

ADM Investor Services
Market View

February 12, 2018

by ADMIS Research Team

SOYBEANS

March soybean meal traded up to a contract high of \$358.20 earlier in the session. The market is at \$353.70, up \$10.20 on the day. March soybeans are up 12 ¾ at 996 ¼ into the midsession. The strength in soybean meal has pushed March crush margins to a contract high of \$1.39. Less than expected rainfall in Argentina over the weekend has pushed the soybean meal market to fresh highs as soybean production estimates are on the decline. The forecast for the next week continues the drier pattern with warmer temperatures later in the week expected. China cancelled 455,000 tonnes of soybeans this morning followed by an announcement of 314,000 tonnes purchased with 198,000 tonnes for 2017-18 and 116,000 tonnes for 2018-19. Cash traders saw heavy interest from the Chinese last week with an estimated 25 to 30 cargoes purchased mostly from Brazil. In AgriSource’s 11th annual survey of 2,200 Midwest growers, they estimate soybean acreage at 91.5 million tonnes from 90.14 million last year. This would be the first time soybean acres would exceed corn acres since 1983. Weekly export inspections for soybeans came in at 1,319,038 tonnes. As of February 8, cumulative soybean export inspections for the 2017-18 marketing year have reached 61.3% of the USDA forecast versus a 5 year average of 72.9%. Inspections of 777,199 tonnes are needed each week to reach the USDA forecast. The open interest in soybeans went up 552 contracts with soybean meal up 8,235 contracts and soybean oil down 2,546 contracts..



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CORN

March corn gapped higher in the overnight session and traded up to 367 up 5 cents on the day at one point. Disappointing rain totals and coverage in Argentina over the weekend has traders lowering their production numbers for the country. Just 10% to 20% of the region saw beneficial rains over the weekend compared to forecasts for over 50% of the area. The seven day forecast has heat returning later this week with the most notable stress in areas of La Pampa, central and southern Buenos Aires, southwest Entre Rios and Santa Fe. Moisture stress will expand to nearly three quarters of the growing areas. Several analysts have lowered their Argentine corn production within a range of 38.3 to 36.0 million tonnes compared to the latest USDA estimate at 39.0 million tonnes. On Friday, the Buenos Aires Grains Exchange lowered their Argentine corn crop to 39.0 million tonnes versus 41.0 million. Continued short covering was seen last week with the managed money traders reducing their net short position by 48,018 contracts to 82,924 contracts as of February 6th. The open interest went down just 1,367 contracts on Friday but the combined Wednesday through Friday open interest last week went down 61,000 contracts which will show up in further declines in managed money shorts in this week's COT data. Weekly export inspections for corn came in at 835,131 metric tonnes. As of February 8, cumulative corn export inspections for the 2017-18 marketing year have reached 32.1% of the USDA forecast versus a 5 year average of 34.8%. Inspections of 1,133,811 tonnes are needed each week to reach the USDA forecast.



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WHEAT

Chicago March wheat traded up to 460 ½, up 11 ½ cents on the day with Kansas City March trading up 12 cents to 477 ½ at one point. Both markets have held onto most of the gains into the midsession. Continued short covering in Chicago wheat is seen as the managed money traders are still net short 83,394 contracts as of February 6th. These traders have flipped to a net long in Kansas City buying 17,054 contracts last week putting their net long at 15,157 contracts. Support continues to come from the extremely dry conditions in the winter wheat regions over the last three months. While the 5-day forecast for the central and southern Plains is still very dry, the 6-10 day and especially the 8-14 day models show some chance of moisture for the central and southern Plains. Weekly export inspections for wheat came in at 487,902 tonnes. As of February 8, cumulative wheat export inspections for the 2017-18 marketing year have reached 64.5% of the USDA forecast versus a 5 year average of 66.6%. Inspections of 594,559 tonnes are needed each week to reach the USDA forecast. The open interest in Chicago went down 2,829 contracts on Friday with Kansas City down 2,909 contracts.



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