



August 11, 2023

#2073

LOOKING FORWARD WITH A BACKWARD GLANCE

A Product of 247.Ag

Current Sales:	2022 sales:	corn	75% -100%	soybeans	75% - 100%	wheat	100%
	2023 sales:	corn	0%	soybeans	0% - 25%	wheat	40%

Grain Sales Recommendations: For any old crop corn left, we would target Dec23 corn at \$5.24 to complete sales. Basis levels should have been set some time ago. Think about re-ownership of past sales in the weeks ahead. For any remaining soybeans, watch for price objectives in texts and MNU's. The next MNU by August 20th.

Re-ownership of past sales, old crop or new, is on the table again this year. They have served many well these last few years. Higher is our call into the 1st Quarter of 2024. Looking for potential lows yet this month or into September. Basing action soybeans is occurring in soybeans, whereas corn closed very poorly today. Lows for corn are not uncommon in July or August. We believe there is a good chance the Pro-Farmer Tour will surprise the trade on corn. It is difficult to believe soybeans have yet bottomed out, but chart action suggests a potential, early summer low lies ahead. Gulf basis for corn has risen this week, suggesting new export sales.

For new crop soybeans, we prefer to hold for a \$1.00 to \$2.00 additional price gain into Q1 of 2024.

Technicals Plus: **Dec23 Corn** closed at \$4.872. This was not a new low close, but it was a new low close on the weekly chart. On the daily chart, today's chart action was very negative, as price printed a key reversal lower. Corn will trade lower on Monday, if there are no new, overriding actions in Ukraine. \$4.80 is 1st line support, followed by \$4.75. Below that, \$4.60. **Nov23 Soybeans** closed at \$13.074, having once again maintained support at \$13.00, refusing to close below. **Sept23 Meal** double topped on its weekly chart at \$450, closing today at \$410.30. Sept23 Soyoil failed to hold above \$65, but did hold support of \$62.50, closing at \$64.13. Soyoil continues to pull in friendly news. Dec23 KC Wheat put in a new low close over last week's and a new low for its current downtrend, closing at \$7.66. In our opinion, its downside target is \$7.40. When price reaches that general area, those looking to re-own can begin piling in.

Future USDA Reports: Future reports, Sep.12, Oct. 12, Nov.9, and Dec. 8.

August 12th 2023 USDA Grain Stocks Report:

<u>U.S. Production 23/24</u>	<u>Avg Guesses</u>	<u>July 2023</u>	<u>2022/2023</u>
Corn – 15.111 bb	15.126 bb	15.320 bb	13.730 bb
Soybeans – 4.205 bb	4.238 bb	4.300 bb	4.726 bb
All Wheat – 1.734 bb	1.740 bb	1.739 bb	1.650 bb
Winter – 1.206 bb	1.204 bb	1.206 bb	1.104 bb
HRW – 0.585 bb	0.585 bb	0.577 bb	0.531 bb
SRW – 0.440 bb	0.424 bb	0.422 bb	0.337 bb
White – 0.239 bb	0.208 bb	0.207 bb	0.236 bb

<u>U.S. Average yield 22/23</u>	<u>Avg Guesses</u>	<u>July 2023</u>	<u>2022-2023</u>
Corn – 175.1	175.4	177.5	173.3
Soybeans – 50.9	51.2	52.0	49.5

<u>U.S. Ending Stocks 22/23</u>	<u>Avg Guesses</u>	<u>July 2023</u>
Corn – 1.457 bb	1.400 bb	1.402 bb
Soybeans – 0.260 bb	0.250 bb	0.255 bb
Wheat – 0.580 bb	0.579 bb	0.580 bb

<u>U.S. Ending Stocks 23/24</u>	<u>Avg Guesses</u>	<u>July 2023</u>
Corn – 2.202 bb	2.179 bb	2.262 bb
Soybeans – 0.245 bb	0.261 bb	0.300 bb
Wheat – 0.615 bb	0.594 bb	0.592 bb

<u>World Ending Stocks 2022/23</u>	<u>Avg Guesses</u>	<u>July 2023</u>
Corn – 297.9 mmt	296.9 mmt	296.6 mmt
Beans – 103.1 mmt	102.8 mmt	102.9 mmt
Wheat – 268.4 mmt	269.4 mmt	269.3 mmt

<u>World Ending Stocks 2023/24</u>	<u>Avg Guesses</u>	<u>July 2023</u>
Corn – 311.1 mmt	314.2 mmt	314.1 mmt
Beans – 119.4 mmt	120.0 mmt	121.0 mmt
Wheat – 265.6 mmt	266.0 mmt	266.5 mmt

USDA's Numbers: The USDA's yield numbers came in just a bit lower than was the average trade guess. For **Corn**, the USDA jumped old crop ending stocks 55 mb, increasing new crop beginning stocks to 1.457 bb. Production for 2023/2024, lowered to 175.1 bpa from 177.5 bpa, cut out 209 mb. For 2023/2024 demand, seed and industrial use was cut 20 mb, total domestic use was cut 45 mb, with ethanol demand left unchanged. Export sales were cut another 50 mb to 2.05 bb. Global ending stocks were lowered 3.07 mmt to 311 mmt. The USDA upped Ukraine's corn production by 2.5 mmt to 27.5 mmt, while holding the line on their exports at 19.5 mmt. Brazil's production increased 2 mmt to 135 mmt, with exports unchanged at 56 mmt. Argentina's production and exports were left unchanged at 34 mmt and 22 mmt, respectively. National farmgate price was increased \$0.10 to \$4.90. Interestingly, support for Dec23 corn

futures. For **Soybeans**, the USDA lower yield 1.1 bpa to 50.9. bpa and from the average trade guess of 51.2 bpa. 2023/2024 carryover was lowered 79 mb, for a total beginning supply of 4.496 bb. The USDA lowered exports for 2023/2024 25 mb, producing a net decline of 55 mb, netting 245 mb for ending stocks. The average farmgate price was increased \$0.30 to \$12.70. Global ending stocks for 2023/2024 were lowered 1.6 mmt to 119 mmt, nearly all from lower U.S. production. **Wheat** saw some negative numbers, which weighed on corn and soybeans today. The USDA increased wheat's ending stocks from 592 mb last month to 616 mb today. Lots of numbers for all the different wheats, which we will not go through here. All wheat production was lowered 5 mb. Global stocks saw just a little change. Net acres for wheat production was increased, with the average farmgate price left unchanged at \$7.50.

Corn: We put out information in the MNU's, on Twitter, and through texting. Not much of the Twitter data makes it into the MNU's. Near 100% of our posts on Twitter include photos. Only once in a while will we post photos herein, as some internet services seem to see them as spam, blocking receipt. We work to get most of the texted information into the MNU's. Some items we repeat on purpose, due to the fact we see them as important.

Though we could be wrong, we believe the USDA will be high on the corn yield estimates, caused by their methodology. Even DTN's Digital Yield Tour admits its model does not account for early stress/crop losses to crops. Early losses to corn production will be a greater shock to the market, as soybeans can make up much of their early losses where corn cannot. Corn will make up much less of their early losses compared to soybeans.

We have received numerous reports from a number of states of producers who were "shocked" at the yield losses they discovered when they walked into their corn fields. From the outside, their fields "looked good". G/E ratings are based on "looks", correct? Rains came after early production losses for many, bringing on new and even lush foliage, giving fields a good look. If current modeling does not or cannot determine early yield losses, we would certainly surmise final production will be lower than what is currently estimated.

A Missouri producer walked into his good-looking field and discovered nearly 100% of his field did not pollinate. An Iowa producer walked his good-looking fields this week to discover very poor pollination, along with severe tip-back. His AHP is over 250 bpa and stated this will be their worst production year since 1977. His estimation is for a 30% to 40% haircut, not over 180 bpa, likely above 150 bpa.

A Twitterer posted that he drove from Wisconsin to Arkansas and back this week, along the I-90/I-35/I-49 corridor, and the crops look awful, stating he believes we are being taken for a ride. Would that be nothing more than determining yield based on good looks? G/L gets corn a G/E rating of 57% this week.

The Digital Tour estimated U.S. state corn yields, placing IL at 197 bpa versus a June guess of 140 bpa. *(Remember that this model cannot project early stress related yield losses.)* IN came in at 194, OH 191, NE 189.5, WI 172.2, KS 150.7, MO 150.1, and IA the only state above 200 bpa at 202.

Corn's G/E rating rose from 55% to 57%, with the best being IN at 64%, TX 62, NE/ND 61, IA 59, and IL at 58. The worst of the worst were MN at 43% and MO at 29. IL jumped 11 points on "good looks", with SD up 5, and NE/OH/NE/MO all up 4. Those who suffered from the lack of rain last week were WI/KS, which were down 2 points, MN down 4, and TN down 5.

The greatest negative to corn prices is Brazil's bumper crop, allowing China to bypass the U.S. for its corn needs. This goes to demand, which the Bears keep hammering on. It is real. It is an issue. And did you see that China is entering deflation! That is not good for demand. The question is still out to if China is covering needs or building reserves. These are high prices when compared to a few years ago. In their eyes, is it good value? If yes, the conclusion is they see higher prices ahead. Another draw would be losses from another poor production year, including the typhoon which flooded/damaged many acres, with current loss estimates as high as 5%. That loss to the U.S. crop would drop us from 181.5 bpa to 172.5 bpa, or about 770 mb if it were in the U.S.

Where will China's demand for U.S. corn be in the future? China is the 2nd largest producer of corn, harvesting 277 mmt last year, with the U.S. 1st at 349 mmt, and Brazil 3rd at 132 mmt. Most corn produced is used for animal feed. China's corn needs are about 250 mmt. China's goal, as we have seen, is to cut its reliance on importing corn, especially U.S. corn. China struggles in this regard because its corn yields run about 41% that of U.S. corn yields. They have contaminated much of their farmland and like the U.S., loses acres every year to urban sprawl. Another issue they have is rejecting genetic modification (**GMO's**) for increasing yields. But as long as a hostile environment exists between China and the U.S., China's push to break its dependence on the U.S. will continue, which will only be to the detriment of the U.S. producer.

Like the U.S., China had record hot weather during pollination, like some areas in the U.S. did. Pollination likely suffered. But you will not hear about it first. It will show up in Chinese buying, both from Brazil, then the U.S. Pay attention. This ties into rice and wheat shortages, and the GGFC.

Like with soybeans, they talk about big corn yields in Brazil. Yet, Argentina lost some 15 mmt from their corn production, with Brazil likely replacing that amount. So, net/net, South American corn production matches initial projections?

And for the U.S., its corn exports are on track for their lowest level in 10-years.

Soybeans: Nov23 soybeans held its 100-day this week at \$12.83, never closing below the psychological price of \$13.00. While we believe technicals and seasonals, plus rains, will eventually bring us even lower prices over the next month or so, that does not mean rallies cannot occur in the interim.

We were surprised to see a crush value number of \$5.44/bu in print. Even though we reprinted it, we will put a question mark on it. If it is \$1.50/bu too high, that lower price would still command demand for soybeans to grab that profit margin, which is near a historically high value. Our normal reporting source said U.S. soybean crush value this week was \$3.84/bu, one of the highest profit margins on record.

Soybeans only need 46 mb loaded out to meet USDA's projected exports of 1.98 bb for 2023/2024.

The Digital Tour has estimated that the soybean yield for IL will come in at 60.2 bpa (**63 bpa in 2022**), with IN at 58.9, OH 58.7 (**a new record if reached**), NE 55.6, IA 58.4, KS 39.0, MO 48.4, and WI at 51.2. Nebraska's yield came in below its 5-year average, Iowa above, and Wisconsin right on.

Wheat: Not much to say about wheat. When war concerns cannot lift prices, all one can do is wait for seasonals to turn up or some other factors come to the market to turn traders' attitudes. Needy nation's governments are working back channels to keep wheat moving out of Ukraine and Russia to satisfy their nation's people.

For now, the trade is ignoring the growing damage to Ukraine's grain infrastructure. Likely what we will see is what history has shown. It is never a problem until it's a problem. Then prices skyrocket. Of the 3 grains, wheat continues to hold the most bullish factors. Soybeans are bullish long-term too, just different bullish factors.

A bonus for wheat this week was last week's export sales, which were the highest total for this marketing year and the largest in about a year.

Crude Oil/Energies: Are you watching? We have harped on getting fuel needs bought through the 1st half of 2024. Do not need to go there, then. But higher energy prices are beneficial to ethanol grind and soybean crush profits. So, as goes energies, so should grains. ULSD closed at \$3.20 this week, its best close to date in 2023, after it was reported stocks fell by 2 mbbls. For the month of July, July crude was up 16%. U.S. exports of biodiesel were up 29% the 1st half of 2023 from a year earlier. That is continued bullish news for crush and soyoil.

Short Notes: Bears have the deck stacked against the producer and higher prices. The government's need to suppress food price inflation leads to their decisions. It has been put out there that world governments are working to do the same in the attempt to diminish fears of potential food shortages from the GGFC. Supply shortages of rice are of a major concern. Seasonals and rains also feed the Bears, allowing algorithms to rule the nest until bases are formed in grains, timing suggests it's time to go long, the war continues to heat up, or weather worries in South America boil to the top. India reduced wheat import duties for southern ports in an effort to manage food price inflation. When a nation does this it generally means production of that crop is not as high as they report. This is a Big Deal, as India tends to be a major exporter of wheat/grains.

China's soybean price has risen to its highest price since February, \$18.36/bu. China's July imports were 12% lower than a year ago. China is forecast to import 23 mmt of corn in 2023/2024 versus last year's imports of 18 mmt. Soybean imports for China for 2023/2024 is forecasted to rise to as high as 104 mmt.

Flash sales this week, 132k and a 2nd one of 251k of soybeans to China, with 251.46k corn to Mexico, all for the 2023/2024 marketing year.

Ethanol production fell 4.1% last week, to its lowest level in 2 months. Ethanol stocks were unchanged, with grind at 102.8 mb versus needing to grind 92.4 mb. Some plants were down for maintenance.

NE and IA Attorney General's sued the EPA for missing the deadline to finalize a rule to allow permanent year-round E15 sales in 8 Midwest states.

Pro-Farmer missed IL corn production by 16 bpa in 2022. Hands on will be Pro-Farmer when they have their Tour August 21st through August 24th. We believe they will deliver some surprises.

Last week, JP Morgan stopped processing grain payments to the Russian Ag Bank. Russia has said they will not get back into the Black Sea Agreement until their bank is reconnected to the SWIFT international payment system. JP Morgan had been offering a work-around. That would be a slap in the face to Putin.

Ukraine stated this week, after hitting a Russian vessel, that ANY vessel coming in or out of Russian ports is a potential target. Since mid-week, attacks have slowed.

Two typhoons hit China, causing major flooding, ravaging crops, destroying rice fields, raising food security concerns. The flooding was where the bulk of China's corn and soybean production is. The flooding raised China's corn prices over a 5-day period by nearly 5%.