

December 3, 2018

Trilateral Grain and Market Weather Update

Market Summary Highlights

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Market Headlines

Corn: Receiving bullish influence from soybeans and Saturday's favorable tariff news

Soybeans: Rally to highest since June on U.S.-China trade truce

Wheat: Similar to corn, is benefitting from the positive tone of Saturday's trade news

Morning Trading

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

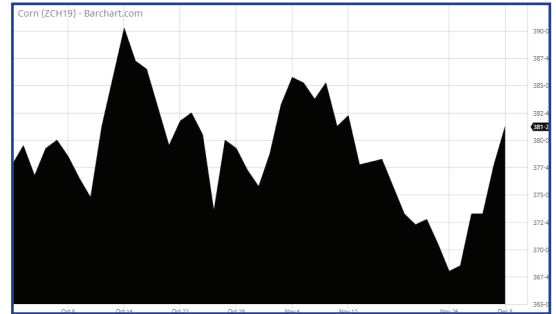
USDA & Government Reports

- Fats & Oils (USDA crush)
- PMI Manufacturing Index
- ISM Mfg Index

Overnight Trade			
Commodity	Month	Last	Change
Corn	Mar	3.8100	3.50
Soybeans	Jan	9.0700	13.25
Soybean Meal	Jan	314.70	4.00
Soybean Oil	Jan	28.3100	0.29
Chicago Wheat	Mar	5.1775	2.50
KC Wheat	Mar	5.0275	3.50
MPLS Wheat	Mar	5.7850	3.25
Sep			
Commodity	Month	Last	Change
Crude Oil	Jan	52.90	1.99
Natural Gas	Dec	4.357	(0.258)
Gold	Dec	1233.50	12.50
S&P Futures	Dec	2797.50	38.75
Dollar Index	Cash	97.04	(0.231)

Corn

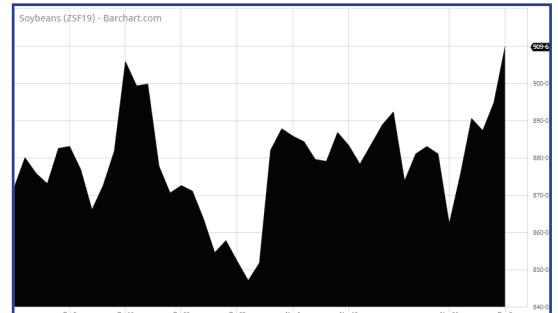
- March corn is trading up 4 cents early Monday, receiving bullish influence from soybeans and Saturday's favorable news that trade tensions between China and the U.S. have eased, at least temporarily.
- Corn trade is not directly affected by the trade dispute, but would indirectly benefit from better soybean movement in the U.S. and growers getting higher soybean prices.
- March corn is getting a much needed boost not only from the G-20 U.S.-China trade truce, but also the signing of the U.S.-Mexico-Canada trade agreement known as USMCA. Congress must approve the USMCA same before it takes effect.
- Over the weekend, winter storms across the central and eastern Midwest likely caught some producers with unfinished harvest, but USDA's Crop Progress reports have stopped for the year so the next meaningful harvest update will come from the January 11 WASDE report.
- Weather in South America is overall beneficial with the exception of perhaps too much rain in northern Brazil



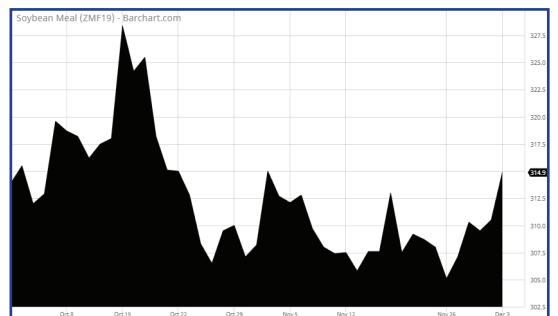
Soy Complex

- January soybeans moved sharply higher on Sunday night as positive news of the trade agreement emerged. January soybeans are trading up 16 cents early, not as high as the 29-cent gain in the first moments of trading, but still a decent gain to start Monday's session.
- Overall, the tone of Saturday's announcement sounded hopeful that the two sides are getting closer, but at the risk of being a party pooper, we need to point out that the market will eventually need to hear more details if higher soybean prices are to be sustained.
- "Given the temporary nature of the truce, I don't expect a bonanza purchase of 20 million tonnes of soybeans," said Michael Magdovitz, commodity analyst at Rabobank. "I think it's more likely we'll see normal healthy monthly purchases of several million tonnes per month during the freeze period by the Chinese state to build up reserves."
- More precipitation in this weekend's weather did not help soybean harvest efforts and it is possible we will see a lower soybean crop estimate from USDA on January 11.
- Sharply higher equities and crude oil set the stage for the bullish ag market reaction, as commodity funds, short a significant amount of both soybeans and bean oil, began to cover some of those shorts.
- China and the U.S will continue to discuss IT and cyber issues, including intellectual property, and though promising to buy "unspecified, but significant quantities" of U.S. ag, energy and industrial products, the grain trade will need some concrete proof soon to keep the bullish break out going.
- Brazil will begin to harvest a record soybean crop in a few weeks so trade will need to see some China soybean purchases soon. February 1 will be an important date to see if China has stuck to its promise and to see if a long term trade understanding is forthcoming.

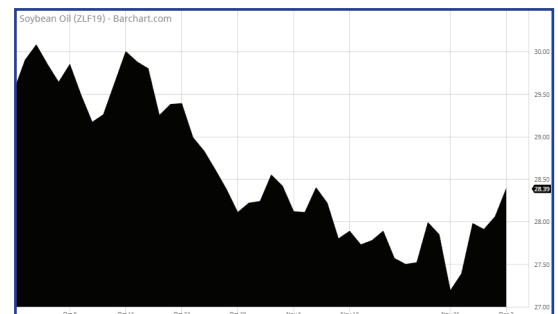
Soybeans



Meal



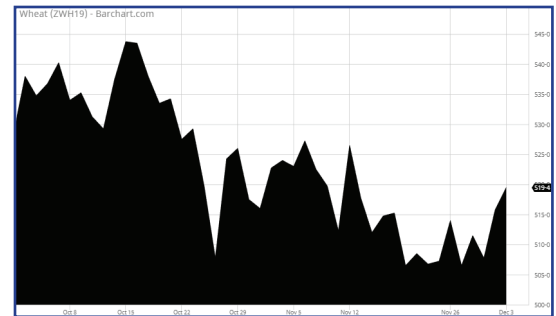
Oil



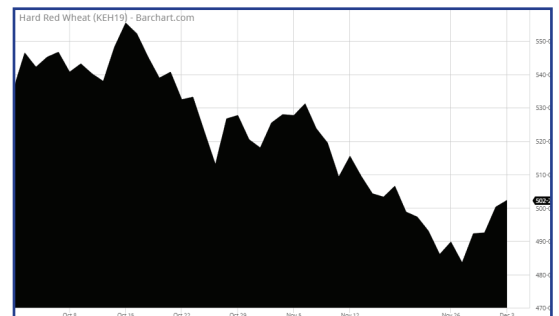
Wheat

- March K.C. wheat is up a nickel early Monday and similar to corn, is benefitting from the positive tone of Saturday's trade news, even though China is not a significant buyer of U.S. wheat.
- After seeing no delivery intentions for winter wheat on Thursday evening, Friday evening followed with 400 delivery intentions for December K.C. wheat, but none yet for Chicago wheat. The lack of recent deliveries remains a possible clue of increased demand for U.S. wheat and is also supported by how Dec/Mar futures spreads are showing increased buying interest for the near months in Chicago and Minneapolis wheat, in particular.
- We do not yet see however, much tangible evidence of increased demand in wheat's export data and that remains a bearish concern.
- For now, cash HRW wheat prices are in a downtrend, but higher closes on Monday have a chance to put cash SRW and HRS wheat prices at new three-month highs.
- U.S. wheat was the lowest price in Iraq's 50,000 tonne wheat tender.

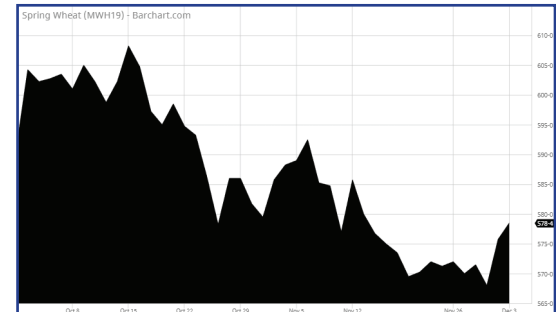
SRW



HRW



HRS



Related Market News

RJO

- Ag markets gap higher but sink to lower end of overnight range amid concern over stepped up farmer sales and need for confirmation from PRC crushers and feed grain buyers that they will indeed resume purchases of US ag commodities.
- Trade today will be watching export basis offers in S American (for weakness) and at US PNW/gulf (for gains).
- Chinese crushers may wish to increase their soy reserves to hedge against resumption of US/PRC trade war. WASDE will give us their updated interpretation a week from Tuesday. In the meantime—look for algos to buy corn and soy with both hands

REUTERS

- **Betting on ethanol, Brazilian mills turn sour on sugar:** Brazilian sugar companies are increasing their capacity to produce ethanol in the face of depressed global sugar prices and government policies expected to boost demand for the biofuel. A shift to ethanol in the 2018-19 season slashed Brazil's sugar output by 9 million tonnes to a 12-year low and more switching to the biofuel next season could help to wipe out a global surplus weighing on sugar prices. Brazil could also lose its crown as the world's biggest sugar producer to India for the first time in 16 years, according to the U.S. Department of Agriculture.
- **Australia cuts wheat harvest forecast to 10-yr low on drought:** Australia on Tuesday lowered its wheat production forecast by 11 percent to the smallest in a decade amid a crippling drought across the country's east coast that may cut exports from the world's fourth biggest supplier.
- **A sharp drop in the rapeseed area due to drought could keep European Union** production of the oilseed in 2019 close to a disappointing volume harvested this year, said consultancy Strategie Grains. In its first production outlook for next year's harvest, the French-based firm projected EU rapeseed output at nearly 11 percent below the 2017 level.
- Oil prices climbed 5 percent on Monday and steel followed suit, leading a broad-based rally in commodities after the United States and China agreed a 90-day truce in their trade conflict, in a reprieve for the global economy and financial markets.
- Raw sugar futures were higher on Monday boosted by a surge in the crude oil market, while coffee prices also advanced but cocoa was slightly lower.
- China will need to drop its steep tariffs imposed on a range of American farm products earlier this year before it can fulfil its pledge to buy a "very substantial" amount of U.S. goods, said Chinese traders on Monday. China and the United States agreed on Saturday to refrain from setting additional tariffs that would further escalate a months-long trade war that has roiled global markets and halted sales of American soybeans to the world's top buyer.
- Global economic prospects appear gloomy as year-end approaches after factory activity and export orders weakened in November, prompting analysts to predict no quick rebound amid persistent global trade tensions.

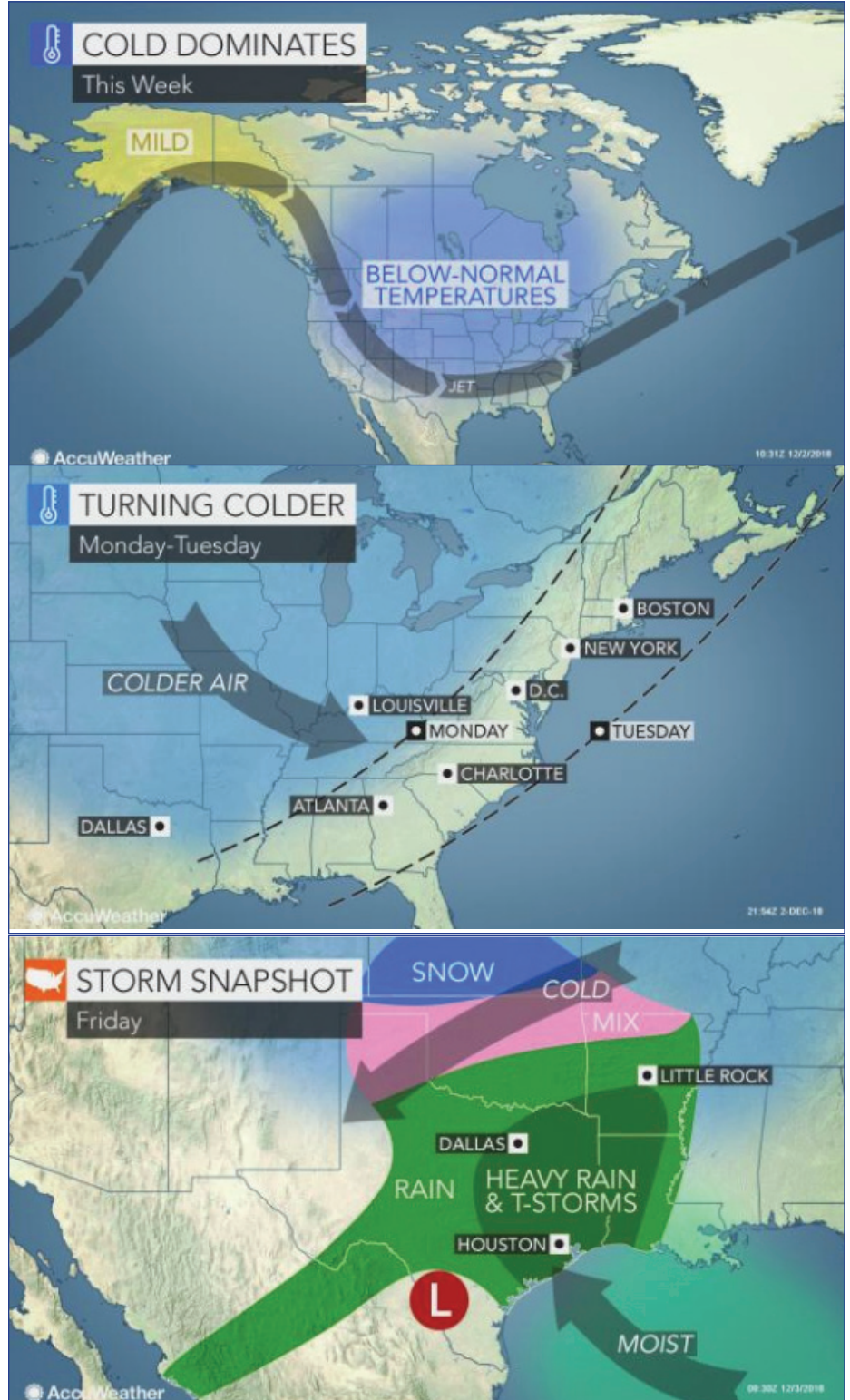
Weather Update

Commodity Weather Group headlines:

- Arg. Wetter Pattern Returns Next Week Slowing Fieldwork
- Drier N. Brazil in Week 2 Eases Developing Wetness

More CWG bullet-points: “Very limited rains in Argentina over weekend continues all week, aiding corn/soy seeding and wheat harvest.... Rains cross Arg. first half of next week stall fieldwork; 11-15 day rains focus on NW 1/3 limiting damage threat.... Corn/soy seeding delays & wheat quality concerns likely to rebuild in Argentina latter half of month.... Rains in N. 1/2 Brazil corn/soy and N. 3/4 of coffee/sugar over weekend kept about 1/4 of crop areas excessively wet.... N. Brazil rains gradually taper off over next 2 weeks easing soy rust and flooding damage threat.... C-S Brazil corn/soy moisture declines next 10 days; 11-15 day rains key to avoiding spotty moisture stress.”

CWG on North America: “Snow (4-8”) over weekend in NE/S. SD/S. MN/N. IA/WI; next weekend snow threat in S. Plains/N. Delta/Carolinas.... Drier pattern for Midwest allows late harvest to finish up in most areas; Southeast wetness delays persist.”



Feedstuffs

Links to weekly USDA feedstuffs reports:

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

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