

CORN:

Few surprises in the WASDE report today let corn oscillate around unchanged for the majority of the session. The USDA has elected to slowly ease into feed usage even though the stocks report in March pushed for more than the 50 mbu reduction logged today. With the feed number at 5500 now, the carryout increased to 2182 mbu. Item for consideration in the May S/D is the export inspections vs sales pace. The USDA is siding on the sales pace to support the 2225 mbu number. The market will have to wait for the June Stocks number to see the next push for lower feeding which could be as low as 5300 if feeding follows its normal seasonal usage. Carryout can grow to 2.3 bln on the feed number alone. If sales don't turn to inspections then another 125 mln bu can be added to the US 2017 carryout. South American corn production came in under the ATG but not enough to materially change the S/Ds. The trade was expecting a 33.7 mmt Arg corn number and the USDA produced a 33 mmt figure. The trade was expecting a 92.7 mmt number and the USDA came up with 92 mmt. The trade range had as low as 86 mmt which if proved out would have rallied the market. The key to the lack of reaction from the corn futures lies with the nuances the USDA revealed in its demand revisions. With the smaller world coarse grain production (down 7 mmt) and corn production (down 5.7 mmt), the USDA lowered world domestic demand 6.5 and 5.2 mmt respectively. These revisions were not in response to a need to ration but drew on an inflated level of residual usage brought in during high production periods to "suppress" carryouts. Carryout dropped 1.4 mmt, and 1 mmt of that was due to a multiyear supply revision in the S/D tables. Looking forward to the May WASDE the 2018 acres and yield will force the USDA to press their residual down hard and keep the export program at 2 bln to solve for a 1.9 bln carryout. The season will start off with a sub2 bln carryout without weather risk added. It's whether the trade believes the low corn acres in the first place whether prices climb from here.

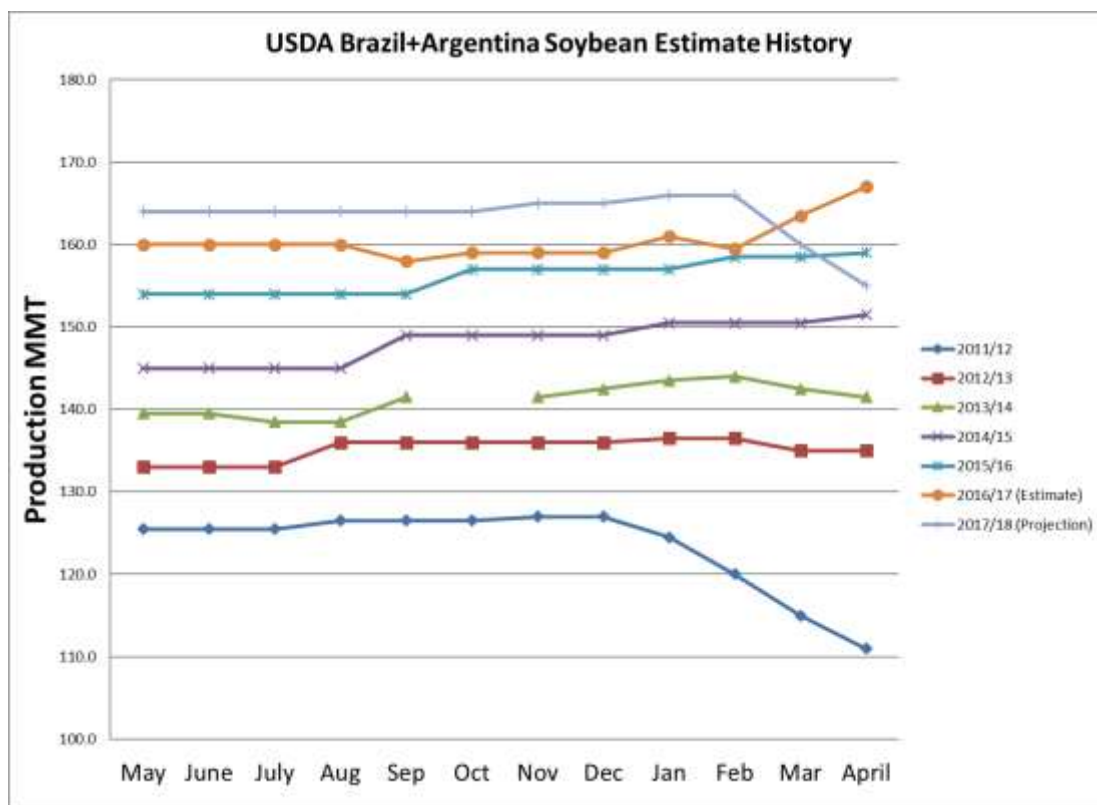
Beyond the WASDE, the NASS published US crop conditions yesterday afternoon showing very little corn planted. Corn planting progress was 3% vs 2% average. Concerns about a continual wet and cold pattern, especially in the upper Midwest, would stir the market to firm up but the season has only begun. It is more of a factor for other crops such as Spring Wheat which is well into its planting window and more snow is due. HRS acres could swiftly move into corn or soybeans if the producer becomes discouraged toward the end of this month.

US Corn

	15/16 USDA	16/17 USDA	17/18 USDA	Alt	18/19 USDA May?
Plant	88	94	90.2	90.2	88
Harvest	80.7	86.7	82.7	82.7	80.5
Yield	168.4	174.6	176.6	176.6	174
Carryin	1731	1737	2295	2295	2182
<u>Production</u>	<u>13601</u>	<u>15148</u>	<u>14604</u>	<u>14605</u>	<u>14007</u>
Available	15400	16940	16947	16948	16239
Feed	5192	5487	5500	5313	5350
Industrial	6573	6870	7040	7090	7040
Ethanol	5206	5434	5575	5626	5575
<u>Exports</u>	<u>1898</u>	<u>2288</u>	<u>2225</u>	<u>2100</u>	<u>2000</u>
Total	13663	14645	14765	14503	14390
Carryout	1737	2295	2182	2445	1849

SOYBEANS:

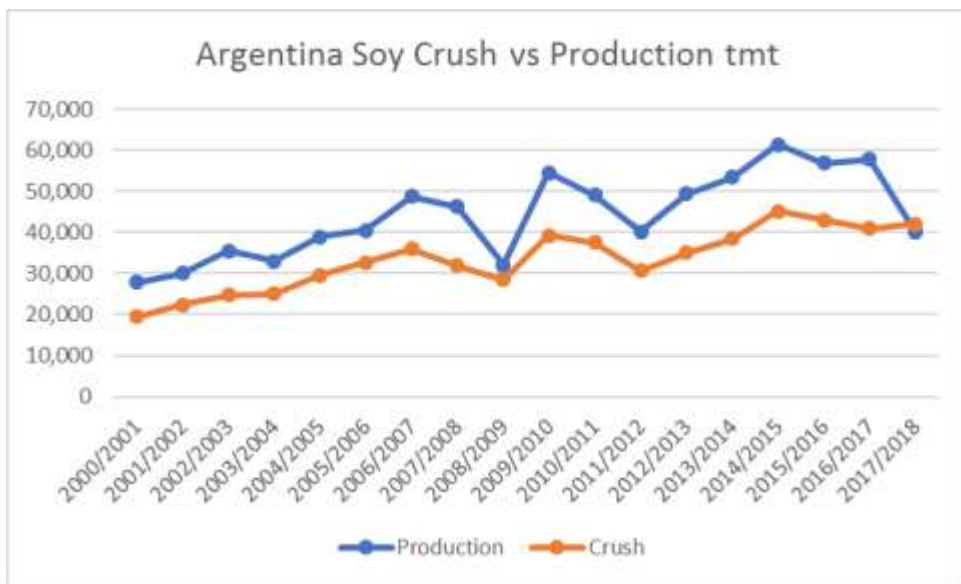
A mixed close in the soy complex today with the USDA providing the market with most of the production changes it had expected. Argentina, a focus of the trade, had its crop reduced 7 mmt to 40 mmt in today's release. Brazil's crop gained another 2 mmt to 115 mmt. The combination of the two countries reduced SA production 5 mmt to 155 mmt. The USDA muted the world S/D response by drawing hard on Argentina stocks and reducing exports.



As the table shows below, the USDA expects the Argentina export program to fall 3.5 mmt YOY while the crush remains 1 mmt over LY (though reduced from the March estimate). Carryout, on a local crop year, is pulled down to 13.5 mmt.

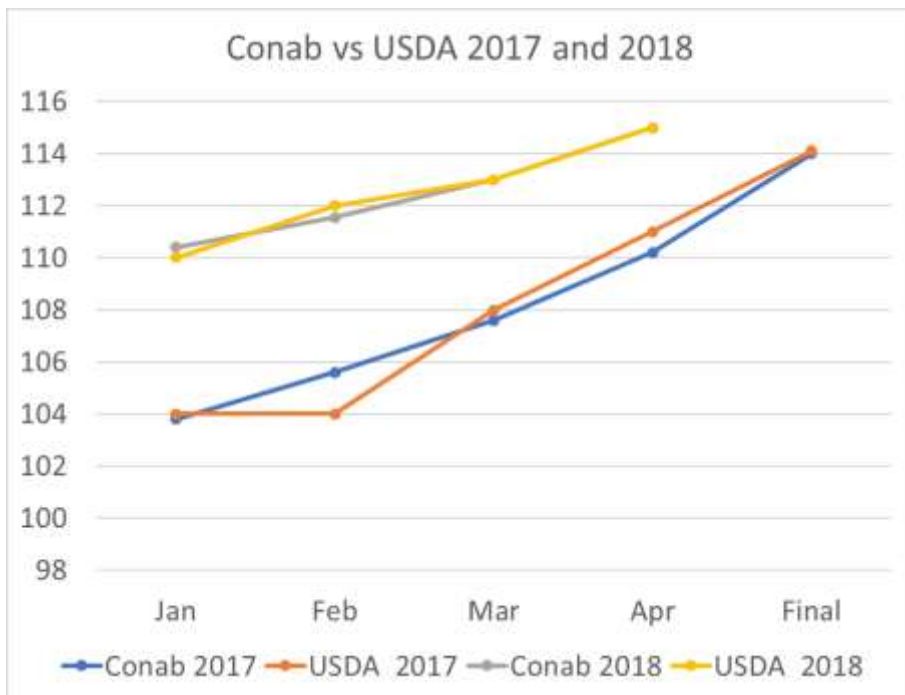
	2008/2009	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Area Harvested	16,000	18,300	17,577	19,750	19,250	19,340	19,530	18,350	17,500
Beginning Stocks	5,814	3,683	2,486	3,059	6,335	10,214	10,800	12,367	19,317
Production	32,000	49,000	40,100	49,300	53,400	61,400	56,800	57,800	40,000
Imports	157	13	2	2	2	141	1,304	2,000	2,400
<u>Total Supply</u>	<u>37,971</u>	<u>52,696</u>	<u>42,588</u>	<u>52,361</u>	<u>59,737</u>	<u>71,755</u>	<u>68,904</u>	<u>72,167</u>	<u>61,717</u>
Exports	3,486	10,389	6,098	7,817	7,434	11,670	9,046	7,250	3,750
Crush	28,555	37,521	30,681	35,009	38,503	45,110	43,041	41,000	42,000
Feed Waste Dom. Cons.	1,850	2,300	2,750	3,200	3,586	4,175	4,450	4,600	4,700
<u>Domestic Consumption</u>	<u>30,405</u>	<u>39,821</u>	<u>33,431</u>	<u>38,209</u>	<u>42,089</u>	<u>49,285</u>	<u>47,491</u>	<u>45,600</u>	<u>46,700</u>
Ending Stocks	4,080	2,486	3,059	6,335	10,214	10,800	12,367	19,317	13,542
Yield	2	2.68	2.28	2.5	2.77	3.18	2.91	3.15	2.29
Carryout/Dom Con	13%	6%	9%	17%	24%	22%	26%	42%	29%

Unlike the two other crop failures of the last 10 years, the USDA believes there are enough mobile supplies to keep crush from material rationing. In the 11/12 example the crush was rationed 7 mmt and exports dropped 4 mmt YOY. This year the USDA expects all the “rationing” to be done in the export category with Brazil picking up the deficit 1 for 1. One item also worth noting, if the USDA is correct, the 17/18 crop year will be the first ever which Argentina will crush more annually than it produces.



The major assumptions that make the Argentina table from the USDA table work are 1) mobile stocks, 2) crush will not be rationed and 3) Argentina will escape with the smallest export program in a decade. Mobile stocks is the most important assumption. Producers are holding stocks as an inflation hedge and in addition are delaying the taxes incurred by selling them. Every month they delay selling the soybeans they get a .5% lower tax rate.

Turning back to the Brazil numbers, the 115 mmt number from the USDA was echoed by CONAB earlier in the session keeping up their historical relationship. Interesting though, they typically travel together higher once they trend higher in March to April. Is the market expecting another 2 to 4 mmt tacked onto the Brazil crop???? Abiove raised its crop estimate from 114.7 mmt to 117.4 mmt today.



Besides the WASDE information published today, the President of China, Xi Jinping, addressed his nation regarding trade. Xi Jinping struck a much more even toned and conciliatory stance than his ministers overnight. What had been warned as an amping up speech to soybean crushers by their commerce ministry didn't play out once Xi spoke. Xi says China will lower tariffs on vehicles and focus on protecting intellectual property, two items of contention highlighted by the Trump Administration. Xi is dialing it down even though his Ministry of Commerce isn't budging. It wants to respond to US tariff proposals and to go toe to toe with the US. The Ag Ministry is still preparing for eventual 25% tariffs on Ag imports from the US.

Malaysia released its monthly production estimate for March and it was another monthly record. The 1.57 mmt production indicates the nation is on course to produce 22 mmt compared to the USDA forecast at 20.5 mmt.

WHEAT:

A mixed close for the wheat complex as the US domestic and world tables provided few surprises. As expected, the USDA cut feeding but only 30 mbu with another 20 mbu likely later as the quarterly usage plays out. Ending stocks up to 1.064 bln now. Exports not likely touched until June now. World tables saw carryin drop 2 mmt on multiyear revisions. 2017's production rose 1 mmt driven mostly by N. Africa's crop up .85 mmt. Russian exports increased 1 mmt to 38.5 mmt. According to the USDA the major importers will hold a larger amount than thought in March (+2.2 mmt). Net effect on world carryout was an increase of 2.3 mmt.

US condition ratings showed a larger drop in winter wheat conditions than expected. WW conditions as of Sunday are 30% vs 32% LW and 53% LY. WW heading is at 8% vs 4% average. Spring wheat planting at 4% vs 6% average with all planting progress in Idaho and Washington. ND, SD, and MN were all zeros against their averages of 2%, 16%, and 3% respectively. Snow cover and cold weather preventing progress and muddy/cool forecast provide little help in getting the crop in. This could lead to a loss of HRS acreage which would shift into other crops that can be planted later in the season, likely soybeans. The southern plains are under a dry pattern for the next 10 days and the conditions showed some reflection of rains in the eastern half. Soil Moisture in the southern plains continues to move backward. Topsoil S/V/S rating up 2% to 70 in KS, CO unch at 62%, OK is up 6% to 66%, and TX is up 6% to 60%. Beyond the weather threat to the Southern Plains the S/D is showing the US needs exports to pull down its burdensome supplies. Export values demonstrating US offers are too high to buy such business. Russian offers up another \$2/mt today but the US HRW Fob remains a \$30 premium.

ECBOT	HIGH	LOW	CLOSE	CHANGE
May Corn	3.9225	3.885	3.8925	- 1 1/2
Dec Corn	4.165	4.125	4.14	- 3/4
May Beans	10.64	10.45	10.50	+ 3
Nov Beans	10.59	10.41	10.48	+ 4 3/4
May Wheat	4.94	4.8175	4.92	+ 1 1/4

Regards

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