April 13, 2018 **#1667**

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Sales Recommendations: This text went out earlier this week, ***"HRW Producers: Sell half your remaining old crop – 12.5%. Price 15% of expected new crop. That takes old crop to 87.5% sold & new to 50%."*** Corn growers; price an additional 10% old crop and 10 % new crop. Target $3.92 in the May and $4.15 in the December. Next MNU by April 22nd.

Current Sales:	**2017** sales: **corn** 75%	**soybean**s 100%	**wheat** 87.5%.
	2018 sales: **corn** 35%	**soybeans** 80 – 100%%	**wheat** 50%.
	2019 sales: **corn** 10% **($4.08)**	**soybeans** **0%**	**wheat** **0%.**

Quick View: **Corn's** longer term trend remains higher. **Soybeans** printed a new high close for the move this week and highest since March 8th. Old highs are the target. An incredible amount of "moving target news" came to the soybean market this week. We will try to detail most of it, while keeping it as short as possible. Trendline resistance at $5.48 for **July18 K.C. wheat** stopped the rally. Price then fell back and fill an open chart gap to $5.25 Thursday, which is negative and had us send out a texted sales recommendation. Wheat's short term trend is now lower, until price can close above the downtrend line drawn off Mar18 highs $5.64 to the high set on April 9th at $5.48. Technicians will look at this market and claim the longer term uptrend is intact with support around $4.76.

Weather: If one is worrying about cold delaying planting to the 1st week in May, there may be another worry. Generally, rains from the south make it into the Midwest by May 1st. If this year unfolds as normal, this could be another year for late planting. But the current 8 – 14 day forecasts make it look like it is moving in early! The explanation is simple. The extreme cold that has settled over the upper third of the U.S. is colliding with the warm, humid air from that south. This makes for extreme weather events. Not only record snows and cold for this time of year from this storm, farther south, we should see active lines of severe storms and tornados. Today's weather models show the southern Midwest and the Southeast could see 2 to 4 inches over the next 7 days, potentially shifting some corn acres to soybeans and slowing corn, soybean and cotton plantings.

History shows May 10th to be thee optimum planting date to avoid early risks and late risks. Traders won't care until the last week in May. Even when it gets that late, price never showed they really cared then, either. If it turns as wet as the current trends suggest, it will be very difficult to get yields below trend in 2018; subsoil profiles will swell, lifting carryover stocks. Don't let weather concerns derail your marketing plan; price for profits. Profits are being offered. There are many variables in these markets today that many younger producers have not experienced. They might see hope in higher prices. The older, wiser producers hold a reasonable amount of fear, knowing what always follows an unexpected, yet prayed for rally.

Beans: Crazy times, with much conflicting news; conflicting on price direction. We're not going to claim we can sort all this out. We'll just detail some of this week's new the market has had to digest. Argentine imports soybeans and local prices in Argy fall. Cargill is restarting 2 Argentina crushing plants. This move told the world Argentina will crush to meet the world's demand for what they do; a negative to U.S. meal. China is doing its best to avoid purchasing beans from the U.S. China's announced retaliations to place tariffs on U.S. soybeans caused China's meal prices to soar, hitting record highs. Their domestic market is "sweating" this out, very worried about the escalating trade friction. Animal feed makers are worried about inflating costs. China worries about increased retail meat prices. Higher prices to consumers in China cause unrest with the masses. China's government fears unrest, an advantage to the U.S. in trade negotiation. All this has caused Brazil's prices to rise sharply. FOB Brazil prices are now $0.43 above FOB New Orleans. The question now becomes how much more is China willing to pay to avoid buying cheaper beans from the U.S.!! Indirectly, it just like putting a tariff on U.S. beans and China is already paying a price, as are all their end users and consumers.

All this has buyers who usually buy from South America coming to the U.S. because of the price difference. Even Argentina is coming to the U.S. for 2 reasons. First, it's actually cheaper than purchasing from Brazil. The secondary reason is they need "new" beans to blend with their old beans to maintain the quality of their meal. We wonder if they will notice the drop in protein using U.S. beans. So how bullish is this? Are other buyers only buying the beans that China would have bought? That is why we keep pointing to the net effect; watch sales and export inspections to get the real picture. The problem is that one week or several weeks don't a trend make. Corn had the largest export inspection in decades just last week. This week, they fell by more than 30%. Old and new crop soybean sales were a record for the 1st week of April. Total combined sales were 2.4645 mmts. What will week 2 show? New crop sales to China of 258k mts maybe a sign that the trade tariff issue is easing. <u>Do we dare make that leap</u>? If China does impose a 25% tariff, China could release state soybean reserves and cut soybean meal use in feed. Them cutting just 1% in this fashion would reduce demand for soybean meal by 3.5 mts, or demand for soybeans by 4.5 mts. To replace this protein mix, China could turn around and import more rapeseed and rapeseed meal. There are a number of ways China can reduce their need for U.S. beans in the short run.

Argy is said to be buying 400k mts of soybeans from the U.S. Announcements this week were for about 240k mts. If they buy another 160k mts, it's not bullish as it's already known. It becomes negative if no more Argy sales are announced. There are too many moving parts and more shoes that can drop to be able to determine any short term direction for beans. In another release as of 2 hours ago, it is said "next" Thursday's weekly export sales will include just announced sales of 904k mts for 2017/18 and 709k mts for2018/19. We shall see in 6 days

Marketing was simpler until President Trump decided it was time to do the tariff thing. With the apparently, still unknown crop losses in Argentina and all the shuffling of who buys what from whom, confusion will reign on the CBOT. The experts have told us for 3 weeks now that rains won't help Argy's bean crop anymore. The crop is what it is. Rains finally came last week. Yet, yield projections have continued to fall. Buenos Aires Grains Exchange dropped their expectations to 38 mts last week, leaving it at 38 mts this week. The Rosario Board of Trade came out at 37 mts vs 40 mts last month and USDA's 40 mt estimate this month. We have heard 1 group at 35 mts.

The one thing we can take from all this is that in the long run, total World Stocks are lower. That will absolutely support a higher low this fall than what could have been. Running all the USDA's numbers and the trend in export sales and loading, acres at 89 m with trend yield, carryover stocks for 2018/2019 should start out above 600 mb. Acres to 90 m with a 2 bu yield above trend and stocks would grow to 850 mb. If China continues its tread of avoiding buying from the U.S. for as long as it can, about 6 to 8 months, that number could grow to 1 bb. That is the most bearish picture. We know that isn't likely, but one has to have the in their marketing equation. If Trump does put on tariffs at the end of May, the odds of this scenario would jump. Funds are quite long, with Fund positions being announced today. If they are excessively long, profit taking usually sets in at least 1 day.

The most bullish picture we can paint places carryover stocks not much lower than 500 mb. That isn't very bullish and wouldn't, on its own, support soybean prices over $10.00. U.S. carryover stocks on Jan 12, 2017 were 420 mb. On Jan 12, 2018, they were 470 mb. Today they are 550 mb. By stocks alone today, price should not be where it is. Price should be $9.50, max. Yet, fear is running the market. There are too many "what ifs", too many floating balls in the market. There's no way we're not going tell you we know what is going to happen this time! We have no clue which one of these floating balls will become a major market factor. We know the President holds the Big Hammer of Decision and he can make the tariff issue the most important floating ball we have today.

History shows soybean acres will end up around 90 ma, up from 89 ma. Cold and snow in the northern states will help history this year, as may the rains down south. This increase in acres adds 50 mb to carryover. All the above stated market factors are pulling the bean market both ways. Technical action remains toppy, choppy, confused, and can be argued both bullish and bearish. Confusion may likely only be resolved when we know for sure what the Hammer will do.

Corn: Dec18 corn is struggling at the $4.15 area and July18 at $4.00. Price action is toppy in nature. Trendline support for Dec18 corn comes in this week at $3.95 and for July18, $3.81. The trend in corn is up, which continues to be support by a number of factors. While cold and wet delays plantings, what tends to offer a better price to the producer is when they get a window to plant. End users can't get supplies and usually, the board price rises and the basis narrows. Work to take advantage of this in May this year! Fresh new highs and a narrowing basis will add profits to your operation. Add to new crop sales too, as this will help provide for necessary cash flow needs.

Trump is looking at a U.S. biofuel regulatory change that could allow for E15 blends year-round. The compromise is a potential cap on RIN's. This is in the discussion stage. Odds are they will get E15 approved for summer months. Going to tariffs, Trump also has proposed to rejoin the Trans-Pacific Partnership, which would help protect producers if he puts more tariffs on China. Should we read into this that Trump believes he has to hit them to get them to actually compromise on intellectual rights? Do we dare take that leap?

Look for continued reductions coming from South American corn production. Argentina's crop was estimated at 33 mts last month. That will be reduced again next month. The USDA estimated Brazil's crop at 92 mts, down from last month's projection of 94.5 mts. Conab placed their crop at 88.6 mts. Longer term forecasts have it dryer over their main Central West growing regions. Brazil's 2nd crop is 2/3rds of its 1st crop and if Argy turns wet, look for Brazil to turn dry and their 2nd corn crop to take a greater hit. Conab already has it down 6.5% from last year. For this year from all trends, projections are for a 20 to 30 mt drawdown in World Stocks for corn. We have been saying we need to watch this trend of falling world corn stocks. When that number falls below 190 mts, we need to turn our head and raise an eyebrow. All this supports a "long term" uptrend for corn. For this year, all that means is higher highs than last year and higher lows this fall. It does not mean a major bull move this summer, so market appropriately!

<u>Wheat</u>: A full blown weather market in HRW country had July18 KC wheat rally from a Dec17 low of $4.40 to an early March high of $5.60. We have often written that a good rally in wheat would be a $1.00 of its lows. After falling from its peak on rain fears, price based at $4.80 and rallied on more drought talk. An open gap was left on the charts on April 6th, giving hope of another run back to the highs and possibly higher. That hope was squelched when price fell to fill that open gap this week on talks of rain, upwards of an inch, possibly coming to the needy acres by late next week. That technical failure had us texting out a sales recommendation on Thursday. While there is no guarantee that those rains will come and price will not rally back to print new highs by even a few cents, it's another sale at a higher price than the last. The USDA didn't help when it increase U.S. stocks last Tuesday by another 30 mb. That just reminded everyone that there was still no real reason for this rally! It has been all about money and fear and we're happy to get it! Finish all old crop sales on the next rally event and add to new crop sales. The price target should be about $5.35 to $5.40 in July18 KC wheat. Watch that downtrend line that comes off the recent highs as a key resistance point. This week it would cross through $5.45 or so. If it can break above this line, price will then target the $5.60 area again.

<u>Fertilizer</u>: Is it safe to assume they will keep raising the fertilizer prices until planting is complete? Continued planting delays compress the window of need, stressing the market place with much greater demand within a shorter window of opportunity. Did you get your prices locked in yet??