



December 08, 2023

#2093

## 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. Still buying dips? So many chances! Did anyone buy the dips in wheat in March24 futures that we wrote about in our last MNU? Wheat is the sleeper. Next MNU will be issued no later than Sunday, December 17<sup>th</sup>.

**See 247Ag on Twitter:** On Twitter, check out weather map posts, market trends, global events, and other Ag related, market moving data, all found at: <https://twitter.com/247dotAg>

**Future reports:** 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.

**Technicals Plus:** Grains continue trading between support and resistance. It is too early for markets to make a major psychological trend change, due to weather concerns in South America. *Volatility will be picking up as we enter the month of December, adding to the positive risk of breaking out of current trends.* South American updated weather forecasts Sunday will determine Monday's price action, as it will this Friday. **Mar24 Corn** tested support at \$4.70 last week, then rallied to test resistance at \$4.95. Price only lifted to \$4.936 on Wednesday, before reversing lower. A possible head-and-shoulders bottom is getting printed on the chart, projecting price to near \$4.75 before price would rally back and close above \$4.95. December is the month corn's seasonal rally begins. Since this report could not move corn sharply lower, this confirms that this year's low of \$4.704 was set last week. **Jan24 Soybeans** retested major support at \$13.00 the last 4 days this week. Price bolted higher Thursday, after running stops down to \$12.92, closing at \$13.116. Today's high, set before today's report, was \$13.306. Following no bullish numbers from the USDA, soybeans sold off, falling to \$12.99 an hour before the close. Traders remain fearful of ever-changing weather forecasts for Brazil, not wanting to hold positions over the weekend. **Jan24 Meal & Oil** held significant support zones this week at \$405 and \$49, respectively. **Mar24 K.C. Wheat** tested and turned higher off the psychological support level of \$6.00 last week, after probing below \$6.00 for 2 days. Price rallied 6 consecutive days afterwards, finding resistance at \$6.75 on Wednesday this week. This week's

massive SRW wheat purchases by China spurred buying in all 3 wheats. Wheat's trend remains lower until such time as its price closes above \$6.75. Its next price target rests at \$7.00, with support at \$6.00.

### **December 08<sup>th</sup>, 2023 USDA Grain Stocks Report:**

<b><u>U.S. Ending Stocks 2023/2024</u></b>		<b><u>Average Guesses</u></b>	<b><u>Nov</u></b>
Corn –	2.131 bb	2.157 bb	2.156 bb
Soybeans –	0.245 bb	0.242 bb	0.245 bb
Wheat –	0.658 bb	0.684 bb	0.684 bb
<b><u>World Ending Stocks 2022/2023</u></b>		<b><u>Average Guess</u></b>	<b><u>Nov</u></b>
Corn –	300.1 mmt	299.2 mmt	292.2 mmt
Beans –	101.9 mmt	100.3 mmt	100.3 mmt
Wheat –	269.9 mmt	269.9 mmt	269.6 mmt
<b><u>World Ending Stocks 2023/2024</u></b>		<b><u>Average Guess</u></b>	<b><u>Nov</u></b>
Corn –	315.2 mmt	313.0 mmt	315.0 mmt
Beans –	114.2 mmt	112.9 mmt	114.5 mmt
Wheat –	258.2 mmt	258.8 mmt	258.7 mmt

**USDAs Numbers:** Not too many changes to look at in this report, which is normal for their December numbers. The USDA increases **Corn** exports by 25 mb to 2.1 bb. They left their farmgate price unchanged at \$4.85/bu. We expect that to rise in the months ahead. World ending stocks were raised a bit for 2022/2023 and 2023/2024. The USDA lowered Brazil's **Soybean** production from 163 mmt to 161 mmt. We see it falling to 155 mmt. While cutting production, the USDA increased Brazil's soybean exports by 2 mmt to 99.5 mmt. The farmgate price for soybeans was also left unchanged at \$12.90/bu. We also see that price rising in the months ahead. **Wheat's** ending stocks were cut from 684 mb to 659 mb. Wheat's usage was increased from 1.86 bb to 1.89 bb. Exports were taken up 25 mb to 725 mb, which had the USDA raising the average farmgate price to \$7.30 from \$7.20. Brazil's wheat crop was cut 1 mmt to 8.4 mmt, as was Australia's wheat crop, getting clipped by 1 mmt.

**South America:** With our forecast for South American weather tied to our belief we are in a centuries-old, repeating weather cycle, aided by the Tonga volcano eruption back in January of 2022, we look for Brazil's grain production to take quite a hit.

We are forecasting Brazil's corn production to fall at least 20% from last year's production of 133 mmt, placing that production at 106 mmt. Their soybean production will fall a minimum of 10% from this year's forecast of 163 mmt, with a 20% reduction very likely, versus last year's production of 156 mmt.

**U.S. 2024 Grain Production:** While making a forecast for 2024 grain production in the U.S. at this time is a bit insane, given our belief that several centuries-old weather cycles will be merging and will dominate weather trends even more these next 2 years than they have these last 3 years, here is how we imagine them affecting U.S. Midwest weather in 2024.

Spring should bring us normal to below normal precipitation, allowing more acres than anticipated going to corn. This will also not allow subsurface, depleted moisture levels to be rejuvenated, increasing risk in achieving trendline yields. Summer will see below normal precipitation on average, as well as above normal temperatures. This will result in below trendline yields for both corn and soybeans.

Late season saving rain events which occurred the past 2-years will not be so abundant in 2024, where production will take a late season hit, rallying grain prices. This will also deplete subsoil moisture levels again, going into fall and into 2025.

If this forecast is correct, the U.S. corn yield should be no greater than 175 bpa, with U.S. soybean production struggling to clear 50 bpa.

**Corn:** Some good flash sales in corn this week. Monday, Mexico came in again and took 267,000 mts of U.S. corn. Friday a sale of 165 mt of corn to unknowns came in.

Ethanol production jumped 6.4% last week, using 106.8 mb of corn versus needing to use 101.8 mb to meet USDA's 2023/2024 estimated usage of 5.325 bb. Ethanol stocks rose 0.3%. Ethanol exports are up 37%, with DDG exports up 13%, versus a year ago. Low prices cure low prices! Ethanol production is running 2.8% above the 2022/2023 pace.

Corn's sales and shipments/loading are running at 49% of USDAs 2023/2024 estimate, which is ahead of the 15-year average, quite opposite of expectations! The trade has been negative, negative, negative, on corn, due to 2023/2024 carryover exceeding 2 bb. We have stated that the trade will not get concerned about corn until carryover falls below 2 bb. We also stated, ***"We look for this year's carryover stocks to fall towards 1.7 bb to 1.9 bb in 2024, from increased global demand and from falling production in Brazil, Ukraine, and South Africa. Are you paying attention to the drought in South Africa?"*** This will occur and prices will rise. One just needs patience.

Corn loadings were impressive at 45.6 mb. This is when considering low water levels on the Mississippi River and the same in the Panama Canal. It is so dry down there and with their rainy season soon ending, this issue will continue well into 2024. Delays at the entrance of the Canal are up to 14 days. Too bad they cannot use an app to get in line before they show up. The canal typically runs 36 crossings per day, but that has been cut to 25 and is expected to fall to 18 by February. Due to the reduced crossings, shipping companies are being forced to pay extra. A Japanese company paid \$3.98 million in a sale last month, 20 times more than average.

The large speculative shorts in the corn market are a longer-term bullish factor. The bearish factor is \$5.00 cash, where producers will be making sales. How many marketing advisors are recommending sales down here and at that level?

**Soybeans:** October soybean crush set a new all-time record high, smashing through 201.4 mb. Expect new record high crush numbers to be printed on a consistent basis going forward, as new crush facilities come on-line in the months and years to come. Soybean oil stocks fell again, down to 1.5 b lbs versus 1.6 b lbs the previous month.

South American weather is bothering China, keeping them coming to the U.S. for soybeans. Part of this equation is also low river levels on the Amazon River, slowing shipments from Brazil. Wednesday saw China in for another 136,000 mt of U.S. soybeans. Thursday, 121,000 mt of soybeans were reported sold to unknowns. Today, China came in for another 136,000 mts of soybeans. Philippines flashed in with a purchase of 183,000 mts soybean cake and meal on Monday.

IMEA downgraded Mato Grosso's soybean crop 3.8%, which would take their crop down 7% from last year's crop.

**Wheat:** China decided it needed some good quality soft red winter (**SRW**) and the only place left to secure the quality they desired was the U.S. On Monday, they bought 440,000 mt. Tuesday brought China in for 372,000 mt of SRW wheat. This was followed by another 372,000 purchases of SRW wheat. As of Wednesday, sales of SRW wheat to China totaled 37 mb.

Friday, China stepped in for another purchase of 110,000 mt of SRW wheat. We believe all these purchases will match or exceed USDAs projected total export sales of SRW wheat for 2023/2024!

Australia's wheat crop is projected to be down 37% from last year at 25.5 mmt.

Large speculative shorts in all 3 wheats were a record last week, which will give wheat prices a big boost when the Bears decide to flip those positions. That is beginning to occur in SRW wheat, as China ran out of options to find any of good quality, being forced to come to the U.S.