July 12, 2023 **#2067**

LOOKING FORWARD WITH A BACKWARD GLANCE

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

Grain Sales Recommendations: Texted to buy short-dated corn puts before this report to protect. ***"Need to price new crop corn before harvest? Consider buying short-dated puts before tomorrow's report to protect against the USDA putting out negative corn numbers Wednesday. If yes, the most profit would be made in the first 24 to 72 hours."*** Complete old crop wheat sales on a rally to $8.75 in Sept23 K.C. futures. Looking for a retracement rally to finish pricing old crop corn. Will assess potential retracement points for corn after this week's close. Not looking to price soybeans after today's price break. Will also look at this after this week's close. Next MNU by July 23rd, if not sooner.

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Technicals Plus: Once again, the USDA threw a wet towel over what nearly everyone believed would be a friendly, too bullish, soybean data dump today. Nothing presented in their June Quarterly report gave a clue they would manage stocks this way. The USDA will slow walk lessening yield potential, avoiding giving the market any additional reasons to rally. **Dec23 Corn** ran back down to test support from $4.75 to $4.80. Stops were ran when price ran down to $4.74, followed by a rally back to $4.84, before falling back to close at $4.762. **Nov23 Soybeans** rallied this week to $13.602, before today's report posted a key reversal lower on the charts and closing the day at $13.276. Support is seen at $13.25, with resistance at $13.75. USDA's numbers will produce short-term headwinds for soybeans. We do need to see where prices close on Friday to get a better handle on how the trade will deal with today's numbers. **Sept23 K.C. Wheat** held psychological support of $8.00, closing at $8.03. While old crop stocks fell 18 mb to 580 mb, it is 2023/2024 stocks causing the problem, with the USDA raising them to 592 mb from 561 mb. 2023/2024 global stocks were reduced from 270.7 mmt to 266.5 mmt. The trade will need to digest these numbers to determine which number they find most relevant to U.S. prices. The **USD** must deal with some truths. One is BRICS+, with their actions to move away from the USD, seemingly having an effect. Since last Friday, the USD has fallen from 102.867 to 100.220. Today alone, the USD has fallen over 1.000. This is longer-term, bullish grains/commodities. **Crude Oil** moved above resistance today. What is up with **Rice**? Been sharing the story in past MNU's. Still a growing ***(shrinking)*** issue.

July 12th USDA Grain Stocks Report:

U.S. Production 23/24		**Avg Guesses**	**June 2023**	**2022/2023**
Corn –	15.320 bb	15.149 bb	15.265 bb	13.730 bb
Soybeans –	4.300 bb	4.250 bb	4.510 bb	4.276 bb
All Wheat –	1.739 bb	1.677 bb	1.665 bb	1.650 bb
Winter –	1.206 bb	1.154 bb	1.136 bb	1.104 bb
HRW –	0.577 bb	0.529 bb	0.525 bb	0.531 bb
SRW –	0.422 bb	0.408 bb	0.402 bb	0.337 bb
White –	0.207 bb	0.209 bb	0.209 bb	0.236 bb

U.S. Average yield 22/23		**Avg Guesses**	**June 2023**	**2022-2023**
Corn –	177.5	175.8	181.5	173.3
Soybeans –	52.0	51.4	52.0	49.5

U.S. Ending Stocks 22/23		**Avg Guesses**	**June 2023**
Corn –	1.402 bb	1.406 bb	1.451 bb
Soybeans –	0.255 bb	0.235 bb	0.230 bb
Wheat –	0.580 bb	0.583 bb	0.598 bb

U.S. Ending Stocks 23/24		**Avg Guesses**	**June 2023**
Corn –	2.262 bb	2.166 bb	2.257 bb
Soybeans –	0.300 bb	0.206 bb	0.350 bb
Wheat –	0.592 bb	0.565 bb	0.561 bb

World Ending Stocks 2022/23		**Avg Guesses**	**June 2023**
Corn –	296.3 mmt	297.8 mmt	297.6 mmt
Beans –	102.9 mmt	101.3 mmt	101.3 mmt
Wheat –	269.3 mmt	266.2 mmt	266.7 mmt

World Ending Stocks 2023/24		**Avg Guesses**	**June 2023**
Corn –	314.1 mmt	312.4 mmt	314.0 mmt
Beans –	121.0 mmt	120.4 mmt	123.3 mmt
Wheat –	266.5 mmt	270.8 mmt	270.7 mmt

South American Production		**Average Guess**	**June 2023**
BRAZIL			
Soybeans –	156.0 mmt	156.2 mmt	156.0 mmt
Corn –	133.0 mmt	132.8 mmt	132.0 mmt
ARGENTINA			
Soybeans –	25.0 mmt	23.6 mmt	25. 0 mmt
Corn –	34.0 mmt	34.3 mmt	35.00 mmt

USDA's Numbers: Wowsers! We start with **Soybeans**, where the USDA did their magic. They began by raising old crop stocks from 230 mb to 255 mb. They got that number by cutting exports by 20 mb and seed for use by 5 mb. Next, total production was placed at 4.3 bb and they left their yield estimate unchanged. We figured that one. They are not going to reduce stocks at this time if they can avoid it.

While the trade guess for 2023/2024 soybean stocks was 206 mb, we figured the USDA would want to keep it high to manage food inflation and keep costs down and profits high for their biggest donors. Right or wrong, by cutting crush demand by 10 mb and slashing 125 mb from exports, the USDA managed to come up with a nice round number of 300 mb for carryover stocks in 2023/2024. This number was 30 mb above the average trade guess. To add to their play, they left Argentina's production unchanged at 25 mmt, about 4 mmt higher than Argentina's estimate. Need to track that to see who ends up being right. Dumbfoundead are we by this decidedly negative carryover stocks number, to see the USDA raise the average farmgate price from $12.10 to $12.40/bu.

With all the number changes where the U.S. carryover stocks were increased, the USDA still managed to cut global soybean stocks from 123.34 mmt to 120.98 mmt, losing 2.36 mmt.

For **Corn**, the USDA did lower their yield estimate from 181.5 bpa to 177.5 bpa, or down 4 bpa. After increasing planted acres to 94.1 m, that netted a production number of a record 15.32 bb, up 55 mb from June. That worked out so nice, increasing acres and cutting yield so net/net, total production saw a small increase this month and new crop ending stocks ended up just 5 mb to 2.262 bb. Demand was left unchanged, with new crop exports set at 2.1 bb. USDA did raise old-crop feed and residual use 150 mb from June, offsetting their export reduction of 75 mb to 1.65 bb. With all the changes and with final numbers barely changing, the USDA left the average farmgate price unchanged at $4.80/bu.

Wheat numbers showed an increase in all wheat production to 1.739 bb, up from 1.665 bb. Old crop ending stocks for wheat fell to 580 mb from 598 mb, with 2023/2024 ending stocks up from June's 561 mb to 592 mb. Winter wheat production was pushed up 6% from their June forecast and up 9% from last year's. Yield estimates, as of July 1, came in at 46.9 bpa, up 2 bpa from last month but down 0.1 bpa from last year's average yield of 47 bpa. HRWW production was set at 577 mb, up 10% from last month. Rain seems to have replenished the crops more than anticipated. Wheat's average farmgate price was lowered $0.20 to $7.50/bu.

Corn: July deliveries in corn of 53 contracts finally showed up, with ADM stepping in to take them.

The G/E corn rating for corn rose from 51% to 55%, with NE making the greatest gain of 13% to 62%. IA & MN tied at 61%, with ND & OH also tying at 67%. The greatest gains, other than NE, were made by SD & KS, which added 7 points, with MI adding 3. PA was the greatest loser, dropping 14 points, with TN & CO dropping 4, and TX 3. Would you believe corn's index score of 2 weeks ago projected a 168.1 bpa yield. This last week's index score of 347, up from 340 from the previous week, increased yield to 171.7 bpa.

Brazil's corn prices continue to trade below that of the U.S. and near their lowest levels in over 2 years, equal to $4.64 on the July 23 contract.

<u>Soybeans</u>: Deliveries of soyoil jumped, after seeing zero deliveries at the beginning. Soyoil had 543 contracts delivered against the July contract, most coming from ADM. Cargill gobbled them up. Supporting soybean oil was Malaysian palm oil stocks, which came in much lower than expected this week at 1.72 mmt. Also, with the Canadian drought, canola stocks are expected to fall, keeping vegetable oil supplies tighter.

Soybeans' G/E rating rose only 1 pt to 51%. NE rose 12 pts, with LA up 12, NC 8, SD 5, and IL 6. Down went G/E rating in IA by 1 pt, MN -3, and ND & TN -6. Soybeans' index rating was 339 last week, suggesting a soybean yield of 49.4 bpa. One would think the USDA would use some of the data they collect in their reports. Then again, someone told us if that data does not fit their models, they do not use it? Their data does not fit their model??

<u>Wheat</u>: July K.C. wheat saw 55 contracts delivered this week. Spring wheat ***(SW)*** saw its G/E fall from 48% to 47%. North Dakota increased 2 points to 42%, while Montana fell 8 points to 50%. With a mostly dry forecast for the Northwest, one can expect their ratings to slide more in the future. HRWW harvest continues slow at just 46% done versus their 5-year at 59%. This was a bit bullish, as the trade was looking for 51% done.

HRWW issues are well known. But SW issues continue to rise, while reporting on them seems to be a bit slow. The index score for SW is only 329, the 7th lowest in about 40 years. We keep pointing to the drought in Canada, which is affecting its SW crop. Russia is having drought issues with theirs, too. MN wheat is in an uptrend and did post a new high close for this move over $8.60, having beat on that door for 5 days before closing above it today. Resistance lies from $8.90 to $9.00. Getting through that level opens the door for $9.75.

Russia hit the Port of Odessa, which according to the Black Sea Agreement, they are not supposed to. We have stated if they are going to move this war forward, they need to totally disrupt Ukraine's food supplies. That means going after their ocean ports and facilitating infrastructure. This may be a one-off. Time will tell. This was supportive of wheat and corn Tuesday, as this increases the fear that this time, Putin is not crying wolf when it comes to NOT renewing the grain shipping agreement.

<u>The War</u>: The Black Sea Agreement expires or is extended on Monday, the 17th. Most believe it will not be extended.

<u>Weather</u>: The current weather pattern has been, and continues to be, mostly unpredictable. A pattern change begins next week. Where the dominant high-pressure ridge sets up next week, the low pressure off the U.S. Northwest Coast, and the high pressure above the Northern Plains, will determine where the ridge-riding storms slide through. Current estimates are that these storms will generally be running through the Southern Midwest. We wonder if they will catch southern Kansas and most of Oklahoma again.