U.S./China trade pendulum swings down
The U.S. and China have not set a date for a summit between President Donald Trump and China’s Xi Jinping, as neither side feels an agreement is imminent. U.S. media reports signal Chinese officials are wary of a quick deal and don’t want to commit to structural changes to its economy. But there’s growing economic pressure on both sides to reach a deal.

China data sparks fears of ‘trade recession’
China’s exports plunged 20.7% in February — the biggest drop in three years — while imports fell 5.2%. That narrowed China’s trade surplus to $4.12 billion. China’s trade surplus with the U.S. narrowed to $14.72 billion.

U.S. ag exports: slowest start since FY ’10
U.S. ag exports totaled $11.277 billion in December versus imports of $10.680 billion for a trade surplus of just $597 million. Exports for the first quarter of fiscal year (FY) 2019 were $35.648 billion, nearly $4 billion below the same period in FY 2018 and the smallest opening quarter since FY 2010. Going back to FY 2013, the strongest months for U.S. ag export values are in the first three months of the fiscal year. Imports typically do not peak until the March to May period. This suggests more downbeat ag trade data is likely ahead.

China soybean imports plunge in February
China imported just 4.46 million metric tons (MMT) of soybeans in February, a 39.5% plunge from January and the lowest total for the month in four years. However, China’s ag ministry raised its 2018-19 soybean import forecast to 85 MMT (still 9.7% lower than 2017-18), as canola imports are likely to drop after Beijing suspended the import license for Canada’s biggest canola exporter (see News page 2).

U.S., EU prepare for trade negotiations
EU Trade Commissioner Cecilia Malmström says trade talks with the U.S. will not include agriculture. That could cause Trump to impose tariffs on EU autos, a move she says would be a major blow to the global economy and trigger retaliation.

Study highlights impacts of USMCA
A Purdue University study analyzed possible trade impacts from the U.S.-Mexico-Canada Agreement (USMCA).
- Comparing USMCA with NAFTA and ignoring other trade policy changes projects a $454-million jump in U.S. ag exports to Canada and Mexico, primarily for dairy and poultry.
- Adding U.S. metals tariffs and retaliatory measures would result in a net loss of $1.8 billion to U.S. ag exports.
- Including all other new U.S. tariffs and retaliatory tariffs from other countries such as China would result in about a $7.9-billion loss for U.S. ag exports.
- If USMCA isn’t approved and Trump withdraws from NAFTA, assuming tariffs would revert to most favored nation status, U.S. ag exports would lose about $9.4 billion.

EPA submits E15, RINs proposals
EPA last week submitted its proposal for year-round sales of E15. It reportedly also proposed limiting speculation in Renewable Identification Numbers (RINs), including requiring quarterly retirement or sales of the credits, rather than the current annual requirement. EPA also proposed blocking some non-obligated parties from buying RINs and requiring firms with substantial credits to disclose their holdings.

EPA ignored rules in exempting refineries
The Advanced Biofuels Association (ABFA) claims EPA changed the way it assessed refinery waivers for biofuels obligations in 2017. In 24 of 48 cases, the Department of Energy ruled the Renewable Fuel Standard would have no impact on the refinery’s ability to stay competitive and profitable, but EPA still granted a waiver, ABFA alleges.

Weather sharply slows jobs growth
Non-farm payrolls increased only 20,000 in February, the smallest jobs growth since February 2017. Still, the unemployment rate declined to 3.8%. Average hourly earnings rose 0.4% in February, with the annual wage increase rising 3.4% — the biggest gain since April 2009. Fed fund futures now imply 30% odds of an interest rate cut by late 2019.
Bigger Russian wheat crop seen in 2019

Russia is likely to harvest a wheat crop of 75 MMT to 78 MMT this year, according to its ag ministry, and production could swell to 80 MMT if weather remains favorable. Total grain production is seen rising to 118 MMT. Last year, Russia produced 113.2 MMT of grain, including 72.1 MMT of wheat.

While the ag ministry hasn’t forecast 2019-20 wheat exports yet, at least a 4% increase in production would suggest Russia will remain a major seller of wheat and likely is the reason there hasn’t been an official ban on 2018-19 exports.

Big surge expected in Aussie wheat crop

Australia’s wheat production is expected to jump 38% to 23.9 MMT in 2019-20, according to the first official projection from the Australian Bureau of Agricultural and Resource Economics and Sciences. But the forecast comes with a big caveat — that rains normalize during the growing season and alleviate prolonged drought. That seems optimistic since El Niño is expected to produce above-normal temps and below-normal precip over key wheat growing regions through at least summer.

Even with an expected surge in production, the Aussie wheat crop would still be below the 10-year average of 24.4 MMT.

EU wheat production also expected to rise

The European Union’s wheat production is expected to surge 12.1 MMT (9%) to 140.8 MMT in 2019-20, based on the European Commission’s initial projection. That is expected to push EU wheat exports up by 7.5 MMT (42%) from 2018-19 to 25.5 MMT. The commission projects the EU will produce a 68.4-MMT corn crop, down 700,000 MT from 2018-19. Despite the smaller crop forecast, the EU is expected to import just 15.5 MMT of corn, a 4.5-MMT cut from record imports in 2018-19.

Canadian canola caught in ‘political game’

China has canceled Richardson International Ltd’s registration to ship canola, blocking imports from Canada’s largest canola exporter. China’s customs authority cited “hazardous pests” in shipments as the reason for the export ban, but Shaun Haney of RealAgriculture.com told us this is a “political game” tied to Canada’s involvement with the arrest of Huawei executive Meng Wanzhou and has nothing to do with concerns about pests in shipments. Haney says the shutdown of canola imports from Richardson was “strategic” on China’s part, knowing it would cause other canola exporters to use caution. It also has Canada’s wheat, pork and beef industries concerned the rift could expand to other sectors.

Harsh winter impacts barge rates, basis

Harsh winter conditions have trapped some barges above closed locks, reducing barge capacity and preventing efficient loading of grain and soybeans to meet export orders. In addition, the Coast Guard has reduced barge tow configurations from Cairo, Illinois to the Gulf. The reduction in capacity increases wait times for shippers and increases shipping charges. Barge freight rates along the Illinois River are up 54% from last year and 90% from the three-year average for early March. Barge rates will remain above the three-year average through spring.

Impacts are also being felt on basis. Interior bids we track for our basis charts (see Analysis pages 2-3) had a low to high spread of 55¢ for corn, 56¢ for soybeans and 85¢ for SRW wheat last week. Gulf basis bids are much higher than normal. If you live in an area with a “push” basis bid, there’s an opportunity to sell the cash rally — even as futures struggle.

Brazilian crop estimates increased

Beneficial weather since mid-January was enough to convince South American Crop Consultant Dr. Michael Cordonnier to raise his Brazilian crop pegs. He now estimates the soybean crop at 113.5 million metric tons (MMT) and the corn crop at 92.5 MMT, up 500,000 metric tons (MT) and 1 MMT, respectively, from his prior forecasts. He has a neutral to slightly higher bias toward both crops, though April and May weather will determine safrinha corn yields.

Argy bean crop peg lowered, corn raised

Growing conditions have been mostly favorable for Argentina’s corn crop and early yields are “very good.” Cordonnier raised his Argentine corn crop estimate by 1 MMT to 43 MMT and he has a neutral to higher bias. However, Cordonnier cut his Argentine soybean crop estimate by 1 MMT to 54 MMT and he has a neutral to slightly lower bias amid dryness concerns in southwestern areas.

South American production up sharply

Cordonnier estimates total South American soybean production at 181.6 MMT, which would be up 10.4 MMT (6.1%) from last year. While Brazil’s soybean crop is expected to be down around 5% from last year’s record, Argentina’s crop is projected to rise more than 40%. He estimates total South American corn production at 140.3 MMT, up 22.8 MMT (19.4%) from last year, amid an expected 14% increase in Brazil’s output and a 34% surge in Argentina’s crop.

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Net farm income to rise, but...
USDA forecasts net farm income will rise 10% this year to $69.4 billion. In inflation-adjusted dollars, net farm income is forecast to rise 8.1% after plunging 17.8% in 2018. At first glance, the forecast is positive. But USDA cautions that net farm income will remain well below the 2000-2017 average of $90 billion. Plus, liquidity measures are weakening while farm debt-to-asset ratios continue the upward trend that started in 2012. Working capital is forecast to fall almost 25% this year and farm sector debt is forecast to rise nearly 4%.

Ag still far from the 1980s crisis
The grip on the U.S. ag sector continues to tighten, but USDA Chief Economist Robert Johansson said at the recent Outlook Forum it’s still far from the 1980s farm crisis. He pointed out that relatively high land values and current low interest rates are helping ease the situation. Debt-to-asset levels, while rising, are still relatively low compared with the 1980s when they topped 20%. Those operations that are highly leveraged (debt-to-asset ratio of 40% or greater) are about 1 in 10 for crop farms and 1 in 15 for livestock/dairy farms. Johansson says this suggests there is “a relatively stable majority of producers with sufficient assets and operating structure to remain solvent.” But USDA continues to closely monitor the farm bankruptcy rate, which is about 2.35 per 10,000 farms — more than 10 times lower than the peak in 1987.

Ag barometer: Near-term stress; long-term optimism
The Ag Economy Barometer published by Purdue University and CME Group dropped 5% from January to February, “primarily the result of weakness in producers’ perception of current economic conditions.” The Index of Current Conditions fell 11% in February. The Large Farm Investment Index indicates that farmers’ attitudes toward investing in machinery and buildings has eroded since last summer.

Half of the respondents said that they either have no plans for their operation to grow in size or that they intend to reduce the size of their operation as they plan to exit or retire from production agriculture. This was a noticeable increase from a year earlier when 39% indicated such plans.

Sentiment regarding longer-term prospects for farmland values improved, with the percentage of farmers that view farmland as a good long-term investment rising for the fourth month in a row. Just 15% of those surveyed view farmland as a poor investment, the lowest figure since the question was first posed in the fall of 2015.

Farmers expecting ag exports to increase over the next five years rose from 63% to 67%.

Added steps for U.S. ASF prevention
USDA announced additional steps for preventing African swine fever (ASF) from entering the United States. In coordination with the U.S. pork industry, USDA will:

- Work with Customs and Border Patrol (CBP) to train and add 60 additional beagle teams for a total of 179 teams working at key U.S. commercial, sea, and air ports;
- Coordinate with CBP on the further expansion of arrival screenings at key U.S. commercial sea and air ports — including checking cargo for illegal pork/pork products and ensuring travelers who pose an ASF risk receive secondary inspection;
- Increase inspections and enforcement of garbage feeding facilities to ensure fed garbage is cooked properly;
- Heighten producer awareness and encourage self-evaluations of on-farm biosecurity procedures;
- Work to develop accurate and reliable testing procedures to screen for the virus in grains, feeds and additives;
- Work closely with officials in Canada and Mexico on a North American coordinated approach to ASF defense, response, and trade maintenance.

USDA and a wide range of partner groups are also working through several different ASF planning and response exercises covering many different aspects from trade and policy implication to the boots-on-the-ground realities of a response.

China to buy pork to support farmers
China plans to buy 200,000 MT of pork for government reserves in an attempt to stabilize domestic prices and bolster the confidence of hog farmers shaken by the ASF epidemic. The purchases are expected to be carried out in two 100,000-MT tranches from March to late April/early May. These would be the largest pork buys for state-owned reserves since 290,000 MT were bought during an 11-month span in 2009-10.

Meat stocks reflect strong demand
USDA’s Cold Storage Report showed that beef stocks declined contra-seasonally during January, while pork stocks increased less than the 10-year average. That suggests demand remains strong in the face of increased red meat production.

Beef stocks at the end of January totaled 510.1 million lbs., down 14.4 million lbs. from December and 8.3 million lbs. from last year. The 10-year average shows a 12.2-million-lb. increase in beef stocks during the month.

Pork stocks totaled 562.7 million lbs., up 57.4 million lbs. from December but down 18.0 million lbs. from January 2018. The month-over-month increase in pork stocks was less than the 10-year average of 67.9 million lbs., despite slaughter that was up nearly 5%.

Chicken stocks declined from December and year-ago, while turkey stocks increased from both levels in January.
USDA adds corn supply-side cushion ahead of planting
by Editor Brian Grete and Sr. Market Analyst Jeff Wilson

**CORN** — USDA raised its corn ending stocks projection 100 million bu. from last month to 1.835 billion bu., which was 99 million bu. higher than the average pre-report trade estimate. USDA made no changes on the supply side of the balance sheet. For demand, USDA cut projected food, seed and industrial use by 25 million bu. (to 7.015 billion bu.) with all of the reduction in ethanol use (now at 5.550 billion bu.). Projected exports were cut 75 million bu. from last month (now at 2.375 billion bu.) due to reduced U.S. price competitiveness and expected higher shipments from South America.

USDA now projects the national average on-farm cash corn price at $3.35 to $3.75, steady on the bottom end of the range and down a dime on the top end of the range from last month.

Global corn carryover was cut 1.25 million metric tons (MMT) to 308.53 MMT. Ending stocks are still projected down 32.63 MMT (9.6%) from 2017-18.

**Soybeans** — USDA cut its soybean carryover forecast by 10 million bu. from last month to 900 million bu., which was 2 million bu. below the average pre-report estimate. USDA made no changes on the supply side of the balance sheet. It raised total use 10 million bu. on higher projected crush (now at 2.100 billion bu.).

USDA's national average on-farm cash soybean price projection of $8.10 to $9.10 is unchanged from February.

Global soybean ending stocks were raised 450,000 metric tons (MT) from last month to a record 107.17 MMT. Carryover is now projected to rise 8.61 MMT from 2017-18. USDA cut 500,000 MT from its Brazilian soybean crop estimate to 116.5 MMT. USDA left its Argentine soybean crop estimate at 55.0 MMT.

**Wheat** — USDA’s wheat ending stocks figure climbed 45 million bu. from last month to 1.055 billion bu. and came in 35 million bu. higher than the average pre-report estimate. USDA increased supplies by 5 million bu. on a higher import forecast. On the demand side of the balance sheet, it trimmed projected food use 5 million bu. (to 965 million bu.) and cut exports 35 million bu. (to 965 million bu.) amid more competition for U.S. HRS and white wheat.

USDA now projects the national average on-farm cash wheat price at $5.10 to $5.20, up a nickel on the bottom end and down a nickel on the top end of the range from last month.

Global wheat ending stocks were increased 3 MMT to 270.53 MMT, but that would still be 9.08 MMT lower than 2017-18. USDA raised its Argentine and Australian wheat crop forecasts a combined 500,000 MT from February.

**Cotton** — USDA’s cotton ending stocks forecast was unchanged from last month at 4.3 million bales, which was 120,000 bales lower than the average pre-report estimate. USDA made no changes to its supply or demand forecasts.

USDA now projects the national average on-farm cash cotton price at 69 cents to 71 cents, down 2¢ on both ends of the range from last month.

Global cotton carryover was raised 590,000 bales from last month to 76.09 million bales. That would still be down 5.05 million bales from 2017-18.
CATTLE - Fundamental Analysis
Cattle futures pulled back from contract highs last week but remain well supported by strengthening beef prices, steady export demand and declining fed cattle market weights. More rain, snow and cold temperatures into late March mean weight gains will remain hampered, curbing overall beef supplies. Wholesale Choice beef rose to the highest price since June last week and the highest for this time of the year since 2015, a strong demand signal. The premium April futures hold to cash prices and June futures will keep marketings current. Exports through Feb. 28 are nearly equal to last year’s record and 11.3% above the prior three-year average.

HOGS - Fundamental Analysis
Prices inched higher a second week after setting contract lows on Feb. 20. Slaughter remains elevated, but wholesale carcass prices rose to the highest since the middle of February, as bellies are 20% above last month’s lows. Hogs are near seasonal lows. Pork export sales were strong for a second week. While China did not buy any pork, the nation was a major export destination last week, despite the tariffs. African swine fever continues to spread, with China confirming new cases last week. Rising premiums for deferred futures reflect optimism a U.S./China trade deal will be completed and increase Chinese demand for U.S. pork.

FEED
Corn Game Plan: On March 7, we advised extending corn-for-feed coverage another four weeks through the end of May. Plan to add to coverage on further weakness as we feel the downside is overdone.

Meal Game Plan: On March 1, we advised extending meal coverage by two weeks to mid-April. Our target for further coverage is $305 in May soybean meal futures.
**Position Monitor**

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

**Game Plan:** You should have standing orders to sell 15% of 2018-crop supplies in the cash market if May corn futures hit $3.90. Be prepared to add to those sales heading into the planting season. We also have orders to sell 10% of expected 2019-crop output via hedge-to-arrive (HTA) contracts for harvest delivery when December corn futures hit $4.13. Prices are undervalued and have the potential for a sharp rally from a China trade deal.

**DAILY MAY CORN**

Initial resistance is now marked by the July 12 low at $3.69 1/4. Tougher resistance is layered from the June 19 low at $3.76 1/4 to the Sept. 5 high at $3.88 1/4.

The contract low at $3.63 1/4 is now serving as initial support. Psychological support is at $3.50 (not shown).

**CORN - Fundamental Analysis**

Corn futures fell to the lowest price since September as the plunge in wheat may curb corn use in global feed. South American crops benefitted from recent rain, adding to competition for U.S. exports. Still, weekly export sales were good and also included the first Chinese purchase of U.S. sorghum in many months, despite prevailing tariffs. Weekly ethanol output fell while inventories rose to the highest figure in a year. Funds increased short positions to the highest for this time of the year since 2016 on slower world growth and U.S./China trade deal pessimism (see News page 1). The drop has erased any weather premium in futures despite widespread snow, cold and excessive soil moisture that will delay U.S. planting.

**Position Monitor**

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

**Game Plan:** Wait to get current with sales. We are willing to wait for a rebound to the $5.25 level in May SRW futures for additional 2018-crop sales. Stay patient on making additional 2019-crop sales.

**WHEAT - Fundamental Analysis**

SRW - Prices extended their decline for a fifth week to the lowest in more than a year despite improved U.S. export sales. Fund selling is overwhelming tepid commercial buying on rising 2019 crop forecasts and speculation slowing global growth may curtail import demand into 2020.

**Position Monitor**

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

**Game Plan:** You should have standing orders to sell 15% of 2018-crop supplies in the cash market if May SRW futures hit $3.90. Be prepared to add to those sales heading into the planting season. We also have orders to sell 10% of expected 2019-crop output via hedge-to-arrive (HTA) contracts for harvest delivery when December corn futures hit $4.13. Prices are undervalued and have the potential for a sharp rally from a China trade deal.

**DAILY MAY SRW WHEAT**


The March 7 drop below psychological support at the $4.50 level would have bulls targeting continuation chart support at $4.35. Additional support is at $4.15 (neither shown).
HRW - Futures plunged as funds now hold a record net-short position. Current prices reflect little or no weather risk premium before the Northern Hemisphere winter crops emerge from dormancy. Russian export prices for new-crop wheat are well below spot prices and a drag on U.S. futures.

HRS - Spring wheat futures have gained on winter futures because funds don’t trade as heavily in this smaller market. But, the current snow cover and cold temperature forecasts into late March mean delayed plantings. With crop insurance prices down more than 50¢ from a year ago, there is no incentive to plant late.

SOYBEANS - Fundamental Analysis
Soybean futures started last week firm but turned lower, falling to the lowest price this year as U.S./China trade deal optimism dimmed (see News page 1) and global growth concerns rose. Traders ignored China buying 664,000 metric tons (MT) of old-crop soybeans last week because it fell short of the 2 million MT rumored. China reported February soybean imports plunged, in part because African swine fever has curbed meal demand. U.S. soybean meal exports are running 7% ahead of last year, grabbing market share from Argentina, where crushing mills have been idled by new tax policies that favor raw soybean exports over meal. Biofuel and export demand for soyoil remain strong.
COTTON - Fundamental Analysis

Futures meandered sideways as mill buying continued to provide underlying support. Export sales are modest but the current pace is on target to reach USDA’s projection for 2018-19. Wet weather and a lack of pickers and ginning capacity may limit the increase in cotton planted area.

GENERAL OUTLOOK

World Economy: The Organization for Economic Cooperation and Development (OECD) reduced its growth projections for most of the world’s economies for this year and 2020. OECD predicts world economic growth at 3.3% this year, which is down from its November forecast for 3.5% growth and 3.6% in 2018.

A sharper slowdown in any major economy could derail growth worldwide, especially if it spreads into financial markets.

FROM THE BULLPEN  By Sr. Market Analyst Jeff Wilson

A rebound in South American production from weather-reduced 2018 levels depressed corn and soybean prices during the past month. But world prices now hinge more on Northern Hemisphere planting progress than South American crop size.

The U.S. forecast is cold and wet into late March, signaling a delayed start to planting this year. The March through May flood forecast already shows major flooding is likely from North Dakota to Louisiana and east to North Carolina.

U.S. corn supplies will face tough export competition from Argentina into the summer, with prices already below U.S. offers by 10¢ to 20¢ a bushel.

While U.S. corn shipments this season are 40% ahead of last year and a record pace, sales yet to be shipped are down 36% from a year ago. Total sales commitments represent 65% of USDA’s export projection for the year, down from the five-year average of 74%.

U.S. soybean export prices are 5¢ to 25¢ above Brazilian offers through May. U.S. soybeans shipped since Sept. 1 are 31% below last year because of the absence of Chinese buying. However, sales not yet shipped are a record for early March and up 79% from the average the past five years.

Corn and soybean exports the rest of the season will hinge on a new trade deal with China that results in a major buying commitment. Chinese domestic corn and soybean prices are significantly above world prices and the country can afford to pay more for U.S. imports to cement a new trade deal.

WATCH LIST

1. USDA Export Inspections Report  Wheat rebounds, soy active.
   MON 3/11  10:30 a.m. CT

2. Conab Brazilian Crop Report  Focus on safrinha corn crop.
   TUE 3/12  10:00 a.m. CT

   TUE 3/12  7:30 a.m. CT

4. USDA Export Sales Report  Update for the week of March 7.
   THU 3/14  7:30 a.m. CT

5. NOPA Soybean Crush Report  A record February crush expected.
   FRI 3/15  11:00 a.m. CT

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