February 11, 2020 **#1821**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: Those who need to price corn before the end of February, have a standing order at $3.88. Coronavirus ***(CV)*** is casting a negative cloud over most all commodities. China will either get control of CV in the next 2-3 weeks or not. If they don't, markets become more negative. Consider this if you need to price grain in the next 2-3 months. Markets will "catch" when they believe China has secured control over CV. History suggests 3 months for CV to run its course. See "Fuel". Next MNU by February 16th.

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

Quick View/Technicals: **Mar20 Corn** continues to respect support at $3.78 and $3.80. Resistance comes in at $3.90 & $3.92. If one needs to price or move corn before the end of February, have a standing order in at $3.88. That's not to say price can get there. Hopefully, strong export reports on Thursday's, plus something new to the trade, can get Funds to give corn the push it needs. **Mar20 Soybeans** are holding a very short uptrend line off its recent low. Price needs to close over $8.90 to get something going to the upside. Right now it's only resting after falling $0.90, after bouncing off December's low. **Mar20 K.C. Wheat** is struggling to hold above support, $4.60 & $4.70, being pulled down by Chicago wheat. Funds got too long Chicago wheat and its break lower today will work against K.C. wheat. K.C. needs to get back above $4.70.

USDA's February 2020 Crop Production & Supply/Demand Report:

U.S. Ending Stocks 2019/2020		**Average Guesses**	
Corn –	1.892 bb	Corn –	1.856 bb
Soybeans –	.424 bb	Soybeans –	.448 bb
Wheat –	.940 bb	Wheat –	.953 bb

World Ending Stocks 2019/2020		**Average Guess**	
Corn –	296.8 mmts	Corn –	297.5 mmts
Beans –	98.9 mmts	Beans –	97.2 mmts
Wheat –	288.0 mmts	Wheat –	287.2 mmts

World Production in Million Metric Tons

Brazil's corn production –	101.0 mts	100.8 mts
Argentina's corn –	50.0 mts	49.8 mts
Brazil's bean production –	125.0 mts	123.8 mts
Argentina's beans –	53.0 mts	53.1 mts

<u>USDA's Numbers</u>: Price trades off trader's expectations. Sometimes they trade off how the USDA arrives at their numbers; do the traders believe USDA's reasons that gave them their end results?

<u>U.S. corn</u> ending stocks were raised 36 mb from trader's average guesses, partially because the USDA cut export expectations by 50 mb to 1.725 bb. Price traded lower after the data dump, never trading back up to earlier day's highs and closing below $3.80, at $3.79. **<u>U.S. soybean</u>** stocks came in 24 mb lower than the average trade guess, with world stocks rising 1.7 mts from the average trade guess. It was nice to see the USDA raise export expectations by 50 mb, likely done because export sales have been so consistently strong. The 50 mb increase in exports was directly passed through in this report, from January's stocks number of 475 mb. Increases from P1 were reported not to be included. Soybean prices 1st rallied $0.07 in the first 3 minutes, then fell $0.11 in the next 20 minutes, closing up ½ cent at $8.846. **<u>U.S. wheat</u>** stocks were lowered 13 mb from the average trade guess. Like in soybeans, the USDA increased wheat exports, taking that increase off carryover stocks. That brought carryover stocks down to 940 mb, which represents a 5-year low and in line with traders guesses; no reason for wheat prices to close lower, though they did. World stocks were pretty much unchanged. MN & K.C. wheat held within current trading ranges, while Chicago wheat traded to new lows for the move. Price rallied $0.03 the first 2 minutes, then fell $0.07 over the next 20 minutes, with Mar20 K.C. wheat closing at $4.682, down $0.0425 on the day.

With a nothing report, the trade just needed this report out of the way and get back to the big picture. They are working on balancing large production on all fronts vs unknown demand destruction on several fronts. The demand destruction is not fully known and will remain so for several months. Bring the P1 into this equation and one has a demand unknown that could remain unknown until after U.S. crops are in. By that time, the trade will have a good idea what U.S. production for 2020 will be, placing another negative on price. That is not a good mix to get markets to rally. Seasonals, technicals and Mother Nature will be what we will have to hang our hats on to get better prices, with CV, ASF and China fighting us all the way!

<u>Corn</u>: In our last MNU, we took a look at soybeans, those issues facing soybeans, and gave pricing recommendations for those who had little or no sales on the books. Corn's story is not quite the same. NASS should be out this Friday with their guess on U.S. acreage for corn, beans & wheat. <u>It's another negative</u>, with all those guessing at how large U.S. crops will be in 2020. Expect 94+ ma for corn and 84+ ma for soybeans. With 19 ma preventive plant ***(PP)*** acres, where will they all go?

We see the fly in the ointment from the producer's perspective. Those who didn't plant and took payments did very well in 2019, with the government changing the rules through the year for their benefit. For those who planted, many lost bigtime. Now comes 2020, with millions of acres still not harvested and many more millions likely too wet to plant until late May or June. That's even if we have normal rainfall this spring. The odds favor normal to above normal rainfall during this year's planting season again. But have things started to change? The northern grain belt has seen below normal precipitation these last 4 weeks. This bears watching to see if a real trend is beginning to develop. History says 2020 will be a reprieve from what we lived through in 2019. There will be flooding, likely not as bad. There will be heavy rains, but not so many. Some will suffer, like every year. We pray just many less in 2020.

Odds favor those who took preventive plant will do it again this year if planting conditions aren't halfway decent. For those who planted and lost, we'd presume this year they will opt for PP if given any reason not to plant! Like most times in farming, you shouldn't make your decisions on how the previous year turned out. But 2019 hit many producers hard who didn't PP. It will be hard for them to plant late and in wet conditions in 2020. That said, corn plantings will not live up to early projections if weather conditions are even just half as bad as they were in 2019. It might even be difficult to get them to get plantings to 92+ ma. If traders see less acres being planted come late May, it will be friendly to corn prices.

Great export sales will help support corn for the next 2 months, more if we can get the heavy rains in Brazil to continue. Those rains will help delay and reduce Brazil's 2nd corn plantings, as well as keep Argentina on the dry side. Brazil is going to push for more acres for their Safrina crop. They saw how importers came to them 1st, encouraging them to increase acres. <u>The U.S. market desperately needs this crop to take a hit to production for U.S. prices to sustain a good May/June rally this year</u>.

Argentina's weather will matter to corn and beans through April. African swine fever ***(ASF)*** is negative to corn, but as fast as it has decimated herds, other nations are building their cattle, fish and poultry operations; demanding more feed. Those nations will buy from the U.S., especially since U.S. corn is now the least expensive. **<u>For those who need to price corn this month, target $3.89 to $3.91 in Mar20 futures</u>.**

We have spoken often about the problems with the 2019 crop; light test weights and difficulty drying down. A warmer than normal January & February are bringing those issues to light sooner than later. We're hearing many reports of corn going out of condition, producers delivering wet corn they couldn't dry down, and producers finding out they didn't have as many bushels in their bins as they thought; those lighter than normal test weights. Many who are used to 60#s/bu are getting only 58. Those who normally see 58 are seeing 56. While not bad, remember a 1#/bu loss in test weight across the entire U.S. crop represents a loss of 250 mb. Lower test weights are beginning to show up in the ethanol grind reports. This will go into USDA data for future reports. Could such higher usage be reflected in the March 31, WASDE report? We hope this and other increased usage from the feed sector will come to the market **<u>at least in the same time frame</u>** as it did from the wet 2009 crop year, when the USDA came in nearly 300 mb less than expected in their June 30th quarterly report in 2010. If they wait until their September quarterly, the producer gets screwed big time. Either way that means we won't know the real size of the 2019 crop until USDA's January report in 2021! Could 2021 be the year where prices get a shot in the arm with reducing supplies and increasing demand? Maybe, though that will depend if the entire world produces great crops in 2020.

<u>Beans</u>: South American weather continues "decent", especially since they raised their total yield again. Dry areas are showing up in southern Brazil and Argentina that bear watching. Forecasting weather trends in SA is difficult for 2 reasons. First, it is a rainforest and they're more likely to lose crops from too much rain than from a drought; not so with Argentina. Second, weather patterns have been non-trending, making any forecasts at the present time past 10 days not reliable. What we have seen is that last December's low in soybeans held on this last price break and soybeans have rallied, though not much, for 6 days straight. This is in face of CV and rising production in Brazil. Lows, at least short term ones, are usually found when all the bearish news is known. You may note the fear of lost demand when CV hits. Grains tested their lows at that time and they held. We're not getting bullish yet. The market is marking time until given a reason to move. If it can't move lower, technicals should work the market higher so most options expire worthless at option expiration. It's what they do since it's all about the money.

Talking about money, how short are the internal supplies of soybeans in China? They did import more in 2019 than everyone thought, just a lot less from the U.S. ASF did cut their demand for soybeans, but by how much? These things China hides, but price tells us where supplies are in China. Dalian soybean futures hit the highest price in 2 years! We heard much of this is because grain is not being moved because of CV. Hog prices are up nearly 240% last year. This suggests China will be in for U.S. soybeans. We're just thinking it will be later than sooner. The SA crop will suffice in the short term. Problems with the crop in the U.S. this year would provide some fireworks.

Wheat: Wheat is sitting here wondering which way to go, searching for something to break it out of its recent sideways trade. Chicago wheat has record longs; very unusual. Funds have stayed short in MN & K.C. wheats. Looks like spreading will reverse, with Funds selling Chicago wheat and buying K.C. Chicago wheat broke to new lows today for this move.

The trade will turn to watching new crop production in a few weeks. Crop conditions are generally good, except for an area in the Black Sea region that did not get snow cover when a deep, cold snap hit over the weekend. How that area fares won't be known for a while. That region had also increased plantings significantly. Rains have returned to Australia after 3 years, with too much rain for some. North American wheat acres are sitting with normal to surplus on moisture. Continued rains over the U.S. plains will cap rallies. The market could add in some weather premium, but nothing is showing up. China finished filling its WTO wheat quotas with French wheat. If we take it that China will do the same on its WTO corn requirements, it would be a plus to world trade. Jordan bought 60k mts of wheat from CHS, which was negative to U.S. prices today. Monday's inspections matched what was needed to meet USDA's forecast, with total inspections up nearly 12% from a year ago.

Fuel/Fertilizer: Repeating from last week, take a look at your local fuel prices. Crude oil tried several times to break $50.00 support, but each time closed back above. OPEC is looking to cut production by 600k barrels, seeking to raise prices. Russia is looking to announce later this week if it will make production cuts. See what they do and what Mar20 crude does by Monday. We will update in this Friday's MNU. If it can hold above $50.00, we will have likely seen the low, so look at booking at least 25% to 50% this week or next. Start checking fertilizer prices, too. Fertilizers and chemicals are tied to fuel prices. Also, if they believe more corn acres will be planted this year, they'll jack the prices up. The price of DAP fell 6% from last month. MAP, potash, urea, 10-34-0 & UAN28 all slipped a bit. Urea & NH3 were up a bit.