

## LOOKING FORWARD WITH A BACKWARD GLANCE

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**Planning for 2019:** As we are not looking to make any corn or bean sales in the near term, we thought it wise we take some time to look ahead to 2019. Please see our thoughts at the end of this MNU.

**Sales Recommendations:** No sales on corn. On beans, were effectively done for marketing 2018 production. Knowing few producers do 100% presales, will be looking for a price target sometime next year. We see little hope for any significant price rally in the near future.

25% of your 2019 wheat production was priced when July19 futures high \$6.40. A text went out early Tuesday, *“Update. Sell immediately, 25% of your 2018 wheat crop. July18 K.C. wheat just failed a 2<sup>nd</sup> time over \$6.20.”* Be patient if you didn’t get any sales made. Price will rally again.

**Last Week’s Reco:** *“Wheat growers price another 12.5% @ \$6.40, its next target. Looking ahead, price 25% of 2019 prod @ \$6.40 July19 futures.”* July19 futures reached \$6.40 @ 4:55 AM Tuesday morning.

<b><u>Current Sales:</u></b>	<b><u>2017</u></b> sales: <b><u>corn</u></b> 100%	<b><u>soybeans</u></b> 100%	<b><u>wheat</u></b> 100%
	<b><u>2018</u></b> sales: <b><u>corn</u></b> 35%	<b><u>soybeans</u></b> 80 – 100%	<b><u>wheat</u></b> 87.5%
	<b><u>2019</u></b> sales: <b><u>corn</u></b> 10%	<b><u>soybeans</u></b> 0%	<b><u>wheat</u></b> 25%

**Past Recommendation:** Some have told us they didn’t make sales at our targeted range in corn from \$4.26 to \$4.30 because we didn’t make that recommendation. Actually, we did, though we understand now it could have and should have been written with more clarity. You will find it in MNU #1671, written about 4 weeks before price peaked at \$4.296. *“We’re just saying a little patience in the corn market would be prudent. Technicals target \$4.26 to \$4.30 in Dec18 futures.”* We realize that it wasn’t specifically a direct recommendation, which is an error on our part. The on-going conversation in the MNU’s was about NOT pulling the trigger on those sales we had recommended earlier at \$3.95 and having patience to make those sales when price rose to the stated technical target. We apologize for not being as clear as it needed to be for some and will focus on being more direct and specific in the future.

**Quick View:** Dec18 **Corn** futures 50% retracement is \$3.90. Its rally back high is currently \$3.884. Price failed to make it through \$3.90 last week and this week. Today’s report and resulting price action broke its uptrend line and support at \$3.80. We’ll be watching to see if \$3.60 in Sept18 futures and \$3.73 and \$3.70 can hold in Dec18. Nov18 **Soybean’s** rally back high is currently \$9.222, set on July 31. This USDA Report destroyed any potential for price to move above \$9.00 anytime soon. Nov18 contract low of \$8.262 will be tested, if not broken. **Dec18 K.C. Wheat** still being pushed by crop losses overseas. Most of the damage has already been done. Technicals say

this market topped on Aug 2<sup>nd</sup> and confirmed on Aug 7<sup>th</sup>. Enough crop damage has been done to now support wheat at higher price levels. See pricing recommendations.

**Some of This Week's Texts:** “China likely to cut bean imports 10 mts this year due to new soymeal technology & the use of supplements such as sunflower seeds & palm seeds.” [“https://cropwatch.unl.edu/2018/2018-corn-yield-forecasts-physiological-maturity-expected-historical-averages”](https://cropwatch.unl.edu/2018/2018-corn-yield-forecasts-physiological-maturity-expected-historical-averages) “Tip back showing up on internet finally in IA, NE, KS, MO, IL, IL & OH. Yield expectations slipping. Too quick to maturity & too many no rain days.”

**USDA Report:** The USDA came in 2.1 bushels higher than the average trade guess for U.S. corn production at 178.4 bpa. They hung in there with the crop ratings on beans too, which produced a yield guess 1.8 bpa above the average guess at 51.6 bpa. See the carryover for next year. We're very pleased to see corn at 1.684 bb. That's about 800 mb below last year's highest level. Where did it go! Remember that the U.S. and Brazil had record corn production last year. Demand is very strong. Now Brazil's corn production fell way short this year. This shortage will show up over the export next year, reducing this carryover number even further. Beans are another story. Argentina gets hammered, dropping nearly 20 mmmts in soybean production. And still, world carryover for soybeans raises over 15 mmmts in the last 4 months??? Now U.S. carryover jumps to 784 mb? That's a new record high and right where we were forecasting carryover last year – for this fall. We even talked about carryover as high as 800 mb to 1.0 bb this fall, the reason for our aggressive sales push of this year's crop. Carryover can still grow to these higher levels if on-going tariff issues continue, which we fully expect them to do. Wheat is finally seeing its carryover stocks reduced. They will be reduced further in September's USDA Report. Wheat prices will finally stabilize at higher levels, instead of flirting with contract lows every month.

<b><u>U.S. Avg Yield/bpa 2018/2019</u></b>		<b><u>Average Guess</u></b>		<b><u>2017/2018</u></b>
Corn –	178.4 bpa	Corn –	176.3 bpa	176.6 bpa
Beans –	51.6 bpa	Beans –	49.8 bpa	49.1 bpa

<b><u>U.S. Crop Production 2018/2019</u></b>		<b><u>Average Guesses</u></b>		<b><u>2017/2018</u></b>
Corn –	14.586 bb	Corn –	14.417 bb	14.604 bb
Soybeans –	4.586 bb	Soybeans –	4.428 bb	4.392 bb
All Wheat –	1.877 bb	All Wheat –	1.850 bb	1.741 bb

<b><u>U.S. 2017/2018 Ending Stocks:</u></b>		<b><u>Average Guesses</u></b>		<b><u>2016/2017</u></b>
Corn –	2,027 bb	Corn –	2,106 bb	2,293 bb
Soybean –	443 mb	Soybean –	461 mb	302 mb
Wheat –	1,100 mb	Wheat –	1,099 bb	1,181 bb
Sorghum –	mb	Sorghum –	0 mb	33 mb*

<b><u>U.S. Ending Stocks 2018/2019</u></b>	<b><u>Average Guesses</u></b>
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Corn –	1.684 bb	Corn –	1.630 bb
Soybeans –	784 mb	Soybeans –	641 mb
Wheat –	935 mb	Wheat –	959 mb

**World Ending Stocks 2017/2018**

Corn –	193.33 mmts
Beans –	95.61 mmts
Wheat –	273.07 mmts

**Average Guess**

Corn –	190.80 mmts	227.50 mmts
Beans –	95.80 mmts	96.40 mmts
Wheat –	273.00 mmts	255.90 mmts

**2016/2017**

**World Ending Stocks 2018/2019**

Corn –	152.49 mmts
Beans –	105.94 mmts
Wheat –	258.96 mmts

**Average Guess**

Corn –	152.20 mmts
Beans –	99.30 mmts
Wheat –	255.60 mmts

**World Production 2017/2018**

EU wheat –	137.50 mmts
FSU wheat –	122.54 mmts

**Average Guesses for World Production**

2017/2018	2016/2017
Wheat – July18 Production –	145.00 mmts
Wheat – July18 Production –	121.24 mmts

**How's Your Memory:** In Aug 2017, the USDA projected corn @ 169.5 bpa, their lowest estimate for last year's crop. In Sept, they raised it to 169.9, Oct 171.8, Nov 175.4, and on Jan 12, 2018, they raised it up to 176.6 bpa. Their first estimate was off by over ½ billion bushels, exactly 587.2 mb! A 500 mb fall from anticipated production this year will raise our corn price expectations for 2019 by over \$0.50/bu. On the flip side, should production stay high, how often have we commented that being fearful of how far price can fall will make one a better marketer? One can think back to soybean prices last winter. We're wondering how much they can miss this year's corn production number on the high side, by losses caused from excessive heat & dry condition. One still needs to add in the other extreme; flooding losses and prevent plant acres. Yes, many are having spectacular production, setting record yields once again. All good and bad combined, we still believe those forecasting yield nearer 180 bpa are crazy numbers. Have genetics improved that much in 1 year? Some have suggested this will occur quickly, beginning last year. We won't know until much later!!

**U.S. Dollar:** The Dollar closed at new highs yesterday, turning the chart picture higher; negative headwinds for grains. That move has been extended today.

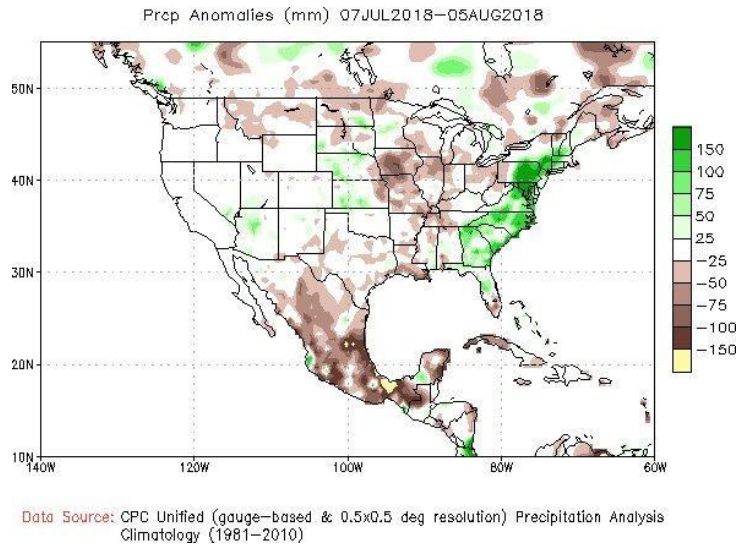
**Corn:** With wheat prices on the rise in Europe, their feeders will be using less wheat and more corn. That switch may occur to a small degree here. Their corn production will fall in 2018. Eastern Europe has taken a decent hit to production since August 1<sup>st</sup> and conditions remain stressful. Ukraine's corn crop has been reduced, but conditions have improved this month. China raised their production estimate of this crop year, reducing their production deficit for 2018/2019 to 17.75 mts, down from 20.07 mts last month.

World production has exceeded world consumption of corn for 6 years running; 2011-2012 through 2016-2017. That flipped in 2017-2018, where consumption exceeded production. That trend is projected to continue in 2018-2019 by an even greater degree. We project that it will increase even more, as end users shift to cheaper corn from more expensive wheat. USDA shows 2018-2019 Chinese corn demand at 26 mmt larger than production. "Boots on the ground" suggests demand exceeds production by closer to 45 mmt. USDA still hasn't fully recognized the actual size of China's corn reserve, but demand is huge! China estimates its annual corn consumption at 260 mmts, up 21.03 mmts, 8.8% over the previous year. That makes one think when world corn stocks are at 155.49 mmts, nearly 70 mmts lower than last year. Another plus is when China uses less beans due to tariffs, demand for corn will increase. Let's not forget their expansion into ethanol. U.S. ethanol production continues to grow, grinding a new record of 114.74 mb for the week ending August 3.

Remember how 2010 yields were much lower than 2009, which most attribute to the much higher night time temperatures? We had attached that comparison twice to past MNU's. Would 2010 be an analog year to this year? Some say so. Well.....the USDA had a 165 bpa yield estimate in August of 2010, but it ended up at 152.6 bpa, a yield loss of 12.4 bpa. Losing 1# of test weight on 180 bu corn = a yield loss of 3.2 bpa. Extrapolating from USDA's failures when dealing with heat related crop losses and then really great August weather like last year, one could easily calculate they could/should be off at least by 3 to 6 bu per acre from than their highest yield estimate this year. It will be interesting to see if this deduction is correct. It is difficult to make a true comparative analysis, as the heat in 2010 was in August. This year it was from May through the 1<sup>st</sup> half of July. More likely, there'll be sizeable yield loss in those areas that suffered from lack of rainfall in July and August, with higher than normal night time temps adding to smaller kernel size, tip back and lighter test weights. In this photo from an irrigated corn field in IN, the man says you can control the water but not the heat.



The last 30 rain totals were short of normal for many.



**Beans:** Indiana has seen good rains this last week, stabilizing their bean crop. Parts of OH, IL, IA, MO and KS have also benefited from heavy, but scattered rains. Parts of IA, MO, IL, MO & KS missed and continue to suffer losses. Did you know this year ND has the 4<sup>th</sup> largest acreage of soybeans at 6.6 ma? Watch their crop conditions. They fell 9% last Monday to 73% G/E. Rainfall is to non-existent for the week, stressing their bean crop even more. Don't expect U.S. bean yield to average much over 50 bpa, if at all, as long as warm to very warm and dry continues for many. Too many areas have lost too many bushels – our opinion. Like corn, where they're good, they're really good. We'll have to wait for a few more months to see if the bad will average the good down a bushel or two. **In the big picture, that still won't matter much to price!** Argentina loses nearly 20 mts in production this year and in just 4 months world stocks for 2018/2019 grow over 15 mts, now placed over 100 mt at 105.94 mts!!!

Demand comes from others with tariffs in place and very high priced Brazilian beans. Argentina is buying U.S. beans for crushing. Talk is 2 vessels are getting loaded. Traders also see Brazil coming to the U.S. for beans. Wonder if they will sell them to China, knowing they can make money on the spread? Traders also see several vessels now setting sail for China, in spite of tariffs. Don't look for any agreement soon to the China/tariff flap. July Chinese exports for July rose by 12.2% of a year ago. Chinese exports to the U.S. were up 11.2% and imports from the U.S. were seen increasing 11.1%. We don't see China hurting on the export side, just in their stock market and their currency. It was interesting to see the U.S had record June exports for beans, beating June numbers of last year by 10 nations, China being one of them! China still had record June imports from Brazil! Have to remember that was just before the tariffs went on, though. Just noticed world production for soybeans in 2018/2019 is projected to exceed demand by a tad.

As of August 2<sup>nd</sup>, cumulative NEW crop soybeans sales stood at 19.6% vs their 5 year average of 25.2%. Not good. The U.S. shipped 67,245 tonnes to China for the week, but China cancelled over 74k tonnes of old crop sales. They have cancelled old crop sales in 13 of the past 17 weeks. For that week, over 39k tonnes of U.S. soybeans have been sold and shipped to Argentina. EU purchased over 475k tonnes of U.S. soybeans, the greatest weekly purchase since January 2003. Don't get excited. Total sales are behind their 5 year average. Always look at the big picture.

**Wheat:** Wheat/feed grain supplies will tighten dramatically in Europe this year, giving U.S. a greater share of wheat and corn exports in 2019. Germany is forecasting a 20% fall in their feed grain supplies. France sees at least a 10% drop in their corn production, not quite as much in the wheat sectors. Australia is having their worst drought in nearly 40 years, forecasting their wheat crop down 30%. Heat is rising in Western Canada, going after their small grains; wheat, millet, canola, etc. There's some fear in India with the recent weakening of their monsoon rains; should that trend continue and reduce their wheat yields. And in the U.S., northern states will see little rain and warmer temps; not good to complete head fill. Crop conditions are starting to show significant drop in G/E.

**Fertilizer:** It's that time of year again when we need to think about pricing fertilizer, or deferring that decision. Prices peaked in the winter of 2012/2013. Prices bottomed last fall in November and rallied into spring, remaining stable for the last few months. History shows prices generally run steady to lower through November, followed by higher prices into spring. Our best projections would have prices stable to lower for the next 3 months; more likely if we have a rain delayed harvest. Most crops are running 2 weeks advanced, so don't necessarily count on that occurring. History definitely favors higher prices next spring. Those north of I-80 are running closer to normal maturity. Higher corn acreage should be anticipated, which would definitely have fertilizer companies pushing your costs higher next year. Check with your local supplier and see if you can lock in today's price and still be able to obtain a lower price if price moves lower into November. Let us know what your supplies are offering for pricing options.

**Planning for 2019:** Producer's need to start looking at their cropping plans for 2019. Let's make it simple and look at profitability. Think Nov19 beans to \$10.00 and Dec19 corn to \$4.50. *(This also ties into unpriced 2018 bushels.)* That's not to say those values won't be higher later in 2019, but you have to start building your marketing plan with some baseline numbers.

With all the issues soybeans have today and increasing world stocks, we won't yet anticipate higher values (\$10.00) for beans at this time. Now with your anticipated local basis, what will earn your operation more profit, corn or soybeans? Most say that's corn at these projected values. If that is your case, how many acres can you put back to corn? That also means corn on corn, for those who can. Now when Dec19 corn reaches \$4.50 sometime before your 2019 harvest, how many bushels can or will you presell and or lock-in at this price via cash contracts, HTA's or futures? We ask because we are currently forecasting early highs in the corn market next year and we know some won't presell any grain. We see early highs because we're projecting more corn acres, say 3 m plus, and weather trends the produce trend to above trend yields; 175 bpa+ for corn. While we may have to change our anticipated timing and price due to changing circumstances, all producers have to look at what crop at what price will produce the most profit. As always, when price objectives are reach 4 to 8 months from now, we will be dealing with new facts, which may give rise to higher price objectives. At that time, one has to weigh the risk of lower prices vs higher prices. What you will need to do when that time arrives is to decide how much risk you want to take on when you know you have profit in hand. If world corn demand exceed world corn production again in 2019, corn producers will have the opportunity to lock-in decent profits. We just want to make sure you do!

Fall army worm damage on non-GMO corn. Amazing what genetics can do.

He says 14 years of scouting & never seen 24 kernels around ear until today.