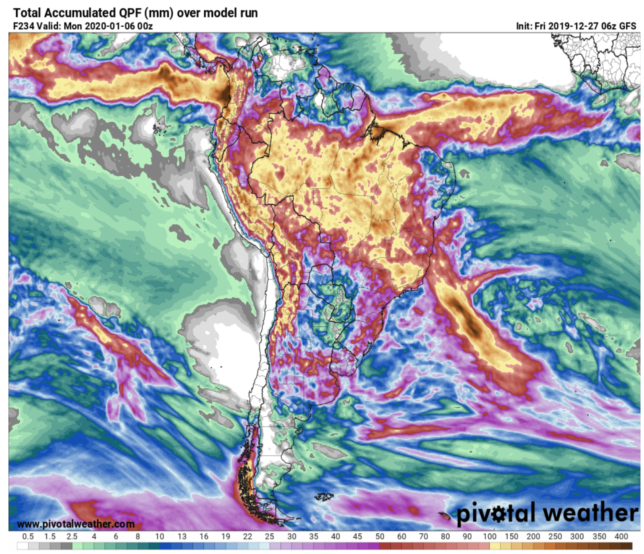
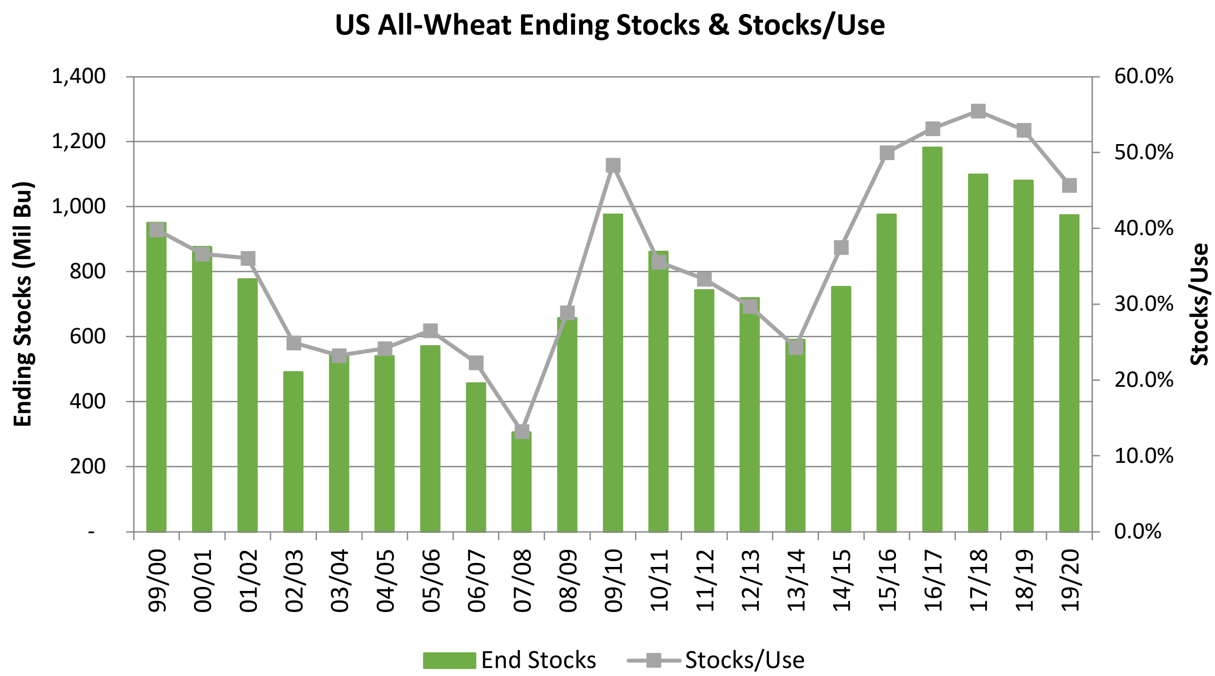
Weather

No changes to the South American forecast. The map to the right shows the GFS projection for 10-day precipitation. The bottom line is we should see near to above normal precipitation for most growing areas in South America over the next two weeks. Some exceptions would be extreme northern Argentina, RGDS in Brazil, and Paraguay. Those areas won't be completely dry but should see BN rainfall totals. Heat will never be a problem in Argentina, but there will be some big heat in southern Brazil through the end of the month.

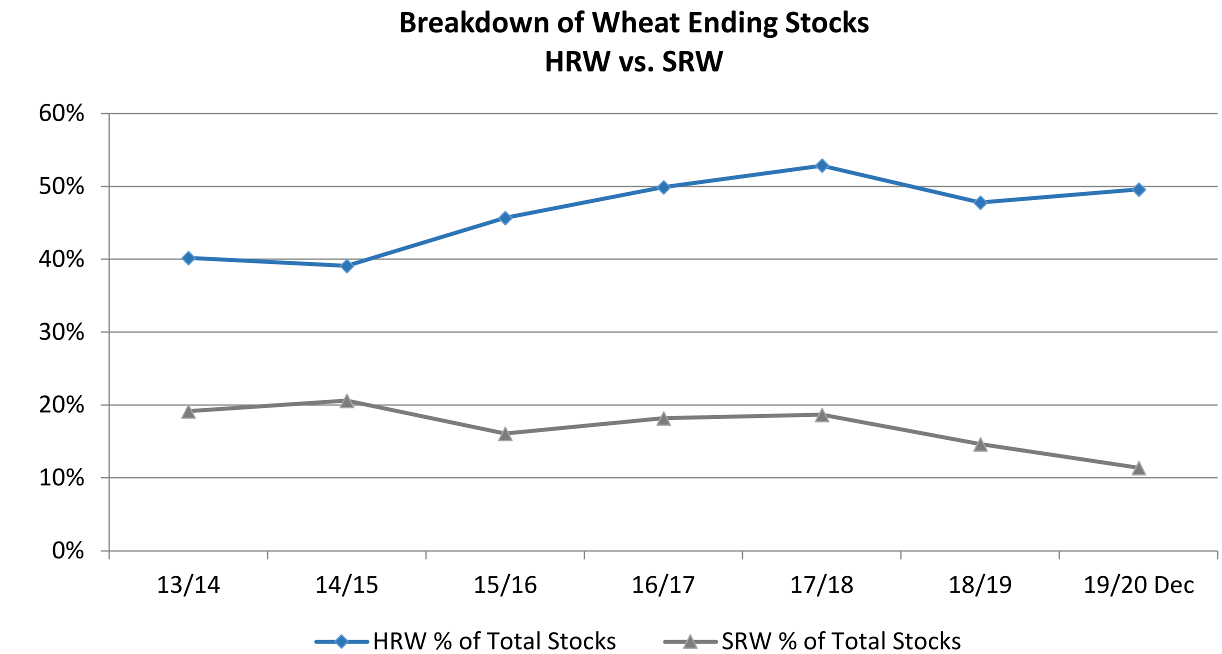


Crops

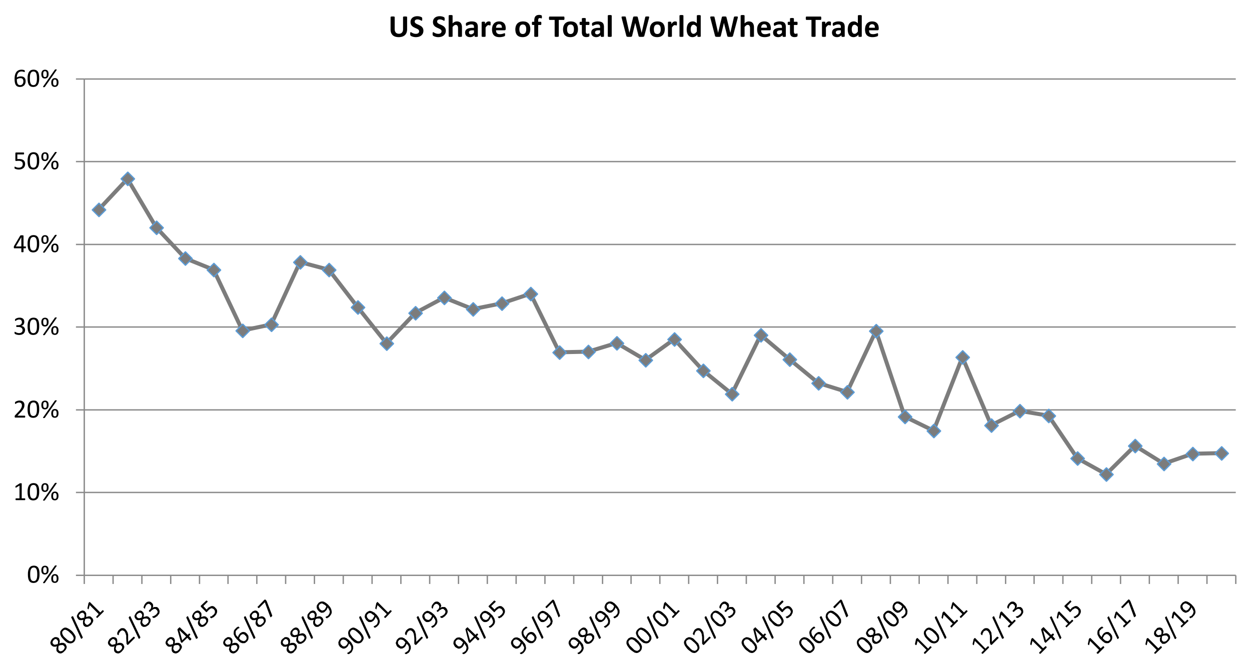
A quick review of WASDE balance sheet highlights for wheat this morning. Like we saw with corn earlier in the week. WASDE is projecting a third consecutive reduction in US ending stocks. WASDE is currently projecting the smallest ending stocks total since 14/15.



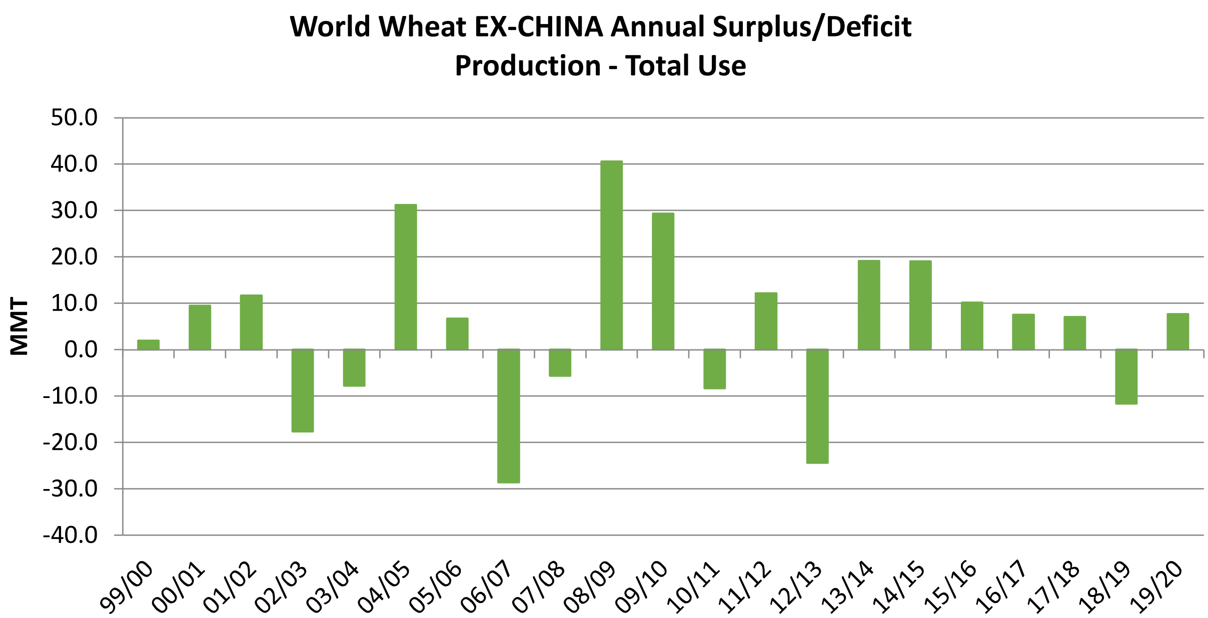
What stands out to me most in the wheat ending stocks number isn't the overall total, but rather the breakdown by class. Those looking for explanations for the ongoing strength in the Chicago-KC wheat spread really don't need to look any further than the chart below. This shows that SRW stocks as a percentage of total wheat stocks are the smallest we've seen in several years. So not only are total wheat stocks now down three years in a row, but SRW stocks as a percentage of that total have been in decline at the same time. That could really set up some interesting dynamics in the wheat market for the 20/21 season depending on final area and production totals…but we'll discuss that some other time.



I also think it is worth noting that the US's share of total export demand appears to have stabilized at this level over the past few seasons.



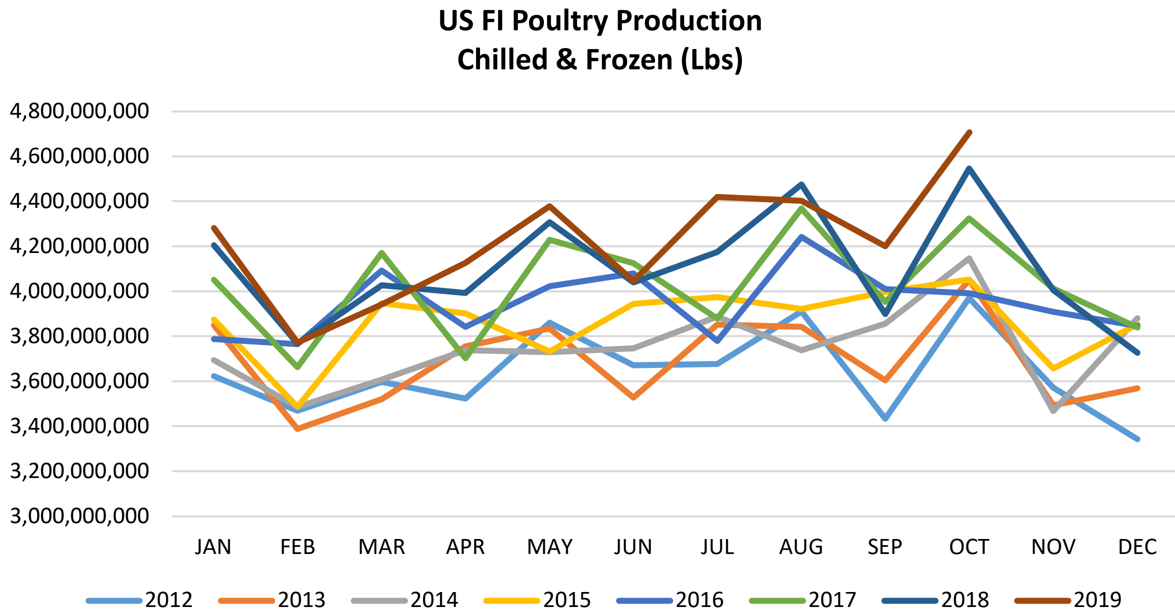
As for the world balance sheet, I don't see much to get excited about. World ending stocks continue to grow larger and larger on a global basis. Admittedly, China once again makes up a large amount of this. China's percentage of total world ending stocks is estimated at 51% by WASDE, which would be record large based on my dataset. Still, even if you exclude China from the mix WASDE is showing an annual increase in ending stocks for 19/20.



I think there are some *potential* interesting dynamics that could pop up next year depending on US by-class production levels. We're still waiting on "official" word on planted area (due from NASS in January) and of course we've got to wait and see on spring weather to determine yields. Beside that possible opportunity, I don't see much to get excited about in global terms of wheat supplies. We'll need to keep an eye on whether or not China imports wheat. Holding roughly half of global stocks you'd obviously think they don't have any major needs, but they've offered to import wheat up to their quota levels which would be a significant factor if they follow through.

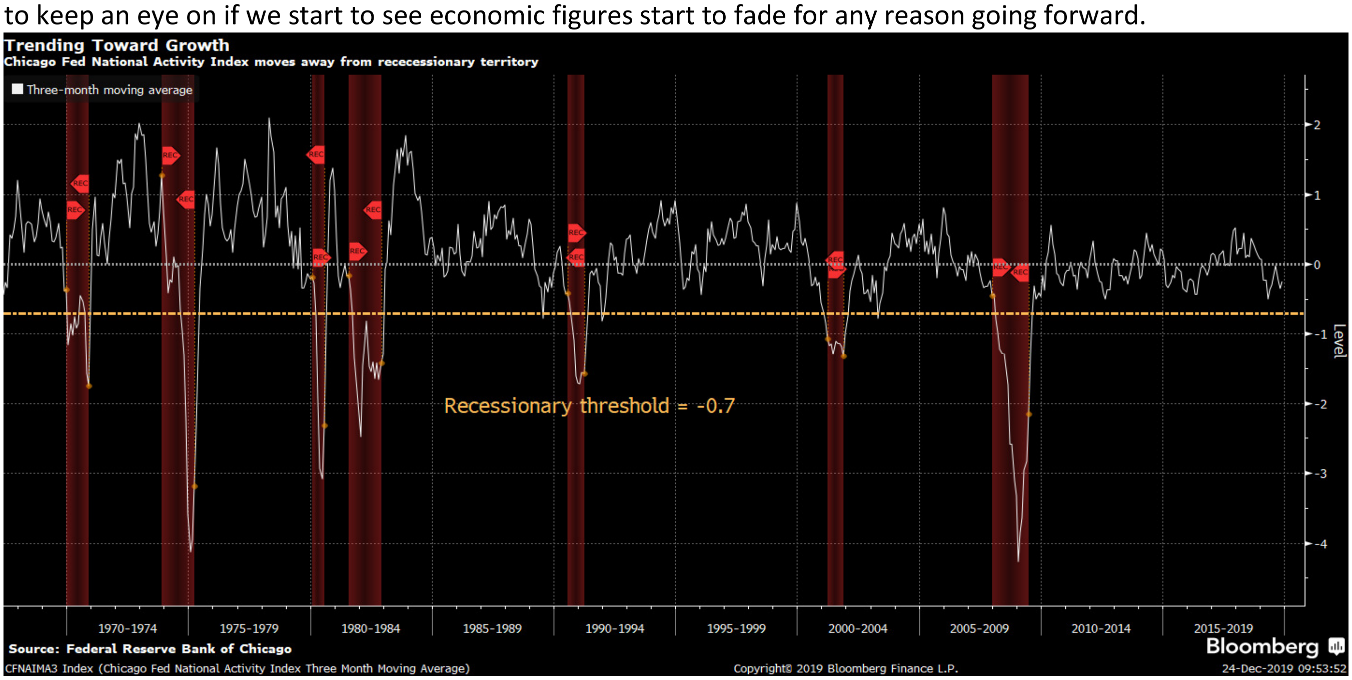
Livestock

Yesterday's chart on total chicken supplies in cold storage got me thinking we should take a quick look at poultry production. The chart below shows recent production totals. What you can probably notice from the chart is that over the past several years we've seen a very gradual increase in total poultry production. Over the period shown in the chart, annual poultry production has increased on average roughly 2% each year. It seems we now have 3 things that are certain in life – death, taxes, and 2% annual gains in US poultry production. What is interesting is that we're now putting in all time record highs in chicken in cold storage, so if we're going to keep up with this ongoing expansion in production, we really need to see these export markets open up as most of us are hoping.



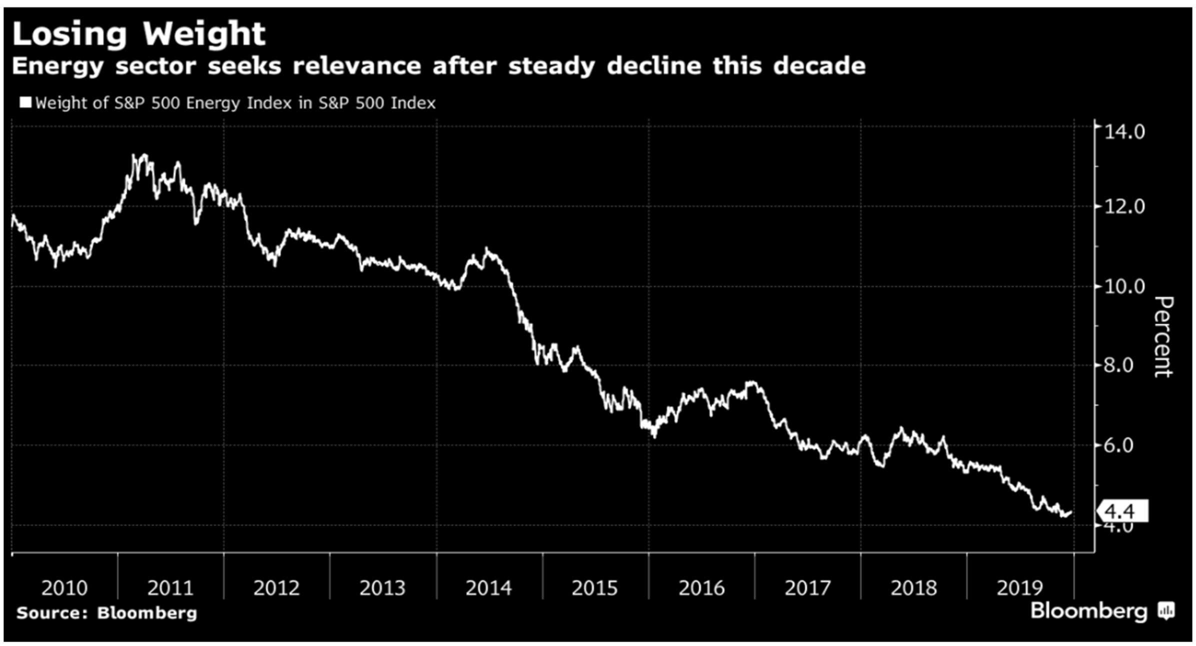
Financials

For a while earlier this year there was a lot of talk of a potential looming recession. The inverted yield curve was just one of the many indicators that many people (including myself, at times) were pointing towards as reasons for concern. The Chicago Fed produces a “National Activity Index” that was also nearing possible recessionary zones at one point in the year, but as shown in the chart below we’ve bounced from those levels. The index is drawn from 85 different national indicators, and with recent data showing some relatively decent strength, it would seem the risk of a recession has certainly faded for the moment. That said, I’ll be bookmarking this index to keep an eye on if we start to see economic figures start to fade for any reason going forward.



Energy

Just a quick chart from Bloomberg this morning. I should perhaps put this in the "financials" portion of the commentary, but I just wanted to point out what a laggard the US energy complex has been in terms of equity performance. The chart below takes US energy stocks in the S&P 500 as a percent of the total index, and you can see that energy shares have essentially been left for dead. Out with XOM and in with NFLX and AAPL. If you believe in the analyst expectations for 2020 that we discussed earlier this week, you've probably got to count on further erosion in the US energy sector as a percentage of the total. However, if you think those analysts might be overly pessimistic on their oil price outlooks, then maybe the US energy sector is an area of opportunity at these levels…



Today's Calendar (all times Central)

- Export Sales – 7:30am
- EIA Natural Gas Storage – 9:30am
- EIA Petroleum Inventories – 10:00am

Thanks for reading.

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