September 12, 2019 **#1788**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: No sales. Next MNU before September 22ND.

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/Technicals: **Dec19 corn** printed a key reversal higher today, trading below the last 2 day's lows and above the last 2 day's highs and closing at a higher high. This technical move on report day is a solid sign of a low being put in place. Resistance on Dec corn is $3.67. **Nov19 beans** rocketed higher on news that China would be buying U.S. soybeans, as another "good faith" gesture. Nov19 took out key resistance at $8.80 and several moving averages. The trend is now higher. **Dec19 K.C. wheat** managed to close over $4.00 this week but is struggling to hold on. If it manages to close over $4.00 on Friday, price may well be "trying" to start an uptrend. Its longer-term downtrend remains intact.

USDA's August 2019 Supply/Demand Report:

U.S. Production 2019/2020		**Average Guesses**		**2018/2019**
Corn –	13.799 bb	Corn –	13.614 bb	14.420 bb
Soybeans –	3.663 bb	Soybeans –	3.596 bb	4.554 bb

U.S. Avg Yield/bpa 2019/2020		**Average Guess**		**2018/2019**
Corn –	168.2 bpa	Corn –	166.7 bpa	176.4 bpa
Beans –	47.9 bpa	Beans –	47.2 bpa	51.6 bpa

U.S. 2018/2019 Ending Stocks:		**Average Guesses**		**August**
Corn –	2.446 bb	Corn –	2.398 bb	2.360 bb
Soybean –	1.005 mb	Soybean –	1.043 bb	1.070 bb

U.S. Ending Stocks 2019/2020		**Average Guesses**		**August**
Corn –	2.190 bb	Corn –	1.975 bb	2.181 bb
Soybeans –	.640 bb	Soybeans –	.661 bb	.755 bb
Wheat –	1.014 bb	Wheat –	1.014 bb	1.014 bb

World Ending Stocks 2018/2019		**Average Guess**		**August**

Corn –	329.60 mmts	Corn – 329.6 mmts	307.70 mmts
Beans –	112.40 mmts	Beans – 101.6 mmts	101.70 mmts
Wheat –	277.20 mmts	Wheat – 285.5 mmts	285.40 mmts

World Ending Stocks 2019/2020		**Average Guess**	**August**
Corn –	306.3 mmts	Corn – 301.8 mmts	307.7 mmts
Beans –	99.2 mmts	Beans – 101.6 mmts	101.7 mmts
Wheat –	286.5 mmts	Wheat – 288.1 mmts	285.4 mmts

Their Numbers: The USDA lowered U.S. **corn** production 102 mb, by dropping yield 1.3 bpa to 168.2 bpa. World stocks were increased 4.5 mmts from the average guess, but down from their August number by 1.4 mmts. With 2018/19 ending stocks raised 48 mb, this report is neutral at best. Traders had been adding to their shorts these last 2 weeks. It looks like they don't feel comfortable pushing prices much further to the downside. On **beans,** yield was not cut by as much as the average guess. Yet, carryover for 2019/20 was reduced by 21 mb and world stocks by 2.5 mmts from USDA's last month's estimate. All of **wheat's** were slightly bearish. Now that this report is out of the way, it's all about weather and a little bit about ongoing China trade talks.

The Trade Deal: We do want to mention the games being played by the U.S. The WH sent up a trial balloon, suggesting they were considering the possibility of an interim trade agreement. CNN jumped on it, sending the stock market higher. After CNN reported that possibility, the WH came out saying absolutely not, sending stocks lower. CNN is standing behind their story, pleading it's true. All the while, the stock market got whipsawed. There's more here than just that. Trump has been on the Feds to lower the interest rate to zero. By doing so, the government could refinance all their debt at a much more favorable rate. That would be a very big thing. That all gets tied into a trade deal with China. If Trump does a deal, reducing rates would be off the table. If he doesn't do a deal, he could possibly get a good size cut, over time, due to the weak global economies, and maybe even a weaker U.S. economy. So, you see both sides have reasons not to cut a deal until the 2020 elections.

Corn: The market reaction to today's USDA numbers was friendly. Dec19 corn futures fell to near $3.53, when the USDA report was released at 11 am today. Closing above $3.60 today is a positive for corn; closed around $3.67. It's been testing support under $3.55 for 5 days now. We're calling corn steady to higher from here forward, with corn's low being set this last Monday. Look for the USDA to continue to lower its yield forecast in future reports.

Old crop carryover of 2.4 bb gives end users little reason to chase for needed supplies. Producers holding grain off the market has end users raising basis levels to pry grain away from producers for the bushels they need before new crop bushels become available. Other issues are the continued rains in the western and northern grain belts. One subscriber sent us a photo of his farm after 8.5 inches last night, noting he couldn't travel as the roads had been washed out. Exceptionally heavy rains across northern Nebraska, southeast South Dakota and southern Minnesota is taking its toll. Crop losses will be seen in these areas from a myriad of issues, and even more if these rains continue. Extended forecasts keep rains above normal for most all of the

Midwest. Rain will become a bullish factor for both corn and soybeans, if they continue. Remember our comments about the potential for a wet fall, early last spring? This could be the 1st step in setting up a repeat of this year's problems in 2020. History shows weather events very seldom repeat themselves the following year. If this fall's harvest is late and wet, with little or no field work getting done again, 2020 would be setting up for something similar. Over the years, we have seen weather patterns that have stuck around for 18 months before they shifted. If this one goes for 18 months, that would take us into the spring of 2020. We highly doubt we would see an identical repeat of what we saw this year. But it would be easy to forecast a wet spring in general, with planting delays in some states. That's just normal.

Recent new corn sales have come from U.S. gulf basis bids falling under South American offers. Mexico, Japan & Saudi Arabia bought corn this week. Mexico was the big buyer, taking a bit over 650k mts yesterday and 113k mts taken today. Today's export sales report was weak again for corn, at just short of 20 mb. Inspections were just 16 mb, when they need to be near 40 mb to meet USDA's projections.

<u>Beans</u>: One of the best days for soybeans in a long time! Price took out several resistance areas and closed on their highs. $9.00 for Nov19 soybeans will offer psychological resistance. We still see soybeans as the sleeper market. We would not be surprised to see Nov19 and/or Jan20 soybeans test their old highs. If corn matched soybeans move today, corn should have been up double what it was. Old crop supplies and new crop supplies of soybeans are coming down, while they are still rising for corn.

Soybeans got a lift today from China and the U.S., acting nice before trade talks in October. The U.S. has agreed to defer additional tariffs until after October 15. China has agreed to make good faith purchases of some Ag products, including soybeans and pork. Meal may also be in that mix. We did not see where ethanol was included. It's interesting that the bean market doesn't seem to care that China is now allowing imports of soybean meal from Argentina, unless that has already been priced in.

Rains and warmer weather in the grain belt should be negative soybeans; by historical standards on the timing of these rains. Price action has not showed that this week. In fact, a probe to a new low in Nov19 beans on Monday, followed by a price rise of over $0.40, tells us a lot. As we have written in several of our recent MNU's, a close over $8.80 takes beans out of its downtrend. While that 1st moves price into a sideways range, we will argue it takes beans into an uptrend. This market has been digesting lots of negative news. It couldn't make new lows this week on all of that, then the odds are the lows are in. The continued strength today and the magnitude to the price rise is another good indicator.

Wheat: There's little at this time of year that can change this market. Spring wheat is the wheat market that is having some issues with its rain delayed harvest. Spring wheat harvest is only 71% complete, with the 5-year average at 92%. Ukraine and Russia's wheat prices have fallen for 7 consecutive months now, as they push to get all their exportable wheat sold. Large production in the Black Sea region is pushing world stocks to record levels.

Cumulative wheat inspections are running 22.7% above last year's pace, 26.2% of the USDA's projected sales for 2019/2020; nearly matching USDA's 5-year average. Export sales this week were 22.4 mb, which is what is about needed to meet USDA's projected sales total for this marketing year.

Dec19 K.C. wheat closed back above $4.00 this week. While this is a positive technical sign, price remains locked in a downtrend. Hefty world stocks are not going to fall anytime soon, seeing how we're coming into the fall and winter months. Timing is approaching for a seasonal upturn. At this time, we don't see anything that would scare the shorts out of their massive short positions. Even Australia's persistent drought will have little impact on world wheat prices.

Weather: We all know how fickle long-term weather modeling is. In this case, we're referring to a few weeks out. Longer term models are showing frost/freeze possibilities for the September 23rd to September 25th time frame. Shorter term, some amazing heat comes in next week, with temperatures for some reaching into the 90's. It would be more probable of getting an extreme cold event after an extreme heat, then it would from weather being cold for so long in August through the 1st week of September.