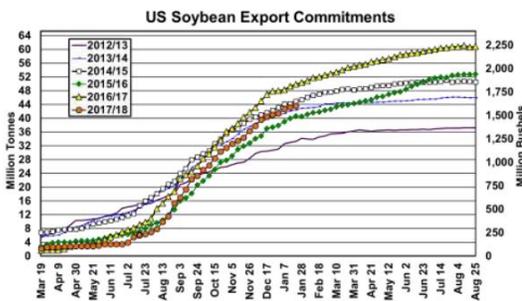


## Some Bold Moves by USDA

You can call the folks at USDA a lot of things, but don't say they're afraid to take the big shot these days! Last month they made a sharp reduction in **soybean** exports, as we had fallen way behind the pace needed to reach their previously record estimate. Then this month they again reduced exports another 60 million bushels, as sales continue to lag. In fact, YTD commitments are even lower than the 2014-15 year. So if sales don't quickly pick up, USDA may be forced to reduce them again. This reduction in stocks &



corresponding increase in ending stocks to a whopping 530 million bushels sure looks bearish to me. Yet soybean futures held in after the report, as concern for the slipping Argentine crop has lent support to soybean meal futures. Argentina is the world's largest exporter of meal, so bulls are hoping their reduced crop will bring extra business to the US. Weather over the next couple of weeks will tell the story.

**On the positive side**, USDA raised its export estimate for **corn** 125 million bushels, as positive sales the last 4 weeks have breathed some life into the corn market, and have seen managed funds cover a large chunk of their short position (next page). Now, corn ending stocks are still going to be large – almost 100 million above last summer, and the largest since 1988. But with fewer expected acres again this spring, there's some light at the end of the corn tunnel. Even with a trend-line yield, corn stocks in 2019 would likely go back below 2 billion bushels. This should create a little more volatility in the corn market, and a little more sensitivity to a weather scare this summer. A little.

Does anyone believe USDA's **cotton** numbers? They reduced their cotton export estimate while our current export commitments are up to 80% of that estimate for over half of the marketing year

## US Soybeans

	USDA	USDA	USDA	USDA	USDA	USDA Feb
Marketing Year	12/13	13/14	14/15	15/16	16/17	17/18
Planted Acres	77.2	76.8	83.3	82.7	83.4	90.1
Harvested Acres	76.1	76.3	82.6	81.7	82.7	89.5
Yield	39.6	44.0	47.5	48.0	52.1	49.1
Production	3,015	3,358	3,927	3,926	4,307	4,392
Beg. Stocks	169	141	92	191	197	302
Imports	36	72	33	24	25	25
<b>TOTAL SUPPLY</b>	<b>3,209</b>	<b>3,570</b>	<b>4,052</b>	<b>4,140</b>	<b>4,528</b>	<b>4,718</b>
Crush	1,663	1,734	1,875	1,886	1,895	1,950
Seed	90	98	98	97	104	106
Residual	5	-	142	24	14	33
Total Domestic	1,758	1,832	2,115	2,007	2,013	2,089
Exports	1,310	1,647	1,843	1,936	2,170	2,100
<b>TOTAL DEMAND</b>	<b>3,068</b>	<b>3,478</b>	<b>3,861</b>	<b>3,943</b>	<b>4,183</b>	<b>4,189</b>
ENDING STOCKS	141	92	191	197	301	530
STOCKS/USE %	4.6%	2.6%	4.9%	5.0%	7.2%	12.7%
Avg Farm Price (\$/Bu)	\$14.40	\$13.00	\$10.10	\$8.95	\$9.47	\$8.90-9.70

## US Corn

	USDA	USDA	USDA	USDA	USDA	USDA Feb
Marketing Year	12/13	13/14	14/15	15/16	16/17	17/18
Planted Acres	97.2	95.4	90.6	88.0	94.0	90.2
Harvested Acres	87.4	87.5	83.1	80.7	86.7	82.7
Yield	123.4	158.1	171.0	168.4	174.6	176.6
Production	10,780	13,829	14,216	13,601	15,148	14,604
Beg. Stocks	989	821	1,232	1,731	1,737	2,293
Imports	162	36	32	67	57	50
<b>TOTAL SUPPLY</b>	<b>11,932</b>	<b>14,686</b>	<b>15,479</b>	<b>15,400</b>	<b>16,942</b>	<b>16,947</b>
Feed & Residual	4,335	5,036	5,317	5,192	5,439	5,550
Food, Seed, & Ind	6,044	6,501	6,566	6,573	6,889	6,995
Ethanol for Fuel	4,648	5,134	5,207	5,206	5,439	5,525
Total Domestic	10,379	11,537	11,883	11,764	12,356	12,545
Exports	731	1,917	1,864	1,898	2,293	2,050
<b>TOTAL DEMAND</b>	<b>11,110</b>	<b>13,454</b>	<b>13,747</b>	<b>13,662</b>	<b>14,649</b>	<b>14,595</b>
ENDING STOCKS	821	1,232	1,731	1,738	2,293	2,352
STOCKS/USE %	7.4%	9.2%	12.6%	12.7%	15.7%	16.1%
Avg Farm Price (\$/Bu)	\$6.89	\$4.46	\$3.70	\$3.61	\$3.36	\$3.05-3.55

## South American Production

(million metric tons or bales)

	Brazil Soybeans	Argentine Soybeans	Brazil Corn	Argentine Corn
USDA	112.0 (+2.0)	54.0 (-2.0)	95.0 (unch)	39.0 (-3.0)
CONAB (Brazil Gov)	111.6 (+1.2)	-	88.0 (-4.3)	-
Buenos Aires Grn Exch	-	50.0 (-1.0)	-	39.0 (-2.0)
Reuters Poll	111.2 (+1.2)	54.1 (-1.9)	93.7 (-1.3)	40.7 (-1.3)



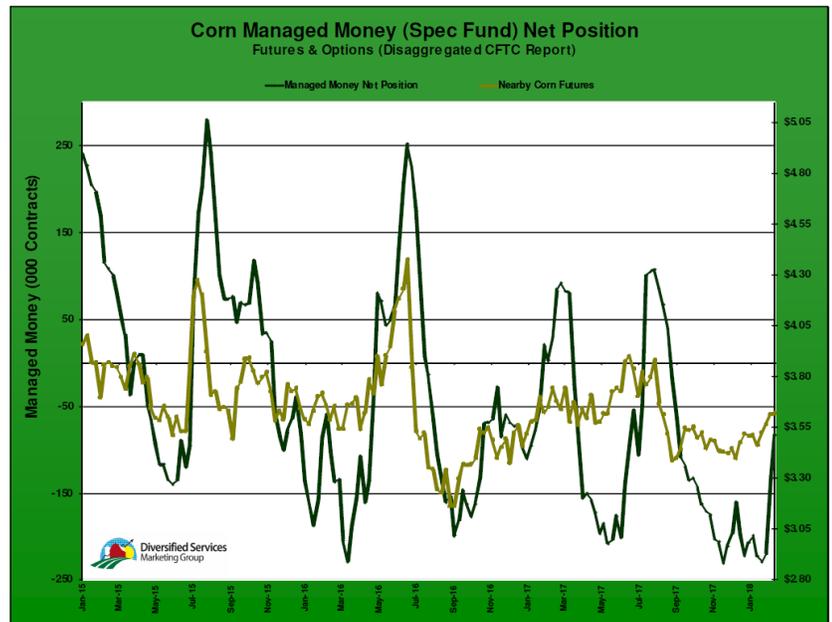
4301 Grand Prix Drive  
 P.O. Box 8  
 Logansport, IN 46947  
 (574) 737-7367

## Revenue Management Update

remaining! I really can't explain their thought. The market couldn't either – cotton traded higher Thursday after the release of the report.

The market that held true to form following the report was **wheat**. USDA disappointed the hopeful by reducing export demand – Russia remains very tough competition – and thus raised ending stocks back above that magical 1 billion number. So for those hoping for some supportive numbers to justify funds covering their remaining wheat shorts, it didn't happen. Winter wheat prices slipped despite worsening conditions in the Southern Plains this week.

There were some significant **South American production** figures released this week. USDA, CONAB (Brazilian government), & the Buenos Aires Grain Exchange (Argentina) all released crop estimates this week. The Brazilian soybean crop got bigger, with USDA & CONAB in agreement, 111.6-112.0 mt. The Argentine soybean estimates got smaller, with the BAGE making a more significant cut (50.0 mt) vs USDA (54.0 mt). As I mentioned on the front page, the fact that Argentina is such a large meal exporter is probably what kept soybean prices from falling following the report. For corn, USDA & BAGE are both in agreement on their cuts to the Argentine crop. But CONAB really surprised the market with its very large reduction in Brazilian production. They cited a reduction in both 1<sup>st</sup> crop and 2<sup>nd</sup> crop corn plantings as the reason. With soybean harvest slipping behind normal, 2<sup>nd</sup> crop corn planting is also starting to lag. They also cited high input costs as a reason that 2<sup>nd</sup> crop plantings would be reduced. Since USDA didn't make this reduction yet, we have to assume that this wasn't a factor in them increasing US corn exports. So this could also be a boost for the US market as 2018 proceeds.



**Commitment of Traders Report** We've come into this winter with managed funds holding a record long position in cotton futures, but near-record short positions in corn & wheat. I've been suggesting that our best chance for a rally in the corn & wheat markets is to get these funds to buy back these short positions. I didn't expect it would happen this soon, but it has! Inflationary concerns, the break in the stock market, a lower US \$, and improved export sales have contributed to funds buying nearly 150,000 contracts of corn futures (750 million bushels) over the last three weeks. The chart above shows managed fund net position in corn futures since 2015 (green line) and weekly closes in nearby corn futures (gold line). At some point each year these funds have gone long corn futures, typically in the summer when there's a weather scare. I will continue to update these charts for all crops in the daily *GMO* letter and in the monthly *Third Thursday Marketing Meetings*. Use this information to tell how much potential these markets have to trade higher this year.