Grain & Biofuel Markets in 2016

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Matthew C. Roberts, Associate Professor
roberts.628@osu.edu

The grain market outlook for 2016 is dominated by 9 factors:

The outlook for 2016 grain markets remains one of flat, weak prices. Whether in the US or abroad, two consistent themes emerge: stagnant demand growth, as the Chinese economy appears to be slowing, and ample supply as a result of large harvests in major production nations in the past two years and destocking in Argentina and China. Current 2016 new crop prices are at or below breakeven for US producers, and without increased demand or poor harvest, prices seem unlikely to rise for a few years.

The global and US wheat market remains well-supplied. While the soft red winter wheat harvest was beset by poor quality in 2015, HRW supplies were adequate to permit blending. To date, Great Plains weather has been positive for the 2016 winter wheat crop. Globally, US wheat is struggling to find export sales against Black Sea wheat.

US prices for corn remain weak on the back of two record harvests. Combined with good to excellent yields in major growing nations, global corn and feed grain supplies are quite large. Meanwhile, demand is weak. Domestic feed is flat due to weaker animal prices and ethanol demand is also little changed as the positive RFS rulemaking is offset by lower gasoline prices. Export demand remains underwhelming. Uncertainty about China’s plan to reduce domestic corn stocks means that not only will China not import corn in 2016, but may actually be an exporter.

Worries about China’s economy have also kept a lid on Chinese import demand for soy. While soybean imports remains solid, another year of explosive growth in soybean imports doesn’t appear to be in the cards. Domestic crushing demand is solid, but unspectacular.

In all, the situation for the coming years remains one of excess supply and depressed prices. Until prices are low enough to drive acres from production, or demand growth from developing countries soaks up the expanded acreage from recent years, 3.50-4.00 corn and 8-9 soybeans are likely to remain the norm.