

## LOOKING FORWARD WITH A BACKWARD GLANCE

*A PRODUCT OF AG MASTERS MARKETING GROUP*

**Sales Recommendations:** No sales. Nothing was real in USDA's numbers. Next MNU before August 25<sup>th</sup>.

**Current Sales:** **2019** sales: **corn** 10%      **soybeans** 100%      **wheat** 25%  
**2020** sales: **corn** 10% - 25%      **soybeans** 50% - 100%      **wheat** 0%

**Quick View/Technical:** Dec19 **corn** finding support at \$3.70. Contract low is \$3.636. At this writing, it looks as though \$3.70 will hold. Gap at \$3.926 will be corn's 1<sup>st</sup> upside objective in Dec19 corn. Major R, and the longer term target that we see, is \$4.20. Nov19 **beans** held its gap. Crush was great. Bean chart sucks. Nov19 held \$8.70 this week, but the trend remains lower. Support is \$8.70, followed by \$8.60. **Dec19 K.C. wheat** found support at \$4.00, psychological. It's way oversold and will bounce. First R is \$4.30.

**Weather:** Weather still matters to these crops. If rains do not come to the dry areas this weekend and/or rains are diminished or removed from forecasts by Sunday night, grain prices will add to today's strength. For those who may have covered long futures, uncover. Corn will be working higher over the next 6 to 8 weeks. We're looking for a minimum \$0.30 to \$0.50 rally of the lows. After that occurs, we will have a much better idea of production than we have today. U.S. drought maps, even with the rains that did fall, expanded the drought areas in IA, IL, IN, OH, KS, OK & TX. We also have to start a frost/freeze watch. Silking and blooming is very far behind in ND, SD, MN, WI, MI & OH. Crops in parts of NE, IA, IL & IN are also at risk. NOAA came out with its September forecast and predicts below normal temperatures in the northern and western plain states. Fronts have been consistently coming out of Canada, bringing heavy rains to many states east of the Mississippi, along with cooler/colder temperatures at times. We've already seen some very cold evenings in ND, MN & SD. The trend supports NOAA's forecast. They just reduced rain amounts even more just this afternoon.

**USDA Numbers:** There are many questions about planted and PPA from USDA's report. It will be argued if producers made the right planting decisions for months to come. Based on USDA's numbers, farmers either had more optimistic price expectations for Dec19 corn in June or they had more optimistic expectations for the yield penalty for planting corn in June past the PP date. The expected yield penalty for planting corn in June is a minimum 25% and increases to 50% as you move past mid-June. Was the goal to actually get a crop to sell or to maximize payments for payments/abandoned acres/or plant for silage. Love to hear from our Subscribers on their management decisions for planting corn on intended corn acres after your PP date and/or for planting corn on intended soybean acres. Know that the USDA is going into their September report working off these numbers. In September's report, they will be doing populations/stand counts, ear counts, kernel counts and weight. The Jan20 report will get us closer to something real. But for actual production, we will have to wait until June 30, 2020. The steady drip, drip,

drip to reality eliminates the possibility for corn prices to reach their maximum upside potential that a drought led crop disaster would have on price discovery.

**Lies:** All producers know the USDA gave faulty numbers last Monday. After this year's reports, many talk conspiracy. There's actually, factual data behind their reasoning. So is it really a conspiracy or just outright lies? They can spin it any way they want, but the end result is the same; the producer's get screwed and the end users profit. Traders don't care. They work off USDA's numbers until they get something "factual", usually from the USDA, which then, changes their mind.

Based on Trump's lies to producers in the ethanol sector, it clearly show he supports big (oil) business over farmers. Based on that fact, one has to believe the other facts that have come to our attention that show a manipulation in the way they put the USDA numbers together. Why put out such flawed data when you should have enough intelligence to know those numbers will be proved absolutely false later; unless it is done with specific intent to achieve specific results? If it walks like a duck, it's a duck. One should never hesitate to call out an outright lie. Too not do so emboldens the liar.

**Corn:** Our 161 bpa forecast, we still see as conservative. As we have stated, the higher the acres, the lower the yield. We'd take total yield down to 155 bpa if the USDA wants to keep acres that high. Running with their acre number and then the real yield number, carryover would fall from their number of 13.9 bb, to 12.7 bb, down 1.3 bb. From the next paragraph below, how many more bushels should be taken off? From their numbers, take off 1.3 bb and their carryover falls to 800 mb!! Of course, they will then cut another 400 mb off demand, if not more. At this time, production numbers vary near 2 bb between analysts.

USDA's 169.5 bpa number is as flawed as one can be. Based on their increase in acres planted, there could be 10 ma additional acres that we just planted for payments, not intended to be harvested, to be harvested as silage, or planted as a cover crop. Unfortunately, we will never know. Where and when that shows up will be in real production, not to be reported until January 12, 2020, and then corrected again in their June 30, 2020 report. Solid numbers on or before January 12, 2020 would give price the greatest upside possibility; for what's left for possibilities!

With Trump's demand destruction ability between now and then, the longer facts are delayed, the lower the upside in grains. Now tell us there's no intent behind all this? Yes, we're as mad as everyone else! Our upside of \$5.20 is likely not possible now with the number manipulation. Unless...come on drought and come on early freeze!! We place the maximum upside in Dec19 corn, **as of today**, just to its old high of \$4.73.

DTN's Grow Intelligence summited their tour information for the eastern states yesterday. Their veggie index placed IL corn at 153 bpa vs USDA's 181 bpa. IN was 138 vs 166 & OH was 136 vs 160. After declaring **ALL** IL counties a disaster, few could believe IL corn yield only 10 bpa less than Iowa. Common sense tells us that USDA's number was flawed. Knowing how the USDA goes off trendline, by not doing a stand count, an ear count, an ear weight or a kernel count, the USDA wasn't offering anything that had any credibility behind it; nothing real here – move along. This afternoon, Grow Intel placed national corn yield this afternoon at 163 bpa.

**Beans:** Grow Intel placed IL bean yield at 46 bpa vs USDA's 55 bpa, IN 46 vs 50 and OH 42 vs 48. This afternoon, they set the national soybean yield at 44.2 bpa. Drop USDA's numbers this much and the national yield falls close to 45 bpa, matching our estimate. Planalytics actually increased their yield estimate, after USDA came out with theirs, raising it from 46.6 bpa to 47.3 bpa; USDA at 48.5 bpa. When one looks at these numbers, one becomes bullish at current prices if yield is 45 bpa. Consider which crop has the most risk of yield loss with an early frost? We believe it would be soybeans. Maybe better to ask which one loses the most yield by percentage with an early freeze and then to which one would it be the most bullish? If one looks at the corn/soybean ratio, it would be soybeans. That ratio has jumped from 2:1 to 2.3:1. Producers likely did push corn acres to the detriment of soybean acres. A 45 bpa yield would take carryover down to 400 mb. A 2 bpa freeze loss takes that number down to 240 mb. Our number would be over 500 mb, but for pricing, they will run with USDA's numbers.

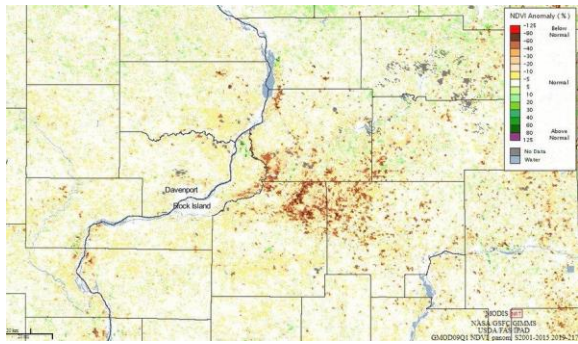
NOPA's July crush number was 168 mb. The trade guess was 156 mb. This was an all-time high for July, helped along from the opening of a new crush plant in Aberdeen, SD. July soy oil stocks came in at 1.48 bps (*billion pounds*) vs a guess of 1.52 bps. Soy oil has turned higher and its stocks number continues to show very good demand. Export sales showed a net cancellation from unknowns of 20 mb of old crop sales, but a balancing purchase of 21.5 mb of new crop. Likely, those were purchased bushels being shifted into the next marketing year. Today, new sales were announced to unknowns of 296,500 mts to unknowns. We'd like to say this is a purchase by China, but they have already said they weren't going to buy anything from us now. So we know it can't be them. Bottom line for soybeans is that with a freeze and/or no rain in needy areas, price has a possibility of retracing to its old highs. That's \$9.71 for Nov19, set on December 12, 2018.

**Wheat:** After such a massive price fall, Dec19 K.C. wheat found support at \$4.00. Export sales for 2019/2020 continue to perform much better than last year, running 27% higher than a year ago. While the trend is lower, if Dec19 corn has turned off support at \$3.70 and will now trend higher, this week's lows are likely going to hold. World competition for wheat sales remains brisk. Ukraine's shipments that began July 1 are 41% ahead of last year. Egypt was in for wheat again, taking 3 loads from Russia and 2 from Ukraine.

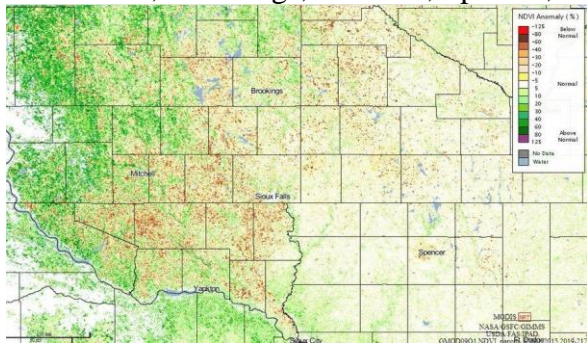
**Early week rains were a bust. Rains now become a must for many.**  
N & NW of Evansville, IN.



**E. Iowa & W. Illinois near Davenport, IA**



Sioux Falls, Brookings, Yankton, Spencer, IA



5-mile stretch along the same road.

