

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Sales Recommendations: No Sales. Next MNU by August 27.

Current Positions: 2017 **corn** sales should be 50%, with **soybeans** at 75% sold. 2018 crop sales at 10% on corn and soybeans. 2017 **wheat** sales are sitting at 50%.

Quick View: Lower. Several producers spoke to this week that we need to keep it simple. So we did. Dec17 corn will target \$3.57 - \$3.60 first, then \$3.50. If more confirmation comes in supporting the USDA's projections, \$3.50 will give way. **Nov17 soybeans** next downside target of any consequence is \$9.07. If more confirmation comes in supporting the USDA's projections, \$9.00 will give way. **K.C. Dec17** reached major support this week at \$4.60. That ended up being butter. Psychological support is \$4.00. Recent life of contract low was set the last week in August of 2016 at **\$3.672**. It stayed down there for 2 weeks before rallying back to \$4.22. Trends in all grains are lower.

USDA Report: Total U.S. **corn production** was a shock to the majority of the trade. Peering through the numbers, it was the southern and eastern states that shined, countering the major shortfalls in SD, ND, the non-irrigated in NE, and the hard-hit drought areas in IA. We could go on to mention all the early, water-logged areas and delayed plantings in many states, but it doesn't matter. Odds are the USDA is close. They usually "blow it" about once in 20 years; like they did in 1993. Thus, we must accept their production number of 169.5 bpa; for now. Depending on whose number you use, it's above trend yield. With these rains in the driest areas this week, we better be thinking that big crops get bigger. Then there's soybean production, where the USDA increased yield/acre over last month; now up to 49.4 bpa, up from 48. And with these rains, how much higher? If they add even ½ bpa in their September report, carryover for 2017/18 jumps to over 550 mb. That crosses the magic 500 m threshold, beans psychological number. That number is devastating to price, just like the 2 bb+ number is for a corn carryover. So please don't put any hope on these support levels that others are claims "could" be our lows for this fall; too early.

Crop Tours: This event should "pop" price a bit because the tour does not go through those states that have really outstanding yields this year; the ones in the South, the SE and the East.

Rains: While the driest parts of the western Corn Belt were finally blessed with excessive rains halting further crop deterioration on many farms, the eastern states are now receiving fake rains in August; the crucial month for beans. So far in August, Champaign, IL has registered 0.13" of rain, Lincoln 0.66, Springfield 0.74 and Decatur 0.57. They shouldn't be complaining. They haven't experienced any heat!!! Earlier rains, deep soils with plenty of subsoil moisture means no crop loss for corn. We can't see it being a killer on beans, either. Show us your tile lines!

Corn: We hear so many calling for "fall lows" to come in no lower than \$3.50. We say, don't get stuck on a number. Important considerations are being ignored. One must compare what price did last year under what factors. Carryover coming into harvest last year was 1.7 bb. This year it's 2.3 bb. That's 600 mb more corn sitting around that end users have to deal with in front of another large harvest. Then there's weak demand. Last year saw record demand during and after our harvest. The USDA was forecasting a record export year of 2.243 bb. For next year it's forecasted to be at least 300 mb less. Export loadings have been falling steadily for 20 weeks now. Export sales are running 50% less than the last 5 year average for 2017/18. Last year at this time they were running ahead of the 5 year average. This week we are \$0.23

over South America's price. Corn is coming from Brazil to U.S. ports for hog and chicken feed in NC and SC. Price has to fall because our "high" price has us priced "out-of-the-market". We see "the facts" telling us price should be lower this fall than last fall. September corn fell to \$3.01. The facts tell us that \$3.50 is just a psychological number that will give way to reality. History says this is true. The USDA will have had to have really missed it in last week's numbers for the facts and history to be proven wrong. We've been beating on price all year with that extra "600 mb" carryover. That's still here and will not go away. It's just added to get next year's carryover of 2.3 bb. We hate to be so negative when so many are hurting with such short crops. But those who give false hope in order to "sell" their services do you extreme harm. Having the facts gives you the opportunity to make better and wiser marketing decision. It's better to have sold for a bit less and have your grain gone then to build bins and or pay storage and then end up taking less later.

Beans: While exports keeping running better than expected, beans still have a problem. World stocks and U.S. stocks just keep growing larger. They can keep harping on this great demand, but until acres fall and production falls, price will keep falling. The simple fact can be seen in price. Last year price reached over \$11.80 on a weather scare in Argentina. This year it just made to \$10.80 on a weather scare. The low last year was around \$9.40. Would that make this year's low around \$8.40 to \$8.60? **Last year**, soybean carryover stocks were 255 mb. Projected production was 4.060 mb, resulting in a carryover projected at 330 mb for this year. Now for this year, they're at 370 mb for carryover stocks, up 115 mb from last year. The August production number was placed at 4.381 mb. That's up 321 mb from last year's. That results in a carryover projection of 475 mb for next year, up 105 from last year. By the numbers, how can anyone reasonably forecast price holding above \$9.00? The Nov17 contract low of \$9.07 is a critical number. If it and \$9.00 gives way, we'd look for a sharp break lower in price.

Wheat: K.C. Dec17 wheat is headed for at least \$4.00, if not lower to test contract lows. Rains are falling in the hard red winter wheat areas, replenishing moisture to get next year's crops off to a good start. Egypt was buying. Russia, Romania, France and Ukraine were selling. The U.S. didn't even make an offer! The tender price has dropped over \$10/ton in 3 weeks. Everyone's trying to push their large crops out the door at discounted price. Again, our price is too high. Other nations can produce the product for less, with subsidies under the table, no doubt. Wheat's back trying to find a new level of support and of value. Lower wheat prices means low corn prices.

Storage: The facts are the same as last year for corn. Storage will not pay. If you have bushels that you don't have storage for, it won't pay to pay someone to store it until sometime next year. The odds are storage will bite you in the butt. Get it gone. Convert those bushels to cash. If you can, look to own near the fall lows. If you have questions on this, give us a call at 888-553-5540. If we can't get to your call, leave your name and number. We will get back to you.

Commentary: We just read that climate change will have a negative effect on key crops such as wheat, rice, and maize, according to a major scientific report out Tuesday that reviewed 70 prior studies on global warming and agriculture. **WE SAY: Bring it on you blithering idiots!!!** We need all the help we can get to halt continued record production of cereal and oil seeds crops around the world!!! Don't "experts" know when your increase CO2 levels, increase rainfall and turn up the heat, it's called a "green-house environment on steroids"? Of course, most know "climate change" is an agenda. It's not about the climate. The natural changes in the climate are used as a means to justify an end.