

A photograph of a grain elevator facility. A large, light-colored metal pipe is angled downwards, pouring a thick stream of golden-brown grain into a blue metal hopper. In the background, several large, cylindrical grain silos are visible, along with a white building with windows. The sky is clear and blue.

# Wheat Marketing in a Challenging Environment

Randy Fortenbery

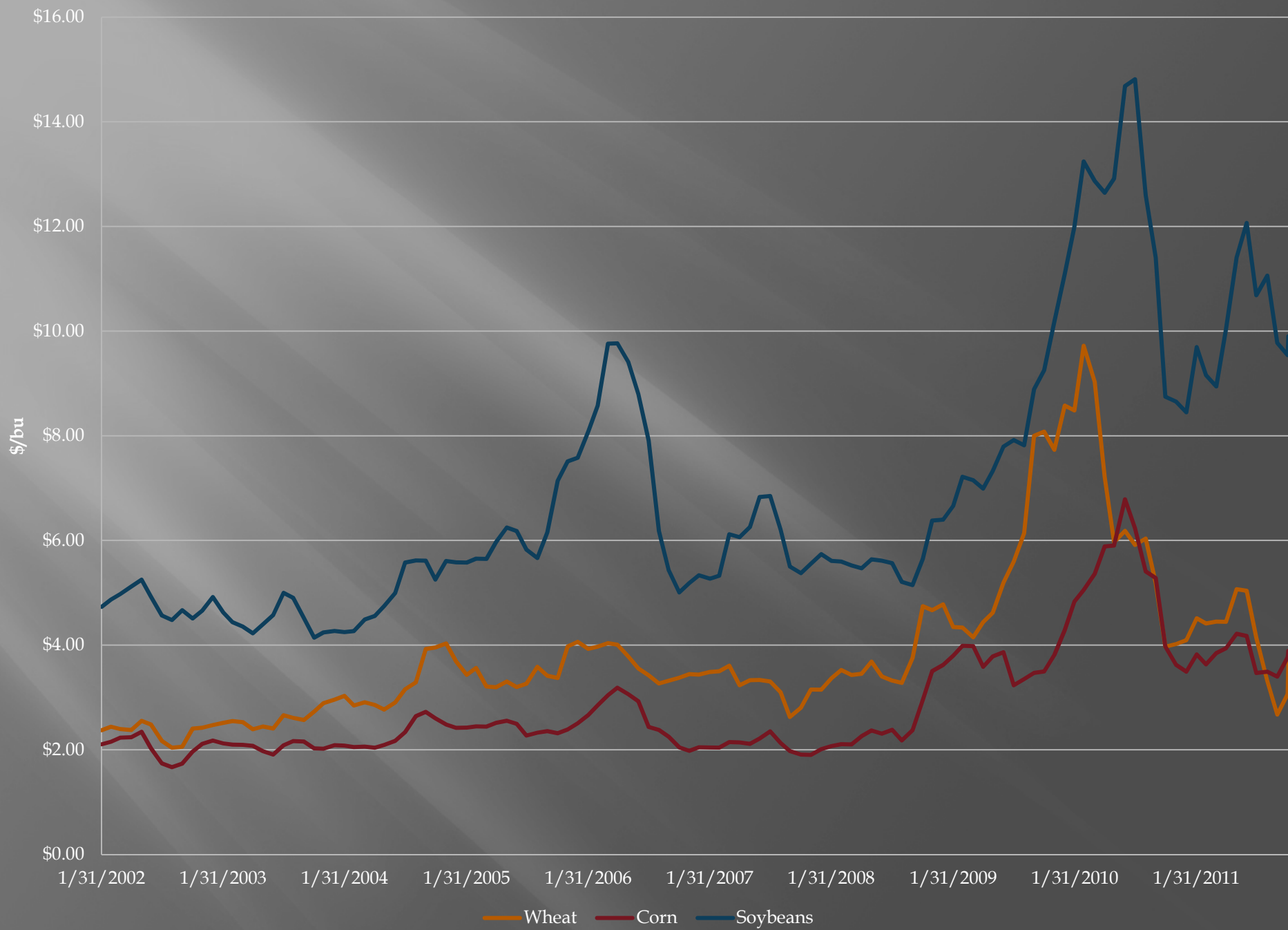
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Marketing Year	USDA	USDA	USDA	USDA	USDA	USDA	USDA	USDA
	04/05	05/06	06/07	07/08	08/09	09/10	Mar Est. 10/11	Mar Fore. 11/12
<b>Beg Stocks</b>	546	540	571	456	306	657	976	862
<b>Imports</b>	71	81	122	113	127	119	97	120
<b>Acres Planted</b>	59.7	57.2	57.3	60.5	63.2	59.2	53.6	54.4
<b>Acres Harvested</b>	50.0	50.1	46.8	51	55.7	49.9	47.6	45.7
<b>% Harvested</b>	83.8%	87.6%	81.7%	84.3%	88.1%	84.3%	88.8%	84.0%
<b>Yield</b>	<b>43.2</b>	<b>42.0</b>	<b>38.6</b>	<b>40.2</b>	<b>44.9</b>	<b>44.5</b>	<b>46.3</b>	<b>43.7</b>
<b>Production</b>	2,158	2,105	1,808	2,051	2,499	2,218	2,207	1,999
<b>Total Supply</b>	<b>2,775</b>	<b>2,726</b>	<b>2,501</b>	<b>2,620</b>	<b>2,932</b>	<b>2,993</b>	<b>3,279</b>	<b>2,982</b>
<b>Food</b>	910	915	938	948	927	919	926	930
<b>Seed</b>	78	78	82	88	78	69	71	82
<b>Feed and Residual</b>	182	160	117	16	255	150	132	145
<b>Exports</b>	1,066	1,003	908	1,263	1,015	879	1,289	1,000
<b>Total Demand</b>	<b>2,236</b>	<b>2,156</b>	<b>2,045</b>	<b>2,315</b>	<b>2,275</b>	<b>2,017</b>	<b>2,418</b>	<b>2,157</b>
<b>Ending Stocks</b>	540	571	456	306	657	976	862	825
<b>Stocks To Use</b>	<b>24.15%</b>	<b>26.48%</b>	<b>22.30%</b>	<b>13.22%</b>	<b>28.88%</b>	<b>48.39%</b>	<b>35.65%</b>	<b>38.25%</b>
<b>Avg. Farm Price</b>	<b>\$3.40</b>	<b>\$3.42</b>	<b>\$4.26</b>	<b>\$6.48</b>	<b>\$6.78</b>	<b>\$4.87</b>	<b>\$5.70</b>	<b>\$7.30</b>

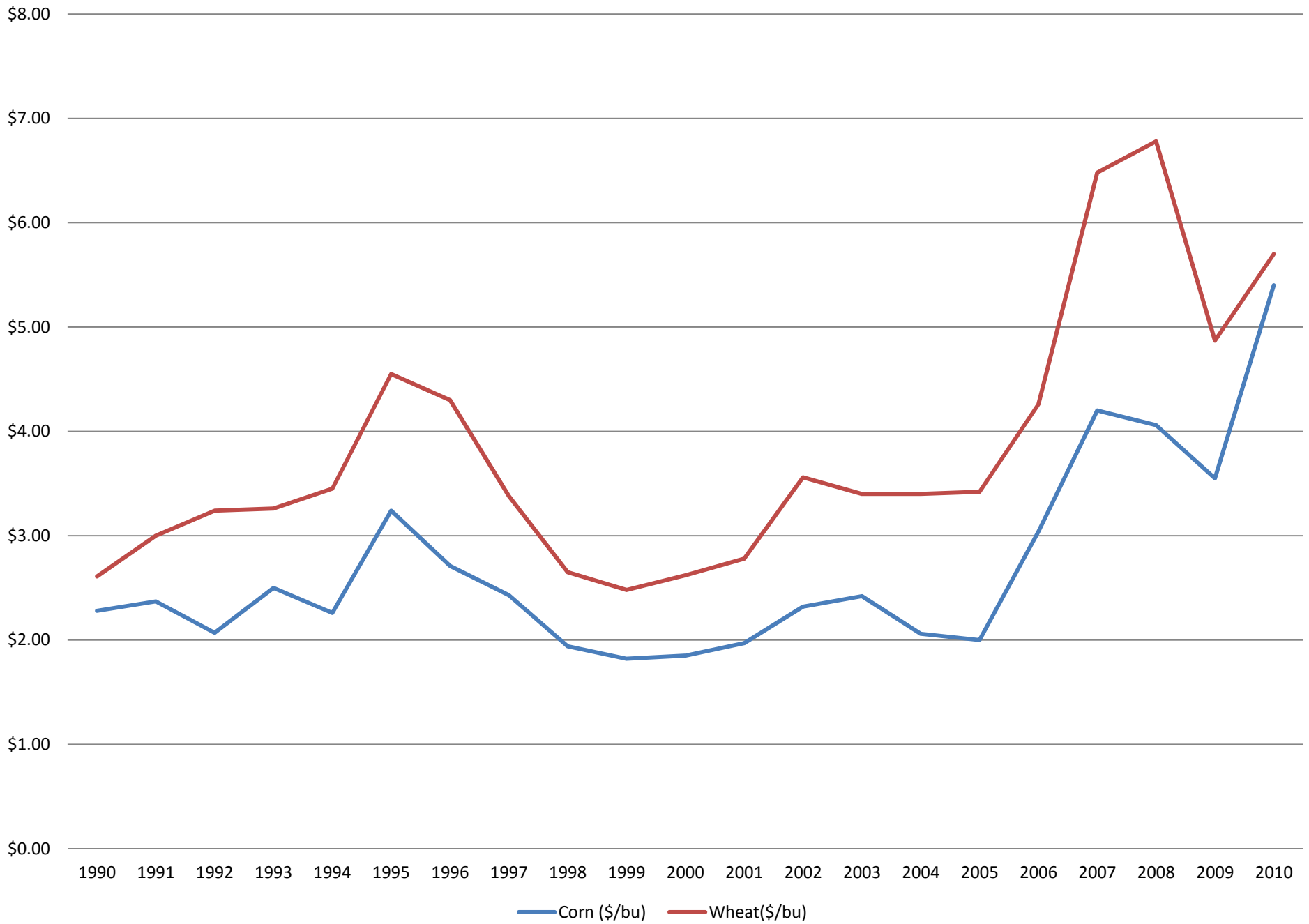
# Cash Grain Prices



# Volatility Perceptions

**Biofuel production has driven up commodity prices, and increased commodity price volatility.**

# Marketing Year Prices 1990-2010



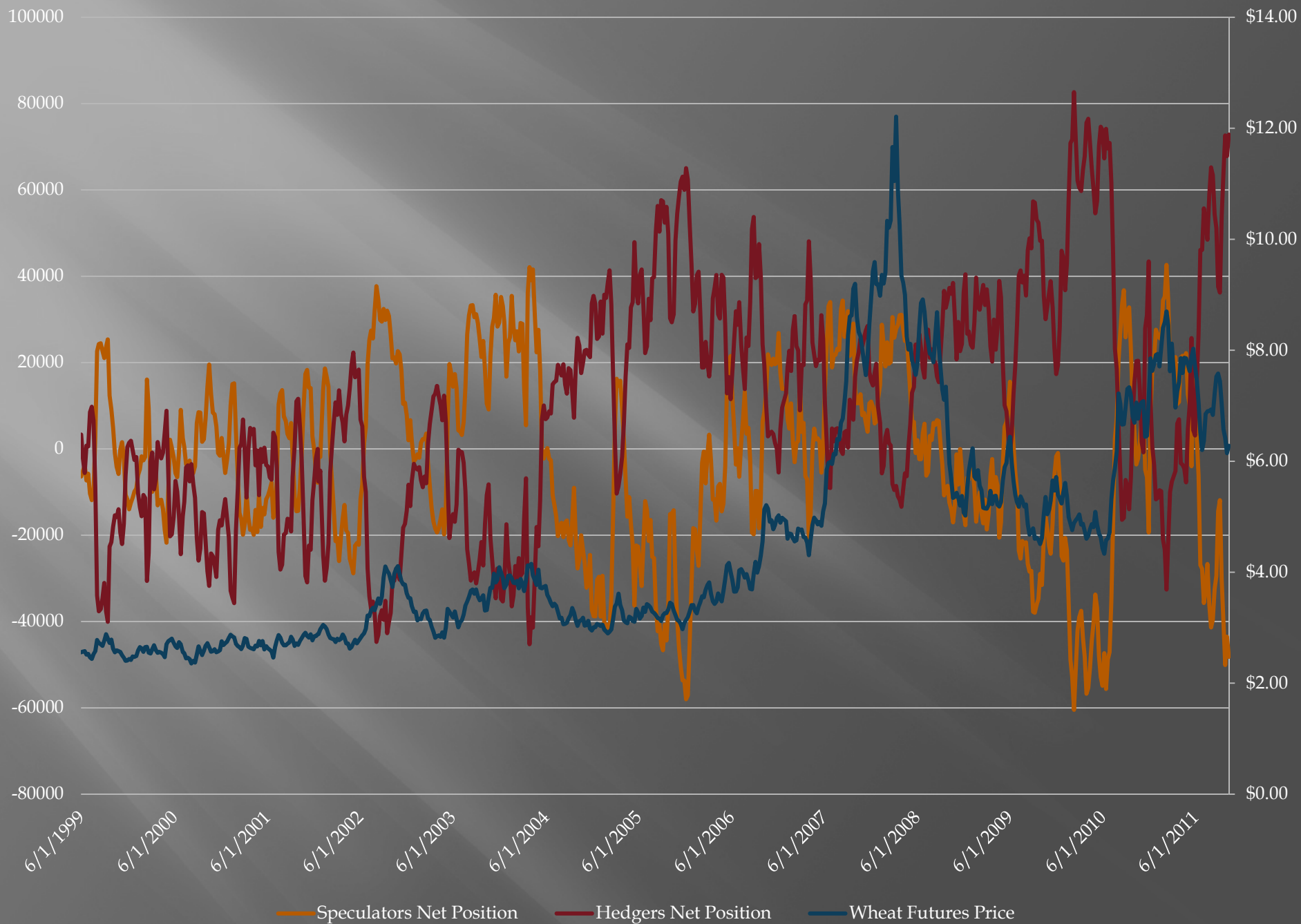
# Current Ethanol Situation

- ▣ The current renewable fuels standards limits corn based ethanol to contributing 15 billion n gallons towards the 35 billions gallon target by 2022. Production in 2011 was about 14.2 billion gallons.
- ▣ Blending subsidy of 45 cents per gallon eliminated in 2012, as well as 54 cent per gallon Brazilian import tariff.

# Volatility Perceptions

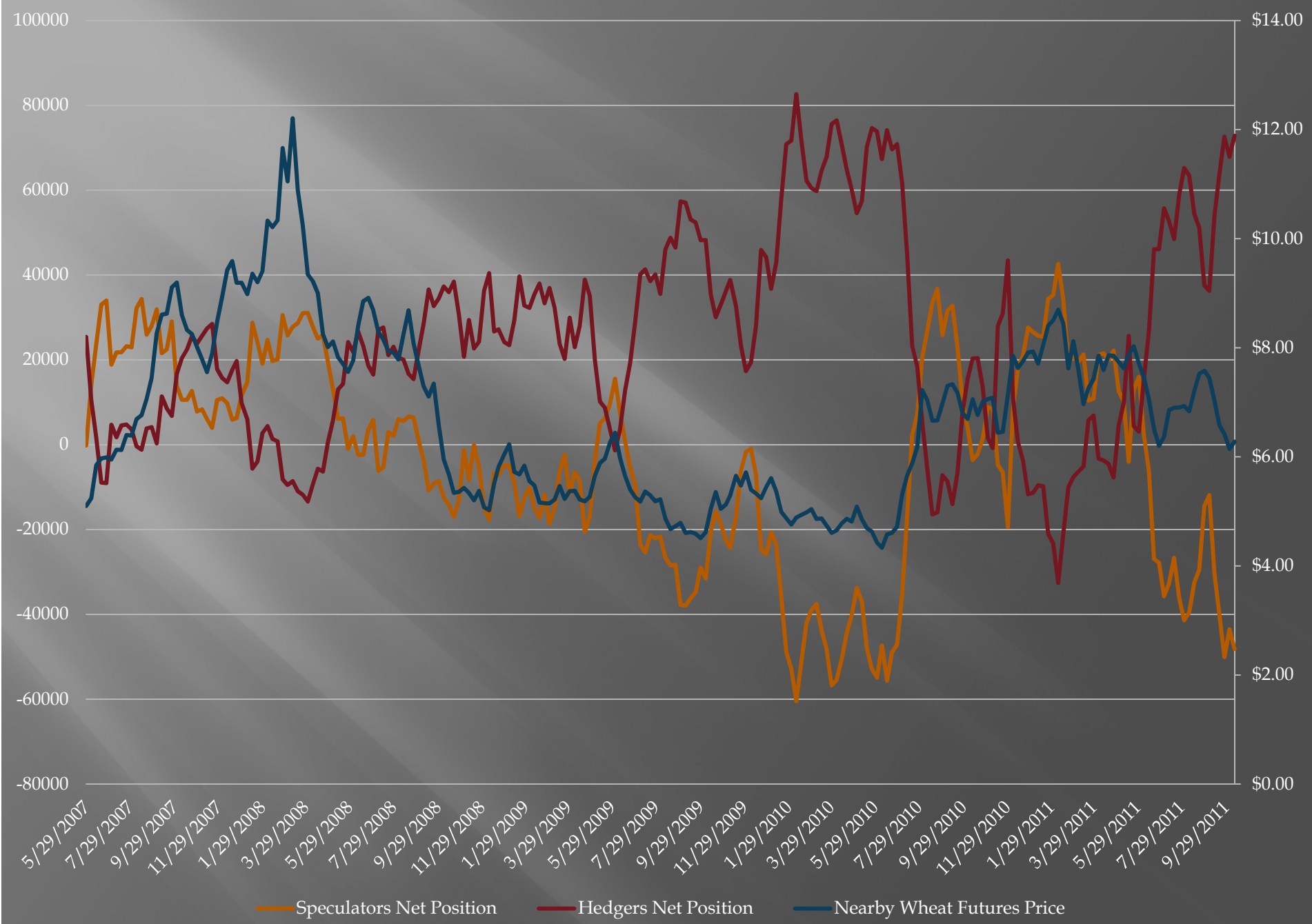
Speculative activity in the derivatives (especially futures) markets has resulted in increased price volatility and inefficient price discovery.

# Wheat Price and Futures Trading Activity





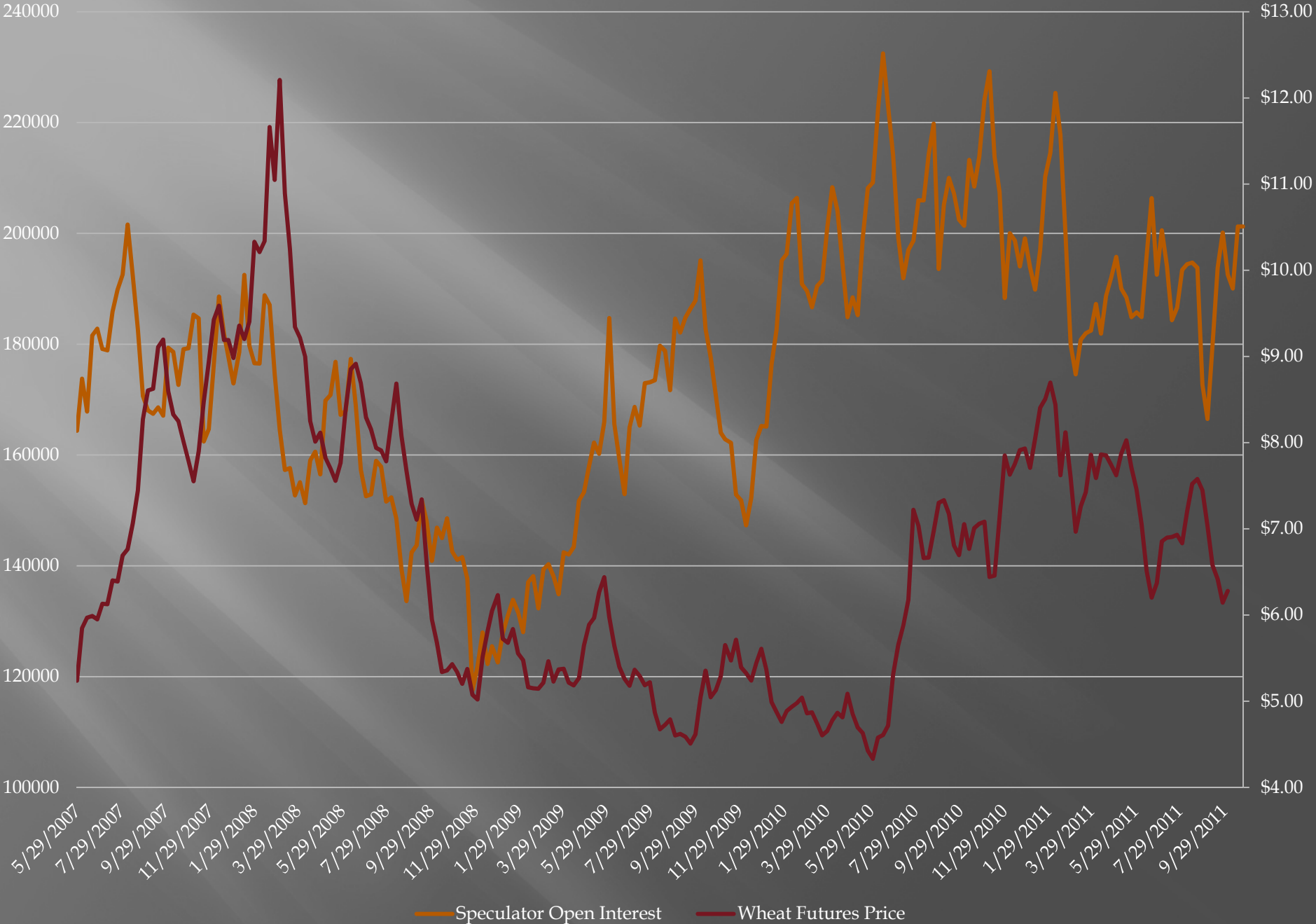
# Wheat Price and Futures Trading Activity



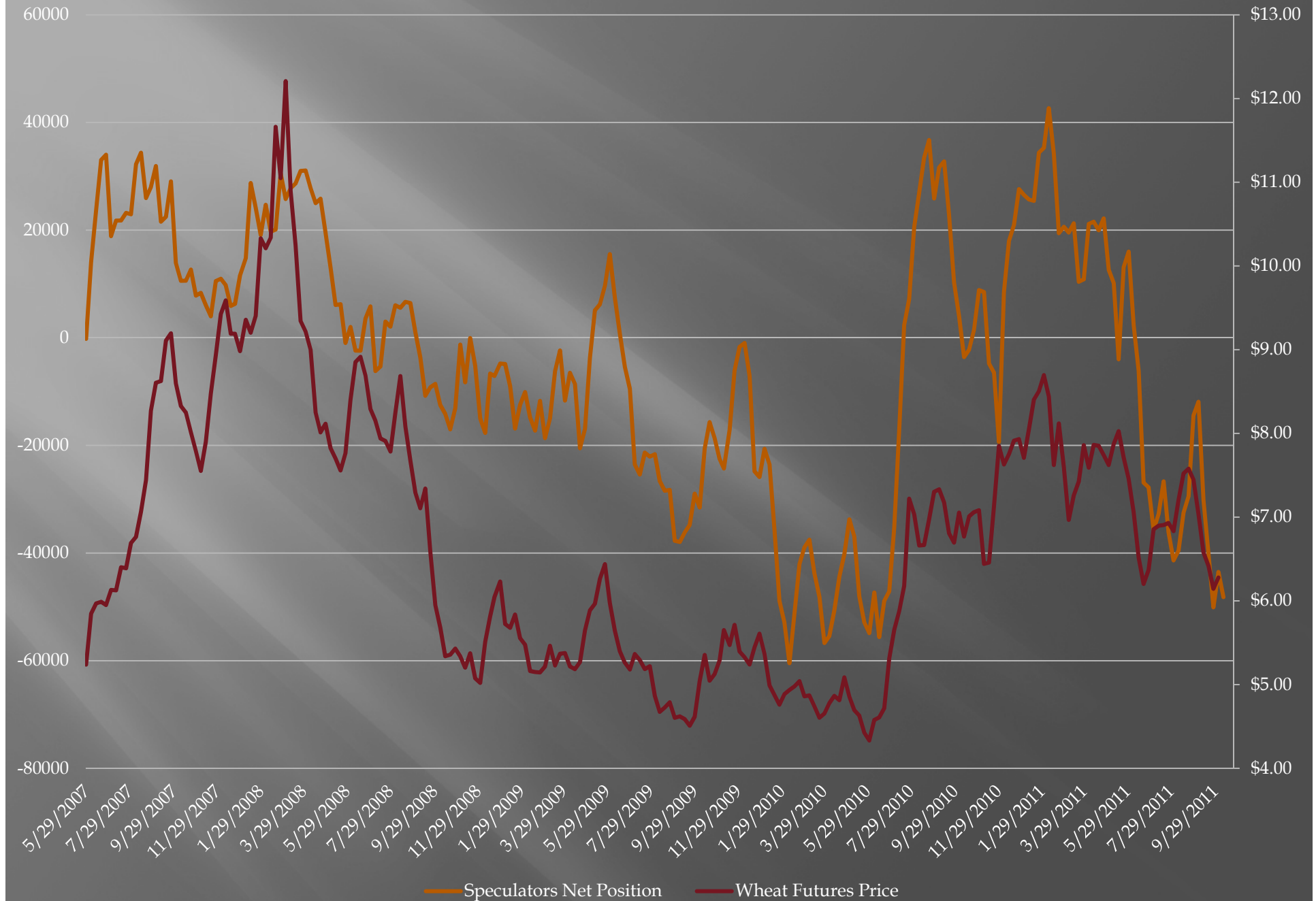
# Speculator Reportable vs. Total Reportable Open Interest



# Speculator Open Interest vs. Wheat Price



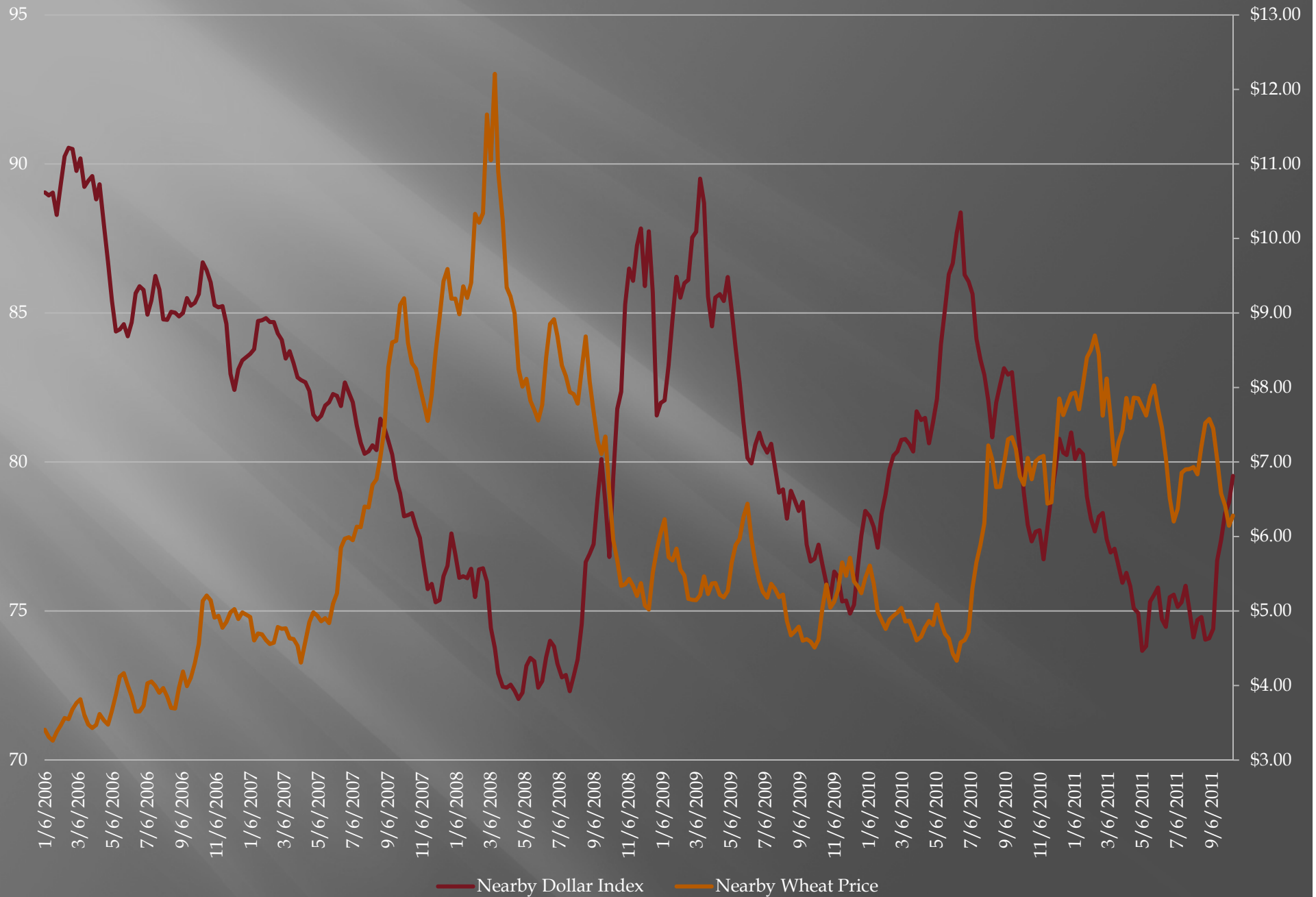
# Wheat Price vs. Speculators' Net Positions



# Volatility Perceptions

International economic events have become more important than basic market fundamentals in determining price levels and volatility.

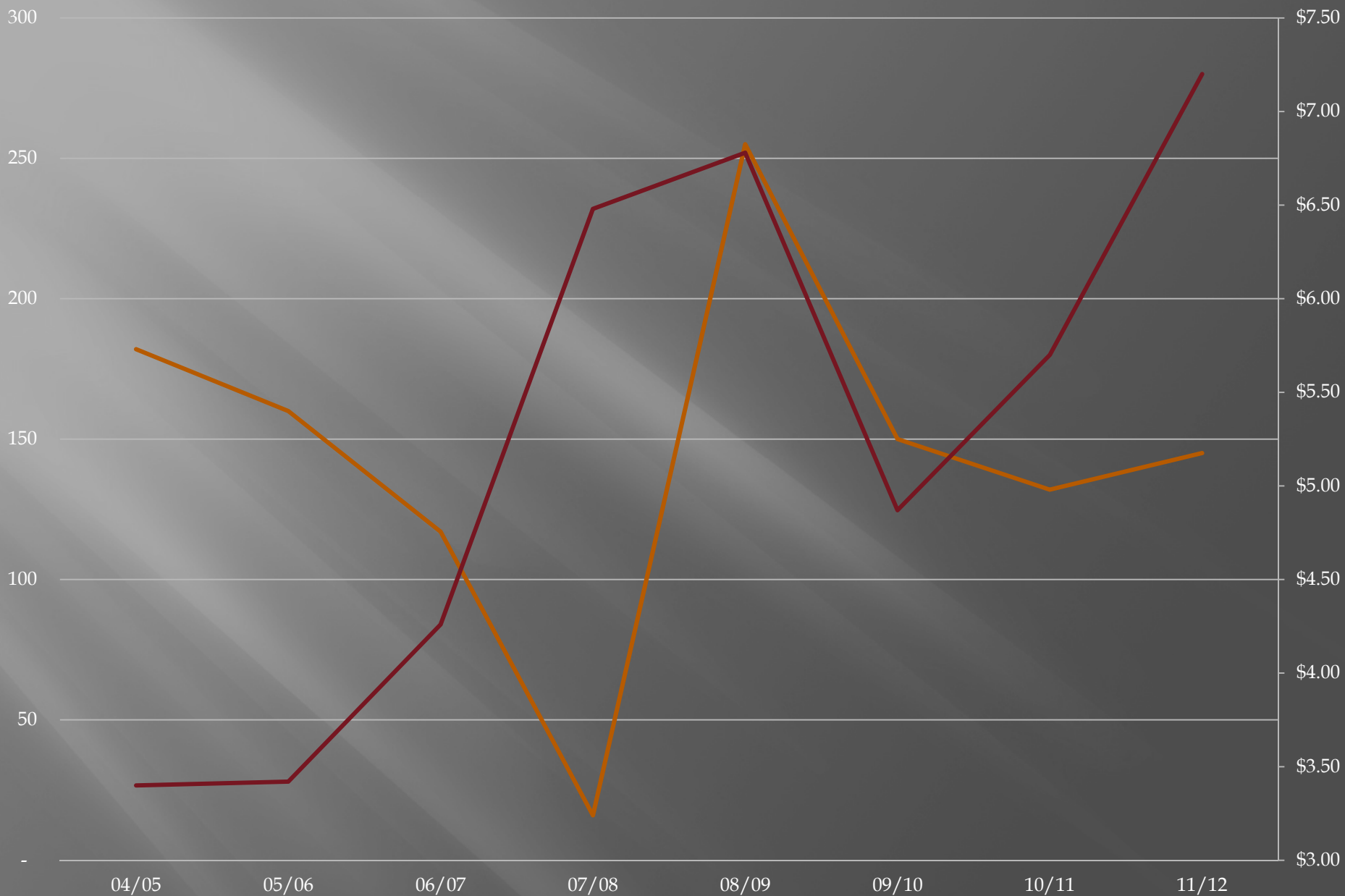
# Wheat Price vs. The Value of the Dollar



# Wheat as a Feed Grain

Wheat prices over the last several months have been supported by feed demand

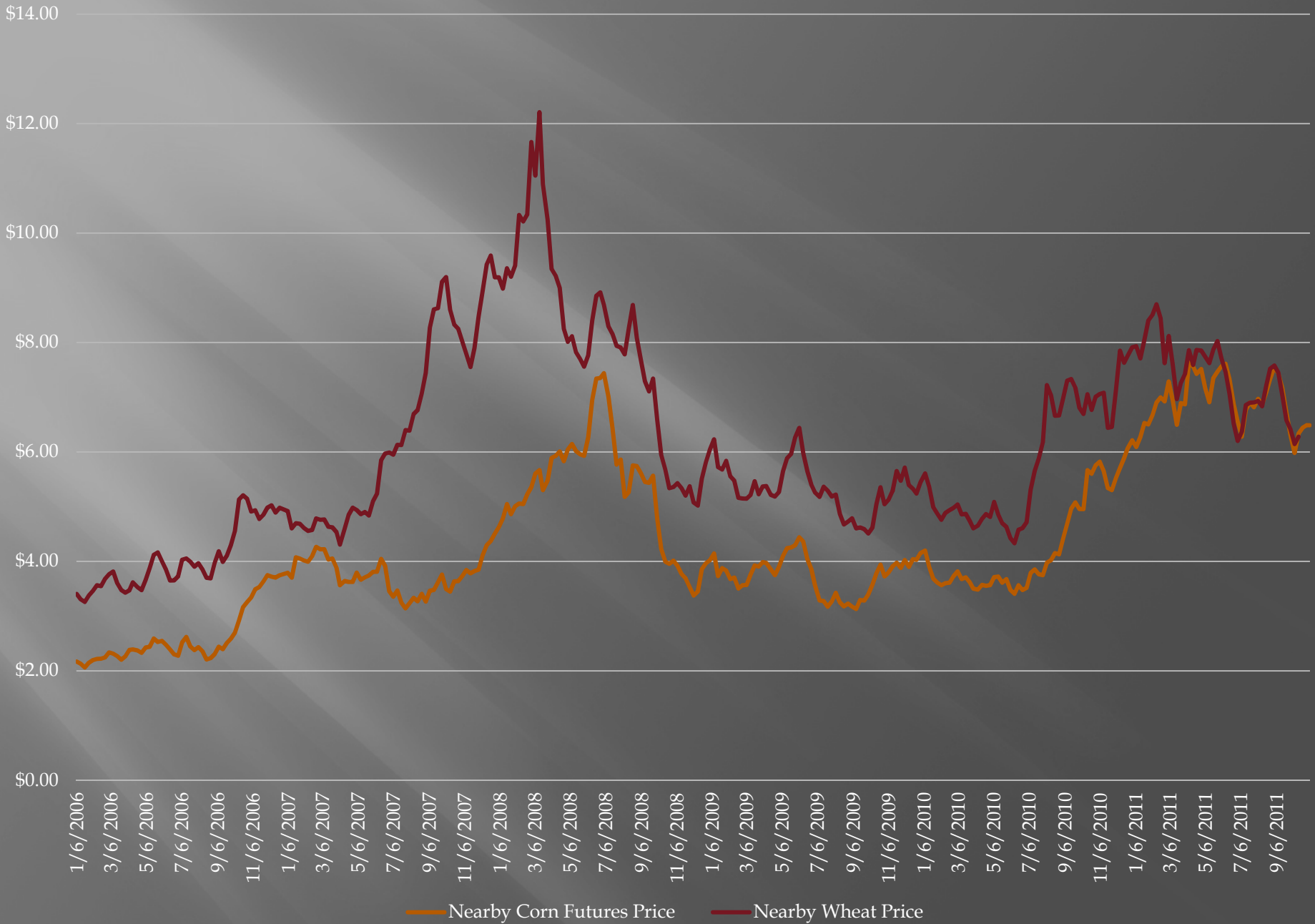
# Wheat Fed vs. Average Price



— Wheat Fed (million bushels) — Average Wheat Farm Price



# Corn vs. Wheat Price



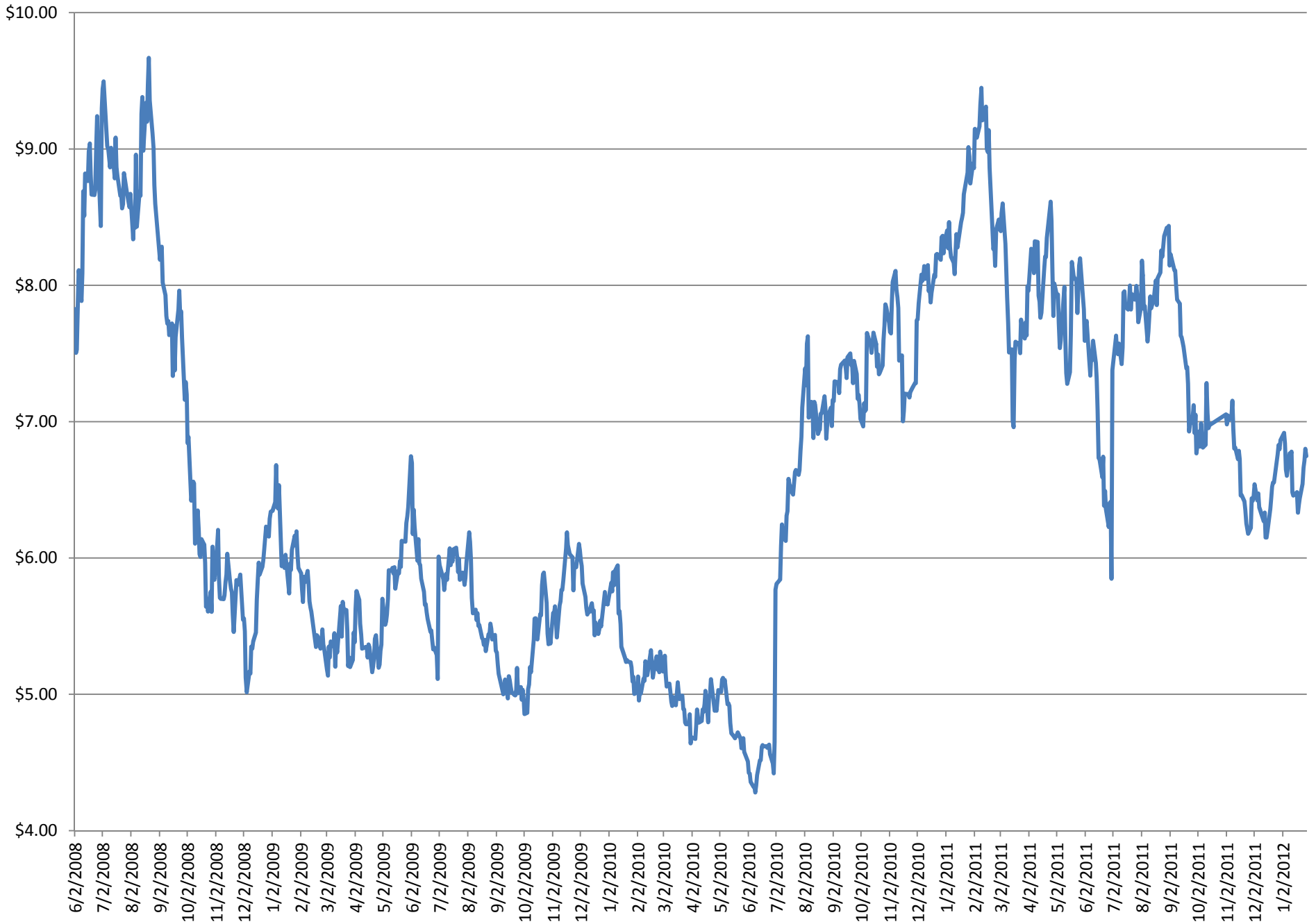
# Feed Demand Summary

- ▣ Cattle numbers are at their lowest level in 60 years because of drought conditions in the Southern Plains.
- ▣ Dairy margins are stressed.
- ▣ Corn feed demand was projected to be down about 5 percent before the January Cattle on Feed Report.

# July Wheat Futures Prices

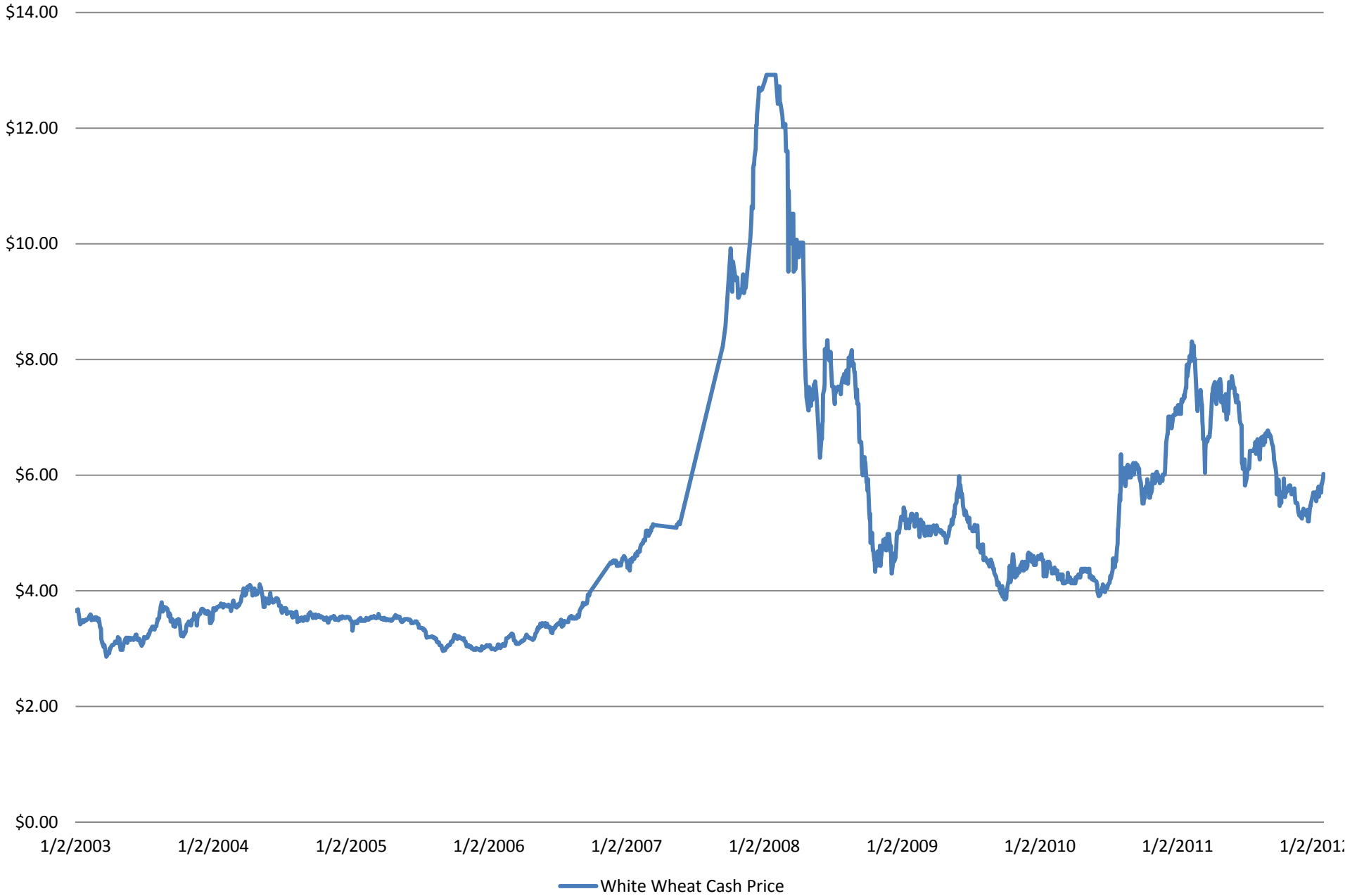


# July Wheat Futures Prices



# White Wheat Cash Price

## Ritzville, Washington



# White Wheat Cash Price

## Ritzville, Washington



# Summary

- ▣ Farm level prices are currently projected to be very strong.
- ▣ World ending stocks are expected to increase relative to last year.
- ▣ Speculative trading in commodities has cooled off recently, but this may be a short run phenomenon.
- ▣ Corn prices may face some downside as ethanol and feed demand as well as exports are expected to weaken relative to last year. If this happens it will spill over into wheat markets.