

April 15, 2019

# Trilateral Grain and Market Weather Update

## Market Summary Highlights

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### Market Headlines

**Corn:** Firm as market wrestles with weather risks to U.S. planting

**Soybeans:** Also firm as market monitors U.S.-China talks

**Wheat:** Eased on hefty global inventories and a setback in a tender on Friday by top importer Egypt

### Morning Trading

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

### USDA, Government & Industry Reports

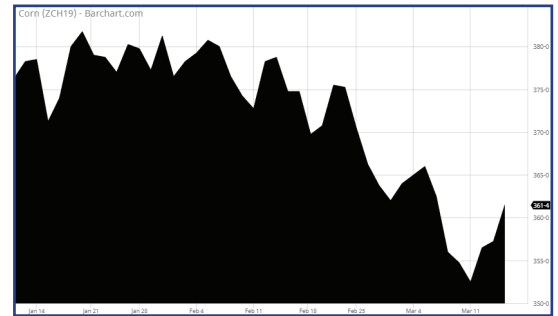
- Livestock, Dairy, and Poultry Outlook
- Sugar Outlook
- Crop Progress

Overnight Trade			
Commodity	Month	Last	Change
Corn	May	3.6300	2.25
Soybeans	May	8.9950	4.00
Soybean Meal	May	310.10	2.10
Soybean Oil	May	28.8900	(0.05)
Chicago Wheat	May	4.6150	(3.00)
KC Wheat	May	4.3100	(3.50)
MPLS Wheat	May	5.3525	3.50
Sep			
Commodity	Month	Last	Change
Crude Oil	May	63.48	(0.43)
Natural Gas	May	2.648	(0.056)
Gold	Apr	1284.40	(8.30)
S&P Futures	June	2912.50	0.25
Dollar Index	Cash	96.82	(0.148)

## Corn

Sources: DTN and Reuters

- Corn futures are higher Monday morning, but remains well below the major moving averages. The market is supported by the new record short position held by managed funds.
- Friday's Commitments of Traders report showed funds selling an additional 24,525 contracts last week to bump their net-short to 294,352 contracts. This marks 86,804 contracts added over the last two weeks, providing a potentially explosive situation should price move above the \$3.65 level basis May futures.
- While the market structure is supportive, the fundamental side of the equation is less than stellar. Ethanol run-rates continue to underwhelm, corn export sales need to average the largest weekly commitments in over a decade to meet the USDA forecast and feed/residual demand has underperformed the first two quarters of the year.
- Late planting concerns remain front-burner across the Midwest, but Monday's crop progress report is likely to show national corn planting progress near the 5% average. Of most concern are the acres under snow in the Dakotas and Minnesota which represent some of the largest projected increases from 2018/19.
- Extended maps from the Climate Prediction Center on Sunday afternoon are turning above normal on temperatures which would be welcome for all producers. Rains in the northern Plains over snow-covered fields is increasing the concern for additional flooding, and heavy rains will impact the Delta and southeast again.
- According to the Chinese Ministry of Agricultural and Rural Affairs, China's pig herd is down 18.8% in March versus a year ago, and the sow herd is off 21% versus last March as African swine fever continues to decimate the population. That continues to suggest that China might import more U.S. pork.

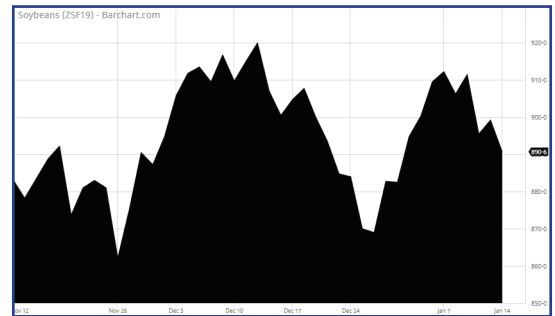


## Soy Complex

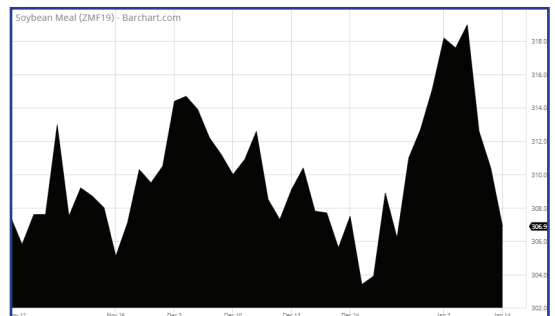
Sources: DTN and Reuters

- Soybeans are bouncing a bit in the overnight, but remain stuck on that \$9.00 number on May, where it has traded around for ten straight days. Soybean futures are higher despite increasing production ideas out of South America and no movement on the trade front with China.
- U.S. soybean demand continues to suffer as a result of the trade issue and African swine fever. A record large shipping pace will be needed in the next several months to achieve USDA's soybean export projection, and South America is priced well below U.S. soybeans. Not only does the shipment pace need to be a record, it needs to be 26% larger than the previous record shipment pace from a year ago. Unlike last year, the U.S. does not have the captive market from reduced crops in South America or a lack of a trade conflict with China.
- Rains falling on heavy snowpack in the Northern Plains is leading to concern of more flooding and spring planting delays, which is likely to add more unwanted soy acres to the mix.
- The Buenos Aires Grain Exchange raised their estimate of the Argentine soybean crop to 55 million metric tons (mmt) from 53 mmt previously. This would be in-line with the USDA's most recent estimate as well as the USDA Attaché to Argentina.
- In the last reporting week, large spec traders bought 6,767 contracts of soybeans to pare their net-short to 84,961 contracts.
- The NOPA report is expected Monday, and the average trade estimate is 168 million bushels (mb) compared to 171.8 mb last year.

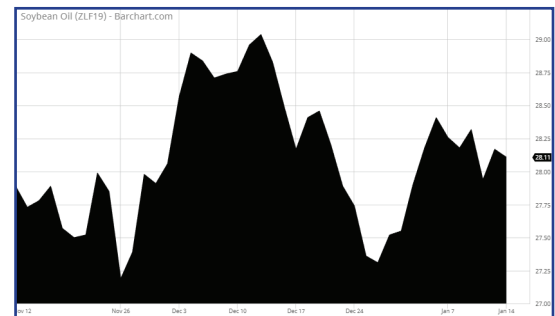
Soybeans



Meal



Oil

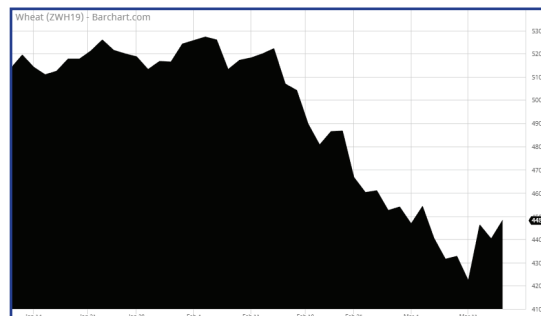


## Wheat

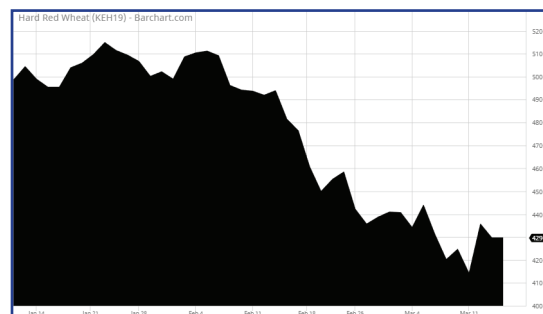
Sources: DTN and Reuters

- Wheat markets are mixed Monday morning with Chicago and Kansas City lower while Minneapolis continues to add to last week's gains.
- It is up for debate whether the bounce in Minneapolis is strictly related to last week's blizzard, or whether the market structure has simply lent itself to a dead-cat-bounce. Managed funds sold 7,279 contracts of Minneapolis wheat last week, which was the single largest week of selling on record going back to 2006. The current net-short position held by funds at 9,457 contracts is the largest since September. Funds remain short both Chicago and Kansas City.
- 57% of the upper Midwest is covered by snow at an average depth of 3.9" while nearly 100% of South Dakota and Minnesota are covered by at least some measure of snow. This will result in planting delays, but it is impossible to know what kind of actual acreage changes could result.
- Based on our reading of the spring wheat balance sheet, up to a million acres could be lost to other crops before carryout would drop below 2018/19 levels.
- Spring wheat planting will continue to be a concern, with expected rains falling on heavy snowpack in some areas of the Northern Plains likely to lead to a shift from spring wheat to soybeans. More flooding issues are expected.
- The very wet forecast and saturated fields in soft red winter (SRW) growing regions in the Midwest and Delta, are adding to what is being called the worst SRW conditions in years.
- Despite being the lowest FOB offer on Friday for Egypt's GASC wheat tender for May-June, U.S. wheat lost out by close to \$8 per metric ton (mt) on a freight disadvantage.

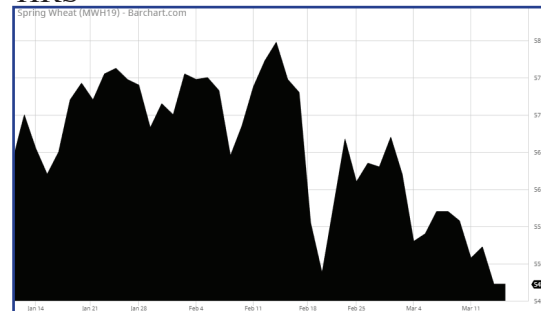
### SRW



### HRW



### HRS



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## Related Market News

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### RJO

- SovEcon raised their estimate of Russian's 2019/20 wheat crop to 83.4 mmt. It would be a notable increase from last year's poor crop of 71.7 mmt, while still slightly below 2017/18's record 85.2 mmt.

### Reuters

- China's pig herd fell 18.8 percent in March from the previous year, as African swine fever ravaged its vast herd, the Ministry of Agriculture and Rural Affairs said • **China's sow herd dropped 21 percent in March from the same period a year earlier**, according to the data collected by the ministry from 400 counties across the nation • The pig herd was down 1.2 percent and the sow herd fell 2.3 percent last month from February, the data showed.
- **China's soybean imports in March jumped 10 percent from the previous month**, as shipments from both the United States and Brazil reached the world's top oilseed buyer, customs data showed on Friday. China imported 4.92 million tonnes in March, up from 4.46 million tonnes in February, according to data from the General Administration of Customs. **The imports were still down 13 percent from the same month a year earlier.**
- Speculators established **yet another record bearish position in Chicago-traded corn last week**, but any short-covering rally in futures that might result is likely to be lackluster. U.S. corn inventory has swelled to much larger levels than market participants were originally expecting, and the harvests in Brazil and Argentina may be bigger than previous predictions.
- Malaysian palm oil futures fell to their lowest levels in two weeks, dropping for a third session in four as stockpiles remained high and exports came in weaker than forecast. "Stocks still look high," said a Kuala Lumpur-based trader, adding that inventory levels could still rise in April if exports slow.
- Rising overseas competition for soymeal exports led to a slowdown in the pace of U.S. soybean crushing during March compared to a year earlier, according to analysts polled ahead of a monthly National Oilseed Processors Association report.
- U.S. negotiators have tempered demands that China curb industrial subsidies as a condition for a trade deal after strong resistance from Beijing, according to two sources briefed on discussions, marking a retreat on a core U.S. objective for the trade talks.

## Weather Update

### Commodity Weather Group headlines:

- Warmer But Wetter Trends Still Slow N. Midwest Fieldwork
- Weekend Rains in W. Australia Only Bring Partial Relief

More CWG bullet-points: “Locally heavy rain favored for S. Plains/Delta; rain S. & E. Midwest, 2-8” snow west-central IL to Great Lakes.... Additional rains Thu. slow Delta/E. Midwest fieldwork again, but break until 11-15 day for most areas limits wetness.... Snow melts this week in N. Midwest, but rains at mid-week and at times in 6-15 day keep drying slow.... Warmer temperatures compared to Fri. encourage fieldwork in between showers elsewhere in Midwest corn.... Mid-week rains slow N. Plains early fieldwork until 6-15 day; limited interruptions but rain needed in Canada wheat.... Showers next 2 weeks active enough for Plains winter wheat to keep dryness concerns patchy as crop needs build.”

### Weather.com

- Yet another multi-day severe weather threat looms this week.
- It begins in the Plains and parts of the Midwest Wednesday.
- Severe thunderstorms will then spread to the Ohio Valley and Deep South Thursday.
- By Friday, the severe threat should reach the East.
- Damaging winds, tornadoes, and flooding rain are all threats.
- This could include areas hit by severe weather this past weekend.



## Feedstuffs

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Links to weekly USDA feedstuffs reports:

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

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