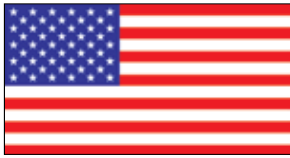


Pro Farmer

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News this week...

Page 2: Brazil's initial 2018-19 crop estimates.

Page 3: Safety-net a hurdle in new farm bill.

Page 4: USDA's October S&D Report.

Another attempt to extend biodiesel tax.

Some GOP lawmakers will push to retroactively extend the lapsed biodiesel tax incentive program in the lame-duck session of Congress after the Nov. 6 elections. They intend to include the biodiesel tax extender as part of a possible deal on other tax incentives and a technical corrections measure to the tax code.

WRDA soon to be law.

The Senate passed the water policy legislation and Trump will soon sign the bill into law. The bill authorizes \$6.1 billion for construction of 12 new Army Corps of Engineers projects, as well as authorizing other water and hydropower programs. The new water legislation is a big deal for agriculture, as more than 60% of U.S. grain exports rely on the waterway system.

Bullish reaction to October crop reports — Corn and soybean futures rose following USDA's Oct. 11 Crop Production (see item below) and Supply & Demand Reports (see [News](#) page 4), cementing our idea that seasonal lows were posted in September. With USDA's October corn and soybean crop estimates surprisingly lower than last month and new-crop carryover projections rising less than anticipated, traders refocused on inclement weather and harvest-loss concerns. Winter wheat futures drifted lower as the market waits on stronger export demand. Spring wheat futures chopped sideways as snow in the Prairies raised yield and quality concerns with the Canadian crop. Traders narrowed cattle futures' premium to the cash market, as they are growing tired of waiting on the cash market to strengthen. Cash cattle prices were virtually unchanged for a fifth consecutive week. Hog futures rolled over and showed signs of a top, despite their discount to the cash market, as cash prices weakened.

Corn, bean crops surprisingly fall

USDA lowered its corn crop estimate by 49 million bu. from last month to 14.778 billion bu., which was 94 million bu. lower than anticipated. USDA's October yield estimate at 180.7 bu. per acre was down 0.6 bushels. USDA's objective yield data showed a slight reduction in the number of ears per acre, though they still would be record-large. The implied ear weight increased modestly from last month and would also be record-high.

USDA's October soybean crop estimate declined 3 million bu. from last month to 4.690 billion bu. and was 43 million bu. under the average pre-report estimate. The soybean yield climbed 0.3 bu. from last month to 53.1 bu. per acre. However, USDA cut harvested acres by 514,000. USDA's objective yield data showed a dramatic reduction in implied pod weights from last month, though there was a significant increase in the number of pods per acre to a record 1,900.

Cotton crop estimate rises

USDA's cotton crop estimate increased 81,000 bales to 19.763 million bales. Traders expected a 162,000-bale decline. USDA increased the national average yield by 6 lbs. to 901 lbs. per acre. That more than offset a modest 29,000-acre cut to harvested acres.

Storm damage to show up in November

Due to the timing, USDA's survey work for October only caught some of the impacts from adverse weather. Damage from recent heavy rains and snow across the Corn Belt and hurricane/tropical storms in the South and Southeast will be further factored into the November Crop Production Report.

Exit 2018-crop cotton hedges

We advised cotton hedgers to claim profits on the 10% hedges in December futures Oct. 12.

Trump planning meeting with Xi

President Donald Trump has dedicated a team to plan for his meeting with China's leader, Xi Jinping, at the G20 summit in late November, according to the *Wall Street Journal*. Christopher Nixon Cox, grandson of former President Richard Nixon, is expected to take a senior role in Chinese relations. But sources question whether some senior trade officials in the administration may work against talks with China next month.

China's U.S. trade surplus record-high

China's trade surplus with the U.S. soared to a record \$34.13 billion in September, signaling its exports have been resilient to U.S. tariffs. That's largely because of a weakening yuan, which has dropped nearly 6% versus the U.S. dollar since the beginning of the year. Despite the sharp drop in its currency, the U.S. Treasury is not expected to name China a currency manipulator this week.

China's soy imports bigger than expected

China imported 8.01 million metric tons (MMT) of soybeans in September. While that was down 12.4% from August and 1.2% from last year, soybean imports were about 1 MMT greater than anticipated. Through the first nine months of 2018, China's soybean imports stand at 70.01 MMT, down 2.0% from last year. This week, China may officially cap the amount of protein in animal feed versus its current recommendation to cut soymeal use.

China moves to boost economy

China's central bank slashed the level of cash banks must hold as reserves by 1%, effective Oct. 15. This is the fourth cut this year to reserve requirement ratios, as China moves to spur economic growth. China also will increase export tax rebates from Nov. 1 and quicken those payments to support foreign trade.

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Kossuth Co., (NC) Iowa:
"It's been an interesting year to say the least. We planted late in wet soils followed by too much rain and lots of drowned out spots. Hilltops are yielding about 210 bu. and low spots 105 bu. per acre. Top it off with some significant winds and harvest has been a major challenge. Haven't turned a wheel in the soybeans yet."

Black Hawk Co., (NE) Iowa:
"So... how bad is harvest? The Iowa Soybean Association sent out emails on how to safely artificially dry soybeans."

Marion Co., (SC) Iowa:
"We've had 17 inches of rain in the past five weeks — seven in the past week — and it's not done. Soybean stems are still green but pods are black, bursting and some are beginning to sprout."

Stephenson Co., (NW) Illinois:
"We just received another three to four inches of rain. Lots of combines are stuck. Harvest is a horror story."

Rice Co., (SC) Minnesota:
"Wet, wet, wet. Crops here are disappointing — not as good as last year."

Brazil expects slightly smaller soybean crop

Brazil is expected to produce a soybean crop between 117.0 million metric tons (MMT) and 119.4 MMT in 2018-19, based on the first official estimate from Conab. The midpoint of that range of 118.2 MMT would be down 1.1 MMT (0.9%) from the record 2017-18 crop. The Brazilian crop forecasting agency projects yields will fall 2.7% from last year, while planted area is expected to increase 0.8% to 2.9%. Conab forecasts Brazilian soybean exports will decline 1 MMT from the current year to 75 MMT.

Given the above-average start to soybean planting and generally favorable weather through mid-October, Conab's initial soybean production estimate appears conservative.

South American Crop Consultant Dr. Michael Cordonnier forecasts Brazil's 2018-19 soybean crop at 120.7 MMT, which would be up 1.4 MMT (1.2%) from last year. He projects soybean acreage will increase 3.5%.

Brazil projects major rise in corn production, exports

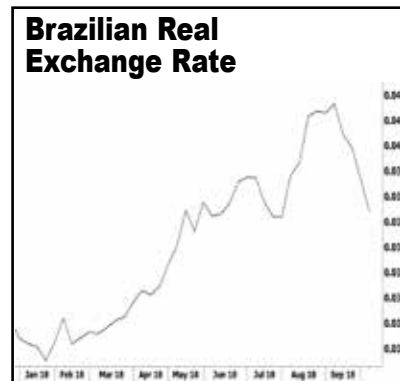
Conab forecasts its 2018-19 corn crop at a range of 89.7 MMT to 91.1 MMT. The midpoint of that range of 90.4 MMT would be up 9.6 MMT (11.9%) from this year. Planted area is expected to be down 0.1% to up 1.2%, but yields are expected to rebound 10.6% from last year. Safrinha corn yields are expected to rise 16.9% from last year's drought-affected level. With the anticipated sharp increase in production, Conab projects Brazilian corn exports to surge 5.5 MMT (21.6%) to 31 MMT.

Cordonnier projects the 2018-19 Brazilian corn crop at 96.0 MMT, up 15.2 MMT (18.8%) from last year. He projects corn acreage will increase 5.5%.

Conab's initial corn production forecast is also conservative.

Firmer currency = lower prices for Brazilian farmers

The trade dispute between the U.S. and China has pushed up premiums for Brazilian soybeans, which means stronger domestic prices for Brazilian farmers. Cordonnier says Brazilian farmers generally expect at least \$10 for their 2018-19 soybeans. However, a key factor in how much Brazilian farmers will get for their soybeans will be dependent on the exchange rate between the Brazilian real and the U.S. dollar. Recent price action has seen its currency, the real, firm nearly 12% to roughly 3.7 reals per dollar from a peak of 4.2 in mid-September. The firming real lowers the price of soybeans in Brazil, but that is unlikely to deter Brazilian farmers from increasing soybean plantings, as it is still much weaker than it was the past two years.



Increased chances of El Niño

There are now 70% odds El Niño will form this year, according to the Australian Bureau of Meteorology. The Aussie weather bureau says Pacific waters are warming and there are signs a positive Indian Ocean Dipole has started. These two factors increase odds of warm, dry weather continuing across eastern Australia.

El Niño conditions would favor warmer-than-normal temps across all of Brazil and most of Argentina. El Niño events usually lead to drier-than-normal conditions across northern and northeastern Brazil, with above-normal rainfall over Argentina.

Trump directs year-round E15

After several false starts, President Donald Trump last week directed the Environmental Protection Agency (EPA) to issue a waiver to allow year-round sales of E15. The directive will not require refineries to increase their blends, but it could spur sales of ethanol. E15 is currently banned in summer months (June 1 to Sept. 15).

Impact: The waiver could give biofuel producers an opportunity to grow their share of the 143-billion-gallon gasoline market, now about 10%. Some analysts note the shift may mean another 14 million gallons (around 1%) of additional ethanol in the first year, with greater growth potential ahead. Only about 1,430 of the nation's 122,000 filling stations currently sell E15. There appears to be no funding mechanism that would deal with E15 infrastructure hurdles like changing pumps and the installing tanks at fueling stations. Without financial help, many filling stations say their incentive to add E15 blender pumps would be limited.

Court challenges coming

The White House says the year-round E15 rule will be fast-tracked in order for it to be finalized ahead of next summer's driving season. But a rulemaking process and court challenges will impact the timeline. The President and CEO of the American Fuel & Petrochemical Manufacturers says, "The only certainty from the actions is a lawsuit."

RINs reform, too

Trump also proposed EPA make changes to the Renewable Identification Numbers (RINs) credit program. The administration wants refiners to prove biofuels blending requirements quarterly instead of annually. It is also seeking to limit how long companies other than refiners and importers can hold RINs to limit market speculation.

Farmer safety-net issues a hurdle in farm bill debate

The House farm bill differs a lot from the Senate version on farmer safety-net changes to the Price Loss Coverage (PLC) and Ag Risk Coverage (ARC) programs. That's proving to be a hurdle in conference negotiations.

With the 2014 Farm Bill, funding was more ample, making it easier for lawmakers to make major changes to the farmer safety-net program. But this year funds are tight, so it will be difficult to make needed changes. House leaders want to use cuts elsewhere to make safety-net program changes farmers have requested. But some Senate ag heavyweights are fighting those efforts.

Drought-triggered yield update for PLC

That change is in the House farm bill... it's not in the Senate version. The yield adjustment in the 2014 Farm Bill was based on the yield average from 2008 through 2012, and it was based on 75% of the county average over that period. It didn't work for producers who faced drought over multiple years. House ag leaders want an opportunity for producers to update yields. Some senators charge this would mostly benefit Texas, the home state of House Ag Chair Mike Conaway. But proponents of this plan say it would benefit anyone who suffered from prolonged severe drought from 2008 to 2012 — around 400 counties in 14 states.

The House would pay for the drought yield adjustment (and other safety-net improvements) by restricting ARC/PLC payments that have been in grass for the past 10 years. The vast majority of those areas are in Texas, Oklahoma and Kansas, all of which were in drought areas.

Farmers would not lose those base acres, but they wouldn't receive payments on them.

House provisions would boost PLC payments

The higher House reference price would boost PLC payments. For example, had the proposed House reference price been in place for corn and soybeans in 2015, it would have yielded a 65¢ per bu. payment for corn and a 71¢ per bu. payment for soybeans instead of payouts of 9¢ per bu. and 0¢ per bu., respectively.

House agrees with some Senate changes, not others

Farm bill conferees are trying to provide farmers opportunities to elect ARC/PLC safety-net choices annually, rather than the current one-time, five-year decision. That change is supported by House conferees, but it would cost money. The Senate bill includes a reduced Adjusted Gross Income and changes to actively engaged designations. The House bill would also give farmers flexibility to structure operations how they want.

EU to start talks to increase U.S. beef imports

The European Union (EU) this week is expected to complete the process to open talks with the U.S. on increasing hormone-free beef imports from America. The U.S. share of the EU's 45,000-metric-ton per year quota of hormone-free beef imports has dropped to less than 30%. Increasing that total would help ease trade tensions. But the EU is still not willing to allow hormone-treated beef.

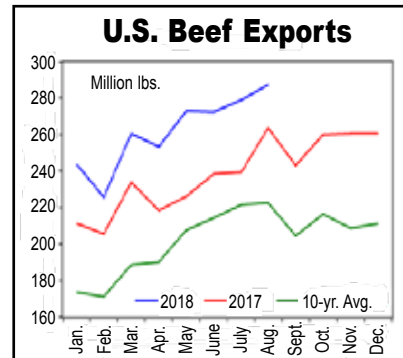
Ag trade balance lagging

U.S. ag exports totaled \$10.98 billion in August, while imports were \$10.36 billion, resulting in a trade surplus of \$619 million. Through 11 months of fiscal year 2018, the U.S. ag trade surplus stands at \$14.96 billion. The ag trade surplus would need to be roughly four times greater during September than it was last year to hit the projected target. That's unlikely as ag imports are record-large and on pace to easily beat USDA's forecast.

Beef exports continue record pace

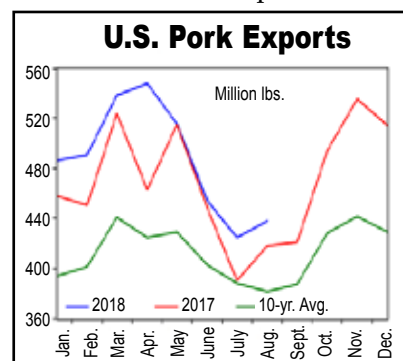
The U.S. exported 287.4 million lbs. of beef in August, a 23.7-million-lb. (9.0%) increase from last year and the most ever for any month. U.S. beef exports have been record-large each month this year and have posted an all-time record three of the past four months. Through the first eight months of 2018, U.S. beef exports at 2.096 billion lbs. are running 260.1 million lbs. (14.2%) ahead of last year's record pace.

Beef export demand is being driven by huge increases to Asian countries. Beef exports are up from year-ago by 6.1% to Japan (the top market for U.S. beef), 47.9% to South Korea (No. 2 market) and 48.6% to Taiwan (No. 5 market).



Pork exports stay strong, too

The U.S. exported 437.7 million lbs. of pork in August, a 19.4-million-lb. (4.7%) year-over-year increase. Exports to Mexico were down 7.6 million lbs. (5.1%) from last year, but the country remains by far the largest market for U.S. pork, despite hefty tariffs. For the first eight months of 2018, pork exports are running 230.2 million lbs. (6.3%) ahead of last year's record for the same period.



Hall Co., (C) Nebraska:
"Rain! Lots of soybeans left to cut. A few guys have done corn, with yields in the 210-bu.-per-acre range. Soybean yields all over the board. Talked with friends southwest of us and they say soybeans have already started popping out of the pods. This harvest doesn't look good."

Dixon Co., (NE) Nebraska:
"Better start shaving bushels off after the 40 mph to 50 mph winds. Rotten stalks are not good."

Rock Co., (SC) Wisconsin:
"It's pouring... again. Harvest remains on hold."

Minnehaha Co., (EC) S. Dakota:
"We haven't turned a wheel for harvest yet."

Atchison Co., (NW) Missouri:
"Closing in on six inches of rain. Corn is still standing well. Soybean pods are starting to burst."

Daviess Co., (NC) Missouri:
"Since Oct. 4, we received just shy of 12 inches of rain. Went from extreme drought to a major flood."

Texas Panhandle:
"Rain never came during the growing season. Had to water nonstop for 90 days. Now that it's harvest time, it hasn't stopped raining."

N. Carolina:
"Not sure our soybeans can handle another tropical storm."

USDA's October crop reports were better than feared for corn and soybeans. While the 2018-19 ending stocks forecasts were increased for both markets, projected ending stocks didn't rise as much as feared due to smaller-than-expected crop estimates. We'll stop short of calling the data bullish, as global ending stocks increased, but it was a change for the market not to deal with bearish USDA data.

OLD-CROP CORN: The Quarterly Grain Stocks Report set 2017-18 corn ending stocks at 2.140 billion bu., up 138 million bu. from September. USDA reduced total supplies 4 million bu. on a reduction to imports.

USDA estimates total corn use at 14.793 billion bu., down 142 million bu. from last month. Feed and residual old-crop use is now put at 5.302 billion bu., down 148 million bu. from last month. Food, seed and industrial use is now estimated at 7.054 billion bu., down 6 million bu. from last month. Those declines in domestic demand were partially offset by a 13-million-bu. increase in old-crop exports to 2.438 billion bushels.

USDA put the national average on-farm cash corn price for 2017-18 at \$3.36, down 4¢ from last month.

NEW-CROP CORN: USDA projects 2018-19 corn ending stocks at 1.813 billion bu., up 39 million bu. from last month, but 106 million bu. below the average pre-report estimate. USDA now projects total new-crop supplies at 16.968 billion bu., up 89 million bu. from last month.

USDA forecasts total 2018-19 demand at 15.155 billion bu., up 50 million bu. from last month. USDA cut estimated feed & residual use by 25 million bu. (to 5.55 billion bu.) and increased estimated exports 75 million bu. to 2.475 billion bushels.

USDA projects the national average on-farm cash corn price for 2018-19 at \$3.00 to \$4.00, unchanged from last month.

OLD-CROP SOYBEANS: Ending stocks for 2017-18 were set at 438 million bu. in the Quarterly Grain Stocks Report, up 43 million bu. from last month. USDA increased the 2017 bean crop by 19 million bu., which pushed total supplies for 2017-18 up by that amount.

USDA puts total use at 4.296 billion bu., down 25 million bu. from last month. Exports are down just 1 million bu. from September at 2.129 billion bushels. Residual "use" is now estimated at 8 million bu., down 24 million bu. from last month.

The national average on-farm cash bean price for 2017-18 is \$9.33, down 2¢ from September.

NEW-CROP BEANS: USDA estimates 2018-19 carryover at 885 million bu., up 40 million bu. from last month, but 13 million bu. below the average pre-report trade estimate. Total bean supplies for the 2018-19 marketing year are now estimated at 5.153 billion bu., the result of

the increase in beginning stocks.

USDA made no changes to the demand side of the balance sheet, leaving total use at 4.268 billion bushels.

The national average on-farm cash soybean price for 2018-19 is now put at \$7.35 to \$8.65, unchanged from last month.

WHEAT: USDA puts carryover at 956 million bu., up 21 million bu. from last month and 6 million bu. above the average pre-report trade estimate. Total wheat supplies for 2018-19 are projected at 3.123 billion bu., up 11 million bu. from last month.

USDA cut total use 10 million bu., to 2.167 billion bu. on a similar cut to feed and residual use, which is now projected at 110 million bushels.

USDA projects the national average on-farm cash wheat price for 2018-19 at \$4.80 to \$5.40, up a dime on the bottom end and down a dime of the top of the range from last month.

OLD-CROP COTTON: USDA left old-crop ending stocks at 4.3 million bales. It made no changes to the supply or demand side of the balance sheet.

The price forecast for old-crop cotton at 68¢ was unchanged from last month.

NEW-CROP COTTON: USDA raised its 2018-19 ending stocks forecast by 300,000 bales to 5 million bales.

Total supplies are up 80,000 bales for the 2018-19 marketing year on the increase in the crop estimate. On the demand-side, USDA cut estimated exports 200,000 bales from last month, to 15.5 million bales. Unaccounted "use" was also cut 20,000 bales to 170,000 bales.

USDA now puts the national average on-farm cash cotton price for 2018-19 at 69¢ to 77¢, down a penny on the bottom end and down 3¢ on the top end from September.

Global carryover highlights

CORN: USDA increased global ending stocks for 2017-18 by 4.06 million metric tons (MMT) to 198.21 MMT.

Global endings stocks for 2018-19 were raised 2.32 MMT, but they are still projected to decline 38.86 MMT from last year and 68.44 MMT from two years ago.

SOYBEANS: Global carryover at 96.65 MMT for 2017-18 was up 1.91 MMT from September.

World ending stocks for 2018-19 were raised 1.78 MMT to a record 110.04 MMT.

WHEAT: Global wheat carryover at 274.85 MMT for 2017-18 was up 490,000 metric tons from September.

Global wheat ending stocks for 2018-19 were lowered 1.11 MMT to 260.18 MMT and are now forecast down 14.67 MMT year-over-year.

COTTON: Global stocks for 2017-18 at 80.89 million bales were down 2.9 million bales from September.

Global carryover for 2018-19 at 74.45 million bales was down 3.01 million bales from last month.

CATTLE

Position Monitor

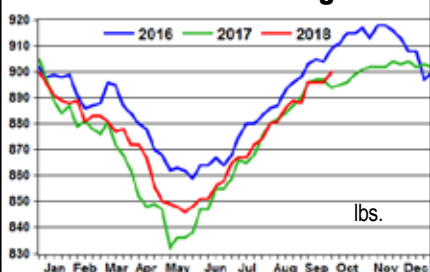
GAME PLAN:	Feds	Feeders
Fed cattle producers should hold the fourth-	IV'18 25%	0%
	I'19 0%	0%
	II'19 0%	0%
	III'19 0%	0%

quarter hedges in December live cattle futures at \$117.625. With feeder cattle signaling a technical top, short hedges may be needed for sellers.

Fundamental analysis

Last week wholesale Choice beef slipped to the lowest price of 2018, reducing packer demand for live inventory. Cash cattle markets have been stuck in a narrow \$6 range for the past four months as generally good beef demand and producers' ability to keep feedlots current offset the larger supply of fed cattle. Most cash quotes last week were again around \$110 to \$111. A push above \$113 to \$114 could be the signal a seasonal rally is ready to unfold. At this point, futures will need cash to lead given the slight premium they are trading to the cash market. Exports continue at a record pace and remain a long-term positive factor going into 2019, when cattle supplies will continue to build.

Steer Dressed Weights



Daily December Live Cattle

Trend is higher. Initial resistance persists at the Feb. 16 high of \$118.975. Channel resistance is now at \$119.95.



HOGS

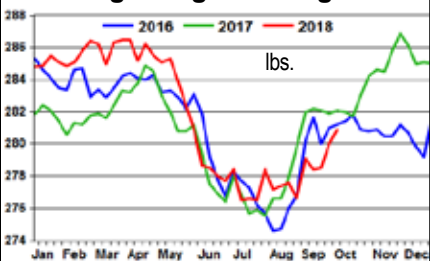
Position Monitor

GAME PLAN:	Lean Hogs
The market is signaling a potential short-term top. But the current	IV'18 0%
discount December hogs hold to the cash market is greater than the normal seasonal decline into year-end. Carry all risk in the cash market.	I'19 0%
	II'19 0%
	III'19 0%

Fundamental analysis

Futures rolled over after reaching the highest level since June. The rally had been accompanied by a surge in fund buying, so signs of a short-term peak in cash hogs triggered profit-taking. The cash market, measured by the CME Lean Hog Index, has climbed almost 53% from the August lows. That's probably enough for now, with record supplies projected for the fourth quarter. December futures were more than a \$14 discount to the cash index last week. That's too wide with the current record pace of exports and solid domestic demand. After lifting some transportation restrictions, China reported several new cases of African swine fever last week, which should keep a floor under the market.

Hog Slaughter Weights



Daily December Lean Hogs

Short-term trend is choppy to lower.



FEED

Feed Monitor

Corn	CORN GAME PLAN: You should have all corn-for-feed needs covered in the cash market through the end of November. The \$3.50 level in December corn is a value level.
IV'18 0%	
I'19 0%	
II'19 0%	
III'19 0%	
Meal	MEAL GAME PLAN: You should have all soybean meal needs covered in the cash market through the end of November. You should also have 25% of December needs hedged. The \$305 level in December meal is a value level.
IV'18 25%	
I'19 0%	
II'19 0%	
III'19 0%	

Daily December Meal

Trend is choppy to lower.

The July 5 low at \$323.30 marks initial resistance.



CORN

Position Monitor

	'18 crop	'19 crop
Cash-only:	25%	0%
Hedgers (cash sales):	25%	0%
Futures/Options	0%	0%

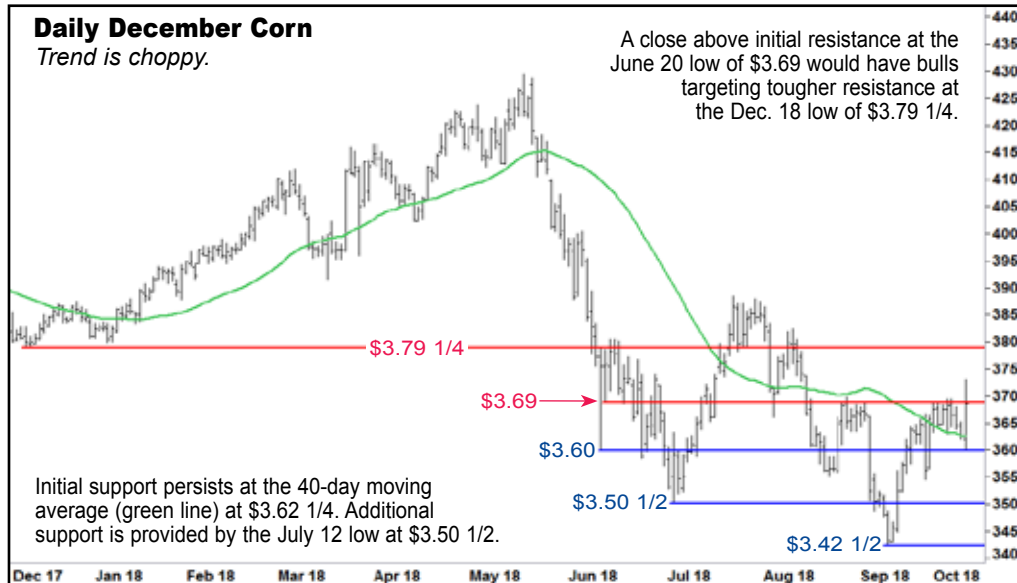
GAME PLAN: Futures strength reflects shrinking U.S. supplies amid record global demand, suggesting seasonal lows were secured in September. With the long-term outlook remaining supportive domestically and globally, we are willing to wait on a retest of the July high before increasing 2018-crop sales and starting 2019-crop marketings.

Fundamental analysis

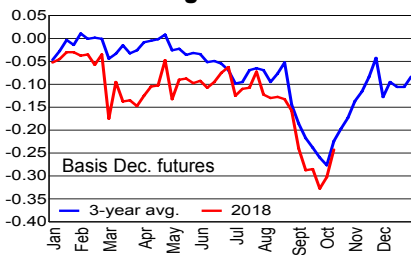
Corn rose to the highest price in seven weeks after USDA surprised the trade with a lower U.S. yield forecast in its monthly update. Big crops don't always get bigger and this one may get a little smaller following heavy rain the past two weeks that increased field-loss risks. Farmer sales remain very slow and high river levels have slowed barge movement to fill export terminals in the Gulf, signaling a low in cash basis has probably passed. Cumulative export sales are 51% ahead of a year ago, leading USDA to raise its export projection for the year by 75 million bu. to a record last week. Smaller world wheat, barley and sorghum supplies mean improving demand for U.S. corn. Minimum trucking rates in Brazil and the new tax scheme in Argentina increase uncertainties regarding their export outlooks.

Daily December Corn

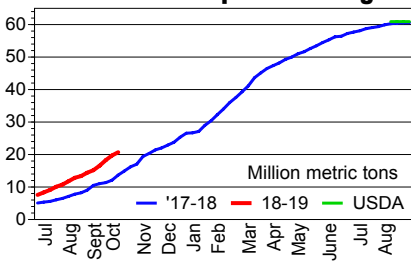
Trend is choppy.



Average Corn Basis

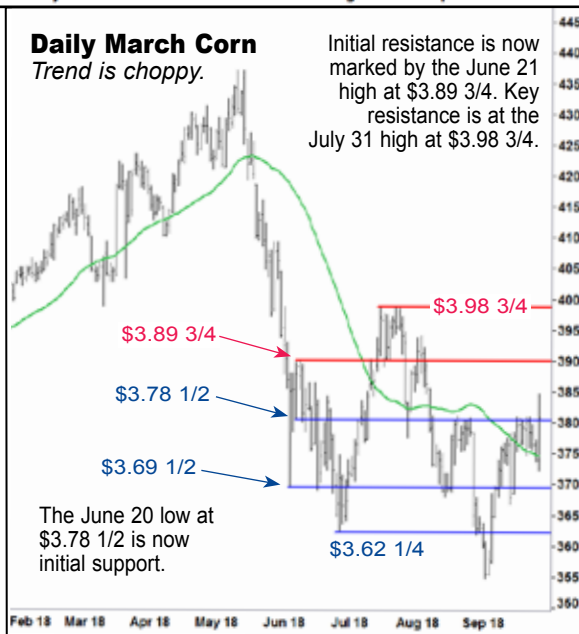


Total Corn Export Bookings



Daily March Corn

Trend is choppy.

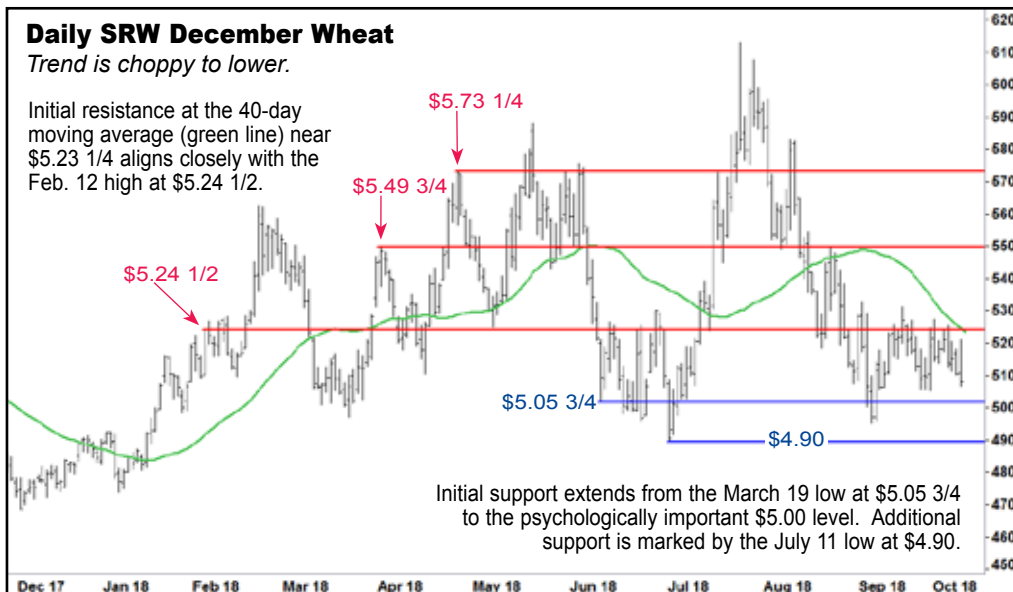


WHEAT

Daily SRW December Wheat

Trend is choppy to lower.

Initial resistance at the 40-day moving average (green line) near \$5.23 1/4 aligns closely with the Feb. 12 high at \$5.24 1/2.



Position Monitor

	'18 crop	'19 crop
Cash-only:	55%	15%
Hedgers (cash sales):	65%	15%
Futures/Options	0%	0%

GAME PLAN: We are targeting a rebound to the \$5.50 level in December SRW futures for additional 2018- and 2019-crop sales.

Fundamental analysis

SRW: U.S. 2018-19 wheat ending stocks were raised 21 million bu. in response to a combination of a larger crop, bigger imports and reduced feed use. U.S. prices are competitive, but new business has been slow to develop. Prices need to stay low to attract new overseas buying.

SOYBEANS

Position Monitor

	'18 crop	'19 crop
Cash-only:	20%	0%
Hedgers (cash sales):	20%	0%
Futures/Options	0%	0%

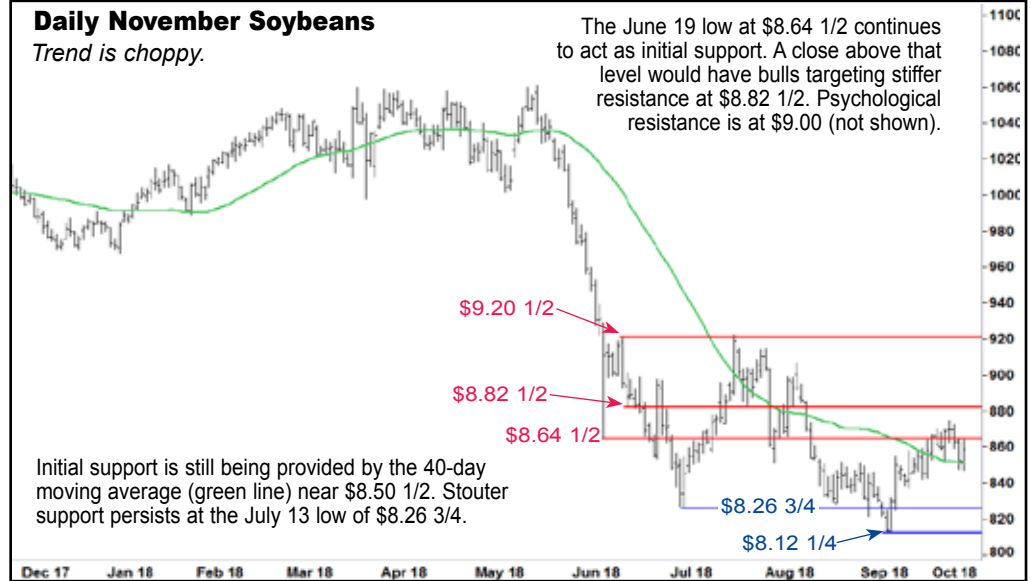
GAME PLAN: Soybean futures are signaling a short-term top may be in place. Until now, the rest of the world has done a decent job keeping U.S. export demand relatively normal. But with Chinese demand largely missing, the export pace will slow. For now, we are willing to wait for a test of \$9.10 in January futures to advance sales, but we may have to lower that target.

Fundamental analysis

The market was choppy last week as rains boosted the start of the South American planting season and USDA surprised with a slightly smaller U.S. crop forecast. USDA did increase its national yield forecast to 53.1 bu. per acre, but it also reduced harvested acreage, resulting in a small 3-million-bu. cut in crop size. It would not be surprising to see yields come down in future reports based on excessive rains and reported damage. USDA didn't make any cuts in its export forecast for 2018-19, nor did it raise its crush estimate from a month earlier. Reports the White House was in discussions for a possible late-November meeting on trade between President Trump and Chinese leader Xi Jinping put a floor under the market last week. But until China removes tariffs on U.S. beans, rallies will be limited.

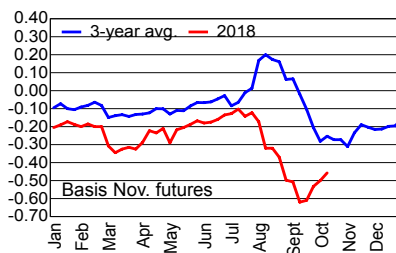
Daily November Soybeans

Trend is choppy.

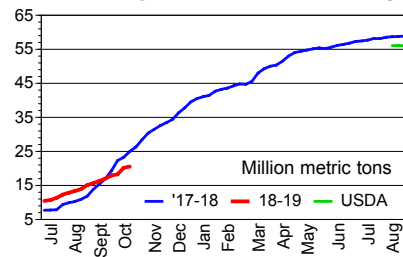


Initial support is still being provided by the 40-day moving average (green line) near \$8.50 1/2. Stouter support persists at the July 13 low of \$8.26 3/4.

Average Soybean Basis

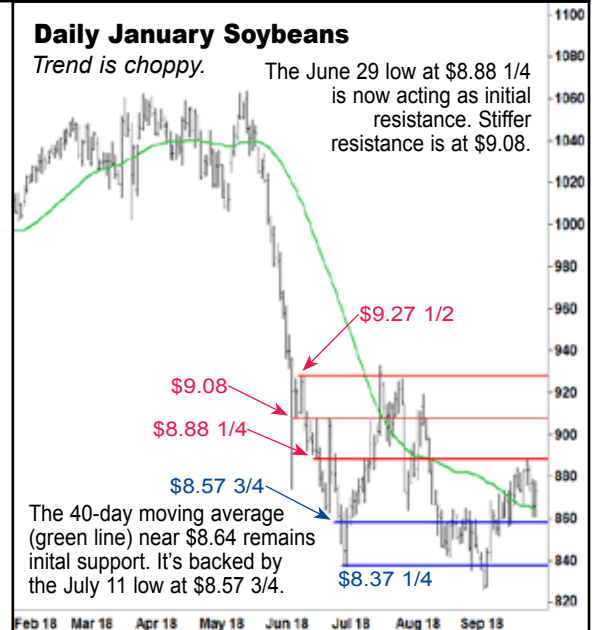


Total Soybean Export Bookings



Daily January Soybeans

Trend is choppy.



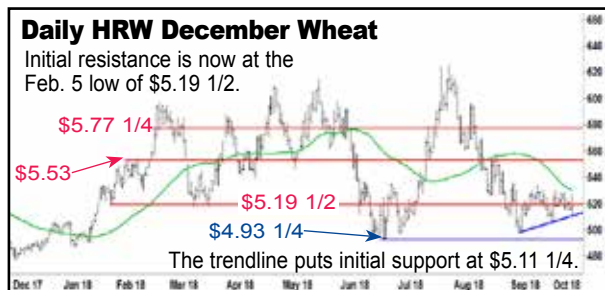
The 40-day moving average (green line) near \$8.64 remains initial support. It's backed by the July 11 low at \$8.57 3/4.

HRW: USDA cut global wheat supplies 2.9 million metric tons for 2018-19 on crop cuts in Russia and Australia. World ending stocks are projected 1.1 MMT lower from a month ago at 260.2 MMT, down from 274.85 MMT last season. Record Russian exports continue to hurt U.S. exports. Russian officials are checking the quality of shipments after recent complaints. That's a sign the Russia will be less aggressive on exports in the months ahead.

HRS: Spring wheat held firm relative to winter varieties as snow slowed harvesting and raised quality and yield concerns in Canada. This could increase demand for high-protein U.S. wheat.

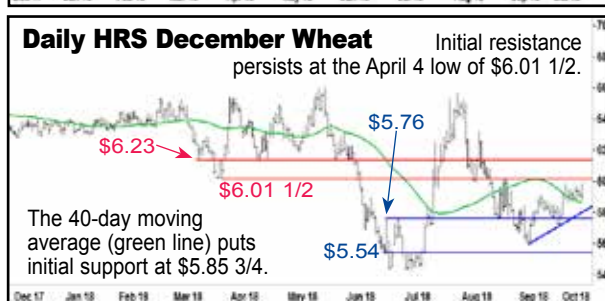
Daily HRW December Wheat

Initial resistance is now at the Feb. 5 low of \$5.19 1/2.

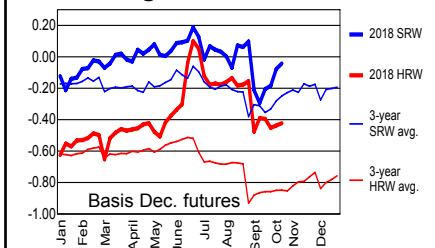


Daily HRS December Wheat

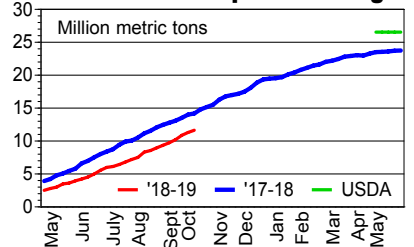
Initial resistance persists at the April 4 low of \$6.01 1/2.



Average Wheat Basis



Total Wheat Export Bookings



COTTON

Position Monitor

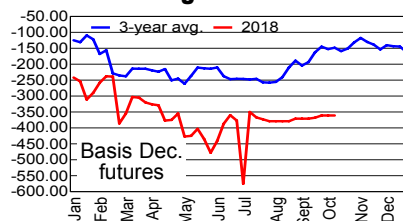
	'18 crop	'19 crop
Cash-only:	40%	0%
Hedgers (cash sales):	40%	0%
Futures/Options	10%	0%

GAME PLAN: We'll exit the 10% 2018-crop hedges in December futures on signs of a low. Wait on a recovery for catchup and new sales.

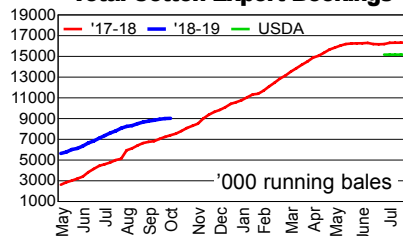
Fundamental analysis:

Prices inched higher as Hurricane Michael smashed into the Southeast. Tropical Storm Sergio was forecast to also reach Texas, raising additional crop concerns. Rallies were limited by sluggish demand for U.S. exports amid world growth worries and talk China issued more non-U.S. quotas.

Average Cotton Basis



Total Cotton Export Bookings



Daily December Cotton

Trend is lower.



GENERAL OUTLOOK

WORLD ECONOMY: Global growth is healthy but has plateaued as risks have started to materialize, according to the International Monetary Fund (IMF).

World stocks tumbled last week after the global lender projected expansion of 3.7% this year, down from 3.9% forecast in June and the first downgrade since July 2016. While world economic growth would still match last year's pace, which was the strongest since 2011, the new outlook sent a cautionary signal that negative surprises

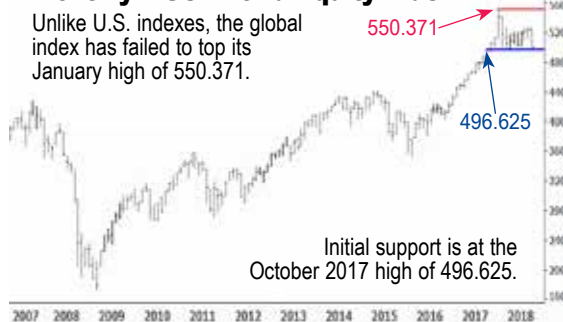
are increasing, especially in emerging markets. Investors responded by dumping stocks.

Trade tariffs hurt many countries and lower long-term global economic growth prospects. In addition to trade uncertainty, financial conditions are tightening for emerging markets and developing economies as central banks raise interest rates.

Aging populations and sluggish productivity may slow global growth in future years, the IMF said.

Monthly MSCI World Equity Index

Unlike U.S. indexes, the global index has failed to top its January high of 550.371.



FROM THE BULLPEN *By Sr. Market Analyst Jeff Wilson*

Exports of ethanol and dried distillers grains and solubles (DDGS) are headed for records in 2018, helping to boost the corn grind this year to a record pace.

In the first eight months of this year, ethanol exports jumped 26.5% and DDGS shipments rose 9% from a year earlier as rising premiums for gasoline and soybean meal increased overseas imports of the two corn products.

U.S. exporters have done an extraordinary job of finding new buyers to replace DDGS sales to China, which put in place anti-dumping duties in 2016 that essentially halted shipments. In 2015, China bought more than half of the U.S. animal feed exports. Some of the biggest gains the past two years have been made with Mexico, Turkey, South Korea, Thailand, Indonesia, Canada and Japan.

Ethanol crushing margins have been in the

red since July, but have been recovering the past month. Forward margins based on futures prices already show a profit from November to July, improving the demand outlook for corn that also may get a boost from President Donald Trump's announcement last week to allow the sale of E15 throughout the year.

U.S. ethanol exports more than doubled from 2013 to 2017, mostly on strong sales growth to Brazil, India, South Korea and Europe. Exports will drive ethanol output.

Brazil's imports slowed dramatically in July and August after a record harvest shifted more sugar into ethanol production. Brazilian ethanol prices are on the rise and the premium domestic prices are trading to the U.S. values should begin to ramp up demand for U.S. supplies in both Brazilian and world markets.

Key Market Items on My 'To Watch' List

- 1) NOPA Soybean Crush Report** — Monday, Oct. 15, 11:00 a.m. CT Record September processing.
- 2) USDA Crop Progress Report** — Monday, Oct. 15, 3:00 p.m. CT Rains slowed Midwest harvesting.
- 3) USDA Export Sales Report** — Thursday, Oct. 18, 7:30 a.m. CT Active corn sales, wheat improving.
- 4) USDA Cattle on Feed Report** — Friday, Oct. 19, 2 p.m. CT Record supplies in feedlots likely.
- 5) USDA Milk Output Report** — Friday, Oct. 19, 2 p.m. CT Record September output expected.

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