

## Burn It All Down Monday Markets

USDA report day, Friday did little to entice much of any market direction and ultimately left much market nears unchanged. However, that neutral bias mood seems to have severely soured this Monday. At the time of this writing, corn is down 2'0, soybeans down 9'4, soymeal down 1.5 and wheat(s) down 1'0-8'0. Burn It All Down Monday seems to be the theme as Friday's USDA hangover sets in.

### Soybean

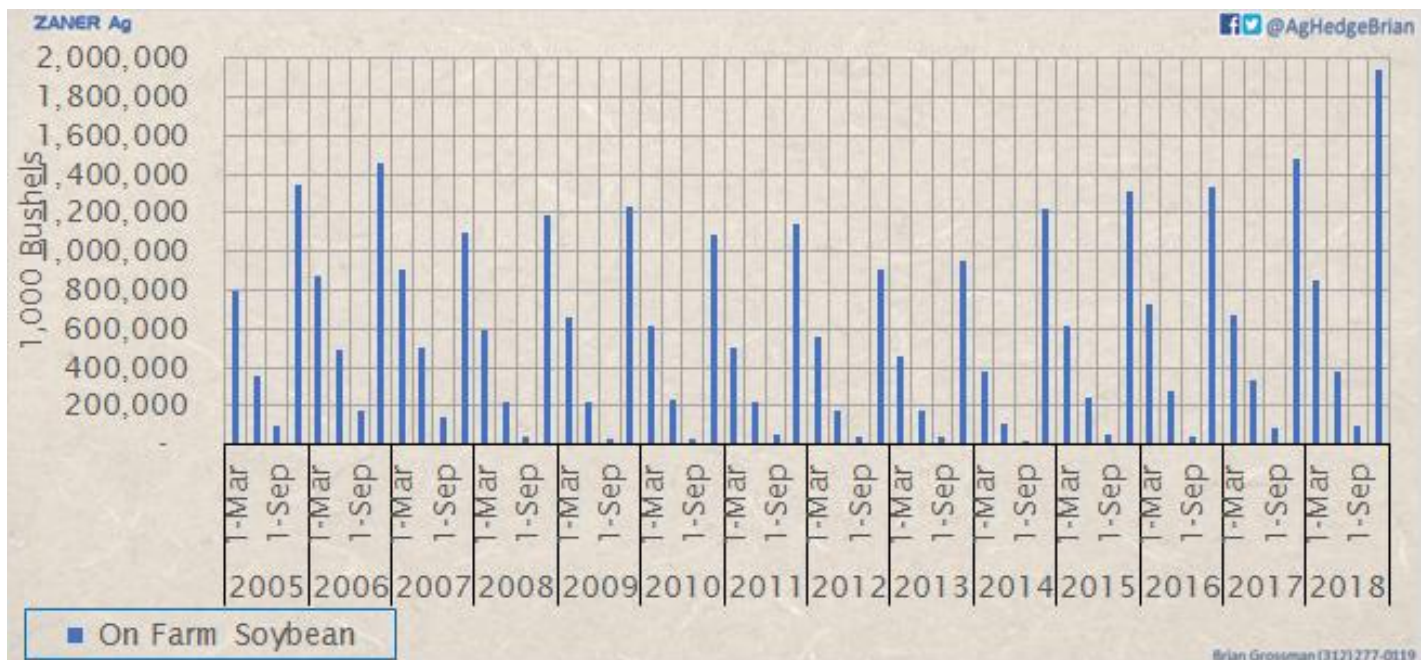
Right off the bat this morning, soybeans are facing a troubling energy and currency markets as the US dollar is up 3.7% as this time and the Dollar/Brazil Real up 1.1%. However, there is definitely more to today then just those two aspects as a "risk off" tone is being seen in nearly all markets. Soybeans, however, have some strong headwinds to overcome now that the USDA January data has been released.

### Soybean Curves

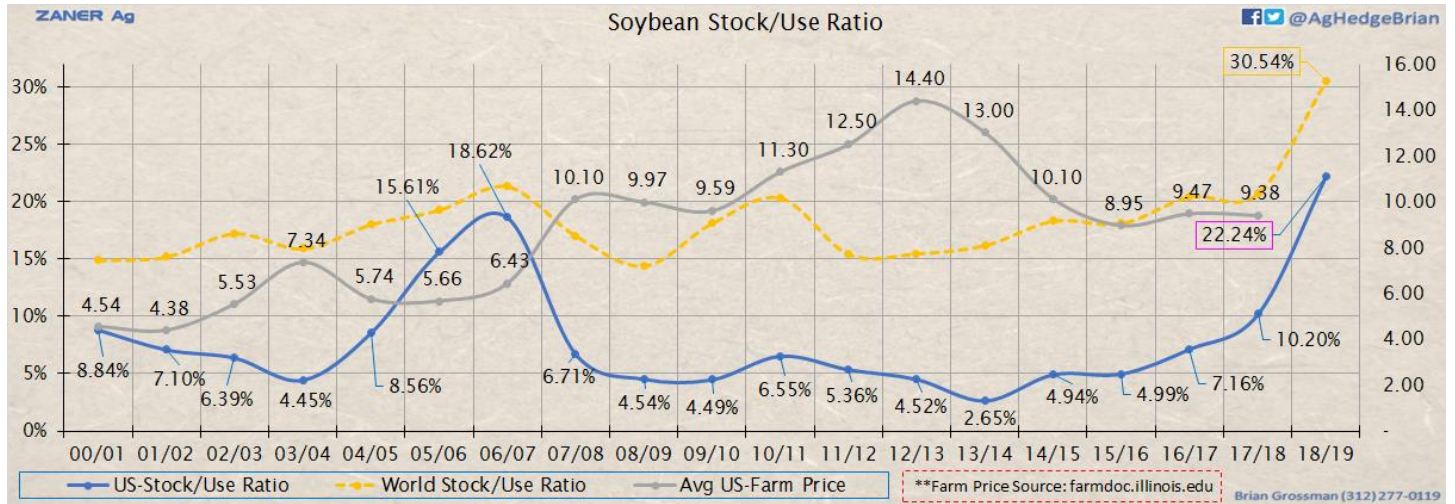
Without USDA data, I was relying much more on the "technicals" of the market then I had done so previously as I tend to put more weight into fundamentals rather than technicals. However, the markets do still breakdown to a supply and demand market with a cost of carry. Money flow continues without the USDA and the calendar spreads were of the most interest to me. Several other analysts and I have said that the market doesn't appear to be "believing" the USDA's ending stock projection. Now that Final Crop Production has been released the soybean market supply is a relatively fixed number.

With confirmation of supply of 5.002 billion bushels, demand is the swing factor for final ending stocks; at least until the end of the 2018/19 Market Year in which the USDA may revise the 2018/19 Final Yield based on end of year data. Will this "new" information change the minds of the end users and ultimately show up in the calendar spreads?

So far today, the futures market is being hit hard but the spreads are hanging in okay, for the most part. The Market/July spread is currently down 0'2 on the day and trading near 88.9% of full market carry. This is the market's way of trying to slow down supply. However, a 910 million bushel ending stock makes many feel that the market should be at or beyond 100% with such bearish fundamentals.

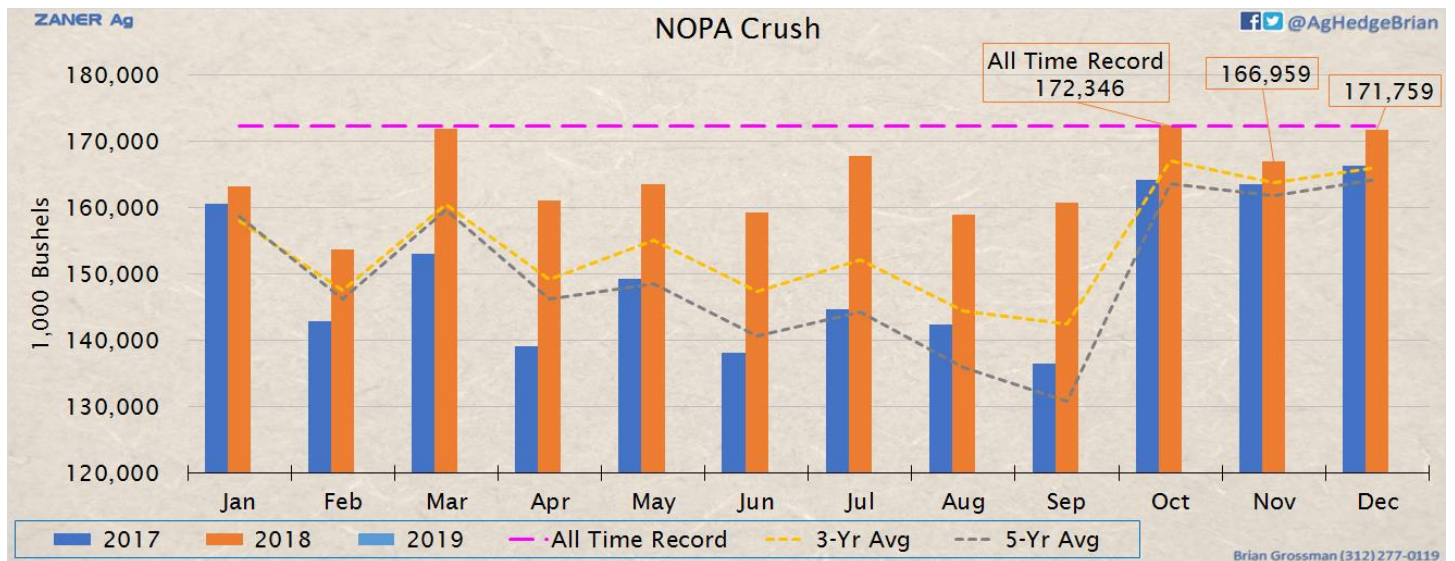


Looking back and 'similar' years, I would to 2004-2006. Here was saw record stocks/use ratios in the US and the World and it may yet be the best indication of what is yet to come. Cash prices were sharply lower in the U.S., but it ultimately led to new robust demand. A similar set up this time around, but demand aspect is greatly in question.



## Product Demand

Throughout the summer and fall months, soybeans were enjoying strong domestic demand even when exports faltered. As the seasonal patterns played out, mid-summer was the lower of the crush volumes, but these lower volumes were still well above average. Take September for example.



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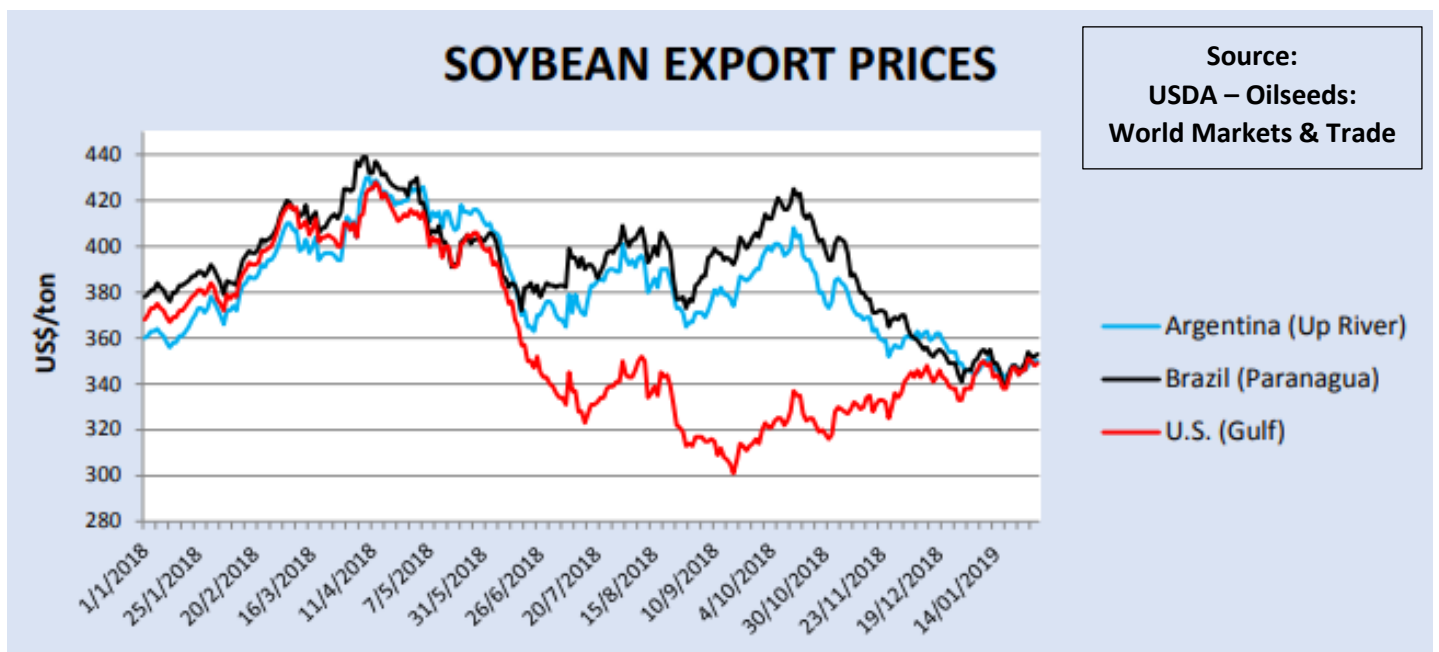
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The 3-year average NOPA crush in September is 130.821 million bushels. 2018 below that number away with a record 160.779 million bushels. That doesn't even touch 2017's near record crush of 136.419 million bushels. Then October rolled and NOPA member crushed an All Time Ever record volume of 172.346 million bushels. The USDA later confirmed that with a total US crush volume of 182.963 million bushels; of which encompasses NOPA and non-NOPA crushing facilities.

However, that is where the crush party came to an end. Record October crush led to a collapse in crush margins; falling over 27% from October to December. Since then, crush margins have settled into a sideways range just under 980.00. What does this spell for the early months of 2019?

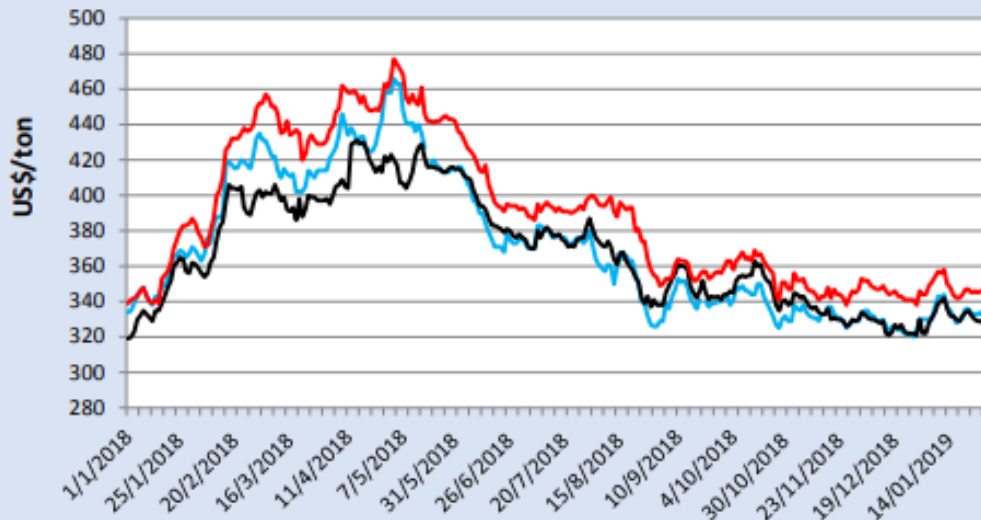
I have mixed opinions here. The December crush, which saws the crush margin low, still processed 171.759 million bushels; just shy of the All-Time record by 587,000 bushels. This came as a surprise to me, but even more surprising was the lack of SoyOil stocks. Crush volume at/near record; crush yield improving month over month and yet stocks significantly lower than even the lowest trade estimate by survey analysts.



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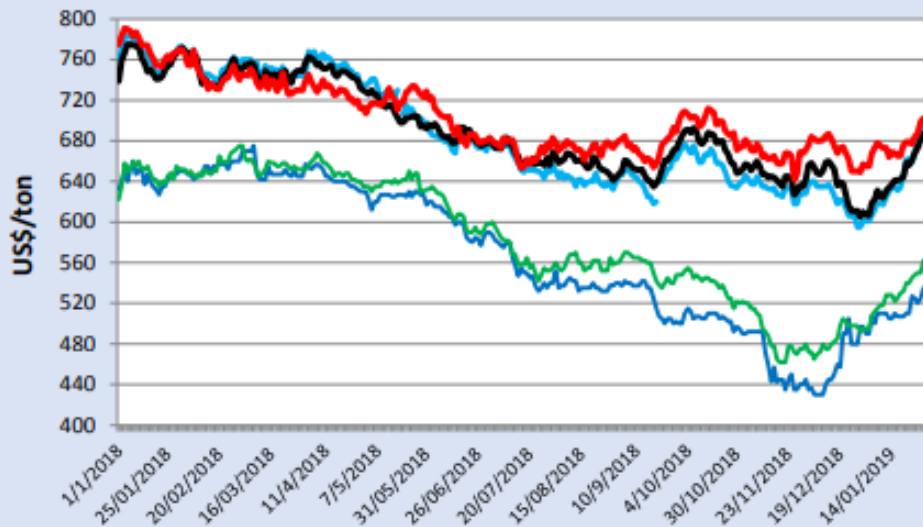
## SOYBEAN MEAL EXPORT PRICES



Source:  
USDA – Oilseeds:  
World Markets & Trade

- Argentina (Up River)
- Brazil 48% (Paranagua)
- US 48% (Gulf)

## SOYBEAN AND PALM OIL EXPORT PRICES



Source:  
USDA – Oilseeds:  
World Markets & Trade

- Argentina (Up River) Soy Oil
- Brazil (Paranagua) Soy Oil
- USA (Gulf) Soy Oil
- Indonesia Palm Oil
- Malaysia Palm Oil

US soybean-products remain expensive compared to competitors, but the global soybean market has shown great convergence in prices. Is this the global trade developing new routes? To some extent, absolutely. But it is also the fact of oversupply. Worse yet, if no trade deal is reached soon, cheap Brazilian soybeans with a fresh crop is not a recipe for higher U.S. prices.

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#### Abbreviations & Conversions:

MT	= Metric Ton
TMT	= Thousand Metric Ton
MMT	= Million Metric Ton
1 MT of Wheat/Soybean	= 36.74 bushels
1 MT of Corn	= 39.36 bushels

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Jan - "F" | Feb - "G" | Mar - "H" | April - "J" | May "K" | June - "M"

July - "N" | Aug - "Q" | Sept - "U" | Oct "V" | Nov "X" | Dec - "Z"

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