January 10, 2024 **#2161**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Current Sales:	**2024** sales:	**corn**	0%	**soybeans**	100%	**wheat**	50%
	2025 sales:	**corn**	0%	**soybeans**	50%	**wheat**	0%

Sales Recommendations: No Sales. For those looking to sell soybean futures, by puts, or sell cash, target $10.40 to $10.60 on this push. We will need to watch to see what possibilities price can make to last fall's rally high in the $10.70 region, a price point soybean Bulls would be targeting. **Next MNU by January 19th.**

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Future Reports: Feb. 11, Mar. 11, Mar 31, Apr 10, May 12, June 12, June 30, July 11, Aug. 12, Sept 12, Sept 30, Oct. 9, Nov. 10, Dec. 9, and Monday, Jan. 12, 2026.

Farm Fuel/Fertilizer: Cover 50% of your 2025 fuel needs. If you have not locked in your fertilizer needs for 2025, watch prices closely. If they are trending lower, pause. If they begin trending higher, cover.

A Thought: ***In the future, those who do not use futures, will not have a future.*** We see this thought coming from the manipulation of the markets and the governments realization of how easily it is to manipulate prices lower, favoring their major donors/lobbyists, Packers, Big Oil, etc. Those producers in the livestock sector have learned much more quickly how to benefit from the proper use of futures compared to those in the grain sector.

Technicals Plus: Off USDA's data release, **Mar25 Corn** gapped higher out of the gate, quickly rising through resistance at $4.59 and reaching our next target and resistance price zone from $4.70 - $4.72. Today's high trade was $4.724, its low $4.556, closing at $4.704. Corn's trend remains higher, especially after the USDA reduced 2024 production under 180 bpa. We will be watching how price handles producer sales early next week, expecting higher highs before some profit taking sets in. Mar25 futures show resistance around today's close, followed by $4.88 to $4.92, and then that old gap that in Mar25 futures fills at $5.13. We will make limited pricing recommendations when prices move over $5.00. **Mar25 Soybeans** not only got a lift from the USDA, but also soyoil, which was moving sharply higher since Wednesday. Price closed right at $10.25 resistance, after reaching and running stops to $10.334. Next significant resistance lies from $10.50 - $10.55. Weather will need to lift beans next week, as meal did not participate in soybeans' rally. If Argy's extended forecast repeats hotter and drier again Sunday night and Monday morning, short-term, risk-off buying will come to soybeans again. **Mar25 Soybean Meal** closed lower every day this week, which should give pause to ANY soybean Bull. As they say, a meal rally is a real rally. This suggests the current soybean rally is a gift, until significant soybean losses are sustained in South America. Support was texted out at $300, which closed below yesterday and today. Spreading action between oil and meal has meal on the sell side of the spread. As oil has more room to run technically, we do not look for soybean meal to support this bean rally into early next week. A couple more days of hard up for soyoil will cause profit taking to set in, giving meal a chance to move back over $300. **Mar25 K.C. Wheat** got no love from the USDA today, closing up 1.5C today at $5.516. Today's high of $5.57 hit right next to its downtrend line ***(DTL)***, with its low testing $5.45 support. Wheat's overall trend remains lower, while working on establishing an uptrend from the 1st week in December. Good support is seen at $5.40, with double bottom support at $5.35. The good positive for wheat is that its momentum is slowing; buy dips and sell against the DTL, until that does not work. Then get long.

January 10th, 2025 USDA/WASDE Crop Production
Grains Stocks, Winter Wheat Seedings Report:

U.S. Production 2024/2025		**Average Guesses**	**Dec24**	**2023/2024**
Corn –	14.876 bb	15.092 bb	15.143 bb	15.341 bb
Soybeans –	4.366 bb	4.451 bb	4.461 bb	4.162 bb

U.S. Average Yield 2024/2025		**Average Guesses**	**Dec24**	**2023/2024**
Corn –	179.3 bpa	182.6 bpa	183.1 bp	177.3 bpa
Soybeans –	50.7 bpa	51.6 bpa	51.7 bpa	50.6 bpa

Quarterly Stocks 12/01/24
(Billion Bushels)

	12/01/2024	**Average Guesses**	**09.01.2024**	**12.01.2023**
Corn –	12.074 bb	12.164 bb	1.760 bb	12.171 bb
Soybeans –	3.100 bb	3.236 bb	0.342 bb	3.001 bb
Wheat –	1.570 bb	1.578 bb	1.986 bb	1.421 bb

U.S. Ending Stocks	**2024/2025** January	**Average Guesses**	**Dec24**
Corn –	1.540 bb	1.678 bb	1.738 bb
Soybeans –	0.380 bb	.454 bb	.470 bb
Wheat –	0.798 bb	.807 bb	.795 bb

World Ending Stocks 2024/2025

	January	**Average Guess**	**Dec24**
Corn –	293.3 mmt	295.0 mmt	296.4 mmt
Beans –	128.4 mmt	132.0 mmt	131.9 mmt
Wheat –	258.8 mmt	258.2 mmt	257.9 mmt

Winter Wheat Acres (million acres) 2025

		January 2025	**Average Guesses**	**2024**
All Winter	–	34.1	33.5	33.4
Hard Red	–	24.0	23.8	23.8
Soft Red	–	6.4	6.2	6.1
White	–	3.6	3.5	3.5

USDA's Numbers: The greatest change was to last year's **Corn** crop, where the USDA lowered its yield estimate 3.8 bpa, down from 183.1 bpa to 179.3 bpa. And it was a "great" year, with many achieving record yields. Our big complaint from last fall was moisture, with many producers claiming harvesting 8% to 9% moisture corn. This is huge, but how many? We stated we would not find out anything until we got to the January quarterly report. A 3.8 bpa loss over 82 ma over 300 mb. But the USDA only reduced carryover stocks by 202 mb. So, where did we gain over 100 mb to carryover stocks? The USDA increased harvest acres by 200,000 to 82.9 m, resulting in a total production cut of 276 mb. Feed and Residual use was cut 50 mb to 5.775 bb, with ethanol usage increased to 5.5 bb and total domestic use cut 50 mb to 12.665 bb. Additionally, exports were reduced 25 mb to 2.45 bb. Interestingly, stored on farm versus a year ago is down 2%, with off-farm stocks up 2%. Q1 usage, Sept/Nov came in at 4.56 bb versus 4.53 bb for the same Q last year. Global ending stocks were cut 3.1 mmt, while leaving Brazil's 2025 production unchanged at 127 mmt, with Argentina's production estimated to be 51 mmt. The U.S. farmgate price was increased 15C to $4.25.

For **Soybeans**, its production was cut 1 bpa to 50.7, with acres cut from 86.3 m to 86.1 m, netting total production of 4.366 bb, or 95 mb less than November's forecast and below the range of pre-report guesses. Most of soybeans' numbers were left unchanged, making the reduction in yield the largest departure for previous data reports. On-farm stocks were reported up 6% versus a year ago at 1.54 bb, with off-farm stocks up 1% from last year at 1.56 bb. Quarterly usage totaled 1.61 bb, up 13% from the same period a year ago. Global ending stocks were cut 3.5 mmt to 128.37 mmt. The USDA left Brazil's and Argentina's soybean production unchanged. The national average farmgate price for soybeans was left unchanged at $10.20. Why may you ask? Because the USDA is looking at the Big Picture, which includes large production out of South America, increasing global stocks, no supply issues in the U.S., and a rising U.S. dollar, which makes U.S. soybeans less competitive in the world market.

U.S. **Wheat** ending stocks were increased 3 mb to 798 mb. Needed for seed was increased to 64 mb from 62 mb, with Feed and Residual use estimated at 120 mb, unchanged from December. With the minor changes made, wheat's average farmgate price was reduced 5C to $5.55/bu. Wheat stored in all positions totaled 1.57 bb, up 10% over last year. On-farm stocks were 1.1 bb, up 8% over last year and up 16% from last December. Quarterly use was 423 mb, 22% above last year's use for the same quarter. Russia's and Ukraine's wheat exports were cut 1 mmt and 0.5 mmt, respectively. Australia's and Argentina's wheat production numbers were left unchanged.

<u>WW</u> seedings for 2025 are estimated at 34.1 ma, up 2% from 2024, but down 7% from 2024. Utah to see record low acreage. HRWW acres are expected to total 24 m, up 1% from 2024, with the largest increases in Montana and Texas and Kansas to see their acres decrease. **<u>SRWW</u>** looks to total 6.44ma, up 1% from 2024, with the largest increases seen in Michigan and Ohio and the largest decreases in Kentucky and Missouri.

<u>News Bites</u>: FOMC does a political flip-flop on interest rate cuts, after Trump wins re-election, giving the financial sector a negative outlook, with interest rates likely to rise.

The Biden administration lit a fire under soyoil, announcing this week that it "expects" to release short-term guidance on clean fuel tax credits today, Friday, and leave the final decisions to Trump's incoming administration. Word on the street is that the Treasury will issue a "Notice of Intent to Propose Rulemaking" for the #45z Clean Fuel Production Credit today ***(SAF).*** This would NOT be a final rule and will require a public comment period. So, expect this to be a big, pain-in-the-butt process to finalize the regs, dragging it on for months, as usual. Likely it will be like Argentina's decision to cut their export taxes on soybeans; whenever.

<u>USD</u>: The USD blew through $107 resistance on December 18th, extending its gains in January and moving to contract highs today at $109.825. The strong USD hurts wheat the most. Today's numbers from the USDA were not bullish wheat. Wheat should have been pulled higher by corn and soybeans but struggled to go anywhere. A rising USD makes all grains more expensive in the world market.

<u>Tariffs</u>: Can China stick it to the U.S. if they don't like whatever tariffs Trump may put on them in 2025? Yes, as China's soybean ending stocks are record high, according to USDA's trusted data analysis.

The ***"political market"*** is trying to claim tariffs will stoke inflation, creating additional fears in the financial sector, ignoring the fact that the previous 4-years of ***"Tariffs with Trump"***, did not.

<u>SA Weather</u>: The 15-28 day forecast for Brazil's soybeans, and their 1st and 2nd crop corn, is to average over 125% of normal. That keeps them on track for a crop from 166 mmt to 170 mmt. Early harvest results do not support their overly optimistic yield outlook. In fact, while dry weather is limiting soybean development in Brazil's southernmost states, excessive rains are set to disrupt early harvest in central areas, delaying harvest on the planting of the Safrinha crops.

<u>Ethanol</u>: Hot is the best description. U.S. ethanol exports jumped 31% in November to 187.6 mg, driven by significant growth across major markets and a doubling of undenatured fuel sales. Canada was the #1 destination for the 444th consecutive month, with exports rising to 57.1 mg. India's imports climbed 16% to a 10-month high of 24 mg. EU, the largest importer, saw shipments leap 186% to 23.8 mg, the highest volume in over 4-years. China and Brazil took next to nothing. Year-to-date, U.S. ethanol sales hit 1.72 bg, up 38% compared to the year before. This even surpassed the previous annual record set in 2018 of 1.68 bg.

Corn: While this feeds into our belief that corn prices would be higher in 2024 than in 2025, we note that a close above $4.724 in Mar25 futures would be the highest close for a front-month contract in 2024. There is also little resistance over $4.724 until price reaches $4.85 - $4.90.

Managed Money ***(MM)*** speculative long positions have reached 226k contracts. This is the level where, with no major bullish push behind them, ownership usually peaks. Under a very bullish scenario, ownership will nearly double. In 2024, MM held 356,000 contracts, 384,000 contracts in 2022, 402,000 contracts in 2021, and 429,000 contracts in 2010. ***(We note MM is short 25k in soybeans and 90k in wheat, and for soybeans, MM has been short since Christmas, 2023.)***

Corn's price was found rising in China today, 1.2%.

Soybeans: First cuttings in northern Brazil have come in disappointing, the result of being too wet and too cloudy. Our numbers for Brazil are closer to 165 mmt. Too all others, rain makes grain. 20% of the time, soybean production is reduced from too much rain, which also increases diseases, stalk rot, etc. Overly optimistic yields are seldom achieved, as are overly pessimistic yields. Just like weather forecasts over 3-days, which have a 30% chance of being right 50% of the time. The extended forecast for Argentina has better precipitation chances than their 6-10-day forecast.

Argentine Weather, it's what matters. Monday, soybeans and meal will take another leap higher, if the current 8-14-day forecast renews, pointing to the same trend of below normal rainfall and above normal temperatures. ***(What the 15-28-day says on Monday will not matter in Monday's trade, unless it comes in drier.)*** If it turns wetter, Mar25 soybeans could easily take out $9.90 support.

Argentina is about 95% planted for corn and soybeans, with wheat plantings near completion.

The USD and Real spread is "killing" U.S. export potential. Read under wheat.

With 1/3rd of the marketing year over, only 19% of USDA's export projections are left to be sold.

U.S. soyoil exports have been back-filling supplies that have been diverted to renewable diesel production in other parts of the world. USDA accounted for some of that in today's data. The acknowledged higher soybean oil production and higher demand for the soyoil, while leaving soybeans used for crush unchanged. And the USDA again increased the extraction rate, taking it to 11.9 lbs. of oil/bushel. We need to keep an eye on this number and research if soyoil/bushel of soybeans increase as the moisture level in the soybeans falls. Soyoil finally moved above its 100-day MA this week, with resistance for Mar25 soyoil sitting at $45.00. Price for Mar25 soyoil closed near limit up today at $45.74.

Basis values in Brazil are seasonally falling, now over $1.00/bu lower than its peak, achieved in early November. Look for soybean export sales to begin falling precipitously.

Wheat: With winter not offering much to move wheat futures, the USD tends to have great influence on how the Funds trade wheat. The USD has been in a sharp uptrend since posting a significant low on Sept 27, 2024, at 99.60. Price broke above its old highs of 105 on Nov 11, 2024, reaching a contract high of 109.365 on Jan 02, 2025. After a break below support at 108, price moved higher this week, reaching back over 109. Opposite this is the Brazilian Real, falling from 0.19640 to below 0.16000 over the last year. The USD/Real spread has moved over 25%, detriment to the U.S., giving Brazil a massive price/cost advantage to foreign buyers of Brazilian products over U.S. products ***(commodities)***.

After 28 weeks, or just over half of the marketing year for wheat, total commitments are at 73% of USDA's estimate.

Wheat remains the sleeper market, with stocks of global wheat exporting nations continuing to decline. Today's USDA's numbers gave nothing to wheat to get it jump started. We will need to wait for additional weather issues, which do lay in wait.

Argentina: This can/will have very bearish implications, if/when it occurs. Argentina farmers, if they price their soybeans today, would receive $164/mt. This is the net, after paying export taxes of 33%. ***(Corn and wheat currently pay 12% in export taxes.)*** Comparatively, U.S. farmers get $300/mt. At this point, if Argentina farmers sell at this price, about 80% will go into bankruptcy. Will Chicago prices go up $150/mt in 2 months? Highly unlikely. Or the Argy government reduces export taxes from 20% to 25%.

If the Argy government does not act quickly, there will be much suffering in Argy. The Argy government has announced that it will reduce the export tax "sometime" in 2025. Really? Sometime? March? July? If they wait until July, after a May/June soybean harvest, farmers are screwed. That is too late. It must be in March. If they don't, Argy farmers won't sell. That would derail Argy's crush plants, causing soybean meal prices to rise rapidly.

Today's update is that if Argy has a crop, they will cut their export tax. If they have a drought-ridden crop, they will not. Rendering no decision today supports the soybean market, as it helps keep Argy farmers from selling their old crop soybeans. A short crop and cutting their exports taxes would see a rush of old crop beans coming to market, which would be negative.

Currently, Argy farmers are currently holding about 15 mmt of old crop soybeans, from a total harvest of about 40 mmt last year, or about 40% of that crop on hand. Waiting for this export tax to get cut, they will hold as much of their remaining old crop as they can, affecting soybean, meal, and oil shipments into the world market. This will benefit current prices, and exports, for both the U.S. and Brazil soybean markets. <u>***But once a cut to Argentina's soybean export tax is announced, U.S. soybean prices will freefall for a few days.***</u> How long it would continue would be anybody's guess at this point. ***(Understand that Argy farmers holding bushels back today are propping up soybean prices. When the export tax is cut, that prop, as well as the psychological effect, would be gone, causing prices to freefall.)***