

ADM Investor Services  
**Market View**

Wednesday, November 7, 2018

by ADMIS Research Team

**SOYBEANS**

January soybeans have sagged and traded down to 876 <sup>3</sup>/<sub>4</sub>, down 7 <sup>1</sup>/<sub>2</sub> cents at one point. January soybean meal was down \$3.00 at \$309.80 with January soybean oil up 0.20 points at 28.31. Dalian soybean meal futures settled higher for the third day in a row which could be an indication that optimism is fading on a US-China trade resolution. There also is talk that Argentina is ready to start up meal exports to China which could be announced at the G-20 meetings. If so, this is another reason to suspect that China is in position to avoid US soybean imports. Former top economic advisor Gary Cohn commented at the New Economy Forum in Singapore that he doesn't see a quick resolution to the US-China trade tensions after the congressional elections. Brazilian Trade Ministry reported October soybean exports at 5.353 million tonnes up 115% from a year ago. Exports to China accounted for 5.039 million tonnes up 132% from last year's 2.169 million tonnes. The January through October exports to China were seen at 60.1 million tonnes up 20% from year ago levels.

The potential for a smaller yield in Thursday's USDA report should be offset by a reduction in exports. Even if trade relations improve, the US has lost all of October and most likely November for potential increased exports. These are two of the largest soy export months normally. Brazil will have supplies ready to go by mid-January given the rapid pace of plantings and good growing conditions so far. Watch for a break in Brazilian FOB basis and/or a bid for soybeans off the Pacific Northwest (PNW) for indications that the US export picture to China has been resurrected. In a FC Stone sponsored survey of grains handlers they see 2019 soybean acres at 84.6 million compared to 89.1 million this past year. Last week's USDA baseline soybean acres were pegged at 82.5 million. Traders are looking for Thursday's soybean export sales to come in near 450,000 to 750,000 tonnes with soybean meal at 200,000 to 400,000 tonnes and soybean oil at 10,000 to 30,000 tonnes.



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**CORN**

December corn traded in another narrow range day with the market slightly lower heading into Thursday's USDA report. News this morning that the National Grains and Oils Information Center in China has revised production data back 10 years was a bit of a surprise. For the 2017 crop year corn production was revised upwards by 20% to 259 million tonnes from 215.9 million previously. Planted area in corn was revised to 42.4 million hectares from 35.5 million previous. With corn reserves a state secret and more than 100 million tonnes of reserve corn sold from reserves since April the trade should take this news in stride. Ukraine's ProAgro increased their grain production to 69.0 million tonnes with corn output up 12% to 34.5 million tonnes. They estimated exports up 13% to 26.5 million tonnes compared to the last USDA estimate at 25.0 million.

Ethanol production for the week ending November 2 averaged 1.068 million barrels per day. This is up 0.85% vs. last week and up 1.04% vs. last year. Total ethanol production for the week was 7.476 million barrels. Corn used in last week's production is estimated at 111.19 million bushels. This crop year's cumulative corn used for ethanol production for this crop year is 967.1 million bushels. Corn use needs to average 108.544 million bushels per week to meet this crop year's USDA estimate of 5.65 billion bushels. Stocks as of November 2 were 23.15 million barrels. This is up 1.78% vs. last week and up 8.46% vs. last year. A survey from FC Stone pegged 2019 corn acreage at 91.15 million acres from 89.1 million previously. Sorghum acreage was also expected to rise to 6.09 million acres from 5.8 million this year. Traders are looking for Thursday's export sales to come in near 600,000 to 1.0 million tonnes.



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# Market View

## WHEAT

Wheat markets were steady to slightly lower with Chicago markets gaining on Kansas City. Chicago December wheat was near unchanged at 512 and Kansas City December was down 3 cents at 505. The markets await tomorrow's USDA report after another light volume session today. The Russian Deputy Ag Minister clarified their Russian grain export potential at 39.0 million tonnes with wheat exports at 35.0 million tonnes. Russia exported 4.4 million tonnes of wheat in the month of October according to ProZerno, just below the monthly record of 4.7 million tonnes set in August. Total wheat exports for the season that started in July are seen at 17.4 million tonnes up 34% from a year earlier. Ukraine's grain harvest could reach 69.0 million tonnes, up 5.5% from the previous estimate according to ProAgro. An FC Stone survey has 2019 wheat acreage at 49.13 million acres up from this past year's 47.8 million.

Underlying support continues to be seen from speculation that Kansas winter wheat plantings may be slightly reduced due to wet conditions prolonging the tail end of soybean harvest in the state. The latest forecast has as much as 4.0 inches of snow moving through Kansas and into Nebraska on Thursday. Kansas soybean harvest is just 63% compared to the ten year average of 80%. There are eleven years in which Kansas soybean harvest progress was 75% or below at week 43 and in nine of the eleven, winter wheat plantings declined from the previous year. Traders are looking for export sales to come in near 300,000 to 500,000 tonnes. The open interest in Chicago went down 3,473 contracts on Tuesday with Kansas City up 769 contracts.



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