

October 19, 2020

Trilateral Grain and Market Weather Update

Market Summary Highlights

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Market Headlines

Corn: Rebound on expectations of strong demand

Soy Complex: Higher on weather concerns in Brazil and indications that exporter Brazil may import

Wheat: Rises to highest since 2014 on crop concerns

Morning Trading

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

Overnight Trade			
Commodity	Month	Last	Change
Corn	Dec	4.0450	2.75
Soybeans	Nov	10.5475	4.25
Soybean Meal	Dec	373.60	6.00
Soybean Oil	Dec	32.6600	(0.36)
Chicago Wheat	Dec	6.3450	9.25
KC Wheat	Dec	5.6625	7.25
MPLS Wheat	Dec	5.6800	8.25
Commodity	Month	Last	Change
Crude Oil	Nov	40.99	0.12
Natural Gas	Oct	3.261	(0.008)
Gold	Dec	1915.10	9.00
S&P Futures	Dec	3488.00	25.75
Dollar Index	Cash	93.30	(0.386)

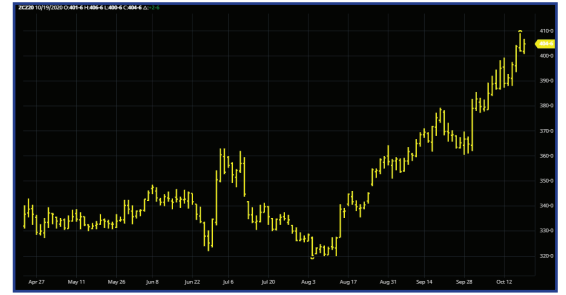
USDA, Government & Industry Reports

- Crop Progress

Corn

Sources: DTN and Reuters

- Corn futures reversed Friday's weakness and are rallying early Monday.
- Early on Monday, rain and snow are moving across the Northern Plains and Eastern Corn Belt.
- Last week's corn export sales were just 25.7 million bushels (mb), but total commitments are now a record large 1.041 billion bushels (bb) and represent 48% of the total USDA export projection.
- Monday's strength comes despite a much wetter forecast for South America over the next seven to ten days.
- Funds continue to see value in corn, even at these lofty levels and have added to a growing net long. Coming into Monday trade, managed funds were estimated to be close to 200,000 contracts long.
- Providing underlying support is economic news from China, where the economy has expanded 4.9% in the third quarter, and that is up from 3.2% in the second quarter.
- On the bearish side, COVID-19 infections are moving higher again in Europe and the U.S., leading to more restrictions.
- A new flash sale on Friday saw a sale of 128,000 metric tons (mt) of corn sold to Mexico. Traders will be watching for more China corn buying, as internal prices there remain lofty at \$9.88 per bushel.

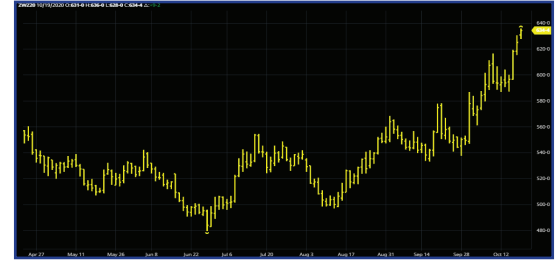


Wheat

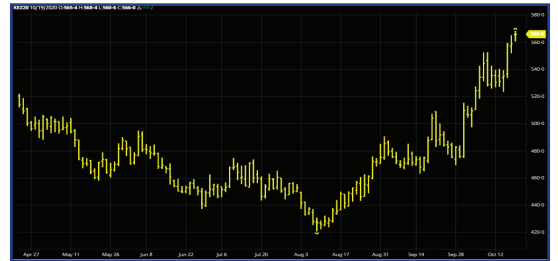
Sources: DTN and Reuters

- Chicago wheat rose more than 1% on Monday to its highest in almost six years as dry weather in several leading exporters raised worries about supplies.
- “Wheat is strongly supported by concerns about weather damage to upcoming harvests in a series of large export production regions including Argentina, the U.S. Plains but especially Russia,” said Matt Ammermann, StoneX commodity risk manager. “Russia has received rain which to me could put a question mark over the level of real crop damage from recent dryness. But the market does not seem to want to hear this and remains focused on Russian dryness, with cool temperatures expected in Russia also bad for wheat development.”
- Dryness in the Black Sea, and especially southern Russia, is the driving force behind the last few week’s strength. Although **some showers occurred in Russia this weekend, it was hardly enough to break the drought that has gripped that area, and the next two weeks looks drier.**
- Dryness in Argentina is also a bullish driver, with the Rosario Exchange late last week dropping Argentine wheat production to just 17 million metric tons (mmt). That is 2 mmt lower than the October WASDE report estimate.
- Funds are now adding to wheat longs with the Chicago net long thought to be near 40,000 contracts to start the new week.
- Paris milling wheat futures gapped higher to another new high on Monday and Black Sea cash prices continue to rise.
- The trade fears an export quota could again be set by Russia, the world’s No. 1 exporter in January.

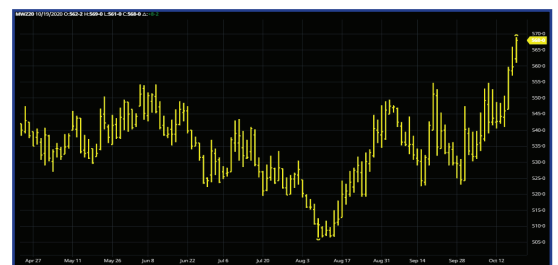
SRW



HRW



HRS

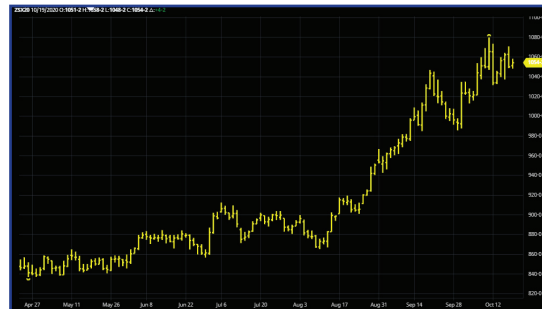


Soy Complex

Sources: DTN and Reuters

- Soybean futures early Monday have negated part of Friday's weakness as positive economic news from China, along with the ongoing surge in export demand, has propped up the market.
- "Soybeans are being supported by lack of rain in Brazil, there has been recent rain there but not enough to calm the market," said Matt Ammermann, StoneX commodity risk manager. "Any reduction in Brazil's crop will help push more export demand to the United States, where soybean supplies are already looking tighter after heavy export sales."
- Soybean sales have been running at a massive pace, with last week's 96.6 mb sales huge, and total soy commitments of 1.588 bb now representing over 72% of the USDA's yearly projection less than two months into the crop year, the highest percentage on record back to 1990.
- It is very likely that with South American new-crop soybeans delayed until February, China will continue to come to the U.S. to buy. There are some private analysts who see the ultimate U.S. soybean ending stocks gravitating to a very tight 200 mb.
- The U.S. still holds a price edge of over 70 cents per bushel, and in the January-February slot a discount of over 25 cents to Brazil FOB offers.
- Soybean meal continues to lead the soy complex higher with another new high early Monday; December meal has rallied nearly \$90 per ton just since early August.
- Soybean oil is being pressured early by a 3.28% fall in palm oil and nearly 2% drop in China's Dalian soybean oil futures on Monday.
- New COVID-19 restrictions in parts of the EU have cast a more-bearish demand profile for vegetable oils.

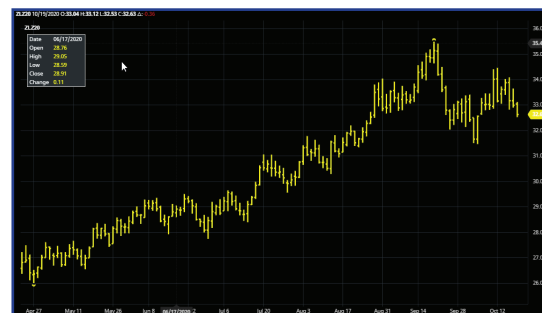
Soybeans



Meal



Oil



Palm oil

Malaysian palm oil futures slumped more than 3% on Monday, their biggest fall in nearly a month, as sharp losses in rival Dalian and CBOT soybean oil outweighed expectations for an uptick in October exports. The benchmark palm oil contract FCPOc3, for January delivery, settled down 94 ringgit, or 3.28%, its biggest intraday fall since Sept. 24 and lowest closing level since Oct. 6.

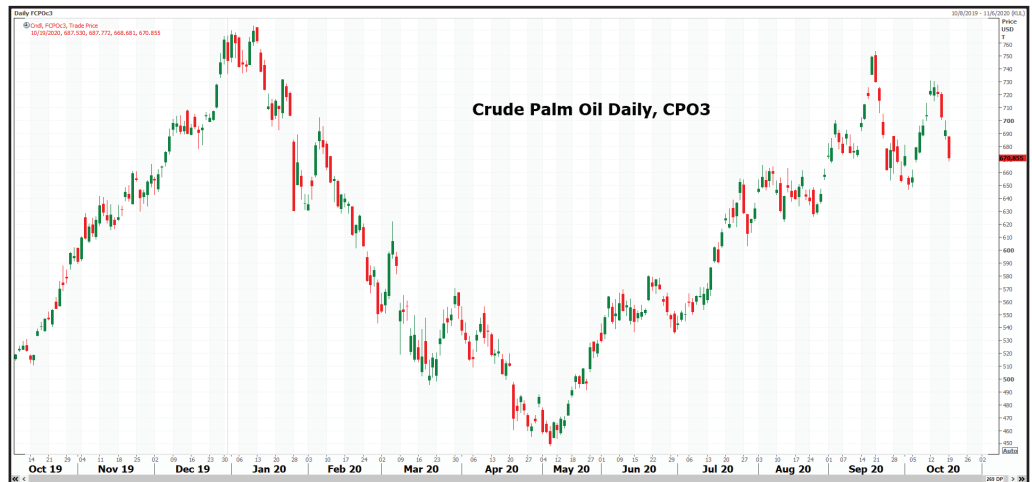
Market rumours ahead of cargo surveyor data due Tuesday indicated that shipments from Malaysia during Oct. 1-20 rose 4%-5% on month, traders said. But the rise was not high enough to overcome the selling pressure from the Dalian Commodity Exchange, said Sathia Varqa, co-founder of Singapore-based Palm Oil Analytics. "Also, the global pandemic hogging the limelight is not doing any good to demand outlook," he added.

Dalian's most-active soyoil contract DBYc3 slipped 1.8%, while its palm oil contract DCPc4 fell 3%. Soyoil prices on the Chicago Board of Trade BOC1 were down 1.2%.

Daily coronavirus infections in Malaysia, the world's second largest palm oil producer, have topped a record high of over 800 cases over the past three days, while major importer Europe have in recent weeks emerged as the new epicentre.

Uncertainties over the imposition of levy on Indonesian crude palm oil also pressured the market, said Paramalingam Supramaniam, director at Selangor-based brokerage Pelindung Bestari Sdn Bhd.

Top palm producer Indonesia last month raised its export tax for crude palm oil to \$3 per tonne for shipments in October, and is expected to announce its November export tax by the end of the month.



Description	Month Year	Vol	Change	Last	Chg %
Malaysian Palm Oil	Nov 20	1523	-97	2888 (S)	-3.25
Malaysian Palm Oil	Dec 20	8196	-96	2825 (S)	-3.29
Malaysian Palm Oil	Jan 21	29591	-94	2776 (S)	-3.28
Malaysian Palm Oil	Feb 21	7461	-91	2738 (S)	-3.22
Malaysian Palm Oil	Mar 21	4879	-87	2702 (S)	-3.12
Malaysian Palm Oil	Apr 21	3255	-86	2660 (S)	-3.13
Malaysian Palm Oil	May 21	3605	-86	2616 (S)	-3.18
Malaysian Palm Oil	Jun 21	2586	-86	2573 (S)	-3.23
Malaysian Palm Oil	Jul 21	2382	-71	2544 (S)	-2.72
Malaysian Palm Oil	Aug 21	952	-62	2518 (S)	-2.40
Malaysian Palm Oil	Sep 21	1428	-62	2512 (S)	-2.41
Malaysian Palm Oil	Nov 21	826	-59	2501 (S)	-2.30

Related Market News

REUTERS

- Ukraine's grain exports down 15.8% in 2020/21 season. Ukraine accounts for about 16% of global grain exports.
- China's robust commodity imports lend credibility to economic growth story. China's economic data is sometimes greeted sceptically by analysts, who question whether the numbers are massaged in order to fit the prevailing narrative of the country's authoritarian Communist Party rulers. Perhaps the most supportive data for China's economic recovery is imports of major commodities, with the world's biggest buyer of natural resources seemingly single-handedly holding up the sector.
- Cocoa futures recovered on Friday after touching the lowest prices in several weeks as the market digested data showing plunging demand for the chocolate ingredient during the coronavirus pandemic.
- Wall Street's main indexes were set to inch higher at the open on Monday on hopes of a coronavirus vaccine by the year-end, while investors were also encouraged by signs an agreement in Washington on a fiscal package could be reached soon.

DTN

- **Exporters have sold or shipped 72.2% of the USDA's entire 2020/21 soybean export forecast, the highest percentage on record back to 1990.**
- Private estimates think wheat planted acreage losses in Russia could be as much as 10% due to fall dryness with those acres most likely being switched to spring wheat next year.
- On Friday, the unofficial Argentine "blue" peso fell to 178:1 against the U.S. Dollar, a new record low and could encourage hoarding of grain supplies as a hedge against inflation.
- **The aggregate net long position held by funds across the ag space is now 532,870 contracts, the largest position since September 2012.**

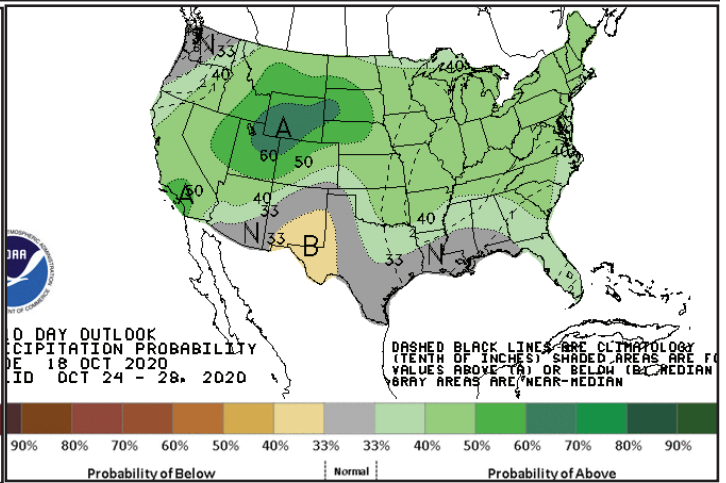
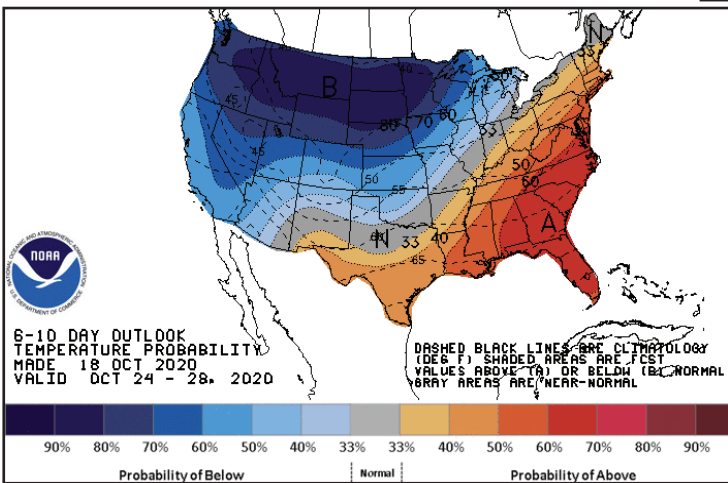
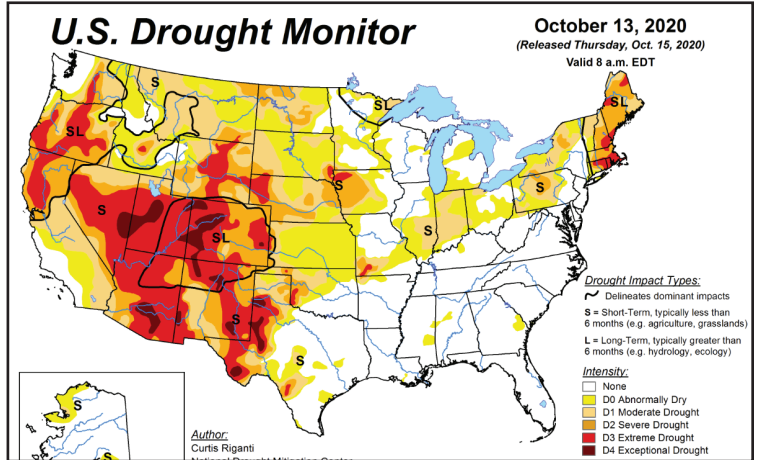
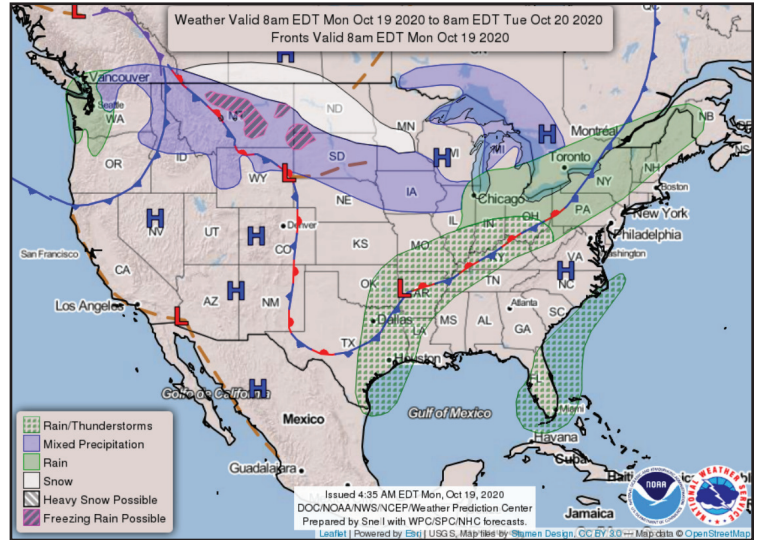
RJO

- Brazil officially eliminates corn/soybean import tariffs temporarily
- South America rain ideas continue to improve
- Russian wheat areas see some moisture improvement
- USDA announces corn sales to unknown/Mexico

Weather Update

DTN Ag Weather Brief

- CENTRAL/SOUTHERN PLAINS:** Scattered showers fell in Nebraska over the weekend. Any shower activity will benefit winter wheat development as dryness has been a major concern, though showers will be most likely for northern and eastern areas only. R
- BRAZIL:** Periods of showers will continue over the next week. With the showers being scattered in nature, fieldwork and planting will continue to show some good progress over the next week. Additional showers would be welcome but prospects chances are low until the end of the week, which may cause stress.
- ARGENTINA:** The region continues to be very dry and in need of moisture for developing wheat and spring planting and germinating summer crops. A front will bring widespread moderate showers early in the week with more likely over the weekend, which could ease the dryness and drought.
- UKRAINE/WEST RUSSIA:** Scattered moderate showers fell across Ukraine over the weekend, but Russia saw more light and spotty shower activity, with little to no easing the dryness and drought. Some decent shower chances are expected across the winter wheat areas in Russia on Monday but are followed by mostly dry conditions for the rest of the week. Showers may scrape by northern areas, however.



Feedstuffs

Links to weekly USDA feedstuffs reports:

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

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