

February 20, 2019

Trilateral Grain and Market Weather Update

Market Summary Highlights

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Market Headlines

Corn: Slightly higher, steady after dropping to its lowest since November

Soybeans: Weaker Wednesday morning following Tuesdays technical failure below trendline support

Wheat: Steady after plunge to near 4-month low

Morning Trading

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

USDA & Government Reports

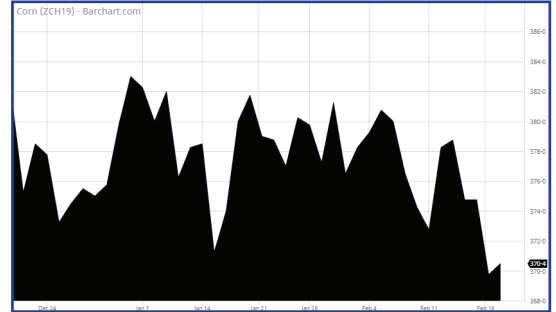
- FOMC Minutes

Overnight Trade			
Commodity	Month	Last	Change
Corn	Mar	3.7075	0.75
Soybeans	Mar	8.9575	(4.75)
Soybean Meal	Mar	303.60	(1.70)
Soybean Oil	Mar	29.7100	(0.02)
Chicago Wheat	Mar	4.8175	(8.00)
KC Wheat	Mar	4.5475	(5.75)
MPLS Wheat	Mar	5.5250	(3.25)
Sep			
Commodity	Month	Last	Change
Crude Oil	May	56.62	(0.31)
Natural Gas	Feb	2.671	0.009
Gold	Feb	1341.60	1.60
S&P Futures	Mar	2780.75	1.25
Dollar Index	Cash	96.58	0.061

Corn

Sources: DTN and Reuters

- Corn is getting a modest bounce in the overnight following Tuesday's 5-cent lower finish. March corn had broken through the minor uptrend line drawn from mid-September lows, and remains below that old support now.
- Much of corn's fall was likely in sympathy with a plunging wheat market, a limit down hog market, and the spread of African swine fever (ASF) again..
- After making 8-month highs two weeks ago, the SX9/CZ9 new crop ratio broke to 2.37 Tuesday, a one-month low. As most universities and bankers will show, corn economics far outweigh both soybeans and wheat at the moment, so it shouldn't be too difficult of a decision for remaining swing acres.
- Data released Tuesday included export inspections which remain poor at 37.1 million bushels (mb) vs. the 45.9 mb needed weekly to hit the USDA forecast. Inspections remain 44.9% ahead of year ago levels but that gap has shrunk from 51.0% two weeks ago.
- **Only one week out of the last twelve have hit the level needed to achieve the USDA forecast. Combined with solid crop prospects out of South America and a cutthroat FOB market, U.S corn exports should not be taken for granted this summer.**
- Ethanol prices suffered a decent selloff Tuesday, but still managed to gain ground on corn prices. The ethanol/corn spread is at the strongest level since mid-October.
- Weather in South America is also bearish, with improving moisture in Brazil's safrinha corn area, with forecasts for that to continue well into March, and a favorable outlook for Argentina as well, where a record corn crop is likely.

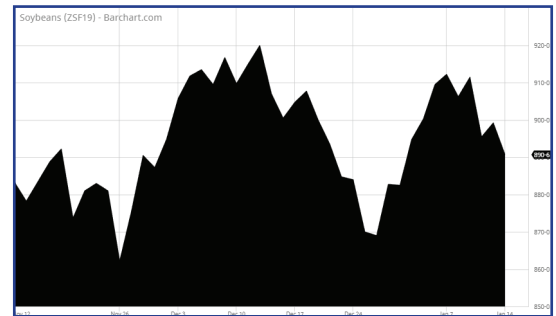


Soy Complex

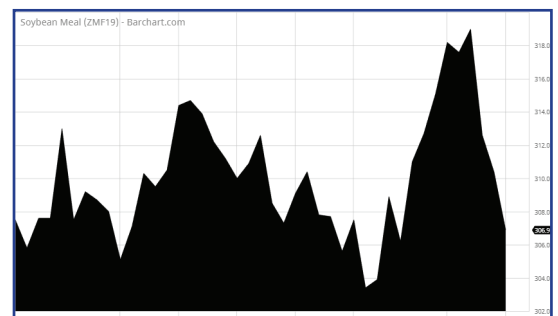
Sources: DTN and Reuters

- Soybeans are weaker Wednesday morning after opening 3-4 cents higher in the overnight session.
- The technical failure Tuesday below trendline support was all anyone wanted to talk about until more is known about the outcome of the trade talks.
- Soybean inspections were decent at 37.9 mb vs. the 33.2 mb needed weekly to hit the USDA forecast. This is the sixth straight week of achieving that level, bolstering ideas the U.S. can indeed achieve the 1.875 billion bushel (bb) export forecast. **Inspections of 869.5 mb are still down 36.1% from a year ago while USDA is calling for just a 13.7% decline from a year ago.**
- **Adding to bearish sentiment Tuesday was news African Swine Fever (ASF) had spread to Vietnam in live pigs, leading to the culling of the infected pigs and limitations on movement of live animals.** The combination of much improved South American weather, and the dramatic spread of demand-killing African swine fever, sent soybeans reeling, and soybean meal to a new contract low.
- Short of China buying half the U.S. carryout, difficult to see a lot of bullish ag items coming out of the talks just yet.
- Most in the trade are figuring Brazilian soy production may have stabilized in the 115-116 million metric ton (mmt) range, with Rabobank the latest to estimate 115 mmt. The range appears to be a low of 112.2 mmt (INTL FC Stone) to 117 mmt (USDA).
- **U.S. soybeans are higher than both Argentine and Brazilian beans landed in China,** and after having bought an estimated 25-35 cargoes from Brazil last week, there is talk that Sinograin and Cofco are shopping Argentine beans for May forward.

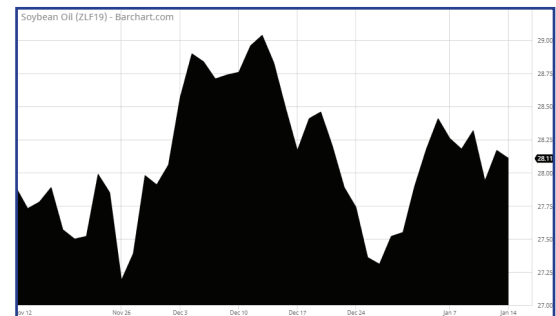
Soybeans



Meal



Oil

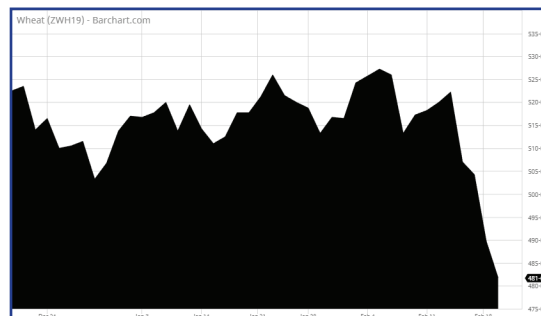


Wheat

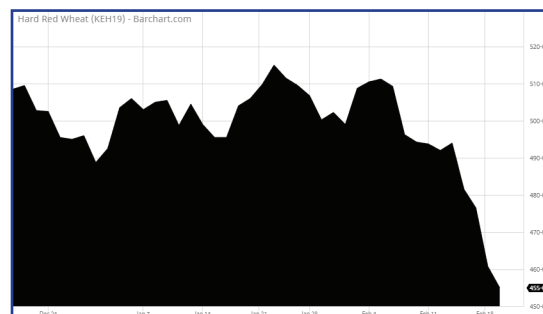
Sources: DTN and Reuters

- Wheat continues to plunge, and now Kansas City March wheat has fallen 58 cents per bushel from the high made as recently as February 6. Funds also sold wheat and are thought to be net short an amount close to that of corn.
- The selloff of the last 3-4 sessions feels like the market waking up to the fact the USDA export forecast has become almost unachievable. If exports are cut 25-75 mb, those bushels will go straight to ending stocks. Carryout would find itself in-line with the previous two marketing years which saw Chicago wheat prices in the lower four-dollar area for long stretches of time.
- A sign of this concern is export inspections which came in at 13.1 mb vs. the 25.4 mb needed weekly to hit the USDA forecast. **There has been just one week all season where wheat export inspections hit the needed level. Total inspections of 578.6 mb are actually down 10.4% from a year ago while USDA is calling for a 10% increase.**
- The inverses to new crop sported by Paris and Black Sea futures are also omnipresent. New crop Black Sea wheat futures settled Tuesday at \$197.75-199.00/metric ton (mt), breaking the psychologically important \$200/mt level.
- The wheat market is as oversold as any market in quite a while, but so far there is no buy signal being flashed.
- U.S. wheat is still very competitive in the world, but news that Bangladesh bought Russian wheat and Syria bought Black Sea wheat, while Ethiopia likely took all non-U.S. wheat on its 400,000 mt purchase, has pressured wheat.

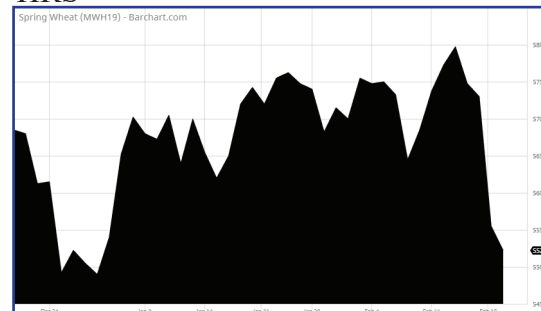
SRW



HRW



HRS



Related Market News

REUTERS

- China's agriculture ministry said on Wednesday it has confirmed the country's ongoing African swine fever outbreak continues to spread across the nation, hitting the major livestock production province of Shandong in the east for the first time.
- Within the span of six weeks, commodity funds dumped bullish bets in Chicago-traded corn futures and options without the market's knowledge. Market participants were under the impression that speculators closed out January relatively optimistic toward the grains. However, data from the U.S. Commodity Futures Trading Commission (CFTC) confirmed otherwise on Tuesday.
- Ivory Coast on track for record 2018/19 cocoa crop: Ivory Coast is still on track for a record crop of 2.2 million tonnes for the 2018/19 season versus 2 million tonnes the previous season, mostly due to new plantations.
- Raw sugar futures turned lower on Wednesday, slipping from a one-month high, tracking a similar retreat in crude oil prices.
- Indian sugar mills produced 21.9 million tonnes of the sweetener between Oct. 1 and Feb. 15, nearly 8 percent more than a year earlier, as a few mills started crushing earlier than usual, a producers' body said on Wednesday.
- Asian wheat millers are snapping up cargoes of the grain from Argentina to arrive in the first-half of the year, typically peak-export season for traditional supplier Australia where a second year of drought is hitting production.
- The U.S. dollar paused on Wednesday as traders positioned ahead of the release of monetary policy minutes, while China's yuan rose after the United States pressed Beijing to prevent a sharp weakening of its currency as part of any trade deal.
- U.S. stocks opened little changed on Wednesday, after a handful of downbeat earnings reports, while investors weighed the latest developments in trade talks between the United States and China.
- U.S. mortgage applications increased for the first time in five weeks as most home borrowing costs hovered near their lowest in 10 months, the Mortgage Bankers Association said on Wednesday.

Weather Update

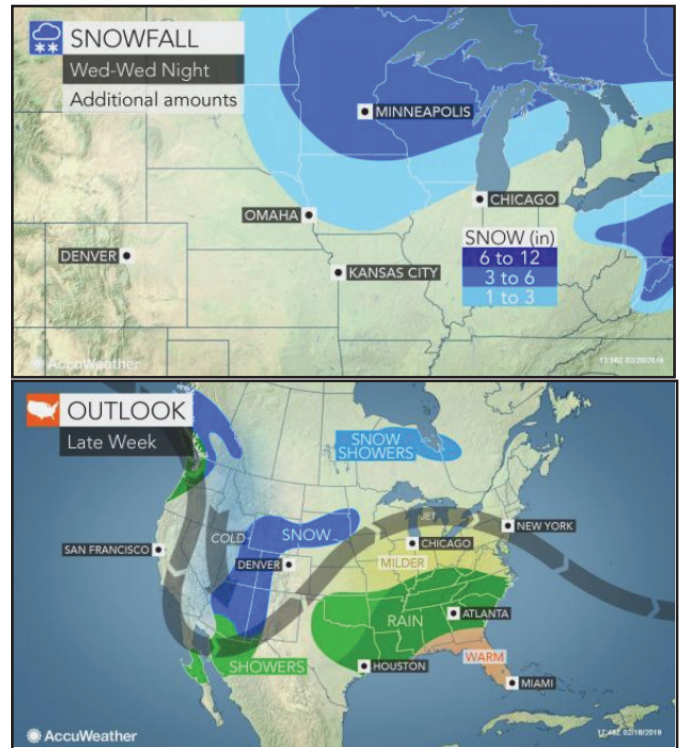
DTN MAJOR WORLD HIGHLIGHTS/IMPACT:

BRAZIL (SOYBEANS/CORN/SUGARCANE/COFFEE): The return of the rainy season to central Brazil is very favorable for developing second crop corn but will cause some disruptions to the soybean harvest. Mostly favorable conditions for later filling, maturing and harvesting soybeans in southern Brazil.

ARGENTINA (CORN/SOYBEANS/SUNFLOWER/WHEAT): Mostly favorable conditions for developing corn and soybeans in central Argentina at this time.

MIDWEST (SOFT RED WINTER WHEAT, TRAVEL and TRANSPORT): Moderate to heavy snow in west and north-central areas overnight and today will stress livestock and disrupt transportation and travel. A second storm this weekend may cause further problems. Significant spring snowmelt and precipitation is expected to lead to delays in fieldwork.

CENTRAL/SOUTHERN PLAINS (WHEAT/LIVESTOCK): Some beneficial precipitation for the overwintering wheat crop yesterday and again this weekend. No damaging cold. Precipitation in the feedlots will stress cattle. Some potential for the Saturday storm to cause heavy snow in the southwest but this is a little uncertain at this time. The heavy precipitation might be a little east of the southwestern belt.



Feedstuffs

Links to weekly USDA feedstuffs reports:

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

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