

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: See under “**Pricing**” for “**needed**” sales; otherwise, NO Sales. Next MNU by September 6.

Current Sales:	2019 sales:	corn 100%	soybeans 100%	wheat 100.0%
	2020 sales:	corn 70 - 100%	soybeans 50 - 100%	wheat 60.0%
	2021 sales:	corn 20%	soybeans 0%	wheat 68.0%

Technical Plus: **Dec20 corn** put in a new high close for this move today. Upside targets that weather, crop ratings and exports will determine are \$3.63, \$3.70 - \$3.72 & \$3.79 - \$3.80. The way the bean/corn spread has been running, if nothing changes, \$3.70 will be a tough nut to crack when soybeans reach \$9.80. **Nov20 soybeans** close over \$9.50 sets its next upside targets at \$9.60 - \$9.65, followed by \$9.80. We definitely see \$9.80 in the cards near term, with higher highs in 2021. The highs for grains on this push could come in as early as Tuesday next week. If you have sales of old or new crop you need to make, have your orders in “based on board price – not cash”, as price could easily just spike to your target price while the basis widens. Consider a basis contract if you are selling for any reason, but waiting on a higher board price. **Dec20 K.C. wheat** failed twice this week at \$4.75 resistance. Its trend has turned sideways for now; higher when price closes over \$4.75. Its next target will be \$4.95, followed by \$5.20. Wheat has no good reason to take out \$4.95. Higher corn and soybeans will help, but you can see how corn is dragging. China buying in all grains would be supportive across the board. Seasonals for wheat are up in September.

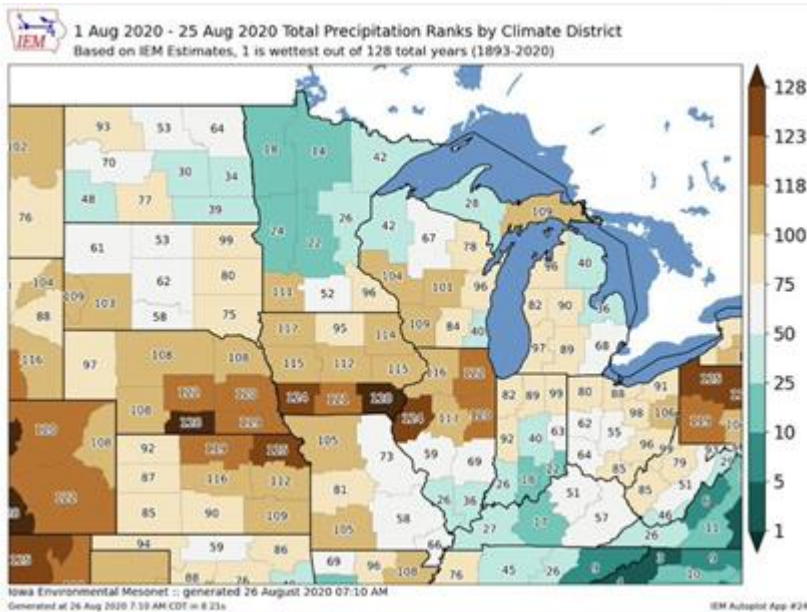
Pricing: Bullish & bearish arguments exist for all grains. It is easier to project price probabilities when fundamentals and technicals are either bullish or bearish. When they are split like they are now, it is much more difficult. Technicals usually lead a market before traders see the actual shift in fundamentals. We have a situation here where weather reduced crop losses have run their course, and yet supplies still remain more than adequate. Thus, no matter how revved up technicals appear to become, we must not lose sight of the supply side of this equation. You will notice corn prices are dogging it with such large supplies and new crop coming on.

For those who have old crop or new crop you need to price, **new crop because you do not have sufficient storage**, use this rally to make sales. **Dec20 corn’s** technical objectives are \$3.63, followed by \$3.75 to \$3.80. Its 200-day moving average runs through \$3.63 this week. That creates additional resistance at that price. \$3.63 was also a double top high on July 1 and July 2. The higher objective was set when the price gapped above \$3.46 on Tuesday. *You can bet your bottom dollar that price will fall back and fill that gap during harvest.* How much higher from here will depend on how much rain falls during these next 7 days. Next Monday’s crop ratings will take corn’s G/E ratings down again. Odds are that this will be anticipated/priced in by Monday night. Then, again depending on the rains that have fallen or are yet expected, price will have topped at or below \$3.63, or price will run up to the higher technical objective. **We would target a price just under \$3.63 for “needed” sales.**

Corn carryover for 2020/2021 will have a very difficult time falling below 2.2 to 2.3 bb. We are looking for a 400 mb shortfall from the Derecho, but more so from so much of the Western Grain Belt seeing little to no rainfall in August; coupled with nearly a week of scorching temperatures. We drove across 3 states last weekend and saw more damage from drought than we did from wind. The USDA uses a 0.70 correlation between year-over-year changes in supply vs. demand. That means that if the USDA cuts 100 mb from supply, they tend to cut 70 mb from demand. If they continue to use this correlation in 2020/21, it could be difficult to get a final carryout below 2.3-2.5 billion bushels (bb), regardless of how large yield reductions become. This is definitely something to consider when pricing your grain. The USDA raised corn demand 750 mb above 2019 demand based on \$3.00 corn, keeping carryover from climbing over 3 bb. As carryover falls and price climbs over \$3.50 reducing demand, you will see the reverse occurring, whereas carryover falls and price rises, the USDA will cut demand, which increases carryover.

We have already reduced the U.S. soybean crop to 50 bpa, due to the on-going drought. That is a 3.3 bpa cut from USDA's last guess offered on August 12 of 53.3 bpa. That would produce a yield loss of around 280 mb and would take the 2020/2021 U.S. soybean carryover from 610 mb to 370 mb. If we are correct, that carryover hasn't been seen since 2016 and would project soybean prices visiting \$10+ in 2021. Add an issue with Brazil's crop and it could get very interesting next year; even more so if this demand from China is real. China building reserves is still "real" demand, though it needs to be seen as front-loading. We have detailed this before. Such demand runs prices much higher than necessary the 1st half of the marketing year, only to see prices fall further than normal (*due to falling demand*) the last half of the marketing year.

Iowa is seeing the first 25 days of August coming in from the driest in 95 to the driest in 128 years. Notice how dry it is from Colorado to Pennsylvania and then from Missouri to North Dakota. Soybean yields are going to fall faster than the trade can wrap their head around. Look for soybeans' national yield to come in below 50 bpa and see a record fall month-to-month.



Tiny Beans will be a Big issue this year; for those who suffered from little to no rain in August. We have experienced yields as much as 20 bpa below expectations on fields that took the “perfect hit” in August. Prices will continue to be quite volatile these next 10-days, as traders try to understand the potential losses beans will suffer (*which they cannot*) and how much more production will be added from the last of rain. One inch falling on super dry soil will not be sufficient enough to add many bushels. It needs to be 2+ inches; 3 inches much better. They do not have that much rain in the forecast at this time. They are currently forecasting two-thirds of the Midwest will see heavy rainfall in the coming week as hurricanes out of the Gulf of Mexico push plumes of moisture into soybean territory. The acres they are referring to are not the acres that need the moisture the most. In 50-years, we have never seen rain in Iowa from a hurricane.

Compare our forward looking calculations to theirs. *If the national average soybean yield slips by two bushels per acre (bpa) to 51.3 bpa, carryout would drop to 444 mb, a level the trade does not have priced in. The bottom line with the soybean supply situation is carryout below 500 mb is not congruent with sub-9.00 futures as the past weeks’ worth of trade has shown.* If a 444 mb carryover isn’t priced in, cut another 100 mb off carryover and see where the price goes. You can check these numbers out in USDA’s January 12th report and see who was closer.

Sometime in the next 6 months, soybeans will rise to \$10.40 to \$10.60. If yield comes in below 50 bpa as we now believe it will, we are thinking \$11.00 will be possible. That is \$4.00+ corn.

Corn: New crop corn sales have reached 480 mb, while at the same time, FOB corn prices in Brazil are \$0.26 cents above those at the U.S. Gulf; a sign of surprisingly strong demand after Brazil just harvested a **record corn crop**. This week’s export sales report showed another 10.6 mb of old crop sales, pushing total commitments to 1.75 bb vs. USDA’s marketing year forecast of 1.795 bb. The 2019/20 marketing year total could fall short of the USDA’s objective, but no one cares about that right now. The focus is on the 2020/21 export sales, which continue at an incredible pace. As of August 27, total 2020/21 export commitments measured 561.7 mb, which should now surpass 1995 for the largest program on record. Adding to the bullishness are ideas that Ukrainian corn production could be cut to 34-35 mmts vs the USDA at 39.5 mmts, with the Russian crop also supposedly getting smaller due to drought. There are building dryness concerns in South America. If all this comes together, the United States might be the globe’s importer of choice for the foreseeable future.

ProFarmer ended with an estimate for U.S. corn production of 177.5 bpa. With 2 more weeks of drought after their walkthrough, the USDA could come out on September 11 with a record drop in their yield estimate. And what if it remains relatively dry in the neediest areas until then?

One has a hard time remembering that the first 3-weeks of August averaged the coolest in the last 80 to 109 years, depending on what part of the state you are in. The first 3-weeks were also the 93rd to 123rd driest in Iowa, with West Central and Southern Iowa the driest.

Beans: China has a strong incentive to buy U.S. beans. FOB soybean prices in Brazil are \$0.71 above comparable prices at the U.S. Gulf. That does not look to change in the near future. Brazil’s price would have to remain unchanged and the U.S. price would have to move above \$10.00.

If export sales continue at the current pace, soybeans will be supported through January. We did not say the price would be racing higher. Where should prices rise with 2020/2021 U.S. soybean carryover stocks at 500 mb, 400 mb, 300 mb, or less? Take note that we are not recommending sales at this time. For those who desire to re-own on the board, one can do so here, understanding prices will fall back into harvest, but will then make higher highs later.

Demand has been the main talking point in soybeans; with 1.9 mb of old crop export sales – but 68.9 mb of new crop export sales. The total commitments for the 2020/21 marketing year stand at 823.9 mb, an all-time record going back to 1990. While the trade is talking about demand, our focus is on decreasing U.S. supplies. That tightens the U.S. balance sheets, which allows U.S. prices to rise. If carryover was 600 mb with all this Chinese buying, do we really care? If it is 300 mb with all this Chinese buying and Brazil has “**ANY**” weather issues, the U.S. price will add in a quick \$0.50 weather premium; just because. That will also support corn prices to some degree.

While this is technically being the dry season in South America, it is worth monitoring since Brazil should begin planting soybeans next month. Any delays because of dryness adds risk to lower soybean yields, lower plantings, as well as the same for the 2nd crop corn (Safrina). Over the last 90-days, Brazilian production areas have witnessed 80% of normal precipitation while Argentina has seen just 44%. Over the last 30 days, Argentina has seen just 14% of normal precipitation. La Nina is already doing its drying job in Brazil and Argentina.

Wheat: There are no real reasons for wheat to be moving higher, except that it is the right time to do so and other grains are moving higher; all ships rise with the tide? Seasonals are in wheat’s favor. Chicago wheat has averaged a 4% price gain in September over the last 30-years. Add 4% to K.C. wheat and it does take price to its next resistance level of \$4.95. The falling USD has always benefited wheat prices more than it has other grains. Rumors of Chinese buying are persistent, likely adding to speculative buying. On the negative side is new crop insurance pricing is being calculated for SRW and HRW, with both well above year ago levels. This should encourage steady to higher acreage this fall. The EU wheat supplies have fallen sharply from a year ago. That will push more foreign buying to the U.S. as world prices adjust.