

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: No Sales. See more below. Forward recommendations have been 50% on corn & beans for 2016; and up to 25% on 2017. Next MNU will be issued by June 19th.

Quick View: Like the last few weeks, technicals rule right now; along with money chasing money. This so important to understand and remember, but more so on soybeans; ***don't be thinking fundamentals***. That will just mess with your head. Fundamentals don't matter when the Funds want to run. For corn and beans, no top has yet been confirmed. The trends remain higher. July soybean meal has failed on 6 attempts to close over \$420. A close below \$400 signals a top in meal and breaks its uptrend. Wheat just has one major problem. Too much of the stuff and it just keeps getting larger. 12% protein will carry a premium this year.

USDA Report: U.S. **corn** stocks fell from May's 1.803 bb to 1.708 bb and 65 mb less than the average guess. That is a friendly number, but still shows plenty for now and likely, already priced in. For 2016/17, corn stocks fell from May's 2,153 bb to 2,008 bb and 92 mb from the average guess. Yield projection came in at 168 bpa, the same as May's, but up .2 bpa from the trade's average guess. They are suggest less yield potential due to too much rain last month, causing the need for replanting; even though the planting pace has been running ahead of the averages. Having not changed acres or yield, the final yield projection for this year's crop remained unchanged at 14,430 bb, compared to last year's at 13,601 bb. This year's world ending stocks came in at 206.5 mmts vs. the average guess of 205.7 and the May number of 207.9 mmts. Next year's number of 205.1 nearly matched the average guess and shows very little change from this year's number. There's nothing "bullish" in these numbers, especially after recent price gains. In fact, not so bullish that the USDA only raised their median season price expectation for corn up to \$3.50! It's interesting that many others are calling this report bullish for corn. Bullish or bearish doesn't matter. The trend remains higher.

U.S. **soybean** stocks fell from May's 400 mb to 370 mb and 17 mb less than the average guess. That is a friendly number, a trend that is friendly to price. Yet one would believe is already priced in. For 2016/17, soybean stocks fell from May's 305 mb to 260 mb and 38 mb from the average guess. Yield projection came in at 46.7 bpa, the same as May's, but up .1 bpa from the trade's average guess. This last number will cause price strength to new crop soybean prices. Anything below 300 mb for next year will keep the Bulls excited about the possibilities. What is interesting is the USDA only raised the median season price for soybeans to \$9.50. Know that number is for the carryover stocks of this year at 370 mb, not next year's stocks that are over 100 mb less. World soybean stocks are now projected at 72.3 mmts, down from last May's of 74.3 mmts and 700k mts less than the average guess. For 2016/17, the USDA's number of 66.3 mmts matches the average guess and is down 1.9 mmts from May's number. Remember that anything under 60 mmts on world stocks is just too low for the trade. And remember the trend we have pointed to in world soybean stocks. World soybeans stocks were hanging above 80 mmts until March of this year, when they fell to 78.87 mmts. And now in June it's 72.3 mmts? Why just 66.3 mmts for next year's carryover? Our acres will be increasing. So will plantings in South America next year. But that number will keep money pushing in new crop beans. We saw that with the price reaction to the USDA's numbers on Friday.

The USDA kept the trend going in wheat, coming in with this year's number 28 mb above pre-report estimates. Total winter wheat production is now forecasted at 1.51 bb, up 10% from last year's production. Yield is great, now being projected at 50.5 bpa, 8 bushels more than last year and the highest on record for the U.S. That is what the weather trends forecasted for 2016, that all would be good for wheat when we move from an El Nino to a La Nina. U.S. wheat stocks inched up to 980 mb, with next year's projected to grow to 1.050 bb. World wheat stocks just keep growing, up a bit to 243 mmts for this year, with 2016/17 inching up to 257.8 mmts. The world will care when stocks drop to 200 mts or less.

Averaging Up: The question is how does one average up earlier sales made at prices lower than we have today? *The first way is to make your next sales at higher prices. For soybeans, with the close over \$11.50, price will be targeting \$12.49.* That does not mean in short order. If price stutters at \$12.00 and retraces part of this rally, we will argue that

Fund activity will use future weather scares to take the soybean price to this level. We have held at 50% sold waiting to see this rally unfold. If soybeans are going to make this price, corn will rally to at least \$4.50. The open gap created this month in corn points to a price higher than \$4.50. That is why we continue to wait on recommending more sales, as the trend remains higher and the market is giving signals higher price will yet come at some time in the future. The second way to average up is to buy futures against your cash sales if prices break lower. That opportunity will arrive later in June, later this summer, or early this fall. When this opportunity arrives, we will send texts and detail in our MNU's. Also, should higher prices come first and additional sales are recommended, you will have the opportunity to "step out" of all the sales after a significant price break occurs. For now, no sales are recommended.

Beans: The trend remains higher. November led the way on Friday. We can attribute that to the stocks number for 2016/17, now forecasted to fall to 260 mb. Though a long way off to come to fruition, that is the number the trade will work with. July beans closed above \$11.50, which opens the door for higher prices. The same has occurred with November soybeans, closing above \$11.50. Higher prices lie ahead. Meal has been a drag on this market. So which one wins? The Fund will decide. The Funds have shown that anything that can be twisted into a bullish argument will be; exactly opposite of what the Funds did in 2012 when things were bullish, but they never cared. The decreasing stocks number gives them cover to keep pushing prices higher. Increasing bean acres in the U.S. will be ignored for now. More double cropping to beans in the U.S. will be ignored, for now. The Funds will talk about this La Nina and the drought it will bring to U.S. crops this year. It is a shame that is a lie as El Nino and the conditions that causes one has just now gone neutral! That means that neither weather event exits today. While few believe these neutral conditions will not remain neutral for long, it's not a La Nina yet. The current projection is that there is a 75% chance that we will have a La Nina by this fall. Yet, those who want to jump on the Bull Train tell us that this La Nina that does not exist today, is causing the hot, dry weather we are currently having and will also be the reason for the drought and heat they are forecasting for the next two months. While this drought and heat may yet come, a La Nina is not the cause. In a neutral phase, anything can occur. But history has shown it takes time for this shift to occur and such a shift could still take several years to create the weather conditions they are preaching about today. What would be normal this summer is a mix of hot and dry, as well as some cooler and wetter. This is the phase that is the most difficult to predict, but in general, shifting conditions would be normal at this time. A warmer, dryer June historically increases yields. That is not the case for July and August. We'll give thanks we are getting this now, as it is better now than later. There are no weather models out there projecting what the trade is clamoring about. So let's be sane and go back to reality and simplicity. The trend is higher and the trend in stocks is lower. We don't need to make anything up to point out the two most important facts that exist today.

Corn: They call the USDA number bullish. From the average trade guess, that would be correct, but not that bullish. Friday's price action posted a negative turn, a warning sign. Corn has two bullish components; beans and a technical gap. As long as beans keep going higher, that will help support corn prices. And in December 2016 corn, there is a 1 cent gap open higher sitting from \$4.20 to \$4.21. If that gap remains open, higher prices lie ahead. We'll be watching this week to see what happens first; a higher high, or a fall in price to fill the gap. The first is bullish and the second is bearish. Wheat is the big Bear that will be pulling corn down. Corn is stuck in the middle, between beans and wheat. We believe beans have more upside than wheat has downside, at this time. That makes corn a market one just has to watch to see which one pulls the most on corn.

Wheat: The positive we need to see on wheat is for price to fall back and post another higher low. That would be the best thing wheat could do for itself right now. Just getting into the throws of harvest, if price cannot fall, wheat scores a big win. Sideways is much better than making new lows every month or two. This is another market that all we can do right now is watch.

Weather/Condition Ratings: The USDA report is over and now it's back to weather. That will be front and center all summer now. Forget all the rest. But do keep all the numbers in the back of your mind. Corn numbers are not really bullish at today's prices. If it was bullish as many claim, why didn't price print a new high on Friday over the high set on Wednesday? Why did price close lower these last two days? Seasonally, corn moves lower through June now. Monday, crop condition ratings will get better again. Odds are they will get better again on Monday on the 20th. Improving crop conditions will be bearish in prices. That's two negatives corn prices will be fighting. Wheat conditions keep getting better, too. So will beans. If rains come, bean and corn prices will fall; beans likely more so, as they are much more over bought. Funds will do their best to ignore all bearish news, working to point out anything they can to benefit their long positions.

NG Needs: No doubt most have purchased their NG needs for this summer, but for those who have not, the trend is higher in this market. Oil wells are at their lowest number in many years, leading to much less gas production. This will create short term tightness, as demand picks up for irrigation needs. Make sure you have your needs covered. The warmer and dryer this summer is, the more the NG price will rise. While no models point to any serious weather concerns, Funds are getting in many commodities. No reason they won't push NG prices higher, since it fits into their computer algorithms.