



October 12, 2023

#2084

LOOKING FORWARD WITH A BACKWARD GLANCE

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Current Sales:	2022 sales: <u>corn</u>	100%	<u>soybeans</u>	100%	<u>wheat</u>	100%
	2023 sales: <u>corn</u>	0%	<u>soybeans</u>	0% - 25%	<u>wheat</u>	40%
	2024 sales: <u>corn</u>	0%	<u>soybeans</u>	0%	<u>wheat</u>	0%

Grain Sales Recommendations: No Sales. Timing suggests re-owning grains at or near support points. Those points are given below. If you re-own, you need to sell your futures when you decide to make a cash sale. Futures get liquidated first. Please make a mental note of this. Next MNU no later than October 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: **Dec23 Corn** posted a good, but not great, turn day today, posting a lower low than has been posted over the last 7 days, a higher high than the previous 3 days, while closing at \$4.96, near its high trade of \$4.986. Price needs to close over \$5.00 to move any higher. Its next price targets are its 100-day moving average of \$5.11, then \$5.30, followed by \$5.50. We still have that gap target resting just above \$5.25. Corn is developing a nice uptrend, with support now resting at today's low of \$4.82. This number should ring a bell. Today, **Nov23 Soybeans** posted its lowest trade since June 15th, trading down to \$12.504. Price then rallied to \$12.996, stopped by psychological resistance of \$13.00, before closing the day at \$12.90. \$13.00 is your major "toggle" point, which becomes a Big Deal when price closes back above it. Price also took out the previous highs of the last 7 days. If price closes above \$12.90 tomorrow, price will have posted a positive outside day on the weekly charts. Price did not close at or near its high trade for the day, which is not good. One always likes to see strength going into the close, which would suggest higher prices the following day. **Dec23 K.C. Wheat** posted its lowest trade in over a year at \$6.552, then turned higher from strength in soybeans and corn. Price posted an outside day, taking out all previous day's lows, taking out yesterday's high, and closing above yesterday's high at \$6.75. Wheat remains in a downtrend. Price can rally \$0.50 and still be in a downtrend. Remember, lack of demand continues to keep Bears selling rallies.

Future reports: Nov 9, Dec 8, and Jan 12, 2024, USDA Quarterly stocks report.

October 12th, 2023 USDA Grain Stocks Report:

<u>U.S. Production 2023/2024</u>	<u>Average Guesses</u>	<u>Sept</u>	<u>2022/2023</u>
Corn – 15.064 bb	15.100 bb	15.134 bb	13.730 bb
Soybeans – 4.104 bb	4.132 bb	4.146 bb	4.276 bb

<u>U.S. Avg Yield (bpa) 2023/2024</u>	<u>Average Guesses</u>	<u>Sept</u>	<u>2022-2023</u>
October			
Corn – 173.0	173.5	173.8	173.3
Soybeans – 49.6	49.9	50.1	49.5

<u>U.S. Harvest Acres 2023/2024</u>	<u>Average Guesses</u>	<u>Sept 2023</u>	<u>2021/2022</u>
(Million Acres) October			
Corn – 87.1	80.8	87.1	79.2
Soybeans – 82.8	82.8	82.8	86.3

<u>U.S. Ending Stocks 2022/2023</u>	<u>Average Guesses</u>	<u>Sept 2023</u>
Corn – 2.111 bb	2.145 bb	2.221 bb
Soybeans – 0.220 bb	0.236 bb	0.220 bb
Wheat – 0.669 bb	0.646 bb	0.615 bb

<u>World Ending Stocks 2022/2023</u>	<u>Average Guess</u>	<u>Sept 2023</u>
Corn – 298.1 mmt	298.4 mmt	299.5 mmt
Beans – 101.9 mmt	103.3 mmt	103.0 mmt
Wheat – 267.6 mmt	267.1 mmt	267.1 mmt

<u>World Ending Stocks 2023/2024</u>	<u>Average Guess</u>	<u>Sept 2023</u>
Corn – 312.4 mmt	301.2 mmt	314.0 mmt
Beans – 115.6 mmt	119.6 mmt	119.3 mmt
Wheat – 267.5 mmt	258.8 mmt	258.6 mmt

USDA Numbers: They just cannot bring themselves to go below 220 mb on **Soybeans**' carryover stocks. The USDA lopped off about 43 mb from production, cutting yield ½ bpa from last month's estimate. After reducing crush 10 mb last month, which we bitched about at the time, the USDA realized that was dumb, raising it up this month to 10 mb. They then reduced exports by 35 mb and raised residual by 2 mb. With all their juggling/adjustments, they were able to maintain carryover stocks for 2023/2024 at their minimum 220 mb, after they lost 43 mb in supplies. That allowed them to leave the national average farmgate price unchanged at \$12.90/bu. Global stocks were cut 3.63 mmt to 115.62 mmt, below pre-report expectations. That decline came from lowering beginning stocks, lower production, and a bit higher crush. First estimates of South America's soybean production saw Brazil's at 163 mmt and Argentina's at 48 mmt. **Corn** saw its production number coming in at 173 bpa, down from their September

guess of 173.8 bpa and from the average guess of 173.5 bpa. From 173.8 bpa, that is a cut of 70 mb off 87.1 harvested acres. Ending stocks were reduced 110 mb to 2.111 bb. The USDA also lowered old crop carry-in stocks by 91 mb, dropping the new-crop beginning stocks to 1.361 bb. Feed & residual saw a cut of 25 mb to 5.6 bb. Total computed for food, seed, and industrial use was 6.715 bb, with used for ethanol held steady at 5.3 bb. Most importantly, exports were cut 25 mb to 2.025 bb, with total domestic use down 25 mb to 12.315 bb. The USDA did increase the national average farmgate price a nickel to \$4.95/bu. Global ending corn stocks were down 1.59 mmt to 312.4 mmt. Wish we had something good for **Wheat**. U.S. wheat production rose from 1.734 bb to 1.812 bb. Good was the USDA not cutting exports, when they have many reasons to do so, leaving them at 700 mb. Wheat's national average farmgate price was cut from \$7.50/bu to \$7.30/bu. World ending wheat stocks were cut a tad. Russia's wheat production for 2024 was left unchanged at 85 mmt, with Ukraine's and Argentina's also unchanged, and Australia's reduced from 26 mmt in September to 24.5 mmt.

Macro Issues: China was on vacation for over a week. When they "reopened", China's economic situation had turned more bearish, with an economic decline of 6% the 1st 3-days of this week and grains taking it on the chin during the same timeframe, before flatlining today. This negative hit early this week, leads to fear of less imports of grains and meats. This would be another negative to many other nations who export products to China.

While not a macro, it is for the U.S. The PPI came out yesterday up 0.5% month-over-month. Most of that increase came from food and energy. If energy is headed higher and 60% of food prices are derived from energy, look for more inflation data in the future.

The IMF reduced its estimate of global GDP from 3.0% to 2.9%, noting that risks to growth are skewed to the downside. We wonder how much of that global reduction came from China's slowing.

New War: One must consider there are good odds that pressure will come to bear on Iran for assisting in creating this new war. Sanctions should be going back on for "political" considerations into 2024. If not, they likely would not see them. If/when they go on, they would be bullish energy, energy stocks, and fertilizer prices. OPEC and Russia have commented that further production cuts for crude oil will continue. This war moves the world closer to WWII. The reason is because the more Israel retaliates, the more resentment builds in Arab nations. Hamas will use all propaganda means to push this to their advantage.

Low Water: River levels remain at low to record low levels, raising shipping costs for all products. This is not expected to change anytime soon. This week's rains are too far north to help. Next week will be mostly dry. If we cannot move the crop to the ports to ship, basis levels will widen on those whose crops must move via water. While the Western Grainbelt is not affected by that issue, in the Big Picture, it hits grain prices as a whole. Traders will not buy the board if export sales remain slow. This is not an issue we can control. It is what it is. It also will keep drought fears alive going into 2024. If one cannot get river levels up, one should not be able to get subsoil moisture levels up, either.

South America: In Brazil, too dry north, decent central, flooding south. Argentina remains too dry. No change forecasted for another week of either. Super warm to hot in Brazil. Record highs are being set in South America. The Tonga volcano eruption, which blew vaporized water particles in the troposphere, aiding warmer temperatures in the Southern Hemisphere.

Corn: The U.S. raised China's corn production estimate 3 mmt to 280 mmt.

Corn harvest is progressing rapidly, currently at 34% harvested and slightly ahead of its 5-year average. Brazil's plantings were estimated to be 37% complete, with Argentina's going slow at 14% versus the average pace of 21.4%, slowed from soils being too dry. For Argentina, BAGE said rain over the next 2 weeks is essential for their corn plantings. If no rain, many acres will begin shifting to soybeans and/or other shorter season crops.

Corn loadings were 21.7 mb last week, which is up 14% over a year ago. In a one-off, Guatemala showed up on Flash Sales today, taking 124,545 mt of corn.

CONAB estimates their 2024 corn production at 119.4 mmt, down 9.5% from last year, versus the USDA guessing 129.0 mmt. That is 378 mb more than CONAB. Their last year's production was 137.0 mmt. We do know why the USDA would be high, just like they kept Argentina's soybean production number from this year much higher than what Argentina placed it. That has not been reconciled in any data we have seen to date.

Soybeans: To date, these one-off flash sales of soybeans remain well short of what is normal. Wednesday saw 121k mt of soybeans reported sold to unknowns, with 213k mt to unknowns. Today saw 295k mts sold to unknowns. Soybeans' export commitments are down 32% from a year ago. Loadings this week were 60.4 mb, up 30%.

The soybean harvest is seen at 43% complete, which is above its 5-year average. Brazil has 10% of the soybeans planted, with Parana sitting at 30% done and Mato Grosso at 14%. Argentina's soybean planting will not begin for another few weeks.

Meal prices look to be bottoming, with demand seen increasing from low prices and Argentina lacking supplies to keep their soybean crush facilities operating at 100%, reducing the number of tons of meal it can export to the world.

Soyoil keeps making new contract lows for this move, pressured by an expected sharp drop in demand for renewable biodiesel later in 2023. Also, Russia is flooding the market with cheap sunflower oil from Russia and from what they took from Ukraine. Crude sunflower oil is offered at \$895/mt compared to \$850/mt for crude palm oil. Ukraine has been struggling to move sunflower oil after Russia withdrew from the Black Sea deal. Now it is aggressively selling sunflower seeds. Ukraine's neighbors are buying the seeds, crushing them, and exporting the oil. The USDA is forecasting Ukraine's sunflower seed crop at 14 mt, up from 12.2 mt last year but below the 17.5 mt harvest of 2022/2023.

India could import a record 3.2 mt of sunflower oil in the new marketing year beginning November 1, but its palm oil imports could fall 8% to 9 mt. India usually imports around 200k

mt of sunflower oil per month, but recently, that has increased to more than 300k mts, an increase of over 50%. In the short term, sunoil will pressure palm oil, particularly when stocks in exporting nations are increasing.

Wheat: The Small Grains Summary increased U.S. wheat production 78 mb to 1.812 bb. That is a double whammy to wheat, with exports being even slower than last year.

The light behind wheat prices is commercials, who have gone long wheat. They see value in these prices and no doubt see the global production issues looming. Australia and Argentina have serious drought risks. Russia and Ukraine have had a fall that was too dry. Europe has lowered its grain production by 7%.

Negative are countries which continue to snap up wheat from Russia. Egypt was in the market for wheat this week and went to Russia to buy.

The USDA has estimated the Russian wheat crop at 85 mmt. That is way under what Russia has it at. Who is playing who and for what reasons? Why would the USDA estimate it low? That is not their standard MO. Why would Russia want it high?

Winter wheat (WW) plantings were reported at 57% complete, with KS 57% done and WA 77%. Drought continues to be wheat's nemesis in the U.S., with nearly every acre under some degree of drought.

Wheat's export commitments in 2023/2024 are running 14% below last year's pathetic pace, a good reason for the USDA to cut export sales for this marketing year.

Due to world weather conditions, some suggest there is a decent chance of SRWW reaching into the mid-\$9.00/bu range, due to seasonals and weather issues in Australia and Argentina. Plus, as we have pointed out several times, the world has produced less than what it has consumed for 4 consecutive years. So, wait for prices to reach \$9.00 (***Q1 of 2024***) before deciding 1) what caused prices to rise to that level, 2) the risk/reward ratio to wait for higher prices, and 3) the state of the global economy.