November 09, 2017 **#1639**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: **No Sales.** Next MNU by November 19, 2017.

Current Sales: 2017 **corn** sales at 50%, **soybean**s up to 75% sold, **wheat** at 50%. 2018 crop sales at 10% on corn and soybeans.

Quick View: The trend is lower for **Corn** and the USDA added sufficient bushels so that its current trend will continue. We'll look for winter lows to be printed in December. Look for **Soybeans** to test lower support levels, most stemming from the bearishness in corn. Higher prices will be offered as we move into 2018. The **Wheat** complex is supported by the higher trend that started last week in MN wheat. MN Dec17 wheat will have to clear $6.50 before this higher trend can be validated.

USDA Report: How many straws/bushels can you load on a camel's/corn's back before it breaks? We'd say about 147 mb, which is what the USDA added in today's report. **Corn's** yield was raised 3.6 bpa, from 171.8 to 175.4. Total stocks were raised from 2.340 bb to 2.487 bb. World stocks were also increased, up from 201 mts to 203.9 mts. **Soybean** yield was left unchanged at 49.5 bpa. Carryover stocks for 2017/18 were decreased 5 mb. World stocks were increased for soybeans as well. Its stocks were raised to 97.9 mts from 96.1 mts. Most of this increase was attributed to Brazil, with their total production being raised from 107 mts to 108 mts. Imports by China off-set, with number increasing 2 mts, now placed at 97 mts. **Wheat** saw a nice surprise finally; not that it really matters. U.S. stocks fell from 960 mb to 935 mb. And global stocks fell from 268.1 mts to 267.5 mts. **Western sorghum growers need to keep an eye on this market. China is buying in a big way, replacing corn in the mix needs due to GMO concerns. Grain Sorghum stocks fell by over 30% from last month's report!! Stocks fell from 28 mb to 19 mb this month. Can you imagine how high corn, wheat or soybean prices would raise if U.S. stocks were cut be 1/3rd?**

Critical - Re-ownership: For those chomping to re-own past **corn sales**, don't even consider it for now. We have discussed this, but now we'll hammer the point. And just to clarify first, what we're going to lay out here is what you should expect to see unfold over the next 7 months, so market accordingly. The historical odds are what we go by in our long term price forecasts. Those odds say we better plan on this event unfolding in the following way.

In years of over abundant supplies, the carry in the market just erodes away. July18 carry's a $0.30 premium to Dec17 at the time of this writing. Let's project that Dec17 corn goes off the board at $3.27. Odds are it will close out the month at its contract low or very near to it. Using today's price spread, that would put March17 futures at $3.40. In less than a week, March 17 futures will fall to $3.27, then trade from $3.25 to $3.45. The low price set in Dec17 futures will either be the lead month's low through May18, or very close to it.

When March18 futures go off the board with May18 trading at a $0.08 premium, May18 futures will fall to that price and then proceed to trade in no more than a $0.20 range. This same event will occur when May18 futures go off the board. July18 holds an $0.08 carry to May18. The likely price range for the next 7 months will be set by Dec17 futures. Its low that will be set in the next 6 weeks and will be the likely low, or very close to it, for the next 7 months.

If you buy back futures to replace cash sales this fall, you will lose money. You can't risk buying July18 futures at a $0.30 premium to Dec17 futures when you know history says you'll lose that $0.30 carry over the next 7 months. You just have to sit and wait.

For all corn you can't store ***(your only option is to pay the elevator)***, convert that to cash and then own Dec18 futures when July18 reaches the low, or close to the low price, set in Dec17 futures. Another component that needs to be added to this equation to determine when you should re-own, if at all, is if market conditions are setting up for a weather related rally event. That event almost always holds off until June.

<u>Corn</u>: We know many are stuck with more corn than they anticipated and you held back on early sales because your crop was visibly suffering from the stress. Let's give thanks for those extra bushels and that those bushels will help insure your operation will be in the black this year. The USDA report guarantees not much to the upside in this market through June of 2018. For your unpriced bushels, look at locking in the carry and managing the basis for your area. $3.45 will be tough resistance and use any price push to the area in Dec17 futures for pricing. $3.50 will now not be cleared in the lead month. Consider that the cap for rallies from now until something changes on the supply front. For bushels you will be holding into the summer of 2018, know that the rally will be starting from $3.50 or less. Any rally on a weather "scare" won't have legs of more than $0.30. Don't forget this year and how price moved. It will be a key in determining what to expect and when to price more of your 2018 production.

<u>Beans</u>: Expectations of a small cut in production and a larger cut in carryover stocks bit the bean prices today. More can be attributed to the 147 mb added to corn's carryover vs the 5 mb cut in soybean carryover. Technically, soybeans and meal printed a very bad day on the charts. Expectations of bullish had prices moving higher into this report. The broadside hit caught them leaning, pushing prices to their lowest close since – just last week! But the technical damage will take some time to heal. Further downside should be expected; more so if Dec17 corn closes below $3.40 tomorrow. Corn losing another $0.20 in 3 to 5 days vs 3 to 5 weeks will make a big difference to bean price of the same above stated time frames. We expect support in Jan18 beans to show up at $9.80 and then $9.70. Its major uptrend line brings support in at $9.52. A close above $9.87 would have Jan18 beans closing higher for the week, which would be positive.

<u>Wheat</u>: Can't remember when wheat had a day of lower U.S. stocks and lower world stocks. All trends have to start somewhere!! While the trend remains lower, watch MN wheat. If Dec17 MN wheat can close above and then stay above $6.50, that will support Chicago and K.C. The big news for wheat was that export sales is what reduced carryover. While positive, export rules are changing overseas which will allow other countries to export wheat. It's going to get even tougher to market wheat overseas.

<u>Monsanto</u>: One of our sources is telling us their people are bragging about what they have **<u>coming out soon</u>**; genetics that will increase yields – a lot more! ***(Did we just witness some of that this year?)*** These breakthroughs' will force producers to become better marketers and **<u>force them to use every tool available</u>** to bring in those extra dollars they need to keep operating profitably. The future seems less bright for those who can't adapt their marketing to times of overabundance. Ponder this coming reality and send us your thoughts and questions.