

**April 18, 2024**

## **Weather**

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Changes in U.S. weather during the second week will bring wetter conditions to the eastern half of the Plains and the Midwest

- West Texas is still expected to get rain this weekend with some periodic follow up moisture in the following ten days
    - Relief to dryness in the southwestern production areas is expected this weekend
  - Russia's Southern Region has some potential to get a little rain on day nine, according to the ECMWF model and after day ten according to the GFS; most of it is light, though
  - North China Plain rainfall potential may improve after day ten with some improvement in central Inner Mongolia a little earlier than that
  - Flood event is still expected in southern China threatening rice, sugarcane and southern rapeseed
  - Vietnam, Thailand, Cambodia, Laos and Philippines rainfall will begin improving this weekend and continuing in the following ten days
  - This week's storm in eastern Canada has bolstered soil moisture from Manitoba into northeastern Saskatchewan with a band of relief from dryness also occurring from west-central through north-central Saskatchewan
  - Not much change was noted for Europe, although welcome rain began from the Balkan Countries into central and western Ukraine and more is expected; this region has been drier than usual in recent weeks
- expected in the far south and northeast Sunday into Monday
- Southern Brazil heavy rainfall for next week is now mostly a far northern Rio Grande do Sul, Santa Catarina and southern Parana event, but flooding is still possible
  - Drying in Brazil over the next ten days is expected from Mato Grosso do Sul and northern Parana to Piaui

## **News:**

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- **USDA reported private sale of 138,000 MT of soybean cake and meal for delivery to the Philippines during MY 2023/2024.**
- **Int'l Grains Council cut their 24/25 global Corn production forecast by -7.0 mln mt to 1.226 billion mt.**

- **USDA's attaché in Argentina cut the country's corn production forecast to 51 MMT from 57 MMT projected in January due to a 4% reduction in harvested acreage and impacts from corn stunt disease.** The post noted, "This is an evolving disease, and its final damage will be known once the last fields are harvested in late June. Farmers will wait until combines begin to give real yield data and calculate if the produce will more than offset the cost of the harvesting. If not, many low-yielding fields could remain unharvested. Currently, most contacts are estimating production of 50 MMT to 52 MMT, but there is a downside as corn conditions get worse day by day. Several contacts are already estimating a potential crop of below 50 MMT." For 2024-25, the attaché projects Argentina's corn production at 48 MMT for corn, as producers switch to soybeans due to this year's disease issue.
- China imported 90,000 MT of pork in March, down 39.3% from last year. Through the first three months of this year, China imported 260,000 MT of pork, down 51.7% from the same period last year.
- **China's Commerce Ministry said they've very dissatisfied with the US Trade Rep 301 investigation tariff applications.** The investigation looked into China's alleged forced technology and intellectual property transfers. The investigations were started in 2018, and the US Trade Rep Tai says they expect to wrap up the tariff reviews "very soon". China's Commerce Ministry said the tariff applications are filled with "false accusations" and do not carry any factual basis, and claim they run contrary to economic common sense. A commerce ministry spokesperson said they're following the progress of the investigation and will take all necessary measures to defend their rights.
- **U.S. crude oil stockpiles rose and gasoline and distillate inventories fell more than forecast last week as refining slowed down for a third week in a row, the Energy Information Administration said. Crude inventories rose by 2.7 million barrels to 460 million barrels in the week ending April 12, the EIA said, nearly double analysts' expectations in a Reuters poll for a 1.4-million-barrel build.**
- **China imported 1.78 MMT of wheat, 1.72 MMT of barley and 560,000 MT of sorghum last month, up 34.2%, 135.4% and 200.4%, respectively, from year-ago levels. Corn imports fell to 1.71 MMT, down 22.0% from last year. Through the first quarter of 2024, China's grain imports stood at 7.9 MMT of corn (up 5.1%), 4.29 MMT of wheat (down 1.4%), 4.43 MMT of barley (up 162.2%) and 2.17 MMT of sorghum (up 323.6%).**
- The ethanol side of the EIA scorecard was a rare bull sweep, finding lower production and stronger demand. Ethanol production dropped a whopping -7% wk/wk to 0.983 mil bbl/day, a two-plus month low, which would yield 289 million gallons of ethanol on the week and consume around 100 million bushels of total feedstock. **Over a marketing year, it would utilize just under 5.2 billion bushels of corn, which is now below both USDA estimates and the 23/24 YTD average grind.** There were no imports reported. Weekly ethanol exports were a highlight for a second week, rising further to 175k bbl/day vs. 156k last week and 71k two weeks prior. Blender demand was also surprisingly strong, rising +1.5% wk/wk to new recent highs. Ethanol inventory was perhaps the only turd in the punch bowl,

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falling only -0.5% wk/wk to 26.1 million barrels, which was a light draw given sharply lower production and good demand. Regionally, stocks were higher on the East & West Coast and meaningfully lower at the Midwest.

- Venezuela's loss of a key U.S. license that allowed it to export oil to markets around the world and secure investment is expected to hit the volume and quality of its crude and fuel sales while prompting a flurry of requests for individual U.S. deal authorizations. U.S. officials had warned that absent progress by President Nicolas Maduro's administration on implementing an electoral roadmap agreed last year, the U.S. would not renew license 44, which since October has eased oil sanctions in place for the last five years.

## Technically Speaking:

## Market Fundamentals:

Export Sales		4/5/24 - 4/11/24					
	Estimates	Net Sales		Accum. Exports	Year Ago Accum. Exports	This Week YOY % change	Last Week YOY % change
		23/24	24/25				
Wheat	100-600k	(93,600)	222,000	18,734,800	18,535,500	1.08%	3.02%
Corn	350k-1.1m	501,200	65,000	44,677,800	38,051,900	17.41%	17.06%
Beans	300k-1.1m	485,800	263,200	41,282,700	50,102,500	-17.60%	-18.50%
Meal	150-400k	129,800	1,000	10,716,600	9,409,500	13.89%	14.27%
Soyoil	(-2.5k)-7k	100	0	88,000	103,300	-14.81%	-14.84%
Sorghum		(1,800)	0	5,039,100	1,594,600	216.01%	222.18%
Beef		17,700	0	353,600	387,200	-8.68%	-8.77%
Pork		21,800	0	737,000	717,600	2.70%	4.96%
Cotton		146,100	80,100	11,117,200	11,826,200	-6.00%	-6.74%

Source: USDA (FAS) - Gulke Group

**Wheat:** Net sales reductions of 93,600 metric tons (MT) for 2023/2024 were down noticeably from the previous week and from the prior 4-week average, were more than offset by reductions for China (123,700 MT), unknown destinations (48,000 MT). Net sales of 222,000 MT for 2024/2025 were primarily for Mexico (74,200 MT), unknown destinations (65,000). **Corn:** Net sales of 501,200 MT for 2023/2024 were up 54 percent from the previous week, but down 45 percent from the prior 4-week average. Increases primarily for Colombia (273,700 MT), Mexico (87,700 MT), China (71,500 MT), Saudi Arabia (55,000 MT), and Japan (53,500 MT), were offset by reductions primarily for unknown destinations (78,300 MT) and South Korea (53,200 MT). **Sorghum:** Net sales reductions of 1,800 MT for 2023/2024 were down noticeably from the previous week and from the prior 4-week average. **Soybeans:** Net sales of 485,800 MT for 2023/2024 were up 59 percent from the previous week and 62 percent from the prior 4-week average. Increases primarily for China (131,000 MT), Mexico (84,500 MT), Indonesia (77,500 MT). Net sales of 263,200 MT for 2024/2025 were reported for unknown destinations (254,000 MT). **Pork:** Net sales of 21,800 MT for 2024--a marketing-year low--were down 54 percent from the previous week and 47 percent from the prior 4-week average. **Cotton:** Net sales of Upland totaling 146,100 RB for 2023/2024 were up 79 percent from the previous week and 64 percent from the prior 4-week average. Increases primarily for China (92,600 RB).

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**Yesterday's Trades: no new trades.**

**ADVICE:** If oversupply wasn't enough, now comes indications that a recession is needed to calm inflation that thusly will effect demand of stuff period. Add to that the increase rhetoric by Biden to tax Chinese imports and Trump threatening to tariff all imports from all countries; a room full of fools it seems! The only positive is it may be time for the spec table to swing long????

**COMMENTS:** The saga continues with the difference between governments on the size of S American crops continues to widen it seems with more firms questioning "what is truth", and prices continue to deteriorate or trade in a narrow band such as CN and CZ. Soy oil is close to breaking new 3- yr lows if slide continues. Without a realization of a drop in SA production,

**CORN:** Both old crop and new crop made lows March 1 on the idea that corn that was basis contracted had a decision to make to fix price with futures or roll to another month most likely May. Another decision is soon do to price or roll to July. Currently there is a carry from May to July of 10 cents. From May to Dec it is 34 cents. We've discussed the scenario of hedging in Dec futures for both old crop supplies and new crop due to the carry----one of two things would occur—old crop rally or new crop drop to where the carry disappears --- That is still in play! An explanation for corn is blamed on the carryout of 2.1 billion weighing on supply. Whereas in soybeans there is little if any carry and blaming it on supply and poor demand and a big crop in S America being harvested. Maybe there is a weather risk premium in new crop or not, confusing. Also confusing is the huge difference in basis all the way from -31 in N IL to + 18 in parts west where ethanol plants are more plentiful. The lack of piles on the ground for the crop last fall, and the rumors that buyers are short bought and have trouble buying corn in some areas. Perhaps there is some truth in all the scenarios and the discrepancies in stocks on March 1 of perhaps 400 mil-bu just adds more unknowns.

So, two scenarios for corn in the bin and to be grown is for old crop to keep it and hedge it off in Dec or cash contract in the cash market for the best carry. If corn has to be moved before harvest it has to be moved at some point so doing so with the best carry financially the equates to cash needs is more obvious. Hedging it off captures the carry if hedging in futures is acceptable.

As time evolves, call option premiums deteriorate making selling the far out calls for the premium has worked since Jan 1. Example

A \$4.80 Dec call has a premium of 28 cents. Selling the call on new crop says by Nov 21 corn futures have to be above \$5.08 to be wrong. Selling the premium seems a

logical conclusion as we see it now and has been for some time. Selling the Dec premium makes sense for old crop as well as \$5.08 is 80 cents more than May futures.

Another option is to sell the corn in the bin for July to capture the 10 cents and be prepared to re-own on paper but re-owning with such a huge carry seems undesirable as well. There is nothing saying one can't sell the cash, and hedge Dec and/or as well as selling options but there is inherent risk. Confidence in your/our ability to know when to buy is key. But in all cases, flexibility to use futures and options is key as well.

Gulke Group Spec Table Buy/Sell Stops				(*New Positions in BOLD)			
	4/18/2024			Today's Stops		Current Position*	
	High	Low	Close	Buy	Sell	Long	Short
CN24	444 1/4	440 3/4	441	445	437		440 1/4
CZ24	468 1/2	464 1/4	464 3/4	469 1/2	460		468 1/4
SN24	1169 1/2	1156 3/4	1164 1/4	1177 1/2	1151		1203 1/4
SX24	1165	1153 1/2	1161 1/4	1173 1/4	1149 1/4		1167 1/4
SMN24	341.4	336.4	339.8	345.0	334.7	342.8	
BON24	45.84	45.12	45.56	46.78	44.34		46.54
WN24	570	551	552 1/4	571 3/4	532 3/4	551 1/2	
KWN24	584 3/4	568 3/4	569	585 1/2	552 1/2	583 3/4	
MWN24	648 1/2	639	639 1/4	649 1/4	629 1/4		645 3/4
LCM24	176.100	174.375	175.325	177.550	173.100		178.675
LCV24	176.175	175.075	175.725	177.025	174.425		178.525
LHM24	103.550	102.275	102.725	104.200	101.250		101.600
LHV24	86.100	85.200	85.575	86.675	84.475		88.550
FCK24	241.500	239.400	240.275	242.575	237.975		248.275
CTK24	81.94	79.03	79.560	82.52	76.60		91.12
CTN24	83.79	80.91	81.330	84.41	78.25		91.61
SBK24	19.63	19.17	19.320	19.83	18.81		22.29
GCM24	2412.0	2376.5	2378.50	2414.50	2342.50	2199.2	
NRK24	18.95	18.37	18.83	19.44	18.22	16.420	
DJM24	38257	37842	37990	38425	37555		40002
CLM24	84.97	82.01	82.15	85.31	78.99		<b>83.25</b>
NGM24	1.976	1.914	1.962	2.039	1.885		2.029
DXM24	106.26	105.685	105.765	106.54	105.00	102.983	
USM24	114 31/32	113 20/32	114 27/32	116 14/32	113 8/32		118 31/32

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