

MORNING COMMENTS

Friday, June 22, 2018

Market Headlines

Symbol	Last	Change
CN18	357.75	▲ 0.75
CZ18	378.50	▲ 0.25
CH19	388.00	▲ 0.25
CIF.C	56	▬ 0
SN18	887.75	▲ 7.25
SU18	898.75	▲ 7.50
SX18	909.00	▲ 7.50
CIF.S	54	▼ -1
SMN18	334.40	▲ 2.60
BON18	29.31	▲ 0.12
KPON18	2283	▲ 29
WN18	491.00	▼ -4.25
WZ18	518.50	▼ -4.50
CIF.W	63	▬ 0
IHX.X	85.14	▲ 6.43
HEQ18	75.725	▲ 0.575
HEZ18	56.625	▼ -0.125
LEQ18	106.125	▼ -0.525
GFQ18	148.475	▼ -0.950
CRDN18	Invalid	Invalid
DX.X	94.6540	▼ 0.2080
BRZ.R	0.2662	▲ 0.0005
SPU18	2768.00	▲ 15.50

Prices as of 8:45am EST
Source: DTN ProphetX

Good morning and Happy Friday! Corn is up $\frac{3}{4}$ cent, soybeans are up $7\frac{1}{4}$ cents and wheat is down $4\frac{1}{4}$ cents/bushel as of the biscuit break.

Nearby corn is extending Thursday's gains into this morning and is nearly 20 cents off Tuesday's low thanks to heightened fear over increasingly warmer temperatures expected early-July. **USDA's Brad Rippey (NWS) has begun to draw comparisons to 2011 where the crop "looked great from the road" but evening temperatures failed to cool down enough and resulted in a 6% below-trend U.S. corn yield.** Nearby soybeans have rebounded into a consolidated price range following this week's emotional sell-off. **Corn and soybeans are both on pace for a fourth consecutive lower weekly close today but remain above the 23% retracement levels of their late-May highs (see Charts of Day).**

Weather leans bearish for price over the next five days with CWG calling for 80% rainfall coverage for much of the Corn Belt. Consensus among weather models this morning is for a considerably warmer tone throughout much of the Corn Belt for the last week of June and first week of July. **Although rains are expected to remain favorably abundant, cool evening temperatures will be critical for yield potential.** CWG's 16-30-day forecast maintains the southwestern portion of the Belt (MO River Valley) will remain dry but moisture to remain favorable for the rest of the Belt throughout July.

The EPA is considering delaying today's announcement on 2019 renewable fuel volumes after getting push back from oil refineries, but others say it will be out today. China's \$34 billion worth of tariffs on U.S. goods are set to be implemented two weeks from today on July 6. New crop U.S. corn and soybean exports are the highest in three and five years, respectively. Next major market

event is next week's USDA June 29 crop report.

Majority of bearish news has been discounted for the time being. Today's CFTC Commitment of Traders Report should confirm massive fund shorts in corn and soybeans, which is bullish heading into a hot July. Supportive U.S. and world balance sheets even at trend yields would result in lower production than last year and will keep markets more responsive to summer weather developments. No sign yet of reduced new crop demand. Closes above $\$3.75\frac{1}{2}$ in Dec'18 Corn and $\$9.10\frac{1}{2}$ in Nov'18 Soybeans would look great today heading into the weekend.

Managed Funds: Estimated Daily Positions

6/22/2018	Corn	Soybeans	Wheat
Daily	12,000	-14,000	3,000
Est. Net	-82,238	-82,895	13,135
Record +	409,444	260,433	73,662
Record -	-242,884	-105,705	-155,196

Source: Reuters

Managed Money: On Thursday, managed funds took some profits in corn heading into the weekend and extended net short exposure in soybeans and net length in wheat. Funds bought 12k corn contracts on the day, reducing their net short down to -82.2k contracts. In soybeans, funds sold 14k contracts and increased net short exposure to just under -83k contracts. Fund buying was estimated at 3k contracts in wheat, where they currently hold a 13k contract long.

This afternoon's weekly CFTC Commitment of Traders Report will be of high interest to the trade as it is expected to show sizable fund shorts in corn and soybeans.

Farm Bill: Thursday evening, **"The U.S. House of Representatives narrowly approved an \$867 billion farm bill with controversial provisions that could stop millions from receiving food stamps and toughen work requirements for program participants"**, according to CNBC.

"Today's vote was about keeping faith with the men and women of rural America and about the enduring promise of the dignity of a day's work," Rep. Mike Conaway, R-Texas, said in a statement.

"It was about providing certainty to farmers and ranchers who have been struggling under the weight of a five-year recession and about providing our neighbors in need with more than just a hand out, but a hand up."

The House farm bill includes cuts of more than \$20 billion in SNAP benefits over 10 years. The legislation also contains provisions that could see more than 2 million low-income Americans lose their benefits or experience declines in financial assistance. "I am especially supportive of the reforms made to SNAP, which require able-bodied individuals aged 18-59 to participate in employment training or work a minimum of 20 hours a week," said Rep. Ralph Norman, R-S.C., in a statement.

*The farm bill covers everything from farm subsidies and food stamps to trade and rural development policy. **Farmer assistance includes commodity payment programs, as well as subsidized crop insurance.** The bill is usually renewed every five years, and the current version is set to expire Sept. 30." ##*

Details on the commodity payment programs are limited. Changes in the food stamp program may make the bill difficult to pass the Senate, which is currently working on their own revisions to the bill for next week.



Trade Talk: Selected excerpts from a **Reuters** article this morning –

“China’s commerce ministry accused the United States on Thursday of being “capricious” over trade issues and warned that the interests of U.S. workers and farmers would ultimately be hurt, vowing to hit back with “quantitative” and “qualitative” measures.

The official China Daily said in an editorial the United States had failed to understand that the business it does with China supported millions of American jobs and that the U.S. approach was self-defeating.

The English-language newspaper cited research by the Rhodium Group saying Chinese investment in the United States declined 92 percent to \$1.8 billion in the first five months of the year, its lowest level in seven years.” ##

Export News: **Thursday’s Export Sales report showed new crop corn export sales trail 2016-17 for the strongest in five years and new crop soybean exports were the best in four years.**

This morning, USDA announced the sale of 117,000 tons of new crop corn to Panama, 30k tons of old-crop corn to Mexico and another 101,300 tons of new crop corn.

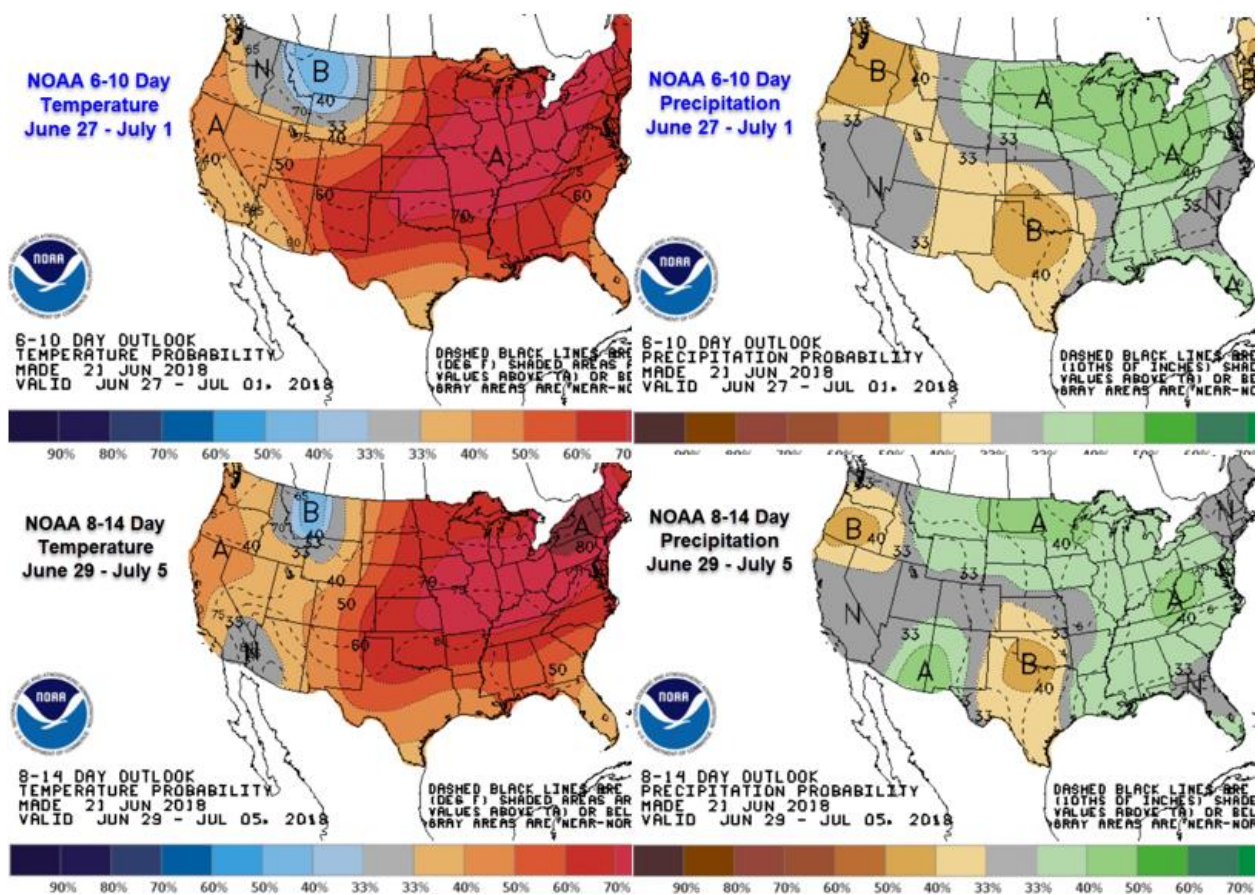
South America: **Argentina’s Ag Ministry yesterday raised their 2017-18 crop estimates, with soybeans up from 36.6 to 37.2 MMT, and corn up from 42.0 to 42.4 MMT this month.**

World Wheat: French consultancy Agritel estimated the 2018 Russian wheat crop at 67.4 MMT, down 21.5% from last season’s record harvest and below the USDA’s current 68.5 MMT projection, following a crop tour last week. That total crop would still be slightly above the five-year average harvest.

Cattle On Feed: This afternoon’s **USDA Cattle on Feed Report** is expected to show all U.S. cattle on feed as of June 1 at 11.470 million head, or 103.4% of last year (with a range of 102.8-104.4%). May placements are estimated at 95.6% of last year, with May marketings coming in at 105.1% of last season.

NEW FEATURE: **In addition to our daily soybean basis update we began this week, I have compiled a daily corn basis update for 52 major ethanol plants across the Corn Belt. I have attached both to this email in PDF format.** If you would like to see a specific location added to the list, please drop me an email.

Weather Outlook



U.S. Corn Belt: According to **CWG** this morning, rains favored north and central Illinois, all but southwest Indiana and southern Ohio over the past day and rains are expected to linger into the eastern Corn Belt through Saturday with the next event scheduled for Monday-Wednesday.

CWG expects a hotter pattern to arrive in much of the 6-15 day with peak temperatures in the mid- to upper-90s across the Missouri River Valley but mostly 90s elsewhere. Favorable moisture is expected to limit corn stress and the warm pattern is expected to aid growth. **Keep an eye on overnight temperatures.**

From **World Weather's Drew Lerner** this morning –

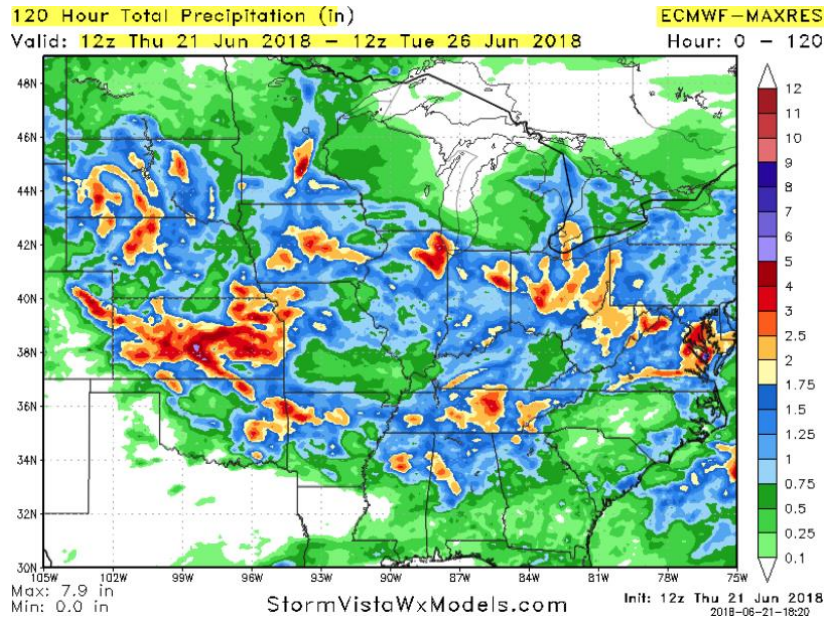
*The 06z GFS model run is probably handling the situation best. The European model is similar but has too much amplitude on the ridge. **The result of all this, if our assessment is correct, is a short-term bout of drier and warmer weather for the Midwest late next week into the following weekend and then showers and thunderstorms in northern and eastern parts of the Corn Belt July 1-2 while the ridge shifts to the west and induces hot, dry conditions in the Plains and westernmost Corn Belt. Restricted rain continues in the west-central and southwestern Corn Belt into July 7 while temperatures are warm to hot with most of the heat in the Great Plains and Missouri River Valley.***

Rain will continue frequently in the Midwest through mid-week next week and then it becomes concentrated in the north and east for a few days with many areas drier July 2-4. Some showers

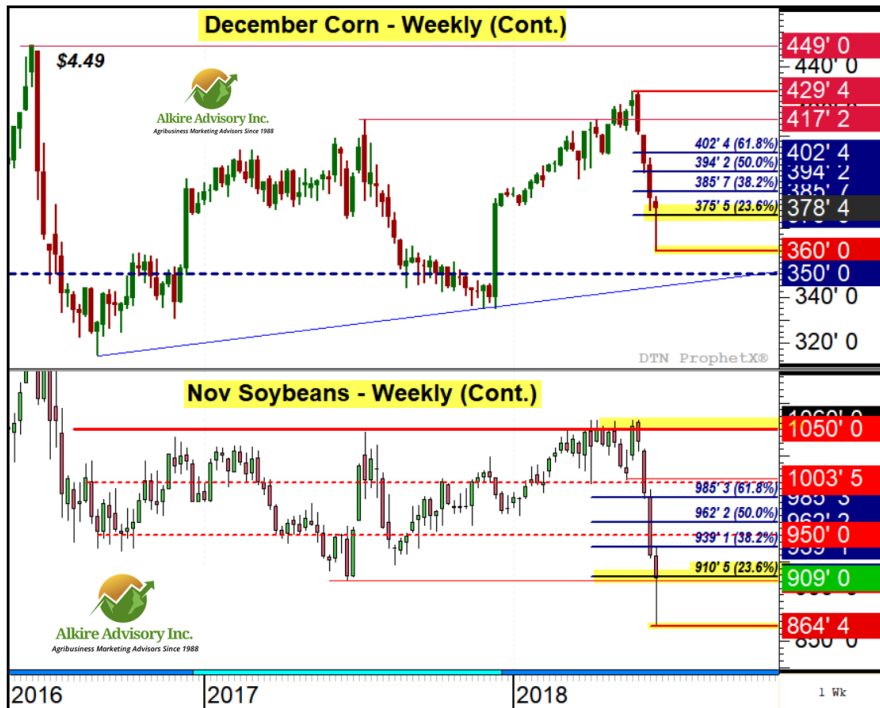
and thunderstorms may occur again in the northern and eastern Midwest July 5-7 while most other areas dry.

Double feature above shows the NOAA 6-10 and 8-14 Day Temperature and Precipitation Outlooks from June 27 – July 5 are considerably warmer but remain favorably wet.

The map above shows the European 5-Day Precipitation Forecast into June 26. The attached GIF shows the GFS 06z Model's 7-Day Precipitation Forecast into June 29.



Charts of the Day



December Corn – Weekly: The weekly December corn chart shows the market is 18 ½ cents off Tuesday's low at \$3.60 this morning and is on pace for a weekly close above \$3.75 ½, which is the 23% retracement level of the \$4.29 ½ late-May high. Close above \$3.75 would be great and a close above \$3.80 today would be even better for Dec'18 Corn.

November Soybeans – Weekly: The weekly November soybean chart above shows the market on pace for a weekly close above \$9.10 ½ today, which is the first level in the full retracement of its \$10.60 late-May high. Nov'18 Soybeans are 44 cents off Tuesday's low this morning.

AUDIO: [Jon Pardi – All Time High](#) (click)

Please call if you have any questions and have a great weekend!



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