May 12, 2023 **#2053**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Grain Sales Recommendations: National and global events, fear, plus money flow/momentum, dictated price action this week. Weather trends will dictate necessary grain sales. Expecting to recommend pricing all remaining old crop grain in the June/July timeframe, **as well as all necessary pre-sales of 2023 production**. Next MNU by May 21st.

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

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Basis: Your best, or highest basis levels, may well be seen during planting due to few farmers moving grain during this timeframe. Also, with no price appreciation on the board, basis must move higher to induce farmer sales. As a note, basis levels throughout the U.S. have turned higher this week. Many believe from here forward, for those who have bushels left to price, those sales will not occur until late June, when those producers will have some idea what crop they can actually produce this year. For those bushels you have left to price, track your basis and when it begins to fall, which is likely when the futures prices begin to rise, you must consider locking basis. Like all things concerning prices, pay attention! If futures cannot get up and going, basis will need to do all the heavy lifting.

We all know there is almost always a weather rally during the year. Historic odds place it close to a 95% chance of having such a rally. When this rally ensues, basis levels will likely fall. Many locations have basis levels at historically high, never-seen-before levels. Do not let it get away from you. Do not forget to plan on pricing a very good portion of your 2023 production when pricing the balance of 2023. As we look for a better production year in 2024, along with recession fears, demand could back off as well.

The market needs something to change its trend, which is down. That trend can change just because traders decide there is too much risk in pushing prices lower. As heavily short as Funds are today in grains, any "real" fear of any supply disruptions or reductions, price escalation would be very sharp and fast. As a reminder, weather related crop loss rallies are normally hard, fast, sharp, and done. Such rallies usually last from 7 to 10 trading days and up to several months, depending on the duration of the risk factor moving prices.

End users need to look to cover needs for the next 3 to 4 months when markets turn up. Wheat has already done so.

Technicals Plus: Today's price action was all about USDA's numbers. They were skewed to their favor, where they could, for price management. **May23 Corn** continued to hold support at $6.20, closing today at $6.332. **July23 Corn** has challenged $5.80 10-times in the last 12-trading days and has yet to close below $5.80. Today's low trade was again below $5.80, touching $5.726 the 1st minute the USDA report was released. In fact, the price hit its highest traded price of $5.936 and its lowest traded price between 11:00 am and 11:09 am today, going after open orders, before closing that day above $5.80 support at $5.862. Corn's longer-term trend is lower, though since April 28th, price has been trading sideways between $6.00 and $5.80, on a closing basis. **July23 Soybeans** have a similar story as corn. Support has shown up at $14.00, with major support at $13.80. Price has probed below $14.00 3-times in the last few weeks, including trading down to $13.85 yesterday, with price reversing and closing back of $14.00 yesterday. Unfortunately, after rallying to $14.166 earlier this morning, price began falling before the USDA report. Price closed today at $13.90, below $14.00, which has held as support for the last 2-weeks. While meal has jumped over $20/ton in the last 2-days, soy oil fell below psychological support of $50.00 today, closing at $49.52, with a low trade of $49.00. Soybeans and its products remain within a longer-term downtrend. Soybeans need to close back above $14.00 and soyoil above $50.00 by Tuesday, to regain their footing. **K.C. July23 Wheat** found favor in USDA's numbers, rallying from low to high some $0.60, closing at $8.77 and with a high trade of $8.994. Resistance is solid at $9.00. Breaking $9.00 opens the door to $10.00. Technicals suggest a short-term target of $9.50. As massively short as Funds are, a quick $1.00 run to $10.00 would not be a reach. Price could do that in a few days, with only a small percentage of the massive shorts covering. Give the Funds any "real" reasons to get scared out of all their shorts and $10.00 as a resistance point would be like butter.

May 12th USDA Grain Stocks Report:

U.S. Production 23/24		Avg Guesses	April
Corn –	15.265 bb	15.098 bb	13.730 bb
Soybeans –	4.510 bb	4.484 bb	4.276 bb
All Wheat –	1.659 bb	1.782 bb	1.650 bb
Winter –	1.130 bb	1.218 bb	1.104 bb

U.S. Ending Stocks 22/23		Avg Guesses	April
Corn –	1.416 bb	1.356 bb	1.440 bb
Soybeans –	0.215 bb	0.212 bb	0.260 bb
Wheat –	0.598 bb	0.603 bb	0.678 bb

U.S. Ending Stocks 23/24		Avg Guesses
Corn –	2.222 bb	2.034 bb
Soybeans –	0.335 bb	0.282 bb

Wheat –	0.556 bb	0.602 bb	

World Ending Stocks 2022/23		**Avg Guesses**	**April**
Corn –	297.40 mmt	294.20 mmt	295.50 mmt
Beans –	101.20 mmt	99.40 mmt	89.60 mmt
Wheat –	266.30 mmt	265.10 mmt	278.4 0mmt

World Ending Stocks 2023/24		**Avg Guesses**
Corn –	312.90 mmt	307.50 mmt
Beans –	122.50 mmt	105.80 mmt
Wheat –	264.30 mmt	260.60 mmt

South American Production	**Average Guess**	**April**
BRAZIL		
Brazil Soybeans – 155.0 mmt	154.6 mmt	154.0 mmt
Brazil Corn – 130.0 mmt	125.9 mmt	125.0 mmt
ARGENTINA		
Argentina Beans – 27.0 mmt	24.4 mmt	27.0 mmt
Argentina Corn – 37.0 mmt	35.0 mmt	37.0 mmt

USDA's Numbers: Yield forecasts were left the same for U.S. corn and soybeans, 181.5 bpa and 52 bpa, respectively. Should we be surprised to see the USDA is in a rush to raise yield projections for Brazil's **Corn** crop, taking it up to 130 mmt versus the average trade guess of 125.9 mmt? Anything to suppress U.S. grain prices? Common sense says that is true. Look at Argentina's soybean production. Who has a better handle on that, the U.S. or Argentina? Their official report group dropped their production again this week, taking it down to 21.5 mmt. They were 23 mmt before that. Yet the USDA does not want to reduce it after a month of time to ascertain what other losses have occurred. These high numbers by the USDA keep next year's prices artificially low and we suggest it is on purpose to offset the inflation they are creating by their "set-in-stone" policies. Jacking up Brazil's corn crop nearly 5 mmt allowed them to raise 2023/2024 world corn ending stocks 5.4 mmt, which casts a negative hue over corn prices into 2024. Moving on…..

Does one use the term "creative" when it comes to the USDA's numbers? Current conditions do not support trend yields in the U.S. They cut production in May or June last year due to conditions. We do believe the USDA is not working from the fundamental side of the equation at all. That continues to be to the detriment of the producer. He gets true value because of basis gains in old crop but screwed on prices for new crop on pre-sales.

Old crop **Corn** ending stocks were placed nearly 60 mb above the average trade guess, with 2023/2024 stocks nearly 200 mb above the average of the guesses. Ethanol demand for 2023/2024 was placed at 5.3 bb, with total domestic demand at 12.385 bb and exports seen at 2.1 bb. Back to old crop, the USDA raised ending stocks by 75 mb to 1.417 bb. They also cut export demand by 75 mb, taking export sales down to 1.775 bb. The USDA did not cut corn usage for ethanol for 2022/2023. Corn's farmgate price was left unchanged at $6.60.

Old crop ending stocks for **Soybeans** increased 5 mb from last month, with 2023/2024 stocks raised 52 mb over the average of the trade guesses. If the U.S. soybean production falls to 50 bpa, a more reasonable assumption, carryover falls 180 mb, taking it down to 155 mb versus the current old crop stocks number of 215 mb. As you can see, the USDA has a reason for not dropping production. Every bushel per acre matters to soybean carryover stock, for supplies being adequate versus too tight. Of course, you would never see that number of 180 mb in print for a real carryover number, at least until it did not matter to price. Nice to see that new crop crush demand was increased, coming in at 2.31 bb, all due to favorable crush margins. Export demand by overseas buyers is seen lower in 2023/2024 due to increased competition. Old crop farmgate price was raised $0.10/bu to $14.20, with new crop farmgate price placed at $12.10.

Old crop **Wheat** stocks were cut 5 mb, with 2023/2024 stocks down 46 mb from the average trade guess. Global old crop wheat stocks increased 1.2 mmt. The reduction in U.S. old crop stocks was seen as quite bullish to prices, especially with the struggles the 2023 HRWW crop is going through. Wheat's yield is guessed at 44.7 bpa, down 2.3 bpa from last year's yield of 47.0 bpa. Acres harvested are estimated at 25.3 m, up 8% from last year. Apparently, abandoned acres are not in their equation yet. The old crop farmgate price was placed at $8.85, with the new crop farmgate price set at $8.00.

Corn: Pace of plantings was robust at 49% on Monday, ahead of the average trade guess, ahead of last year's 21%, and 7% ahead of the 5-year average pace of 42%. States of notice were Iowa at 70% vs 53% average and Illinois at 73% versus 46% average. North Dakota was only 1% done, 10% behind average. Michigan was 6% complete versus an average pace of 18%. Minnesota was knocking its average pace at 38% done, with Missouri 92% planted.

Inspections and export sales for corn were weak again this week. Loadings were just 39 mb, 43% less than the previous week. Ethanol production for last week was up 2.6%. Ethanol stocks were down and the lowest reported since last December. Corn ground for ethanol was 97 mb versus needing to grind 103 mb/week to meet USDAs estimated usage. Today saw the 1st delivery against May futures of 10 contracts, or a whopping 50,000 bushels. ADM delivered, with JP Morgan snapping them up, who is another large commercial firm.

Replanting corn is being done in many areas for several reasons. The Eastern Cornbelt has seen thin stands from poor emergence. Too cold and too wet after planting seems to be the reasons for most acres.

A negative for corn has been favorable weather for Brazil's Safrinha crop. The seasonal drought is taking hold and if it maintains its trend, yields will be clipped in Southern Brazil. How much that may reduce their crop from initial projection no one knows at this time. It is a work in progress. How hot and how much wind will also matter to production. The trade will take this into consideration when corn finds its low.

China had a cancellation of corn this week of 272,000 mts on Tuesday. This was China's 3rd cancellation of corn since April 24th. In total, China has cancelled 832,000 mts of corn from the U.S. This is due to ASF in their hog herd and with them eyeing cheaper corn from Brazil, due to their crop projected to be very good. And yes, the argument could be made they are working to push prices lower with the cancellations, hoping to buy corn at lower prices. It was reported that Taiwan bought a cargo of Brazilian corn this week.

In the past 20-years, corn has only posted its high of the year in January just once. This places the odds at 95% that corn will post higher highs before harvest. When price hits those new highs, your finger needs to be on the trigger.

Soybeans: Soybean planting was 16% done last week and reached 35% as of Sunday, 24% ahead of last year's pace of 11% and 14 points ahead of the 5-year average of 21%. Illinois was 66% planted, and Iowa 49%, both well ahead of their average pace. Missouri was 50% planted, nearly 40 points ahead of its average pace. North Dakota had zero soybeans planted versus a 4% average, and Minnesota was 13% planted, trailing its average of 21%. Crop progress showed 9% of soybeans emerged as of Sunday, 6% ahead of last year's 3% and 5% ahead of the average of 4%.

Had a flash soybean sale to unknowns this week of 132,000 mmt. It was of no real consequence, as the sale was for next year, 2023/2024 marketing year.

To date, there have been no deliveries against May23 soybean futures, which is friendly to old crop.

Rosario Grain Exchange cut their crop yesterday 1.5 mmt from 23 mmt to 21.5 mmt. The USDA has been sitting on a 27 mmt number. CONAB increased Brazil's soybean crop yesterday, increasing their production by 1.2 mmt, somewhat offsetting the reduction in Argentina's crop.

Wheat: Attention this week was on the condition of the HRWW crop. Its G/E rating was up just 1 point from the previous week at 29%. P/VP came in at 44% versus 42% a week ago. That 44% is the worst week since 1996 and the worst for any 1 week since 2014. With what rains that fell, the trade was expecting at least some improvement. Overall, the net result was some degradation. For Kansas, the state everyone's focus is on because they produce up to 25% of all HRWW, their G/E rating came in at just 11%, with 68% P/VP, up from 64% last week. Texas and Oklahoma crops were rated 56% and 64% P/VP, respectively.

Next Monday the Wheat Tour kicks off. The fear continues that the Kansas wheat crop could be just as bad as the Oklahoma wheat crop, with abandonment likely setting a new record. The average abandonment for WW in Kansas going back over 100-years is 11.6%. Expectations on abandonment are as high as 25% for their 2023 crop. Rain has not helped, and the trade knows it. Oklahoma's results showed their crop their worst since the 50's and about half of what they produced last year. Some in the trade are leaning toward this year's crop becoming one of the worst in 50 years. We see that as a distinct possibility.

Canadian wheat stocks came in below trade expectations. There is also drought building across the western half of Canada, which if it continues, would place their wheat crop at risk.

Russia/Ukraine: The drop-dead date for the Black Sea Agreement for shipping grain out of Ukraine is May 18th. Talks have been occurring since last Friday, with no movement toward a continuation of the past agreement. Vessels are being loaded this week but at a much slower pace. This will remain a very hot topic until they reach an agreement to continue, or until that trade determines it will absolutely not get renewed. We do not believe this agreement will be renewed ***(best assessment)***, as it is not in Russia's best interest, the war. But you can bet all other nations will continue to push Russia to do it again. No renewal would be very bullish wheat, bullish corn, and friendly to soybeans, due to its ties to sunflower oil. It's most friendly to wheat because the number of bushels traded in wheat is about 15% or less than what is traded in corn. That makes the agreement more volatile to wheat but in reality, it is more bullish for corn, from a production/export standpoint.

Drought Risk 2023: Rains are not covering all dry areas. For April, those states in the Midwest which had their Top 10 driest are Missouri and Nebraska. Oklahoma has seen their 29th driest, Kansas 17th, Illinois 29th, Iowa 32nd, South Dakota 28th, North Dakota 35th, and Indiana its 35th driest April.

Forecasts into the 1st part of June are leaning drier and warmer. Remember that May and June are high precipitation months. If you get shorted with May and June rainfall and you have low subsoil moisture, your risk of lower than trend yields are much higher.