



November 09, 2023

#2089

## LOOKING FORWARD WITH A BACKWARD GLANCE

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

**Grain Sales Recommendations:** No Sales. Are you still thinking about re-ownership? We suggested buying on dips. Just had a good bean dip. For soybeans, resistance becomes support. Resistance as \$13.30 to \$13.35. Today's low was \$13.36 in Jan24 soybeans. If you re-own, you need to sell your futures first when you decide to make cash sales in 2024. **Please make a mental note of this.** Next MNU will be issued by November 19<sup>th</sup>.

**For new crop soybeans, the market added \$1.00 from its October low of \$12.702. After a short pull-back, looking for another \$1.00 price gain.**

**TZC:** With harvest wrapping up, we will begin working on our 2024 Target Zone Charts projections, along with a comprehensive analysis of all the factors we see affecting price appreciation or depreciation. Expectation of completion will be the last week in November.

**Technicals Plus:** **Dec23 Corn** posted a new low close off today's numbers by the USDA. Seasonally, corn trades sideways to lower into the 1<sup>st</sup> weeks of December. \$4.81 has held as stiff resistance since October 26<sup>th</sup> and last tested yesterday. There is little in the market to turn prices higher. Technicals have been ruling the roost for months. Bears will continue to sell rallies until that proves fatal. They have \$4.50 as their 1<sup>st</sup> downside target. We see some support in the \$4.60 to \$4.62 area. Today's low was \$4.664, with the price closing at \$4.68 even. Remember that traders will not get too excited about chasing prices significantly higher until 2023/2024 carryover stocks fall below 2.0 bb. Lack of decent rains in Brazil will become a significant player in the corn market if the current drought pattern does not change its trend in the next 3 weeks. **Jan24 Soybeans** turned lower this week; off major downtrend line resistance that came in around \$13.80 to \$13.85. USDA's 25 mb increase in soybeans' 2023/2024 carryover stocks and their yield increase from 49.5 to 49.9 shocked price to a low trade of \$13.36 in the 1<sup>st</sup> minute after the date was released. Price was only able to make it back to \$13.526 in the next 25 minutes, before waffling lower the rest of the day. Support will be found from \$13.35 to \$13.40, a good place for re-ownership of past grain sales. Resistance will be this week's high near \$13.85. Brazil's on-going drought will affect soybean prices like it does in the U.S. during July.

Weekend weather forecasts will gyrate prices Sunday night and into Monday, followed by a price break after a sharp rally off weather worries. Until general rains are seen, volatility will only increase. While **Dec23 K.C. Wheat** remains in a strong downtrend on its weekly chart, the daily chart gives some hope. Though the price closed below \$6.50 today at \$6.472, a close tomorrow above \$6.50 gives hope that a contract low may have been set last week at \$6.254. Adding to “hope” is the fact that **Dec23 Chicago Wheat** has 6-weeks of trading higher. It needs a close above \$6.00 to scare the Bear. Rumors in the global market tell us overall market conditions are changing in wheat. Buying dips will work, expecting closes over resistance. Seasonally, things are finally lining up for wheat.

**Future reports:** Dec 8, and Jan 12, 2024, which is USDA’s Quarterly stocks report. Then in 2024, Feb. 8, Mar. 8, Mar. 29, April 11, May 10, June 12, June 28, July 12, Aug. 12, Sept 12, Sept. 30, Oct. 11, Nov. 8, & Dec. 10.

**November 09<sup>th</sup>, 2023 USDA Grain Stocks Report:**

<b><u>U.S. Production 2023/2024</u></b>		<b><u>Average Guesses</u></b>	<b><u>Oct 2023</u></b>	<b><u>2022/2023</u></b>
Corn –	15.234 bb	15.076 bb	15.064 bb	13.715 bb
Soybeans –	4.130 bb	4.098 bb	4.104 bb	4.270 bb

<b><u>U.S. Avg Yield (bpa) 2022/2023</u></b>		<b><u>Average Guesses</u></b>	<b><u>Oct 2023</u></b>	<b><u>2022-2023</u></b>
Corn –	174.9	173.2	173.0	173.4
Soybeans –	49.9	49.5	49.6	49.6

<b><u>U.S. Harvest Acres 2023/2024</u></b> (Million Acres)		<b><u>Average Guesses</u></b>	<b><u>Oct 2023</u></b>	<b><u>2022/2023</u></b>
Corn –	87.1	87.1	87.1	79.1
Soybeans –	82.8	82.7	82.8	86.2

<b><u>U.S. Ending Stocks 2023/2024</u></b>		<b><u>Average Guesses</u></b>	<b><u>Oct 2023</u></b>
Corn –	2.155 bb	2.129 bb	2.111 bb
Soybeans –	0.245 bb	0.221 bb	0.220 bb
Wheat –	0.683 bb	0.670 bb	0.670 bb

<b><u>World Ending Stocks 2022/2023</u></b>		<b><u>Average Guess</u></b>	<b><u>Oct 2023</u></b>
Corn –	299.2 mmt	297.8 mmt	298.1 mmt
Beans –	100.3 mmt	102.0 mmt	101.9 mmt
Wheat –	269.6 mmt	267.6 mmt	267.6 mmt

<b><u>World Ending Stocks 2023/2024</u></b>		<b><u>Average Guess</u></b>	<b><u>Oct 2023</u></b>
Corn –	315.0 mmt	312.0 mmt	312.4 mmt
Beans –	114.5 mmt	115.6 mmt	115.6 mmt

Wheat –                      258.7 mmt      257.9 mmt                      258.1 mmt

**USDA's Numbers:** They surprised with the increase in **Soybean** production to 49.9 bpa, which netted a 25 mb increase in carryover stocks, raising ending stocks to 245 mb. Few other changes were made. Soybeans' farmgate price was left unchanged at \$12.90/bu. The trade can now turn its focus on South American weather and potential growing demand from China. The USDA lowered global ending stocks by 1.11 mmt from last month, moving that to 114.5 mmt. Brazil's production was set at 163 mmt and Argentina's at 48 mmt. CONAB placed Brazil's production at 162.4 mmt. **Corn** production increased 1.9 bpa to 174.9 bpa. That was huge, but the USDA attempted to soften the blow by increasing exports by 50 mb, feed use by 50 mb, and corn for ethanol by 25 mb, netting an increase of 170 mb, lifting corn's 2023/2024 carryover stocks to 2.155 bb. Corn's farmgate price was lowered to \$4.85 from \$4.95. USDA made no adjustments to Brazil or Argentina corn production. CONAB set Brazil's corn production at 119 mmt. The biggest negative for corn was USDA raising global corn production by 6.32 mmt. With all the other adjustments, that increased global carryover stocks 2.59 mmt to 315 mmt. Corn rallies will still struggle, until that number falls under 2 bb. Corn traders will become anxious if the heat/drought in Brazil continues for another month, as forecasted. **Wheat** production was left unchanged at 1.812 bb. Negative to wheat was the USDA increasing ending stocks by 14 mb. The USDA lowered wheat's farmgate price to \$7.20 from \$7.30. USDA dropped Argentina's wheat production to 15 mmt from 16.5 mmt, while leaving Australia's production unchanged. They did raise their estimate of Russia's wheat production to 90 mmt, with Ukraine's set at 22.5 mmt. Global wheat production was lowered about 1.5 mmt to 781.98 mmt.

**Russia/Ukraine:** Eyes are off this war, thanks to the uniformed protesting worldwide. Ignorance is always the most vocal, until the informed cannot take it anymore. Does this give Russia or Ukraine the advantage?

Russia continues to hammer ports, grain facilities, and infrastructure. One missile strayed, hitting a civilian Libera ship in the Port of Odessa. One person was reported killed. This will raise risk/insurance costs, which will raise total freight costs. Ukraine stated this alternative Black Sea route will continue to be used.

**SA Weather:** Attention needs to shift to SA weather sooner than later. They are having BIG problems down under. Brazil's rainy season is now a month late. "Bad" has been persisting for 2-months. The trend for below normal to well-below normal rainfall continues for N Brazil. C Brazil is getting rain, but way too spotty, with significant replanting needed. Estimates are running as high as 35% of their acres needing to be replanted.

Temperatures are scorching, with most seeing temperatures in the high 90's, if not well over 100F. Some are getting torched with temperatures over 110F. Current weather trends are stuck/stagnant. Extremely heavy/flooding rains have persisted for over 50 days in Southern Brazil. Forecasts have flipped from forecasting rains next week to giving up. They have decided to go with the trend. No change in their extended forecast through December 15<sup>th</sup>. We have some models saying no change into 2024. That sounds impossible, but.... The Tonga volcano eruption in January of 2022 adds to the 1934-1936 phenomenon we have been pointing to for

this period of time since 2020. It is all part of a recurring cycle, a trend. Just like in marketing grain. You look at a 3-month chart and then a 5-year chart and you will see 2 different stories. You chose what to believe. Which have you found serves you best?

**Corn:** It was a good sales week for corn. Mexico stepped in on Monday and bought 289.6k mt of corn. Wednesday saw Mexico come back for another 270k mt of corn. Corn exports for last week rang the bell at 40 mb, which was not bad. The Mississippi River level is on the way up, supporting faster grain movement to the Gulf. Unfortunately, it is expected to peak this month and begin falling again.

The USDA thought it would help kill any price rally by coming out with its crap, trendline increasing projections. They estimated the U.S. 2023/2024 corn crop yielding 181 bpa, which is DOWN from their 2023 projection of 181.5 bpa. How does that figure, when they then produce a chart showing yields increasing 2 bpa every year thereafter? By putting that on 91 ma, they then projected ending stocks at 2.26 bb! That will not support new crop, Dec24 corn prices.

We will not get that negative on corn prices just yet. The drought slowing soybean plantings in South America is most negative to their Safrinha crop, or bullish to U.S. prices. The drought only slows their soybean plantings, which would reduce their 2<sup>nd</sup> crop corn plantings even more. Planting their Safrinha corn becomes questionable if they cannot get their soybean crop in by November 20<sup>th</sup>. Current forecasts do not give them the moisture they need by that date.

If they decide their soybean plantings are getting too late to allow them to plant 2<sup>nd</sup> crop corn, they could switch to cotton instead of planting soybeans. Cotton is a good price, and it is a longer season crop. Another issue is the cost to plant corn. Brazil's corn acres are forecasted to be down 9% this year, due to unprofitability. That has not changed. *(Private estimates have already taken 10 mmt off Brazil's corn production. The trade either has not noticed or does not care.)* The risk of planting their 2<sup>nd</sup> crop corn too late stems from drought. Drought reduces yields. Thus, if it is even profitable, that line-in-the-sand is crossed very quickly every day that crop is delayed from going into the ground. We expect there will be a significant shifting of acres this year, throwing off initial production estimates. Again, we are not going to get too negative on corn just yet. Mother Nature will be a dictator of prices more than ever over the next few years.

**Soybeans:** The big news for soybeans this week were the Flash Sales/Purchases from China, likely caused by the on-going heat, drought, and flooding in Brazil. The market was teased with 126k mt of soybeans being sold to China on Monday. Tuesday, they slipped in for another 110k mt. Reuters reported on Wednesday that 10 cargoes of U.S. soybeans had been sold to China, which would be the largest one-off sale to them in 3-months. Reuters reported that China's total bulk orders were 20 to 25 cargoes. Shortly thereafter, Flash Sales of 433k mts of soybeans were reported sold to China, 132k mt to unknowns, followed by another 344.5k mts to unknowns. Today, the big one came, 1,044k mt of soybeans sold to China and 662.5 mt of soybeans sold to unknowns.

For the week, this was truly outstanding. Some asked why prices failed to respond to all these sales. When "we" get the news, the business is done. China was buying before the

announcement, which is why soybean prices were rising. Now completed, it is factored in the market. Thus, buy the rumor, sell the fact. If you buy the news (*the fact*), you lose. While soybeans' short-term trend is higher, the long-term trend remains lower. Jan24 soybeans turned south, right off a long-term downtrend line drawn off recent highs.

Loadings reported on Monday are doing great, reported at 76.6 mb, with China taking 57 mb.

USDA's baseline numbers for soybeans were 87 ma at 52 bpa, netting ending stocks of 286 mb. Due to more soybean crush facilities coming on-line in 2024 for biofuels, pipeline supplies will need to increase, likely to 250 mb. The USDA is staying ahead of the "game".

Looking at world soybean stocks, one could make the argument that Brazil's 165 mmt soybean crop could be cut by 30 mmt, or to 135 mmt, and the world could still manage. The issue is with U.S. stocks. The U.S. will burn/crush through all their soybeans, raising U.S. prices. Exports must be reduced, and the U.S. will need to import soybeans. These actions will cap soybean rallies, but not stop them from occurring. We would not be shocked to see Brazil's soybean production for 2024 being trimmed by 20%. It is in the cards. We just need to wait and see how their hand gets dealt.

**Wheat:** Russia hitting a commercial ship, by mistake, caused wheat prices to spike on Wednesday, shoving Dec23 corn futures to resistance, hitting \$4.804.

USDA's baseline numbers for wheat for 2023/2024 were 48 ma, down 1.8 ma from 2023. With a yield of 39.2 bpa, production would be 1.94 bb. Despite the USDA raising export expectations by 100 mb, ending stocks would remain high at 782 mb.

Wheat prices are working on hammering out a seasonal low. Managed money is helping grow their short positions to 163k contracts. This is approaching the record short levels printed in 2016 and 2017. Crop losses in Argentina and Australia have not helped prices.

The U.S. Ag attaché for India lowered their wheat production from 113.5 mmt to 106 mmt. That 7.5 mmt cut is a good reason for why India's wheat prices are rising.

Rosario lowered Argentina's wheat production estimate to 13.5 mmt versus last year's drought ravaged crop that produced 11.5 mmt. Argentina corn and soybean plantings are only 27% and 11% complete, well behind last year's pace. Like in Brazil, many are dealing with soils being too dry, holding off for rains to arrive.