

November 23, 2020

Trilateral Grain and Market Weather Update

Market Summary Highlights

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Market Headlines

Corn: Hits 16-month high on strong demand and poor South American crop weather

Soy Complex: Touch 4-1/2 year high of \$12 on supply concerns dry weather in SA, high demand

Wheat: Weather issues continue, with dryness in parts of Ukraine and Russia as those crops enter dormancy

Morning Trading

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

Overnight Trade			
Commodity	Month	Last	Change
Corn	Dec	4.2800	5.00
Soybeans	Jan	11.9500	14.00
Soybean Meal	Dec	399.90	5.40
Soybean Oil	Dec	38.9700	0.34
Chicago Wheat	Dec	6.0225	9.25
KC Wheat	Dec	5.5500	4.75
MPLS Wheat	Dec	5.4975	5.75
Overnight Trade			
Commodity	Month	Last	Change
Crude Oil	Dec	0.00	0.00
Natural Gas	Dec	2.774	0.003
Gold	Dec	1864.70	(7.10)
S&P Futures	Dec	3567.75	13.50
Dollar Index	Cash	92.07	(0.325)

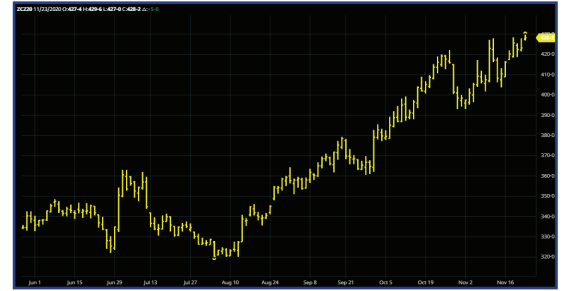
USDA, Government & Industry Reports

- Cold Storage
- Crop Progress

Corn

Sources: DTN and Reuters

- March corn futures are headed for a sixth higher close in the past seven trading sessions, as overall South American dryness is forecast to continue the next two weeks.
- Although some moderate to heavy showers are expected to fall in southern Brazil and Argentina this week, **central Brazil remains dry and very hot, stressing crops there.**
- **Dryness is projected to last another 10 to 12 days, with southern and central areas of major producing province Mato Grosso on pace for less than 20% of normal rains in November.** The 6- to 10-day forecast is for below- to much-below precipitation in Mato Grosso, Mato Grosso do Sul, Goias and parts of Parana.
- **Some analysts are suggesting if the forecast turns out to be correct, this would be the driest September through November period in 40 years.**
- The South American drought could shift major corn demand back to the United States. U.S. corn demand is already stout with over 52% of the yearly sales projection already achieved.
- China continues to be a major buyer of corn this year with their year-to-date imports up 97.3% at 7.82 million metric tons (mmt), according to their General Administration of Customs. U.S. corn is well positioned to pick up additional export business into the late spring.
- Although managed money funds trimmed their long position a bit last week, through Tuesday they remained net long 280,000 contracts, while index funds added to their net long, estimated to be 390,000 contracts.

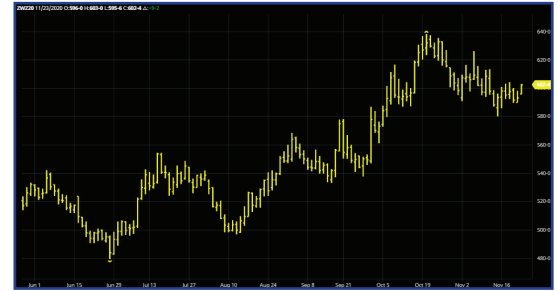


Wheat

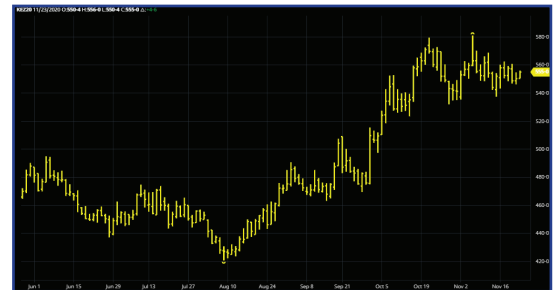
Sources: DTN and Reuters

- With world wheat values easing from recent new highs, wheat strength appears more in sympathy with corn and soybean strength.
- Black Sea wheat values have fallen from last week's new season highs.
- All three wheat markets have been moving in a sideways to lower pattern in the past few weeks.
- Weather issues continue, with dryness in parts of Ukraine and Russia as those crops enter dormancy. But there are some light rains and snow moving across the U.S. hard red winter belt early Monday.
- International demand for wheat remains strong
- China, for the year, has now imported 6.69 mmt, up nearly 164% from last year, according to the General Administration of Customs.
- Funds, as of last Tuesday, had whittled down some of their wheat long, and are now long 14,000 Chicago wheat and 45,000 KC wheat, while holding a minor net long in Minneapolis.

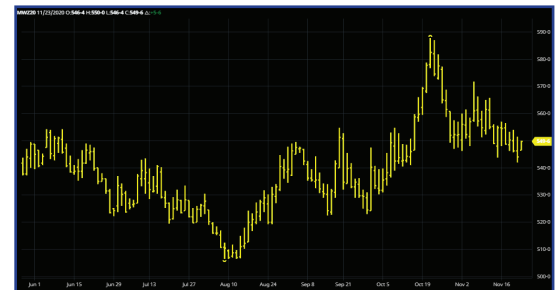
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HRW



HRS

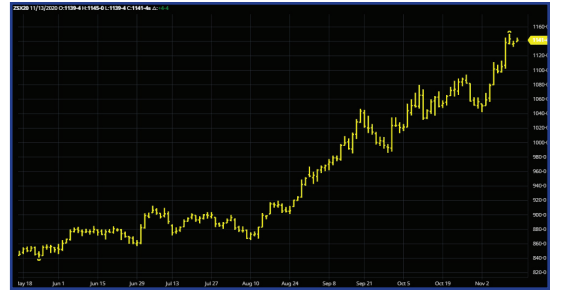


Soy Complex

Sources: DTN and Reuters

- Soybean futures continued their ascent, reaching but not exceeding, \$12 in the overnight session.
- January soybeans are possibly headed for a 13th higher close in the past 15 days.
- Giving an additional boost to markets is news that the Pfizer coronavirus vaccine could be available for first responders and vulnerable people as soon as mid-December.
- Although there are showers in southern Brazil and Argentina over the next seven days, the **focus appears to be on major producer Mato Grosso, where rains again did not fall and stress grows as temperatures rise.**
- **The world can ill afford a big hit to South American soybean production, with U.S. soybean ending stocks likely to reach a dangerously low pipeline supply if demand continues unabated.**
- U.S. soybean sales commitments now figure a huge 86%, or 1.885 billion bushels (bb) of the 2.2 bb yearly projection, with a bit less than 9 1/2 months left in the crop year.
- Assuming no cancellations, USDA will likely be forced to raise its export estimate again.
- The Brazilian harvest is still months away, so U.S. exporters remain in the driver's seat for new sales.
- Palm oil was slightly higher Monday and remains close to the contract high last week, as the tight world veg oil story continues.
- Soybean oil is higher for the 12th time in the last 15 days and inches away from the contract high.

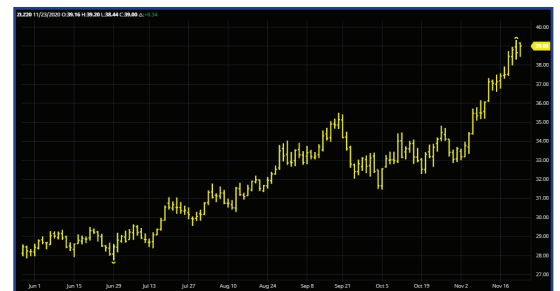
Soybeans



Meal



Oil



Palm oil

Malaysian palm oil futures reversed early losses to rise 1% on Monday, as concerns over declining output outweighed shrinking November exports and losses in rival Dalian oils.

The benchmark palm oil contract FCPOc3 for February delivery on the Bursa Malaysia Derivatives Exchange rose 42 ringgit, or 1.28%, to 3,330 ringgit (\$814.58) a tonne.

Earlier in the session, the contract had dropped 3% to a near two-week low.

But prices rose after industry groups estimated over 10% month-on-month fall in production during the first 20 days of November, according to traders.

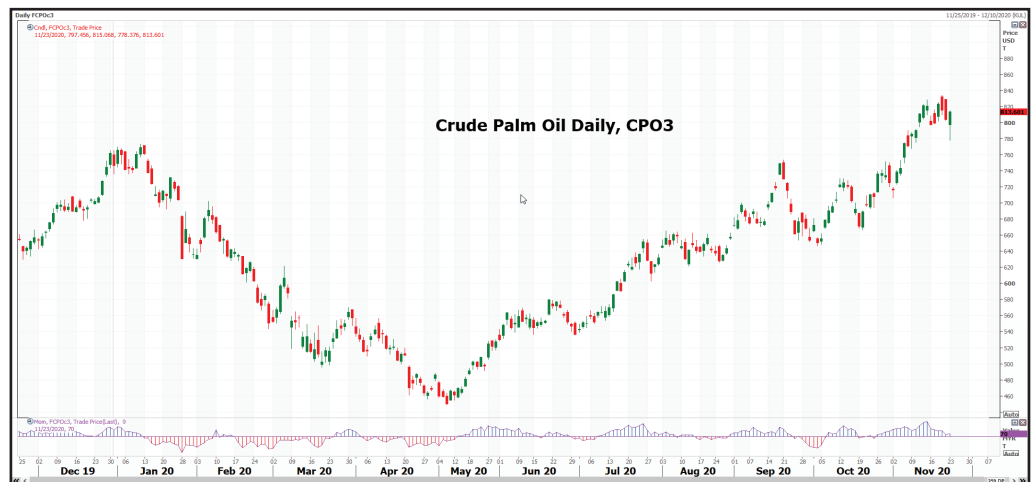
The contract was also weighed down by falling demand and possible rising stocks in China, a Kuala Lumpur-based trader said.

Exports from Malaysia during Nov. 1 to 20 fell 16% compared to the same period in October, as shipments to the Indian subcontinent contracted by almost half, data from cargo surveyors showed on Friday.

High palm prices following a rally over the past few weeks have led to a drop in demand, according to Refinitiv Agriculture Research.

Dalian's most-active soyoil contract DBYc2 fell 3%, while its palm oil contract DCPC2 slipped 3.8%. Soyoil prices on the Chicago Board of Trade BOC2 were up 1%.

The market is being fuelled by talks of rare shipments from Indonesia to Malaysia on expectations of the former raising export levies next month to a range of \$120/ton to \$160/ton in a bid to keep funding its biodiesel program, said Kian Pang Tan, Refinitiv Agriculture Research senior analyst.



Description	Month Year	Vol	Change	Last	Chg %
Malaysian Palm Oil	Dec 20	816	35	<u>3518 (\$)</u>	1.00
Malaysian Palm Oil	Jan 21	5987	37	<u>3393 (\$)</u>	1.10
Malaysian Palm Oil	Feb 21	28751	38	<u>3326 (\$)</u>	1.16
Malaysian Palm Oil	Mar 21	8793	40	<u>3260 (\$)</u>	1.24
Malaysian Palm Oil	Apr 21	6662	38	<u>3190 (\$)</u>	1.21
Malaysian Palm Oil	May 21	6156	36	<u>3122 (\$)</u>	1.17
Malaysian Palm Oil	Jun 21	3546	36	<u>3059 (\$)</u>	1.19
Malaysian Palm Oil	Jul 21	2993	34	<u>3000 (\$)</u>	1.15
Malaysian Palm Oil	Aug 21	1704	33	<u>2950 (\$)</u>	1.13
Malaysian Palm Oil	Sep 21	1688	33	<u>2923 (\$)</u>	1.14
Malaysian Palm Oil	Oct 21	533	29	<u>2900 (\$)</u>	1.01
Malaysian Palm Oil	Nov 21	338	24	<u>2895 (\$)</u>	0.84

Related Market News

REUTERS

- NY cocoa surges to new 9-month top. Data showed ICE Futures U.S. certified stocks remain low at 209,461 60-kg bags as of Nov. 20, versus 310,446 bags this time a year ago. The stocks fall has sparked huge premiums for the December contract versus March, hurting those who had to close out short positions. The tightness has come about in part as U.S. chocolate maker Hershey Co HSY.N positioned itself to receive a sizeable amount of cheap cocoa from ICE Futures U.S.
- Mixed outlook for Ivory Coast cocoa farmers as Harmattan bears down. Ivory Coast, the world's top cocoa producer, is now in the dry season, which runs from mid-November to March. "It is very hot. We need at least one or two good rains before the Harmattan comes," said Albert N'Zue from Daloa, which accounts for a quarter of national output. Data collected by Reuters showed rainfall in Daloa was 2 millimetres (mm) last week, 5.1 mm below the five-year average.
- China October pork imports up 80% on year
- Wall Street's main indexes were set to rise on Monday as hopes that the first COVID-19 vaccine could be available within weeks renewed bets of a swift economic recovery next year.

DTN

- **Weekend weather models are pointing to a continuation of dry weather the next two weeks in much of Brazil, especially the largest soybean production province of Mato Grosso.**
- The combined index fund net long in corn, soybeans and Chicago wheat is now 716,181 contracts, the largest position since July 3, 2012.
- Soybean crush spreads have retreated sharply in the last two weeks with only two contracts above \$1.00 per bushel through August of 2022.
- November 1 cattle-on-feed were 101.3% of year ago levels, below the average trade guess of 103.2% with placements of only 89.0% vs. 102.5% expected.

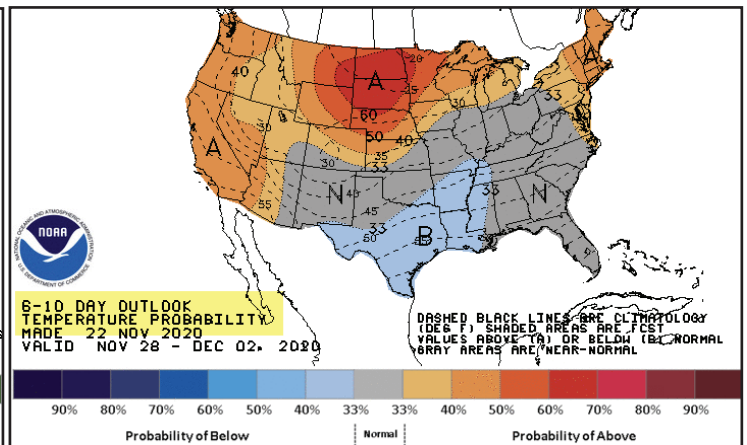
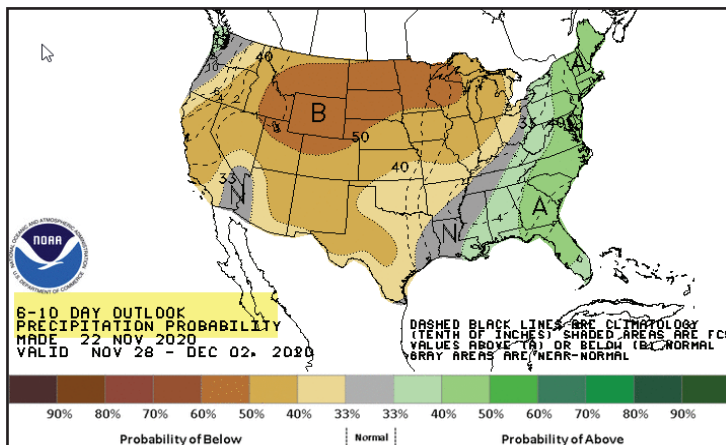
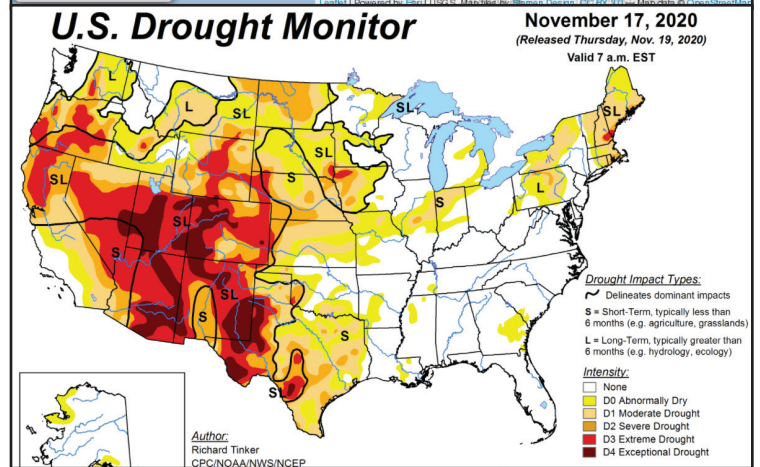
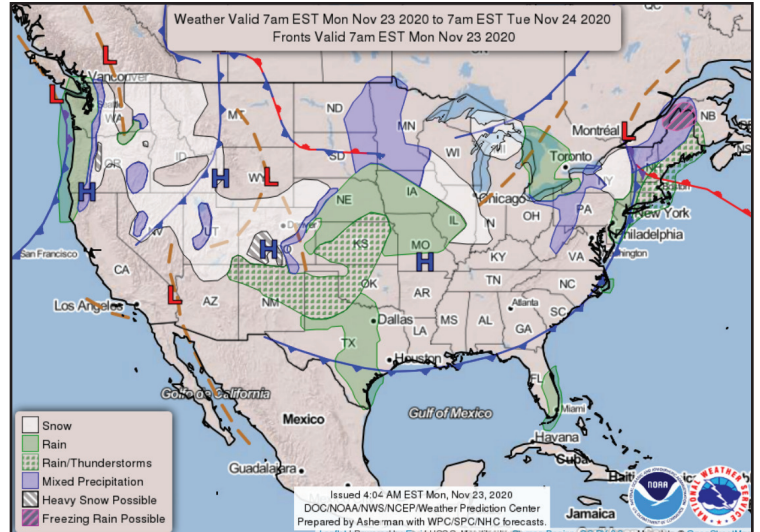
RJO

- USDA reports corn sold to unknown
- South American forecast not as wet supporting grains overnight
- Black Sea wheat values tick lower last week
- China wheat auction interest continues to cool

Weather Update

DTN Ag Weather Brief

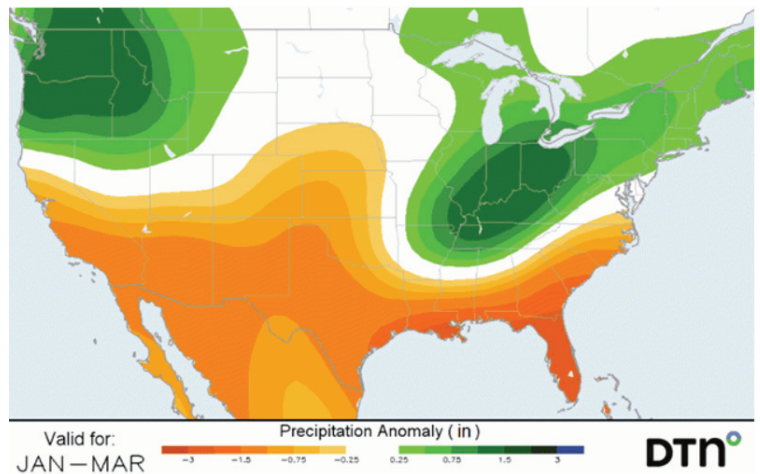
- CENTRAL/SOUTHERN PLAINS (CORN/WINTER WHEAT/LIVESTOCK):** Widespread scattered moderate showers fell from Kansas southward over the weekend but were more limited in the far west. Another system will move through the region with widespread showers through early Wednesday. The showers may not be very heavy over the southwest, however, where it is dry with drought may have brought winter wheat to dormancy.
- BRAZIL (CORN/SOYBEANS):** Scattered showers migrated to northern areas this weekend, but some isolated showers did pop up over portions of the south. Stress is more concerning in the south due to recent dryness, especially in Rio Grande do Sul. Showers, though lighter, will be focused more on central growing areas this week, further stressing developing corn and soybeans over the south. Showers move back into the south late this week and continue into early next week, which will ease concerns.
- ARGENTINA (WINTER WHEAT/CORN/SOYBEANS):** Scattered showers fell across western areas this weekend, including in Cordoba, which has been in need for nearly the entire spring. Showers developing over southern areas Sunday will spread through much of the country through the week, providing beneficial showers for most of the growing regions. The showers will stall across the north where showers will continue through the weekend. With occasional showers filling in across the central and south as well, conditions are improving for developing corn and soybeans and any remaining filling winter wheat.



La Nina to Keep WCB Dry

Bryce Anderson DTN Sr Ag Meteorologist

The Pacific Ocean cool-water La Nina event continues to grab the ag weather news headlines in mid-November. An updated La Nina Advisory from the NOAA Climate Prediction Center (CPC) has some thought-provoking details about the 2020 La Nina event.



Precipitation in the first quarter of 2021 shows above-normal totals for the eastern Midwest, **but mainly below normal in the western Midwest and Plains. (DTN graphic)**

The central and eastern equatorial Pacific Ocean has an average temperature of 1.3 degrees Celsius (2.3 degrees Fahrenheit) below normal. The CPC calls this La Nina event the eight-strongest dating back to 1950. **Climate forecast agencies now call for a 95% chance of La Nina continuing through the upcoming winter into the spring of 2021; in addition, there is almost a two-thirds probability -- 65% -- of La Nina lasting through the 2021 spring.**

During a conference call Nov. 19, Iowa State Climatologist Justin Glisan said that the **likely presence of La Nina brings a wide variance in the weather pattern forecast indications across the central U.S. with what Glisan called a “classic” La Nina effect.**

That effect includes above-normal precipitation during the rest of calendar year 2020 and the first quarter of 2021 over the northwestern U.S. and in the eastern Midwest. In the western Midwest and all but the northern one-third of the Plains, the forecast has below-normal precipitation. **That drier trend in the western Midwest and most of the Plains means that drought areas have a high probability of continuing on that track through spring.**

There is also the question of **how much the dry fall pattern will affect the 2021 row crop season. The potential is worth thinking about. “The drier-than-normal conditions mean you don’t have a lot to work with (on soil moisture),” said Glisan. “This dryness impact could feed on itself.”**

USDA Midwest Climate Hub Director Dennis Todey noted that severity of dryness is important. “Moderate dryness is not a huge issue,” Todey said. “But we see that Northwest Iowa has only 2 to 3 inches of moisture in the 5-foot profile compared with 10 to 12 inches of moisture for a full profile. That is a big decline on supply.”

Feedstuffs

Links to weekly USDA feedstuffs reports:

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

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