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LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: **Sell 10% of your 2019 corn @ $4.08 Dec19 futures: Open Order.** Use a HTA or a cash contract; your choice. A text was sent out this week to price 10% of your 2018 corn @ $3.90. This target was in our last few MNU's. **For 2017 old crop corn**, sell the carry; **target $3.594 off Mar18 futures**. This takes you to 85% sold on 2017 & 45% sold on 2018. Our sales recommendation last week on beans was hit: *"**Add to your 2017 & 2018 soybean sales** by selling 10% when Mar18 beans reach $9.95."* Off this recommendation, 10% of 2018 soybeans were priced today at $10.10. This takes our sales recommendations to 85% sold on 2017 and 20% sold on 2018. Next MNU before February 04, 2018.

For those who have little or no sales on the books for **2018 corn production**, have orders in to sell 10% @ $3.85, 10% @ $3.90, 10% @ $3.95 and 10% @ $4.00, all based off Dec18 futures. Use HTA's and make sure you follow up and manage the basis.

For 2017 corn sales, continue working to move sales up to 75%. *(How many months have we been recommending producers sell the carry; which applied to both 2017 and 2018?)* Maybe better said, for all those bushels that you are not going to hold onto for a summer weather rally, decide how many bushels you're needing or wanting to price in the next 6 weeks and how many bushels you want to deliver this summer (July futures pricing, or maybe September futures pricing). Price both off these resistance areas basis Mar18 futures: $3.54, $3.59 & $3.64. Mar18 corn @ $3.64 will be very difficult to reach! Market accordingly.

Know that when Mar18 soybeans reached its last high, Mar18 corn was in a downtrend and only managed to rally from $3.494 to $3.604. Corn does not have to rally. Any push will come from the collapse of the U.S. dollar, Funds getting a bit scared and covering some of their record short positions and soybeans continuing to rally on weather concerns in Argentina. End users will only rally price enough to induce producer sales. They manage their "local" price through basis; by lowering it or raising it. Therefore, you must watch your local basis levels!! That tells you their need or lack thereof.

Sell 10% of remaining 2017 & 2018 wheat when price reaches $4.90 in July K.C. futures.

Current Sales:

2017 sales: **corn** 75%, **soybeans** 85%, **wheat** 65%.
2018 sales: **corn** 35%, **soybeans** 20%, **wheat** 25%.

<u>Quick View</u>: **<u>Mar18 corn</u>** broke above $3.55 R. Next R is $3.58 followed by $3.60. This week's high was $3.58. **<u>Mar18 soybeans</u>** cleared major resistance areas. Trendline R in Mar18 sits @ $10.18, July18 @ $10.40 and Nov18 @ $10.24. R in Mar18 meal is $350.00. As meal has been leading, if it can't get through $350.00, beans won't reach trendline R. **<u>July 18 K.C. wheat's</u>** broke down $0.20 after USDA report. R @ $4.70 needs to be cleared before it can move to its next target of $4.90 to $5.00.

<u>U.S. Dollar</u>: Several months ago we wrote about the dollar's fall in value of about 13% in 2017. Because grain's lows were about 13% higher than they were in 2016, the decline of the Dollar ends up being the only reasonable conclusion. Why? Because carryover supplies in corn and soybeans were slightly higher this last fall over supplies in 2016. Fundamentally, the argument had to be price needed to match the fall lows of 2016 in 2017. This week, the U.S. Dollar fell 2% from high to low. A 2% price adjustment in grains would be +$0.07 in corn and +$0.20 in soybeans. Monday, corn traded to a low of $3.494 and rallied to a high this week of $3.58. Soybeans traded to a low of $9.80 and have rallied to a high trade of $10.02. You can decide which has more influence; Argentine weather, world supplies, U.S. carryover stocks, Trump, or the U.S. Dollar. Don't ignore Fund position in the market, trends and money flow.

We see the U.S. Dollar raising or lowering the floor price of grains when dealing with large supplies. We don't see it necessarily raising potential highs in grains. That remains limited when end users won't chase price because supplies are accessible with limited upside price risk.

The next question is if the U.S. Dollar will keep falling, helping to print a higher low this fall if ample supplies are produced. When looking to price grain, this has to be considered. Another 10% fall in price this year in the U.S. dollar would then push the fall low higher, based on this logic. Our $3.36 low would have to rise to $3.70. This should be in the back of everyone's mind when considering all possibilities. Such a "high" low would make one calculate the carry being able to give us a Dec19 board price of $4.20 to $4.40, <u>***if*** our 2018 fall low is $3.70 ***and if*** we could pull off a $0.40 rally after harvest.</u>

But what is good for the U.S. is not good for competing nations on exports. The fall in the U.S. Dollar is a 2 edge sword; it cuts both ways. Where our price gains a competitive advantage and thus we'll export more corn, they lose. See this article as they are already complaining about the U.S. "talking" the dollar lower: https://www.usnews.com/news/business/articles/2018-01-25/german-biz-confidence-at-all-time-high-ahead-of-ecb-meeting

Thursday's volatility was caused by Trump saying he didn't care of the Dollar fell, so it did. When he was asked to clarify, he stated he wanted a strong Dollar. That jerked the Dollar $0.50 higher from 1:00 pm to 1:03 pm and tanked grain prices, except for wheat, into the close. Weather also played into Thursday's price action. A bit wetter and cooler long term forecast was released early, which tanked grains early, but they worked their way higher later, with the help of the falling U.S. Dollar. From a technical standpoint, it was a bad day. Meal and corn posted a reversal lower. With meal leading, now Thursday's high becomes a resistance point. It will take more weather issues in South America to take out Thursday's high. That could come as early as next week. We all know the reliability of short term weather forecasts.

Corn: You may have noticed how corn struggles against its resistance points. While there are many little things that can be argued as a positive for corn, the big negative of 2.5 bb still controls. Besides the U.S. dollar, dry Argentine weather is looking to reduce their crop from 42 mts to 40 mts. South Africa's corn crop is forecasted to fall from 17.5 mts last year to 12 mts. Last year's crop was a record crop for them. That should cut their exports by at least 2 mts. Heavy rains in Brazil are seen delaying planting of their second crop corn, which could cause that acreage to fall by as much as 40%. China's yearly total of corn imports are down 10.7% on the year. Ukraine still has 70% of their exportable corn to ship out; competition for U.S. exports. Informa lowered their U.S. corn acreage to 89.18 ma, down 490k from their last one. With trend yield at 173.5 bpa along with current demand, that would lower U.S. carryover to about 2.25 bb. While we can talk about all these things, we have to look at price. Will this winter's price offering be better than next fall's harvested price? History says yes, on those bushels you want or need to price before harvest for whatever reason. ***(Weigh your decision against our weather story below.)*** It is our opinion that without a **MAJOR** weather issue in Argentina/Brazil **and/or** in the U.S. this summer, Dec18 corn won't be able to reach $4.00. Another hope for $4.00 corn is a possible free falling dollar, which we don't see happening. Major support is $85.00. Falling to that level would be a 4% price fall. If this would occur in the next month or 2, that would give one an argument of another price gain of $0.15 off it's low. If it would occur quickly, the nerviness of the Funds could push price to this level. It would be interesting to see this possibility occurring at the same time as weather problems were hitting grains in Brazil ***(too much rain/delayed plantings)*** and in Argentina ***(not enough rain and heat).***

Beans: Trendline resistance on beans for next week comes in at these points: Mar18 - $10.18, July18 - $10.40 & Nov18 - $10.24. To even consider reaching these points now, yesterday's highs need to be taken out. That includes the high set in meal. For those who re-owned early soybean sales last fall on our September 5th recommendation, sell just below these targets. <u>Also, place a stop on your long beans to protect and insure you don't take a loss</u>. If weather forecasts dryer in the long term Argentine forecast next Monday, price will have a shot at taking out this week's high trades. We also need to be watching how price struggles as it moves higher. You can tell by its price action/volatility this week that large U.S. stocks and producer selling descend quickly as price rises. That tells you traders are very nervous about taking price higher amid such large supplies. Remember our comment about Argentina production. They can lose up to 5 mts and most if not all that lose could be made up by high Brazilian production. <u>These rallies must be used to price most all remaining 2017 soybeans and a good percentage of your needed pre-sells of 2018</u>. Their February is our August. If sufficient rains fall anytime in the next 2 weeks that they can declare their crop "pretty much" safe, this winter's highs have likely been printed.

Let's not forget about Trump's decision to impose tariffs on foreign solar panels and washing machines. That could also have been a cause for a short term peak in soybeans. China has been singled out as undermining American industry. China accounts for 30% of overseas purchases of the metal. Some suggest Trump is more likely to place levies on the metal, which is used in everything. If so, China would like hit back on grains. That would most likely be soybeans. Imagine price reaction if that happened? With the risks out there, it's better to get something priced than sitting out totally unprotected on all your production. What do you say?

Chinese soybean imports were up 6.1% this December from last and up 13.8% for the year. Brazil's December shipments surged 517% (from last year's huge crop) from last year, where U.S. shipments were down 23.7%. For the year, U.S. shipments were down 3.8%, while Brazil shipments were up 33.3%. U.S. growers are losing market share to China. Many believe much of this stems from our rush to push yield over protein content. The Chinese demand is for high protein soybeans. U.S. seed companies are not producing seed for U.S. farmers that the world demands. Farmers have to start hammering their seed companies about their "stupidity" in this matter. It doesn't matter how high the yield if there's no demand for the product produced. ***Our long term forecasts for Argentina shows the trend remains dryer and warmer than normal.***

Wheat: K.C. wheat has a good little uptrend going. Today price is beating right against resistance at $4.70. That's the break point for another $0.20 to $0.30 price gain. Nothing is improving in the drought area down south. Our expectation is that it will get a lot worse before it gets better. How much price can improve on a 10% to 20% yield loss in the U.S. is uncertain. Taking a swing at protein, maybe a bit dryer summer pushing wheat to achieve higher protein content would be a "win" when it came to pricing? But that would mean one would have to hold it until after harvest to price? That might not be a good thing as risk to crop is placed into price before harvest. No matter the reason we have to make sales, so many times it appears the deck is stacked against the producers; damned if we do and damned if we don't. The falling Dollar is a plus for wheat prices. The trend is re-enforced higher when price breaks above $4.70 in July18 K.C. wheat. History tells us this drought to our south will not break until April, or even late April at the earliest. If this is true, should we be pricing on time or price? ***Our thought is why price in February if it won't rain much until April, at the earliest??***

Weather Puzzle: Is it really about world weather trends? That's our read. That is where we will first see hope rising for better prices in 2019, as it starts with how weather trends in 2018. Part 1 of this puzzle begins in Argentina this year with their drought. How long it lasts and how much it reduces yield gets us to Part 2; the drought beginning in the U.S. Does the U.S. drought survive our spring rains? If it does, we move to Part 3. Does the U.S. drought "regrow" into the fall and winter of 2018/19? If it does, how much does it reduce corn yield and bean yield? History tells us there will not be much drag on corn, but the summer dryness will hit our bean crop. We would like to see corn yield fall to at least 171 bpa this year as a result of dryness. That would give us historical support for forecasting an even deeper yield loss and higher prices in 2019. With soybean acres now guessed at 91 m and trend yield nearer 50.5 bpa, stocks would likely grow to 600 mb. Yield would need to fall to 48 bpa or less to move stocks below 400 mb and to get price a little excited going into 2019. That number will have to be looked at after we know the final number on South America's soybean crop.