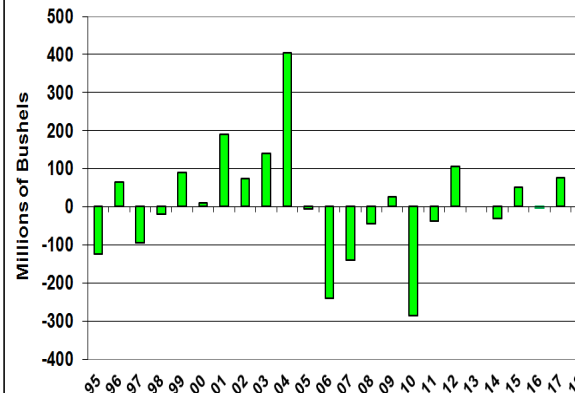


## Below Trade Expectations firm Corn and Soybean Prices

### U.S. Corn Supply/Demand

(Millions)	2017/18 USDA Aug	2017/18 USDA Sept	2017/18 USDA Oct	2018/19 USDA Aug	2018/19 USDA Sept	2018/19 USDA Oct
Planting Acres	90.17	90.17	90.17	89.13	89.13	89.14
Harvested Acres	82.70	82.70	82.70	81.77	81.77	81.77
Yield in Bu.	176.6	176.6	176.6	178.4	181.3	180.7
Initial Stocks	2,293	2,293	2,293	2,027	2,002	2,140
Production	14,604	14,604	14,604	14,586	14,827	14,778
Imports	40	40	36	50	50	50
Ttl Supply	16,937	16,937	16,933	16,664	16,879	16,968
Feed/Residual	5,450	5,450	5,302	5,525	5,575	5,550
Food/Seed	1,460	1,460	1,453	1,480	1,480	1,480
Ethanol	5,600	5,600	5,601	5,625	5,650	5,650
Ttl Domestic	12,510	12,510	12,355	12,630	12,705	12,680
Exports	2,400	2,425	2,438	2,350	2,400	2,475
Ttl Usage	14,910	14,935	14,793	14,980	15,105	15,155
Ending Stocks	2,027	2,002	2,140	1,684	1,774	1,813
Stks/Use Ratio	13.6%	13.4%	14.5%	11.2%	11.7%	12.0%
Trade Ave. Est.						1919

### USDA October Corn Output vs. Average Trade Estimate



Source: USDA vs. Trade

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### Market Analysis

With the general market mantra "Big crops get bigger" and spillover negative economic ideas from a weakening US stock market, October's below trade expectations in both corn & soybean outputs caught the market leaning. With the trade expecting a higher yield, corn's 1.1 bu lower US level provided the biggest percent price lift. Bean's lower planting & harvested acres also limited any expansion in October's US bean crop. Fund short-covering added to the support after prices were under pressure all week ahead of Thursday's report.

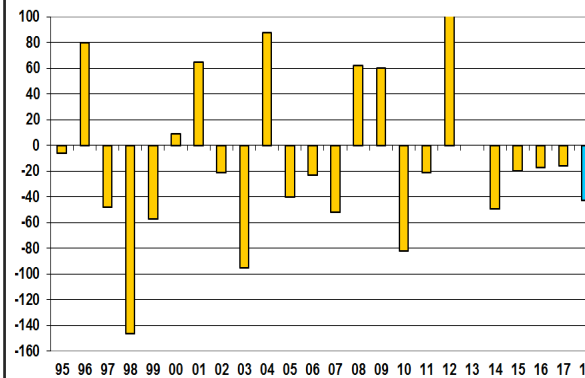
With trade expecting 0.5 bu rise in corn's yield, this month's 94 million bu. drop in the US output to 14.778 billion bu. was the largest deviation from expectations since 2012 and sharpest drop vs. the trade since 2010. Yield declines across the Midwest (IL, IA & MI -2 bu, NE -3 and SD & KS -1) were behind this smaller crop while higher ECB (IN & OH +2) yields countered this trend. A 200-250 drop in the US average ear count suggests a pick-up in field losses from last month. Despite numerous state changes, the USDA only reduce corn's harvested area by 3,000 acres vs. June this month. After last month's 138 million bu. jump in stocks, corn's 49 million small crop and 50 million stronger demand (mostly exports) limited new-crop's stocks forecast to 1.813 billion bu. vs. the trade's 1.919 level.

The USDA increased its October bean yield by 0.3 bu to 53.1 bu., but their 514,000 lower US harvested area counters this yield jump producing a 4.690 billion bu. crop. This month's 43 million lower USDA output vs. the trade followed the previous 4 years trend & is the highest deviation since 2014. The USDA's dramatic 8% drop in average pod weight vs a 6% rise in US pod numbers needs watching with field losses mounting. Sept.'s 43 million higher ending stocks carried over into 2018/19's stocks when no demand changes were made this month.

### U.S. Soybean Supply/Demand

(Millions)	2017/18 USDA Aug	2017/18 USDA Sept	2017/18 USDA Oct	2018/19 USDA Aug	2018/19 USDA Sept	2018/19 USDA Oct
Planted Acres	90.14	90.14	90.14	89.56	89.56	89.15
Harvested Acres	89.52	89.52	89.52	88.86	88.86	88.35
Yield in Bu.	49.1	49.1	49.3	51.6	52.8	53.1
Initial Stocks	302	302	302	430	395	438
Production	4,392	4,392	4,411	4,586	4,693	4,690
Imports	22	22	22	25	25	25
Ttl Supply	4,716	4,716	4,734	5,041	5,113	5,153
Crush	2,040	2,055	2,055	2,060	2,070	2,070
Seed	104	104	104	103	103	103
Residual	32	32	8	33	34	34
Ttl Domestic	2,176	2,191	2,167	2,196	2,207	2,207
Exports	2,110	2,130	2,129	2,060	2,060	2,060
Ttl Usage	4,286	4,321	4,296	4,256	4,267	4,267
Ending Stocks	430	395	438	785	845	885
Stks/Use Ratio	10.0%	9.1%	10.2%	18.4%	19.8%	20.7%
Trade Ave. Est.						898

### USDA October Soybean Output vs. Average Trade Estimate



Source: USDA vs. Trade

**What's Ahead** Despite a lower output than expected, soybeans supplies remain sizable with only a major weather or trade change likely opening up potential above \$9.00. **Look to utilize the USDA's bean stipend in your marketings.** However, corn's better foreign demand outlook & field loss vulnerability going forward **suggests feeders covering 4<sup>th</sup> quarter needs and sellers holding for post-harvest sales at \$3.90 and above.**

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