

January 18, 2019

# Trilateral Grain and Market Weather Update

## Market Summary Highlights

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### Market Headlines

**Corn:** Mixed. Tuesday's sell-off now looks like a quick shakeout of impatient speculators

**Soybeans:** Dry weather curbs outlook for Brazil crop production

**Wheat:** Hopes for improved U.S. wheat exports fuel gains

### Morning Trading

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

### USDA & Government Reports

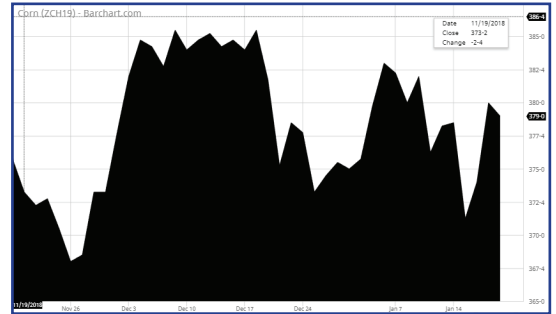
- No reports due to government shutdown

Overnight Trade			
Commodity	Month	Last	Change
Corn	Mar	3.7950	(0.50)
Soybeans	Mar	9.0975	1.75
Soybean Meal	Mar	313.40	1.00
Soybean Oil	Mar	28.9200	0.15
Chicago Wheat	Mar	5.1875	0.50
KC Wheat	Mar	5.0650	2.00
MPLS Wheat	Mar	5.7325	1.50
Sep			
Commodity	Month	Last	Change
Crude Oil	Feb	52.48	0.40
Natural Gas	Feb	3.268	(0.153)
Gold	Feb	1281.50	(10.50)
S&P Futures	Mar	2649.50	15.75
Dollar Index	Cash	96.21	0.148

## Corn

Sources: DTN and Reuters

- March corn is mixed early Friday.
- Tuesday's high volume sell-off now looks like a quick shakeout of impatient speculators as there has been no significant change in corn's fundamentals. We also can't confirm export activity without USDA's cooperation, but export sales have likely been supportive for corn prices the past 28 days, while concerns of hot and mostly dry weather in south-central Brazil may become a factor for Brazil's second corn crop. As safrinha corn planting has begun, the net drying of soils and the return to hot and dry weather is sure to impact corn futures more.
- For now, the trend in cash corn prices remains up.
- It was this week's buying binge by South Korea (thought to have purchased at least 400,000 metric tons) that got things rolling. There continues to be talk of multiple feed grain importers being active -- Egypt, Japan, Malaysia, Turkey, Iran and Latin American nations.
- Corn basis at the Gulf hinted at some business being done. Also supporting corn prices on Thursday, Dow Jones reported China is willing to import U.S. poultry.
- Funds on Thursday were credited with buying some 20,000 to 22,000 contracts of corn futures, and their net position, with options included is pegged at net long 70,000 contracts

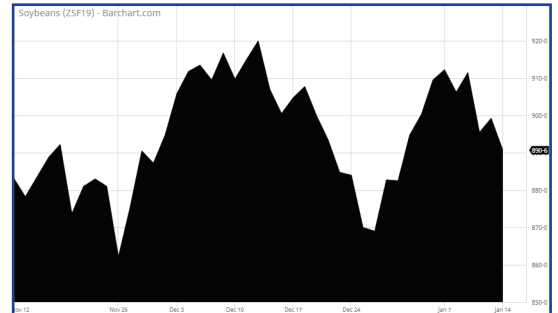


## Soy Complex

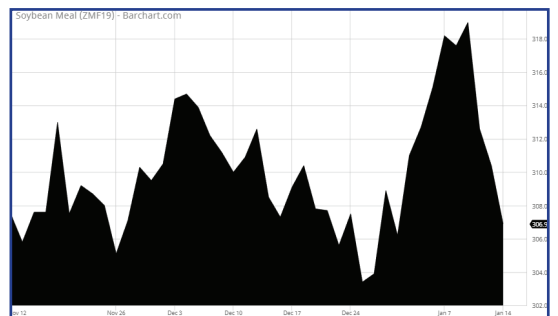
Sources: DTN and Reuters

- March soybeans are up early Friday, adding to Thursday's 13 1/4 cent gain, which turned out to be related to a rumor.
- Several news sources reported the White House may be considering a plan to drop the tariffs against China in an effort to advance trade talks. If true, there is a chance China would then drop its 25% tariff on U.S. soybeans, but this scenario still has a lot of ifs and maybes so we will have to monitor. If nothing else, the rumor unexpectedly put bearish speculators in soybeans on their heels and is keeping March soybean prices above their 100-day average.
- Soybean prices are also being helped by persistent forecasts of hot and mostly dry weather in south-central Brazil. So far, cash soybeans are holding sideways, below their July high.
- There has been absolutely no indication in cash markets at either port that soybeans are seeing a lot of new buying interest. With the U.S. government shutdown extending into its 5th week now, the trade has no idea of additional Chinese demand over and above the 5 mmt purchase that most assume. Cash markets of late would not hint at additional business, with both ports searching for bids.
- Soybeans likely were fueled by a change in the weather pattern on Thursday, which suggested that after the weekend respite from the hot and dry pattern affecting parts of central and southern Brazil, the unwanted pattern would quickly return, increasing stress on pod-filling soybeans and leading to more crop losses.
- Funds bought an estimated 12,000 contracts of soybeans on Thursday, leaving them still net short an estimated 57,000 contracts including options

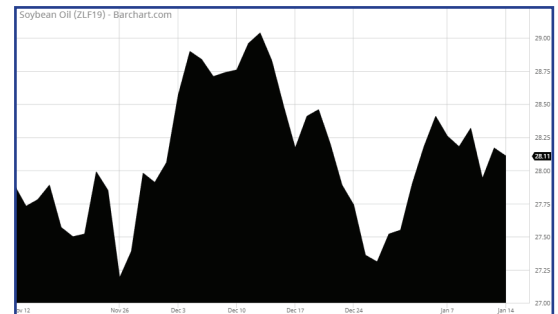
### Soybeans



### Meal



### Oil

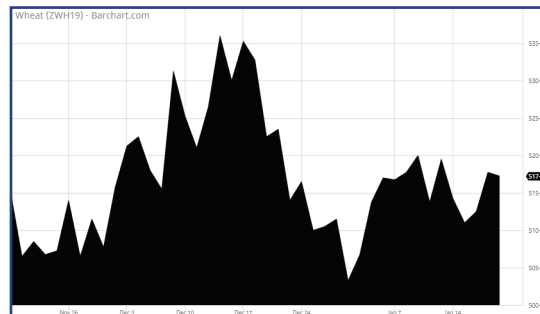


## Wheat

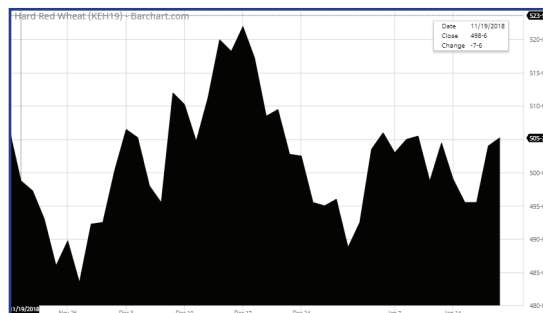
Sources: DTN and Reuters

- March K.C. wheat is up early, along with gains in the Chicago and Minneapolis contracts.
- Not only are outside markets friendly for grain prices early Friday, but wheat may also be benefiting from unconfirmed talk of U.S. sales to Egypt.
- Unfortunately, without the protection of export sales reports from USDA, there is no good way to confirm the rumors, but we can look and see that March K.C. futures have been holding sideways since their November low, showing decent support in spite of the market's bearish mood and lack of bullish argument.
- Similarly, cash HRW wheat prices are holding firm and are close to resuming their uptrend -- a possible sign of better than expected demand late in 2018-19.
- This is a rumor that in cash markets that a major exporter bought up HRW trains to the Texas Gulf in the past few days. The rumor began as two cargoes of HRW, and evolved into possibly 5-7 cargoes. For sure, U.S. wheat, on the recent break, and in conjunction with the Black Sea rally in prices has become much more attractive to world buyers.
- With Nigeria, Morocco, Tunisia and Ethiopia all in the market seeking wheat, U.S. became much more feasible.
- News that the Russian ag minister will regulate Russian domestic grain prices to bring stability bolsters the U.S. standing to importers. U.S. wheat is said to be the cheapest FOB offer to multiple destinations.

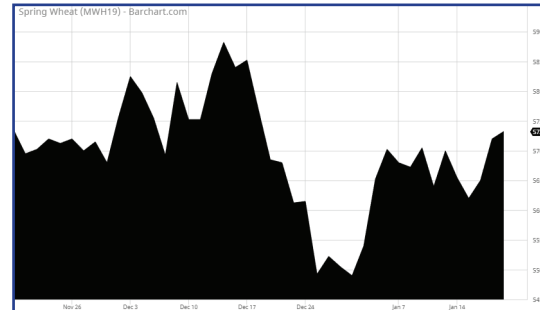
### SRW



### HRW



### HRS



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## Related Market News

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### RJO

- Soybeans rally on Chinese tariff innuendo
- Argentine soybean area estimate modestly lowered
- Russia aims to regulate domestic grain prices
- Indonesian palm oil stocks decline for 3rd consecutive month
- Grain markets closed Monday.

### REUTERS

- A winter storm this weekend followed by a plunge in temperatures, coupled with another cold push late this month, could threaten livestock in the U.S. Plains and possibly winter wheat in parts of the Midwest, meteorologists said. portions of the northern Midwest may miss the snow. Some 15 to 20 percent of the region's soft red wheat crop may be at risk of winterkill early next week, the Commodity Weather Group said. Temperatures on Sunday were expected to dip to 1 degree Fahrenheit (minus 17 degrees Celsius) in Des Moines, Iowa, around 8 F in Chicago and minus 4 F in Lansing, Michigan. Winter wheat is most resistant to cold in January and generally should be able to withstand sub-zero temperatures for a few hours.
- Malaysian palm oil futures jumped to a near three-month high on Friday, charting a second day of gains, buoyed by strong crude oil prices and technical buying.
- Raw sugar futures on ICE were slightly higher on Friday, boosted by gains in energy markets while cocoa prices edged up following record quarterly grindings data from Asia.
- Russia's Agriculture Ministry plans to regulate domestic grain prices as it seeks to maintain stability on the local market, Interfax news agency reported on Friday citing the minister, Dmitry Patrushev.
- The dollar held firm against its rivals on Friday and is poised for its first weekly gain in five weeks as investors trimmed some of their excessive short bets against it after some weak eurozone data this week.
- U.S. manufacturing output increased by the most in 10 months in December, boosted by a surge in the production of motor vehicles and a range of other goods, which could allay fears of a sharp slowdown in factory activity.



## Weather Update

MAJOR WORLD HIGHLIGHTS/IMPACT:

BRAZIL UPPER LEVEL PATTERN: **Some weakening of the ridge this weekend will allow for limited rainfall. Ridging rebuilds next week.**

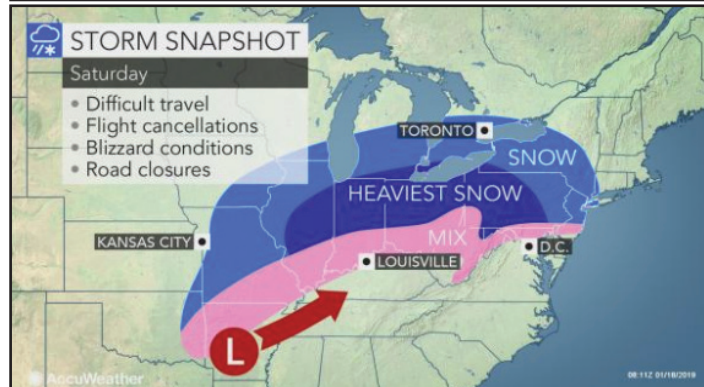
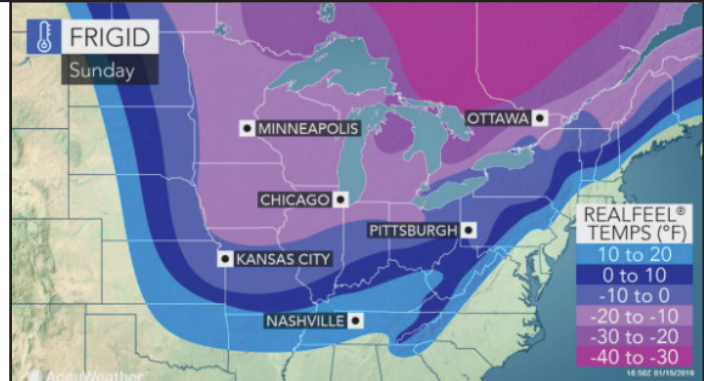
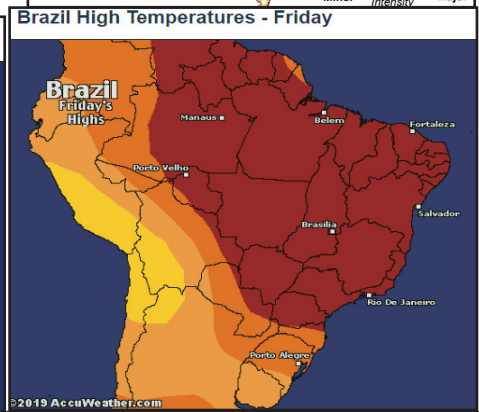
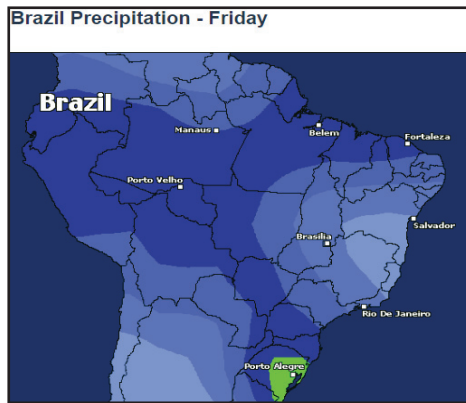
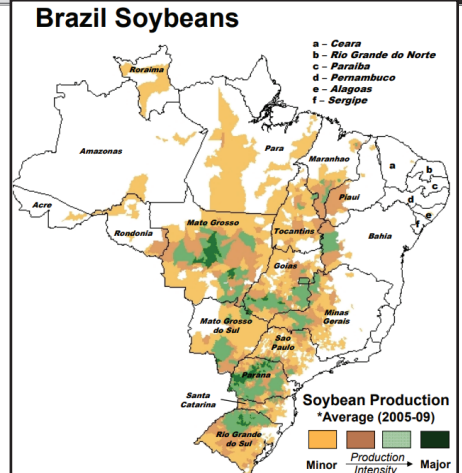
BRAZIL (SOYBEANS/CORN/SUGARCANE): **Above normal temperatures and limited rainfall across Parana and the Mato Grosso Brazil** at this time due to upper level ridging. This will increase stress on pod filling soybeans. Additional crop losses are expected. There are indications again today that this ridging will only see limited weakening over the weekend with the result being limited rainfall in Parana and central Brazil. The ridge is expected to rebuild next week. Above normal temperatures and below normal rainfall is expected to continue across north-east Brazil (Bahia) leading to crop losses. Adequate rainfall and moderate temperatures in Rio Grande do Sul is expected to maintain favorable conditions for developing soybeans.

**Dry weather in central Brazil is beginning to have an impact on safrina corn planting which follows the soybean harvest.**

ARGENTINA (CORN/SOYBEANS/SUNFLOWER/WHEAT): Drier weather through early next week will benefit developing corn and soybeans. Wet weather returns during the latter half of next week.

MIDWEST (SOFT RED WINTER WHEAT, TRANSPORT): A major winter storm will impact the region during the next 48 hours leading to some transportation disruptions and delays.

CENTRAL/SOUTHERN PLAINS (WHEAT/LIVESTOCK): Generally favorable conditions for overwintering wheat in the southern plains with adequate soil moisture. There is no damaging cold weather indicated.



## **Feedstuffs**

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**Links to weekly USDA feedstuffs reports:**

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

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