

ADM Investor Services
Market View

Thursday, March 14, 2019

by ADMIS Research Team

SOYBEANS

May soybeans firmed into midsession trading at 902 ½, up 1 ½ cents on the day. The market was under pressure to start the day after it was reported that the trade talks between the US & China would most likely extend into April. The strong export sales figure has supported both soybeans and soybean meal so far today. May soybean meal was up \$2.00 at \$306.70 and May soybean oil was down 0.23 points at 29.70. Net weekly export sales for soybeans came in on the high end of estimates at 1,911,900 tonnes for the current marketing year and 3,000 for the next marketing year for a total of 1,914,900 tonnes. China accounted for 1.7 million tonnes of the total. As of March 7, cumulative soybean sales stand at 80.7% of the USDA forecast for the 2018/2019 (Current) Marketing Year versus a 5 year average of 90.6%. Sales of 387,000 tonnes are needed each week to reach the USDA forecast. Net meal sales came in at 226,000 tonnes for the current marketing year and 100 for the next marketing year for a total of 226,100 tonnes. As of March 7, cumulative soybean meal sales stand at 71.8% of the USDA forecast for the 2018/2019 (current) marketing year versus a 5 year average of 71.9%. Sales of 119,000 tonnes are needed each week to reach the USDA forecast. Net oil sales came in at 14,000 tonnes for the current marketing year and none for the next marketing year for a total of 14,000 tonnes. As of March 7, cumulative soybean oil sales stand at 52.0% of the USDA forecast for the 2018/2019 (current) marketing year versus a 5 year average of 62.3%. Sales of 16,500 tonnes are needed each week to reach the USDA forecast. The average estimates for Friday's February NOPA crush report is 158.7 million bushels from a wide range of 154.7-164.2 million bushels and compared to the January NOPA crush at 171.63 million bushels. The average estimate seems a little high as it implies an average daily rate of 5.67 million bushels per day. December and January saw an average daily rate of 5.54 million bushels per day. Oil stocks are estimated at 1.612 billion pounds in a range of 1.490 to 1.680 billion and compared to January's 1.549 billion pounds. Brazil's Parana harvest progress is seen at 66% complete compared to 78% last year as heavy rains the last two weeks have slowed progress. Argentina is considering cutting the export tax on soybean meal and soybean oil to 3 pesos per dollar from 4 pesos per dollar after the crushing industry has lobbied hard for the change. Argentina's crushing industry operated at just 54% of capacity last year after the government began taxing soybeans and soy products equally. The open interest in soybeans went down 1,127 contracts on Wednesday with soybean meal down 158 contracts and soybean oil down 852 contracts.



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Market View

CORN

May corn rallied up to a six session high at 372 ¼ early today and is holding gains trading 4 cents higher at 370 ½ at mid-day. Yesterday's strong move higher was tied to rumors that China had bought as much as 3.0 million tonnes of US corn off of the Pacific Northwest (PNW). There has been no confirmation of these rumors as yet. The rumors could have been misinterpreted from a report that China plans on buying 3.0 million tonnes of corn from Chinese farmers to boost domestic prices as the outbreak of African swine fever has hurt demand. However, it does look like China bought up to 3 cargoes of sorghum out of the PNW. This would be a positive sign for the US/China trade negotiations although reports this morning have the talks pushing into April.

Net weekly export sales for corn came in at the lower end of estimates with 372,000 tonnes for the current marketing year and 474,600 for the next marketing year for a total of 846,600 tonnes. As of March 7, cumulative corn sales stand at 67.8% of the USDA forecast for the 2018/2019 (current) marketing year versus a 5 year average of 73.2%. Sales of 747,000 tonnes are needed each week to reach the USDA forecast. The USDA Foreign Agriculture Services increased Mexico's corn imports to 17.8 million tonnes from 16.7 million last year. They also see Mexico's corn output increasing to 27.1 million tonnes from 26.7 million previously. The open interest in corn went up 13,849 contracts on Wednesday.



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WHEAT

Wheat markets pushed up to new highs for the week with Chicago May wheat trading at 459 ¼, up 12 cents at mid-day. Kansas City May wheat was up 9 cents at 445 ¾ at mid-day as fund short covering has been active. The CME announced they will raise wheat margins at the end of business today. Matif May futures are up 1.35% on news that Algeria bought 450,000 tonnes of wheat for April/May shipment. The average price of the tender was \$231-\$234 per tonne. French wheat looks to have dominated the sale but some US wheat could have been purchased as well. There has been a flurry of wheat business this week with Bangladesh and Tunisia also seeking wheat offers. Today's weekly export sales for wheat came in below expectations at 263,000 tonnes for the current marketing year and 83,000 for the next marketing year for a total of 346,000 tonnes. As of March 7, cumulative wheat sales stand at 87.0% of the USDA forecast for 2018/2019 (current) marketing year versus a 5 year average of 91.1%. Sales of 278,000 tonnes are needed each week to reach the USDA forecast.

Russia's wheat exports are up 3% from year ago levels at 30.3 million tonnes as of March 12th according to the Federal Center for Quality and Safety Assurance. Total shipments of all grains were seen at 37.3 million tonnes, down 3% from a year earlier. Ukraine's grains exports were seen at 34.3 million tonnes compared to 27.93 million last year. The increase has been dominated by corn exports while wheat exports are seen at 12.8 million tonnes down 5% from last year. Ukraine's wheat shipments are expected to continue to slow as inventories are on the decline. German Agricultural Coop DRV sees German grain output up 24% at 47.1 million tonnes. Wheat production was expected at 24.2 million tonnes up 19% from last year. The open interest in Chicago went down 909 contracts on Wednesday with Kansas City up 3,418 contracts.



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