

CORN:

An initially weak session in sympathy with wheat but as the wheat strengthened, corn climbed back to unchanged at the close. Export inspections rebounding with 1.376 mmt loaded vs .98 mmt last week. Loadings to date running 8.6 mmt behind last year and 3.95 mmt behind the pace needed to make the USDA's new aggressive number. The USDA looks to China and lack of SA supplies to result in US exports. The US will have to average around 1.27 mmt or 50 mbu per week to make the USDA's forecast or 15% better than last year. The market got a boost from the USDA as the government was willing to trot out a 2.127 bln carryout. This increases the possibility of the idea the May S/D could be below 2 bln depending on acreage. Below I have laid out different scenarios based on the demand base and acreage presented in the Ag Forum. The 174 yield is almost for certain the yield the USDA will use in that report leaving the carryout at 2.047 bln bushels. Perception of yield by the trade will stir price to find equilibrium. A 168 yield perception pulls down carryout to 1.55 bln or a 10.7% carryout/use ratio. A 178.5 yield which I consider trend generates a 2.4 bln carryout.

US Corn

	15/16	16/17	17/18	18/19	18/19	18/19	18/19
	USDA	USDA	USDA		AGF		
Plant	88	94	90.2	90	90	90	90
Harvest	80.7	86.7	82.7	82.7	82.7	82.7	82.7
						Trend	
Yield	168.4	174.6	176.6	168	174	178.5	181
Carryin	1731	1737	2295	2127	2127	2127	2127
<u>Production</u>	<u>13601</u>	<u>15148</u>	<u>14604</u>	<u>13894</u>	<u>14390</u>	<u>14762</u>	<u>14969</u>
Available	15400	16940	16947	16071	16567	16939	17146
Feed	5192	5487	5550	5475	5475	5475	5475
Industrial	6573	6870	7045	7145	7145	7145	7145
Ethanol	5206	5434	5550	5650	5650	5650	5650
<u>Exports</u>	<u>1898</u>	<u>2288</u>	<u>2225</u>	<u>1900</u>	<u>1900</u>	<u>1900</u>	<u>1900</u>
Total	13663	14645	14820	14520	14520	14520	14520
Carryout	1737	2295	2127	1551	2047	2419	2626
Ratio	0.13	0.16	0.144	0.107	0.141	0.167	0.181

Shifting back to nominal carryouts, the USDA likes to present the market with carryouts as close to 2.0 bln as it can in corn and often it's the over or under that nominal level that stirs the market to rally or pushes it lower. Below I have listed the history of the USDA's estimates for the last 5 years. May S/Ds have a poor history of matching S/Ds with prices as the acreage is yet undetermined with a lack of planting completed by its release. I have listed the June carryout as a better measure of

market pricing. As you can see, save the 2015 situation, the market assigns a higher premium to corn when the market is running below 2 bln, especially if the carryout/use ratio is below 13%. Using today's Ag Forum number we are right at the pivotal level but if the INTL FCStone survey is correct and 1 mln acres comes off the AGF planted number then the market is 1873 mln bu and below 13% carryout/use.

Year	May Price on S/D	June Price on S/D	June Carryout	Ratio	Final Carryout
2012	507	551	1880	13.7	821
2013	530	510	1949	15.2	1232
2014	499	442	1726	12.9	1772
2015	376	375	1771	12.9	1862
2016	388	434	2008	14.2	2295
2017	389	405	2110	14.8	2127
AGF 2018	?	?	2047	14.1	
89mln acres 2018	?	?	1873	12.9	

Deliveries

Corn 38 contracts

SOYBEANS:

Spreads broke but flat price gained in soybeans today. Argentina has some prospects for rain following the rains that fell in BA this weekend. Some agreement for something in the north and east in the next 10 days with the central region ignored. Midsession map updates showed a trend back to drier in the 6-10 GFS while the 11-15 turned wetter. Further out forecasts now ignored as a material amount of soybeans won't benefit from rain in that period. ENSO readings remain in the La Nina classification as weeklies show a -.7 Celsius. Anything below -.5 Celsius keeps a La Nina in place. The CPC predicts La Nina will hang around through May. Brazil having few problems picking up moisture for its crop development. The weekend had widespread rains in the soy region and more are in the forecast for the next 7 days. Safras raised its Brazil production number again, going from 115.6 mmt to 117.3 mmt this month. IMEA reports Mato Grosso harvest is 83% complete or 1% ahead of the average. Malaysian rains continue to aid its palm oil production with February setting a record level for that month. February's output reported at 1.343 mmt vs 1.258 mmt a year ago. Stocks also a large at 2.477 mmt or 30% above the average for this time of the year. Malaysian production pace indicating a crop at 22 mmt vs the USDA's 20.5 mmt. The USDA is already dealing with a larger US soybean oil carryout on lower than expected biodiesel usage. The US situation could be an unintended consequence of tariffs causing demand to show how elastic it is for US product. Because Argentina biodiesel was cheap there was high demand, but without the price break the demand isn't there. US Export inspections at .91 mmt this week, up from .678 mmt a year ago. Loadings to date are 5.3 mmt behind a year ago and imply the US will miss the USDA's forecast by 6.5 mmt. The USDA recognizes its reduction in the annual forecast may not be enough because "It would take the highest ever March-August soybean shipments to realize even this scaled back forecast of annual exports." The USDA hangs its hat on the ideas

there could be a disruption in competitor supplies bringing in outlier demand to the US thus it sticks with the current 2.065 bln bushel estimate. As I have said in past analysis, the US's carryout doesn't matter if it's only holding soybeans because they are the most expensive compared to SA keeping the Western Hemisphere S/D the same. The biggest effect will be on spreads and basis if this is born out. With the threat of more soybean acres and normal weather, the US will not only battle a growing 2017 carryout but an increasing carryout in 2018. I have attached a table below using the USDA's Ag Forum acreage and demand base. The USDA isn't likely to change the yield but may have to adopt different acreage after the March report. Even with 90 mln acres the carryout starts off near 500 mln bu with a push higher if yields move to levels seen over the last 4 years. Using INTL FCStone's acreage and the USDA's yield and demand base, the market starts the season off with a carryout near 600 mln bushels and that's before a bigger carryin from 2017 from a smaller export program.

US Soybeans

	15-16	16-17	17/18	18/19	18/19	18/19	18/19	18/19
	USDA	USDA	USDA		AGF			
Planted	82.7	83.4	90.1	90	90	90	90	92
Harvested	82	82.7	89.5	89.1	89.1	89.1	89.1	91.1
								Trend
Yield	48	52.0	49.1	46	48.5	50	53.5	48.5
Carryin	191	197	302	555	555	555	555	555
<u>Production</u>	<u>3926</u>	<u>4296</u>	<u>4392</u>	<u>4099</u>	<u>4321</u>	<u>4455</u>	<u>4767</u>	<u>4418</u>
Available	4140	4515	4719	4678	4901	5035	5347	4998
Crush	1886	1899	1960	1980	1980	1980	1980	1980
Exports	1936	2174	2065	2300	2300	2300	2300	2300
<u>Seed+Resid</u>	<u>121</u>	<u>141</u>	<u>139</u>	<u>135</u>	<u>135</u>	<u>135</u>	<u>135</u>	<u>135</u>
Total Use	3943	4213	4164	4415	4415	4415	4415	4415
Carryout	197	302	555	263	486	620	932	583

Deliveries

Soybeans 0 contracts
Soybean meal 9 contracts
Soybean oil 15 contracts

WHEAT:

Values recovering from their selloff late in the session to close in the positive. Weather hasn't changed for the next 10 days and the only glimmer of rain for the main parts of the HRW areas of the US is in the 11-15. The market also preempting condition ratings coming out this afternoon which are expected to show a net decline in OK, TX, and Kansas. Exports struggling with values well above competitive levels. Russia the best option around the world with US FOB running 35 to 40 dollars over Russian FOB. US loading producing another weak week with .389 mmt loaded vs .55 a year ago. Algeria and Iraq bidding for optional origin wheat today. Even with the USDA's reduced export estimate in the March report, the loadings are indicating the US will miss the

government's number by .7+ mmt. Assuming the USDA's planted and especially abandonment assumptions, the carryin overshadows the yield produced in 2018 as the table shows below.

US Wheat

	15/16	16/17	17/18 USDA	18/19 AGF	18/19	18/19
Plant	54.6	50.2	46	46.5	46.5	46.5
Harvest	47.3	43.9	37.6	38.8	38.8	38.8
Yield	43.6	52.6	46.3	46	47.4	50.5
Carryin	752	976	1181	1034	1034	1034
Import	113	118	155	135	136	137
<u>Production</u>	<u>2062</u>	<u>2309</u>	<u>1741</u>	<u>1785</u>	<u>1839</u>	<u>1959</u>
Available	2927	3403	3076	2954	3009	3130
Domestic	1176	1167	1117	1127	1127	1127
Feed	152	157	100	110	110	110
<u>Export</u>	<u>775</u>	<u>1055</u>	<u>925</u>	<u>925</u>	<u>925</u>	<u>925</u>
Total	1951	2222	2042	2052	2052	2052
Carryout	976	1181	1034	902	957	1078

No deliveries against the March contract for the wheat complex today.

ECBOT	HIGH	LOW	CLOSE	CHANGE
Mar Corn	3.8425	3.805	3.8425	+ 1 1/4
May Corn	3.9125	3.87	3.9075	+ 1/4
Mar Beans	10.3425	10.23	10.3325	+ 4
May Beans	10.45	10.32	10.41	+ 1 3/4
Mar Wheat	4.86	4.835	4.8975	+ 3/4
May Wheat	4.9275	4.83	4.9075	+ 1 1/2

Regards

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