November 22, 2019 **#1804**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Target Zone Charts: We look to have them out no later than the week of December 9th.

Sales Recommendations: On hold. No sales beans or corn, except for pricing as outlined on November 11 in MNU #1801. We have been pushing basis sales for corn for some time, so actual sales are higher for 2019 corn than 10% denoted below. We will adjust that number after further analysis. Next MNU before December 1st.

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

Technicals: **Dec19 corn** broke its support level at $3.70 and $3.68, following its downward channel. Next support is $3.65-$3.66, followed by $3.60, though we suspect Funds will try to push for a retest of its lows at $3.522. With harvest dragging on, more snow in the forecast, and SA doing fine right now, it will be interesting to see where Dec19 futures will go off the board at expiration. More on that later. **Jan20 soybeans** broke support at $9.11 and then $9.00 this week. The trend is lower. Major trend line support sits around $8.824. K.C. Dec19 **wheat** continues in a shallow uptrend, challenging resistance Thursday and failing. Today's price rise in K.C. & Chicago wheat was comforting. We're not expecting much price appreciation for the next few months. We're hopeful of a slow, steady price rise from here forward.

Corn: Harvest is progressing slowly in northern states. ND is just 23%, MI 39%, WI 44%, SD 53% and IA 77%. With moisture content remaining high, with slow dry down, drying costs and possibly low yields squeezing profit margins into the red, many acres will remain standing through the winter months. For reporting purposes after December 1, this corn will be counted as stored on the farm! The USDA won't know yield for the December **AND** the January 10th report, **making both reports subject**; low yield confidence. That makes this fall's harvest issues another negative to price, as those acres will be counted high by USDA's modeling methodology.

On a positive note, the USDA did announce 132k mts sold this Monday. This represents the 1st corn sale in about a month. Then we had 1 yesterday of 106k mts to unknowns. We have been pointing to U.S. corn export sales picking up, as South America is nearly out of exportable corn. In fact, Brazil made no offers of corn for sale last week. With elections bringing new leadership to Argentina, farmers fear rising export taxes, causing them to be aggressive with sales. That will also provide a hole where the U.S. will have an opportunity to gain a greater export share in the corn arena.

Export inspections came in better this week, but still poor. Export sales were up again on yesterday's report. Sales for corn were 31 mb vs 23 mb last week. Sales need to be at 40 mb/week going forward, to meet USDA's projections. Sales have to get up and exceed that level if price is going to recover. Cumulative inspections YTD are 4.9 mts, 58% below last year. The 5 year average to date is 16.3% vs current inspections at 10.6%. Planted acres next year will also keep a negative light hanging over the corn market. The USDA is making sure by shoving their number out there when this year's crop isn't even harvested. They are guessing 94.5 ma. At 173 bpa, that would lift today's carryover number to 2.9 bb!

The ethanol sector upped its grind again this week, coming in at 103.55 mb. To meet USDA's numbers, it needs to get up to 104 mb/week. Ethanol stocks were down 2.24% this week, which is positive. Stocks are now at their lowest level since January of 2017. Some help is coming from New York, which is raising their blend rate to 15%. Of all states, if NY can do it, all states can. With ethanol margins remaining in positive territory these last 2 months, ethanol calendar spreads have become inverted, showing steady/strong demand for product.

Beans: The bright spot for soybeans are the export sales and shipments/inspections. Inspections were 1.5 mts vs 1.3 mts last week. USDA's 5 year average is near 31% and this year it's at 26%. Shipments are a bit behind, but sales are not. Export sales this week were 1.52 mts/55.7 mb. Export shipments were 63 mb, above the 33 mb needed each week to meet USDA's export estimates for 2019-2020 and they are up 5% from a year ago at 872 mb.

While all that is great, beans are stuck in a downtrend, as is corn. Traders are concerned that there is not going to be a trade deal, which they are showing by the current price action is very important to them. Plus, they are following the trend. News reports this week say they are now not expecting a trade deal, a Phase 1, until after the 1st of the year! The Congress has put a bill on Trump's desk about Hong Kong called the Hong Kong Human Rights and Democracy Act. Trump has not said if he will sign it. Whether Trump does or doesn't, China has kicked the can for 1.5 years. China can buy anything from the U.S. anytime it wants and there are no restrictions on them in any way that could stop them from continuing to steal IT & IP. So tell us why they need any "deal" from the U.S.?? Such a deal would only restrict them from obtaining world dominance; their announced, long term goal.

The news front and center to the trade is the weather in South America. With good rains forecasted for the next 2 weeks, they are seeing record production of 4.5 bb. Our crop for this year is forecasted to fall from 4.428 bb to 3.55 bb for 2019. With little to no new bullish news coming to the market and 2 negatives of SA weather and the trade deal in the forefront right now, technicals and the trend will control price direction. New lows for the move are negative. Price has fallen to reach its next support level at $9.00 in January 2020 futures. A major uptrend line runs through about $8.83, which is where we see price falling to in the short term.

Wheat: Monday's inspections showed 449k mts. That was down from last week's 540k mts, but up from the previous week's total of 294k mts. Cumulative inspections are 46% vs USDA's 5 year average of 45%. Of the 3 grains, only wheat is ahead of their 5 year average. Sales this week were okay at 16 mb vs 18 mb last week vs the 18.5 mb needed each week to meet USDA's estimate. Wheat is a broken record. Record level ending stocks will continue to depress prices. K.C. wheat futures near $4.00 are trading near its lowest prices in 13 years. The positive twist to this is that this fact should support prices! The trends, though shallow, are higher for SRW & HRW wheats. The national HRW Wheat Index at $3.97 is near a 3 month high!