

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Sales Recommendations: No sales. Next MNU by July 22nd.

<u>Current Sales:</u> <u>2017</u> sales: <u>corn</u> 75%	<u>soybeans</u> 100%	<u>wheat</u> 87.5%.
<u>2018</u> sales: <u>corn</u> 35%	<u>soybeans</u> 80 – 100%	<u>wheat</u> 50%.
<u>2019</u> sales: <u>corn</u> 10% (<u>\$4.08</u>)	<u>soybeans</u> 0%	<u>wheat</u> 0%.

Quick View: After last week's price reaction to tariffs, it seems apparent that prices won't lift themselves out of this hole until something is resolved or until the trade has something bullish to latch onto. Corn received good news today, but weather gives the trade nothing else to get excited about – yet. This report helps corn, but the bean numbers will work against a corn rally.

Corn's short term is lower; its longer term trend is higher until key support gives way. Key support is the \$3.36 area. We ask, does Dec18 corn have to go to \$3.36 or will psychological support at \$3.50 hold? July is off the board on Friday. The tariff issues will cause price volatility until resolved; riding beans woes. **Soybean's** price continues to work lower to test support from \$8.40 - \$8.50 in Nov18 futures. The tariff war, (*call it what it is*) along with no weather threat to U.S. production, continues to weigh on price and will limit rallies. Beans big plus is commercials going long beans. Commercials are always right – long term. **Dec18 K.C. wheat** is consolidating from \$4.95 - \$5.30. Major support is found at \$4.80. We look for that price level to be tested to see if it can hold as major support. \$4.94 will need to be tested again to see if that price level will hold.

USDA Report: We're **giddy corn** at these low prices, a bit disappointed with its inability to close on its high, and concerned about soybeans. And once again, they raised **Wheat's** ending stocks, but lowered world ending stocks. There's nothing that matters in the wheat numbers. There's still too much wheat. The average price on the farm to producers was placed at \$4.50.

The USDA didn't change yield projections per acre for corn or soybeans, which makes sense. There's too many variables at play; wet, dry, & heat. That left 2017/2018 ending stocks for **Corn** down 75 mb from last month's number. Better yet, it lowered 2018/2019 ending stocks 25 mb, when the average trade guessed they would raise it by 156 mb; definitely a friendly stocks number for next year. World stocks for corn were lowered 4 mts from the average trade guess, which guessed they would be increased. Average price on the farm was lowered to \$3.30. Short term, with 2 bb carryover on hand, they don't have to rally corn prices with all the other negatives in the market. A relief rally makes sense, as does current lows holding if soybeans decide to move lower from here.

As all know, we have been very bearish on **Beans** for years. The USDA took back last month's increase in 2018/2019 exports, increasing 2018/2019 ending stocks from last month's number of 385 mb to a whopping 580 mb, ***nearly 100 mb above the average trade guess***. Most will remember us talking 600 mb carryover stocks. But what is scarier are world ending stocks for 2018/2019. They increased from 87 mts to 98.3 mts! The average trade guess was 88.6 mts. Think about it. Argentina lost about 16 mts this year and world stocks grew by over 10 mts? Read further below about all the other products China can switch into to minimize the loss of U.S. soybeans. The USDA must be adding this to their equation for increasing world stocks so much. If this is the case and the trade war continues, trend production will keep pressure on the bean price. The price to producer for soybeans was lowered to \$8.00. Cash price today in some locations is \$7.70.

<u>U.S. 2017/2018 Ending Stocks:</u>	<u>Average Guesses</u>	<u>2016/2017</u>
Corn – 2,027 bb	Corn – 2,106 bb	2,293 bb
Soybean – 465 mb	Soybean – 507 mb	302 mb
Wheat – 1,100 mb	Wheat – 1,098 bb	1,181 bb
Sorghum – mb	Sorghum – 0 mb	33 mb*

<u>U.S. Ending Stocks 2018/2019</u>	<u>Average Guesses</u>
Corn – 1,552 bb	Corn – 1,733 bb
Soybeans – 580 mb	Soybeans – 491 mb
Wheat – 985 mb	Wheat – 982 mb

<u>U.S. Production 2018/2019</u>	<u>Average Guesses</u>	<u>2017/2018</u>
Corn – 14,230 bb	Corn – 14,331 bb	14,604 bb
Soybeans – 4,310 bb	Soybeans – 4,329 bb	4,392 bb
All Wheat – 1,881 bb	Wheat – 1,865 bb	1,741 bb

<u>U.S. Avg Yield/bpa 2018/2019</u>	<u>Average Guess</u>	<u>2017/2018</u>
Corn – 174.0 bpa	Corn – 175.3 bpa	176.6 bpa
Beans – 48.5 bpa	Beans – 48.8 bpa	49.1 bpa

<u>World Ending Stocks 2017/2018</u>	<u>Average Guess</u>	<u>2016/2017</u>
Corn – 191.70 mmts	Corn – 191.30 mmts	227.50 mmts
Beans – 96.00 mmts	Beans – 92.00 mmts	96.40 mmts
Wheat – 273.50 mmts	Wheat – 272.30 mmts	255.90 mmts

<u>World Ending Stocks 2018/2019</u>	<u>Average Guess</u>
Corn – 152.00 mmts	Corn – 156.00 mmts
Beans – 98.30 mmts	Beans – 88.60 mmts
Wheat – 260.90 mmts	Wheat – 264.10 mmts

World Production 2017/2018

Brazil's corn –	83.50 mmts
Argentina's corn –	33.00 mmts
Brazil's soybeans –	119.50 mmts
Argentina's soybeans –	37.0 mmts
EU wheat –	145.00 mmts
FSU wheat –	121.24 mmts

Average Guesses for World Production

	2017/2018	2016/2017
Corn –	83.1 mmts	98.5 mmts
Corn –	32.7 mmts	41.0 mmts
Beans –	118.9 mmts	114.0 mmts
Beans –	36.7 mmts	57.8 mmts
Wheat – May18 Production	–149.40 mmts	
Wheat – May18 Production	–123.74 mmts	

Beans: Updated technical projections from this morning target price for Nov18 beans to \$8.36. Today's low was \$8.38. Historical support falls from \$8.40 - \$8.50. Price rallied last week on buying the fact. Tariffs and good weather continue to dump on beans, but there was no follow through, with price falling to print new lows this week. Commercials are always right and they are buying. They are now long soybeans. Fund selling over powered them this week. Commercials are in it for the long haul and will be right in time. All the Funds have to do is stop selling and price will rise due to commercial buying. China's increased buying from Brazil has made U.S. beans very cheap. Other nations are coming to the U.S. and buying because U.S. prices are the lowest in the world. Inspections this week were 24.1 mb vs 17.5 mb for the same week a year ago. By the numbers, China bought 32.9 mts from the U.S. last year. Traders believe the very least they will have to buy 15 mts from the U.S., relying more on rapeseed, sunflower seed, rapeseed meal, fish meal, sunflower meal and soybean meal. China is thought to have ample supplies now through September, with their animal feed mills reducing their protein rich soybean meal in animal feed due to low pork prices. Did we mention before that new crop bids for Canadian canola generally run about 20 under. They were 6 over last week, showing increased demand for a competing oil seed commodity. We'll need to see if current lows can hold the rest of this week.

Corn: Our belief that the spike lows set in corn/beans on June 19th would be the lows for the year was proven wrong this week. Thank you Trump! That belief was also on hope that the wedge forming on the long term chart would hold, with price breaking up, out of that wedge later this fall or winter. While we do project higher into 2019, all desire the price to stop going lower. This report likely accomplished that. Only a collapse in soybeans could pull corn down to new lows now – our opinion. Funds need to have a reason to buy. Today's report gives them a reason. But with large carryover stocks and good weather, there's no "solid" reason. It's the wrong time of the year to rally corn with good weather hanging around – and tariff fears. If weather doesn't corn a good reason to rally, history says price won't have a good rally in July. History points to the end of the month for a low. With prices so low, what about just a test of recent lows? Due to lower world stocks and also lower U.S. stocks for 2018/2019, corn will set its low earlier than last year. Last year's low was set in December. This year, if the low hasn't been set off this report, we look for the low in corn to be set by the end of July. It could stretch to the end of August, but that would be only if weather gives corn no reason to rally from now until then. Tariff concerns will continue to skew any price forecasts. Weather concerns can override tariff issues through August.

Wheat: It doesn't matter to price what production problems other country might be having at this time because the perceived crop losses are not significant when weighed against total world stocks. You can see by recent price action that reports showing Russian wheat exports at 30 mts

for 2018/2019 vs 40.8 mts in 2017/2018 haven't move the needle. U.S. production concerns do worry the Funds, giving them a reason to jack around the price. With that in mind, spring wheat production is near 600 mb, up 44% from last year and offsetting the decline in winter wheat production. That becomes price negative. Weak export sales add to the bearish picture. Weekly wheat shipments of 10.5 mb put total shipments down 45% in 2018-19 from the previous year. Chicago Dec18 futures should look to target contract lows of \$4.70. Price closed Wednesday at \$4.904. K.C. Dec18 futures contract low is \$4.784. Price closed Wednesday at \$4.986. If corn moves higher, that would help support wheat prices.

Yields: Last year we forecasted corn production at trend to -2 bpa and soybean production at trend to -1 to -2 bpa. With such a wide production area, deviations from trend yield are usually limited. It takes a major, longer term weather event to move the needle beyond historical norms. But with world demand growing each year, even a 2 to 4% deviation from trend can move the price needle significantly. With crop losses this year from drought and flooding conditions, as well as night time temps being so high these last 45 days, we have a hard time placing U.S. corn yield much above trend at this time. More rains where they don't need it are forecasted over the next 5 days. That will reduce production even more. Dry areas continue to report increasing losses. Illinois has many areas with falling yields from the lack of normal rainfall. Also in Illinois, many areas are good, but on the edge, receiving just enough rain to get by. A 2-week stretch of hot and dry will shave production off those acres. Many areas have reported high winds that have caused green snap. Some fields up to 40% damage. Other fields with different genetics and different planting dates, not much damage. Again we'll state - with such a wide production area, deviations from trend yield are usually limited. We shall see again this year if that remains accurate.

Weather: One weather firm states this year has been the most difficult to forecast due to so many weather disrupting disturbances. We see that as La Nina vs El Nino. Better said, we will stick with La Nada. Last year, weather patterns seemed to hold for 4 to 6 weeks. This year it's less. The month of May set records for the warmest month on record. June has set records for the highest average night time temperatures; but not record high day time temperatures. The 1st half of July will very likely set records for the highest average night time temps. The 2nd week in July looks to average nearly 10 degrees above normal. Through the 15th, the last 7 days look to average in western Iowa 75 degrees. The humidity, on average, has been much higher than normal, too. The heat continues to see breaks of cool coming in. This time it looks to last for a week, with rains that will track those same locations that have seen too much already. Many areas that missed good rains the last time are likely to get short changed again.

Night Heat vs Yield: The jury on this will be out for some time. Let us know if these hot nights have affected pollination of your corn. Hybrids today are bred to beat this – to some degree. Timing of the night heat, delayed silk from stress related moisture conditions such as too wet or too dry – all come into play during pollination. Let us know if you see anything and what your see as the problem in your fields. This was written last week. (See MNU 1683) *“Studies from multiple sources indicate 1) Moisture is a non-factor when looking at night time temps in these studies. 2) Average lows of 62-66 for July-Aug show significant yield loss. Average lows being forecasted for the next 15 days range from 65-70.”* I went outside at 8 am today to experience 80 degrees and 70% humidity. I didn't like it so I know corn didn't, either. Now look above 1

paragraph where it talks about average nightly lows and then see the map comparison in MNU 1683. Average nightly lows have averaged from June 1 through July 15 higher than they did in 2010. **Based on historical data, if temperatures average 68 degrees or higher for the next 45 days, U.S. yield will not meet trend.** Then one needs to add in losses from flooding and drought. That would drop U.S. 2018/2019 carryover about 200 mb from where they have it today. The trade is not inputting any losses from high night time temperatures. That won't show up until the crop tours start. Then we may have some idea if new genetics can handle this type of stress better.

White Corn: If anyone grows white corn or knows end users in need of growers, please reach out to us. We have some growers who would like more options.

Energy Prices: Trump's call to the Prince of Saudi Arabia sure paid off. He demanded a 2 m barrel increase in production. A combination of a report showing they increased it by 400,000 barrels and a report that the process to apply another \$200 b in tariffs against China hammered crude prices nearly \$4 and RBOB by \$0.10. Metals fell, as did grains and financials. The U.S. Dollar rose. Many analysts are now calling for crude to fall into the \$50's. This summer's high was just over \$75. If the price fall continues, lower prices would be seen at the pump in 2 weeks.

A Commentary & Historical Review of World Trade Policies:

<https://www.cato.org/publications/commentary/trumps-trade-wars-are-incoherent-angry-misguided>

Missouri – Drought

Sutton, NE – Hot Nights