

## Afternoon Market Information

## Thursday March 19, 2020

### CORN

Corn reversed course today and closed sharply higher, gaining 7-10 cents, but off session highs. Funds were buyers of 12,000 contracts at mid-day to cut into their estimated short position of 194,000 contracts. Between corn, beans, and wheat, corn has been the short leg of spread activity. Today, a technically oversold market, decent export sales, talk of China buying up to 4 cargoes of U.S. corn (unconfirmed), and stronger crude futures all helped corn rebound. Ethanol futures still lag unleaded futures by 30+ cents. Saudi Arabia and Russia battling in the crude market in general would not be bearish corn, but when coupled with an economy that's slowing in the U.S. due to Covid19 and the resulting drop in fuel usage, it made a tough environment for ethanol producers even tougher, and it finally caught up with everyone this week in the area of domestic basis pressure. Weekly export sales were 35.6 mln. bu., bringing YTD commitments to 1.142 bln. bu. vs. 1.644 bln. bu. last year. This lag has analysts concerned export projections are overstated by 100-200 mln. bu. Buyers of note this week were Japan, S. Korea, Columbia, and Mexico. Informa's latest acreage estimate for 2020 corn acres is 95.2 mln. Using a 5-year average yield of 173 bpa, adjusting carry-in to account for less ethanol production and possible bushels lost in the Dakotas from this past harvest, and a steady demand base, ending stocks in 20/21 could approach 3 bln. bu. – you have to go back to the 80's to find that type of number. Doubt this happens, but it's not supportive at this point.

**Basis Update:** CIF values firmed a bit nearby and are steady in the deferred months with offers 4 cents above bids. Unshipped export commitments at 504 mln. bu. Barge freight is higher on rising rivers and a bit more demand. STL still OK river level-wise but the continuing rainy weather has last year's river levels in the back of everyone's mind. Interior basis still sorting out where to land after the past few days of weakness. Most rail bids are defensive to go along with weaker processor bids. While there was some give-up selling in corn yesterday by the producer, today's rally did not bring active selling to the marketplace.

**Spread Update:** Spreads firmed up and down the line today, partly on order flow and partly on we still need to originate bushels. It's been just as volatile a week in spreads as it's been in futures and basis.

### BEANS

Soybeans also closed sharply higher, gaining 13-17 cents after trading 30 cents higher at one point in the day session. Talk of China buying beans off the PNW helped support futures, as did strength in SBM, up \$15 a ton at one point, based on expectations for firmer meal demand on lagging DDGS production from slowing ethanol production and a possible slowdown in Argentina meal exports. Also, board crush has ramped up sharply in March. Funds were buyer of 8,000 contracts mid-day to cut into their estimated short position of 63,000 contracts. Weekly export sales were 23.2 mln. bu., bringing YTD commitments to 1.286 bln. bu. vs. 1.522 bln. bu. last year. As with corn, analysts are concerned export projections are overstated, possibly by 200-300 mln. bu. Informa's latest 2020 acreage projection is 85.6 mln. Coupled with a 5-year avg yield and relatively steady carry-in and demand, 20/21 carryout would be over 525 bln. bu. (could easily go higher with less export bean demand for this marketing year and next.) Southern Brazil remains dry but un-concerning to the market. China continues to buy Brazil beans, reportedly picking up 7 cargoes yesterday for April-July shipment.

Wheat futures also sharply higher on rumors China is looking at U.S. origin wheat and good domestic demand from food hoarding in the U.S. Funds are adding to a long position of 10,000 contracts. Weekly export sales were 12.4 mln. bu., bringing YTD commitments to 881 mln. bu. vs. 851 mln. bu. last year. Wheat spreads all firmer.

**Basis Update:** CIF beans firmed again today with offers hard to find. Unshipped export commitments are 159 mln. bu. Both river points and processors were in the market today for coverage. Producer selling interest remains very limited.

**Spread Update:** Soybean spreads were all firmer today, in spite of the lack of export demand, or at least what we'd like to see. Strong crush margins and slow movement are lending strength as well as sending the signal the cash market needs coverage.

<u>CK</u>	<u>CN</u>	<u>CU</u>	<u>CZ</u>	<u>SK</u>	<u>SN</u>	<u>SQ</u>	<u>SU</u>
3.45 ½	3.51	3.55 ¾	3.63 ¼	8.43 ¼	8.48	8.49 ¼	8.47 ¼
<b>Corn Spreads</b>	<u>Settle</u>	<u>Change</u>		<b>Soybean Spreads</b>	<u>Settle</u>	<u>Change</u>	
CK/CN	- 5 ½	+ 1		SK/SN	- 4 ¾	+ 2 ½	
CN/CU	- 4 ¾	+ 1 ¾		SN/SQ	- 1 ¼	+ 2	
CZ/CH	-10 ¼	+ 1		SX/SF	- ½	+ 2 ¾	
	<b>March</b>	<b>April</b>	<b>May</b>	<b>Wheat Spreads</b>			
<b>CIF Corn</b>	+49 K	+50 K	+50 K	WK/WN	+ 2 ½	+ 2 ¾	
<b>CIF Beans</b>	+60 K	+60 K	+58 K	WN/WU	- 3	+ 2 ¾	
<b>IL River Freight %</b>	290	290	260	<p>The information contained in this report is believed to be reliable but is not guaranteed to accuracy or completeness by MID-CO COMMODITIES, INC. or GROWMARK, Inc. This report is provided for informational purposes only and is not furnished for the purpose of, nor intended to be relied upon for specific trading in commodities herein named. This is not independent research and is provided as a service. As such, this is considered a solicitation.</p>			
<b>Mid. Miss.</b>	---	320	320				
<b>St. Louis</b>	195	195	195				