March 29, 2020 **#1837**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: Going "Mr. Aggressive". **We recommend taking 2019 corn sales to 100%. Mr. Aggressive is going to 100% sold on 2020 corn ASAP**; will be buying puts if price rallies $0.20 and will re-own those same bushels if the price and market conditions give a great opportunity in the next 18 months. **Details under CORN**. Next MNU by April 1st.

Current Sales:	**2019** sales:	**corn** 50%	**soybeans** 100%	**wheat** 75%
	2020 sales:	**corn** 10 - 25%	**soybeans** 50 - 100%	**wheat** 43%

CORN: For years we have written about putting yourself in a position to use all the tools in your marketing tool box. With current price levels not offering a profit for many and with expectations of even lower prices in the future, this is the year where all marketing tools must be available to use.

On Monday, March 2nd, in MNU 1826, we detailed several options of pricing your remaining 2019 production and your 2020 production. We know many capable and aggressive producers who did this. At that time, May20 corn traded above $3.80 for the next 4 days before turning sharply lower, closing last Friday at $3.46. May20 soybeans traded up to $9.10 twice that week, closing last Friday at $8.814. The questions now are where to go from here, what do I do now if I did not make sales, when do I re-own those sales, plus many more. First, let's review the overriding facts driving price.

Headline news for corn, **"Ethanol Plants Shuttering!"** We all know they are struggling, slowing, with some closing. The Oil War has collapsed crude oil and its product prices, including ethanol prices. Ethanol margins are deep in the red. The Wuhan Virus ***(WV)*** has governments closing borders and "locking down" their citizens in an effort to stop the spread of the WV. That has collapsed the demand for gasoline, which also slams demand for ethanol. The prices of both gasoline and ethanol have slid to new record lows. Ethanol margins are now deep into the red. The numbers show up to 25 ethanol plants closed last week and 25 more to close this week. If closed for a year, that's 1.4 bb of corn. If they are closed for 2 months, it's 300 – 400 mb of lost demand. If they are closed for 4 months that's 600 – 800 mb lost demand. We can be sure a number of plants will not re-open; at least not under current ownership.

Lockdowns have slammed driving, hammering gasoline demand to record low levels. A market ***(energies and corn)*** can't get hit any harder than living in an environment of rapidly falling demand with increasing production. We expect these 2 negative trends will continue for another month or longer. No one knows how long these conditions will last; thus one must take a defensive position. As long as the Oil War stays in place, corn will have near zero upside potential. Corn will not be able to hold up, even with increasing exports. Increasing corn exports cannot exceed the rate demand is falling from the ethanol sector.

Next Tuesday's USDA's Planting Intentions Report will highlight increased corn acres and production, shining a spotlight on another negative fact once again. Whatever decrease the

USDA finds in 2019 production could easily be added back to 2020/2021 carryover stocks from reduced demand. If they don't in this report, they most certainly will in their next report in April. The trade will be looking at these numbers to determine if they are shorting a market for profit or will be buying for a profit. At 94+ ma of corn, they project a carryover of 2.6 bb. If this is the number expected 4 months from now, Dec20 corn will be printing new lows, much lower than today's price. If 50 ethanol plants go off-line for 60 days, that jumps to near 3 bb. If 60 days, the trade will be thinking carryover will rise to 3.2 to 3.4 bb. You think the trade will be thinking they will make the most money buying or selling corn in the near future?

Now think like a manager of an ethanol plant. It's a small business; less than 100 employees for most. They take the government offer and where they get a forgivable loan that pays their employees for 2 months, overhead and rent? I sure would if I thought I could re-open. And then if the government offered it again for another 2 months? Not saying they would, but if. And if they were shut down for another 2 months, carryover moves to well over 3.2 bb. Even if the government didn't offer an additional 2 months, if the Oil War was still raging, what closed ethanol plant would reopen at that time?

***** The reason many sold 100% of their 2019 and 2020 production a month ago was because they understood they were removing all the risk to their operation. The Oil War and the WV created too many unknowns and all of them were negative markets. **Knowing too many did not make those sales and seeing the downside opening up even more to the downside due to increasing negatives in the market, if you're not there yet, we recommend going to 100% sold on 2019 corn and 100% sold on 2020 corn.** If corn prices move $0.20 higher from current levels anytime between now and harvest, we will be recommending put options. If/when prices move $0.40 or more lower from current levels, we "may" recommend re-owning via futures or buying calls. For those who have limited tools in their marketing tool box, you can look at buying puts to protect on the downside. We have written about the need for prices to move lower for corn and higher for soybeans to discourage corn acres. The market, for other reasons, may be doing this on its own. We are standing aside on recommending soybean sales, though that can change any day.

Ethanol Plants: If you have corn in ethanol plants unpriced, or you have corn delivered to them and have not gotten paid, or you are delivering corn to them and they owe you money, we recommend you are in or just outside their offices tomorrow morning finding out their status. If they tell you they are fine, **get it in writing right then and there**! If they refuse, then they are lying to you. CYA! Get paid right away. If you have bushels at that ethanol plant unpriced, price it immediately and get your cash immediately. Now is not a time for trust! Protect yourself.

If they close their doors and you have a "profitable" contract that you have yet delivered on, it won't be honored. If you have a contract for DDG's and they close, your feed is gone and they owe you the difference between your contracted price and today's price. But they will use a clause in all contracts called "force majeure" that allows grain companies "out" of their contracts with producers. Your contracts will be gone and you will have to stand the loss. They will do all they can to "CTA". You have to do everything you can to protect your operation. Be proactive!!