Friday, May 28, 2021

MORNING GRAIN COMMENTARY

Morning Trends:

Morning Trends

as of 5:00 AM CST

Corn 1 to 2 lower

Wheat 3 to 5 lower

Beans 2 to 4 higher

Soy Meal .5 to 1.0 higher

Soy Oil 10 to 20 higher

The Stories of the Day:

Truck Driver in short supply in the US **Trucking industry facing driver shortage aiding pandemic supply chain woes (msn.com)**

We want it and we want it now **https://www.reuters.com/article/commodities-research-goldman/goldman-says-china-is-no-longer-center-of-commodities-pricing-idUSL3N2NF1DQ**

Yes, a trucking story you know we were going there **Grateful Dead - Truckin' - YouTube**

Weather: A progressive pattern is expected over the next 10 days. There is a trough in eastern Canada, another in the Midwest, and a third in western Canada into the Pacific Northwest. The Midwest trough will deepen a little further as it continues eastward this weekend. The western trough will move across southern Canada into next week. An upper level low will develop over the Southwest this weekend and slowly move into the Southern Plains by the middle of next week. Meanwhile, a ridge will build in the West. Another trough may replace the ridge in the Northwest and western Canada late next week or weekend. The U.S. and European models are fairly similar in the upper levels, but a bit different at the surface. I will use a model blend but favor the European. For the outlook period, temperatures on Wednesday will be near to below normal across the Central and Southern Plains and near to above normal elsewhere. Temperatures will mostly follow a warming trend next week, though it may remain below normal in the Central and Southern Plains. Temperatures could fall below normal in the Pacific Northwest and Northern Plains late next weekend. A system will slowly move through the Midwest mid-to-late next week. Another system could impact northwestern areas as well as western Canada next weekend. -DTN

NORTHERN PLAINS (LIVESTOCK/SPRING WHEAT/CORN/SOYBEANS): Recent rainfall has helped to reduce drought conditions in some areas, though there were areas that were missed where drought continued to hold or even worsen. Some scattered showers will pass through this weekend with a system followed by some isolated showers next week. The showers will be helpful but will not be enough to reduce drought by any significant margin. Temperatures reached below freezing in North Dakota Friday morning and may have caused some frost damage for a few areas. Temperatures are below normal through the weekend before going on a warming trend next week. -DTN

CENTRAL/SOUTHERN PLAINS (WINTER WHEAT/LIVESTOCK/CORN/SOYBEANS): Heavy rain and severe weather have occurred over the last few days. Scattered showers will continue to impact the bulk of the region through the next week but will be a little more sporadic. When showers do occur, they will likely be moderate to heavy, benefiting row crops where they hit except if they produce flooding by hitting the same area over and over again. Models display widespread 1 to 3 inches of rain across the region with locally heavier amounts where thunderstorms are more persistent. Temperatures will be below normal for the next week, keeping growth slow.

MIDWEST (WINTER WHEAT/CORN/SOYBEANS): A system will continue to bring widespread showers through the region Friday, building on the showers that occurred earlier in the week. Recent temperatures well above

normal have helped to progress corn and soybeans further through development have fallen back below normal for the next few days into early next week. There is a risk for some isolated frosts across the northern half of the region Saturday and Sunday mornings, which includes Minnesota, Iowa, Illinois, northern Indiana, and Michigan. Crop progress is likely to be a little slower because of it and there could be some isolated frost damage as well. Temperatures should then go on a rising trend next week. -DTN

DELTA (SOYBEANS/COTTON): Overall, weather for both cotton and soybeans is largely favorable. Soil moisture is a still a little too high in some areas, leading to slower planting progress for those still left to plant. Dryness this weekend into early next week should help to drain soils that are still too wet. -DTN

SOUTHEAST (COTTON/LIVESTOCK): Dryness over the past week helped producers to increase cotton planting. Soil moisture is starting to become limiting in some areas, however. A system will move through with scattered showers this weekend. If showers are disappointing, the dryness could start to affect germination and crop growth. Models are hinting at pop-up type showers being possible next week, though would be isolated. -DTN

CANADIAN PRAIRIES (SPRING WHEAT/CANOLA): Moderate to heavy precipitation fell across a good majority of the region over the past week, helping to ease the widespread drought. Temperatures below normal have not been helpful for germinating or developing crops, however. Low temperatures below freezing have occurred across portions of the region. Mostly below normal temperatures will continue through the weekend, but will be on an increasing trend next week. Outside of a system bringing isolated light showers this weekend, dryness is expected for the next week, which is not helpful either. -DTN

BRAZIL (CORN/WINTER WHEAT): Recent rainfall has stabilized and perhaps improved yield prospects across the south, but meager showers farther north were likely not enough to cause any reversal in the lower prospects across the higher production areas in the central states. Another system will bring moderate to heavy rainfall across southern areas only Friday through this weekend and could stall across Mato Grosso do Sul to Sao Paulo for a few days next week. The front is not expected to move into central states, where concern and drought damage continues to mount. -DTN

ARGENTINA (CORN/SOYBEANS/WINTER WHEAT): Recent showers have improved soil moisture for winter wheat. Mostly dry conditions over the next week should favor the harvest with showers expected only across the far north and far south Friday. Some showers may continue across the far south early next week. -DTN

EUROPE (WINTER WHEAT/CANOLA/CORN): Scattered showers and below normal temperatures will continue to characterize the northern half of the continent into the weekend. It should be drier next week while temperatures should rise closer to or above normal. A system will stall in the southeast next week with periods of showers continuing to improve soil moisture there. Slow growth continues for this week, but we may see more of an accelerated growing pace next week.-DTN

UKRAINE/RUSSIA (WINTER WHEAT/CORN): Scattered showers have been confined over western Ukraine for past several days and Russia could use some more showers to go along with the above normal temperatures that have been in place. A system will swing through the region this weekend with more widespread showers, helping all crops in all areas. More isolated showers are expected next week but could be more scattered and heavier in Ukraine. Temperatures above normal will likely fall below normal across Ukraine this weekend into next week while it remains above normal in Russia. -DTN

AUSTRALIA (COTTON/SORGHUM/WINTER WHEAT/CANOLA): Recent showers benefited developing winter wheat and canola in Western Australia along with southeastern growing areas. Showers did not make it into northeastern areas, causing concern for soil moisture as showers do not appear to be in the forecast until late next week. Irrigation levels are still adequate, however. -DTN

Friday, May 28, 2021

CHINA (WINTER WHEAT/CANOLA/CORN/SOYBEANS): Scattered showers have benefited early plant growth in the northeast, and wheat and canola fill on the North China Plain. Temperatures have fallen below normal, however, and will remain so for most of the next week, keeping growth slow. -DTN

INDIA (WINTER WHEAT/CANOLA/COTTON/SOYBEANS): Tropical Cyclone Tauktae brought heavy rainfall to maturing wheat and canola in northwest India last week, which may have caused quality issues and damage. Tropical Cyclone Yaas is doing the same for rice in eastern India and Bangladesh as the system moves farther inland. Models are forecasting the low pressure center stall in north-central India into the weekend. There could be more flood damage for winter wheat and canola. -DTN

Headlines

> Malaysian Aug Palm Oil up 97 Ringgits

> Dalian Futures Exchange were higher, Sept Corn up 15 to the Yuan, Sept Beans up 23, Sept Meal up 43, Sept Bean Oil up 76, Sept Palm Oil up 66

> Asian Equity Markets were mostly higher, Japan's Nikkei up 2.1%, China's Shanghai down .2%

> European Equity Markets are higher, German Dax up .4%, London FTSE up .4%

> MATIF Markets are mixed, June Corn up 2.0 to the Euro, August Rapeseed down 4.25, Sept Wheat down .50

> Save the Date…May 31st…US Memorial Day

> Save the Date…June 3rd…US monthly jobs data

> Save the Date…June 10th…US & World S&Ds

> ASF/FAW all quiet

> Locust in Kenya, Kenya on high alert as fresh wave of locust invasion looms - The East African

> Bird Flu in S. Africa Avian flu outbreak causes panic | Netwerk24

> Ahead of next Tuesday's monthly USDA crush report, analysts are expecting April's soybean crush at 5.133 mln tons, that compares to the 5.646 mln tons in last month's report. Soy-oil stockpiles at the end of April are forecast by analysts at 2.171 bln lbs that' would be off from the 2.245 bln lbs in last month's report. -QT

> They keep saying they don't need the corn China's feed lots set to snap up wheat harvest for pigs, poultry | Reuters

Yikes!!! Bolsonaro threatens Brazil with military action (msn.com)

> 60% of the Chinese corn belt in drought conditions (see map below)

> June corn futures rose as much as 5.5% to EU266.50/ton on the Euronext exchange, the highest for a most-active contract since September 2007. (see chart below)

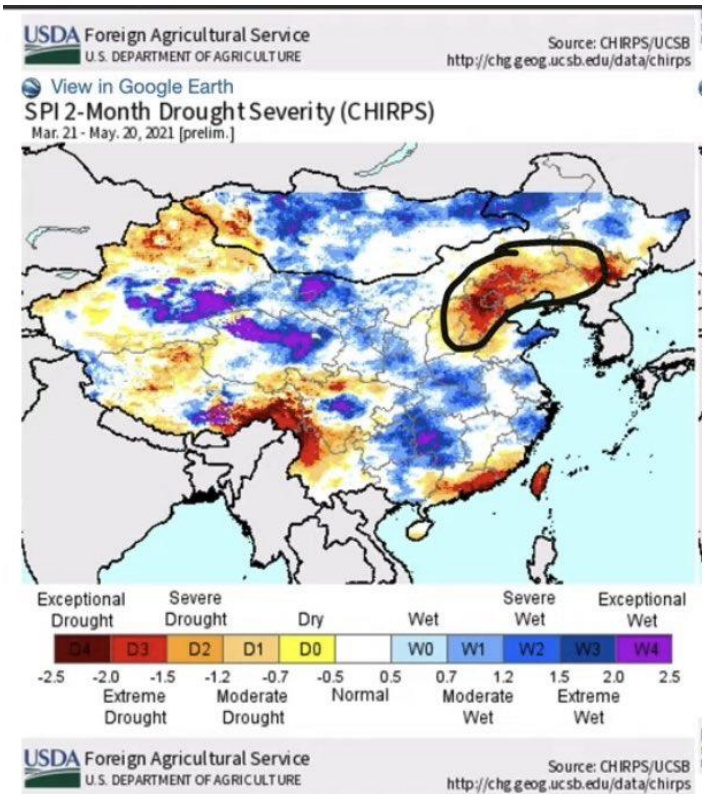
> CFTC MM Funds Report at 2:30 PM CDT expected to find that as of the close of 5/25 MM Funds were short 10,460 wheat, long 202,525 corn, long 109,684 beans, long 26,845 meal, long 73,220 bean oil contracts

Commentary

leese group
A DIVISION OF MAREX

Friday, May 28, 2021

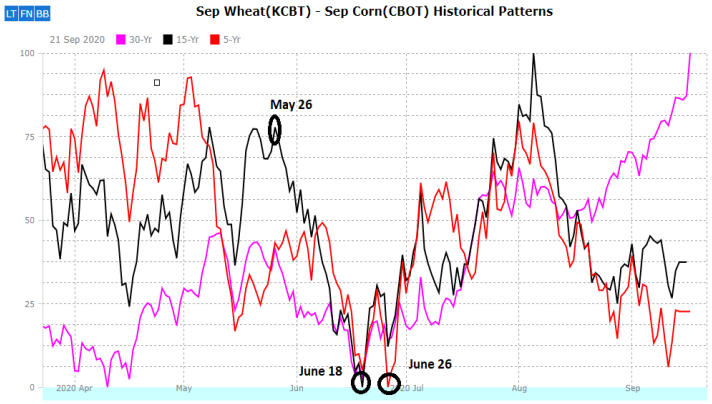
In honor of the TV show Friends reunion we are calling today's comments the "The One With the Charts." To say the least old crop corn values have been on a ride. What also has been on a ride is new crop KW vs. old crop corn. CN has raced over KWN to levels we wheat bulls would never have thought would happen (CN 35ish over KWN going home last night). The question what about new crop KW vs. old crop corn, KWU/CU? The recent KW tour suggest a big low protein crop is on its way to the delivery system. Now at this point one should be raising their hands and pointing out CU might not be old crop but new crop. We get that and respect that, but we feel the N. Hemisphere pipeline of old crop corn will keep a bid under CU and at times make it trade like old crop (see Matif corn chart, see Chinese drought map below). We also would note that the fund rolls should move their July corn length to the Sept contract. We also would note the seasonal pattern that has KWU losing to CU into the middle of June (see Eric's chart below). The KWU/CU went out trading around 50 cents last night. Over head resistance should be up around 70 cents (see Eric's chart below). Now if one plays with these values and one believes that CU will continue to gain on KWU what one is really saying that is that Mexico and China will continue to lift old crop US corn and that the EU will soon start scouring the world for corn bushels as well. This is a high risk trade and not for the faint of heart.



leese group
A DIVISION OF MAREX

Friday, May 28, 2021

Matif corn



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 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.

222 W. ADAMS STREET | SUITE 450 | CHICAGO, IL 60606 | PHONE +1.312.795.7975 | LEESEGROUP@RCGDIRECT.COM