



August 12, 2021

#1933

LOOKING FORWARD WITH A BACKWARD GLANCE

Sales Recommendations: No new crop sales. If you have any **old crop** grain left to price, keep watching the basis and when you price, re-own those sales in Mar22 or July22 futures, then pitch the futures when you make your 1st new crop sales in 2022. Basis is beginning to weaken in soybeans. We pulled our sales recommendation on wheat last week. Next MNU by August 22nd.

<u>Current Sales:</u>	<u>2020</u> sales: <u>corn</u>	100%	<u>soybeans</u>	100%	<u>wheat</u>	100.0%
	<u>2021</u> sales: <u>corn</u>	20%	<u>soybeans</u>	0%	<u>wheat</u>	68.0%
	<u>2022</u> sales: <u>corn</u>	0%	<u>soybeans</u>	0%	<u>wheat</u>	0%

Find Us and Additional Information on Twitter: <https://twitter.com/247dotAg>

Technicals Plus: **Dec21 Corn** blew up on USDA's surprise yield cut. Our question is if the yield is this "bad", normal would be this crop gets smaller in future reports. Price filled the gap at \$5.72. The gap at \$4.77 will not get filled until the last half of 2022, at the earliest. Price fell back \$0.21 off its high to close at \$5.732. Not a real positive close, but outside and above the smaller wedge price was building into this report. Prices will be very interesting if we go into 2022 with less subsoil moisture next year than this year. **Nov21 Soybeans** maintained its trading range inside its wedge. It is possible prices can keep working this wedge until USDA's September 10th report. **November 21 futures, as well as all 2021/2022 future months, remain in a longer-term uptrend!** A short-term downtrend is intact, too. Major support is \$12.50. Minor resistance is today's high of \$13.70. The longer-term trend "re-enforces" itself when price closes over \$14.00. Rains, or lack of rains of expectations, will continue to move prices daily. Until then, this is a trader's market, following technicals. **Dec21 KC Wheat** posted a new high close at \$7.506, with \$7.50 major resistance. Price needs to close above \$7.60 for wheat to begin its next leg higher. Let's hold off any wheat sales for now and see how dry it may be for planting this year's winter wheat crops. Wheat's trends are higher.

August 12th, USDA Grain Stocks Report:

<u>U.S. Production 2021/2022</u>		<u>Average Guesses</u>		<u>2020/2021</u>
Corn –	14.750 bb	Corn –	14.948 bb	14.182 bb
Soybeans –	4.339 bb	Soybeans –	4.360 bb	4.135 bb

<u>U.S. Average Yield (bpa) 2021/2022</u>		<u>Average Guesses</u>	<u>2020-2021</u>
	July		
Corn –	174.60	177.10	172.00
Soybeans –	50.00	50.30	50.20

<u>U.S. Ending Stocks 2020/2021</u>		<u>Average Guesses</u>	<u>July 2021</u>
Corn –	1.117 bb	Corn –	1.098 bb
Soybeans –	0.160 bb	Soybeans –	0.147 bb
Wheat –	0.844 bb	Wheat –	0.841 bb

<u>U.S. Ending Stocks 2021/2022</u>		<u>Average Guesses</u>	<u>July 2021</u>
Corn –	1.242 bb	1.265 bb	1.432 bb
Soybeans –	0.155 bb	0.151 bb	.155 bb
Wheat –	0.626 bb	0.645 bb	.644 bb

<u>World Ending Stocks 2020/2021</u>		<u>Average Guess</u>	<u>July 2021</u>
Corn –	280.80 mmt	278.40 mmt	279.90 mmt
Beans –	92.80 mmt	91.50 mmt	91.50 mmt
Wheat –	288.80 mmt	290.00 mmt	290.20 mmt

<u>World Ending Stocks 2021/2022</u>		<u>Average Guess</u>	<u>July 2021</u>
Corn –	284.60 mmt	288.00 mmt	291.20 mmt
Beans –	96.20 mmt	94.80 mmt	94.50 mmt
Wheat –	279.10 mmt	288.00 mmt	291.70 mmt

<u>U.S. Production 2021-2022 (mb)</u>		<u>Average Guesses</u>	<u>July</u>	<u>2020-2021</u>
All Wheat	– 1.697	1.725	1.746	1.826
Winter	– 1.171	1.366	1.364	1.171
HRW	– .777	.807	.805	.659
SRW	– .366	.363	.362	.266
White	– .176	.193	.198	.246
Other Spring	– .343	.324	.345	.586
Durum	– .350	.350	.370	.690

USDA's Numbers: Wowzers! In a report that stems from a farmer survey where farmers are generally optimistic on yield possibilities, one must now wonder how much lower the **corn** yield could fall, especially if the next 4-weeks come in with below normal rainfall. Next month's numbers could easily cause price gyrations as significant as this report has.

Corn yield at 174.6 bpa was way under the average guess of 177.1 bpa, jolting Dec21 corn futures up \$0.33 in 10-minutes. *(On June 4th, we placed corn production at 172.5 bpa.)* Traders

will now be buying breaks until such time as the numbers are changed again. The USDA did what it always does to massage the numbers. They cut feed and residual use by 100 mb, bumped food, seed, and industrial use by 10 mb, netting a 90 mb reduction in use. Looking at their carryover number for 2021/2022 of 1.242 bb, down nearly 200 mb from last month's 1.432 bb, we are entering a new marketing year with the lowest stocks and the lowest carry-in stocks in over 8 years. The updated numbers moved USDA's national average farm gate price up \$0.15 to \$5.75 per bushel.

Soybeans got a boost from USDA's yield number of 50.0 bpa vs the average guess of 50.3 bpa. The reason for that is because the USDA increased 2020/2021 ending stocks to 160 mb by lowering crush and exports. Their yield cut took 66 mb off production. They also dropped their stated imports used to kill the price rally by 42 mb. The net result in all the "fudging" increased this year's stocks from 134 mb to 160 mb. Pushing that number into 2021/2022, it allowed the USDA to maintain carryover stocks from July to August at 155 mb, instead of a straight pass-through from their production cut of 66 mb, which would have dropped next year's carryover number to 89 mb from 155 mb. On the bright side, massaging numbers keep prices artificially low and increases demand, which results in lower supplies and higher prices.

Loved the **Wheat** numbers. With all that is going on in wheat's world, K.C. wheat should break through \$7.50 resistance soon and move to its next resistance area of \$8.40 – \$8.50. If crop losses worldwide continue, \$9.50 is not out of the question, but not in the cards yet. **Corn** growers need to be happy with wheat prices rising. *It prices wheat out from being a feed grain.*

All wheat ending stocks fall from 844 mb in 2020/2021 to 626 mb for 2021/2022, a 24% drop YOY. U.S. production of all wheat fell month to month from 1.746 bb to 1.697 bb, winter wheat from 1.364 bb to 1.171 bb, with HRW wheat being lowered from 805 mb to 777 mb. Spring wheat was lowered only 2 mb, from 345 mb to 343 mb. World stocks were cut from 288.8 mmt in 2020/2021 to 279.1 mmt, for one of the greatest reductions in world stocks in many years.

Corn: Points of emphasis for corn is Brazil losing 1 bb of corn production this year. Early and multiple freezing events also hit their sugarcane crop. Less sugarcane for ethanol translates to more corn needed for ethanol. Some say Brazil's corn exports will be down 50% this year. Some wonder how much corn they will export. The U.S. will gain a good amount of extra corn export business the 1st 6-months of the 2021/2022 marketing year. This demand will support prices. A final corn yield number in the U.S. of 176 bpa or less will guarantee a board price of \$6.40 - \$6.50, minimum. No sales of new crop corn. Likely no sales recommended until we see USDA's 2021 production numbers on January 12, 2022.

Monday's G/E rating for corn came in at 64%, up 2 points from last week. Illinois' corn rating jumped up 11 points, with Missouri up 6, Wisconsin up 2, with Pennsylvania up 1. All the rest of the states were unchanged to lower. Satellite imaging sees ALL. So, let us not worry about what is hiding beneath the husks!

Brazil's agricultural statistics agency, CONAB, lowered Brazil's total corn crop estimate to 86.65 mmt from 93.4 mmt in July, down from their 106.4 mmt estimate back in May. At this same time, the USDA was sitting at 109 mmt. Some private analysts have Brazil's production as low

as 77 mmt. The USDA came out today placing Brazil's corn crop at 87 mmt. A bit of a shocker, but exactly what we forecasted in our texts. Our May 12th forecast for Brazil's corn crop of no more than 90 mmt was nearly on point 3-months in advance. Prices could have risen much higher had "official" numbers came out months earlier.

DTN's Digital Tour reported Kansas corn yield at 147.3 bpa, up 13 bpa vs a year ago, while Missouri's corn yield estimate was 170.6 bpa vs 171 bpa a year ago. Wednesday, Nebraska's corn crop showed a near record yield potential of 187.9 bpa for a statewide yield. South Dakota's corn crop was seen at 142.7 bpa, down 20 bpa from a year ago. North Dakota's preliminary estimate came in at 120 bpa, also 20 bpa lower than a year ago. Numbers released for Thursday were Iowa at 199 bpa, up 21 bpa from a year ago. Wisconsin's corn estimate was 178.5 bpa, up 4.5 bpa from a year ago, slightly above their 2016 record of 178 bpa. They believe the Minnesota drought did not hurt their yield much, now estimated at 180.8 bpa, down only 12 bpa from last year. We cannot wait to see the results of the 1st tour that pulls back the husks in MN, ND, and SD.

Export sales on corn were 15 mb old crop, with 23.7 mb new crop. Corn export commitments currently total 2.760 bb for 2020-2021 and are up 59% from a year ago.

Soybeans: The way the USDA moved numbers around to keep 2021/2022 carryover unchanged instead of lowering it under 100 mb, soybeans have no big push at this time to get it to tag along with corn or pull corn down with it if more rains fall as forecasted next week.

G/E ratings for soybeans came in unchanged this week at 60%. Like corn, Illinois's soybean rating jumped 11 points, with North Carolina up 5, Wisconsin up 2, and Louisiana up 1. The rest were unchanged or lower, with Nebraska and North Dakota down 4, South Dakota down 3, Indiana and Mississippi down 2, with Ohio, Iowa, and Arkansas down 1.

Flash sales for soybeans were announced on Friday, as they have been every day so far this week. Monday it was 104k mts of U.S. soybeans to unknowns, Tuesday flash sales were 130k mts (*or about **4.8 mb** to unknowns, 132k mts to China, and then 182.2 mts of **Corn** to Mexico on a split ship, 152k mts for 2021/22 and the balance for 2022/2023. If they are buying corn at this price, are they expecting even higher prices in 2023? What may they know that we do not?"* Wednesday saw China taking 132k mts (**4.85 mb**) of soybeans again, with another 132k mts today and 198k mts to unknowns.

Export sales today for soybeans were 3.6 mb old crop and 41.6 mb (***1.12 mmt***) for new crop. Soybean export commitments now total 2.279 bb in 2020-2021 and are up 31% from a year ago.

CONAB pegged Brazil's 2021 soybean crop at 135.9 mmt, while dropping exports by 3.27 mmt to 83.4 mmt. That was a bit of interesting news. This is a new record soybean crop for Brazil, exported at the quickest pace ever. Yet, their soybean prices have remained strong, with U.S. prices now below theirs. The U.S. is approaching harvest and U.S. cash prices are still generally

running above \$14.00. That is from a combination of demand and supplies in the U.S. Understand that it will NOW only take a yield 0.5 bpa below USDA's current estimate of 50.0 bpa to take their 2021/2022 carryover stocks number below 100 mb, tighter than the USDA put into print this year. Oops! The USDA keeps "massaging" their numbers/moving the goalposts! No matter how much yield falls, carryover will always be maintained above 100 mb. Might as well stop telling all that by their own numbers, carryover will fall below 100 mb on a 1 bpa cut when we know numbers are managed with purpose. Still, in the coming weeks, prices will continue to gyrate wildly from these rains, when they fail or exceed the amounts as forecasted.

Digital Tour saw Nebraska's soybeans near record yield of 60.3 bpa on the first day of their tour. South Dakota presented them with an average yield potential of 44.7 bpa, with North Dakota nearly on par with last year's crop, placing it at 33.9 bpa. Apparently, recent rains are a miracle worker for these drought ridden states. On Day 2, Missouri's soybean yield was placed at 49.7 bpa, slightly below last year's 50 bpa. The estimate for soybeans in Kansas came out at 42.6 bpa, 2 bpa higher than a year ago. On Thursday, they pegged Iowa's soybean yield at 57.4 bpa, an increase of 4.4 bpa from last year. Wisconsin's yield was seen unchanged from last year at 50.5 bpa, with Minnesota's soybean yield set at 48.1 bpa, down 1 bpa from last year.

Wheat: All wheat classes have been perking up this last month, caused by drought concerns spreading to other nation's crops. We have asked if wheat is the Canary in the Coal Mine? Ponder that thought, as K.C. Dec21 readies to challenge recent contract highs. MN wheat has been struggling, having been the first of the wheat markets to run. Spreading is allowing the other wheats to "catch-up", selling MN wheat, buying K.C. and/or Chicago wheat.

Paris milling wheat futures soared to another new contract high today, the 6th new consecutive higher day, with world wheat cash values continuing to move higher. Black Sea wheat moved over \$300/mt for the 1st time in quite a while. Falling production in Canada, Russia, the U.S., and Europe continues to support. Consultant Sov Econ is the latest to drop Russian wheat production to 77 mmt from 78.5 mmt and has given notice of another update soon. IKAR is reported to be lowering its production estimate, which was already at 76.4 mmt. Private estimates are gravitating toward 75 mmt for the Russian wheat crop, compared to the July WASDE estimate of 85 mmt.

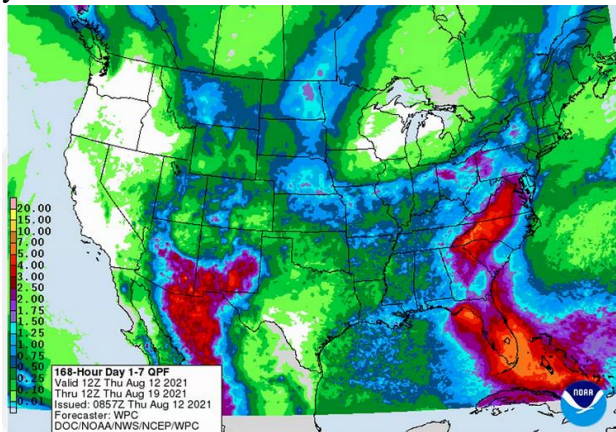
Then there are Argentine wheat areas which are suffering because the country is experiencing a 100-year drought. Why is no one talking about it? Freight rates are rising there, due to very low river levels, forcing ships to load light. Argentina exports 15% of the world's corn and 5% of the soybeans. Paraguay, the 4th largest soybean exporter, relies on Argentina for transport.

Talk is China is experiencing quality issues with new-crop wheat from all the recent flooding in China's Henan Province. Some analysts see the Canadian crop falling sub-24 mmt, compared to WASDE's July forecast of 31.5 mmt.

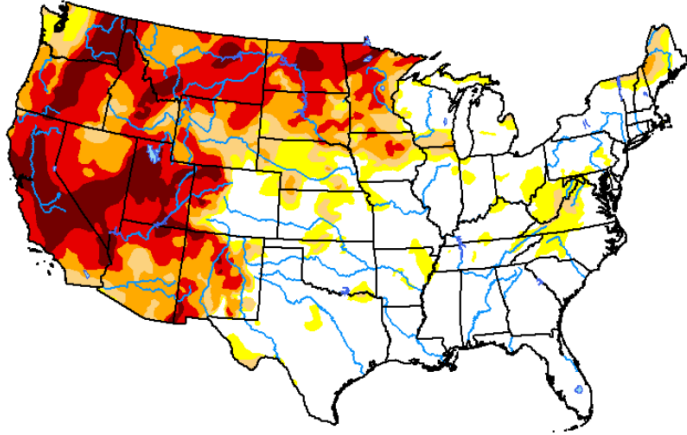
Still About Weather: The NW Grain Plains of the U.S. continue to see forecasts for above normal temperature and below normal rainfall. Some areas are likely to see no rain for the remainder of August. If this is the case, crops in those areas will deteriorate quickly. At the same time, we must remember that Canadian crops are right there, experiencing the same issues. Crop losses in Canada to their wheat, sunflower and canola crops will also support U.S. grain prices. It will only take a yield drop from trend in soybeans of 1.5 bpa to take U.S. soybean stocks near zero, elevating prices quickly once they realize this. It may take until the combines roll before this is all known. We will have a decent idea by tracking rainfall through mid-September. A final corn production number under 175 bpa would cause prices to move back to \$6.40 quite quickly. Quickly would be determined by how soon traders decide 175 bpa is a real number. Tracking rainfall over the next 30 days will give us an idea if yield ends up plus or minus 175.

Crop losses can be experienced in Ohio, Indiana, and Michigan if they go with little rainfall the next 3-4 weeks. We have been talking about that in our tweets, as we keep seeing rain events pass them by. The drought maps have been increasing dryness in the top 16 inches for the last few weeks. See maps below.

Here is the forecast map for next week that has soybeans in a tizzy. The GFS does not have this yet. This is the Euro model. We will see how this verifies come next Sunday evening/Monday.



Drought saw expansion of drought last week in MN, ND, SD, NE, OH, and KY. Many were surprised. When there is no subsoil moisture and temperatures are generally above normal, an inch of precipitation will not last more than 3-days before any benefits are gone.



Low grain weight and fewer ears per hectare were the consequences of drought followed by frost in the state of Paraná. Many parts of North and South Dakota, and likely parts of Minnesota, can beat this, even without a freeze!!



An Iowa field report: Concerns with spider mites, corn rootworms and drought.



We try not to do this often, but some have made the request for this video since twitter took it down right away. We believe everyone just wants the facts, where others do not want anyone hearing opposing viewpoints. Everyone should have the facts and make their own decisions and then can openly share with others if they so desire.

<https://twitter.com/i/status/1424603849952829442>