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Date: May 11, 2018

Morning Ag Markets

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Grain and oilseed trade got a brief flush of mild volatility following the 11am release of the May crop production and supply and demand reports. That report was bullish for soybeans and corn in the big picture and that pushed beans to 10+ cent gains and corn up a nickel right after the numbers were released, but the fanfare didn't last long. We ended up closing flat in corn, only around a nickel higher in beans and 4 lower in KC and Chicago wheat.

Export sales were somewhat lackluster compared to recent weeks in corn and beans and nasty ugly in wheat. Corn sales were 27.4 mln bushels, down 32% from last week. Soybean sales were 13 mln bushels, which was off 15% from a week ago. Wheat sales were 1.3 mln old crop and 1.8 mln new. That old crop tally was down 85% from a week ago and the sales total a week ago was bad as well.

Cumulative sales for the marketing year in wheat were running very close to the USDA estimate and that's a marketing year that ends on the last day of this month. In yesterday's S&D numbers though, USDA dropped the export forecast by 15 mln bushels to 910 mln. Old crop ending stocks were 6 mln larger than last month at 1.070 bln bushels.

There wasn't much help from what was expected to be bullish new crop production numbers either, because the new crop marketing year ending stocks forecast is 955 mln. Yesterday was USDA's first shot at estimating the 2018 wheat crop with yield and production totals. All wheat came in at 1.821 bln, which was well above the 1.757 average trade guess and also bigger than last year's 1.741 bln bushel crop. All winter wheat was 1.192 bln, which was down from last year, but 12 mln larger than the trade estimate. HRW wheat specifically was 647 mln bushels, up 3 mln from the guesses but 103 mln less than last year's total production. Kansas specifically had a yield of 37 bu/ac versus 48 last year. Total production was pegged at 270 mln bushels, down from 333.6 mln last year. Oklahoma had a 26 bu yield and Texas 27 bu/ac. The combined production for those two states was 95.2 mln bushels. Last year they combined for 166.75 mln bushels.

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In the end, a drop in ending stocks from 1.070 bln to 955 mln is friendly, but it just wasn't as friendly as the estimates, which is what made wheat suffer with losses yesterday. I'm pretty confident acreage abandonment will be higher than projected in the report and yields could be a little worse yet, so I'm not giving up hope on a wheat rally just yet.

The big picture bullish numbers for corn and soybeans yesterday were; new crop US corn ending stocks coming in at 1.682 bln bushels, world new crop stocks coming in at 159.15 mmt's and world soybean ending stocks for new crop coming in at 86.7 mmt's. In our analysis, anything under 2 bln in US ending stocks is a solid \$4+ corn market. The bullishness in the new crop world projections is that corn stocks are pegged to drop 35.7 mmt's and beans 5.46 mmt's lower. We also need to be mindful that US corn and bean numbers were based off of March intentions and trendline yield data. That's all going to change quite a bit. World numbers are nothing but a crap shoot too, so expect big changes there over time as well. Regardless, fall crop data was friendly yesterday and I was disappointed in the closes not being better.

Trade today is nasty! 8:45a CST quotes are around 4 lower corn, 12 lower beans and 4 lower across the wheat complex.

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