

**March 4, 2019**

**Weather:**

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**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
- **Brazil weekend rainfall** 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.S. 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
- 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
- **Damage to flowering fruit tree blossoms is expected in the southern states and that may reduce fruit production in 2019**

## News:

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- 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:
    - Soybean crush 5.486 mln tons; expected 5.480 mln tons
    - Soybean meal stocks 480,114 tons
    - Ending Soy crude oil stocks 2.004 bln lbs; expected 2.046 bln lbs
  - Brazilian February 2019 Trade Ministry data:
    - Soybean exports at 6.09 mln mt vs January 2.15 mmt; February 2018 2.86 mmt.
    - Soybean Meal exports at 0.98 mln mt vs January 1.26 mmt; February 2018 1.35 mmt
    - Soybean Oil exports at 36,634 mt vs January 39,563 mt; February 2018 1.35 mt
    - 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
    - Pork exports at 45,854 mt vs January 41,860 mt; February 2018 37,757 mt
    - 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

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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.

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### **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](tel:6307198000) **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.

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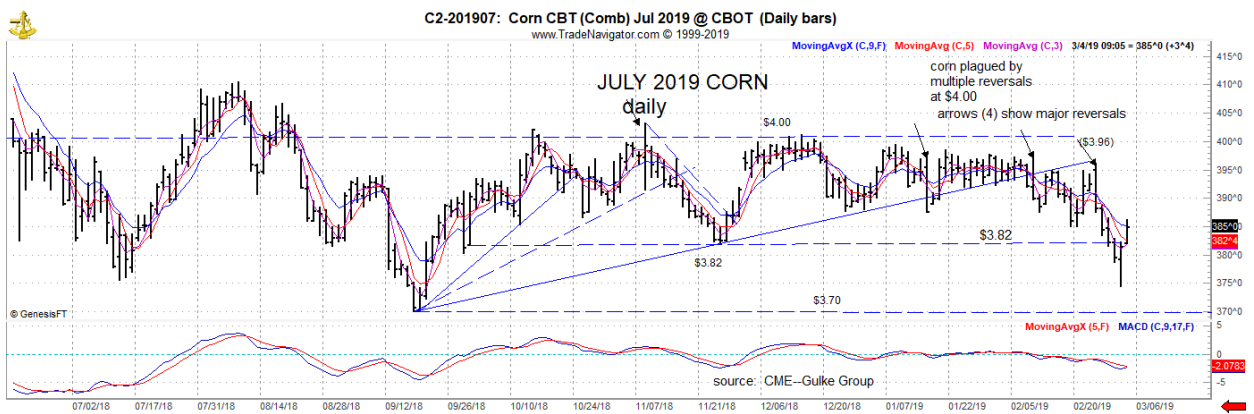
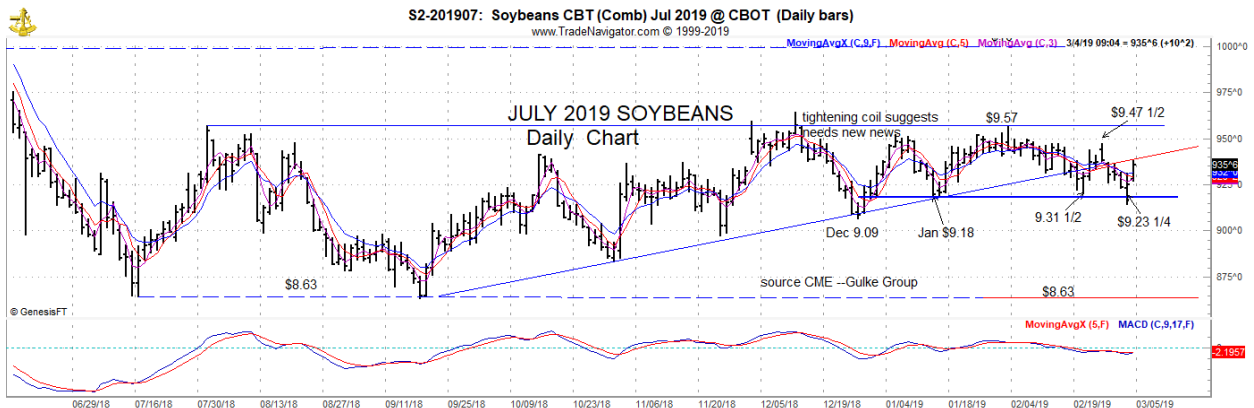
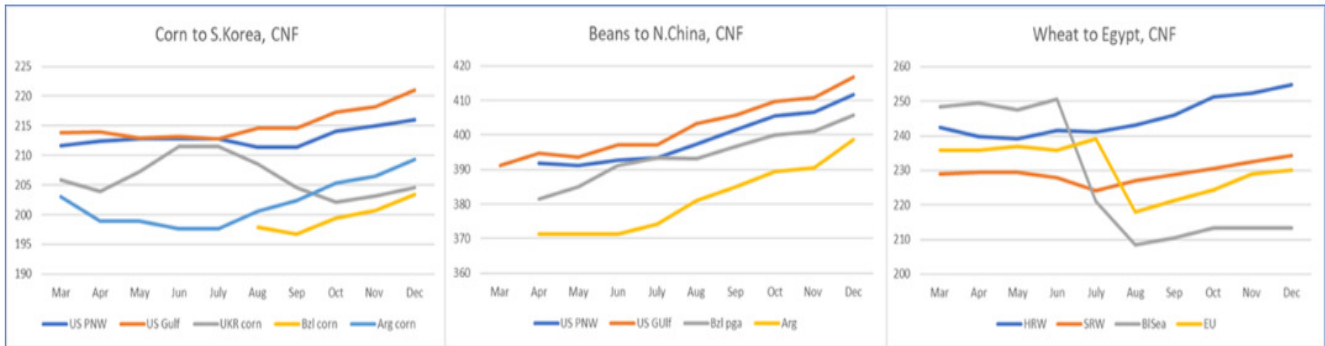
### **Technical:**

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 origins 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, but 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

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30 1/4(\$525 profit/contract). Wheat(all classes) – For 2018/2019, bot 20% WK 510 calls at 4 3/4(\$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 credibility.

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 Group Spec Table Buy/Sell Stops				(*New Positions in BOLD)			
	3/1/2019			Today's Stops		Current Position*	
	High	Low	Close	Buy	Sell	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

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