

Weather

No change to the South American outlook. Rainfall in northern Brazil will average below normal over the next two weeks. Much of the area will see two week totals of 2-4" though Bahia and Minas Gerais will likely see lower amounts. No big heat is expected, though temps will uptick into the mid 90s at times.

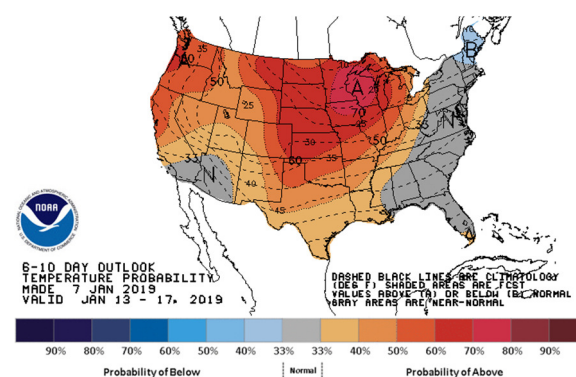
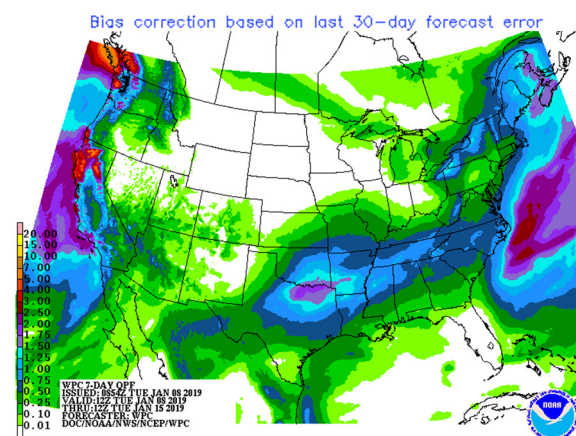
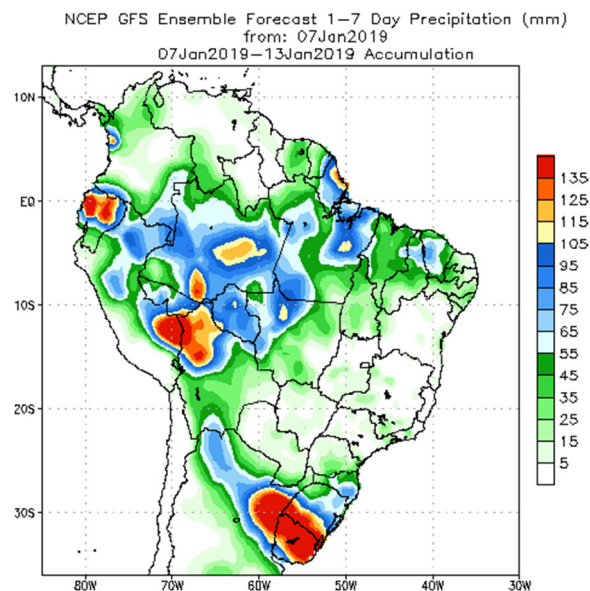
Southern Brazil should see AN rainfall in RGDS and near normal rainfall elsewhere. Look for two week totals in RGDS of 4-8" with 2-4" amounts everywhere else. Rainfall in RGDS should be seen on a near daily basis over the next two weeks. No major heat is expected, but high temps will hang out around the 90F level pretty often.

Argentina should see mostly above normal precipitation totals in key production areas. Two week rainfall totals will range from 5-12" in northern Entre Rios, Santa Fe, and northern Cordoba. The center of the growing region will see lower amounts of 2.5-5.0". Extreme southern areas will likely see BN totals of 1-2" during this period. Rains are limited at the time of writing this morning but should spread through the region by this afternoon and continue through tomorrow night. No major heat is expected during the two week period and in fact temps will run BN a lot of the time.

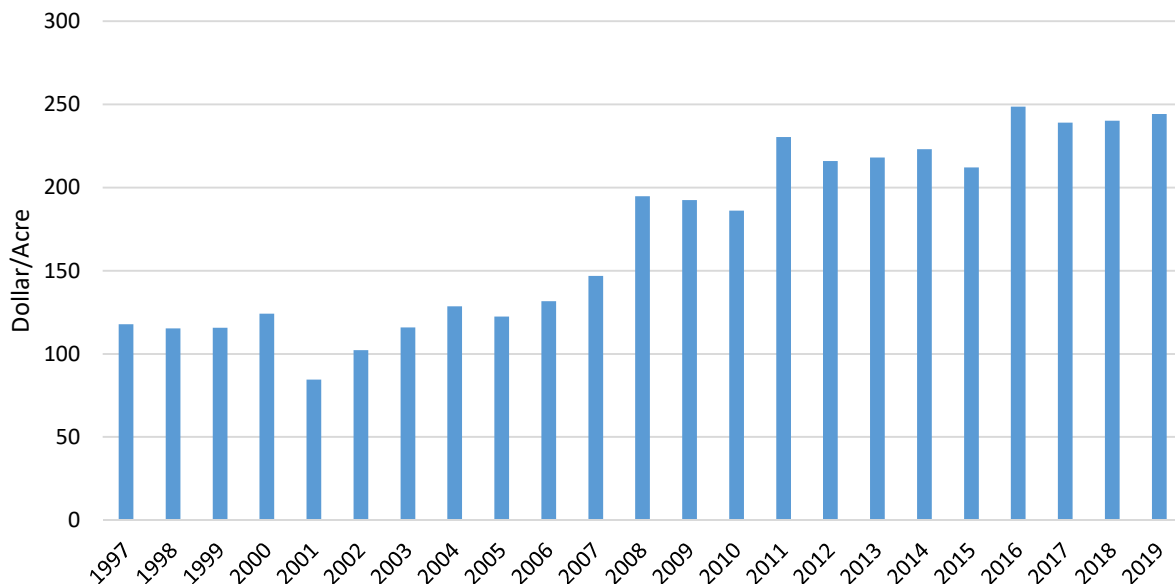
No significant precipitation in the major feedlot areas of the US over the next 10 days. There will be some precipitation in TX/OK on Thurs/Fri but the majority of that looks likely to fall south/east of the main feedlot areas. There are still signs for a potential storm in the 11-15 day period, but it is too early to have a good read on how that will develop. No big cold is expected, with mostly AN temps seen over the next two weeks.

Crops

I've shown all of these charts before, so nothing new today. I just thought it might be worth a quick reminder. Simply put, most analysts continue to write about a big shift in acreage for 2019 from soybeans into corn, but as of now I don't see the justification for that argument in the price data. Note that, according to USDA estimates, the national average cost of production for corn continues to increase vs. soybeans.

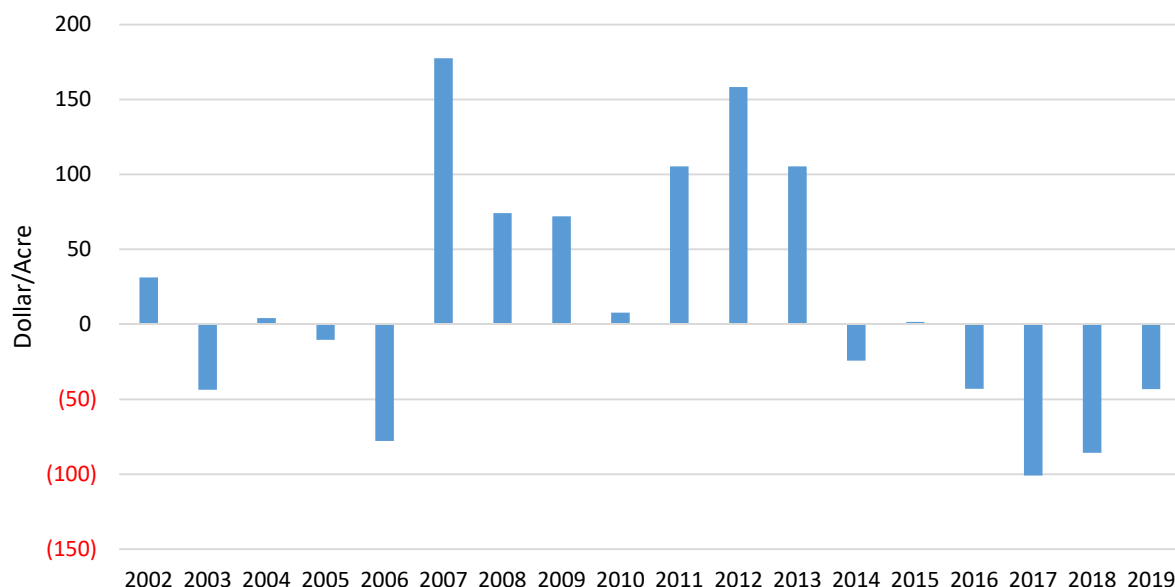


**USDA National Average Cost of Production
 Corn - Soybeans Difference**

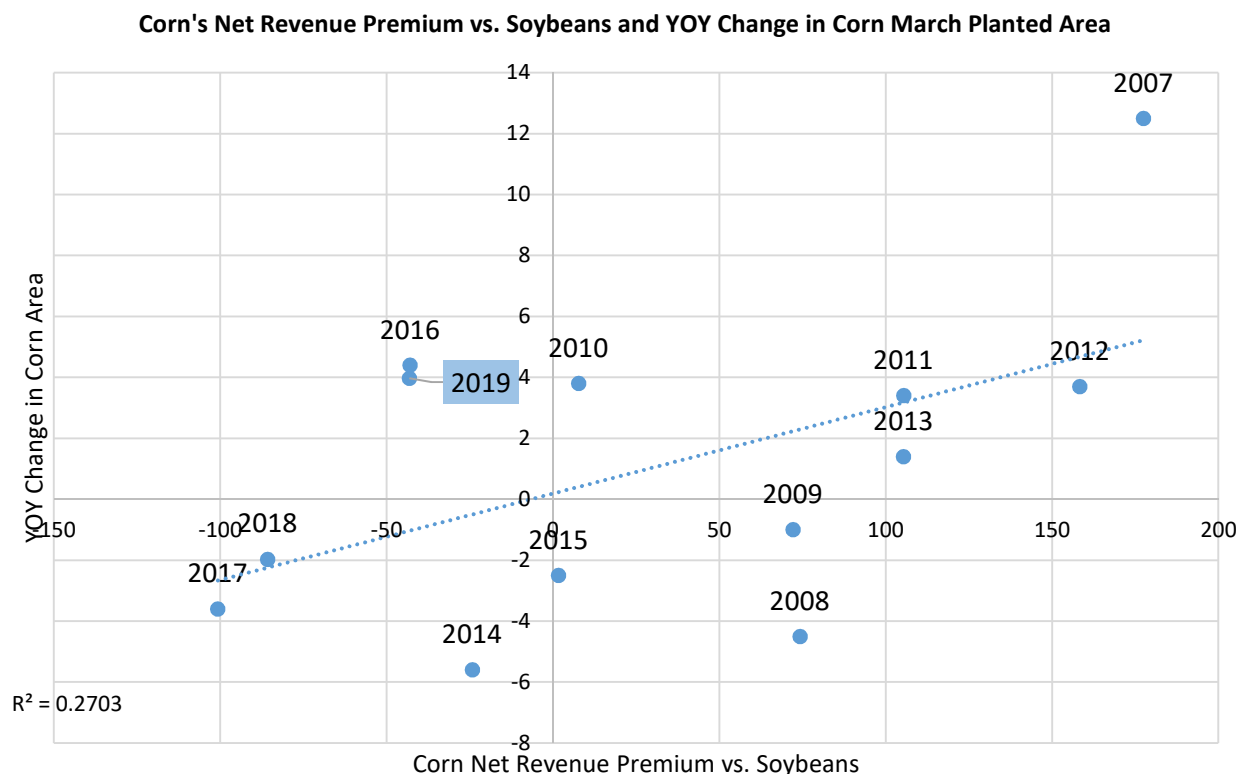


Using those USDA estimates for national average cost of production, along with average February prices we can look at a history of presumed net revenue of corn relative to soybeans. This chart is also taking an assumed national average for basis, which of course is a moving target...

**Corn Net Revenue Premium to Soybeans
 February Average Futures Price**



Interestingly, this shows that (on a national average basis, anyway) that soybeans should still be the more attractive option using futures prices as of yesterday. Obviously individual situations will vary, but looking at it on this national average level has proven to be a somewhat decent indicator of what to expect on the March Prospective Planting report. The 2019 point as shown below uses the USDA's long-term projection figures.

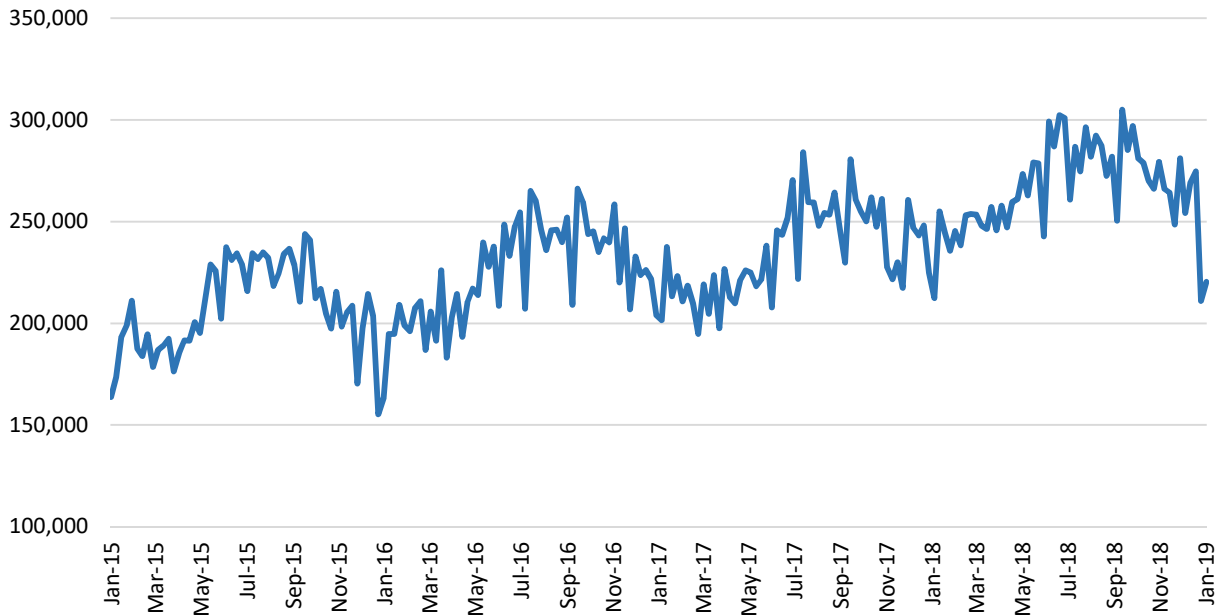


You'll see that 2016 stands out as a possible reason that corn area *might* still increase substantially vs. soybeans despite the national average revenue comparison indicating otherwise. I suppose a similar situation is possible, but I would point out that the February average price for SX'16 was ~\$8.85...a long way off from where we stand today.

Livestock

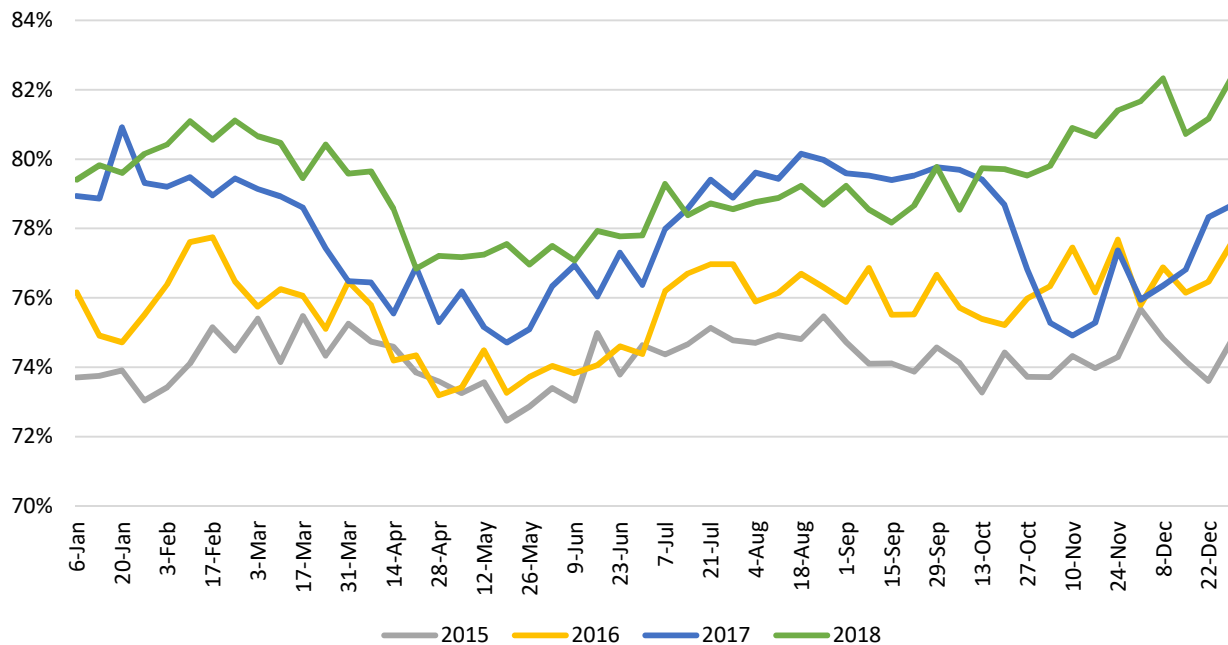
Nothing major stands out to me in the weekly update on MPR trade. We figured we had "decent" volume last week and this is one of the biggest volumes we've seen for the first week of the year in a while. Still not a huge number in the grand scheme of things, however. Formula cattle volume has been off sharply in the past few weeks, though that is probably just a seasonal issue. I expect that formula cattle volume will continue to represent a growing amount of cattle trade. The beef movement numbers didn't produce anything that stands out either in my opinion. Fairly typical numbers for this time of year best I could tell.

Formula Cattle Volume



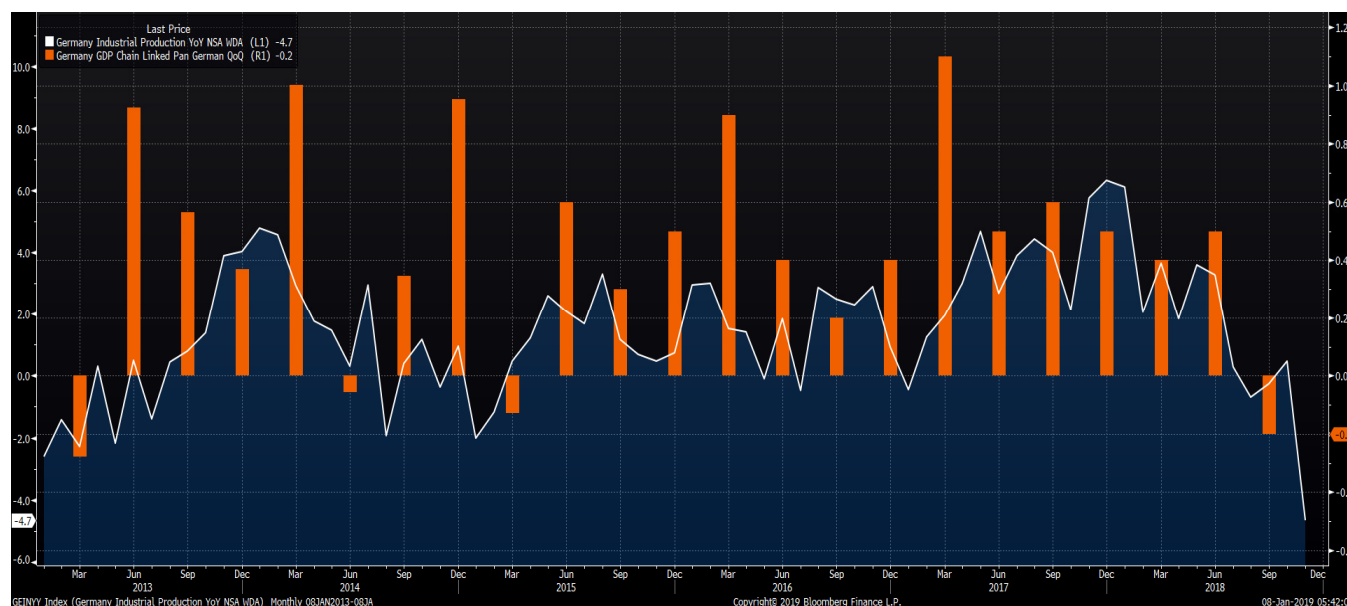
Beef grading finished out 2018 on a very strong note. Yesterday's report showed 82.33% of beef graded either choice or prime in the week ending 12/28, which tied the prior record set just a few weeks earlier.

Percentage of S/H Carcasses Graded Choice or Prime



Financials

Another round of soft economic data out of Germany overnight. This time, industrial production slumped 4.7% YOY in November. This would be the worst YOY decline since the financial crisis. Euro-area consumer confidence was also released overnight, and this fell to its lowest level in two years. The question being asked this morning is whether or not Germany will technically fall into recession? We already saw negative GDP growth in the previous quarter, and the weak industrial production (and other data) doesn't suggest much improvement. The very soft numbers suggest that a second consecutive quarter of negative growth is quite possible.



Here in the US, equity futures are moving higher again this morning. This is likely due to the optimism surrounding ongoing US-China trade talks. It seems everyone willing to get in front of a microphone has something positive to say about progress being made. We've yet to have the key decision-makers get in a room since Argentina, but it feels pretty safe to say that both sides probably feel enough pressure to make something happen. In China, PPI data was released overnight. YOY PPI growth fell to 2.7% which is the slowest rate since 2016. Some analysts are thinking PPI might fall lower than CPI in China for the first time in two years. China's lower PPI level should also mean lower export prices, which "exports deflation" to the rest of the world.

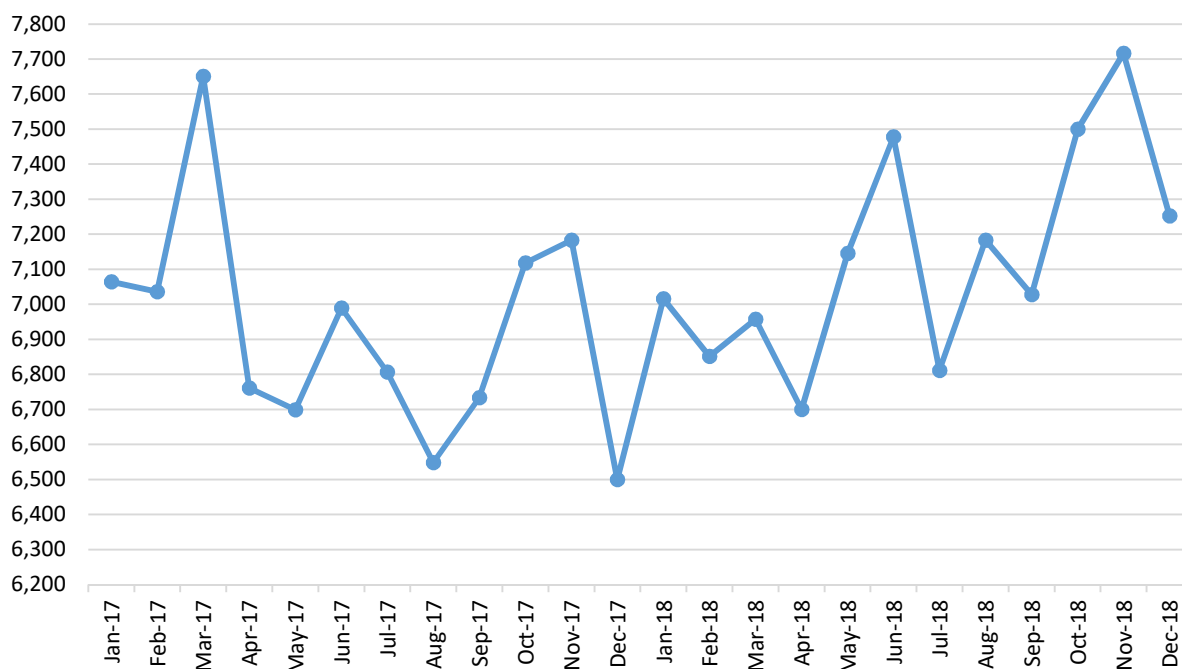
On tap tonight we have President Trump addressing the nation regarding the "national security crisis" at the southern border. It sounds like the President make invoke a national emergency which would allow him to allocate defense spending towards the construction of a border wall without Congressional approval. This would be sure to stir up lots of legal challenges, but even key Democrats have admitted it would likely work. We'll see if this is his message tonight. If so, not sure what it means for the ongoing government shutdown, where negotiations have seemingly ground to a halt.

Energy

Interesting headlines out of Saudi Arabia yesterday. DJ reported the Saudis were hoping to support crude oil prices back near \$80/bbl (basis Brent). In order to do so, they've apparently said they will cut oil exports down

to 7.1 mbpd. I'm not sure how big of a "cut" this really is. The chart below shows Bloomberg estimates for Saudi oil shipments. You can see that the December '18 export total was roughly 7.25 mbpd, so to get down to 7.1 isn't requiring a big difference. You can also see that 7.1 mbpd is still higher than the average over the past 5 years, so I don't really view this as much rationing on the part of the Saudis. I do believe they are very incentivized to support oil price, I'm just saying I think it'll take more than this...

Saudi Arabia Crude Oil Exports (1,000 bpd)



Today's Calendar (all times Central)

- Trade Balance – 7:30am
- JOLTS Job Openings – 9:00am
- Consumer Credit – 2:00pm

Thanks for reading.

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