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Morning Commentary
February 20, 2018

CORN: HIGHER

Spot corn finished its 5th consecutive week higher Friday with a net change of 5 ½ week over week. The bean rally should help corn get over the dreaded $3.70 mark, but if they don't here I would expect a short-term downside correction off it. A close over $3.70 looks to spark rallies to $3.77. Friday's CFTC report showed the funds were just 5k net short (54k longer than estimated) as of Tuesday and were estimated to be slightly long by 1k as of Friday afternoon. Hedgers added 67k shorts to their position week over week, which helps explain why the funds have been able to cover 250K shorts since the beginning of the year with only a 15-cent rally. Look for DDG values to find support here as soymeal is posting 2-year highs. Export Inspections will be out at 10:00 am this morning and are expected to be .8-1.1m mt. Argentina received minimal rains over the weekend with temps into the mid 90's. Coverage looks minimal over the next two weeks with best chances next week only covering ½ of growing areas; heat is limited though with only a few days going into the 90's. Safras & Mercado pegged Brazilian corn production at 89.46m mt, which is 17% lower YoY. Safrinha planting remains a topic of interest there as constant rains have slowed bean harvest and thus corn plantings. Look for steady to higher trade today as long as beans continue to rally; closing over $3.70 would be very bullish for the charts. $3.77 ¾ is the next resistance for corn, and support sits at $3.64 and $3.60.

As of the break, CH18 is 1 ½ higher.

SOYBEANS: HIGHER

The poor rain amounts in Argentina are overriding estimates of 115 MMT or more in Brazil. The lack of moisture as predicted and fewer chances moving forward have the US market surging. We have most definitely headed into the 40s on MMT of production in Arg. How deep into the 40s is the big question? Temperatures are going to subside this week, but that will limit losses not stop them. US prices are again pushing the N/X to an inverse, which is out of whack with current estimates. US sales should increase in export meal, but will it be enough to absorb more than 100 MB? Especially now that DDGs are getting a boost from the rising tide of pricing for meal. As long as we are only producing 35-40% of the W. Hemisphere beans, the effect will be less than some expect. IF the full effect of lowered production in Argentina were to be pushed into the US demand table, we would have reason to be cranking much higher, unfortunately it won't. US insurance pricing begins the last 7 days beginning today and it looks like the S/C ratio is going to widen, just not enough to make it a significant influence. The lack of NC buying seems an opportunity, since the overall effect will be to enhance prices across the board eventually. CFTC report showed more longs on beans than estimated and less meal and while oil had less shorts added. Look for prices to hold double digit gains.

Beans: V-365,243/OI-794,192(+24,703) Meal: V-216,738/OI-485,098(-1,795) Oil: V-170,655/OI-509,450(-1,015)

As of the break, SH18 is12 ¾ higher.

WHEAT: HIGHER

KC held firm on Friday ahead of the holiday, closing unchanged to ½ cent higher through July, as nothing has changed in the market. The CFTC showed that funds liquidated 31k contracts of the CBOT wheat short through 2/13, whereas, trade estimates showed a slight increase. It would not be surprising to see this lead to a correction, even if its short-lived. The KC net long was essentially unchanged at 13k contracts. Weather issues are outweighing the smaller fund short, with HRW areas in the greatest need missing out on moisture over the next couple weeks. The cash markets have been sluggish since the end of January, and mills are showing they can't hold values up at these levels much longer without others stepping in. The stronger USD could limit gains in the wheat market, but crude oil is slightly higher. Look for wheat to get some support from Plains dryness and strength in soybeans, as KC pushed to new highs overnight but retreated to near unchanged this morning.

As of the break, KWH18 is 1 ½ higher.

CATTLE: HIGHER

Live cattle futures finished last week on their weekly highs, multi-month highs for that matter, in anticipation of a higher cash cattle trade and indeed we got just that on Friday afternoon. $130 live and $205 dressed appears to have caught most of the trade, up a sharp $4-5 vs the prior week's $126/200 trade. Packer margins have been seasonally pressured, the weekly slaughter total of 596K head again fell short of expected and leaves something to be desired, but positively nearby showlist supplies are relatively tight and packers must also sense some better seasonal beef demand right around the corner. Perhaps we're already seeing the latter take hold where the choice cutout is up $6+ in the past week. The technical picture looks quite impressive after last week's move above prior highs and a re-test of contract highs ($2-3 above current market) in the most active April and June contracts isn't that far-fetched. Look for a firmer start across futures again this morning with some technical buying and short hedge lifting both likely on tap early.

Fund Position	Accumulative	Yesterday
Corn	784	-6,000
Soybeans	47,866	-9,000
Soybean Meal	81,987	-1,000
Soybean Oil	-18,816	-5,000
Chicago Wheat	-51,973	-5,000
KC Wheat	13,488	0

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