



Wheat Marketing and Risk Management

Wheatheart Wheat Conference

**Perryton, Texas
August 13, 2009**

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Grain Marketing Economist**

Market Drivers

- Economy — **FE**
- Demand — **AR**
 - Exports
 - Feed
 - Food
- Supply — **Adequate**
 - Export Competition
 - Planted Acres
 - Weather

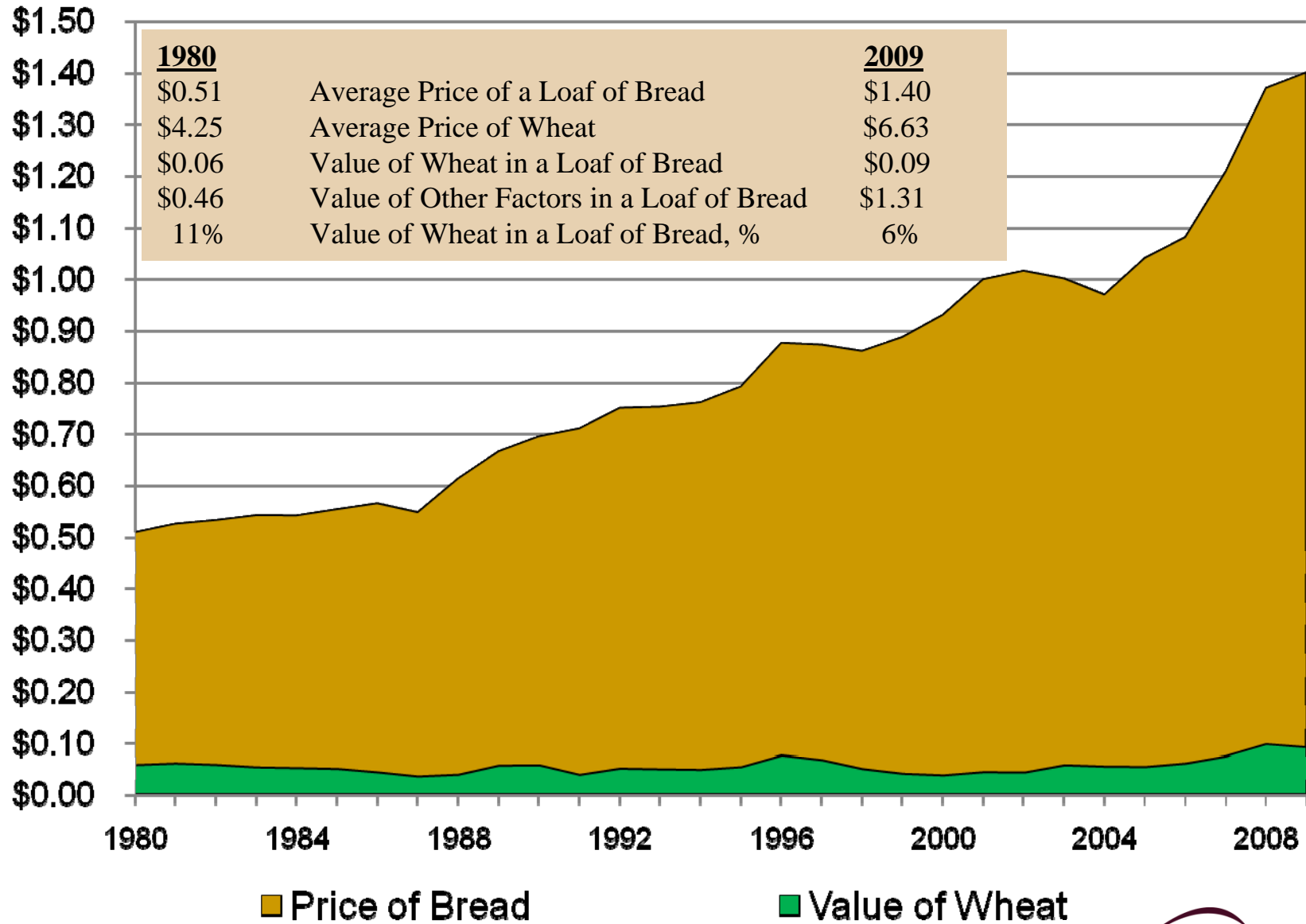


Pumping ethanol from corn in 1933

“Without the runaway demand growth of ethanol, many of the recent stories need to be rewritten in short order.”

--Michael Swanson, Economics Department, Wells Fargo

Value of Wheat in a Loaf of Bread



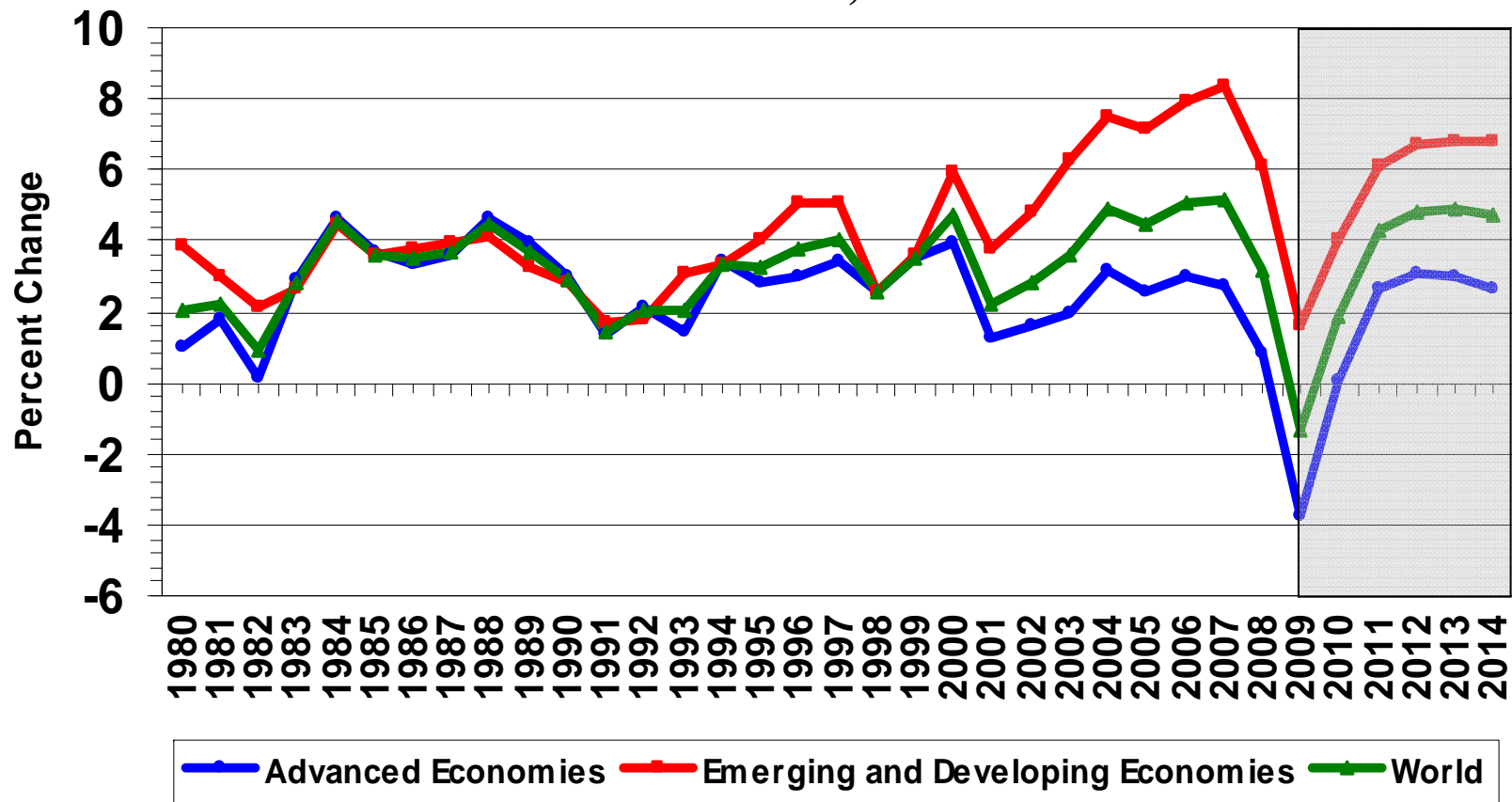
Avg U.S., white bread, 1-lb loaf

KC HRW, Ordinary Protein

Global Economic Growth

Global economic growth is being driven by developing nations.

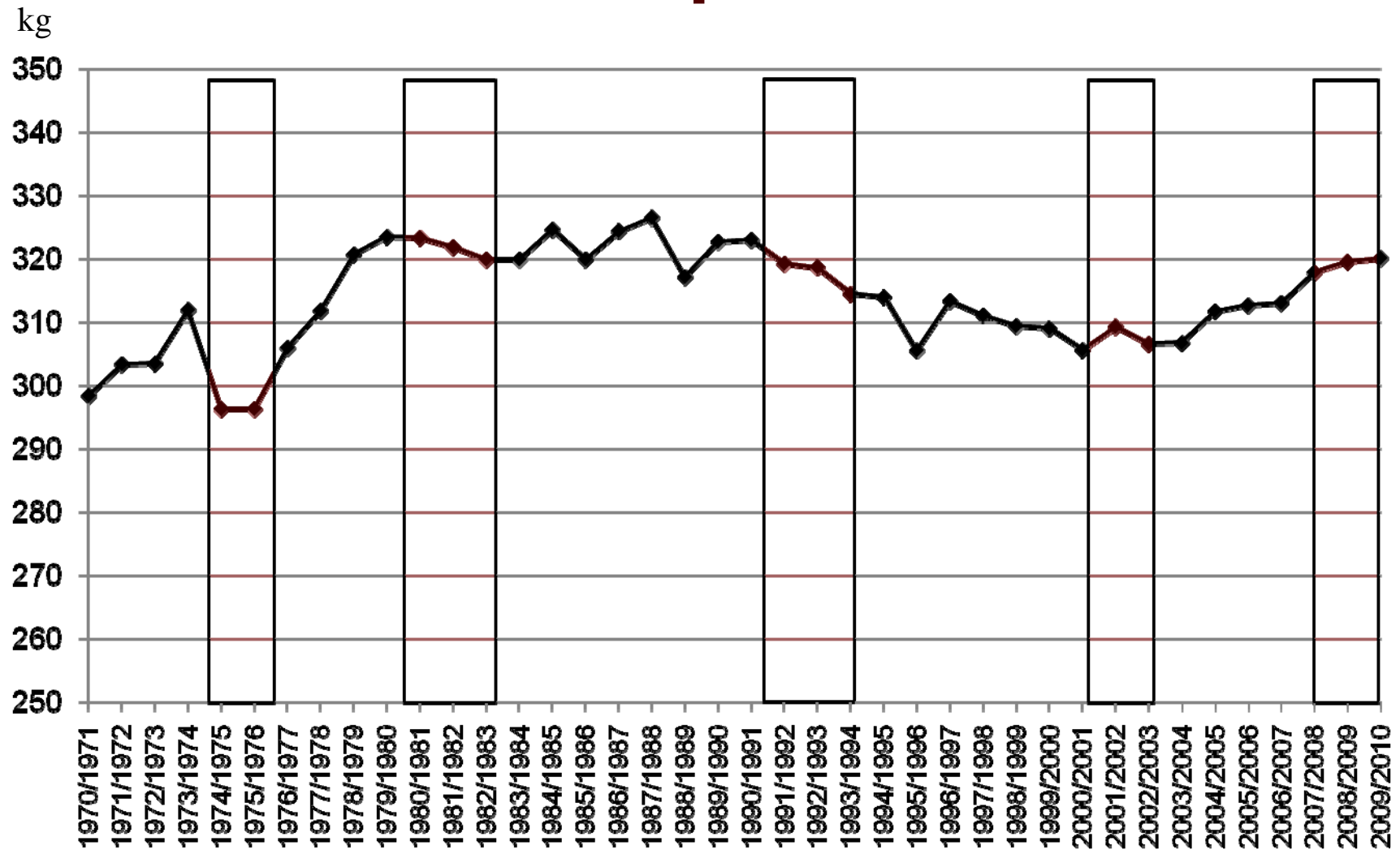
Real GDP Growth, 1980 - 2014



As of April 2009

Source: <http://www.imf.org/external/datamapper/index.php>; 2009-2014 projections

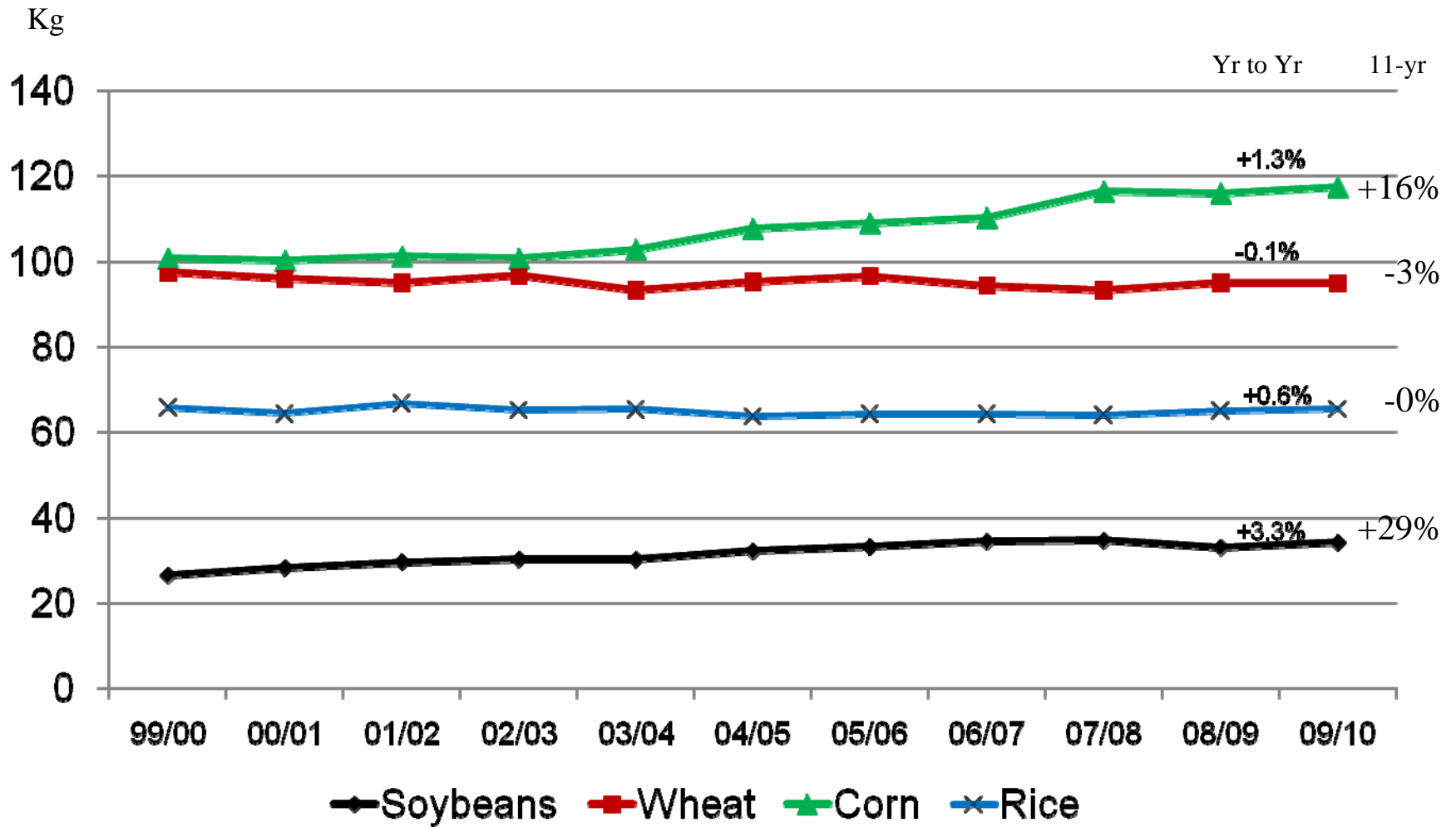
World Per Capita Grain Use



corn, barley, sorghum, rye, oats, millet, mixed grains, wheat, rice

7/10/09

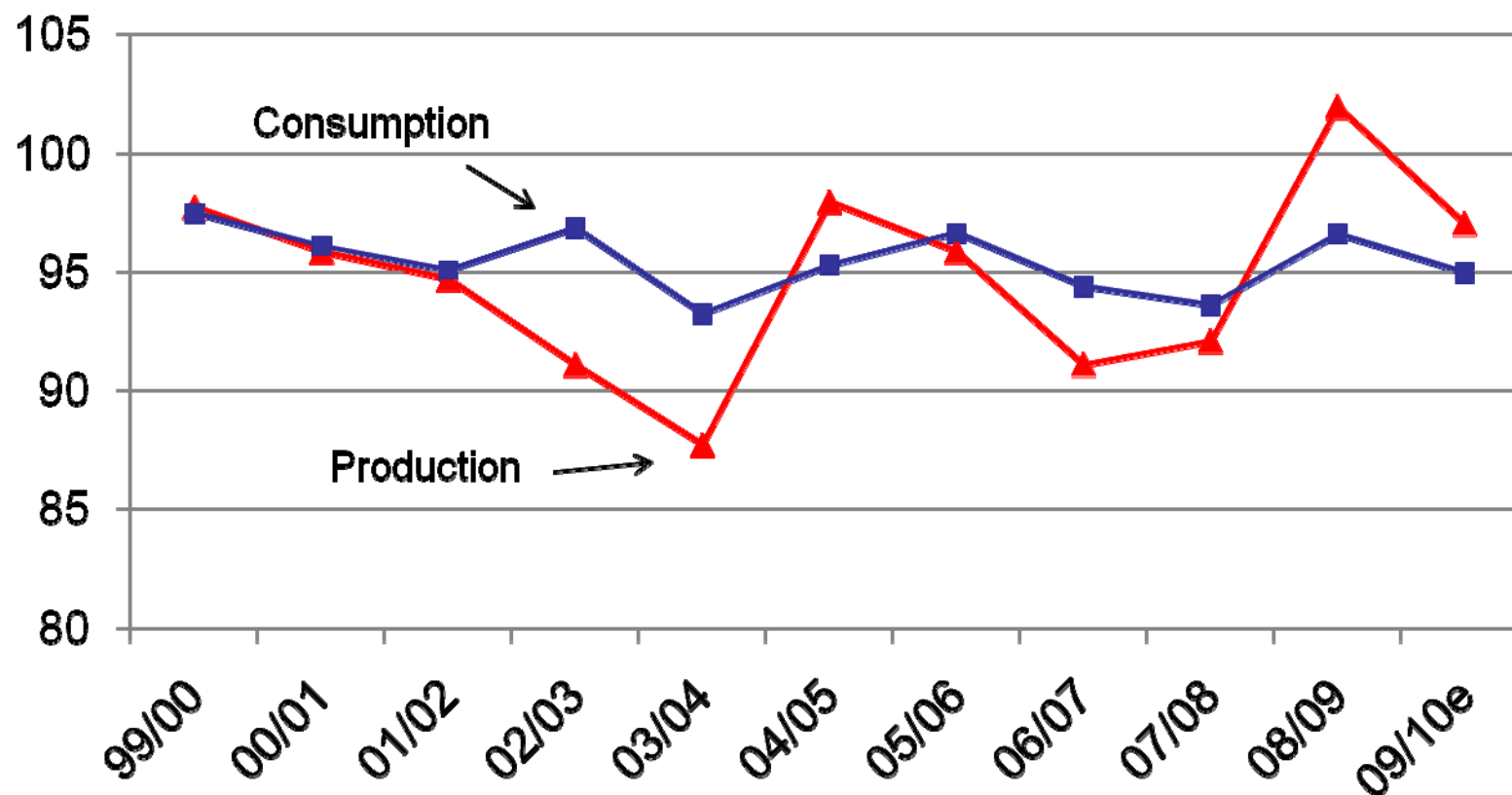
World Per Capita Consumption



Updated 7/10/09

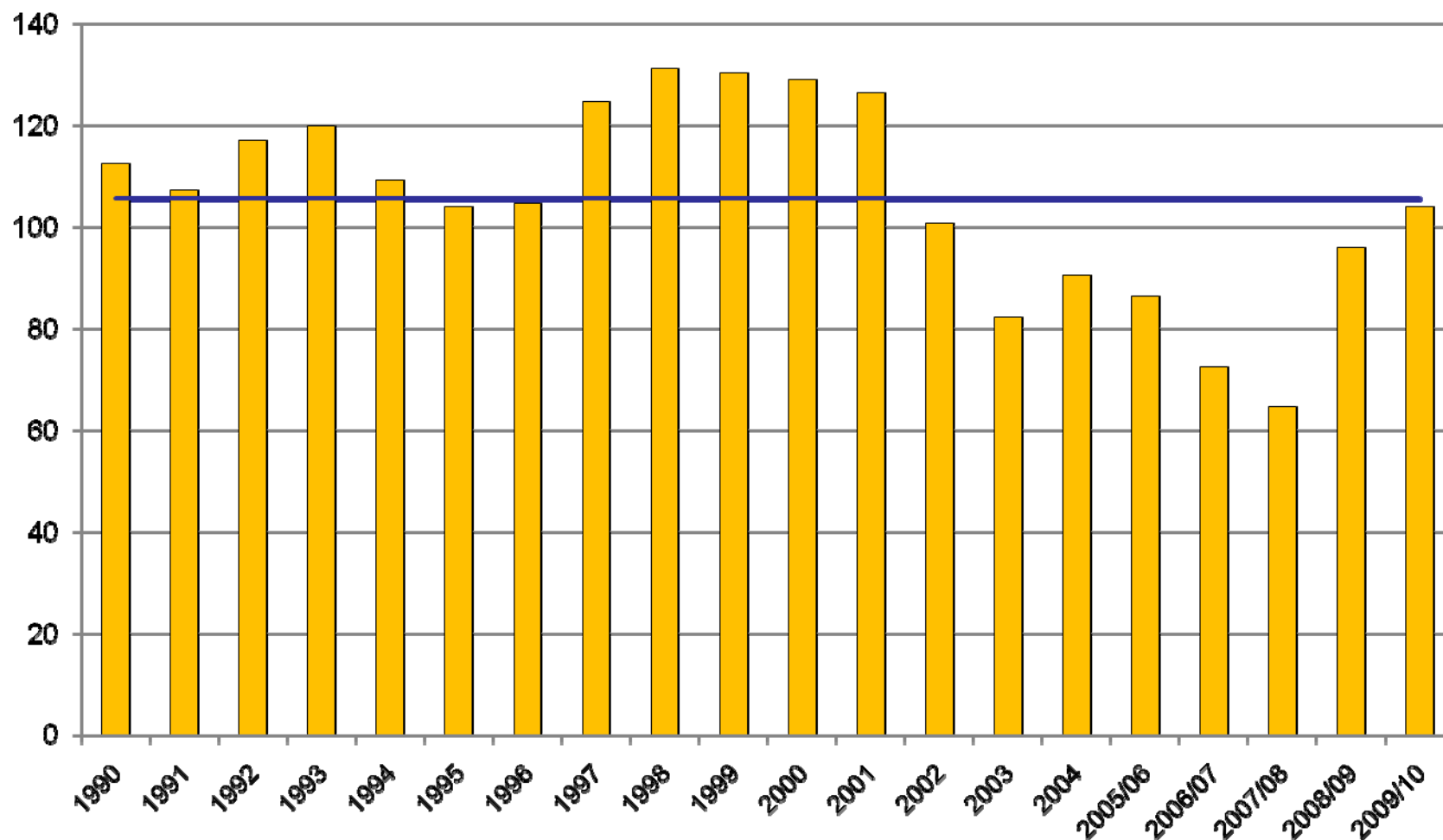
Annual World Per Capita Wheat Production and Consumption

Kg/person



July 10, 2009, USDA, PS&D database

World Wheat: Days of Use on Hand

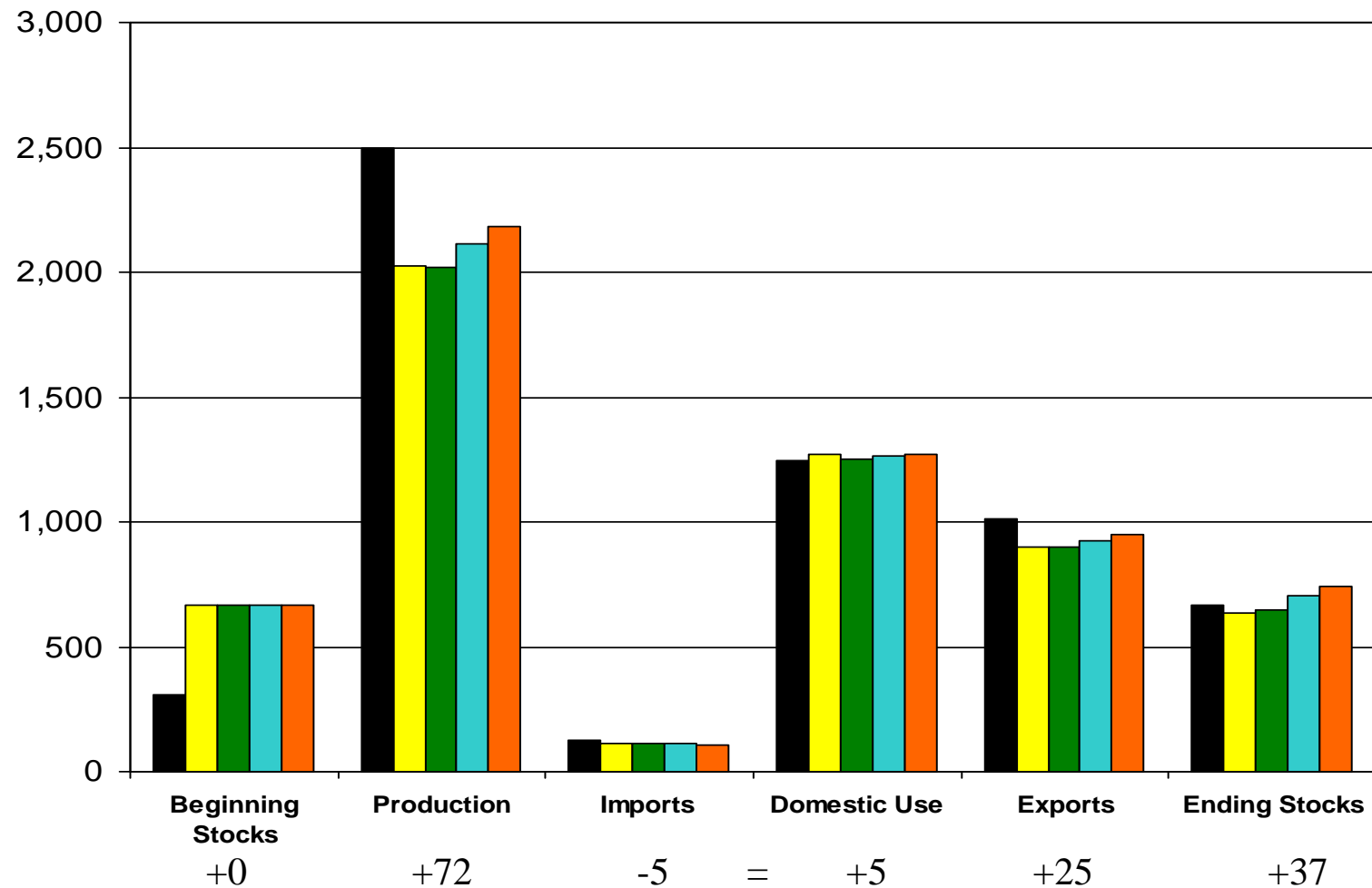


8/12/09

Days of Use Average

U.S. Wheat Supply and Demand, 8/12/09

million bushels



■ 08/09

■ 09/10 May

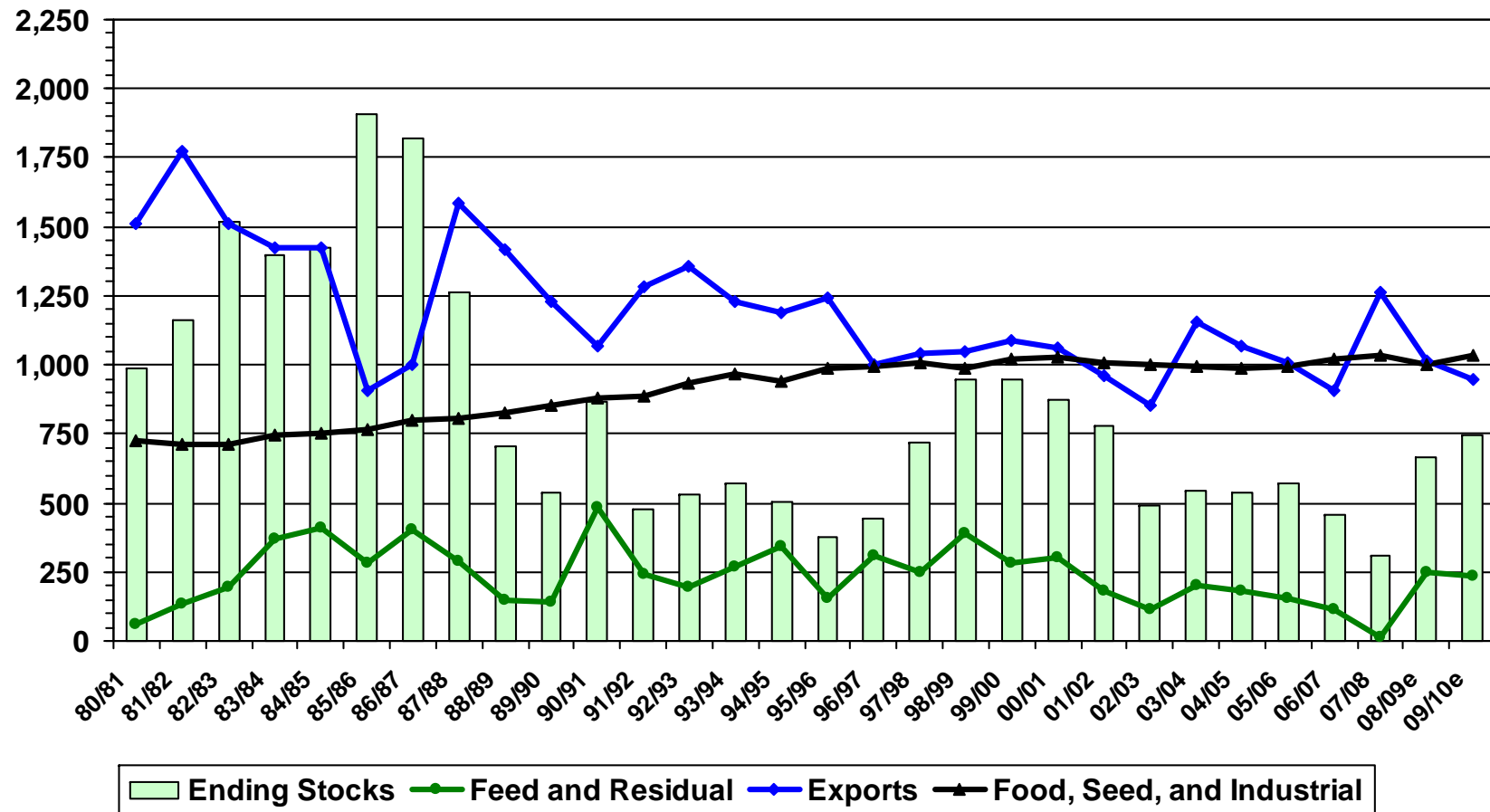
■ 09/10 Jun

■ 09/10 Jul

■ 09/10 Aug

U.S. Wheat Use

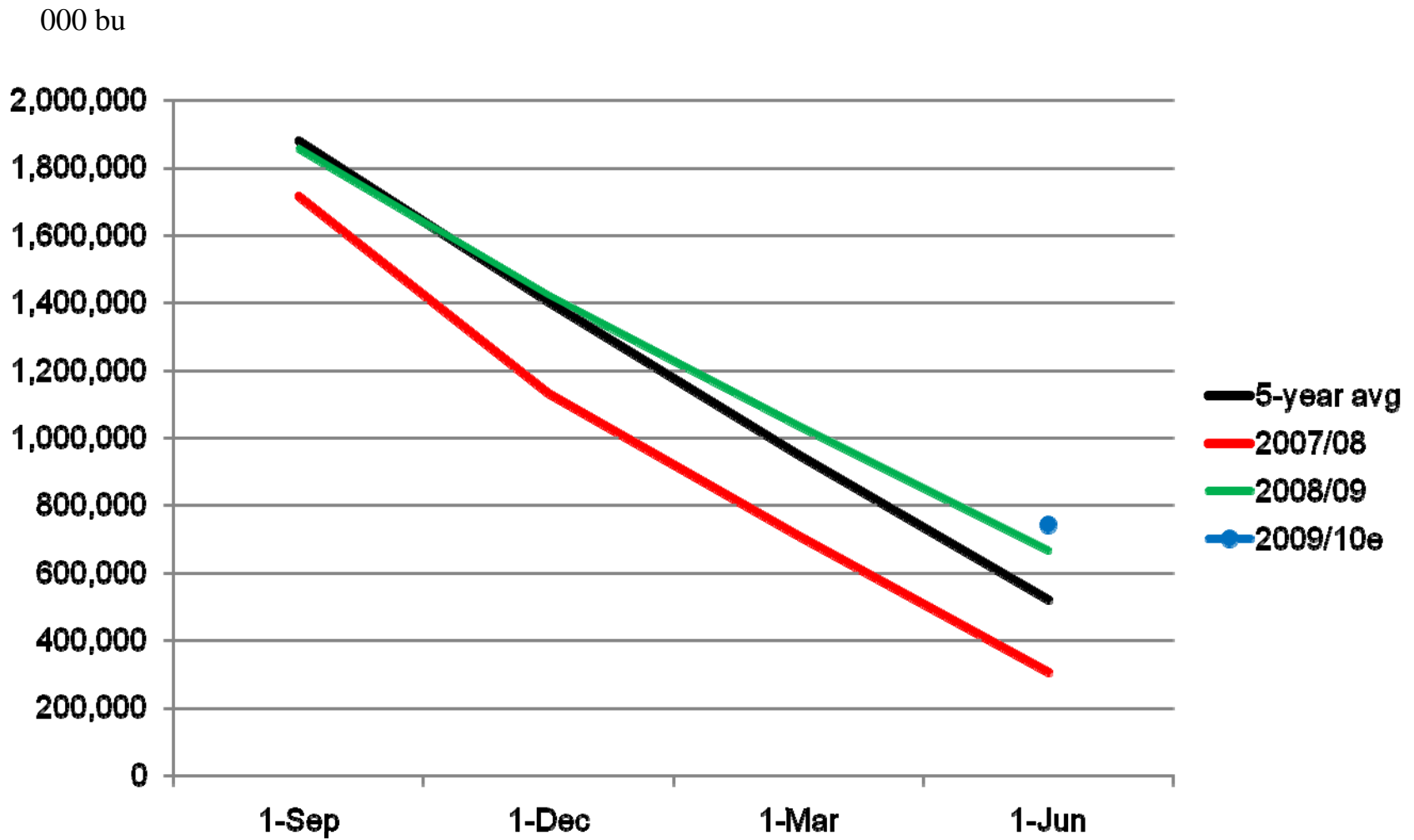
Million Bushels



Source: USDA/ERS, WASDE, USDA , 2009/10 estimated

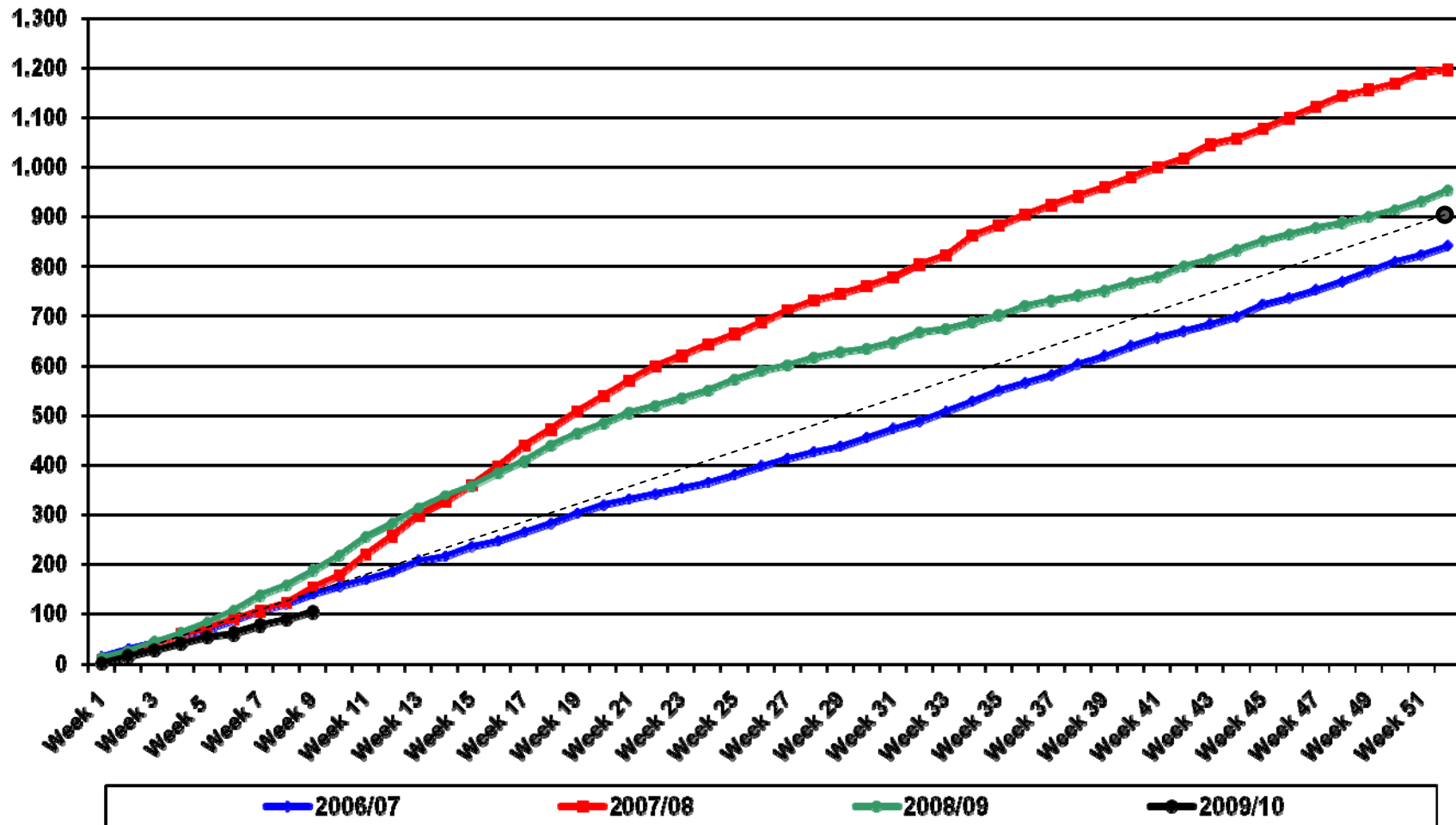
Updated 8/12/2009

U.S. Wheat Stocks



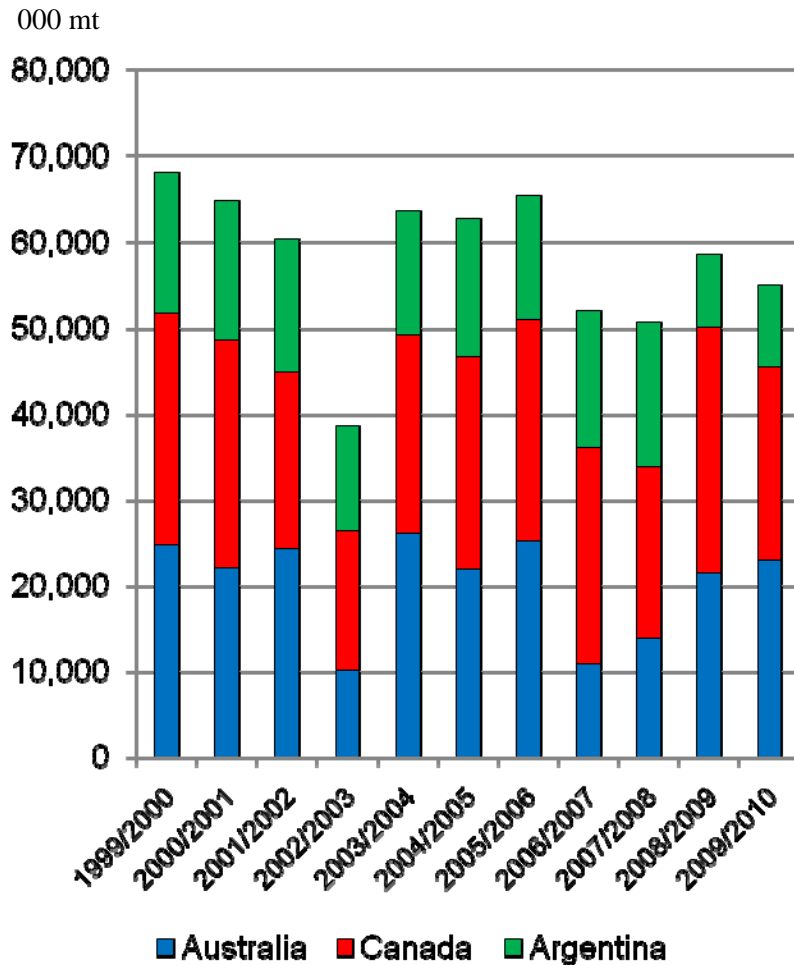
U.S. All Wheat Exports, MY to Date

million bushels



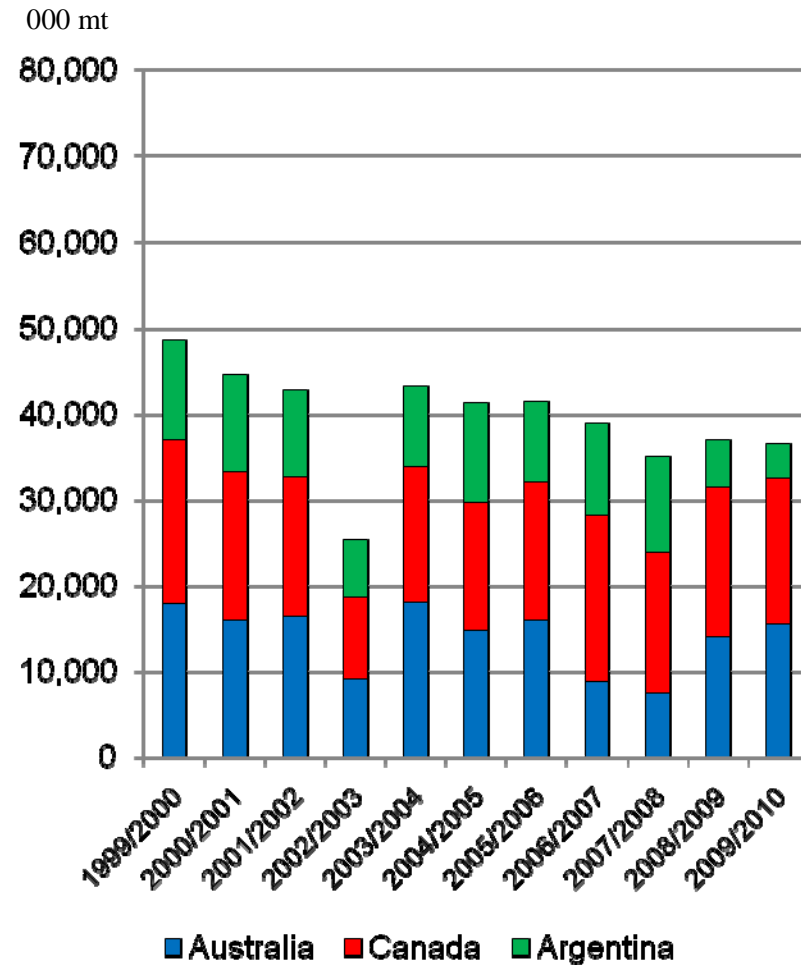
Major High Quality Wheat Competitors

Production

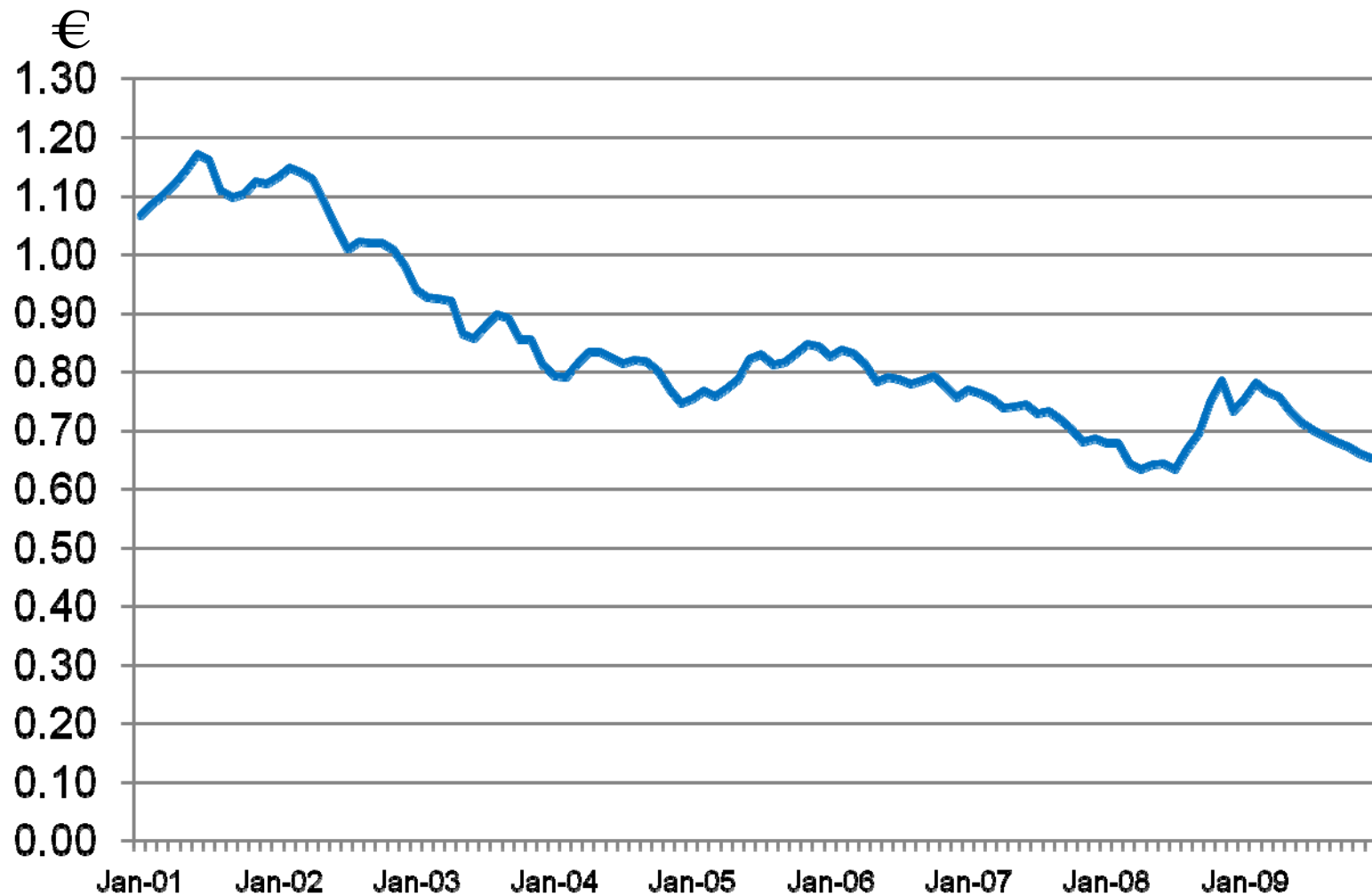


and

Exports

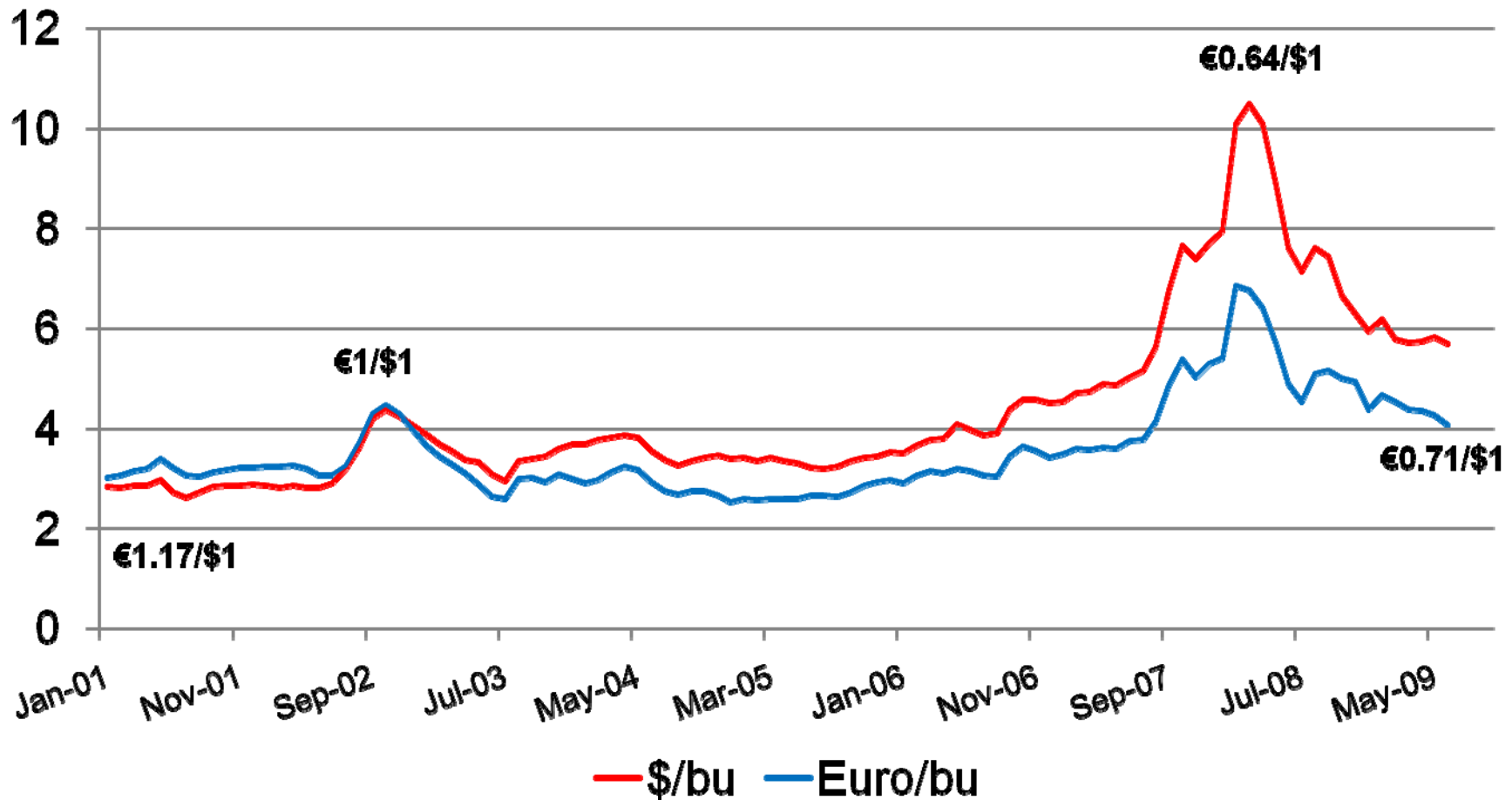


Euros per \$US



Wheat Prices

\$ or €





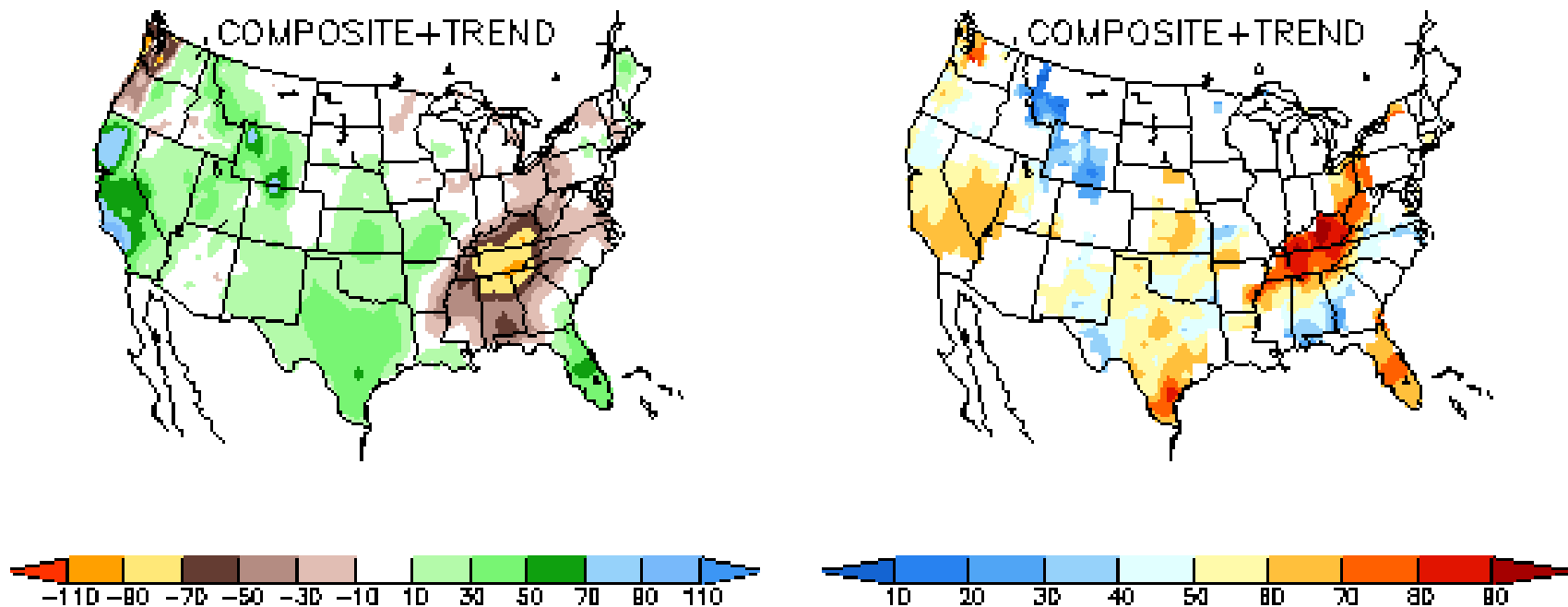
NOAA NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION
UNITED STATES DEPARTMENT OF COMMERCE

ENSO Alert System Status: El Niño Advisory

Synopsis: El Niño conditions will continue to develop and are expected to last through the Northern Hemisphere Winter 2009-2010.

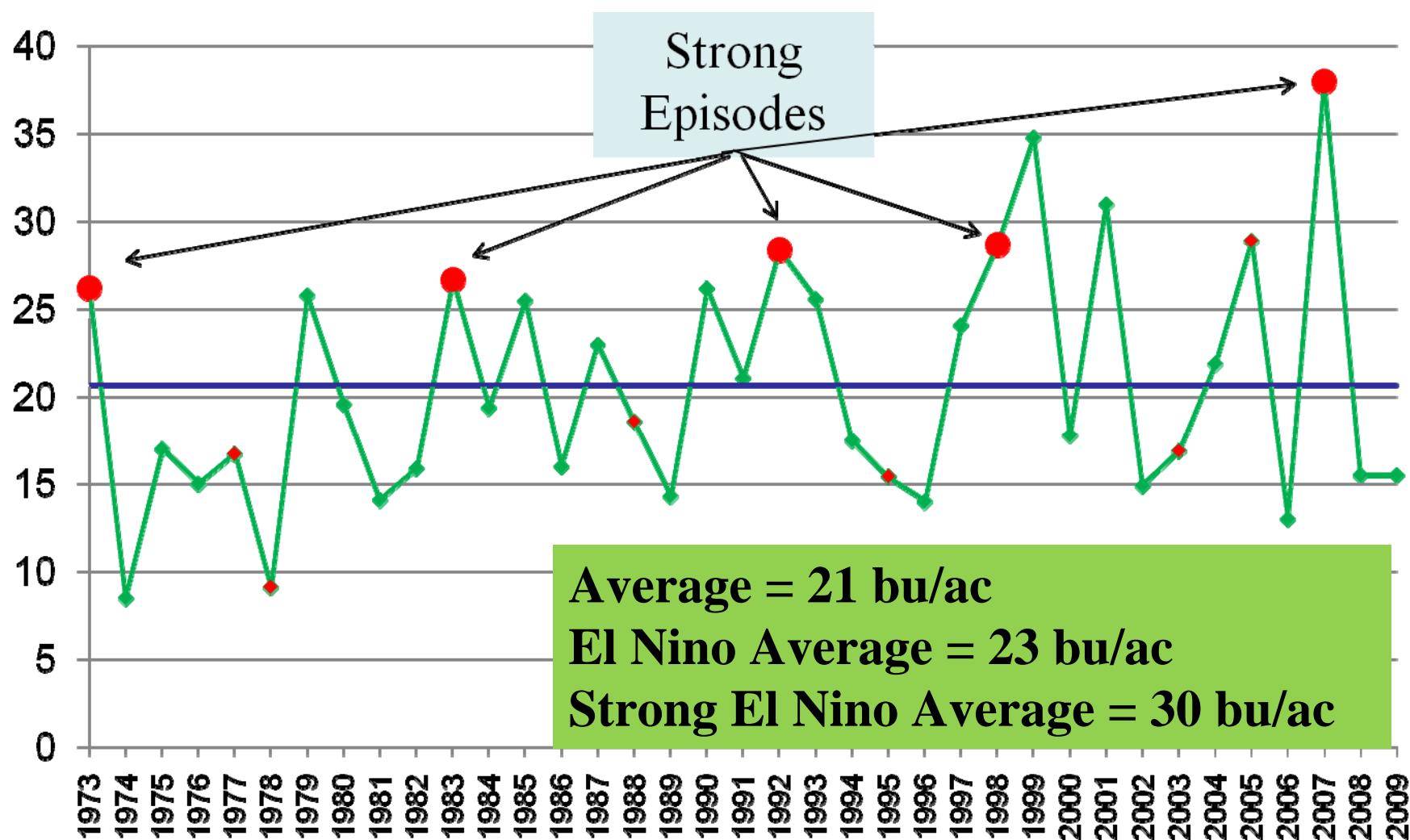
During June 2009, conditions across the equatorial Pacific Ocean transitioned from ENSO-neutral to El Niño conditions. Sea surface temperature (SST) anomalies continued to increase, with the latest weekly departures exceeding $+1.0^{\circ}\text{C}$ along a narrow band in the eastern equatorial Pacific (Fig. 1). All of the weekly SST indices increased steadily during June and now range from $+0.6^{\circ}\text{C}$ to $+0.9^{\circ}\text{C}$ (Fig. 2).

JFM Precipitation Anomalies (mm) and Frequency (%)

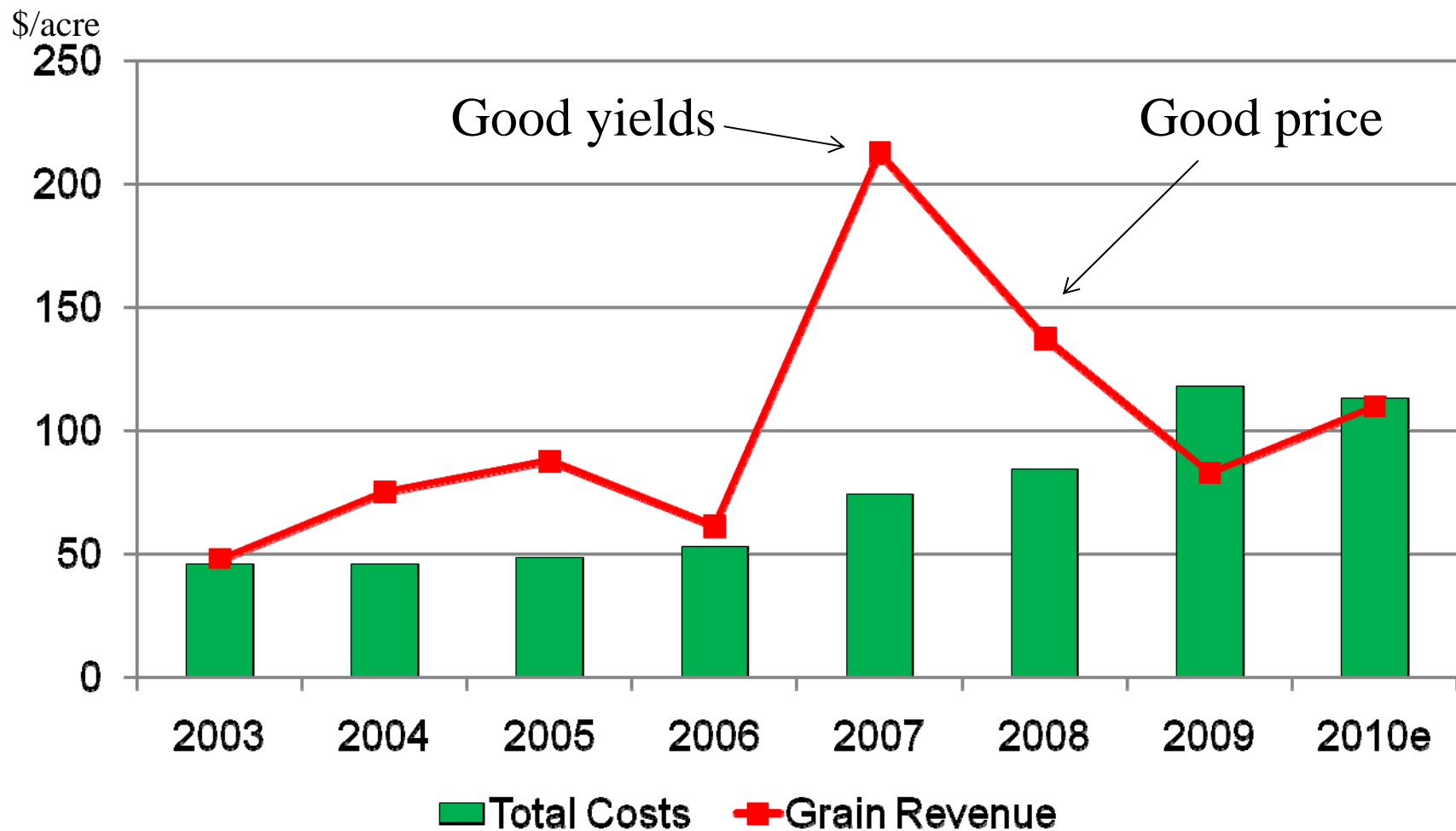


(13 CASES: 1958 1966 1969 1973 1977 1983 1987 1988 1992 1995 1998 2003 2005)

Northern High Plains Dryland Wheat Yields

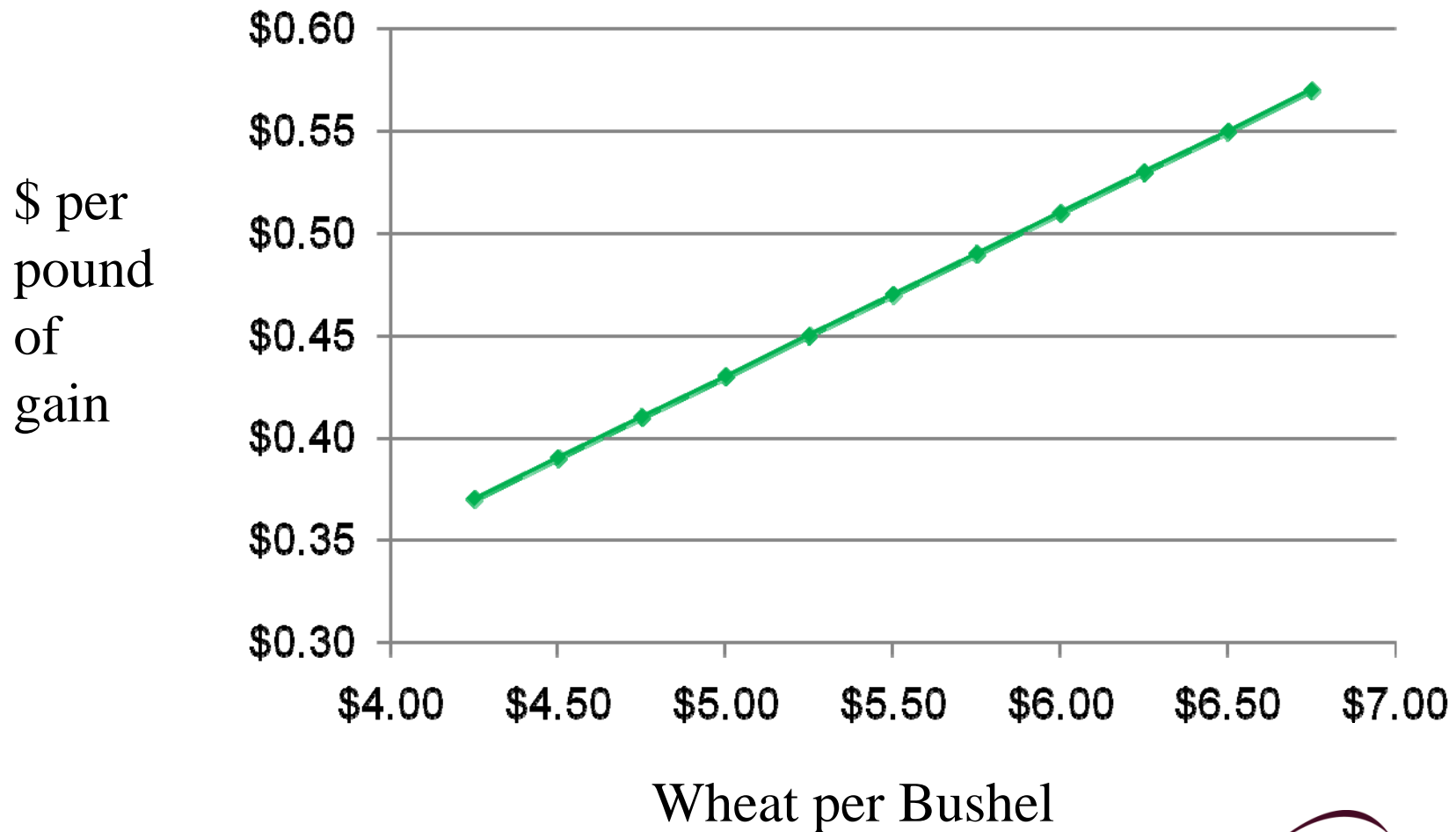


Wheat Variable Costs and Grain Revenue



2010 crop: 20 bushel yield, \$5.45 BE (about \$6.10 on the board)

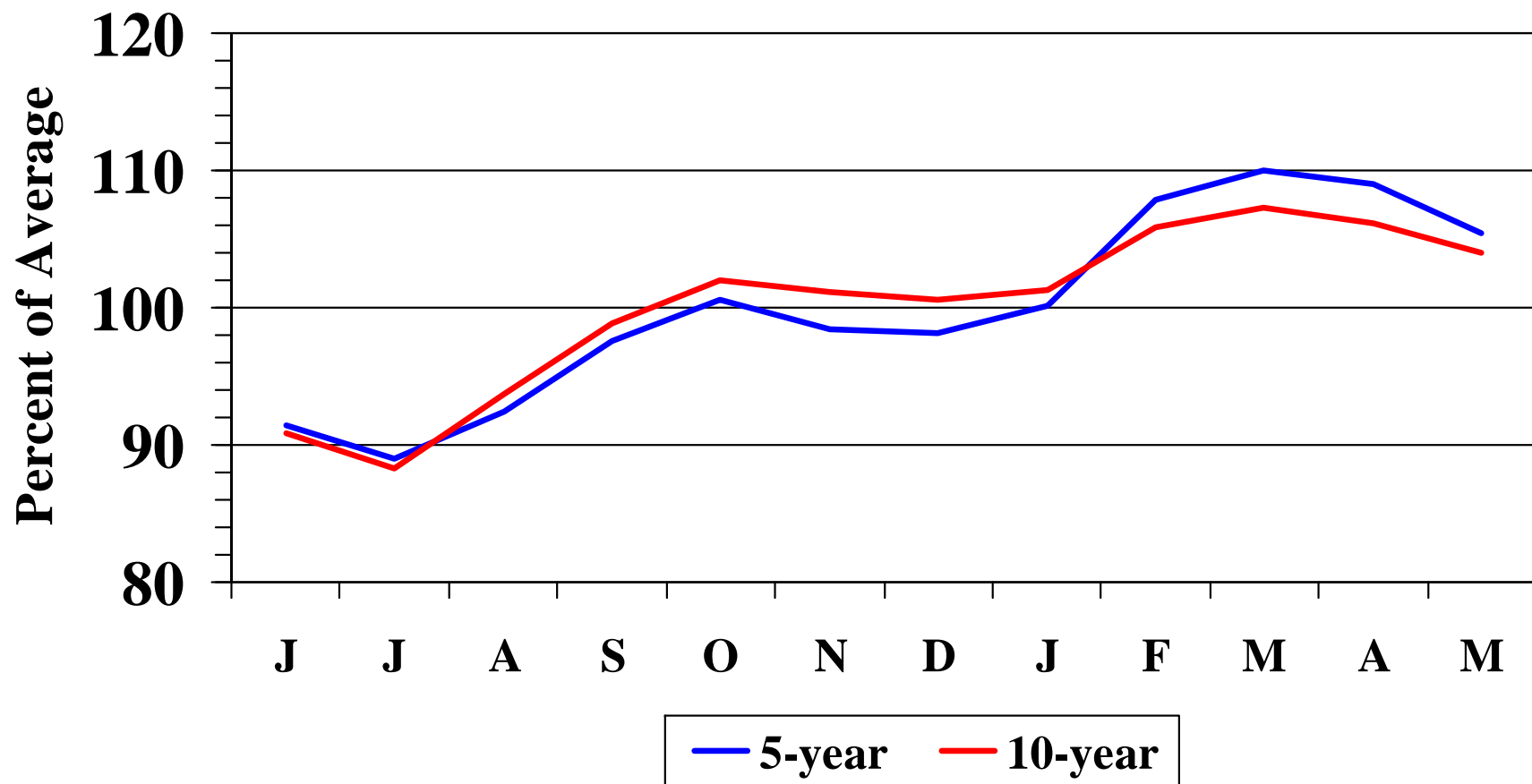
Grazing Rate to Break Even with Grain Production



Grazing = 5 bushel yield loss and +\$4/acre costs

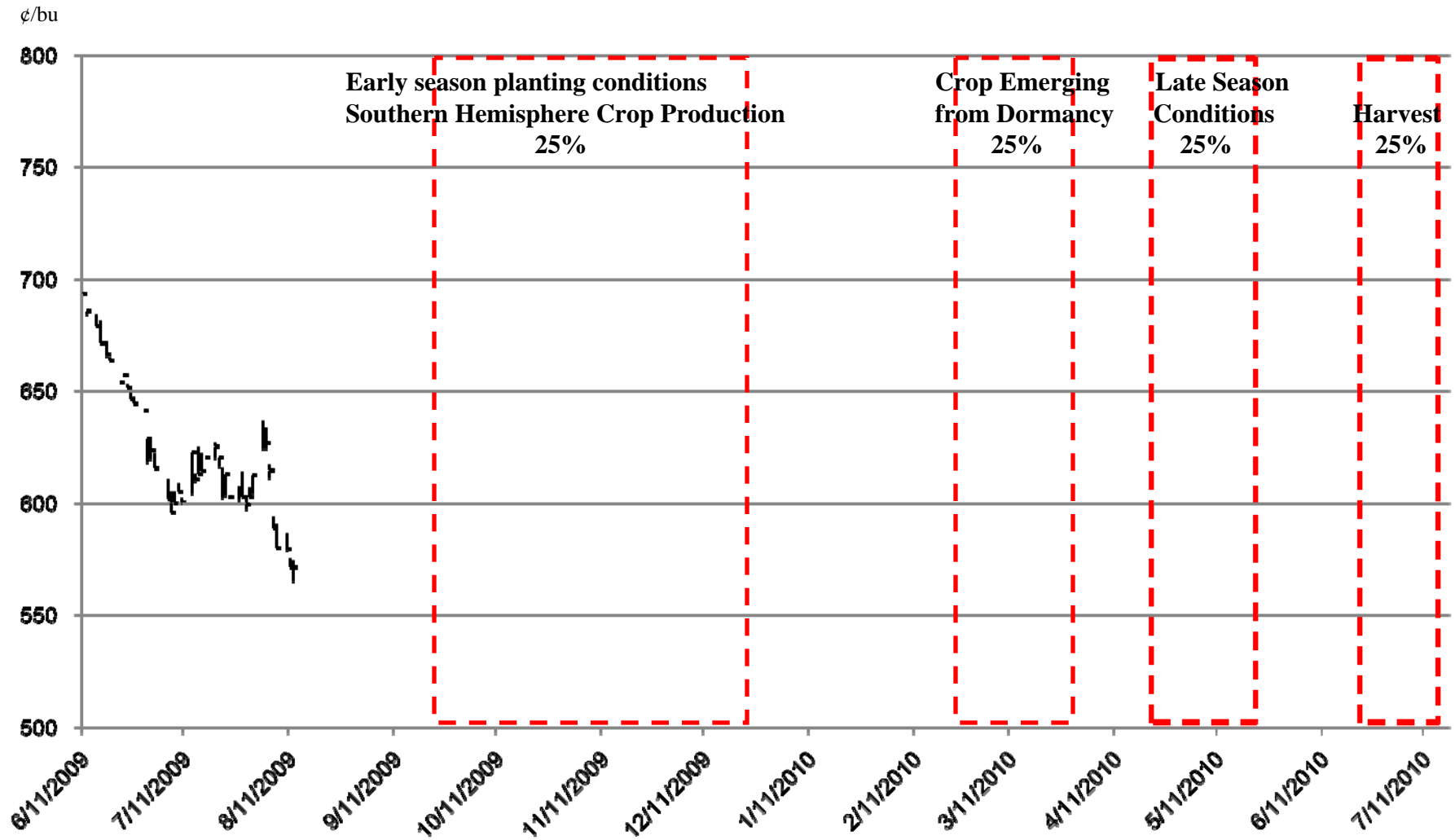
Seasonal Price Index for U.S. Wheat

June 1999 – May 2009 Marketing Year



7/10/09

July 2010 KC Wheat and Marketing Plan



Marketing Philosophies



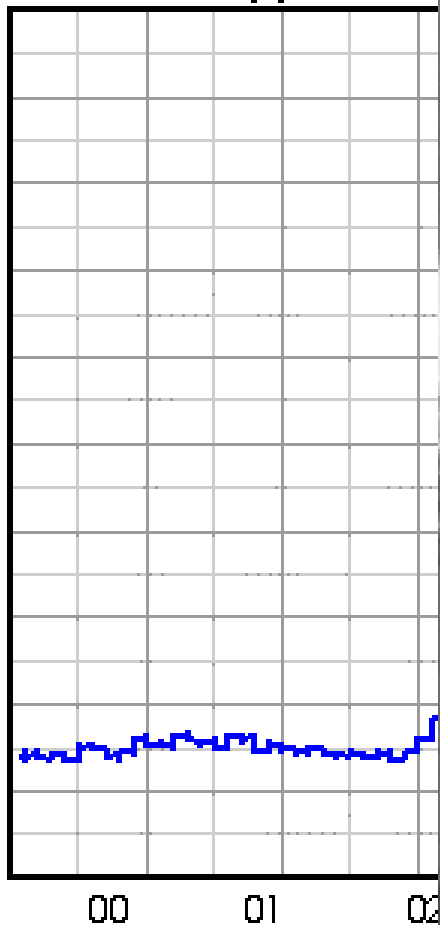
The man who insists on seeing with perfect clearness before he decides, never decides.

Henri-Frédéric Amiel

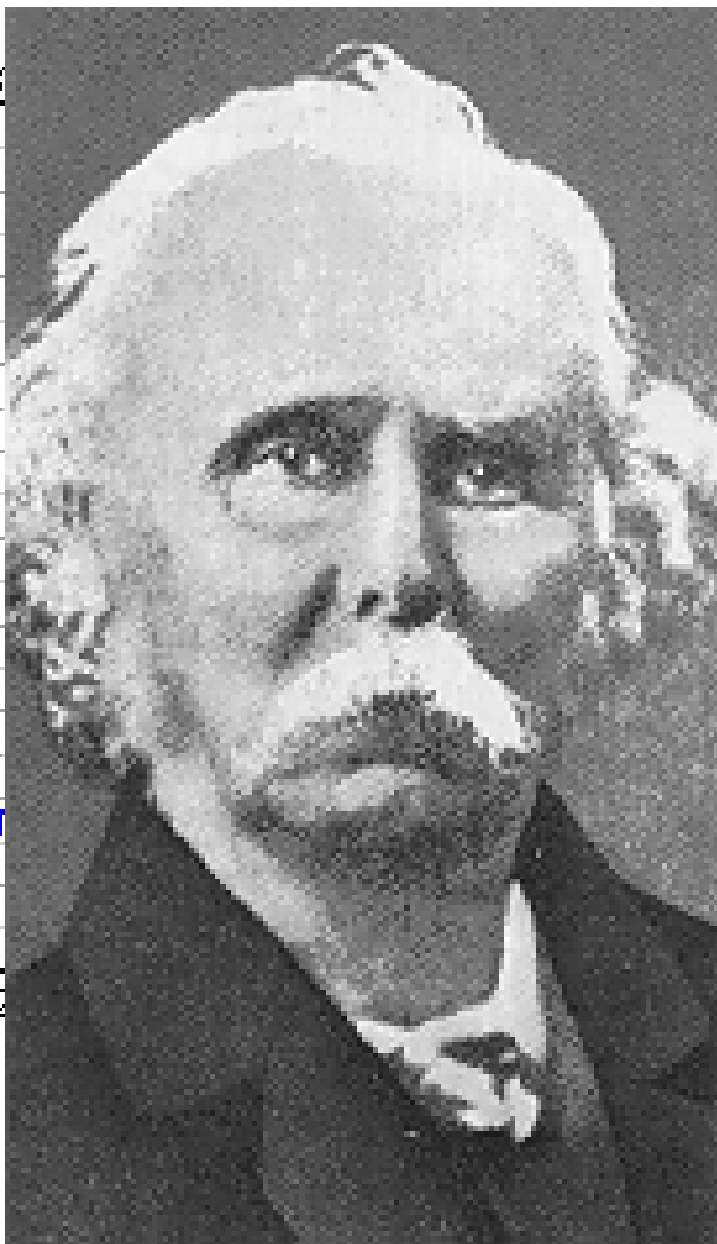
- Ready, Aim, Aim, Aim, Aim, Aim,
- Ready, Fire, Aim!

How high? How long?

KCBT WHEAT (P) NEAREST



As of 08/01/09



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Outlook Reports Available

Feed Grain Market Outlook

January 23, 2009

Volume 18, Number 5



Improving Lives. Improving Texas.

Market Situation

The fundamental surprise in USDA's January 12th Supply and Demand report was the increase in ending stock estimates for corn, sorghum, soybeans, and wheat. This increased level of carryover eased supply concerns for at least the short term. The feed grain and oilseed markets also found a respite from the much anticipated battle for acres between corn and soybeans in the *Wheat Seedings* report. Sown areas of winter wh

Ho intensifying the need for increased corn and soybean acres in the U.S. in 2009. The Agricultural Secretariat in Argentina has reported that soybean area now stands at 16.5 million hectares (41 million acres), down from last month's estimate of 17.8 million hectares (44 million acres), a reduction of 1.3 million hectares (3.2 million acres).

In January, USDA estimated Argentine corn production at 20.85 mmt and soybean production at 50.5 mmt. Private estimates of the corn crop are now about 15 mmt and 45.5 mmt for soybeans. Some rural associations in Argentina expect total soybean production to fall to 37 mmt if the severe drought conditions persist (see "Argentine Drought Considered the Worst in 100 Years", available online at www.soyatech.com).

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<http://agecoext.tamu.edu/index.html>