

December 13, 2018

Trilateral Grain and Market Weather Update

Market Summary Highlights

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Market Headlines

Corn: Lower, but overnight hit the highest level that we've seen in many months

Soybeans: Slip from six-month high, focus on China demand

Wheat: EU wheat production seen rebounding to four-year high

Morning Trading

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

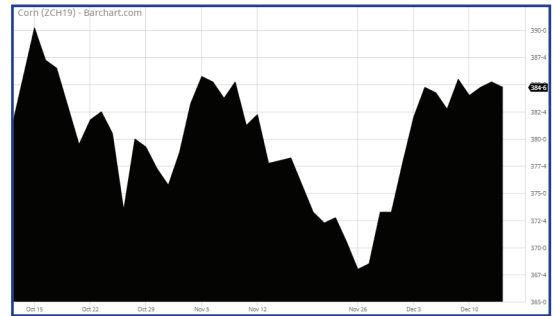
USDA & Government Reports

- Oil Crops Outlook
- Feed Outlook:
- Wheat Outlook
- Jobless Claims
- EIA Natural Gas Report

Overnight Trade			
Commodity	Month	Last	Change
Corn	Mar	3.8450	(1.00)
Soybeans	Jan	9.1600	(5.50)
Soybean Meal	Jan	312.60	(0.90)
Soybean Oil	Jan	28.9100	(0.15)
Chicago Wheat	Mar	5.3150	5.00
KC Wheat	Mar	5.1775	6.75
MPLS Wheat	Mar	5.8475	2.00
Sep			
Commodity	Month	Last	Change
Crude Oil	Jan	50.67	(0.51)
Natural Gas	Dec	4.273	0.144
Gold	Dec	0.00	(0.90)
S&P Futures	Dec	2664.50	9.50
Dollar Index	Cash	97.18	0.138

Corn

- March corn, although firm, could not hold early gains on Wednesday, possibly due to disappointment over the reported 500,000 metric tons soybean sales to China announced on some newswires, and the lack of feed grain purchases.
- Corn futures **did hit the highest level that we've seen in many months.** The \$3.90 area on March will likely be resistance, with the gap at \$3.80 still the support. At the highs, March corn was the highest since August 7 as trade optimism floods back into the market. **Momentum indicators are slowing, although not yet completely diverging from price.** The longer corn prices consolidate near recent highs, the more apt traders will be to sell against this resistance as opposed to push for new highs.
- Hurting bulls' chances was weaker weekly ethanol production as poor operating margins continue to tug on grind. Ethanol/corn spreads remain in sharply negative territory, highlighting the inability of ethanol to cover the input cost of corn.
- Export sales out today were expected to show a large number, with estimates of 1 to 1.5 million metric tons (mmt) but came out at 903,000 mt or 35.6 million bushels (mb). Total commitments are now up 16% versus last year.
- Export sales are expected to remain solid in the near-term, although USDA's updates to Black Sea corn production should insure stiff competition this winter.



Soy Complex

- Chicago soybean futures eased on Thursday, extending a retreat from the prior session's six-month high, as the market absorbed news of China's first major purchases of U.S. supplies since a truce was struck in the Sino-U.S. trade war.

- Trade war developments and South American weather are driving the bus from here forward.**

- Soybeans are weaker after trading to the highest level since June 15 as trade war optimism reigns

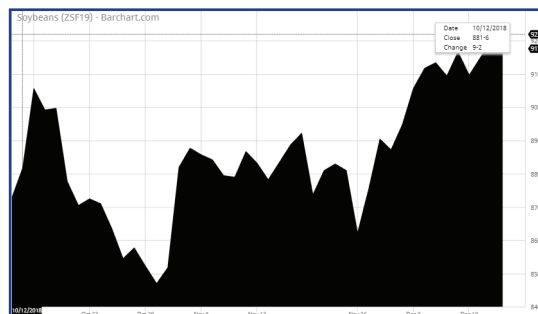
- November 2019 soybean prices traded over \$9.70 on Wednesday. This is the highest level since June and an area which producers should be paying attention to. \$9.70 is not \$10.00, which is the level many producers want but supply levels in the U.S. and around the globe may not warrant \$10.00 beans in the coming marketing year.

- Early Thursday, USDA said 41.5 million bushels (1,130,000 mt) of U.S. soybeans were sold to China for 2018-19. The strength of the past few days may have been exporters covering sales, and/or China protecting themselves ahead of sales announcements. Perhaps the most notable outlet confirming China soy purchases was the U.S. Soybean Council suggesting that 1.5 to 2 mmt were done

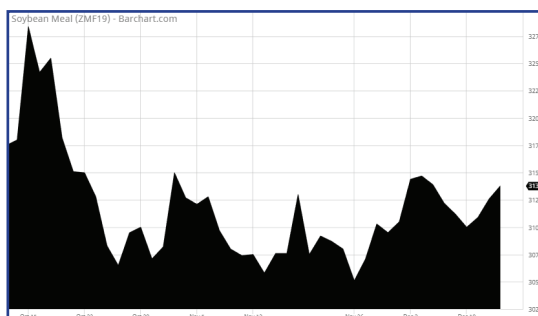
- Export sales on soybeans came out at 792,000 mt, or 29.1 mb, with total **commitments now 34% under last year.**

- The trade will be watching two weather issues - **growing dryness in parts of Brazil, which extends to late December, and heavy rains and flooding in Argentina,** with some areas looking at up to 20" of rain the next two weeks.

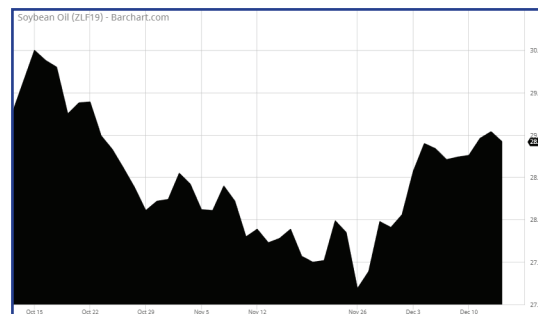
Soybeans



Meal



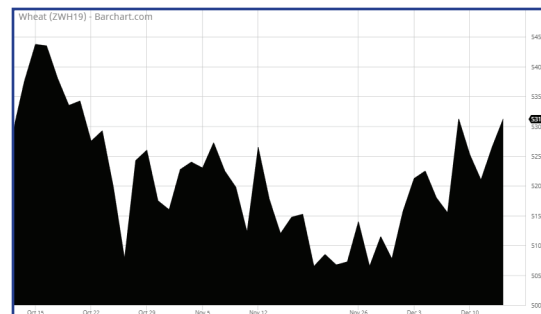
Oil



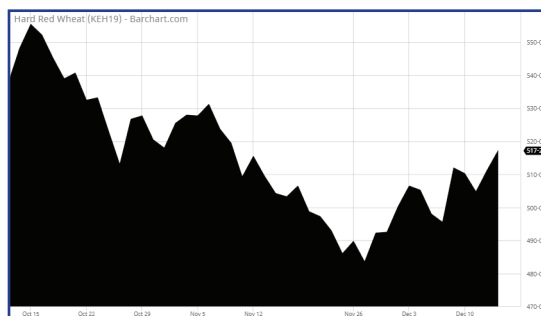
Wheat

- Wheat futures were the star of the day on Wednesday, and surprisingly it was downtrodden Kansas City futures leading the way higher, up sharply again today.
- Export sales are in focus. Exports last week were 754,000 mt, or 27.7 mb, the second highest level for the current marketing year, and are now down 14% year on year.
- Wheat prices are solidly higher Thursday morning and HRW prices are breaking out to the highest prices since mid-October.
- The HRW wheat basis, which has been very strong, did fall 5-10 yesterday cents with futures strength.
- **Traders will be watching the Russian Ag Minister's December 21 meeting with exporters to see if any export restrictions are indeed announced.** USDA increased Russian wheat exports, taking ending stocks down to the lowest level since 2013/14. Even more interesting, the **projected Russian wheat stocks/use ratio of 6.97% is the lowest since 2000/01. Defending market share appears to be the most important thought to Russian exporters at the moment.** There is also talk that, although USDA just raised Russian wheat exports by 1.5 mmt to 36.5 mmt, that Russian wheat prices have been moving higher, and there is talk that the ag minister could impose export restrictions.
- There are a few issues that bear watching: heavy rains in Argentina, where some 50-55% of the wheat harvest is yet to come, and flooding in some areas is likely to cause quantity and quality issues. Likewise in Australia, where production was lowered another 500,000 mt by the USDA to 17 mmt (private sources see that crop closer to 15 mmt), there is now heavy rain that could impact quality there also, and low protein talk is widespread.

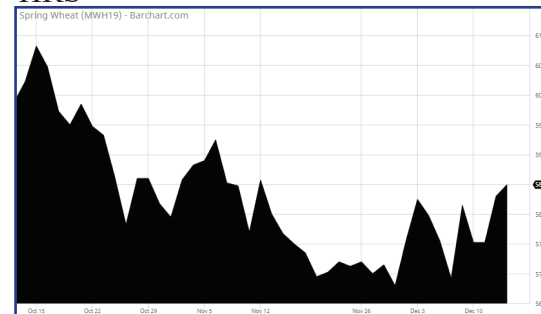
SRW



HRW



HRS



Related Market News

RJO

- Corn and soybean sales lower than expected; **wheat sales at top end of expectations - 2nd highest of marketing year**; SBM/SBO sales marketing year lows.
- Wire service stories yesterday confirmed China returned to the U.S. soybean market, buying supplies for what is believed to be for state reserve purposes. Early reported ideas of yesterday's purchases range from 1.5-2.6 MMT, with the majority expected to be pulled from the PNW, with lesser quantities from the Gulf.
- Corn/soy basis at US Gulf and soy basis at PNW showing more buoyancy so far than based on rumored PRC purchases of US soy (30 cargoes or 1.5 mmt). PNW bean basis up 18 cents/bu yesterday. Bloomberg reports that "more orders may come today." Also talk that China may be coming for US corn soon.
- **Long awaited bull market in wheat may finally be developing with:**
 - Closing lag in US wheat export sales vs. LY (another good sales week reported today)
 - Russian wheat offers up sharply over last week
 - Expectations for 6-7 mmt cut in Russian Jan-June wheat exports vs. LY
 - Expectations for 4-5 mmt cut in Australian wheat exports
 - Items 2 thru 4 should be supportive to accelerating US wheat export sales in coming weeks.

REUTERS

- **Strategie Grains sees 2019 EU wheat crop rebound to four-year high, sees 2019 soft wheat crop rising 16 pct.**
- Don't be fooled by China's soybean buy; crude, LNG, coal are the big fish: This is especially the case given there is yet no sign of new imports of crude oil, liquefied natural gas (LNG) and coal, the energy commodities that will provide a far better signal of any detente in the trade spat. China ended a six-month boycott of buying U.S. soybeans on Wednesday, with state-owned companies purchasing at least 500,000 tonnes of the oilseed, traders said. It's also likely that China finds it convenient to go back to the U.S. market at the present time, given the U.S. crop is ready for export, while that from southern hemisphere rival Brazil isn't.
- Raw sugar futures on ICE fell on Thursday, weighed down by weaker oil prices and speculative selling in thin trade, while robusta coffee prices fell to a new 2-1/2 month low.
- Russia's agriculture ministry will hold a meeting with grain exporters on Dec. 21, Interfax news agency reported on Thursday, citing market sources. Grain companies and the ministry are expected to discuss grain exports and the market outlook, Interfax said
- The number of Americans filing applications for jobless benefits tumbled to near 49-year lows last week, which could ease concerns about a slowdown in the labor market and economy.

Weather Update

DTN Ag Weather Brief:

12/13/18

MIDWEST (CORN, SOYBEANS): Quality issues and some crop losses to soybeans are expected in the Midwest region due to prior cool, wet weather. Rain during the next 1-3 days for the southern and east-central Midwest further delays the final harvest effort in these areas and in the Delta. More favorable weather for any remaining corn harvest elsewhere in the Midwest and in the northern Plains.



CENTRAL/SOUTHERN PLAINS (WHEAT/LIVESTOCK): Strong, damaging, winds today from southern Kansas and southeast Oklahoma southward. This likely impacts travel and transport, especially for high profile vehicles. Rain changing to snow combining with these high winds likely means blowing snow for some in west and central Texas today into tonight. Additional travel difficulties for these locations. High winds and low relative humidity will increase the fire danger for the south Texas area and potentially any area north and west of where the precipitation occurs today.



BRAZIL (SOYBEANS/CORN): Hot temperatures during the past couple of days with only low coverage of any thundershowers. The southern growing belt will see increasing thunderstorm activity during the next 3-5 days, especially RGDS but possibly southern Parana as well. Areas from northern Parana to Mato Grosso have at least some chance for afternoon thundershowers during the next few days but with continue above normal temperatures.

ARGENTINA (CORN/SOYBEANS/SUNFLOWER/WHEAT): A secondary upper level trough will bring more thunderstorms to the region today. Locally heavy rains may mean flooding. There may be additional scattered thundershowers during the weekend but these do not look as heavy. Rain impacts seasonal fieldwork while maintaining adequate to surplus soil moisture for crops.

Feedstuffs

Links to weekly USDA feedstuffs reports:

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

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