

# Reed's Review

## New Year, New Goals, New Results

Ringling in the New Year from South America was certainly something special, but there's nothing quite like being home for the holidays, or so they say! With a full month under my belt I have learned a fair amount about not only South American agriculture, but their culture as well their grain marketing plans. This got me thinking, how have your marketing plans changed over the years? Have your plans stayed fairly consistent or have they changed over the years?



## Reed Burrell

### Quick Preview

- ✓ New Year, New Results
- ✓ South American Update
- ✓ Brazil Corn Estimates
- ✓ A Look at Livestock
- ✓ Market Snapshots
- ✓ The Takeaway

## Underwriting, Agents, & Staff

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New Marketing Intern: TBD



### Photos from Afar:

Left: Reed looks over a healthy ear from an emerging hybrid in South America.

Right: Reed and Ag Engineer Roger Morante collect soil for nutrient analysis at a local university.

If your New Year's resolution for 2019 was to strike it rich and do a better job of grain/livestock marketing you may be in luck. This past month we have seen soybean sales begin again and head off to our greatest consumer, China. Prior to the government shutdown, we were on track to record many much-needed grain sales to China, however, now following the shutdown the amount of information available to the public has been limited and the flow of commodities have not been released from the Foreign Agricultural Service and will not begin until the United States Department and Agriculture and much of the government reopens.



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### Insurance Calendar

#### January:

Coverage Reviews and  
Private Product Quoting

#### February:

AgriPeril Update Meeting  
Date: TBA

#### March:

Spring Price Announced

#### March 15<sup>th</sup>:

Sales Closing Date for  
MPCI and Private Products

#### April:

Insurance Coverage Begins  
from Spring Seeded Crops

### International Trade and Production

Prior to the government shutdown, many were delighted to hear of barges filled with soybeans leave port for China, signaling that we are perhaps close to the end of the tariff debacle. However, with little follow up it has been difficult to gain any additional positive momentum in progressing towards a new trade deal with China.

Shifting gears, even without use of USDA reports, the commodity markets continue to be filled with excitement. Much news is still available from more of a fundamental point of view, we have seen the Brazilian estimates for both corn and soybeans remain moderately strong even with lesser than expected rainfall; news from different brokerage reports hit the markets and caused a bearish response.

Looking to the future, it is likely and possible, if and when Brazil's CONAB report indicates a slightly more bearish yield estimate, then perhaps it may be the beginning of an adjustment in the market. Certain parts of Brazil are showing that there is a strong likelihood of potentially isolated and scattered rainfall next week, which could come as a blessing for many Brazilian farmers who are looking for some form of relief.

### Brazil Full Season Corn and Safrinha Corn Estimates

Brazilian full season corn has been estimated to be anywhere from 25.0 to 27.1mmt, with ranges largely being caused due a lack of precipitation occurring throughout much of the agricultural regions.

Safrinha corn planting will be soon underway and with less than average rainfall accumulation in December, this perhaps may signal that there will be less than adequate subsoil moisture available for safrinha corn to produce an average crop.

Speculative estimates on Brazil's safrinha corn production hover anywhere from 63.0 to 68.0 mmt, however, we are still a long way out. Many factors will ultimately will dictate the yield, however, it can be certain that this disadvantage will likely cause an early predicted yield shortfall for Brazil.

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## A Look at Livestock

Looking now at livestock, with the USDA and Risk Management Agency being shut down for the time being, I was unable to look at a Livestock Risk Protection contract example, *however, in our February issue that will be our focus.*

Livestock markets have faced a fair amount of adversity lately with news of health scares, steady supply and inconsistent demand. As a result, we have seen wide swings in the market during the latter portion of 2018. Live cattle pushed forward and left feeder cattle and lean hog contracts in the dust as certain contracts have continued to gain short term strength.

Looking further out, we now are seeing that there has been a consistent demand for beef as a result, cattle feeders perhaps have a higher hope with current cash and futures prices in seeing a return to \$122/cwt and above.

Feeder cattle futures finished the year with a spring in their step and seemed to bounce back after every fall, perhaps we will see feeders hit \$150/cwt, if there is continued market demand.

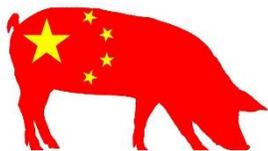
Lean hogs similar to the feeder cattle market fought back price declines and managed to close the year on a nice climb. With speculations of increased epidemics of African Swine Fever in China, it will be interesting to see how the short-term demand will transition into long term purchasing decisions for the Chinese consumer.

If demand for US pork continues to increase and additional purchases occur, it isn't out of the question to be optimistic about seeing \$68-\$70/cwt for lean hogs in the early spring.

The following page has a review of 2018 and early 2019's performance.

Above: South American pork production has remained relatively flat, yet has shown strong signs of growth for the future.

Lean hog futures may be nearing a rollercoaster ride if African Swine Fever makes its way into US hog barns.



<https://www.agweb.com/article/un-chinas-african-swine-fever->

China has worked to minimize the spread of the disease and has been effective, the question of how effective remains to be answered.

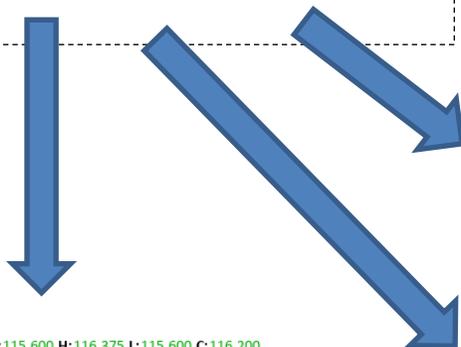
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## Market Snapshots

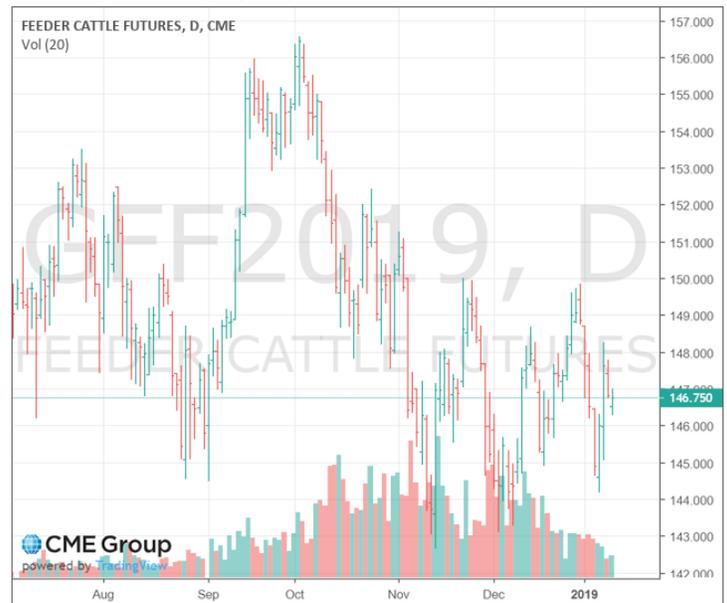
Looking at the past we should be better able to predict the future; this thought process is often used by technical traders in hopes of timing a purchase decision at the optimum time. For the three contracts below we have seen price swings that are more noticeable than others. There are many questions such as: “why did this movements occur?”, “how can we better act or anticipate these movements?” and even “when will the next price ceiling or floor be established?”. These are all points that I hope to touch on in the future, however, for now, we focus on proactively reacting.

Reflecting back on 2018, it is clear to see that the last four months of trading were filled with volatility and a fair amount of uncertainty. Which livestock contract closed the year off the best?

*Image Source: CME Group*



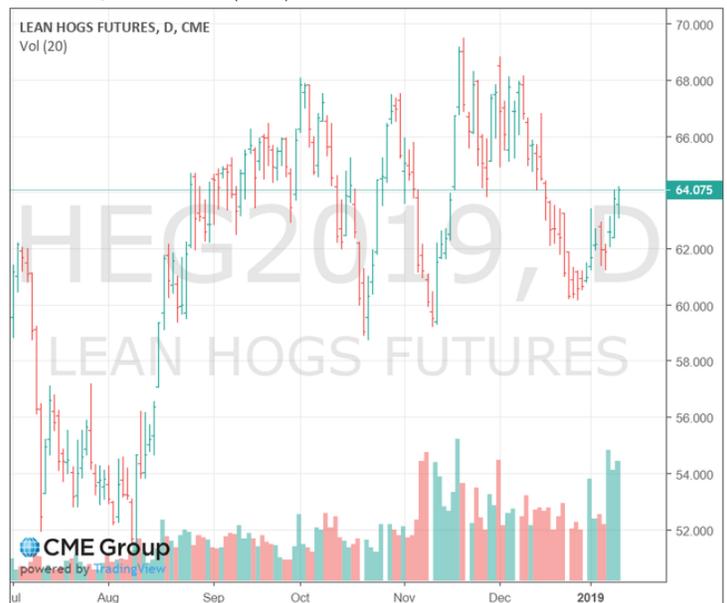
CME:GFF2019, D 146.750 ▼ -0.075 (-0.05%) O:146.525 H:147.000 L:146.325 C:146.750



CME:LEV2019, D 116.200 ▲ +0.175 (+0.15%) O:115.600 H:116.375 L:115.600 C:116.200



CME:HEG2019, D 64.075 ▲ +0.300 (+0.47%) O:63.575 H:64.225 L:63.100 C:64.075





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## *The Take Away:*

To conclude, my time in the southern hemisphere has been nothing short of an amazing experience. I look forward to sharing my experiences, observations, and learning points once I return back to the states. However, before I return, be on the lookout for my #AgriPerilAdvantage video series as I continue to share market and price information, growing practices, and much more *LIVE* from South America.

As February approaches, as do our farmer and client meetings, all will be welcome to attend. Be sure to RVSP when you see the formal invitation in the mail or on social media.

Until next time, stay safe, be proactive and work to reduce your operation's risk. Thanks for reading!

All the best,

