September 12, 2023 **#2078**

LOOKING FORWARD WITH A BACKWARD GLANCE

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

Grain Sales Recommendations: Last week we recommended taking today's price, with your basis lock, and re-owning those bushels in Nov23 soybeans, owning 1 contract of soybeans for every 10,000 bushels of corn. *(Remember, when making your 1st grain sales in 2024, your long future contracts get sold first!)* Next MNU no later than September 22nd.

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

Technicals Plus: In a market where supply is not an issue, the month following the lead month tends to fall to the price the lead month closes out. Watch where Sept23 corn goes off the board. That could be a price target for **Dec23 Corn**. Sept23 has a current low of $4.59. Last week we wrote, ***"USDA's report should give little to support. Historically, in a supply burdened market, price tends to fall to the previous month's low. Sept23 corn posted a low of $4.59, suggesting if corn gives it up next week on negative USDA numbers, $4.60 will be its next downside objective."*** Support of $4.81 has held on a weekly close for weeks. Today, that was broken. Corn's shallow uptrend line was broken. To change today's negative price action from USDA's negative numbers, Dec23 corn needs a weekly close at or above $4.81. Today's close suggests price will see a new low trade tomorrow, which would mean a trade below $4.734. But price did not make a new low close! Price closed at $4.754 on August 15th. Today's close was $4.764. We call that a win, at least for 1 day. **Nov23 Soybeans** disappointed today, moving to a new low for this move, considering the growing fundamental bullishness of this market. The USDA is standing firmly in refusing to print carryover stocks below 220 mb, let alone 200 mb. As printed last week, ***"A seasonal low is usually printed when soybean harvest is over 50% complete. Not the case this year, with its low already set on August 8th at $12.82. We need to have this week's close above $13.61. If not, the next support level, psychological, would be $13.50, followed by a 50% retracement of its last rally of $13.45."*** Today's low tick of $13.406 ran stops below $13.45, while closing above its 50% retracement at $13.464. Price is holding below a convincing, short-term downtrend line. Resistance is this line, which would run through about $13.65 tomorrow. Next significant support is $13.25. Funds trading seasonals could keep prices steady to lower the next 3 weeks. We doubt that will occur.

Lower than expected yield results will eventually force prices through overhead resistance. Not sure if prices will need their usual 4 to 5 days of testing support before prices turn higher. U.S. stocks support higher prices, while global stocks do not. U.S. stocks dictate U.S. prices more so than global stocks. **Dec23 K.C. Wheat** tested $7.20 support 4 times now, each time closing back above. Today's close was $7.306. Last week we wrote, ***"Commercials are net-long all 3 wheats, suggesting lows are in or are very close."*** Today's numbers and today's price action says the lows are in. ***Wheat is the most bullish of all 3 grains***. Resistance is $7.50 and a close above this level moves wheat into an uptrend. Its next resistance level is $7.70.

Future USDA Reports: Future reports, Oct 12, Sept 29 – USDA Quarterly stocks report, Nov 9, Dec 8, and Jan 12, 2024, USDA Quarterly stocks report.

September 12th USDA Grain Stocks Report:

U.S. Production 23/24		**Avg Guesses**	**August 2023**	**2022/2023**
Corn –	15.134 bb	14.994 bb	15.111 bb	13.730 bb
Soybeans –	4.146 bb	4.139 bb	4.205 bb	4.276 bb

U.S. Average yield 23/24		**Avg Guesses**	**August 2023**	**2022-2023**
Corn –	173.8 bb	172.3 bb	175.1 bb	173.3 bb
Soybeans –	50.1 bb	50.0 bb	50.9 bb	49.5 bb

U.S. Ending Stocks 22/23		**Avg Guesses**	**August 2023**
Corn –	1.451 bb	1.459 bb	1.457 bb
Soybeans –	0.250 bb	0.256 bb	0.260 bb

U.S. Ending Stocks 23/24		**Avg Guesses**	**August 2023**
Corn –	2.220 bb	2.127 bb	2.202 bb
Soybeans –	0.220 bb	0.213 bb	0.245 bb
Wheat –	0.615 bb	0.614 bb	0.615 bb

World Ending Stocks 2022/23		**Avg Guesses**	**August 2023**
Corn –	299.5 mmt	294.9 mmt	297.9 mmt
Beans –	103.0 mmt	103.0 mmt	103.1 mmt
Wheat –	267.1 mmt	268.3 mmt	268.3 mmt

World Ending Stocks 2023/24		**Avg Guesses**	**August 2023**
Corn –	314.0 mmt	310.3 mmt	311.1 mmt
Beans –	119.3 mmt	118.5 mmt	119.4 mmt
Wheat –	258.6 mmt	265.0 mmt	265.6 mmt

USDA's Numbers: USDA's fun with numbers.

We were concerned the USDA would raise acres and cut demand, which they did. But they slapped corn with every negative they could. By new crop ending stocks, 2023/2024, the estimates looked bearish for corn, bullish soybeans, and neutral wheat. By world stocks for

2023/2024, it is bearish corn and soybeans, bullish wheat. When Russia's wheat exports slow to a crawl in 2 to 3 months, wheat will rise, if not sooner.

Corn production was cut just 1.3 bpa, with the average trade guess being a cut of 1.8 bpa. By raising acres an additional 800,000, the USDA was able to bump harvested acres to 87.1 m, netting an increase to ending stocks of 19 mb, bringing them to 2.221 bb. Total acres planted came in at 94.9 m. Good weather and farmers' propensity to plant more acres when possible has come back to bite. On the surprise side, the USDA left exports unchanged at 2.05 bb, as well as ethanol demand at 5.3 bb. We guess we better give thanks that the USDA did not cut exports again, otherwise it could have been a bloodbath today, even though today's break lower was not good at all. The USDA also left the farmgate price unchanged at $4.90/bu. Corn's global stocks increased 2.94 mmt, now up to 313.99 mmt. That will be another negative hanging over the corn market. Brazil's corn production was increased 2 mmt to 137 mmt, with their exports increasing 1 mmt to 57 mt. The USDA cut **Soybean** yield from 50.9 bpa to 50.1 bpa, lowered old crop stocks 10 mb, cut crush 10 mb, and cut exports by 35 mb. We will argue they cannot cut crush because of meal shortages out of Argentina and new crush plants coming on-line for 2023/2024. USDA's 220 mb carryover number, down 25 mb from last month, is a number the USDA does not want to go below. Another 1 bpa reduction in October would take carryout down another 80 mb. The USDA cannot cut crush and exports by another 60 mb to maintain a carryout at or above 200 mb. Their October dance will be interesting. All changes had them leaving the farmgate price unchanged at $14.20. ***(As a point of interest, soybean prices on the board easily trade $1.00 over and under the posted farmgate price. That makes today's board price a good buy.)*** Brazil's and Argentina's production estimates were left unchanged at 163 mmt and 48 mmt, respectively. For **Wheat**, we want to point out that global stocks continue to fall, now placed at 258.6 mmt. The USDA made a few changes with wheat, as well as its farmgate price, unchanged at $7.50/bu. Ukraine's wheat production was increased 1.5 mmt to 22.5 mmt, with Russia's left unchanged at 85 mmt.

Corn: Falling wheat prices and the strong USD has been a continued pain in corn's side. Monday's export inspections/loadings continue to show a gradual increase, despite Brazilian competition. Loadings yesterday were reported at 24.5 mb, with 8.8 mb to China. Corn's equivalent price in China was $9.22, giving rise to thoughts China will/should be buying some U.S. corn. Still waiting for something in Flash Sales.

Demand issues will continue to be a negative hanging over the corn market, until it isn't. That will have the USDA cutting export demand until demand begins showing up.

Some respected forecasters have corn production under 170 bpa, with a few under 165 bpa. To support these views, an agronomist reported that the extreme hot and dry conditions will have caused some corn fields to lose up to 30 bpa. This would be from kernel abortion, ear droop, kernel shrinkage, and light test weight. As reported earlier, a producer from South Dakota walked his "irrigated" fields, after this heat stroke, and computed a 23 bpa loss. Imagine what dryland corn lost.

It will be near impossible for this year's corn production to even match last year's. Consider the Top 5 corn producing states where 3 of them have G/E ratings sharply lower than last year's.

Iowa, the #1 producer, has a G/GE rating of 46%, down 22 points from last year's 66%. Illinois is rated at 57% versus 71%, with Minnesota at 39% versus 62%. This gives those arguing 170 bpa or less, good fodder.

How did states do this week when compared to last week with corn's G/E rating falling 1 point to 52%? PA was down 7 points, WI -4, IA/SD/NC -3, KS -2, IL/IN/KY -1, NE/MN/TX 0, OH/ND/TN +2, MO +3, MI +4.

Soybeans: Loadings were not impressive for soybeans at just 11.4 mb. But new crop sales are increasing and total 585 mt to date for the 2023/2023 marketing year.

Had a 185k mt sale of soybean meal to the Philippines reported yesterday. We will see more business like this since Argentina is short soybeans and will have issues keeping their soybean crush facilities operating at 100%. Those who would normally be buying from Argentina will need to come to the U.S. for their needs, forcing U.S. crush facilities to increase their crush rate. This "shortage" out of Argentina will continue until they get some new crop soybeans harvested, which would not be until the March/April time frame of 2024.

Reaching ahead, they are already forecasting increased acres in Brazil for 2024, up 3%, producing a record **(*always a record forecast*)** production of 164 mmt.

China reported total imports in August were down 7.3% from last year, the 4th month of annual decline. That adds fear of China's economic issues. They reported August soybean imports were up 31% from a year ago. Well, people and pigs need to eat no matter what. Their soybean price was reported at $18.41/bu.

Brazil is struggling to get their soybeans down to 13% or less. Many loads are going to China from 15% to 17% moisture. Those will not store well. This aids the U.S. in moving our soybeans. They can do what our elevators do and blend them! Why would Brazil pay the cost of drying if China takes them anyway? China is likely going to renegotiate their contracts with Brazil to fix this. Bet it does not happen until next year.

U.S. soybean crush is earning $16.46/bu. Profit margins continue to run on the high side of average.

Veg oils have been a drag on soybean oil, trading lower through September, which has been weighing on soybean prices.

Soybean G/E rating fell 1-point last week to 52%. Winners and losers were LA, which was down 8 points, IA -5, SD -3, MN/KS -2, NE/IN/OH/MI/MO/KY -1, IL 0, MS/TN +1, WI +2, ND/AR/NC +4.

The explosion and fire at ADM's Illinois soybean processing facility in Decatur on Sunday injured 8 workers. This plant produces soybean oil and whit flake. This plant is now idle, as is ADM's adjacent corn processing plant. It is also the 2nd fire at this facility in the last 2 weeks. This is a bigger deal, no matter how ADM is ignoring it. This is the nation's largest corn ethanol plant in the U.S., grinding 375 mb annually. Area soybean basis levels were flat, whereas corn basis levels fell $0.35. Then you add river levels at historically low levels, also causing shipping issues. They nearly match last year's record low levels set in October of 10.81 ft. That is measured at Memphis, TN.

<u>Wheat</u>: Russia is setting the world wheat prices and continues to push wheat into the global market at a price depressing clip. The strong USD is hurting, too.

Chicago Dec23 wheat continues to print new lows and did so again overnight. SWR is pushing competitiveness with Russia. Then Russia lowers their prices again! While Russia is pushing their wheat out quickly at a pace of 5 to 6 mmt/month, it is a pace that cannot be sustained. As winter sets in, Dec-February, this pace will fall rapidly, since Russia does not have the appropriate infrastructure to maintain such a large movement of grain. That will support U.S. wheat prices.

<u>Things of Note</u>: For the last week, the 7-day forecast continues with little rain for the majority of the prime corn and soybean growing areas. In fact, the 16-day forecast has the majority of this same area with very limited precipitation possibilities.

Both corn and soybeans' maturity are running 6% ahead of their 5-year averages. The accelerated push to maturity has created yield losses. On a percentage basis, soybeans should take the greatest hit. It was reported in Southeast Nebraska that a field of Group 2 soybeans, which were waist to chest high, had podded well but with no soybeans in the pods. Another field in South Dakota was reported to have just died last week when temperatures hit 104 degrees with 20 to 25 mph southerly winds. This would occur when all soil moisture had been drawn down to nothing.

Corn harvested on light river bottom on Lyon County in far upper Northwest Iowa came in at 53.9 bpa, 19% moisture, with a test weight of 54.5. Go 10 miles away and a producer who caught 3 more rains chopped all his corn fields ended with 237 bpa. These would be near Alvord/Inwood, Iowa.

Southeast Nebraska reported corn running from 20 bpa to 80 bpa, averaged 60 bpa at 19% moisture. In far Northwest Missouri and Southwest Iowa, and again where they caught the rains, 225 to 250 bpa, averaging from 20 to 28% moisture.

To date, there still have been zero deliveries on corn and soybeans.

El Nino is repeatedly hitting Southern Brazil with very heavy rain events, causing flooding and infrastructure damage on the Parana River. Hundreds of thousands of hectares of crops have been flooded. Roads have been taken out. Rain totals have far exceeded 10 inches. Brazil was expected to export up to 5 mmt of milling wheat, which likely will not occur. As is usual, when it is really wet somewhere, really dry shows up. Northern Brazil continues with their seasonal drought. Spring plantings can start September 15, but will be delayed until rain comes. They are hoping by the 1st of October now.

While Brazil has lost wheat production, so is/has Canada, Argentina, and Australia. But it is okay. Nothing to see here. Russia can feed the world!

Bullishness in crude oil stems from Russia and Saudi extending their combined supply cuts of 1.3 m bls through the end of 2023. Some "experts" are forecasting $250/bl crude oil. They are idiots. There are good reasons for even higher crude oil prices, which will also raise fertilizer prices. We could see prices rising above $100/bl, even pushing $120/bl. When they do, we can take a look at what moved prices to those levels to determine further upside possibilities.