July 11, 2024 **#2129**

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: See lengthy discussion on sales, basis, and risk management below. Next MNU tomorrow.

Beryl: When one is forecasting summer weather many months in advance, one cannot forecast the arrival of a hurricane. Beryl not only hammered a fledgling rally in grains, but it also smashed many records. Only listing a few of those, Beryl was the earliest Cat 4 hurricane on record, earliest Cat 5, strongest June hurricane on record, largest rapid intensification in June, furthest east a hurricane has formed in June on record, the most accumulated cyclone energy by a storm in July, and the earliest hurricane to make landfall in Texas since 1986.

Beryl's rainfall path was a killer for any "decent" rally in grains from now – clear to harvest. We gave retracement objectives in our last MNU. Those will need to be readjusted after tomorrow's USDA's numbers are released.

Rainfall from a hurricane ripping through the lower Midwest, into and through the ECB, disrupts weather patterns for up to 10-days. What normally follows in the short-term are temperatures hotter than most forecast and much less rainfall for most locations in the Midwest.

If the high-pressure ridge, which has been pushed over the lower 4-corners ***(UT/AZ/CO/NV)***, remains stuck there for most of the summer, the ECB will continue to see its crops nursed along with sufficient rainfall and with no excessive heat worth mentioning. Our tracking of global weather occurrences has shown a stagnation of the pools of warm and cool waters in the Pacific and Atlantic. During this same time period, the growth of the current La Nina has greatly slowed, having forecasters pushing their drier Midwest forecasts further out. Between Beryl and a maturing La Nina, which is now on hold for a bit, time will run out on this La Nina for producing any ***significant*** yield reductions on this year's crops.

There are extreme similarities in price structures between 2024 and 2014, strongly suggesting if this week's lows do not hold, $3.93 in Sept24 corn and $11.15 in Aug24 soybeans, the downside remains substantial, requiring all to take whatever price protection one can, either through out right sales or buying puts – *if these price/support levels are breached***.** If one makes cash sales, one should not risk re-ownership until the fall lows are in. Price volatility can still be extreme during the next 2 months, creating much stress for those trying to play these price swings.

While there will be rallies and price falls in the months ahead, for those who can manage options, one could look at buying 2 puts against every 5000 bushels you are needing to protect. A $0.30 price drop could put $0.20 to $0.30 additional price gain in your pocket.

As price falls, basis levels will tighten. If the USDA gives a negative report, look at setting basis next week. If there is a surprise and the report is bullish to any degree, lock basis later on Friday. *Also, do not expect any big rally in futures*. *Begin pricing old crop on rallies*. Minimum expectations will be in tomorrow's MNU and updated through our texting service.

Technically, RSI and stochastic indicators tell us grains are extremely oversold, with bullish divergence showing. This indicates that profit taking should ensue soon, a rally where sales need to be made. **Rallies will not last long**. A one- or two-week rally may be all we get before selling sets in again, no doubt sparked by another rain event. We will provide a revision, or an update to last week's retracement projections, after we see USDA's numbers and see the market's reaction to them. They will be in tomorrow's MNU.

In 2014, corn's low arrived the 1st week in October, with the high in 2015 arriving in July. The 2014 high was also in May at $5.19. The October low in 2014 was $3.18. Soybeans fell from $15.37 in May to a $9.04 low in October.

One would like to argue that inflation should allow corn to hold $4.00 and soybeans $11.00, but we won't. If rains continue, as we suspect they now will, Funds will follow their script of rains making grain. Then seasonals and timing will kick in, which will maintain pressure on grains. Remember how rains have destroyed 2 ma or more in SD, NE, MN, IA, and WI and all the trade did was play the rain card. History has shown them that odds greatly favor higher yields, no matter how much it rains. That fact will hit grain prices with each new rain event ***(there is one forecasted for mid next week)***, likely killing a rally that too few jumped on because it was not anywhere as high as hoped or projected. *Expect everything to work against us over the next 3 months, to deliver as many bushels as possible to the end users, at the lowest possible price*.

We acknowledge traders do not care about what happens in the Western or Northern CB. As long as the ECB has it good, Funds will feel confident being and adding to shorts. By USDA's numbers, producers hold more bushels on-farm today than they did last year. This will also derail any significant rally attempts, as producers let bushels go on any quick, sharp rally. Unfortunately, that will force others to do the same, too. Don't be slow! You know their game.

Ready yourself to price all remaining old crop corn and soybeans, as well as all necessary new crop sales; *at least 25% for cash flow purposes*. The odds are high that basis levels will be near their best level of the year, in most areas, this Friday/Monday. USDA's report will give us a better understanding of when that will be.