November 07, 2018 **#1718**

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Sales Recommendations: Soybeans did move up sharply Sunday night. Reco to push sales of 2019 soybean production on a price move above $9.50 was activated. Price reached $9.602. No sales for wheat or corn are recommended at this time.

Current Sales:	**2018** sales: **corn** 35%	**soybeans** 100%	**wheat** 87.5%
	2019 sales: **corn** 10%	**soybeans** 75%	**wheat** 25%
	2020 sales: **corn** 0%	**soybeans** 50.00%	**wheat** 0%

Quick View: Mar19 **Corn** tested $3.80 support on Thursday. The gap higher open created Sunday night remains open and the uptrend remains intact. Price now needs to close above $3.85, with its goal to reach R @ $3.90. Jan19 **Soybeans** came within $0.01 of filling its open gap on Thursday. A gap open higher that remains open, especially when challenged and the challenge fails, is considered bullish. Price now has to rise to make new highs or that gap will again become a magnet. We remain longer term negative to beans. **July19 K.C. wheat** continues weak, with July19 again falling back toward contract lows after rallying to $5.336. Wheat did fall back and filled its open gap on Tuesday. Basing action is in progress.

USDA Report: Tuesday, November 11th at 11:00 am.

Questions: With Nov19 soybeans above $9.50, will you plant less soybean acres in 2019? Will you lock these prices with early sales and then maintain your usual soybean acres in 2019? How low would Nov19 soybean prices need to fall before planting to get you to would reduce soybean acres in 2019? Would you be so kind as to respond to these questions via: agmasters@abbnebraska.com

Good Marketing's Worth: Ag Masters' goal has always been to add value to our customers operation. This year we pushed hard on pre-selling 2018 soybeans, as well as calling for 2019 sales. We started 2018 soybean, pre-sells recommendations at $10.00, adding to those sales incrementally, with the final sales at $10.60, which happened to be the high for the year. For the producers we spoke with, $10.30 board price is around the average price Ag Masters' producers received. Every producer with whom we spoke said most all their neighbors made few if any early sales and were now storing everything "again", hoping for things to get better. Ag Masters' pre-sales appear to be at least $1.50/bu better than what most producers are averaging who made cash sales this fall. We have spoken with Ag Masters customers who sold overrun at harvest, as well as other producers who did the same. Pre-sales, as recommended, beat at-harvest sales by nearly $2.50/bu, basis adjustments included. Some producers took less than $7.00/bu on "forced" sales because they fought hard to get the elevator to take their bushels when the elevator didn't want them ***(the producer had no choice but to move the product)***.

By this year's average numbers and using 1000 acres of soybeans, if you beat this fall's average sales price by $2.00/bu with an average yield of 60bpa, you netted an additional $120/acre. On those 1000 acres, one would have generated $120,000 of additional income! Take that number times your acres to see how much more income you generated than what most your neighbors ***have in their pockets today*** – and likely tomorrow!

The question from producers is always, "Are marketing advisory services worth their cost?" Ag Masters says the right marketing service that best fits "you" is well worth the cost. We have always said Ag Masters expects you to generate at least 10 times more income than what you pay for our service or we're not worth having. At a cost of $995.00 for our baseline service, we see our service earning our Subscribers up to 120 times return on their investment, over and above what their neighbors have done, who likely don't believe good marketing information really pays.

What's also very important is that you have that money now! You're not paying storage (-$0.40 or more/bu) and you're not paying interest on your loans. One needs to add all savings into this equation, too! There's cost to carry, as we all know, which is why pre-sells in years of poor prices are ***ALMOST*** always the best marketing methodology.

As we move into the 2019 calendar year, we will continue to work to get 100% of producer sales in the upper third of the yearly price range. Please let us know if you need any clarification or you have any questions on the material we issue in our Market News Updates, our Target Zone Charts, including its long term pricing analysis and forecast, well as our text messaging.

General Thoughts: How is a producer to market intelligently with all this crap going on?!! Sorry, but it's just how we feel. How can we provide sound marketing advice with every possibility in this tariff war changing daily? With Canada arresting Huawei CFO Wanzhou Meng and extraditing her to the U.S., China has to see this as a slap in the face. The thinking is that China should use the trade talks as leverage to demand that she be released. Others believe this arrest is a "gift" to Xi, because it gives him cover for China to dig in its heels and accuse the U.S. of using the trade war as a pretext to stymie China's ascent as a global superpower. Even if Xi keeps negotiating, Xi will have to extract even more concessions from the U.S. in order not to look powerless. This fits in perfectly with a comment out of China this morning that they are sure they can come to an agreement with the U.S. within the 90 day truce period. As always, they keep on talking and delaying and talking and delaying……

These last days we have read about every possible outcome concerning China coming back to purchase U.S. soybeans. The stories range from no purchases, to just enough to get by until Brazil's crop is available, to 20 mts. If they were to purchase 20 mts, which would mean they would be working to fill their reserves, the soybean market would immediately rally a minimum of $1.00 to $1.50. That amount would exceed the USDA's total export projections to China for the 2018/2019 marketing year. Hope always leads one down the path of greatest expectations. But to believe they would buy that much would mean we would have to believe U.S./Chinese relations are great, just like Trump is tweeting. While we pray we are totally wrong on our belief that China will not do this for the U.S. producers, we will error on the side of history about their nature to forecast pricing based on the anticipated, end results of this trade war.

We have asked what the agreement was that was consummated at the G-20. No one can tell us. All news reports, as well as Trump's tweets, contain the buss words could, might, probably, we think, should, maybe, etc. When Trump includes those "escape" words, as well as "immediately" and then nothing occurs, that has to tell us nothing is guaranteed here. We texted earlier that it has been reported many times that negotiations are on-going. Therefore, we conclude that while the U.S. is working to negotiate an agreement that the U.S. can live with, while China is still just talking. Same old tricks? We're still being played?

Corn: Not much new news in the corn market. As of this writing, Mar19 corn has failed to close above Monday's high this week. With its Monday gap remaining open, the gap projects to $3.90, if price can clear $3.85 before it goes back to try to fill that open gap again.

Basis levels are rising because bin doors are closed. Ukraine's corn crop has been bumped up to 19 mts, up 9.2% from last year. Their exports are now projected to be up 76% from last year's low levels. The ethanol report showed grind still greater than what is needed to meet USDA projections. It came in at 110.43 mb vs the needed weekly average of 108.6 mb. Ethanol sales have been stellar. October ethanol exports were seen at 175 mg, up 68% from last October. Total ethanol sales for the year have already reached record levels, with 2 month's data yet to be added in. The average guesses for corn on next Tuesday's report is 1.738 bb vs last months of 1.736 bb. Our estimates suggest at least a 100 mb reduction at this time, with more reductions probable in January. It will be interesting to see if the USDA comes in closer to their numbers or ours. Weather has created some crop losses without a doubt. Brazil's corn crop is estimated at 94.4 mts vs the November estimate of 95.5 mts. Conab analysts have it at 94.8 mts. For Sunday night's trade, look for a potential, short term island top.

Soybeans: It remains all about headline news and market chatter seeking to move price to their advantage. Volatility will remain high. The stock market it telling us it doesn't believe anything will get done. The grains don't want to go down until the market knows what's actually going to happen with China. That leaves everyone in limbo, unable to make decisions within their operation. In the end, Ag Masters is going to look really smart or really dumb on this one! All numbers say we are right advising sales. That can all change with 1 decision on China's part. No one knows how bad things are in China. No one knows if China can really hold out for another 30 – 45 days until Brazil's crop is available. Gulf basis levels have not moved. If commercials were out securing product for orders from China, something would be happening. There is still no activity off the PNW, where it is badly needed. All are sitting on their hands, anxiously waiting on anything!

President Trump seems confident about getting something accomplished for U.S. soybean producers, but most are cautiously nervous about. Sinograin has been approved to refill state-owned reserves. If that is the case, cash traders think reserves could be China replenished with about 5 mts. This would be a big step forward, but nowhere near the level needed to support higher prices. On the downside, if China isn't going to buy U.S. soybeans, there can't be much hope that they are going to buy anything; say wheat, sorghum, ethanol, DDGs, etc. That all said, soybeans' resilience at current levels is quite impressive, especially seeing Nov19 hanging around $9.60. We have recommended sales at this level for 2019 production and above $9.70 for 2020 sales, as soybeans at these price levels look much overpriced to us and is definitely sending the wrong signal to producers about 2019 acreage.

Brazil exported 5 mts of beans in November, topping last year's record of 2.14 mts. Year-to-date (Jan-Nov) exports have totaled 79.6 mts, some 21% more than a year ago. The largest exports sales of soybeans for the U.S. occur during October & November. Brazil exported 10.4 mts of beans during this timeframe. U.S. sales to China during this time frame continue to hover just above zero. We find it interesting that the estimates for next week's USDA Report see little change. We know there have been significant crop losses to soybeans, but the average trade guesses are not showing it. The 1st numbers out are guessing U.S. soybean ending stock coming in at 945 mb vs last month's number of 955 mb. One could imagine the USDA cutting 100 mb from production and cutting 100 mb from exports; the net effect being no change. Brazil's crop is estimated at 122.4 mts vs 118 mts last month. Celeres placed Brazil's 2019 production at 130.0 mts. Argentina's is guessed at 55.7 mts vs 55.5 mts last month.

<u>Wheat</u>: Concerns over letters of credit being granted by GASC began surfacing last week, but concern seemed to gain momentum Tuesday and Wednesday. Supposedly, there are 950,000 mts worth of wheat with delivery dates in January which are at risk. GASC tried to tamp down these flames yesterday saying LC's for 3 cargoes were granted yesterday and another 5 will be coming soon. Anytime the globe's largest wheat importer is having liquidity concerns it is reason for pause. Overnight, 7 exporters offered 12 cargoes of Russian, Ukrainian and Romanian wheat at range of $236.30/mt FOB to $250.00/mt. There was no U.S. wheat offered to no one's surprise, as U.S. exporters are taking a wait-and-see approach to the GASC situation. U.S. soft red wheat (SRW) would have been competitive – depending on freight valuations. The U.S. is expected to win the recent Iraq tender with U.S. – HRW, coming in $7-24/mt cheaper than Australia and Canadian on a landed basis. That potential sale is not guaranteed, as Iraq does not always purchase the cheapest offer. There are 8 cargos for December 11-20 shipment that has not received letters of credit yet.

There continues to be no Minneapolis deliveries. It's interesting to see a 5th straight week of draws out of Duluth/Minneapolis on the weekly stocks report. Stocks are now down to 17.63 mb, the lowest since 2011 for this week and 19.7% below the same period a year ago. Daily shipment reports suggest another sizable draw next week, keeping basis levels firm. The MN wheat market remains inverted, which is a bullish sign.

The UN lowered global 2018/2019 wheat production to 725 mts, down 0.4% from last month on smaller crops in Turkey and Russia. Stats Canada reported total wheat production at 31.8 mts, up 6% from last year's crop of 29.9 mts. Durum wheat is seen at 5.745 mts vs 4.96 mts last year. Barley was also higher at 8.14 mts vs 7.89 mts. The guesses for USDA's report next week average 956 mb vs last months of 949 mb.

<u>2019 Fuel Needs</u>: Crude oil has tested the $50 handle for 2 weeks now. Today it's working on a high range close. If crude oil closes over $55 ***(it's trading near $54.30 this hour)*** and OPEC, Russia and other nations reach an agreement to cut and limit future crude oil production, consider purchasing at least half of your spring fuel needs. Fuel prices have fallen over $0.65 since its high on October 3rd.