



# FULL SERVICE PRESS

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FEBRUARY 2019

**FRONTIER**  
FUTURES

[WWW.FULLSERVICEPRESS.COM](http://WWW.FULLSERVICEPRESS.COM)

## ABOUT FRONTIER FUTURES

Our doors opened in 1984, and man how things have changed! Technology, production advancements and the market climate are ever evolving, and it's our job to keep up with the times. We offer online trading and account access, market text updates, free one-on-one broker consultations, personalized marketing plans, and a full time experienced order desk at your service. The world can keep changing around us, but our commitment to educating traders and providing exceptional customer service will never change.

Our Full Service Broker Division was founded in 2016, and since then we have built a network of brokers all over the midwest. We value experience, ideas and character and only hire brokers with a passion for what they do.

**We train our brokers to be teachers.**

When it comes to marketing plan development and execution, you are more likely to follow through if you understand the plan. Our plans tread a fine line between discipline and flexibility, knowing both are crucial for our clients success. Most importantly, our plans are personalized to fit your needs and goals. Give your operation the financial attention it deserves and sit down with one of our brokers to see how we can help.



## BROKER HIGHLIGHT KELLEY BREES



I have been involved with assisting producers in making their marketing decisions since the early 80's. I spent time as a grain merchandiser where I assisted producers to find more flexible and profitable ways to price their grain. I found this to be the most rewarding, and at times, challenging aspect of that role. In an effort to concentrate my efforts toward those areas, I began my brokerage career in the mid 90's. After working for a couple years with Smith Barney, I opened my own branch office through Roach Ag - an endeavor that I maintained for over 15 years.

In November, I brought my experience to Frontier Futures, giving me the opportunity to share my knowledge with a new group of producers in a new geographical location. I have always looked at the brokerage business as a relationship business and look forward to building new relationships in this area.

To learn more about Kelley, visit [www.fullservicepress.com/our-team](http://www.fullservicepress.com/our-team)

## FULL SERVICE PRESS PODCAST

Each Friday afternoon we record a 3-5 minute market commentary. Our hope is to start including interviews and educational material as well. Stay tuned!



## MARKETING PLANS

No cookie cutter plans here! Our full service brokers sit down with you in person or over the phone to go over your specific numbers and create a custom plan that works for YOU!



## MARKETING MEETINGS

We offer marketing meetings to groups large and small. Check out our calendar to see what we have coming up. If we aren't in your area, let's set something up!



# FULL SERVICE PRESS

The result of deciding to work with a full service broker is simple. It's a plan. It's discussing your "what if's" and your fears and managing them. Our hope is your result is a farm that will be profitable for years to come, because you have taken the steps to invest in your operation and understand the importance of marketing.

# MARKET RECAP

The amount of news out there can get overwhelming. Stay informed, but don't let reports, weather and tweets be the sole driver of your marketing decisions.

## CORN

### DECEMBER CORN

1/25/19: \$3.99 1/4  
 Last month: \$4.02 3/4  
 Lasy year: \$3.95  
 Contract High: \$4.24  
 Contract Low: \$3.80 1/4

### NOVEMBER BEANS

1/25/19: \$9.57  
 Last month: \$9.57 1/2  
 Lasy year: \$10.04 1/2  
 Contract High: \$10.15  
 Contract Low: \$8.64 3/4

### JULY (CHI) WHEAT

1/25/19: \$5.17 1/4  
 Last month: \$5.17 3/4  
 Lasy year: \$4.82 1/2  
 Contract High: \$6.19  
 Contract Low: \$4.95 1/2

Corn coasted through the first part of February continuing to trade in a flat 10 cent range, likely due to a lack of news on all fronts. With the government being opened back up for 21 days, the USDA finally released the back log of the prior month and a half of data in the form of the February WASDE. This report was highly anticipated by many, though price action was rather uneventful. The 2018 corn yield was lowered from 178.9 (would be record crop) in Dec/Nov to 176.4 in this report, which is the final number for the 2018 corn crop. The average trade analyst estimate was 177.9. This adjustment alone is rather bullish. However, starting in the last quarter of 2018, feed and residual/ethanol usage started to lose momentum. Over the past month and a half, many analysts noted that they suspected this, but it was unknown exactly what that cut to demand would be without the government open. The biggest tell of this coming is the saturated supply of ethanol and the headlines of low/negative profit margins causing ethanol plants to scale back production. The USDA dropped feed and residual usage by 125 million bushels. This rained on the bull parade a bit. U.S. carryout was lowered to 1.735 billion bushels from the previous 1.781 while the average trade estimate was 1.708. Without the cut to demand, carryout would have landed around 1.59 billion bushels, which would have been very bullish.

South American corn production numbers rose above what the trade expected, which lead to the world corn carryout coming in at 309.78 MMT, up from the previous number of 308.8 MMT and well above the trade's estimate of 307.6 MMT. This leaves the world with a pretty comfy supply of corn, but not a big enough rise in stocks to trigger a major sell-off. Overall a neutral report for corn with the continued shrinkage of the domestic carryout being supportive.

South American Weather has yet to cause any major volatility in the markets, however that growing season is not over yet and we all know how the trade can react to a forecast showing production or harvest concerns. The China trade front is keeping everyone on their toes with the March 1st deadline quickly approaching. Currently China has proposed to dramatically increase corn imports over the next six years. If the U.S. accepts this offer and it is included in the new deal, this would be very supportive for corn. If this doesn't work out in our favor, the news shouldn't devastate the corn market, as China hasn't been a big importer of corn in recent years anyway. On the subject of corn exports, export pace is ahead of schedule, but the USDA failed to show this in the Feb report. These numbers should show up in a supportive fashion over the next few months, helping offset some of that lost feed and residual demand. It is crop insurance pricing month and coming up in March we will be facing the big debate of corn vs soy acres.

Based on what we know today, we can expect corn to continue with similar price action: March corn support in the Lower 3.70's and resistance in the upper 3.80's. Dec corn 3.95-4.05. Based on the neutral sentiment of supply and demand information we got from the USDA here in February, we can assume any major departures from these ranges won't last long and should be promptly met with sales or buy-backs. -NW

## WHEAT

One thing is obvious, and it is nothing new. We have a lot of grain in this country and around the world. It looks like weather markets are the next hope to add some volatility. The WASDA report added 36 million bushels to the US Wheat bottom line, but not in the way that we expected. Exports were left unchanged while feed residual and seed use were lowered 36 million. We are now unfortunately starting down another billion+ carryout again this year. Winter wheat acres are down 4% percent from last year. HRW came in under estimates at 22.2 million, SRW 5.66 and White winter at 3.44 mln. We find these acre numbers supportive but were very likely priced in. HRW acres are another new low and we have to go back to the early 1900's to find a year we planted less. So, while these acre numbers are small, our carryouts are huge and that is the big issue for US wheat at this time.

Wheat stocks are 7% higher than last year. As of December 1 we had 2 billion total stocks with 2 billion roughly 25% is still in on farm storage.

World wheat situation didn't change a whole lot as ending stocks are down just 0.5 mmt. Russian production was increased 1.6 mmt to 71.6 mmt that more than offset a .3 mmt reduction in Argentina. The next round of Egypt purchases will be interesting to see if world values get more aggressive as we approach the end of the marketing year. -AK

## LIVESTOCK

Live cattle futures have been in a steady uptrend with strong gains through January into February. The rally seems driven by strong consumer demand. The charts look as if we have made a top. Speculators are currently long. We are still waiting for the most current COT report to see just how long. If the market starts to make a break we could see a large drop.

Lean hog futures have been lower during the month of January and have continued the trend into February. We have heard very few details regarding the extent of the Chinese Asian swine flu. We still have an ample supply of hogs in the US. We will need to see better export numbers to see some price relief.

Class III milk futures have been under pressure with weak exports and growing cheese stocks in the US. This is one of the longest down trends in dairy. We have seen some consolidation in the market which is supportive. We need long term demand growth along with slowing the internal herd growth. Until we get supplies to shrink dairy will remain under pressure. -CF

## OUTSIDE MARKETS

Since our last newsletter crude oil and the stock indices appear to have formed a reversal. At the very beginning of the month crude peaked at 55.50. I believe that it will most likely trade in a range between 50 to 56 for the rest of the month. The stock indices have also appeared to have made a slight reversal after a very strong month. The Dollar has had a spectacular month so far. Meanwhile the Brazilian Real has not enjoyed February. -JE

### APRIL HOGS

1/25/19: \$48.42

Last month: \$66.02

Lasy year: \$69.45

Contract High: \$73.42

Contract Low: \$57.80

### APRIL CATTLE

1/25/19: \$127.92

Last month: \$126.15

Lasy year: \$123.72

Contract High: \$129.47

Contract Low: \$110.42

### MARCH CRUDE

1/25/19: \$52.72

Last month: \$50.11

Lasy year: \$61.15

Contract High: \$89.17

Contract Low: \$41.64

# SOYBEANS

There doesn't appear to be much here in the way of market direction changing revelations. The USDA carry-out number on beans was lowered by 45 million bushels, which while being constructive, still leaves us with a net carry-out figure of 910 million bushels. This is still by far the highest carry-out figure on record and tells me that we will need a very late season production or harvest problem in South America to change what has become a burdensome carry out situation in beans on a worldwide basis. The CBOT seemed to be in consensus with that idea, seeing beans and corn managing just sideways to 2-3 cent trading ranges post report.

Perhaps the redemption may come from an increase in Chinese demand. The Chinese still appear to be in a bean "hungry" situation and with world soybean production estimates 8.61 ml tons lower than a month ago they may find themselves with few other options. Of course, a major US-Chinese trade agreement in the next round of meetings between the two countries would prove to be at least a supportive proposition.

As far as bean marketing ideas going forward, I recommend as always to keep as close an eye on basis in the short term as on the board. If basis opportunities present themselves, I say grab the proverbial "bird in the hand" and let's look for some option strategies to re-own those bushels in case one or both of these positive developments transpire. Seeing both a decrease in South American production and a renewed Chinese appetite for US beans may be more than we "should" hope for, but I think having your soybean ownership on paper rather in the bin seems like a safer way to wait these developments out -KB



## USDA REPORT NUMBERS

Released February 8th, 2019

Next WASDE Report: March 8th, 2019  
Prospective Plantings: March 29th, 2019

	Analyst Predictions			USDA		Difference	
	Low	High	Avg	Last Month	Current	Analyst	Prev Mo
<b>US Corn Ending Stocks</b>	2.067	2.265	2.197	2.127	2.182	0.015-	0.055
<b>US Soybean Ending Stocks</b>	0.54	0.625	0.574	0.555	0.55	0.024-	0.005-
<b>US Wheat Ending Stocks</b>	989	1.08	1.039	1.034	1.064	0.025	0.03
<b>Brazil Soybeans</b>	114	117	115.2	113	115	0.2-	2
<b>Argentina Soybeans</b>	39	46	42.6	47	40	2.6-	7-
<b>World Soybeans</b>	91	96	92.9	92.4	94.4	1.5	2
<b>Brazil Corn</b>	86.5	96	92.7	94.5	92	0.7-	2.5-
<b>Argentina Corn</b>	31	36	33.3	36	33	0.3-	3-
<b>World Corn</b>	191.5	202	197.1	199.2	199.78	2.68	0.58

ANY STATEMENTS CONTAINED HEREIN ARE DERIVED FROM SOURCES BELIEVED TO BE RELIABLE, BUT ARE NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. NO RESPONSIBILITY IS ASSUMED WITH RESPECT TO ANY SUCH STATEMENT, NOR WITH RESPECT TO ANY EXPRESSION OF OPINION HEREIN CONTAINED. PLEASE NOTE THAT PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. MOREOVER, TRADING IN COMMODITY FUTURES OR OPTIONS INVOLVES SUBSTANTIAL RISK OF LOSS AND IS NOT SUITABLE FOR EVERYONE.

## STAY ON TRACK!

The groundhog didn't see his shadow, but unfortunately that has not prevented February from handing us some of the coldest temperatures we've ever seen! We are still in the early stages of the marketing plan cycle, so our checklist remains the same as January. Time to plan! We have it on good authority that one of the best ways to stay warm is to create a custom marketing plan with your Full Service Broker.

### ☐ TALK TO YOUR BROKER

Our full service commission rates start at \$70/round turn. If you are trading/hedging grains, that works out to be a penny and a half per bushel. We offer personalized consultations for no cost or commitment. Make the time, drop us a line or give us a call.

### ☐ CALCULATE YOUR BREAK-EVEN COSTS

Rent, interest, feed, seed, storage, equipment...oh my! It's different for everyone, which is why we don't believe in cookie cutter plans or trade signals to make marketing decisions. Spending some time with your broker & your banker to get this number will help you to identify and protect profit.

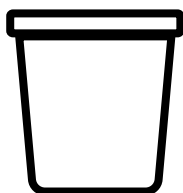
### ☐ COME UP WITH A PLAN

It is important that you understand that by taking the time to put numbers on paper, you are not setting things in stone for the whole year. By looking at option strategies (low volatility, maybe some good deals?) and price targets (highs just aren't for July anymore!), we are ready to take advantage of opportunities, no matter when they may come around.

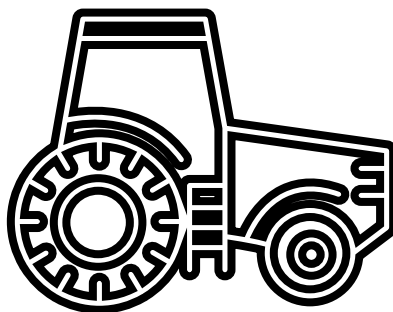
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## GRAIN PROGRESS TRAIN

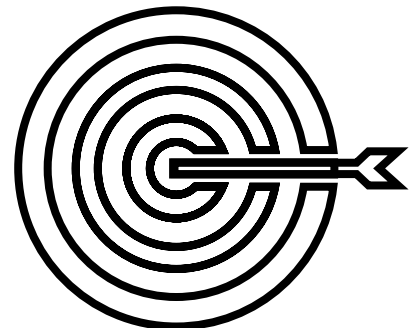
FOLLOW ALONG EACH MONTH AS WE UPDATE PLANTING, HARVEST AND HEDGING LEVELS.



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