

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Sales Recommendations: No Sales. Next MNU by January 17th, 2021.

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

Technical Plus: USDA's corn number took **Mar21 Corn** limit up, closing at \$5.172. Corn's trend is strongly higher, with next resistance points at \$5.27 and \$5.36. With today's price action, \$5.75 to \$5.80 would be a likely high over the next month. Our "**sleeper market**" is now awake!! Our preference for **Mar21 Soybeans** not to close above \$14.00 before today at 11:00 am was achieved. Its \$0.456 rallied was by far its largest 1-day rally in recent memory. Soybean meal has stepped into a leadership role today. It will lead us to soybeans' top for this move higher. Soybeans trend remains strongly higher. **Mar21 K.C. wheat** received friendly numbers from the USDA, lifting its price \$0.284 higher, closing at \$6.224. This was the highest close for Mar21 since February 2016. Next resistance areas hit at \$7.00, followed by \$8.00 and then \$8.50.

Booked 2022 Fertilizer: Few have, but we need to cover increasing production costs where and when we can. One way to hedge off increasing fertilizer prices is to buy NG, crude oil or ULSD futures. Maybe a safer way is to buy stock in one or two of the major fertilizer companies? We recommended this the last time the grain prices rallied sharply, and it worked great. It fully paid for all fertilizer needs for the next year. We cannot say it will work that way this time, but we do believe you will not lose on it.

Let us say you have \$100,000.00 in fertilizer costs this year and you have them covered. Your 2022 fertilizer needs are not covered. Borrow \$100,000.00 for your 2022 fertilizer needs. Buy \$100,000.00 in stock in the 2 largest fertilizer companies. That's your hedge. Here are the Top 5 largest. Check out their stock and valuations.

- **Agrium.**
- **CF Industries Holdings** – Stock Price today: \$43.71
- **Potash Corporation of Saskatchewan.**
- **The Mosaic Company** – Stock Price today: \$27.34 – High over \$150.00 in June of 2008.
- **Yara International** – Stock Price today: \$45.64 – High over \$80.00 in June of 2008.

A little research says to buy Mosaic Company: Stock Symbol **MOS**

USDA Grain Stocks Report:

U.S. Production 2020/2021

Corn –	14.182 bb
Soybeans –	4.136 bb

Average Guesses

Corn –	14.434 bb
Soybeans –	4.115 bb

2018/2019

13.620 bb
3.552 bb

Winter Wheat Acreage

(Million Acres) 2021/2022 – Jan

All Winter	–	32.0
Hard Red	–	22.3
Soft Red	–	6.2
White	–	3.5

Average Guesses

31.4
22.1
5.8
3.5

2020

31.4
21.4
5.6
3.5

Quarterly Stocks Numbers 12.01.2020

(Billion Bushels)

Corn –	11.332 bb
Soybeans –	2.933 bb
Wheat –	1.674 bb

Average Guesses

11.642 bb
2.904 bb
1.695 bb

12/1/2019

11.327 bb
3.252 bb
1.841 bb

U.S. Ending Stocks 2020/2021

January

Corn –	1.552 bb
Soybeans –	.140 bb
Wheat –	0.836 bb

Average Guesses

Corn –	1.597 bb
Soybeans –	.135 bb
Wheat –	0.856 bb

Dec 2019/2020

1.995 bb
.523 bb
1.028 bb

World Ending Stocks 2020/2021

January 2020

Corn –	283.80 mmt
Beans –	84.30 mmt
Wheat –	313.20 mmt

Average Guess

Corn –	284.00 mmt
Beans –	83.00 mmt
Wheat –	315.30 mmt

2020/2021

December

289.00 mmt
85.60 mmt
316.50 mmt

U.S. Avg Yield/bpa 2019/2020

Corn –	175.0 bpa
Beans –	50.5 bpa

Average Guess

Corn –	175.0 bpa
Beans –	50.5 bpa

2019/2020

176.4 bpa
51.6 bpa

South American Production

Brazil Soybeans	–	133.0 mmt
Brazil Corn	–	109.0 mmt
Argentina Beans	–	48.0 mmt
Argentina Corn	–	47.5 mmt

133.0 mmt
110.0 mmt
50.0 mmt
49.0 mmt

Their Numbers: As suspected and have written about in our last MNU's and texts, the government had to adjust production down from their last guess. Again, the continuing tightening of local basis levels on corn over the last 5 months was telling us the government had the wrong numbers on last year's crop. Many believe the government has been lying about the last 2 plus years of production. If that is correct, the chickens are coming home to roost.

Lies like these, when confronted with real demand and/or crop shortfalls, come to light quickly. The "**job**" of the government is now to lie about future production, in order to control price escalation which could wreck the ethanol market and/or the livestock sector. We definitely do not want to do that. Doing so would result in more years like we have just come through. Unfortunately, these past lies helped create the situation we are in now that we do not want. Honesty would be the best policy to facilitate a more consistent and profitable price structure in the markets than these runaway bull markets like we have lived through in the past.

The USDA lowered last year's corn yield by 3.8 bpa to 172 bpa. Today's 3.8 bpa reduction from USDA's November estimate is the largest reduction ever in the past 25 years. Ending stocks dropped from 1.702 bb to 1.552 bb, placing corn's stocks-to-use ratio at 10.6%. The USDA back-adjusted September 1 corn stocks to 1.919 bb, down from their earlier number of 1.995 bb. That is adjusting 2018 production lower or usage for 2019/2020 higher by 76 mb.

USDA's 11.642 bb of corn on hand says corn had record demand in the 1st quarter of 2020/2021. Really? This would be from export sales, as ethanol demand is down 7% over the year and livestock herds are smaller than a year ago. Based on their numbers, fundamentally, corn remains overpriced. It is apparent the trade does not believe some of USDA's numbers and/or is looking ahead at stronger demand trends for U.S. corn and the potential of a sharp falloff in South American production. ***(Remember that the futures market is anticipatory in nature.)*** Corn's next upside targets range from \$5.40 to \$5.65. There is also a price target of \$5.79 we will be watching; not necessarily the high for 2021. Support would be at that price level which was resistance; \$5.00. When is the last time we have seen limit up in corn!!!

The USDA lowered Brazil's corn crop 1 mmt and Argentina's by 2 mmt. The cuts are starting. Remember Brazil usually does better than Argentina when South America endures the full force of a La Nina. Brazil's Safrinha's corn crop could take an even bigger hit than its first.

The USDA lowered last year's soybean yield from last month's estimate of 50.7 bpa to 50.2 bpa, placing total production at 4.135 bb. The USDA then increased imports by 20 mb, offsetting some of the decline in supply.

(Did we not say the USDA would work to "manage" price going forward? Now we will import soybeans? If they are going to anticipate this occurrence, should they not anticipate the current weather trend in South America and cut 5 mmt from Argentina's soybean production? Just asking.)

The USDA raised its soybean crush estimates by 5 mb, export estimates by 30 mb, left seed use unchanged, and lowered its residual estimate by 13 mb. That resulted in ending stocks at 140 mb for the 2020-2021 and the USDA increasing the national average farm gate price by 20-cents to

\$11.15/bu. This is really low, considering soybeans' stocks-to-use ratio stands at 3.1% at 140 mb carryover, a record low. Soybeans went to \$17.79 in 2012 on a stocks-to-use ratio like this. Today's price has \$3.50 to reach that level. **Our next upside target for Mar21 soybeans rests from \$15.35 to \$15.50.** Again, we are not claiming this to be the high for 2021; just yet.

To figure out price potential, soybean meal is finally stepping up and taking over leadership. Mar21 meal, after blowing through resistance at \$450, price closed at \$471.50. Price will next target \$500.00, then contract highs at \$550, with price peaking in 2012 at \$554. Note that \$450 was a key resistance area. That was meal's high in June of 1973. That price stopped the meal rally in July of 2008. \$450 was finally taken out in July of 2012, where price topped at \$554.20 in that same month, following a gap open higher over \$450 on the monthly charts; up over \$100 in less than a month.

With world ending stocks for **soybeans** only falling 1.3 mmt to 84.3 mmt and U.S. stocks only set at 140 mb vs an anticipated 135 mb, soybeans had no reason to rally. Again, being anticipatory in nature, we would say the trade is looking forward to the current La Nina trend of dryer weather and rain forecasts which have consistently underperformed. Then we add in Argentina's 6-10 day and 10-14-day forecast, which have remained somewhat consistent for the next 2-week timeframe, showing below normal precipitation. We are wondering when above normal temperatures are going to arrive to really heat up the markets?

Wheat's numbers were a bit bullish, against trader's average guesses. There are a number of factors behind wheat's push higher today. We will detail in Friday's shortened MNU.

Record Highs: Can soybeans hit record highs in 2021. With the data provided to date, we ask why not? **Palladium** prices peaked in February 2001 at \$1,035. In October of 2018, Palladium blew through the record high set in 2001, reaching a high in February 2020 at \$2,815, for an increase of over 270%. **Platinum's** peak was in March of 1980 at \$1,045. Price took that peak out in 2006, rallying to \$2,308.80 in March of 2008, for an increase of 220% from its previous record high. Gold took out its 2011 peak of \$1911.60 in August of 2020, reaching \$2,063. **Cotton** took out its 1995 of \$98.90 in March of 2011, topping out at \$227.00, 228% above its old high. **Lumber** was consistently thwarted on attempts to clear \$500 in 1993, 1996, 1999, and 2004. That stiff resistance level kept price in check until 2018, when price ran up to \$659.00. Lumber price then collapsed into April 2020, reaching \$251.50. From that low, price went crazy, rallying to \$1000.00 in just 5-months, jumping 397%.

We can show many other markets, but will close with **MN wheat**, where in May of 1996, price hit \$7.32. In September of 2007, price slammed through that old high in just 5 short months, price hit \$25.00; a 341% price explosion.

The point we are attempting to make is not to put a mental cap on how high soybeans could rally yet this year. The factors that "could" take soybean prices above \$18.00 are pushing soybean prices today. The "perfect storm" would be several of these factors hitting hard at the same time. The possibility is there; just never say never. It occurs in most every market at some time.

South American 6 to 10-day weather forecast and their 10 to 14-day forecast.