

MORNING GRAIN COMMENTARY

Morning Trends:

Corn: 1 around
Wheat: 1 to 3 lower
Soybeans: 2 to 4 lower
Soy Meal .5 around
Soy Oil: 30 to 35 lower

The Stories of the Day:

Covid-19 it spreads so quick, how? <https://www.msn.com/en-us/health/medical/silent-spread-of-virus-keeps-scientists-grasping-for-clues/ar-BB172aCz?li=BBnb7Kz&ocid=spartan-dhp-feeds>
China/US tensions is it ever out of the news <https://www.msn.com/en-us/money/markets/european-stocks-in-reverse-as-us-china-tensions-spike-carmakers-slide/ar-BB172DIQ?li=BBnb7Kz&ocid=spartan-dhp-feeds>

Weather:

A ridge remains planted over the southern U.S. with troughs moving through Canada and the northern U.S. through early next week. The ridge looks to be much firmer implanted this weekend with hot and humid weather through the middle of the country yet again. A trough will dig into the eastern U.S. in the middle of next week and squash the heat in the Midwest while the ridge shifts westward, centered over the Four Corners and Southern Plains. The U.S. and European models are in fair agreement, so I will use a blend of the models. For the outlook period, temperatures on Monday will be above normal east of the Mississippi River and over the West with near to below temperatures in the Plains. Temperatures will fall east of the Mississippi as a cold front moves through the region. Precipitation will follow a cold front that pushes southeast through the country through midweek. Showers will continue to pop up over the Southeast in the heat ahead of the front. We will also have to watch a potential tropical system in the Gulf, which may move through southern and west Texas over the weekend into early next week. -DTN

NORTHERN PLAINS (SPRING WHEAT/CORN): Scattered showers will continue every couple of days as the storm track is through the region through the next 10 days, overall beneficial to crops though severe weather will continue to be a threat at times. -DTN

CENTRAL/SOUTHERN PLAINS (WINTER WHEAT/CORN/COTTON): Showers have been beneficial for developing corn and cotton in the region where they have occurred but have been notably absent for much of West Texas outside of the Panhandle where heat has continued to put increased demand on irrigation. Scattered showers will continue over northern sections of the region as a front lingers and systems scrape by through this weekend. Otherwise only isolated showers are expected over the dry south and heat will build back into at least the southern half of the region by this weekend. We will have to watch for a potential tropical system moving through Texas over the weekend into early next week and the heavy rain that it may bring. -DTN

MIDWEST (CORN/SOYBEANS/WHEAT): A system will sweep through the eastern half of the region Wednesday with widespread moderate showers, benefiting much of the region. Scattered showers may linger across the southern half of the region, and maybe into drier western Iowa as well, through Friday. With showers being scattered, there will be places that are missed but many of the recent dry spots will see meaningful rainfall through Friday before the ridge firms up and the heat returns for the weekend. A front early next week will bring some shower activity along with more normal temperatures. -DTN

DELTA (SOYBEANS/COTTON): Showers have been and continue to be isolated through the next week. Northern portions of the region stand the best shot at showers, but with both soybeans and cotton in reproductive phases, more moisture will be needed as temperatures remain in the 90s through the weekend. -DTN

SOUTHEAST (COTTON): Isolated to scattered showers continue to support mainly adequate to surplus soil moisture for reproductive cotton over the next week. -DTN

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BRAZIL (CORN/COTTON/WHEAT): Dry conditions continue to favor harvest activities for corn and cotton in the central and north, while conditions remain favorable for developing wheat in the south. Diminishing showers will push northward on Friday over Rio Grande do Sul. With adequate moisture in this portion of the region, favorable conditions continue for developing wheat. More heavy rain will be possible over the south early next week. -DTN

ARGENTINA (WINTER WHEAT): Showers will continue to spread over the country through Friday, bringing much-needed showers for developing wheat. However, behind the showers, temperatures will again fall below freezing and much of the shower activity will be too light to reverse recent dryness. -DTN

EUROPE (SPRING GRAINS/CORN): Spotty showers earlier this week have been very welcome for portions of the west that have been drier recently. Otherwise, mostly favorable weather continues for the continent as crops head toward or through reproduction. The Atlantic may open up a bit more over the weekend and into next week with more widespread showers over the continent. -DTN

UKRAINE/WEST RUSSIA (SPRING GRAINS/CORN/SUNFLOWERS): The eastern two thirds of the region continue to be dry, especially in the Volga region of Russia, and stress corn and sunflowers in reproduction and some damage has been likely. Prospects are much better across the western third of the region as showers have been much more plentiful. Showers continue to be more limited through the middle of next week with better opportunities in Ukraine and northwest Russia. -DTN

CANADIAN PRAIRIES (SPRING WHEAT): Scattered showers continue to move across the region through this weekend, with favorable conditions for much of the region. The exception is in central and northern Alberta where soggy soils and cooler temps have stunted growth. -DTN

AUSTRALIA (WINTER WHEAT/RAPESEED): Scattered showers have fallen and been beneficial for the western wheat belt last weekend, but largely missed the eastern wheat belt. Southern areas in the east have better soil moisture and irrigation reserves for developing wheat and rapeseed, but Queensland has seen far fewer shower activity over the last 30-60 days. Queensland will see some shower activity through Wednesday and more again Friday through Sunday, along with the rest of the eastern wheat belt, which would ease concerns. -DTN

CHINA (CORN/SOYBEANS/SUGARCANE/RICE): Overall favorable conditions continue in the northeast for developing to reproductive corn and soybeans. Intense rainfall this season near the Yangtze River has caused significant flooding, otherwise, adequate showers continue for sugarcane and rice in the central and south. -DTN

INDIA (SUGARCANE/RICE/COTTON/SOYBEANS): Monsoon moisture continues to spread across the country, benefiting developing crops across the region. The outbreak of locusts continues in western India from Uttar Pradesh to Madhya Pradesh and across the north as well. Extensive damage has been reported for all crops in the region as the swarms feed on developing to reproductive summer crops. -DTN

Headlines:

- Malaysian September Palm Oil down up 19 Ringgits
- Dalian Futures exchange Sept corn up 7 vs. the Yuan, Sept beans up 6, Sept meal down 21, Sept bean oil up 74
- Asian Equity markets were lower Japan's Nikkei down .6% China's Shanghai down .2%
- European Equity markets start lower, German Dax down .5, London FTSE 100 down .8%
- MATIF markets are lower Nov Corn down 1.0 to the Euro, Nov Rapeseed down .50, Sept Wheat down 1.0

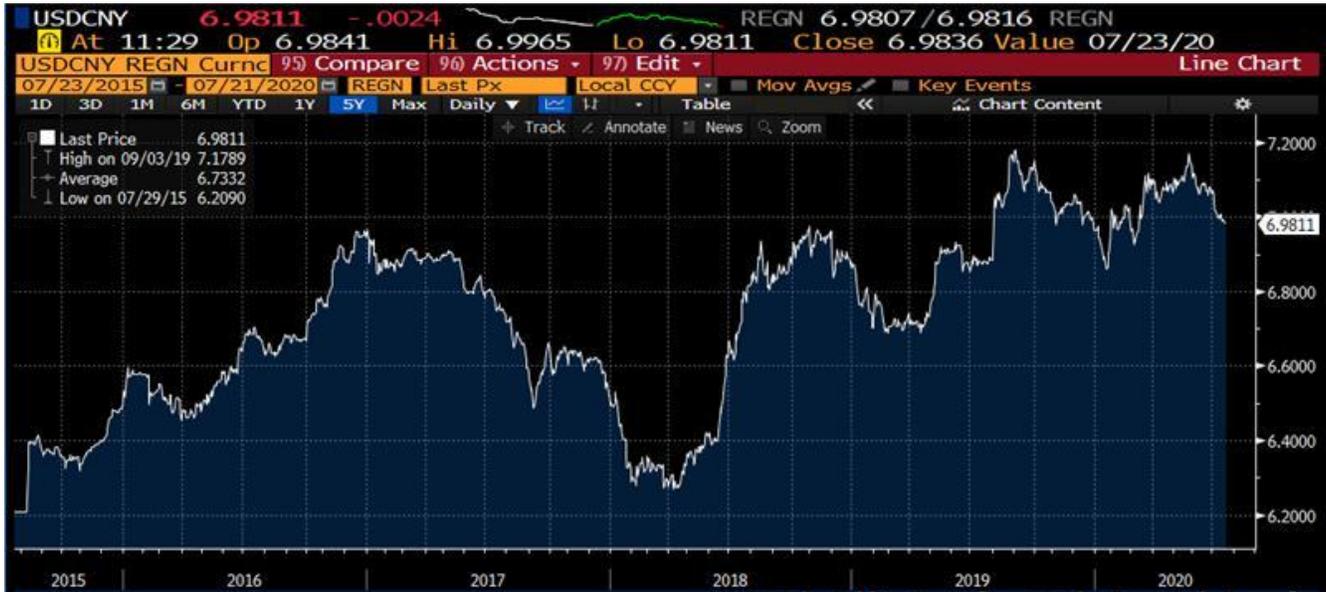
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- Save the Date...July 23rd & 24th...Japanese holidays
- Save the Date...July 30th...2Q US GDP
- Save the Date...July 30&31st...Eid al-Adha (sic?)
- Save the Date...Aug...7th...US Jobs numbers
- Save the Date...Aug 12th...USDA S&D Reports
- ASF the island nations feels its wrath <https://www.asiaone.com/world/african-swine-fever-kills-more-24000-pigs-indonesia-january>
- Fall Armyworm, still out there
- Covid-19 India a real live test to see if herd immunity will really work? <https://www.bbc.com/news/world-asia-india-53485039>
- Locust...This swarm blowing into Argentina from Paraguay...hope they cannot eat through plastic bags <https://www.reuters.com/article/us-argentina-grains-locusts-idUSKCN24M2WR>
- China floods, <https://www.reuters.com/article/us-china-floods-idUSKCN24N0FL>
- Libya Civil War what a mess <https://www.washingtonpost.com/world/2020/07/21/libyas-war-becomes-global-scramble-power-prestige/>
- Mother Nature a bit feisty this AM https://www.bing.com/search?q=alaska+earthquake&form=PRUSEN&mkt=en-us&httpsmsn=1&msnews=1&rec_search=1&refig=533b4e06bfa3405a9751eff9069a17ad&sp=2&ghc=1&q=FT&pq=alaska+e&sk=PRE51&sc=8-8&cvid=533b4e06bfa3405a9751eff9069a17ad

Commentary:

The dollar this week is threatening to open up another major leg lower. This is not a bad thing for Ag products as it should make our raw products more price competitive. The sharp break in the dollar right at time when the US Congress is talking about another stimulus package may drive some talk of inflation or at the very least have some asset managers look at historically under priced (hey we are talking about you corn) commodities to park some money. Now we all know that the CME's futures contract for the dollar is heavily weight against the Euro. Conventional Wisdom from us older grain analyst will focus on if the dollar is moving lower against our principle exporter rivals in the Black Sea and South America (spoiler alert it is not). But at this time when are attention is been so focused on if the Chinese could even get close to Phase One Trade Deal benchmarks with the US, we feel attention should be placed on the dollar vs. the Yuan. The chart below shows that Chinese buying power of US goods is on the rise. So a quick review, 1) Post the planted corn acre shock in late June, CZ has made a double top high at the 363 level, 2) The Chinese have step in and bought over 3.0 MT of US corn and even more Ukrainian corn and yet domestic Chinese corn prices remain at 5 year highs, 3) Domestic Chinese corn prices remain at 5 year highs despite the fact that the Chinese in the last month have auctioned of close to 40.0 MT of reserve corn stocks and have indicated the are now ready to auction off rice and wheat stocks to the feed industry, 4) Chinese buying power for US raw goods is on the rise with the recent rally in the Yuan vs. the dollar. Despite these 4 bullish factors CZ is on recent lows and down over 30 cents from the early July highs. A benign weather forecast and absolute confidence in the bear that A) the USDA projected trendline yield of 178.5 will be easily met, B) MM funds will continue to sell corn, after all the trend is your friend until it is not. The question for the market is point B about to be flipped? Is a weaker dollar more important to the MM funds then an improved weather forecast?

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