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LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: Have you sold the carry offered in the corn and wheat markets? No Sales, other than locking in the carry for 25% or ½ of your remaining 2017 corn and wheat. Dec17 corn goes off the board next Thursday. That's when later months will break to new lows.

Current Sales: **2017** sales: **corn** 50%, **soybean**s 75%, **wheat** 65%.
2018 sales: **corn** 35%, **soybeans** 10%, **wheat** 25%.

Quick View: Mar18 **Corn** is working the range from $3.50 to $3.60. At $3.60, look at selling the carry, as detailed in our last MNU. On **Soybeans**, the trend is higher, as are the seasonals. Weather concerns in Argentina will keep Funds active, supporting the higher trend. **Wheat**? Is there any hope? La Nada?? As projected, new lows again this week. Did anyone sell the carry?

TZC's: They were sent out this week, along with an 8-page commentary that provides a detailed review of the most important, market moving factors that will be in play for 2018. We apologize for the length this year, but we felt it imperative to provide even more specific, historical data to emphasize and support the conclusions we drew from those facts.

USDA Report: Next Tuesday morning at 11:00 am. The average carryover guess for **corn** is 2.478 bb vs current 2.487 bb. World ending stocks projected at 202.6 mts vs current 203.0 mts. Brazilian corn estimate is 93.2 mts vs USDA's last guess at 95 mts. Argentine estimate at 41.8 mts vs USDA's last guess of 42 mts. The average guess for soybean carryover next Tuesday is 440 mb vs USDA's last guess of 425 mb. Note that would mean they expect the USDA to reduce exports. That would be "abnormal" for them to do that this early. They are guessing world ending stocks at 97.8 mts vs 97.9 mts in their last report. The estimates for Brazil and Argentina are not much changed from last month. Projections for U.S. wheat stocks are 939 mb vs last month at 935 mb. World ending stocks at 267 mts vs last month at 268.1 mts. A drop!!!

Corn: In this MNU, we are going to cover some ancillary issues that will have some effect on prices long term, as well as detailing some facts that support our analysis and conclusions. Low corn prices do have an effect on plantings, just not so much in the U.S. Maybe that is because more U.S. producers use the CBOT to hedge or they feed to livestock. But in Brazil, low prices are curbing Brazil's second crop corn; looking for acre reduction from 20% to 30%. Our projection is it won't do much for U.S. corn prices, but it will do something for soybean prices. They have to plant something. Brazil's corn production is projected to drop by almost 17 percent in the 2017/18 crop cycle, reflecting a reduction in estimated planted area and lower prices for the grain. Corn output will total 90.52 mts, compared with a Safras estimate of 108.87 mts for Brazil's production in the 2016/17 crop season. Safras said planted area will fall 12.8 percent this season to 16.09 m hectares. Last year, the area planted with corn in Brazil was 18.45 m hectares. The FAO (Food and Agriculture Organization) raised global grains production by 13 mts to 2.63 bts on an increase in corn output to 1.08 bts. U.S. cumulative exports sales are 46.8% vs the 5 year average of 53.0%. China is buying more ethanol, something they need until they get all those ethanol plants cranked up. That is pushing our ethanol plants to crank up to full capacity and more. Another record for ethanol production was set for the week ending Dec1. They burned through 115.35 mb of corn, producing 1.108 m barrels of ethanol. The USDA will be raising demand for ethanol by 25 mb soon, if not more. Every little bit helps.

U.S. sorghum sales were the highest since Dec14, coming in at 406,600 tonnes. China was the big buyer. We have been pointing this out for the last few months. Western growers need to be watching this. Profits will be made growing milo/sorghum vs corn in 2018; for those who have the option. Remember us pointing out that the USDA cut U.S. sorghum stocks nearly 50%? By USDA's numbers, on September 12, 2017, sorghum stocks were reported at **29 mb**. Their August report had them at **52 mb**. This month, the average trade guess was **30 mb**. The USDA reported them at **19 mb**. That's a 67% cut in stocks. Yes, China is buying again because there is no GMO milo. If that was corn, cutting stocks 67% from 2.5 bb would take corn stocks down to 845 mb. That would force our corn price to double. The question from our growers is if this demand is here to stay? Likely not, because high prices cure high prices. If you are going to grow it, you better lock in the price in advance. We would let price run yet. Its high is not in.

Soybeans: Normal rainfall for western and northern Argentina put a damper on soybean's first sharp, Fund lead rally. Also, price took a hit from a steep sell-off in the Dalian soybean market. Stats Canada added to this downdraft in price when they surprised the market by raising their canola production. The average guess was 19.9 mts for canola. Stats Canada's released number was 21.3%, up 8.7% from last year's production. The question came to us, "Is it's all over?" Weather in South America will be driving price for another 4 months. Things are just heating up, while total acres could become a bearish concern. Less corn acres translate into more bean acres. China's demand/import numbers were released last night. They showed very strong demand for energy, industrial and agricultural. In November, they imported 8.68 mts, up 48% over their October imports and up 10.7% from last year. Cumulative import totals for 2017 have reached 85.99 mts, up **14.8%.** The problem is they are not getting their needs from the U.S. first. Brazil's big crop from last year is filling China's needs today. We'll have our open window to take market share for less than 4 months this year, before Brazil's new crop becomes available for export. World production won't keep expanding at 10%. Production just had a couple of great years. Soybean prices, next to sorghum, will be the main grain that benefits first from a world weather event that reduces production of grains. Cumulative soybeans sales are at 59.3% vs the 5 year average of 73.7%. Cumulative meal sales are 45.8% vs the 5 year at 51.8%.

Wheat: Wheat's woes were added to this week. The USDA placed China's wheat production at 127.25 mts. China reported it at 129.8 mts. India's winter wheat plantings fell this year by 1.27 m hectors. Rain is delaying Australia's wheat harvest. The EU soft wheat exports are down 23% from last year so far in the last half of this year. Russia is going to subsidize their exporting of grains! They had a big production year and Russia is working at getting rid of it, opening up storage for new crop. For them, it's better to take $2/bu than to let it rot. It's just not good for us. Cumulative wheat sales are at 64.2% vs the 5 year of 68.9%. Prices are still searching for a bottom. Chicago Dec18 just moved under $4.00 and MN Dec17 under $6.00. Don't look for $4.00 to hold on K.C. wheat. Have you done anything to put the carry in your pocket?