

June 17, 2019

# Trilateral Grain and Market Weather Update

## Market Summary Highlights

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### Market Headlines

**Corn:** Hits 5-year high on fear of rain damage to U.S. crop

**Soybeans:** There should be around 15 million to 18 million acres left in today's report

**Wheat:** Harvest remains delayed in the Southern Plains

### Morning Trading

- Corn futures Higher
- Soybeans Higher
- CBOT Wheat Higher
- Dow Jones: Higher
- U.S. Dollar Index: Lower
- Gold: Lower
- Crude Oil: Lower
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### USDA, Government & Industry Reports

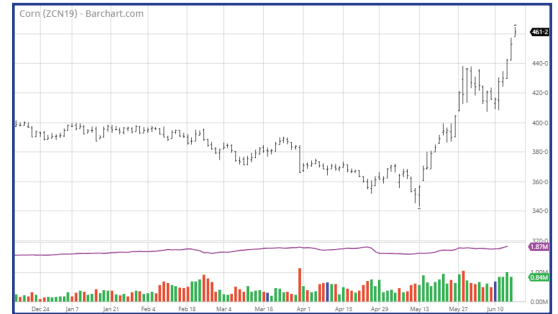
- Livestock, Dairy, and Poultry Outlook
- Sugar Outlook
- Crop Progress
- Housing Market Index

Overnight Trade			
Commodity	Month	Last	Change
Corn	July	4.6125	8.25
Soybeans	July	9.1050	13.75
Soybean Meal	July	325.00	1.60
Soybean Oil	July	28.1200	0.52
Chicago Wheat	July	5.4550	7.25
KC Wheat	July	4.8550	9.75
MPLS Wheat	July	5.6775	4.50
Sep			
Commodity	Month	Last	Change
Crude Oil	July	52.06	(0.43)
Natural Gas	July	2.377	(0.006)
Gold	August	1345.80	1.60
S&P Futures	June	2892.25	2.00
Dollar Index	Cash	97.39	(0.181)

## Corn

Sources: DTN and Reuters

- July corn is up early Monday as prospects for planting the final 10% or so of the corn crop are not looking good.
- July corn is now at the highest level for a spot contract since June 2014 with the next meaningful resistance from prior price action up around the 2014 highs of \$5.22. Corn prices are likely to face stiff resistance between \$4.75 and \$5.00 but it should be noted momentum indicators from a weekly perspective are showing no hints of slowing or diverging from price.
- The Eastern Corn Belt saw more heavy rain over the weekend. According to Monday's seven-day forecast, more heavy amounts are in store for most of the Corn Belt, especially the eastern half where the rains will just not let up.
- Given the late date, it appears the final opportunities for late corn planting are being shut out and it will be interesting to see how much progress was made last week in Monday afternoon's report from USDA.
- Fundamentally, it is fair to say U.S. ending corn stocks are going to be lower in 2019-20. Just how much lower is the big question for this summer's corn prices.
- Technically, the trend of cash corn prices remains up as prices trade at their highest levels in five years.
- Funds pushed their net long to 66,933 contracts. They have much more room to add to get anywhere close to the net-long positions witnessed between 2010 and 2016 when 200,000 net-long positions were common.

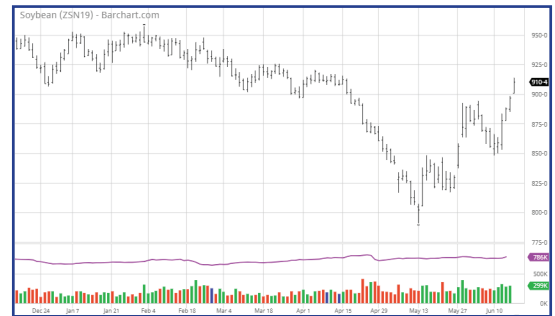


## Soy Complex

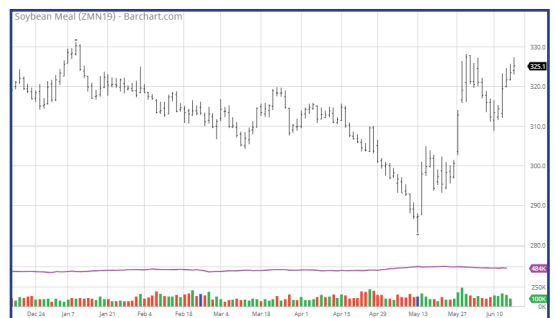
Sources: DTN and Reuters

- July soybeans are up cents early Monday, trading at its highest prices in two months.
- As described for corn above, planting remains extremely difficult in the eastern Midwest with more heavy rain amounts in this week's forecast.
- Soybeans have the added benefit of **still having a sizable fund short position underneath the market** with that group growing more uncomfortable by the day. As of June 11, funds held a net-short position of 115,169 contracts, up 7,029 on the week.
- In recent history, **the record amount of prevented soybean plantings was 2.2 million acres in 2015 and more than that seems likely in 2019. The other risk to this year's crop is that yields will be down** and we won't have much evidence to support those guesses until the September WASDE report.
- Even with all the crop concerns for 2019, it is still difficult to make a bullish case for soybean prices when starting the new season with over 1 billion bushels of carry and there is no sign being even close to a trade agreement with China.
- Technically, the trend in cash soybean prices is up, but prices are still below the 2019 high at \$8.35.
- The Crop Progress report on Monday afternoon is expected to show 78% to 82% of soybean planting complete vs. 60% last week and 93% average. **This would leave 15 million to 18 million acres left to be planted based on the March Prospective Plantings report**

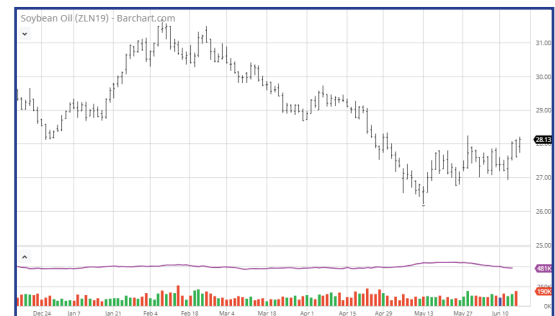
### Soybeans



### Meal



### Oil

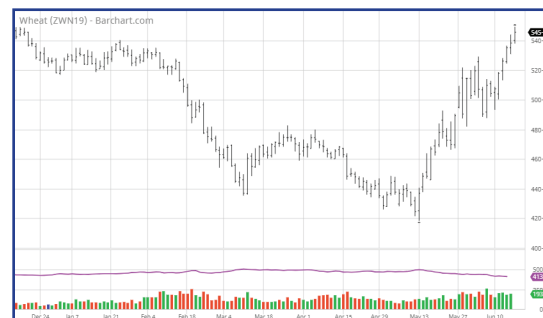


# Wheat

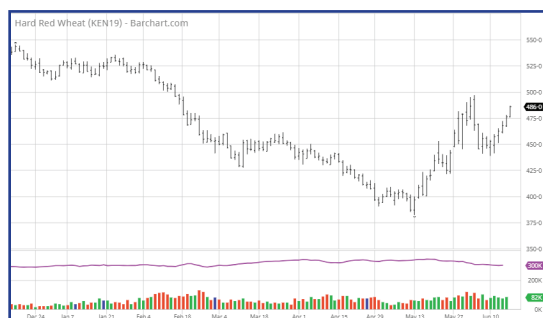
Sources: DTN and Reuters

- July KC wheat is trading up early, getting assistance from the rally in corn and showing concern about getting more rain over the weekend on a wheat crop that is getting close to harvest.
- More heavy rain fell in Oklahoma, southeastern Kansas and southern Missouri over the weekend in addition to the SRW wheat areas of the eastern Midwest. The unwelcome amounts make harvest difficult and add to concerns that wheat quality will be down when it does get harvested.
- Dry areas of the Canadian Prairies and Northern Plains also remain on tap for needed moisture in the coming seven days with production estimates still very much up in the air. The forecast for the western Canadian Prairies has a better chance for helpful rains this week
- The USDA expects Canada to harvest 34.5 million metric tons (mmt) in the coming season, which would be the second largest production total on record. Boots-on-the-ground think this estimate is lofty by 2 million mmt to 4 mmt.
- Technically, the trend is currently up for cash SRW and sideways for HRW and HRS wheats.
- Funds are still net short all three wheat markets. As a percent of open interest, their net short is largest in Minneapolis at 8.0%, but funds still hold 44,055 contracts worth of a net short in Chicago wheat.
- Harvest remains delayed in the Southern Plains with U.S. Wheat Associates reporting test cutting is just beginning in Kansas. Only a limited number of samples from Texas and Oklahoma have been tested for quality so far but averages show 59.7 pounds per bushel for test weight and 10.9% protein. Quality will remain a concern the longer harvest is delayed with eastern HRW areas on tap for additional rain in the coming week.

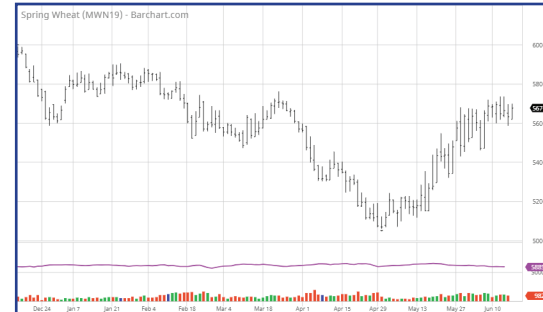
SRW



HRW



HRS



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## Related Market News

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### CME Globex Recap:

- Global equity markets are higher around the globe Monday with tensions between Iran and the U.S. dominating weekend headlines. Energy markets remains subdued, so it would appear the threat of transportation being halted through the Strait of Hormuz remains low at this time. Grain markets are sharply higher overnight as forecasts call for more wet weather in the coming week with producers still trying to finish soybean planting. Prevented planting ideas for soybeans are nowhere near those expected for corn but expectations are growing with each passing day. Aside from weekly crop progress, the next major event will be the June 28 acreage and stocks report, which could give further clues into the supply picture. Even that report will be suspect, however, given how much planting progress was still occurring in June as the survey was being conducted. The path of least resistance will remain up until the market is more comfortable with the supply picture of both corn and soybeans.

### RJO

- Another 10-day wet forecast keeps grain market rally fed
- NOPA soybean crush report trade estimate
- Funds remain active buyers in grains
- First Chinese soybean reserve auction sees decent interest
- Time is growing short for Chinese confirmation of Trump-Xi meeting
- FOMC at this week's meeting may start laying the groundwork for a rate cut

### Reuters

- **Illinois farmers give up on planting after floods, throw party instead:** Dozens of corn farmers and those who sell them seed, chemicals and equipment gathered on Thursday at the restaurant in Deer Grove, Illinois, after heavy rains caused unprecedented delays in planting this year and contributed to record floods across the central United States. The storms have left millions of acres unseeded in the \$51 billion U.S. corn market and put crops that were planted late at a greater risk for damage from severe weather during the growing season. James McCune, a farmer from Mineral, Illinois, was unable to plant 85% of his intended corn acres and wanted to commiserate with his fellow farmers by hosting the "Prevent Plant Party" at The Happy Spot. He invited them to swap stories while tucking in to fried chicken and a keg of beer in Deer Grove, a village of about 50 people located 120 miles (193 km) west of Chicago. McCune returned his unused corn seed to a local dealer for Pioneer, a part of Corteva Inc CTVN, after planting just 900 acres of corn out of the 6,000 acres he intended to put in the ground.
- **Russian wheat prices seen edging up on dry Black Sea weather:** "The market continues to watch the Black Sea weather closely where hot and dry weather continues to threaten

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## Related Market News cont.

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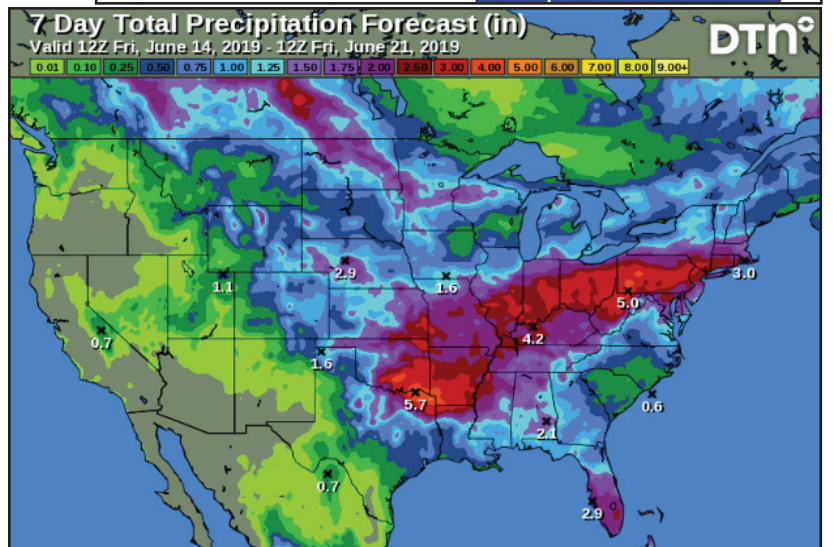
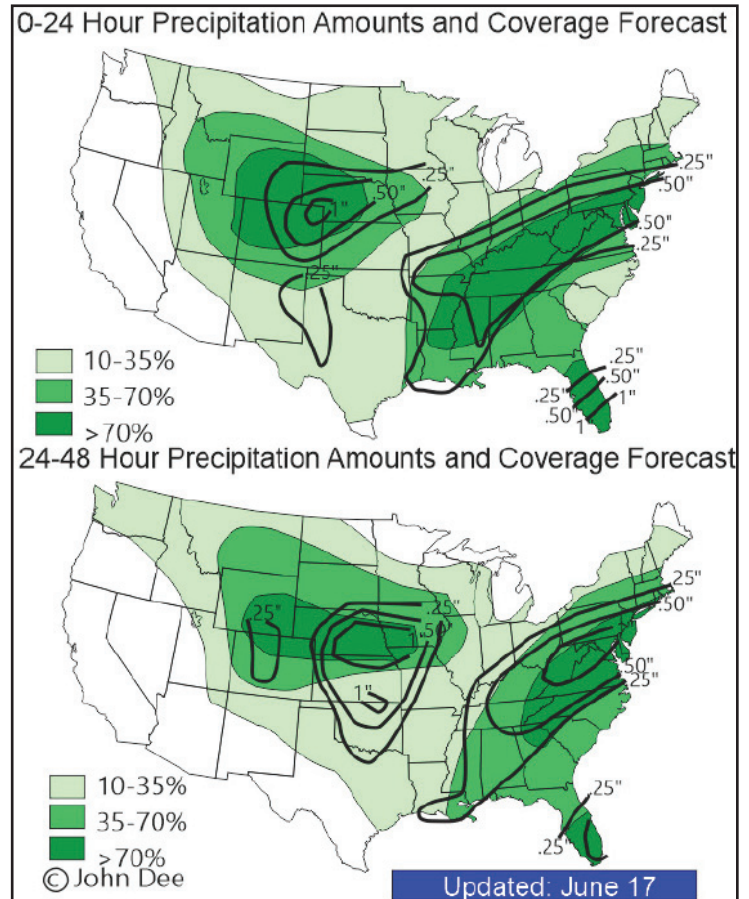
the new crop,” SovEcon said. It added that the last two weeks in the European part of Russia and Eastern Ukraine had been “significantly drier” than the norm. Across almost all regions, rainfall was at 50%-60% of the norm, with some areas - including Rostov, Voronezh and Eastern Ukraine - receiving less than 20%-30% of the precipitation normally expected at this time, according to SovEcon. “The weather is expected to remain very dry in (the) next two weeks,” the consultancy said, adding that this could affect wheat crop estimates in the Russian Volga Valley and in parts of the Center.

- Planting of summer-sown crops in India such as soybean, cotton, rice and corn has been delayed by at least two weeks because of the slow progress of monsoon rains in central and western parts of the country, raising concerns over lower production. **Lower production of soybeans could force India to raise imports of edible oils such as palm oil and soyoil**, while a drop in cotton output could limit the world’s biggest fibre producer’s exports. Lower rice output could hit shipments from the world’s biggest exporter.
- Malaysian palm oil futures rose on Monday, shadowing higher U.S. soyoil prices on the Chicago Board of Trade (CBOT), while a softer ringgit also supported. Palm oil fell last week on weaker soyoil prices and worries of **slowing export demand. Cargo surveyor Intertek Testing Services said on Saturday Malaysian palm oil products for June 1-15 dropped 22.5% from a month earlier, while independent inspection company AmSpec Agri Malaysia saw an 18.9% decline in the same period.** On Monday, cargo surveyor **Societe Generale de Surveillance said exports fell 15.3% for the same period.**
- U.S. soybean processors likely crushed fewer soybeans last month than they did in the same month a year ago, but the crush rate was still the second-largest on record for May, according to analysts polled ahead of a monthly industry report. Members of the National Oilseed Processors Association (NOPA) likely processed 162.474 million bushels of soybeans last month, according to the average of estimates given by eight analysts in a Reuters survey. If realized, it would be up from the April crush of 159.990 million bushels but below the May 2018 total of 163.572 million bushels, the all-time high for the month.
- Raw sugar prices on ICE slipped on Monday after hitting a 1-1/2-month high on Friday amid rising corn prices and worries over Indian production, while cocoa and arabica coffee also slipped.

# Weather Update

## DTN MAJOR WORLD HIGHLIGHTS/IMPACT:

- MIDWEST (SOFT RED WINTER WHEAT, TRAVEL and TRANSPORT): **Wet weather continues to disrupt and delay corn and soybean planting**, especially over southern and eastern areas. It remains very uncertain how much acreage will get planted as there is no end to this wet pattern in sight. **Near to below normal temperatures slows growing degree day accumulations for corn. This is also concerning due to late plantings in many areas.**
- We see no end in sight to this wet pattern. Near to above-normal rainfall is forecast throughout the Midwest and Plains.** There is still some bias that the wettest weather will be over the southern and eastern Midwest and Southern Plains. However, the north-west Midwest and Northern Plains will also see an increase in rainfall during the next seven days. Planted acreage is very uncertain.
- NORTHERN PLAINS: Limited rainfall allows for progress with corn and soybean planting. Near to below normal temperatures raises concerns due to the Lack of growing degree day accumulations. Cool, unsettled weather favors developing spring wheat.
- CENTRAL/SOUTHERN PLAINS (WHEAT/CORN/SOYBEAN/SORGHUM/LIVESTOCK): **Near to above normal rainfall is expected to increase disease issues and lower crop quality for maturing wheat as well as impact the early harvest.** So far these issues have not been realized as crop ratings have shown little deterioration.



**This 7-day precipitation forecast through morning on June 21 could make it difficult to plant soybeans, especially in the Eastern Belt. Most of the states in the red had planted less than half of their intended bean acres as of Sunday. These are major producers.**



## Feedstuffs

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Links to weekly USDA feedstuffs reports:

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

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