Monday, June 1, 2020

MORNING GRAIN COMMENTARY

Morning Trends:
Corn: 1 around **Wheat: 2 to 4 lower** **Soybeans: 1 to 2 lower** **Soybean Meal .5 around** **Soybean Oil: 5 to 10 higher**

The Stories of the Day:
Baseball at its best and worst https://www.msn.com/en-us/sports/mlb/nationals-ownership-decided-to-cut-minor-league-pay-by-25-percent-so-the-teams-players-stepped-in/ar-BB14RnXn?li=BBnb7Kz&ocid=spartandhp **RIP good sir, https://www.msn.com/en-us/news/world/artist-christo-who-wrapped-reichstag-in-fabric-dies-aged-84/ar-BB14QH9F?ocid=spartandhp**

Weather:

A strong heat ridge will be the main weather driver this week, while a couple of disturbances move across the north. A stronger trough builds back into the West over the weekend and migrates into the Plains in the middle of next week. A tropical system is being watched for the Gulf of Mexico over the weekend into next week. The U.S. and European models have fairly good agreement, but the U.S. models show too much widespread precipitation. I will use the European ensembles. For the outlook period, temperatures on Saturday will be above to well above normal across the majority of the country, but cool in the far west. Temperatures will continue to cool over the West while spreading into the Plains early next week. Cooler temperatures will spread into the Northeast Sunday-Monday but be quickly pushed off to the east afterward. A weak front will bring scattered showers mostly east of the Mississippi Saturday. Tropical moisture will surge north from the Gulf of Mexico early next week ahead of the advancing trough with widespread showers over northern areas and some scattered showers in the south. If a tropical system does form, heavy rain will follow in its path. -DTN

NORTHERN PLAINS (SPRING WHEAT/CORN/FIELDWORK): Scattered showers occurred over the weekend, but mostly dry conditions prevailed, helping to continue planting activities. Heat building with the ridge this week could lead to stress for emerging and developing crops, but this may come with additional showers as well, which would reduce the stress. -DTN

CENTRAL/SOUTHERN PLAINS (WINTER WHEAT/CORN): Showers occurred in the north this weekend, continuing good growing conditions. Western areas have seen very little precipitation over the last week and stress continues to mount. Heat building in this week should continue to stress the drier areas. With the heat there is the opportunity for some shower activity in the west and north while the southeast will bake. Good soil moisture in this region due to recent moderate to heavy showers should hold off stress for at least some time. -DTN

MIDWEST (CORN/SOYBEANS/WHEAT/FIELDWORK): Good growing conditions occurred over the weekend. Heat building this week would be concerning if soil conditions were not so moist. Instead, rapid development of crops is expected. A front moving through Monday will sag slowly southward this week, producing periods of showers along with the heat. -DTN

DELTA (SOYBEANS/COTTON/FIELDWORK): Dry weather occurred over the weekend, allowing for planting to catch up. A few spots missed out on recent showers and with dryness through early this week, some stress is possible. Some isolated popup type showers mid-late week will help only some as the heat builds into the region. -DTN

BRAZIL (CORN/COTTON): Dryness continues to be concerning for reproductive corn and cotton in central and northern regions, but rainfall has been very beneficial for southern corn and cotton and developing wheat.

Scattered showers are occurring over the south Sunday and will likely continue for some of these areas through the end of the week, providing plentiful rainfall and good growing conditions. Showers will not make it north into Mato Grosso to Minas Gerais and stress will continue in these areas. -DTN

ARGENTINA (WINTER WHEAT): Showers over the weekend were limited to southern areas, which saw up to a full inch. Most of the central and northern areas were missed. Soil moisture in the area is adequate to somewhat short in the region and some stress to developing wheat may occur. Another system moves through late this week, but showers look more limited to northern areas. -DTN

EUROPE (WINTER WHEAT/RAPESEED/CORN): Scattered showers continued over eastern Europe this weekend, but it was mainly dry from Germany and Italy to France and the UK. Scattered showers did occur in Spain. Reproductive to filling wheat and developing corn in the drier northwest sections continue to be concerned with drought. A system will move through the region Wednesday and Thursday with good prospects for showers in these areas. The system may get cutoff this weekend providing additional showers into next week. -DTN

UKRAINE/WEST RUSSIA (WINTER WHEAT/CORN): Scattered showers continue to fall in Ukraine, favoring heading to filling wheat and developing corn and sunflowers. Some shower activity is falling in far western Russia, including southwest Russia where showers have not been as consistent. And showers should continue to fall in the region through much of the week. It may be too late for some of the drier sections of Russia, however. -DTN

CANADIAN PRAIRIES (SPRING WHEAT): Fieldwork and planting has caught back up to a normal pace for all but Manitoba, where planting pace is still trailing due to moist soils. Moderate showers fell last week for the drier sections of Alberta and Saskatchewan, boosting soil moisture for emerging crops. Scattered showers continued in mostly Alberta on Sunday. Warmer than normal temperatures this week should accelerate planting and crop growth. Some showers move through, but it looks to be scattered after Sunday. A large system is in store for next weekend with more widespread moderate to heavy rainfall. -DTN

NORTHWEST AFRICA (WINTER WHEAT): Filling wheat in Algeria and Tunisia will see only occasional showers this week. Nothing can be done at this point to save the damaged wheat crop in Morocco. -DTN

AUSTRALIA (WINTER WHEAT): Moderate rainfall moved through western areas late last week into the weekend, benefiting emerging to developing wheat. Eastern areas were drier for all but the south, mainly just Victoria, but soil moisture and irrigation reserves are adequate. Rather dry conditions are expected this week, fostering growth. -DTN

CHINA (WINTER WHEAT/RAPESEED/CORN/SOYBEANS): Overall favorable conditions are found in the northeast for corn and soybean emergence and establishment. Drier weather over the central areas will benefit filling wheat and rapeseed. And showers in the south continue to be beneficial for developing sugarcane and rice. -DTN

INDIA (WINTER WHEAT/RAPESEED/RICE/COTTON): Rainfall continues to increase across the country as we head toward the monsoon season which will begin shortly if it hasn't already in the southeast. This is beneficial to all areas for prepping soils for planting. An outbreak of locusts continues in Pakistan and has migrated into western India as well. Extensive damage has been reported for the early cotton and winter wheat crops. The swarm is starting to devastate newly planted summer crops, including cotton, and will need to be curtailed before the monsoon hits. -DTN

Headlines:

- Malaysian August Palm Oil up 23 Ringgits

- Dalian Futures exchange Sept corn down 3 vs. the Yuan, Sept beans up 25, Sept meal down 5, Sept bean oil up 52
- Asian Equity markets were higher Japan's Nikkei up 1.0% China's Shanghai up 2.2%
- To start their day European Equity markets are higher German Dax closed for a national holiday, London FTSE up .8%
- MATIF markets are mixed June Corn down .50 vs. the Euro, August Rapeseed up 1.50, Sept Wheat down 1.50
- Save the Date…June 5th…US monthly employment numbers…early look 8.0 million jobs lost, Unemployment rate at 19.8%
- Save the Date…June 10th…FOMC meeting
- Save the Date…June 11th…USDA S&Ds
- Save the Date…June 15th…NOPA Crush
- Covid-19 tracker https://www.msn.com/en-us/news/coronavirus
- Fall Armyworm, China's resolve to reduce pesticides will be tested https://www.chinadialogue.net/article/show/single/en/12034-Fall-armyworm-tests-China-s-determination-to-cut-back-on-pesticides
- Locust, causing havoc in Pakistan https://www.thetelegraph.com/news/article/Locust-invasion-wreaks-havoc-on-Pakistan-s-crops-15302609.php
- On Sunday, unnamed Russian energy officials in the Kremlin, according to Reuters, said they do not object to moving OPEC+ meeting ahead to June 4 from the originally scheduled June 9-10 -QT
- CFTC on Friday said that as of the close of 5/26 MM Funds were short 12,204 wheat contracts, short 276,203 corn, long 5,813 beans, short 41,775 meal, long 3,984 oil contracts
- Tonight's weekly crop update from the USDA is expected to find corn plantings at 92-94%, corn rating 72-74% good/excellent, beans between 82-85% planted, ratings if given between 67-70% good/excellent, spring wheat at 91-93% planted, winter wheat ratings between 53-55% good/excellent
- Protests not just a US thing Argentina farmers have been confronted with vandals popping their on farm corn storage bags

Commentary:

Corn, as always, is at the intersection of feed grain, energy, and sweeteners. For us bulls this is usually a good thing since one of these three things usually as some sort of story to underpin values. For the bull and the bear is usually takes 2 out 3 of these story lines to move prices. Of course, as of late the bear has been going 3 for 3. This is why corn prices are at 10 year lows. To get some sort of balance back in corn one of these three story lines needs to turn back bullish. To make a lasting bounce 2 out of 3 needs to be bullish. Right now, the world is awash in crude oil. The world is awash in sugar. The world has been awash in feed grains. Most importantly the US farmer is awash in both old and new crop stocks. So, we bulls will get excited today about the fact the MM funds short position in corn represents 18.8% of the open interest; an ownership that we have not seen since their record short back in April of 2019 at 322,215 contracts. The point here end users know that at current levels corn values could take off to the upside if we get into an early weather scare with the US corn crop. That said end users sleep well at night knowing any kind of supply side bounce will be capped by the fact the farmer needs to move some product. So, about the only short term hope for us bulls to start making a lasting bottom off of recent lows is to change one of the three story lines for corn. For us bulls our best hope is to see the world macro markets revive quickly on the back of some sort of workable protocol for Covid-19. If that happens the crude oil supply glut will quickly resolve itself. That said for this week crude oil will have to continue to catch a

bounce toward the 40.00 level. For us corn bulls we are off to a good start with this if indeed the OPEC+ meeting are held this week and that current production cuts can be extended for another 3 months.

An investment in futures contracts is speculative, involves a high degree of risk and is suitable only for persons who can assume the risk of loss in excess of their margin deposits. You should carefully consider whether futures trading is appropriate for you in light of your investment experience, trade objectives, financial resources, and other relevant circumstances. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.