

May 16, 2024

Weather:

U.S. MIDWEST

Past Weather and Its Impacts and Large Rivers Update

- *Rain that was often light fell on a large part of the western Corn Belt Wednesday into this morning as well as from interior north-central to interior south-central Indiana and most areas from northeastern Kentucky to the southern two-thirds of Ohio.*

Forecast Overview and Crop Impacts

- *The Midwest will see regular rounds of showers and thunderstorms through the next two weeks and planting will be slowed throughout the region.*
- *There will be breaks between rounds of rain and some fieldwork will advance, but fieldwork should not become aggressive in large parts of the Midwest until a longer stretch of dry weather occurs.*
- *Some of the best conditions for planting will occur in the northwestern Corn Belt where the topsoil should be dry enough to absorb the mostly light rain resulting from showers into early next week without causing more than temporary delays to fieldwork.*

U.S. DELTA/SOUTHEAST

Past Weather and its Impacts and Mississippi River Update

- *The Delta through most of Georgia and northern Florida were mostly dry Wednesday and planting likely increased while rain fell from east-central Georgia into a large part of the Carolinas and south-central Virginia.*

Forecast Overview and Crop Impacts

- *The Delta and the Southeast will see a mix of rain and sunshine during the next two weeks that should allow for some planting to advance between rounds of rain with the greatest delays to fieldwork resulting from moderate to heavy rain and some local flooding this evening into Saturday.*

BRAZIL

Past Weather

- Light and unwelcome rain fell on much of the northern half of Rio Grande do Sul Wednesday with parts of southern Paraguay and central and interior eastern Santa Catarina seeing light rain as well while rain also fell on coastal Sao Paulo and parts of northeastern Bahia.

Forecast Overview and Crop Impacts

- Areas in and near Rio Grande do Sul will see regular rain through the next ten days to two weeks causing additional quality declines and further production cuts to rice and soybeans while most of the rain should not be heavy enough to significantly worsen flood conditions.
 - Showers will become lighter and less frequent May 25-30, but the region is in need of an extended stretch of dry weather and the showers expected will keep conditions for fieldwork poor and will likely cause further production cuts to the rice and soybean crops.
- Most Safrinha corn will be dependent on subsoil moisture in place to support the crop during the next two weeks as topsoil moisture is short and rain will be minimal in most areas outside of central Paraguay to central and southern Mato Grosso do Sul to northern Parana where showers will occur into late next week.
 - Subsoil moisture is marginal to short from parts of central Paraguay and central and southern Mato Grosso do Sul to northwestern Parana and stress to crops should increase until rain returns.
 - Rain into early next week is likely to be too light to have much of an impact on corn or soil conditions, but rain Wednesday into Friday of next week should induce at least temporary improvements in soil moisture and at least some increases in yield potentials.
- Harvesting of summer crops should continue to advance well during the next two weeks outside of far southern Brazil.

ARGENTINA

Past Weather

- Much of Argentina remained dry and harvesting likely advanced well in many areas with 0.04 inch of rain noted in a couple northeastern La Pampa locations.
 - High temperatures were in the upper 50s to the middle 60s Fahrenheit with a few middle 50s in the southwest.

Forecast Overview and Crop Impacts

- Harvesting of summer crops should advance well in much of the country during the next two weeks as dry weather will be most common with some light showers on occasion significant rain in and near Corrientes Monday into Tuesday.
 - Drying before and after rain early next week in and near Corrientes should reduce the risk of further rice, cotton, and soybean quality declines.

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AUSTRALIA

Very limited shower activity in the next eight days will be good for fieldwork advancement in eastern production areas of the region; however, greater rainfall continues needed in southern production areas, especially in South Australia and interior Western Australia where soil conditions are still driest.

CHINA

Dryness concerns remain for the North China Plain. Recent dryness is leading to some early season stress in summer crops and will cause problems for crop development in unirrigated fields unless meaningful rainfall evolves soon. This area will receive some shower and thunderstorm activity Saturday through Sunday which will be beneficial and helpful; though, more rain will still be needed. Farther to the sou, more significant rainfall is expected in the southwestern part of the Yangtze River Basin and in areas to the south and southwest of the basin which will cause fieldwork delays and potentially some crop quality declines.

News:

- Japan's Ag Ministry bought a total of 121,516 mt of Australian, Canadian and US origin food grade Wheat a their regular tender. The total purchase included 29,810 mt of Aussie white, 67,806 mt of Canadian red spring, 13,080 mt of US HRW and 10,820 mt of US White wheat.
- **Yesterday's NOPA's April crush was 166.03 mb, compared to the average trade estimate of 183 mb and a seven-month low.** It was a sharp decrease from the all-time monthly record March crush of 196.4 mb as processors took seasonal maintenance downtime and demand for soybean oil has struggled due to cheaper renewable biodiesel feedstock imports. The average daily rate of crush was 5.53 mb/day compared to 6.34 mb/day in March and the lowest average since September. Marketing year to date crush is running 5% ahead of last year's pace, the USDA is currently forecasting crush to rise by 3.9%. Oil stocks at the end of April were 1.755 bln lbs, compared to the average trade estimate of 1.881 bln lbs. Stocks tightened from March's 1.851 bln lbs. Oil yields increased to 11.89 lbs from 11.84 lbs in March.
- **On Day 2 of the Wheat Quality Council's HRW wheat tour, scouts found an average yield of 42.4 bu. per acre on samples taken from western and south-central Kansas. That was up sharply from an average yield of 27.6 bu. per acre in the same areas last year and the five-year average (2018-23; no tour in 2020) average of 40.8 bu. per acre.** While conditions are much better than last year's drought, scouts found varied wheat crops across areas sampled. Scouts will sample fields in southeastern and eastern Kansas today on routes from Wichita to Manhattan. A final tour yield estimate along with a scout guesstimate of Kansas crop size will be released this afternoon.
- **Ethanol production rebounded nearly +4% off a probable seasonal low; the resulting 1 mil bbl/day rate would yield 294 million ethanol gallons on the week, consuming 102 million bushels of feedstock. Over a marketing year,**

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that rate would utilize 5.275 billion bushels of corn, which is still slightly below the YTD average. Blender demand was a positive highlight, rising over +1% wk/wk despite uninspiring gasoline disappearance in prior weeks.

- **Strategie Grain raised its 2023-24 EU wheat production forecast by 1.7 MMT to 123.5 MMT given favorable crop prospects in Spain. That would still be down 2.6 MMT from last year.** The firm increased its EU barley production forecast by 500,000 MT to 53 MMT, which would be up nearly 12% from last year.
- USDA Secretary Tom Vilsack says the farm bill proposed by House Ag Committee Chair Glenn “GT” Thompson (R-Pa.) focuses on maintaining the current production system rather than looking toward future advancements. Vilsack admitted he hadn’t fully studied Thompson’s proposal yet but praised Stabenow’s proposal, emphasizing the importance of the climate-smart measures she advocates for in the Inflation Reduction Act conservation programs.
- Peru’s President Dina Boluarte will travel to China in June to meet with her counterpart Xi Jinping, with beef exports to China among the topics likely to be discussed. Peru’s ag minister says beef shipments to China could provide a \$3 billion to \$4 billion boost to its economy.

Technically Speaking:

May 15, 2024 DTN **IS CORN FLASHING CAUTION?**

For weeks, ever since the decision day back on February 26 of whether to roll basis contracts or capitulate, we’ve been waiting for some sort of marketing signal that increased the odds of the month of May would post a pre-June 30th high before summer weather really takes ahold. Yesterday may have been a start??

Markets through price discovery have a tendency to match a current price and demand fundamentals with what has occurred in the past. In this case, December futures started out the day trying to post new highs for the week and try to continue to move higher to attack and perhaps exceed the \$5 level or maybe even the \$5.19 level last posted in November 2023 to mark the end of harvest.

That \$5.19 ¾ high was marked by the \$4.46 ¼ low on February 26; the capitulation low! Ever since that low the market had fought against the extreme idea of a carryover approaching 3.0 bil-bu given the non-existent sales of corn to China; that idea was thwarted in the recent WASDE report December futures were further aided by the March 28 low acreage report by the USDA and posted a massive key reversal higher. Key reversals are most often a signal of something fundamentally important to further price direction. An up reversal is positive, a down reversal is negative. Especially important is if it occurs at a point of price-interest.

Yesterday prices of most commodities acted as if there was more up and away ahead of us, but prices collapsed in wide trading ranges as if to make a statement. November soybeans had a 20 cent range closing near the lows while both July wheat and December corn had massive daily reversals closing well below previous day’s lows. For December futures it had another key element.

December corn futures had rallied 50 cents/bu since February 26; old crop July did as well. For the producer with corn in the bin he proved smarter than the speculator who had been

reported to have been short expecting the farmer to capitulate; most did not. The spec was driven out of the market and prices were to the advantage of the holder of the cash commodity either in the bin or growing in the field; once again reflecting why farms own land and most specs do not!!!

December futures rallied and exceeded the 61.8% retracement of the whole move from post-harvest high to the February 26 capitulation. In trying to analyze when to hold'em and when to fold'em, this type of analysis has proven profitable over the years without agonizing over all the daily, often trivial, fundamentals spewed out in the media. It is not perfect but worth the effort. In this case, 50 cents is \$100/ac on those bushels held in waiting. I doubt there is a "fund" out there with that kind of results?

So what does this all mean? It says graphically that if/when prices exceed today's highs closing twice in succession above those highs, something has changed to make today's prices look cheap, not expensive. A similar analysis can be made in wheat, beans, canola, soy meal and soy oil, with perhaps similar but different decisions—a matter for another week perhaps.

What happened yesterday was for the market to have accumulated all the bullish and bearish news and extrapolated that into a day-trade, this occurring all the while that equities (DJIA, NASDAQ and S&P 500) were/are poised to attack the old record highs. How that turns out versus commodities (which are actual products not paper) that are signaling something is still nerve wracking by our global economy. We are producers of an asset(s) and sell those assets to buy food, fiber and other hard assets to continue to stimulate the economy. Paper profits don't buy anything, only cash does.

Additionally, the chart below shows the relative strength of December corn (RSI). Of note is the fact that while corn made new highs, the RSI did not; this is called bearish divergence and a signal that something is interfering with the uptrend, causing more sellers than buyers.



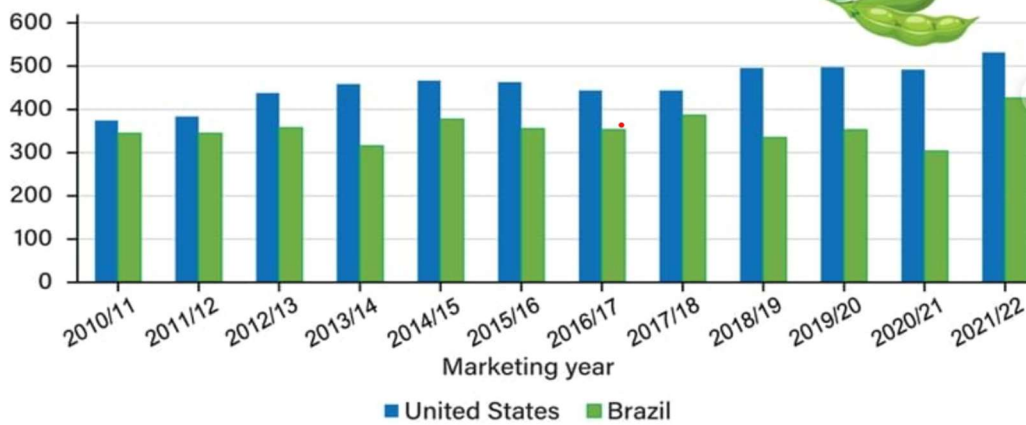
Market Fundamentals:

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Soybean farm production costs per acre in the United States and Brazil, 2010/11–2021/22

USDA Economic Research Service
U.S. DEPARTMENT OF AGRICULTURE

Cost per planted acre (U.S. dollars)



Export Sales

5/3/24 - 5/9/24

	Estimates	Net Sales		Accum. Exports	Year Ago Accum. Exports	This Week YOY % change	Last Week YOY % change
		23/24	24/25				
Wheat	200-700k	78,500	304,300	18,916,000	18,886,500	0.16%	-0.48%
Corn	700k-1.2m	742,200	128,200	48,366,100	38,054,600	27.10%	24.04%
Beans	300-600k	265,700	25,200	42,602,200	50,724,900	-16.01%	-16.51%
Meal	100-550k	300,400	31,100	11,663,700	10,223,000	14.09%	13.33%
Soyoil	0-15k	9,100	1,000	132,100	118,600	11.38%	4.50%
Sorghum		11,900	0	5,156,900	1,640,200	214.41%	212.98%
Beef		15,100	0	418,800	450,900	-7.12%	-6.87%
Pork		21,100	0	844,900	881,900	-4.20%	-3.08%
Cotton		156,500	140,600	11,801,800	12,631,600	-6.57%	-6.83%

Source: USDA (FAS) - Gulke Group

Wheat: Net sales of 78,500 metric tons (MT) for 2023/2024 were up 91 percent from the previous week and up noticeably from the prior 4-week average. Net sales of 304,300 MT for 2024/2025 primarily for the Philippines (122,000 MT), Yemen (50,000 MT), Japan (46,600 MT), Mexico (31,100 MT). **Corn:** Net sales of 742,200 MT for 2023/2024 were down 17 percent from the previous week and 14 percent from the prior 4-week average. Increases primarily for Mexico (244,400 MT), Japan (241,300 MT), Colombia (188,900 MT), Taiwan (78,500 MT), and China (68,000 MT). **Soybeans:** Net sales of 265,700 MT for 2023/2024 were down 38 percent from the previous week and 31 percent from the prior 4-week average. Increases primarily for Egypt (90,400 MT), Indonesia (87,900 MT), Mexico (86,600 MT). **Soybean Cake and Meal:** Net sales of 300,400 MT for 2023/2024 were up 44 percent from the previous week and 55 percent from the prior 4-week average. Increases primarily for unknown destinations (121,600 MT), the Philippines (39,500 MT), Colombia (30,800 MT), Mexico (24,900 MT), and Panama (20,000 MT). **Cotton:** Net sales of Upland totaling 156,500 RB for 2023/2024 were down 38 percent from the previous week and 7 percent from the prior 4-week average. Increases primarily for China (63,600 RB), Vietnam (27,600 RB), Pakistan (22,600 RB). **Pork:** Net sales of 21,100 MT for 2024--a marketing-year low--were down 14 percent from the previous week and 22 percent from the prior 4-week average.

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Yesterday's Trades: Corn – For 2023, sold 15% in CASH vs. CN at 462. For 2024, sold 10% CZ at 486 ³/₄. **Soybeans** – For 2024, sold 10% SX at 1200 ¹/₄. **Wheat** – For 2023, sold 10% in CASH vs. WN at 667, KWN at 676, and MWN at 728. **Canola** – For 2023, sold 15% in CASH vs. July at 650.3. For 2024, sold 15% RSX at 670.

ADVICE: No New Advice

COMMENTS: We elected to lessen the risk in grains opting to add to sales in a rather small way adding a 10% sale to wheat in all classes for 2023 as well; sell stops in wheat were not hit. Grains slightly higher overnight and a little stronger in post 8:30 am trading so far. We still have a lot of marketing left to do per the position matrix.

A discussion on why we took action is above while keeping in mind the 2023 corn and wheat profitable hedges were taking months ago back in mid-February and the objective of being able to sell at higher prices was achieved and it made sense to take some off the table. The longer-term situation is interesting when looking at the weekly and monthly outlook---we'll discuss that more later. It might be that we have fallen so far from the highs two years ago that things have looked better or there is a change going on??? If corn has follow-through to the downside, it will further support the ideas presented in the discussion above.

The stock market defied some logic and is bent on either surging much much higher or failing at sustaining new highs—a lot is going on regarding inflation going into the elections. Inflation fell 1/10% or better said, the “rate of inflation slowed”. But it begs the question of “why doesn't it make us feel better”?

Exports were “ok” this week in our opinion. We will keep an eye on corn exports because as the weeks go by we are actually seeing corn exports getting closer to NOT meeting the demand numbers stated by the USDA. Furthermore, the same could possibly happen for Ethanol. It was interesting that both those line items were increased by the USDA in the May WASDE report.

As mentioned in the News section the Crush was much lower than expected and it was attributed to maintenance, which generally means low margins and also because of competition from low costing imports.

Gulke Group Spec Table Buy/Sell Stops				(*New Positions in BOLD)			
	5/16/2024			Today's Stops		Current Position*	
	High	Low	Close	Buy	Sell	Long	Short
CN24	473 1/4	461 1/2	462 1/2	474 3/4	450 1/4	464 3/4	
CZ24	496 3/4	486	487	498 1/4	475 3/4	488	
SN24	1232 1/4	1209 1/2	1213 1/2	1236 3/4	1190 1/4		1229 3/4
SX24	1218 3/4	1198 1/2	1201	1221 3/4	1180 1/4	1177 3/4	
SMN24	381.7	370.8	371.7	382.8	360.7	342.8	
BON24	44.20	43.22	43.55	45.03	42.07		43.30
WN24	697	662 1/4	665 3/4	701	630 1/2	624 3/4	
KWN24	706 3/4	674	675	708 1/4	641 3/4	583 3/4	
MWN24	748	724 1/2	727	751	703	649 1/4	
LCM24	179.200	177.675	178.250	180.275	176.225	178.550	
LCV24	180.350	179.050	179.700	181.200	178.200	179.400	
LHM24	98.625	97.000	97.500	99.325	95.675	99.600	
LHV24	84.675	83.900	84.575	85.550	83.600		86.900
FCQ24	256.725	254.975	255.875	257.825	253.925	255.225	
CTN24	75.91	73.68	75.410	77.84	72.98		76.11
CTZ24	75.00	73.75	74.290	75.59	72.99		74.64
SBN24	18.96	18.50	18.650	19.16	18.14		18.89
GCM24	2396.1	2357.1	2393.40	2432.90	2353.90	2335.2	
NRN24	19.16	18.73	19.11	19.57	18.65	18.590	
DJM24	40063	39652	40039	40470	39608	39198	
CLM24	78.92	76.7	78.63	81.05	76.21		83.25
NGM24	2.424	2.313	2.416	2.542	2.290	2.031	
DXM24	104.94	104.155	104.160	105.15	103.18		105.330
USM24	118 8/32	116 24/32	118 2/32	119 26/32	116 10/32	115 3/32	

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