

## LOOKING FORWARD WITH A BACKWARD GLANCE

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**Sales Recommendations:** No sales. Next MNU before September 13<sup>th</sup>.

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

**Address Change:** We have moved! **Ag Masters, 309 Nth 167 Plaza #6, Omaha, NE 68118**

**Quick View/Technical:** Dec19 **corn** continued to new contract lows on Wednesday, reaching down to \$3.564. S is \$3.55 today, with 2<sup>nd</sup> S at \$3.526. Upside R is \$3.654. RSI is under 30. The gap at \$3.926 will be corn's 1<sup>st</sup> upside objective in Dec19 corn. Major R, and the 2<sup>nd</sup> longer term target that we see, is \$4.20. Nov19 **beans** tested support again at \$8.60 on Wednesday, then pivoted and turned higher. Its trend turns from lower to sideways when price closes above \$8.80. Its 1<sup>st</sup> objective will be \$8.90. Normal temps will help limit rallies for now. **Dec19 K.C. wheat** fell through S at \$4.00. Next S is \$3.80. R is \$4.00. Trend is strongly lower. Over 700k bu of HRW wheat of deliverable stocks landed in Toledo & 440 contracts by Cargill into St. Louis. This will pressure the lead month until they find a home.

**Late Planted Corn Vid:** <https://twitter.com/i/status/1167219047798398977>

**USDA Report:** Thursday, September 12, 11:00 am.

**USDA's Numbers:** We have said before that no one knows what the yields will be. It is even more interesting that the USDA's enumerators are not even walking in the fields and measuring to get what % of corn is doughing or what % of beans are setting pods. They should have left their suits in the office. We find the fact that the USDA has not used facts to produce the numbers they have as disgusting. Few producers have had any kind words for them this year. If the USDA gets more egg in their face in the months ahead, it won't matter to the Funds. Those are the numbers they will trade off. A good analogy is when a fumble occurs during a football game. If video reviews can't provide clear evidence to overturn, you're just stuck with what the referee call. That makes the USDA a referee.

**Trump's GREAT DEAL** for corn growers is out. It's such a joke it's not worth mentioning! It's only worth something if he reverses everything he has done to hurt the market.

**Crop Condition/Progress:** Tuesday's numbers showed 3 ma of soybeans had not yet started blooming. We say they are lost; 150 mb. Some 11 ma had not started to set pods. What can 11 ma of beans do in 30 days? And what happens if they catch a frost or freeze? Yield cut in half? Now we learn that the USDA isn't even doing actual field tests to determine the percentage of

beans setting pods or corn in dough stage? Why? Are the crops so late that they can't do these samples or is the USDA understaffed from all those who have quit because the USDA changed their formula's for calculating yield? Yes, sources have told us that when the USDA made these changes, some at the USDA disagreed with those changes and just quit.

**Exports:** Brazil shipped a record 7.65 mts of corn in August, some 21% more than in July, which was an all-time record. Their exports are running 2.5 times more than last year. That sounds massive, but one has to remember that Brazil had a drought last year and a very short corn crop. Their exports are running 35% more than at the same point in time in 2016. Surprisingly, their soybean exports are in line with recent averages. YTD shipments were 60 mts, 7% lower than a year ago. Less demand from China is the likely cause. It is also why they are calling for the smallest increase in 13 years in Brazilian bean acres for next year; just 1.3%. Brazil's August soybean exports were down 34% at 5.3 mts. China bought 4 mts in August, down 41% from last year's nearly 7 mts. Their Jan-Aug exports to China were 42.8 mts, down 16% from last year's 50.8 mts. You can see why Brazilian growers hesitant to increase acres under the current situation. Brazil is going to allow oil seed imports from Russia, as it continues to diversify suppliers while the trade war halts imports from the U.S. Inspections on Tuesday were very poor for corn, above for soybeans and inline for wheat. Corn broke \$0.04 when the inspection number came out on Tuesday. That corn number will continue to be bad. Brazil's corn exports are ruling the roost. YTD inspections on corn for 2018/19 are down 18%. Beans are down 19% YTD.

**Weather:** Yesterday, noon Corn Belt temperatures in MN, WI & MI, were as much as 10 degrees below normal! They were from 6 to 9 degrees below normal in ND, SD, NE, IA, IL & IN. The entire Corn Belt will be cooler than normal the next 5 days, before warming again.

CPC updated its September forecast, again showing much below normal temperatures for MN, N IA, all of WI and most of MI. Then below normal is forecasted for ND to NE, on east across northern MO, cutting through the upper half of IN, IL, and OH. Much above normal rainfall is forecasted to continue for ND, most of MN, and the northern half of WI & MI. The northern plains have a good chance over this weekend and into next week of receiving several inches of rain. In many areas, this will not be welcomed. Above normal precipitation is forecasted in line from Chicago, thru central OK, all the way west to the Rockies.

By contrast, NOAA's forecast for September places the odds in favor of above normal temperatures for the entire month. One of our private forecaster sees the Typhoons in the Pacific making significant weather changes in their 10-15 day forecast. That's too far out to be reliable. In fact, they have commented that these typhoons increase the unreliability of future forecasts. That would place NOAA's forecast in doubt, too.

**Corn:** The majority of corn growers are not at all happy with their corn, with the exception of most producers in NE and good number in IA. All other states have many problem areas. Some states have extremely low acres rated G/E. Many worry about their corn reaching full maturity, even with a normal freeze. We have heard more talk of light test weight corn this week, coming from corn just running out of time. Another problem corn will have is what corn gets harvested 1<sup>st</sup>. It won't be the late corn that has much lower yields. It's going to be corn from down south and then the corn that got planted on time. That will feed the trade good numbers, pressuring corn prices. Late planted corn will not see the rollers until October, too late to show up in the October USDA report. That is what we will anticipate. Until then, we'll have 9 more exports sales reports and 9 more inspections report; all that should be negative, showing very weak demand. We're not looking for the USDA to change their methods between now and then.

We have been watching private forecasters raising their yield numbers to match the USDA. So does that make the USDA more right? FC Stone upped their number 1 bpa from last month; now at 168.4 bpa. Iowa shows the best at 194 bpa, IL 180, IN 168, OH 159, NE 181, MN 170, ND 148 & SD 150.

Working off the June 3<sup>rd</sup> numbers that showed 30 ma of corn would be planted after June 3 calculating a 20% yield loss averaged into a full yield on the remaining 70%, we come up with a yield that comes in 164.3 bpa. By all the studies done, corn planted this late would lose at least 20%. If we take a yield loss of 30% on 30 ma, yield would average 158.4 bpa. This is certainly interesting to look at. Then with tip back in some of the late planted corn, kernel abortion, poor pollination, light test weight in some or many acres, chopped for silage because it wasn't planted to be harvested, green snap, etc., one has to ask what calculation is more accurate? As we have said before, no one will know on this. Some producers are questioning if we will even have real numbers from the USDA by December! Remember these numbers. Not that it really matters because.....the really poor corn that would really pull average yields down further will most likely get chopped or be abandoned.....

**Beans:** FC Stone is out with their numbers and we're scratching our head. Remember how Illinois declared the entire state a disaster area. Why? FC Stone sets IL bean yield @ 56 bpa & IA @ 55.5 bpa. Why isn't IA a disaster or NE at 56 bpa, IN @ 51 & OH @ 50? It's the same thing with corn, but worse! IL is pegged at 180 bpa. Every state in the Midwest shows a lower yield in FC Stone's numbers except IA at 194 bpa and NE at 181 bpa. What did IL gain financially by declaring all counties a disaster? Thanks to their liberal policies, most cities in most counties are fiscally bankrupt. We're skeptical that this was a move done in an effort to move federal monies to the state to help prop it up financial. Maybe other states should get in on it? Oh, and their guess on national bean yield is 48.3 bpa, with the USDA at 48.5. Other states were MN 45 bpa, ND 33, SD 40, WI 43, MI 43, MO 48 & KS 44.

Technically, soybeans keep testing its lows. They got a boost from a big sale to Mexico yesterday. The word on the street is China is buying U.S. beans through straw buyers. Would Mexico do

this! Still, price could not hold together today. The failure to get trade talks scheduled in September as planned was no doubt seen as a negative to beans. As long as weather remains non-threatening, prices will struggle to move higher. Export sales continue to be better than anticipated under the negativity of the US/China trade war. Inspections this week were good at 47 mb. Export sales numbers come out tomorrow at 7:30 am.

**Wheat:** The deliveries in Toledo and St. Louis we mentioned earlier are a big problem for the lead month in wheat. Commercials can get it any time they want it. That alone will keep a cap on wheat prices. Then there is Black Sea wheat futures that began trading some 20 months ago. Those contracts reached life of contract lows yesterday. Russia keeps offering wheat at the lower prices. It's tough to make international sales when other countries are willing to cut prices to the level necessary to get the sale. Turkey booked milling wheat this week. Jordan is tendering for 120k mts and China for 138k mts of milling wheat. Saudi is in the market for 595 mts. There's plenty of buying going on. It's a shame the U.S. can't subsidize U.S. sales to get the business like other countries do. At least Russia's 2019/20 wheat exports are running 12% lower than last year, though Russia says their crop is 75 mts vs the USDA that has it at 73 mts.

**NG/Fuel/Fert:** Have you been checking? Prices of propane & NG have risen 10% since last week. MAP prices have turned lower in August. Potash has dipped, too. DAP prices have been on a slow slide lower since February. Nitrogen prices were stable for 3 months, before dropping here these last few weeks. Weak grain prices don't support higher input cost. Falling energy prices have helped drop fertilizer prices, too.

**Misc. China & U.S.:** Playing the game. China: I am a Super Power! U.S.: Great. Remove your tariffs. China: No, I need them to be strong. U.S.: Fine, I will tariff you to level the field. China: That's not fair! I'm such a victim.

Trump said he has made the U.S. farmer whole. We say that is not true and producers seem to agree. Reports say the Trump Administration has changed the way the USDA calculates yield. And because of that, many in the USDA quit. If so, did that affect the last USDA report? We don't know. Did they not have sufficient staff to do the work necessary? What they did do was throw out a high corn production number that had no basis in fact. That took a \$1.00/bu out of producer's pockets to the benefit of big business/end users. We look at this very simply. The combination of these factors cost the corn grower's \$1.00/bu. When the government pays them \$14 b for their loss, then we would say they have been made whole.

Then what about the ethanol sector? The trade war put many of them in the red because of the tariffs China placed on ethanol, which killed exports. The increase in corn prices helped push more ethanol producers into the red. But that can't be part of their argument because the rally was a normal part of the perceived crop losses. What is part of their losses are the lien waivers, which hits them and the producer directly. Total losses to the ethanol sector due to this trade war and liens waivers we can't calculate. But just as producers should be made whole because they became the whipping boy in this much needed trade war, the ethanol producers should also be made whole.

Not one of those large refiners that Trump granted those 85 waivers to was losing money. It's all political. Big oil will be donating a lot more to Trump's re-election campaign than ethanol will; all very swampy.