

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: Averaging up past sales?? This text out yesterday: *“For those who can “manage” sale prices up with additional sales, use today’s failed rally in soybeans to do.”* More thoughts on this under “Corn”. Forward recommendations have been 50% on corn & beans for 2016; and up to 25% on 2017. Our next MNU issued by May 8th.

Quick View: Technical action says soybeans peaked on Thursday. The challenge of the old high from last week, and the price failure after that challenge, says the Fund money has run its course. Thursday a week ago, saw corn put in a massive turn lower, from which corn has yet to recover. July K.C. wheat also turned lower in the same day, hanging now just 10 to 20 cents off contract lows. Continue to use the \$4.00 mark on December 2016 corn to add to pricing if needed. Get up to that 25% level on 2017 corn. Those who can manage their sales can push a bit harder. We’re not interested in pricing much of any 2017 beans. World stocks of soybeans are decreasing, a sign we have pointed to that must be charted. If world stocks begin trending lower, soybean prices will begin trending higher. The highs set last week and this week on corn and beans are either the highs for this crop year, or the beginning of a new higher trend. We still believe whole heartedly, that the corn market is just screwed this year; whereas soybeans are beginning to set up for some future possibilities of higher prices. 2017 will see more weather related crop losses in South America and the U.S. That means the lows set this year in all grains are likely the base from which a longer term uptrend will develop. That does not mean sharply higher prices!! A base has to be formed first. Beans have likely done that already. Corn and wheat are in the process.

The Issues: Weather events in South America are causing harvest, processing and export issues for soybeans in Argentina. Corn production losses in Brazil, along with political upheavals that produced a surge higher in their Real while shoving the dollar lower, are the culprits behind the first push higher in grain prices. Once that got started, Funds raced in, creating a party; money chasing money. Soybeans, on their first push to \$10.40 in July futures, saw the highest volume ever. Since then, volume has fallen, a strong indicator that the top is in; the majority of money has already bought in. Now Funds fight to hold the rally, though history shows price will fade as the price retracement begins. Most all the bullish news is now in the market; Bulls need fed. The sun comes out tomorrow! Okay, Monday. Planters will begin rolling and the fear of big crops will become a market factor next week. Crop progress next Monday will show progress over 50%. If so, history tells us trend to above trend yields on corn will become part of the Funds calculations, pressuring prices lower.

Corn: A great rally this month, back up to where we were recommending sales. For those needing to get more priced, anything at or above \$4.00 on December 2016 futures will look like a great sell come later this year (close is good)! For those who can manage your cash sales (by off-setting those sales later if conditions dictate), you can be more aggressive on 2016 and push sales above 25% on 2017. December 2017 corn has traded over \$4.20. Remember that we only sell for a profit. If \$4.10 - \$4.20 board price gets that for you, make some sales!! Then we hope and pray that between this sell and sometime in 2018, you will have a chance to sell another 25% at \$4.50. Once you make a cash sale, you can manage those sales, after the fact. That is done by off-setting your cash sale by owning futures. By doing so, you affectively place yourself in a market-neutral position. The only reason you would ever do that is if market conditions point to a potential rally of a minimum of 50-cents in corn and a \$1.00 or more in soybeans. This possibility may arrive at the beginning of summer. Stay alert as to weather, price and Fund activity, and China. Yes, they are playing games again. More than what this links says.

<http://www.bloomberg.com/news/articles/2016-04-15/flood-of-chinese-cotton-sends-prices-tumbling-most-in-six-weeks>

Beans: July 16 soybean futures just can’t close above \$10.30! Price probed major resistance at \$10.45 twice in 5 days and was repelled both times. Technicals point to a price fall to \$9.30 before the end of June. Funds pumped everything they had into soybeans last Friday and are now defending their long positions. Funds will work a price level only so long before they give up and take prices the other way to discover where support lies. We really see today’s immense weakness in the U.S. dollar as being the only reason grains held together today. We also believe world governments are

working to pressure the dollar - as a strong dollar creates major issues for third world nations. Market manipulation comes at markets from many directions, with the intent to cause certain market reactions. While not appreciated, they must be understood, as their actions affect our livelihood. The dollar is nearing a critical support level, and if broken, will become a more positive price factor to grains over the longer term. All this ties back to Brazil, their Real, and their continued expansion of bean acres. If this trend continues, our grain prices will begin rising, theirs falling, and their desire (profitability) to expand acres, reduced.

Wheat: And the anticipated rains came! Now please stop! Long term forecasts are hopeful they will. Crop ratings keep raising, a price negative situation. Export sales continue weak. The price jump moved prices above market (world) clearing levels. That will hurt exports. Price is trying hard to form a bottom. It will be interesting to see how price manages against history. In two weeks, wheat's seasonal collapse begins. The "normal" price fall ranges from \$.50 to \$1.00. Most will wonder how prices can collapse from current levels. While a good point, know seasonal have much power. Price will test, if not take out support. Wheat prices did little when set beside this month's price rally in beans, or even corn. When our corn and beans prices begin falling, what will be there to hold up their wheat (weak) sister???

El Nino Watch: <https://agresource.com/all-models-el-nino-southern-oscillation-ahead/>