

March 12, 2018

Trilateral Grain and Market Weather Update

Market Summary Highlights

Contents

[“Soy Complex” on page 3](#)

[“Corn” on page 4](#)

[“Wheat” on page 5](#)

[“Related Market News” on page 6](#)

[“Weather Update” on page 8](#)

[“Feedstuffs” on page 9](#)

Market Headlines

- **Soybeans:** Hit nearly three-week low on fears for Chinese demand
- **Corn:** Down early, influenced by lower soybean and wheat prices
- **Wheat:** Falls for second straight session; continuing to fall back from recent highs even though the seven-day forecast remains mostly dry for the central U.S. Plains

Morning Trading

- Corn futures Lower
- Soybeans Mixed
- CBOT Wheat Lower
- Dow Jones: Higher
- U.S. Dollar Index: Higher
- Gold: Lower
- Crude Oil: Lower

Overnight Trade			
Commodity	Month	Last	Change
Corn	May	3.8900	(1.25)
Soybeans	May	10.3750	(0.75)
Soybean Meal	May	371.20	(2.90)
Soybean Oil	May	31.5900	0.03
Chicago Wheat	May	4.8625	(2.00)
KC Wheat	May	5.1600	(4.50)
MPLS Wheat	May	6.1850	0.25
Sep			
Commodity	Month	Last	Change
Crude Oil	Apr	59.92	(0.68)
Natural Gas	Apr	2.689	0.032
Gold	Apr	1318.50	(6.00)
S&P Futures	Mar	2788.00	6.75
Dollar Index	Cash	90.12	0.022

USDA & Government Reports

- Employment Situation

Soy Complex

Sources: Reuters, DTN, Agrimoney, RJO and RJO Hightower Report

- U.S. soybean futures tumbled to a nearly three-week low on Monday on **fears of a potential fall in demand for North American supplies by China as trade war threats escalated**. “The threat of China retaliating after higher U.S. tariffs via soybeans has become more vivid,” said Tobin Gorey, director of agricultural strategy, Commonwealth Bank of Australia. Chinese officials have said U.S. soybeans are a prime target for retaliation against tariffs imposed by the Trump administration on steel and aluminium imports, the American Soybean Association said.
- Concerns about Argentina’s dry weather appear to be losing their bullish impact on prices**. Argentina’s weather will be mostly dry again this week with some rain expected in the northwestern region. Meanwhile, central Brazil will be drier this week, favorable for harvest and second crop corn planting.
- Commodity Weather Group, and “rains limited to less than half of corn, soy [area] over the next 10 days”. While there are **some rains shown by models in the 11-to-15 day outlook, there is “still low confidence” in this outlook, and the precipitation would come late for crops anyway**. “Rains would limit additional late corn, soybean losses in Argentina, **but yield loss to date is largely irreversible by late in the month.**”
- Friday’s CFTC report showed noncommercials became more bullish in soybeans as of Mar. 6, increasing net longs from 155,357 to 194,877, the highest since July 2016.
- While the trend in May soybeans is still up, last week’s sell-off presents a bearish concern that price momentum has turned bearish at a time when speculators are heavily net long.
- Fundamentally, Argentina’s drought gave us a bullish surprise in early 2018, but supplies in the U.S. and Brazil are currently plentiful.
- Early Monday, there were no delivery intentions for March contracts of soybeans, 9 for meal, and 15 for bean oil.

Soybeans



Soybean Meal



Soybean Oil



Corn

Sources: Reuters, DTN, Agrimoney, RJO and RJO Hightower Report

- May corn was down 2 1/4 cents earlier Monday, influenced by lower soybean and wheat prices, but still holding near its highest level in six months.
- The seven-day forecast remains mostly dry for Argentina's main crop areas with moderate showers expected in the northwestern part of the country. Here in the U.S., the central Plains will be mostly dry with warmer temperatures, but rain continues to hang around the southeastern Midwest and Delta region.
- CFTC's report of positions as of Mar. 6 (before Thursday's WASDE report) showed noncommercial traders turned even more bullish in corn, increasing net longs from 214,492 to 320,384, the most since June 2016.
- The **new bearish risk for corn prices is that corn's fundamentals are not as bullish as traders now are**, but so far, the trend remains up in May corn.
- There were 38 delivery intentions for March corn early Monday and open interest stood at 2,686 contracts with expiration coming Wednesday.



Wheat

Sources: Reuters, DTN, Agrimoney, RJO and RJO Hightower Report

- Wheat fell more than 1 percent, extending a sharp slide recorded on Friday after a government report showed higher ending stocks than expected. May Chicago wheat was down 4 3/4 cents and May K.C. wheat was down 5 3/4 cents early Monday, continuing to fall back from recent highs even though the seven-day forecast remains mostly dry for the central U.S. Plains.
- The extended forecast does expect some precipitation for the northern Plains while the southwestern Plains remains dry.
- Friday's CFTC report showed noncommercials in Chicago wheat turned bullish for the first time since August 2017, taking on a small position of 8,807 net longs. Commercials took advantage of spot Chicago wheat prices above \$5.00 and let go of their net longs, also for the first time since August. We can't help but notice that **over the past five years, the times when noncommercials turned bullish were short-lived and corresponded to highs in wheat prices.**
- The U.S. Department of Agriculture in a monthly supply and demand report on Thursday raised its outlook for global wheat inventory at the end of 2017/18 to a record. High world supplies were countering support from drought in parts of the Plains.
- For now, the trends remain up in Chicago and K.C. wheat, but price momentum has turned bearish, more in line with the broader fundamentals for wheat
- Early Monday, there were no delivery intentions for March wheat and not many contracts left trading.

Chicago SRW



Kansas City HRW



Minneapolis HRS



Related Market News

AGRICENSUS

- Drought across HRW growing regions in the US intensified in the week to March 6 as precipitation remained below average, according to the USDA's weekly drought monitor released Thursday, leaving lingering questions over the viability of the coming crop. The Southern Plains are suffering the effects of one of the worst winter droughts in living memory with the North Oklahoma/Southern Kansas border region upgraded to a "D4" or "Exceptional" rating this week – the most severe intensity on the scale. "Unirrigated winter wheat in the Texas Panhandle and adjoining areas is almost a total loss," the USDA wrote.
- Data from the US CFTC shows managed money players trading futures and options moved decisively into long positions for corn as they anticipate further price rises ahead on a mixture of bad weather and good demand. The data, released late Friday and covering the week up to March 6, shows long positions for corn jumped to 349,582 contracts – up by nearly 65,000 contracts in a week, the largest build in a single week across any of the main soybean, corn or wheat futures contracts, according to the CFTC data. Accompanying the build in long positions came a significant reduction in short positions, which contracted 17.6% to 186,048 lots taking the net long to a 163,534 lots. Together, it almost triples the length from the previous week's 59,120 lots.

AGRIMONEY

- Malaysia's palm oil output fell last month at its fastest in more than two years, but the impact on stocks was limited by a drop in exports too, and with ideas of soft demand seeing futures at one point hit an 18-month low. Palm oil output in Malaysia shrank in February by 15.4% to 1.34m tonnes – the biggest month-on-month decline since January 2016, exceeding the expectations of traders. However, the impact on the stocks figure, generally more important for pricing, was undermined by a weaker-than-expected export number too. Malaysian inventories came in at 2.48m tonnes last month, a drop of 2.8% from January, which exceeded market expectations by more than 100,000 tonnes – a disparity seen as down to weakness in Malaysia's own palm oil demand.

REUTERS

- Speculators raise bullish U.S. cocoa stance to 1-1/2-year high: Speculators increased their net long position in cocoa contracts on ICE Futures by 2,151 lots to 24,007 lots, the highest since September 2016, as the benchmark futures contract CCc2 rallied 11 percent to a 16-month high and technically overbought levels.
- Malaysian palm oil futures closed slightly higher on Monday after falling by as much as 1 percent on the back of bearish government data released by the Malaysian Palm Oil Board (MPOB) at the midday break. Palm oil inventories in Malaysia edged down nearly 3 percent to a four-month low at end-February to 2.48 million tonnes, but was still higher than a Reuters forecast of 2.37 million tonnes. Production fell 15.4 percent to 1.34 million tonnes, a fourth consecutive month of decline to its lowest in a year, but its highest February levels since at least 2000.

Continued next page

Related Market News cont.

- Chinese officials have said U.S. soybeans are a prime target for retaliation against tariffs imposed by the Trump administration on steel and aluminum imports, according to the American Soybean Association. Farm groups have long feared that China, which imports more than third of all U.S. soybeans, could slow their purchases of agricultural products, heaping more pain on the struggling U.S. farm sector. Warnings to the soybean growers group about their product being used as a target in trade disputes were made last year, group officials told Reuters on Friday.
- **Cocoa futures resume climb, sugar and coffee prices ease.** Cocoa dealers said speculators were continuing to add to long positions on Monday despite indications that the market remains heavily overbought. The rise has been largely fuelled by technically-driven fund buying, although diminished crop prospects in top grower Ivory Coast has also helped to support prices. Sugar dealers said the market remained on the defensive despite the prospect of an increase in cane use for ethanol in Brazil, partly due to rising output in number two producer India. **Brazil's Copersucar, the world's largest sugar merchant, expects output of the sweetener to fall by 5 million tonnes in the new center-south cane crop that starts in April, as mills earmark more cane to ethanol production instead.**
- China's soybean meal exports are set to nearly double to around 2 million tonnes in 2017/18, traders said on Monday, lifted by a smaller crop in the world's biggest exporter, Argentina, and strong oilseed processing profits at home. Asian countries led by Japan, South Korea and Vietnam are key importers of soymeal, taking shipments largely from South America. But a severe drought is expected to curb Argentina's soybean and corn production.

RJO

Weather leans negative with Arg dry areas shrinking over next 10 days although very little relief over the next 5 days (only 25% coverage). Dry RGDS slated for rains late this week and early next week. EU and FSU benefit from late winter moisture—ditto for PRC winter wheat areas. Brazil weather mostly favorable for remaining half of soy harvest and early vegetative safrina corn growth.

Suspect ag markets settling into broad trading range ahead of March 29 USDA report on acreage and quarterly stocks. US PP acres last year only 2.6 ma vs. 4 year average of 5.7 ma with most of year to year variance centered in Dakotas that will be monitored closely in coming weeks for any signs of planting delays. Any shifts in perceived 2018 CN/BN planted area mix (surveys suggest minor shift from corn to soy even though corn offers higher returns) will be important to US 2018/19 S/D tables that will experience higher export pull in wake of reduced 2018 Arg crops and likely smaller 2018 Brazil corn crop.

In the meantime—ag markets must digest huge long in soy and meal, bottoming out of Arg crop estimates, range bound behavior of equity/CRB markets and percolating concerns over additional US pressure on PRC that serves as incentive for PRC crushers to maximize Brazil soy imports.

Seasoned trader noted today that any proposed “bull” story in row crop markets is a new crop issue as old crop stocks of US and global CN/BN/WHT still plentiful. Nonetheless, we're at front end of 2018 N American growing season where markets are more willing to carry risk premium given uncertainty over upcoming summer weather pattern. Suspect breaks will be supported by end users extending forward coverage while chart damage to date not enough to force out fund longs.

Weather Update

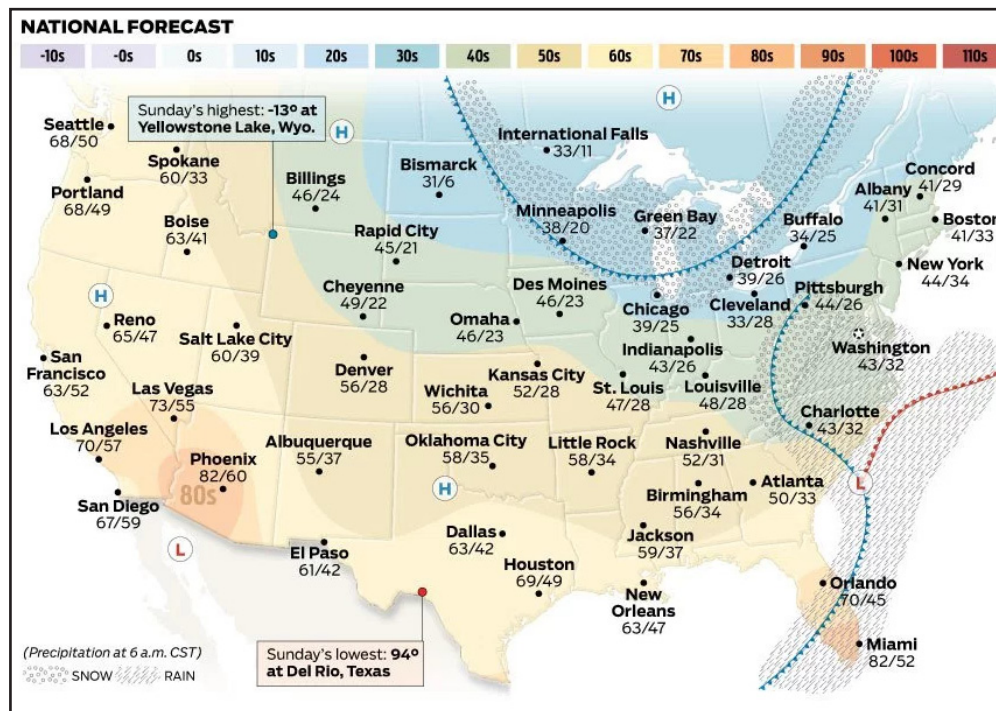
DTN MAJOR WORLD HIGHLIGHTS/IMPACT:

March 9

CENTRAL/SOUTHERN PLAINS (WHEAT, LIVESTOCK): No significant rainfall chances for the west and central areas during the next 5-7 days. Rain will be needed as crop development increases during the coming weeks to prevent significant stress to wheat and potential yield declines.

ARGENTINA (CORN, SOYBEAN, SUNFLOWER): Dryness and episodes of hot temperatures continue to impact filling corn and soybeans in the central growing belt at this time. Weekend showers in southern growing areas of Buenos Aires but only isolated showers in Santa Fe. Not much relief to the long term drying trend, especially after hot temperatures late last week. The next chance for scattered showers in or near Santa Fe appears to be with a cold front passage Saturday. I am not expecting this to make much difference in the overall crop prospects for either crop.

BRAZIL (SOYBEANS, CORN): No significant concerns for maturing and harvesting of soybeans and first crop corn in southern Brazil at this time. The harvest of soybeans in northern areas may slow with a few thunderstorms in the area at times. Soil moisture in key second crop corn areas should be adequate to in some cases surplus at this time.



Feedstuffs

Links to weekly USDA feedstuffs reports:

- [National Weekly Feedstuffs Prices](#)
- [Corn Belt Weekly Feedstuffs](#)

Kansas City Daily Feedstuffs Prices:

SJ_GR210

St. Joseph, MO Fri Mar 09, 2018 USDA-MO Dept Ag Market News

Kansas City Daily Feed

Wholesale bids per ton, bulk, in truck lots, unless otherwise specified.
(Soybean meal, Soybean hulls, and Pellets- FOB processors KC and St. Joseph.)

Commodities	Basis	Change	Bids	Change
Soybean Meal 48 Pct	-17K to -11K	UNCH	356.60-362.60	DN 9.80
Soybean Hulls-Bulk			120.00-140.00	UNCH
Soybean Hull Pellets-Bulk			130.00	UNCH
Cottonseed Meal 41 Pct			330.00-385.00	UNCH
Gluten Feed 21 Pct Pellets			170.00-175.00	UNCH
Gluten Meal 60 Pct			565.00	UNCH
Wheat Bran and Middlings				
	Interior KS Rail		87.00-115.00	UNCH
	Interior KS Truck		140.00-150.00	UNCH
Hominy Feed (FOB KC Northwest)				
	Rail		n/a	n/a
	Truck		n/a	n/a

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