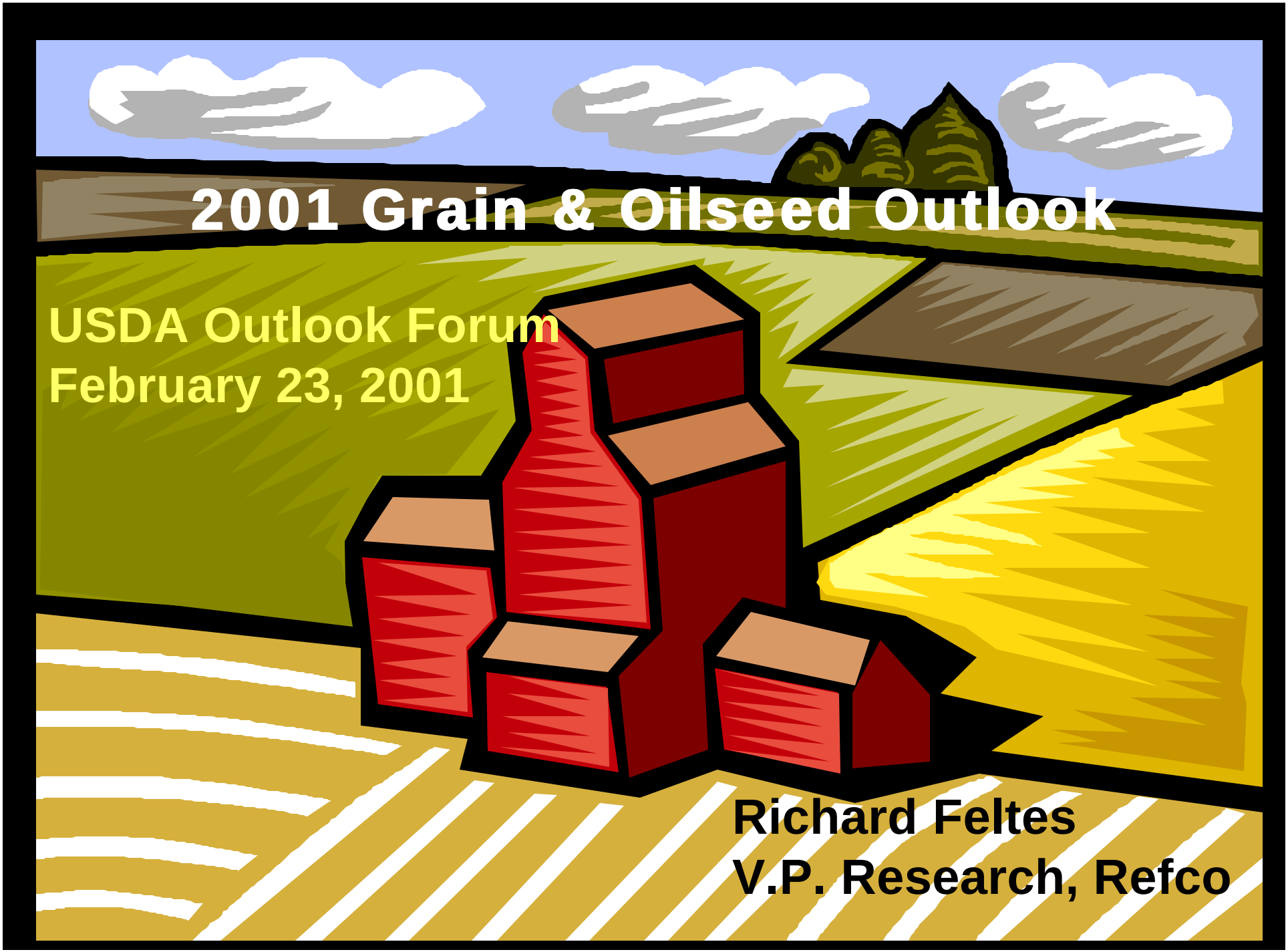
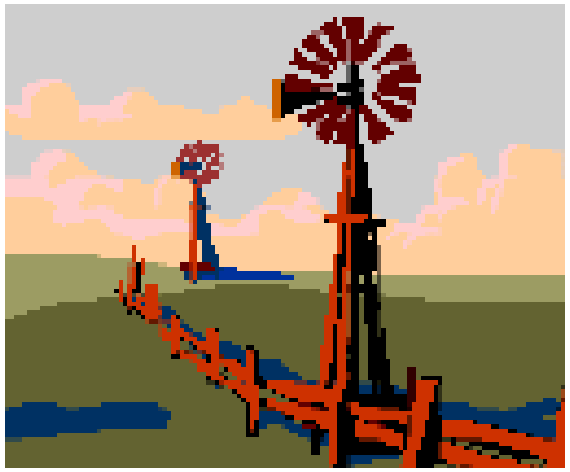

2001 Grain & Oilseed Outlook
USDA Outlook Forum
February 23, 2001
Richard Feltes
V.P. Research, Refco

Trading Rule

- The successful trader bases no moves on what supposedly will happen but reacts instead to what does happen.



Agricultural Outlook Forum 2001

Trade vs. USDA Estimates of '01/02 Stocks

	Refco	SCI	Fabri	FCC	Private Consult	Avg.	USDA
Corn	1951	1492	1719	1631	2000	1759	1636
Wheat	755	812	757	672	770	753	721
Beans	567	655	393	489	570	535	475
Oil	2395	2406	2294	1985	N/A	2270	2420

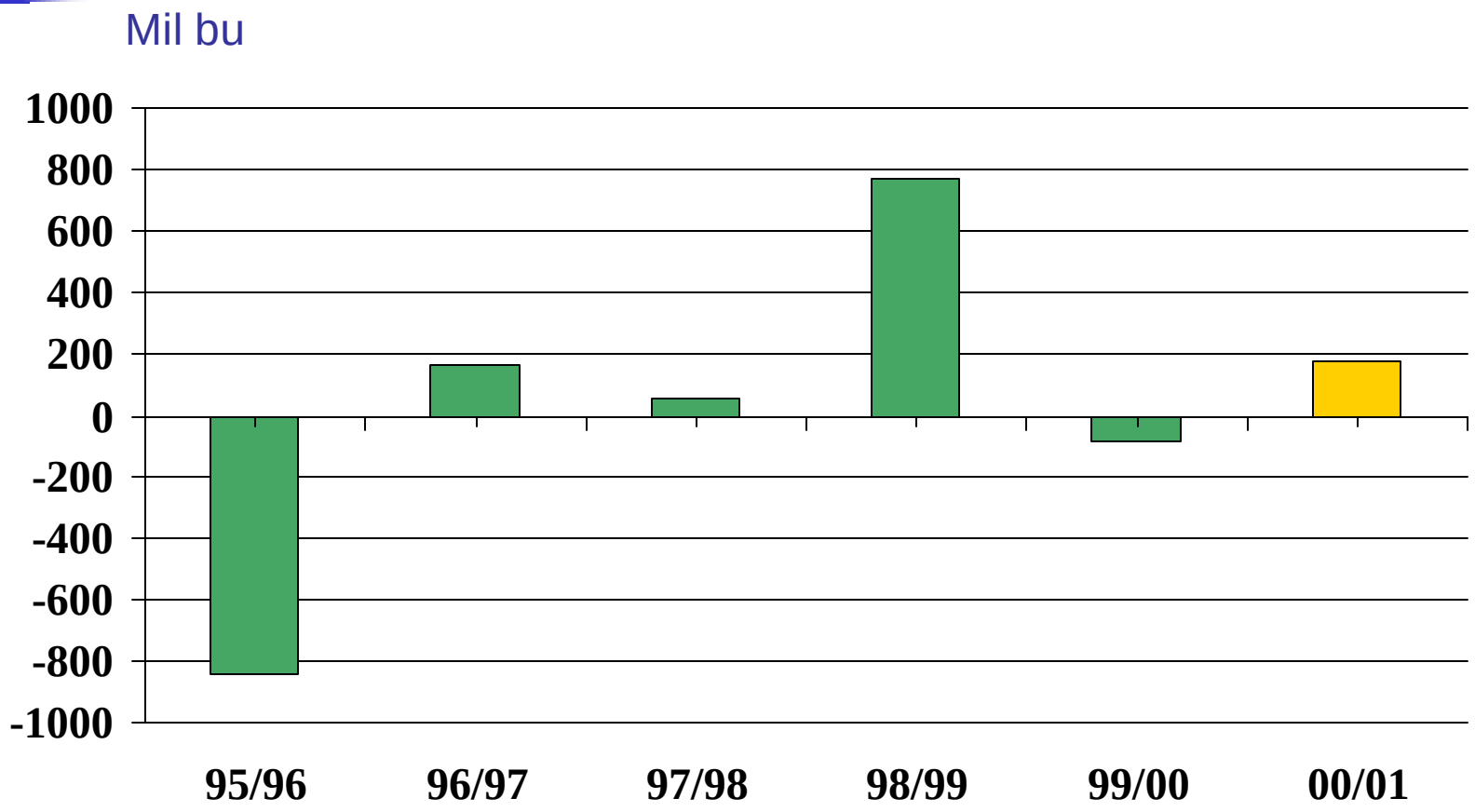
Grains - mil bu, oil - mil lbs.

USDA Outlook 2000 Est. of '00/01 Stocks vs. 2/01 Estimates & Forecasts for '01/02

	USDA Outlook 2000	USDA 2/8/01	Diff.	USDA Outlook 2001	CZ, WN, SX, & BOZ '01 2/22 close vs. '00 2/25 close
Corn	1714	1891	+177	1636	+3 cents
Wheat	892	839	-53	721	+20 cents
Beans	510	345	-167	475	-51 cents
Oil	2345	2290	-55	2420	-.50 cents

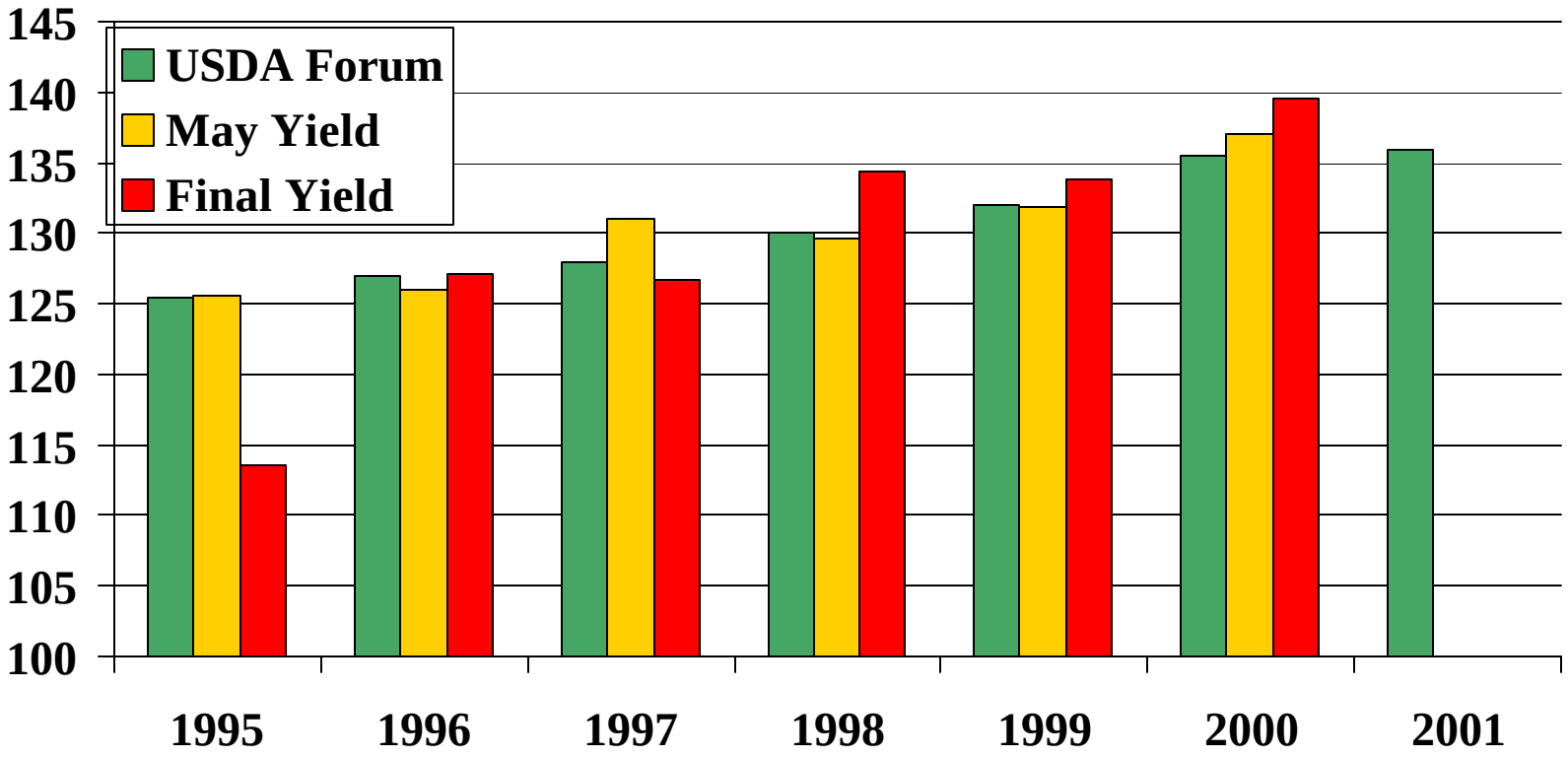
Grains – mil bu, Oil – mil lbs.

Final US Corn Stocks vs USDA Feb Outlook Forecast



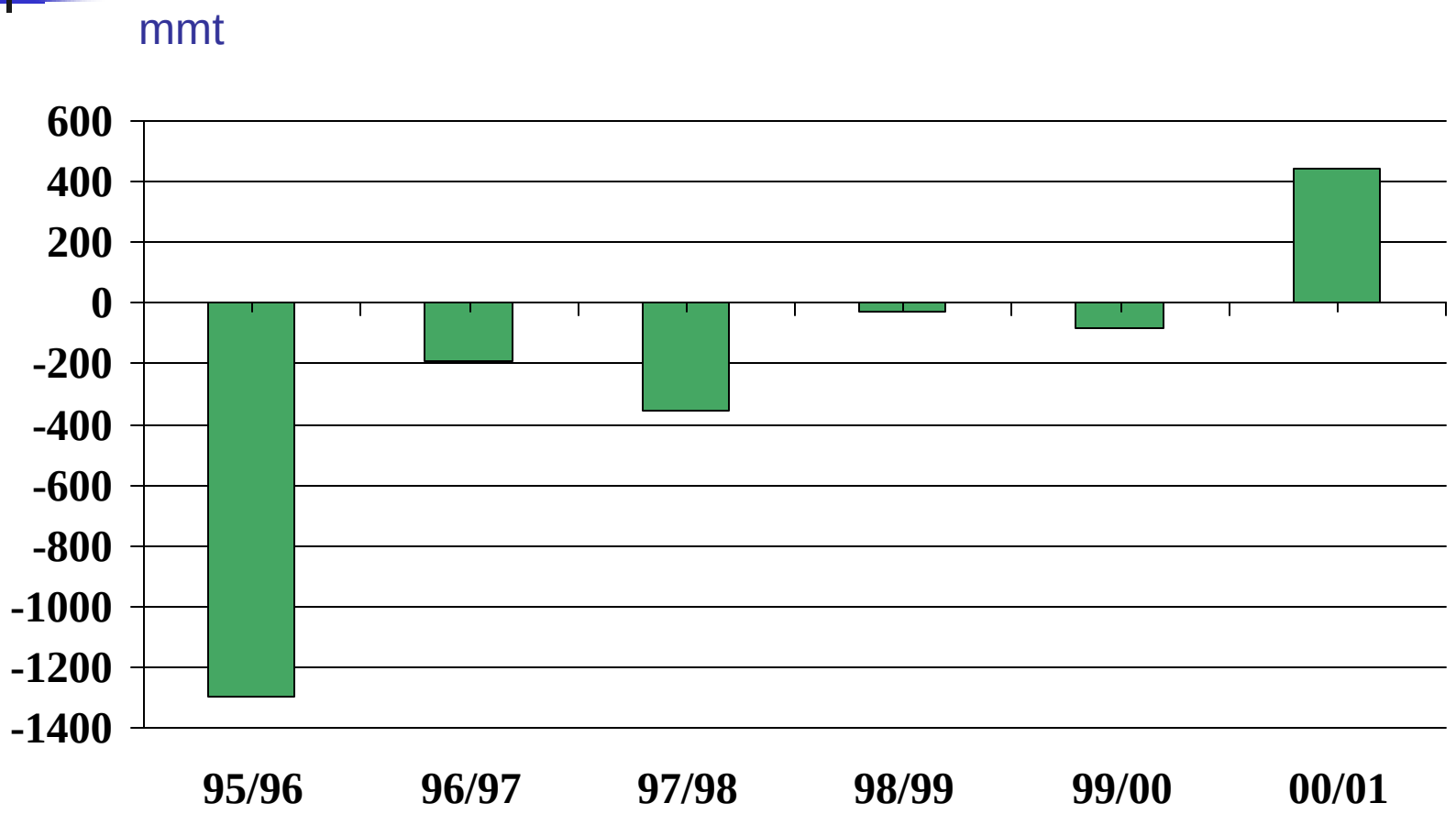
CNstkFEB

Feb Forum Est. vs. May Yield & Final Corn Yield



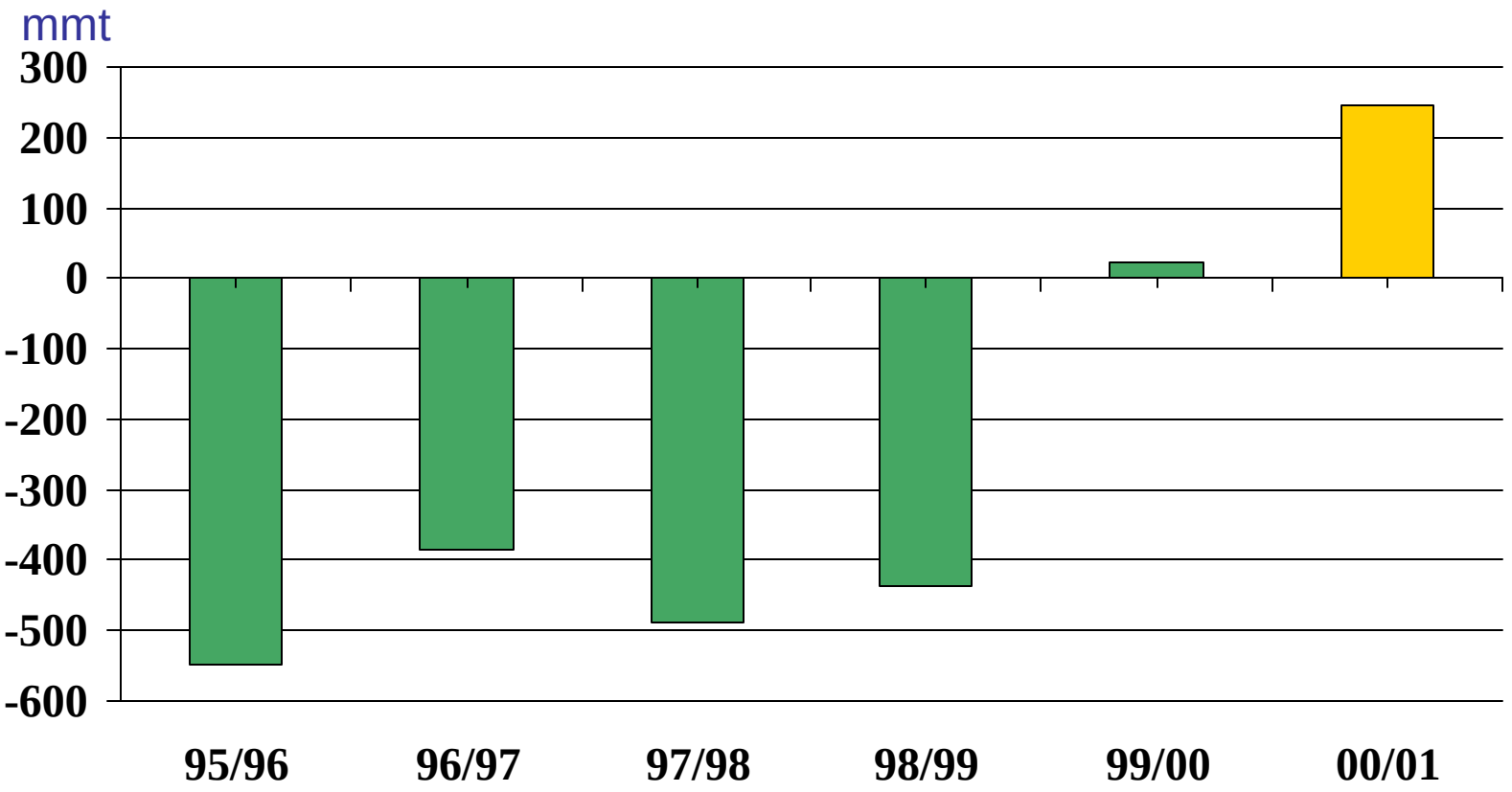
For/May/Fin

Final US Corn Production vs USDA Feb Outlook Forecast



CNproFEB

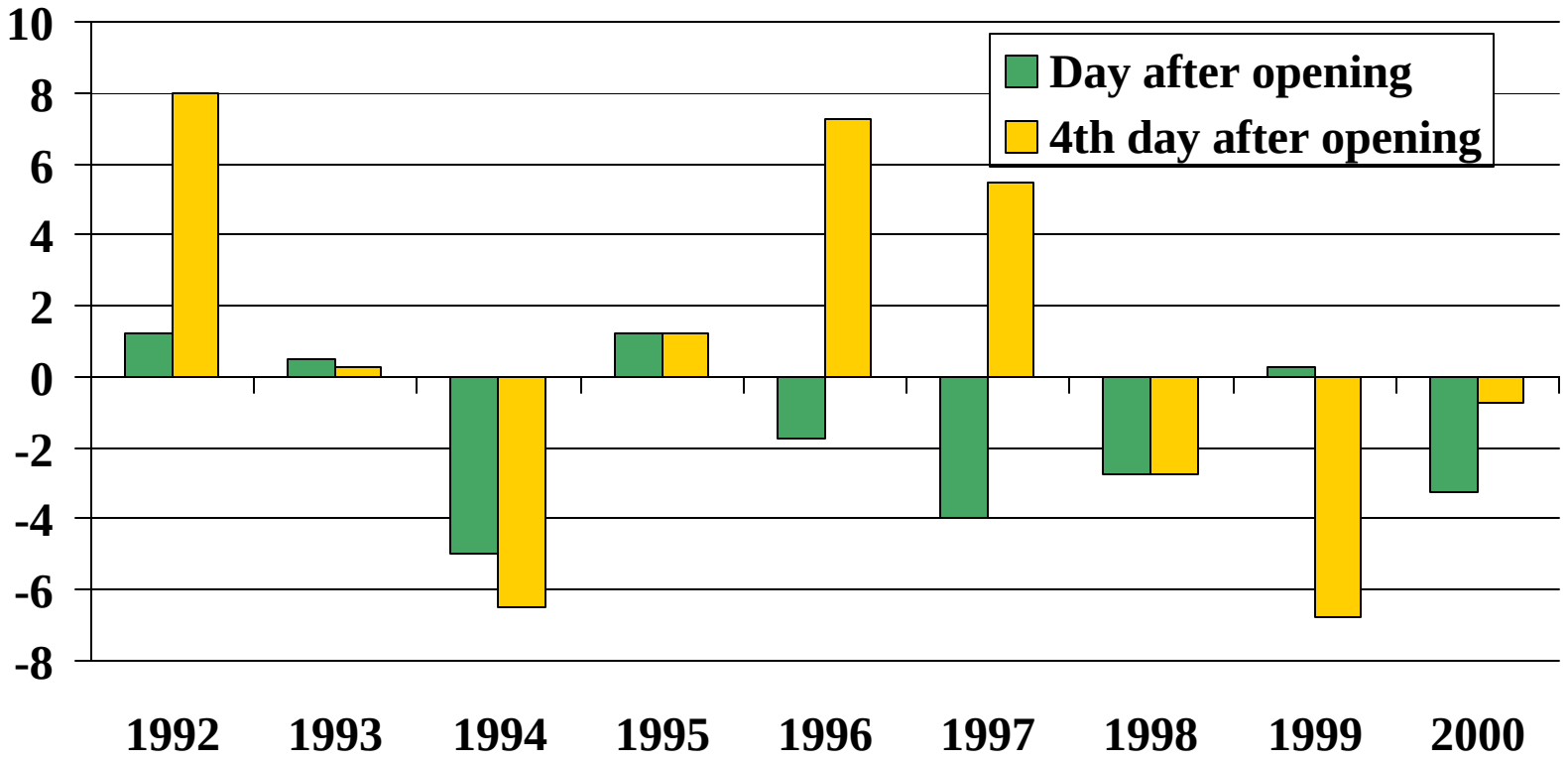
Final US Corn Demand vs USDA Feb Outlook Forecast



CNdemFEB

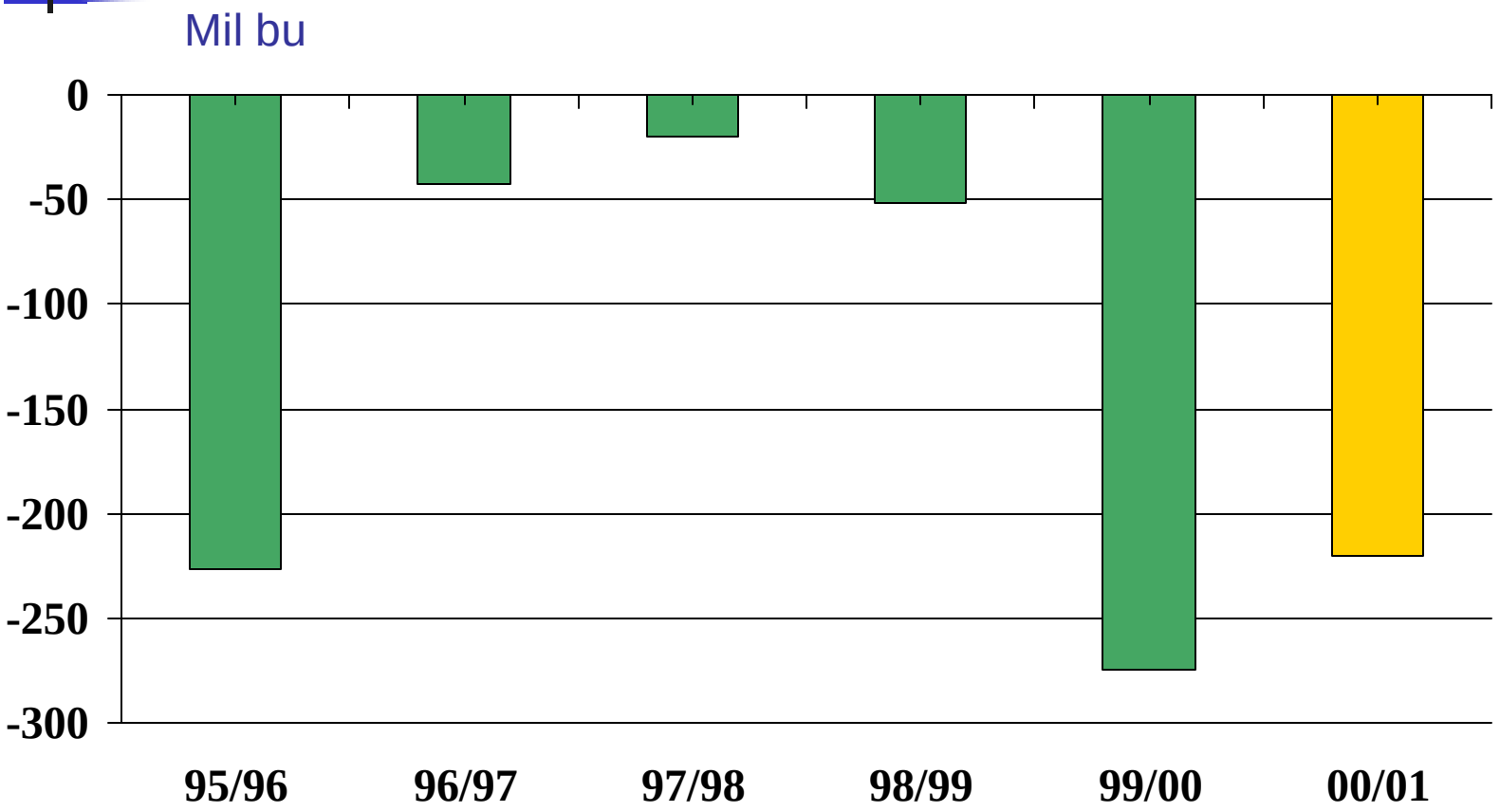
Change in CK from 1st Day of USDA Feb Outlook Forum to 2nd & 4th Day After Opening

Cents/bu.



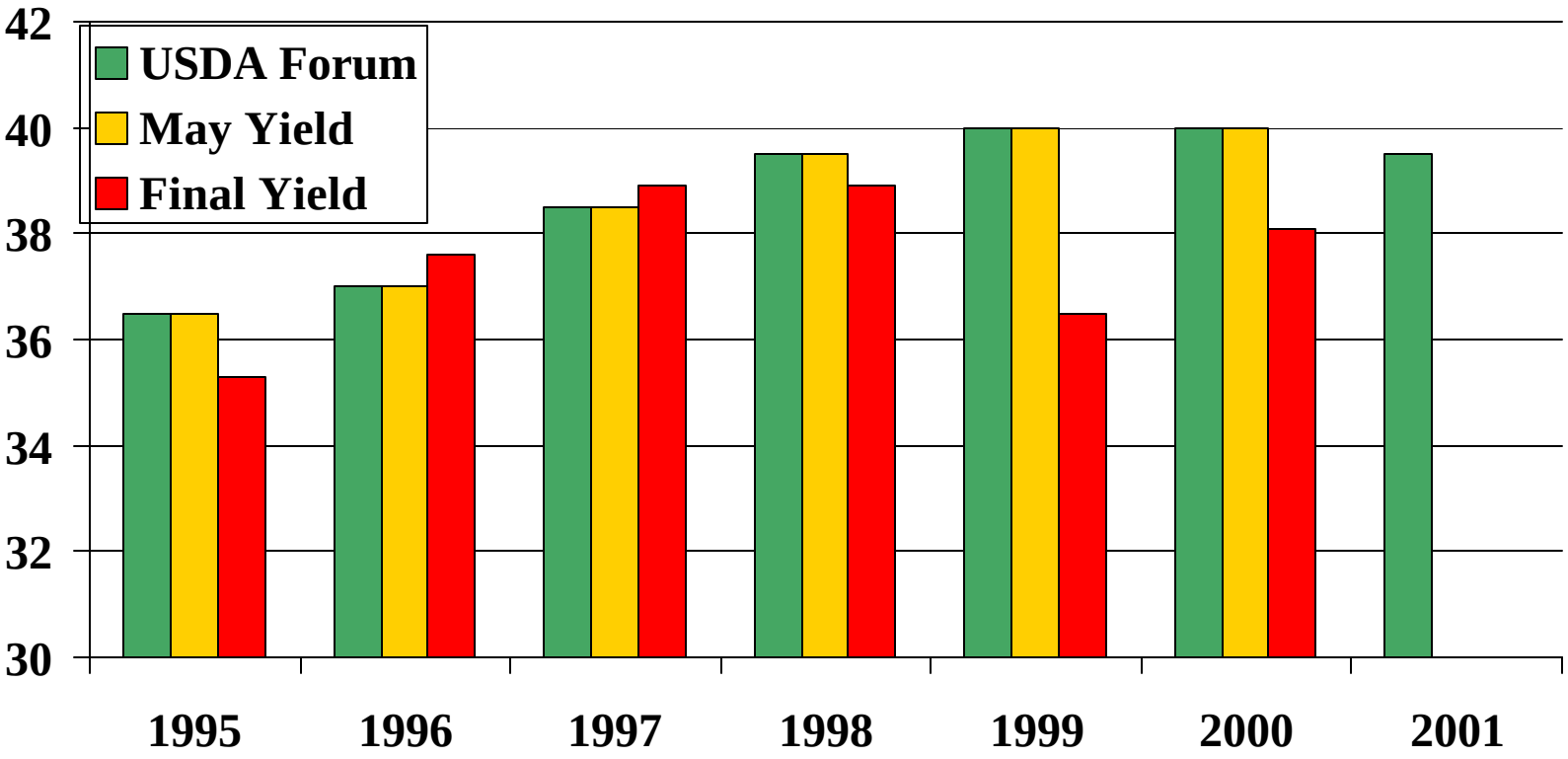
CKdayafterUSDA

Final US Soybean Stocks vs USDA Feb Outlook Forecast



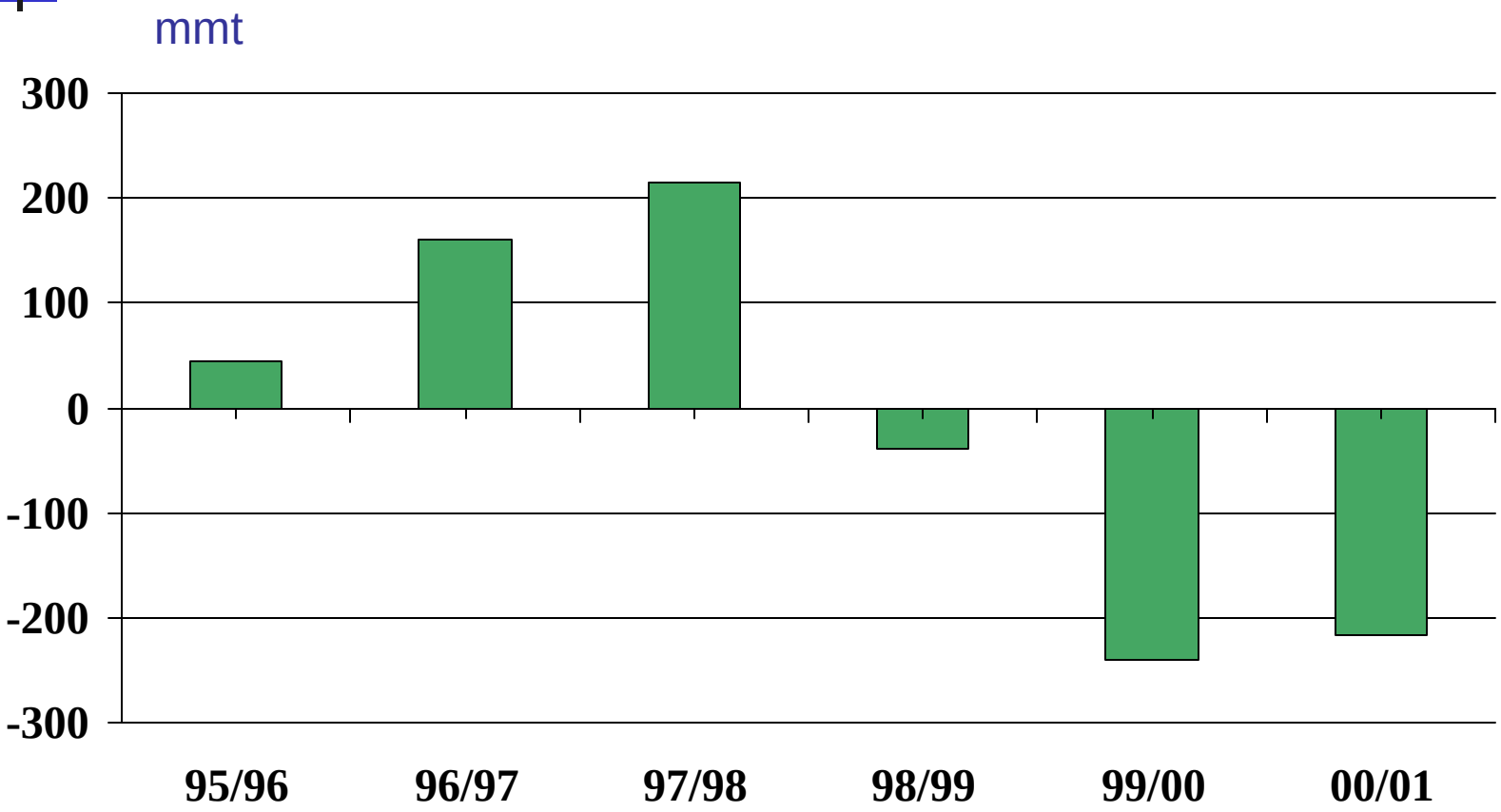
BNstkFEB

Feb Forum Est. vs. May Yield & Final Soybean Yield



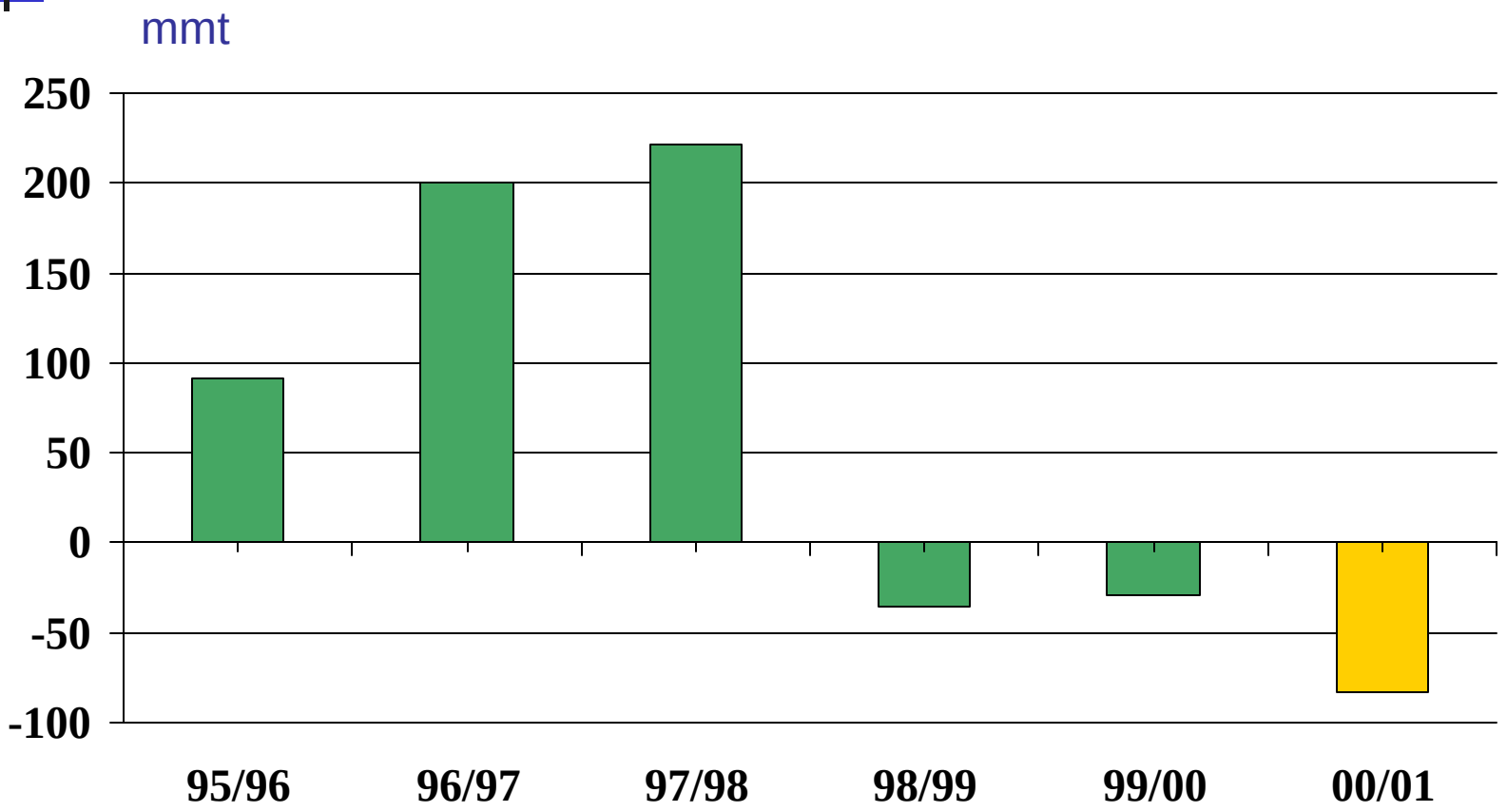
For/May/Fin

Final US Soybean Production vs USDA Feb Outlook Forecast



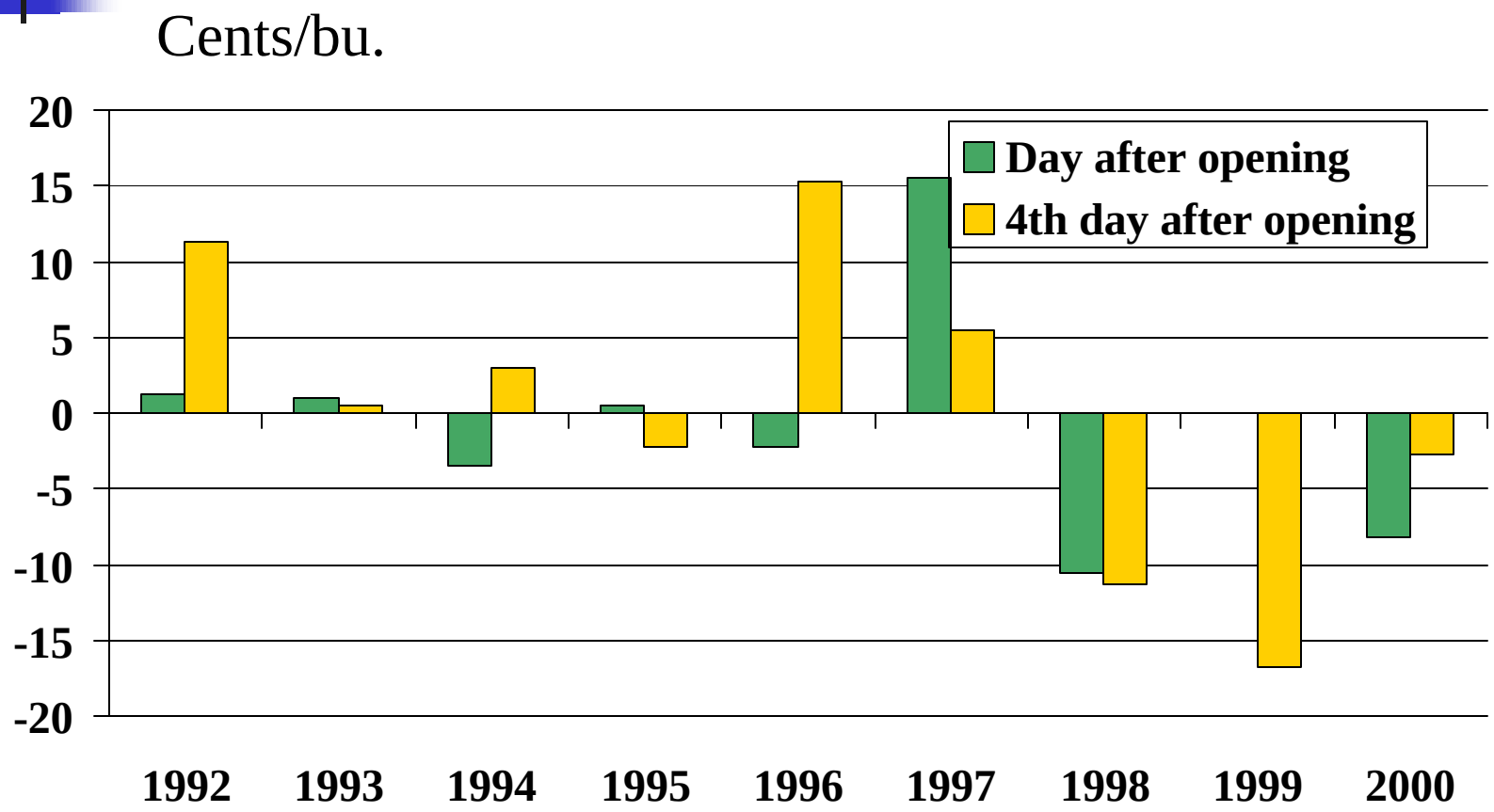
BNproFEB

Final US Soybean Demand vs USDA Feb Outlook Forecast



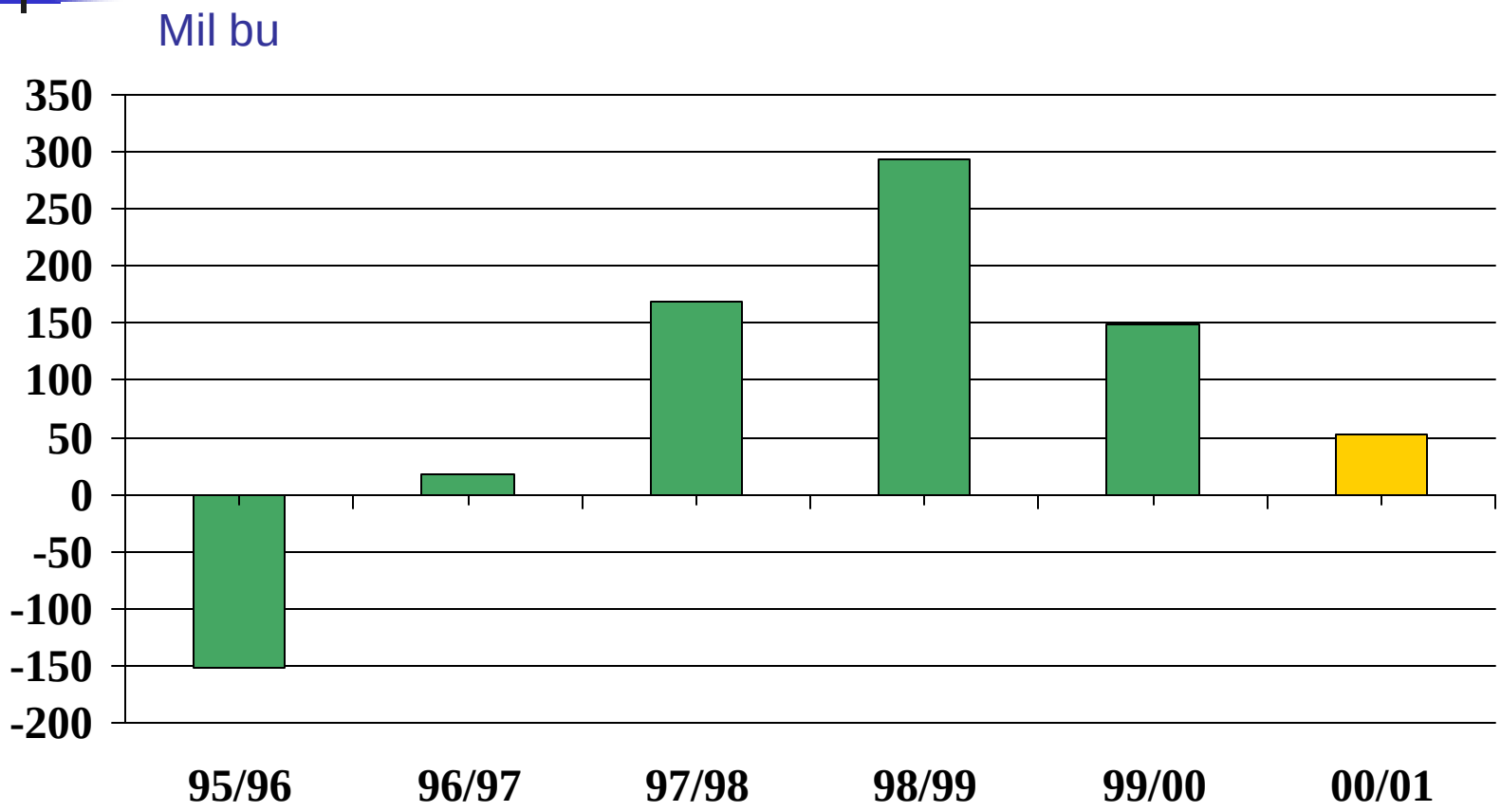
BNdemFEB

Change in SK from 1st Day of USDA Feb Outlook Forum to 2nd & 4th Day After Opening



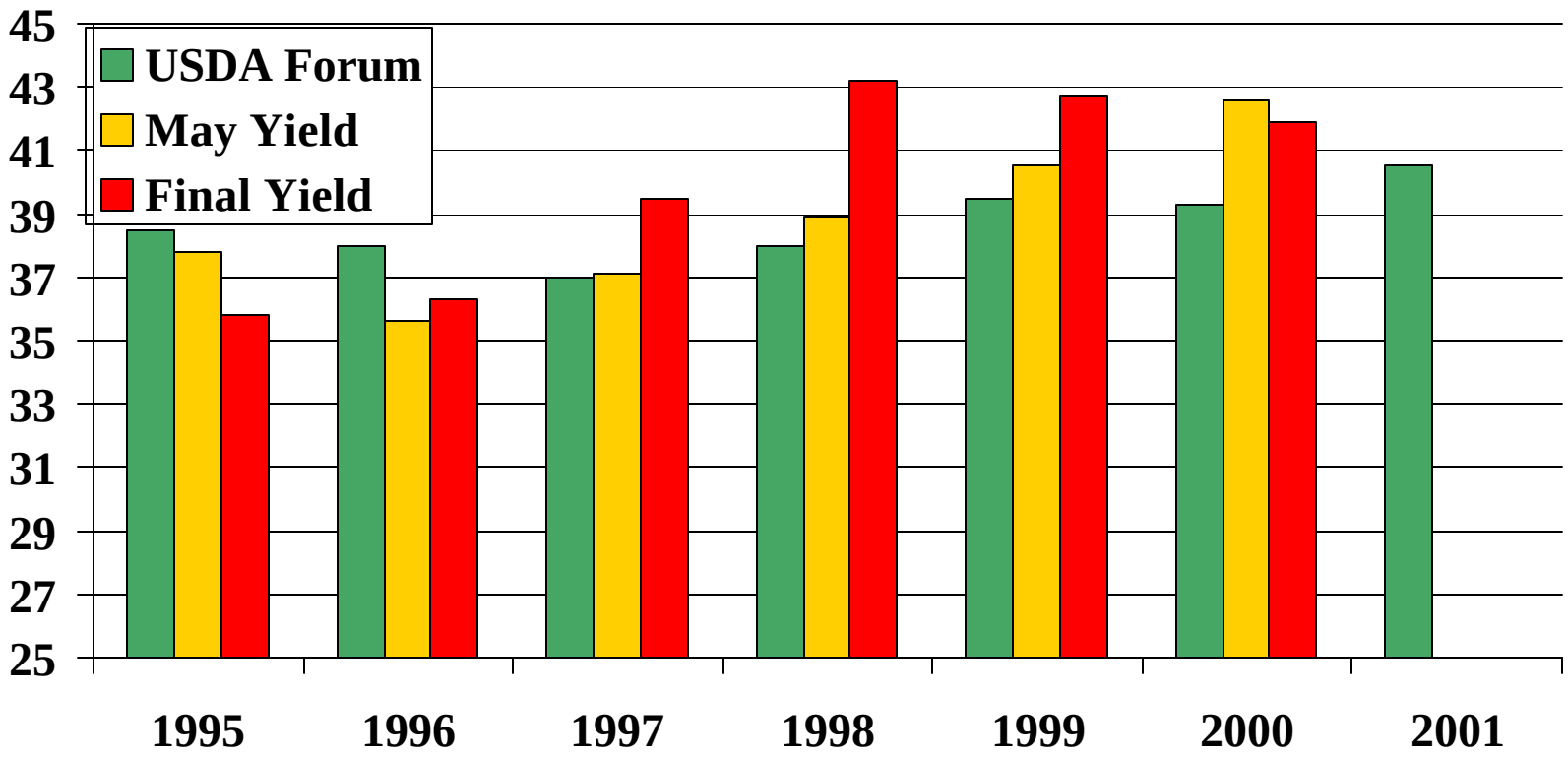
SKdayafterUSDA

Final US Wheat Stocks vs USDA Feb Outlook Forecast



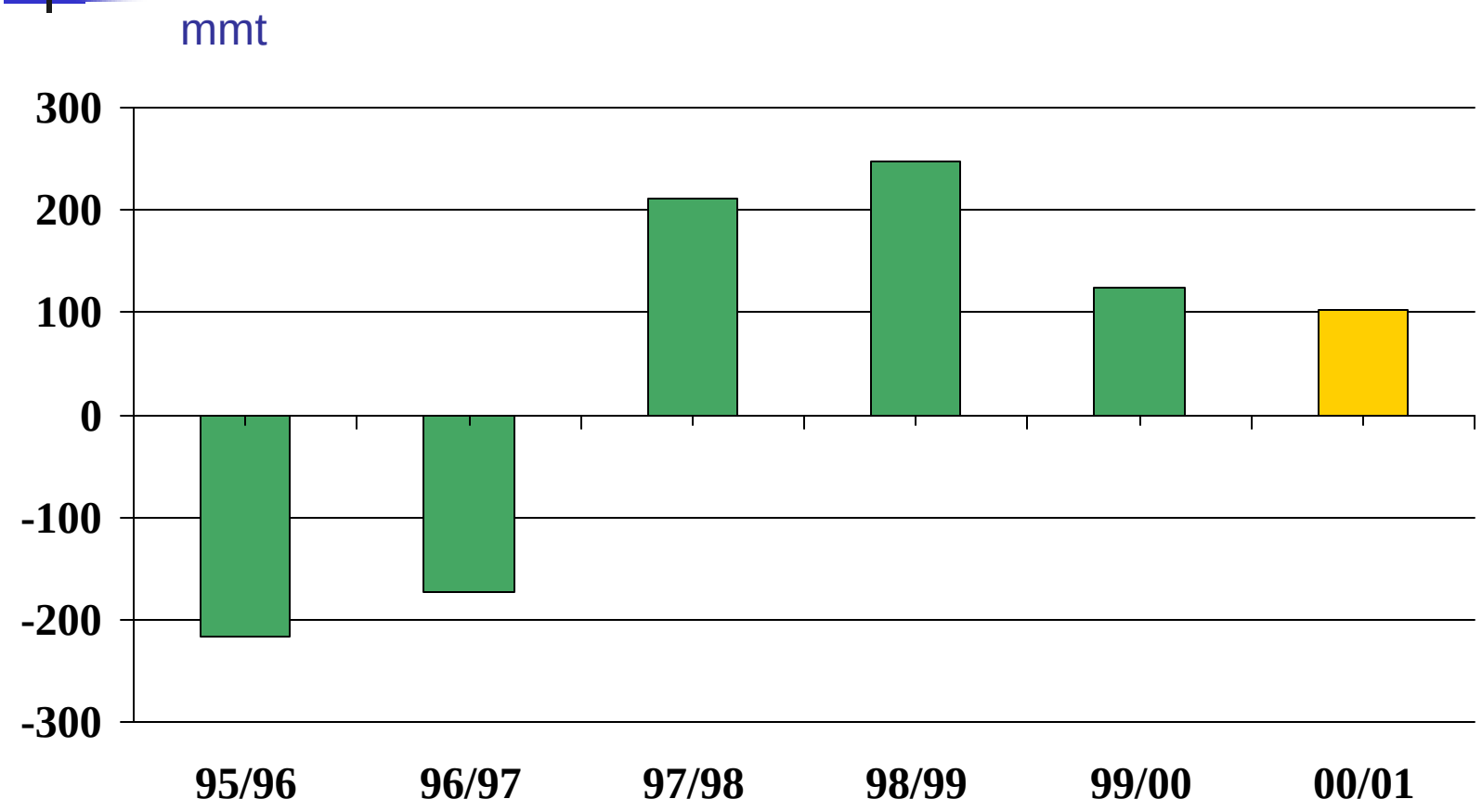
WHTstkFEB

Feb Forum Est. vs. May Yield & Final Wheat Yield

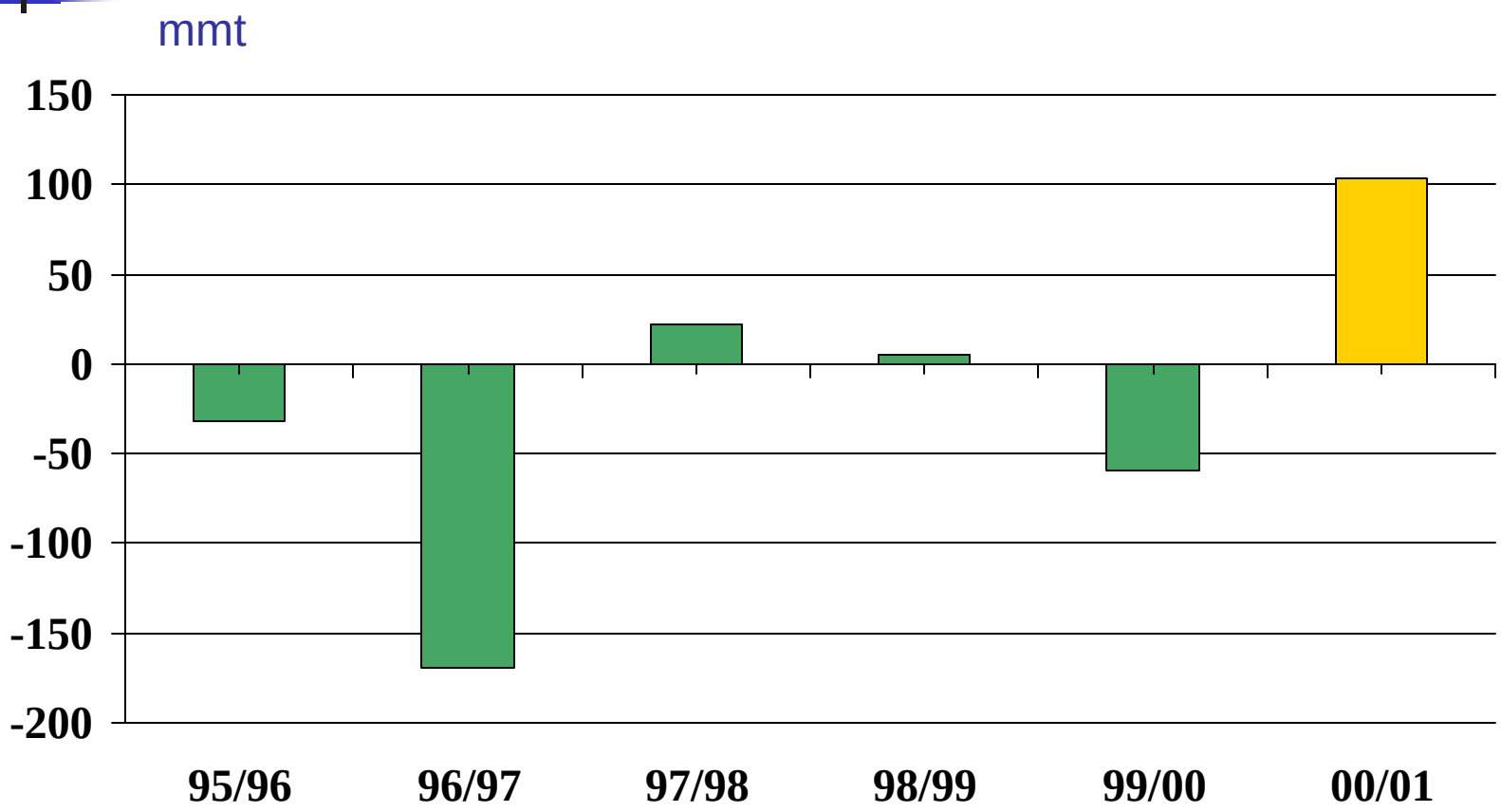


For/May/Fin

Final US Wheat Production vs USDA Feb Outlook Forecast

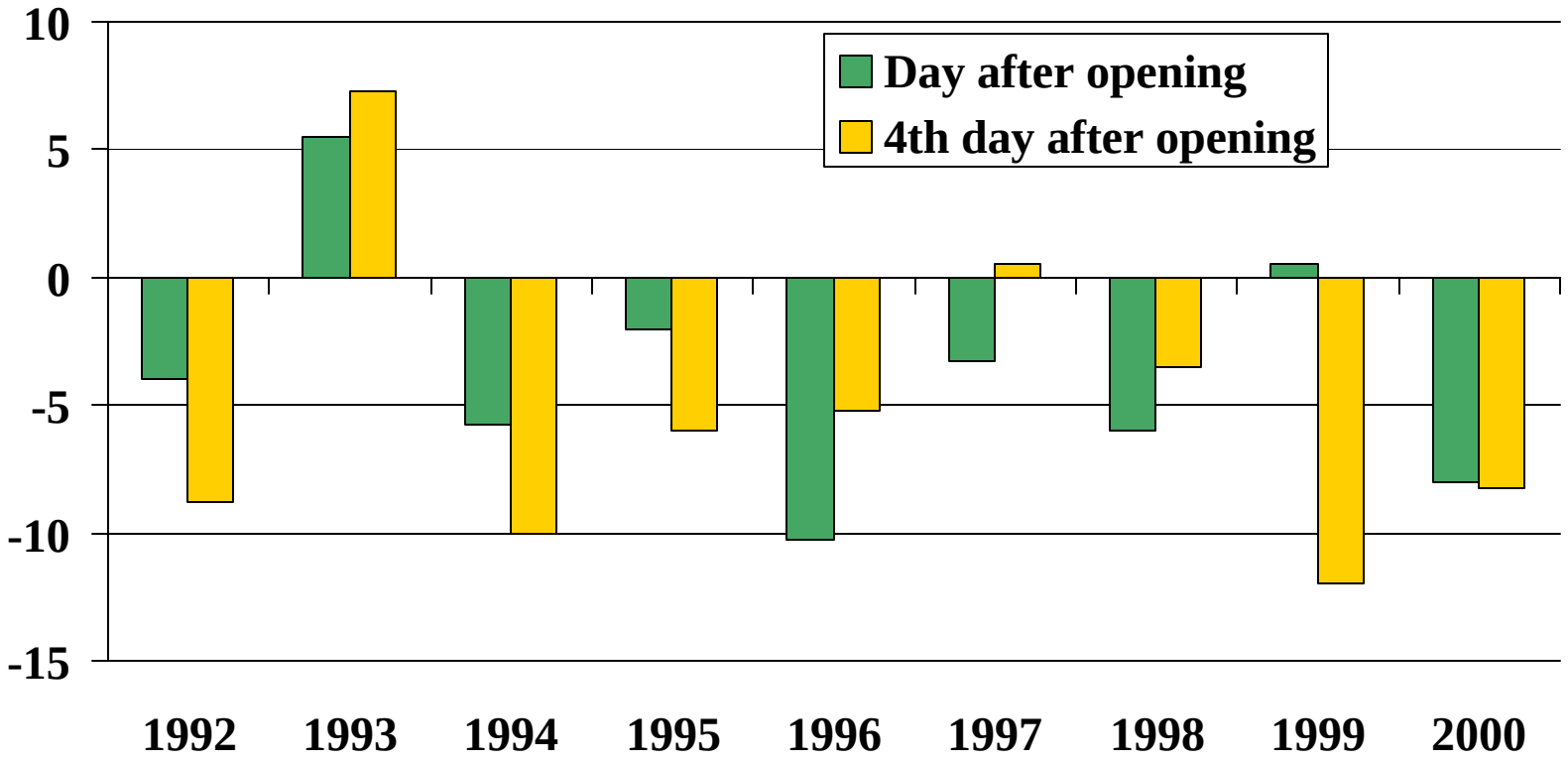


Final US Wheat Demand vs USDA Feb Outlook Forecast



Change in WK from 1st Day of USDA Feb Outlook Forum to 2nd & 4th Day After Opening

cents/bu.

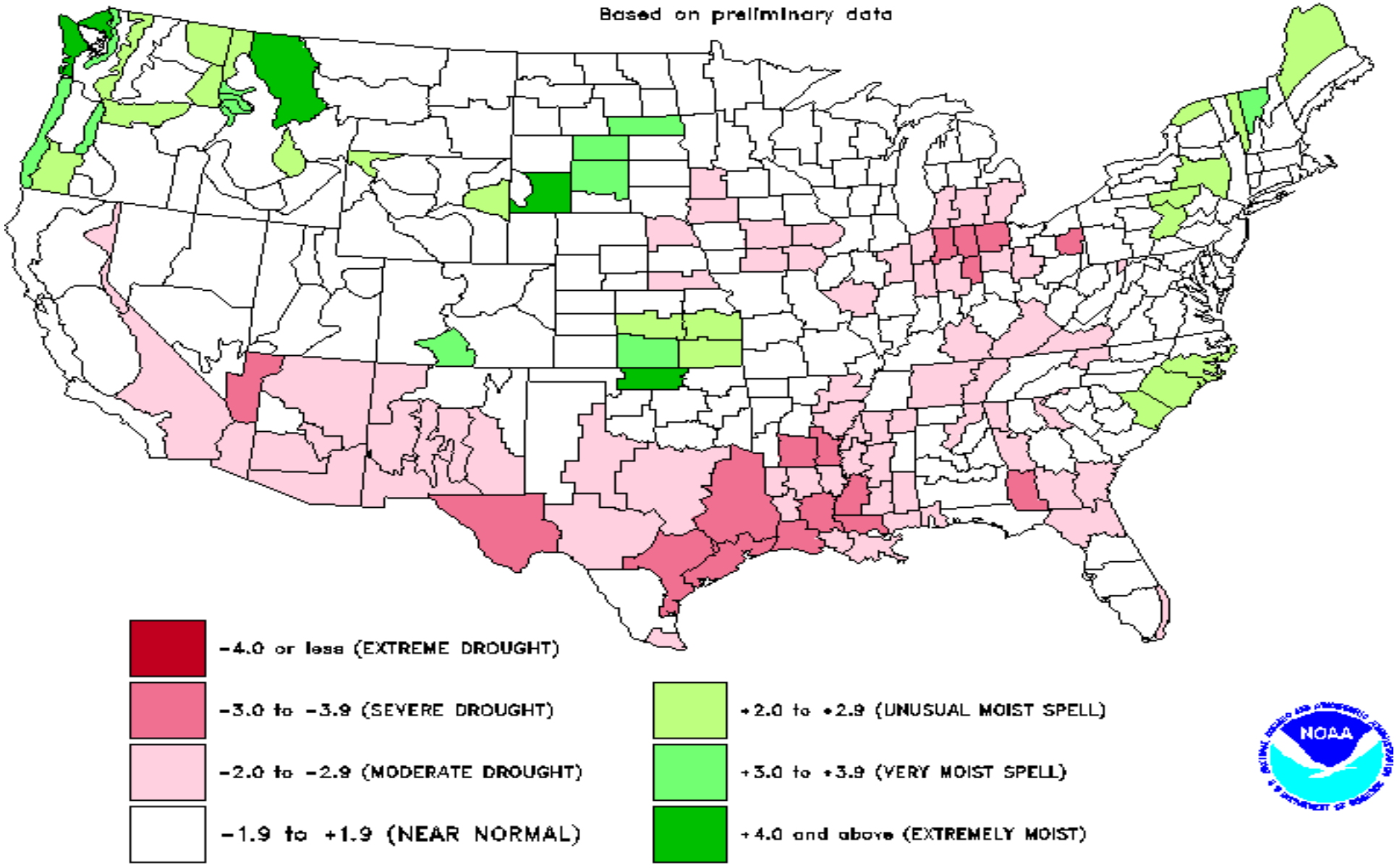


WKdayafterUSDA

DROUGHT SEVERITY INDEX BY DIVISION
(LONG TERM PALMER)

MAR 4, 2000

Based on preliminary data

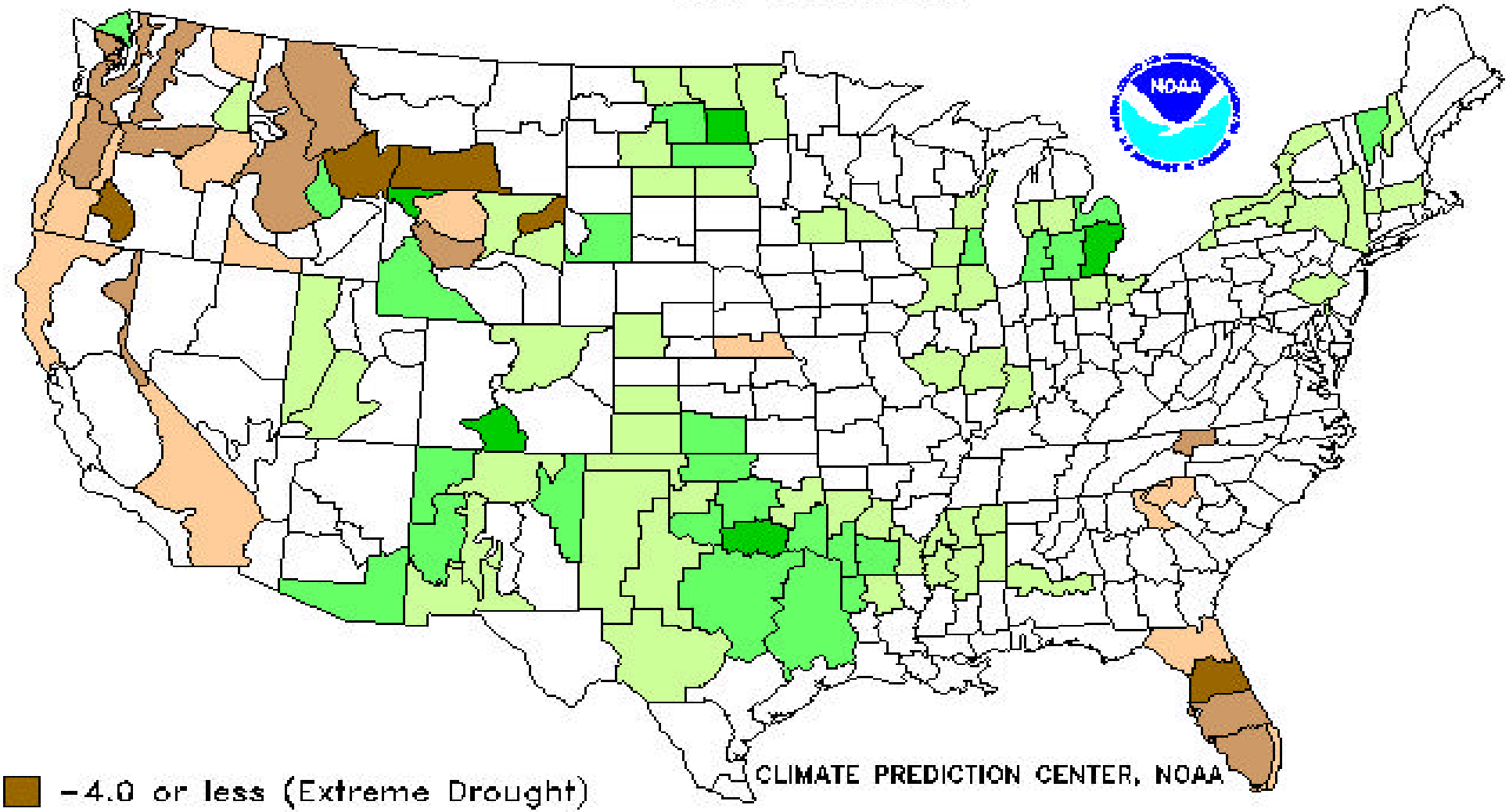


CLIMATE PREDICTION CENTER, NOAA

Drought Severity Index by Division

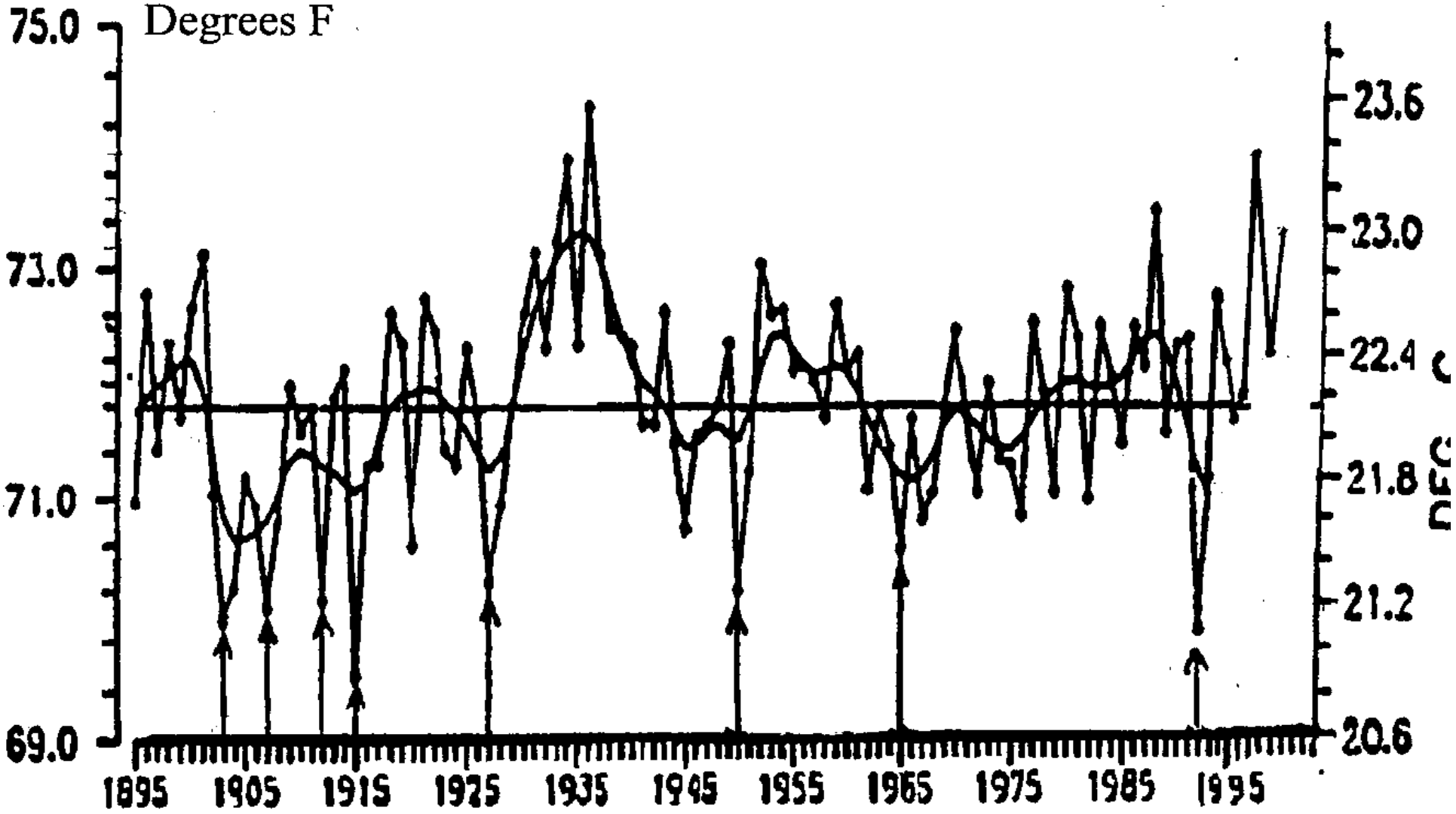
Weekly Value for Period Ending 17 FEB 2001

Long Term Palmer

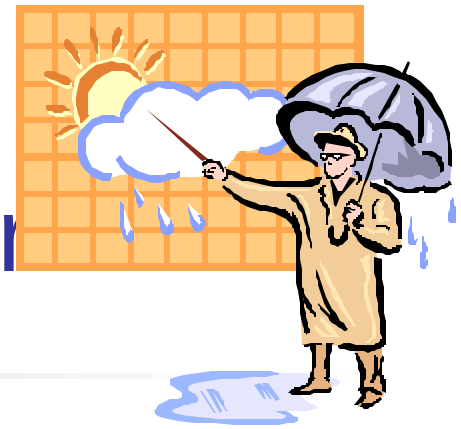


- −4.0 or less (Extreme Drought)
- −3.0 to −3.9 (Severe Drought)
- −2.0 to −2.9 (Moderate Drought)
- −1.9 to +1.9 (Near Normal)
- +2.0 to +2.9 (Unusual Moist Spell)
- +3.0 to +3.9 (Very Moist Spell)
- +4.0 and above (Extremely Moist)

US National Temperature Jun-Aug, 1895-



Thoughts on ’01 US Weather

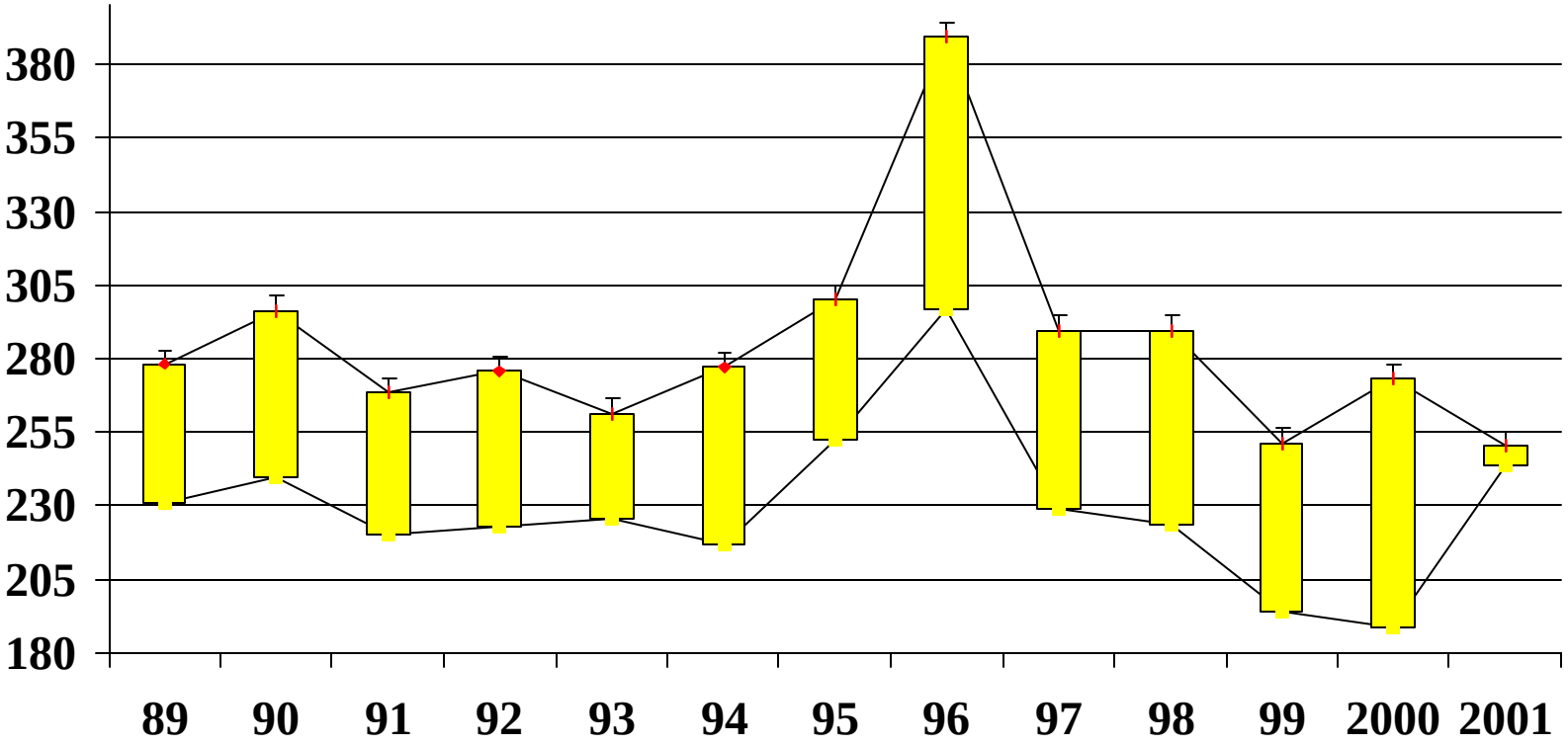


- Fading La Nina suggests cooler/wetter summer
- Unlike early ‘00, no bullish weather scenarios for ‘01
- Low odds of 3 consecutive years of early corn planting
- No history since 67/68 of 7 consecutive years without record US corn/soybean yields

Corn Outlook

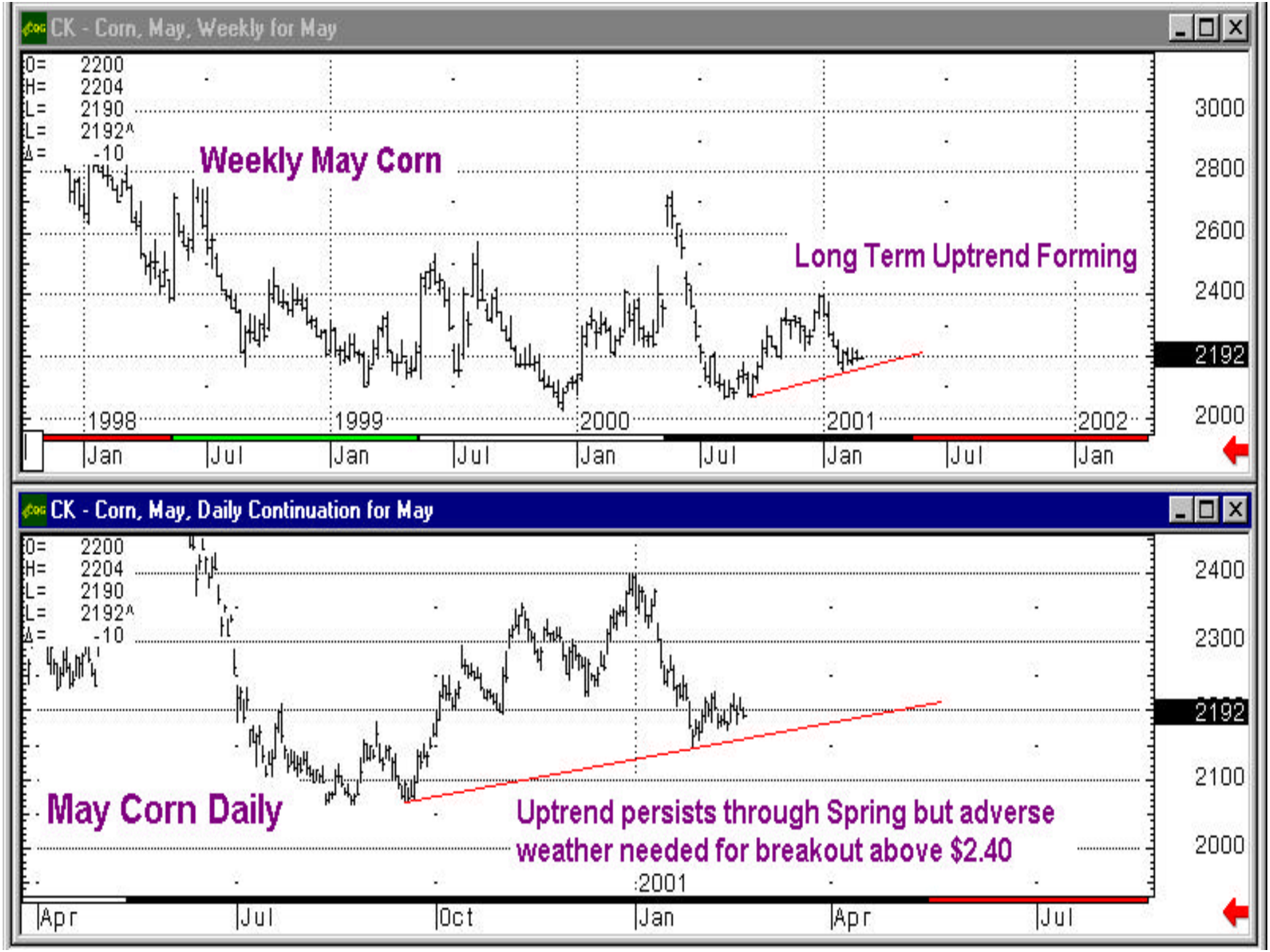
Corn Outlook

CZ Range From High to Low Feb Through July



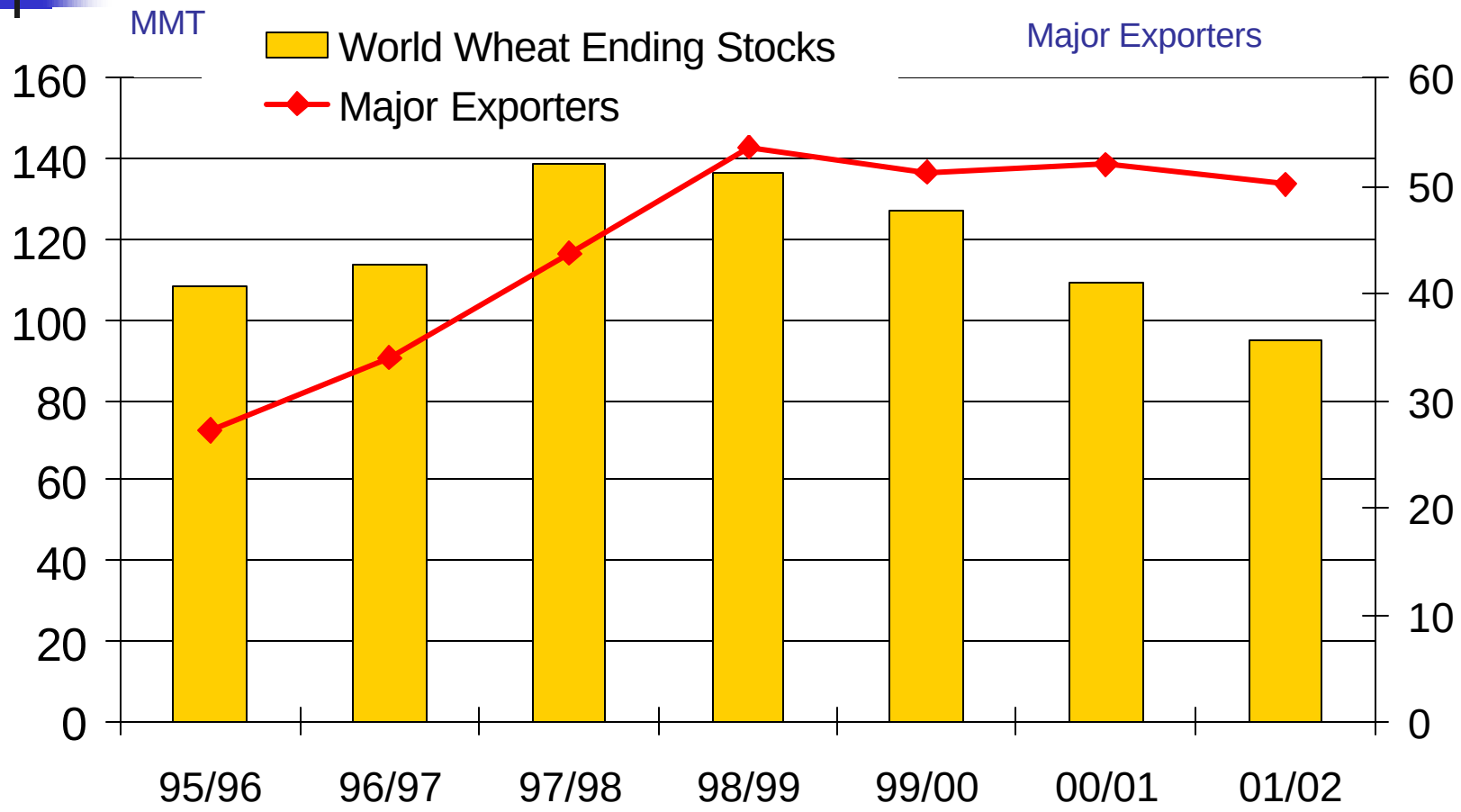
2001 range (6 ½ cents) since Feb 1

CZrange


CK - Corn, May, Weekly for May
O= 2200
H= 2204
L= 2190
L= 2192^
Δ= -10
Weekly May Corn
Long Term Uptrend Forming
3000
2800
2600
2400
2192
2000
1998
1999
2000
2001
2002
Jan
Jul
Jan
Jul
Jan
Jul
Jan
Jul
Jan
CK - Corn, May, Daily Continuation for May
O= 2200
H= 2204
L= 2190
L= 2192^
Δ= -10
2400
2300
2192
2100
2000
May Corn Daily
Uptrend persists through Spring but adverse
weather needed for breakout above $2.40
2001
Apr
Jul
Oct
Jan
Apr
Jul

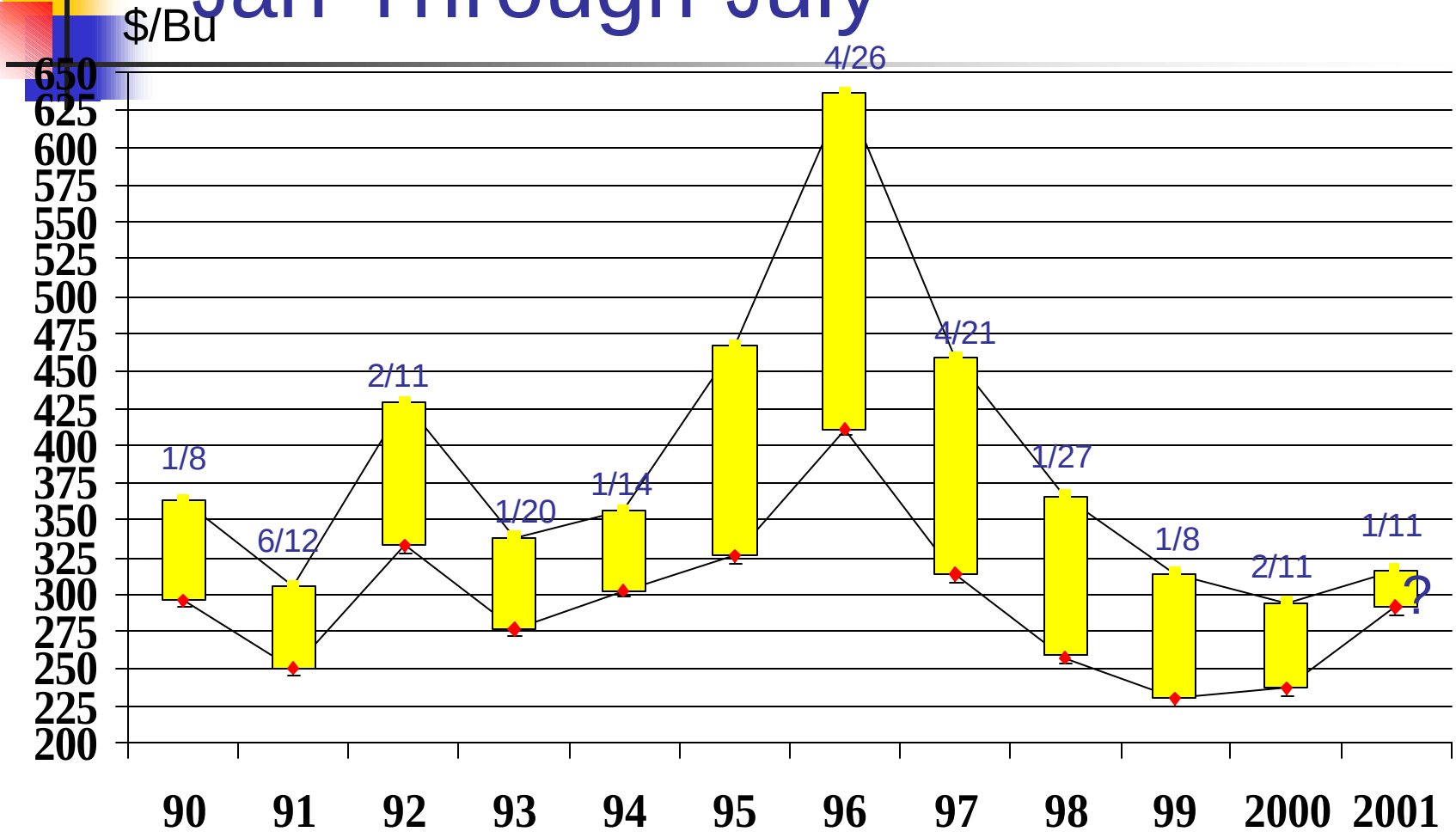
Wheat Outlook

World Ending Wheat Stocks vs. Wheat Stocks Held by Major Exporters



'01/02 Forecast = Refco Feb forecast

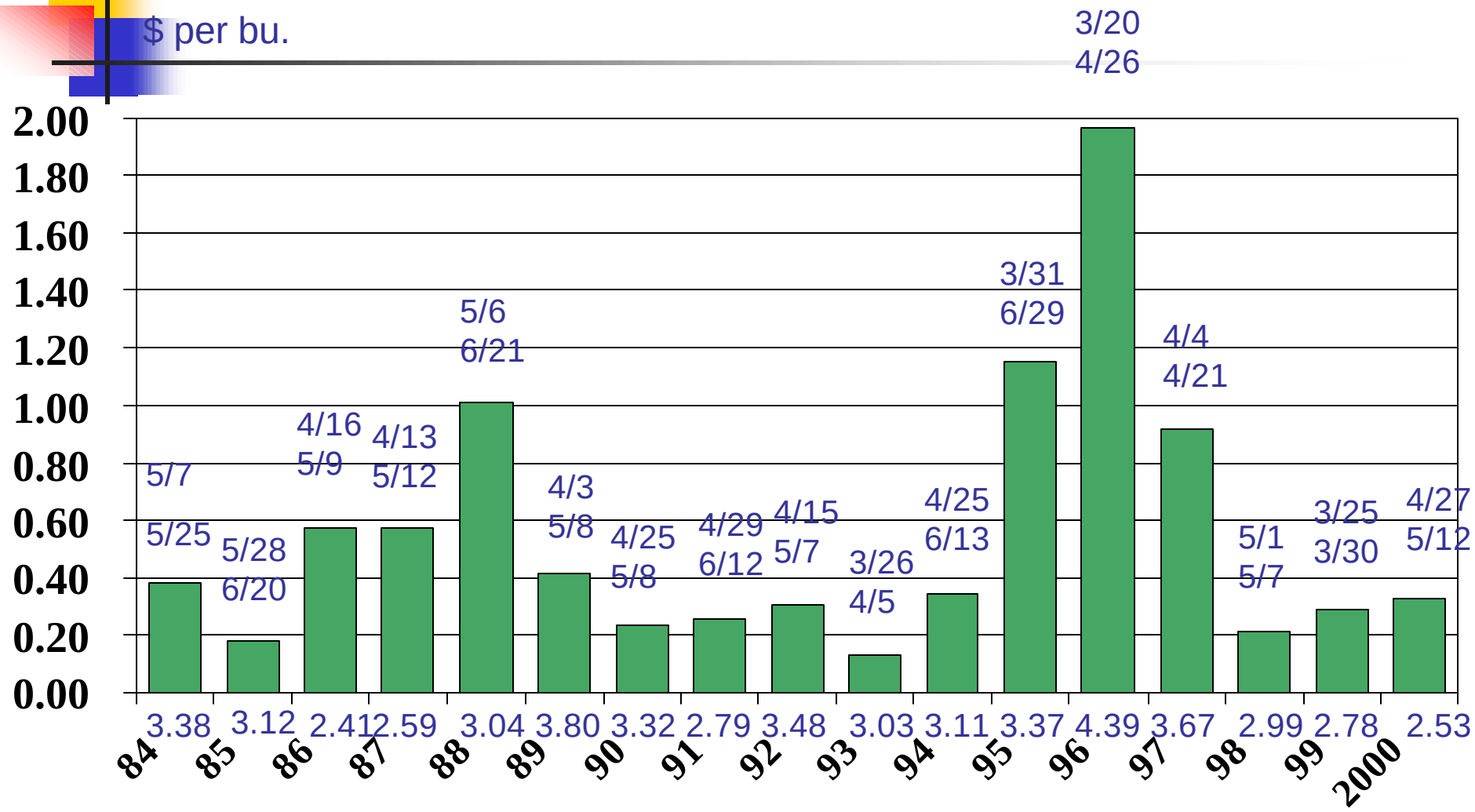
WN Range From High to Low Jan Through July



Date of price higher on top of bar

WNrange

Spring Rallies in WN



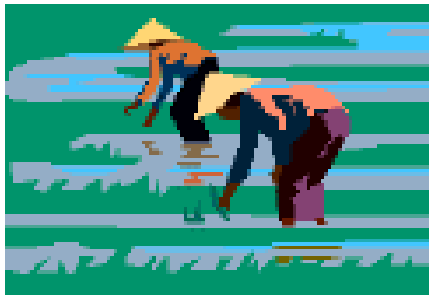
Footnote: Rally start and end dates on top of each bar.
Spring low at base of bar.

WNRALLIES

WH - Wheat, Mar, Monthly for Mar
O= 2656
H= 2674
L= 2654
L= 2664
Δ= +2
Monthly March Wheat
Need close above $3.00 for move to $3.30-3.50 area
5000
4500
4000
3500
3000
2664
2500
2000
1976
1980
1984
1988
1992
1996
2000
WH - Wheat, Mar, Weekly for Mar
O= 2656
H= 2674
L= 2654
L= 2664
Δ= +2
Weekly March Wheat
Wide base-building & trading ranges with near term resistance at $3.00 and support at the $2.60 level
$3.00
$2.60
4000
3500
3000
2664
2500
1996
1997
1998
1999
2000
2001
27 May

Russia
Kazakhstan
Kyrgyzstan
Mongolia
China
Nepal
India
Burma
Laos
Vietnam
HAINAN
Taiwan
North Korea
South Korea
Sea of Japan
Pacific Ocean
Choybalsan
Qiqihar
Harbin
Uliastay
Ulaanbaatar
Changchun
Yining
Ürümqi
Shenyang
Beijing
Kashi
Baotou
Tianjin
Hotan
Yumen
Taiyuan
Jinan
Lanzhou
Luoyang
Xuzhou
Xi'an
Nanjing
Shanghai
Chengdu
Hangzhou
Chongqing
Lhasa
Nanchang
Guiyang
Taipei
Xiamen
Kunming
Nanning
Hong Kong (U.K.)
Macau (Port.)
China and Mongolia
600 Miles
600 km

PRC Update



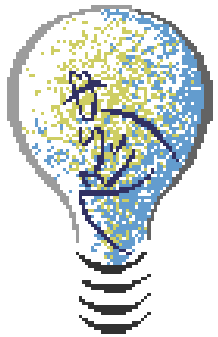
- Wide range of estimates on level of PRC grain stocks
- Public & private estimates of grain exp/imp unreliable
- Do shrinking wheat stocks portend higher ’01/02 imports?
- Will Beijing disenfranchise northeast China corn farmer?

REFCO

Corn-Wheat Wrap Up

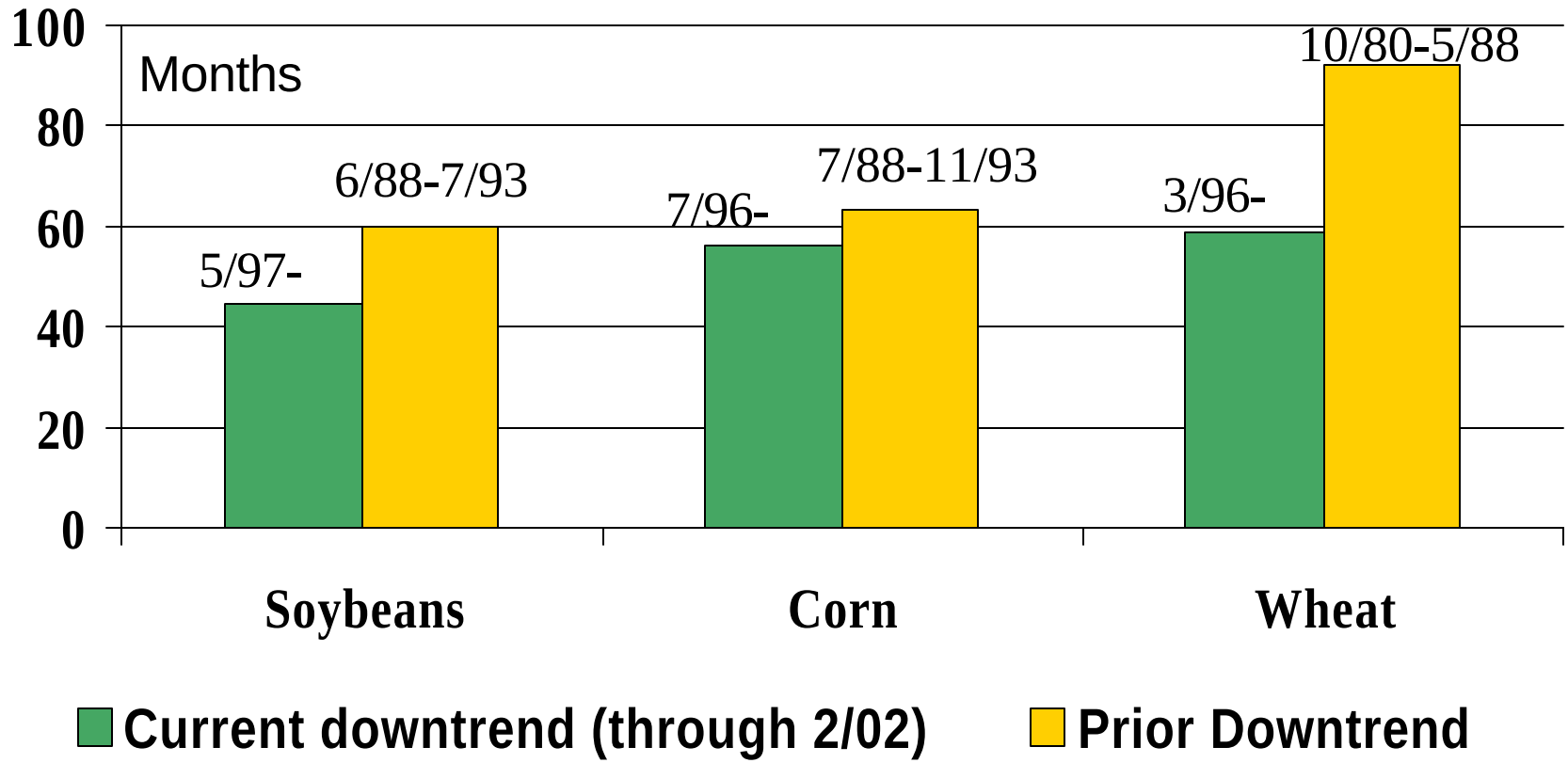
- Drought fears & strong demand of early ’00 are absent
- CZ $2.40-$2.45 value area; start hedging @ $2.65
- KWN support $2.80-3.00; start hedging @ $3.40 KWN
- Markets vulnerable to weather adversity
- Funds will reinitiate corn long before Spring
- Wheat lows likely June vs. Sept in ‘00
- Slowing GDP growth reduces odds of unexpected demand

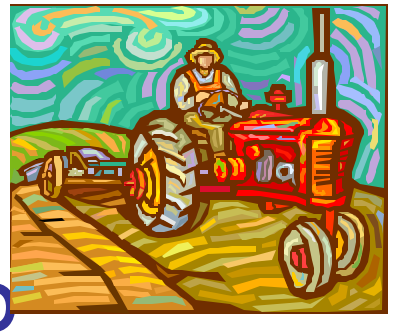
Trade Ideas



- Buy CZ & sell WZ: objective 55 cents
- Buy KWN & sell WN: objective 57 cents
- Buy SMN & sell BON: objective 30%
- Sell SX @ $5.00: objective $4.40
- Buy 3 CN & sell 2 SMN after April 1

Duration of Current Downtrend in Grain Prices v. Prior Periods of Extended Price Weakness





Price Implications of LDP

- Producers maximize planted area as payments are based on production
- Producers that haven't taken LDP and/or have grain under loan are indifferent to price signals
- Larger quantities LDPed at harvest increases free supplies and farmer willingness to sell on small rallies
- Deferred futures over loan unlikely to earn carry if adequate old crop stks & normal weather
- Large S. America bean crop not as bearish as large US bean crop (those without LDP must market smarter)