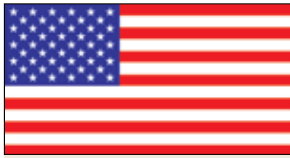
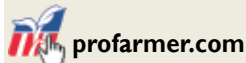


Pro Farmer

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United We Stand



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News this week...

Page 2: Brazil soybean crop estimate cut again.

Page 3: Rocky road ahead for U.S. ag trade?

Page 4: USDA's 'January' S&D Report.

Russia's ag ministry to meet with exporters.

Russia's ag ministry will hold a meeting with exporters to discuss the grain supply situation on Feb. 11. The ministry is not expected to announce any official restrictions on wheat exports.

EPA supports water quality trading plan.

EPA says it supports state-level water quality trading aimed at dealing with the country's pollution woes without a regulatory hit. EPA says a market-based water quality trading program allows entities like farmers to implement practices that reduce pollution run-off and receive credits that can be sold to downstream players like wastewater treatment plants. For example, a farmer could construct wetlands to filter the nutrients and sell credits to another user producing excess nutrients.

USDA reports fail to spark buyer interest — USDA's reports Friday morning were generally as expected to a touch friendly, but markets failed to respond with price gains. Concerns U.S./China trade negotiations won't be completed by March 1 continue to hang over the markets. South American weather is also expected to be generally favorable through mid-February, with rains forecast for dry areas of Brazil and needed drying across northern Argentina. Wheat found little support from Egypt buying two cargoes of U.S. SRW supplies. Cattle futures rebounded from the previous week's topping signals, suggesting the market may make another run to the upside amid a strong cash market. Given poor feedlot conditions and strong consumer demand for beef, traders want to keep futures at premiums to the cash market. Lean hog futures extended their prolonged price slide on weak cash and product prices, along with concerns any buying of U.S. pork by China will come later rather than sooner.

Critical trade talks in Beijing this week

U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin Feb. 14-15 will lead a U.S. contingent to Beijing for trade talks. After the talks, the two are expected to make a recommendation to President Donald Trump on whether/when he should agree to a meeting with Chinese President Xi Jinping. Some Trump advisers are concerned that agreeing to a meeting invitation ahead of the U.S.-imposed March 1 deadline for a deal would reduce U.S. leverage in the talks.

Big news on USMCA front

House Speaker Nancy Pelosi (D-Calif.) said last week she's "optimistic" about the chances of passing the U.S.-Mexico-Canada Agreement. She says strong enforcement of the trade pact is "central" to the deal.

Lawmakers closing in on funding deal

Lawmakers negotiating a fiscal year 2019 spending deal say an agreement should be in place to be voted on by the Feb. 15 deadline to avert another government shutdown. A big, last-minute push is on by biodiesel-supporting lawmakers to include an extension of the lapsed biodiesel tax incentive program.

Farm bill implementation timeline

USDA will soon issue a timeline for implementing the 2018 Farm Bill. The agency's priorities are sign-ups for the various dairy programs and ARC and PLC for row crops.

One FSA source told us USDA should break from its normal procedure and have producers report acreage first and then do farm bill program signups. He says, "This would give producers more time to study program options related to 2019 projected and actual prices and minimize the many hours farmers would have to spend at their local FSA offices if the signup and acreage reporting overlaps."

Winter wheat seedings drop

USDA estimates winter wheat plantings at 31.290 million acres were 838,000 acres lower than the average pre-report estimate and down 1.245 million acres from last year. Winter wheat seedings were 700,000 acres fewer than our survey indicated. USDA's winter wheat seedings by class:

HRW: 22.2 million acres, down roughly 700,000 acres from last year.

SRW: 5.7 million acres, down roughly 400,000 acres from last year.

White winter: 3.4 million acres, down around 100,000 acres from 2018.

Corn, bean stocks lower than expected

CORN: Dec. 1 corn stocks at 11.952 billion bu. came in 140 million bu. below the average pre-report trade estimate. On-farm corn stocks totaled 7.45 billion, down 4% from year-ago. Off-farm stocks are estimated at 4.5 billion bu., down 7% from last year. Implied disappearance in the first quarter of the 2018-19 marketing year was 4.61 billion bu., up 6.2% from the same quarter in the previous year.

SOYBEANS: Dec. 1 soybean stocks at 3.736 billion bu. were 7 million bu. below the average pre-report trade estimate. On-farm soybean stocks totaled 1.94 billion bu., up 30% from year-ago. Off-farm stocks of 1.8 billion bu. were up 7% from last year. Indicated disappearance for the September through November quarter is 1.25 billion bu., down 20% from the same period a year earlier.

WHEAT: Dec. 1 wheat stocks at 1.999 billion bu. came in 42 million bu. above the average pre-report trade estimate. On-farm wheat stocks totaled 504 million bu. on Dec. 1, up 28% from year-ago. Off-farm stocks of 1.5 billion bu. were up 1% from last year. Implied disappearance in the second quarter of the 2018-19 marketing year was 390 million bu., down 1% from year-ago.

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Ethanol production plunges to one-and-a-half-year low.

U.S. ethanol production dropped 45,000 barrels per day (bpd) in the week ended Feb. 1 to 967,000 bpd. That was the lowest weekly output since the week of Oct. 6, 2017, as the arctic blast and poor margins curtailed production. Ethanol stocks dropped a modest 33,000 barrels during the week.

Record Brazilian ethanol use.

Brazil's consumption of hydrous ethanol was a record 19.38 billion liters in 2018, according to cane industry group Unica. That was a 42% surge in ethanol use, while demand for gasoline dropped 13% from 2017.

Tariff aid payments to farmers over \$6 billion.

USDA has paid out \$6.41 billion via the Market Facilitation Program (MFP), having received nearly 805,000 payment applications from farmers. Indications are that another \$1.23 billion is yet to be paid via applications USDA is still processing. Producers must sign up for the MFP by Feb. 14 and verify their production by May 1 to receive payment.

Consultant again cuts Brazilian soybean crop peg

Forecasts call for improved rainfall across Brazil into mid-February. But given the record harvest pace and advanced maturity of the crop, at least half of the country's soybeans won't benefit from the rains. As a result, South American Crop Consultant Dr. Michael Cordonnier cut his Brazilian soybean crop estimate another 1 million metric tons (MMT) to 113 MMT and he maintains a lower bias. He estimates the crop could drop as low as 105 MMT with a disastrous finish, though rains in the first half of this month would likely keep the crop from dropping that far.

Cordonnier kept his Brazilian corn crop estimate at 91.5 MMT — 23.5 MMT for full-season corn and 68 MMT for the safirinha (second) crop.

Consultant raises Argentine corn crop estimate

Outside of saturated conditions in areas of northern Argentina, weather remains favorable for the country's corn crop. He says yields for early planted corn should be very good and he is turning more optimistic toward the crop. As a result, Cordonnier raised his Argentine corn crop estimate by 1.5 MMT to 42 MMT.

Cordonnier left his Argentine soybean crop estimate at 55 MMT. While yield potential is very good in many areas of the country, saturated conditions have led to some acres being lost or needing to be replanted, making it "difficult" to peg crop size.

FAO raises world cereal grain production forecast

World cereal grain production will likely total 2.611 billion metric tons for 2018-19, says the Food and Agriculture Organization of the United Nations (FAO), up 16 MMT from its peg last month. Much of the increase was due to higher production in Europe.

FAO raised its global produc-

tion estimates by 11.7 MMT for coarse grains, by 3.3 MMT for wheat and by 1.2 MMT for rice.

Exports offsetting increased Canadian wheat production

Canadian all-wheat stocks as of Dec. 31 totaled 23.2 MMT, according to Statistics Canada, down 0.2% from the year prior and slightly below trade expectations. Durum wheat stocks increased 12.5%. If you take the durum stocks out, other wheat stocks were down 3.5% from last year.

While Canadian wheat production was up 6% in 2018, strong exports chewed through the extra supplies. *Pro Farmer Canada* Editor Mike Jubinville says Canadian wheat exports totaled 10 MMT through Dec. 31, up 13.5% from last year and the highest export volume for the period since 2014. The aggressive Canadian exports help explain sluggish export demand for U.S. wheat. Canadian feed wheat usage has also been reduced by the aggressive exports.

Slow exports lead to record Canadian canola stocks

Canadian canola stocks totaled a record 14.6 MMT on Dec. 31, according to Stats Canada. Those were up 4.9% from December 2017, but in line with trade expectations. Canola stocks rose despite lower production due to sluggish exports and high beginning stocks. Several analysts project Canadian canola carry-over will drop to 2.4 MMT in 2018-19, but Jubinville says given the poor export pace, ending stocks may be closer to 3 MMT.

Russian grain exports to slow

Rising domestic grain prices amid tightening supplies are making it difficult for exporters to offer a competitive rate on Russian grain shipments. As a result, Russia's ag ministry says grain exports will slow through late winter/early spring. But the ministry doubts the country will face a grain deficit in domestic

supplies and expects domestic prices will ease in the next one to three months.

Soybean crush slightly larger than expected

U.S. soy processors crushed a record 178.1 million bu. of soybeans in November, according to USDA. The crush pace slowed 5.4 million bu. (2.9%) versus October, but was 5.4 million bu. (2.8%) greater than November 2017.

Soyoil stocks at the end of November totaled 1.900 billion lbs., 130 million lbs. less than anticipated, despite the stronger-than-anticipated crush pace. That continues to imply strong biodiesel use and exports.

Corn-for-ethanol grind slows in November

Processors used 454.5 million bu. of corn for ethanol in November, according to USDA. Ethanol grind declined 5.6 million bu. (1.2%) from October and 21.2 million bu. (4.5%) from November 2017. Corn-for-ethanol grind in the first quarter of the 2018-19 marketing year was 1.360 billion bu., down 31 million bu. (2.2%) from last year.

Production of dried distillers grains (DDG) and dried distillers grains with solubles (DDGS) totaled 2.306 million short tons in November, down 121,000 tons (5.0%) from last year. First quarter DDG and DDGS production totaled 6.967 million short tons, down 179,000 tons (2.5%) from last year.

U.S. ethanol flowing to China tariff-free

U.S. ethanol shipments can still go into China tariff-free so long as they are blended with at least 40% Asian-produced supplies. *Reuters* reports the go-around on tariffs has resulted in tankers loaded with U.S. ethanol unloading in Malaysia and getting mixed with domestic supplies there before being re-exported to China tariff-free.

U.S. trade deficit declines sharply in November

The U.S. trade deficit dropped to \$49.3 billion in November, down 11.5% from October's 10-year high, as imports declined 2.9% and exports slipped 0.2%. The November decline ended five straight months of a rising trade deficit.

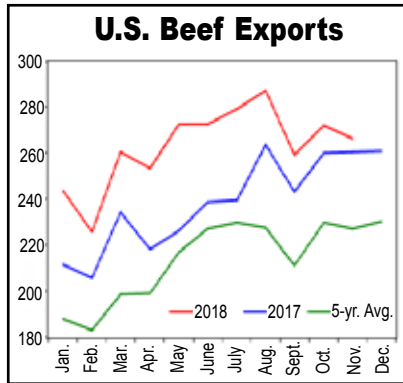
The U.S. goods trade deficit with China declined to \$37.9 billion, down \$5.2 billion from October, as the trade war with China and resulting duties curbed imports of Chinese goods.

Ag trade data signals rough road ahead for FY 2019

U.S. ag exports in November were valued at \$12.18 billion against imports of \$10.32 billion for a trade surplus of \$1.86 billion. In the first two months of fiscal year (FY) 2019, the U.S. had an ag trade balance of \$3.152 billion, down 48.5% from the same period in FY 2018. The troubling aspect is that since FY 2015, U.S. ag exports reached their highest levels in the October through December period, while imports usually peaked in the March to May timeframe.

U.S. beef exports record-large in November

The U.S. exported 266.5 million lbs. of beef in November, a record for the month and an increase of 5.8 million lbs. (2.2%)

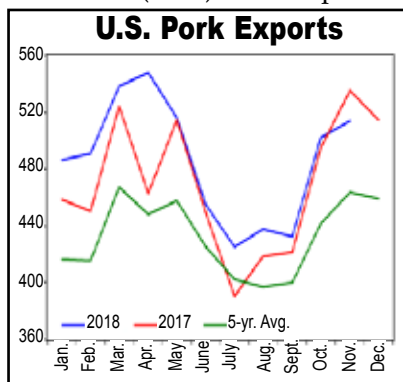


from a year earlier. Beef shipments from January through November totaled nearly 2.9 billion lbs., up 294 million lbs. (11.3%) from the same period in 2017.

U.S. beef exports to the top four customers in November were up from year-earlier levels. However, shipments to the fifth largest buyer, Hong Kong, dropped 29.5% in November.

U.S. pork exports slow in November

U.S. pork exports totaled 513.5 million lbs. in November, down 21.7 million lbs. (4.1%) from the previous year. January through November



pork exports at 5.3 billion lbs. were up 227 million lbs. (4.4%) from the same period in 2017.

U.S. pork exports in November to three of the top five customers dropped sharply from year-earlier levels. Pork shipments were down 13.2% to Mexico, down 14.5% to Japan and down 45.1% to China. Exports to South Korea and Canada rose 42.7% and 4.8%, respectively.

USTR outlines WTO non-compliance by China

A U.S. Trade Representative (USTR) report says Beijing's "extremely poor record of adhering to its transparency obligations as a member of the World Trade Organization (WTO) create trade barriers and undermine the competitiveness of China's trading partners." However, USTR says negotiating new WTO rules to try to rein in China's "mercantilist" trade would be largely futile.

China's commerce ministry says the report was based on U.S. domestic law rather than WTO agreements and multilateral rules.

Food price inflation to stay well below average

U.S. food prices rose 1.4% in 2018, according to USDA's Economic Research Service (ERS). That was up from a 0.9% increase in 2017 and the biggest rise since prices jumped 1.9% in 2015. However, food price gains were still well below the 20-year average of 2.3%.

Food at home (grocery store) price inflation was 0.4% last year, the first yearly increase since 2015 but well below the long-term average of 2%. Food away from home (restaurant) prices increased 2.6%, nearly on track with the 20-year average of 2.7%.

For 2019, ERS's outlook calls for an increase of 1.5% to 2.5% in all food prices, with grocery store prices forecast to rise between 1% and 2% and restaurant prices to increase 2% to 3%. The all-food and grocery store price inflation outlooks also remain under the 20-year average for 2019. USDA expects consumers will pay less for pork, other meats, eggs, fats and oils, processed fruits and vegetables and non-alcoholic beverages in 2019 compared to 2018.

Global food prices rise in January, but below last year

The world food price index calculated by FAO rose 1.8% in January to the highest level since September of last year.

The increase in global food prices was led by a 7.2% rise in dairy prices from December, which ended seven months of declines. Vegoil prices were up 4.3%, sugar prices rose 1.3% and cereal grain prices were marginally higher than the previous month. Global meat prices declined slightly from December.

While the index signals modest global food price inflation last month, the FAO index was still 2.2% lower than January 2018 and 28.3% below the 2011 peak. Global food price inflation is not a concern, which is good since world economic growth is slowing.

Growth Energy sues EPA.

EPA's 2019 Renewable Fuel Standard levels failed to address the small refinery exemptions the agency granted, according to a suit filed by Growth Energy. "EPA's inaction on addressing lost gallons due to small refinery exemptions is a clear violation of law," Growth Energy said. The lawsuit "calls for greater accountability from EPA to ensure biofuels mandates are fulfilled as the law intended."

Wheeler nomination advanced.

The Senate Environment and Public Works Committee voted along party lines to advance Acting EPA Administrator Andrew Wheeler to head up the agency. He is expected to eventually garner full Senate approval to lead EPA.

Immigrants to be 95% of U.S. population growth.

The Census Bureau projects the population of the U.S. will hit 404 million by 2060, and 75 million of the net 79-million growth will be from immigrants. Without immigration, the U.S. population would rise by just 3.7 million, according to the analysis.

Tyson buys six BRF operations.

Tyson Foods will buy six BRF S.A. operations for \$340 million. The purchase includes four processing facilities in Thailand, one in the Netherlands and one in the United Kingdom.

USDA's "January" crop reports that were delayed until Feb. 8 by the government shutdown featured smaller 2018 corn and soybean crop estimates. Ending stocks for both were also reduced. But the report data failed to spark buyer interest.

Corn crop estimate cut more than expected

USDA's final 2018 corn crop estimate of 14.420 billion bu. was cut 206 million bu. from November on a 2.5-bu. reduction to the national average corn yield to 176.4 bu. per acre and a 27,000-acre cut to harvested corn acres. The corn crop estimate was 112 million bu. below the average pre-report trade estimate.

Looking at the state-by-state corn yield estimates, yield cuts from November were estimated in Indiana (down 5 bu. to 189 bu.), Iowa (down 2 bu. to 196 bu.), Kansas (down 1 bu. to 129 bu.), Michigan (down 13 bu. to 153 bu.), Minnesota (down 2 bu. to 182 bu.), Missouri (down 5 bu. to 140 bu.), Ohio (down 3 bu. to 187 bu.), South Dakota (down 5 bu. to 160 bu.) and Wisconsin (down 5 bu. to 172 bu. per acre). Yields were unchanged from November in Illinois (210 bu. per acre). USDA raised its yield estimate in North Dakota (up 7 bu. to 153 bu. per acre).

Soybean crop estimate also trimmed more than expected

USDA's "final" 2018 soybean crop estimate of 4.544 billion bu. was 25 million bu. below the average trade estimate. The bean crop estimate is 56 million bu. below the November estimate, as USDA cut a half-bushel from the national average bean yield to 51.6 bu. per acre and a 233,000-acre cut to harvested bean acres.

Looking at the state-by-state soybean yields, estimates were down from November in Indiana (down 1.5 bu. to 58.5 bu.), Iowa (down 1 bu. to 57 bu.), Missouri (down 1 bu. to 45 bu.), Nebraska (down 2 bu. to 59 bu.), North Dakota (down 0.5 bu. to 39.5 bu.), Ohio (down 1 bu. to 58 bu.) and South Dakota (down 3 bu. to 46 bu. per acre). Yields were unchanged in Michigan (48 bu.) and Wisconsin (49 bu. per acre). USDA increased yields from November in Arkansas (up 1 bu. to 51 bu. per acre), Illinois (up 1 bu. to 65 bu.), Kansas (up 1.5 bu. to 43.5 bu.) and Minnesota (up 0.5 bu. to 50.5 bu. per acre).

Cotton crop estimate lowered

The cotton crop estimate at 18.390 million bales was 140,000 bales below the average pre-report trade estimate and down 198,000 bales from December. USDA puts the national average cotton yield at 838 lbs. per acre, down 22 lbs. per acre from December. That was partially offset by a 69,000-acre increase in harvested cotton acres.

USDA's yield estimate in Texas was cut 26 lbs. from December to 721 lbs. per acre. Its yield for Georgia was unchanged at 693 lbs. per acre.

U.S. Supply & Demand Report highlights

CORN: USDA's 2018-19 ending stocks projection of 1.735 billion bu. is down 46 million bu. from December. Total supplies are down 211 million bu. amid the smaller crop estimate. Total use is down 165 million bushels with estimated feed and residual down 125 million bu. (to 5.375 billion bu.) and food, seed & industrial use down 40 million bushels (including a 25-million-bu. cut to estimated corn-for-ethanol use of 5.575 billion bu.). Estimated corn exports were unchanged at 2.450 billion bushels.

USDA now projects the national average on-farm cash corn price at \$3.35 to \$3.85, down a dime on the top and up a dime on the bottom of the range from December.

SOYBEANS: USDA's carryover projection of 910 million bu. is down 45 million bu. from the last report. Total soybean supplies for the 2018-19 marketing year are down 61 million bu. from December. On the demand side, USDA increased estimated crush by 10 million bu. (to 2.09 billion bu.), but cut estimated exports 25 million bu. to 1.875 billion bushels. Residual use was also cut 1 million bushels.

USDA projects the national average on-farm cash soybean price at \$8.10 to \$9.10, up a quarter on the bottom and down a quarter on the top of the range from December.

WHEAT: Projected ending stocks of 1.010 billion bu. are up 36 million bu. from December. USDA made no change to the supply side of the wheat balance sheet from December. On the usage side, USDA cut 6 million bu. from estimated seed use and cut 30 million bu. from estimated feed and residual use.

USDA puts the national average on-farm cash wheat price at \$5.05 to \$5.25, unchanged from December.

COTTON: The ending stocks projection of 4.3 million bales is down 100,000 bales from December. Total supplies of cotton for the 2018-19 marketing year are down 180,000 bales from December. USDA cut total use 100,000 bales, with projected domestic use down 100,000 bales from December (at 3.2 million bales). Unaccounted use was also increased 10,000 bales.

USDA now puts the national average on-farm cash cotton price at 71¢ to 73¢, steady on the bottom of the range but down 4¢ on the top of the range from December.

Global Supply & Demand highlights

CORN: Global ending stocks for 2018-19 were increased 980,000 metric tons (MT), but are still projected to fall 9.1% from 2017-18. The Argentine corn crop estimate was raised 3.5 million metric tons (MMT) to 46 MMT.

SOYBEANS: USDA cut global carryover by 8.61 MMT, but stocks are still projected to rise 8.8% from 2017-18.

WHEAT: Global ending stocks were trimmed 570,000 MT and are projected to drop 4.5% from 2017-18.

COTTON: USDA raised global stocks 2.31 million bales but they are expected to decline 6.8% from 2017-18.

CATTLE

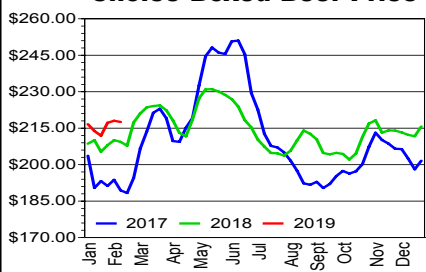
Position Monitor

GAME PLAN:	Feds	Feeders
Live cattle	I'19 0%	0%
futures quickly recovered from the top-	II'19 0%	0%
ping signals, suggesting another run to the upside could be coming soon. Be prepared to hedge on a challenge of contract highs.	III'19 0%	0%
	IV'19 0%	0%

Fundamental analysis

Wholesale beef prices were steady to firm last week even as slaughter rose above a year ago. That suggests feedlots are staying current. Delayed USDA data on cattle weights for late December showed average steers were the lightest since 2013. February is usually a slow month for beef sales, but packers appear to have strong grocer and restaurant markets demanding more beef. Delayed data from late-December export sales was lackluster, providing few clues to current export business. Cash feeder auction prices were mixed, with prices down \$3 to up \$2 and demand described as moderate to good, especially out of the South where weather has not been a problem.

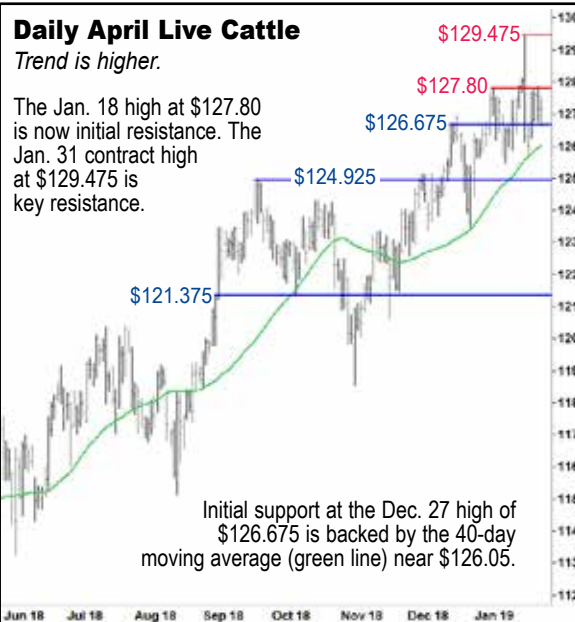
Choice Boxed Beef Price



Daily April Live Cattle

Trend is higher.

The Jan. 18 high at \$127.80 is now initial resistance. The Jan. 31 contract high at \$129.475 is key resistance.



HOGS

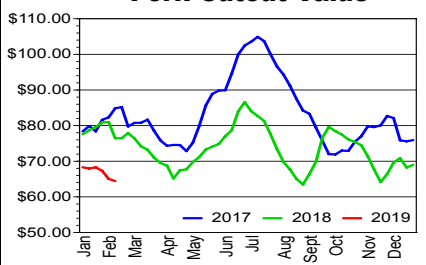
Position Monitor

GAME PLAN:	Lean Hogs
We feel the downside is overdone and traders are factoring a worst-case scenario into futures. That sets the market up for an eventual price rally. Continue to carry all risk in the cash market.	I'19 0%
	II'19 0%
	III'19 0%
	IV'19 0%

Fundamental analysis

Wholesale pork values fell last week to the lowest level since August as slaughter supplies continued to overwhelm pork demand. Disappointing weakness in hams, loins and bellies to start 2019 may be nearing an end as low prices are starting to attract grocers. Bellies finally found buying interest last week and that is a positive signal as long as loins do the same soon. The delayed USDA export sales for week ended Dec. 27 provided a positive surprise, showing strong new Chinese buying of U.S. pork for delivery in 2019. Chinese buying may motivate other buyers to commit to new purchases. The first signs of a slowdown in market hog supplies could amplify a seasonal futures rally.

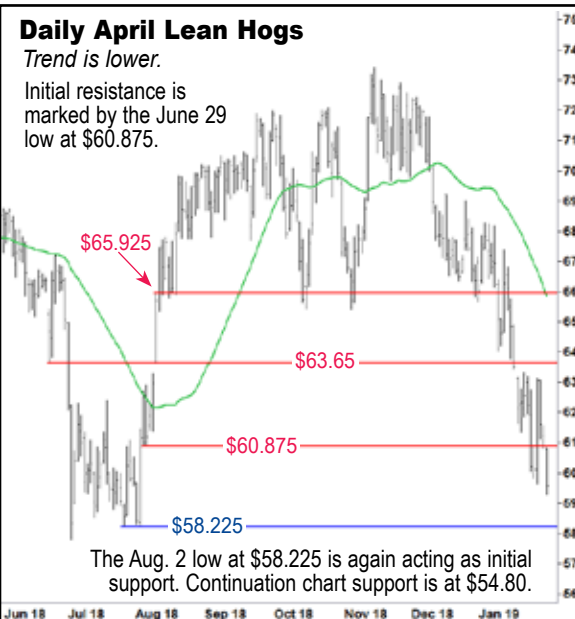
Pork Cutout Value



Daily April Lean Hogs

Trend is lower.

Initial resistance is marked by the June 29 low at \$60.875.



FEED

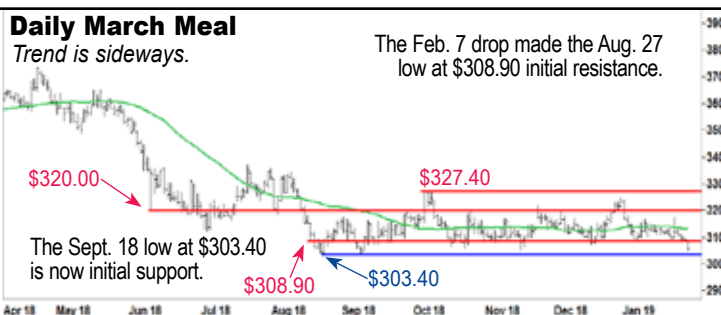
Feed Monitor

Corn	CORN GAME PLAN:
I'19 85%	On Feb. 6, we advised extending corn-for-feed coverage another two weeks in the cash market through the end of March.
II'19 0%	
III'19 0%	
IV'19 0%	
Meal	MEAL GAME PLAN:
I'19 67%	On Feb. 6, we advised extending soybean meal coverage another four weeks in the cash market through March. We would view a pullback to the \$305 level in May meal futures as a value buy.
II'19 0%	
III'19 0%	
IV'19 0%	

Daily March Meal

Trend is sideways.

The Feb. 7 drop made the Aug. 27 low at \$308.90 initial resistance.



CORN

Position Monitor

	'18 crop	'19 crop
Cash-only:	25%	0%
Hedgers (cash sales):	25%	0%
Futures/Options	0%	0%

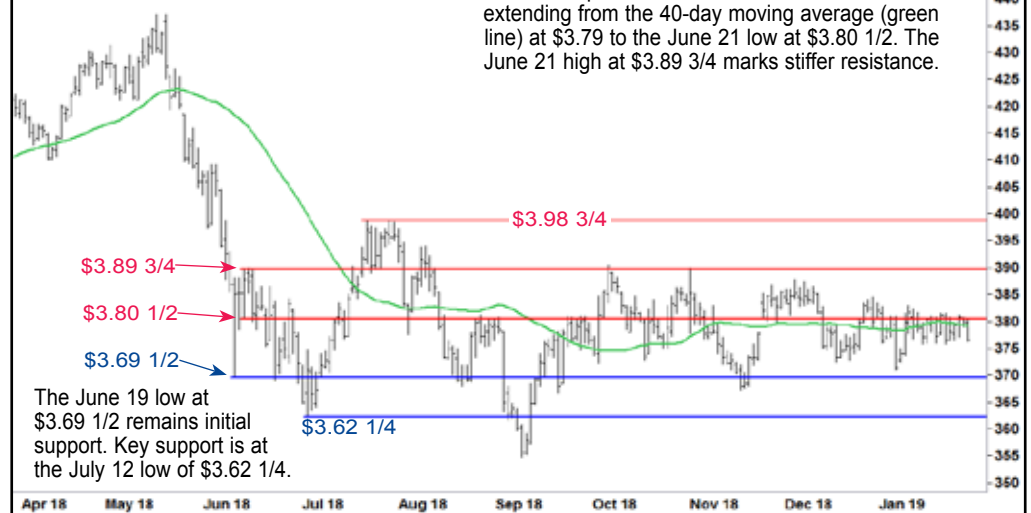
GAME PLAN: Get current with advised sales above \$3.80 in March futures. On Feb. 6, we entered standing orders to sell 15% of 2018-crop in the cash market if March corn futures hit \$3.94 and to sell 10% of expected 2019-crop via hedge-to-arrive (HTA) contracts for harvest delivery if December corn futures hit \$4.13. We want to make sure we sell a strong price rally.

Fundamental analysis

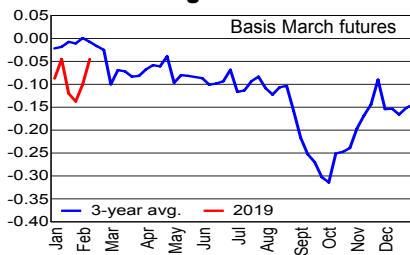
Corn prices worked lower on slower domestic use in feed and fuel and worries about increased export competition from larger South American supplies starting in April. Still, the market should find support from USDA cutting last year's production more than expected (see *News page 4*). Dec. 1 inventories fell 5% from a year ago and below 12 billion bu. for the first time in three years, as first quarter use rose 6.2% from a year ago. Global reserves before the start of the 2019 harvest will be down for a second straight year but not as small as expected. Market attention remains on South America weather, the upcoming U.S./China trade talks and any swings in production costs before U.S. planting season. The smaller U.S. carryover suggests more incentive to plant more corn and fewer soybeans — if prices strengthen.

Daily March Corn

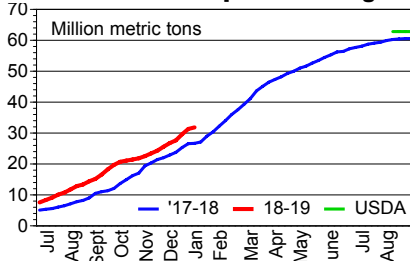
Trend is choppy.



Average Corn Basis



Total Corn Export Bookings



Daily December Corn

Trend is choppy.



WHEAT

Daily SRW March Wheat

Trend is choppy.



Position Monitor

	'18 crop	'19 crop
Cash-only:	55%	15%
Hedgers (cash sales):	65%	15%
Futures/Options	0%	0%

GAME PLAN: We are willing to wait for now on a price rebound to the \$5.60 level in March SRW futures for additional sales.

Fundamental analysis

SRW: U.S. farmers planted 3.8% fewer winter wheat acres than a year ago, the second smallest ever. Wheat prices found support last week after Egypt's state buyer bought two cargoes of U.S. SRW wheat, confirming our offers are competitive even with higher shipping costs.

SOYBEANS

Position Monitor

	'18 crop	'19 crop
Cash-only:	40%	20%
Hedgers (cash sales):	40%	30%
Futures/Options	35%	0%

GAME PLAN: On Feb. 6, we entered additional standing orders to make sales. You should have two standing orders to sell 10% of 2018-crop at \$9.35 and \$9.59 in March futures. You should have two orders to sell 10% of expected 2019-crop via hedge-to-arrive contracts for harvest delivery at \$9.75 and \$10.00 in November. Maintain the 2018-crop hedges in July futures as downside protection.

Fundamental analysis

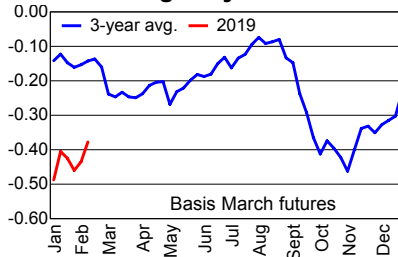
Soybean prices came under pressure late week after the White House ramped up warnings that it will need to secure verifiable structural changes to complete a China trade deal (see *News page 1*). The longer it takes to eliminate Chinese tariffs on U.S. soybeans, the less likely it is export shipments will recover. The barrage of USDA reports on Friday showed slightly smaller U.S. and world production and inventories (see *News page 4*). Still, U.S. and global ending stocks remain record-large. Welcome rain continued in some of the driest areas of Brazil last week and overall favorable weather in Argentina points to more than an 8% rise in soybeans in South America this season. That will remain a headwind for soy and soy product exports into the 2019 harvest.

Daily March Soybeans

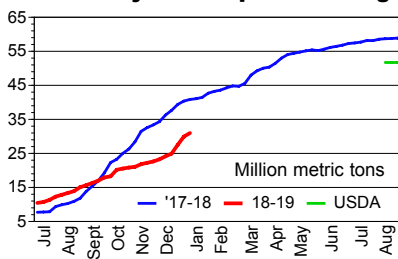
Trend is choppy to higher.



Average Soybean Basis



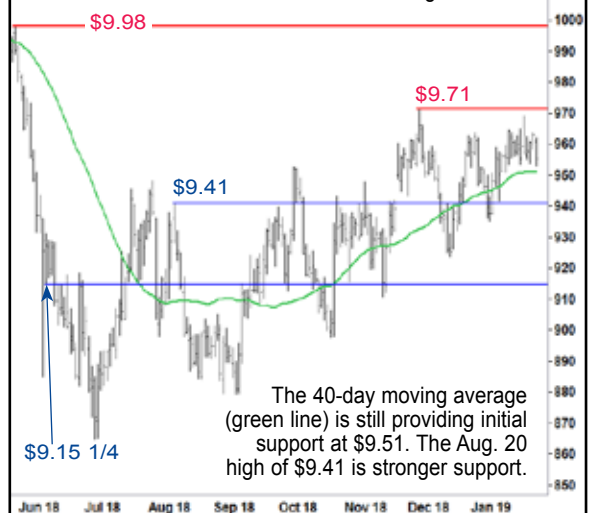
Total Soybean Export Bookings



Daily November Soybeans

Trend is choppy to higher.

Initial resistance remains at the Dec. 12 high of \$9.71.



HRW: HRW plantings fell 3%, with most states lower than a year ago. Farmers planted the smallest area ever in Nebraska this season. USDA left its annual export forecast unchanged at 1 billion bu. in Friday's reports. That's fair, with Russia shut out of last week's Egyptian tender because of high prices. Both shipments and sales are starting to recover. It will take two more weeks before USDA is caught up on delayed sales.

HRS: Basis for spring wheat is rising as rail demand for supplies in the Pacific Northwest is improving. Dryness is just beginning to develop across the Northern Plains ahead of planting.

Daily HRW March Wheat

Initial resistance is at the 40-day moving average (green line) near \$5.04 3/4.

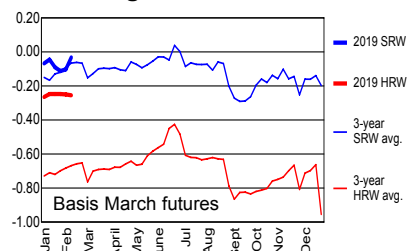


Daily HRS March Wheat

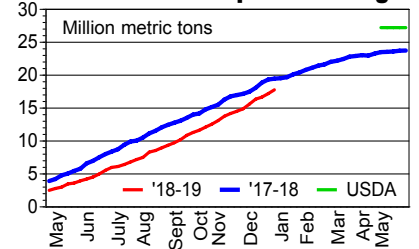
The 40-day moving average (green line) places initial resistance near \$5.68 3/4.



Average Wheat Basis



Total Wheat Export Bookings



COTTON

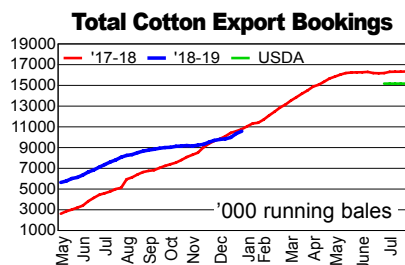
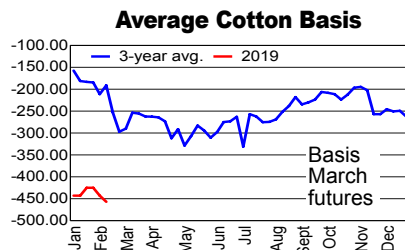
Position Monitor

	'18 crop	'19 crop
Cash-only:	50%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	0%	0%

GAME PLAN: Wait to get current with advised sales. We are willing to wait on a challenge of the fall lows before advancing sales.

Fundamental analysis:

Futures are clawing back the losses sustained in December amid world recession fears. Delayed exports sales continue to confirm the price break to end 2018 attracted global buying, including from China. USDA's supply and demand data delayed by the government shutdown is on [News page 4](#).



Daily March Cotton



GENERAL OUTLOOK

U.S. DOLLAR: The U.S., Eurozone and China account for nearly half of global GDP. All three have shown signs of slowing economic growth, with Europe and China exhibiting more weakness. That economic frailty has spread to other nations, supporting the dollar.

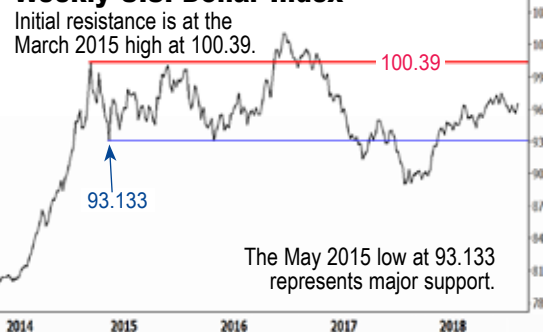
On a long-term basis, the U.S. dollar index has been weakening since peaking in 1985 at almost 165 and hitting a secondary high in 2001 near 121. The peak in December 2016 was near 104.

The price action since early 2018

reflected a major shift from markets expecting continued global growth and higher interest rates led by the U.S. to fear the U.S./China trade war slowed growth much more quickly, forcing many central banks to cut rates to restore growth.

A China trade deal may renew the dollar's weakness. At best, its value will trend sideways between 100 and 93 the remainder of the year. A non-trending dollar would have limited impact on ag commodity prices.

Weekly U.S. Dollar Index



FROM THE BULLPEN By Senior Market Analyst Jeff Wilson

When U.S. President Donald Trump fired the first salvos in his trade war with China, the market for hauling bulk commodities that power the Asian country's economy responded with a surprising surge. Now shipowners are looking at the lowest shipping rates since June 2016 and less than a third of the peak last year.

Freight costs offer investors clues about the health of the global economy and trade growth. Right now, they are warning a global recession may be on the horizon. Before jumping into the lifeboats, this cut in freight costs is great news for shipping agricultural commodities, especially if a U.S./China trade deal is completed or tensions don't escalate after the March 1 deadline.

On Oct. 16, the average daily rates for panamax, which carry grain, coal and other bulk dry commodity cargoes of about 60,000 to 70,000 metric tons, rose to \$14,259, the high-

est since January 2014. Last week, the average daily rates fell another \$3 to \$4,439.

Grain markets have a saying that basis bottoms first, then futures spreads start to tighten before futures begin to rally.

Wheat basis has been firming since fall and started getting stronger after the first of year. Most locations remain well above the prior three-year average. Corn basis is generally firming, with export demand pushing Gulf basis above a year ago last week.

Soybean basis remains weak — about 15¢ to 40¢ below average. After recent Chinese purchases, Brazilian soy export prices are now back below U.S. values.

Only wheat futures spreads are tightening, which means demand is bubbling up under the surface. Wheat is rarely a rally leader, but this year may prove to be the exception.

Key Market Items on My 'To Watch' List

- 1) USDA Export Inspections** — Monday Feb. 11, 10:00 a.m. CT
Corn, soy shipments remain active.
- 2) USDA Export Sales Report** — Thursday, Feb. 14, 7:30 a.m. CT
Sales data for the week ended Jan. 3.
- 3) U.S. January Producer Prices** — Thursday, Feb. 14, 7:30 a.m. CT
Weak prices mean the Fed can delay any new interest rate hikes.
- 4) USDA Long-term Baseline** — Thursday, Feb. 14, 2:00 p.m. CT
Ten-year supply & demand estimates.
- 5) U.S. January Industrial Output** — Friday, Feb. 15, 8:15 a.m. CT
Small gain signals a healthy economy.

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