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THE BROCK REPORT

America's Most Complete Commodity Marketing Service

FACTS, PROBABILITIES AND POSSIBILITIES

The two biggest business issues on almost everyone's mind right now are getting a crop planted and then getting a crop marketed. No one expected the opportunity to sell grain at prices as high as they are now, as little as three weeks ago. No one wants to let this market get away, nor does anyone want to sell it too soon. To help sort through these issues, let's take a hard look at three categories: facts, probabilities and possibilities.

Facts

1. Corn and soybean plantings are the latest in recent history.

2. Corn planted acres are going to be cut significantly, but no one knows by how much.

3. The trade war with China continues.

Probabilities

1. Planted corn acres will be cut anywhere from 2 to 5 million acres from the USDA's March estimate of 92.8 million acres.

2. Because of the late planting of the corn crop, soybean acres will likely be at, or slightly above, the March estimate of 84.6 million acres.

3. Both corn and soybean yields are not likely to hit trend.

Possibilities

1. Planted corn acres could be down as much as 10 to 12 million acres. Not a high probability, but it is out there.

2. If the rain continues, soybean acres could actually be down from the March estimate and not up. Too early to tell.

3. After the crop gets planted, July weather could turn hot and dry. That would give another boost to the bull market.

LOOKING AT THE BALANCE SHEETS

On the next page we have listed a bullish, average and bearish scenario for both corn and beans. Let's take a look at corn first.

For the average estimate, we're plugging in 90.5 million planted acres versus the USDA's March estimate of 92.8. Even for the bearish scenario we've included 90.5 million planted acres. It's hard to imagine that planted acres will be any higher than 90.5. Continuing with the average estimate, we have lowered the yield to 170 bushels per acre versus last year's 176.4. One can make various assumptions in usage, but usage of corn doesn't often change dramatically over a short period of time. Feed usage is fairly consistent, as is ethanol production. Exports of corn don't fluctuate like exports in soybeans. Usage numbers will only change dramatically if prices drop or rise substantially.

Under the average scenario the stocks-to-usage ratio would come in at 12%. That means that central Illinois cash corn prices would average $3.65 to $4.00. Call it $3.80. Add 30 cents to that for the normal basis and you're comparing to the December corn futures price at $4.10. December corn futures, as I write this, are trading at $4.50. Thus, under the average scenario, corn is starting to move into the overpriced zone.

But now look at the bullish scenario, which is actually not that hard to imagine. Drop the acreage to 86 million acres and the yield to 168 and before you know it, the carryover has dropped to 1.25 billion bushels with a stocks-to-usage ratio of 8.9%. Now we're looking at $5.00 corn. Again, this falls into the category of a possibility and not a strong probability, but our thoughts at this time are that the market will end up some-

"There's a big difference between probability and outcome ... Probable things fail to happen, and improbable things happen – all the time".
-Howard Marks

READY TO ACT

There will hopefully be a time when we are able to get away for a while, perhaps on a fishing trip to Canada, without any cell phone service. But the next two weeks are definitely not a good time for that. This is a decision-making time.

As we discuss in the lead story, there are many unknowns in the market right now, and since weather markets are usually short in duration, there will be a time to act quickly. On page 2, we look at corn strategies. Here are some thoughts on soybeans:

1. We are still sitting on 25% of old-crop beans for strict cash marketers and 30% for hedgers. When July soybean futures move above $9.20, we will start cleaning up those sales.

2. On new-crop beans, strict cash marketers are currently only 20% sold and hedgers 10%. As the market moves above $9.40 in the Nov. contract, we will start increasing forward cash contracts.

3. As in corn, the next step will be to use a put/call strategy to put a floor under the market.

4. Once the top is confirmed, then we will want to be more aggressive on the futures side and will also want to be selling some Nov. 2020 beans.

where in-between the bullish and average scenario. Even the bearish scenario is not very bearish.

Technically, we believe the gap left in the charts this week in July and December corn is a measuring gap. That being the case, the objective in July corn is $4.76 and in December corn $4.74.

STRATEGIES

Never try to go for a home run in volatile markets. The market will always win. But at some point, scale-up selling needs to be done. The question is where to begin. Here are some thoughts:

1. We started this week by taking profits on long July $4.00 corn calls to offset 20% of the old-crop sales.

2. Officially, we are at 80% sold in old-crop corn. The next move will be to get rid of the remaining 20%, and that will likely happen this coming week.

3. Everyone should give some thought as to how far out one wants to sell. In March of 2013, when nearby corn futures were at $8.50, we were very aggressive selling the 2013 crop, the 2014 crop and the 2015 crop. In order to do that, one has to be able to use futures and options because basis levels are too wide in the more deferred contracts. The other option is to use an HTA at your local elevator. In this market, we will not likely want to be that aggressive, but we will be making recommendations not only on the 2019/20 crop but also the 2020/21 crop. While some producers will want to be doing something in the 2021/22 crop, we probably are not going to jump into that camp.

4. The first new crop recommendation will likely be to make a forward cash sale or an HTA.

5. The next step will be to use an option strategy of buying puts and selling calls in an attempt to pick a top and establish a floor.

6. The final step will be to sell futures, but only after the market has given a strong technical sell signal.

These are just thoughts at this time so that you can start getting prepared. As we've said in the past, weather bull markets in recent history have lasted anywhere from three weeks to eight weeks. We are now completing week number three.

TAKING A LOOK AT SOYBEANS

The soybean market is entirely different than corn. It is difficult to build a bullish scenario for soybeans. Easy for corn. The carryover coming into this marketing year for soybeans is just so huge and with the threat of continued trade wars with China, it's hard to find a strong fundamental argument to be bullish soybeans.

With that said, soybeans will follow corn. The crop is not in the ground yet. There will be estimates that soybean acres will drop further. That's going to help support this market.

But in taking a look at the bullish average and bearish scenarios below, we're having a difficult time getting the carryover below 660 million bushels from the current 970 million on old-crop. At 660, the stocks-to-usage ratio is still 15.2% and the market would struggle to stay near $10.

Under the average scenario, we end up with a stocks-to-usage ratio of 20.6% at an average price just under $9.00. With November futures at $9.10, deduct a normal 30-cent basis, which is not normal right now, and this market is still slightly underpriced.

The real concern is if producers switch from corn acres to soybean acres and plant 87 million under the bearish scenario, then soybeans are excessively overpriced. There are a lot of balls in the air on this one.

Technically, if the gap left in November soybeans on Tuesday is a measuring gap at $8.87, measured from the low on May 13 the upside objective becomes $9.58 which puts the market smack dab in the middle of the highs established in January.

U.S. Corn Supply & Demand
Bullish vs. Bearish Scenarios

	Bullish Scenario	Average	Bearish Scenario
ACREAGE (mil ac)			
Planted Area	86.0	90.5	90.5
Harvested Area	78.4	82.7	82.7
Yield	168.0	170.0	172.0
SUPPLY (mil bu)			
Beg. Stocks (Sep 1)	2,095	2,095	2,095
Production	13,171	14,059	14,224
Imports	35	35	35
Total Supply	15,301	16,189	16,354
USAGE (mil bu)			
Feed & Residual	5,200	5,300	5,350
Food/Seed/Ind	6,750	6,900	6,900
Ethanol & By-Products	5,300	5,450	5,450
Domestic Use	11,950	12,200	12,250
Exports	2,100	2,250	2,300
Total Use	14,050	14,450	14,550
STOCKS (mil bu)			
Ending Stocks (Aug 31)	1,251	1,739	1,804
Stocks/Use	8.9%	12.0%	12.4%
Farm Price ($/bu)	$4.40-5.75	$3.65-4.00	$3.40-3.90

Source: Brock Associates Numbers may not add due to rounding

U.S. Soybean Supply & Demand
Bullish vs. Bearish Scenarios

	Bullish Scenario	Average	Bearish Scenario
ACREAGE (mil ac)			
Planted Acres	84.5	85.0	87.0
Harvested Acres	83.8	84.3	86.3
Yield	48.0	49.5	51.0
SUPPLY (mil bu)			
Beg. Stocks (Sep 1)	970	970	970
Production	4,022	4,173	4,401
Imports	20	20	20
Total Supply	5,012	5,163	5,391
USAGE (mil bu)			
Crush	2,120	2,125	2,125
Seed	98	98	98
Residual	32	32	32
Domestic Use	2,250	2,255	2,255
Exports	2,100	2,025	1,950
Total Use	4,350	4,280	4,205
STOCKS (mil bu)			
Ending Stocks (Aug 31)	662	883	1,186
Stocks/Use	15.2%	20.6%	28.2%
Farm Price ($/bu)	$9.00-10.50	$8.20-9.20	$7.50-8.00

Source: Brock Associates Numbers may not add due to rounding

COMMENTARY

Last Friday's monthly USDA supply/demand report contained USDA's first world balance sheets for 2019/20, so we want to provide an overview of those projections for corn, soybeans and wheat. There were also significant changes to the 2018/19 balance sheets for corn and soybeans, as we noted on page 4 of last week's Brock Report.

Looking at corn, we see USDA hiked projected old-crop world ending stocks by 3.8% to nearly 326 million metric tons (MMT) due largely to an increase of 11.62 MMT in world production. This year's carryout is still expected to be the smallest in three years and the world carryout is expected to drop 3.4% to a four-year low, largely due to declining Chinese stocks. The carryout for the world excluding China is expected to rise by 4.8%, for a stocks/use ratio of 14.2%

USDA anticipates slow growth in world corn use and export trade during 2019/20. World use is forecast to rise just 1.1% next year versus 3.9% this year and the five-year average annual growth rate of 2.8%. World export trade is seen rising just 0.7% in 2019/20 against a 14.5% surge this year and five-year-average annual growth of 3.9%. World corn production, meanwhile, is seen at a record high, surpassing the 2016/17 level.

On the world soybean balance sheet, USDA raised its 2018/19 carryout by 5.82 MMT or 5.4% from April, on lower projected usage and slightly higher production. The world soybean carryout is expected to hold virtually steady in 2019/20 on a 2.2% rise in world use and a cut of 1.8% in production. The forecast increase in usage is down from 2.8% this year, which is also the five-year average annual rate. World soybean export trade is expected to rise just 0.6% amid China's African swine fever epidemic, versus a drop of 1.7% this year and five-year average growth of 1.9% per year.

USDA lowered its 2018/19 world wheat carryout marginally, but sees the carryout jumping by 6.6% or more than 18 MMT next year on an increase of 6.3% in world production, which is projected to be record high. Wheat stocks in the world outside of China are seen rising 11.8 MMT or 8.8%, resulting in a comfortable stocks/use ratio of 23.3%. World use is projected to rise 2.9% next year, the strongest rate in three years, after falling 0.7% this year. The five-year average annual growth rate is just 0.9%. World wheat export trade is forecast to grow by 3.8% versus a five-year average rate of 1.6%, after falling 2.3% this year.

World Supply & Demand

Corn	Beginning Stocks	Production	Exports	Total Consumption	Ending Stocks	Stocks/Use Ratio
2013/14	144.66	1026.19	131.41	956.48	214.37	22.4%
2014/15	214.37	1056.93	142.34	991.99	279.31	28.2%
2015/16	279.31	1014.21	119.81	981.80	311.72	31.8%
2016/17	311.72	1125.21	160.07	1085.47	351.46	32.4%
2017/18	351.46	1077.95	148.70	1090.13	339.28	31.1%
2018/19	**339.28**	**1119.00**	**170.32**	**1132.33**	**325.94**	**28.8%**
Change from April	**-1.13**	**11.62**	**2.17**	**-1.44**	**11.93**	**1.1%**
2019/20	**325.94**	**1133.78**	**171.61**	**1145.01**	**314.71**	**27.5%**
Change from last year	**-13.34**	**14.78**	**1.29**	**12.68**	**-11.23**	**-1.3%**

Soybeans	Beginning Stocks	Production	Exports	Total Consumption	Ending Stocks	Stocks/Use Ratio
2013/14	58.47	283.31	112.74	277.47	64.31	23.2%
2014/15	64.31	320.73	126.23	305.74	79.31	25.9%
2015/16	79.31	316.57	132.57	315.47	80.41	25.5%
2016/17	80.41	350.58	147.50	334.83	96.16	28.7%
2017/18	96.16	341.54	152.96	338.60	99.10	29.3%
2018/19	**99.10**	**362.08**	**150.30**	**347.99**	**113.18**	**32.5%**
Change from April	**0.06**	**1.50**	**-4.02**	**-4.27**	**5.82**	**2.0%**
2019/20	**113.18**	**355.66**	**151.15**	**355.75**	**113.09**	**31.8%**
Change from last year	**14.08**	**-6.41**	**0.85**	**7.76**	**-0.09**	**-0.7%**

Wheat	Beginning Stocks	Production	Exports	Total Consumption	Ending Stocks	Stocks/Use Ratio
2013/14	179.55	716.60	165.93	698.43	197.73	28.3%
2014/15	197.73	730.41	164.23	705.35	222.78	31.6%
2015/16	222.78	738.16	172.78	716.17	244.77	34.2%
2016/17	244.77	756.31	183.36	738.99	262.08	35.5%
2017/18	262.08	762.24	181.77	743.02	281.31	37.9%
2018/19	**281.31**	**731.55**	**177.91**	**737.87**	**274.98**	**37.3%**
Change from April	**-0.58**	**-1.32**	**-0.55**	**-1.28**	**-0.62**	**0.0%**
2019/20	**274.98**	**777.49**	**184.60**	**759.46**	**293.01**	**38.6%**
Change from last year	**-6.32**	**45.94**	**6.69**	**21.58**	**18.03**	**1.3%**

Values in million metric tons; bold numbers are USDA projections. Numbers may not add due to rounding

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WORLD NEWS ANALYSIS

CHINA HALTS U.S. SOY PURCHASES

China has put further purchases of U.S. soybeans on hold amid escalating trade tensions between the U.S. and China, Bloomberg reported on Thursday, citing people familiar with the situation. State grain buyers haven't received any further orders to continue with the so-called goodwill buying and don't expect that to happen given the lack of agreement in trade negotiations, the sources said.

Still, China currently has no plans to cancel previous purchases of U.S. soybeans, the people told Bloomberg. Spokesmen for state-run buyers, Cofco and Sinograin, had no immediate comment. Through May 16, China had bought 13.35 million metric tons (MMT) of U.S. soybeans for 2018/19 delivery. About 7.0 MMT of those purchases still had not been shipped.

The report had little impact on the soybean market with traders focused on U.S. planting delays and weather forecasts, as China has not been a significant presence in the U.S. soybean market for weeks. USDA export sales data shows China has bought just 15.6 mil. bu. of U.S. soybeans since between late March and May 16. The market would no doubt take notice, though, if China were to start cancelling outstanding sales.

CHINA FACES LONG ASF BATTLE

The World Organization for Animal Health (OIE) does not expect China to bring African swine fever (ASF) under control any time soon. "China is going to deal with this African swine fever for many years to come," OIE Deputy Director General Matthew Stone told Reuters News Service on the sidelines of the 87th General Assembly of the Paris-based organization on Tuesday.

Stone said there was a significant danger the virus could reach other Asian countries in the coming months. "The situation is going to continue to evolve in Asia because we know there is significant contamination of the meat and meat products supply chain and practices such as garbage feeding that may not be appropriately regulated," he said. Indeed, South Korea on Thursday said a case of ASF had been reported in North Korea for the first time. The disease had already spread to Vietnam, Mongolia and Cambodia.

The OIE assessment indicates ASF will be a factor in the hog, pork and animal feed markets; especially soymeal, for a long time, no doubt maintaining elevated levels of uncertainty about production and demand. Deferred CME lean hog futures may continue to reflect ASF-related price premiums based on potential Chinese demand and the threat the disease will spread.

BRAZIL CORN SALES SOAR

Brazilian corn producers have been enthusiastic sellers on the current rally in CBOT corn futures, with a weak Brazilian currency further helping to spur sales of a possible record large crop. The Brazilian real in mid-May hit an 8-month low against the dollar and has rebounded just moderately. A broker in Paraná, Brazil's second-largest corn state, told Reuters that farmers were eager to close forward sales for 2020. "It is the first time I see corn export deals for such a distant delivery", he said.

The weak Brazilian real and farmer selling has helped drive a surge in Brazilian corn exports. Brazil's May corn exports through last Friday had already more than doubled April shipments. Meanwhile, on Tuesday, data from shipping services firm Cargonave showed 44 ships booked to load corn in Brazil from this week through June 15, according to Reuters, with a total volume to be loaded of 2.59 million metric tons (101 million bushels).

TURMOIL IN ARGENTINA

Economic turmoil in Argentina has badly hurt President Mauricio Macri's re-election chances. Macri trails the recently announced Peronist pairing of Alberto Fernández and ex-President Cristina Fernández de Kirchner in polls. An anti-government strike called by the country's main unions to protest austerity measures instituted by Macri shut down Argentina's major grain export ports and airports on Wednesday. In our view, an opposition win in the October presidential election would be a setback for Argentina that could have notable implications for grain and soybean production.

A win by the opposition could mean the return of export taxes on corn and wheat, government imposed caps on grain export volumes and higher soybean export taxes. The grain export taxes, along with export limits originally imposed in 2006 under the administration of Fernandez de Kirchner's late husband Nestor Kirchner, caused Argentine producers to slash corn and wheat acreage in favor of soybeans, even though soybean exports were taxed at a higher rate.

WORLD WEATHER HOTSPOTS

Winter wheat conditions and quality will continue to deteriorate in parts of the U.S. southern Plains and Midwest because of excessively wet conditions. The situation is not expected to change enough in the coming week to stop crop worries. A further decline in quality is probable, especially in the southern Plains, where June will also be wetter biased, World Weather Inc. says.

The latest word from the U.S. National Oceanic and Atmospheric Administration's Climate Prediction Center (CPC) is that El Nino may dissipate in July. If that happens, some forecasters believe there will be less rainfall in the U.S. outlook and slightly warmer temperatures at the end of this growing season.

Drought conditions in the Canadian Prairies are set to worsen in the near term as the region is expected to see limited rainfall and above-normal temperatures over the next week. The bottom line is conditions still won't be good for recently planted and emerging crops across a large portion of the region through at least next Thursday. Greater rainfall is possible in the second week.

Concern over dryness is expected to expand in the Black Sea region from northwest Kazakhstan and the lower Volga Basin into areas of southeast Ukraine and northward into the middle Volga Basin during the next 10 days to two weeks. Overall net drying will firm up soil conditions and some crop moisture stress is expected.

USDA UNVEILS SOME DETAILS OF LATEST TRADE AID

Details on USDA's "trade aid" package for 2019 started coming into view this week, first with an anonymously sourced report from Bloomberg that appeared to be a trial balloon, and then from the Trump Administration itself late in the week. While there is plenty of dissatisfaction with the package, both inside and beyond agriculture, it should play an important role in boosting farm finances in the near-term.

USDA's $16 billion package includes $14.5 billion that will go directly to growers of corn, soybeans, wheat, cotton, alfalfa and other crops. But USDA did not announce the payment rates, as the agency is concerned about influencing planting decisions. The first round of payments is expected in July or August, with subsequent payments this fall and possibly in early 2020, depending on how trade negotiations go.

The Trump aid plan, will be based on a per-county payment rate and total 2019 planted acres of the eligible crops (but not exceeding total 2018 planted acreage). So it appears that if a farmer doesn't plant in 2019, they won't get the aid. That is no small matter in a year in which planting is historically late. This may keep some producers planting corn beyond when they would normally switch crops or declare prevented planting.

The administration's Thursday announcement followed an early-week report from Bloomberg that indicated the White House planned to give $2 per bushel to soybean growers. That would actually be up from last year's $12 billion plan, which gave $1.65 per bushel to soybean growers. The Bloomberg report, citing unnamed sources, said the White House plan also called for 63 cents per bushel for wheat, and just 4 cents for corn. The four cents was seen as a slap in the face for corn growers, who received only 1 cent per bushel in the 2018 package but were widely expected to receive more in the latest package. The Bloomberg story also set soybean futures tumbling for a day, leading USDA on Wednesday to issue statements calling the story "inaccurate."

U.S.-CHINA NEGOTIATIONS APPEAR DEAD FOR NOW

Meanwhile there is little hope of a trade deal with China occurring any time soon. In a news conference to discuss the farm aid package Thursday afternoon, President Trump predicted a "fast" trade deal with China, according to Reuters, but we will be surprised if the market buys into that as no high-level trade talks between the two sides appear imminent.

President Trump and China's President Xi Jinping will meet at the next G-20 summit, but that is five weeks away. President Xi this week called for a "new long march" in China, a reference to an arduous 4,000-mile trek by communists in China in the 1930s, which eventually enabled them to take over the country.

TRADE TENSIONS RATCHETING UP

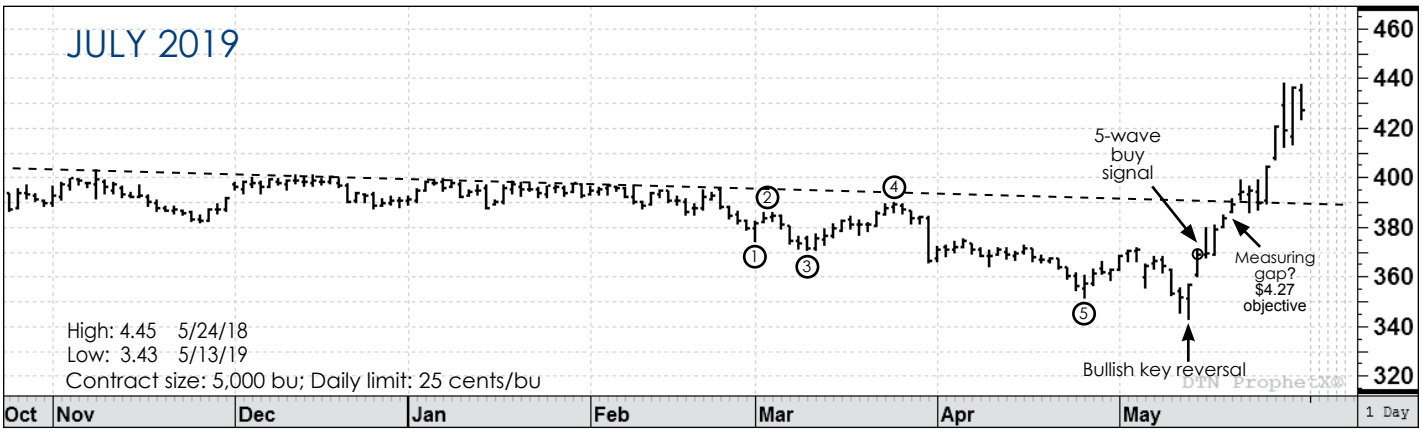
The fate of another key trade issue, the U.S.-Mexico-Canada Trade Agreement (USMCA), remains up in the air. President Trump said he would remove U.S. tariffs on steel and aluminum, seen to be a key stumbling block in getting the "NAFTA 2.0" agreement passed, but in the following days there was little progress.

Congressional Democrats want to see stronger enforcement mechanisms in the agreement on labor and evnironmental issues, so that Mexico and Canada don't take advantage. This is an issue, given that the House is controlled by Democrats. Meanwhile, the relationship between President Trump and House Speaker Nancy Pelosi appears to be deteriorating rapidly as Democrats press on in investigations of the President. In remarks earlier this week Pelosi said President Trump was engaged in a "cover up," remarks that Trump blasted as he abruptly ended a meeting at the White House this week.

President Trump said he could not work with Congressional Democrats while they are also investigating him. He wants Congress to ratify the revised NAFTA before moving on to an infrastructure bill, but added that USMCA is "too complicated" for Pelosi to understand.

Time will start to be of the essence in getting the trade agreement passed. President Trump this week floated the idea of sending the agreement to Congress, which would set a clock of 60 days to ratify the agreement. If it is not ratified within that time frame, the process for submitting the bill must be restarted, which would take several months. And that point, 2020 election politics would become an obstacle.

CORN


JULY 2019
5-wave buy signal
Measuring gap? $4.27 objective
Bullish key reversal
High: 4.45 5/24/18
Low: 3.43 5/13/19
Contract size: 5,000 bu; Daily limit: 25 cents/bu
460
440
420
400
380
360
340
320
Oct
Nov
Dec
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Feb
Mar
Apr
May
1 Day


SEPTEMBER 2019
Broken resistance
Bullish key reversal
High: 4.47 1/4 5/29/19
Low: 3.52 1/2 5/13/19
460
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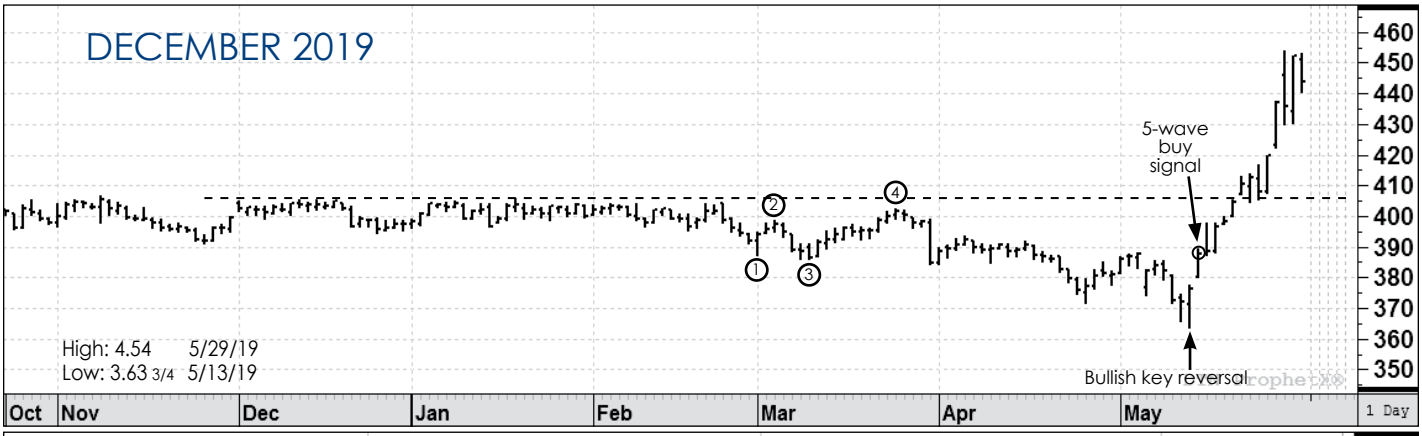
DECEMBER 2019
5-wave buy signal
Bullish key reversal
High: 4.54 5/29/19
Low: 3.63 3/4 5/13/19
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Nov
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Mar
Apr
May
1 Day


WEEKLY CONTINUOUS
Support
Bullish key reversal
475
450
425
400
375
350
325
300
2016
2017
2018
2019
1 Wk

COMMENTARY

The original objectives in July corn at $4.27 and December of $4.32 were both hit this week. However, we think the gap left in the charts on Monday is the new measuring gap, while some believe it is an exhaustion gap. As a measuring gap, the new objective in July corn is $4.76 and December corn it is $4.79.

While the market corrected to the downside on Friday, that should be expected in a market that has moved up as quickly as corn has. In three weeks time, July corn has risen almost $1.00 per bushel. That's a hefty move. It is also possible the market could drop back in an attempt to fill the gap that was left this week at $4.05 in the July futures. But from a technical point of view, there is nothing indicating that this move is over. Also extremely impressive is the sharp increase in open interest. Funds are likely still not on the long side, as of now, either.

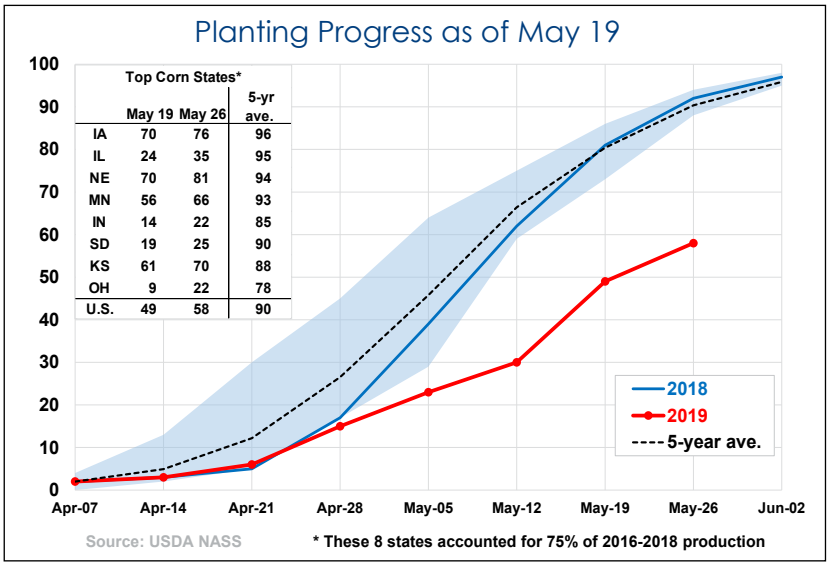
Fundamentally the reason behind this is obvious. Planting is late and it is right now a guessing game as to how many acres are going to be enrolled in prevent plant. Our view is outlined on pages 1 and 2.

There's plenty of policy news happening too, although it's not as impactful as the weather. President Trump's announcement of a tariff on all Mexican goods helped send the market lower on Friday. On the positive side, the White House is approving year-round E15, which will give summer demand a boost, although the impact is often overstated.

This is a "day by day" market. But the trend is your friend and it is still up.

Cash-Only Marketers' Strategy: This year's sales are at 80% and new crop at 10%. Sit tight for now.

Hedgers' Strategy: Same cash advice as above on old-crop corn. Stay at 80% sold. We took profits this week on a 20% buy back with long July $4.00 calls putting 20 cents per bushel in the bank. Nothing has been sold on new crop and no hedges are on.



Top Corn States*

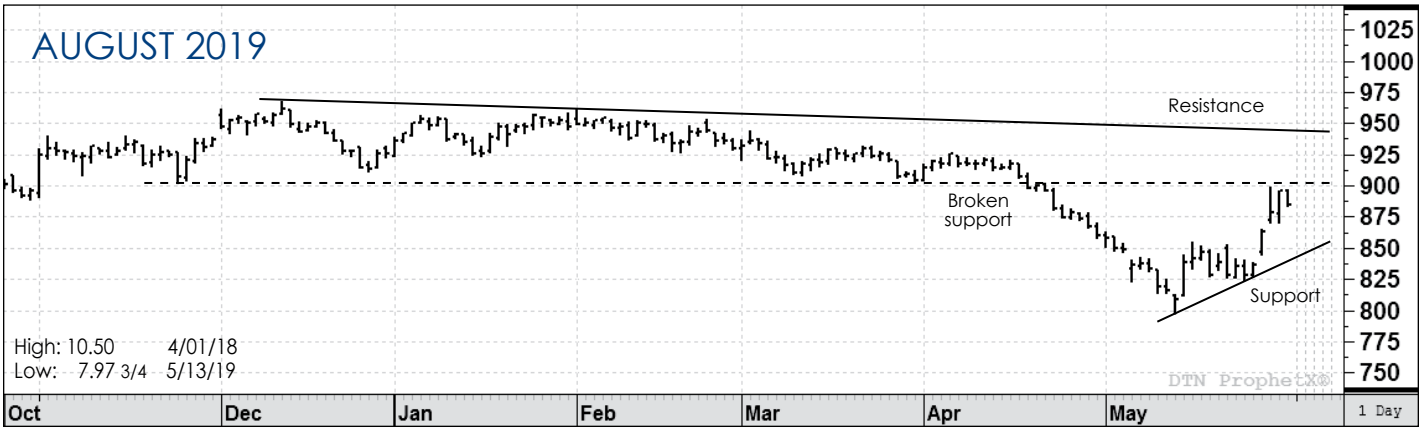
	May 19	May 26	5-yr ave.
IA	70	76	96
IL	24	35	95
NE	70	81	94
MN	56	66	93
IN	14	22	85
SD	19	25	90
KS	61	70	88
OH	9	22	78
U.S.	49	58	90

U.S. SUPPLY & DEMAND

	USDA			Brock	
Marketing year begins Sept 1	17/18	18/19 Est.	19/20 Proj.	18/19 Est.	19/20 Proj.
ACREAGE (million)					
Planted Area	90.2	89.1	92.8	89.1	90.5
Harvested Area	82.7	81.7	85.4	81.7	82.7
Yield	176.6	176.4	176.0	176.4	170.0
SUPPLY (mil bu)					
Beg. Stocks	2,293	2,140	2,095	2,140	2,095
Production	14,609	14,420	15,030	14,420	14,059
Imports	36	35	35	35	35
Total Supply	16,939	16,595	17,160	16,595	16,189
USAGE (mil bu)					
Feed & Residual	5,304	5,300	5,450	5,300	5,300
Food/Seed/Ind	7,056	6,900	6,950	6,900	6,900
Ethanol & By-Products	5,605	5,450	5,500	5,450	5,450
Domestic Use	12,360	12,200	12,400	12,200	12,200
Exports	2,438	2,300	2,275	2,300	2,250
Total Use	14,799	14,500	14,675	14,500	14,450
Ending Stocks (Aug 31)	2,140	2,095	2,485	2,095	1,739
Stocks/Use	14.5%	14.4%	16.9%	14.4%	12.0%
Farm Price ($/bu)	$3.36	$3.50	$3.30	$3.45-3.65	$3.65-4.00

SOYBEANS


JULY 2019
Resistance
Broken support
Support
High: 10.51 3/4 4/02/18
Low: 7.91 5/13/19
Contract Size: 5,000 bu; Daily Limit: 60 cents/bu
1025
1000
975
950
925
900
875
850
825
800
775
750
DTN ProphetX®
Oct
Dec
Jan
Feb
Mar
Apr
May
1 Day


AUGUST 2019
Resistance
Broken support
Support
High: 10.50 4/01/18
Low: 7.97 3/4 5/13/19
1025
1000
975
950
925
900
875
850
825
800
775
750
DTN ProphetX®
Oct
Dec
Jan
Feb
Mar
Apr
May
1 Day


NOVEMBER 2019
Resistance
Broken support
Support
High: 10.15 12/05/17
Low: 8.15 1/2 5/13/19
1050
1025
1000
975
950
925
900
875
850
825
800
775
DTN ProphetX®
Oct
Dec
Jan
Feb
Mar
Apr
May
1 Day


WEEKLY CONTINUOUS
Resistance
Broken support
Bullish key reversal
1200
1150
1100
1050
1000
950
900
850
800
750
700
DTN ProphetX®
Apr 2017
Jul
Oct
2018
Apr
Jul
Oct
2019
Apr
1 Wk

SOYBEANS

COMMENTARY

This was a very impressive week. On Tuesday soybean prices gapped higher, and then they gapped higher again on Wednesday. If the gap left on Wednesday is a measuring gap, the objective in November soybeans is $9.58 which would take the market right into the highs in January/February. That appears to be very feasible at this time.

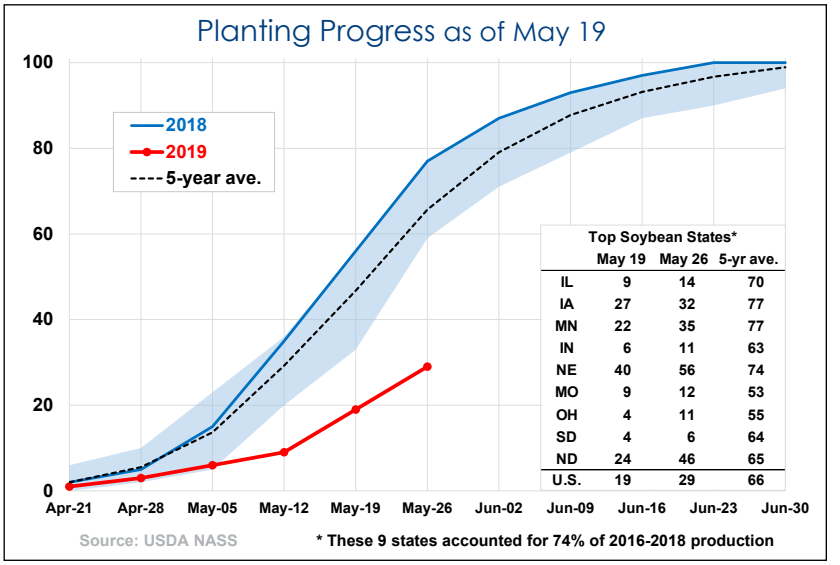
Fundamentally, for the near-term, the trade seems to have quit being consumed by negative tariff news. All concentration is now on weather and getting this crop in the ground. It is still a long ways from done but it's also not terribly late for soybeans.

Acreage estimates are all over the board. For right now, we're sticking with 85 million acres, which is down 4.2 million acres from last year. One could assume that acreage is going to go down if it continues to keep raining and the acres go into prevent plant. The other assumption of course is that within two weeks many Midwestern farmers will switch from corn to soybeans once we get past mid-June. The next two weeks are very important. As of now, the forecast for the next two weeks for planting looks mixed at best.

The bottom line, however, as outlined on pages 1 and 2, it is almost impossible to get the carryover in soybeans under 600 million bushels. That's still a lot of soybeans. Thus, our current strategy is to likely be an aggressive seller once November beans move above $9.40. Stay tuned.

Cash-only Marketers' Strategy: Continue to hang on to 25% of old-crop beans. Only 20% in the new crop has been sold.

Hedgers' Strategy: 70% of the old-crop is gone and 10% of the new crop contracted. No futures and options positions are on.



Top Soybean States*

	May 19	May 26	5-yr ave.
IL	9	14	70
IA	27	32	77
MN	22	35	77
IN	6	11	63
NE	40	56	74
MO	9	12	53
OH	4	11	55
SD	4	6	64
ND	24	46	65
U.S.	19	29	66

U.S. SUPPLY & DEMAND

	USDA			Brock	
Marketing year begins Sep 1	17/18	18/19 Est.	19/20 Proj.	18/19 Est.	19/20 Proj.
ACREAGE (million)					
Planted Acres	90.2	89.2	84.6	89.2	85.0
Harvested Acres	89.5	88.1	83.8	88.1	84.3
Yield	49.3	51.6	49.5	51.6	49.5
SUPPLY (mil bu)					
Beg. Stocks	302	438	995	438	970
Production	4,412	4,544	4,150	4,544	4,173
Imports	22	22	20	17	20
Total Supply	4,735	4,999	5,165	4,999	5,163
USAGE (mil bu)					
Crush	2,055	2,100	2,115	2,100	2,125
Exports	2,129	1,775	1,950	1,800	2,025
Seed	104	98	96	98	98
Residual	9	31	34	31	32
Total Use	4,297	4,004	4,195	4,029	4,280
Ending Stocks (Aug 31)	438	995	970	970	883
Stocks/Use	10.2%	24.9%	23.1%	24.1%	20.6%
Farm Price ($/Bu)	$9.33	$8.55	$8.10	$8.40-9.00	$8.20-9.20

ON TOPIC

TO PLANT OR NOT TO PLANT? TOUGH DECISIONS TO MAKE IN 2019

Katie Hancock
Marketing Consultant

This is a strange year. Politics, weather, and profitability seem to change every day. It feels like we're all shooting from the hip. I have little influence on politics and weather, so I want to talk a little about crop insurance and profitability.

Over my 12 years of farming, I've met my share of crop insurance adjusters. Some acres in my cropping area are affected by the Mississippi River. A couple months ago, Rick Brock came down to Kentucky for a routine office audit. Flying in, he noted an excess of river water on fields. I brushed it off because it's normal for the river to rise in early spring. What I didn't know is that the river would still be up at the beginning of June. This week, for example, Doyle Rice of USA Today published, Mississippi River flood is longest-lasting in over 90 years, since 'Great Flood' of 1927.

Today, 20% of my land base has seeping or flooding issues related to the Mississippi. My husband has pushed hard to get the hill ground planted while waiting for the river to lower on the remaining 20%. Many farmers across the U.S. are also unable to plant in areas. So where do we go from here? If you have crop insurance, you should be asking these questions:

1) Do I have enterprise or optional units? Enterprise units are popular because they reduce the expense of insurance. The problem with enterprise units is, if you insure a great-looking, early-planted farm with a late-planted farm, the good may outweigh the bad. For example, take two 100-acre fields of corn. One makes 200 bushels per acre and the other makes 120. The average is 160. Sure, there could still be a claim depending on your yield history, but is that claim going to make up for the 120-bushel corn? Unlikely. If the late corn will be grouped with the early corn, a prevent plant claim could be less risky on those late acres.

2) Am I eligible for prevent plant? Let's say it's too risky to plant past the respective state planting window. Or it's still too wet to plant. The entity has to have a comparable history of the crop, let's say corn. In the last four years, the most corn Katie had was 1,000 acres. Katie cannot go in and take prevent plant on 2,000 acres. Most farms could resort to a soybean prevent plant. In fact, many of you have bean yields I only dream about, so it may be a fine choice.

3) Does this farm need work? Taking prevent plant is a great opportunity to do dirt work. We frown on barren soil in the south due to weed pressure, but you can tile and dig around all summer and fall.

4) What are my state's planting dates? Late planting affects coverage, so the trick is carefully certifying at the FSA. Don't make up planting dates. If you certify wrong, coverage could be wrong. Second, the state planting date determines the day in which you need to turn in a claim for prevent plant. You can't miss the window to report a claim. You can always withdraw it if the situation changes. For example, let's say you planted soybeans immediately after taking prevent plant on corn, and did not wait for the late-planting window. You are not punished for changing your mind, but you must withdraw the claim. Third, remember you have to certify at the FSA even if you don't plant a seed and don't have crop insurance. This could be very important if the new MFP subsidy is tied to this. My personal opinion is if prices continue to rally, more help will go to disaster counties.

I've run multiple scenarios weighing taking prevent plant versus growing a low-yielding crop for my water-logged farms. At anything near my corn APH, it was more profitable to plant the crop. At anything below the APH, it was better to swap to soybeans. If I have the same trouble a month from now, I may not risk the soybeans. On the other hand, my weed chemical cost is getting as high as the bean seed. To keep the field clean, it may make sense to plant the beans. Plus, friends have reported great yields with late beans on the same river bottom ground--it's not a given, but possible. Cover crops have been suggested for barren fields, but that doesn't excite me.

Overall, profitability tends to favor growing a late crop versus prevent plant. It may be a loss, but less of a loss than prevent plant. I feel like others will view it the same way. With high commodity prices years ago, you could take a nice profit with prevent plant, but that does not happen as often today. There's no reason to be ashamed of using crop insurance, but we all know farmers will fight to get as much planted as possible.

(Email Katie at khancock@brockreport.com.)

COMMENTARY

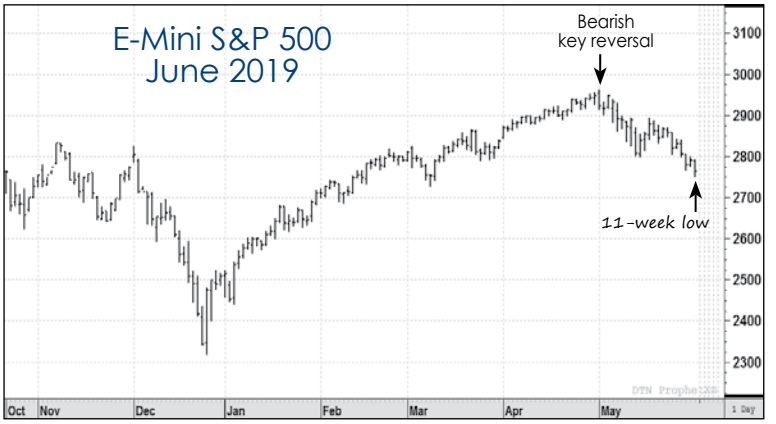
From bad to worse… that's how key markets are reading the tea leaves following the latest (negative) developments on world trade. The latest retaliatory threats from China and new tariffs on Mexico have the potential to further upset global supply chains, drive up costs, and impede economic growth. At least, that is what Mr. Market is saying.

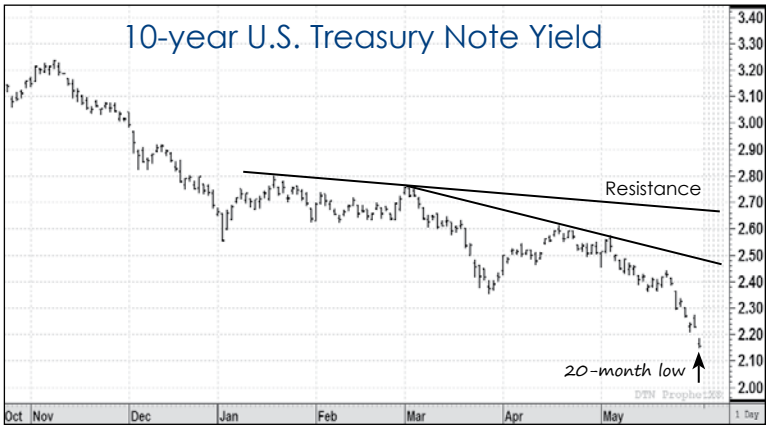
The latest threat to trade came Thursday night when President Trump announced he will impose a 5% tariff on all Mexican goods beginning June 10, with the potential of incremental increases up to 25% by October unless Mexico stops the flow of illegal migrants coming through Mexico into the U.S. Mexico was the 3rd largest U.S. trading partner in 2018, behind Canada and China.

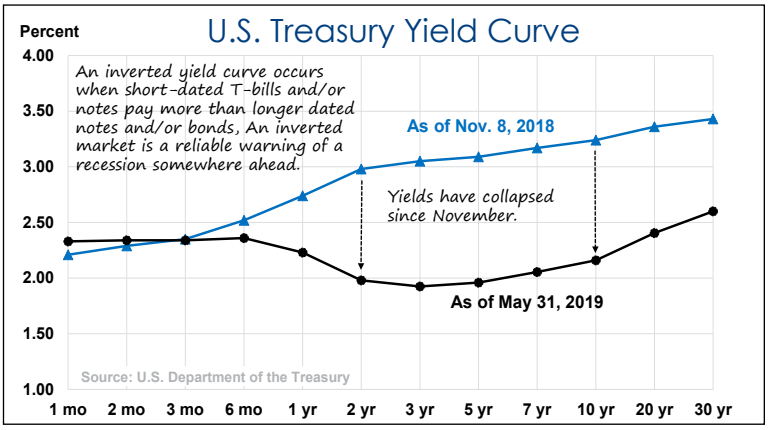
Another wildcard is that China is considering cutting off supplies of so-called rare earth elements (REEs) to the U.S. These 17 metallic elements are crucial components for high-tech industries including electronics, batteries, motors, wind turbines, cell phones, oil refining, and U.S. defense and weapons systems, among others. China produces 80% of the world's REEs and 80% of U.S. rare earth imports are from China. The effectiveness of a Chinese export ban to the U.S. is debatable since most of the REEs that the U.S. uses come in the form of finished goods, much of that from China. Cutting off those exports would hurt them as badly as it hurts us.

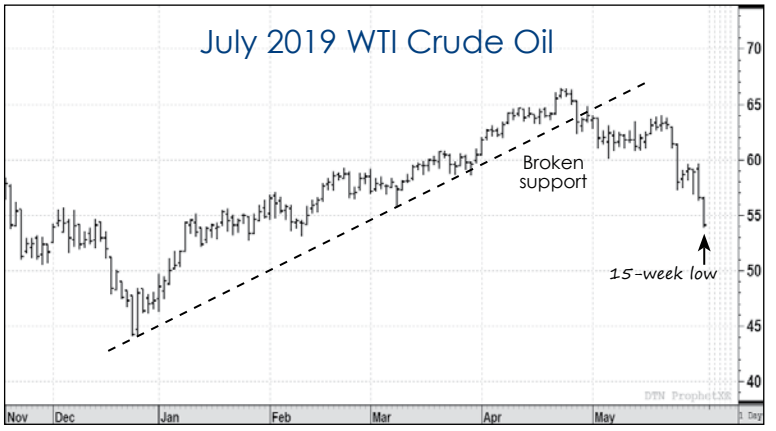
The outcome of these two developments remains to be seen, but the markets are "shooting first and asking questions later". The S&P 500 fell over 2% to an 11-week low, and crude oil plummeted for the 2nd week to a 15-week low on global growth concerns. A third market signal was in global bond markets which are screaming of a slowdown ahead, or even a recession. Slower growth means even lower inflation expectations and bond yields. German 10-year Bunds fell to a record low (negative!) yield of -0.21%. Japanese 10-yr bonds yield -0.1%. and U.S. 10-year Treasury notes fell sharply to a 20-month low of 2.15%.

The Treasury yield curves (at right) show how interest rates at various maturities have fallen since global growth concerns came to the fore late last year. The yield curve has not only flattened, but portions of the curve have inverted, that is, shorter-dated maturities yield more than longer-dated maturities, a reliable, if early, recession warning.

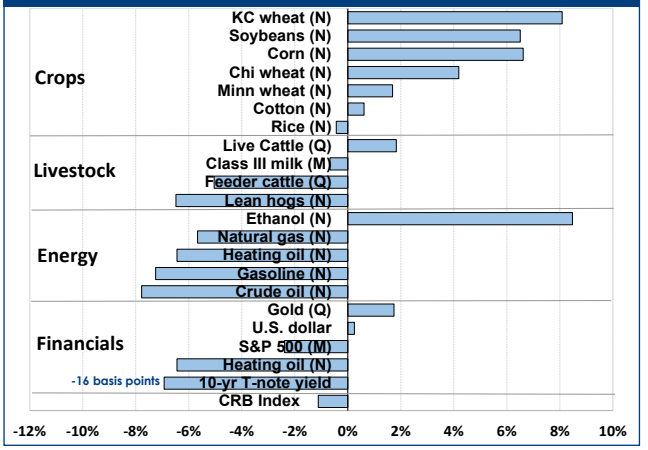








WEEKLY COMMODITY RECAP*



* Changes on most active contract. This page updated at 1:00 pm Friday before the market close.

THE BROCK REPORT POSITION MONITOR

THE WEEK AHEAD: The weekly Crop Progress report, released Monday, will remain a focal point with planting at a historically slow pace. Also on Monday, USDA issues its monthly Grain Crushings report. Investors beyond agriculture will be watching the latest tariff news. Other reports include Construction Spending on Monday and Non-Farm Payrolls on Friday.

Bolded %'s highlight changes made this week

CORN

	18/19	19/20
Strictly Cash	80%	10%
Hedgers Cash	80%	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%	**20%***
Hedgers Cash	100%	**20%***
Hedgers F&O	0%	**20%**

* plus basis set on an additional 10%.

RICE

	18/19	19/20
Strictly Cash	**90%**	0%
Hedgers Cash	**90%**	0%
Hedgers F&O	0%	0%

COTTON

	18/19	19/20
Strictly Cash	100%	30%
Hedgers Cash	100%	20%
Hedgers F&O	0%	0%

LIVESTOCK

HOGS	19-II	19-III	19-IV	20-I
Futures	0%	0%	0%	0%
Options	25%*	25%*	0%	0%

* See page 16 for details.

CATTLE	19-II	19-III	19-IV	20-I
Futures	0%	0%	0%	0%
Options	0%	0%	0%	0%

FEEDERS	19-II	19-III	19-IV	20-I
Futures	0%	L25%	0%	0%
Options	0%	0%	0%	0%

MILK	May	June	July	Aug
Cash	0%	0%	0%	0%
Futures	0%	0%	0%	0%

FEED PURCHASES

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

SOYBEAN MEAL	19-II	19-III	19-IV
Cash	50%	0%	0%
Futures/Options	50%	50%	0%

CONTACT US

For more information or customer service:

Brock Associates
2050 W. Good Hope Rd.
Milwaukee, WI 53209

Call 414-351-5500 or toll-free 800-558-3431
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