

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: **NO Sales**, though we did include some thoughts on pricing if you have made sales or need to make sales this month. Next MNU by September 13.

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%

Labor Day: Monday is a holiday. Markets will open at 7:00 pm Monday night.

USDA Report: Next Friday, September 11 at 11.00 am. Yes, that is 9.11 @ 11.

For those who “don’t have time to read all this”, Technicals Plus is our Summary Analysis.

Technicals Plus: **Dec20 corn** reached its 1st upside target of \$3.63 Monday, probing to \$3.642 before reversing lower for the day. If the gap from \$3.454 to \$3.48 remains open before new highs are scored again, this technical move gives corn an upside projection of \$3.90. The way corn has been doggin it with soybeans price rise, that level seems hard to imagine; but someday. **Nov20 soybeans** continues strong, with its next upside target at \$9.80. We definitely see \$9.80 in the cards near term, with higher highs in 2021. There is an unusual technical setup forming, which could give us a much higher, future upside for soybeans. More details when/if it unfolds. **Dec20 K.C. wheat** almost made it to our upside target of \$4.95, reaching \$4.906 on Tuesday. Its next targets will be \$4.95, followed by \$5.20. Wheat has a strong uptrend going. Fundamentals do not support. Seasonals for wheat are up in September. There is a reason! Rumors persist of China needing wheat. Chinese continued buying is supportive to all grains.

Pricing: We detailed pricing options in the last MNU. We do not favor pricing grain at this time. If you use the board, we are in favor of taking a good to great basis, if you have one in your area, and converting some grain to cash for cash flow purposes. If you wish to re-own, we would do that in May20 soybean futures. If you wish to re-own your priced or sold corn, we would own 1 contract May20 soybean futures for every 10,000 bushels of corn priced or sold. If you have sold soybeans, we would definitely want to control all of the 2020 production into 2021. So if you sell, own it back on the board. Soybeans have rallied over \$1.00 off its low. One would think with the rains forecasted for next week and the upcoming USDA report, some back-and-fill market action would be in the offering for both corn and soybeans.

Corn: <https://uk.reuters.com/article/uk-china-food-security-corn/chinas-looming-corn-shortage-fans-food-security-unease-idUKKBN25S6EL>

<https://www.agriculture.com/markets/newswire/chinas-looming-corn-shortage-fans-food-security-unease>

A teaser into one of those links talks about China's scheme to pay farmers above-market prices for corn led to bulging stockpiles. China put an end to that scheme 4-years ago and surprise, surprise, surprise! (*Use your best Gomer Pyle accent.*) Chinese farmers are now producing less corn than it consumes. That said, if U.S. producers net higher prices in 2021 than what would be normal due to drastically increasing demand from China, producers only have China's mis-management to blame. Of course, floods, droughts and armyworms should take some credit, too. Other future variables that should be added to that equation would be weather induced losses to 2021 crops around the world; particularly in the U.S. and South America.

Corn prices are benefiting from rising demand and lowering supplies. This makes for a perfect Bull market. No one really knows how many bushels have been lost to wind and drought in the U.S. No one really knows how much corn China or other nations may need to buy for 2020/2021, especially if they are going to be reserve building. One would surmise that China would restrict needed purchases until after November 3rd.

Corn showed export sales of 93.8 mb for last week, the largest week of sales for this date on record. Total export sales have reached 619.8 mb, the largest exports on record for this far into the marketing year. Private estimates for total sales to China "alone" for 2020-21 are projected to be 550 to 600 mb. Based on total current sales on the books, this could have the U.S. challenging the previous marketing year export record of 2.437 bb set in 2008-2009. The unanswered question is if the Chinese buying is to comply with the P1 or is it "real" organic demand that could run throughout the 2020/2021 marketing year? The ethanol sector has been the weak link for corn. If driving doesn't pick up, it could be the broken leg to rising corn prices. Driving usually tails off after Labor Day. With many more students doing at home, on-line classes, there will have to be a further drop off in demand.

Beans: What a run in beans! As of the close today, 11-days of consecutive higher closes. Dec20 soybean meal reached its 50% retracement level of \$317.10 today. Nov20 beans topped at \$9.694 on the 8:30 am open and never traded back to that high, closing at \$9.68. Dec20 meal opened at 8:30 am at \$315, ran up to \$317.7 at 10:00 am, ran up to \$318.2 at 10:45 am, before closing the day at \$317.2. Meal is finally getting some legs, with its next target \$324.30.

New-crop soybean sales for last week totaled 64.7 mb, a record for this date. Total new crop commitments for 2020/2021 are 888.5 mb, also a new record for this date. The previous record for total sales in any one year was 2.166 bb, which came in 2016-2017. USDA's current estimate for 2020-21 is 2.125 bb.

U.S. soybean yield is the big unknown for soybeans, which adds legs to this rally. Most analysts are at 52 bpa. We are looking for a final number around 50 bpa. That 150 mb difference can easily add \$0.50 to \$1.00 to price if the trade fears crop losses in South America

(Argentina) next year. Linn & Associates placed the corn yield at 176.6 bpa, for total production of 14.63 bb. For soybeans, they came in at 51.2 bpa, producing a total crop of 4.25 bb. We will see if our 50 bpa soybean estimate is where the final yield comes in 10 weeks from now. Allendale says U.S. corn will yield 178.28 bpa and soybeans 51.93 bpa. Arlan, who works for StoneX, formerly of FCStone, says his corn yield model fell another 1.6 bpa to 175 bpa this week. USDA's last yield number was 181.8 bpa.

Wheat: Kansas City December wheat has closed higher for 4-weeks in a row now. Do not know if we want to claim this week, seeing how it closed only \$0.002 higher on the week.

Wheat prices continue to find support for strong export sales reports. Export sales for last week totaled 21.5 mb, their 2nd largest total for this week in the last decade. Total commitments came in at 457.9 mb, the largest marketing year total since 2013. Total commitments, as a percentage of the USDA forecast, stand at 47.2%. The halfway point in the marketing year is December 1. China was a player in last week's export sales number, giving credence to all that past weeks of chatter about China looking to buy wheat. This has not been in the wheat market in forever! If Chinese buying can remain consistent from the U.S., it will keep supporting wheat's higher trend. That has been wheat's problem; the lack of consistent foreign demand.

Winter wheat planting is just getting started with reports of HRW going in the ground as far north as South Dakota. Higher acreage is anticipated, pushed on from higher insurance prices, good soil moisture and for the most part, good yields this year. Moisture totals should be added in the Southern wheat areas, on forecasted rains for the 2nd week of September.

China: <https://www.youtube.com/watch?v=d4aBLMwC5Us>

Massive flooding is wiping away billions of dollars of value in China. The predicament symbolizes a looming crisis for Beijing. A warming climate is bringing more frequent and intense deluges that threaten the economic heartland. The infrastructure defenses installed with the disasters of previous eras in mind can't keep up.

The problem isn't that China lacks water management projects. It has built hundreds of thousands of levees, dikes, reservoirs and dams on its seven major river systems. Unfortunately, months of rain-fed flooding has ravaged vast swathes of industrial and agricultural land and engulfed millions of homes. This past week, officials feared that the Three Gorges Dam on the mighty Yangtze was peaking and could overflow. Elsewhere, authorities have blown up barriers that were causing more damage than help.

China has experienced three of the world's 10 most devastating floods since 1950. The limited number of deaths to date is a testament to how far the country has come. Yet flooding in cities is getting worse, a sign of rising populations and failure to execute urbanization policies.

Annual average losses from river inundations are the highest in the world. Flood policy hasn't made it the priority it should have been; given the high stakes. The Yangtze River Economic Belt is home to more than 40 percent of China's population (*about 600 million people*). This economic belt accounts for almost 50% of China's export value and 45% of China's gross domestic product. *On its own, this region could be the third-largest economy in the world.*

More severe disasters are anticipated. Hydroclimatologist Peter Gleick, a member of the U.S. National Academy of Sciences, told the South China Morning Post that climate change is increasing the risks of extreme rainfall events, making it “even more likely that dams like the Three Gorges will be unable to prevent the worst flooding from occurring in the future.”