

2019 Wheat Marketing Perspectives

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EXTENDING KNOWLEDGE >> CHANGING LIVES

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EXTENSION

News from G20 Summit

- The agreement sets a 90-day deadline for the two countries to create some agreement on how to handle key differences on forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture.
- The 90-day deadline started on Saturday, December 1, 2018 and ends March 1, 2019, but could be extended.

January 7 - 9, 2019 Meeting

- U.S. Trade Representative's (USTR) office said China has pledged to purchase “a substantial amount” of agricultural products, energy and manufactured good and service for the U.S.
 - Goal is “achieve fairness, reciprocity and balance in trade relations between our two countries.”
- Also discussed issues related to intellectual property protections.

Current Negotiations

- U.S. and Chinese officials completed two days of high level trade negotiations.
- China has offered to purchase 5.0 mm. (183.7 mill. bu.) of soybeans as part of the trade talks.
 - Not necessarily one single purchase.
- U.S. negotiating team was invited to Beijing in mid-February.
 - President Trump and President Xi may also meet in person to seal a comprehensive trade deal.

Current Negotiations

- U.S. Trade Representative Robert Lighthizer said there was “substantial progress” on intellectual property and forced technology transfer issues.
- “At this point, it’s impossible for me to predict success. But we’re in a place that if things work out, it could happen”, said Lighthizer.

Current Negotiations

- Mr. Lighthizer also said the U.S. objective was to:
 - Make China's commitments “more specific, all-encompassing and enforceable”.
 - Include mechanisms for taking action if China fails to follow through with agreement.
 - Enforcement mechanisms may include a snap-back of U.S. tariffs.
- Lifting the current U.S. and Chinese tariffs was not part of the discussions.

Current Negotiations

- China has offered to increase annual goods imports from the U.S. by a total of \$1 trillion over the next six year. (\$1,000,000,000,000)
- One source said the offer implies an increase in total annual Chinese imports from \$155 billion to approximately \$200 billion in 2019 and \$600 billion in total imports by 2024.
- Economists argue it would be difficult to totally eliminate the trade gap due to large U.S. demand for Chinese products.

Key Questions

- What other “agricultural products” will be purchased and when?
 - Pork, beef, chicken, ethanol, DDGs, corn, sorghum, cotton, spring wheat, rice (?) ...
- How will this impact U.S. crop and livestock prices?
- Timing is important!
 - When will purchases be made?
 - How long will it take for prices to responded?



U.S. Spring Wheat Export Destinations

(1,000 Metric Ton)

Country	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Philippines	1,071.1	1,165.4	1,161.3	1,138.5	1,657.3	1,247.6
Japan	1,330.6	945.7	1,269.9	850.6	1,048.3	995.9
Taiwan	588.3	581.1	621.4	593.0	568.0	626.0
China	475.2	467.0	256.8	629.6	1,042.6	542.9
South Korea	385.4	352.8	396.2	353.0	393.6	399.7
Thailand	297.5	287.9	281.7	261.1	331.7	256.8

Recent News

- Chinese officials are considering purchasing between 3.0 mmt and 7.0 mmt of U.S. wheat.
- The final purchase volume will depend upon how trade talks go with the U.S.
- China may buy a small amount initially and increase purchases if talks go well.

Other Trade Agreements



Comprehensive & Progressive Agreement for Trans-Pacific Partnership (TPP Replacement)

- Trade agreement including:
 - Australia, New Zealand, Canada, Japan, Mexico, Brunei, Chile, Malaysia, Peru, Singapore, Vietnam.
- Was signed on March 8, 2018.
- Began Jan. 1, 2019 with a 9 year transition.



CPTPP Wheat Tariff Reductions

Date	Japanese Wheat Tariff Rate (Yen/Kg)	Tariff in USD/Bu	Tariff in USD/MT	Difference USD/Bu	Difference USD/MT
2018	17.0	4.21	154.55	0.00	0.00
Jan 2019	16.2	4.01	147.27	0.20	7.27
Apr 2019	15.3	3.79	139.09	0.42	15.45
Apr 2020	14.5	3.59	131.82	0.62	22.73
Apr 2021	13.6	3.36	123.64	0.84	30.91
Apr 2022	12.8	3.17	116.36	1.04	38.18
Apr 2023	11.9	2.94	108.18	1.26	46.36
Apr 2024	11.1	2.75	100.91	1.46	53.64
Apr 2025	10.2	2.52	92.73	1.68	61.82
Apr 2026	9.4	2.33	85.45	1.88	69.09

Assumes 110 Japanese Yen = 1.00 U.S. Dollar

Winter Wheat Seedings (Million Acres)

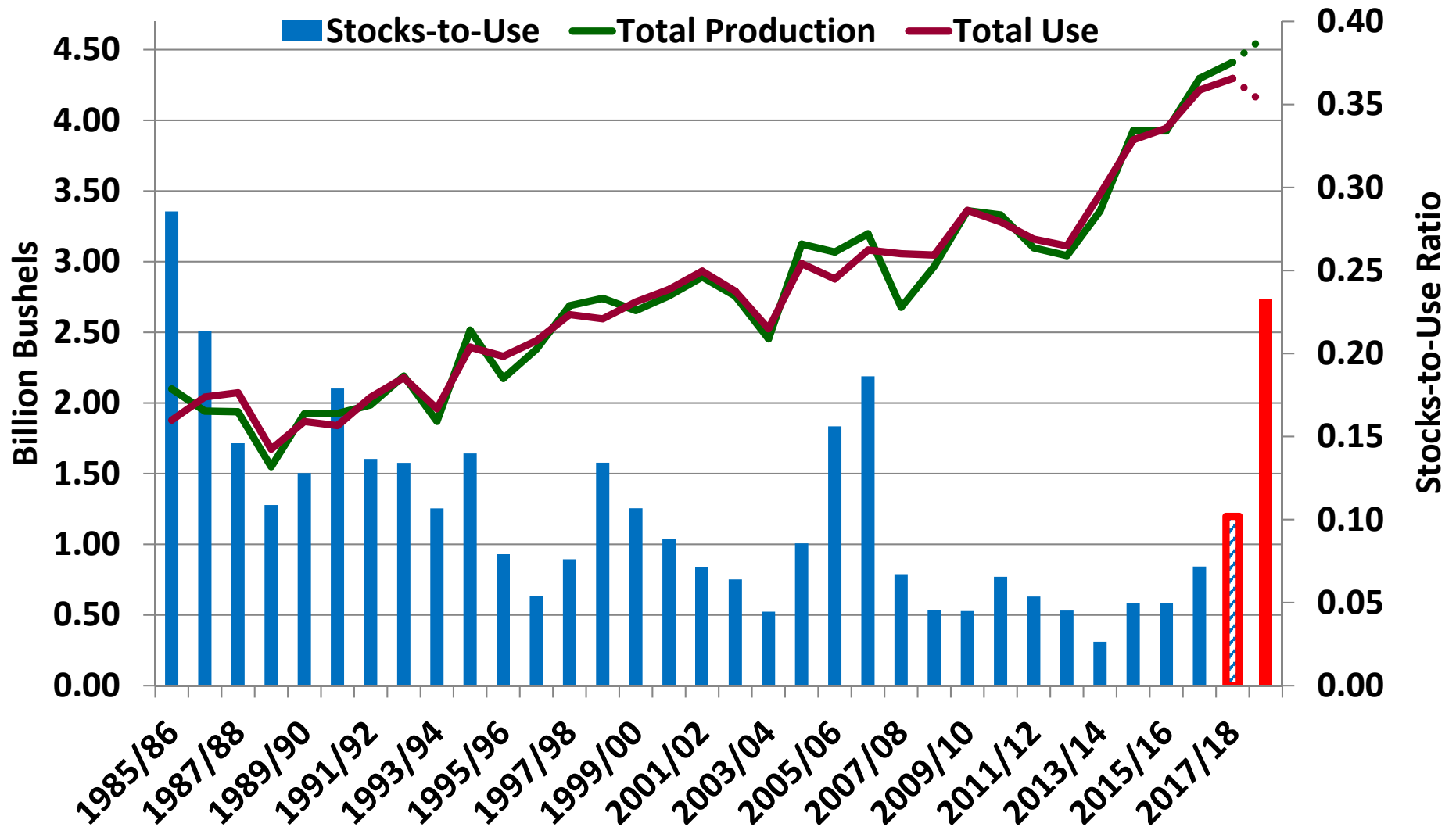
	Total Winter	Hard Red Winter	Soft Red Winter	White Winter
Average trade estimate	32.128	22.579	5.963	3.488
Highest trade estimate	33.300	23.620	6.200	3.700
Lowest trade estimate	31.500	21.925	5.643	3.211
USDA final 2018 plantings	32.535	22.923	6.076	3.536
Change from 2018	-0.407	-0.344	-0.113	-0.048

Private Forecasts for 2019 Acreage

- IEG Vantage (former Informa Economics)
 - Corn 91.50 mill. a. (89.14 mill. a. in 2018)
 - Increase of 2.36 mill. a.
 - Soybeans 86.20 mill. a. (89.145 mill. a. in 2018)
 - Decrease of 2.945 mill. a.
 - Wheat 47.16 mill. a. (47.80 mill. a. in 2018)
 - Decrease of 0.64 mill. a.
 - 22.2 mill. a. hard red w.w. (22.92 mill. a. in 2018)
 - **13.78 mill. a. spring wheat (12.69 mill. a. in 2018)**
 - **1.87 mill. a. durum (2.07 mill. a. in 2018)**

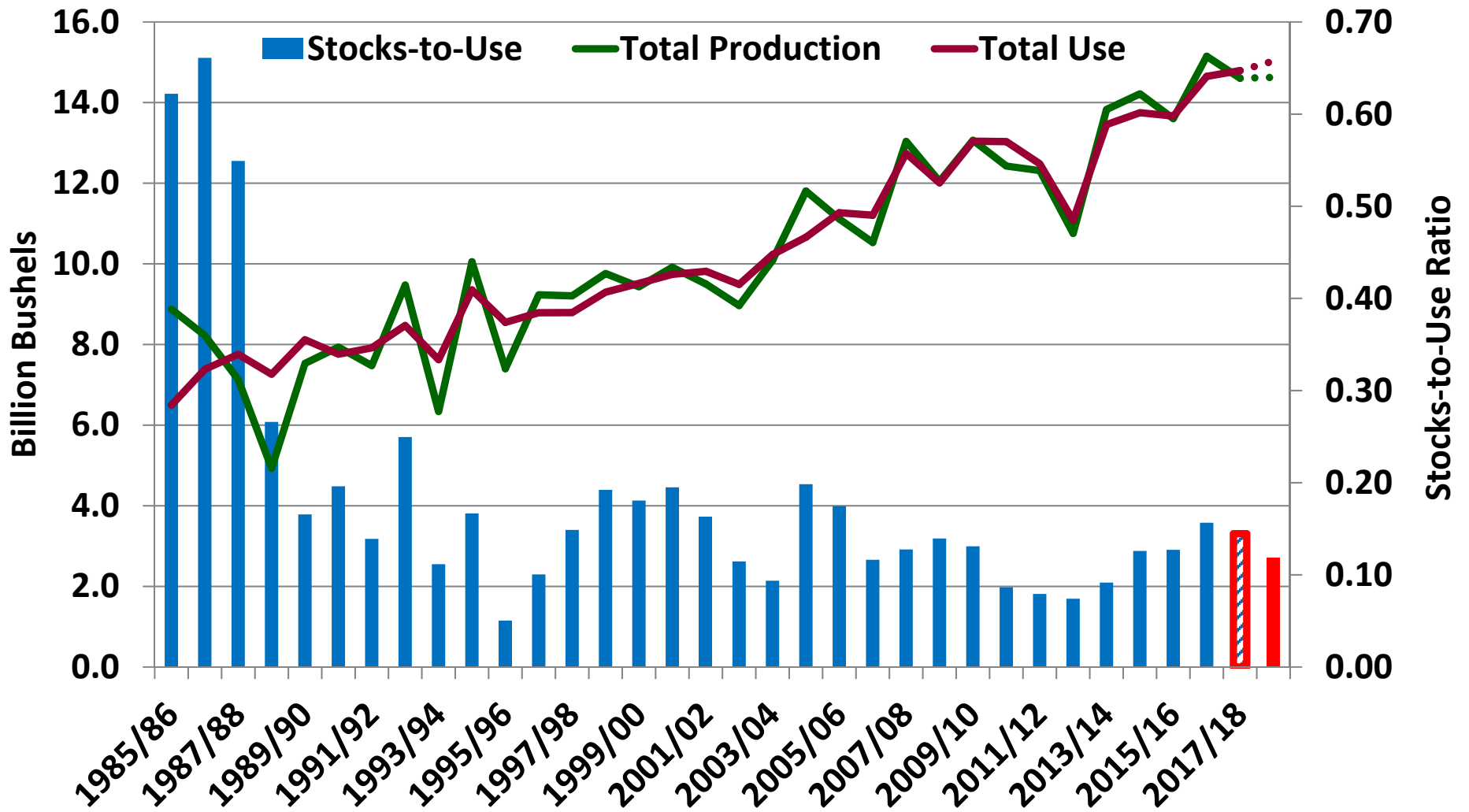
U.S. Soybean – Total Prod. & Use

(Billion Bushels)

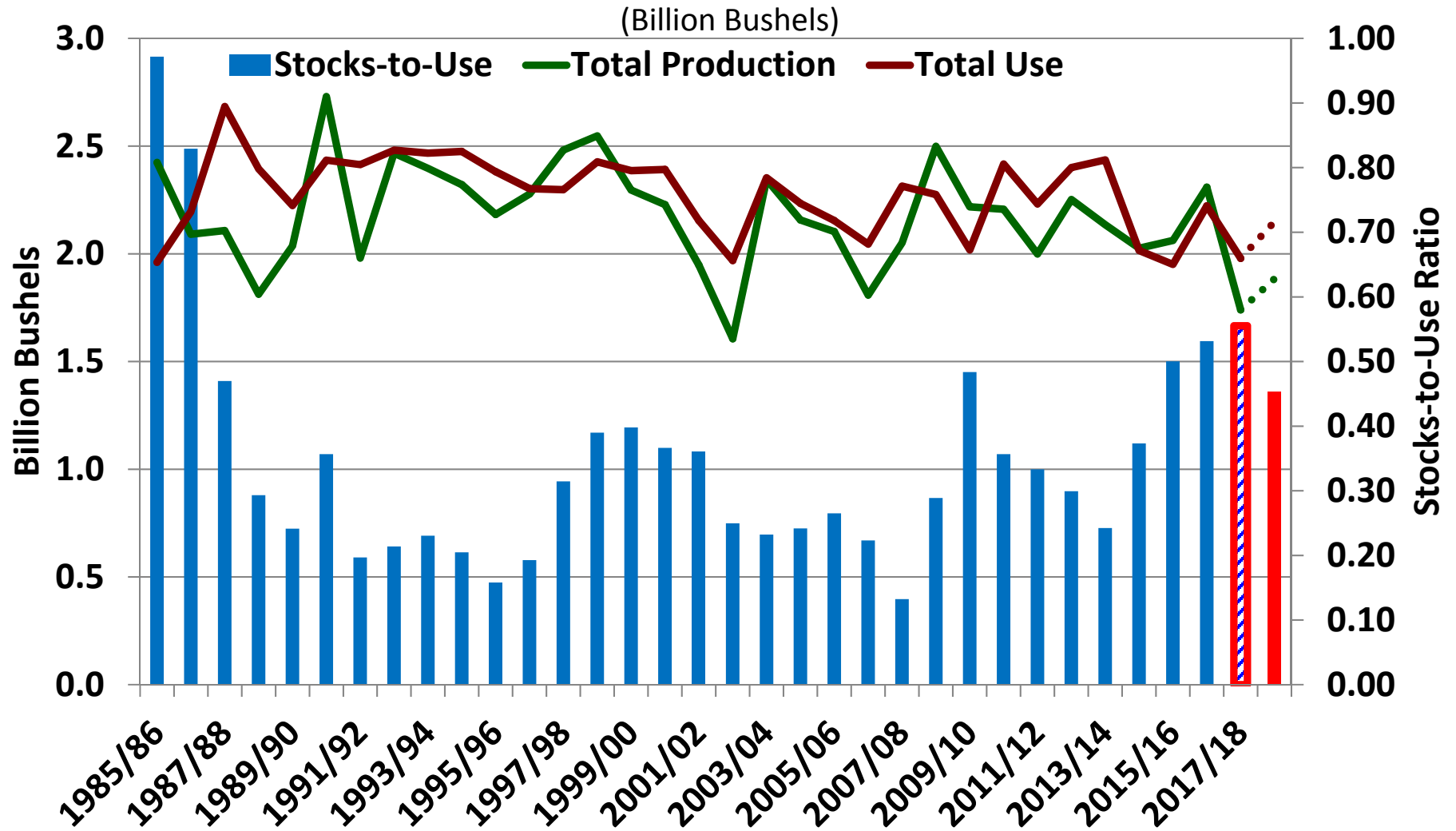


U.S. Corn – Total Production & Use

(Billion Bushels)

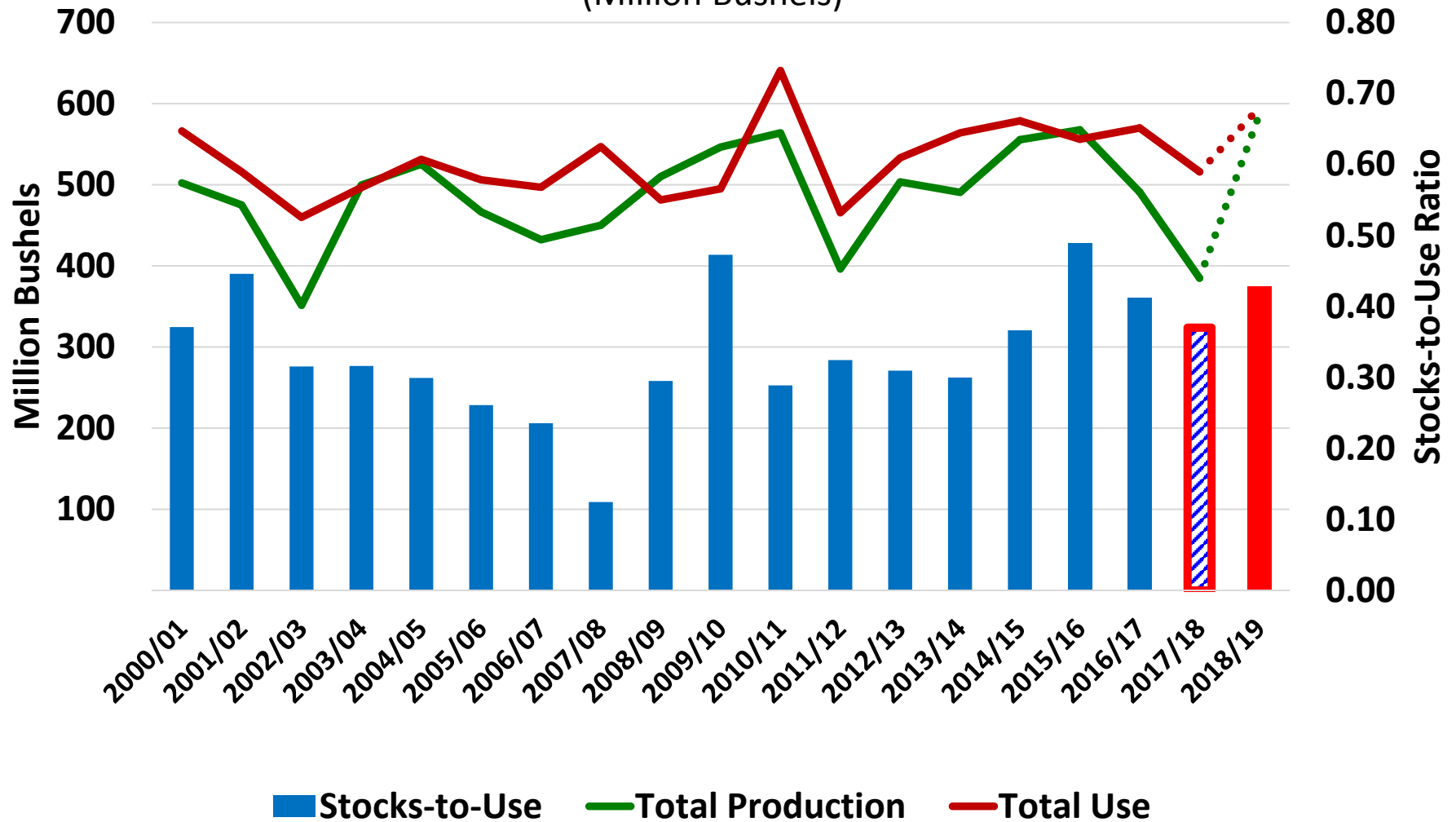


U.S. All Wheat – Total Prod. & Use



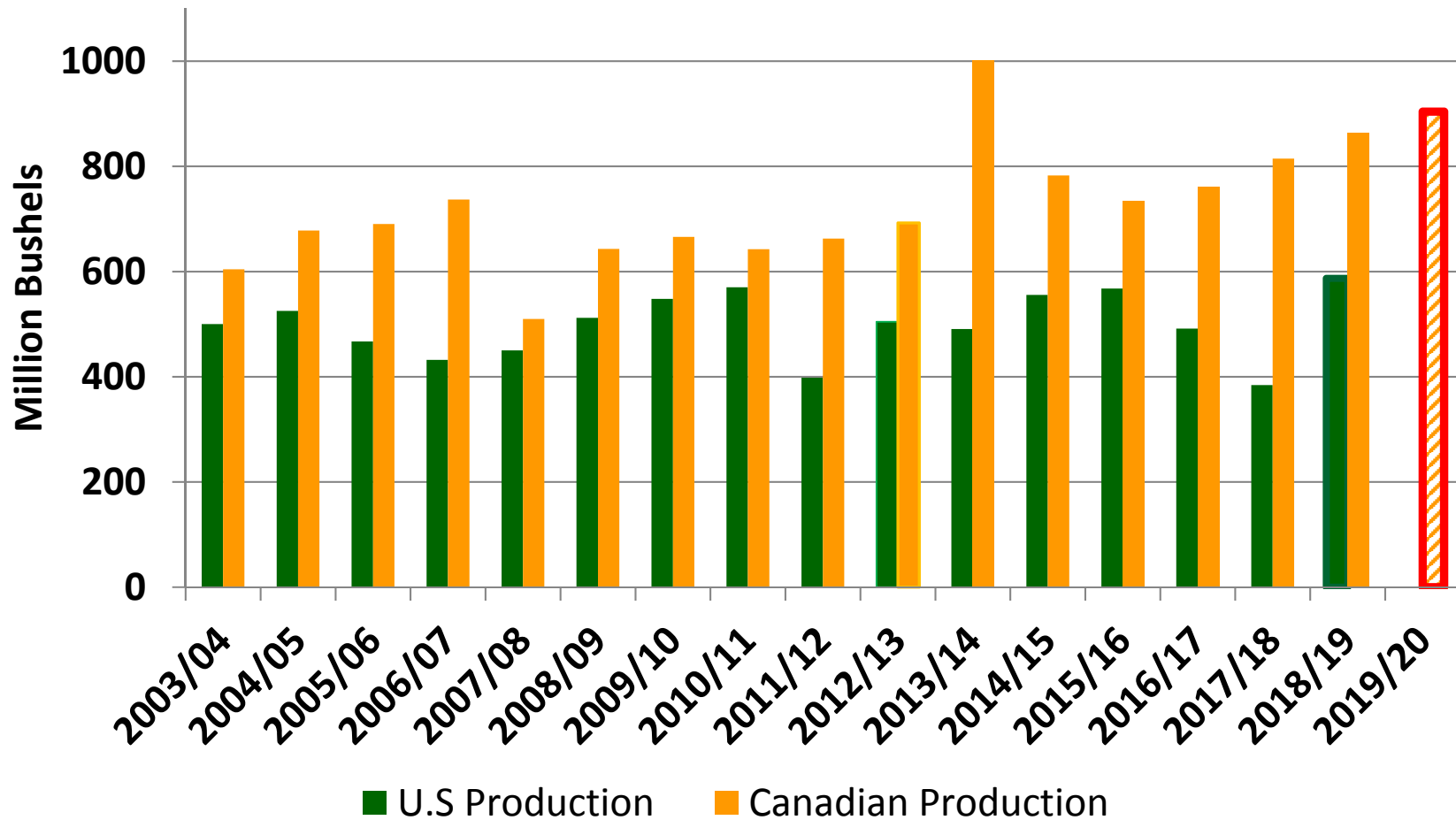
U.S. Spring Wheat – Total Prod. & Use

(Million Bushels)



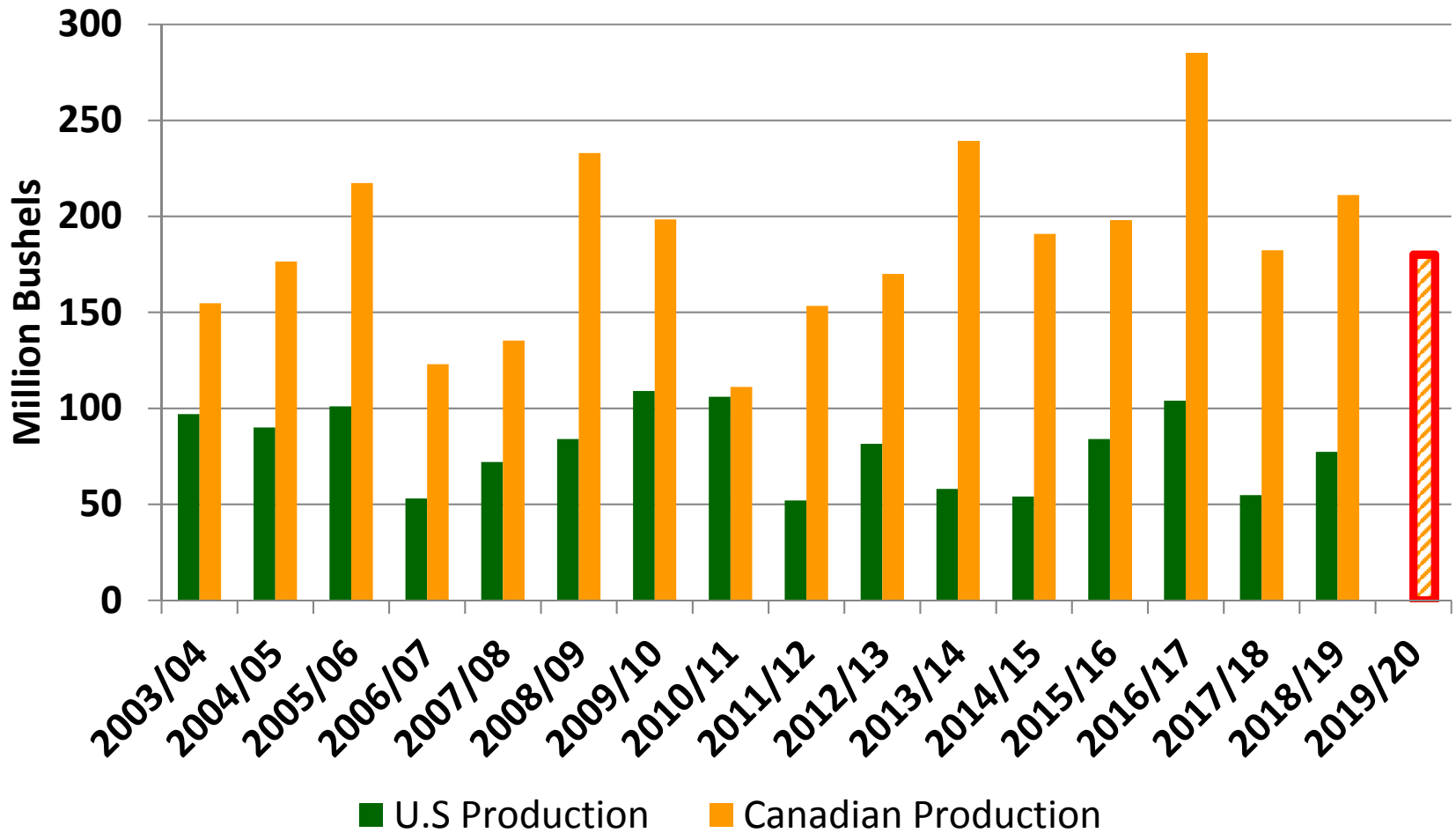
U.S. & Canadian Spring Wheat Prod.

(Million Bushels)



U.S. and Canadian Durum Production

(Million Bushels)



Questions?

