

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Sales Recommendations: No Sales.

Current Sales: 2018 sales: **corn** 35% **soybeans** 100% **wheat** 87.5%
 2019 sales: **corn** 10% **soybeans** 53.33% **wheat** 25%

Quick View: Dec18 Corn remains in an uptrend. Extremely positive trade today! Funds are heavily short in Beans, supporting today's bounce. We remain very negative beans, with hope supporting prices until the G-20 meeting. Dec18 K.C. wheat held support when tested today and pushed back higher. Look for steady to higher, waiting for Russia to give it up!

USDA Report:

U.S. Avg Yield/bpa	2018/2019 Average Guess	2017/2018
Corn – 178.9 bpa	180.0 bpa	176.6 bpa
Beans – 52.1 bpa	53.0 bpa	49.3 bpa
U.S. Crop Production	2018/2019 Average Guess	2017/2018
Corn – 14.626 bb	14.711 bb	14.604 bb
Soybeans – 4.599 bb	4.676 bb	4.392 bb
U.S. Harvested Acres –	2018/2019 Average Guess	2017/2018
Corn – 81.8 ma	81.8 ma	82.7 ma
Soybean – 88.3 ma	88.3 ma	89.5 ma
U.S. Ending Stocks	2018/2019 Average Guess	October 2018
Corn – 1.736 bb	1.781 bb	1.813 bb
Soybeans – 955 mb	900 mb	885 mb
Wheat – 949 mb	966 mb	956 mb
World Ending Stocks	2018/2019 Average Guess	October 2018
Corn – 307.5 mmts	158.6 mmts	159.4 mmts
Beans – 112.1 mmts	110.8 mmts	110.0 mmts
Wheat – 266.7 mmts	259.3 mmts	260.2 mmts

Corn: The USDA cut yield 1.8 bpa, down to 178.9 and chopping off 152 mb from carryover. No changes to exports. That took carryover down to 1.736 bb. With that large of cut, we'll lower our January estimate to 177 bpa, which would take carryover down to 1.58 bb, if the USDA doesn't lower expectations for exports. The big negative was the USDA throwing in China's increase in "missed" acres and bushels, taking world carryover stocks to 307.5 mmts, up from 156.9 last month. It does mean demand won't come from China to feed their ethanol plants until maybe 2020. So here's what they did.

China's "think tank" upwardly revised recent corn production estimates by a significant amount, raising this year's crop by 20%. China reported they reported they had underestimated corn area the last few years by as much as 6 million hectares and production by about 40 mmts. This is an issue that needs to be monitored closely for global supply and demand implications. USDA's numbers need adjusted, but it also has propaganda benefits for China in the current trade war. That has one asking if this increase is really real. This increase doesn't diminish the fact that China has auctioned off 100 mmts of corn from its reserve since April, with little adverse impact on the cash market. At its current pace of corn utilization, China's reserve corn would run out by the end of 2019. This is negative longer term, as it will take longer for China to become a net importer of corn for their ethanol needs. It's not really bearish in the short run because these newly found bushels are not available to the world market.

Beans: The USDA hit perfectly within our stated expectations, cutting exports by 160 mb. They need to cut another 160 mb within 60 days or less, if no trade agreement is reached, taking carryover above the 1 billion bushel mark. They cut production 90 mb by cutting yield 1 bpa, down to 52.1 bpa, while adjusting carryover from 885 mb to 955 mb.

Weekly export sales totaled 14.3 mb (388,400 mt), half of what's needed to meet USDA's projections, and just 100,000 bu. for 2019-2020. Total commitments of 802 mb in 2018-19 are down 31% from a year ago. Weekly export shipments of 41.7 mb put total shipments down 41% from a year ago.

Brazil actually lowered their estimated soybean production to 118 mmts from USDA's number of 121 mmts. Argentina is ready to start up soybean meal exports to China, likely announced at the G-20 at the end of this month. This, as well as other actions, high level statements and data releases, strongly point to no progress on a trade agreement with China this month, or even in December; though positive comments and threats will continue to gyrate this market. The USDA Attaché to China cutting his import forecast for the country to 85 mmts, while spokesmen for ADM and Bunge said China can get to the Brazilian new crop without the help of U.S. soybeans. In addition, officials from Argentina said if the trade spat between China and the US continues, Argentina could export up to 16 mmts of "whole" soybeans to China vs. 7.5 mmts average and only 3 mmts this year. If Brazil exports 75 mmts to China, which is likely, add in 16 mmts from Argentina and

3 to 4 mmts from other minor producers, China can import their total needs of about 95 mmts. That's not what anyone wants to hear, but we are going to bring you the facts for what they are. If we were China, we'd get by until South America comes on line; because we can. If we were Trump, we'd hit them with more tariffs mid-December to get negotiations moving. From all we understand, neither nation can afford to give in and with the mid-terms now behind him, what reasons does Trump have to cry Uncle? He'll look weak if he does and lose any power he has to negotiate with others. Remember he is still dealing with North Korea and can't afford to look weak to them; or anyone. That's our read on these tariffs, right or wrong.

Reported yesterday were South American planting progress showing Brazil 55% complete vs. 44% last week and 41% average. Largest soybean province Mato Grosso is 90% seeded vs. 74% last week and 62% average. Brazil seems certain to have early beans ready for export in January, cutting the window of when U.S. soybeans have a chance to make inroads into China.

FC Stone's survey on planted acres for U.S. soybeans in 2019 came in at 84.6 ma vs USDA's baseline of 82.5 ma. Ukraine increased their corn output to 34.5 mts, up 12%, while increasing estimated exports to 26.5 mts, up 13% from USDA's last estimate of 25 mts.

Wheat: As usual for wheat, nothing bullish. But there's nothing really bearish, either. While U.S. carryover stocks were reduced 7 mb from last month, world stocks were increased 6 mmts. Based on the late, noon-hour rally back to unchanged, traders are looking ahead, as usual. They see U.S. gaining export share and maybe drawing down U.S. carryover stocks even more. It's been many months since wheat stocks have fallen, and now the trade received to good export sales reports in a row. They actually exceeded what is needed on a weekly basis to meet USDA's estimates.

Russian Ag Minister re-clarified their wheat exports at 35 mts. Russia exported 4.4 mts of wheat in October, just below record August shipments of 4.7 mts. Total wheat exports for the season have reached 17.4 mts, up 34% from year ago levels. Chatter is increasing in Russia of restrictions coming on exports. We know they don't want to do that, but based on history, where there's smoke, there's fire. If something breaks in that regards, wheat will slap on a \$0.20 rally, turning the trend from sideways to higher.

Solid export sales these last 2 weeks, along with firming basis levels both domestically and off the PNW for HRW, continue to underpin prices. Reports of producers throwing in the towel on winter wheat plantings support ideas of declining winter wheat acreage. Looking at years in which soybean harvest was 75% or slower as of week 43 this weekend, 11 years are seen since 1982. In those 11 years, 9 saw a drop in winter wheat planted acreage from the year before while 2 years (1984 and 1993) saw increases. The average change across all years was a decline of 2.708 million acres. This rejects earlier ideas for a 10-15% rise in winter wheat planted acreage. Kansas is the real area of concern, having the slowest planting pace on record. Since 1970, the change in winter

wheat planted acreage nationally was in the same direction as Kansas planted acreage 73% of the time. “As goes Kansas, so goes the U.S.” The record net-shorts held by managed funds in Chicago at 66,950 contracts is the largest since April 24, which will lead to massive short covering raising prices upwards of a \$1.00, once resistance points begin giving way.

An FC Stone survey placed 2019 wheat acres at 49.13, up from last year’s 47.8 ma. The following link will take you to a short video showing you the rise of Russia as the world’s #1 wheat exporter.