UNITED COOPERATIVE

United Comments

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Grain Highlights

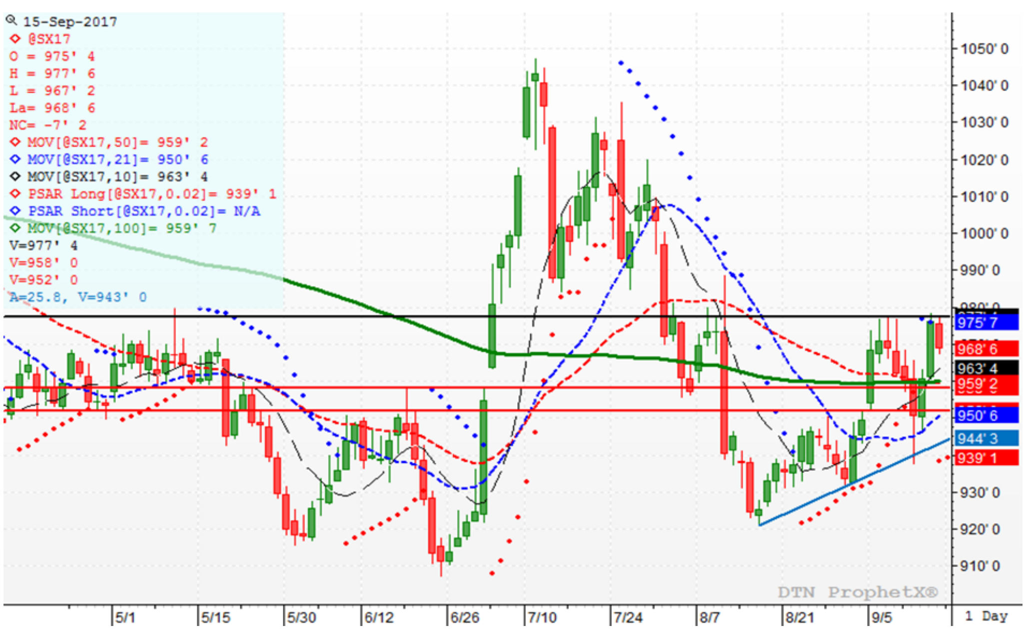
- Early this week saw the soy/corn ratio continue to widen toward bean's favor for fall of 2017 and 2018. Steady years find corn holding a slight advantage to beans around $ 50/acre. This year we are seeing beans over $ 120 better than corn and starting to wonder if the markets may buy 1-3 mil acres away from corn at present values. Some feel bankers will use their influence to push for beans due to lower input cost. If corn is 1 mil. lower in acres, we then need yield below 167 bu/acre to get under 2 bil carryout. A yield at 172.5 would keep carryout at 2.35 bil bushels and if we would lose 3 mil acres then same yield of 172.5 would be close to 2 billion carryout.
- National corn ratings were steady this week at 61% g/ex, slightly better than average guess, with last year at 74%, and 59% 5 year average. IL was down 4% and NE down 2% with most other states steady or slightly better. Corn harvest is 7% done, versus 5% last week and 8% last year. Most of corn belt progress in IL and IN at 5%. Soy ratings down 1% at 59% g/ex, with trade looking for a steady number; lower than 73% LY and equal to the 59% 5 year average. Bean harvest is 4% same as last week and last year. All of progress is in southern states (1-2 corn belt states at 1%).
- August NOPA crush at 142.4 mbu (record number), better than trade was expecting at 137.5 mbu and down from July crush of 144.7, but larger than last year's August 131.8 mbu crush. Cumulative Sept-Aug crush stands at 1785 mbu, up 11 mbu from last year and USDA was expecting a 9 mbu increase. With some crushers not in NOPA the USDA number of 1898 is possible. This compares to 2017/18 USDA estimate of 1940 mbu (shows USDA is already push some large numbers to start.
- Funds presently short 118,344 contracts of corn after being over 20,000 contracts long mid August. Corn funds were sellers of 7,000 on Monday and CFTC had them selling 9,000 contracts more than trade. Bean funds are r the 1st time since April. The latest CFTC report showed the funds were sellers of over 83,000 more contracts in last week then trade long 754 contracts after being a seller on Monday of 4,000 contracts. CFTC last week AND 2018was surprised when the report on Friday showed the funds being large buyer of 22,000 extra contracts.
- Last weeks ethanol production was 1.047 mil/ barrels per day and we are seeing margin at 1 year highs. This is down slightly from 1.060 mb/day last week. These numbers are far above last years pace. Ethanol stocks were slightly high for the week, but expected with present pace.
- Chinese replacement soy crush margins moving into the black. China corn auctions winding down ahead of harvest. Of the 232 tmt of 5 year old corn offered, 1/2 tmt found buyers (all around 5.3/bu.) which is slightly lower than import prices.
- The Rosario Grains Exchange On Friday last week pegged 2017/18 Argentina soybean production at 54.5 MMT, down from the USDA's current 57.0 MMT estimate and 57.8 MMT last year, while corn output is seen at 41.0 MMT for the coming year, below the USDA's 42.0 MMT for 17/18 and even with last year.
- The Rosario Grain Exchange on Thursday last week estimated corn planted acres for 2017/18 to increase in Argentina from 5.85 to 6.2 mil hectares (14.45 to 15.34 mil acres).
- China's government has set a target of 2020 for nationwide use of a 10% ethanol blend in gasoline, in an effort to reduce pollution and especially cut corn stocks; if corn use reaches that goal it would account for 45 MMT per year. China's Ag Ministry raised their 2017 corn production estimate from 210.7 to 212.5 MMT this month, with imports up from 1.0 to 1.5 MMT, cutting their overall deficit; 17/18 bean imports were raised from 93.16 to 94.5 MMT.
- Brazil's Conab yesterday left their official 2016/17 soybean production estimate unchanged at 114 MMT, with corn up a .5 MMT to 97.71 and total grain output (includes wheat) at 238.7 MMT which is up 28% from previous year.

Technical Comments - December Corn

Values tested the support level of 3.44 four sessions ago but did not change the CZ17 from its neutral chop. The Key reversal supports the market at 3.44 and would need to be overcome to start a downtrend. The 23.6% Fib retrace level of 3.6125 provides

Technical Comments - November Beans

A lot of whiplash going on in this market. The trend was up when the market ran to 9.77 the first time but then closed below 9.52 breaking it then it reversed and headed to 9.77 again. It will take an above 9.80 close to restart the uptrend and it will take a close below the trend line valued today at 9.43 (rising 1 cent/session) to restart the downtrend.



Tech Comments provided by Bevan Everett, Risk Management Consultant and Grains Market Analyst, INTL FCStone Financial Inc. – FCM Division This material should not be construed as the solicitation of trading strategies and/or services provided by the FCM Division of INTL FCStone Financial Inc. noted. The trading of derivatives such as futures and options on futures may not be suitable for all investors. Derivatives trading involves substantial risk of loss, and you should fully understand those risks prior to trading.

CASH TALK:

2016/17 corn crop - Well prices sure can't find buy a rally. If you need to make sales before harvest, I would target 3.10-3.15 cash. That would be back about 50% of the fall from August report to the lows. Think out best chance for this market to rally are the crop being smaller. Could use a basis contract since it would provide some cash flow and let you catch a rally in futures later.

2017/18 corn crop - I am in no hurry to make any sales for next year until we hear more on this year's final yields or we reach 3.50 cash. Some of the research I have seen has mentioned Dec. futures trading to close to 4.00 area, but expect that will be after harvest or close to Jan 1.

2016/17 bean crop - Hope you have sold most of last year's beans, but if you have a few left I would target 9.00 cash or use a basis contract. This bean crop in the field still could be anywhere from 40-60 bushel yield and hence we have a wide range of prices possible.

2017/18 bean crop - Same felling on beans as corn as there is many factors still to be play out in South America and in US. I would be a seller of 10% if cash get to 9.25. I am working on a accumulator that would offer 9.50 cash and a 35-40 cents premium. Call me if interested.

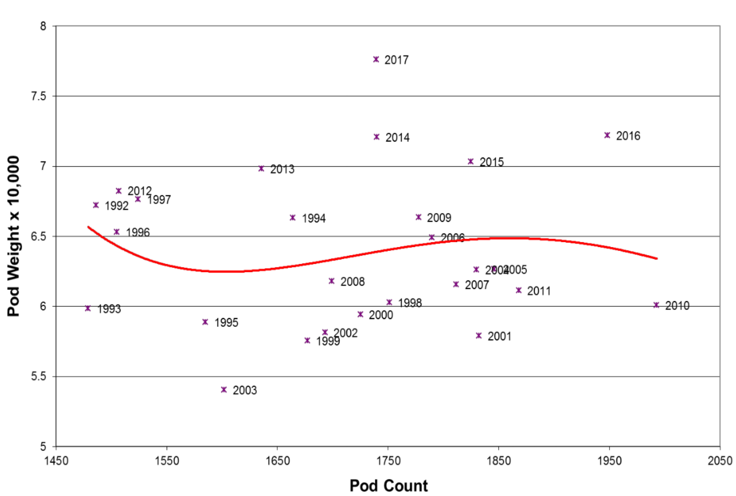
September 12th USDA Report

Once again the USDA threw a curve at the producer. Corn yield was raised by .4 bu/acre when average trade guess was for a fall of 1.3 bu/acre. USDA did make a few minor tweaks to 2016/17 with industrial usage down 35 mbu, ethanol down 15 mbu, and exports raised 70 mbu for net 20 mbu usage. These were all reasonable. I am hearing some talk of feed usage to drop in Oct when we get the Sept stocks report at end of month. Ethanol use and exports may change in Oct with more data from Census and NASS. Looking at 2017/18, demand was raised in feed by 25 mbu on more animal units and ethanol and industrial were lowered by 75 mbu for net 60 mbu lower carryout. It was interesting on the way the USDA arrived at its yield for the September report. In August many in trade disagreed with the USDA assumed large ear weight that I had article in last United Comments. The USDA rectified the issue to an extent bringing the assumed ear weight down 2 places in the ranking but kept it an outlier vs conditions ratings. They offsetting the ear weight by raising the ear count per acre by around 400 ears per acre. My questions is where were these ear in the August report? The USDA is predicting the 3rd highest ear count/population on record and 5th highest ear weight. World carryout was higher on bigger Brazil crop and fear of lower demand with DDG's and China void from exports. Beans were similar with yield raised .5 bu and trade average guess expecting a .6 bu drop. Carryout for 2016/17 was lowered 25 mbu on 5 mbu higher crush and 20 mbu higher exports. Demand for 2017/18 was better with exports being raised 25 mbu and this offset the 25 mbu raise from 2016/17 to stay at 475 million carryout. Beans have held onto some strength due to USDA playing with bean oil tables. USDA's thought is the Dept. of Commerce countervailing duties on Argentina bean oil will bring higher biodiesel usage in 2016 (up 50 mil lbs.) and 2017 (up 350 mil. lbs.). Trade fear is that this idea is based on government inked agreements more than it exists based on market forces. Remember the US is a net importer of bean oil and hence needs to get additional oil from either South America or palm oil from SE Asia. Looking at world tables, the shift were small and offsetting. The USDA raised China imports again from 91 mmt to 92 (2016/17) and 94 mmt to 95 (2217/18) on robust imports.

Are the USDA's Pod Weights Possible?

Below you will see USDA's assumptions they used for the September 12th crop report on soybean an yields. The Pod counts are middle to low on the 14 year history yet record weights by a huge margin. Trade feels 3 possible outcomes can be assumed from this assumption at this early maturity stage of beans. One is USDA is correct and the beans are 8-10% larger than normal (I don't think August rains helped that much) while being fewer per plant. Second is the pod weight number is bogus but the USDA has yet to discover all the pods thus the yield assumption in total is correct. The 3rd idea is the pod weight will come down based on history, pod counts are correct and thus the yield is smaller than the USDA currently projects. I guess we will know more when we get into field and have a better idea on pod weights. It's interesting that USDA used this same type of reasoning in August with their ear weight assumptions.

Seven State Soybean Pod Count vs Pod Weight x 10,000



Argentina yields in La Nina Years

With some weather agencies slowly shifting from a neutral ENSO forecast to a more weak to normal La Nina forecast, was interesting to see what some similar yield results were for Argentina crops in past.

Argentina Corn Yield

Dec through Feb	El Nino/La Nina Status	Pct of Lin Trend
1962	Weak La Nina	no data
1963	El Nino	no data
2008	La Nina	91%
2009	El Nino	120%
2010	Strong La Nina	95%
2011	La Nina	81%
2012	Neutral	92%

Argentina Soybean Yield

Dec through Feb	El Nino/La Nina Status	Pct of Lin Trend
1962	Weak La Nina	no data
1963	El Nino	no data
2008	La Nina	74%
2009	El Nino	107%
2010	Strong La Nina	97%
2011	La Nina	82%
2012	Neutral	89%

	Cash Price Comparison	
	Corn	
Sept 2016	Last Month	Current
$2.95	$3.09	$3.03
	Beans	
Sept 2016	Last Month	Current
$9.28	$8.73	$8.91

UNITED COOP 2017-2018 GRAIN POLICIES

WAREHOUSE STORAGE RATES: No Minimum – 1/6 cent per bushel per day from October 1, 2017 to April 30, 2018 1/20 cent per bushel per day from May 1, 2018 to September 30th, 2018.

PRICE LATER CONTRACTS – No minimum – calculated daily at following rate: .174 ($.00174) cents per bushel per day for Sept 1, 2017 through April 30, 2018. .05 ($.0005) cents per day May 1, 2018 through July 30, 2018. Contract will expire July 30, 2018.

MOISTURE REQUIREMENTS;

	CORN	BEANS
Sale	15%	13%
PLC	15%	13%
Warehouse Receipt	14%	13%
Grain Bank	14%	-0-

MOISTURE AVERAGING:

CORN: We will average all loads with moisture 17.1% and over and all loads 17% and under. Minimum 14%

BEANS: We will average all loads 13.5% and under. We will average all loads 13.6% and over, then shrink to 13%

CORN DRYING: 3.50 cents per bushel for each 1% moisture.
Custom drying will be assessed a 5 cent handling fee in addition to drying and shrink.

SHRINK:

CORN: Total shrink of 1.45% (1.18% moisture + .27% handling) for each 1% moisture
BEANS: Total shrink of 3% (1.18% moisture + 1.82% handling) per point of moisture 13–13.5%, 4% (1.18 moisture + 2.82% handling) shrink on 13.6% and above. Loads over 15% subject to rejection.

A PROBE SAMPLE will be taken from each load. Hauler should provide accurate information to the scale operator;

Identify each load of grain to the scale operator
Advise us of any splits at time of delivery
Identify your last load to the scale operator.

Credit – Sales agreement (PLC or deferred payment) must be signed before settlement is made final

If no disposition is given within 10 days from the average delivery date or 20 days from the first load date, whichever comes first, it will be put into storage (house receipt).

****THESE POLICIES SUBJECT TO CHANGE AS MARKET CONDITIONS DICTATE****

GMO POLICY: We must be notified prior to intended delivery of any corn variety hybrids that do not have worldwide import market approval. Any hybrids that do not have worldwide acceptance may be restricted to certain delivery locations and times.

It is illegal to deliver **TREATED SOYBEANS.** When delivering soybeans, producers have the responsibility to make sure all delivery equipment is not contaminated with TREATED SEED.