LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

President's Day Monday: Markets closed Monday. They open Monday evening at 7 pm.

Sales Recommendations: No Sales, except for those catching up on soybean sales. For those catching up, you should be caught up now. Nov19 beans have spent a good amount of time over $9.60. A close under $9.47 in Nov19 – not good! Today's close at $9.48 makes the chart look like crap! If you look below, you'll see you should be 75% to 100% sold on 2019 production. Next MNU by February 24, 2019.

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

Quick View: This report did not change our long term view in grains. We remain positive to **Corn** longer term. We remain longer term negative to **Soybeans**: even more negative today than we were when we recommended sales. **July19 K.C. wheat** did the unthinkable. It broke below recent lows, trading to a price level not seen since Sept16. Fresh export sales have not helped. February is usually a decent month for wheat to find some strength. Not so this year. Wheat's trend is not solidly lower.

Soybeans: Trade talks remain front and center for soybeans. We have talked about an 11th hour deal on trade talks. Now it looks like China will win another round of negotiations, with Trump willing to move the drop dead date because the talks are going so well? If this occurs, there will need to be some concessions by China for Trump to agree. That means dropping some of their tariffs and buying "anything"! For the Ag Sector, that could be anything from pork, ethanol, wheat, corn, sorghum, etc. It's anyone's guess. Noticed that we did not include soybeans!! Why should we when the last Export Sales Report showed a large cancellation over the holiday's; because of the U.S. Government shut down the trade wouldn't see it?

Price action shows beans maintaining its uptrend line. This week, price held its support level, continuing to print higher lows. The rally in Mar19 soybeans has been halted all year at $9.25. $9.20 has been solid resistance in the past 2 months. This week saw Mar19 challenge $9.20 twice and fail. This failure was negative to price and was confirmed today when price moved below yesterday's low. This narrowing trading range will give way, likely by the end of this month. Watch $9.05 as support and then $9.00. In Mar19 meal, its support is $305. Due to spreading between meal and soyoil, meal has been posting lower highs since January 10th. Soybean oil is holding its steep uptrend line. Mar19 oil may have topped. If it has, spread action of selling oil and buying meal would help to support soybeans and meal.

Monday's export inspections were very good at 1.06 mts. Cumulative inspections are 37.2% below last years. Total inspections for this marketing year are 43% of the USDA's forecasted total, vs the 5 year average of 69.5%. Export sales released today was for the week ending January 03, 2019. It showed net cancellations of – 612 mts; definitely not good!

The soybean/corn ratio is too high to get many to switch out of soybeans. The USDA's last guess was for 82.5 ma. Recent guesses by others range currently range from 84 – 86 ma. Last week's survey by Iowa Power Farming showed Iowa producers only reducing soybean plantings by 100,000 acres. Planting over 86 ma this year, if yield ended up at 51 bpa, based on all numbers as of today, U.S. 2019/2020 carryover would rise to over 1.0 bb. If Brazil's soybean production ends up at 115 mts and Argentines at 55 mts, combined South American production would be 12 mts above last year's production. World carryover increased over 15 mts last year. With China needing fewer soybeans in 2019 and using a linear approach, wouldn't world stocks grow in the 2019/2020 marketing year by (15 mts + 12 mts) more under these production numbers? The University of Illinois views this market the same way as we do. They ran the numbers and suggest the U.S. needs to reduce 2019 soybean acres by 15 million!

Corn: The USDA's numbers from last week didn't add up. Feed use was lowered by 125 mb. They are telling us there are fewer cattle, hogs, chickens and turkeys on feed? Most disagree. Price reacted negatively to the USDA raising world stocks, yet they lower 2018 production, U.S. quarterly stocks and U.S. 2018/2019 ending stock. Mar19 futures fell to test support at $3.724, and then rebounded off that support level this week. Price continues to work within a $0.09 trading range, with $3.724 holding as support. Unfortunately, corn's high trades continue to be lower, falling at a rate of about $0.0025; ¼ cent a day. Like in soybeans, traders are waiting on trade talks, setting insurance levels and/or to get out of winter doldrums.

Using today's number and the best guesses going forward, here is what is likely. With 93 ma, which should be the very max U.S. producers will plant in 2019, taken times 177 bpa for an average trendline yield, ***carryover would fall under 1 bb***. The corn market would become quite bullish if that was the end result. Corn acres are not likely to reach 93 ma. Average guesses net out at about 2 m more acres. Last year it was 89.1 m. Planting only 91 ma of corn won't be enough to keep U.S. stocks from falling below levels of where the trade feels comfortable. If China would come in and buy 3 to 5 mts of corn, about 100 to 200 mb, that would go a long ways in breaking corn up & out of this trading range. Corn has to detach itself from soybeans. If not in February, we believe it will in March.

Other variables not yet known are corn production out of South Africa and South America. Conab pegged Brazil's corn production at 91.7 mts vs an average estimate of 93.9 mts. The USDA places it at 94.5 mts. On the other end, rainfall has been very good in Argentina this year. Their corn crop is now estimated at 46 mts, a record, with some private analysts even higher. As with soybeans, losses in Brazil due to poor weather conditions will usually be made up in Argentina from better weather conditions.

The ethanol grind is a sore in corn's side. Last week's grind rebounded from the previous week, using an estimated 106.23 mb. That's still short of what is needed to meet USDA's projected grind of 5.575 bb, which is 107 mb.

Weekly inspections for corn were below expectations at 744K tonnes. Cumulative inspections are now 47.5% above last year's total at time and 37.3% of the USDA's forecast for 2018/2019 vs its 5 year average of 30.7%. Export sales released today was for the week ending January 03, 2019. It showed export sales of 460 mts. In mid-December, export sales were running around 1800 mts.

More Money: We were pleased to have this question come up several times – finally. How do I manage sales to increase my final or net price? Several producers have moved to organic and others to non-GMO for added value. We have suggested a cross hedge on corn. For all 2018 corn that is unpriced and for all 2019 corn that you would produce, sell 1 contract of Nov19 soybeans against every 10,000 bushels of corn. Beans have a minimum downside potential of at least $1.50 from current levels by harvest. ***(We believe we are being kind on the number.)*** Corn should move sideways for the next 3 moves, if not move higher by at least $0.20 to $0.40. Unpriced corn will be priced in the next 100 to 120 day, but the hedge, the short soybean futures, will remain in place until September/October time frame. The gain from this cross hedge would earn about $0.75 back to your corn sale.

One producer has corn in the elevator. He liked the basis, but not the board price. He wasn't sure corn would rally another $0.20 and he wanted to sell it to cover upcoming expenses. When asked his cost of carry on this stored corn, he said it was over $0.10/month. We advised him to sell his stored/unpriced corn and sell 1 contract of soybeans in Nov19 futures. He decided that was a good idea and would work well in his situation.

<u>Wheat</u>: All eyes on Russia? Their wheat exports are up 8% from a year ago. Interfax reported Russia's 2019 grain harvest estimate at 118 mts, up from the last estimate of 109 mts. Strategie Grains estimates the EU's wheat production at 146.4 mts, up 15% from last year's drought riddled crop. Ukraine's grain exports were placed at 30 mts for the season so far, which is up 21% from last year. Their wheat exports were seen at 12 mts, down 4.5% from last year. There has been no indication as of yet of any curbs being placed on anyone's exports.

All wheats will continue to struggle under the burden of excessive stocks. Traders have placed their hopes on Russia's short crop leading to greater export sales for U.S. wheat. That was another Great Russian Hoax. Turns out after traders killed the crop from heat and drought last year, it came back to life and produced quite well. That allowed the USDA to report world wheat stocks at record high levels again. We have often spoken about the fact Australia could lose their entire wheat crop and it wouldn't matter to price. Wheat would actually rally at least $1.00 if that would occur, then fade back to its lows over time. With most nations working with just-in-time supplies, they won't rush in to cover their short term needs. It will be the spec trader and algorithms that take price higher. Until such a crop reducing event occurs, wheat prices will struggle.

Weekly inspections for wheat were below what is needed to meet USDA projections, coming in at 562K tonnes. Cumulative inspections are now 10.2% below last year's total and they are 56.5% of the USDA's forecast for 2018/2019 vs its 5 year average of 66.2%. Export sales released today was for the week ending January 03, 2019. It showed export sales of 131 mts. That's less than 1/3rd of the last 5 week average!