

FCStone Grain Recap

January 23, 2019

INTL FCStone

INTL FCStone Financial Inc.
FCM Division

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CORN:

Day 33 of the partial government shutdown and the market is absent of new news to drive a trend. The USDA is reopening FSA offices for a full two weeks starting the 28th to process applications from producers especially for those who haven't applied for their MFP payments. China reports it took in 420 tmt of corn in December and 0 sorghum. US-China discussions on hold after yesterday's disagreement over Intellectual Property rights. The US Senate is taking up the issue the partial government shutdown with competing bills funding and not funding the border wall. Both expected to receive an up/down vote on Thursday. Acreage switching in the US back in the news again as Informa released the results of its producer survey. The survey indicates that US farmers will shift 2.3 mln acres to corn increasing the national total to 91.5 mln. Securing this many acres pushes up the probability of a 2.3 to 2.9 bln carryout with trend yields which would historically well pair with MidJuly CZ values of 350 to 410. Of course, this is based on a trend of 182 bu/acre. A yield of 177 bu or below quickly moves the market expectations up 40 cents based on other similar supply/demand experiences.

US Corn

	18/19 USDA	18/19 Proj 1	19/20 Alt 1	19/20 Alt 2	19/20 Alt 3
Plant	89.1	89.1	91.5	94	95
Harvest	81.8	81.8	84.2	86.7	87.7
Yield	178.9	179	182	182	182
Carryin	2140	2140	1956	1956	1956
<u>Production</u>	<u>14626</u>	<u>14636</u>	<u>15324</u>	<u>15779</u>	<u>15961</u>
Available	16816	16826	17332	17787	17969
Feed	5500	5350	5500	5500	5500
Industrial	7130	6970	7105	7105	7105
Ethanol	5650	5500	5625	5625	5625
<u>Exports</u>	<u>2450</u>	<u>2550</u>	<u>2400</u>	<u>2400</u>	<u>2400</u>
Total	15080	14870	15005	15005	15005
Carryout	1736	1956	2327	2782	2964

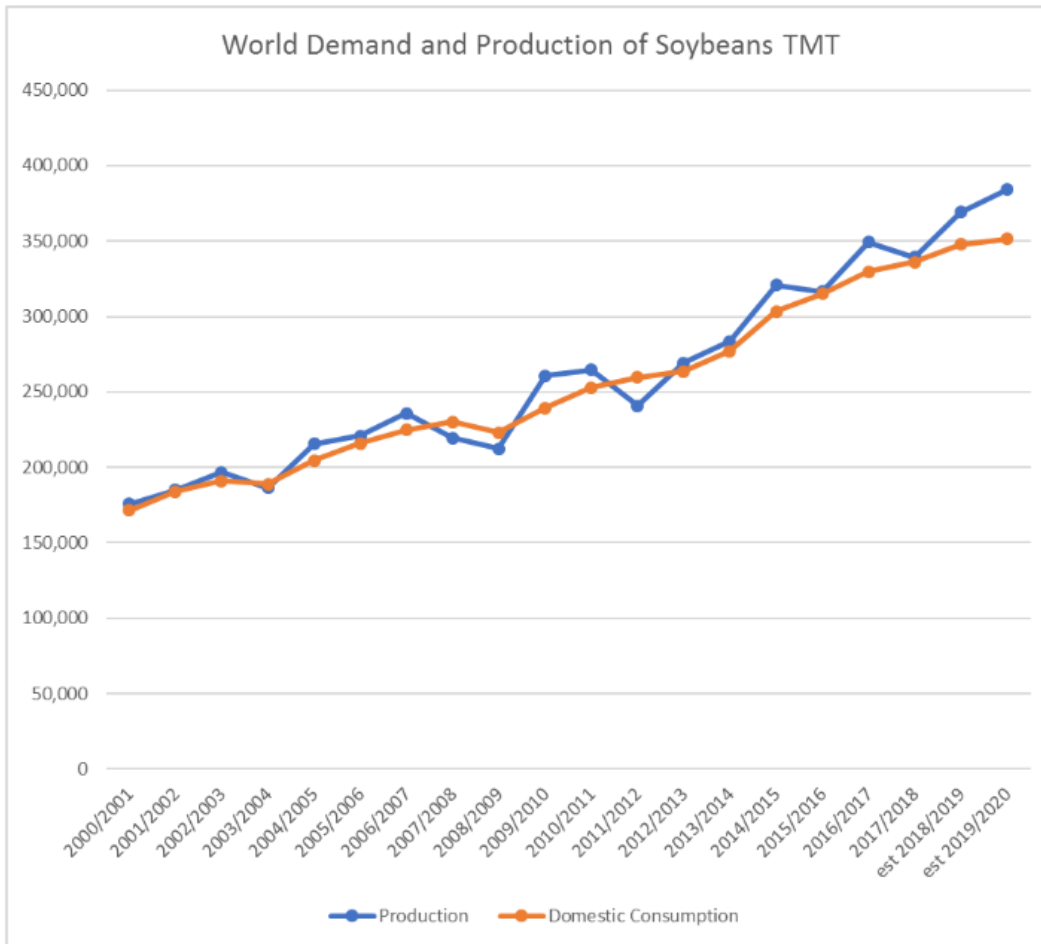
BEANS:

Extended models for South America signaling adverse conditions for Brazil in the way of dryness and excessive moisture for Argentina and that partially supported values. Before the 6-10's and 11-15's turn to the dry side, Brazil is set up for a beneficial rain forecast. US-China relations are seemingly at a halt for now so little can be gleaned from either side today. Brazil basis steady from yesterday, but down 15 cents/bu on Friday. China replacement crush margins in positive territory. Even as analysts cut SA production estimates for Brazil from November, production for Arg+Braz is 13 mmt (475 mbu) larger than a year ago. Slowing demand from China and 13.5 mmt more US

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soybeans available for nonChina destinations weighs on any bullishness that can develop in the market. The market is presented with a notion that world soybean demand may not grow as robustly or at all for 1 or two years like it has in the prior 15 as China has chosen to pull down its own supplies and its hog industry deals with ASF. Before the demand for soybeans worldwide was reliable enough to set your watch by but now it could be as unreliable as production is. As you can see the supply/demand relationship has been a situation where the market was 6 months away from rationing at any moment but a building divergence of the production and demand levels builds carryover and thus extends the 6 month time frame to a 1 year time frame which should allow low prices to exist for longer than what was experienced in the past.



US acreage could be part of that building supply as Informa's recently released survey of producers indicates less than 3 mln acres will switch away from soybeans. An 86.2 mln acre situation would indicate carryout will compound, with trend yields, to something around 1.2 bln bushels or a 27% carryout/use ratio. 27% is off the graph of modern history and takes imagination more than historical support to determine how low it could go. The last, nearest comparison was the 2006 situation, which had almost half the supplies/demand relationship but occupied a sub700 price level for much of the Fall.

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WHEAT:

Russian rumors again buoying the wheat market along with speculation over what China could do if it can come to some agreement with Trump. US-China talks on hold for now. Russian posted values show an advantage over US when freight is included though the rumors circulate that exports could come to a halt soon. China reported it took in 240 tmt of wheat in December. Informa released its survey of producers which continues their forecast of a loss of 1 mln acres in winter wheat. Spring wheat is expected to rise .58 mln acres which would be the other crop that soybeans lose acreage to.

ECBOT	HIGH	LOW	CLOSE	CHANGE
Mar Corn	3.8175	3.78	3.7875	- 1/4
May Corn	3.9025	3.865	3.8725	--
Mar Beans	9.1825	9.105	9.15	+ 5 3/4
May Beans	9.3175	9.24	9.2875	+ 6
Mar Wheat	5.27	5.2175	5.26	+ 4 3/4

Regards

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