FCStone Grain Recap

May 15, 2017

INTL FCStone
INTL FCStone Financial Inc.
FCM Division

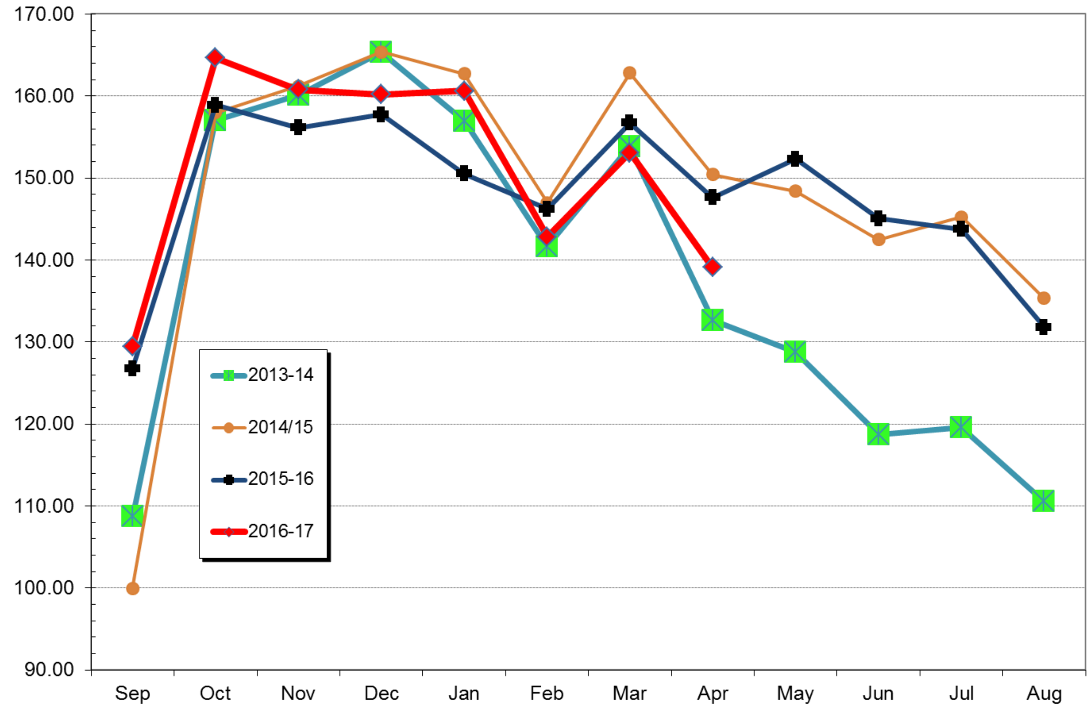
CORN:

A lower session as weather forecasts shift in favor of a timely planting pace in the Midwest. Rains fell as expected in the south central corn belt and in the Atlantic states. The average trade guess for this afternoon's report from the government is 68% or near average for this time of the year. If realized, this would leave approximately 2 weeks until the average final plant date to add another 32% of progress (average rate is 2.5% per day). The 5 day forecast has some interruptions for the WCB but then has a clear window in the 11-15 with the 6-10 being an in between forecast allowing progress but subnormal rates. Export inspections bounced back to 1.39 mmt after dipping to .84 mmt last week. In order to make the USDA's number the US has to ship .987 mmt a week. The US has accumulated a 14 mmt lead over last year this time already. The USDA forecasts the US will export 8.3 mmt more than it did a year ago. The USDA is counting on Brazil cutting into US exports but so far that has not materialized with the low price environment. At the current pace, the US is set to exceed the USDA's estimate by 4 mmt or 160 mln bushels in the 2016 marketing year. Funds credited with selling 8000 contracts of corn today.

SOYBEANS:

The idea of fewer corn acres switching to soybeans due to the weather forecast shift was offset by the disappointing NOPA crush figure midday. Weather maps show enough holes in the generally wettish pattern in the Midwest over the next 10 days to allow for planting to advance. The trade expects good progress to have been achieved over the last 4 days with the WCB doing the majority of the work. The USDA will reveal its results of its reporters this afternoon. The average trade guess for tonight's report is 28%. Export inspections dipped below trade guesses with a 282 tmt loading for the prior week. Loadings to date still running well ahead of the government (6.8 mmt vs USDA's annual projected increase of 3.1 mmt). Even though the US has built a big premium over last year, the US needs to perform at a 360 tmt rate through the end of the year to make the USDA's 2050 mln bu (55.8 mmt) or modestly above the average rate. The other major report today was the anticipated NOPA monthly crush release. The average trade guess was 145.7 mln bu expecting a near unchanged crush from a year ago based on the USDA's persistence in projecting a 1925 mln bushel annual number. The NOPA surprised the market with a 139.1 mln bushel crush implying the USDA is overestimating the annual number. This is the third month in a row the US has underperformed last year's numbers and the trend is now pointing to a 1900 crush number or less. NASS should follow suit on June 1st with a 4.495 mst or 149.8 mln bushel equivalent. The trade is now confronted with a growing carryout from the crush pace in the second half of the year and if the physical shipment pace doesn't outperform the average the US could be adding 60 mln bushels to the carryout.

Monthly NOPA Crush



The NOPA report also showed a contraseasonal reduction in soybean oil stocks as April demand hit a 6 year high. Oil share trades were a focus of the market as traders beat down meal against its oil purchases. Meal usage reversed back to its normal declining use rate showing March as an outlier. Usage for April dropped below the 5 year average and below the last two years. Funds credited with buying 4000 contracts of soybeans, 2000 soybean oil and sold 2000 contracts of meal.

WHEAT:
The market began the day modestly weak but the technical support levels fell one at a time and the funds increased their selling through the end of the session. World wheat weather improved marginally over the weekend but trouble spots remain in the Ukraine and the EU. The US also continues to struggle with a wet pattern through the 10 day outlook in the Southern Plains though the Spring Wheat areas have a dry stretch of weather allowing it to advance considerably. The underlying current of worry of the bulls could be the USDA's declining demand base in the world tables. If you can gain carryout on smaller production and a small net decline in world demand, what's to say the demand in 2017 isn't still overstated. We covered this concept in Friday's wire regarding large residuals acting as offbook supplies and suppressing the following year's demand in a nonrationing situation. Export inspections outperformed expectations but not enough to clearly show the US will make the USDA's upwardly revised export number of 1035 mln bu. The US loaded .691 mmt last week increasing the year over year to date loading premium to 6.5 mmt. The USDA expects the US to ship 7.1 mmt more than it did a year ago. There are three more weeks to average .55 mmt with an assumption of .5 mmt offbook physical movement. If all shipments end up on the inspections report then the US needs to average 715 tmt/week to make the USDA's number. Australia ended up winning the tender for the 50 tmt with Iraq with weekend. Funds credited with selling 6000 contracts of CME wheat today.

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FOB NOLA – US SPOT PRICES

CORN	+ 38N
SOYBEANS	+ 44N
SRW	+ 48N

FOB TEXAS GULF – US SPOT PRICES

HRW	+ 80N

ECBOT	HIGH	LOW	CLOSE	CHANGE
July Corn	3.7175	3.6725	3.6775	- 3 1/4
Dec Corn	3.895	3.85	3.8525	- 3 1/2
July Beans	9.73	9.62	9.6525	+ 2 1/4
Nov Beans	9.6675	9.59	9.6075	+ 1
July Wheat	4.31	4.215	4.2325	- 9 1/2

Regards

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