



THE BROCK REPORT

America's Most Complete Commodity Marketing Service

MANY MOVING PARTS?

It has been a long time since we can remember a grain market more frustrating than what has happened since September of last year. Prices of corn, soybeans and wheat are below breakeven for many producers. That is frustrating as well. Everyone wants to make a profit and yet there are times that it doesn't seem possible or probable.

In markets like this its very easy to fall into the "gloom and doom" attitude. There doesn't seem to be light at the end of the tunnel but there always is one. Periods like this are typically followed by a major boom even though it's hard to visualize how that's going to occur. But we think it will.

MANY VARIABLES

There are always a substantial number of fundamental variables that impact market prices. There are more now than ever. And some of them are very key and could result in a major move in grain prices either up or down based on the occurrences that will likely happen within the next two months. Some include:

- **Floods.** Much of the Midwest and South has been devastated. How much grain was ruined with flooded grain facilities in the Midwest over the last two weeks? No one knows for sure. It is not likely to be enough to move the market, but it certainly has been a disaster for farmers in those areas. More rain is not what anyone needs right now.

- **Late Planting.** We always worry about it, but most of the time everything

works out. The South has been worried for a long time about late planting, but all of a sudden within the last two weeks, planters have been rolling and the field work is progressing in the Deep South & Delta. Now producers in the Midwest are worried about fields drying out in time for planting. But it's much too early to write off the crop at this point.

- **Chinese Tariff Negotiations.** We all know this could go either way. We also are all optimistic that it's going to be favorable for U.S. farmers. Sooner would be better than later! Corn and soybean supplies are much too large. We need a massive boost in exports to get stocks-to-usage ratios down so that prices will go higher.

- **Ethanol and DDG Exports.** Rumors keep flying that the Chinese will buy both from us. Thus far nothing has materialized. The corn industry desperately needs to export both.

- **Planted corn and soybean acreage,** as well as cotton, could still swing dramatically one way or the other. Today's planting intentions report gives us a hint of what the USDA is expecting but in a year like this, odds are that today's numbers will be less accurate than normal. Weather and cash flow to put the crop out are still going to be the primary influencing factors. One of the few good things about low grain prices at this time of the year is it discourages additional planted acreage which should result in higher prices later on.

With all of that said, another frustrating aspect of these markets

USDA BEARISH

Friday was one of the biggest USDA report days of the year, and it was tough to find a bullish number anywhere for grains and soybeans. The March 1 stocks report and Prospective Plantings reaffirmed that supplies are ample and likely to remain that way.

Taken together, the two reports look particularly bearish for corn when compared with pre-report expectations. The corn plantings estimate of 92.792 million acres was above the highest analyst estimates, and the March 1 stocks of 8.605 billion bushels were 270 million bushels more than the average trade estimate.

Prospective soybean plantings were, conversely, bullish versus expectations, but down only modestly from USDA's February Ag Outlook Forum estimate. And the March 1 stocks report showed that soybean end-users do not need to worry about supplies: USDA's estimate of 2.716 billion bushels was above most trade estimates and 607 million bushels higher than a year ago at the same time.

We were surprised at the lower cotton plantings estimate of 13.78 million, as our discussions across the South this winter indicated many growers were switching from other crops to cotton. Skeptics will also point out that acreage plans may have changed over the past month, since the survey started at the start of the month.

But for now, the numbers are the numbers. It will take a U.S.-China trade deal or some significant weather problems to shift the fundamental outlook for the grains and soybeans.

"Life is like riding a bicycle. To keep your balance, you must keep moving." - **Albert Einstein**

MANY MOVING PARTS... (continued)

has been false technical signals. When markets get choppy, buying a breakout to the upside or selling a breakout to the downside almost never works. These markets have been trendless since September. That too will change.

Let's not forget seasonal trends in the corn and soybean market. We've included the charts below many times in this report, but it is always important to be reminded of where we are.

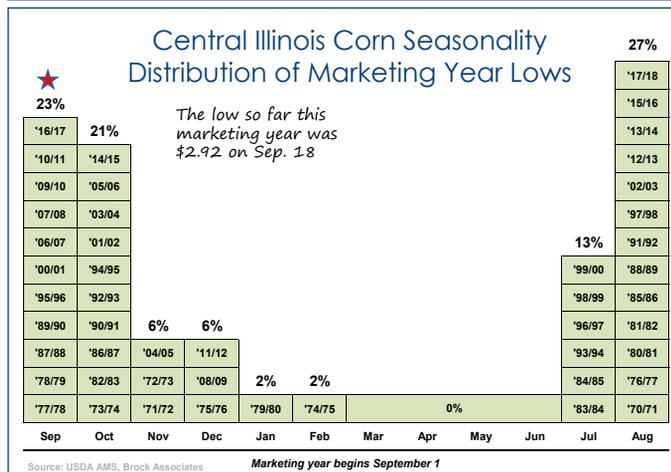
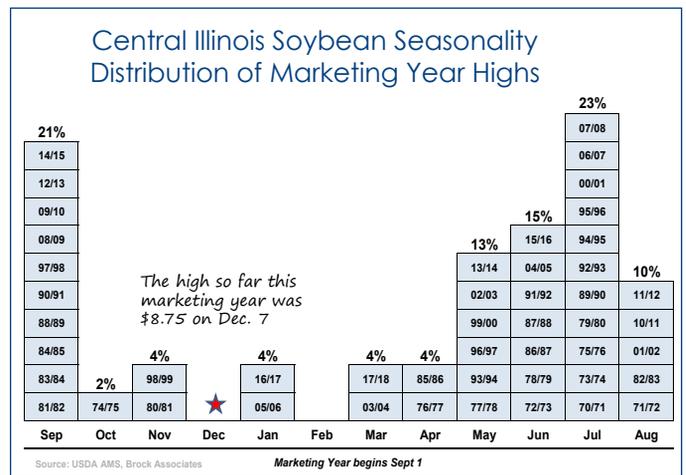
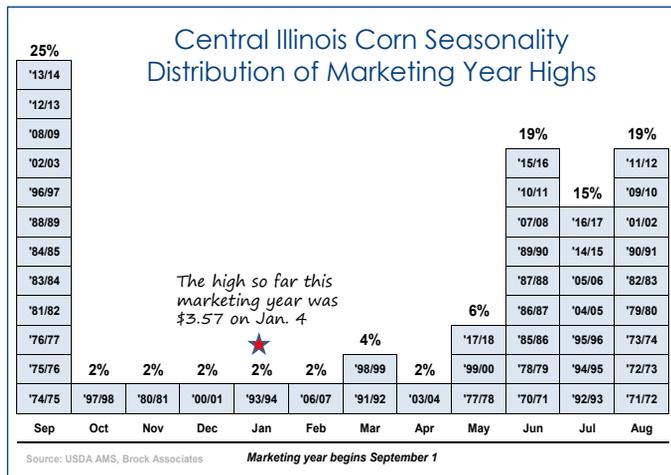
Since 1970, 23% of the lows in corn have occurred in the month of September. So far this marketing year, that has been the low. If corn bottoms early, it normally peaks late. Thus far, the highest price of cash corn was in January, so as of now, while it may be difficult to believe, the odds are very high that corn prices will move higher into June and July. We are almost through March and even in the month of April the high only occurred once. It takes some faith to believe in a seasonal trend, but it normally works out.

Now let's turn our attention to soybeans. Here again, thus far in the marketing season, the low occurred in September and the high occurred in December. Since 1970, the lows have occurred in September 15% of the time and in October 29%

of the time. The marketing year high never occurred during December. We're not saying with 100% certainty that was not the top, but we are saying that the odds are very high that it was not. As in corn, the odds are that the high will be in the May/June/July timeframe.

Thus, we have to ask ourselves how that can happen. Tariff settlements with the Chinese and strong exports are one way. A poor planting and growing season is another way. Exports would be better. Another observation that should not go unnoticed. Since mid-December, in the Commitment of Traders report, commercials have gone from a large net short position in corn to neutral. During the last month, large specs (funds) have gone from neutral to big shorts. The spread can and likely will continue to widen, but whenever the two groups are on the opposite side, go with the commercials. Commercials are now net *long* soybeans, a rare occurrence. Funds are short.

One thing is for certain: Many variables are going to change and impact market prices over the next few weeks. This is not a good time to go to sleep. Patience, patience and even more patience are necessary at times like this.



COMMENTARY

It is very early to start talking prevented plantings, with planting intentions not yet reported and final planting dates more than two months off in most areas for corn, soybeans and spring wheat; not to mention cotton and rice. But that is what we want to do this week given the concerns generated by historic flooding in parts of the Midwest and the Delta. We must remember that March 1 planting intentions are just that —intentions —and weather will have a say on what is actually planted.

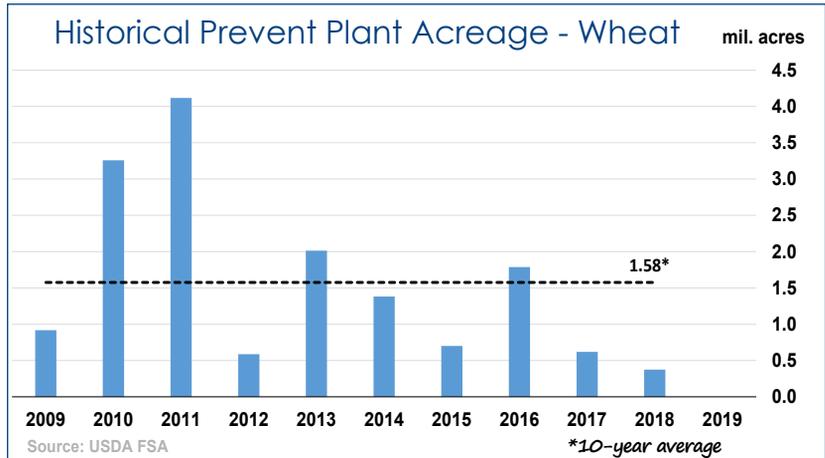
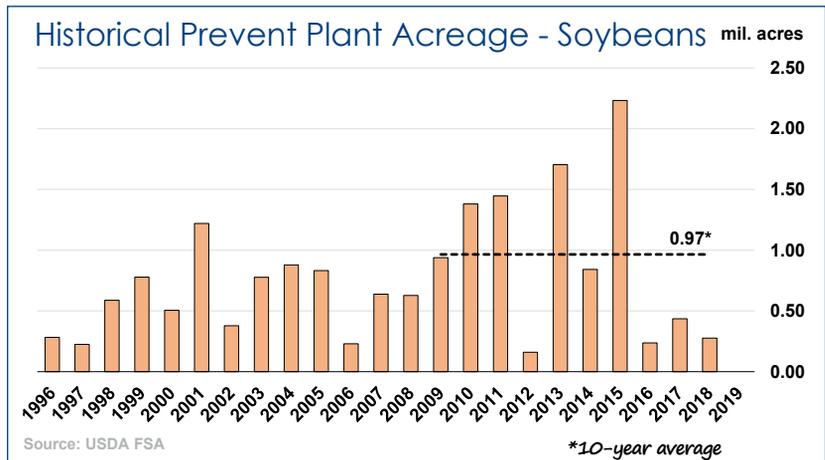
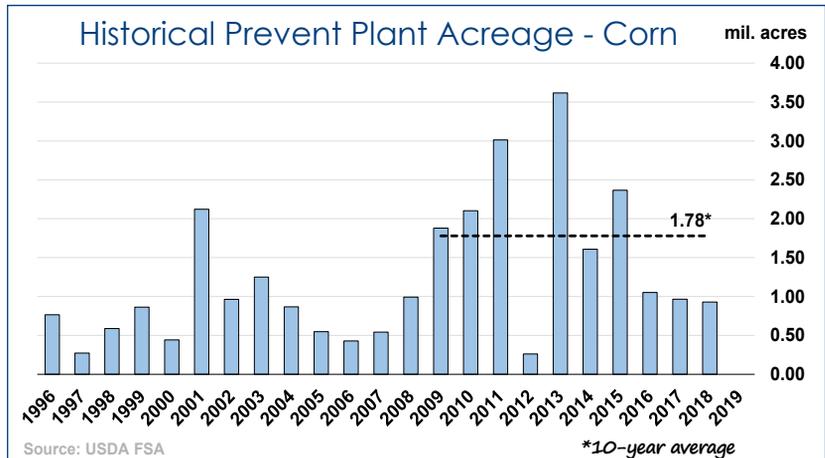
Focusing on corn and soybeans, we see that over the past three growing seasons, prevented planting acres have been relatively low for corn and soybeans, running 929,000 to 1.052 million for corn and 237,000 to 435,000 for soybeans. Prevented plantings have averaged 1.78 million acres for corn and 970,000 for soybeans in USDA data going back to 1996, although those averages are pulled up by a few wet years.

Prevented plantings are more likely to be a significant factor for corn acreage than for soybeans which is not surprising, given later final planting dates for soybeans. Prevented corn plantings have topped 2.0% of the March 1 planting intentions 6 times in 23 years and only twice for soybeans.

However, in those 6 years of high prevented corn plantings, USDA's final planted acreage ranged from 1.917 million below intentions to 1.396 million above, so even high prevented plantings does not always mean lower-than-expected acreage.

Data on prevented wheat plantings is only available back to 2009, but we can see that last year's prevented plantings of less than 375,000 acres were the lowest recorded since then. That's not likely to be the case this year with wet weather limiting winter wheat seedings in the southern Plains and the Delta.

High potential for flooding in the Red River Valley of the North could mean significant spring wheat acreage loss as well. The last time severe flooding occurred there in 2011, North Dakota farmers declared prevented planting on 2.965 million acres of spring wheat/durum, more than a third of what they intended to plant.



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ON TOPIC

USDA REPORTS: WITH THE EXCEPTION OF COTTON, REPORTS ARE BEARISH

USDA's key Friday reports were especially bearish for corn. The corn planting intentions estimate of 92.792 million was up from the average analyst estimate of 91.332 million, and higher than the highest survey estimates. Last year's plantings totaled 89.129 million acres. We had left our balance sheet alone at 92.5 million acres, and while we didn't do so with tremendous conviction, that estimate proved to be quite accurate. As corn acres were higher than expected, soybean prospective plantings were much lower at 84.617 million. That is below the average analyst estimate of 86.169 million, and slightly lower from USDA's Ag Outlook Forum estimate of 85.0 million. A year ago, plantings totaled 89.196 million.

Hard red spring wheat prospective acres were also lower than expected at 12.83 million, well off the average analyst estimate of 13.319 million, down from the Outlook Forum

estimate of 14.3 million, and below last year's 14.099 million. Winter wheat acres were higher than expected at 32.708 million, well above the average analyst estimate of 31.460 and up slightly from last year's 32.535 million.

Besides corn, the biggest surprise was cotton acres, which came in at only 13.78 million, down from the average analyst estimate of 14.498 million. Given our conversations with southern producers this winter, we were expecting a bigger shift from other crops into cotton.

The trade will, of course, question these numbers and point out that the survey took place from the end of February through March 19, and may not fully reflect the flooding that has occurred in the Missouri River Basin and the Delta. In fact, USDA's National Agricultural Statistics Service, which conducts the survey, said that virtually all of the acreage data came before the flooding in the Missouri River basin.

As with every year, the March intentions are very much subject to change based on weather in April and May. The market focus will shift next week back to the weather, which looks mixed for the Midwest, with heavy rains across the lower Corn Belt this weekend likely followed by more rain across the Midwest in the middle of next week.

	USDA	Average estimate	Range of Estimates	Last year	Change
Corn	92.792	91.3	90.0 - 92.7	89.129	3.66
Soybeans	84.617	86.2	84.3 - 88.0	89.196	-4.58
All Wheat	45.754	46.9	45.9 - 48.0	47.800	-2.05
Other Spring wheat	12.830	13.4	12.3 - 13.9	13.200	-0.37
Durum	1.4200	2.0	1.6 - 2.3	2.0650	-0.65
Winter wheat	31.504	31.5	30.6 - 32.5	32.535	-1.03
Cotton	13.78	14.4	14.0 - 15.4	14.099	-0.32
Sorghum	5.135	5.8	5.5 - 6.5	5.690	-0.56
Oats	2.555	2.7	2.4 - 2.9	2.746	-0.19
Barley	2.55	2.6	2.5 - 2.7	2.543	0.01
Rice	2.87	2.8	2.6 - 3.0	2.946	-0.08
Total Acres	250.1	252.7		254.1	-4.10

Source: USDA

	USDA	Average estimate	Range of Estimates	Last year	Change
Corn	8,604	8,307	7,620 - 8,910	8,892	-288
Soybeans	2,716	2,702	2,159 - 2,797	2,109	607
Wheat	1,590	1,551	1,435 - 1,617	1,495	95

Source: USDA

State	2017	2018	2019 intentions	Change from 2018
Iowa	13.30	13.20	13.60	0.40
Illinois	11.20	11.00	11.20	0.20
Nebraska	9.55	9.60	9.70	0.10
Minnesota	8.05	7.90	8.00	0.10
Indiana	5.35	5.35	5.50	0.15
South Dakota	5.70	5.30	6.00	0.70
Kansas	5.50	5.45	5.70	0.25
Wisconsin	3.90	3.90	4.05	0.15
Missouri	3.40	3.50	3.50	0.00
Ohio	3.40	3.50	3.50	0.00
North Dakota	3.42	3.15	4.05	0.90
Top States	72.77	71.85	74.80	2.95
United States	90.17	89.13	92.79	3.66

State	2017	2018	2019 intentions	Change from 2018
Illinois	10.60	10.80	10.50	-0.30
Iowa	10.00	10.00	9.40	-0.60
Minnesota	8.15	7.80	7.30	-0.50
North Dakota	7.10	6.90	6.50	-0.40
Indiana	5.95	5.95	5.70	-0.25
Missouri	5.95	5.85	5.50	-0.35
Nebraska	5.70	5.70	5.40	-0.30
South Dakota	5.65	5.65	5.20	-0.45
Ohio	5.10	5.00	4.95	-0.05
Kansas	5.15	4.75	4.95	0.20
Arkansas	3.53	3.28	3.10	-0.18
Michigan	2.28	2.30	2.20	-0.10
Mississippi	2.19	2.23	2.00	-0.23
Top 12 Total	77.35	76.21	72.70	-3.51
United States	90.16	89.20	84.62	-4.58



SNOW, RAIN COMBINE FOR HISTORIC FLOODING IN NEBRASKA

A wet fall, a deep and broad snow pack and finally a “bomb cyclone” storm have combined to create an historic natural disaster in the western Corn Belt, which could affect markets throughout the season while causing devastating personal impact.

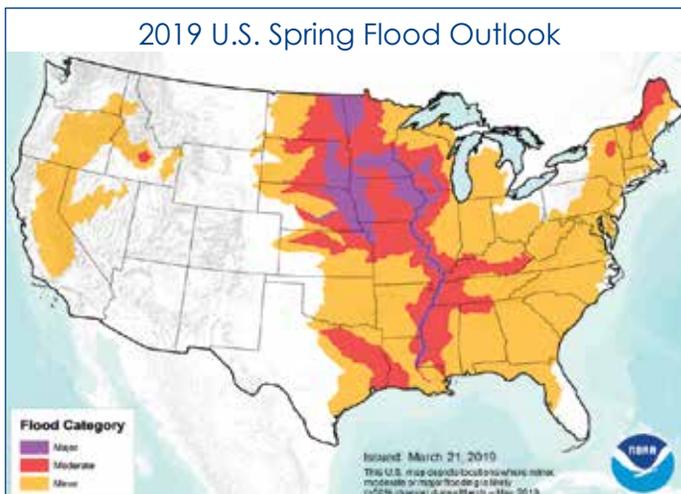
The combination of rain, snowmelt and frozen ground has caused extensive, record flooding along the Missouri River, in particular. Western Iowa and Nebraska have been the epicenter, although some concern has started to shift to Missouri and parts of eastern Kansas as waters move downstream and levees are tested.

Nebraska Gov. Pete Ricketts said it might be the most widespread disaster in the state’s history. Roads, bridges and railroad tracks have been washed out, entire towns have been flooded and ethanol plants have had to slow or halt production (see page 12). Fields have been inundated, and in some cases, the flood has deposited huge blocks of ice the size of cars.

Gov. Ricketts has estimated the damage in the state at \$1.3 billion so far, including \$440 million in damages to crops through losses to existing supplies and planting delays, along with \$400 million in damage to cattle. Officials warn that as South Dakota’s snow pack melts, there is the potential for another round of flooding along the Missouri River.

WEATHER OUTLOOK RAISES DOUBT ABOUT FAST IMPROVEMENT

Despite the terrible flooding, the prevailing market sentiment appeared to be a shrug for much of the week, on the recognition that it “is only mid-March.” That attitude was fed by clear skies across much of the Midwest during the week. However, the confidence was broken by NOAA’s long-range weather outlook



issued on Thursday. The 30- and 90-day outlooks show the potential for above-average rainfall across the Midwest and South, along with cold temperatures in the central Plains where historic flooding is currently taking place. Looking deeper into NOAA’s extended summary of the outlook, it paints a somewhat bleak picture: The potential for major or moderate flooding in 25 states between now and May. The map below of NOAA’s spring flood outlook tells the story.

The threat will remain throughout the central and southern U.S., with Iowa, Minnesota, most of Kentucky, west Tennessee and the Mississippi Delta among the areas under threat. So while it is still proper to say that it is only March 22 and there’s plenty of time for soils to dry and the crop to get planted, there is also legitimate concern about the forecast and when things will get much better.

HIGH-LEVEL TRADE TALKS TO RESUME

It was another week with little or any progress in U.S.-China trade talks, although there is some hope for next week, as Treasury Secretary Steve Mnuchin and U.S. Trade Rep. Robert Lighthizer head to Beijing. While it’s not the meeting between heads of state that seemed possible a month ago, the relatively short interval between high-level negotiations is seen as a sign that both sides do, in fact, want a deal.

A key sticking point is the “enforcement mechanism” to ensure that China abides by any agreement that is reached. President Trump caused some heartburn among ag interests this week in saying that tariffs on Chinese products could remain “for some time” even after a deal, as the U.S. gauges Chinese compliance. The U.S. is also trying to increase China’s commitment to purchase U.S. products, including ag goods.

JURY SAYS ROUNDUP CAUSED CANCER

Attorneys for Bayer took another one on the chin in the battle over glyphosate and whether it causes cancer. A six-person federal jury in San Francisco ruled this week that Monsanto’s Roundup herbicide caused cancer in a man who used it on his rural properties for 26 years. It is the second such finding. In the first, a jury awarded a groundskeeper \$289.2 million in August, shortly after Bayer assumed control of Monsanto. That award was later reduced to \$78.5 million.

The latest trial took nine days. The jury will now weigh to what extent Bayer and Monsanto are liable. With more than 11,000 lawsuits pending against Bayer over glyphosate, a large jury award here would likely put pressure on Bayer to settle these cases, which are depressing the company’s stock price. While there might be plenty of science refuting the charge that glyphosate causes cancer, glyphosate’s fate could be decided by juries that think otherwise.

CORN



COMMENTARY

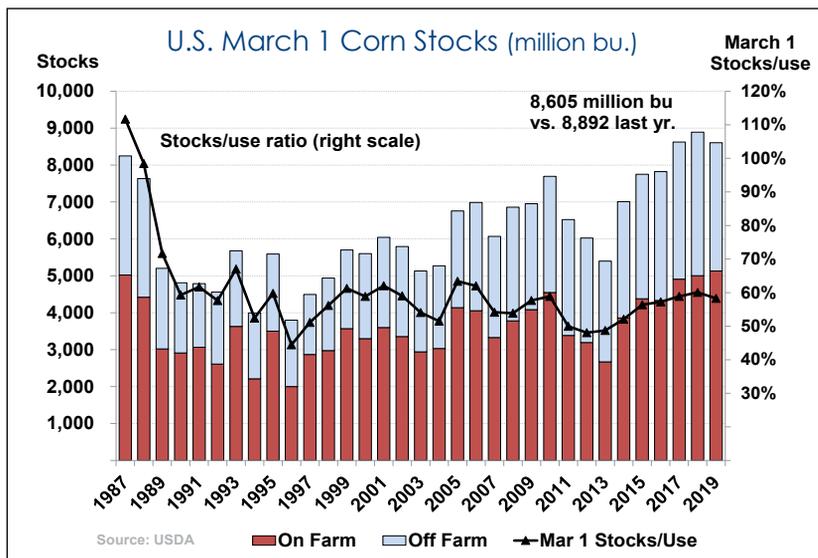
Corn prices traded in a choppy pattern this week awaiting Friday morning's release of the March 1 stocks and Prospective Plantings reports (see pages 1 and 10). As pointed out on page 1, there are many variables that will impact the corn market over the next two months. Today's report is only a minor one, irrelevant of what the planted acreage number is. Weather is still a key variable as to how many acres get shifted to corn this year.

One of the important indicators of market potential and direction is the CFTC Commitment of Traders Report. We note that since mid-December commercials have accumulated, or should I say, liquidated a large short position and are now back to neutral. At the same time, the commodity funds have gone from neutral to big net short. If you look back to May of 2018 when the market started its large move to the downside, commercials were large net shorts and the funds were large net longs. That is a combination you need for a big move. The spread is not that wide right now, but is headed in the right direction. This may not be bullish near term, but it should be very bullish long term.

That said, there was nothing bullish about today's USDA reports. Weak ethanol demand is another negative factor. On the positive side, basis levels have remained relatively strong in corn while soybean basis has suffered severely. Also, many traders are going to argue in the coming week that USDA's corn acreage estimate is too high.

Cash-Only Marketers' Strategy: Old-crop sales are at 65% and new-crop sales are at 10%. Sit tight for right now.

Hedgers' Strategy: Old-crop sales are at 65% in the cash market. Nothing is sold in new crop and we have no short positions on.



U.S. SUPPLY & DEMAND

Marketing year begins Sept 1	USDA			Brock	
	16/17	17/18 Est.	18/19 Proj.	18/19 Proj.	19/20 Proj.
ACREAGE (million)					
Planted Area	94.0	90.2	89.1	89.1	92.5
Harvested Area	86.7	82.7	81.7	81.7	85.0
Yield	174.6	176.6	176.4	177.0	178.0
SUPPLY (mil bu)					
Beg. Stocks	1,737	2,293	2,140	2,140	1,891
Production	15,148	14,609	14,420	14,461	15,130
Imports	57	36	40	40	40
Total Supply	16,942	16,939	16,600	16,641	17,061
USAGE (mil bu)					
Feed & Residual	5,470	5,304	5,375	5,375	5,500
Food/Seed/Ind	6,885	7,056	7,015	7,000	7,040
Ethanol & By-Products	5,432	5,605	5,550	5,500	5,550
Domestic Use	12,355	12,360	12,390	12,375	12,540
Exports	2,294	2,438	2,375	2,375	2,500
Total Use	14,649	14,799	14,765	14,750	15,040
Ending Stocks (Aug 31)	2,293	2,140	1,835	1,891	2,021
Stocks/Use	15.7%	14.5%	12.4%	12.8%	13.4%
Farm Price (\$/bu)	\$3.36	\$3.36	3.35-3.75	\$3.35-3.75	\$3.00-3.50

THE BROCK REPORT POSITION MONITOR

THE WEEK AHEAD: With Prospective Plantings out of the way, attention will turn squarely on Midwest weather and the state of U.S.-China trade talks. USDA releases monthly Grain Crushings on Monday. Reports of broader interest for the economy include Retail Sales on Monday, Durable Goods Orders on Tuesday and Nonfarm Payrolls on Friday.

Bolded %'s highlight changes made this week

CORN

	18/19	19/20
Strictly Cash	65%	10%
Hedgers Cash	65%	0%
Hedgers F&O	0%	0%

SOYBEANS

	18/19	19/20
Strictly Cash	75%	20%
Hedgers Cash	70%	10%
Hedgers F&O	0%	0%

WHEAT

	18/19	19/20
Strictly Cash	100%	10%*
Hedgers Cash	100%	10%*
Hedgers F&O	0%	0%

* plus basis set on an additional 20%.

RICE

	18/19	19/20
Strictly Cash	70%	0%
Hedgers Cash	70%	0%
Hedgers F&O	0%	0%

COTTON

	18/19	19/20
Strictly Cash	80%	10%
Hedgers Cash	70%	10%
Hedgers F&O	0%	0%

LIVESTOCK

HOGS	19-I	19-II	19-III	19-IV
Futures	0%	0%	0%	0%
Options	0%	0%	0%	0%

CATTLE	19-I	19-II	19-III	19-IV
Futures	25%	25%	0%	0%
Options	0%	0%	0%	0%

FEEDERS	19-I	19-II	19-III	19-IV
Futures	0%	0%	0%	0%
Options	0%	0%	0%	0%

MILK	Mar	Apr	May	June
Cash	0%	0%	0%	0%
Futures	0%	0%	0%	0%

FEED PURCHASES

CORN	19-I	19-II	19-III
Cash	0%	50%	0%
Futures/Options	0%	50%	0%

SOYBEAN MEAL	19-I	19-II	19-III
Cash	100%	0%	0%
Futures/Options	0%	0%	0%

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