

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: No Sales. A good close in soybeans. Corn's close was good, or acceptable, considering the #!@&* the USDA dumped on it. Next MNU by February 14th, 2021.

*** In our last MNU, we wrote, *"If you NEED to sell grain in next 25 days and/or fear the USDA report, price corn 1st. It is closest to its highs. We look for higher highs later this year."* Otherwise, No Sales.

We thought we were clear, but apparently not. Subscribers called asking about the sales they recommended to make before today's USDA report. Here are what we viewed at the key words or phrases; **NEED, FEAR, 25 days**, and **No Sales**.

The overriding phrase is "No Sales". If you do not NEED to make sales, then do not. Prices will be higher later. If you FEAR this report, do not. Prices will be higher later. If you NEED to make sales in 25-days and since you know price will be higher "sometime" later, here is an unanswered question, "Will price be higher sometime in the next 25-days vs where price is now?" We did not answer that question, but we do believe the odds are highly favorable for higher corn prices this year. Whether that higher price arrives in the next 25 days, we do not know.

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%

Technicals Plus: **Mar21 Corn** has major support at \$5.50. Resistance/price target comes in at \$5.79, followed by the number targeted in our TZC from last year! The \$5.79 price represents a 50% retracement of the price fall from its 2012 high to its 2020 low of \$3.002! Corn's trend remains higher. Written on January 12th, after the USDA's report, "\$5.75 to \$5.80 would be a likely high over the next month". Price closed at \$4.92 the day before that report. **Mar21 Soybeans** will see support at \$13.80 and \$13.65. Resistance at \$13.92, taken out in night trade. Next resistance, price targets are \$14.40 and \$15.10, followed by our TZC price target number. Soybeans' trend remains higher. **Mar21 Chicago wheat** shows support at \$6.38, with strong resistance at \$6.92, running up to \$7.06. Major support sits at \$6.02, above which projects higher highs later this year. All wheats remain in uptrends, lifted by corn and soybeans at times.

USDA Grain Stocks Report:

U.S. Ending Stocks 2020/2021

Average Guesses

Jan 2019/2020

	February 9 th		
Corn –	1.502 bb	Corn –	1.363 bb 1.552 bb
Soybeans –	.119 bb	Soybeans –	.119 bb .140 bb
Wheat –	0.836 bb	Wheat –	0.834 bb 0.836 bb

<u>World Ending Stocks 2020/2021</u>	<u>Average Guess</u>	<u>Jan 2020/2021</u>
February 2020		
Corn – 286.50 mmt	Corn – 280.00 mmt	283.00 mmt
Beans – 83.40 mmt	Beans – 83.30 mmt	84.30 mmt
Wheat – 304.20 mmt	Wheat – 312.60 mmt	313.20 mmt

South American Production

Brazil Soybeans	–	126.0 mmt	-	132.7 mmt
Brazil Corn	–	102.0 mmt	-	108.7 mmt
Argentina Beans	–	48.8 mmt	-	47.7 mmt
Argentina Corn	–	51.0 mmt	-	47.2 mmt

Their Numbers: USDA only cutting U.S. **Corn** carryover stocks by 50 mb is a joke; just our opinion. The USDA is going to kick the can for at least another month, or likely two, hoping they can avoid adding to the support for higher prices. The fly in the ointment is in these numbers. They reduced Brazil's corn crop by 6.7 mmt, while raising Argentina's 3.2 mmt. That is a 3.5 mmt loss for world stocks. Yes? Apparently not. The USDA raised world corn stocks to 286.5 mmt from last month's number of 283 mmt; a difference of 3.5 mmt. Should we consider they should have subtracted instead of added?

Let us argue these numbers right now. It is believed the USDA's estimate of world ending **corn** stocks remains overinflated when placing China's stocks at 7.55 bb. As we have written before, the Food and Agriculture Organization of the United Nations (FAO) lowered its estimate of China's corn surplus to 5.24 bb. That is a 2.31 bb difference between the two, which goes to show no one knows what goes on in China. The FAO based its guess on China's active import purchases and high domestic prices. Without a credible inventory report, FAO's estimate is just a shot in the dark and is probably too high. In the same vein, the USDA is likely too high.

The USDA also did not account for those massive **corn** purchases by China that came in the last week in January. If one adds in all of January's exports sales, that will take total sales to 87% of USDA's projection for 2020/2021. That is far above the export sales pace of 2019, which was at 52% for this date in time and 50% for 2020. It is apparent they chose to NOT make the "required" adjustments to U.S. corn carryover stocks?

The USDA did increase China's **corn** imports from the U.S. to 24 mmt and did increase corn exports by 50 mb, which was the reason for the reduction. Nothing else has changed. Corn's stocks-to-use ratio fell to 10.6%, while raising the average farmgate price to \$4.30/bu.

There was nothing bearish in today's USDA report on **Soybeans**. The USDA matched the average trade guess at 120 mb for carryover stocks and any changes in world stocks did not exceed 0.10 mmt. To get 120 mb, all the USDA did was increase exports by 20 mb. The USDA left soybeans' average farmgate price unchanged at \$11.15/bu. A 120 mb **soybean** carryover represents a 3% stocks-to-use ratio. If true, USDA continues to describe the tightest supply situation for soybeans since 2013-14.

We know actual supplies are tighter than 120 mb, with the USDA refusing to acknowledge the on-going, strong export pace. U.S. soybean export commitments to date total 2.155 bb or 97% of USDA's 2.230 bb export estimate for 2020-2021. We are not expecting cancellations this year, as China has already shipped 92% of its known U.S. purchases.

The USDA is also ignoring soybean crush demand, another sector in the soybean picture that has room to go higher. The National Agricultural Statistics Service (NASS), U.S. soybean crush demand is up 6% in the first 4-months of 2020-2021. We will acknowledge that with rising prices, the incentive to crush soybeans has fallen to its lowest level in 7 years, so there may be a slowing in the crush pace ahead. We will play devil's advocate here and say show me! Each of the recent crush reports reported a new record crush. If the demand is there for product, even if the profit margins are not as great as desired, will crushers keep crushing?

Harvest delays in Brazil is bullish soybeans today and bullish corn in several months. Traders can and will trade this bullish anticipation. It's reported that only 4% of Brazil's soybeans were harvested by February 4, vs. 15% last year and 12.6% average. Mato Grosso is only 11.2% complete vs 32.4% average. That number rises to 44% next week. We do not expect their harvest pace to pick up much next week. The 7-day forecast expects moderate to heavy rain amounts for most of Brazil. That is those "training" rains that moved north out of Argentina. There is never 100% coverage, so some areas will make progress.

Monday's inspections for corn and soybeans were bullish! 66.2 mb of soybeans were inspected for export last week. Quick ship is bullish for soybeans. Corn export inspections totaled 62.1 mb, a marketing year high and above the 53.7 mb needed on a weekly basis.

The **Wheat** numbers were more boring than soybeans. Nothing changed, except on the world scene. USDA lowered global wheat ending stocks 8.97 mmt to 304.22 mmt. That is despite a slight increase in global production, up 0.8 mmt to 773.44 mmt. Ask why they would do this on global wheat stocks and not do it on corn? Maybe because of wheat's immense carryover stocks? Those higher supplies were offset by a 9.78 mmt increase in domestic use, mostly on higher feed and residual use for China and India, as well as a 1.06 mmt increase in exports.

Did your eyes light-up on the use for 9.78 mmt of wheat? Domestic use? Wheat is the world's food staple. Every nation consumes wheat. Not all nations produce wheat. When there are food shortages or food price inflation, exporting nations who have these concerns will limit exports. That is being done, and that fact means there is less wheat available to others. The result will have some nations chasing for wheat. This is something to watch for this year. Many are talking that wheat will be a leader in grains. There are numerous reasons for this; like a 10-legged octopus. We will supply more details in later MNU's.