

# March 4, 2019

### Weather:

# HIGHLIGHTS OF THE DAY

### U.S. river issues on the Mississippi remains a grave concern for some shippers

- o High water levels in the lower Mississippi have been a constant restriction on barge movement in recent weeks
- o Ice on a parts of the upper and some middle Mississippi river locations is too thick to allow traffic to proceed
- o Warming late this week and into next week will help to begin thawing some of the river system, but a large storm system this weekend may bring more rain and snow to the Midwest threatening the longer term outlook with possibly more flooding later in the spring
- Argentina's key grain and oilseed areas of southern Cordoba received very important rainfall during the weekend easing recent dryness
  - o Some local flooding occurred near Rio Cuarto, Cordoba where more than 5.00 inches of rain fell overnight
  - o This change leaves Argentina dryness mostly confined to minor grain areas in the far southwestern corner of the nation
- <u>Brazil weekend rainfall</u> was most significant from Mato Grosso to Sao Paulo and western and southern Minas Gerais
  - o Rain totals of 1.00 to 3.00 inches were widespread
  - o Mostly dry conditions occurred in the northeast and from Rio Grande do Sul to Paraguay, Mato Grosso do Sul and southwestern Sao Paulo
  - o Temperatures were seasonable with a slight warmer than usual bias, especially in the west
- South America weather is expected to remain quite favorable during the next two weeks
  - o Timely rain will fall in most of Argentina, Paraguay and Brazil
  - o The driest areas will continue in far southwestern Argentina and far northeastern Brazil
  - o Enough timely rain will impact southern Cordoba, Argentina, Paraguay, and interior southern Brazil to protect most crops and to ensure good development conditions
    - These areas have been closely monitored recently for dryness and production cuts have occurred in Paraguay and parts of southern Brazil, but most of the losses were from earlier this summer and no new losses are expected in the next two weeks
  - o Argentina will trend drier next week
  - o **Brazil** will trend drier during the middle to latter part of next week
  - o Temperatures will bed seasonable in both nations and in Paraguay, as well
- <u>U.S.</u> winterkill was not suspected during the weekend nor was it expected to be much of an issue in the next day or two
  - o Snow was on the ground this morning north of a line from the far northern Texas Panhandle through northern Oklahoma, northern Arkansas, northwestern Tennessee and central Kentucky

- Some snow free conditions occurred in northern Illinois into northern Indiana and southern Michigan
  - Temperatures were not likely cold enough for a serious impact on those fields that were either left snow free or only partially covered
- Farther south in Texas low temperatures this morning slipped to some upper single digits and teens which were not likely cold enough to permanently harm wheat even though there has been some very warm days recently
  - The crop was shocked by the fall in temperatures from the 60s and lower 70s Fahrenheit Friday to this morning's lows in the upper single digits and teens
  - New vegetative growth was likely burned back, but no permanent damage to production potentials was suspected
- o Freezes in the southern United States this morning and those expected over the next two nights will burn back new vegetative growth, but no permanent harm is expected for crops from central Texas through the Delta to the interior southeastern United States
- o Damage to flowering fruit tree blossoms is expected in the southern states and that may reduce fruit production in 2019

#### **News:**

- USDA reported private sale of 100,500 metric tons of corn for delivery to Colombia during the 2018/2019 marketing year.
- Friday's January 2019 USDA Fats & Oils:
  - o Soybean crush 5.486 mln tons; expected 5.480 mln tons
  - o Soybean meal stocks 480,114 tons
  - o Ending Soy crude oil stocks 2.004 bln lbs; expected 2.046 bln lbs
- Brazilian February 2019 Trade Ministry data:
  - o Soybean exports at 6.09 mln mt vs January 2.15 mmt; February 2018 2.86 mmt.
  - o Soybean Meal exports at 0.98 mln mt vs January 1.26 mmt; February 2018 1.35 mmt
  - o Soybean Oil exports at 36,634 mt vs January 39,563 mt; February 2018 1.35 mt
  - o Corn exports at 1.751 mmt vs January 4.224 mmt; February 2018 1.254 mmt
  - Ethanol exports at 131.38 mln liters vs January 103.74 mln liters; February 2018 61.29 mln liters
  - o Pork exports at 45,854 mt vs January 41,860 mt; February 2018 37,757 mt
  - o Beef exports at 115,456 mt vs January 102,430 mt; February 2018 98,396 mt
- Illinois announced dicamba special use restrictions. There will be a cutoff date at June 30 for spraying dicamba on soybeans in 2019 growing season, and no spraying allowed when the wind is blowing toward residential areas.
- The US ambassador to the UK has taken aim at the European Union's agriculture policy in a bid to improve the image of US farming ahead of a renegotiated trading relationship between the two countries. Decrying "smears" against US farming, ambassador Robert Wood Johnson decried the EU as having a "Museum of Agriculture" approach to agriculture in a weekend editorial published in the UK's Sunday Telegraph. The ambassador's letter was an attempt to bolster the image of US produce in the British public eye, with Johnson calling for liberalized attitudes toward agriculture and trade after the UK leaves the EU, which is currently scheduled for March 29.
- World palm oil demand may suffer its first contraction in two decades during the 2019/20 crop year due to rising domestic oilseed supplies in top buyer India and slowing demand in Europe and China, industry participants told Reuters. Indian traders expect flat to slightly larger palm oil

imports this year against a backdrop of record oilseed production that should boost domestic edible oil supplies.

- Flooding and ice buildup on key rivers in the U.S. Midwest has stalled the movement of barges that supply export terminals at the Gulf of Mexico with grain and soy, barge and grain traders said. One lock on the Ohio River became impassable last week, halting vessels moving to and from the Mississippi River until as late as March 9, they said.
- U.S. energy firms this week cut the number of oil rigs operating to the lowest in almost nine months as some producers follow through on plans to cut spending despite an over 20-percent increase crude futures so far this year. Drillers cut 10 oil rigs in the week to March 1, bringing the total count down to 843, the lowest since May 2018, General Electric Co's Baker Hughes energy services firm said in its closely followed report.

## **Gulke Group March 2019 Conference:**

Our 2019 March Conference will be held at The Westin Lombard Yorktown Center on March 28-29th. We will meet on Thursday from 1-5 followed by a dinner banquet and on Friday from 8-12. The conference fee is \$345 for clients and \$495 for non-clients. You can book a room at the Westin Lombard for \$134 + tax by calling and mentioning the Gulke Group to get the room rate. (630) 719-8000 The room block will last until March 15. After March 15 the hotel rooms will be based on availability and I cannot guarantee you can get the group rate.

We are also going to have an additional ½ day Technical Workshop from 8:30-11:30 on Thursday morning before the conference starts. The workshop will cover the basics of technical analysis that Gulke Group uses on a daily basis and will use Jerry and Ashley's "Technical Analysis Made Fundamentally Easy" as the curriculum. The fee for the Tech Workshop will be \$75 and will include lunch.

If you have questions or to sign up for the Conference you can call/text Jamie at 707-365-0601 or Jeff at 480-285-4745 ASAP.

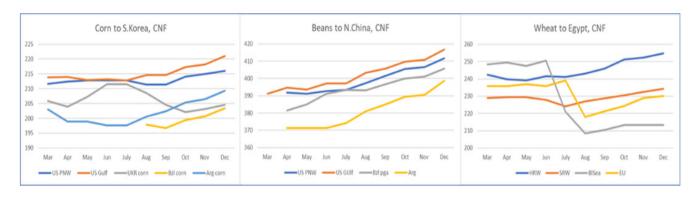
#### **Technicals:**

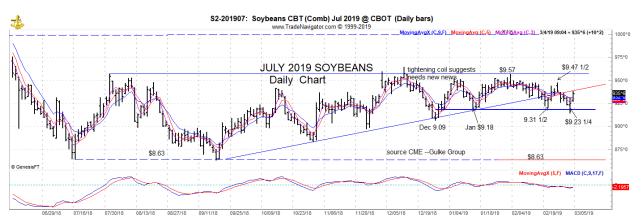
Cost and freight charts **(source Gulke Group)**. (CNF) This takes the origin price of each shipper, adds ocean freight to arrive at a delivered price in USD/mt. to major destination markets for corn, beans and wheat. This gives an idea how the different originsS pencil today.

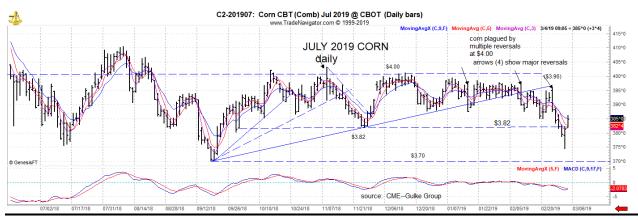
Corn. Note that US corn is over-priced vs the others. First by Arg, then by Bzl and Ukraine August forward.

Soybeans. The calc is with NO TARIFF. There is limited Arg for sale, so best comparison is BZL vs US. But Bzl is \$15 usd/mt cheaper, or roughly 30+cts/bu in nearby positions and does not include a 10cts/bu quality spread that China will pay for Bzl beans. Bottom line US is uncompetitive even with no tariff.

Wheat. SRW is cheap, bu there is limited new export demand for SRW now. The key is how HRW calculates against EU. (blue and yellow). And EU is still selling aggressively. By now the market thought the US would have all this business to itself.







**Yesterday's Trades:** Corn – For 2018, bot 10% CN at 378 ¼(512.50 profit/contract) and bot 15% CN at 381(\$350 profit/contract). For 2019, bot 15% CZ at 393 ¾(\$487.50 profit/contract). **Soybeans** – For 2018, bot 15% SN at 925(\$900 loss/contract), bot 15% SN at 923 ¾(\$975 profit/contract), and bot 15% SN 920 calls at 30 ¼(\$325 profit/contract). For 2019, bot 15% SN at 925(\$162.50 profit/contract), bot 15% SX at 944(\$1250 loss/contract), bot 55% SN 920 calls at

 $30 \frac{4}{525}$  profit/contract). Wheat(all classes) – For 2018/2019, bot 20% WK 510 calls at 4  $\frac{4}{9}$ (\$400 profit/contract).

ADVICE/COMMENTARY: The soybean and corn chart in tech section shows the results of our advice on Friday morning and mid-day updates during the day giving technical analysis new creditability. We reduced hedge coverage accordingly---see position monitor below and "yesterday's trade" above.

In an early AM voice message we revealed that US Sect of State had asked to be on the Des Moines, IA radio WHO AM at 7 this morning further reiterating both in IA today meeting with IA manufacturing firms regarding trade and Ag. If you are not on the voice list, I'd suggest you contact Jeff and Jamie and do so!

No new advice pending a mid-day---we lifted significant coverage in addition to early am message and voice this AM in case catch-up was needed. Grains all higher including meal and rapeseed, meal, corn and soybeans. Live cattle, FCattle lower and hogs steady.

Spec Advice--- if inclined buy US \$ 95.50 June—I'd suggest trying that pullback from today's surge higher

**COTTON:** Traded higher again on Friday and this morning – moving above 74 cts in early trade. Lift hedges on a move above 74.70. Add 25% hedge below 71.75 and another 25% below 71.00.

**RICE:** Still range bound after last week's big surge higher. We'll use a move below \$10.20 to hedge 25% of new crop using May futures, otherwise, we'll see if May contract can close above \$10.75.

## Markets:

	Gulke Groups	Spec Table Bu	ıy/Sell Stops	(*New Positions in BOLD)						
		3/1/2019		Today's	Stops	Current Position*				
	<u>High</u>	Low	Close	Buy	<u>Sell</u>	Long	Short			
CN19	382 1/4	374 1/2	381 1/2	389 3/4	373 1/4		389			
CZ19	394 3/4	387 1/2	394 1/4	402	386 1/2		399 1/2			
SK19	918	900 1/2	911 1/2	929 1/2	893 1/2		925			
SN19	931 1/4	914 1/2	925 1/2	942 3/4	908 1/4		928			
SX19	950 1/2	935	945 3/4	961 3/4	929 3/4		942 1/2			
SMK19	307.900	302.800	307.4	312.7	302.2	310.9				
BOK19	30.640	30.160	30.24	30.87	29.61	30.68				
WK19	461 1/4	447 1/4	457 1/4	471 3/4	442 3/4		472 3/4			
WN19	468 1/4	454	463 1/4	478	448 1/2		526			
KWK19	448.000	432.500	444 3/4	460 3/4	428 3/4		450 1/4			
MWK19	565 1/4	557 1/4	558 1/4	566 3/4	549 3/4	553				
LCJ19	130.450	129.025	129.550	131.175	127.925		128.025			
LHJ19	57.575	55.675	56.400	58.500	54.300	56.250				
LHM19	76.825	75.425	75.525	77.125	73.925	76.000				
FCJ19	147.125	144.700	145.050	147.675	142.425		146.075			
CTK19	73.950	72.600	73.850	75.40	72.30		71.95			
SBK19	12.880	12.610	12.620	12.94	12.30		13.03			
GCJ19	1316.50	1291.30	1299.20	1324.90	1273.50		1330.90			
NRK19	1059.00	1047.50	1053.00	1064.53	1041.47 1054.5					
DJH19	26143	25894.00	26031	26300	25762		25784.00			
CLJ19	57.88	55.57	55.80	58.31	53.29	56.76				
NGJ19	2.872	2.780	2.859	2.966	2.752	2.761				
DXH19	96.475	95.960	96.375	97.09	95.66		95.810			
USM19	144 18/32	143 18/32	143 26/32	145 2/32	142 18/32		145 25/32			

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

THE GULKE GROUP HAS HAD LITTLE OR NO EXPERIENCE IN TRADING ACTUAL ACCOUNTS FOR ITSELF OR FOR CUSTOMERS. BECAUSE THERE ARE NO ACTUAL TRADING RESULTS TO COMPARE TO THE HYPOTHETICAL PERFORMANCE RESULTS, CUSTOMERS SHOULD BE PARTICULARLY WARY OF PLACING UNDUE RELIANCE ON THESE HYPOTHETICAL PERFORMANCE RESULTS.

This composite performance records are hypothetical and are used as a guide for position tracking purposes. Execution prices are an average execution price of the first ten trades recorded after advice has been posted and are net of average round turn commissions of \$33.00 for futures and \$36 for options and round turn fees of \$5.04 for grains and \$5.20 for livestock. One of the limitations of a hypothetical composite performance records is that client decisions relating to the recipient's advice may or may not elect to act upon such advice and timing of execution by clients of advice may create a difference in the execution price represented in the matrix below. Therefore, composite performance records may differ which may materially affect trading results.

	HYPOTHETICAL H	EDGING	POSITIO	N MATRIX		3/4/2019								
Live Cattle	- margin = <b>\$1</b> 500				Live Hogs -	margin = \$1200				Feeder Ca	tle - End User - margin = \$2	800		
Date	Action	Price	Status	% Hedged	Date	Action	Price	Status	% Hedged	Date	Action	Price	Status	% Hedged
1st Quarter	2019				1at Quarter	2019				1st Quarter	2018			
												Total		0%
		Total		0.0%						Feeder Ca	ttle - Producer - margin = \$2	800		
2nd Quarter	2019						Total		0.0%	Date	Action	Price	Status	% Hedged
1/3/2019	Sold LCJ	125.175	(\$1,788.20)	20%	2nd Quarth	er 2019				Fall				
1/31/2019	Sold LCJ	127.100	(\$1,018.20)	20%										
		Total		40.0%			Total		0.0%			Total		0.0%
2019 Cotton	- margin = \$2650				3rd Quarter	2019				Spring				
Date	Action	Price	Status	% Hedged						1/4/2019	Sold FCJ	144.275	(\$348.20)	20.0%
							Total		0.0%	1/9/2019	Sold FCJ	145.300	\$61.80	20.0%
					Energy					1/31/2019	Sold FCJ	144.925	(\$88.20)	20.0%
					Date	Action	Contracts	Price	Status			Total		60.0%
		Total		0.0%	1/2/2019	Bot Cash	QMG19	47.30	)	2019 Rice -	margin = \$1250			
	Livestock Trading Hour	's			Spec Trade	S				Date	Action	Price	Status	% Hedged
Mon - Fri	8:30 am to 1:05 pm CST	No Night	Trading		1/3/2019	Sold April Cattle	125.175	(\$1,788.20)		10/11/2018	Sold CASH	1075		25%
	<b>Grain Trading Hours</b>													
Sun - Fri	7pm to 7:45am and 8:30a	m to 1:20pr	m CST											
												Total		25%

	HYPOTHETICAL	HEDGING	POSITIO	ON MATRIX		3/4/2019								
2018 CORN	- margin= \$800				2018 SOYBI	ANS - margin= \$2050				2018 WHE	T - margin= \$1350			
Date	Action	Price	Status	% Hedged	Date	Action	Price	Status	% Hedged	Date	Action	Price	Status	% Hedge
Cash (future	es price day of sale)				Cash (future	es price day of sale)				Cash (futur	es price day of sale)			
3/2/2018	Sold CASH vs. CH19	411		15%	1/10/2018	Sold CASH vs. SX	1006		15%	8/7/2018	Sold CASH vs. WH	609		10%
1/9/2019	Sold CASH vs. CN19	397		10%	2/1/2018	Sold CASH vs. SX	971		15%	8/13/2018	Sold CASH vs. WH	577 1/2		15%
1/15/2019	Sold CASH vs. CN19	388 1/2		15%	3/2/2018	Sold CASH vs. SX	1036		10%			Total		25.0%
2/25/2019	Sold CASH vs. CN19	389		10%	10/16/2018	Sold CASH vs. SN	935		10%	Futures				
		Total		50%	1/9/2019	Sold CASH vs. SN	948		15%					
Futures					1/15/2019	Sold CASH vs. SN	920		15%					
3/1/2019	BOT CN19	381	(\$13.04)	-5%		0000 07107710. 011	Total		80%			Total		0%
0/1/2010	201 01110		(\$10.04)	0.00	Futures		Total		0070	Options		Total		
					2/19/2019	Sold SN	928 1/4	\$99.46	15.0%	орионо				
		Total		-5%	2/13/2013	COIG CIT	320 114	Q33.40	10.070			Total		0.00%
Ontions		Total		-3/0			Total		15.0%		Total Hedged	TULAI		25.0%
Options					0-4		Total		13.0%	2040 MUE	v			23.0%
					Options						AT - margin= \$1350			
										Date	Action	Price	Status	% Hedged
		Total		0.0%						Cash (futur	es price day of sale)			
	Total Hedged			45.0%			Total		0.0%			Total		0.0%
2019 CORN	- margin= \$800					Total Hedged			95.0%	Futures				
Date	Action	Price	Status	% Hedged		2018 SOYBEANS CASH ONLY	' SELLERS							
Futures					Date	Action	Price		% Hedged			Total		0%
1/15/2019	Sold CZ19	398	\$149.46	15.0%	Cash (future	es price day of sale)				Options				
2/25/2019	Sold CZ19	398	\$149.46	15.0%	10/20/2017	CASH ONLY vs SX18	1003		10%	2/19/2019	Sold WN 520 calls(20%)	17 3/4	\$421.46	4.65%
			•		10/20/2017	-	998		10%			Total	*	4.65%
		Total		30%	10/26/2017	CASH ONLY vs SX18	994		10%		Total Hedged			4.6%
Options		- Iotai		0070	11/14/2017	CASH ONLY vs SX18	958 3/4		10%	2018 KC W	heat-margin = \$1350			11070
Ориона					3/9/2018	CASH ONLY vs SX18	1033		10%	Date	Action	Price	Status	% Hedge
		T		0.00			_		_		1	Price	Status	% neaged
	T	Total		0.0%	10/16/2018		935		10%		es price day of sale)	000		400/
	Total Hedged			30.0%	1/9/2019	Sold CASH vs. SN19	948		15%	8/7/2018	Sold CASH vs. KWH	626		10%
	ORN - margin = \$800		_		1/15/2019	Sold CASH vs. SN19	920		15%	8/13/2018	Sold CASH vs. KWH	577 1/2		15%
Date	Action	Price	Status	% Hedged			Total		90%			Total		25%
2nd Quarter	2019				2019 SOYB	ANS - margin= \$2050				Futures				
					Date	Action	Price	Status	% Hedged					
					Cash (future	es price day of sale)						Total		0.0%
		Total		0.0%			Total		0%	Options				
3nd Quarter	2019				Futures									
					10/23/2018	Sold SX19	915	(\$1,575.54)	15%			Total		0.0%
		Total		0.0%	1/31/2019	Sold SX19	955 3/4	\$461.96	15.0%		Total Hedged			25.0%
End User - S	Soymeal - margin = \$1650									2019 KC W	HEAT - margin= \$1350			
Date	Action	Price	Status	% Hedged			Total		30.0%	Date	Action	Price	Status	% Hedged
1st/2nd Qua		Price		,	Options						es price day of sale)			
TOURING QUA	10, 20,0	11100				Sold SX19 940 calls(15%)	46 1/2	(\$209.79)	8.03%	outin fruitar	or prior day or carey	Total		0.0%
		Total		0.0%	10/10/2010	55.3 O/(10 570 Gallo(10/0)	40 112	(4200.10)	0.0070	Futures		rotar		0.070
3rd/Ath Over	rtor 2019	Price	<del>                                     </del>	0.070				<u> </u>	<del>                                     </del>	, utules		+		
3rd/4th Qua	1101 2013	riice	-									Total		00/
		7-1-1	-	0.00			T-4-1	-	0.04	0-4		Total		0%
2040 6		Total		0.0%		T - 10 1 1	Total		8.0%	Options	0 111481 500 " '000'	47.00	0101.10	4 000
	a - margin = \$400					Total Hedged			38.0%	2/19/2019	Sold WN 520 calls(20%)	17 3/4	\$421.46	4.65%
Date	Action	Price	Status	% Hedged		neat-margin = \$1250						Total		5%
1/10/2019	Sold RSX	496.00	\$218.96	25.00%	Date	Action	Price	Status	% Hedged		Total Hedged			4.6%
					Cash (future	es price day of sale)				2019 MN W	HEAT - margin= \$1250			
		Total		25%	8/7/2018	Sold CASH vs. MWH	657		10%	Date	Action	Price	Status	% Hedged
2018 Canola	a - margin = \$400				8/13/2018		623		15%		es price day of sale)			
Date	Action	Price	Status	% Hedged			Total		25%	1		Total		0.0%
	Sold CASH	496.50	Satur	75.00%	Futures				2379	Futures				01074
	COM ONOT	730.30	<del>                                     </del>	10.0070	i utures			<u> </u>		, utul Ca		+		
		-	-	-			Total	-	0.09/			Total		00/
		T . 1	-	750	0-4		Total		0.0%	0-4		Total		0%
		Total		75%	Options			1		Options		+		-
								1		1		$\perp$		
					1		Total		0.0%			Total		0%
						Total Hedged	_		25.0%		Total Hedged	_		0.0%