

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: No Sales. Forward recommendations have been 50% on corn & beans for 2016; and up to 25% on 2017. *If you are not at 50% yet, add to sales up here.* Our next MNU issued by May 22nd. USDA report was projected to be negative corn, friendly beans.

Quick View: Interesting 3rd party comments about the beans; Pump & Dump by one. He is referring to how Funds have run so many markets up recently, just to dump out later. Many question if these projections will actually materialize later. Read more below as we summarize. Based on USDA's new projections for **2016/2017**, we should have only been 25% priced on 2016 beans, not 50% priced. We had begun pointing to decreasing world stocks in soybeans as a trend to support higher prices later this year and into 2017 and were looking for a pull back to lighten our pre-sold position to 25% on 2016 production. Today's USDA numbers reduces the odds for a major pullback in price. Still, if the one that does come is significant after "Fund Mania" is over, we'll consider the possibility. Corn and wheat numbers are not at all bullish.

Who Wins: In this new rally, the question is if beans can pull corn and wheat higher, or if corn and wheat will be a drag on rising bean prices. The first day is the big rush-in day for Funds. Tomorrow, they will have had a full day to look at all the numbers to evaluate if their rush for profits was justified. They will need to ponder today's mad rush, as the USDA only raised next year's price projection for soybeans by \$.20, now up to \$9.10/bushel. It makes one suspect, wondering if one should be pricing some beans today since price is nearer \$11.00. If the USDA believed its own numbers like the Funds believed them today, who is right on price? The USDA is saying price is not worthy of such a rally; Pump & Dump? We talked about stupid on the downside. Stupid does work both ways. ***If one can, some beans need to be priced up here.***

Now look at corn. The USDA "lowered" their corn price projection for next year to \$3.35/bushel, yet the Funds took prices higher today. They also lowered their wheat price from this year's price projection by \$85, now down to \$4.10/bushel. That is the reason for the question we stated at the beginning. We also need to consider the soybean/corn ratio which has jumped to 2.74:1. While there will not be a major shift this late in the season, look for bean acres to increase some. *For tomorrow, look for corn/wheat prices to struggle with Funds not chasing beans like they did today.*

USDA Report: Grain stocks for this year, 2015/2016, were not overly bullish. From the average guess, corn stocks were lowered 22 mb, beans 28 mb, sorghum up 2 mb and wheat unchanged. What gave the market the kick in the butt today were USDA's *amazing demand projections for our next marketing year*, increasing overall world demand for corn by 3.2%. World grain demand generally remains fairly constant, increasing by about 1 to 1.2% per year. Now look at these increases and tell us what you think. For next year, demand for U.S. **soybeans** is projected to increase by 145 mb, with crush up by 35 mb. That is up 180 mb from this year, all while demand for our beans still drags. We'll slip in that China is beginning selling 3+mmts of soybeans from their reserve with *no intentions* of replacing those reserves. We have to give equal time to Conab, who started the bean rally today by reducing Brazil's bean production by over 3 mmts. USDA's increased demand projection is focused on demand from China. This year's demand has to be watched closely, as increasing demand is not yet guaranteed at this time. USDA's computation for my sales from the U.S. is due to decreased availability from South America. That has not been seen, yet. World supplies are reduced, but remain adequate.

Corn/Wheat: These are real interesting projections that we'll need to track into our next January 12th report. The USDA increased next year's corn usage by a whopping 300 mb, exports by 175 mb, ethanol usage by 50 mb. We'll agree on the ethanol number. The other two are dicey. Remember that world wheat stocks will keep a lid on any rally in corn prices. The USDA raised world wheat stocks by over 3.6 mmts for this year and by nearly 18 mmts for next year! *How huge can huge get!* In 2014/15, world wheat stocks were 216 mmts, and now projected to grow to 257.24 mmts into 2017. Wheat prices can't rise on these numbers. If wheat can't rise, don't look for corn to go anywhere. Odds are much better corn's downtrend remains intact.

USDA's increase of 300 mb for next year seems to be a fairytale. If the corn/wheat spread gets too wide, some corn users will begin feeding wheat, decreasing corn demand; ***not increasing***. That occurred a few years ago. If one projects no increase in demand and no increase in exports, 2016/17 corn stocks would rise to over 2.63 bb. That number would have dumped the corn price hard today. Even adding in just half of that increase, you'll get a projection that would have exceeded the average trade guess by well over 100 mb. Today's corn numbers will be the most bullish we will get for months. Here is another example of the Funds jacking up a price just because; giving those who need to make some sales another opportunity at a higher price.

Weather: *This year we do not have all the drowned acres that we have had for so many of the past years.* Current forecasts give another open window for planting into next week, with only showers around here and there. That is after tomorrow's rain event. Things can change, but for now, this year for total planted acres of all crops looks to easily exceed the last few years that had all those non-planted acres that came to us from major flooding issues. At the earliest, it won't be until the June 30th, USDA report to discover if this has any negativity to price.

This week we came across an "unknown to us", long term weather forecasting model whose forecast had turned warm and wet for the latter part of our growing season. It was certainly different from the major drought event some of the talking heads are pushing. *Our weather modeling remains unchanged, with trend to above trend yield still being projected.* We still see beans as having some risk in August. This report will have us keep digging for any potential future changes in our modeling. For this year, we look for this La Nina event to get wrapped up similar to how our El Nino faded this winter. Just as we had shots of cold coming down this winter, overall, El Nino ruled still ruled. As La Nina works to become the dominating influencer either later this year, but most likely into 2017, look for waves of La Nina type weather hitting us, but no sticking around for long. That will make for what most call "unsettled" weather. Whereas most would call that rainy, we're using that term as meaning there will be no long lasting drought event.

Understanding: Few understand the true dilemma when it comes to pricing grain. It is a very deep, taxing and psychological problem for many. Few have some it up as well as Mike Wilson did: <http://farmfutures.com/blogs-doctor-10802>