GERALD GRAIN CENTER INC.

WEEK IN REVIEW MARKET UPDATE 1/24/20

Grain

Corn – March 20 down $.02 closing $$3.87^{1/4}$

Soybeans – March 20 down $$.27^{3/4}$ closing $9.02

Wheat – March 20 up $.03 closing $$5.73^{1/2}$

Soybean Meal – March 20 down $2.30 closing $298.30

Outsides

Dow – down 352.33 closing 28990.98

S&P – down 33.69 closing 3295.46

NASDAQ – down 71.71 closing 9315.32

US Dollar – March 20 up 0.275 closing 97.640

Crude Oil – March 20 down 4.40 closing $54.20

Livestock

Cattle – Feb 20 down $1.50 closing $124.85

Feeders – March 20 down $5.32 closing $139.68

Hogs – Feb 20 down $0.45 closing $67.23

Class III Milk – Feb 20 up $0.49 closing $17.95

News/Reports:

- Export sales report released Friday 1/24. Corn came in at 39.6 million bushels, expected range 20 – 37. Beans came in at 29.0 million bushels, expected range 22 – 40. Wheat came in at 25.6 million bushels, expected range 11 – 26. Soybean Meal came in at 641.9 million metric tons, expected range 200 – 450K.
- Ethanol output weekly data reports were out Thursday 1/23 at 1,049,000 barrels per day versus 1,095,000 last week. Ethanol stocks were at 24.031 million barrels versus 23.006 million last week.

Notes:

- Coronavirus that started in China is spreading globally, including in the US, has market worried about economic impact. The new virus is similar to the flu and can cause coughing, fever, breathing difficulty, and pneumonia. Physicians are comparing the outbreak to the 2003 outbreak of SARS, or severe acute respiratory syndrome, which had a short incubation period of 2 to 7 days and WHO (World Health Organization) officials said was less infectious than the flu. It took almost two months for SARS to spread to 456 people. This virus has infected more than 2,800 people, 81 deaths (all main land China), 59 recovery cases, and 5 cases in the US as of Monday the 27th. The last time WHO declared a global health emergency was in 2019 for the Ebola outbreak in eastern Congo that killed more than 2,000 people. The agency also declared global emergencies for the 2016 Zika virus, the 2009 H1N1 swine flu, and the 2014 polio and Ebola outbreaks.
- The Phase 1 deal with China was signed on Wednesday January 15th. The deal is set to have China purchasing at least $40 billion annually of US food, agricultural, and seafood products, for a total of at least $80 billion over the next two years. On top of that, China will strive to import an additional $5 billion per year over the next two years. These purchases will occur when the market conditions dictate them. This last statement in many people's opinions may open a cancelation clause for the Chinese government to not meet their dollar volume standards in case of unusual circumstances. This along with the dollars per year at the low end of the range ($40b to $50b) and no initial purchases started the selloff in soybeans.
- Corn closed the week lower after hitting a 3-month high in nearby corn on Thursday of $3.94 in the March contract.
- Wheat closed the week higher but off its Wednesday high of $$5.92^{1/2}$ in the March contract, the highest level in nearby wheat since June of 2015.
- US corn is said to only have a limited chance of securing a stake in the Chinese market. Outside the fact that they said they would not purchase any additional corn with the phase 1 signing, Ukraine is set to remain the main supplier for several reasons: (1) price, does it make economic sense to buy US?; (2) quality, Ukraine said to be superior to this year's US crop; (3) the old GMO argument.
- President Trump is scheduled to sign the USMCA deal Wednesday January 29th.
- Agriculture Secretary Perdue said the 3rd installment of the 2019 MFP payments will be paid, but do not expect MFP payments in 2020.
- China could reduce the number of sows it needs to import by raising herd productivity. Each domestic sow produces on average 5.1 pigs a year, versus 25 in the US, according to JCI data, possibly due to a low survival rate. If domestic productivity doubled, the pig population would rise to pre-African swine fever levels, although this could take time. Introducing different breeds could also help diversify its genetic pool, which would reduce inbreeding and produce healthier piglets. China's relatively low hog productivity may be attributable to poor practices in what a largely a backyard industry comprising millions of small farmers.
- The next USDA report will be the February WASDE Report out on Tuesday February 11th at 12:00 est.