January 12, 2022 **#1964**

LOOKING FORWARD WITH A BACKWARD GLANCE

Sales Recommendations: No Sales. Next MNU by January 23rd.

Current Sales:						
	2021 sales:	**corn** 20%	**soybeans** 50% - 100%		**wheat** 80%	
	2022 sales:	**corn** 0%	**soybeans** 50% - 100%		**wheat** 50%	
	2023 sales:	**corn** 0%	**soybeans** 0%		**wheat** 25%	

Markets Closed: Monday, January 17th. Open Monday night at 7:00 pm.

Mar22 Corn closed down $0.02 today and is seeing its momentum slowing, developing a slow downtrend. Price needs to take out this week's highs for traders to get bulled up again. Will need a drier forecast in South America next week to get that done. An increase in U.S. corn stocks, though not by much, tempered the Bulls enthusiasm. **Mar22 Soybeans** closed up $0.126 today, posting a key reversal higher, a very positive sign for higher prices ahead. Follow-through needs to be seen tomorrow to confirm this technical move. Monday night will be volatile, suggesting a buy-stop above Friday's closing price for those who have interest. *(Should work for corn, too.) (Just FYI, seasonals have soybeans up from Jan 2nd to Feb 17th; worked 12 of the last 15-years.)* **Mar22 Meal** posted a positive hook reversal higher and needs to close back over $420 this week. **Mar22 Soyoil** needs to close over $60 this week to keep its chart looking good. Of the 3-grains, soybeans got the most positive news from today's report. We continue to look for crop losses in South America to be the driver of price gains in the future. **Mar22 KC Wheat** ended its 3-day rally today, closing nearly $0.14 lower at $7.78. Price will now fall back to retest $7.61 support. We would still give wheat room to run, likely testing $7.50 later. **Mar22 Oats** confirmed its downtrend today, closing at $6.46. As we wrote again last week, oats need to close below $6.50 to confirm a lower trend.

January 12th USDA Crop Production, Grains Stocks, Winter Wheat Seedings & WASDE Report:

U.S. Production 2021/2022		**Average Guesses**	**12/2021**	**2020/2021**
Corn –	15.069 bb	15.069 bb	15.062 bb	14.111 bb
Soybeans –	4.374 bb	4.435 bb	4.445 bb	4.216 bb

Winter Wheat Acres (million aces) 2022-2023

	January	**Avg**	**2021**

All Winter	–	34.1	34.1	33.6
Hard Red	–	24.0	24.0	23.5
Soft Red	–	6.6	6.6	6.6
White	–	3.5	3.5	3.5

Quarterly Stocks 12/01/21

(Billion Bushels)

	12/01/2021	**Average Guesses**	**09.01.2021**	**12.01.2020**
Corn –	11.236 bb	11.583 bb	1.2360 bb	11.294 bb
Soybeans –	3.110 bb	3.110 bb	0.256 bb	2.947 bb
Wheat –	1.446 bb	1.446 bb	1.780 bb	1.703 bb

U.S. Ending Stocks	**2021/2022**	**Average Guesses**	**12/01/2020**
	January		
Corn –	1.494 bb	14.850 bb	12.360 bb
Soybeans –	0.340 bb	.349 bb	.256 bb
Wheat –	0.598 bb	.610 bb	.845 bb

World Ending Stocks 2021/2022

	January	**Average Guess**	**Dec 2021**
Corn –	305.50 mmt	304.00 mmt	305.50 mmt
Beans –	102.00 mmt	99.30 mmt	102.00 mmt
Wheat –	278.20 mmt	279.70 mmt	278.20 mmt

USDA's Numbers: The USDA's numbers were generally friendly to bullish for corn and soybeans, slightly negative to wheat. For **Corn**, the USDA took yield to 177 bpa, a new record, resulting in 15.115 bb in production. Total supplies set at 16.375 bb. Ethanol demand increased by 75 mb. Exports lowered by 75 mb. Ending stocks finalized up 47 mb at 1.54 bb, up from their December number of 1.493 bb. The USDA cut Brazil's production 3 mmt to 115 mmt and lowered Argentina's corn production by 0.5 mmt to 54 mmt. They increased Ukraine's production by 2 mmt to 42 mmt. That reduced World Stocks of corn to 303,27 mmt, down 2.47 mmt. The farmgate price for corn was left unchanged at $5.45/bu.

For **Soybeans**, U.S. yield was increased a bit to 51.4 bpa, which increased their December estimate by 10 mb to 4.435 bb. A straight pass-through lifted U.S. carryover stocks 10 mb to 350 mb. To our surprise, soybean export estimates were left unchanged. They also left crush numbers unchanged, as we thought they should, as it is too early to make changes. That thought likely carried over to leaving soybean exports unchanged. Crop losses in South America could force more demand to the U.S. Global soybean stocks were cut to 95.7 mmt from 102.0 mmt, down 6.8 mmt. Global production was cut by 9.22 mb to 372.56 mmt. Most of the reduction came from Brazil's cut in production to 139 mmt, down 5 mmt and from cuts in Argentina's soybean production of 3 mmt, now down to 46.5 mmt. The farmgate price for soybeans was increased $0.50 from December, now set at $12.60.

For **Wheat**, production was left unchanged, but exports were cut from 1.163 bb to 1.138. Wheat's ending stocks were increased 18 mb, from 598 to 628 mb. Wheat's farmgate price was increased to $7.15 from $7.05. Global ending wheat stocks were increased from 278.18 mmt to 279.95 mmt, up 1.77 mmt.

Corn: Watch the export sales report tomorrow. Otherwise, corn and soybeans will be most affected by what develops next week in South American weather. Notice the 5 mmt reduction in South American production. That is about 200 mb. Add that to their 1.4 bb loss from last year. What if the U.S. crop comes under stress or less acres? Where will prices go when South America reports another 5 mmt cut? FNB came out this week cutting U.S. corn acres by 3 m from last year's 93.4 ma. That tightens things up more than what the trade will like if those cuts come to pass.

Soybeans: We liked the cut in world stocks. That will limit soybeans' downside during this year's growing season in South America. That supporting factor will be played out, all factored into price, by the end of April, with attention turning to U.S soybean acres and U.S. weather.

Wheat: No big changes, so we need to follow the technicals, which continue to point lower, though at least one major support zone has been reached. Price of Mar22 K.C. wheat should easily retest $7.61. We would like to see it trade to $7.30, another strong support area.

We look for limited price strength over the next 4 weeks. Wheat needs to break hibernation so "experts" can determine how badly this crop has been damaged from the December Derecho that sped through the western parts of the HRW wheat areas and trailed off through Nebraska and Iowa.

USD: The U.S. Dollar broke hard down from a sideways trade today, which has held since Thanksgiving. Support was $96.60. Price has traded as low as $94.945. Its next downside target is $94.50. This is another bullish cog in the inflation wheel, adding additional support to grain and meat prices, both for producers and unfortunately, consumers.

Corn Prices & Basis: A Subscriber called, asking why his corn basis jumped $0.10 this week for March/July, but not for August/October. We responded, saying we see it from end users finding supplies much less than the USDA reports, where they are chasing to secure those bushels they "must" have to get through the year. With Brazil's corn losses in 2021 of nearly 1.4 bb and more production losses being sustained to this year's growing crop, we see end users waking up to potential grain shortages later this year.

We also commented on the USDA reporting higher production numbers for the 2019 and 2020 crop, giving the market a false sense of security. Narrowing basis levels in corn since the 2019 production year has continued through 2022, strongly supporting the ideas U.S. corn stocks are overstated. Yet, no correction/adjustment was made in this report to U.S. corn stocks, supporting the contention that those in charge would prefer to keep any future rallies in check. U.S. grain stocks have significant influence on grain prices in the U.S.

Basis tells us so much about demand and value. We use historic S&D tables to project prices into the next year. Those numbers tell us that based on USDA's numbers, corn prices need to be nearer $4.50 and no higher than $5.00. Yet, price is $6.00, plus a $0.30 basis premium, on average, versus historical numbers based on carryover stocks. The questions become, "What's up? What is in these markets that we do not see or understand?

For those who have our TZC projections for 2022, you will see our Lower Third price projection is above where the S&D historical numbers told us the Upper Third should be. We threw out history to project from those factors which would be driving corn prices to higher highs than would be "normal", based on all history using fundamentals. Doing so messes with our head, because we are venturing into the unknown, times we have not lived through before. It is why we have attempted to correlate it to the inflation years of the 70's and worked to understand how Japan climbed to become a global economic powerhouse and then collapsed into decades of stagflation and zero to negative interest rates. We work to use other's history to analyze our future possibilities.

On top of it all, weather will always remain the **Big Dog** in determining future prices.

China Hoarding Grain: We wrote last summer that China was taking all of Brazil's massive soybean crop so they could avoid taking U.S. soybeans this fall and winter. They are living up to what we figured last year.

Export sales of soybeans, meal and soyoil all hit new marketing year's low for the week, adding to bearish concerns about export demand. The USDA said 14.1 mb of soybeans were sold last week. Beyond the low weekly amounts, it is also disappointing that few buyers other than China are showing interest. Soybean shipments totaled 64.0 mb last week, putting total sales and shipments of soybeans at 1.532 bb, down a whopping 24% less than a year ago at this time. Future export sales are also looking bleak, with Brazil's FOB prices much cheaper than prices at the U.S. Gulf for both January and February contracts. For the 1st week of January, Brazil exported 754k mts of soybeans, a 15-fold increase versus the same week in 2021. So far, Brazil has shipped 139k mts/working day, an 18% increase over the same time frame a year ago,

We find comments concerning China's lack of interest in U.S. soybeans comical, in a sense. Here is one today. "it would appear that, at this point, U.S. soybean old crop exports are overstated." Notice how nearly 100% of commentators must preface their comments and near state anything as a fact? That way, no one can claim they were wrong. That is not us. A turd is a turd, and we have no problem saying so. China has not had a "flash sale" from the U.S. announced in nearly 3-weeks. China's soybean purchases from the U.S. have been a turd and it has been a turd with purpose. See the factual data underlined in the paragraph above *(China stockpiled from the U.S. 2020 crop.)*

But is China doing more than just sticking it to the U.S.? China has had 2 poor harvests. Heavy rains and flooding have taken its toll on their crops. In fact, total production in China has been falling since 2016. It has also been said China is planning for what they see coming, a global food shortage. They must see the same future we do in the upcoming years and are planning accordingly.

China, with a bit less than 20% of the world's population under one roof, has managed to stockpile more than half of the world's maize/corn and other grains, helping create the steep price increases across the globe and creating even more famine in more countries. Yes, China is hoarding.

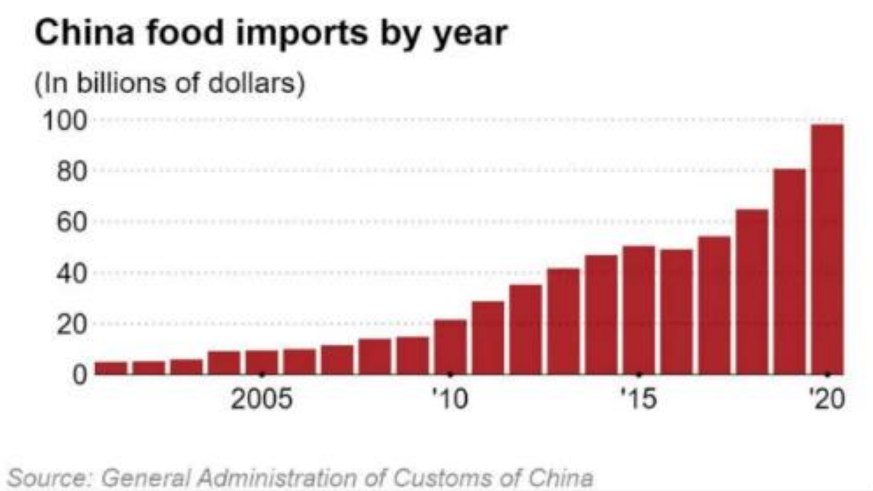
China is pushing their food stockpiles to historically high levels. The head of the grain reserves stated, "Our wheat stockpiles can meet demand for 1.5 years. There is no problem whatsoever about the supply of food."

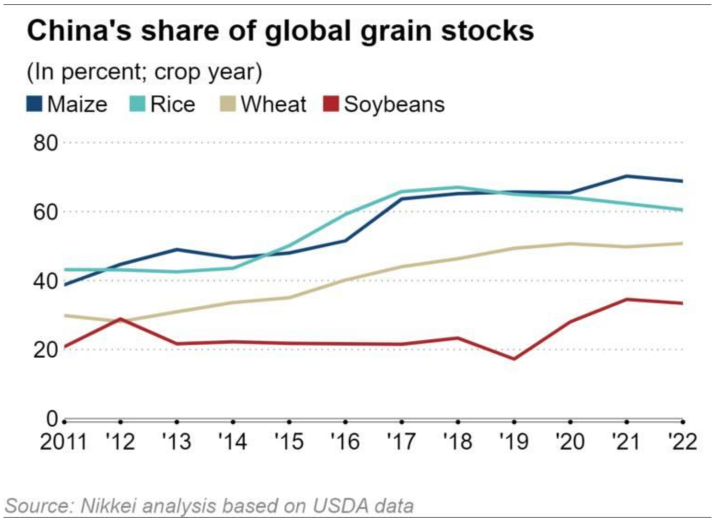
The USDA says they expect China to have 69% of the world's corn reserves in the 1st half of 2022, 60% of its rice and 51% of its wheat. Over the past 5-years, China's soybean, corn, and wheat imports soared 2 to 12-fold on aggressive purchases from the U.S., Brazil, and other supplier nations. Imports of beef, pork, dairy, and fruit jumped 2 to 5-fold.

The UN reported in November that the food price index stood about 30% higher than a year earlier, with maybe the #1 reason being China's hoarding of food stuffs. The reason for most of its purchases was cited as their inability of their domestic production to keep up with demand and their expanding pigs and other livestock production.

The main factors behind their production issues are seen as the dispersion of farmland and soil contamination and farmers migrating to urban areas. One of the reasons behind increased stockpiling is China's deteriorating relations with Australia and the U.S., which could alter the import environment. Port issues in China and any other exporting nations created by their own CCP Virus is also seen as a deep concern in China. One of their own ports was shut down for a time last week because of labor shortages and lockdowns.

The number of people living in famine-struck regions in 2020 topped 700 million, an increase of more than 100 million in 5 years. China has lived through several historic famines, with millions dying. This is part of their history, which has left an indelible mark in their memories. National food security is a priority for the Chinese. Few in the U.S. have such memories, unless you are over 60-years old. A very large percentage of those classified as poor in the U.S. are overweight, caused by an overabundance of government hand-outs, which in turn instill a multitude of many bad habits, least of which are slothfulness and very poor eating habits.





We have argued consistently that U.S. fundamentals should have corn prices at $4.50 and soybeans at $11.00. There are more things behind these "high" prices than just China's hoarding, including USDA's lying stocks numbers going on for 3-years now. Inflation, especially much higher energy prices, fuels higher prices across the board. If the USD should ever fall into a downtrend, we would have another great supportive factor. For those who take our TZC, refresh yourselves with those numbers for the Upper Third.

Inflation: Think of all commodities which go into food production and getting it to the stores. Everything affects everything else. If input costs are rising, so is the final cost of the final product.