

## Weather

No significant changes to the forecast over the weekend. Northern Brazil should see near normal rainfall totals over the next two weeks. Rainfall amounts in week 2 should be better than week 1 in northern areas, which you can see in the maps at the right. Southern portions of the country should also see rainfall amounts average relatively near normal over the next two weeks. Here, however, we should see better amounts in Week 1 of the forecast than in Week 2. We should continue to see some notable heat through central portions of Brazil with some 95-100 readings possible through Minas Geras, Bahia, and Goias.

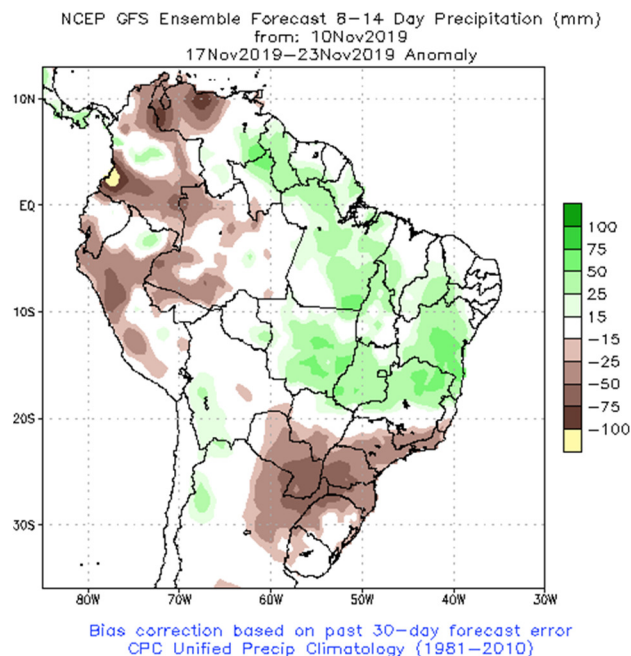
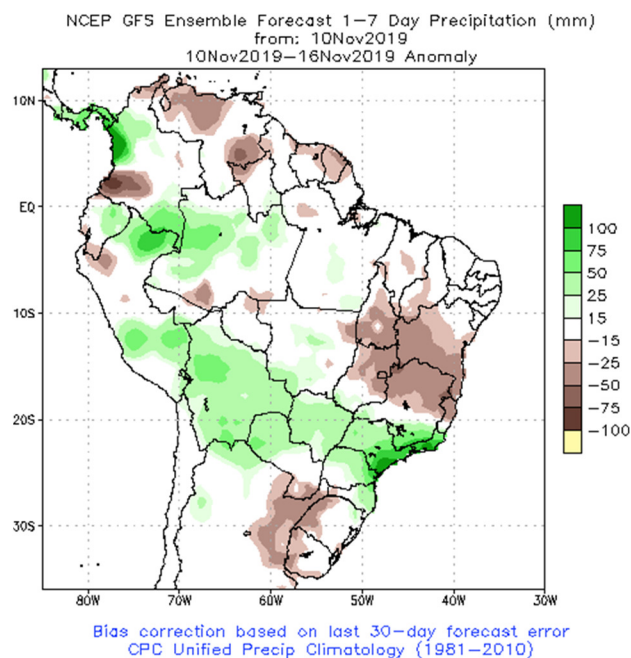
Argentina is also expecting near normal rainfall totals over the course of the next two weeks. There will be some scattered showers over the next few days with mostly dry conditions later in the week and during the 6-10 day period. The best rains will probably be seen in the 11-15 day period. Temps should average a bit above normal, but nothing extreme.

Nothing new in the US forecast. We should see fairly clear conditions in terms of precipitation in the Corn Belt this week. Temps will be cold this week, averaging well below normal. We should see temps gradually warm up a bit next week.

## Crops

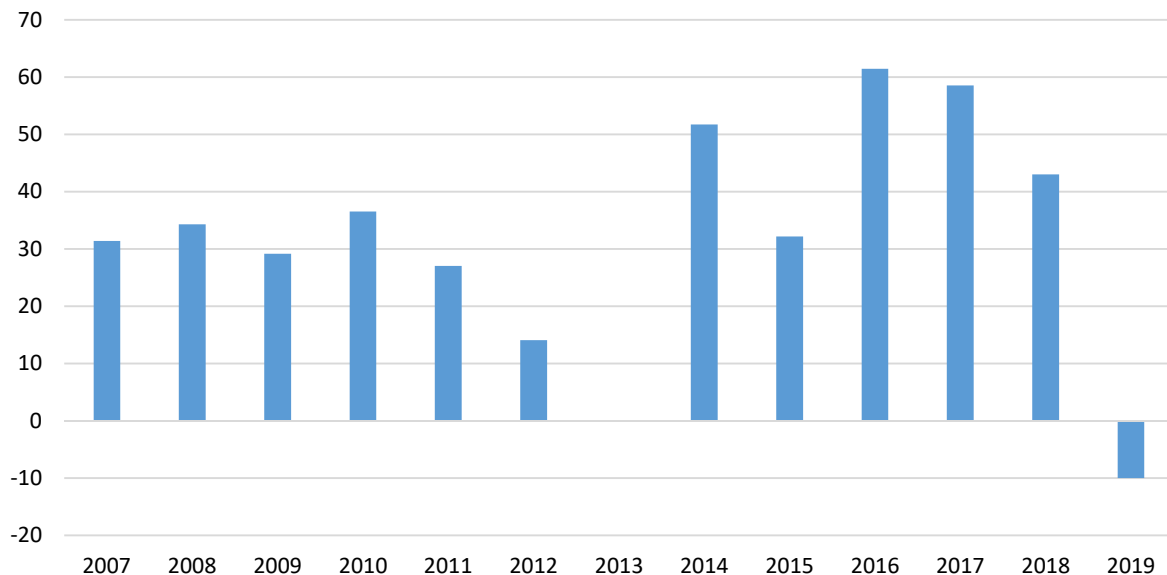
We as an industry probably spend too much time nit-picking USDA numbers. I'm certainly guilty of it at times. We don't always have to see eye-to-eye with the USDA. For example, I don't think they should have cut corn exports in their report on Friday, but I understand why they did it. I don't think they should have cut soybean crush this early, but I understand why they did it. One thing that does stand out as a bit peculiar, however, is their objective yield data for soybeans. They managed to keep soybean yield unchanged from the prior month with some unusual changes in their objective yield numbers. That doesn't make it "wrong", but it is something worth pointing out and worth keeping in mind for the January final.

Typically pod counts increase from month to month in the objective yield data. This year has been unusual from the start as pod counts have declined since the initial September report. We saw a decline from Sep to Oct and



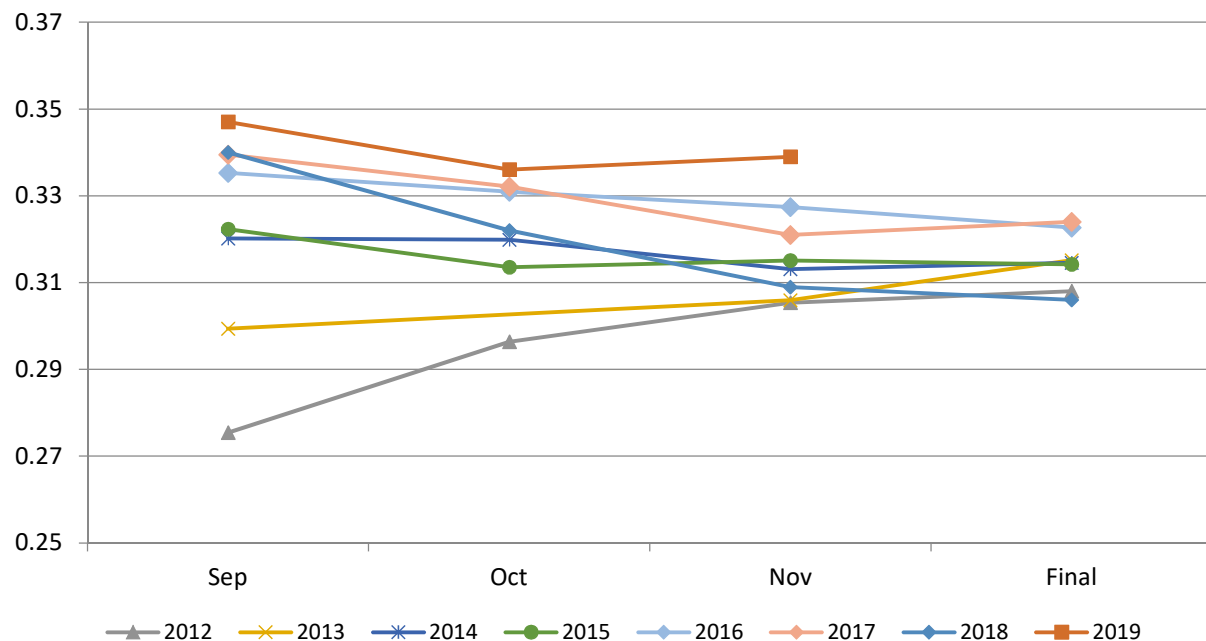
now we have another decline from Oct to Nov. You can see in the chart below how unusual this year. Note that there is no data for 2013 because we didn't have an Oct report that year due to the government shutdown.

**Change in 11-State Pod Count from Oct to Nov**

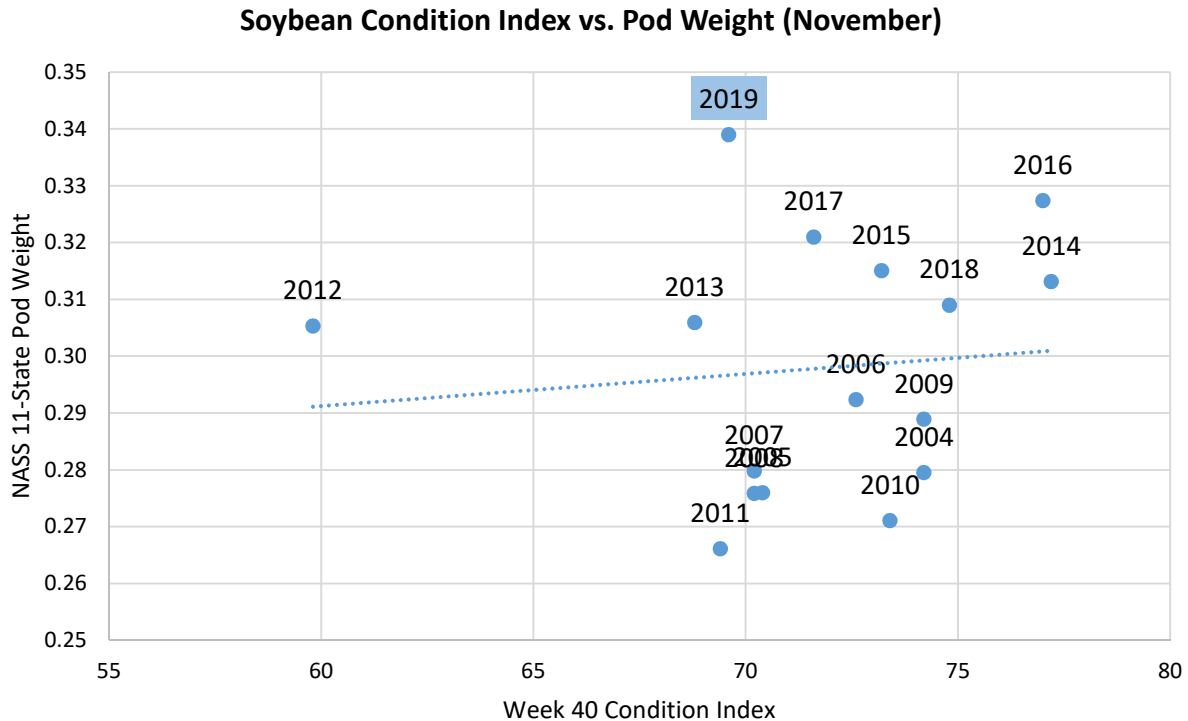


So to keep the national average soybean yield unchanged with fewer pods, you obviously have to see an increase in the pod weights. Again, this is a somewhat unusual development in the objective yield numbers. Increases in pod weights from Oct to Nov have happened before, but it certainly isn't common.

**NASS 11-State Pod Weight Progression**



There is a general rule of thumb for pod weights to come in higher when there are fewer pods, and we certainly have a low overall pod count this year. There is also a tendency towards higher pod weights as the years progress due to improvements in yields over time. Still, based on conditions one has to scratch their head a bit at the Nov pod weight figure presented by NASS on Friday.

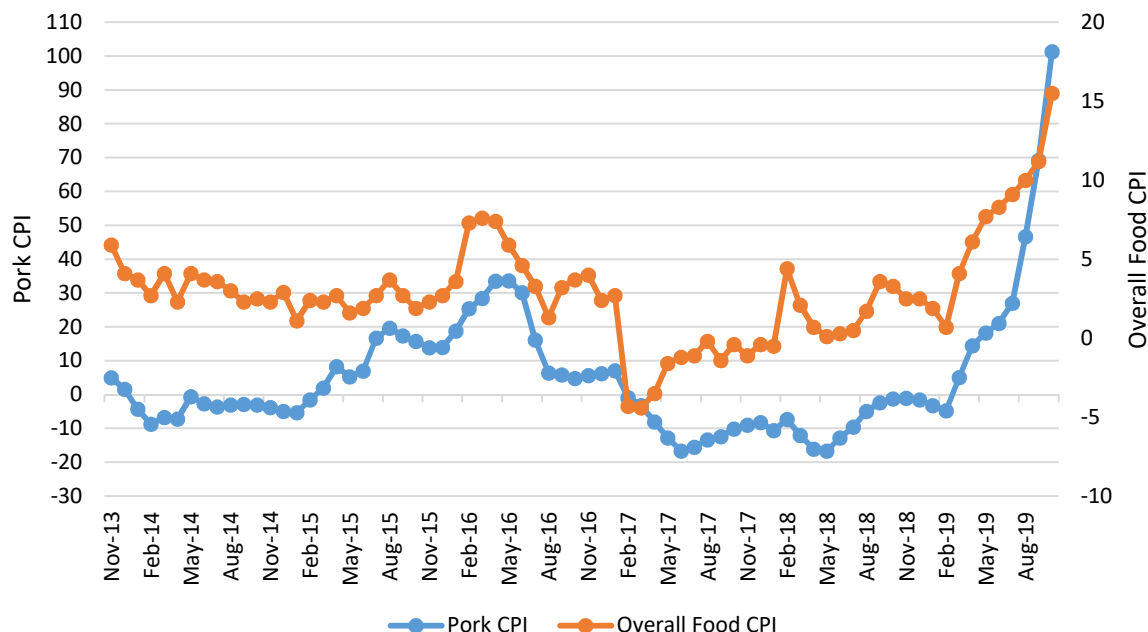


I can't say for certain the pod weight is too big and that it will lead to a lower yield in January, but I think it is something we need to keep in mind when we get to that report. For now the NASS yield "is what it is"...and the market will have to accept it and move on.

## Livestock

China reported inflation statistics overnight and the food inflation numbers are something worth mentioning quickly here this morning. Though it really doesn't come as a huge surprise, China reported pork CPI is now up 100% YOY. Total food CPI is up 15% YOY. The last time Chinese total food CPI was running this hot was in 07/08. I can't find a hotter pork CPI number in my dataset. As noted last week, we've seen a dropoff in US shipments of pork to China in the past month or so. Shipments from other origins might be running stronger, but I wonder if these inflation figures will be even greater incentive to import pork and other proteins.

## China Food CPI



### Financials

In terms of “new” information, there is very little to pass along this morning. There is still no clarity on US-China trade talks and the fears remain that a Phase 1 deal is unable to be reached. President Trump did say over the weekend that talks were moving along “very nicely”, but the market is sick and tired of hearing this sort of thing. We also have the looming impeachment drama likely to take center stage later this week with important public testimony from some key figures on Wed/Thur. The violence in Hong Kong is certainly nothing “new”, but it took a nastier turn over the weekend with a couple of protestors being shot. This only sets the stage for further escalation in the protests. This is certainly a situation that just isn’t going away. Mix all of the above together and you’ve got the “grumpy” risk-off markets we’re looking at this morning. With the government essentially shutdown today for the Veteran’s Day holiday, there isn’t any specific data point we can hope to reverse sentiment today. We do have the Boston Fed Pres speaking overseas early this morning that might provide some market-moving material, but I wouldn’t get my hopes up. If we’re going to get something to change sentiment today, it’ll probably have to come in the form of some sort of trade headline – and we know there is simply no predicting that.

### Energy

Crude oil futures are trading lower this morning. Part of the rationale for the lower price action is the overall risk-off tone of markets this morning. In addition to the negative sentiment, we also have word from Oman’s oil minister saying that OPEC and its partners are unlikely to announce deeper production cuts when they meet later this month. Iran also announced the discovery of an oilfield holding the equivalent of 53 billion barrels of oil over the weekend. They did not announce how much of the oil could be developed commercially and the oil ministry is expected to hold a press conference on the matter today. Iran is already ranked fourth in the world in available oil reserves. Is it a coincidence that Iran “finds” this new oil discovery when Aramco is ramping up its IPO efforts??

**Today's Calendar (all times Central)**

- Veteran's Day so all government reports delayed

Thanks for reading.

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