

## LOOKING FORWARD WITH A BACKWARD GLANCE

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**Sales Recommendations:** No corn & wheat sales. Our recommendation to complete sales of old crop bean @ \$10.40 Mar18 futures was reached this week. Our first recommendation to take new crop soybean sales to 60% @ \$10.30 Nov18 futures was reached last week, while your second option to wait until Mar18 Meal tops \$400.00 before taking new crop soybeans sales to 60% was not. Mar18 reached \$399.70 today, but May18, now considered the lead month did, at \$404.00. That's close enough; so between Mr. Aggressive going to 100% and our recommendation of being at least to 60%, has us splitting the difference, taking sales to 80% for new crop beans. For those looking to re-own corn sales, we would on a good break in price.

**Current Sales:**       **2017** sales: **corn** 75%, **soybeans** 100%, **wheat** 75%.  
                                   **2018** sales: **corn** 35%, **soybeans** 80%, **wheat** 35%.  
                                   **2019** sales: **corn** 10% (**\$4.08**)

**Quick View:**       **Corn's** remains in a longer term uptrend. Wheat, taking out R levels, brought additional Fund buying to corn. Meal continues to lift **Soybeans**. Momentum is slowing in beans and we have another technical turn day in meal & beans. Lead month Mar18 is considered gone for reporting purposes, so we will be quoting May18 futures now. For **July18 K.C. wheat** we wrote last week, "***History says triple tops are meant to be broken.***" History proved correct with wheat, not only breaking R @ \$5.15, but also blowing through both \$5.30 and \$5.40 on Wednesday. We're not recommending sales for wheat at this time, but Trump's tariffs throw another major variable (***negative risk component***) into all grains and meats!! Our comment about if there's no rain expected in the HRW wheat areas for the next month or two, why sell, has us continuing to practice patience. Watch for texts.

**TZC's:** Have you looked at them this month? Their track record over these last 9 years is over 92% accurate! (***Not 100%!***) Work to market most all of your grain in these projected price zones. They will make you a **consistent** winner over the majority. Cargill offered a statistic that showed over 80% of producers still market the majority of their grain in the lower third!!

**Mr. Aggressive:** Why did Mr. A go to 100% sold on new crop soybeans when Nov18 soybeans moved above \$10.30? **He did so because he is guaranteeing revenue (profit) to his operation and he can manage price or "what if" situations.** Mr. A is happy if the majority of his sales are within \$0.50 of the top, as that places his sales in the Upper Third. If price raises \$1.00 above his last sale, he will look at pricing (***potentially all***) his 2019 crop at the elevator with cash or HTA's. If Nov19 futures have not participated in this rally, which they haven't, he'll sell Nov18 futures as his hedge for his 2019 production. He will manage that sale by taking profits off the futures

contracts sometime before contract expiration, while maintaining 100% control of his 2019 production that he will price later with cash or HTA's during soybeans next rally event. His window of opportunity to do so extends through late 2020.

We know many don't or can't use all the marketing tools available and therefore can't market 100% of their production before harvest. Then there are the other extremes who won't consider any pre-sales. They will put all productions in the bin and then start thinking marketing, leaving them a 9 month window of opportunity, instead of opening themselves up to 2+ years for marketing opportunities. Producers need to utilize our information and sales recommendations to best fit their marketing habits, their logistics, and their ability to manage risk within their marketing program and those risk factors directly and inherently related to their lands ability to produce a crop. If you have any questions on how best to apply our information to your specific operation or management needs, just call or email at [agmasters@abbnebraska.com](mailto:agmasters@abbnebraska.com).

**Technical:** The technicals that told us a top was in for soybeans on Tuesday were wrong. We gave that technical turn half credence by stating the high would be that Tuesday, or this last Monday. Monday's high in May18 soybeans was \$10.594, where it again printed a reversal lower. That high was taken out Thursday, and by last night's high of \$10.824. (*Mar18 futures saw a high trade of \$10.71.*) Monday's high in Nov18 was \$10.362. Monday's Nov18 high was beat by Thursday's trade, and again with last night's trade, which set a high of \$10.426. Those same technicals led us to conclude meal would not reach \$400.00, which proved to be wrong. May18 meal breached \$400 in last night's trade, reaching \$404.00. We texted early this week that, "US meal is no longer competitive with Argentine offers."

Flipping to corn, from all the history we had on corn and all the numbers into January, our call to capture the carry for your remaining old crop corn (*except for those bushels you would hold into summer*) turned out to be incorrect. (*As written in MNU #1657, "History gives very good guidance, but it doesn't give a guarantee."*) Like you, we absolutely want sell the high. And like you, it hurts when we don't. Having farmed for decades, we relate to all your feeling and fears. We have been asked why we have said so little about corn sales for a while. That is because we have seen the changes in weather and have been writing about the underlying issues that continue to grow and support the corn market. Corn can't explode higher like wheat has, as its Argentina's drought does not affect our carryover supplies or our 2018 production, yet. The longer term implications coming to corn via the weather issues in South America by reducing their exportable supplies will take time for the market to factor into price. Brazil's 2<sup>nd</sup> crop corn has a continued risk of shrinkage through June; 4 more months!

**Corn:** First we want to take note that today's high in Mar18 corn is \$3.80, which was last year's exact high in March of 2017, before our summer weather rally that took price above \$3.80 to \$3.97, in a 3-day, drought scare rally. We have had several Subscribers question why we've not been recommending sales during this rally. *This year is not like last year. Last year Brazil and Argentina were producing record corn yields which lead to record exports, reducing our exports. This year, that situation will be exactly the opposite.* We'll repeat the many facts that have changed in the corn market since January 2018. "*Corn's carryover will limit all rallies this year in old crop months, so don't get carried away with any lofty expectations in price. Argentina and*

Brazil are doing all the heavy lifting right now. When all this is factored in, this rally will fade and retrace. This corn market will find breaks in price supported and rallies limited until summer. Argentina has never been totally dry. Some showers are falling from time to time. South American corn production will be off at least 10 mts from last year, gaining the U.S. export market a greater share into 2019. This will continue to eat away at our carryover stocks. If all weather trends continue for another 3 weeks, think 15 mts down. That would be even more helpful to our prices in the U.S., longer term. The USDA forum has U.S. corn acreage at 90.12 ma compared to 90.17 last year. Using a yield of 173.3 bpa, they came up with a carryover for 2018/19 of 2.133 bb. Corn production in South America could start seeing some sharp declines if these current weather trends in Brazil and Argentina continue or even intensify. **Again, these production losses create an underlying, long term bullish theme in corn.** We won't know how much until such time as these losses are known." And as mentioned in the above paragraph, Brazil's losses continue as long as current weather trends continue. They are 43% planted on their 2<sup>nd</sup> crop corn compared to 57% last year. Delays are from too much rain. As a producer, you can relate. Planting corn in wet fields don't yield the best if the weather changes from too wet to too dry in the middle of summer. As their normal seasonal weather pattern is for last season drought, planting late increases the risk to seeing full production. This season is just the opposite of last year's huge production, which cut into our exports. Our exports sales will be increasing, likely into 2019, lowering our carryover stocks. This is underlying bullish, which will continue to support price through this year. Then there is price. U.S. corn has been the cheapest in the world for weeks now. That will also work to increase market share. With all this, we don't have to think about pricing corn right now. We need to know how much market share can be gained. Thanks to Trump, we now also have to figure out how much market share may be lost due to these new tariffs on aluminum and steel. Then we need to know U.S. acres for 2018 and how world weather trends track these next 3 months. That will give us a clue as to what our July and August weather "might" be and whether or not we can make trend yield in the U.S. If we do make trend in 2018, soybean prices will be very depressed this fall. Fall corn prices, not so bad.

**Beans:** Does this market have the most bullish news yet? **Argentina just lowered their production forecast to 44 mmts.** FC Stone just raised their estimate for Brazil to 112.9 mmts. Some estimates are north of 115 mts. Reports this week have this drought being their worst in 60 years, followed by reports that yield could be **cut by a third. A third of 55 mmts is 36.66 mmts.** We won't know until after they harvest, but more than likely, that's as bad as it gets. We don't hear about record heat; just very little in rainfall. If they are not over hot, won't their deep soils allow for better than expected "bad" yields? Look what our August did for corn soybeans with really cool temps. Crop conditions have worsened, from 18.4% poor to very poor to 45.3% poor to very poor. China bought soybeans overnight; 120k tonnes. An unknown bought 126k tonnes. U.S. crush for January came in at 174.52 mb vs an average guess of 173.3 mb, compared to last year at 169.2 mb. Weekly exports sales rebounded this week to 857.9 tmts (**1000 metric tonnes**), a multi-month high. Trend following Funds are record long meal and not far behind in soybeans. **More production declines in Argentina will push prices higher next week,** though the \$400 level will have commercials hesitate to buy. \$400 makes the U.S. their highest priced meal, reducing export demand. Meal export sales were low again this week, just 139 tmts. That's about half the last 3 month average for sales.

FC Stone just released an acreage number for the U.S. They surveyed 80,000 producers which produced an acreage number of 93.7 ma. That's 3.7 ma above USDA's Outlook Forum estimate of 90 ma. Using the USDA's usage calculations, ending stocks would grow from 530 mb now, to 780 mb next fall. This is the issue we have feared and why we have been pushing sales. Price will fall at least \$1.50 from this month's high trade. If price moves a \$1.00 higher from here, we can put that \$1.00 in my pocket, after it happens. The question is, can you? If price moves a \$1.00 lower from here, we can't put that \$1.00 in our pocket unless we sell it at today's price. If you don't understand our thinking, you need to call or email. Odds are FC Stone will be closer to the final acreage number in soybeans than the USDA. If their soybean number is right, are you thinking what it will do to corn prices? It's another reason to plant a few more acres of corn, if you can. It's another reason not to be selling corn on this rally. We need to wait a few months.

**Wheat:** Not much to say on wheat. While the fear comes from no rain in the HRW wheat areas, the price rise is really from the Funds being record short and having to get out. It is surprising that with a slow and methodical rise in price of nearly \$1.00, Funds are still holding short wheat. As of February 20, COT (Commitments of Traders) reports they're still short 38,767 contracts, which actually increased by 9,449 contracts for the week. Non-commercial and Non-reportable combined traders were short 47,366 contracts, and those increased by 10,830 last week. In K.C. wheat, the traders were net long 29,556 contracts, with the Non-reportables long 29,505 contracts. With price blowing through resistance at \$5.15 and to our 1<sup>st</sup> upside objective in just 1 day, this last Wednesday, we're not interested in recommending sales just yet. Funds are not overly long K.C. wheat. Another month of dry could easily add another \$0.30 to \$0.50 or \$0.70. Not trying to be greedy, just trying to be real. This weather pattern suggests another month of dry is not out of the question. We haven't killed the wheat yet with freezing temperatures or record heat and high winds blowing the young out of the ground. That would be a normal thing yet to come. We'd like to see 2 or 3 big up days, which we just got! Keep in the back of your mind that this rally will fall faster than it rose, as we do have plenty of wheat in the U.S. And always remember the story of the trader who got rich trading. He said he got that way by getting out too soon. Farmers almost always hold for the highest price. When he realizes he missed the top, he still refuses to sell. Don't ever be afraid of taking a price off the table that locks in a profit. If it goes higher, be happy and sell more. And don't say you don't have more to sell. Sell some of 2019 production. Look ahead. Don't get greedy. Make a sale and lock in more profit. July 2019 wheat has traded above \$5.95 today, with Dec19 hitting \$6.10. Have you looked? That is \$0.60 above July18.

**Fuel:** We know that RBOB, crude & HO tend to run in the same pattern. April18 RBOB topped at \$2.10 on January 29, fell to \$1.8384 on February 13, rallied back to \$2.0122 on February 26, and if Wave 3 equals Wave 1 of \$0.26, price should fall back to \$1.75. The EIA report showed RBOB stocks growing 2.483 m barrels this week. Three weeks ago they jumped 3.599 m barrels. RBOB also seems to be getting significant pressure from the rising U.S. Dollar following Fed Chair Powell's congressional testimony. Remember that seasonals support up through May, but technicals and supporting negatives look to override seasonals in the short run. We recommended picking up 25% of your needs earlier, but also recommended that you could wait to see what price does on a retest of that low. Diesel tests that low in HO futures at \$1.82. We'll wait on follow-up recommendation until this wave count concludes in the next 2 weeks.