

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Sales Recommendations: No Sales. Forward recommendations have been 50% on corn & beans for 2016; and up to 25% on 2017. Next MNU will be issued by August 1st.

Prices: Back on June 24th, we wrote; *“If our weather projections remain being correct, the highs for corn are now set for the year.”* Our weather modeling was correct. No Dome of Doom ever showed. Weather has remained variable; no damaging weather pattern was able to hold in place. At that time, December 16 corn was trading around \$4.00 and December 2017 corn about the same. We also stated *“As soybean production is not out of the woods, price “should” rally back to the \$11.50 area in July beans. If it can, those who can re-own their sales this fall, can price more new crop when July beans reach this level.”* The close that day was \$10.284. Six days later, price rallied back to a high of \$11.604. With all facts as they stand today, this year’s highs are also set in soybeans. That rally back to \$11.60 failed to reach to the old highs. Price failed a second time when it rallied to the gap area that begins \$11.20, and failed hard. Today’s break of support at \$10.20, a price that represents major support and 50% retracement, projects price to eventually fall back to \$9.60, with the potential to \$9.20. Psychological support comes in at \$9.00. The eventual crop size will determine the final number, with an assist from a rising dollar.

Quick View: Our longer term weather modeling continues to call for “mostly normal” August weather, with the potential for above normal rain in some of the western grain belt. Continuing “acceptable” weather and more rain chances in extended forecasts allowed beans break through \$10.20, with the initial price fall swift. Look for December 16 corn to move to at least \$3.33, followed by a price fall to \$3.20. A final yield exceeding 172 bpa has the potential of pushing price to test psychological support at \$3.00. Kansas City wheat will continue to struggle. Once an uptrend of any kind can be established, we will project upside potential. Its massive stocks will continue to pull down its price, which will weigh on our corn price.

Weather: Our forecast for this year remains intact. Variable is the best we can expect, with the convergence of El Nina and La Nina; essentially, weather is stuck in neutral. Their touted La Nina domination into a Doom of Dome was a bust; ending in a flash nothing. The fear they created caused many producers to freeze at the sell switch. Even wider basis levels must be anticipated into harvest, as stored bushels have to make their way to market. Soon they will begin talking about an early freeze. We’ll just yawn. Our interest lies in how wet or how dry the harvest. Those who say they know keep moving back the intrusion of La Nina into our weather. Looking at what occurred in Argentina has us looking for a wet harvest in our eastern grain belt. What comes our way during our harvest will give us an insight into next year’s weather. Today we can say more variability will come to production, which will add risk. Add risk and the Funds will come. That risk will keep sufficient fear in our markets, seeing beans to \$11.80, if not higher, and corn to \$4.20, if not higher. 2017 TZC’s holding next year’s advanced projections will be issued after we get into harvest and know much more about supplies, demand, production and weather.

Corn: Crop condition ratings maintained 76% on Monday, the 4th highest on record for July 17. Every year where this rating was at or higher than 73%, yield came in above trend. In 2014, 76% produced a yield 8.5% above trend. In 1990, 75% put yield 2.6% above. The greatest hit to corn yield this year would come from night time temps above 70 degrees. While we will see that this week in many areas, this week are not the weeks that matter, those come in August. At this time, those temps are not being forecasted. We’ll need to pay attention, as if August temps come in normal and above normal in precipitation, yield will exceed 172 bpa, producing carryover stocks over 2.3 bb. We believe we will need **at least** 2.3 bb carryover projected for 2017 to get price to move to the \$3.00 area. December 16 corn took out support at \$3.47 today, opening the door for \$3.33. As price is in our lower third projection, no sales should be made, period. If you need to make sales, you need to put yourself in a position to re-own those sales later to add to your sales price. Do so when we recommend end users to cover their needs.

Beans: They just can’t keep the rains away. With dry and hot long term forecasts continuing to always change back to “normal”, today’s changes to cooler next week as too much for beans. \$10.20 support gave way like it did not exist. \$9.60 is our next target for November beans and price will go there. The question is how much lower. The better

the weather, the lower that price. One big rain across the majority of the Midwest in the middle of August will dump on beans. That will run price clear back to \$9.00. With a forecast of an import reduction from China of 2 mmts of beans for 2017 by Oil Worlds, a bit more negativism was added to this falls support of price. Such a reduction has never been seen for many years. And a projection of such a reduction is only that; for now. Crop ratings for beans held steady at 71% this week. Last year's 73% netted yield 5.4% over trend. Take that with a grain of salt, as last year saw that nearly all-encompassing rain event that blew up yields. Only if that event occurs again should we anticipate such a grand increase. As an example, 53% g/ex was the rating in 2005. But the rains came in August, netting a final yield nearly 7% above trend. In August, any goes. We just don't see anything shorting the crop by much. Odds remain for trend to above trend yields.

Wheat: A USDA attaché in Australia raised their production from 25.5 mmts to 26. This fits with our weather modeling. Russia's cash price for wheat keeps falling. That's not good for our prices here; stiffer competition. Syria snubbed the U.S. on a wheat sell, buying from Russia overnight. So many keep talking about a harvest low in wheat, with higher prices ahead. Unfortunately, we are looking for lower prices still ahead, with December 16 K.C. wheat targeting \$4.00. Once that price is challenged, will begin projecting what upside is possible.

U.S. Dollar: New highs were scored since the Brexit vote. That is longer term negative grains. We will need to track it next week to see how solid this rally is after these new highs were scored.

Re-Ownership: This will be a very good year to add dollars to your operation through re-ownership of any 2016 crop sales. It will serve you much better than buying calls. With this year's low prices, most need something to add profits. This will do it. We will go into more details in upcoming MNU's. Those who have serious interest and need help, let us know.

Fuel/Fertilizer: Delay all purchases; trends are lower, seasonals are lower & lower grain prices will add additional pressure. Sustained low prices for next 4 months will help move fertilizer lower; & land prices.

Understanding Theft: <https://www.facebook.com/EndTheFed.Org/videos/1705821819677849/>