January 12, 2023 **#2034**

LOOKING FORWARD WITH A BACKWARD GLANCE

Grain Sales Recommendations: No Sales. Next MNU by January 22nd.

Current Sales:	**2022** sales:	**corn**	10% - 50%	**soybeans**	50% - 100%	**wheat**	75%
	2023 sales:	**corn**	0%	**soybeans**	0%	**wheat**	40%

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Technicals Plus: **Mar23 Corn** got a big boost from USDAs numbers today, posting a key reversal higher. This sets price into a shallow uptrend, with support today's low and its next resistance area $6.85. If price cannot rise above that, price will be in a sideways trade from $6.35 to $6.85. **Mar23 Soybeans** look fantastic on the charts, but still need to take out December's high of $15.374 on a closing basis if it is going to get up and run to $15.85 to $16.00. See more under **Soybeans** and read about soybean meal there, too. **Mar23 K.C. Wheat** gives us nothing on the technical side. USDAs high planted acres number is negative. Not looking to make sales but would not step out on a limb yet to buy it. The **USD** was down 1100 points today, slamming to new lows for the move as of this writing at $101.810, with contract high of $114.445.

January 12th USDA Crop Production, Grains Stocks, Winter Wheat Seedings & WASDE Report:

U.S. Production 2022/2023		**Average Guesses**	**12/2022**	**2021/2022**
Corn –	13.730 bb	13.922 bb	13.930 bb	14.111 bb
Soybeans –	4.276 bb	4.360 bb	4.346 bb	4.465 bb

Winter Wheat Acres (million aces) 2022-2023

		January	**Avg**	**2022**
All Winter	–	37.0	34.5	33.3
Hard Red	–	25.3	23.9	23.1
Soft Red	–	7.9	6.9	6.6
White	–	3.7	3.6	3.6

Quarterly Stocks 12/01/22
(Billion Bushels)

	12/01/2022	**Average Guesses**	**09.01.2022**	**12.01.2021**
Corn –	10.809 bb	11.187 bb	1.377 bb	11.642 bb
Soybeans –	3.022 bb	3.145 bb	0.274 bb	3.152 bb
Wheat –	1.280 bb	1.347 bb	1.776 bb	1.378 bb

U.S. Ending Stocks	**2022/2023** January	**Average Guesses**	**12/01/2022**	**12.01.2021**
Corn –	1.242 bb	1.302 bb	1.257 bb	1.377 bb
Soybeans –	0.210 bb	.236 bb	.220 bb	.274 bb
Wheat –	0.567 bb	.582 bb	.571 bb	.669 bb

World Ending Stocks 2022/2023

	January	**Average Guess**	**Dec 2022**
Corn –	296.40 mmts	298.00 mmts	298.40 mmts
Beans –	103.50 mmts	101.90 mmts	102.70 mmts
Wheat –	268.40 mmts	268.30 mmts	267.30 mmts

USDA's Numbers: Notice how nearly always, the USDA can balance out what would be a very bullish report by making cuts in other areas? The USDA cut export demand by 150 mb, after cutting 2022 **Corn** production by 200 mb. Interesting how that came about, when they increased yield 1 bpa from 172.3 bpa to 173.2 bpa. They managed a production cut by reducing harvested acres by 1.6 m. We have been arguing that corn cut for silage has been record large. When you chop the worst of the worst corn for silage, of course, average yield will rise. Imagine where the actual yield would be if none were chopped? The USDA did cut export demand by 150 mb, lowering total demand to 1.925 bb, which follows the December export demand reduction of 75 mb. Used for ethanol was not cut this month, but Feed and Residual was cut 25 mb. From last year, total Quarterly Grains Stocks for corn fell 833 mb, from 11.642 bb to 10.809 bb. Brazil's corn crop was cut 1 mmt to 125 mmt. They cut Argentina's corn crop 3 mmt to 52 mmt. They left Ukraine's corn production unchanged but raised their exports 3 mmt to 20.5 mmt. World ending stocks were only cut by 2 mmt. The average farmgate price for corn was left unchanged at $6.70/bu. Corn stored on-farms was down 7% and off-farm stocks down 8%, with disappearance for September to November seen down 4%. Overall, we see this positive and another attributing factor for strong to stronger basis levels in the future. ***(Because it matters to feedstocks, we believe we heard sorghum acres were reduced by 900,000. That is a very sizable amount of feed lost, if that number is correct: 900,000 acres X 100 bpa = 90,000,000 bushels of feed/sorghum. Remember the number we quoted before, that the Western Cornbelt is short 1 bb of feed in a combination of corn (700 mb), wheat, and sorghum lost from the drought.)***

For **Soybeans**, the USDA cut 2022 production 70 mb, dropping yield from 50.2 bpa to 45.5 bpa. Yield reductions come from Illinois, Indiana, Missouri, and Kansas. In June, we estimated the U.S. 2022 soybean production at no more than 50 bpa and at that time, cited all the reasons we believed higher yields were not possible. Adding to this equation, the USDA cut harvested acres of soybeans by 300,000, not a common move, indicating how bad the drought in 2022 was. Like corn, think where the final yield would have been if they included the worst of the worst. Traders were guessing an increase in carryover stock from 220 mb to 236 mb, but instead ended up with a 10 mb reduction, with estimated stocks coming in at 210 mb. World stocks increased from 102.7 mmt to 103.5 mmt. The USDA raised Brazil's old crop production 2.5 mmt, as well as raising this year's production 1 mmt to 153 mmt. They did cut Argentina's production from 49.5 mmt to 45.4 mmt, not quite half of what Argentina reduced it from earlier today. They see China's soybean crop increasing 1.9 mmt to 20.3 mmt, which had the USDA lowering China's soybean imports by 2 mmt. All said, the USDA raised the national average farmgate price $0.20 to $14.20/bu. On-farm soybean stocks are seen down 3%, off-farm stocks down 4%, and disappearance for September to November down 4%, again we see as friendly to prices/basis.

The USDA did not lower **Wheat** production, leaving it unchanged at 46.5 bpa. Beginning stocks were raised 29 mb, seed demand was increased 3 mb, with residual use increased by 30 mb to 80 mb. That raised domestic use/demand to 1.126 bb, up from 1.093 bb. Corn needs to watch this because it indicates increased feed demand, likely bleeding over into decreased domestic feed demand for corn. Wheat export demand was left unchanged. It was good to see the USDA left Russian and Australian wheat production unchanged. It was feared those would be raised. Ukraine's wheat exports increased 0.5 mmt to 13 mmt. Now ponder the difference where wheat is stored and how much is stored where. On-farm stocks are seen up 32%! We would say when you do not have a crop, you do not need to take it to town, and you have plenty of storage at home to avoid storage charges. Off-farm stocks are down 17%. That fits this equation. Then September to November disappearance was up 26%.

Winter wheat seedings will get complicated this year, as many planted WW looking for the crop to fail on which they would collect insurance. That should make wheat plantings very high versus how many acres get harvested. Estimated WW seedings were 37 ma, up 2.5 ma from the average trade guess and up 11% from last year. HRWW acres were estimated at 25.3 m, up 10%, SRW ***(Soft Red Wheat)*** 7.9 ma, up 20%, and WWW ***(White Winter Wheat)*** 3.73 ma, up 3%. In the numbers, USDA says Kansas and Oklahoma planted 16,000 acres to canola, which is a 41% reduction from last year, another indication of drought: too dry to plant?

Navigating Turbulence: In a sense, supply and demand calculations for price discovery are easy. Demand does not change quickly, while supplies can increase fairly quickly over time but not as quickly as they can decline.

The most stress in marketing crops comes from governments! A political narrative usually gives the market a false sense of reality, which can instantly change when a truth bomb drops. What if peace is declared in Ukraine over the weekend? Having fallen so much in price already and now testing significant support, could wheat prices collapse if peace was declared and not be able to recover due to the technical damage? If wheat prices would collapse on such news, corn would lose ground just because it swims in the same competitive feed market.

Such "Black Swan" events require risk mitigation, just as report-days such as today, when the unexpected is what is expected. Do you buy puts as a risk mitigant? Do you price cash grain because you fear the unexpected from the government? If so, what percentage do you hold back as your gambling bushels, 10% or 90%? Do you cling to hope because the USDA surprised the trade again and prices begin to go south, or do you make sales because price still offers a good to great profit? Do you see the market's fundamental reality, knowing price will recover because truth will override stupid; eventually? And of course, eventually may be longer than you can or are willing to wait.

This all comes back to you knowing you and you knowing the facts. The facts are what we work hard to provide you so you can make the best marketing decisions for your operation. Were you catching the key word most used in this paragraph? Yes, good marketing is always about YOU and what YOU need so YOU can do the best for YOU (r) operation.

When you lay out your marketing plan, you need price targets. You need to do this to help remove emotion from your marketing decisions. We assist by providing you our Target Zone Charts. Along with those and the accompanying market factors and detailed analysis we see moving prices in 2023, you need to continue updating these market factors, which are constantly changing, and then adjust your price targets, which you see as reasonable, based on those facts. Place those targets in percentages, in a range which have a high probability of being hit and will generate the necessary profits for your operation. You might find it helpful to create probability ranges of low, medium, and high, therefore not lumping all your eggs in one basket. Our TZCs can be viewed as being set up in this fashion. Upper, Middle, and Lower Third individually cover a relatively broad range. Based on the market facts as we understand them and how they play out in 2023, we believe price will reach into the Upper Third. The higher prices rise within this defined price range, the less the odds are of price reaching that value.

We have had Subscribers tell us when they get our charts, they do not see prices rising that high. As stated above, you need to review all the facts as presented and then you make the decision where you want your price targets to be. Our goal is to get 100% of your marketing's in the Upper Third. All your marketing's do not need to be priced in the Upper Third to get the average of all your sales in the Upper Third. First, you need to set the 1st price you will be making your 1st sale, and then begin scaling up.

The best advice we can give when marketing your grain on a scale up basis is that **as soon as you realize the highs are in for the year**, you need to price **ALL** remaining bushels. **Do not think at this point. You just SELL.** You must not care if you have 10% of your crop priced or 90% of your crop priced. Whatever amount you have left to market, it goes, **ASAP!**

Corn: Inspections for corn came in at a paltry 16 mb, with export sales today only 11 mb. Not good. These need to be picking up very soon or prices will struggle even more. On the positive note, corn prices in China scored its 10th consecutive gain this week, reaching $10.82/bu. Crude oil is moving higher, up $5.00/bl this week. The ethanol sector saw a profit value from crush this week of $8.88/bu. Ethanol production was up 11.7% from the week before. Do not know if we care, since it was down so much more the week before. Ethanol stocks were down 2.6% and corn ground for ethanol was 94.8 mb, short of the 102.5 mb needed to meet USDAs projections. Even though complaints continue about ethanol's slow performance, the pace of the grind rate for this marketing year has been running even with last year's.

What we have been forecasting was put in print by Argentina's Rosario Gran exchange. They cut the 2023 corn production by 10 mmt, dropping it from 55 mmt to 45 mmt. Do not be shocked if by the end of their growing season for corn production, South America loses 20 mmt. Their Safrinha crop is just starting to get planted, as their 1st beans get harvested. Northern Brazil has seen their weather turning sharply drier, which is great for soybean harvest and for getting their Safrinha crop planted. But if the current dry pattern becomes a new trend, fireworks will occur later. It is interesting that for this to occur, they need the current La Nina pattern to shift to an El Nino pattern, which is exactly what they forecast is going to occur. We wonder if this could be a weather induced, Bull Trap, a technical term for trapping Bulls into a long position, a head fake.

Brazil continues to offer corn at cheaper prices, but that spread has narrowed considerably, now just a 3% spread. That tells us their exportable supplies are running out and the shift for buyers bringing their business to U.S. shores will soon be seen. With China's corn prices pushing a strong uptrend, Flash Sales will be showing up, as it will from others. They better, as corn's export commitments remain at a low 47% from a year ago.

<u>Soybeans</u>: (***Some of the writings for soybeans were written 2-days ago. Note the differences from what is now known today.)*** We know about the hot domestic soybean crush demand in the U.S. and the hot meal market that is in a sharply higher uptrend which tagged $500/ton last week. What few are talking about are the millions of metric tons of soybeans already lost in South America. Argentina is on a solid course to lose up to 10 mmt of soybean production. If their continuing drought does not break soon, that level will be surpassed. Brazil's production could fall by 5 mmt ***(Rio Grande Sul)***, more if their crop receives some late season stress. Then there is Paraguay and Uruguay, which will drop 2 to 3 mmt. A 10 mmt loss out of South America is 367.44 bb, way more than the 2022/2023 carryover for the U.S. of 240 mb. Who do you hear talking about this? And this all comes to us thanks to our Trifecta, which we have been broadcasting since last April.

(This morning, the Argentina's Rosario Grain exchange cut its estimate of their 2023 soybean harvest by 12 mmt, from 49 mmt to 37 mmt.) We always attempt to keep our estimates conservative. We are surprised they cut their production this much, this early. This absolutely will affect their soybean crushers, which we see supporting U.S. soybean meal prices. Could the meal market, with its $60.00/t rise over the last 10-trading day, be a precursor of what has been happening to Argentina's soybean crop?

The technical structure in Jan23 meal suggests a price target from $580/t to $600/t. If so, soybean prices could easily add $1.00/bu, conservatively speaking. Historically, a $10/t rise in meal would correlate to a $0.30/bu rise in soybean prices. Thus, a $90/t rise in meal would historically see soybean prices rising $3.00/bu. With spreading being the dominant trading action between meal and soyoil over the past years, this relationship for projecting a comparable price rise in soybeans is inherently skewed.

We need to print this because we have been reading this for a few months, used to hammer bullish expectations. ***"Brazil remains on track for a record soybean crop at 5.58 bb."*** Since this has been hanging over the market for the last 3-months,

Then what about further into soybean's future? We hear crush plants are going to be coming out of our ears in the future. The U.S. has about 60 such plants today, crushing about 2.2 bb of U.S.

#1 soybeans. Future plans are looking to add 23 more, as of this writing. Only 110 mb of additional capacity was added in 2022. In 4-years, or by 2026, total U.S. crush looks to move to 3 bb. That demands another 16 ma at 50 bpa. Remember, 2023 production is for end users' needs in 2024. If we forget adding any additional soybean acres in 2023 for any new soybean crush facilities, that would mean 5 ma need to be added each year in 2024, 2025, and 2026. 2026 production would be for end users' needs in 2027. How is this going to work with acres when drought will be cutting national and/or global production for the next 3, if not 4-years? If corn acres need to fall 4 m next year, that is a loss of 720 mb production. Something will have to give. Will it be corn, sorghum, cotton, or wheat acres that give? Likely all of them will need to give in to a rising or inflationary grain trend.

In 2023, crush capacity is projected to increase by 300 mb. We are assuming that 300 mb, or 6 ma, is already computed for the 2022/2023 marketing year? If not, that is the minimum acre push for 2024 soybean plantings. Do you see why we are not eager to price any 2023 soybean production at this time? The so-called "experts" tell us producers will go balls-to-the-wall on corn plantings this year. With record wheat plantings, soybean acres will need to fall. Demand for soybeans tells us that will not occur. "Experts" continue to say a percentage of your 2023 production needs to be priced now, or at least get some puts in place. Yes, we are out in the left/wrong field again. Within the crush sector, soybean meal has had zero deliveries to date. January contracts expire on Friday. This week saw a Flash Sale of 124,000 mt of soybeans to unknowns.

Interesting numbers with all the changes due to the demand for Sustainable Aviation Fuel (SAF). With all the new crush plants, the U.S. will replace Argentina as the #1 soybean meal exporter. Soyoil exports would fall, as that would be used here in the U.S. Is that already occurring? A year ago on this date, U.S. soyoil sales were 440,700 mt. Today they are 37,100 mt. When this build out is nearing its end, it is projected that the U.S. will not export a single soybean. Consider the consequences of this. Are they building out to production based on trend yields? If yes, any shortfall in soybean production would immediately create an importation need of soybeans from South America. As always and maybe even more so this decade, interesting times do lie ahead.

Wheat: Before this report, wheat continued to beat on the same bearish drums. Mar23 contracts in all 3-wheats continued to trade below their 100-day moving averages, affording the Bears comfort that they hold a winning hand. Funds did pare back some of their short positions in Chicago but remained net short nearly, 33,000 contracts. Russia keeps the pressure on by being a very active exporter.

For bullish news, the extreme drought in the U.S. HRWW Southwest states will find it difficult to change its status. Today's updated Drought Monitor is showing increasing drought conditions in the Southwestern Plains. Such a vast area of drought offers little in humidity to get storms to fire as fronts roll through. Forecasts have better rain chances through February, but then dry to drier later in March through May. Also positive is getting grain shipped out of Ukraine or Russia in the months ahead, or at least in the volume they have shipped in the past, as reinsurers said they will exclude ships from Russia, Ukraine, and Belarus from coverage as of January 1st.