

Pro Farmer

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News this week...

Page 2: 90-day weather outlook.

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199A fix coming

The omnibus spending package to be voted on this week will include a Section 199A fix, says Senate Majority Whip John Cornyn (R-Texas). But Democratic leaders appear to be at odds about its inclusion in the spending plan. Details on [News page 3](#).

Court: Army Corps liable for flood damage.

The Army Corps of Engineers' operation of dams and other structures along the Missouri River to benefit endangered species led to major flooding five of eight years between 2007 and 2014, the U.S. Court of Federal Claims ruled. This could make the federal government liable for more than \$300 million in damages for "taking" property under the fifth amendment, according to lawyers for some 400 farmers who say they were harmed by floods.

Shift in market focus — Corn futures edged lower last week despite a continued stream of positive demand news, signaling the market views solid demand and South American crop woes as factored into prices for the time being. Attention is increasingly shifting to the U.S. growing season. Most crop watchers expect soybeans to pick up acres at the expense of corn, but weather forecasts for spring signal both crops will start the year with plenty of moisture in the tank. Unlike the corn market, soybeans did respond to some late-week demand news and an easing of trade concerns. That helped the market to post gains for the week after dropping sharply midweek. Slack wheat demand is back in focus with some rain in the outlook for winter wheat country. Cash cattle prices climbed last week, but futures continue to diverge from it as data still signals marketings are backing up. Concerns about large spring supplies are also limiting buying in the lean hog futures market.

Good rains headed for Argentina

Last week's rains missed major corn and soybean growing area in Argentina, but another round of showers is expected Saturday into Monday for Argentina's main crop areas, says World Weather Inc. But followup rainfall will be extremely important. The question now is whether rains this late in the season can improve crop prospects.

Brazil will likely see frequent showers across its main crop areas through Wednesday, causing some fieldwork delays.

U.S. growing season shifting into focus

Traders are increasingly looking ahead to the U.S. growing season. Survey work by Allendale Inc. indicates growers will likely plant a record-high 92.104 million acres to soybeans in 2018, with corn acres sliding to 88.514 million acres. Look for the results of our survey in next week's issue.

Updated weather maps from the National Weather Service call for above-normal precip chances for much of the Midwest from April through June, along with warm conditions for much of the Corn Belt. This would be great for early crop development, though muddy fields could also slow planting.

Corn sales surge to 23-year high

The U.S. sold an impressive 2.505 million metric tons (MMT) of old-crop corn the week ending March 8, the highest single-marketing year figure in 23 years, according to USDA data. Over the past nine weeks, sales have averaged an unprecedented 1.8 MMT each week. While demand is indisputably strong, the market is watching weekly export updates to see if traders are able to ship enough corn to reach USDA's export forecast. With just shy of half the marketing year left, shipments must average 1.4 MMT per week to do so. Recent tallies have hit that mark.

Trump readying big tariffs on China

President Donald Trump reportedly wants to hit China with investment restrictions and tariffs on up to \$60 billion worth of products, mainly targeting the technology and telecommunications sectors. The ag sector is bracing for retaliatory moves.

The U.S. Chamber of Commerce is opposed to these tariffs, noting the initially proposed \$30-billion in tariffs on Chinese goods would "wipe out over a third of the savings American families received from the doubling of the standard deduction in tax reform," adding the "impact would be even more devastating" if tariffs were higher.

Meanwhile, Japan, Europe, South Korea and others continue to negotiate with the U.S. for exemptions from new metal tariffs set to take effect March 23.

Farm bill hits another snag

House Ranking Member Collin Peterson (D-Minn.) says he will end talks with House Ag Chairman Mike Conaway (R-Texas) on a draft farm bill after receiving a letter from House ag panel Democrats who are "increasingly concerned about the nutrition policies being pushed by the Majority." They are demanding Republicans drafting the farm bill share the actual text and other materials. This year's farm bill has largely been written behind closed doors, creating friction and delays (more on [News page 3](#)).

Tame February inflation data

The U.S.'s consumer price index (CPI) for February rose 0.2% from month-ago levels and was up 2.2% for the year, matching expectations. The "core" CPI that excludes food and energy was also up 0.2% from January and up 1.8% from year-ago levels. The data eased worries inflation could prompt more than three rate hikes this year.

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Chinese cotton reserve auctions begin.

China kicked off its daily auctions of cotton March 12, with the government selling nearly all of the 30,000 MT of cotton offered. But sales tallies faded as the week progressed. These sales will continue through August.

China makes headway in effort to pare corn reserve stocks.

China cut its corn reserves by 28% in 2017 to a still-hefty 179 MMT, according to Juhui Huang, vice president of Brazil's BRF food company, who is based in China. Dramatic growth in the country's corn processing capacity helped make this happen. Huang details that China can now process 137 MMT of corn annually, up nearly 32% from 2016 levels.

China's soymeal exports soar.

Argentina is typically the world's No. 1 soymeal exporter, but a punishing drought has other producers stepping up to the plate. China's 2017-18 soymeal exports will likely double to near 2 MMT amid increased sales to Japan, Vietnam, Thailand and South Korea.

Argentine crops keep falling

Argentina's government announced it would provide aid to farmers struggling with drought, providing yet another sign of just how bad things are there. Meanwhile, Argentine crop estimates continue to drop.

South American Crop Consultant Dr. Michael Cordonnier cut another 2 million metric tons (MMT) from his Argentine soybean crop estimate, which now stands at 43 MMT, and he warns the crop could fall to 40 MMT or lower if forecast rains disappoint. He also cut 1 MMT from his corn crop estimate that now stands at 34 MMT.

The country's Rosario Grains Exchange was even more aggressive with its cuts, slashing its soybean crop estimate by 6.5 MMT from last month to 40 MMT. It also cut its corn crop peg by 3 MMT to 32 MMT.

Four months of drought is also taking a toll on Argentina's economy. A Treasury Ministry official last week said reduced corn and soybean crops would likely cut 0.5 to 1.0 points from Argentina's 2018 GDP, which is now expected to rise 3.0%.

A note on Brazil

Cordonnier also notes the ideal planting window for Brazil's safrinha corn crop has closed and continuing to plant now is quite risky. This paired with rising cotton prices shifted some intended corn acres to cotton, some observers predict.

Strong NOPA crush

Members of the National Oilseeds Processors Association (NOPA) crushed a February record of 153.719 million bu. of soybeans, which topped expectations by more than 4 million bushels. This implies total U.S. crush of roughly 164 million bu. last month. The strong showing has prompted us to lift our crush forecast for 2017-18 to 1.975 billion bu., 15 million bu. higher than USDA's estimate.

Kansas wheat growers faced with some tough decisions

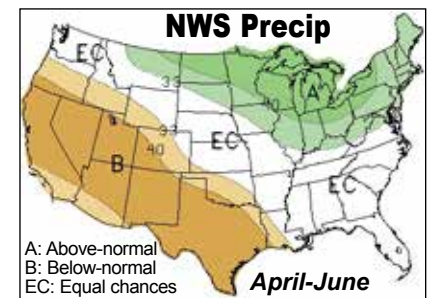
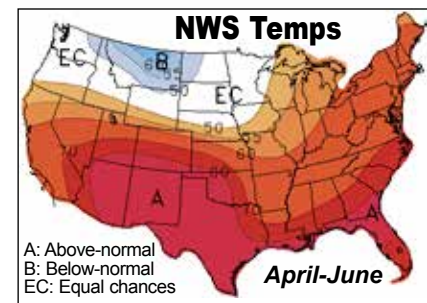
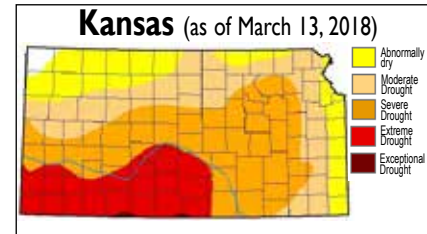
Winter wheat crop ratings in Kansas edged lower the week ending March 11, with statisticians now putting 53% of the crop in "poor" to "very poor" condition and 12% in the "good" to "excellent" category versus 50% and 13% in these categories, respectively, the week prior.

"The other hammer to the head of this wheat crop" came March 12, when "we had a low of 13 degrees and were below 24 degrees for seven to eight hours," reports Gary Jorgensen with Alliance Ag & Grain LLC. "But as dry as the soil and wheat plants are, maybe the hard freeze didn't do the damage it might have if we had plush, moist, growing plants," he adds.

How dry is it? The last "effective" rain in south-central Kansas came Oct. 7, 2017, totaling 0.80 inches, Jorgensen details. And while he says a rain could still salvage a lot of the wheat crop, the forecast remains dry. The latest National Weather Service outlook for April through June favors ongoing warmth across the Plains, as well as dry weather from Oklahoma southward.

Growers must decide soon if they'll "commit" to this wheat crop. Jorgensen asks, "Will farmers top-dress a crop that probably hasn't even tapped the fertilizer we put on last fall? Do we invest in herbicide? If it doesn't rain, it's a waste of money. If it rains and they haven't applied herbicide, then they'll battle weeds in the thin stands."

If meaningful rains do not fall by April 1, some growers will abandon wheat plans and start prepping an alternate crop.



Historic, \$1.5 billion Syngenta settlement with farmers

Farmers, grain-handling facilities and ethanol plants reached a \$1.5-billion settlement in a class-action lawsuit against Syngenta last week regarding its decision to introduce its genetically modified Viptera and Duracade corn to the U.S. market before approval for export to China. The plaintiffs said its decision cut off access to the large Chinese corn market and weighed on prices for years.

The ag litigation settlement, which must still be approved by a federal judge in Kansas, would be the biggest one in U.S.

history. And the settlement does not include exporters such as Cargill and ADM that are also suing Syngenta.

A fund will be set up to pay claims by farmers and others who contracted to price corn or corn byproducts after Sept. 15, 2013. All farmers are eligible for the settlement, even those who opted out of previous Syngenta lawsuits. Notices will likely be mailed to you. You will need to submit forms, opt out or object to agreement terms. The money is expected to be distributed to class-suit members the first half of 2019.

Major personnel shifts at the White House

President Donald Trump ousted Secretary of State Rex Tillerson and replaced him with CIA Director Mike Pompeo, a major change to his national security team ahead of talks with North Korea. Tillerson had been on the opposite side of several major trade and foreign policy issues of the Trump administration and his departure has long been anticipated. This marks the latest move by Trump to get more aggressive trade personnel in position as he moves forward with protectionist trade policies, such as tariffs on imports of steel (25%) and aluminum (10%) and coming new tariffs on China as the administration looks to crack down on its alleged intellectual property theft.

But this shift could be balanced to some degree by the president's pick of CNBC commentator Larry Kudlow to succeed Gary Cohn as director of the three-person National Economic Council. Kudlow is viewed as a practical free trader. He has been outspoken in his criticism of tariffs, including Trump's metals tariffs, though Trump noted Kudlow does see the value of using them as a negotiating tool. Importantly, Kudlow believes withdrawing from the North American Free Trade Agreement would be a "bad decision." Regarding his trade policy positions, Kudlow said, "The president wants to hear me, even if we disagree."

He has supported tax cuts and deregulation and was an informal adviser as part of Trump's 2016 election campaign. Kudlow is a long-time friend of Trump with relationships with all key Cabinet officials advising the president on financial and economic matters.

Kudlow has urged the Trump administration to pay more attention to rising budget deficits (currently at \$391 billion for the first four months of the year) and has voiced unease with Trump's suggestions a weak dollar could help the U.S. economy.

199A fix reached, but how to implement still in question

Lawmakers have finally reached an agreement to fix a tax reform glitch involving Section 199A that gave farmers incentive to sell their grains to cooperatives rather than independent companies, but passage could be a hurdle. While Senate Democratic Leader Chuck Schumer (D-N.Y.) initially objected to including the Section 199A fix in the coming omnibus spending bill unless Democrats got some of the tax reform changes they've been pushing, late Thursday Rep. Nancy Pelosi (D-Calif.) said her party is now open to including the fix in the spending package.

What's in the fix?

The existing tax reform language gave a major advantage for farmers who sell to co-ops, because farmer members were allowed to deduct 20% of the value of their sales to cooperatives, but only 20% of their net farm income when selling commodities to other buyers.

Under the revision, co-op members would no longer be allowed to deduct 20% of their sales. But farmers who only sell to co-ops would likely get a deduction that flows through from the cooperative. They would also get the 20% deduction from net farm income, minus either 9% of their net farm income, or 50% of the wages they paid, whichever amount is less. Farmers who sell to both co-ops and other companies would have to keep the two income streams separate for calculating taxes. The change would be retroactive to Jan. 1, 2018.

Do House Democrats want a post-election farm bill?

Democratic House members are raising hurdles in part aimed to prevent a new farm bill from being completed before the November elections, according to our sources. The opposition mainly centers on the Republican-pushed reforms to the Supplemental Nutrition Assistance Program (SNAP). Specifically, the GOP is pushing a requirement that able-bodied adults without dependents would have to work 20 hours per week or take part in paid-for training to qualify for SNAP. Democrats are opposed to these reforms, claiming 8 million people could lose program guarantees if the change is made.

Rep. Collin Peterson's (D-Minn.) support will be needed to get any bipartisan measure through the House. His opposition to the SNAP changes delayed the release of draft farm bill language last week and he is working with House Ag Chairman Mike Conaway (R-Texas) on reforms more palatable to Democrats. The draft bill may not be released until the House returns from a two-week recess April 10.

Over in the Senate, Ag Chair Pat Roberts (R-Kan.) said the chamber's version will not consider major changes to SNAP, as the GOP has just a single-vote majority. But a Senate farm bill without entitlement reform would struggle to clear the House.

All of this brings up the possibility of a one-year farm bill extension, which Democrats would welcome. They expect to pick up seats and possibly control one or both chambers, giving them more leverage in writing a new farm bill. Also, they could use failure to clear a new farm bill against Republicans in fall election battles.

Whether the GOP-controlled Congress can clear a bill is an open question, but indications are they do not intend to be in the same place they were in 2012 come this fall.

Special election results a wake-up call

Democrat Connor Lamb won a razor-thin victory over Rick Saccone (R) in the special House race for Pennsylvania's 18th District. The district has been GOP-held for years, and Trump won it in 2016 by 20 points. House Speaker Paul Ryan (R-Wis.) called the results a wake-up call.

Farmers tap Fox News to get Trump's attention on trade. U.S. farmers, a key group in Trump's support base, are launching a TV ad that will air on Fox News' Fox & Friends, Fox Business and MSNBC's Morning Joe aimed at swaying the president away from his trade policies, such as new import tariffs on metals and continued threats to withdraw from NAFTA. Ag groups are increasingly concerned they will be among the hardest hit if other countries decide to retaliate.

La Niña ends. Australia's Bureau of Meteorology says La Niña has ended and there are "no clear indications" of an El Niño or La Niña event in the months ahead.

Another ELD waiver for ag truckers. The Department of Transportation (DOT) has delayed its electronic logging device requirement for ag truckers another 90 days. ELDs track how long a trucker has been on the road, making it easier to enforce rules requiring 10 hours of rest for every 11 hours of driving. Ag Secretary Sonny Perdue says the extension will "give DOT additional time to issue guidance on hours-of-service and other ELD exemptions that are troubling for agriculture haulers."

Plenty of focus still on old-crop, with an eye on new-crop

by Editor Brian Grete and Sr. Economist Bill Nelson



CORN: USDA added 175 million bu. to its 2017-18 export forecast in the March Supply & Demand Report. At first glance, that may seem awfully bold. But given the pace of corn shipments the first half of the marketing year, the number of outstanding sales and the current sales pace, it points to an export figure of 2.3 billion bu. — potentially higher. For now, we'll stick with the same old-crop export forecast as USDA, but that figure could grow and trim carryover even more.

The corn stocks picture could get even more interesting in 2018-19 if acreage declines, as we anticipate, and yields fall to a trendline level of 174.0 bu. per acre. That would lop another 500 million bu. off total supplies. A likely price rally amid lower supplies would trim total use from the current-year projection, but demand should be enough to pull ending stocks down from a burdensome level to something that's much more palatable. Keep in mind, global corn ending stocks for 2017-18 are projected to decline 14% and are likely to tighten even more as USDA fully factors in 2018-crop South American harvest losses, so global competition for U.S. corn is on the decline.

SOYBEANS: USDA has slashed 160 million bu. from its 2017-18 soybean export forecast since January. While we acknowledge USDA's export forecast was too high, we believe the sharp reductions the past three months have been overdone. Brazil produced another huge crop this year — potentially another record — but export competition from Argentina for both soybeans and soy products will be greatly reduced due to its short crop. That points to higher exports and crush than USDA is currently forecasting. As a result, we project old-crop soybean ending stocks 70 million bu. below USDA's forecast.

For the 2018-19 marketing year, we project soybean plantings to rise again. With a trendline yield and much bigger beginning stocks, that would increase total supplies roughly 200 million bu. from the current marketing year. While we project use will also increase sharply, it wouldn't quite keep pace with the build in supplies and ending stocks would grow, though not to the level USDA projects for the current marketing year.

WHEAT: We have a smaller import figure plugged into the old-crop balance sheet, while our usage forecast nearly matches USDA's projection. As a result, our ending stocks outlook is a little lower, but not enough to impact price.

For 2018-19, wheat plantings are expected to be up slightly, though the national average yield could come in lower than we currently project if drought persists in the Southern Plains through spring. Under our current scenario, total supplies would tighten 141 million bushels. Despite rising prices, we also forecast total use to grow in the new-crop marketing year. If supplies tighten and use expands, it would pull carryover down to a level that's tight enough to lift prices.

Corn Supply/Demand

	2016-17 USDA	2017-18 USDA	2017-18 PF/Doane	2018-19 PF/Doane
Planted (mil. acres)	94.0	90.2	90.2	89.5
Harvested (mil. acres)	86.7	82.7	82.7	82.0
Yield (bu./acre)	174.6	176.6	176.6	174.0
<i>million bushels</i>				
Beginning Stocks	1,737	2,293	2,293	2,127
Production	15,148	14,604	14,604	14,268
Imports	57	50	50	50
Total Supply	16,942	16,947	16,947	16,445
Feed and Residual	5,473	5,550	5,550	5,550
Food, Seed, Industrial	6,882	7,045	7,045	7,145
Ethanol for Fuel*	5,432	5,575	5,575	5,650
Total Domestic Use	12,356	12,595	12,595	12,695
Exports	2,293	2,225	2,225	1,950
Total Use	14,649	14,820	14,820	14,645
Carryover	2,293	2,127	2,127	1,800
Carryover, days' supply	57.1	52.4	52.4	44.9
Stocks-to-Use	15.7%	14.4%	14.4%	12.3%
Proj. avg. price/bu.	\$3.36	\$3.15-\$3.55	\$3.35	\$3.55

* "Ethanol for Fuel" is included in the Food, Seed & Industrial total.

Soybean Supply/Demand

	2016-17 USDA	2017-18 USDA	2017-18 PF/Doane	2018-19 PF/Doane
Planted (mil. acres)	83.4	90.1	90.1	91.0
Harvested (mil. acres)	82.7	89.5	89.5	90.1
Yield (bu./acre)	52.0	49.1	49.1	49.0
<i>million bushels</i>				
Beginning Stocks	197	302	302	485
Production	4,296	4,392	4,392	4,415
Imports	22	25	24	20
Total Supply	4,515	4,718	4,717	4,920
Crush	1,901	1,960	1,975	1,975
Exports	2,174	2,065	2,115	2,300
Seed	105	106	107	105
Residual	34	33	35	35
Total Use	4,213	4,163	4,232	4,415
Carryover	302	555	485	505
Carryover, days' supply	26.7	48.7	42.0	41.7
Stocks-to-Use	7.2%	13.3%	11.5%	11.4%
Proj. avg. price/bu.	\$9.47	\$9.00-\$9.60	\$9.50	\$9.30

Wheat Supply/Demand

	2016-17 USDA	2017-18 USDA	2017-18 PF/Doane	2018-19 PF/Doane
Planted (mil. acres)	50.1	46.0	46.0	46.5
Harvested (mil. acres)	43.9	37.6	37.6	38.2
Yield (bu./acre)	52.7	46.3	46.3	46.0
<i>million bushels</i>				
Beginning Stocks	976	1,181	1,181	1,025
Production	2,309	1,741	1,741	1,755
Imports	118	155	145	145
Total Supply	3,402	3,076	3,066	2,925
Food	949	955	955	955
Seed	61	62	62	63
Feed/Residual	156	100	99	137
Total Domestic Use	1,167	1,117	1,116	1,155
Exports	1,055	925	925	950
Total Use	2,222	2,042	2,041	2,105
Carryover	1,181	1,034	1,025	820
Carryover, days' supply	194.0	184.8	183.3	142.2
Stocks-to-Use	53.1%	50.6%	50.2%	39.0%
Proj. avg. price/bu.	\$3.89	\$4.60-\$4.70	\$4.65	\$4.90

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 CEO and President, Grey Montgomery • Editor, Brian Grete • Editor Emeritus, Chip Flory • Sr. Economist, Dan Vaught • Sr. Economist, Bill Nelson
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CATTLE

Position Monitor

GAME PLAN:	Feds	Feeders
We remain concerned that marketings aren't keeping pace with supplies. Fed cattle producers should continue to carry all risk in the cash market for now, but be ready to add light hedges.	I'18 0%	0%
	II'18 0%	0%
	III'18 0%	0%
	IV'18 0%	0%

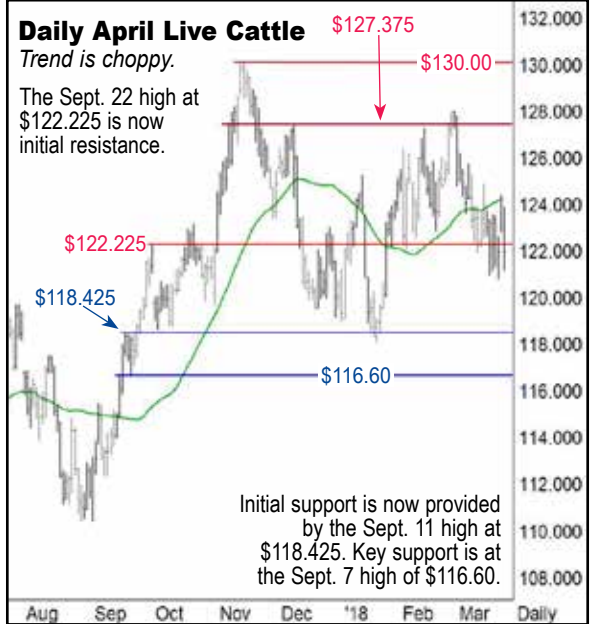
Fundamental analysis

Cash cattle continues to trade at a \$4-plus premium to April futures, and traders appear committed to maintaining the premium basis. Despite market incentives to keep marketings current, there is growing speculation feedyards are bulging with market-ready cattle. It's also a bit too early for retailers to gear up for grilling season, adding to expectations for some cash market weakness in the weeks ahead. It is quite common for cash prices to peak at this time. Spot quotes seem unlikely to top their mid-February high around \$130, but that can't be ruled out. We remain concerned about slow marketings and a possible backlog of market-ready animals, so we are looking for opportunities to hedge spring and summer sales.

Daily April Live Cattle

Trend is choppy.

The Sept. 22 high at \$122.225 is now initial resistance.



Initial support is now provided by the Sept. 11 high at \$118.425. Key support is at the Sept. 7 high of \$116.60.

CME Feeder Cattle Index



HOGS

Position Monitor

GAME PLAN:	Lean Hogs
You should continue to carry all risk in the cash market. We still believe that spring- and summer-month futures are undervalued and that a pullback now could set the stage for a stronger rally ahead.	I'18 0%
	II'18 0%
	III'18 0%
	IV'18 0%

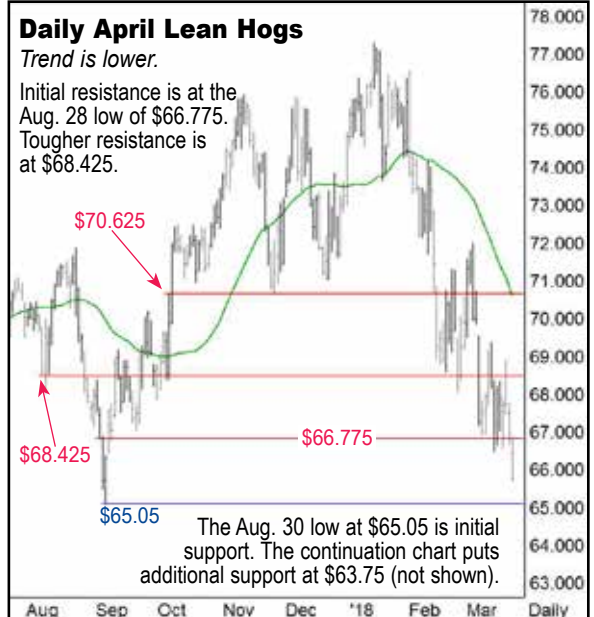
Fundamental analysis

Despite the strong tendency for slaughter hog supplies to decline through winter and spring to annual lows in early summer, cash prices routinely move sideways to lower from a February peak into early April. That likely reflects the end of processor and grocer buying of hams once they've gathered needed supplies for Easter features. The decline then sets the stage for a strong spring rally as reduced supplies are met by surging grilling demand. Winter 2017-18 has been marked by a surprisingly strong January rally and a similarly outsized late winter drop. We now believe spring supplies will top forecasts, but also anticipate rampant demand. We favor avoiding hedges at this time.

Daily April Lean Hogs

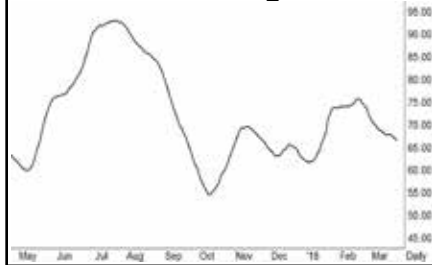
Trend is lower.

Initial resistance is at the Aug. 28 low of \$66.775. Tougher resistance is at \$68.425.



The Aug. 30 low at \$65.05 is initial support. The continuation chart puts additional support at \$63.75 (not shown).

CME Lean Hog Index



FEED

Feed Monitor

Corn	
I'18	0%
II'18	0%
III'18	0%
IV'18	0%

Meal	
I'18	0%
II'18	0%
III'18	0%
IV'18	0%

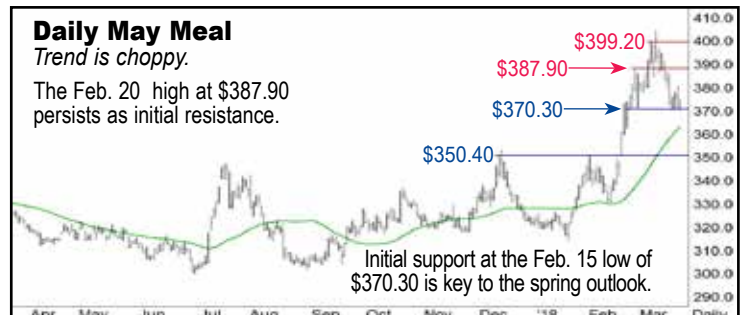
CORN GAME PLAN: You should have corn-for-feed needs covered in the cash market through March. We are targeting a pullback to \$3.80 in May futures to extend coverage.

MEAL GAME PLAN: You should have meal needs covered in the cash market through the end of March. Be ready to extend coverage as May soybean meal futures are nearing our \$370.00 target.

Daily May Meal

Trend is choppy.

The Feb. 20 high at \$387.90 persists as initial resistance.



Initial support at the Feb. 15 low of \$370.30 is key to the spring outlook.

CORN

Position Monitor

	'17 crop	'18 crop
Cash-only:	60%	20%
Hedgers (cash sales):	60%	20%
Futures/Options	0%	0%

GAME PLAN: Corn futures remain in an impressive uptrend thanks to solid export demand and South American weather concerns. If you're behind on sales, take advantage of the price strength to get caught up. We will wait until the market signals the upside has been exhausted before making additional old- and new-crop sales, barring an explosive push higher.

Fundamental analysis

Although South American Crop Consultant Dr. Michael Cordonnier and other observers once again trimmed their harvest forecasts last week, corn and soybean futures hardly reacted. Thus, it seems the price impact of the big first-quarter losses is now "baked" into prices. Harvests are getting underway, so the industry will be watching early results. Still, major questions surround Brazil's safrinha corn crop, particularly the number of acres actually planted. That factor, along with ongoing U.S. exports and prospects for spring U.S. plantings will likely be the main drivers of ongoing market activity. Weekly corn export sales of 2.505 million metric tons (MMT) for 2017-18, again smashed expectations, but futures slipped in concert with wheat. This conforms with our concerns about short-lived strength.

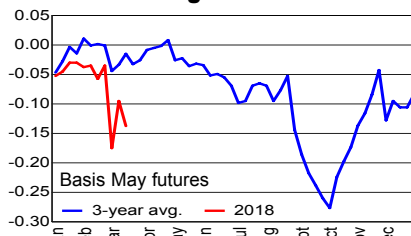
Daily May Corn

Trend is higher.

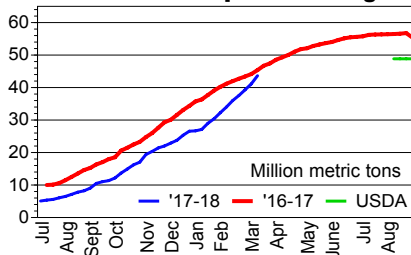


The Aug. 16 low at \$3.81 1/2 now represents initial support. Stronger support at the Aug. 24 high of \$3.76 aligns with the 40-day moving average (green line) at that same level.

Average Corn Basis



Total Corn Export Bookings



Daily July Corn

Trend is higher.

Initial resistance is now marked by the Aug. 3 low at \$3.98.



WHEAT

Daily SRW May Wheat

Trend is choppy to higher.

Initial resistance is now marked by the fourth-quarter 2017 high at \$4.95. Key resistance at the May 1 high of \$5.16 is pivotal to the spring outlook.



Position Monitor

	'17 crop	'18 crop
Cash-only:	85%	25%
Hedgers (cash sales):	85%	25%
Futures/Options	0%	0%

GAME PLAN: Get current with advised sales. Given ongoing weather concerns, we'll give the market a chance to push higher before boosting sales.

Fundamental analysis

SRW: Poor export news undercut wheat prices last week. USDA's weekly report showed export sales fell below minimal forecasts. Shortly after, Egypt once again turned to the Black Sea region in its latest wheat tender. Futures kept sliding after testing pivotal support March 15.

SOYBEANS

Position Monitor

	'17 crop	'18 crop
Cash-only:	80%	20%
Hedgers (cash sales):	80%	20%
Futures/Options	0%	0%

GAME PLAN: We are fairly comfortable with current sales levels, so we're not in a hurry to advance sales, especially given ongoing weather concerns in Argentina and some positive demand signals. Prices bounced after a midweek drop last week. Take advantage of relatively elevated price levels to get caught up if you're behind on our latest sales advice.

Fundamental analysis

USDA's Weekly Export Sales Report indicated 1.269 MMT were sold during the week ended March 8; that slightly exceeded top trade forecasts. In contrast to the weak corn market reaction to robust sales, soybean futures reacted surprisingly well, especially when the advance was viewed in the context of big losses suffered over the preceding week. The seeming repudiation of technical signals pointing even lower likely played a role in the strong rebound, but the late strength of sales to China greatly encouraged bulls as well. The March 15 NOFA crush result topped forecasts by more than 4 million bu., spurring buying as well, since the February surge implied USDA's 2017-18 crush forecast is much too low. As a result, we're biding our time on boosting sales.

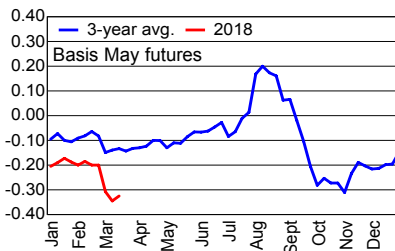
Daily May Soybeans

Trend is choppy.

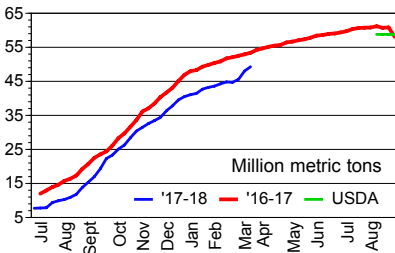
A close above initial resistance at the July 12 high of \$10.53 will have bulls targeting the March 2 contract high at \$10.82 1/2.



Average Soybean Basis



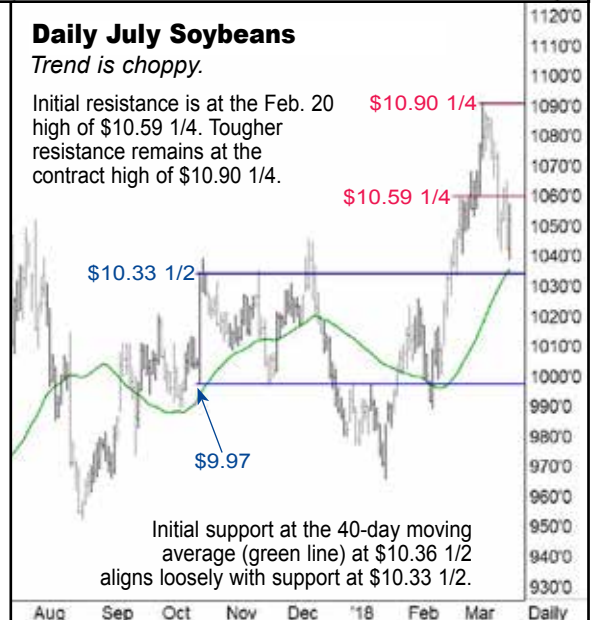
Total Soybean Export Bookings



Daily July Soybeans

Trend is choppy.

Initial resistance is at the Feb. 20 high of \$10.59 1/4. Tougher resistance remains at the contract high of \$10.90 1/4.



HRW: Last week's state condition reports indicated worsening HRW ratings in Kansas, whereas conditions improved somewhat in Oklahoma and Texas. The latter results, along with forecasts for rising precipitation chances in the next few weeks, weighed on HRW futures. The poor export figures amplified recent price slippage.

Daily HRW May Wheat

Initial resistance is now at the Aug. 2 low of \$5.17 1/2.



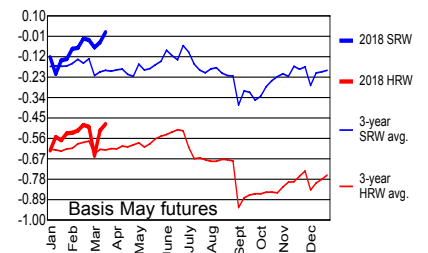
Daily HRS May Wheat

The 40-day moving average (green line) near \$6.19 is again initial resistance.

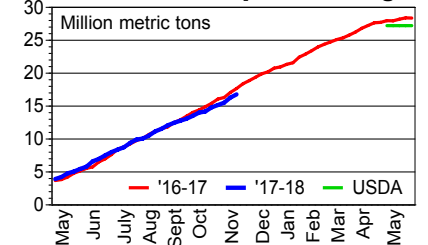


HRS: HRS prices sagged last week as long-term weather forecasts point to rains in the Northern Plains this spring, which bodes well for spring wheat development. In addition, export activity remains disappointing, particularly for this class of wheat. That will continue to stifle rally attempts.

Average Wheat Basis



Total Wheat Export Bookings



COTTON

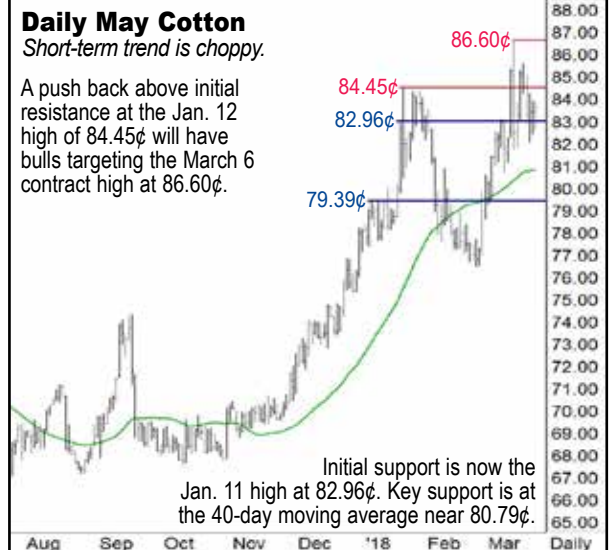
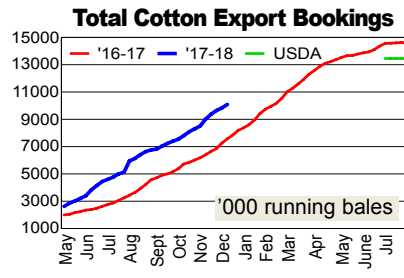
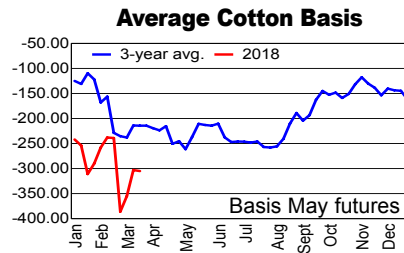
Position Monitor

	'17 crop	'18 crop
Cash-only:	75%	35%
Hedgers (cash sales):	75%	35%
Futures/Options	0%	0%

GAME PLAN: Get current with advised sales. Be prepared to advance sales if futures signal a top is in the works.

Fundamental analysis:

Cotton futures couldn't build upon their strong reaction to March 8 data from USDA. Prices moved sideways to lower until the release of the Weekly Export Sales Report. The strong shipment pace at 414,400 bales caused futures to firm. Trade conflicts may weigh on prices ahead.

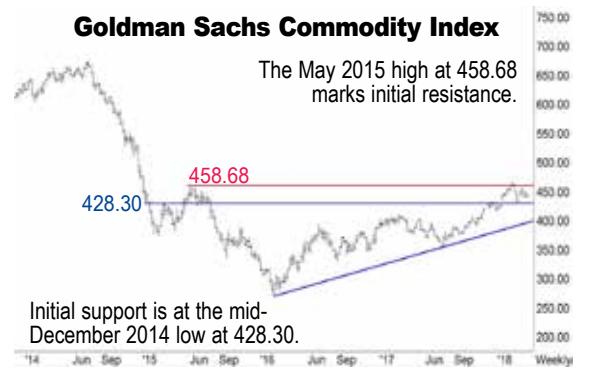


GENERAL OUTLOOK

COMMODITIES: Veteran commodity market watchers know raw commodity market price cycles are somewhat predictable. Most commodity markets experience extended periods of "boom" and "bust," as historical price charts prove.

The Goldman Sachs Commodity Index (GSCI) is a basket of raw commodity futures prices factored into a composite index. The GSCI and similar indexes are telling gauges for general price trends in the commod-

ity sector. The weekly GSCI chart shows values have been trending higher from the early-2016 low and just recently hit a four-year high. This suggests the commodity sector is in the earlier stages of an up, or boom, cycle. The present price uptrend in the GSCI is good news for all commodity market bulls, including those in the ag markets. The chart posture of the GSCI suggests more price gains in the commodity markets are probable in 2018, and likely beyond.



FROM THE BULLPEN *by Senior Economist Dan Vaught*

After rallying aggressively from early 2016 through summer 2017, the equity markets surged even more dramatically late last year and in early 2018, as traders anticipated and later reacted to the passage of U.S. tax reform.

More recently, stock indexes have struggled to regain upward momentum in the wake of the huge early-February setback. Moreover, "Doctor Copper" has struggled since reaching a three-year high last December. Given those shifts, it would be rather easy to think the U.S. economic outlook may be less promising than previously believed. Ag industry interests are also worried that President Donald Trump's recent decision to impose tariffs on imported steel and aluminum could spark retaliatory action.

But such economic worries are clearly in the minority based on recent economic data.

The over-arching optimism was exemplified by the March 9 U.S. employment report, which showed February job growth at 313,000 new hires. Moreover, 806,000 workers rejoined the labor force looking for jobs. That confirms the buoyancy indicated by the Feb. 27 consumer confidence reading at 130.8, the highest since November 2000.

Ultimately, the effects of tax reform are only just beginning to be felt. Businesses giving large numbers of employee bonuses during winter will likely be followed by increased investments in their own productivity, with actions such as plant expansion, new construction and new hiring expected to occur during the coming weeks and months.

This should bode well for the ag industry, since added incomes should encourage consumer demand across the board.

Key Market Items on My 'To Watch' List

- 1) FOMC meeting concludes**
— Wednesday, March 21, 1:00 p.m. CT
Fed is expected to raise interest rates.
- 2) USDA Export Sales Report**
— Thursday, March 22, 7:30 a.m. CT
Markets need sustained sales/export strength to support prices.
- 3) USDA Cold Storage Report**
— Thursday, March 22, 2:00 p.m. CT
Totals will reflect demand strength.
- 4) USDA Cattle on Feed Report**
— Friday, March 22, 2:00 p.m. CT
Will marketings indicate sales strong enough to support spring prices?

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