

# 2019 Grain Market Outlook

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CGB Grain

# What matters today to the markets

- No USDA reports since December / Gov't Shutdown Not Good
- Brazil & Argentina weather shaky / crop shrinking? **Bullish**
- African Swine Fever a quickly growing issue in China **Bearish**
- Trade talks improving? **Bullish**
- Huge bean carryout in the US **Bearish**

# What *really* moves the markets

- Fundamentals 10%
- Technicals (Charts) 10%
- **Fund Positions 40%**
- **Farmer Positions 30%**
- End User Buying 10%

# We Missed the Jan Crop Report...

- *Jan Crop Report is One of the Most Important, providing:*
  - Dec 1 Stocks (reflects true feed and residual demand in C&S)
  - Final estimated production for 2018 Corn & Soybeans
  - Updated view of demand & carry-out
  - Final wheat acres planted (can influence view of 2019 C/S acres)
- **All this data is likely to be released in Feb 8, 2019 USDA report**

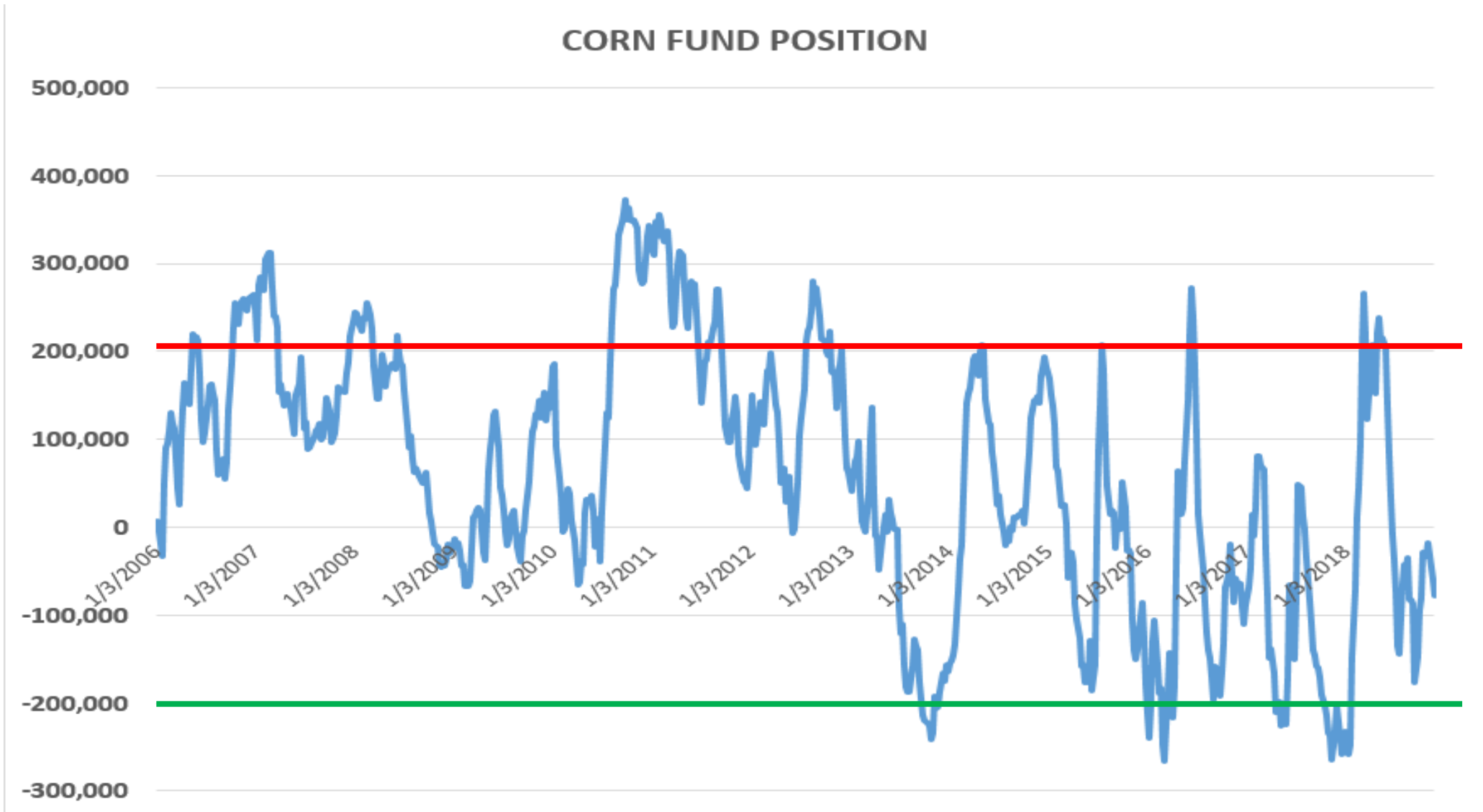
# When the Market doesn't have fundamentals



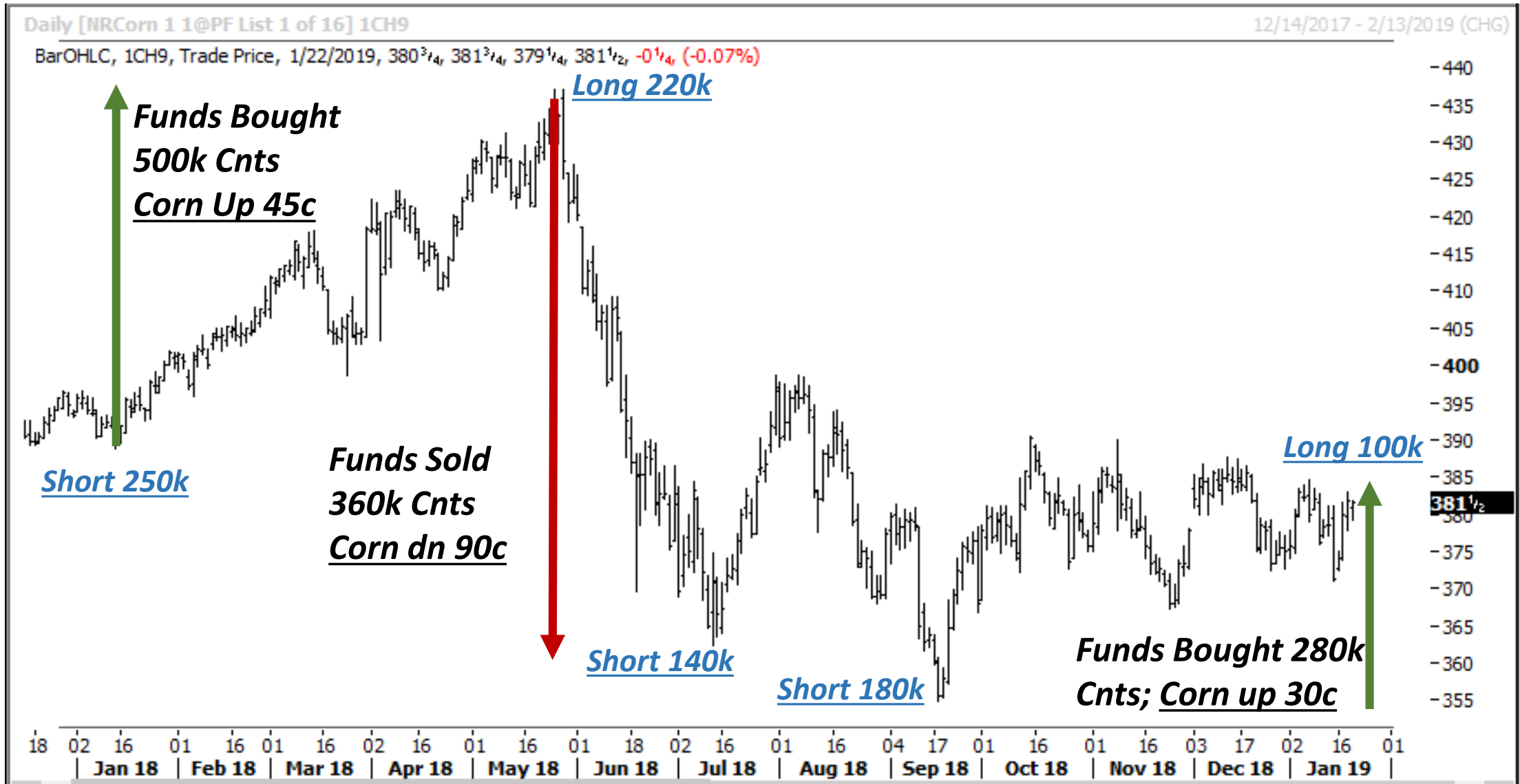
# When the Market doesn't have fundamentals



# Long Term Corn Fund View

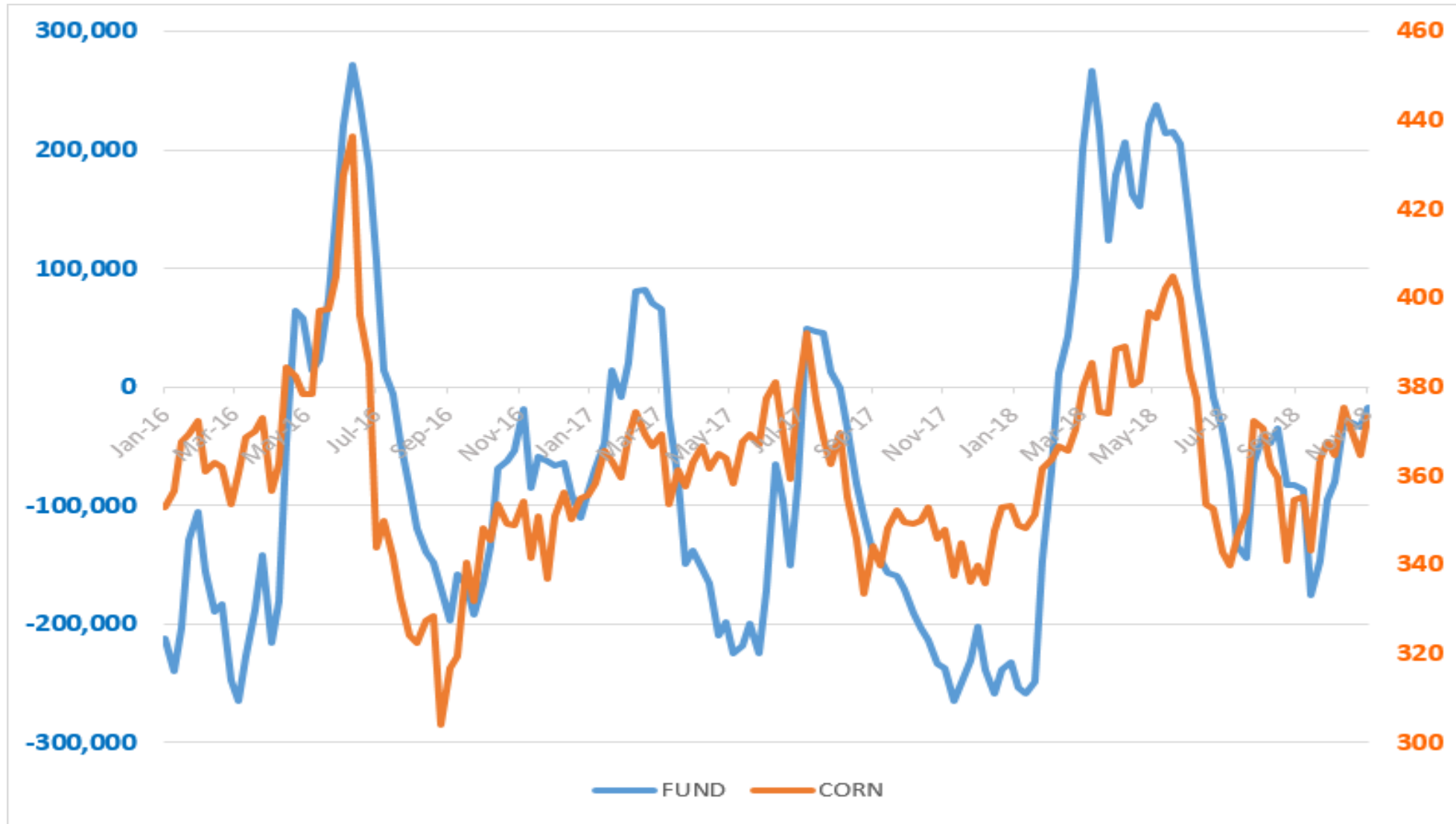


# How the Funds Move Our Markets

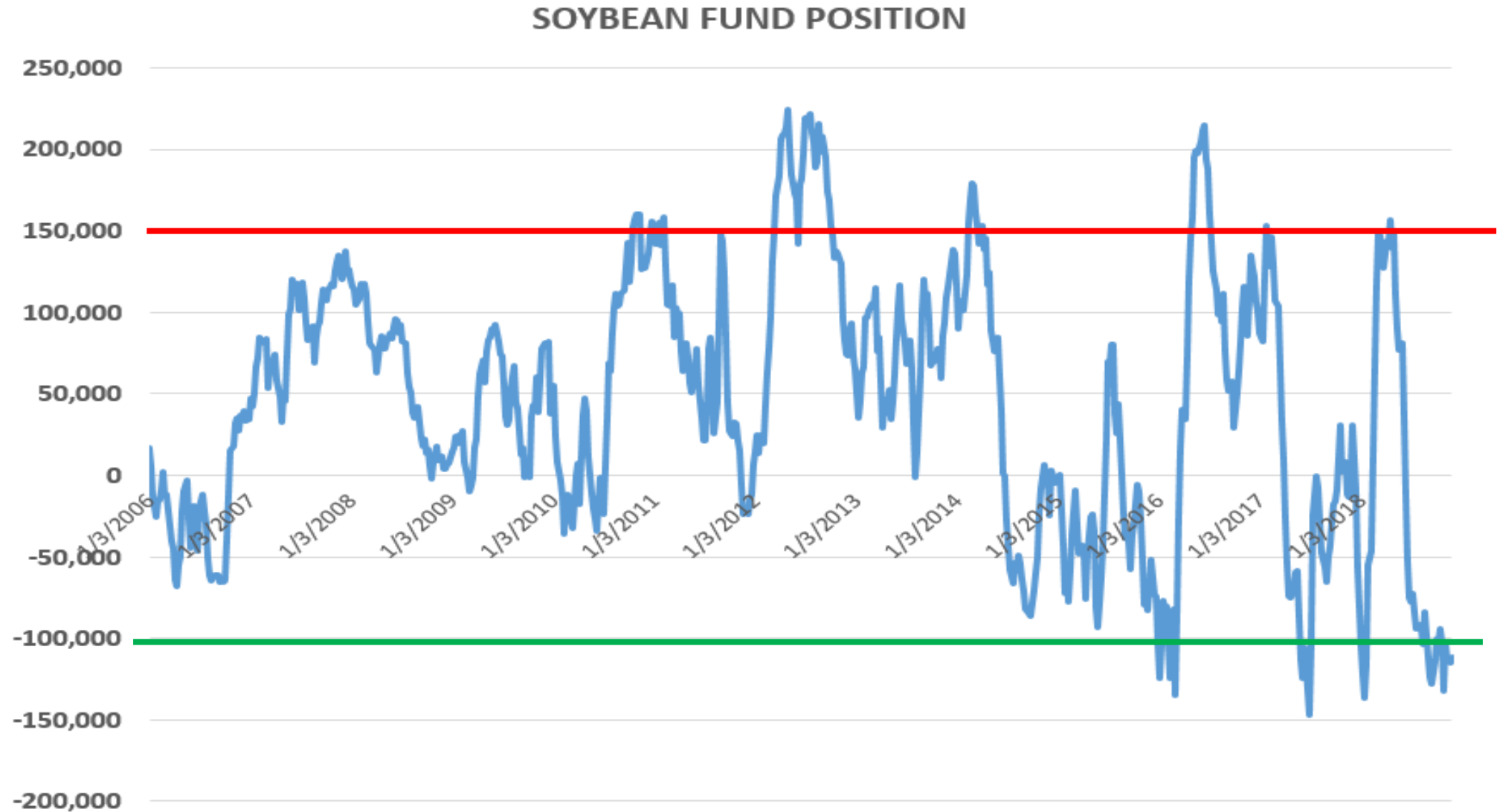




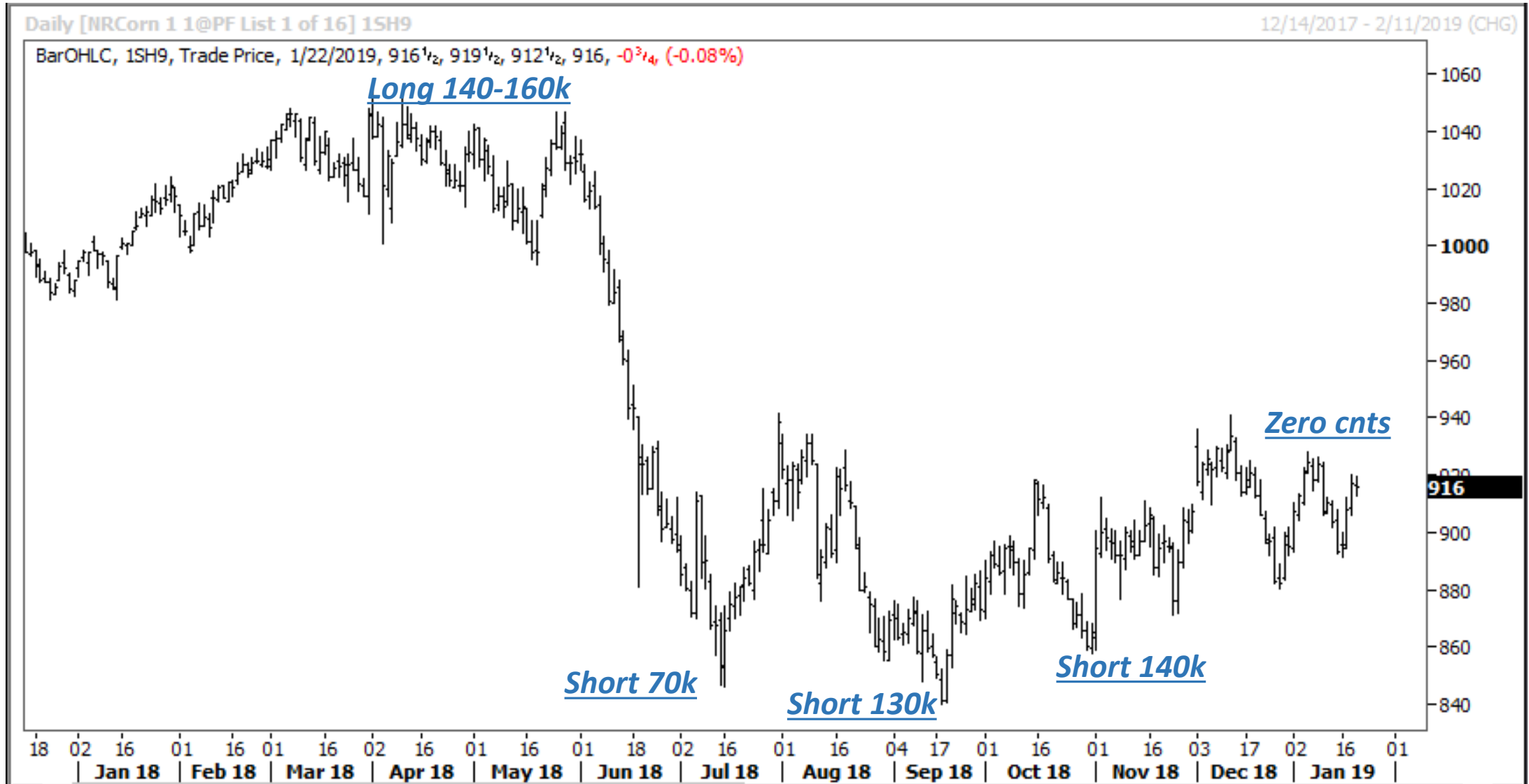
# 3 Year Corn Price vs Fund Chart



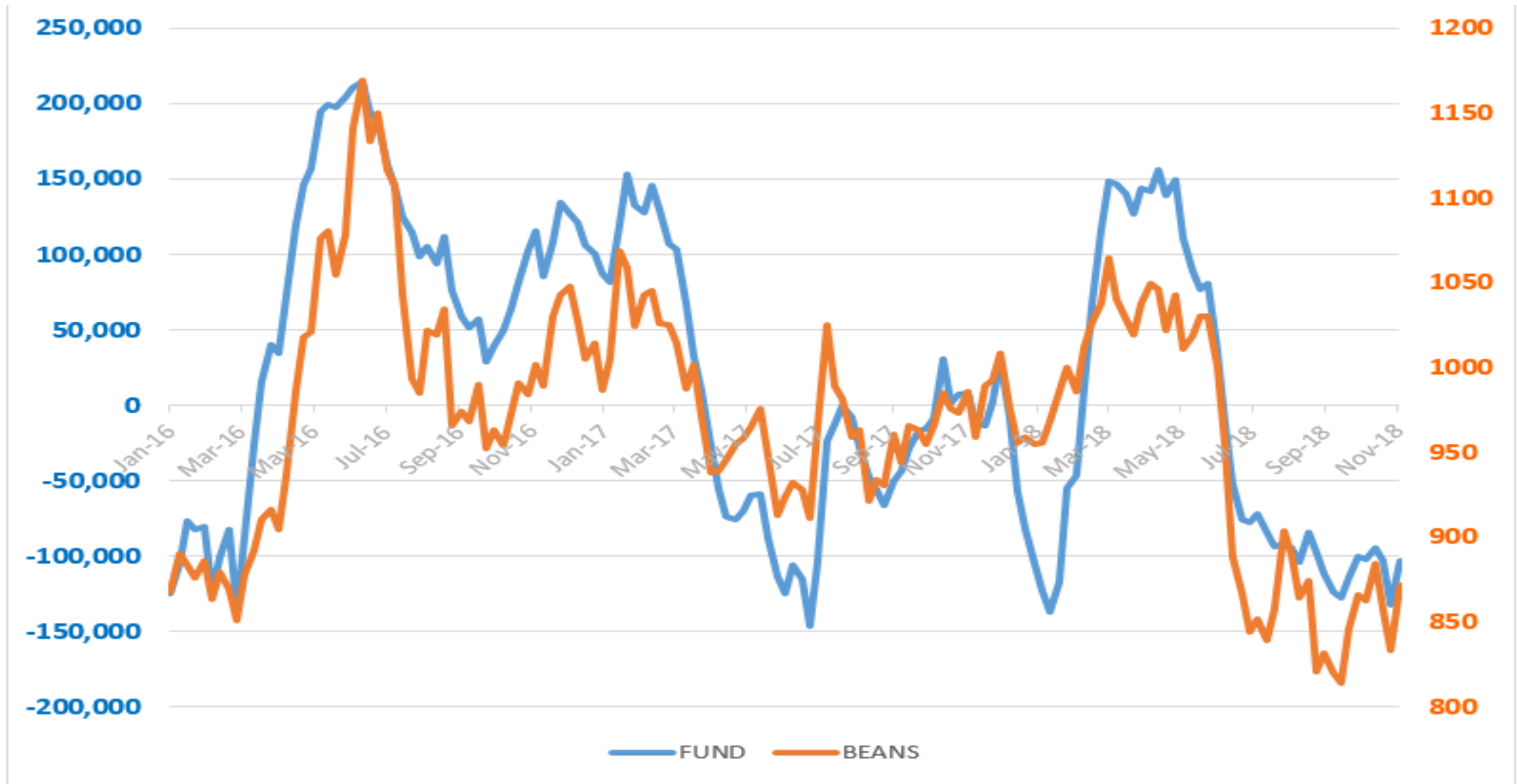
# Long Term Bean Fund View



# Current Bean Fund Position



# 3 Year Bean Price vs Fund Chart



# Where Can You Find the Fund Positions?

- Google “CFTC COT” → First Link → Released Fridays at 4pm EST

1

Reports Dated December 18, 2018 - Current Disaggregated Reports:

2

	Disaggregated Futures Only		Disaggregated Futures-and-Options -Combined	
Agriculture	Long Format	Short Format	Long Format	Short Format
Petroleum and Products	Long Format	Short Format	Long Format	Short Format

3

Disaggregated Commitments of Traders-All Futures Combined Positions as of December 18, 2018

: Reportable Positions

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: Producer/Merchant :					: Managed Money :			: Other Reportables :			
: Processor/User :		: Swap Dealers :		: Spreading:			: Long :		: Short :		: Spreading:
: Long :	: Short :	: Long :	: Short :	: Spreading:	: Long :	: Short :	: Spreading:	: Long :	: Short :	: Spreading:	
CORN - CHICAGO BOARD OF TRADE (CONTRACTS OF 5,000 BUSHELS)											
CFTC Code #002602											
: Positions											
: 433,816	: 804,894	: 208,880	: 21,092	: 63,716	: 289,292	: 164,865	: 198,709	: 131,657	: 52,956	: 91,768	
: Open Interest is 1,576,445											

# Let's Look at Corn Fundamentals

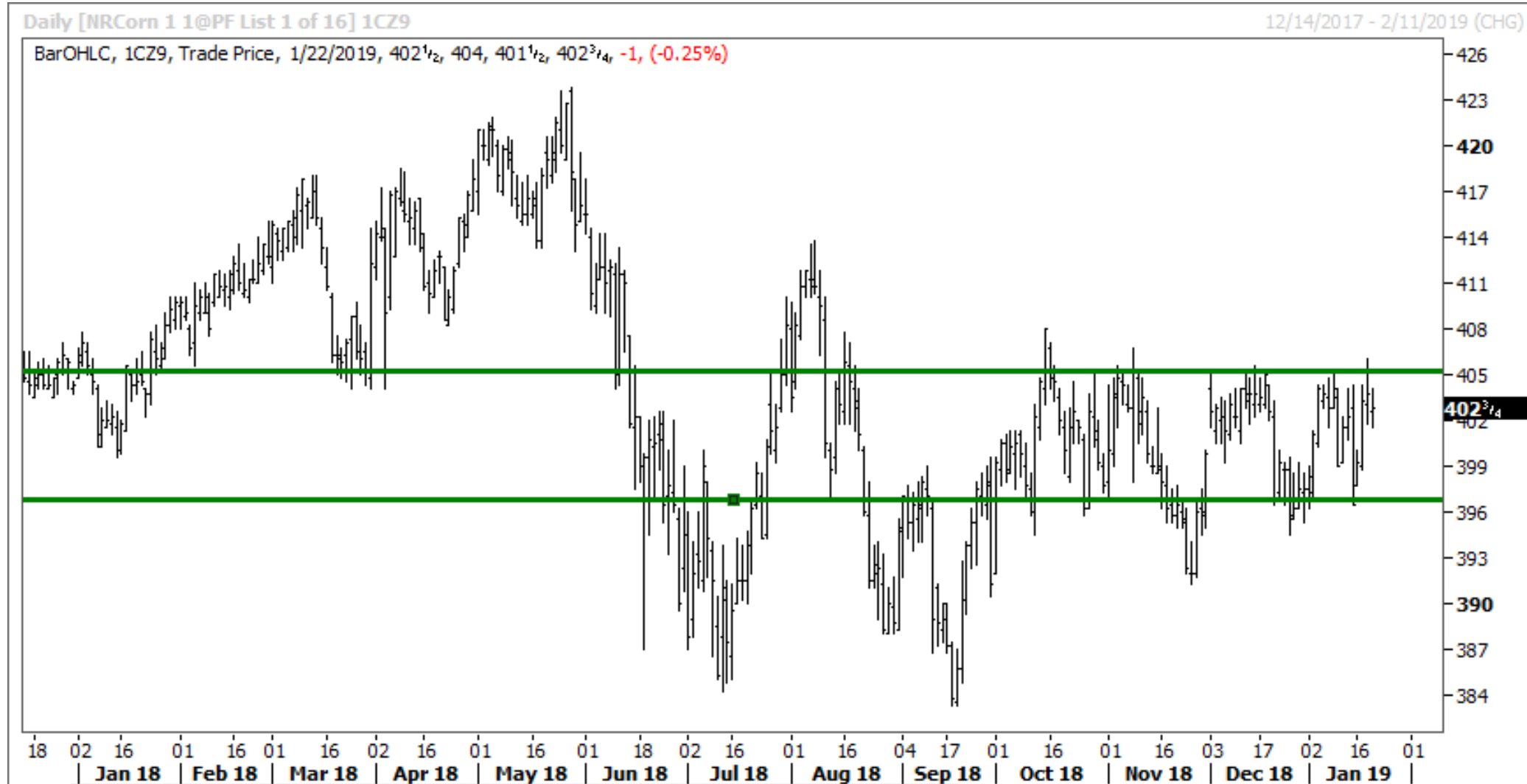
CORN S&D	2016	2017	USDA 2018	MKT 2018	vs USDA	MKT 2019	vs 2018
ACRES PLANTED	94	90.2	89.1			93	3.9
YIELD	174.6	176.6	178.9	<b>177.4</b>	-1.5	177	-1.9
PRODUCTION	15,148	14,604	14,626	<b>14,515</b>	-111	15,122	
<b>TOTAL DEMAND</b>	<b>14,649</b>	<b>14,793</b>	<b>15,030</b>	<b>15,005</b>		<b>15,250</b>	
ENDING STOCKS	2,293	2,140	1,781	<b>1,695</b>	-86	1,607	
<b>STOCKS-USE %</b>	<b>15.7%</b>	<b>14.5%</b>	<b>11.8%</b>	<b>11.3%</b>		<b>10.5%</b>	
<b>MODEL CORN PRICE</b>	3.40	3.40	4.00	4.00		4.30-4.50	

**1 Million Acre Change ~ 164 million bushels to bottom line**

**3 Bushel per Acre Change ~ 256 million bushels to bottom line**

***Level of Comfort in 2019 ~ 200 million bushels less***

# Dec-19 Corn Futures



# Let's Look at Brazil Bean Fundamentals

*Thousand metric tons*

<b>BRAZIL BEANS</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Production</b>	95,435	114,075	119,280	120,100
<b>Total Supply</b>	97,928	118,288	124,302	118,874
<b>Exports</b>	51,364	68,451	81,219	74,007
<b>Total Demand</b>	93,969	113,497	125,848	119,414
<b>Ending Stocks</b>	<b>3,959</b>	<b>4,791</b>	<b>-1,546</b>	<b>-540</b>
<b>Stks-Use %</b>	<b>4.2%</b>	<b>4.2%</b>	<b>-1.2%</b>	<b>-0.5%</b>



# Let's Look at US Bean Fundamentals

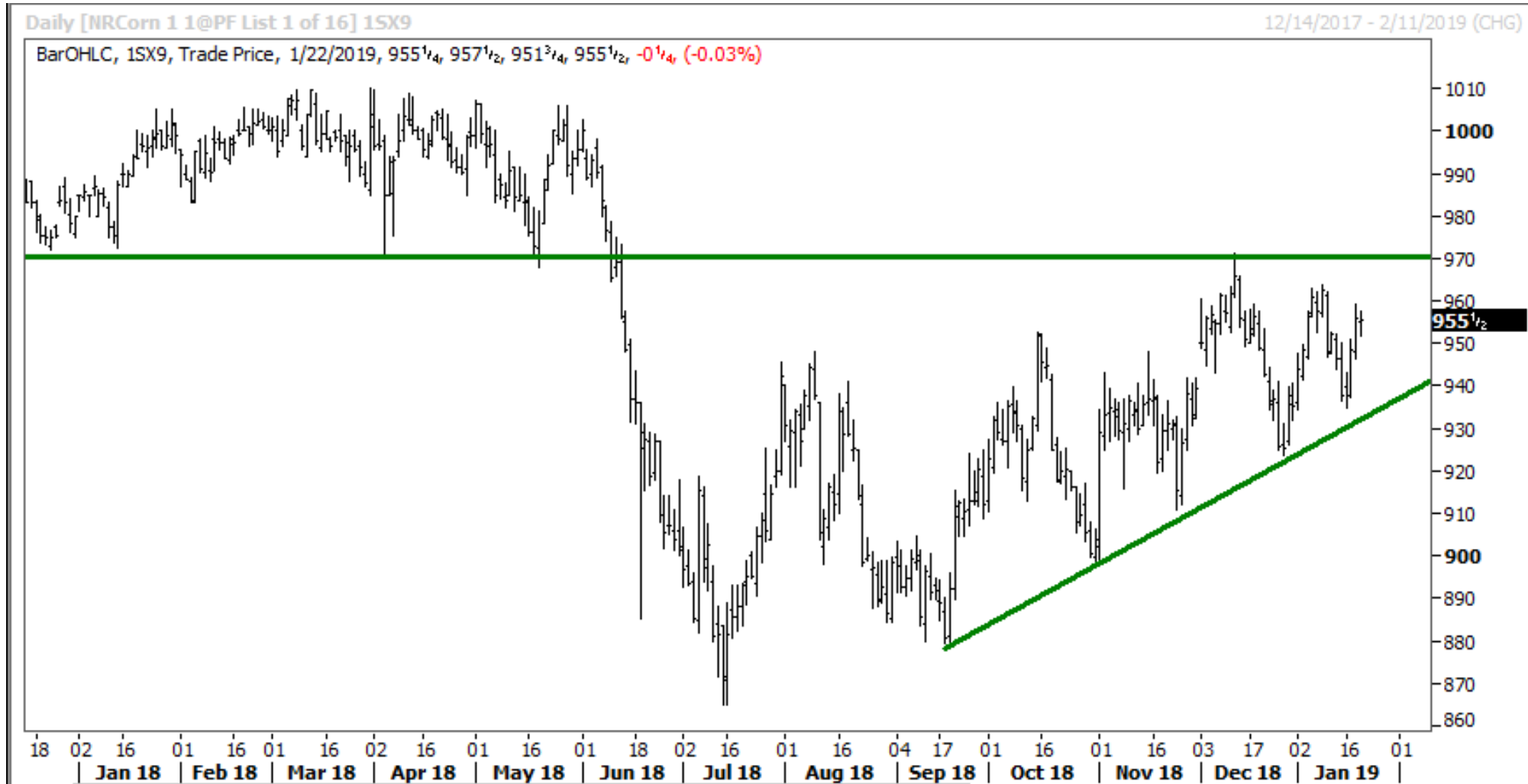
BEAN S&D	2016	2017	USDA 2018	MKT 2018	vs USDA	MKT 2019	vs 2018
ACRES PLANTED	83.4	90.1	89.1			85.2	-3.9
YIELD	52	49.3	52.1	<b>50.6</b>	-1.5	50	-2.1
PRODUCTION	4,296	4,411	4,600	<b>4,467</b>	-133	4,196	
<b>TOTAL DEMAND</b>	<b>4,214</b>	<b>4,296</b>	<b>4,107</b>	<b>4,112</b>		<b>4,300</b>	
ENDING STOCKS	302	438	955	<b>817</b>	-138	713	-242
<b>STOCKS-USE %</b>	<b>7.2%</b>	<b>10.2%</b>	<b>23.3%</b>	<b>19.9%</b>		<b>16.6%</b>	
<b>MODEL BEAN PRICE</b>	9.50	9.30	8.25	8.75		9.00	

1 Million Acre Change ~ 48.5 million bushels to bottom line

1 Bushel per Acre Change ~ 82 million bushels to bottom line

Level of Comfort in 2019 ~ 215 million bushels less

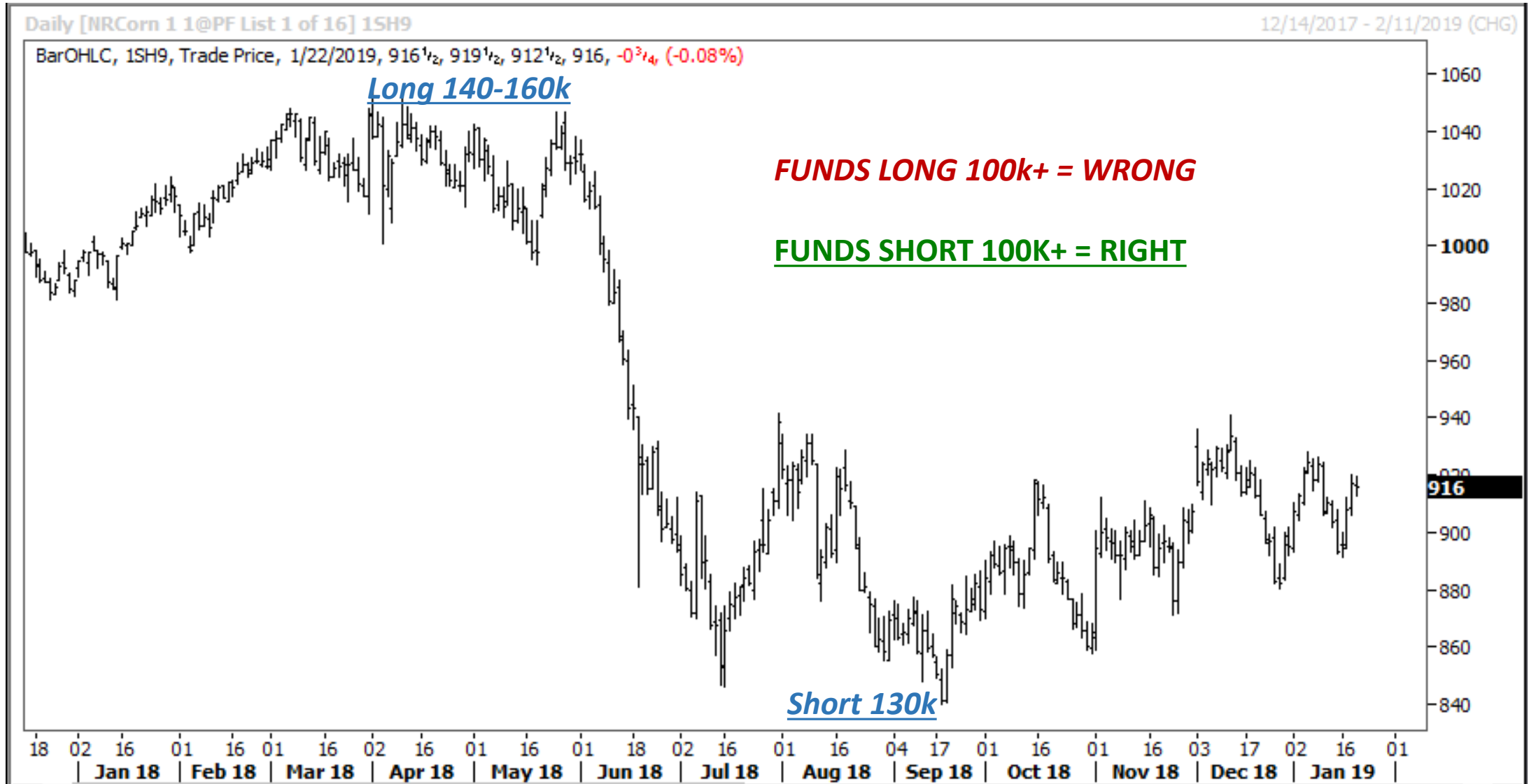
# Nov-19 Bean Futures



# Lessons I've Learned Trading the Markets

- Sell into *HOT* rumors/weather stories before they become fact
- Sell grain if funds are long 200k contracts of corn / 150k beans
  - Buy calls if funds are short 200k contracts corn / 150k beans
- When everyone's Bearish and prices are going up... it's going to keep going up and vice versa
- You'll get chopped up trading weather reports
- The market moves based on who's in a bad position

# The Right Way to Buy Calls vs Priced Contracts



# The best farmer marketers I've met

- Can sell at 4.20 and watch it go to 4.50 with *minimal emotional pain*
- Focus exclusively on profit margins
- Think about what % priced (how much they need to move) by harvest and plan to get that sold before July 4<sup>th</sup> **in 5-6 total trades**
- Always are thinking two to three crop years ahead, knowing they are always long
- ***Are never too big or too small when it comes to bushels priced***