



February 08, 2024

#2103

LOOKING FORWARD WITH A BACKWARD GLANCE

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Current Sales:	2023 sales:	corn	0%	soybeans	0% - 25%	wheat	40%
	2024 sales:	corn	0%	soybeans	0%	wheat	0%

Sales Recommendations: No Sales. Next MNU will be issued by February 18th.

Looking to lift the short side of the recommended soybean spread when price reaches its technical objective. In Mar24 futures, that is from \$11.70 to \$11.75. This week, price has found support at \$11.80 and resistance at \$12.00.

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Technicals Plus: We will be looking to recommend lifting the short side of the recommended soybean spread, based on rains in Argentina and the coming **Ag Outlook Forum February 15 & 16**. We expect enough bearish news to keep any significant rallies at bay until those numbers are released. Note that Mar24 soybeans double bottomed this week, a titch below \$11.80. This area needs to be watched for a retest next week. Our \$11.71 to \$11.75 technical objective is close enough to where soybeans found support this week. We will text next week if this \$11.80 area looks to hold as support. All grains remain in well-defined downtrends.

May24 Soybeans now have 3 tests at \$11.80. Today's low was \$11.804. Price traded above \$12.00 twice in the last 4 trading days but failed to close above. For as negative as USDA's production number was for Brazil and the surprise increase in their 2023-2024 soybean stocks of 35 mb, soybeans held up well today. Tomorrow's close could be telling. Today's trade suggests the trade is going to trash USDA's Brazil's production number and go with CONAB's. **Mar24 Soybean Meal** did the soybean market bad today by closing under critical support of \$350, closing at \$347.10. Its chart can be dressed up if the price closes back above \$350 tomorrow. **Mar24 Soybean Oil** scored a new low on Monday of \$44.51, then the next 4 days, shot higher, closing at \$47.94 today. Price is poised to print a weekly reversal higher tomorrow. While very positive for soyoil, with the normal spread action between soybean meal and soyoil, that would pressure soybean meal lower. Meal needs to lead, for it tends to lead soybean prices. See if soyoil closes lower on Friday and soybean meal higher.

Mar24 Corn printed a new contract low today of \$4.296, closing at a new contract low of \$4.332. Our downside target of \$4.25 remains in play. Others point to \$4.20. That would strongly suggest, for as short as Funds are and the crossover in stochastics, corn's downside is limited to another \$0.13. We still forecast a minimum upside objective of \$5.25 for lead month corn, timing likely to fall in April/May.

Mar24 K.C. Wheat blew out of a wedge formation to the downside, closing at \$6.01. This could be a fake out. Support remains at \$5.90 and \$6.00, with resistance now \$6.20, followed by \$6.40. No solid uptrend can be claimed until the price closes above \$6.70, which are the highs set in November and December.

Future reports: Mar 8, followed by Mar 29, the USDA's Quarterly and Planting Intentions Report, then April 11, May 10, June 12, June 28, July 12, Aug 12, Sept 12, Sept 30, Oct 11, Nov 8, Dec 10, and finally Jan 10, 2025.

February 8th, USDA WASDE Report:

<u>U.S. Ending Stocks 2023/2024</u>	<u>Average Guesses</u>	<u>Jan 2024</u>	<u>2022/2023</u>
<u>Feb</u>			
Corn –	2.172 bb	2.134 bb	2.162 bb
Soybeans –	0.315 bb	0.282 bb	0.280 bb
Wheat –	0.658 bb	0.649 bb	0.648 bb

<u>World Production (mmt)</u>	<u>Average Guess</u>	<u>Jan 2024</u>	<u>2022/2023</u>
<u>Feb</u>			
<u>Corn</u>			
Argentina	55.0	55.7	55.0
Brazil	124.0	124.3	127.0

<u>Soybeans</u>			
Argentina	50.0	50.0	50.0
Brazil	156.0	153.0	157.0

<u>World Ending Stocks 2023/2024</u>	<u>Average Guess</u>	<u>Jan 2024</u>	<u>2022/2023</u>
<u>Feb</u>			
Corn –	322.1 mmt	324.0 mmt	325.02mmt
Beans –	116.0 mmt	112.9 mmt	114.6 mmt
Wheat –	259.4 mmt	260.1 mmt	260.0 mmt

CONAB & USDA's Numbers: Earlier today, CONAB came out with their estimates for Brazil's corn and soybean crops. For Brazil's soybean production, their starting number was 165 mmt. Today, CONAB is guessing the crop will be 149.4 mmt, or about 5.49 bb, down from their last guess of 155 mmt, down nearly 6 mmt. It is 13 mmt below USDA's January estimate. On a side note, StoneX came out this week at 150.4 mmt, down 2.5 mmt from their last estimate.

Ever notice how all the “named” groups come in around the same numbers, like they huddle before they line up? The USDA must not be a named group?

CONAB placed Brazil’s corn production at 113.7 mmt, or 4.47 bb, with 247.Ag still sitting at 110 mmt. Their number was 13 mmt below USDA’s January estimate.

The shockers first and they were all in soybeans. The USDA jumped **Soybean** carryover stocks by 35 mb to 315 mb from 280 mb. They got there by cutting exports by 35 mb. The screw job came from the USDA not giving any credit to increased soybean usage from the record crush pace, which has set a new record each of the last 3 months. Looking to turn the screws some more on soybeans, they cut their Brazil soybean production number by only 1 mmt, dropping from 157 mmt to 156 mmt. CONAB dropped their number this morning to under 150 mmt.

Consider how ignorant they must believe people are that they cannot see the stupidity here. Brazil’s soybean harvest began 2 months ago. Yield reports are showing very poor yields, and the USDA still does not want to put any real production numbers in print. Yet, because U.S. and global corn stocks are a bit heavy, they did cut their production estimate for Brazil’s corn production 3 mmt, moving from 127 mmt to 124 mmt. The problem is that their corn crop is only 20% planted!!! If I had any hair left, I would not have any hair left after this bull crap. Is this worse than when last year, the USDA left their production number for Argentina’s soybean crop at 25 mmt until January 2024, when BAGE dropped it to 20.5 mmt in April of 2023? The USDA did lower their national average farmgate price \$0.10 to \$12.65/bu. Think about that number when you look at where the board price is.

The USDA also increased Brazil’s 2022/2023 soybean production from 160 mmt to 162 mmt, which pushed world ending stocks from 114.6 mmt to 116 mmt.

Only small changes in **Corn**, with the largest being USDA’s 3 mmt cut to Brazil’s corn production. That allowed the USDA to lower world ending stocks from 325.2 mmt to 322.1 mmt. U.S. ending stocks were increased by just 10 mb. Argentina’s corn crop was left unchanged. Corn’s average farmgate price was placed at \$4.80/bu.

Wheat stocks were raised 10 mb to 658 mb, while wheat exports were left unchanged. All other changes were minor, with the average farmgate price left unchanged at \$7.20/bu.

Ag Outlook Form: Get ready for the USDA to hit grains again with some big numbers, as the USDA presents its annual **Ag Outlook Forum February 15 & 16**. This is where they use their normally high, trendline yield guesses to estimate acreage for corn, soybeans, and wheat to give us their supply and demand numbers for 2024/2025. These numbers can get them to raise corn carryover stocks over 500 mb to 2.6+ bb and for soybeans, say 80 mb, taking 2024/2025 soybean carryover stocks near 400 mb. The reality is they do not know the acres that will be planted or this summer’s weather. Still, their baseline estimates say 2.616 bb carryover stocks for corn and 300 mb for soybeans, coming off 91 ma for corn and 87 ma for soybeans.

The new crop soybean/corn ratio favors switching to soybeans, while high post-harvest fertilization looks to favor corn acres. Last week that ratio was 2.49, with any number above

2.40 favoring soybeans. Based on historical data and last year's 94.6 ma of corn and 83.6 ma of soybeans, **this year's numbers suggest 92.2 ma of corn and 87.2 ma of soybeans.**

Global Events: This week, China has moved aggressively to prop up their equity markets and build their consumer's confidence. The thought is this could also help support the Ag sector in the U.S. Don't see it?

The USD continues to inch higher, which is negative to commodities.

Is the Goldman Roll a global event? It is usually considered something negative to grains. It began yesterday, as they "balance" their holdings based on current perceptions.

South American Production & Weather: Forgetting the experts, private analysts' estimates run from 135 mmt to 150 mmt, which would average 142.5 mmt, a bit over our January 5th estimate of 145 mmt. *(Our early January estimate was based on the damage caused by the intense/record heat and drought, as well as what we saw for future weather.)* Still need to see that number under 140 mmt to get the shorts scared. Bears will use a good crop in Argentina to defend their short positions. Rains in Argentina over the next 10-days will add to the Bears bullishness! Yet, Gro Intelligence believes that the hot/dry spell they had will trim yields by up to 10%. We are not in that camp just yet. What happens after February will be the determining factor.

We continue to argue that most do not understand the harm the excessive heat has done to Brazil's soybean crop. Such heat would hurt pollination, where pods have no seeds. It would cause seeds to be aborted. It would shrivel seeds. All mentioned would limit yields, not to mention seeds of very poor quality. Harvest reports from Mato Grosso are reporting very high percentages of damaged seeds, some well over 50%, which are not acceptable for export. Will they load them anyway and see what China says? What options do they have?

Harvest for Mato Grosso is nearing 40% complete, currently running 25% faster than last year's pace. Yields are not improving, with yields running up to 25% less than last year's.

BAGE reports Argentina corn has surpassed 50% pollinated, with 35+% silking. Soybeans are 60+% flowering, with 25% setting pods. Brazil FOB premiums are finally improving, lending credibility that harvest lows are in for Brazil's soybeans.

Brazilian corn values are now \$1.00 higher than U.S. futures and about \$0.40/bu higher than U.S. Gulf prices. These factors will come into play after algos reach their objectives and the normal spring rally takes hold. Farmers' large holdings will weigh on price gains until they move at least 75% of their cash grain.

Corn: Funds keep increasing their short positions in corn, now pushing short 300,000 contracts.

Export sales for corn reported this week were decent at 48 mb, with a Flash sale being reported today of 200,000 mt going to Columbia. What was interesting was unknowns taking 13.4 mb in

today's sales. The supply chain issue from the wars could be causing shipping disruptions for China getting corn out of Ukraine.

Earlier this week, a sale of 155,000 mt was flashed going to Mexico. Loadings were weak, at only 25 mb. Corn loadings are still running 30% ahead of last year's pace.

Ethanol production is finally getting back to where it was before the Midwest was put in the deep-freeze. Ethanol production jumped 4.2% from the previous week and up 3.3% versus last year. Stocks moved up 2.1%. Corn ground was 102.53 mb versus needing to grind 103.34 mb to meet USDA's estimated total grind of 5.375 bb.

With the heat and drought accelerating Brazil's soybean harvest, it is also accelerating Brazil's Safrinha plantings. That will be those soybeans that producers did not replant. For replanted soybeans, they will be harvested later than normal. With the preferred planting window for their Safrinha crop being February 21, any corn acres planted after that date increases its risk of lower production. The thought is you do not plant after March 1. We will keep that date in mind to see what percentage of their Safrinha crop is not in by that date. Another concern for this crop is an early start to their seasonal drought. Our research says that will be the case. Other forecasts are now hinting at the same. Rain amounts usually begin falling sharply about April 1st. One forecaster is suggesting that rainfall in Mato Grosso will just shut down in mid-April, which would be a month short of what is needed to grow a decent crop.

Soybeans: Some reports are filtering in on what early yields have been for Brazil's northernmost soybean fields. Many have seen a 25% cut in yields, with a 50% haircut not being uncommon. That helps alleviate any storage issues, but also slows soybean loadings for China at their ports. That could be the main reason the U.S. has not seen many soybean purchases by China cancelled, as well as the recent increase in soybean loadings bound for China.

Soybeans' crush value lifted \$0.25 over the last 2 weeks. Export sales for last week were reported at 12.5 mb, with loadings an impressive 52 mb. That high number is likely being caused by the issues with reduced yields and poor quality from Brazil's crop. We have yet to hear if China has rejected any soybeans from Brazil.

Wheat: The U.S. winter wheat crop is faring much better than last year's. More precipitation is expected in the weeks ahead, helping to reduce last year's drought area even more. Global weather patterns have been favorable for China, Russia, Australia, and North America. Flipping from an El Nino weather pattern to La Nina in 2024 would bring more stress to crops in North and South America.

U.S. stocks are the 2nd tightest in 10-years. While basis levels continue to rise, with SRW basis in the upper 20% of its historical range over the past 4 years, that does not mean the futures price will rally. U.S. exports continue weak, hurt by Russia, as they continue to dominate world trade, having had 4 record wheat crops in the last 8 years. U.S. wheat export inspections continue weak, below expectations. With all the shipping issues that are talked about in the Black Sea and the Red Sea, they do not seem to have materially impacted wheat exports, despite on-going threats from Russia.