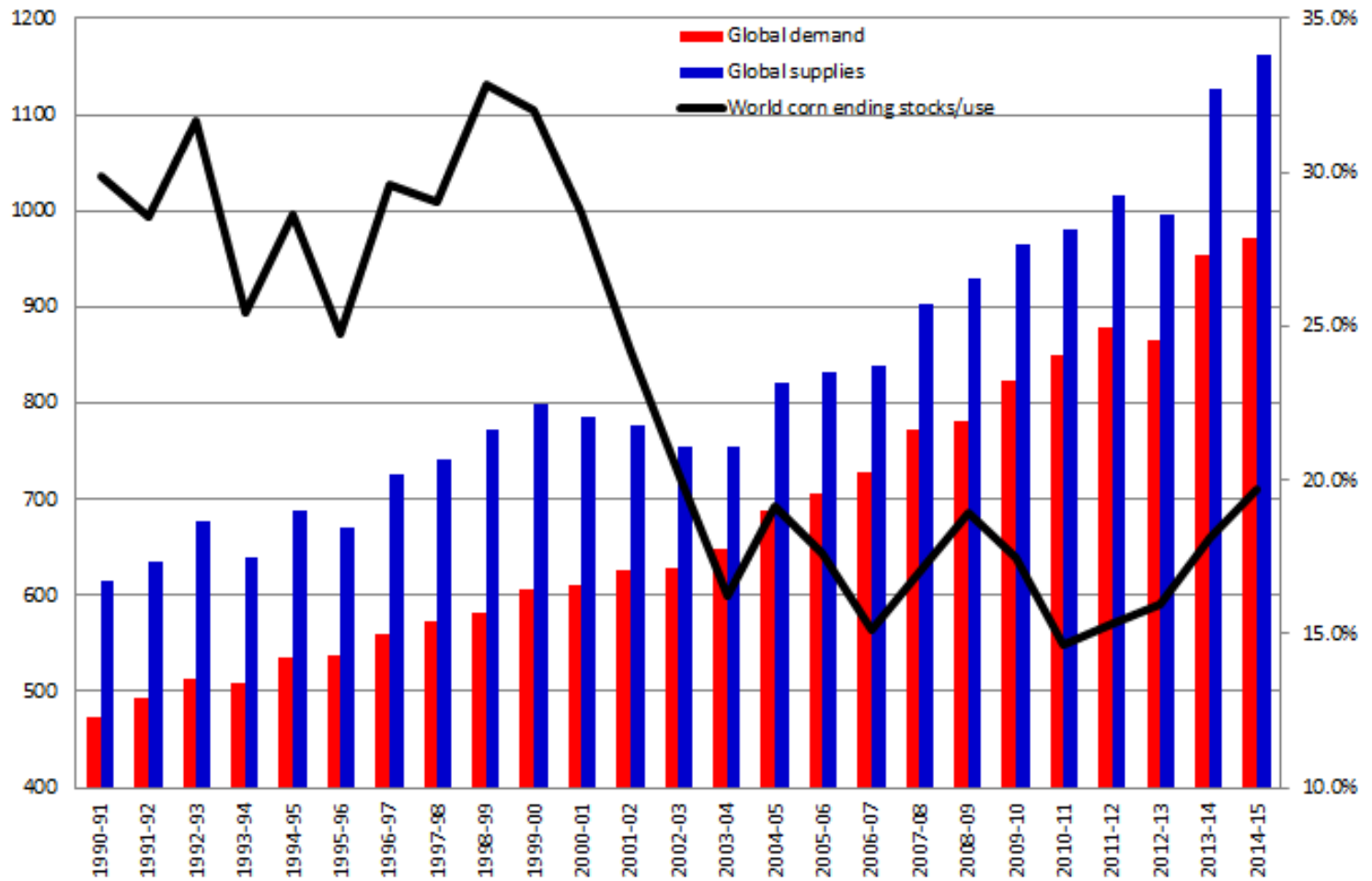




### DTN NCI - SEP FUTURES CONTRACT



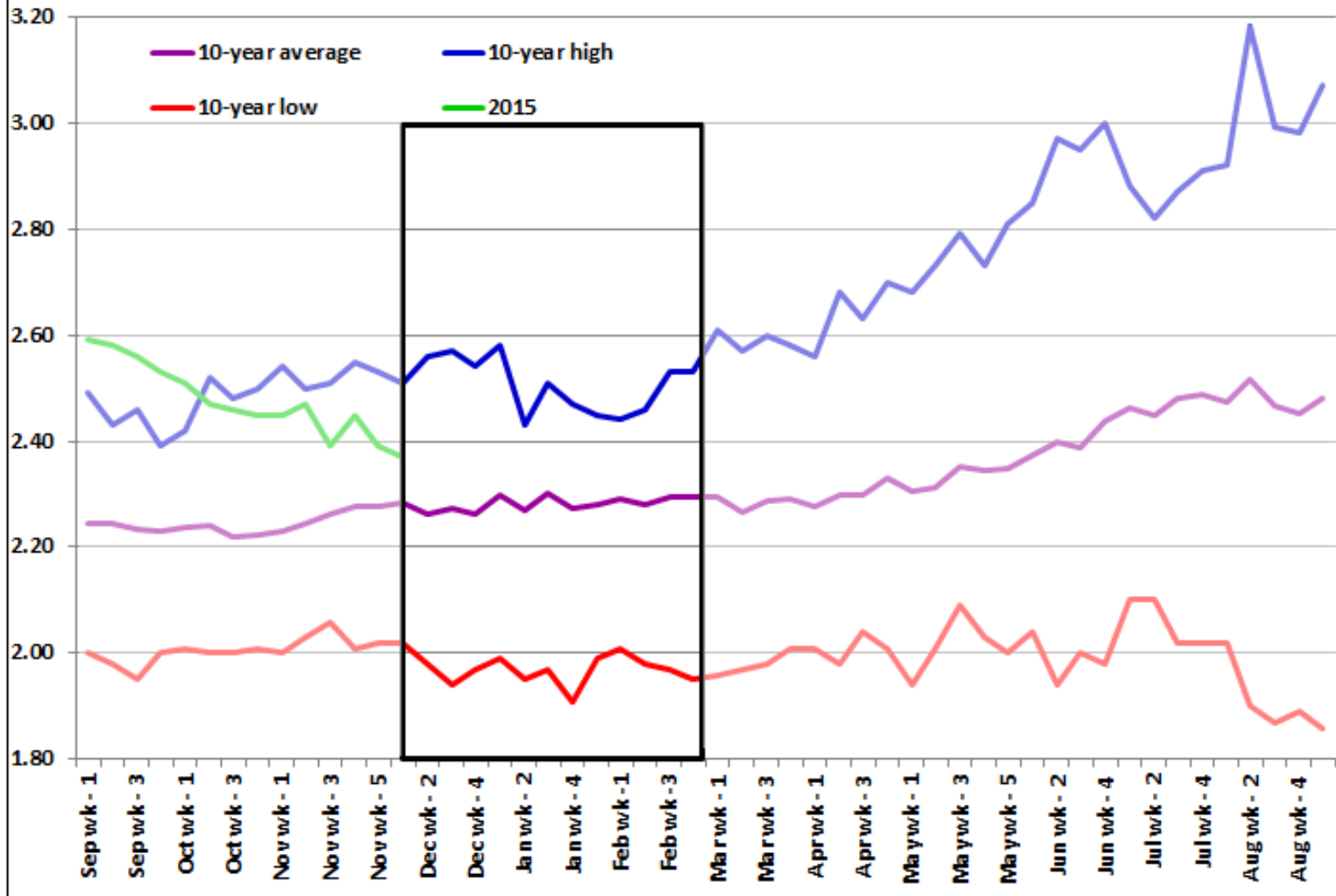
## Global Corn Fundamentals



# Old Crop (2014-2015) Corn Outlook

- The major (long-term) downtrend from 2011-2012 came to an end in October 2014
- Characteristically, the corn market tends to trend sideways for long stretches.
  - Establish early winter high (possibly early December 2014)
  - Planting rally in the spring with target for nearby futures between \$4.40 and \$4.50.
  - Given relatively low futures price, basis could hold steady over the winter and spring
    - Spring target for DTN National Corn Index (NCI.X, national average cash price) approximately \$4.10
- Strong global demand for U.S. corn should continue to support the market.

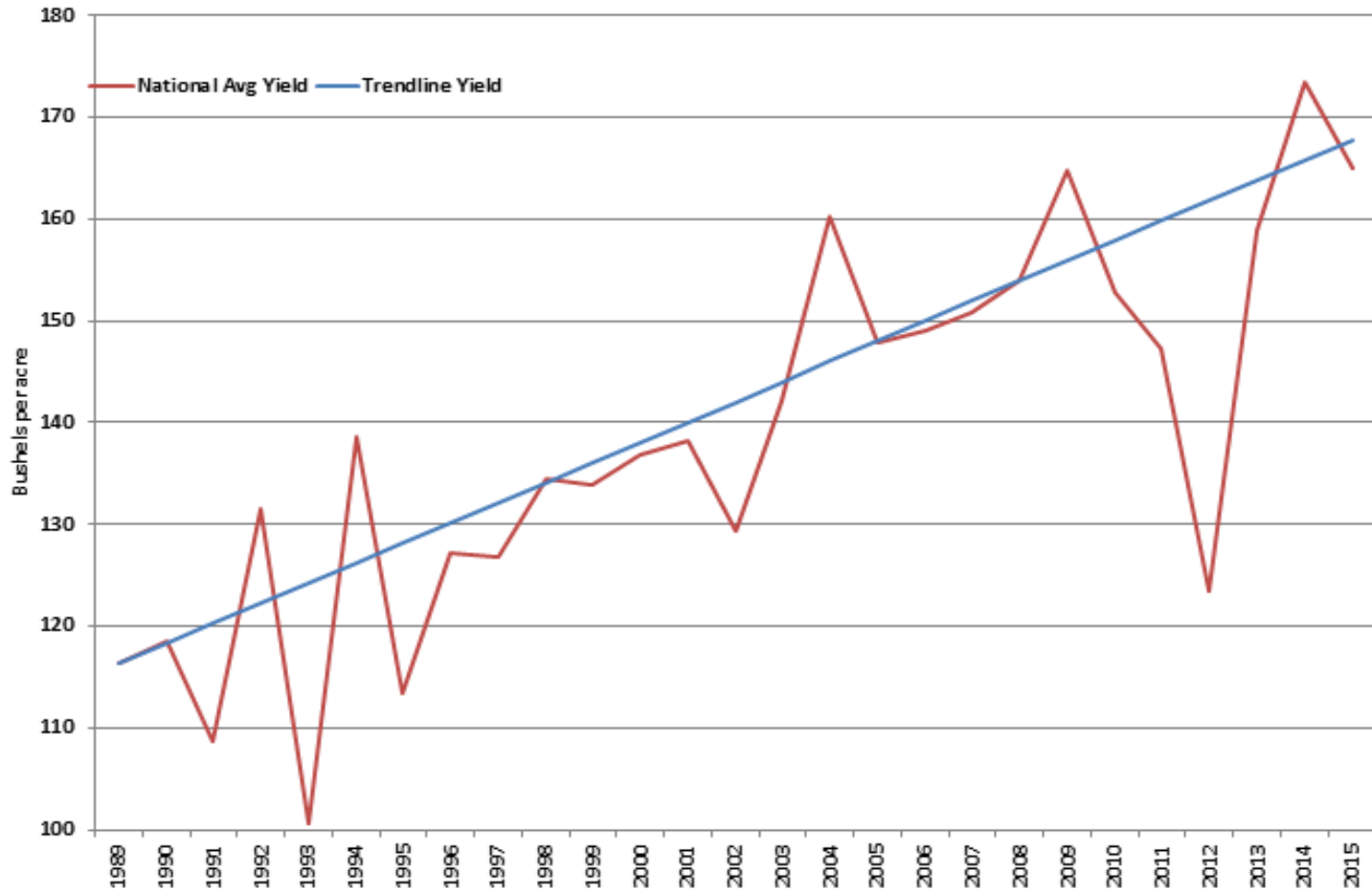
### FUTURES: NOV BEANS/DEC CORN Weekly Close

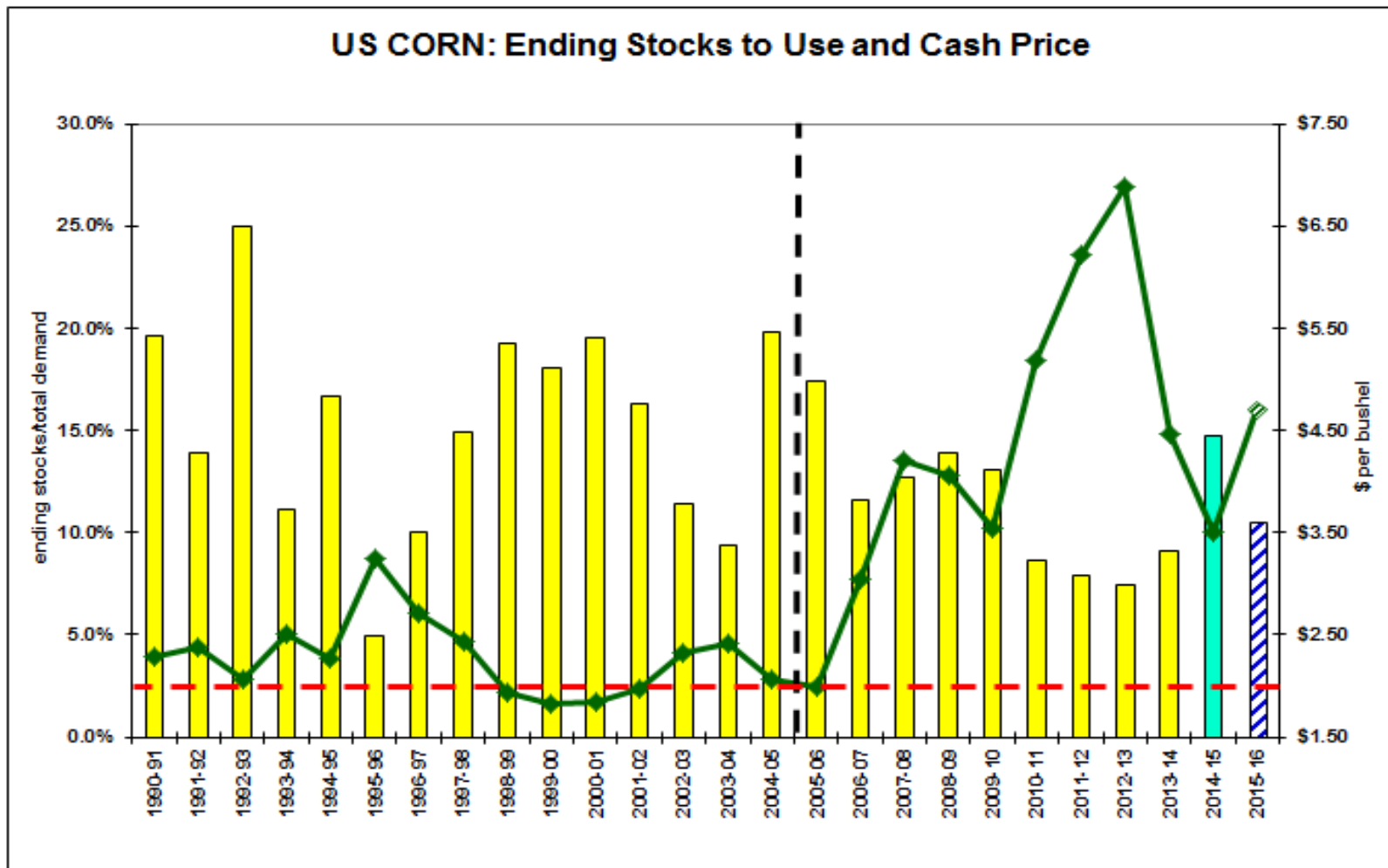


## CORN SUPPLY AND DEMAND TABLES

	USDA	DTN
	2014-15	2015-16
	Nov	Dec
Planted acres	90.9	88.3
Harvested Acres	83.1	80.8
Yield	173.4	165.0
Production	14,407	13,331
Beginning Stocks	1,236	2,008
Imports	25	30
<b>TOTAL SUPPLY</b>	<b>15,668</b>	<b>15,369</b>
Feed and residual	5,375	5,500
Food, seed, ind.	1,385	1,400
Ethanol	5,150	5,200
Exports	1,750	1,800
<b>TOTAL USE</b>	<b>13,660</b>	<b>13,900</b>
ENDING STOCKS	2,008	1,469
STOCKS TO USE	14.7%	10.6%

### US Corn Yield

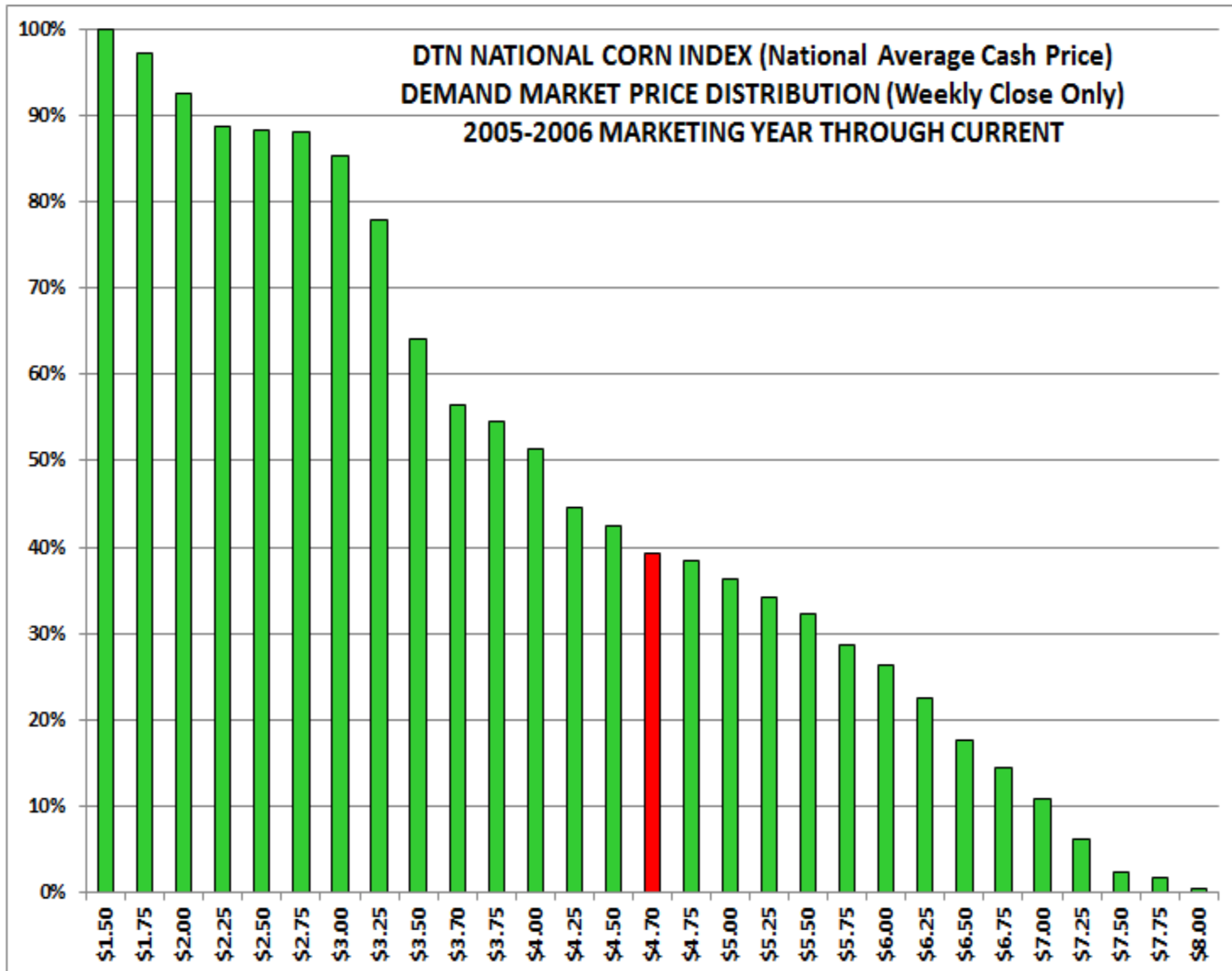




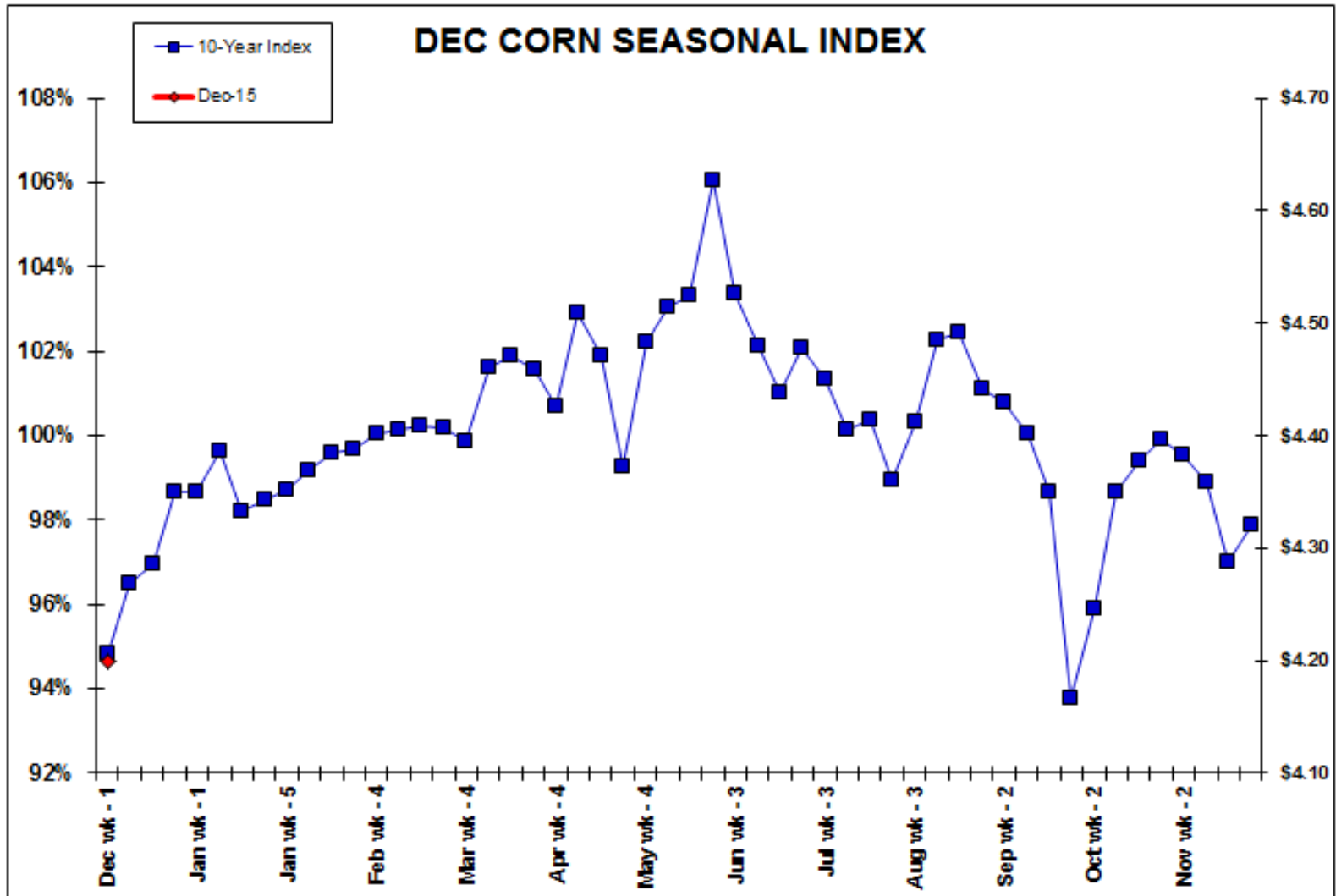
2015-16 ES/U @ 10.6% = approx. \$4.70 average cash price

2007-08 ES/U @ 12.8% = \$4.20 average cash price

2010-11 ES/U @ 8.6% = \$5.20 average cash price







# New Crop (2015-2016) Corn Outlook

- 2015 corn plantings expected to decline to 88.3 ma
  - 2010 plantings = 88.2 ma
- Given past history, national average yield could come up 1.64% short of trendline (my est. of 167.8 bpa)
  - Initial projection of national average yield = 165 bpa
  - Total production of 13.3 bb
  - Global demand should continue to increase
- Tightening s&d situation should lead to solid summer 2015 rally
  - Particularly if Mother Nature doesn't play nice
  - Projected peak near \$5.20
    - Possibly in summer of 2016

# 2015 Soybean Outlook

## The Great Debate

**World Soybean Supply and Use 1/  
(Million Metric Tons)**

<b>2012/13</b>	<b>Beginning Stocks</b>	<b>Production</b>	<b>Imports</b>	<b>Domestic Crush</b>	<b>Domestic Total</b>	<b>Exports</b>	<b>Ending Stocks</b>
World 2/	53.40	268.06	95.89	229.60	260.53	100.54	56.28
United States	4.61	82.79	1.10	45.97	48.83	35.85	3.83
Total Foreign	48.79	185.27	94.79	183.63	211.70	64.69	52.46
Major Exporters 3/	29.71	143.15	0.42	71.90	77.39	58.69	37.21
Argentina	16.30	49.30	0.00	33.61	36.05	7.74	21.81
Brazil	13.02	82.00	0.40	35.24	38.19	41.90	15.33
Paraguay	0.36	8.20	0.03	2.95	3.03	5.52	0.04
Major Importers 4/	17.00	15.33	84.23	86.14	102.90	0.38	13.27
China	15.91	13.05	59.87	64.95	76.18	0.27	12.38
European Union	0.54	0.95	12.54	12.74	13.65	0.09	0.28
Japan	0.13	0.24	2.83	1.92	3.01	0.00	0.18
Mexico	0.13	0.25	3.41	3.65	3.69	0.00	0.10

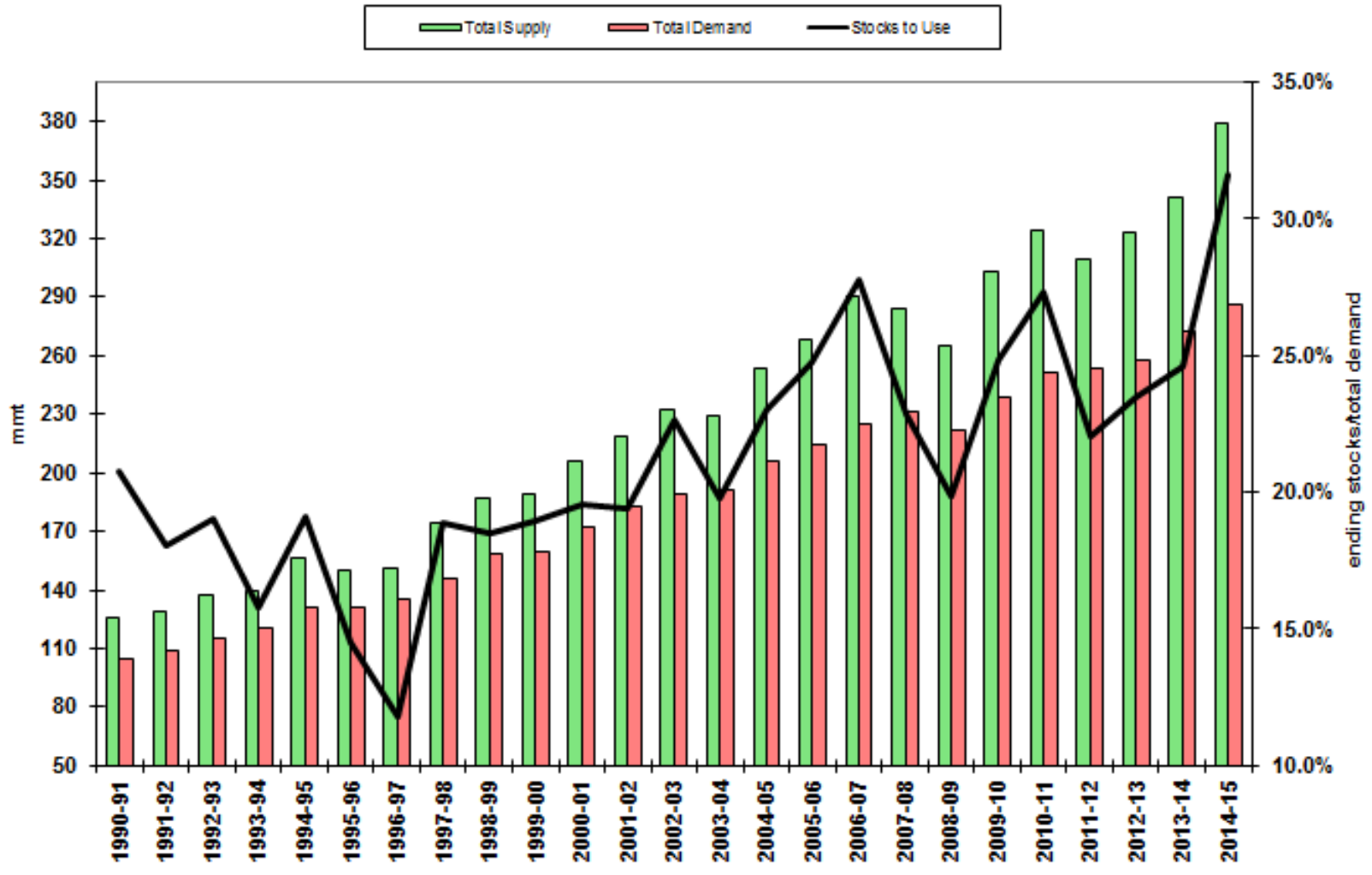
**2013/14 Est.**

World 2/	56.28	285.01	110.29	239.55	272.00	112.73	66.85
United States	3.83	91.39	1.95	47.19	49.85	44.82	2.50
Total Foreign	52.46	193.62	108.34	192.36	222.15	67.91	64.35
Major Exporters 3/	37.21	152.30	0.63	75.83	81.78	62.31	46.05
Argentina	21.81	54.00	0.00	36.18	38.97	7.84	29.00
Brazil	15.33	86.70	0.60	36.00	39.00	46.83	16.80
Paraguay	0.04	8.10	0.03	3.50	3.64	4.30	0.23
Major Importers 4/	13.27	14.75	95.74	90.55	107.71	0.29	15.76
China	12.38	12.20	70.36	68.85	80.30	0.22	14.43
European Union	0.28	1.23	12.95	12.80	13.73	0.06	0.67
Japan	0.18	0.20	2.89	1.94	3.05	0.00	0.23
Mexico	0.10	0.25	3.70	3.90	3.94	0.00	0.12

**2014/15 Proj.**

World 2/	Oct	66.49	311.20	112.50	251.48	284.33	115.20	90.67
	Nov	66.85	312.06	112.72	251.92	285.82	115.54	90.28
United States	Oct	2.50	106.87	0.41	48.17	51.26	46.27	12.26
	Nov	2.50	107.73	0.41	48.44	51.57	46.81	12.25
Total Foreign	Oct	63.99	204.33	112.09	203.31	233.07	68.93	78.41
	Nov	64.35	204.33	112.31	203.47	234.24	68.73	78.03
Major Exporters 3/	Oct	46.73	160.60	0.63	80.50	85.91	62.70	59.35
	Nov	46.05	160.60	0.63	79.45	85.86	62.40	59.02
Argentina	Oct	29.68	55.00	0.00	39.10	41.20	8.50	34.98
	Nov	29.00	55.00	0.00	38.05	41.15	8.20	34.65
Brazil	Oct	16.80	94.00	0.60	37.60	40.75	46.70	23.95
	Nov	16.80	94.00	0.60	37.60	40.75	46.70	23.95

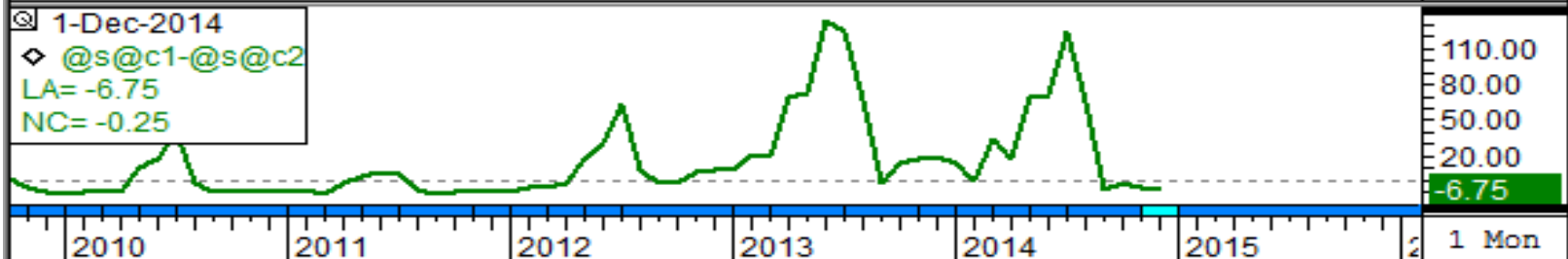
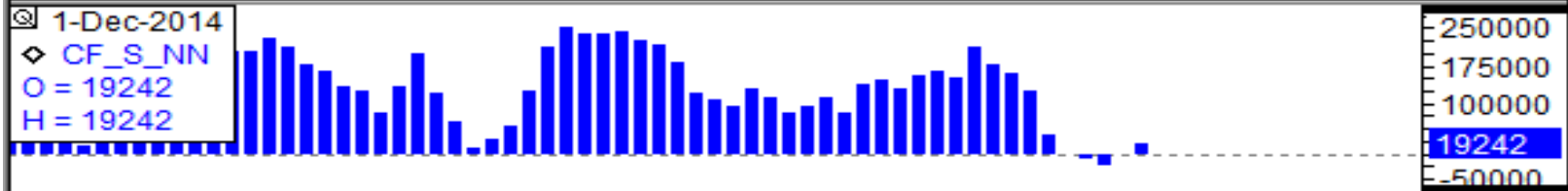
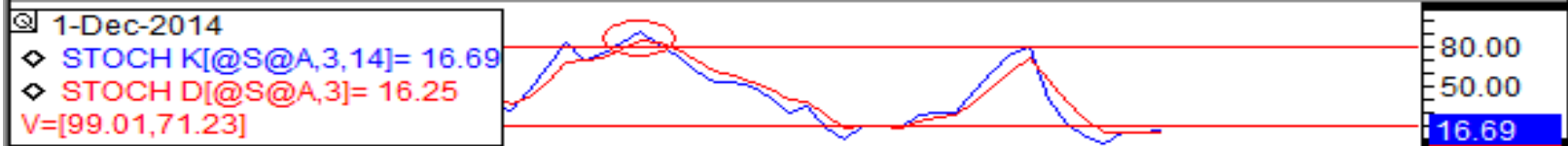
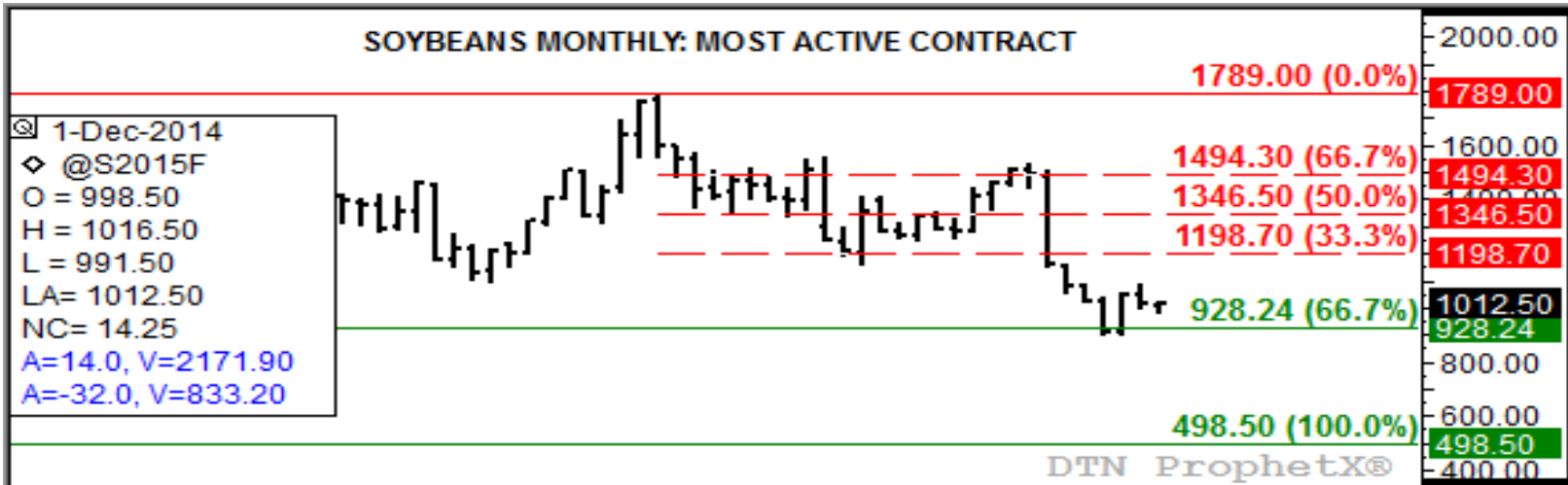
## WORLD SOYBEAN FUNDAMENTALS



# Bean Spreads vs. Cost of Carry

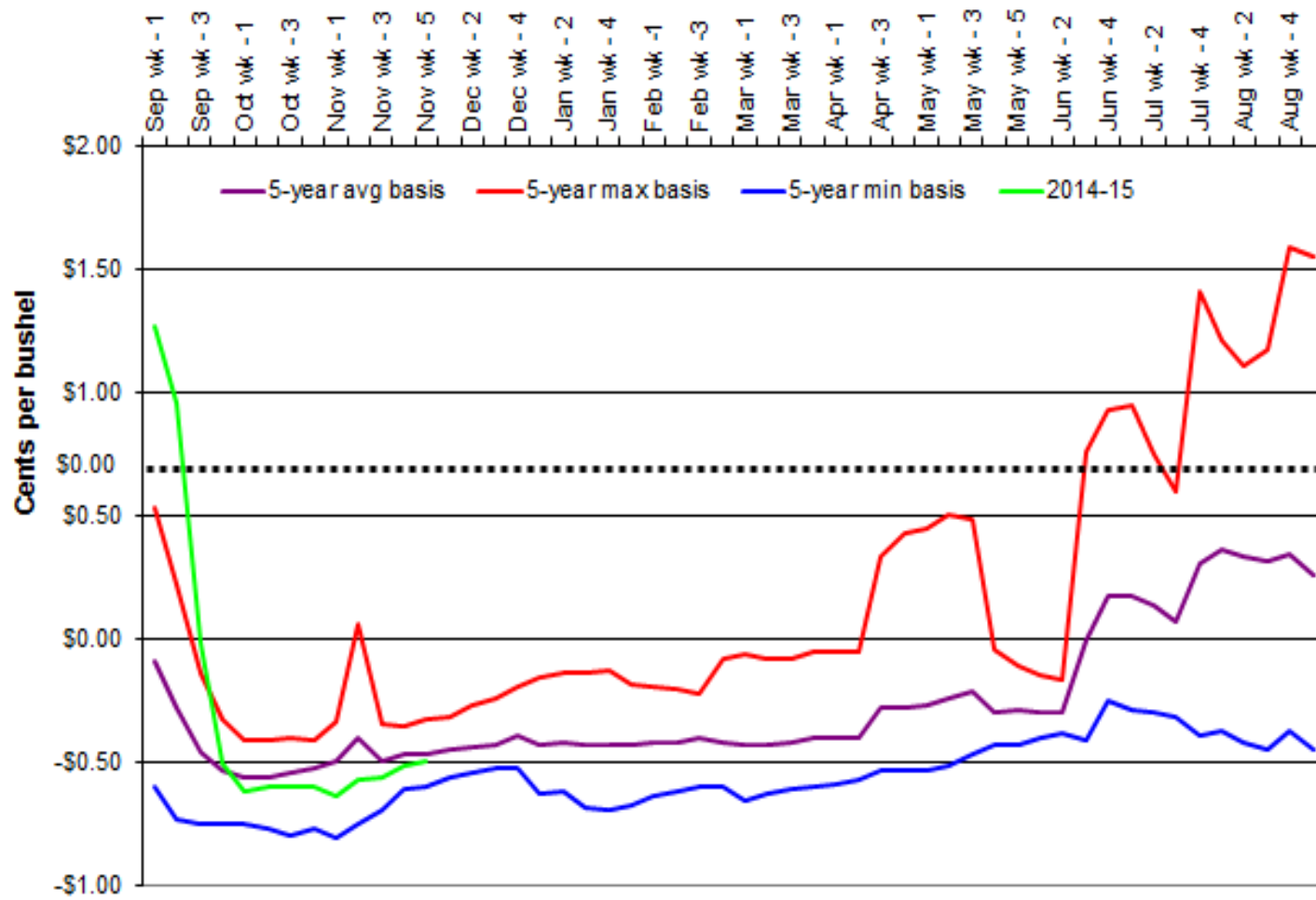
	Month	Price		@SH15	@SK15	@SN15	@SQ15	@SU15	@SX15	@SF16	@SH16		
@SF15	Jan 15	1013' 2	Market Carry	6.50	13.00	17.50	16.00	-5.50	-20.25	-27.00	-19.25		
			Cost of Carry	14.63	30.27	45.66	53.48	61.30	76.43	92.07	107.21		
			% Full Carry	44.43%	42.95%	38.33%	29.92%	-8.97%	-26.49%	-29.32%	-17.96%		
@SH15	Mar 15	1019' 6	Market Carry		6.50	11.00	9.50	-12.00	-26.75	-33.50	-25.75		
			Cost of Carry		15.67	31.10	38.93	46.77	61.94	77.61	92.78		
			% Full Carry		41.47%	35.37%	24.40%	-25.66%	-43.19%	-43.16%	-27.75%		
@SK15	May 15	1026' 2	Market Carry			4.50	3.00	-18.50	-33.25	-40.00	-32.25		
			Cost of Carry			15.46	23.31	31.16	46.37	62.08	77.28		
			% Full Carry			29.12%	12.87%	-59.36%	-71.71%	-64.44%	-41.73%		
@SN15	Jul 15	1030' 6	Market Carry				-1.50	-23.00	-37.75	-44.50	-36.75		
			Cost of Carry				7.87	15.73	30.96	46.69	61.92		
			% Full Carry				-19.07%	-146.19%	-121.94%	-95.31%	-59.35%		
@SQ15	Aug 15	1029' 2	Market Carry					-21.50	-36.25	-43.00	-35.25		
			Cost of Carry					7.86	23.08	38.81	54.02		
			% Full Carry					-273.45%	-157.06%	-110.81%	-65.25%		
@SU15	Sep 15	1007' 6	Market Carry						-14.75	-21.50	-13.75		
			Cost of Carry						15.11	30.72	45.82		
			% Full Carry						-97.64%	-69.99%	-30.01%		
@SX15	Nov 15	993' 0	Market Carry							-6.75	1.00		
			Cost of Carry							15.53	30.56		
			% Full Carry							-43.46%	3.27%		
@SF16	Jan 16	986' 2	Market Carry								7.75		
			Cost of Carry									15.00	
			% Full Carry									51.68%	

### SOYBEANS MONTHLY: MOST ACTIVE CONTRACT



2010 2011 2012 2013 2014 2015 1 Mon

### NATIONAL AVERAGE SOYBEAN BASIS: DTN Index - front month futures

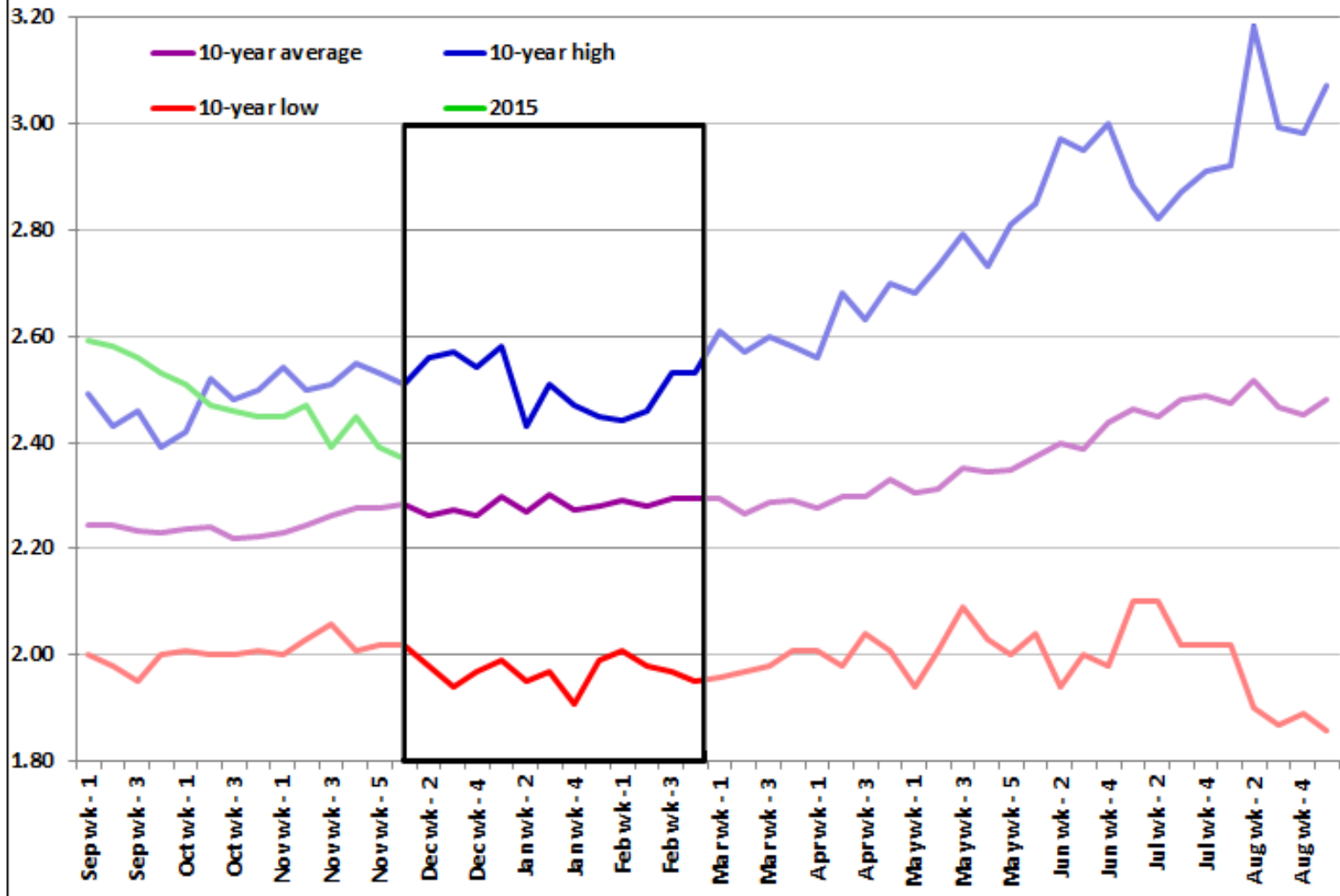




# Old Crop (2014-15) Soybean Outlook

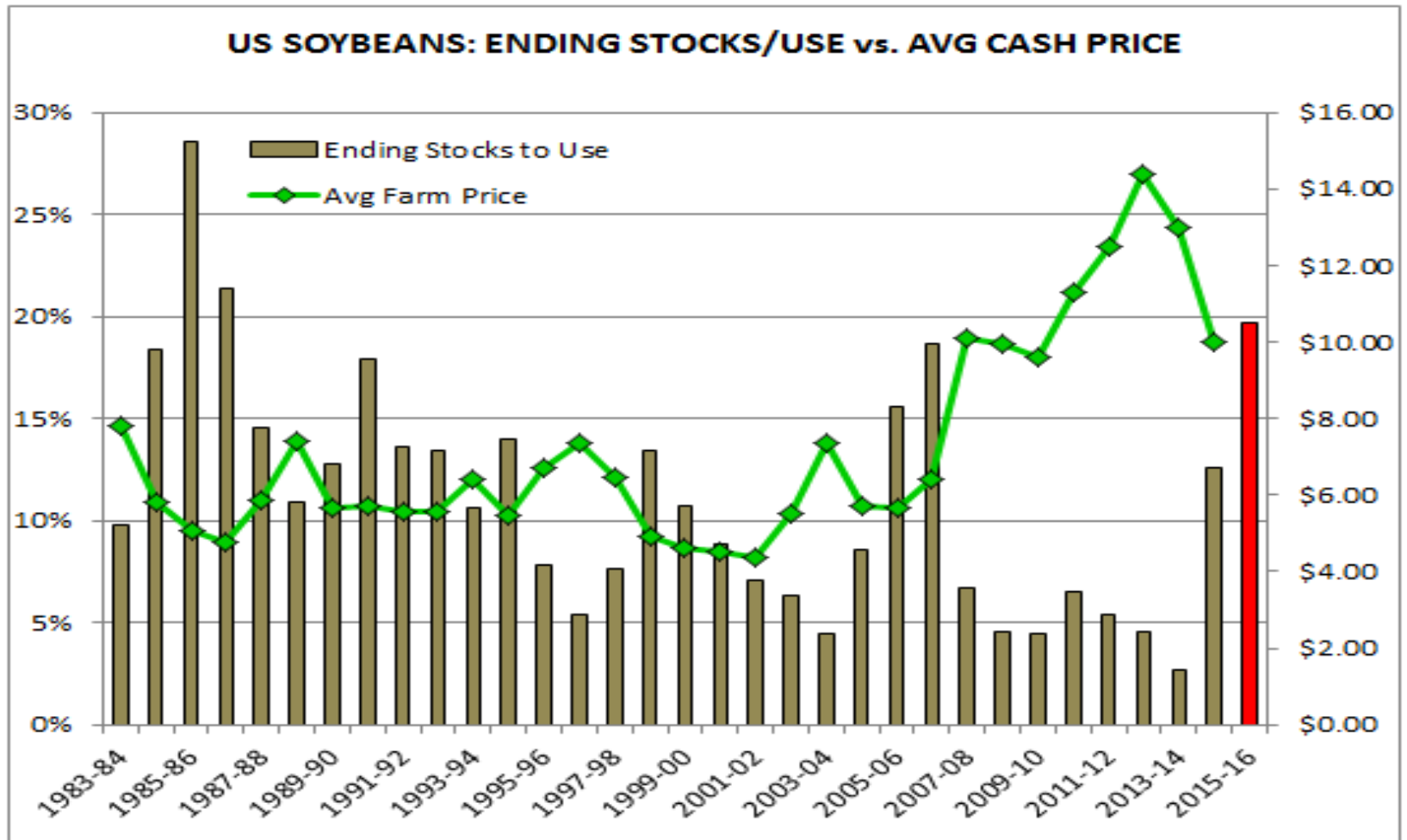
- Technically, the soybean market is indicating a move to a long-term uptrend.
  - 2015 price target (futures) near \$12.00
- Fundamentally, the global soybean situation is the most bearish on record.
  - Projected record high 2014-15 total supply
  - Projected record high 2014-15 ending stocks > 90mmt
  - Projected record high 2014-15 ending stocks to use
- Strong demand for U.S. soybeans should continue through the winter quarter (Dec-Feb).
  - South American production will take center stage
  - Domestic basis could weaken quickly if export business cools

### FUTURES: NOV BEANS/DEC CORN Weekly Close



**SOYBEAN SUPPLY AND DEMAND TABLE - US**

	DTN	DTN
	2014-15	2015-16
	Nov	Nov
Planted acres	84.2	88.3
Harvested Acres	83.4	87.5
Yield	47.5	45.0
Production	3,958	3,938
Beginning Stocks	92	450
Imports	15	10
<b>TOTAL SUPPLY</b>	<b>4,065</b>	<b>4,398</b>
Crushings	1,780	1,830
Exports	1,720	1,725
Seed	92	95
Residual	23	25
<b>TOTAL USE</b>	<b>3,615</b>	<b>3,675</b>
<b>ENDING STOCKS</b>	<b>450</b>	<b>723</b>
<b>STOCKS TO USE</b>	<b>12.5%</b>	<b>19.7%</b>



2015-16 ES/U @ 19.7% = approx. \$5.60 average cash price?

1986-87 ES/U @ 21.3% = \$4.78 average cash price

2006-07 ES/U @ 18.6% = \$6.43 average cash price

# New Crop (2015-16) Soybean Outlook

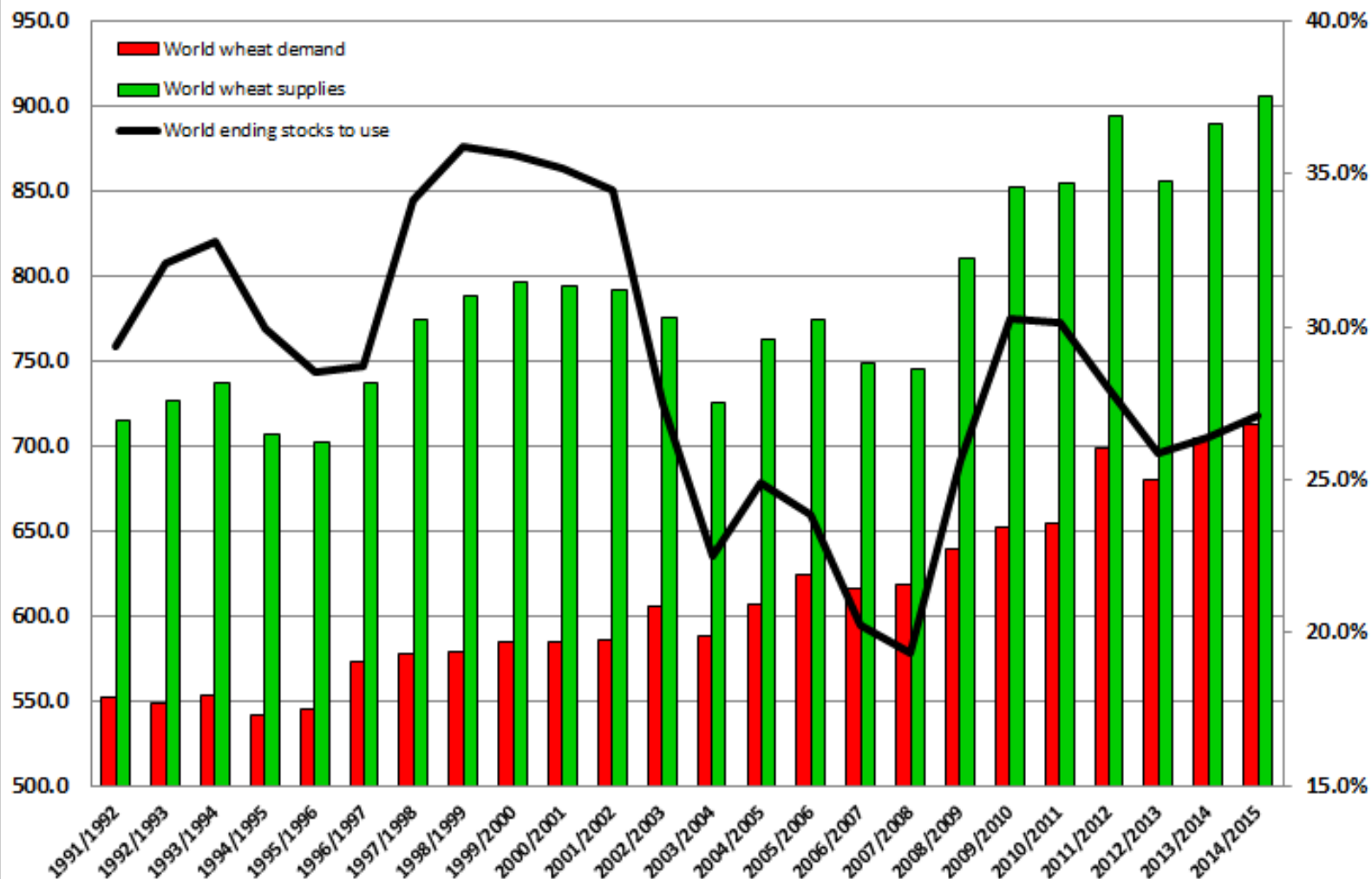
- 2015 U.S. soybean plantings expected to equal corn at 88.3 ma
  - 2010 plantings = 88.2 ma
- National avg yield could decline slightly from 2014
  - Initial projection of national average yield = 45 bpa
  - Total production of 3.938 bb
    - Slightly less than the 3.958 bb seen in 2014
  - Global demand expected to rise again
- Supply and demand situation is expected to be cumbersome
  - Domestic ending stocks could be > 700 mb
    - Ending stocks to use near 20%
  - Does an average cash price < \$6.00 even compute?

# 2015 Wheat Outlook

## Quality, Not Quantity

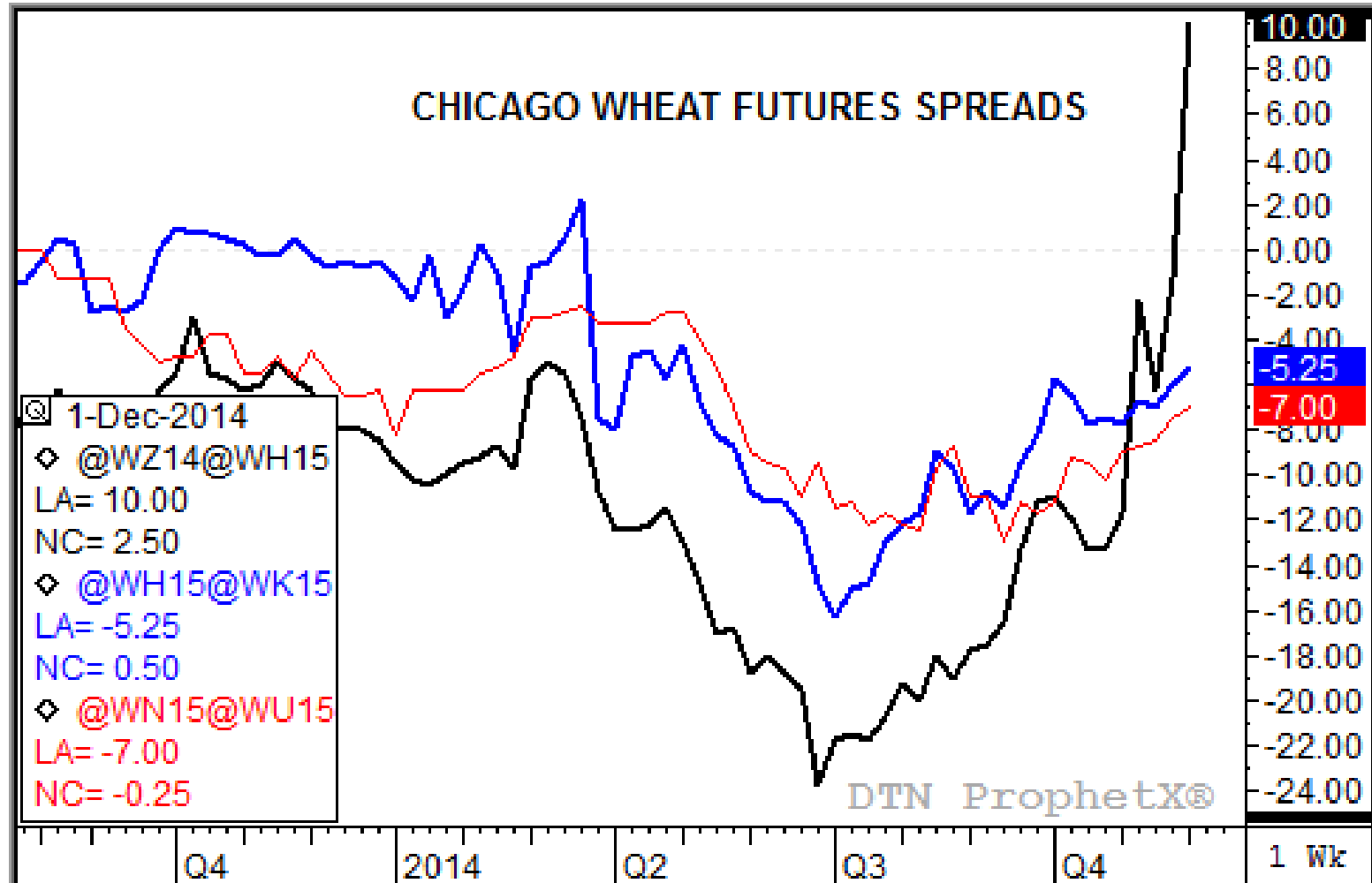


### World Wheat Fundamentals

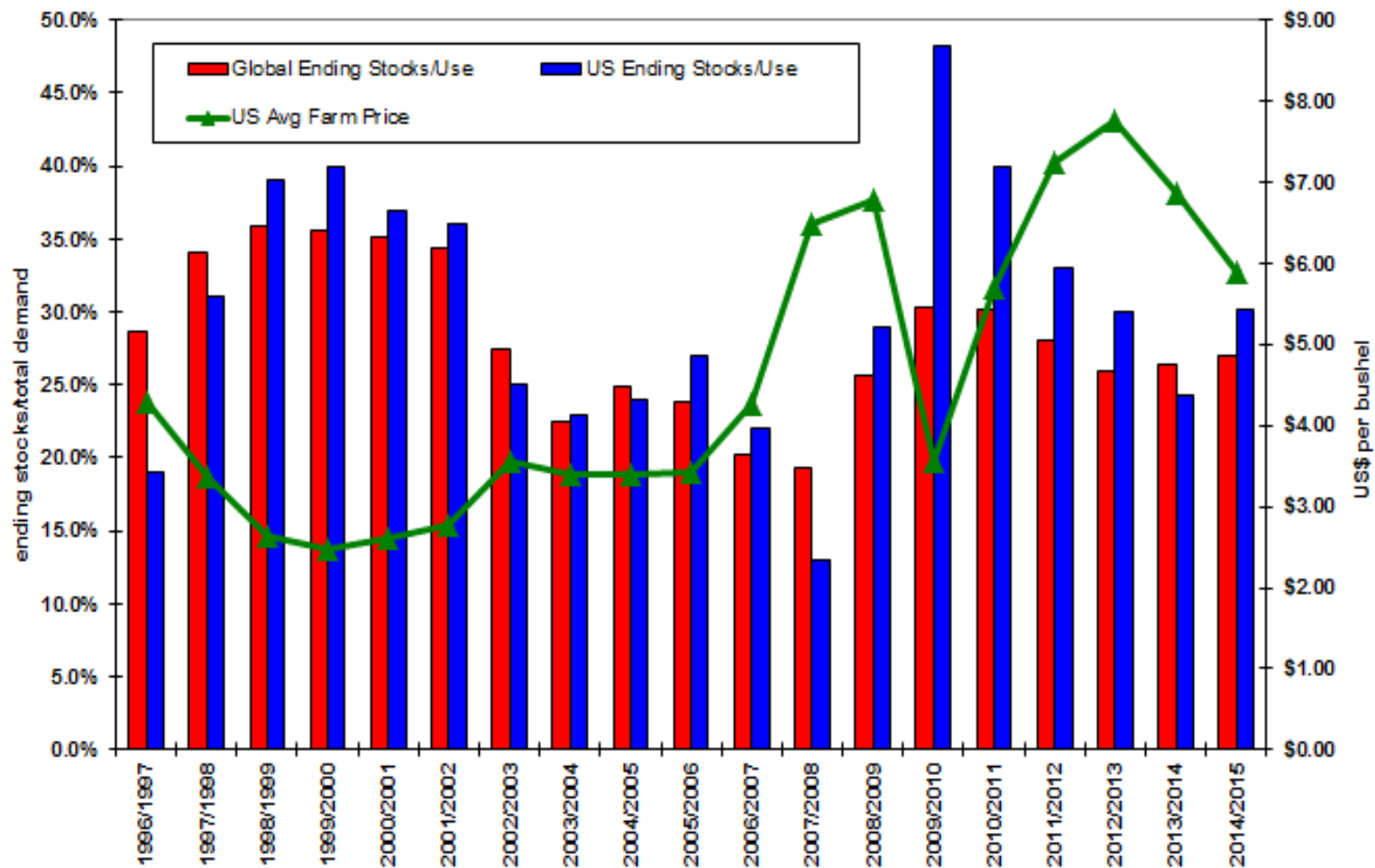




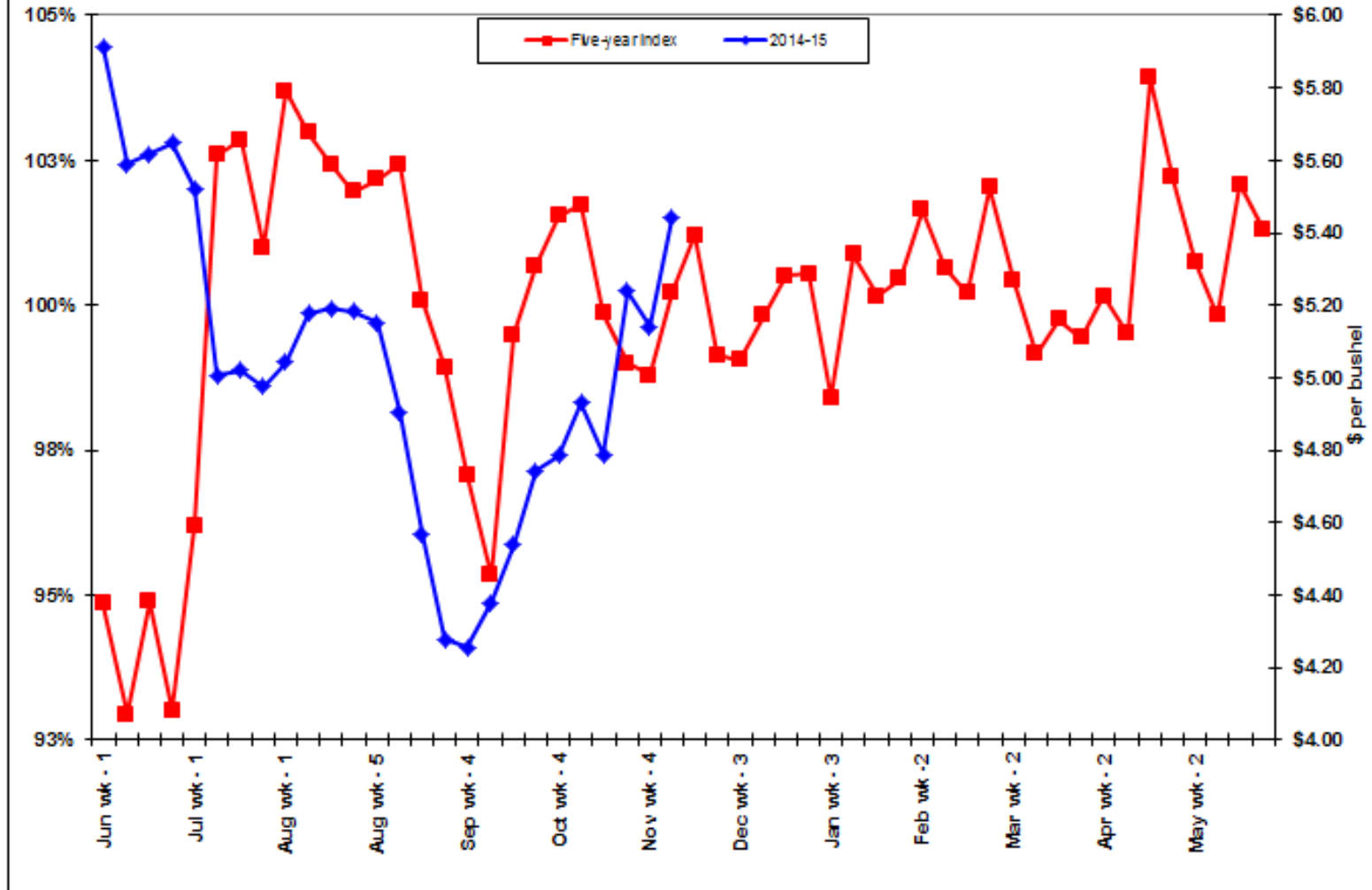
# SRW Wheat Spreads



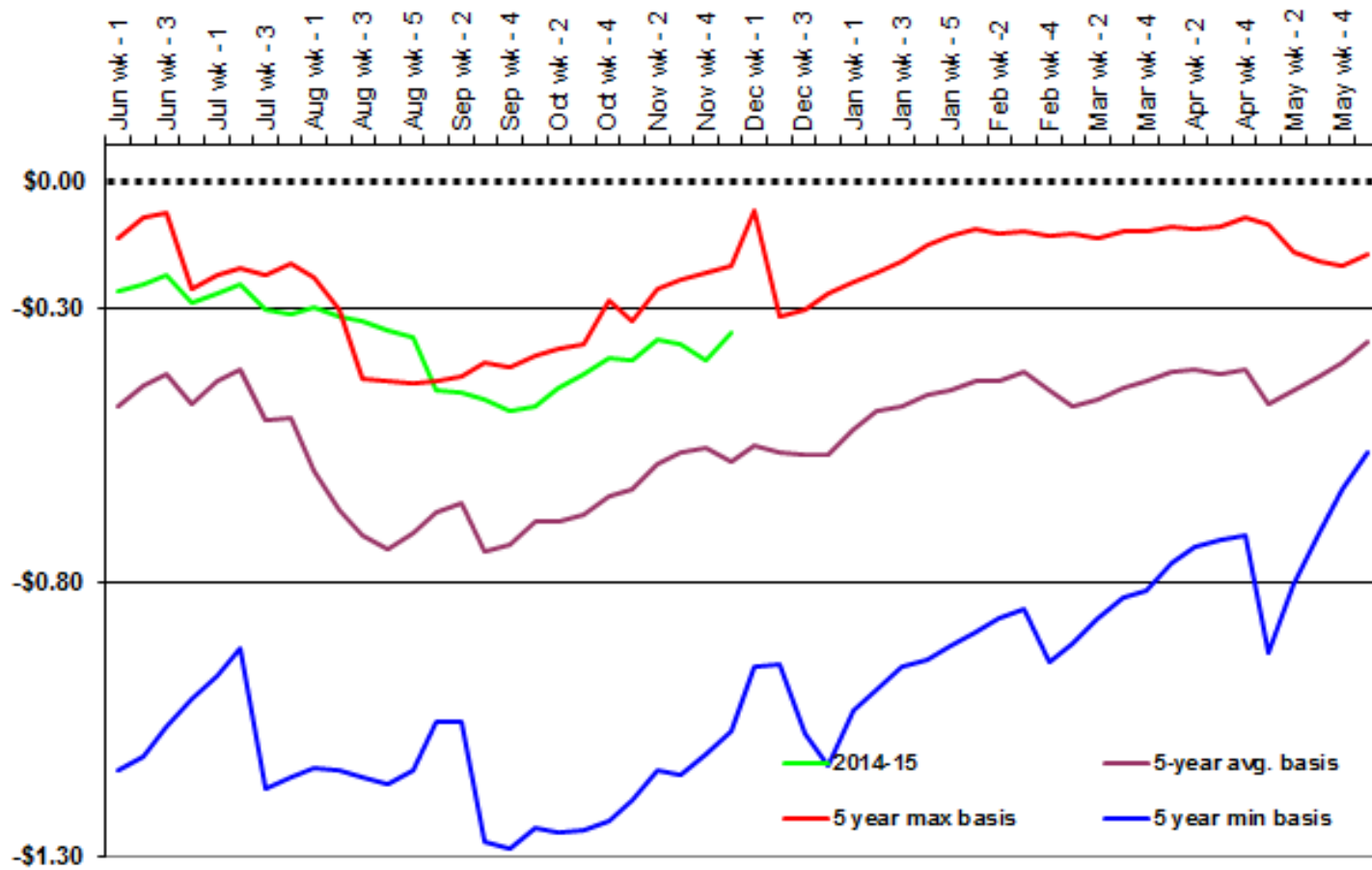
## WHEAT: ENDING STOCKS/USE and US AVG FARM PRICE



### SRW DTN NATIONAL INDEX SEASONAL INDEX



### NATIONAL AVERAGE SRW BASIS DTN National SRW Index - Chicago Wheat Futures

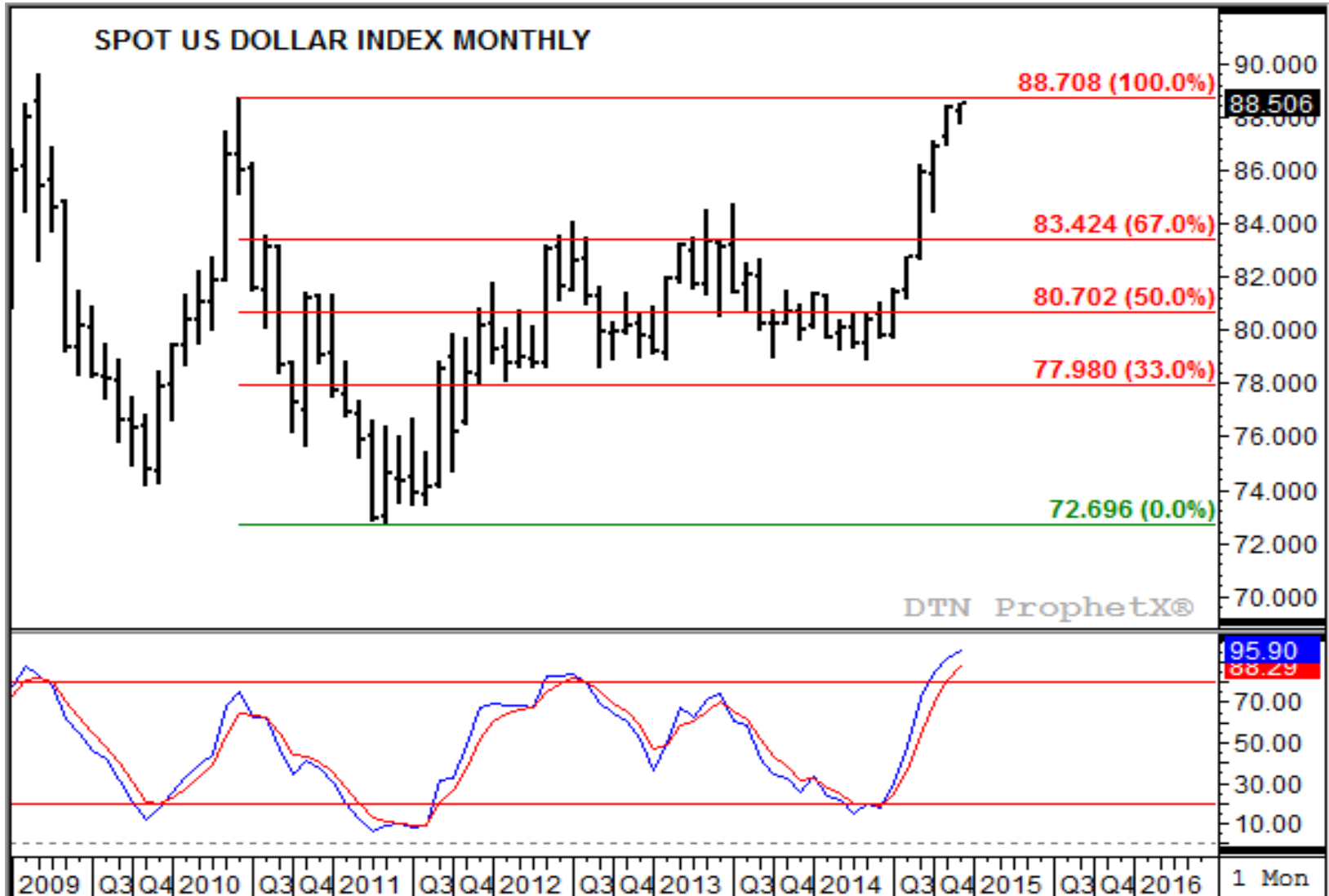


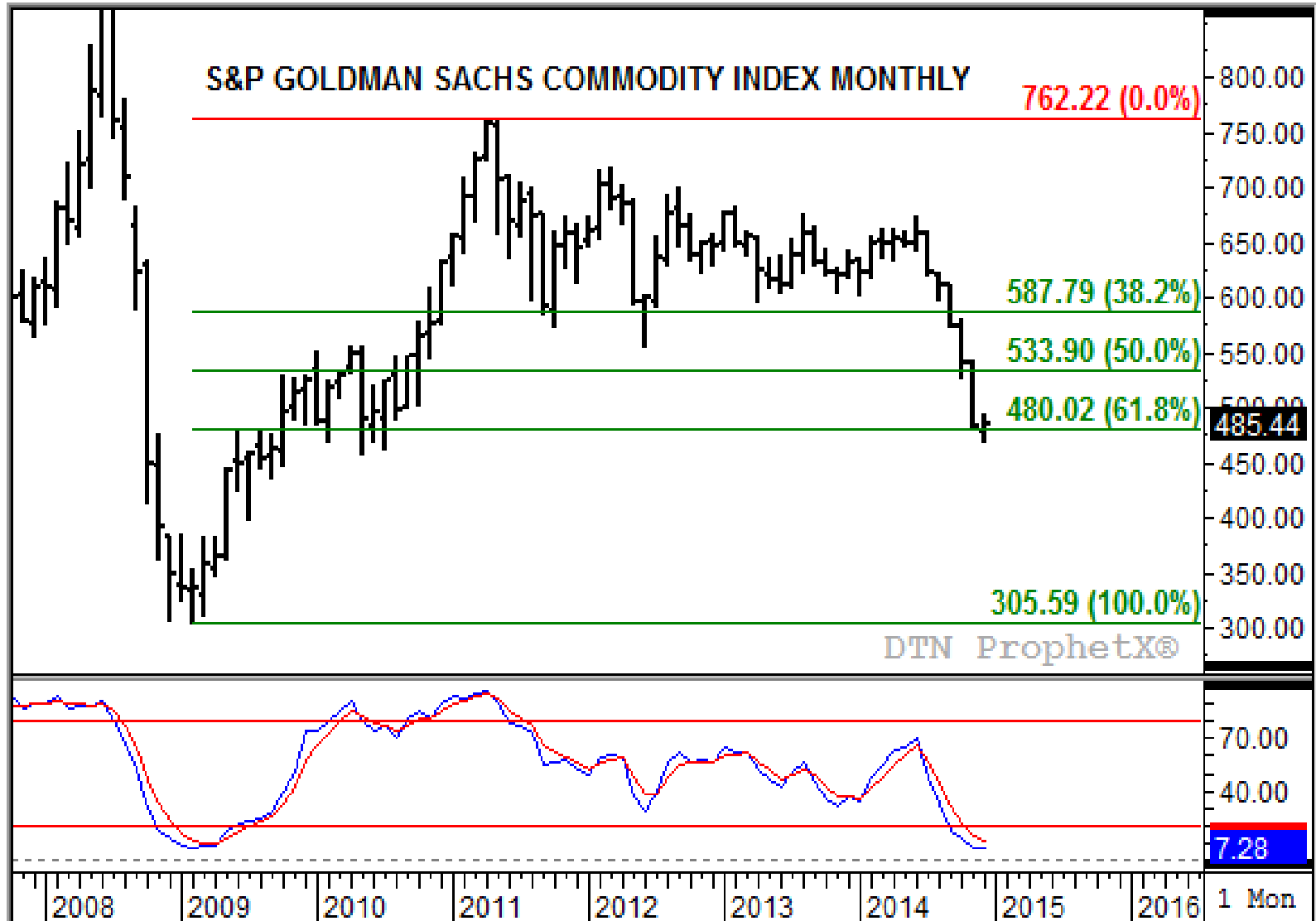
# Old Crop (2014-15) Wheat Outlook

- Like the other grains, Chicago SRW wheat has established a long-term uptrend.
  - Initial target price (futures) = \$6.26
  - Bullish futures spreads/basis project a target near \$7.05
- Stark disagreement with “known” global fundamentals
  - Projected record high 2014-15 global supply > 900 mmt
- Key structure questions heading into 2015
  - Can spreads/basis maintain bullish view?
    - Quality vs. Quantity
    - North American transportation issues
  - Will the noncommercial side of the market go long?
    - Russia/Ukraine situation

# 2015 Outlook

## The Big Picture

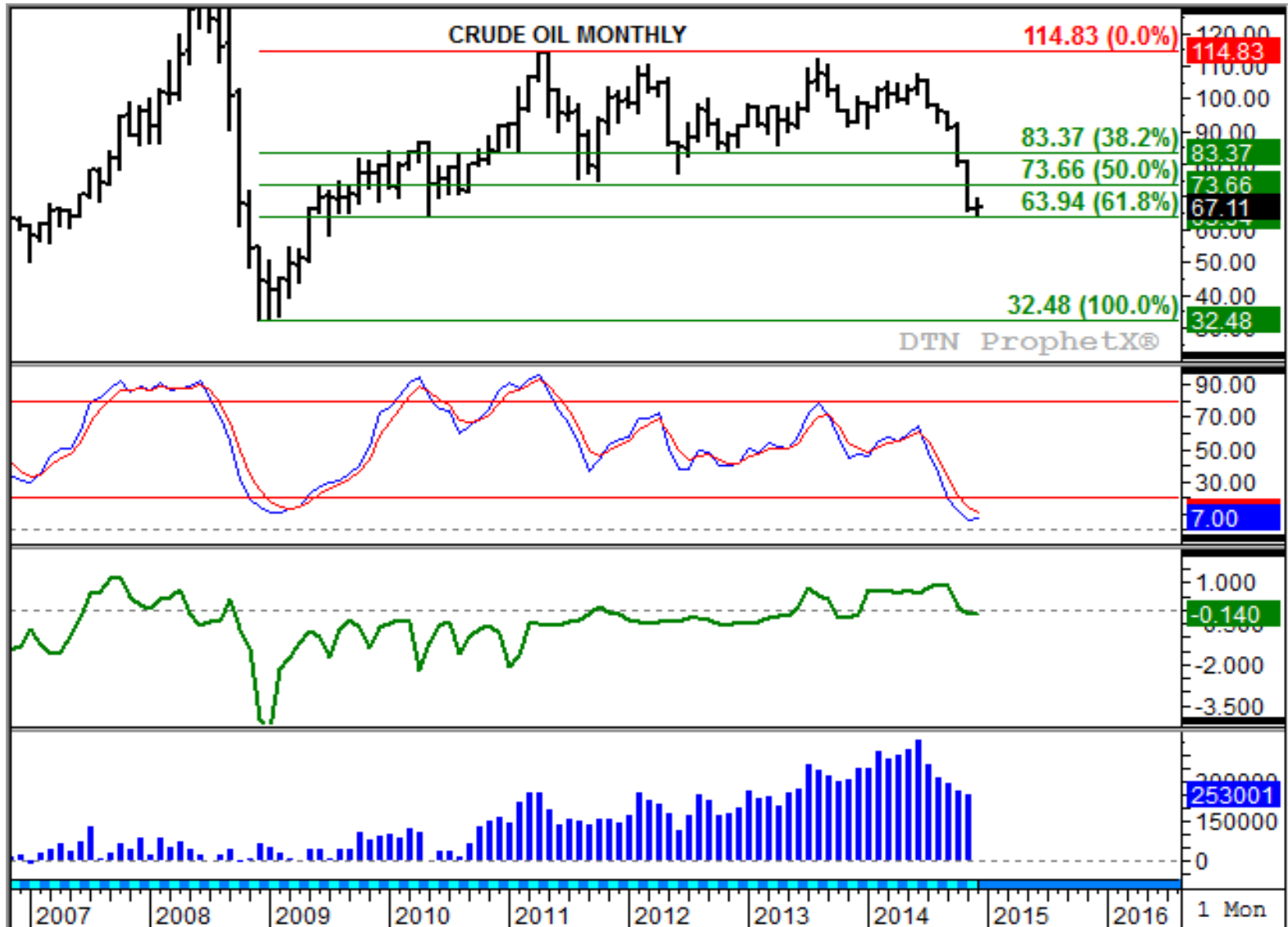


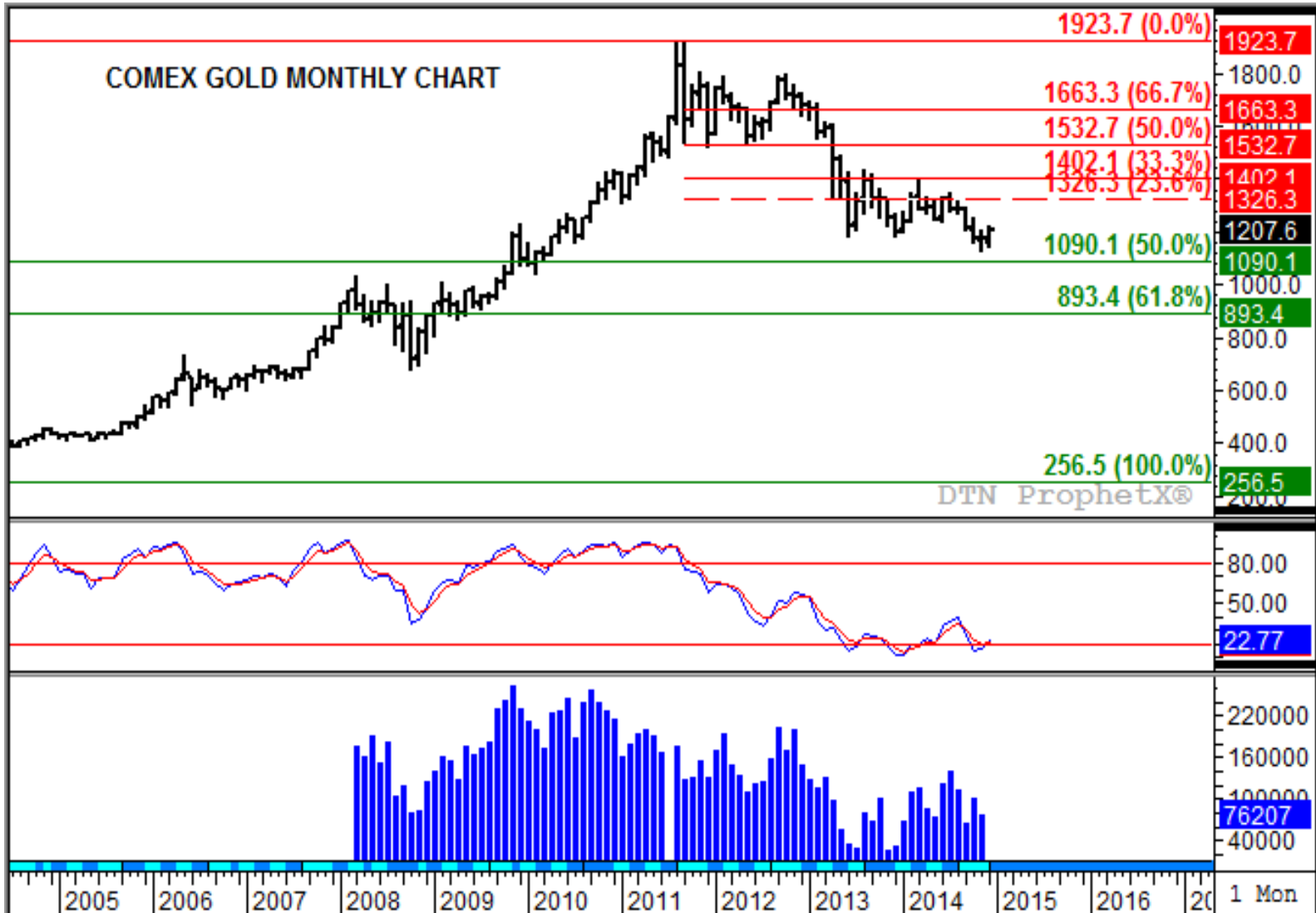






Picture created by Nick Scalise





# Putting It All Together

- Technically, the commodity sector is on the verge of turning bullish.
  - Corn: Signals indicating the long-term downtrend is over
  - Crude Oil: Held support at \$63.94 and nearing a bullish turn.
  - Gold: Holding above support near \$1,090.
- Fundamentally, none of the above makes sense.
  - Corn: Record large global supplies, stocks/use > 20%
  - Crude oil: Global demand not increasing like it once was
  - Gold: The U.S. dollar index may not be done going up.
- Speaking of the U.S. dollar
  - Key to commodities finding renewed buying interest
  - Technically, looks ready to turn down
    - Still the most attractive global currency though

# The Bottom Line

- The grain industry should see a better 2015
  - Strong global demand across the board
  - Storage issues/basis will be key
- The livestock sector could see lower prices in 2015
  - Cattle herd is slowly starting to grow again
  - Hogs posted a cyclical top this past summer
  - Feeder cattle still incredibly volatile
- Agriculture in general should remain strong
  - RFS/Ethanol
  - Trade issues with China

## For More Information

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THANK YOU