

## LOOKING FORWARD WITH A BACKWARD GLANCE

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**Sales Recommendations:** No Sales. See below. Next MNU by November 15<sup>th</sup>.

<b><u>Current Sales:</u></b>	<b><u>2020</u></b> sales:	<b><u>corn</u></b> 70 - 100%	<b><u>soybeans</u></b> 50 - 100%	<b><u>wheat</u></b> 60.0%
	<b><u>2021</u></b> sales:	<b><u>corn</u></b> 20%	<b><u>soybeans</u></b> 0%	<b><u>wheat</u></b> 68.0%
	<b><u>2022</u></b> sales:	<b><u>corn</u></b> 0%	<b><u>soybeans</u></b> 0%	<b><u>wheat</u></b> 0%

**USDA Report:** Next Tuesday at 11:00 am.

**Technical Plus:** ***There is an unusual technical setup forming in corn and soybeans, which we expect will eventually forecast much higher, upside projections than most others imagine. When these anticipated technical indicators show themselves, we will update and detail as they unfold.***

**Dec20 corn** rose above our texted resistance point sitting at \$4.07 today. It closed above it at \$4.092. Corn has reasons to move lower from here. It also has reasons to move higher. If price closes higher tomorrow, we would suspect price to try to challenge \$4.22 before Tuesday's report. A close below \$4.07 should negate that higher attempt. **Nov20 soybeans** slammed higher these last 2 days, putting in new contract highs and closing above \$11.00, a major psychological barrier. If price closes higher tomorrow, we would look for \$11.40 to \$11.50 to be a magnet for price before Tuesday's report. If price closes under \$11.00 tomorrow, price would likely trend sideways into the report, then move to the \$11.40 to \$11.50 area. **Dec20 K.C. wheat** made it to its \$5.80 objective again, reaching \$5.81 today, before falling out of bed. Besides being quite volatile, prices should struggle to make higher highs. It is not the right time for wheat.

**What's Ahead:** We want to make sure all understand our thoughts on what is happening concerning grain prices; now and in the future. To do that, we are going to repeat past writings.

**Sept 11, 2020:** Our thoughts go to August of 2006 & August of 2010, where we wrote, "beg, borrow and steal" to control all your production. *(This was repeated in the Sept 18, MNU.)*

**Sept 18, 2020:** \*\*\* **New Era:** We are going to springboard off **last week's writings** under "**Pricing**", "*Our thoughts go to August of 2006 & August of 2010, where we wrote "beg, borrow and steal" to control all your production.*

**Sept 18, 2020:** This New Era is coming to us from a slew of supporting issues. This is not like the EPA induced ethanol rally from 2006 to 2008. This is not like the demand rally from 2010 to 2011. This is not like the supply/drought rally in 2012. This is a totally different rally, supported by numerous demand factors we have not seen for many, many decades; if at all.

***This is the best of both worlds for the U.S. grain producers.*** Consider if we are only half right on our thoughts and then what if we are correct on all? Remember food security is a strategic, national security issue for China.

***Oct 23, 2020:*** “*We are forecasting 3 significant rallies in both corn and soybeans from September 1, 2020 to September 1, 2021. This is the 1<sup>st</sup> rally of 3. We do not see this 1<sup>st</sup> rally setting the highs for this marketing year.*”

***Today:*** Continuing with our thought process and pointing again to this, “*This is not like the demand rally from 2010 to 2011. This is not like the supply/drought rally in 2012. This is a totally different rally, supported by numerous demand factors we have not seen for many, many decades; if at all.*”

If we are correct on this analysis, then read the beginning paragraph under “**Technical Plus**”. “*We are in search of a “technical” indicator that gives us some idea of how high grains can move. From our past experience, we have an idea which we have been hesitant to put in print.*” That stems from our September 18<sup>th</sup> comments, when we wrote, “*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.*”

We do not know how high – yet. Internally, we have an objective in soybeans of \$11.40 to \$11.50. But that was for the peak of the 2<sup>nd</sup> Wave higher. Stepping back, we really need to address this event for what it is, a Big Bullish Event, which will/would produce 3 rally highs. Waves 1, 3 & 5 are the up Waves, with Waves 2 & 4 being the retracement Waves.

We were expecting to call last week’s high the end of Wave 1, but it did not retrace sufficiently; at least in our minds. Some are saying the corrections back to \$4.00 and \$10.50 were sufficient. We humbly disagree. In a Big Bullish Event with 3 up Waves, each up Wave exceeds the previous Wave. Also, in a Big Bullish Event, the retracements never reach down as far as the majority believes they should. If one is trying to get long for whatever reasons, it becomes difficult to determine a good entry point when one is attempting to minimize risk. You are left with closing your eyes and just jumping in.

The higher Wave 1 moves before it sustains a decent correction, the higher the 2<sup>nd</sup> wave high will be. Until we have determined when Wave 1 has ended and Wave 2 begins, we will not have a clear path of understanding as to the potential highs in grains.

***Since we know all would like our thoughts on how high, it would not be beyond reasoning for us to say beans in the teens is a definite possibility. Corn over \$4.50 is a no brainer. K.C. wheat has the worst fundamentals, though we are cognizant of the story building behind wheat. When one puts all the pieces of this puzzle together for determining wheat’s price potential, it too will be higher than most realize. We have been looking at \$6.00, but for where we see other grains headed, we will wait until grains really heat up to make a determination on how high for wheat prices.***

**Corn:** The elections brought much volatility to the financial sector and to metals. They were very helpful to energies and grains, too; No Green New Deal. Or at the least, derailed or delayed until another day.

Funds came into grains right after the elections; on a number of news items. La Nina is one, but more so for soybeans than corn; for now anyway. Whereas corn was lifted overnight from a report that the trade saw as bullish for soybeans, corn's lift was aided later by the export sales report that showed 103 mb sold. That was the largest weekly sales in ages. Total corn commitments of 1.3 bb are now 179% greater than last year.

Also adding to corn's price strength today was indications the dry weather is taking a further toll on Ukraine and EU production. Ukraine's reduction was placed at 6 mmts, with the EU's at 10 mmts. Less production means less to export and more exports likely for the U.S. This translates into a possible sharp reduction next Tuesday to World Stocks! Then we get to add a reduction from lost acres in the U.S., possible yield reduction in the U.S. and added demand for U.S. corn. The lost acres in the U.S. would come from more Derecho acres being zeroed out in Iowa. The USDA will bring U.S. 2020/2021 under 2 bb on Tuesday. The trend of lower stocks continues.

A good reason for the increasing demand for U.S. corn is price. FOB offers last night had PNW offers for corn \$10 to \$13/mt below that of other major exporters. Gulf bids remain \$3 to \$8/mt below that of Argentina and \$12 less than Ukraine. As for Brazil, they have little corn to sell.

The Census Bureau released export data on DDG exports for the month of September showing 1.158 mmts, the largest monthly exports for DDG's since September of 2015 vs 1.016 mmts last month and 1 mmts last year. Ethanol continues to be the drag on the corn market. While this month's grind was one of the highest in months, it was still down 5.2% from the same week last year. The positive spin is that the trend of the grind is higher!

**Beans:** The soybean surprise for today came from a Census Bureau report that the U.S. shipped 285.5 mb of soybeans in September vs weekly inspections that came in at 233.5 mb; a 52.3 mb disparity. It is normal for the monthly figure to be higher than the total of the weekly numbers because they have more accurate weigh up numbers when ships are loaded vs. when they are expected and they include rail shipments going across the border. Normal runs a difference from 5 to 10 mb, not 52.3 mb! That was a shocker to the trade, which got corn prices jacked up overnight. That ended up setting a September record for loadings, exceeding the record set back in 2017 of 165.5 mb and beating it by 72%.

Aiding today's rally was soybean oil, which led beans higher today, rising nearly 2% in the front month. Soyoil got jacked up from palm oil skyrocketing to new highs once again. The export sales report this morning also held very good numbers for soyoil and meal.

While soybeans' export sales were down again this week. On October 8<sup>th</sup>, sales were 2576 mts, one of soybeans highest numbers. Since then, they have fallen to 1530 mts, down 41% from just a month ago. This has been expected; since China has been absent in the Flash Sales reports each weekday for the past 3+ weeks.

We see the greatest push behind soybeans as the drought conditions in Brazil and Argentina. While both received much needed rains last week, it has turned hot and dry since. While it appears Brazil will be okay on future forecasts of rains, there will be holes where some get none. These holes will be larger in Argentina. For those in Argentina who miss all rain events for the rest of this month, it is said they will not even plant a crop. For those in Brazil who miss rains for that long and would normally follow those bean plantings

with corn, they will just plant corn. This will lead to fewer acres, which will immediately reduce total world supplies. The trade is trying to “manage” this possibility by raising prices in the back month futures.

In response we texted this early morning, ***“Very important, PRICE ACTION. Beans inverted this week, back months gaining on front in a rising market. Market saying South America will lose production.”*** Mar21 through Nov21 futures bolted to new contract highs yesterday, while Jan21 did not. Traders changed their thought process, telling everyone who is watching that they see issues with supplies. That is a big change. For the last 3 months, this has been a demand driven rally. We believed months ago that futures’ prices would be driven by demand and then supply issues. We did not count on supply concerns coming to the market in 2020. This makes this market much more dynamic, much earlier. The trade is going to jump on anything bullish from here forward.

We look for the USDA to cut soybean carryover stocks again next Tuesday. That cut could easily be 40 mb, taking stocks down to 250 mb. The question is how will prices respond this month on bullish numbers? We suggest it depends on where the price is. Price could easily move to \$11.40 to \$11.50 pre-report. How bullish would any report be with prices that high? Normally, with traders expecting lower stocks, it will already be priced in by the time the numbers are released. We all know this year little has been normal. One could make an argument that at \$11.40 or better, the soybean market really needs a “good” correction. Record long traders are; and they just keep adding.

**Wheat:** Of the 3 markets, wheat is the weakest. Still, wheat shocked the trade to begin the day, with K.C. Dec20 futures hit its highest price for this rally of \$5.81 just before 9 am. That had wheat nearly tying the bean rally. But reality set in and wheat fell to its low just after the noon hour at \$5.592, down over \$0.30. It was actually down on the day at that point, but recovered to close up \$0.032 at \$5.63.

Wheat crops are still having a tough time in the Black Sea regions, especially in Ukraine and Southern Russia. We can add the same line for the Southern Plains in the U.S. End users see that issues, rising inflation, and may be thinking we need to get while the getting is good. Significant tenders are coming from Japan, Turkey, Egypt, Jordan, Pakistan, Syria and Tunisia. Egypt did grab a tender from Russia of 300k mts for Dec/Jan ship.

U.S. wheat export sales logged in at 22 mb, taking total wheat commitments to 616 mb, up over 12% from last year. Like corn and beans, Tuesday’s USDA report will show declining U.S., as well as world ending stocks. They should show less wheat from Ukraine, Argentina and the EU, all due to on-going droughts.

The most interesting tidbit came from something we wrote about last month. China began auctioning wheat from their state owned reserves. You might recall we wrote that with corn prices so high in China and China growing about 50% of the world’s wheat each year and exporting none, they could blend in this wheat into their feed rations. It appears that is now occurring.

But then we hear China is also using rice for feed grains for the same reason; corn prices are so high. Remember when the ethanol industry first started and some groups were screaming the U.S. is using food for fuel? They went crazy on that issue; now not a peep. But think about it??

Wheat is a human food staple. And have we in the U.S. ever thought about using rice as a feed grain? China produces all the rice it needs because it can. It could produce all the corn it needs, if it used some of its rice acres for corn. We detailed this in an earlier MNU. But rice is a Major human food staple. We do not know which one is more widely used, wheat or rice. But if China is shifting its “human” food for feed grains, how bad off is China on their food needs? That is a national strategic issue. What would it take at this stage before actual food end users begin to have real issues and panic sets in? Think La Nina and South America’s crops suffer the greatest yield losses in the last 10 or 20 years?

Even with all this, keep this in the back of your mind. The large spec position **across the Ag space, as of last week**, totaled 622,504 contracts; largest since September 4, 2012. It has only grown larger over the last week.