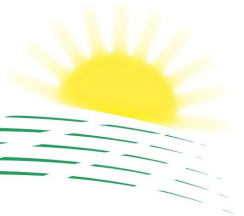


January 3, 2020

Presents:

Silver's Comments

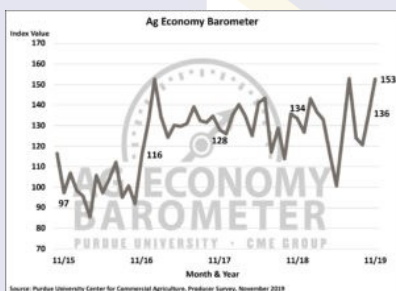


Grain futures closed lower today with soybean futures leading the way down. Weekly export sales were lower than last week and disappointing. The US killing of a terrorist general in Iraq overnight by a targeted drone attack authorized by President Trump put the market in a "risk off" attitude today. Commodity funds were net sellers of 9k corn, 7k soybean and 3k wheat futures today.

South American weather is crop development friendly with adequate rainfall forecast in dry areas.

USDA will release major reports one week from today. The final 2019 Crop Production, January WASDE, And Quarterly Grain Stocks reports will be released at noon Friday 1/10/20. We will see numerous private estimates this coming week.

Follow me on [Twitter](#) for the latest updates.



<https://ag.purdue.edu/commercialag/>

Each Thursday I do market analysis for Hoosier AgToday (HAT)
Click this link to listen:

<http://www.hoosieragtoday.com/>

Futures Closes

1/3/2020

Commodity	Symbol	Close	Change
Mar 20 Corn	CH20	386.50	-5.00
Dec 20 Corn	CZ20	400.75	-3.75
Jan 20 Beans	SF20	930.50	-13.75
NOV 20 Beans	SX20	971.50	-9.25
SOYBEANS/CORN '20	SX20/CZ20	2.43	0.01
Dec 19 Wheat	WH20	554.50	-5.75
July 20 Wheat	WN20	560.50	-4.50
US Dollar Index	DX	96.52	0.00
Crude Oil WTI	CLG20	63.05	1.87
Ethanol	AC	1.38	-0.01
Today vs Last Friday Close	Today	Last Friday	Change
Mar 20 Corn	386.50	390	3.50
Dec 20 Corn	400.75	403.5	2.75
Jan 20 Beans	930.50	929.5	1.00
NOV 20 Beans	971.50	969.75	1.75
March 20 Wheat	554.50	556.25	1.75
July 20 Wheat	560.50	559.75	0.75

Perspective: China Phase-One

INTL FCStone®

December 20 - Negotiators reached a breakthrough following two years of talks when they reached a phase-one trade agreement with China this month. Phase-two talks are expected to start immediately, at the request of China. Details of phase-one will not be made available, at the request of the Chinese, until after the signing ceremony. Yet, U.S. negotiators state that it includes Chinese commitments to buy \$40 billion in agricultural products in each of the next two years, in addition to intellectual property protections and other factors.

It's essential to understand that the conflict with China is about far more than trade. We probably would have had an agreement more than a year ago if that's all that was at stake. China and the United States are the world's two largest economies, but also its two largest military forces. They operate on very different value systems - both economically and militarily. China sees the two as being very tightly intertwined within its cultural view of the world. Our history is full of stories of two major powers arising in the world, and it nearly always ended in war to settle the inevitable conflict that emerged as they grew in their size and scope. The United States would like to settle this conflict without war. President Xi Jinping wants to avoid mistakes made by the Former Soviet Union, and has been investing deeply in its Belt and Road Initiative that makes nations across much of Asia, Europe and Africa dependent on it. This initiative, started in 2013, involves investments in 76 countries that involved 75% of the world's energy reserves and 70% of the world's population and 55% of its GDP. It claimed and militarized a major global trading route in the South China Sea.

President Trump used tariffs to encourage dozens, perhaps hundreds, of manufacturing companies to leave China. He then used trade agreements with other countries to begin isolating China. Trump effectively changed the conversation about China, focusing on its theft of intellectual property that allowed a state-controlled economy to experience recent growth. The White House then leaked - whether intentionally or not we do not know - that it was considering capital controls to limit billions in U.S. investments that are shoring up China's technology and military growth. This last step presented a serious threat to China's long-term goals. Those goals have not changed, from everything we observe. But preserving those goals means that China needed to find a way to de-escalate rising tensions to avoid capital controls and survive the Trump years, even if that meant making commitments it may not keep long-term.

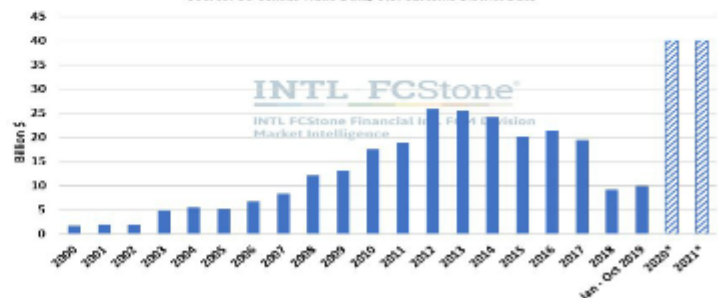
China's largest agricultural consultancy believes that China can and will keep its commitment to purchase more than \$40 billion in U.S. agricultural commodities in each of the next two years. In fact, JCI China believes the total will reach \$41.3 billion next year, including an impressive 45 million metric tons of soybeans. JCI adds 8 mmt of corn, 5 mmt of wheat, 8 mmt of U.S. grain sorghum, 8 mmt of dried distillers' grains and solubles, 1 mmt of pork, and a host of other products into the mix. China imported 8.97 mmt of U.S. grain sorghum in 2015, but the remaining above estimates would be records. I fully agree that the above is possible, and even feasible. Yet, I cannot avoid a healthy dose of skepticism based on China's poor history of living up to negotiated agreements.

The bigger question may be, does China have the incentive to make such a seismic change in its trading patterns? The answer to that question lies in the depth of pain that China is feeling as a result of the trade war, as well as the level of fear of what President Trump might do if it fails to make changes. I remain confident that China has not changed its long-term goals of global superiority, but its current problem is President Trump. China was feeling the pain of the trade war, but I believe its leadership feared potential next steps by President Trump more than it feared past actions. The Administration's leaked consideration of possible capital controls could do significant harm to the foundations of China's economy.

We should know a year from now whether that fear was enough to incentivize seismic changes in China's trading practices. Commodity prices suggest that traders are currently trading the "what ifs" of the above scenario. You can't ignore the possibility if you are producer, reseller, speculator, or domestic end user. Nor can you base your entire plan for 2020 on the expectation that it will happen. One would expect that we would need to see buying ramp up fairly quickly in 2020 to reach these goals. I understand that the first load of chicken feet is already on its way.

Value of US Agricultural Products Export to China: 2000-2021

Source: US Census Trade Data, U.S. Customs District Data



Market Intelligence

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Kokomo Grain Co.



USDA December 2019 - WASDE Report—Tuesday December 10

USDA published the December WASDE Report today Tuesday 12/10/19. The numbers were mostly in line with trade estimates.

Click the following link for the briefing presentation given to the Secretary of Agriculture:

https://www.usda.gov/oce/commodity/wasde/Secretary_Briefing/Archive/2019/December_2019_WASDE_Lockup_Briefing.pdf

USDA 2019/20 US Carryout (in Billion Bushels)					
	USDA Dec 2019	Average Trade Est.	Estimate Range	USDA Nov 2019	INTL FCS Est.**
Corn	1.910	1.919	1.890-1.960	1.910	1.861
Soybeans	0.475	0.476	0.455-0.500	0.475	0.522
Wheat	0.974	1.010	0.989-1.025	1.014	0.964

USDA 2019/20 World Carryout (in Million Tonnes)					
	USDA Dec 2019	Average Trade Est.	Estimate Range	USDA Nov 2019	INTL FCS Est.**
Corn	300.56	295.52	292.00-298.20	295.96	295.67
Soybeans	96.40	95.46	93.90-96.80	95.42	101.91
Wheat	289.50	286.18	283.90-288.50	288.28	287.94

USDA 2019/20 South American Production (in Million Tonnes)					
	USDA Dec 2019	Average Trade Est.	Estimate Range	USDA Nov 2019	INTL FCS Est.**
ARG Corn	50.000	49.77	49.00-50.00	50.00	51.50
ARG Soybeans	53.000	53.00	52.00-54.00	53.00	54.00
BRZ Corn	101.000	100.93	100.00-101.50	101.00	99.92
BRZ Soybeans	123.000	123.03	122.00-124.00	123.00	121.60

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USDA November 2019 WASDE REPORT

2019-20 USDA U.S. Harvested Area (mln acres)

	USDA Nov 2019-20	Average Trade Est.	Range of Trade Est.	USDA Oct 2019-20
Corn	81.8	81.5	80.1-81.8	81.8
Soybeans	75.6	75.4	75.1-75.9	75.6
Wheat	37.2			38.1

2019-20 USDA U.S. Grain Yield (bu/acre)

	USDA Nov 2019-20	Average Trade Est.	Range of Trade Est.	USDA Oct 2019-20
Corn	167.0	167.5	165.5-168.5	168.4
Soybeans	46.9	46.6	45.5-47.6	46.9
Wheat	51.7			51.6

2019-20 USDA U.S. Grain Production (bln bu)

	USDA Nov 2019-20	Average Trade Est.	Range of Trade Est.	USDA Oct 2019-20
Corn	13.661	13.643	13.372-13.785	13.779
Soybeans	3.550	3.510	3.396-3.609	3.550
Wheat	1.920			1.962

2019-20 USDA U.S. Grain Carryout (bln bu)

	USDA Nov 2019-20	Average Trade Est.	Range of Trade Est.	USDA Oct 2019-20
Corn	1.910	1.817	1.481-1.959	1.929
Soybeans	0.475	0.428	0.306-0.494	0.460
Wheat	1.014	1.035	1.003-1.073	1.043

2019-20 USDA World Grain Carryout (million tons)

	USDA Nov 2019-20	Average Trade Est.	Range of Trade Est.	USDA Oct 2019-20
Corn	295.96	300.31	291.1-304.4	302.55
Soybeans	95.42	93.85	88.0-95.7	95.21
Wheat	288.28	287.03	285.1-288.0	287.8

Source: USDA, INTL FCStone, Bloomberg

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Links to November 2019 USDA Report Data - 11/08/19

November 2019 USDA Crop Production—Executive Briefing:

https://www.nass.usda.gov/Newsroom/Executive_Briefings/2019/11-08-2019.pdf

November 2019 USDA WASDE—Briefing to the Secretary of Agriculture

https://www.usda.gov/oce/commodity/wasde/Secretary_Briefing/Archive/2019/November_2019_WASDE_Lockup_Briefing.pdf

USDA November Crop Production Report

<https://release.nass.usda.gov/reports/crop1119.pdf>

November 2019 USDA WASDE Report

<https://www.usda.gov/oce/commodity/wasde/wasde1119.pdf>

USDA FSA Prevented Planting Data

<https://www.fsa.usda.gov/news-room/efoia/electronic-reading-room/frequently-requested-information/crop-acreage-data/index>

U.S. Supply and Demand (WASDE) Spreadsheets (Current & Historical)

<https://www.agmanager.info/grain-marketing/grain-supply-and-demand-wasde/us-supply-and-demand-wasde-spreadsheets>

CFTC Funds Net (# cnts) Futures Only (COT REPORT)

Date	Corn	Soybeans	Wheat
11/27/2018	-31,054	-59,303	-38,744
12/4/2018	39,910	-12,576	-27,025
12/11/2018	89,734	-683	-22,455
12/18/2018	124,427	13,166	-3,612
12/24/2018	90,880	-3,239	-18,325
12/31/2018	49,188	-14,295	5,000
1/8/2019	70,160	4,714	-16,877
1/15/2019	15,694	-16,698	-15,708
1/22/2019	33,319	-15,294	-8,541
2/5/2019	-6,584	11,680	-6,555
2/12/2019	-32,825	-2,128	-14,320
2/19/2019	-103,699	-37,987	-47,511
2/26/2019	-117,947	-32,408	-60,205
3/5/2019	-192,847	-46,756	-73,919
3/12/2019	-282,981	-89,050	-75,778
3/19/2019	-282,845	-62,204	-78,699
3/25/2019	-218,427	-47,700	-64,550
4/2/2019	-263,768	-69,153	-57,883
4/9/2019	-289,859	-70,734	-56,958
4/16/2019	-326,887	-92,744	-69,970
4/23/2019	-344,185	-133,944	-76,715
4/30/2019	-318,964	-148,036	-89,103
5/7/2019	-268,998	-163,028	-86,931
5/14/2019	-298,551	-171,141	-81,837
5/21/2019	-117,954	-157,998	-40,159
5/28/2019	-22,294	-128,137	-23,206
6/4/2019	95,262	-90,280	-12,080
6/11/2019	121,742	-88,889	5,274
6/18/2019	155,030	-54,275	25,554
6/25/2019	176,583	-38,864	30,032
7/2/2019	169,425	-40,587	34,473

12/24/2019	Corn	Soybeans	Wheat
COT Actual	-86,717	-33,888	16,389
Est on date	-102,688	-71,140	12,643
Diff (Act-	15,971	37,252	3,746

Date	Corn	Soybeans	Wheat
7/9/2019	174,318	-45,750	27,583
7/16/2019	178,732	-42,481	15,087
7/23/2019	143,540	-42,656	6,603
7/30/2019	105,907	-55,160	14,849
8/6/2019	68,086	-76,318	7,121
8/13/2019	21,527	-67,203	4,000
8/20/2019	-82,266	-76,820	-4,248
8/27/2019	-96,370	-75,551	803
9/3/2019	-123,800	-71,558	-19,370
9/10/2019	-143,467	-90,013	-8,905
9/17/2019	-176,643	-45,612	-7,093
9/24/2019	-162,551	-43,053	-15,418
10/1/2019	-128,031	-10,817	-16,014
10/8/2019	-96,859	4,464	-13,446
10/15/2019	-64,749	47,953	-3,662
10/22/2019	-75,186	67,172	21,629
10/29/2019	-88,118	65,849	7,769
11/5/2019	-109,720	53,503	2,333
11/12/2019	-120,536	25,460	3,720
11/19/2019	-138,815	11,676	-178
11/26/2019	-116,947	-44,656	8,359
12/3/2019	-85,582	-101,718	18,008
12/10/2019	-118,449	-114,250	9,157
12/17/2019	-95,971	-80,140	24,643
12/24/2019	-86,717	-33,888	16,389
Wkly Change	22,478	34,110	15,486
Record +	409,444	409,444	409,444
Record -	-344,185	-133,944	-171,269
Est Today	-91,717	-29,888	25,389
Change	(9,000)	(7,000)	(3,000)

You can do a deep dive analysis into CFTC COT data on the CME website at:

<http://www.cmegroup.com/tools-information/quikstrike/commitment-of-traders-fx.html>

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