

LOOKING FORWARD WITH A BACKWARD GLANCE

A PRODUCT OF AG MASTERS MARKETING GROUP

Sales Recommendations: No Sales. Next MNU by June 20th.

<u>Current Sales:</u>	<u>2020</u> sales: <u>corn</u> 70 - 100%	<u>soybeans</u> 50 - 100%	<u>wheat</u>
100.0%			
	<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%			

Technicals Plus: **July21 corn** fell to \$5.93 yesterday, then rallied sharply to close the day at \$6.096, leaving an open gap from last Monday of \$0.014 from \$5.914. Failure to fill the gap and rebound was technically bullish. Price needs to close above Tuesday's high of \$6.182 to confirm. Weather permitting, that will occur either tomorrow or Monday. When it does, the open gap projects Dec21 corn to \$7.00, for starters. Corn's trend remains higher. Massive bear spreading hit **July21 Soybeans**, thanks to the USDA increasing old crop carryover stocks. That allowed July soybeans to close lower by \$0.184, while Nov21 soybeans closed at new contract highs of \$14.594, which is bullish. The trend of soybeans and soyoil remains higher. **July21 KC wheat** collapsed this week, after posting a new contract high of \$8.434 on Monday. Price attempted to close an open gap that starts at \$7.36. It failed, only reaching down to \$7.37, which is bullish. Closing higher today was helpful follow-through. We look for weather concerns to continue to lift wheat prices, but more so for MN wheat futures.

June 10th, USDA Grain Stocks Report:

<u>U.S. Production 2021/2022</u>		<u>Average Guesses</u>		<u>2020/2021</u>
Corn –	14.990 bb	Corn –	15.018 bb	14.182 bb
Soybeans –	4.405 bb	Soybeans –	4.414 bb	4.135 bb
Wheat –	1.898 bb	Wheat –	1.890 bb	1.826 bb
<u>U.S. Ending Stocks 2020/2021</u>		<u>Average Guesses</u>		<u>May 2021</u>
Corn –	1.107 bb	Corn –	1.205 bb	1.257 bb
Soybeans –	0.135 bb	Soybeans –	0.122 bb	0.120 bb
Wheat –	0.898 bb	Wheat –	0.868 bb	0.872 bb
<u>U.S. Ending Stocks 2021/2022</u>		<u>Average Guesses</u>		

Corn –	1.357 bb	Corn –	1.414 bb
Soybeans –	0.155 bb	Soybeans –	0.139 bb
Wheat –	0.770 bb	Wheat –	0.777 bb

World Ending Stocks 2020/2021

Corn –	281.00 mmt
Beans –	88.00 mmt
Wheat –	293.00 mmt

Average Guess

Corn –	280.10 mmt	283.90 mmt
Beans –	86.70 mmt	86.90 mmt
Wheat –	294.60 mmt	295.50 mm

April

World Ending Stocks 2021/2022

Corn –	289.00 mmt
Beans –	93.00 mmt
Wheat –	297.00 mmt

Average Guess

Corn –	288.90 mmt
Beans –	91.60 mmt
Wheat –	295.20 mmt

South American Production

Brazil Soybeans –	137.0 mmt	-
Brazil Corn –	99.0 mmt	-
Argentina Beans –	47.0 mmt	-
Argentina Corn –	47.0 mmt	-

Average Guess

Beans -	136.2 mmt	136.00 mmt
Corn -	97.0 mmt	102.00 mmt
Beans -	46.5 mmt	47.00 mmt
Corn -	47.1 mmt	47.00 mmt

May

USDA's Numbers: They did not disappoint on soybeans, with a reduction in crush raising old crop and new crop carryover stocks 15 mb. This will keep a slightly negative tone hanging over old crop prices until basis levels begin perking up or weather begins heating up even more.

The USDA's number of 87.6 ma at 50.8 bpa left them just 155 mb. That number is at risk, as seen with Nov21's price rise today on an increased stocks number. Drop yield to 49 bpa and carryover goes negative. Weather premium will need to be added until it does not matter.

For corn, ethanol demand was increased by 75 mb and will likely be increased even more in future reports. Export demand was raised by 75 mb. These increases, plus other changes, lowered old crop stocks below the trades average guess by 98 mb and new crop stocks below the trades average guess by 57 mb, adding a bullish tinge to corn prices.

Old crop and new crop stocks for wheat were both decreased. Do not remember when that has happened for some time. World stocks were raised again, reminding the trade there is not a shortage of wheat.

Now that this report is out of the way, weather will be on the front burner (*pardon the pun*) until USDA's quarterly report at the end of June.

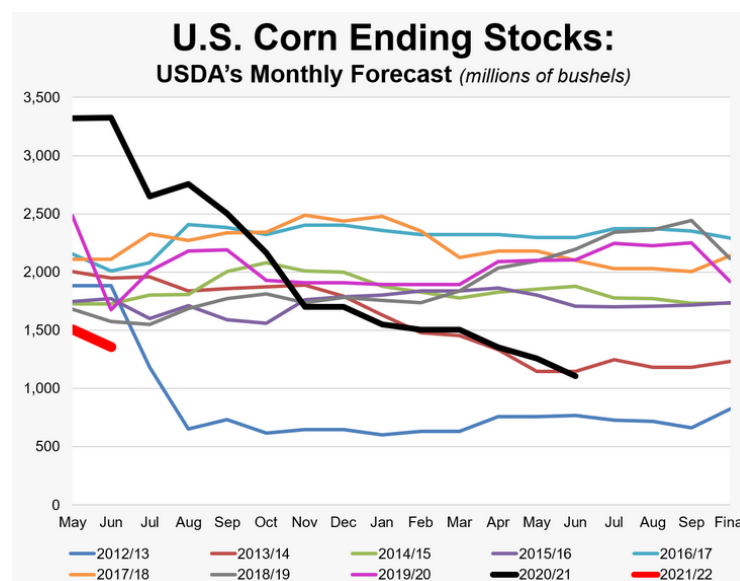
Corn: On May 12th, which was USDA's last report, we wrote this about corn.

“Mato Grosso is the largest producer of Safrinha corn. If this forecast rings the bell hard in Mato Grosso, the Safrinha crop will fall below 90 mmt. That would be a 750 mb loss. Buyers will need to come to the U.S. to meet their needs. That would take U.S. 2020/2021 carryover stocks below 1 bb. That number carries forward into the 2021/2022 stocks number, taking it lower. If the U.S. corn crop gets hit with hot and dry and crop losses begin mounting, it will be Katie bar the door for how high December 21 corn futures rise. Prices will rise faster than traders’ estimates of falling U.S production.”

Government’s reporting service is slow to acknowledge crop losses, as they must see to believe. If one is working to forecast future price possibilities, one must look forward with a backwards glance to project future events. Our projection of a 90 mmt Brazilian corn crop was based on all trends which would affect production. Working towards confirming our projection, Brazil’s reporting agency lowered their estimate to 96 mmt today.

On May 22, we reported Argo Consult of Brazil lowered their crop estimate over 12 mmt from their April estimate to just 91.1 mmt. StoneX came out last week at 89.68 mmt. Today, the USDA placed Brazil’s crop at 99 mmt. Even with that reduction, the USDA did not pass these numbers through on their world stock estimates. They continue to “play” with numbers.

Even with “fudged” numbers, estimated U.S. stocks/use (**ESU**) is seen hitting a 25-year low of 7.4% in 2020/21, after an increase in demand expectations. 2021/22 carry stocks of 1.357 bb give an ESU of 9.19%. USDA left its farmgate price at \$5.70, unchanged from last month. Global corn stocks, minus Chinese and U.S. stocks, are down to a 30-day supply, the lowest in over 20-years.



Corn used for ethanol production has been increasing rapidly these last few weeks, reaching 107.8 mb this last week, above the 95.134 mb average grind needed to meet USDA’s projection for this marketing year of 4.975 bb. At this current pace, the USDA will need to raise usage for ethanol by upwards of 200 mb, which would come off today’s carryover stocks of 1.107 bb,

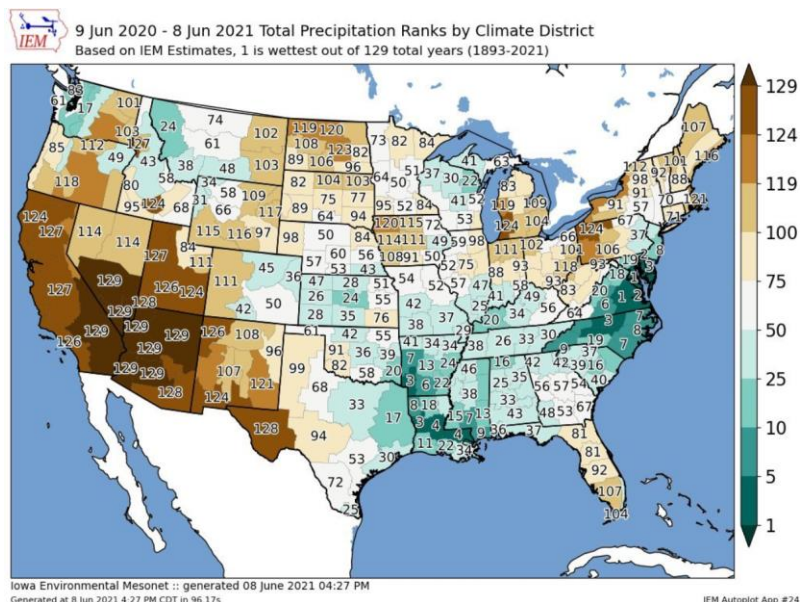
dropping it to 991 bb. We do not see the USDA doing this until such time as it does not matter to price?

Soybeans: Soybeans can hang on through dry conditions much better than corn. Corn's reproductive cycle has its highest moisture draw from June 20 through July 30. Lack of sufficient moisture during this time frame will reduce corn's final yield the most. Soybeans' maximum usage is from July 20 to August 30. With USDA's increase in carryover stocks, old crop prices will lag new crop. They call this bear spreading, where traders will sell July and buy November. They were bull spreading yesterday.

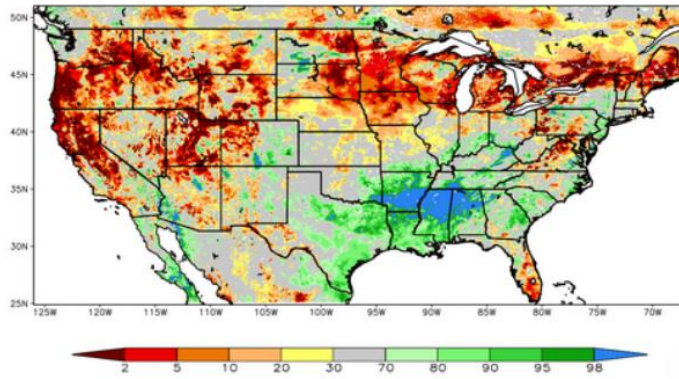
Meal prices continue to say there is no shortage of soybean meal. We wonder if this is a true story or just true today? If there is a shortage of soybeans and crushers have given up trying to source soybeans, then soybean meal prices are cheap today compared to where prices will be in August and September. July soybean oil continues to lead the soybean complex, though price found resistance at \$72.50 this week.

Wheat: There were no major changes in wheat numbers. It is all going to be weather now. Hot and dry means higher. Any rainfall will be used by the Bears to shock diehard Bulls. That is the name of the game, which will likely be played on for all grains all summer.

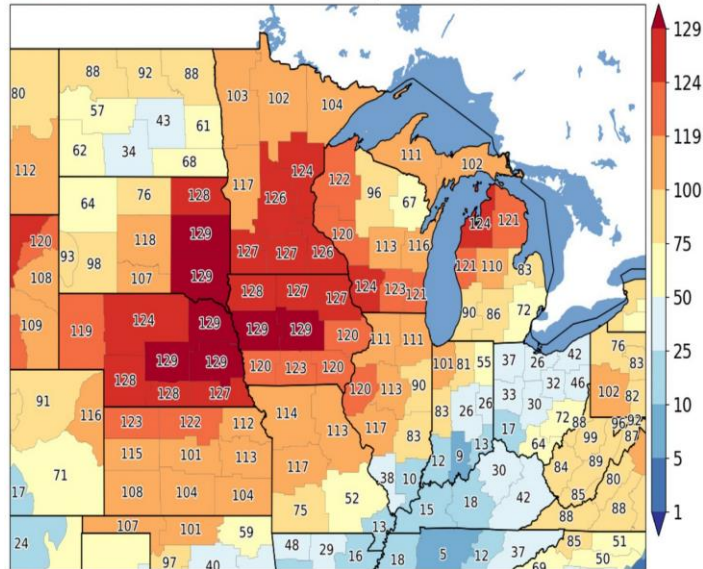
Weather: Pictures to Ponder, which tell all. Note that after Friday, all models turn warm/hot and dry/dryer for about 10-days. After that, models do not agree. Trends suggest warm and dry, with fronts making it through giving some rain here and there, returning to warmer and dryer afterwards. The greater concern is that most do not see any systems coming through to provide general rains for all.



SPoRT-LIS 0-40 cm Soil Moisture percentile valid 10 Jun 2021

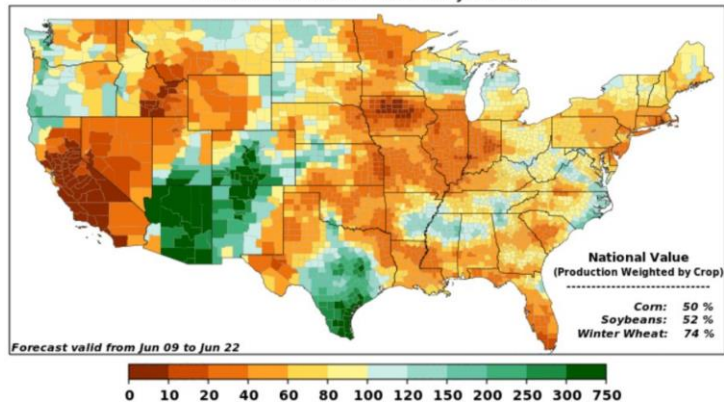


1 Jun 2021 - 10 Jun 2021 Total Precipitation Ranks by Climate District
Based on IEM Estimates, 1 is wettest out of 129 total years (1893-2021)

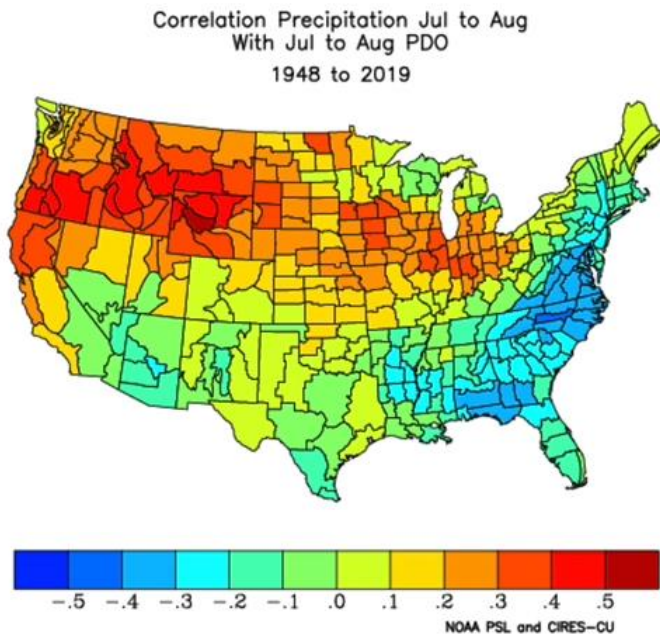


12Z GFS OPER Forecast - Days 1-14

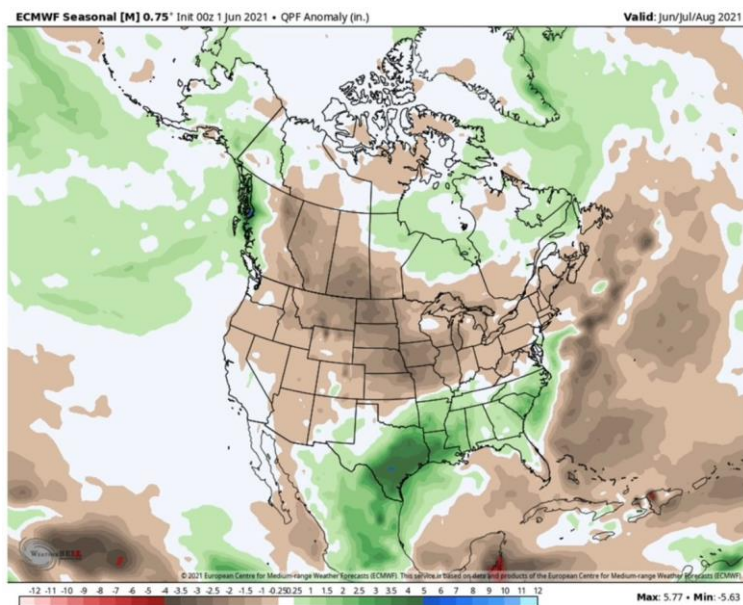
Precipitation Anomaly (% of Normal)
Forecast Initialized - 12Z - 09 June 2021



With soils as dry as they are in the Midwest, anything less than normal precipitation will see crop degradation. History shows the odds over 98% of below trend yields when subsoils carry such low moisture profiles as they do in the US. Normal rainfall is insufficient to raise a full crop in 2021.



This week's extended modeling did move the dry line much further east than we expected. If you remember earlier drought maps, IL, IN, OH, PA, WI & MI were suffering from drought but have recently picked up rains. The earlier dryer trend is expected to return to the eastern states according to this updated projection.



A decent number of locations in the Northern Midwest have seen their driest June to date since records have been kept; 129-years.

