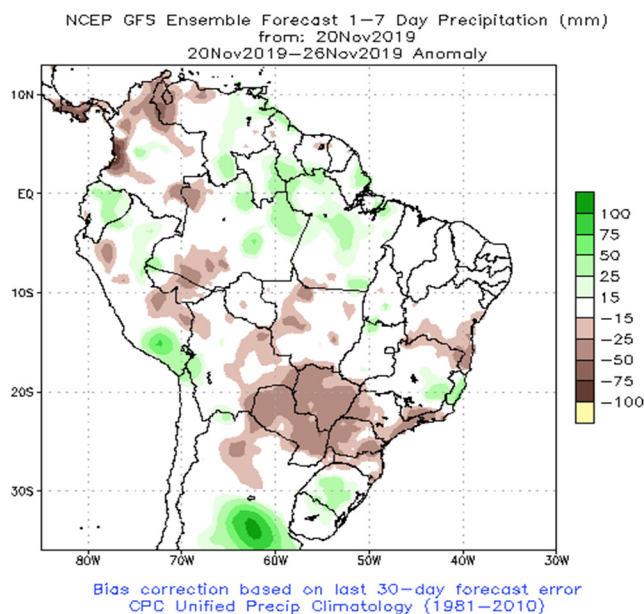


Weather

Nothing new to report on South American weather this morning. Northern Brazil will see rainfall totals over the next two weeks run close to normal. The same can be said for southern Brazil. In both areas, the biggest rains will likely fall during the 6-10 day period. We will see some hot temps for today and tomorrow in southern areas with highs in the 95+ area and a few 100s can't be ruled out.

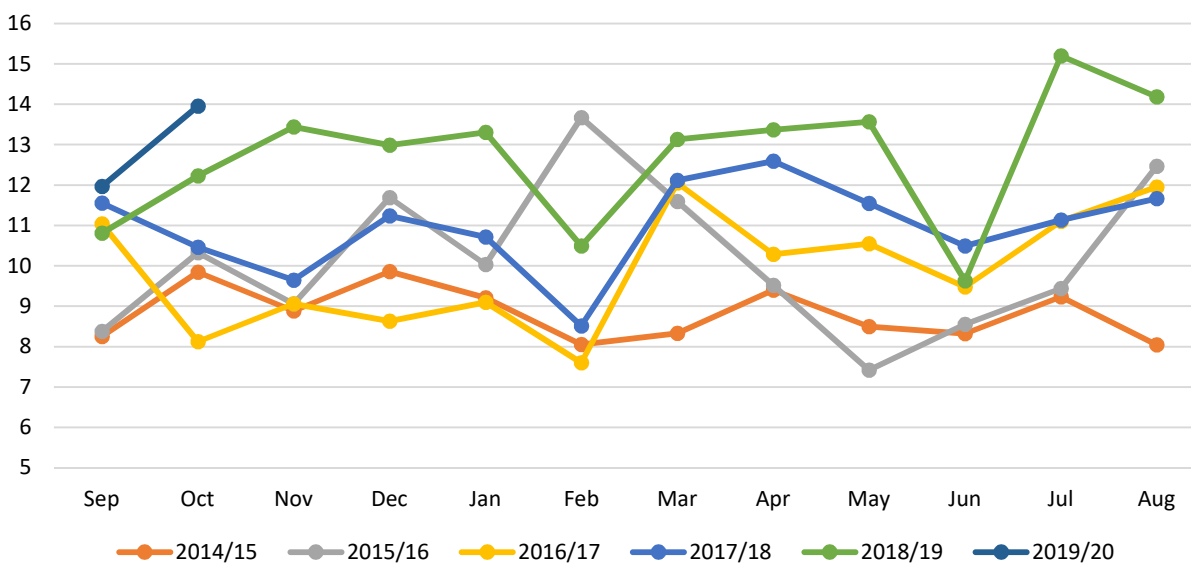
Argentina is looking at a lot of near to slightly above normal rainfall over the next two weeks. We'll see some light rains today and tomorrow but the best rains in the forecast will come Sun/Mon with widespread 1-2" totals likely. Some 90+ temps today but it should turn cooler tomorrow.



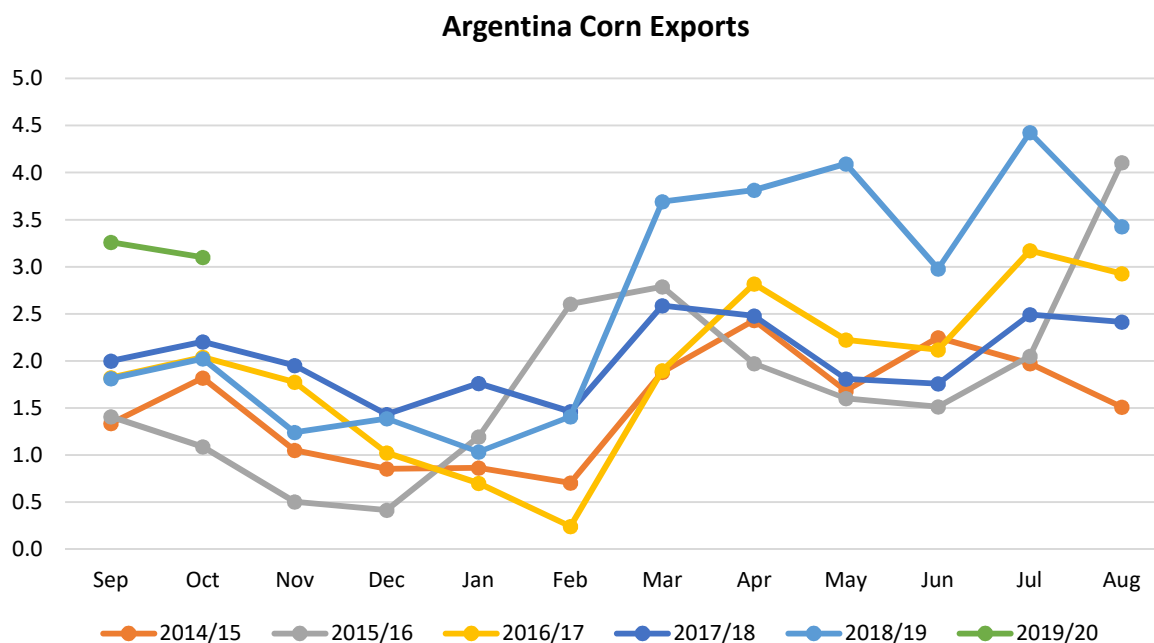
Crops

To piggy back a little on our thoughts for improved US corn demand (potentially?) from yesterday...I thought I would point out one more time that the expression that "corn demand is awful" only applies for the US right now. Globally, corn demand appears exceptional. The chart below shows the combined exports for the "Big 4" corn shippers – US, Brazil, Argentina, and Ukraine. Look at the 18/19 line and the numbers so far in 19/20. These are exceptionally big corn shipments...despite the fact that so few of them are originating from the US right now. I thought a good feedgrain harvest in Europe this past year might put a dent in total global demand but, for now, no signs of that happening.

Combined "Big 4" Corn Exports
US, Brazil, Argentina, Ukraine



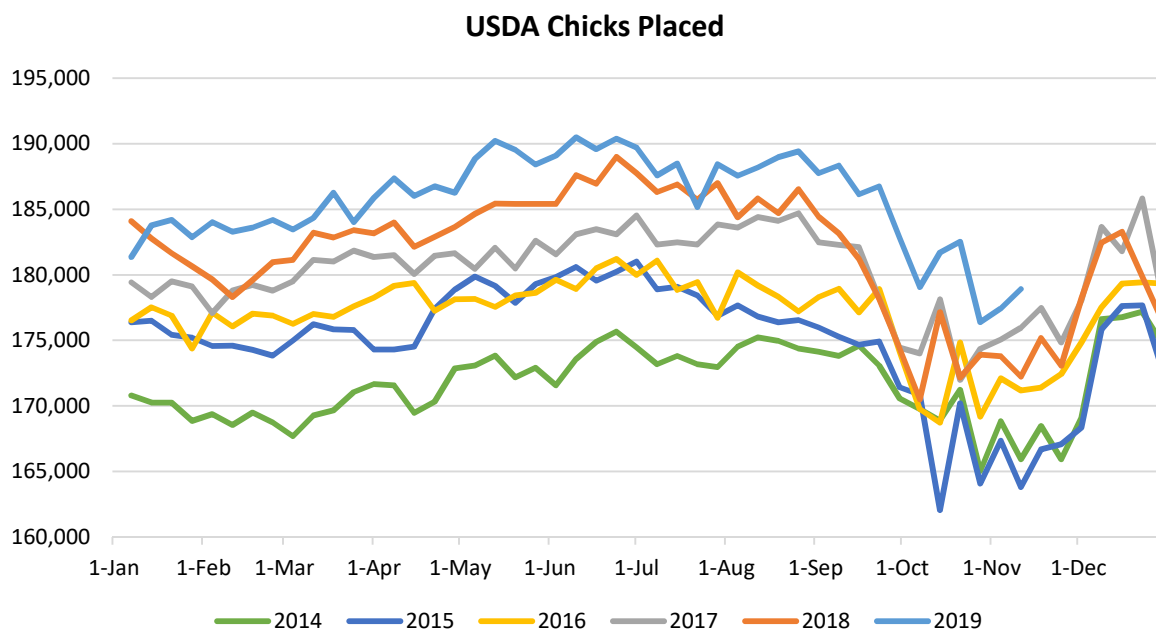
Argentina has represented a huge percentage of this increase in exports. Note their shipments below. Look how shipments have exploded higher in the past year. This is partly due to increased crop production which was spurred on by the Macri administration's adjustments to policy. Recall prior to the Macri administration, corn exports were capped by the government in order to "maintain adequate domestic supplies". With those caps off and with export taxes reduced, corn production and shipments have taken off. The question now is – how will all this change under the new administration? The obvious answer is that nobody knows yet...but there is zero doubt that any changes in policy could have *dramatic* impacts on global corn flows.



Livestock

Looks like we finished yesterday with some fairly decent cash cattle volume. Looks like most of the action took place around 114-116, but I did hear that some 117 may have traded as well. This sort of price action was clearly supportive to the board, but we're still looking at a pretty wide basis right now. I doubt yesterday's volume was enough to completely wrap-up cash trade for the week, but at the same time I wouldn't expect a lot more fireworks unless something goofy happens.

I know this isn't exactly breaking news, but in an otherwise slow news week I thought I would point out that it isn't just beef and pork production that is running at very strong levels this year. Chicken production has been running at a very high level as well. The chart below shows the USDA's weekly rundown on chicks placed for meat production, and you can see we're posting yet another year of growth in chicks placed for meat production. YTD chicks placed are running roughly 2% higher YOY. As you can imagine, with ongoing improvements in pounds/animal, this is leading to strong growth in total meat production.



Financials

The market seems to be in a weird spot this morning as it is assessing conflicting messages on the deal-on/deal-off front. On one hand, the market is trading deal-off because it is being reported that President Trump is expected to sign whatever Hong Kong “support” bill gets sent to his desk. The Chinese have repeatedly vowed some sort of “retaliation” for this, and the concern of course is that it could derail the talks. On the other hand, China’s lead negotiator on the trade talks still said overnight he is “cautiously optimistic” about reaching a Phase 1 deal, which is the sort of headline that would have sparked a deal-on flurry just a few weeks ago. Instead this morning the market seems to be stuck in headline purgatory, not really knowing which over-reaction to make. Outside of something new on the trade front today, I’m not sure what shakes us out of this headline-driven purgatory today. We don’t have much on tap. We have the Philly Fed index and we have some earnings releases from a few retailers today. We also have comments from a few Fed officials, though I doubt they’ll vary much from the recent script.

Energy

Crude oil price action looks like it has been fairly quiet overnight. You can make the same argument as above that we’re simply stuck in headline purgatory right now. Overall crude oil stocks were inline with expectations yesterday, though it is worth noting that Cushing supplies were off fairly sharply. Cushing stocks fell more than 2 million barrels last week, probably the result of pipeline disruptions (Keystone).

Today’s Calendar (all times Central)

- Export Sales – 7:30am
- Philly Fed Index – 7:30am
- Existing Home Sales – 9:00am
- EIA Natural Gas Storage – 9:30am

Thanks for reading.

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