

Wheat

Crops/Weather: The US was dry with temps again well above normal, Europe was also dry in the west but remained much wetter in the Balkans and western FSU, with no frost freeze threats. Argentina saw some showers in the west, heavy rain persisted in eastern Australia.

Brussels: Weekly soft wheat shipments of 296kt took the all-wheat total to 9.2 Mmt, still down 22% on last year and still an annualised 8 Mmt below the USDA's projection.

Trade: Algeria bought 570kt French/Argentine at \$208.75-210.50; Iraq bought 50kt Aussie at \$283.35 and 50kt US at \$294.50. GASC bought 120kt Russian at \$207.50. Saudi tendered Friday for 480kt Feb-Apr, there were no results on Thailand's 100kt Dec-Jan feedwheat tender. US export sales were just 184kt for a season total 631 Mbu, down 9% on last year's 693 Mbu (against a 7% lag last week). US inspections were 345kt (season total 453 Mbu down 6%).

Markets: KC and CBOT wheat futures fell to contract lows this week before rising late Friday. M'polis closed down 12¢, despite also gaining 6¢ Friday. The crop update showed ratings down for the 3rd straight week, off 2 points at 50% GD/EX against 58% last year, but the early forecast brought more rain into the Plains (although it then turned drier), inspections and sales were low and world cash markets weakened. USDA's baseline numbers brought minor support, projecting further declines in US wheat acreage for 2018/19 along with a small decline in end stocks, and dryness in the Plains was also being watched, as was the potential significant loss of quality in Australia due to ongoing excessive rains. Exports again showed there is no real threat (yet) to the US S&D, and funds actually extended their net short last week (see page 3).

Argentine Fob rose \$2-3 ahead of Algerian tender, and was reported to have picked up 3-6 cargoes of the total. The sale looked like around \$172-174 Fob parity, which close to replacement for 11.5 pro (Argentina shipped around 150kt to Algeria in November). Old crop farmer sales rose just 60kt to 17.6 Mmt of which exporters own 12.7 Mmt against licences of 12.3 Mmt, whilst new crop advanced 300kt to 5.5 Mmt (5 Mmt owned by exporters against 1.75 Mmt of licences). Argentine yields remain below expectations but protein levels appear slightly above last year and test weights are also good. BAGE put the harvest at 31.5% complete, up 10% on the week and ahead of last year's 29%, with the yield again creeping higher at 2.22 tph. However this remains below last year, and in order to make the USDA's projected overall 3.1 tph, the rest of the harvest has to average 3.52 tph, which looks like a tough call. There was no estimate of damage done by last week's frost and most crop estimates remain around 17 Mmt. Aussie wheat was increasingly complex. Futures rose A\$9 as heavy rain in the east further compromised quality (futures are APW specs), but it remained dry in the west, which along with the need to compete on the world market (and the need to use expensive 'slots'), took Fob values lower. But fears over quality reached new heights at the weekend ahead of huge storms and it is not at all certain that the farmer will sell wheat to the shippers at a price that works. China hit contract lows this week.

Matif hit contract lows before ending the week slightly higher. Despite Algeria, French premiums were little changed, as was German/Baltic 12.5 pro at +7/8H but Polish 12.5 pro ballooned to +€12H on a lack of supply and big domestic demand. Poland shipped 2.8 Mmt to non-EU destinations last year but has shipped just 400kt so far this season, and at these prices it will not be shipping any more. And with Brussels' weekly shipments bringing no support, the USDA's 28.5 Mmt EU export numbers looks totally unattainable (Saudi offers this weekend will be interesting).

The Black Sea was on the defensive following GASC, and from a pre-tender bid of \$190 for Jan Russian 12.5 pro, this dropped to \$188 at best by the end of the week against offers at \$192. with Feb-March at \$190-193, whilst the 11.5 pro discount remained at \$8-9.

Outlook: There are lots of balls up in the air which suggest there should be little downside to the wheat market: fund shorts, Plains dryness, low Argentine yields, very heavy rain in Australia and doubts over supplies of quality wheat in Germany and the Baltic. But wheat still can't get up and go and is clearly still a buyer's market as the world's two cheapest origins show no sign of losing their appetite for buying additional demand. And US demand will likely continue to struggle due to the wide carries against a near flat Black Sea market.

Weekly Changes

| US Wheat | CBOT ¢ | KC ¢ | M'polis ¢ | SRW Dec | | HRW 12 Dec | | White Dec | HRS Dec | China |
|--------------|-----------|-----------|-----------|--------------|----------|------------|-----------|--------------------|-----------|---------|
| | Dec | Dec | Dec | prem | Fob | prem | Fob | PNW | PNW | Jan |
| Close Nov 24 | 415.75 | 414.50 | 622.50 | 75 | 180.33 | 217 | 232.05 | 200.00 | 287.00 | 2'608 |
| Close Dec 1 | 414.50 | 420.50 | 610.50 | 85 | 183.54 | 245 | 244.54 | 200.00 | 280.00 | 2'548 |
| Change | -1.25 | 6.00 | -12.00 | 10 | 3.22 | 28 | 12.49 | 0.00 | -7.00 | -60 |
| Milling \$ | Argentina | APW | ASW | Russian 25kt | France | UK | Germany | Aussie Futs Jan 18 | | |
| Dec | 12.pro | WA | WA | 12.5 pro | 11.5 pro | 11 pro | 12.5 pro | A\$ | US\$ | AS/US\$ |
| Close Nov 24 | 170-175 | 228.00 | 223.00 | 191.50 | 194.33 | 201.36 | 200.34 | 264.00 | 201.04 | 0.7615 |
| Close Dec 1 | 173-178 | 222.00 | 214.00 | 190.00 | 193.76 | 202.50 | 199.45 | 273.00 | 207.75 | 0.7610 |
| Change | 3.00 | -6.00 | -9.00 | -1.50 | -0.57 | 1.14 | -0.89 | 9.00 | 6.72 | -0.07% |
| Milling \$ | 12.5 pro | Russian | Ukraine | Feed \$ | | | Matif (€) | CME (€) | Liffe (£) | €/\$ |
| Dec | Baltic | \$/Rouble | \$/UAH | Dec | UK | Ukraine | Dec | Dec | May 8 | |
| Close Nov 24 | 199.15 | 58.31 | 26.91 | | 194.69 | 180.50 | 157.75 | 156.75 | 142.75 | 1.1925 |
| Close Dec 1 | 198.27 | 58.89 | 27.11 | | 195.75 | 179.00 | 159.50 | 156.75 | 142.50 | 1.1890 |
| Change | -0.88 | 0.99% | 0.74% | | 1.06 | -1.50 | 1.75 | 0.00 | -0.25 | -0.29% |

Corn

Crops/Weather: Argentina and S Brazil were too dry, the rest of Brazil saw good rains, the US harvest is 95% complete (98% last year), heavy rain in Ukraine hampered the remaining harvest.

Markets: Despite slow farmer sales, a strengthening La Nina and rising S American premiums, CBOT corn hit contract lows before rallying into the weekend. The USDA's Baseline numbers painted a neutral/negative long term picture, but exports were the main reason for the declines with inspections at 639kt (season total 285 Mbu down 42%) and sales just 599kt (season total 867 Mbu down 27% against USDA's 16% decline). Ethanol data showed season production still up 4% against USDA's 1% increase, weekly production was a near record, but stocks rose just marginally.

Argentine plantings rose just 2.4% on the week to 38.2% complete (43.3% last year), and crops deteriorated with Rosario GE arguing that this will get worse if dryness continues, particularly as some early corn is about to enter the critical stage, which helped lift premiums 12¢ on the week. Old crop farmer sales of 750kt took the season total to 24.3 Mmt, export licences advanced by over 400kt to a total 23.1 Mmt, but given the current weather pattern, farmers remain very cautious about new crop sales. Brazil's export commitments at 27 Mmt slowed and the current pace suggests they could fall short of the USDA's 36 Mmt projection, but premiums here were also firm and Brazil's farmers are also reluctant sellers on the ongoing dryness in S Brazil, where much of the first crop is located. Jo'burg made its lowest weekly close since late June, Dalian made its highest weekly close since late September despite (still unconfirmed) reports of volume US corn being imported at almost \$50 below domestic values.

Matif corn was flat, despite EU net imports still running 3 Mmt or 110% ahead of last year, and despite imported corn trading for May at €160 C&F levy paid, some €6 below the French FOB price. The market did not have time to recats to Brussels' 4 Mmt production hike Friday. Rain in Ukraine slowed the remaining harvest which lifted premiums despite the higher board.

Outlook: The take-home from the USDA Baseline numbers is that both short and long term, the demand side of the equation cannot change the corn market. Only a real weather problem can do that - and the market is increasingly watching S America and La Nina.

Weekly Changes

| Futures | CBOT (¢) | | Matif (€) | | €/\$ | Jbur White | | \$/ZAR | | Dalian Jan | |
|--------------|--------------|--------|---------------|--------|------------|------------|-------------|--------|----------|------------|---------|
| | Dec | Mar | Jan | | | Dec | | CNY | ¢/bu | | |
| Close Nov 24 | 342.25 | 355.00 | 154.00 | 1.1925 | | 1'990 | 13.865 | 1702 | 655.0 | | |
| Close Dec 1 | 344.75 | 358.75 | 153.75 | 1.1890 | | 1'879 | 13.770 | 1706 | 654.8 | | |
| Change | 2.50 | 3.75 | -0.25 | -0.29% | | -111 | -0.69% | 4 | -0.2 | | |
| | | | | | | | | \$/CNY | 6.618 | | |
| Fob (\$) | US 3 YC Gulf | | Argentine U/R | | Brazil Dec | | Ukraine Dec | | C&F Asia | | Jan-Feb |
| Dec | prem ¢ | \$/mt | prem ¢ | \$/mt | prem ¢ | \$/mt | prem ¢ | \$/mt | US | 190-195 | |
| Close Nov 24 | 56 | 156.79 | 44 | 152.07 | 68 | 161.52 | 68 | 161.52 | S. Am | 193-198 | |
| Close Dec 1 | 59 | 158.96 | 56 | 157.78 | 75 | 165.26 | 71 | 163.68 | Ukraine | 195-200 | |
| Change | 3 | 2.17 | 12 | 5.71 | 7 | 3.74 | 3 | 2.17 | | | |

Barley

Crops/Weather: Western Europe was dry but the Balkans and western FSU saw widespread precip. Temperatures were above normal in the east, but below in the west. Ukraine final winter barley acreage was put at 820kHa against 925kHa expected. Argentina was dry, heavy rainfall persisted across the eastern half of Australia.

Brussels: There were just 10kt of EU weekly shipments, although Brussels adjusted the previous week by 115kt, which lifted the season cumulative to 2.26 Mmt, still up 28% on last year

Trade: Saudi bought 723kt Jan-Feb at \$211-215.40 basis Jeddah; Jordan bought 2x50kt LH Mar/FH Apr at \$219.75. Jordan returns Dec 5th for 100kt, followed by Iran on Dec 17 for 200kt Feb-May.

Markets: EU premiums were firm on ongoing demand into Spain where the almost total lack of precip increasingly argues for another bad crop year. The Black Sea was also nominally unchanged, and whilst Jordan paid \$6 more than Saudi, neither affected the cash markets. The Saudi sale to Jeddah was almost unchanged from the last tender, whilst the February Gulf prices were close to level money with Jeddah, which is very unusual, and suggested some Argentine participation. .

Argentine Fob values fell \$3 despite reports it had done at least part of the Saudi tender, but the malting premium widened to around \$30. Aussie feed was also down, although even at \$205 Fob, it could not compete to Saudi, and the Aussie weather outlook is increasingly concerning. Canadian cash was unchanged. and the final Stats Canada production report will be released next Wednesday.

Weekly Changes

| Fob US\$ | Weekly Changes | | | | | | | Oats |
|--------------|----------------|--------|-----------|--------|-----------|-----------|---------|---------|
| | French/EU | UK | Black Sea | W Aus | Argentina | C&F Saudi | Canada | Chi (¢) |
| Dec 50kt | | 25kt | | | BB/Neco | | Dom C\$ | Z |
| Close Nov 24 | 185.39 | 185.36 | 185-190 | 208.00 | 173-180 | 215-220 | 219.00 | 249.25 |
| Close Dec 1 | 186.03 | 189.00 | 185-190 | 205.00 | 170-177 | 211-215 | 219.00 | 247.25 |
| Change | 0.64 | 3.64 | 0.00 | -3.00 | -3 | -3 | 0.00 | -2.00 |

Oilseeds

Crops/Weather: Argentina and S Brazil were too dry, the rest of Brazil saw good rains.

Trade: US inspections were 1.58 Mmt (season total 768 Mbu, down 14% against 13% a week ago), sales were 942kt (season total 1,264 Mbu, down 18% on last year against 17% last week and the USDA's projected 3.5% increase, which is a 450 Mbu annualised difference). Meal sales at 177kt and oil at 12kt were in line with expectations.

Markets: The CBOT soy complex had a mixed week with beans and meal just positive whilst oil weakened on the declines in palm oil to levels not seen since mid-July. The long-awaited EPA announcement finally appeared but brought no surprises, exports widened the lag on last year, whilst the nearby board crush margin rose above \$1 for the first time since June 2016, to a new high \$1.05. The USDA's Baseline projections threw up some long term assumptions that were rapidly questioned by the trade: acreage projections showed only minor gains, and USDA projected an 8-year wait before the 2016 record yield was achieved again. At the same time, exports and crush showed a steady annual progression which took the stocks/use ratio from almost 10% this year to below 7%, but which according to the USDA added only 50¢ to the average farmgate price. From the point of view of the funds and specs, beans hold much more interest than corn as taken at face value, the USDA numbers suggest it would take only a minor problem to significantly tighten the bean S&D whereas corn has a major cushion.

In Argentina, BAGE put plantings at 42.5% complete, up 8.5% on the week but now below last year's 46% (having caught up last week). They kept their planted acreage at 18.1 mHa which compares with Rosarios GE's 18.8 mHa, the Govt's 16.8 mHa and the USDA's 19.1 mHa (harvested), all of which still leaves a wide range of production potential whatever the final yield (Rosario did say that if the dryness continues, final acreage could see some significant downward adjustments). With the optimum planting window closing around Dec 20, each day of subsequent delay potentially trims the yield outlook and leaves the crop more open to risks from early frosts during the critical pod-filling stage. Argentine old crop farmer sales rose to 41.1 Mmt, of which exporters own 9.5 Mmt, well above the 7.2 Mmt licences. Oil licences advanced 47kt to 3.5 Mmt, whilst meal rose 320kt to 20.8 Mmt. Brazil export commitments were up 29% and still on track to beat the USDA's 26% increase. Brazilian plantings further narrowed the gap on last year, advancing over 6% to 86% complete against 87.5% last year. Brazil's Nov exports were put at around 2 Mmt, but basis the current premium line-up, and Dec-Feb business should go to the US.

Matif rapeseed bounced from an 11-week low but still ended lower led by the weakness in the world's vegoil markets, Canadian canola followed ahead of Stats Can's final crop next Wednesday.

Asian markets all ended lower. Last week's Chinese crush was put at just under 2 Mmt with the season total 16 Mmt in line with the USDA's annual projection, but focus was on the tightening of credit/shadow banking in China and its potential impact on commodity demand. Malaysian palmoil fell to its lowest weekly close since early July as the Ringgit fell towards 15-month lows.

Outlook: With the EPA announcement now done, the near term remains essentially about La Nina and the impact on production in Argentina and S Brazil, which may bring additional meal-oil spreading as a low risk way into a possible weather market. Longer term, Chinese demand amidst credit tightening will take on increasing importance.

| Futures | Beans | | Meal | | CBOT Oil | | Weekly Changes | | Dalian (F) | | Sunoil | | | | | | | | | | | | | |
|--------------|--------|------------|--------------|---------------|-------------|---------------|--|------------|------------|------------|-----------|---------|-------|-------|--------|--------|----------|-------|--------|--------|--------|--------|-------|-------|
| | Jan | Dec | Dec | Dec | Board Crush | Oil | Matif € | W'peg C\$ | Beans | Meal | Argentina | | | | | | | | | | | | | |
| Close Nov 24 | 993.25 | 323.80 | 33.94 | 98.61 | Margin | Share % | Rape (G) | Canola (F) | 3'683 | 2'906 | 740-770 | | | | | | | | | | | | | |
| Close Dec 1 | 994.25 | 328.20 | 33.60 | 102.78 | | 33.9 | 366.75 | 506.10 | 3'574 | 2'871 | 740-770 | | | | | | | | | | | | | |
| Change | 1.00 | 4.40 | -0.34 | 4.17 | | -0.5 | -4.75 | -3.50 | -109 | -35 | 0 | | | | | | | | | | | | | |
| | | | | | | | | | \$/CNY | | 6.618 | | | | | | | | | | | | | |
| Fob | Beans | | Meal/Pellets | | Beanoil | | Dalian Beanoil (F) | | Palmoil | | | | | | | | | | | | | | | |
| | US Dec | Brazil Dec | US hi Dec | Argentine Dec | US Dec | Argentine Dec | CNY | US\$ | MYR | \$ | | | | | | | | | | | | | | |
| Close Nov 24 | 381.5 | 387.0 | 350.3 | 336.0 | 790.7 | 773.1 | 5930 | 898 | 2602 | 662.5 | | | | | | | | | | | | | | |
| Close Dec 1 | 380.0 | 388.1 | 356.3 | 350.8 | 783.2 | 768.9 | 5858 | 885 | 2566 | 655.0 | | | | | | | | | | | | | | |
| Change | -1.5 | 1.1 | 6.0 | 14.8 | -7.5 | -4.2 | -72 | -13 | -36 | -7.5 | | | | | | | | | | | | | | |
| Premiums | US Dec | Brazil Dec | US hi Dec | Argentine Dec | US Dec | Argentine Dec | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Real</th> <th>Peso</th> <th>Ringgit</th> </tr> </thead> <tbody> <tr> <td>Close</td> <td>3.258</td> <td>17.215</td> <td>4.0900</td> </tr> <tr> <td>Previous</td> <td>3.228</td> <td>17.355</td> <td>4.1175</td> </tr> <tr> <td>Change</td> <td>-0.91%</td> <td>0.81%</td> <td>0.67%</td> </tr> </tbody> </table> | | | Real | Peso | Ringgit | Close | 3.258 | 17.215 | 4.0900 | Previous | 3.228 | 17.355 | 4.1175 | Change | -0.91% | 0.81% | 0.67% |
| | | Real | Peso | Ringgit | | | | | | | | | | | | | | | | | | | | |
| Close | 3.258 | 17.215 | 4.0900 | | | | | | | | | | | | | | | | | | | | | |
| Previous | 3.228 | 17.355 | 4.1175 | | | | | | | | | | | | | | | | | | | | | |
| Change | -0.91% | 0.81% | 0.67% | | | | | | | | | | | | | | | | | | | | | |
| Close Nov 24 | 45 | 60 | -6 | -19 | 200 | 120 | | | | | | | | | | | | | | | | | | |
| Close Dec 1 | 40 | 62 | -5 | -10 | 200 | 135 | | | | | | | | | | | | | | | | | | |
| Change | -5 | 2 | 1 | 9 | 0 | 15 | | | | | | | | | | | | | | | | | | |
| | | | | | | | CBOT Spec Positions (futures & options) | | | | | | | | | | | | | | | | | |
| | | | | | | | Nov 28 | Nov 21 | Change | | | | | | | | | | | | | | | |
| | | | | | | | Baltic Freight Indexes | | | Corn | | | | | | | | | | | | | | |
| | | | | | | | Dec 1 | Nov 24 | Change | Beans | | | | | | | | | | | | | | |
| Nov 24 | 2.59 | 92.71 | Panamax | 1'494 | 1'295 | 15.4% | CBOT Wheat | -123 | -108 | 14 | | | | | | | | | | | | | | |
| Dec 1 | 2.59 | 92.84 | Handy | 626 | 620 | 1.0% | KC Wheat | -24 | -21 | 12 | | | | | | | | | | | | | | |
| Change | 0.00 | 0.1% | Dry | 1'626 | 1'458 | 11.5% | MGE Wheat | 6 | 7 | -15 | | | | | | | | | | | | | | |