

August 16, 2019

Trilateral Grain and Market Weather Update

Market Summary Highlights

Contents

[“Corn” on page 3](#)

[“Soy Complex” on page 4](#)

[“Wheat” on page 5](#)

[“Related Market News” on page 6](#)

[“Weather Update” on page 8](#)

[“Feedstuffs” on page 9](#)

Market Headlines

- Corn:** Firm but set for biggest weekly loss in 3 years on U.S. forecast
- Soybeans:** Higher as traders weigh developments U.S.-Chinese trade dispute and Midwest weather
- Wheat:** Steady after being pressured this week by a firm dollar, large northern hemisphere harvests and spillover from the slide in corn prices

Morning Trading

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

USDA, Government & Industry Reports

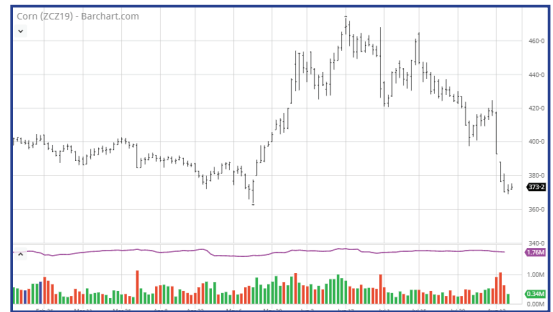
- Livestock, Dairy, and Poultry Outlook
- Sugar Outlook
- Consumer Sentiment

Overnight Trade			
Commodity	Month	Last	Change
Corn	Sep	3.6275	2.25
Soybeans	Nov	8.7575	5.00
Soybean Meal	Dec	298.20	1.30
Soybean Oil	Dec	29.6400	0.19
Chicago Wheat	Sep	4.7000	1.00
KC Wheat	Sep	3.9225	2.00
MPLS Wheat	Sep	5.0450	1.75
Commodity	Month	Last	Change
Crude Oil	Sep	54.85	0.31
Natural Gas	Sep	2.195	(0.045)
Gold	Aug	1511.40	(8.10)
S&P Futures	Sep	2872.00	24.25
Dollar Index	Cash	98.28	0.136

Corn

Sources: DTN and Reuters

- December corn is looking for its second consecutive higher finish to end the week.
- Fueled by the early week USDA report, which pegged U.S. corn production, yield and acreage at much higher totals than many in the trade had expected, managed money funds were forced to liquidate their long-and-wrong corn position. That position is thought to be slightly net short to begin this Friday.
- Disappointed corn bulls got some bullish news late Thursday in the form of the DTN/Progressive Farmer Digital Yield Tour, powered by Gro Intelligence. That tour suggested **yields in the Eastern Corn Belt states of Illinois, Indiana and Ohio are some 12% to 15% below the yields reported by USDA on Monday.**
- Moderate drought has crept into those areas with a dry pattern since early **July. Illinois, Indiana and Ohio were pegged at 24 to 28 bushels per acre (bpa) under USDA yields.** The tour will reveal a national corn and soy yield on Friday, both of which are expected to be lower than USDA estimates.
- Demand remains a huge concern for U.S. corn, with last week's export sales a meager 2.2 million bushels, bringing total commitments to 17% below a year ago. U.S. ending corn stocks for 2018-19 in the final analysis are likely headed toward more than a burdensome 2.4 billion bushels (bb), helping to cushion the blow of potentially much lower new-crop stocks.
- Following the recent free fall in prices, the U.S. is now more competitive in world markets, but South America and the Black Sea corn exporters continue to have the edge. Overnight, South Korea's KFA was reported to have bought 63,000 metric tons (mt) of optional corn and that is likely to be sourced from South America. The recent sharp decline in South American currencies has made prices even more attractive to farmers there

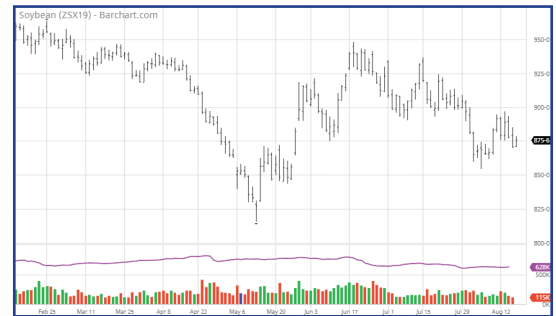


Soy Complex

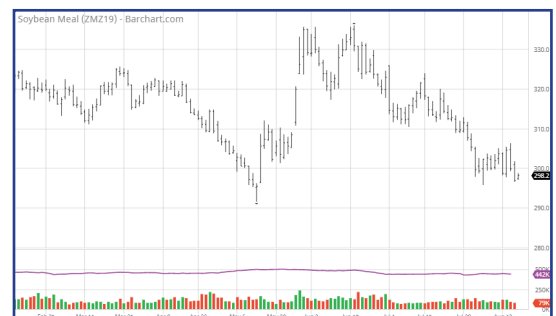
Sources: DTN and Reuters

- November soybeans are up 6 cents early Friday as news comments about trade talks with China are close to sounding bi-polar. China is going to retaliate and then hopes the U.S. will meet them half-way.
- On Friday morning, a statement from China's National Grains and Oil Information Center (CNGOIC) suggested China can do without U.S. soybean supplies in the fourth quarter through a combination of South American and domestic supplies. China has so far bought just 14 million metric tons (mmt) of U.S. soybeans this year, and typically buys a lot of U.S. beans in the fourth quarter.
- The DTN/Progressive Farmer Digital Yield Tour found **lower-than-USDA soybean yield estimates in Illinois, Indiana and Ohio late Thursday**. Later Friday, the tour is set to announce its national soybean yield estimate. **Illinois, Indiana and Ohio yields down 9 bpa, 4 bpa and 6 bpa.**
- With soybean ending stocks pegged at a much more reasonable 755 million bushels (mb), 755 mb is still high in the face of huge South American supplies and little progress on the U.S.-China trade front.
- The National Oceanic and Atmospheric Administration (NOAA) came out with their September forecast and it is for below normal temperatures in the Northern Plains, stoking fears of possible frost risk for immature crops.
- More bad news regarding the bearish demand impact of African swine fever, with a report out that showed China's pig herd and sow herd down 32% and 31.6% in July 2019 versus a year ago.

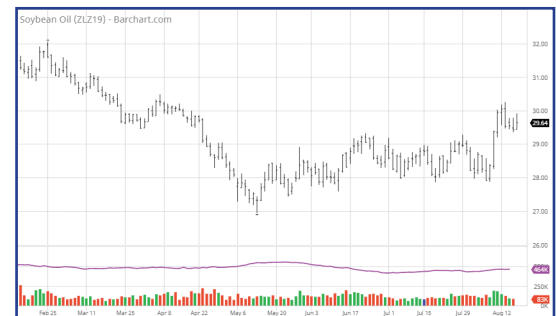
Soybeans



Meal



Oil

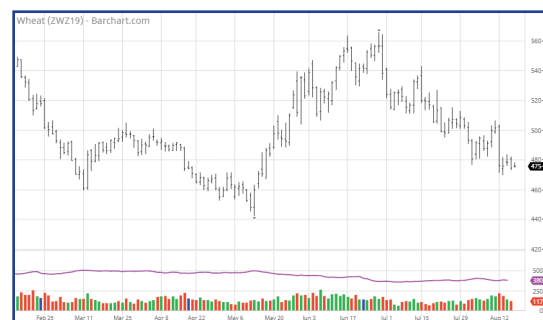


Wheat

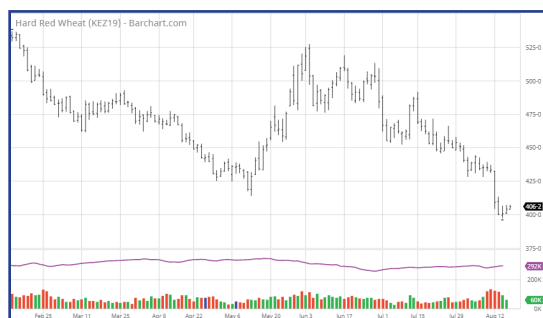
Sources: DTN and Reuters

- All three wheat futures markets are just slightly higher to start Friday, with Kansas City September looking for its third straight higher close on renewed competitiveness following the steep early week losses.
- Fundamentally speaking, corn will have a lot to say about where wheat goes from here.
- However, even though U.S. hard red winter (HRW) was called the cheapest FOB offer, once again U.S. wheat was nowhere to be found on offers to Egypt, as freight prohibited U.S. from working.
- Thursday's export sales report showed improvement again for U.S. wheat and shipments are now up 27% from a year ago.
- With world wheat supplies recently scaled back due to the excessive heat wave in Europe and the Black Sea, world wheat supplies are still some 10 mmt higher than a year ago. Demand for U.S. wheat will continue to be challenged by aggressive major export competitors
- Spread traders exaggerated the contrast with SRW wheat's poor production and have likely gone too far, taking spot KC wheat prices to a record low 19% discount earlier this week.

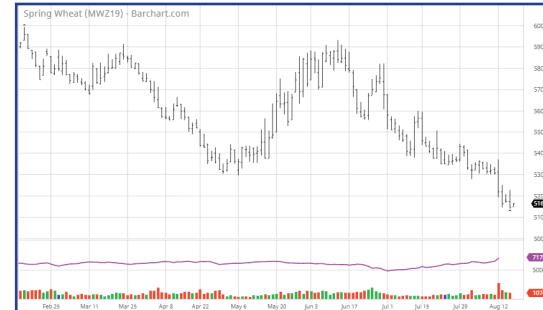
SRW



HRW



HRS



Related Market News

DTN

Day 3 of the DTN/Progressive Farmer Digital Yield Tour, powered by Gro Intelligence, showed significantly lower-than-USDA corn and soybean yields for Illinois, Indiana and Ohio.

RJO

- Market ideas of US corn yield remain well below USDA estimate
- China's pig crop continues to decline sharply
- China says US soybeans not needed through 4th quarter
- USDA reports new crop soybeans sold to unknown
- US weather remains non-threatening

Reuters

- Market ideas for U.S. corn yield still clash drastically with USDA: Commodity users think U.S. corn yield is likely to end up much lower than the U.S. Department of Agriculture's peg of 169.5 bushels per acre. In fact, USDA's hefty number hardly swayed the crowd from their expectations prior to Monday's report. On Wednesday, I [Karen Braun] posted a poll on Twitter asking for users' best guess of final U.S. corn yield. Of the 1,807 voters, some 56% see that number at or below 161 bushels per acre. Only 11% of the voters chose 166 bpa or higher. A final yield of 161 bpa would be down 5% from the August figure. In the past 25 years, final yield has fallen from August by that amount or more only three times (2010, 1995 and 1993). The latter two years also featured delayed planting, but the summer weather was much less favorable than it has been this year.
- NY cocoa falls to 4-1/2 month low with an improving outlook for 2019/20 main crops in West Africa weighing on the market.
- Malaysian palm oil futures reversed earlier gains to fall at the close of trade on Friday, tracking related edible oils on China's Dalian Commodity Exchange which erased some gains.
- Top soybean buyer China can do without supplies from the United States in the fourth quarter and can rely on imports from South America instead, said an analyst with a government-backed think-tank on Friday.
- China set to deepen Argentine trade ties with bid for grains "superhighway:" Chinese state-owned construction giant CCCC is preparing a bid to dredge Argentina's Parana River, the country's main cargo superhighway that takes soy and corn from the Pampas farm belt to the shipping lanes of the south Atlantic and the world. Dredging the Parana is the biggest logistics contract in Argentina. China is already the main buyer of Argentine soybeans

Related Market News cont.

while Chinese state-owned conglomerate Cofco has, through acquisitions, become the biggest agricultural commodities exporter operating in Argentina.

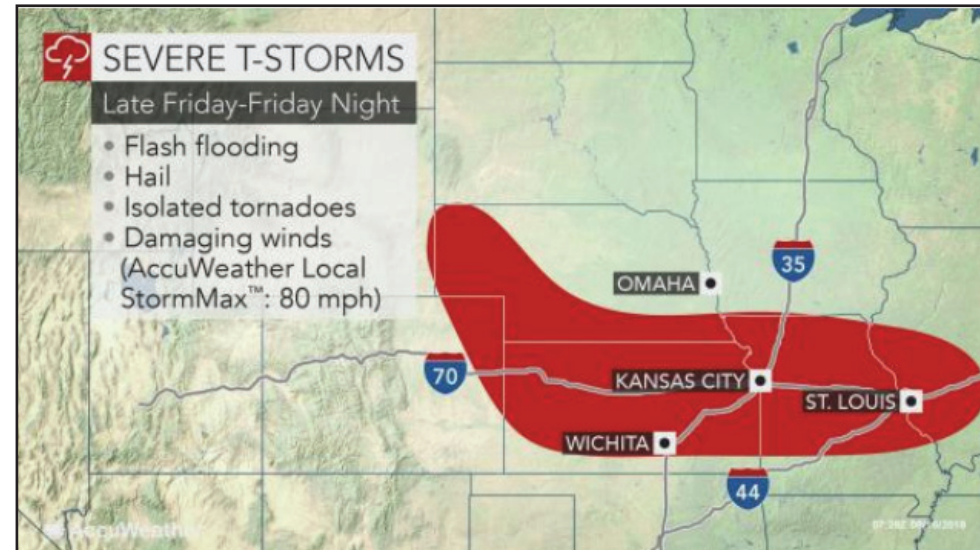
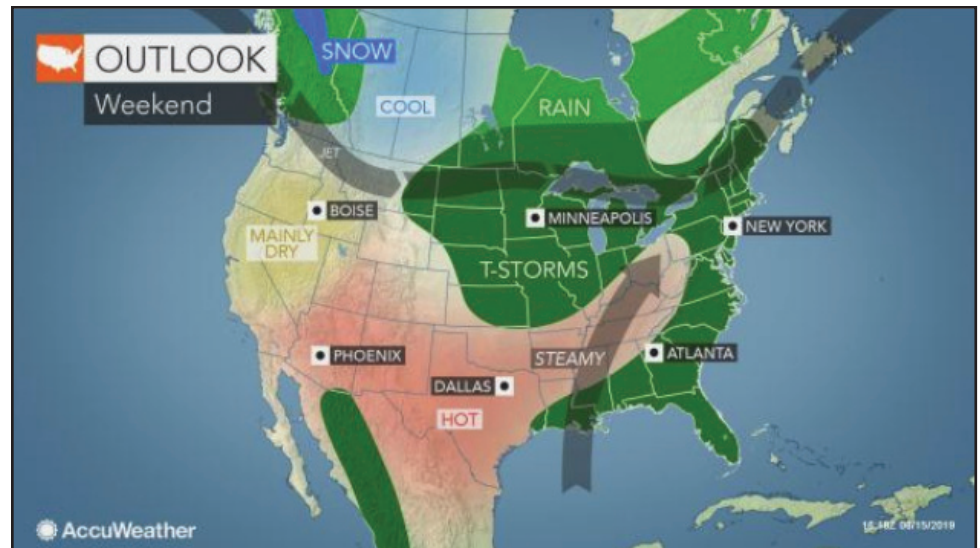
- Oil edges up on easing recession fears : Crude oil prices rose on Friday, recovering from two days of declines, after data showing a rise in U.S. retail sales helped to ease concerns about a recession in the world's biggest economy.
- U.S. stock index futures rose 1% on Friday, as hopes of more stimulus from central banks helped lift some gloom in what has been a turbulent week for markets.
- U.S. housing starts fall further, but permits at seven-month high

Weather Update

The seven-day forecast is mostly dry for the eastern Midwest where conditions have turned drier the past month.

DTN Ag Weather Brief:

- **MIDWEST (CORN, SOY-BEANS):** Dryness has recently increased stress to reproductive and filling corn and developing and filling soybeans from the central Iowa area eastward. However there has been no significant heat during this period so this should limit the overall impact on crops. Showers that have occurred this week along with a cooler trend should help ease stress, however more rain is still needed. Crop development remains well behind normal in many areas and the cooler weather moving in will not help the situation. An early fall freeze could do major damage to crops this year.



- **NORTHERN PLAINS:** Generally favorable conditions for developing corn and soybeans with mostly adequate moisture and no significant heat stress. Crop development is behind normal in most areas. An early fall freeze could do significant damage. Cooler temperatures this week will slow development of crops. The longer range outlook remains uncertain but the trend from yesterday is less threat of further cold weather during the 6-10 day period.

Feedstuffs

Links to weekly USDA feedstuffs reports:

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

Trilateral Perspectives Moring Grain Comment is published by Trilateral, Inc., 1405 S Harlem Ave. Berwyn, IL, 60402. Phone 708-795-0482. E-mail: info@trilatinc.com This letter is solely for informational purposes. Information contained herein is believed to be complete, accurate, and expressed in good faith. It is not guaranteed. This material is not deemed a prospectus or solicitation for the purchase or sale of any Futures or Options contracts. No specific trading recommendation will be provided. At no time may a reader be justified in inferring that any such advice is intended. Past trading results do not guarantee future profits, nor do they guarantee that losses will not occur. All trading decisions remain the responsibility of the individual making those decisions. Principals, employees, and/or clients of Trilateral Inc. may have positions in the investments mentioned herein, either in accord or discord with market analysis shown.