February 12, 2016 **#1538**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: This text went out on Tuesday morning stating, *"USDA report at 11 am. Corn fills gap. Kills uptrend. Any grains you want/need to price do so before this report."* All grain you wanted priced should be priced long. Our sales thoughts are for those who keep dragging their feet…not believing….not accepting the trends and the facts. For those who desire, you can hold onto those 2015 bushels you want to risk on a summer weather rally. If no changes in our long term modeling, this MNU will be this week's MNU. Our next MNU will be issued by February 21, 2016. No markets Monday; President's Day.

Quick View: The USDA report held nothing positive. World stocks keep growing, as do U.S. stocks. Deflating world economies translates into deflating world assets. All asset classes, mind you. This is causing major problems for all governments. What they do to "fix" this problem is create more debt with QE. This does not fix the problem. It's like bleeding a patient to health. Our governments created this mess and they are exasperating the problem with their "fixes". What we need to do is follow the money. Who ends up with all your money after the explosion of this bubble climaxes? It won't be the farm sector. **Our advice remains unchanged. Market all your production not to lose money**, or to lose the least possible. Now is not the time to worry about profits. **This is about preserving the wealth** generated before this collapse began. Our only hope for grain prices now is our collapsing dollar. That may help stabilize this market. We are not going to go that far yet. These last days the sharp fall in the dollar has not helped grains. The fall in the dollar may just be a correction within the overall trend. Time will tell.

USDA Report: Compare the numbers. All were increased from the average trade guess, which makes this report negative. Corn stocks were increased 28 mb, up to 1.837 mb, beans were increased 6 mb, up to 450 mb, and wheat stocks up 20 mb, to 966 mb. On world stocks, corn was increased by 800,000 mts to 208.8 mmts, soybeans up 500,000 mts to 80.4 mmts and wheat up 7 mmts to 238.9 mmts. That is an amazing number on world wheat stocks. Do you remember that we stated once we cross the 200 mmt mark, all rallies are capped. Now world productions needs trimmed by 40 mmts before the market will really take notice. But know how important the trend is. When this number starts dropping, that trend will need to be overlaid with the weather trend, in an effort to project how low stocks could be reduced.

To get at these numbers, the USDA lowered **Corn** exports by 50 mb. We have spoken about this stating this trend will continue due to increased competition from other exporters and all the currency issues. They also increased usage from the ethanol sector. We complained about their last cut to ethanol, arguing that it made no sense with the increasing export demand. To increase the negative bias, the USDA increased Brazil's corn production from 81.5 mmts to 84, but did decrease world stocks from last month's number by 130,000 mts.

The USDA raised **Soybeans** stocks by revising crush down by 10 mb. Soyoil stocks were reduced to 2.065 b pounds, down from 2.110 billion last month. In a bit of a surprise, the USDA raised Brazil's production from 99.4 mmts to 100 mmts. They also increased Argentina's production 1.5 mmts, which now stands at 58.5. All this allowed them to increase world stocks.

Wheat received the greatest negative hit. That came from the USDA increasing world stocks by 7 mmts. Like corn, wheat exports were reduced, with wheat exports being reduced by 25 mb. As long as this trend on increasing U.S. supplies from weak demand, wheat has nothing to keep it from printing new lows. The trend for wheat, grains, and most all commodities, remains deflationary. This is a lower trend that we have been harping on for nearly 3 years now. You know you must continue to take today's prices off the table, as lower prices lie ahead.

Corn: The fundamentals have not changed and can't change until weather intervenes. For us, that would be spring rains. The odds of that having any effect are near zero. It will take a summer drought. We don't see that for corn in 2016. Our weather models don't show this "hope" at this time. And good marketing doesn't rely on hope to secure a "profitable" price. As fundamentals don't support higher prices at this time, and producers holding grain off the market only exasperates the problem, let's look at the technicals. The gap that projected price to $3.79 could not overcome all the negatives and the producer selling at every penny higher. That gap was filled this Monday, negating future, short term price potential. Price also put in a lower high, another negative. All this validates our long term belief that by or before June, lead month futures will be trading from $3.20 to $3.50. Upside rallies will now be capped at this last rally high of $3.74 based on the longer term trend. A test of the old lows of $3.50 is now in order.

Beans: We hate to give short term hope, when the long term of lower prices is set in stone. Those trying to save pennies picking at highs usually end up losing dollars. Beans have a wedge formed meaning price is converging, with lower highs and higher lows. This last rally failed, printing another lower high. Support from the higher lows comes in around $8.57 in March futures. If that price gives way, the shallow uptrend line fails and support at $8.47 comes into play. Generally, when price breaks out of a wedge, a significant price move follows. Again, lower lows lie ahead. When everything you own is losing value, others should be owning what you are holding. Remember in the fall of 2013 when we said machinery companies will be coming to you trying to get you to own their inventory because they didn't want it on their books? They knew what was happening. We advise against any machinery purchases, even with no interest gimmicks coming at you. I believe we even suggested that you sell stock in their companies. Some of those companies are now saying it will be to 2018 before they see any light at the end of their tunnel. Caterpillar leads the economy, too. Watch what they are doing. Their stock is falling and they are cutting employees and staff. Very hard times for them and they see it only getting worse.

Wheat: Our projected lows, as pointed to in those charts we keep sending you, of $4.50 can't continue to hold up in face of ever growing supplies, increasing exports from Argentina, and the battle in currencies. New lows continue coming our way. July 2016 K.C. futures broke to new lows last week, down to $4.65. Anytime price can rally to $5.00 futures, sales need to be made. Based on the recent price fall, now the next rally high should cap in the $4.80 - $4.90 area. Spring weather concerns will cause a rally, but don't count on much; just short covering.

South America: Nothing different. Just repeating - again. We continue to project trend to above trend yields for our 2016, pressuring our prices. We are looking for the same for U.S. production this year; trend to above trend yields/production, along with deflationary trends continuing, pushing prices to lower lows this fall. Sell ahead during deflationary times. These are long term trends. This one looks to be extended and very damaging to many in all sectors. Understand how long term trends, if you understand them, how they can be used for pricing and add substantial dollars ***(maybe not profits this year, but dollars***) to your bottom line. Upper third pricing is critical. Hope and prayer is not a marketing plan. Storage costs money. Get it out, get it sold. If you don't know how to offset early sales with futures, you need to learn. That can easily add dollars per bushel of profits when a major change in trend comes along. We all know it will, someday. Don't wait until the last minute to take advantage of such a change.

China: They are rolling over. Japan is in the same boat, as is Europe, Asia, Russia, South America, the world in general! Everything is deflating; all asset classes. Throwing money at it will be nothing but a short term fix that makes the problem even worse later. We have so much on this, but won't turn your ear. There is not one candidate running for President who can or will fix this. Rand Paul could go a long way on fixing our domestic issues. But the people have been dumped down too much to have any sense of know what is needed to fix the problem. The Fed is our problem. As is the EPA and the Department of Education. Too many entrenched feeding in the trough to allow things to change. Long term, this nation is toast. Socialism has been entrenched by the left. And when Bernie is getting so much traction, the left is confused as to why. They have no clue that they are the reason for the insanity? Imagine a state whose motto is "Live Free or Die" electing a socialist? Shouldn't it be "Bring on the Chains"? Sorry, but some complained we have not had many political comments lately. Just feeding the desire.

<u>Fuel/Fertilizer</u>: We stated you could look into purchasing 25% of your fuel needs for 2016. The trends remain lower. Crude looks to challenge its recent lows. We are tracking RBOB to see if it can match its lows from 2008 of $.80. After breaking $1.00, it is now testing $.90. Long term charts are suggesting the possibility of $.50 - $.60, if major support at $.80 gives way. Timing generally has fuel price bottoming this weekend, give or take two weeks. If the recent low of $27.56 in March crude this month, lower lows will be on their way. The question is how far can product prices fall? We have heard that in 4 states, gas price at the pump has fallen to nearly $1.10/gallon. That is just $.20 above RBOB. That is crazy low and makes us wonder how far the futures price can fall. Which one is leading? Is the cash price leading RBOB lower?

Good timing for purchasing fertilizer may be as simple as picking the bottom in energies. We'll be watching and advising accordingly.

<u>Exports</u>: Export inspections yesterday were 17.3 mb for corn, below last years of 27.6 mb. To date, corn inspections are running 21% behind last years. Soybean inspections were at 43.1 mb, below last years of 54.6 mb. Inspections for soybeans are down 13% from last year. Wheat came in at 14.6 mb, about the same as last year for this date; but still down 12% from last year at this time.