

ADM Investor Services
Market View

Monday, March 12, 2018

by ADMIS Research Team

SOYBEANS

May soybeans recovered from overnight losses and settled up 1 ¾ cents at 1041. The market traded down to a low of 1032 early in the session. May soybean meal settled down \$3.20 dollars at \$370.40 causing May crush margins to fall 7 cents settling at 1.23 ¼. While the American Soybean Association reminded traders that Chinese officials have stated that US soybeans are a prime target for retaliation against tariffs, some feel China could import more soybeans and export crushed soybean meal to Southeast Asia according to analysts at Mizuho bank. This could push soybean imports to 100.0 million tonnes in 2017-18 versus the USDA estimate at 97.0 million tonnes. With higher crush margins, traders see China exporting nearly 2.0 million tonnes of meal for the 2017/18 season. South Korea bought 110,000 tonnes of South American meal overnight. Weekend rainfall in Argentina was spotty but did reach southern Santa Fe, Entre Rios and La Pampa with 25% coverage of 0.50 inch. The northern regions could see wetter conditions later this week. Brazil is forecast to see heavy persistent rainfall over the next two weeks in Mato Grosso which could start to cause some quality concerns as well as harvest delays. Areas in southern Brazil's Rio Grande do Sul should get beneficial rains over the next week. Brazil's soybean harvest was seen at 48% complete versus 35% last week and 56% last year according to Safras & Mercado. They also estimated the Brazilian soybean crop at 117.3 million tonnes versus 115.6 million previously and compared to 114.2 million tonnes last year. Weekly export inspections for soybeans came in at 910,237 tonnes. This was on the high end of estimates of 700,000 to 1.0 million tonnes. As of March 8, cumulative soybean export inspections for the 2017-18 marketing year have reached 69.5% of the USDA forecast versus a 5 year average of 81.8%. Inspections of 689,925 metric tonnes are needed each week to reach the USDA forecast. The open interest in soybeans went down 6,439 contracts on Friday with soybean meal down 3,309 contracts and soybean oil up 1,179 contracts.



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Market View

CORN

The corn market recovered from early losses and was near unchanged levels at 390 ½ into the close. The market traded down to 387 early in the session on COT concerns and some precipitation in parts of Argentina but mid-day forecasts see rains this coming weekend favoring northern Argentina missing the core growing areas. Spotty showers fell this past weekend favoring southern Santa Fe, Entre Rios, La Pampa and southern Buenos Aires with just 20% coverage of 0.50 inch or less. Brazil's corn plantings were seen at 81% compared to 63% last week and 88% last year according to Agrural. Oil World estimated the Argentine corn production at 29.0 to 31.0 million tonnes with continued dryness into mid-March. US exporters announced the sale of 254,000 tonnes of corn to Unknown destinations and 107,752 tonnes of corn to Japan. The managed money traders increased their net length by 104,414 contracts to 163,534 contracts as of March 6th. The open interest went up 11,681 contracts on Friday and is at a record high 1.821 million contracts. Weekly export inspections for corn came in at 1,376,999 tonnes. This was a ten month high and well above the average estimates of 900,000 to 1.2 million tonnes. As of March 8, cumulative corn export inspections for the 2017-18 marketing year have reached 39.0% of the USDA forecast versus a 5 year average of 42.6%. Inspections of 1,255,514 tonnes are needed each week to reach the USDA forecast. China has boosted corn processing capacity by a 33 million tonnes in the past year to 137 million tonnes. This is bullish for demand, as more and more of China's corn moves to ethanol production. China's corn reserves are estimated at 179 million tonnes, 28% below the historic high near 200 million tonnes according to industry sources. Reducing corn stockpiles is the biggest challenge for China policy makers as some corn reserves are 3 years old and losing commercial value.



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WHEAT

Chicago May wheat saw late buying push the market from negative on the day to a higher settlement. Chicago May wheat settled up 1 ½ cents at 49 ¾. Kansas City May wheat also recovered from early weakness and settled up 1 ¾ cents on the day at 522 ¼. The traded is anticipating this afternoon’s state crop conditions to show little if any improvements as dryness concerns continue in the hard red wheat areas. The forecast remains dry over the next 10-12 days in Kansas, Texas, eastern Colorado and western Oklahoma. The longer term forecasts into late March still offer better chances of moisture in the Plains. Russian wheat export prices increased by 1.0% last week to \$208 per tonne according to IKAR. The euro has strengthened versus the US dollar faster than the ruble resulting in higher Russian wheat prices. Ukraine’s export prices were seen up 1.5% in the last week at \$207 per tonne according to UkrAgroConsult. French wheat export prices fell 1.8% to \$204.34 per tonne which was the largest weekly decline since November according to FranceAgriMer. This drop has spurred some export interest with Algeria tendering for 50,000 tonnes of wheat for June shipment. Total tonnage will most likely be significantly larger. Iraq is tendering for 50,000 tonnes of wheat from US, Canada or Australia. Weekly export inspections for wheat came in at 389,358 metric tonnes. This was in the middle of the estimates at 250,000 to 450,000 tonnes. As of March 8, cumulative wheat export inspections for the 2017-18 marketing year have reached 72.1% of the USDA forecast versus a 5 year average of 74.4%. Inspections of 607,878 tonnes are needed each week to reach the USDA forecast. The open interest in Chicago went up 1,851 contracts on Friday and Kansas City went down 5,069 contracts.



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