

## LOOKING FORWARD WITH A BACKWARD GLANCE

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**Sales Recommendations:** **No Sales.** Dec20 corn & Nov20 beans could not close above \$3.80 & \$10.50 respectively and the anticipated correction is underway. Next MNU on September 30.

**Current Sales:** **2020** sales: **corn** 70 - 100%      **soybeans** 50 - 100%      **wheat** 60.0%  
                          **2021** sales: **corn** 20%                      **soybeans** 0%                      **wheat** 68.0%  
                          **2022** sales: **corn** 0%                      **soybeans** 0%                      **wheat** 0%

**USDA Quarterly Report:** Wednesday, September 30 at 11:00 am.

**CFAP2 USDA Program:** FSA opened the 2<sup>nd</sup> Coronavirus Assistance Program on September 21<sup>st</sup>. You have until December 11<sup>th</sup>, 2020 to apply for the program at your local FSA office. The program is based on your 2020 planted acres and livestock (*with limitations*) owned between April 16<sup>th</sup> and August 31<sup>st</sup>. Link: [www.farmers.gov/cfap](http://www.farmers.gov/cfap)

**The New Era:** We are reprinting the 1<sup>st</sup> two paragraphs and then the last 3 paragraphs from our initial writings on the **New Era** grains are entering – to refresh your memory. Then we are going to look at the remaining factors which we expect to influence the higher prices we will see over the next 4 to 5 year time frame.

*1) We are entering the exact opposite of the last 8-years. This will be where you defer all grain sales for as long as you can to generate as much profit as possible. Within this New Era, which should run approximately 4 years, you will need to time your cash grain sales to potential highs for cash flow purposes. During the year, one will see saleable rallies 2 to 3 times during the year. Now is not the time to worry about the cost of storage, especially on soybeans, which will be the most dynamic market in the 1<sup>st</sup> year of this New Era.*

*2) In fact, for those few holding onto their 2019 production, your short term pricing window is here. While history shows strong resistance from \$10.40 to \$10.60, we have technical indicators pointing to \$10.80 (\$10.70 to \$10.90). Following technicals, we are going to look at this rally as Wave 1, with the pullback, Wave 2, providing us a projection for the next push higher, Wave 3. Wave 1 is historic in nature and counter-seasonal.*

*15) As China analyzes what is happening, it is realizing it needs to build a 2-year reserve for all its critical needs. This will range from precious metals to meats, grains, crude oil, etc.*

16) *If this is what is unfolding, how long will China need to “buy up” all the soybeans the world can produce so it can shut off buying in order to stick it to those who have been sticking it to them? There is a geo-political event unfolding, as the U.S. and China battle it out for who is Number One. If China has to do battle with Trump, the next 4-years will be very interesting; if it is with Biden, maybe not so much. Either way, China will be looking to protect itself from unexpected threats (**food security**), whether foreign or domestic, which could lead to national unrest.*

17) *In our next MNU, we will address other issues in the New Era, which seek to drive prices higher than most realize. Those topics will be food waste in China, the Death Cross, La Nina, South America and the tightest world stocks-to-use ratio in 10-years.*

Do not listen to what they say, watch what China does. Is there a food issue in China? Forbes wrote on July 28, 2020, that “Rising demand, floods, insect infestations, and rumors of spoiled inventories are all contributing to China’s developing food related woes”.

China has been hit by several major disasters this year. Since late May, serious floods of the Yangtze River swept vast areas in central and eastern China, a major grain-producing area, and caused significant destruction of property and loss of life. In August, Typhoons battered Northeast China, another major grain-producing area for autumn harvest. In July, a locust plague entered Yunnan Province in Southwest China. In 2019, an African swine fever hit the meat industry which led to a dramatic rise in meat prices.

On September 2, [thepaper.cn](http://thepaper.cn) published an article named [\*PRC Ministry of Water Resources Tackles Food Wastage: Providing Half Portion Dishes, Small Size Buns\*](#). It says the Ministry of Water Resources has launched a series of actions to guide its employees to stop food wastage when eating in the cafeteria, in accordance with the “clean plates” campaign. The purpose of it, according to the article, is “to establish an economical government agency”.

Their methods include estimating the number of people who come to dine in the cafeteria and then adjust the amount of grocery purchases accordingly to reduce waste in storage. Increase the utilization of raw materials, like not peeling the eggplants or cucumbers. Then serve smaller portions to reduce leftovers, say, make buns 25g instead of 70g.

Next they want all to download their “Smart Logistics” official app account to learn important government instructions. In the cafeteria they display signs of “clean plates, starting from me, take what I need, and eliminate waste”. They supervise staff by using both the surveillance cameras and a group of “volunteers” wearing a red armband to make sure all abide by their edict. The department says the outcome has been good with wastage reduced by 20% and food scraps, 10%. ABC News says, “CCP (**Chinese Communist Party**) officials’ interpretation of Xi’s ‘clean plates’ campaign is excessive”. “Some experts say that China’s new efforts to save food may indicate a deeper level of food issue. Last year, China faced an unprecedented shortage of food supplies.” This has caused speculation about a food crisis.

In 2019, the CCP’s [xinhuanet.com](http://xinhuanet.com) said that “China has fed 20% of the world population with 10% of farm land and 6% of clean water resources”, and “**every year sees a good harvest**”. But according to [Reuters](#) (2020/1/13), “China’s soybean imports in December surged 67% from a

year earlier to a 19-month-high”. On a Chinese website, [sohu.com](http://sohu.com), an article reported on August 18, 2020, that each year, at least 80% of soybeans and 15% of all food supplies were imported from other countries. In the future, **there may be a shortage of about 130 million tons**. Since the lockdown from the coronavirus pandemic in 2020, several countries have put restrictions on food exports. This only contributed to the negative outlook on the food crisis that the CCP wouldn't recognize. Place yourself in China's shoes. Your nation has a developing food crisis and several countries have placed restrictions on food exports? Now China had to ban pork imports from Germany? Fear of securing necessary food needs leads to hoarding or building reserves. This is short term bullish, but may be long term bearish, depending on world weather trends such as diminished food production worldwide. China needs to plan for that possibility, too!

There is another worrying factor. For decades, the CCP has been stealing wealth from the Chinese people through its ridiculous real estate policies which led to a great loss of good farmland and agricultural labor, as well as serious environmental pollution and unbalanced regional developments. **These are all affecting the quantity and quality of food production in China, where many people still live in poverty**. To the CCP, these people are just part of the denominator in their statistics, but never got a fair share of food.

Decades passed and it never changed. The CCP keeps telling the Chinese people and the world that food production has increased and supply is adequate. **Now it's blaming people wasting food for food shortages** and people should accept the “moderate rise” in prices, using its propaganda tactics and surveillance system. They never faced the real issues or took the Chinese people into consideration, just like they never kept their commitments to the world. As Mr. Kyle Bass has put it, the CCP is the cancer of the world. As Mr. Hao Haidong of the “Whistleblower Movement” once said, “We need to kick the CCP out of humanity”.

As a counter argument from all that has been said, since the CCP does not care about its people, if 10% or 20% die from starvation, it is just more food/meat for the rest? Yes, the thought is grotesque, but is it a fact of life under Communist or Socialist rule?

Moving onto the **Death Cross**, it is a technical chart pattern indicating the potential for a major average ***crosses*** below its long-term moving average. Typically, the most common moving averages used in this pattern are the 50-day and 200-day moving averages.

A death cross was posted in the U.S. Dollar Index this summer, forecasting a long term lower trend for the USD. To prove the validity of this death cross, the price of the Dec20 USD will need to close below recent lows, which is \$91.75. Its price is currently in a corrective wave higher. We see resistance from \$96.00 to \$96.50, where price should turn lower. A falling USD is ***Bullish*** to grains and commodities, as a whole.

Did we leave the best to last; La Nina? China, and a long lived La Nina, would really turn grains around. If the USDA Quarterly is not a market mover, we will address it in Wednesday's MNU.