

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: Last week we wrote this for wheat, ***“There is stiff resistance above \$5.00, where we need to add to sales.”*** If you failed to pull the trigger above \$5.00, price your remaining 2019 wheat, 12.5%, when May20 futures reach \$5.00. Next MNU by May 10th.

Current Sales: 2019 sales: corn 100% soybeans 100% wheat 87.5%
2020 sales: corn 50 - 100% soybeans 50 - 100% wheat 43%

Quick View/Technical Plus: End of the month profit taking following a sharp fall in prices, deliveries, plus a test of contract lows in both corn and beans on Thursday, gave both grains a nice rally today. Very weak corn demand due to ethanol plants closures and great planting weather continues to pressure corn prices. If good weather continues through May, the weather could well pressure beans later, too. **May20 corn** found a short term low this week at \$3.002 on Wednesday this week, before the end-of-the-month rally yesterday to \$3.13. Resistance comes in at \$3.17 for May20 corn. July20 has resistance at \$3.25. July’s high this week was \$3.222 and its 1/3 retracement came in around \$3.324. Dec20 has psychological resistance at \$3.40. Corn’s trend remains lower. The last 2 Monday’s/Tuesday’s, corn prices dropped \$0.21 & \$0.15, respectively. A \$0.11 this Monday/Tuesday, retests major support at \$3.00 and if it holds, look for a rally. **July20 beans** probed \$8.30 support 4 times in March and 3 times in April, holding each time. On Thursday, a sharp increase in export sales of 3 times last week’s and double what’s needed to meet expectations, zero deliveries and support being tested again Wednesday which held, lit a small fire under soybeans. Thursday’s high of \$8.56 and its close of \$8.552, took out psychological resistance and its downtrend line at \$8.53 and \$8.50, respectively. Prices failed to follow through today and good weather over the weekend and a fast planting pace will pressure prices on Monday/Tuesday. **July20 K.C. wheat** remained range bound from \$4.70 to \$4.90 this week. Thursday, price bounced off support at \$4.70 and closed at \$4.88. The price range enveloped all of this week’s trade, posting a key reversal higher. Price had no follow through today. It needs to print new highs for this move next week. If not, we will likely be texting a sell recommendation. **Repeating, there is stiff resistance above \$5.00, where one needs to add to sales.**

Weather – Dryer Trend: The dryer trend continues, mostly west of the Missouri River. The extended forecasts also lean dryer. Weather models see a change occurring around mid-May, with ridging setting up after this next cold snap. That change doesn’t necessarily mean a change of this trend for the Midwest. It is generally believed that if 50% of the corn gets planted by May 1st, trendline yield will be met and/or exceeded. Look for plantings of corn to be right near 50% in Monday’s report.

Rains have come to needy areas in the EU & Russia. This will need to be watched, as one rain event doesn’t make a trend. But for small grains, an inch or 2 goes a long way, even if there’s little subsoil moisture left. That is, unless it immediately changes to hot, windy and dry after those rains. Rains have been very heavy in Argy, delaying harvest and possibly shifting some bean & meal purchases to the U.S. in the short term. Some of these rains should push further

north into Southern Brazil; their Safrina crop regions. This will stave off further losses for some. The longer term forecast keeps the Safrina crop on the dryer side. USDA's May 12th Report will be reducing their corn crop further.

Crude/Ethanol/Corn: Fear of June20 crude going negative has traders getting out early. This is good for the market, but in no way changes the fact demand is down 36 mbs. Supposedly, production has been cut 10 mbs. You can see the continued imbalance. The chatter about available world storage being maxed will rise as we move through May. "Experts" have been forecasting all storage being full before the end of May, resulting in negative cash prices for crude. This may or may not mean negative prices for June20 crude oil futures. They are talking on the cash side. But it will put pressure on futures. **The gap in Dec20 crude oil projects its price down to \$24.00. Dec20 crude futures are currently hanging around \$27. Watch that \$24 target and let's try to find a low in crude in late May or June. For those who wish to hedge their fuel needs for fall of 2020, one would buy Dec20 crude. Look at July21 futures for hedging further out, unless you don't mind rolling.**

Crude oil ties into ethanol and corn prices. As long as crude stays low, so will ethanol prices. As long as ethanol prices stay low, ethanol plants won't reopen; continuing demand destruction in corn and lower prices. If this trend continues into June, then timing matches up to a potential drought scare and a technical bounce for corn prices. For those short corn futures for the last 2 months, that will be the time to exit and maybe re-own past sales. *(Might not be a bad idea to step out for a few days if on Monday/Tuesday, corn can't break below \$3.00.)* Dry weather from July 2011 through the entire summer of 2012 didn't get the corn price moving until July corn option expiration in June of 2012. Dry weather shouldn't affect prices until the same time this year. Dry weather is currently a blessing for nearly all corn producers.

Corn: Inspections reported for corn this week were 42.4 mb vs the 40.2 mb needed. Total inspections of 878 mb are down 36% from a year ago. This will be tough to make up. Odds are the USDA will need to cut expectations, increasing carryover again. Additional cuts in demand from ethanol will also increase carryover stocks. Export sales yesterday were grand at 53.4 mb vs 28.6 mb last week. We have argued that export sales need to stay over 40 mb, if not 50 mb, for the next 4 months to make current projections. That has never happened in the past, so we know it will not occur now in 2020 *(Never say never?)*. Low prices cure low prices. In this case, they have not been low enough, long enough, to create sustained demand. Keep looking at the Big Picture, which is bearish "short term", which is 2020. A short term fix/help will come this summer, with a weather market Funds leaning too short again. One can use that to one's advantage.

The national planting progress, as of April 26, totaled 27% complete vs. 7% last week and 20% average. This is the fastest start since 2017 and somewhat in-line with the 10-year average. Minnesota, Iowa and Illinois really got to hit it hard, early. Minnesota plantings jumped from 21% to 40% complete, with Iowa moving from 19% to 39% and Illinois up 29% to 37%. With such great weather for another week, some see Iowa hitting 80% complete in next week's Progress Report. Bean plantings should be quite interesting next week, too.

Beans: Soybean inspections were slow again, coming in on Monday at 20 mb vs the 26 mb needed to meet forecasts. As of April 16, export commitments totaled 1.395 bb, which accounts for 79% of the USDA's forecast. This is the lowest commitments to forecast ratio

since 1991. To achieve the USDA's forecast, exporters must sell & ship 20.0 mb/wk through August, which would compare with the previous record pace of 14 mb in 2016. Thursday's export sales report showed 39.6 mb vs 12.7 mb last week vs needing 20 mb to meet USDA's numbers. This was an amazing week for soybean export sales, which jumped July 20 beans off \$8.30 support Thursday; a support level that has been tested over several months and has held. July soybeans traded to the lowest price for this time of year since 2007 this week, despite prospects for ending stocks to be nearly half of last year and ending stocks for 2020/21 projected to be close to 40% smaller than this year.

U.S. producers are pushing soybean planting, with a good number running 2 planters; one for corn and one for beans. They are taking advantage of the yield advantage soybeans offer when planted early. Soybean planting progress measured 8% complete vs. 8% expected, 2% last week and 4% average. It was interesting to see decent soybean planting progress on soybeans, especially in the Eastern Corn Belt. Illinois was 18% planted vs. 2% last week and 4% average. Indiana was 11% planted vs. 2% last week and 3% average.

Wheat: Inspections for wheat on Monday were reported at 18.4 mb vs the needed bushels of 25.5 m. Total inspections sit at 827 mb, up 5% from last year. Exports this week were reported at 17.2 mb vs 9 mb last week, well above what's needed to meet USDA's projections.

Spring wheat is flying in the ground in the Northern Plains with reports that producers are switching acreage from corn to wheat. Spring wheat planting progress was estimated at 14% complete vs. 7% last week and 29% average. National winter wheat conditions declined three points to 54% good/excellent (G/E) vs. 57% G/E expected and 64% G/E last year. Every HRW producing state except for South Dakota saw a decline in conditions', as dryness and freeze injury are being reflected. Black Sea and EU have seen beneficial rains, staving off some of the biggest production cuts analysts were beginning to make. U.S. HRW areas in the Southern Plains are not expected to see widespread relief in the next 7-days, which should see continued conditions and production declines. Drought conditions persist in the U.S. Southern Plains, with the 6-10 and 8-14 day forecasts not showing any big pattern change.