

December 18, 2019

#1810

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Target Zone Charts: Emailed Monday evening. If you were to receive them and didn't, please call. If you wish to receive them, please call. 888-553-5540

Holiday Hours: December 24 market closes at noon and opens December 26 at 8:30 am. Market closes at noon on December 31 and opens again at 8:30 am on January 02, 2020.

Sales Recommendations: No sales. On corn and wheat: look to lock in a very strong basis if you have one in your area. Make sure you know the cause for that basis in your area so your decision to lock it in is an informed decision. Next MNU will be out by next Tuesday.

Current Sales: **2019** sales: **corn** 10 - 50% **soybeans** 100% **wheat** 50%
2020 sales: **corn** 10 - 25% **soybeans** 50 - 100% **wheat** 33%

Technical Plus: All grains rallied late last week through Tuesday this week, with all grains reaching major resistance points on Tuesday. We believe fresh news will have to come into the markets for them to begin their next leg higher. A consolidation phase should develop now in grains, with some back-and-fill action. With thin trade over the holidays, anything could happen. Some of the reasons cited for this rally in grains were the Phase 1 trade agreement, higher export taxes on grain by Argentina, and the renewal of biodiesel tax credits being extended. The renewal of biodiesel tax credits gave soy oil another shot higher yesterday. Resistance in **Mar20 corn** was found at \$3.90. Support should show up at \$3.85 and then at \$3.80 to \$3.81. **Mar20 soybeans** saw resistance at \$9.43, with resistance from \$9.40 to \$9.43. Mar20 beans should retrace to at least \$9.20, as it takes a pause here. **Mar20 meal** had resistance at \$307.50. It rallied to and stopped right at that number yesterday; poking above it today. Spreading has meal up and soyoil down. Support should show up at \$302.50. **Mar20 K.C. wheat** hit resistance from \$4.65 to \$4.68. Strong support should show up right where resistance was and where we recommended our last sale, at \$4.50.

Recent Texts: Since Friday, we have been focused on "The Farce of the Deal"! How real is this? There's lots of hope, but few details/facts to support the jubilation. We will be digging and texting anything deal related that will prove-up Phase 1; or not.

"What they got was a ludicrous & completely undoable Beijing promise to quadruple U.S. Ag purchases to \$50B. Now we read its 32B over 2 years."

"Morgan Stanley on Phase 1 deal: "..., we don't yet have the conviction that this deal can B a catalyst 2 a meaningful uptick in business confidence"."

"Argy raises export taxes on grains. Mkt rises on fears of grain hoarding by farmers. Mkt waiting on comments from China on Phase 1 deal; silence."

“Lighthizer says U.S. exports to China nearly double in “totally done” trade deal. China still silent. \$200B AG, manufactured & energy products.”

“The escape clause for China! Purchases from US would be **“competitive in the market”** & done in a way which **“doesn't distort domestic markets”**.”

“Cash markets giving NO indications of new purchases. China not publicly confirming U.S. version, especially on goods purchase commitments.”

“U.S. says China agreed to refrain from “directly” supporting outbound investments aimed at acquiring foreign technology to meet its industrial plans.”

“US trade advisor says China won't rush into buying US Ag products. MN arrowhead wind chills near -40F. 2019 4th best year for global stocks ever.”

“No sales. Wait till Jan20 @ the earliest! Probably not then either. Rains in SA good thru Dec. Biodiesel tax credit extended thru 2022 bullish Soy oil.”

Corn: Inspections on Monday came in at 687k mts for corn. That's an increase from the 2 weeks before, where they came in at 440K mts and 490k mts. Export sales for the last 5 weeks ran 582k, 788k, 807k, 546k, and this week, 874k mts. The 546k mts was a holiday week. Inspections and sales are a week behind the fact. As you can see, sales are picking up. That sale of 1.6 mmts to Mexico reported last week will be reported again tomorrow in USDA's export sales report. Price jumped from last week's announcement. You won't see price react much when it comes out in the export sales report tomorrow. Today's ethanol report showed grind dropped a bit. Grind was 106.8 mb vs the 103.68 mb needed to meet USDA's estimate.

Beans: Export sales on beans have been consistently good. For the last 5 weeks, sales have been 1.24 mmts, 1.46 mmts, 1.66 mmts, 684k mts and this last week, 1.05 mmts. Like corn, you can see how sales dropped off during the Thanksgiving holiday week. That will be the same during Christmas and New Year's, with those holidays falling in the middle of the week. Other news for beans, as usual, is about SA. Good rains are forecasted for the next 2 weeks, which will help give soybeans a rest after this last, very good rally.

Wheat: This market may be becoming the more interesting one, if this trade deal is even somewhat real. China will not be jumping into U.S. Ag markets in a big way right now. If and when they decide to start buying, it will be for what they would need most. For what we see, that should be pork, ethanol and wheat! The negative for purchases is the quality issues of this year's U.S. wheat crop. China has pretty tight quality specifications. They may need to relax them to get the bushels they want/need. China bought 55.6 mb of wheat from the U.S in 2017. Their average purchases over 5 years is 29 mb; not much. The thinking is that if China is going to honor their pledge of \$40B, they'll go for wheat, too. Pushing U.S. prices internally has been deliverable stocks of SRW stocks falling under 30 mb, 48% lower than last year, or the lowest stocks since 2009-10. HRW stocks fell to 93 mb, down 19.5 mb from a year ago; a 4 year low. HRS deliverable stocks fell to 19.3 mb, compared to 14 mb last year. While this remains above last year's deliverable supplies, they are the 2nd lowest since 2011, falling over 6 mb these last 2 months. If any buying would come in with deliverable supplies of many classes near 5 or 10 year lows, prices would really pop.