



Daily Market Comments for Tuesday, December 4, 2018 by International Food Products Corporation

Macroeconomic News & Weather

- Monday's markets saw a nice rally with some hope coming for a trade deal with China. However, there is some uncertainty lingering. Chinese grain traders may be slow to purchase from the US until tariffs are removed.
- Drought was an issue in 2018. Australia's drought has been terrible and parts of Europe were disrupted by poor rainfall. Looking into 2019, some areas have recovered, though others continue to struggle. Parts of Eastern Europe will be too dry in the spring for wheat crops, and rapeseed plantings will be lower due to lingering dryness. For additional details, click [HERE](#).

Vegetable Oil – Soybean oil futures are up 7 points.

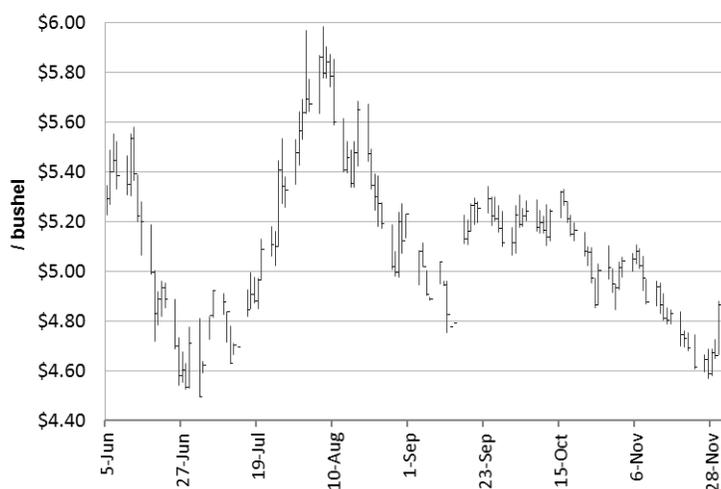
- As time passes from the weekend's G20 summit, the soybean trade picture will likely gain some clarity. However, there was not explicit language in the agreement that stated China would buy soybeans from the U.S. in any volume. The USDA Secretary is expecting trade in January as Brazil's old crop supplies dwindle. Whether that happens or if those soybeans would face a tariff is not yet clear. For additional details, click [HERE](#).
- Pressure is mounting to reach a deal with China from the farm community that is sitting on huge supplies of soybeans, weaker demand and low prices, and has been generally supportive of Trump.

Price Outlook: All about how the trade negotiations go with China.

Wheat – Futures are down a penny and 3 cents in Chicago and Kansas City, respectively.

- Australia's Bureau of Agricultural and Resource Economics and Sciences (ABARES) took down its forecast for wheat production by 11%. This will be the smallest crop in a decade as 2018/19 output will likely fall to 16.95 mmt. Extreme drought is to blame for the reduction. For additional details, click [HERE](#).
- In a tender from Iraq for wheat, the U.S. was the cheapest source for a minimum 50 tmt. No purchase was made, but finding U.S. wheat cheaper than Australian and Canadian wheat could point to a pickup in export demand.

Nearby KC Wheat Futures



Price Outlook: Prices to continue to trade in a narrow range.

Sugar – #11 futures are 8 cents lower, this morning.

- In Brazil, producing sugar is not as profitable as producing ethanol. As a result, more and more feedstock and investment are headed towards ethanol production. For additional details, click [HERE](#).
- Germany's sugar association is expecting output to drop almost 18% in 2018/19 to 4.2 mmt.

Price Outlook: U.S. values to hold near present prices.