THE BROCK REPORT
DAILY MARKET COMMENTS

CORN COMMENTS

NO NEW RECOMMENDATIONS

Corn futures settled 1/2 cent to 2 1/4 cents lower as an initial bullish reaction to this morning's USDA reports quickly fizzled out with lower USDA feed/residual and corn-for-ethanol usage forecasts largely offsetting a smaller-than-expected 2018 crop estimate. Concerns about U.S.-China trade prospects also remained a negative market factor. Commodity funds were estimated net sellers of 19,000 contracts of corn futures, according to trade sources surveyed by Reuters.

Today's technical action is clearly concerning as corn futures charted bearish outside trading days and their lowest closes in more than 3 weeks after moving to 12-session highs immediately after the USDA reports came out. Nearby Mar. corn futures also charted a bearish outside week and their lowest Friday close in 6 weeks, putting our 5-week Friday close rule short the market again. In addition, futures have fallen back below all of their key moving averages for the first time since mid-January. In view of this action, we may look to become more aggressive sellers next week, so stay alert for possible advice on both old- and new-crop sales.

Nearby support for Mar. futures is now at $3.71-$3.71 1/4, with further support on the Mar. daily chart at $3.67 1/4. Mar. corn will need to close above today's high of $3.81 3/4 to turn its near-term chart picture around. July futures have nearby support at $3.87 1/2, with further support at $3.82 and would have to close above $3.97 to turn their near-term chart picture bullish. Dec. futures have nearby chart support at $3.98 1/2, with further support at $3.96 1/2 and $3.94 1/2. Dec. would have to close above $4.04 to cancel out todays' bearish outside day.

While USDA cut corn-for-ethanol use by another 25 mil. bu. today, usage could still be cut considerably more, if ethanol production does not recover significantly over the remainder of the marketing year. On the other hand, USDA may have been a bit too aggressive with its 125-mil. bu. cut to feed/residual usage. USDA's projected U.S. stocks/use ratio slipped only marginally today to 11.7% from 11.8%.

Looking at some other fundamentals, the cut to the 2018 U.S. corn yield of 2.5-bu. per acre will mean a slightly lower trend-line yield for 2019 and slightly lower production expectations. Reviewing final 2018 yield numbers, USDA lowered yields in 13 of the top 18 corn producing states. Yields were lowered by 5 bu. or more in 9 of those states. The biggest cuts were mostly in the eastern Corn Belt, including a cut of 13 bu. in the Michigan yield and a 15-bu. cut in the Pennsylvania yield. S. Dakota saw the largest production cut at 44.1 mil. bu.

Central Illinois processor corn basis bids are steady again at 25 cents to 6 cents under Mar. futures. Front-end CIF basis bids for delivery of corn to the Gulf weakened today. This afternoon's CIF bid for February delivery to the Gulf is 2 cents weaker vs. Thursday afternoon at 60 over Mar. futures, with the bid for March delivery 2 cents weaker at 58 over, while the bid for April delivery is steady at 52 over May futures.

WORLD 2018-19 ENDING STOCKS in mil. metric tons				
Sources: USDA: WASDE, Reuters	USDA FEBRUARY	TRADE AVG. EST.	TRADE RANGE	USDA DECEMBER
CORN	309.78	307.90	305.00-308.94	308.80
SOYBEANS	106.72	113.20	109.00-115.10	115.33
WHEAT	267.53	266.50	266.00-269.70	268.10
COTTON (mil. bales)	75.50	73.02	71.70-73.50	73.19
RICE	167.62	NA	NA	163.25

U.S. 2018-19 ENDING STOCKS in bil. bu.				
Sources: USDA: WASDE, Reuters, Bloomberg	USDA FEBRUARY	TRADE AVG. EST.	TRADE RANGE	USDA DECEMBER
CORN	1.735	1.708	1.621-1.787	.1781
SOYBEANS	.910	.926	.800-1.015	.955
WHEAT	1.010	.989	.950-1.028	.974
COTTON (mil. bales)	4.3	4.62	4.10-6.00	4.40
RICE (mil. cwt)	47.1	NA	NA	44.2

SOYBEAN COMMENTS

NO NEW RECOMMENDATIONS

Soybean futures edged 3/4 of a cent to 1 1/2 cents higher in choppy trading, pulling off of 2-1/2 week lows on support from USDA's lower U.S. and world carryover forecasts. Gains were limited, though, with projected U.S. and world still looking very comfortable. Fresh concerns about U.S.-China trade prospects remained a negative market factor along with concerns about overall Chinese demand. Improving crop weather in S. America was also a negative market factor. Commodity funds were estimated buyers of 2,500 contracts of soybean futures and 2,500 soyoil futures, but sold an estimated net 1,500 contracts of soymeal futures.

With USDA's long-awaited reports failing to move prices significantly, the near-term chart picture for soybeans is looking uncertain. Futures may continue to chop around as traders watch for news out of next week's further U.S.-China trade talks in Beijing. Nearby Mar. soybeans now have nearby support at $9.08, with trend-line support at about $8.99. Nearby resistance is at $9.18-$9.22 1/2 and the market likely needs to close above $9.26 1/4 to set up a possible new upward move. Nov. soybeans have nearby chart support at $9.51 1/4 after bouncing off their 40-day moving average. Nearby resistance is at $9.60-$9.63 1/2. Nov. beans need to clear the possible double top on their chart at $9.69 1/4-$9.71.

While USDA lowered its U.S. soybean carryout forecast by 45 mil. bu. or 4.7% today, the midpoint of its forecast for the avg. annual on-farm price of soybeans stayed at $8.65. The projected carryout of 910 mil. bu. is still record large and U.S. soybean stocks clearly remain ample to meet demand with the projected stocks/use ratio falling modestly from 23.3% to 22.2%. Meanwhile, although USDA lowered its world soybean carryout forecast more than expected, the projected world stocks/use ratio remains high at 30.5%.

USDA's lower Brazilian soybean crop estimate of 117.0 MMT, which was right on the avg. of trade estimates was clearly already factored into the market. While there have been a number of lower estimates out of Brazil lately, production estimates may now have bottomed out with badly needed rains arriving in northeastern growing areas and some rains headed for Mato Grosso do Sul and Paraguay. Brazil's harvest continues to roll along at a record pace with IMEA, the agricultural institute in the largest growing state of Mato Grosso pegging progress in that state at 53.3%, up 15.85% from a week earlier and far ahead of both the year earlier pace of 28.6% and the 5-yr. avg. of 32.2%.

Front-end CIF basis bids for delivery of soybeans to the Gulf are stronger this afternoon compared with Thursday afternoon. The CIF bid for Feb. delivery is 1 cent stronger at 33 over Mar. futures, while the bid for March delivery is 2 cents stronger at 33 over and the bid for April delivery is 1 cent stronger at 23 over May futures. Spot Central Illinois processor soybean basis bids are steady at 33 to 20 cents under Mar. futures.

WHEAT COMMENTS

NO NEW RECOMMENDATIONS

Wheat futures were mixed, as the market was one of several that showed little reaction to a report that offered few fireworks. Chicago wheat ended up 4 cents to $5.17 ¼, and other nearby months were higher, but December slipped ¼ cent to $5.42 1/2. Kansas City wheat was down 1 to 2 cents, with March closing at $4.94 ¼ and Dec. closing at $5.36 ¾. Minneapolis wheat was up in nearby months as March settled up 4 cents, but deferred contracts were down slightly.

For the week, nearby futures were down across all three classes: Chicago March wheat lost 7 cents on the week, K.C. lost 10 ½ cents, and Minneapolis lost 8 ½ cents. Minneapolis wheat made a three-week low today.

Today's report was a mixed bag for wheat, with the biggest news coming in the Winter Wheat Seedings report. It pegged U.S. winter wheat seedings for 2019 harvest at just 31.290 million acres, down from 32.535 million last year and below trade estimates that ranged from 31.500 to 33.300 million. This is the lowest total in 110 years! The biggest loss was in SRW wheat, as acreage of 5.660 million were down 7% from last year. HRW wheat acres of 22.200 million were down 3%. This should be supportive for new-crop wheat futures.

But in the near-term the data for wheat was not positive. USDA pegged Dec. 1 U.S. wheat stocks at 1.999 billion bushels, 42 million above the average trade estimate and up 126 million from a year earlier. The 2018-19 carryout was hiked by 36 million bushels, as USDA cut feed/residual use by 30 million and cut seed use. USDA did not cut its forecast for U.S. wheat exports, which is a surprise but perhaps a reflection of the five weeks of unreleased export data that are yet to come due to the government shutdown.

USDA cut its world wheat ending stocks estimate by a modest 570,000 MT. World stocks are now seen down more than 12 MMT from last year. Surprisingly, it kept its forecast for EU total 2018-19 wheat exports at 22.0 MMT, even though the European Commission now estimates only 19.0 MMT. USDA raised its forecast for Russia's exports by 500,000 MT to 37.0 MMT, but cut Australia's by 500,000 MT.

Looking beyond the report, the best thing wheat bulls have going for them currently is that Russian wheat has become uncompetitive and the U.S. is taking advantage. It did today at least, winning 120,000 metric tons of business from Egypt in its latest tender, for March 21-31 delivery. Ukraine and France also won some of the business. The U.S. was the low bidder in the tender.

Wheat futures could also get some support from winterkill concerns, particularly in light of reduced U.S. acres. World Weather Inc. says there has been some more potential damage in the Plains, from Nebraska to the Texas Panhandle, due to the late-week cold snap.

COTTON AND RICE COMMENTS

NO NEW RECOMMENDATIONS

Cotton futures ended lower amid a lack of supportive news, whether from the USDA report or anywhere else. March cotton ended down 26 points to 72.55, and was down 1.09 cents on the week. It traded a range of 72.45 to 73.01 today, a narrow range for a report day. July cotton ended down 30 points to 75.01. December ended down 60 points to 73.93. Technically, July cotton made a three-week low today and looks poised to test its January low at 73.49. On any rebound, the next upside tests look to be the 18-day moving average at 76.13, and the 40-day moving average at 76.42.

The USDA Supply and Demand report was underwhelming and the market treated it as a nonevent. USDA lowered its crop estimate and its carryout slightly to 4.3 million bales, down from 4.4 million in December, but in line with a year ago. The world carryout, however, was raised, to 75.50 million bales, up from 73.19 million in December but down from 81.05 million a year earlier. USDA's season-average price projection was narrowed to 71-73 cents per pound, down from 71-77 cents in December. Attention now turns toward acreage, and traders will start next week by digesting National Cotton Council survey numbers, to be released over the weekend.

Rice futures ended lower amid technical pressure and a negative USDA report. March rice ended down 13 ½ cents to $10.36 ½, after trading a range of $10.36 to $10.50 ½. May rice ended down 16 cents to $10.57. For the week, March rice lost 28 ½ cents.

Rice doesn't have much of a story right now, and certainly not a bullish story. USDA in today's Supply and Demand report hiked its 2018 long-grain production estimate to 164.0 million hundredweight, from 158.6 million in December. It also raised carryout for long-grain rice to 34.8 million hundredweight, up from 32.4 million in December. An increase in exports of 1 million cwt. and in domestic use by 2 million was more than offset by a 5.4 million cwt. increase in production. The world carryout also rose, to 167.62 MMT, up from 163.25 MMT in December and 162.02 MMT a year ago.

LIVESTOCK COMMENTS

NO NEW RECOMMENDATIONS

Live cattle futures ended higher amid expectations of higher cash trade today. February live cattle ended up $1.075 to $127.375, while April gained $1.10 to $127.925 and June ended up 95 cents to $118.10. Nearby Feb. futures gained $1.65 on the week. The afternoon Boxed Beef report showed Choice down $1.36 and Select down 36 cents. Packer margins were at an estimated $65.55 today according to HedgersEdge, down from $73.95 yesterday but up slightly from $63.70 a week ago.

There was still only limited cash trade late Friday afternoon, but packers reportedly raised bids to $125 in the southern Plains. There was some trade reported in Nebraska at $125. The bulk of last week's trade occurred at $124.

Feeder cattle futures were also higher. March gained 85 cents to $144.10, and April ended up $1.025 to $145.90. The CME feeder cattle index for Thursday was $141.69, down 12 cents.

Lean hog futures were lower on pressure from ample hog supplies and U.S.-China trade concerns. February lean hogs ended down 23 cents to $55.05, April fell $1.175 to $58.425 and June ended down $1.00 to $74.375. The CME lean hog index as of Wednesday was at $56.89. The afternoon pork carcass cutout value was down 29 cents, while cash prices were firm. The Iowa/Minnesota cash hog price was up 34 cents. Packer margins remain solid at around $25 per head, and they have plenty of available supply to meet their needs.

Technically, most-active April lean hog futures have slid to a new 6-month low and have key support at $57.80-$58.30 - the only support left be-low the market on the daily price chart. June lean hogs have traded to their lowest level in nearly 6 months. June hogs may have some support around $74.00, but major support is back in the $70.00-$71.00 range and at the contract low of $67.75. Futures are be-coming oversold again on short-term indicators, which may slow selling interest, but hog futures are very capable of staying in oversold territory on those indicators for 2-3 weeks at a time.

GRAIN MARKET POSITIONS

CORN: Cash-only Marketers: 2018 CROP: 50% sold on regular forward contracts and on hedge-to-arrive contracts against Dec. 2018 futures (11-14-17, 5-11-18, 5-30-18, 8-15-18, 12-21-18). 2019 CROP: No sales recommended.

Hedgers: 2018 CROP: 40% sold in the cash market on regular forward contracts and hedge-to-arrive contracts (5-11-18, 8-8-18, 8-15-18, 12-21-18). Short July 2019 futures on 20% of 2018 production (12-26-18). 2019 CROP: No cash sales or hedges recommended.

SOYBEANS: 2018 Crop: 50% sold on hedge-to-arrive and regular forward contracts against Nov. 2018 futures (11-14-17, 12-7-17, 1-26-18, 3-9-18, 2-7-19). 2019 CROP: No sales recommended.

Hedgers: 2018 Crop: 50% sold in the cash market (1-26-18, 1-31-18, 3-9-18, 12-19-18, 2-7-19). Aside futures. 2019 CROP: No cash sales or hedges recommended.

WHEAT: Cash-only Marketers: 2018 CROP: 90% sold (5-7-18, 6-5-18, 7-2-18, 8-7-18, 8-15-18, 11-8-18, 12-19-18, 2-1-19). 2019 CROP: No sales advised.

Hedgers: 2018 CROP: 90% sold (5-7-18, 5-22-18, 6-5-18, 7-2-18, 8-15-18, 11-8-18, 12-19-18, 2-1-19). Aside futures. 2019 CROP: No cash sales or hedges recommended.

HOGS: Aside futures.

FED CATTLE: Aside futures.

FEEDER CATTLE: Aside futures.

MILK: Aside futures. No forward cash sales recommended.

FEED BUYERS: SOYMEAL: 100% of 1st qtr. needs bought in the cash market (12-12-18); aside futures. CORN: No forward cash purchase advised. Aside futures.
.
COTTON: Cash-only Marketers: 2018 CROP: 50% forward contracted (12-18-17, 1-31-18, 3-16-18, 5-22-18, 6-15-18). 2019 CROP: No sales recommended.
Hedgers: 2018 CROP: 40% cash forward contracted (12-18-17, 3-16-18, 5-22-18, 6-15-18). Aside futures. 2019 CROP: No cash sales or futures hedges recommended.

RICE: 2018 CROP: 60% sold in the cash market (5-7-18, 6-29-18, 7-10-18, 8-3-18, 10-24-18). 2019 CROP: No sales recommended