

## LOOKING FORWARD WITH A BACKWARD GLANCE

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**Sales Recommendations:** None. If you need to make sales for any reasons, look to do so against resistance. That would be \$8.89 in March 16 beans and \$8.85 to \$8.89 in Nov 16 beans. Those prices are assuming a sideways trade from here forward. Downtrend line resistance would come in a bit lower. May 16 corn stays in a downtrend under \$3.68, which is major resistance. December 16 corn will find heavy resistance at \$3.90. July K.C. 16 wheat has downtrend line resistance is right around \$4.80. A close above \$4.80 is the first sign of a possible low. Forward sales should be up to 50% on corn and beans for 2016, and up to 25% on 2017. Our next MNU will be issued by March 13, 2016. Spring your clocks ahead Sunday, March 13.

**Quick View:** A technical bounce in all grains before a USDA report is normal in a falling market. If that's all this is, it's done today or Monday. Soybeans gapped open higher today, a big positive, if it holds. This is the second positive sign that the market will hold its ground, short term. The first was March beans testing and holding support at \$8.50 on Wednesday. March corn has done the same, just not so clearly or as aggressively. Corn did not create a gap open higher today. K.C. wheat printed new contract low this week, as did May 16 oats. (*New contract lows are never a positive sign. Corn is chained to wheat. Wheat is corn's Achilles Heel.*) Wheat, beans and oats posted a hook reversal higher when printing that low. While it is the first sign of a possible low, the long term downtrends remain in place. More technical indicators need to come into play. While wheat hooked higher on Wednesday, it is failing against its resistance as of this writing. Normal before a USDA report is profit taking against the pre-report trend. As short as Funds are, short covering would be expected to be aggressive. Fundamentals have not changed. Some outside markets are giving hope to diehard Bulls.

**USDA Report:** Wednesday, March 9<sup>th</sup> at 11:00 am is the next stocks & supply/demand update. Normal price action is a rally within a downtrend, which is what we have today. Normal would mean today or Monday puts in a high for this countertrend move, followed by a pullback off these highs. If nothing new comes from this report, which is what we expect, the lower, long term trend remains the main driver behind price. We look for little change. Corn stocks to be increased or decreased by 25 mb. Bean stocks steady to higher by 10 mb. World stocks of corn & wheat steady, even though the trend has been consistently higher. World soybean stocks should grow a minimum of 1 mmts, maybe 1.5. Demand for corn increased by 5 to 10 mb.

**Corn:** All price action in corn remains extremely weak. Wheat is just killing corn. The trend remains lower. Corn put in a near 30 cent, two week rally going into last year's planting intentions report. That was after breaking 20 cents after USDA's early March numbers. Like beans, corn died after USDA's Prospective Plantings report on March 31, reaching a June low on June 16, before sustaining a 87 cent rally which ended on July 14. At this time, we'll look for this year to be a repeat of last year, with the following possibilities causing anomalous deviations. Those anomalies that could throw prices off last year's track will be how many acres get flooded out this spring, how early or late will corn go in and if there will be a weather scare in July. Guess it means situation normal? Remember that delayed plantings and lost acres seldom have much effect on price. Last year heavy rains causing planting delays and lost acres of 6 million failed to move price. Producer's ability to plant quickly is a major handy cap to price appreciation during spring planting season.

**Beans:** Like in all grains, still no change from what we have been discussing for months/years now. Last year, beans topped out on their post report rally on April 6<sup>th</sup>, before entering into an accelerating decline into their June low, June 15, before reacting by over \$1.00+ on a weather scare, peaking on July 14. (*The comments concerning any potential rally in beans would be the same as we wrote about corn.*) South American production will be the anchor to price in this market. Our weather trends held true, giving South America trend to above trend yields. All that matters now is

how much above trend. We look for their production to grow a minimum of 4 mmts from current numbers, if not 5 or 6. The problem is that our USDA will keep adding 1 or so mmts in each of its monthly reports, keeping the downward pressure on price. Expect no significant rally in corn or beans until the last half of June.

**Wheat:** No change here, either. Like all grains, the price trend remains lower. And like in all grains, it will take a “major” weather event to move grains higher. Weather scares will only give those without a marketing plan the ability to bail out of the losing positions. Year after year, many do get bailed out. Know your cost of production. Continue to hammer on reluctant and determined landlords to get your rental costs lowered. Don’t rent any land unless it pencils. Save any cash reserves when/if blood runs in the streets. We’re not there yet. One more year of trend to above trend production will get us really close. Don’t market betting on weather. If we see a weather related opportunity ahead, we will let you know. If weather issues anywhere in the world can give wheat a price rally, we will detail potential rally objectives at that time.

**Gold/Crude/Dollar/Real:** These markets can influence grain prices. They need to be watched. **Crude** is rallying, but the fundamentals have not changed. They can look at declining U.S. production all they want. While that might affect our internal prices a bit, world’s stocks will continue to be the proverbial wet rag on this market. EIA crude oil stocks added another 10 mb this last week. Reserve storage capacity is nearing capacity. Yet, price has sustained a \$7.00 rally since February 7<sup>th</sup>. Resistance is at today’s highs. If price keeps moving higher, \$40.00 should hold this rally in check. A rally from these levels, in our minds, insures more wells not shutting down. That becomes a longer term negative. Maybe better said, it helps cap future rallies. **Gold** is used as a hedge against inflation. Gold falling ties into deflation. Gold has been moving higher since its double bottom on December 17, 2015. While price remains within its longer term downtrend, price has moved above its short term downtrend line. This gives gold two technical indications that this market is turning higher. Nothing confirmed, but a caution flag is out for the Bears. If this trend is changing to higher, it will affect energies, metals and grains. Remember, long term trend changes can be like turning the Titanic. It usually cannot be turned quickly. The U.S. dollar has fallen this last 2 days, giving the Bears some ammo to start pushing their cause again. If it were to continue, then grains would find support. We argue the sideways trade for the last year remains intact. Minor changes within the major trend are always touted by those who need something to support their case. The longer term trend remains higher. The **Real** is the real story today. It has jumped sharply, and is no doubt the reason behind the hard jump in soybeans today. That means this rally is a false rally. The cause for the Real to rally was the fact the former Brazilian President Lula was detained in his home for corruption charges, having to do with kick-backs and unusual options trades in Petrobras and Brazil ETF’s. Also, it is believed the current President Dilma Rousseff is also tied to this corruption and she will also fall, forcing new elections. That would mean new market friendly leader, as Rousseff is a statist, a socialist, a communist. *(And the Dems and all the uniformed and uneducated want Socialism here? The end results are right there for all to see again. Just look at Brazil. A great example of exactly what the end results will be.)* While we know how bad it is in Brazil and have been reporting on it, now the whole world may get a glimpse. The Olympics will open the doors for all to see. The story there is that their government has never missed an opportunity to miss an opportunity. For investors, it is a great thing. When things get so bad, it’s good. Investors are swooping in to grab distortedly cheap values in their stocks and other deflated assets. And what have we been talking about for U.S. producers; undervalued assets being an opportunity when blood runs in the streets? Is Socialism in the U.S. manipulating asset valuations? It is a question we must ask if we’re going to determine true value of any asset.

**Currencies:** Those currencies which devalued most against ours in 2015 gained the most advantage. These are what the major emerging market currencies gained against the U.S. dollar in 2015. China’s gained 4.8%, India 7.1%, Mexico 19.4%, South Africa 2.0%, Russia 25.2% and Brazil 34.4%. This represents a trade advantage to them of that percentage. Now you can see why soybeans have been stuck in a downtrend. The currencies are stuck in a downtrend. The Brazilian Real is in the worst one of all, when it comes to competition for our grain sales. What is worse is that many believe that in the near future, its value will fall even much lower, giving them an even greater marketing advantage. And what is the only way our grains, and namely soybeans, will be able to compete: through lower values. The current futures valuation shows their currency currently at \$0.24665, March 17 \$0.2219, March 18 \$0.19995, March 19 \$0.18215, March 20 \$0.16725 and March 22 \$0.14380. Futures have the Brazilian Real at \$0.11220 in March of 2026; falling from .24665 today, down to .11220 in 10 years. That is one butt ugly fall in value. We don’t even want to imagine how low bean prices will fall if this trend continues as most project. This continued fall will also make Brazil’s producers very aggressive marketers of their beans and other commodities. Should

the U.S. dollar continue rising, then this situation is exasperated even more. The current political problems in Brazil should only be considered temporary. The end result is not yet known.

**Weather:** In the grand scheme of things, weather remains king for U.S. producers. Only weather can give producers profitable prices. To that end, we'll make weather data the major priority in the months ahead. Many have talked about a waning El Nino. A slight increase/surge in oceanic heat has pushed a new wave of storms our way. The intensity of these storms on California will be the greatest within this cycle; a very much appreciated event. The track and life cycle of this El Nino will have much to say about our summer weather. Bulls are touting drought. We're not in that camp at this time. Long term trends disagree. Each impulse needs to be watched. Where the warm waters sit in the Pacific, and the speed this El Nino disintegrates, needs to be monitored. We're still projecting trend to above trend yields for the U.S. this year.