

# MID-DAY COMMENTS

February 12, 2018

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**HIGHLIGHTS: MACRO:** Monday is off to a good start with the DOW sharply higher; those hopefully in the know say a “corrective phase”, rather than the start of a bear market. Hopefully . . . **WALL STREET: Up!** DOW, **+428**; NAS, **+106**; S&P, **+39**. **EUROPE: Sharply higher as well:** DAX, **+1.45%**; FTSE, **+1.19%**; CAC, **+1.20%**. **EXTERNALS: Feb Gold, +\$10.70 @ \$1,324; \$ Index, -.169 @ 90.165; Mar crude, +\$0.77 @ \$59.97; Brazil Real, 3.2949, +0.74%. T-STORM Weather:** Dry weather continues through at least Friday in Argentina as temperatures gradually turn hot. Some t-storms occur within Feb. 17-21, but limited rainfall before and after leave most drier to much-drier than normal over the next two weeks, causing drought to continue or worsen. Southern Brazil and Paraguay will also be drier than normal as scattered t-storms hold for one week, while central and northern Brazil turn stormy in one week. The potential for flooding rains is added to the U.S. Delta and southeast third to half of the Corn Belt. **Highlights:** (1) 84% of Argentina soybeans were drier than normal over the 14 days ending Sat. morning; 51% of Brazil soy; (2) No change: 0.50” to 1.00” of rain affects Argentina over Sat.-Wed. (Feb. 17-21); wettest north and driest east; (3) Slightly warmer: maximums reach the 90s in Arg. for 5 days starting Wed.-Thu. (+5°F to +10°F from normal); (4) No change: much of Brazil will be fairly dry through Sat., except west Mato Grosso, Mato Grosso do Sul, SP; (5) No change: one week of storminess begins Feb. 18-20 in central and northern Brazil; limited rainfall South; (6) No change: U.S. SRW wheat drought ends over the next two weeks, while some rain aids HRW wheat. **EUROPE:** UK May Feed Wheat, **-2 ½ @ \$5.19 ¼**; French March Maize, **+2 ¼ @ \$4.81 ¼**; French March Milling Wheat, **+4 ¼ @ \$5.34 ¼**

## Corn

- **Bean strength; South Am weather although outlook for Arg looks wetter longer term but hot and dry through Friday: CH: +\$.0375 CK: +\$.0375**
- **Spreads:**

Spread	CH/CK	CH/CN	CK/CN	CN/CU	CU/CZ	CZ18/CH19
Current	-7.75	-15.75	-7.75	-6.75	-8.00	-7.50
Change	0	-.25	0	0	0	+.25

- **CIF: FEB:** 46/51, asked up 1; **MAR:** 48/52, bid down 1; **JUNE:** 37/40, steady. **Brazil: AUG:** 40/45, steady; **SEP:** 42/45, unch. **Ethanol:** Cedar Rapids, -5 CH, unch; Blair, -16 CH; unch; Decatur, 0 CH, unch; Fort Dodge, -23 CH, unch; IN, 0 CH to +10 CH, steady. **HEREFORD: FEB:** 77 CH, unch; **FH MAR:** 75 CH, unch.
- **Week of 2/11 Barge Freight:** IL River, 350/370, unch; Upper Miss: NA; Mid Miss: NA; STL, 260/280, unch; OH River, 290/310, unch; Mem-Cairo: 215/225, unch
- **Corn Export Inspections**—on the light side at 32.9; trade was expecting 31-43; USDA’s new 2.050 bbu forecast requires 49.4 per week
- **Milo Export Inspections**—China “study” having some impact? Only 570 K bushels with 5.8/week now needed
- **Reuters says China** cancelled up to 4 cargos of previously purchased U.S. corn and subsequently switched to the Ukraine
- **South American corn line-up:** combined Argentine/Brazil total 1 lower on the week to 67 million but up 53 million year to year
- **China’s Xinhua province** may expand corn processing capacity by 5 million tons in 2018 and they plant to add ethanol plants to the mix. In 2016-17, 7.5 million tons of corn was used for industrial use, according to the CNGOIC, and 11.5 million tons is projected for 2017-18
- **Ukraine continues to pump out the corn:** shipments were 10.2 mbu the week of 2/3-2/9, although down from 13.4 million the prior period. Russia again shipped 3.4 million in the same period
- **Dalian May** corn futures began the week a penny higher at \$7.34 (1 Yuan = .15885 U.S. \$)
- **China cancels both U.S. and Ukraine corn**
- **O/S Corn Loans: 17/18: 879, (-3). LY: 754**

## Soybeans

- **Possible reduction in Arg meal exports should crop deterioration accelerate has meal leading the complex higher: SH: +\$.01375; SK: +\$.14; SMH: +\$10.90; SMK: +\$10.90; BOH: -\$.0002; BOK: -\$.0002**
- **Spreads:**

Spread	H/K	H/N	H/Q	K/N	K/Q	N/Q	N/X
Current	-10.75	-20.50	-21.75	-9.50	-11.00	-1.50	+7.00
Change	-.25	0	+.25	+.50	+.50	0	+3.50

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- **CIF: FEB:** 36/40, bid/asked 1 lower; **MAR:** 37/41, bid/asked 1 lower. **BRAZIL: FEB:** 60/62, bid 1 higher/asked 1 lower; **MAR:** 60/63, bid up 1. **BOARD CRUSH: (H/H),** \$1.35 1/4, **+10 ½.** **CASH CRUSH:** Central: \$1.78, **+16 (meal basis again \$5 higher on Friday--\$15 gain last week);** East: \$1.64, **+5;** West: \$1.616, **+5**
- **Daily Sales Announcement:** Net loss 141 K MT as China cancels 455 K MT and Unknown buys 314 K
- **Soybean Export Inspections—Robust!** 48.5, well above the 29-40 mbu trade estimate and 20+ more than the implied rate of 26.8. China 29.0, or about the same as LY's 29.9 total
- **AgRural puts Brazil harvest at 10% complete,** trailing last year by 9 points;
- **Rio Grande do Sul's agriculture agency Emater** reports the southern area of the state is showing signs of crop stress for soybeans due to drought conditions
- **O/S Loans: 17/18: 119 (-1). LY: 78**
- **South American SB line-up:** combined Argentine/Brazil total 32 higher at 180 mbu, trails LY by 13 million. SBM volume rises 412 K to 2.87 MMT, up from 2.39 a year ago
- **Malaysian EOM January palm oil stocks** fall 6.8% to 2.55 MMT, with the decline putting inventory levels below the trade estimate of 2.73 MMT. Exports were 6% higher m/m at 1.51 MMT; output fell 13.5% to 1.59 MMT
- **Dalian May futures:** SB, +\$.0725 @ \$15.39; SBM, +\$3.93 @ \$406.67/ST; SBO, +13 points @ \$.4061/lb

## Wheat

- **Weather outlook looks a little wetter but drought concerns persist in the U.S. southwest as well as in India:** WH, +\$.0975; KWH: +\$.0875; MWH: +\$.0375
- **Spreads:**

Spread	WH/WK	KWH/KWK	MWH/MWK
Current	-12.00	-15.50	-12.50
Change	0	-.50	-.25

- **CIF: SRW: FEB:** 62/70 WH, **unch;** **MAR:** 62/70, **unch;** **HRW -12% Pro: FEB:** 195, **5 lower;** **MAR:** 195, **lower**
- **Wheat Export Inspections—Decent.** 17.9 versus 12-21 expected and 20.1 per week needed
- **Inspections by Class—Durum,** 0 (1.6); HW, 0 (400); HRS, 4.9 (3.0); HRW, 8.5 (7.6); SRW, 2.2 (1.0); Mixed, 200 (0)
- **Argentine wheat export** line-up declines 10 to 36 million, 2 less than the corresponding 2017 total
- **Russian wheat prices** reach a 2-year high as weather hampers export shipments
- **South Korea bought Russian wheat** on Friday as U.S. remains too expensive into some markets
- **Black Sea wheat exports-week 2/3-2/9:** Ukraine up from 1.8 to 2.4 mbu; Russian wheat shipments fall from 15.7 to 10.7 million
- **O/S Loans: 17/18: 30 (-0). LY: 78**