June 12, 2024 **#2123**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Current Sales:	**2023** sales:	**corn**	25%	**soybeans**	0% - 25%	**wheat**	100%
	2024 sales:	**corn**	0%	**soybeans**	0%	**wheat**	50%

Sales Recommendations: No sales. Not looking to recommend sales for another few weeks. Grains need time to build a launchpad. Soybeans have proved $12.50 as significant resistance. Move old crop sales to 50% when the lead month price reaches $12.50 again. Take new crop soybean sales to 25% when the price hits $12.20. We will re-evaluate when those prices, or timing, come into play. Next MNU Thursday, June 20th.

Pricing & Price Targets: Our minimum price objectives for old crop corn sales are $5.20 – $5.25 and for soybeans, $12.90 – $13.00. ***(Watching proven resistance at $12.50.)*** This is for lead month futures. We look for wheat's 2nd rally after U.S. harvest pressure and technically selling subsidies.

Technicals Plus: **July24 Corn** finally closed above its 100-day moving average of $4.52, closing out today at $4.542. Technically, price needs to close decently over its 100-day MA on the week, over $4.60 preferred. The current heat wave across the U.S. will heat up corn prices if next week, the 14-day forecast does not change from hot and mostly dry. **July24 Soybeans** got a small shock, with old crop stocks raised another 10 mb, 2 mb more than the average of the trade guesses. Price traded down to $11.71, before coming back to close over $11.75 support at $11.772. A close over $12.05 this week would print a weekly reversal higher and close over 1st line resistance. For the week, a close over $11.93 would be a win. Soybeans' chart structure is weak and needs a higher close by week's end or selling could come in to press prices back to April lows around $11.50. **July24 Soyoil** and **July24 Meal** have traded sideways for the last 6 trading days, showing they found value or traders are not willing to press the downside anymore at this time. **K.C. July24 Wheat** got its 2nd up day in the last 11 trading days on Tuesday, only to close below Monday's low today at $6.372. Wheat always struggles against harvest pressure, seasonals, and trade seeing wheat yields coming in a bit better than 1st estimated. Harvest pressure can weigh on wheat prices for a few months, since the U.S. wheat harvest, moving from

TX to the Canadian border, can run through August. Still, the trade will be eyeing growing crop losses in the EU, India, but even more so in Russia, Ukraine, and Black Sea regions. Hot and mostly dry weather is forecasted to continue for another month for most areas in the last 3 mentioned, which will be a catalyst for wheat markets finding support sooner than later.

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Future reports: June 12, USDA's Quarterly on June 28, July 12, Aug 12, Sept 12, USDA's Quarterly on Sept 30, Oct 11, Nov 8, and Dec 10.

June 10th USDA Grain Stocks Report:

U.S. Production 24/25		Avg Guesses	May 2024	2023/2024
Corn –	14.860 bb	14.845 bb	14.860 bb	15.342 bb
Soybeans –	4.450 bb	4.444 bb	4.450 bb	4.165 bb
All Wheat –	1.857 bb	1.887 bb	1.858 bb	1.812 bb
Winter –	1.295 bb	1.307 bb	1.278 bb	1.248 bb
HRW –	0.726 bb	0.724 bb	0.705 bb	0.601 bb
SRW –	0.342 BB	0.353 bb	0.344 bb	0.449 bb
White –	.226 bb	0.235 bb	0.229 bb	0.198 bb

U.S. Ending Stocks 23/24		Avg Guesses	May 2024
Corn –	2.022 bb	1.984 bb	2.022 bb
Soybeans –	0.350 bb	0.348 bb	0.340 bb
Wheat –	0.687 bb	0.690 bb	0.688 bb

U.S. Ending Stocks 24/25		Avg Guesses	May 2024
Corn –	2.102 bb	2.048 bb	2.102 bb
Soybeans –	0.455 bb	0.455 bb	0.445 bb
Wheat –	0.758 bb	0.782 bb	0.766 bb

World Ending Stocks 2023/24		Avg Guesses	May 2024
Corn –	312.4 mmt	311.5 mmt	313.1 mmt
Beans –	111.1 mmt	110.8 mmt	111.8 mmt
Wheat –	259.6 mmt	257.3 mmt	257.8 mmt

World Ending Stocks 2024/25		Avg Guesses	May 2024
Corn –	310.8 mmt	311.3 mmt	312.3 mmt
Beans –	127.9 mmt	127.8 mmt	128.5 mmt
Wheat –	252.3 mmt	252.0 mmt	253.6 mmt

South American Production		Average Guess	May 2024
BRAZIL			
Corn –	122.0 mmt	121.0 mmt	122.0 mmt
Soybeans –	153.0 mmt	151.8 mmt	154.0 mmt

ARGENTINA

Corn –	53.0 mmt	51.2 mmt	53.0 mmt
Soybeans –	50.0 mmt	49.8 mmt	50.0 mmt

<u>USDAs Numbers</u>: This report, for the most part, was as expected. Any bigger difference fits USDAs standard model of overestimating for appropriate price management. Note U.S. **<u>Corn</u>** carryover stocks for this year and next, 2.022 bb vs 1.983 bb and 2.102 bb vs 2.048 bb. That 2 bb psychological number the USDA does not want to move below, as if that number would dip under 2 bb, support could come to the corn market. See below where Buenos Aires Grain Exchange ***(BAGE)*** suggests their production is near 45 mmt, yet the USDA remains 8 mmt higher. Same with CONAB for Brazil's corn, where their last estimate was 111.6 mmt vs today's USDA number of 122 mmt. Add those two differences and comes out at 18 mmt. That is a BIG difference and would put a fire under the corn market. Cannot have that! Stunt disease saw some areas in Argentina with drastic cuts in their corn production. Yields have been a disaster for Argentina, with Cordoba seeing yields averaging as low as 65 bpa versus a normal yield of 130 bpa.

The worst flooding in Rio Grande do Sul ***(RGDS)*** in 80-years assisted the USDA in lowering Brazil's **<u>Soybean</u>** production a whopping 1 mmt to 153 mmt, substantially higher than CONABs last estimate. The USDA cut this year's crush numbers by 10 mb, setting 2023/2024 ending stocks at 350 mb, up 10 mb from May's carryover number. They set the national farmgate price at $12.55/bu. Seasonally, prices usually run from $1 higher to $1 lower than this number, which suggests a $13.50 board price is not out of reach. It also tells us testing the chart gap at $13.00 should not be an issue. At today's $11.80 board price, minus a $0.70 basis, today's cash price is over $1.50 under USDAs average price for this marketing year. The USDA raised their **<u>Wheat</u>** yield estimate from 48.9 bpa to 49.4 bpa and increased exports by 25 mb, from 775 mb to 800 mb. To the surprise of many, the USDA raised wheat's farmgate price from $6.00 to $6.50. Winter wheat (WW) was raised 1% to 1.29 bb, with yield increased 0.7 bushel to 51.4 bushel. The biggest number for wheat was the cut in 2024/2025 global wheat stocks from 798.7 mmt to 787.2 mmt. The USDA cut Russian wheat production to 83 mmt, taking Ukraine's to 19.5 mmt, Canada 34 mmt, and Argentina's to 17.5 mmt.

<u>Corn</u>: The USDA trendline corn yield estimate is 180.8 bpa, while this report places it at 181 bpa, with acres set at 90 m. If acres can fall 1 m, then projected 2024/2025 carryover stocks will fall below 2 bb, near 1.9 bb, well before that marketing year begins. The USDA has worked hard to maintain stocks over 2 bb, as they know Funds will remain sellers above that nice, round psychological number.

In our January 21st MNU, we wrote, ***"If that were to fall to 90 ma, with 82 ma harvested at 175 bpa, and changing no other numbers, final (2024/2025) carryover would fall to 1.848 bb versus their number of 2.668 bb, a big change."*** In our March 28th MNU, we wrote, ***"We are on record suggesting this number (2023/2024 carryover) could fall as low as 1.7 bb to 1.8 bb, before this marketing year is over, which would take another 300 mb off next year's carryover stocks, 2024/2025."***

Now down to 2.1 bb for 2024/2025, a harvested yield at 175 bpa would drop production by 492 mb, taking carryover down to 1.6 bb. Reports still suggest the number of Safrinha acres is way lower than what we are being told. If South America's numbers are correct versus that of the USDA, 18 mmt difference, corn prices would explode. *We do not look for the USDA to admit to anything positive for grains before November, so we have to deal with what is and market accordingly*.

A good part of the coming reductions in U.S. corn carryover stocks are the recent run of strong export sales, taking total commitments up 34% over a year ago versus the USDAs forecast of up 29%. We suggested this increased demand would come to the U.S., as Brazil's corn production would be falling due to weather related crop losses and that we should look for better than expected exports in the May/June time frame. Also adding to demand has been the record crush pace, necessary to keep up with the hot export pace for ethanol. Remember, it takes low prices to cure low prices. With worsening weather, negative for optimum crop production, we have a great scenario of increasing demand saddled with decreasing supplies. Just need a match.

The hot, dry summer we have been forecasting will give us our 1st taste beginning this weekend. A wet spring, followed by hot and dry, is a lethal combination for a short crop, such as in 1988 and in 2012. Shallow rooted crops cannot withstand a fast conversion to hot and dry conditions, especially if they last for an extended period. This year is setting up to show just how well these new and improved hybrids can withstand heat, thee ultimate crop reducer. The 10-day says mostly warm/hot/dry, with the exception being the NW Cornbelt ***(CB)***, which should see about normal temps and rain chances. The 14-day has temperatures much above normal. A number of meteorologists can argue that there are reasons for this round of heat and dryness to run through the 4th of July, if not longer. Not good if you planted your crops in too wet of conditions.

While Funds are not back to record short, they were shown to have added 80,000 contracts to their net short positions, taking them up to over 212,000 contracts short, as of Tuesday of last week. Like clockwork, it is very usual for Funds to flip from short to long during the year. When that time arrives in the next 60 days, know what you want to sell. *All old crop needs to be gone for corn and soybeans. All grain you do not have room to store needs to be priced. DO NOT be paying for storage when there are other options to avoid doing so*.

Corn was seen at 95% planted on Monday, on par with average, leaving 4.5 ma unplanted. Those are the acres that producers will consider for preventive plant ***(PP).*** G/E rating was down 1 pt to 74%, with IA at 73, IL/MI/MN 74, IN 71, WI/MO 69, ND 72, SD 83, NE 84, KS 65, and TX 57.

Ethanol production turned negative, down 4.6% last week but up 0.5% from last year. Stocks reached a new all-time high for this week of the year, up 0.7% from last week and up 4.5% from last year. Corn ground was 101.5 mb but needs to average 110.4 to meet USDAs increased yearly total of 5.450 bb.

Soybeans: Trendline yield for soybeans for 2024 was lower a tad to 51.9 bpa.

Have you noticed the premium for July24 for soybeans over August, today trading $0.

Planting Progress (PP) for soybeans at 87% was 8 pts behind last year but 3 pts ahead of the 5-year average. That still leaves over 10 ma not planted. Its G/E rating was 72%, well ahead of last year's rating, with IA and IN at 73% IL 69, OH 75, MI 68, WI/AR 73, MN/MS 71, ND 67, SD 80, NE79, KS 72, MO 64, and LA 83.

NOPA revised their April crush numbers, taking it up from 166 mb to 169.4 mb. They also increased soyoil stocks from 1.755 b lbs to 1.832.

Flash sales of 104,000 mt of soybeans was reported on Friday, going to China. Tuesday, another 104,000 mt was reported going to China. Is this the beginning of a trend? Still, China is absent from purchasing new crop soybeans, which is very abnormal.

Wheat: Harvest pressure is the biggest nemesis for wheat, which seldom rallies during the months of June and July for this very reason. Yet, Russia will still play a story, with their crop sustaining damage from 2 significant freeze events, followed by continued dryness and temperatures as much as 20 degrees above normal. While scattered showers have been popping, it is likely too little, too late for much of the crop, as the heat is forecasted to continue into July. Current estimates settle in the 80 to 82 mmt range, down from 92 mmt. This reduction is already factored into today's prices. We forecast final production will end up under 80 mmt. Some private estimates have it as low as 75 mmt. Low end estimates are always too low.

Europe has also seen freeze damage to its wheat, as well as conditions being too cold, too wet, too dry, and now too hot. Canada has also had issues with conditions being too dry but recently, showers have been reducing the risk of production losses. For these nations struggling with weather related losses, Russia, Ukraine, the EU, and Canada, represent the world's 1st, 2nd, 3rd, and 6th largest wheat exporting nations. You can ask if it matters regarding the price. We say it will, in time. The Three Big Bears in the room are the looming harvests, increasing yields in the U.S., and the U.S. being the provider of last resort.

Winter wheat (WW) conditions declined 2 pts, falling to 47% G/E. As of Sunday, harvested was 12% complete versus 7% last year. Texas was 47% done, Oklahoma 48%, with Kansas only at 5%. PP for spring wheat (SW) came in at 98% complete, 2 pts ahead of its 5-year average, with 74% rated G/E. Illinois has begun its SRW harvest and was 5% complete. Remember that double cropped soybeans can go on these acres and the earlier out the better it is for gaining additional soybean acres.

Global Tidbits: Brazil's new tax rules appear to increase taxes to grain exporters, making Brazilian exports more expensive, increasing competitiveness of U.S. exports. Brazil's producers, not sure of what this will do to them, sees them holding back sales, likely part of the reason for China showing up in Flash Sales this last week.

Bird flu headlines continue to roil the cattle market, keeping rallies in check.

The USD posted a massive, key reversal higher last Friday, helping to take grains down after their great rally on Thursday. Price gapped open higher Monday and held that gap open Monday and Tuesday. Higher highs will move the USD into an uptrend, keeping pressure on grains/commodities.

Russia's grain union has a different opinion of their wheat crop than does the Russian Ag Ministry. After multiple freeze events on very dry conditions and conditions flipping to hot and dry with 10 regions declared a federal emergency, they see greater losses ranging from 15 to 30%. From their beginning number of 92 mmt, a 15% cut would take it down to 78.2 mmt, which would send U.S. wheat prices higher when/if reported by the right/accepted group/government.