March 09, 2022 **#1976**

LOOKING FORWARD WITH A BACKWARD GLANCE

Sales Recommendations: No Sales. Patience. No New Crop Sales. If you still hold long futures in corn or soybeans, keep holding. Recommended getting back long July22 corn again last week. Could do some hedging/re-owning in May22 soybeans, too. Next MNU by March 20th.

Current Sales:	**2021** sales:	**corn**	50%	**soybeans**	50% - 100%	**wheat**	100%
	2022 sales:	**corn**	0%	**soybeans**	50% - 100%	**wheat**	75%
	2023 sales:	**corn**	0%	**soybeans**	0%	**wheat**	40%

See 247Ag on Twitter: Please click this link and view the summer rainfall models, much like 1934 and 1936. *If rains do not rectify the drought issue by the end of May, history tells us U.S. crop production is in trouble*. https://twitter.com/247dotAg Click the link to see us on Twitter. You really need to stay informed on South American and U.S. weather and trends. Click on the link to see photos and very short commentaries. Pictures make stories easier.

Texting Service Down: Server upgraded and changed security settings, shutting down our texting platform. We were put on a waiting list for a fix. Problem corrected – for now.

Technicals Plus: Grains biggest drag lower today, besides wheat, was crude oil. It got hammered today, falling nearly $20/b at one point. USLD might have witnessed its largest price move in history, down $1.30/gallon. RBOB fell nearly $0.60/gallon at one time. In light of such a massive negative, we would say grains held up well. **July22 Corn** had a low of $7.002 this week, posted on Friday and tested yesterday with a low of $7.012, while closing nearly unchanged at $7.26. Price closed at $7.082 today. Price could find support at $7.00. Corn's trend is higher, though we would like it if it would take a break and consolidate prices gains made since February 26th, say from $7.00 to $7.30 for a few weeks? **May22 Soybeans** moved above $17.00 for the 2nd time in 3 weeks, setting the stage for price to close above $17.00 very soon. Good support sits at $16.50, with better support at $16.00. **Mar22 Meal** traded to $501.30 today. **May22 Meal** has a way to go, with its high today of $485. **May22 Soyoil** has the same issue, trading to a high of $78.58, while **Mar22 Soyoil** put in a new contract and historical high of $83.54. **May22 KC Wheat** got whacked this week. For the week, price moved $1.85 lower from Monday's high of $12.994, closing limit down today at $11.144. We would like to see price find its low at what we see as support, $10.05 to $10.10. All grains remain in their respective uptrends.

March 9th, USDA Grain Stocks Report: Just before this report was released at 11:00 am, Ukraine announced an export ban on wheat, corn, sunflower oi, oats, rye, barley, sugar, and cattle.

In this report, the USDA lowered Ukraine's wheat exports by 4 mmt from 20 mmt. The reduced Russia's exports 3 mmt to 32 mmt, as vessel transportation is projected to be restricted by the on-going conflict and imposition of numerous economic sanctions.

World Production (mmt)	March	Average Guess	Feb 2022	2020/2021
Corn				
Argentina	53.00	52.0	54.0	51.5
Brazil	114.00	112.90	114.00	87.0
Soybeans				
Argentina	43.50	42.9	45.0	46.2
Brazil	127.00	128.20	134.00	138.00

U.S. Ending Stocks 2021/2022	March	Average Guesses	Feb 2022	2020/2021
Corn –	1.440 bb	1.476 bb	1.540 bb	1.235 bb
Soybeans –	0.285 bb	0.270 bb	0.350 bb	0.257 bb
Wheat –	0.653 bb	0.633 bb	0.628 bb	0.845 bb

World Ending Stocks 2021/2022	March	Average Guess	Feb 2022	2020/2021
Corn –	301.20 mmt	299.60 mmt	302.20 mmt	292.10 mmt
Beans –	90.00 mmt	88.90 mmt	92.80 mmt	100.40 mmt
Wheat –	281.50 mmt	278.00 mmt	278.20 mmt	289.90 mmt

USDA's Numbers: Before we start on their numbers, who wants to bet CONAB's numbers on Brazil's soybean production, which are to be released tomorrow morning at 6:00 am, will be a bigger market mover than this report? CONAB's estimate from last month was 125.4 mmt. Odds are they take that number down another 2mmt to 4 mmt.

Safras and Mercado had lowered their Brazil soybean estimate to 125 mmt, down from 127 mmt. Ag Rural revised their estimate of the Brazil soybean crop to just 122.8 mmt, 11 mmt below the February WASDE estimate of 134 mmt. Over the weekend, the Rosario Exchange pegged Argentine corn production at 48 mmt, down from WASDE's 51 mmt estimate.

Some analysts are already projecting USDA's stock numbers today for corn and soybeans will be from 100 mb to 200 mb higher than reality. We see corn and soybeans' carryover stocks being lowered in each of the next 3 USDA reports, working to catch up to reality. The USDA wants to see it before they print it. The futures market prints it, makes it reality in price to ration demand before they see it.

For **<u>Corn</u>**, the USDA lowered U.S. stocks by 100 mb, world stocks by 1.2 mmt, Argentina's by 1 mmt, and they left Brazil's corn production unchanged. The negatives were that the USDA guesses were all higher than the average trade guesses, except for U.S. ending stocks, which came in 36 mb lower. What the trade is missing is that Ukraine corn supplies will not be available for some time, which is why "available" world supplies came in 1.4 mmt above the average trade guess and only 1.2 mmt below their February number of 302.2 mmt.

<u>Soybeans</u> saw ending stock cut 40 mb, 15 mb above the average guesses, ending up at 285 mb. World stocks were cut 2.8 mmt, even though they cut South American production 8.5 mmt.

For **<u>Wheat</u>**, U.S. ending stocks were placed at 653 mb, up 5 mb from USDA's February number and 20 mb higher than the average of the trade guesses. World stocks were increased 3.3 mmt from February. These numbers do not matter under current market conditions. It is a money game right now. If high volatility continues the balance of this week, lows should be seen no later than Monday. That will eliminate wheat being a drag on corn prices.

<u>Corn</u>: It is hanging in there quite well, with wheat's collapse, which will end this week.

Brazil's corn price reached a new record high of $8.70/bu last week. China's price is sitting around $11.65. USDA and other MAJOR Deciders have decided to plan for even new crop supplies not being available from the Black Sea Region. As such, do we need to tell you cover any inputs which you do not have locked in? You can then understand why you have read many calls for the EU and/or the U.S. to get some CRP into production ASAP. We believe it is too short of a timeframe to get anything like that accomplished. Plus, seed, fertilizer, chemicals, supply chains issues cannot feed many more additional acres in 2022. It will be interesting to see how they work to get more acres in production for 2023, if they believe they need to think that far ahead. We will "assume" all will be back on-line for 2023, barring a WWIII. Maybe Pray?

Due to such a poor corn crop last year and all of today's global issues, Brazil's price of corn hit over $9.60/bu this week, $9.37 at the U.S. Gulf, and in Argentina, $9.18. There is concern as the rains push north out of Argentina and into Southern Brazil, it will be pulling in behind it, drier and hotter weather. Temperatures will be reaching the lower 100's in Southern Brazil and Paraguay. For now, recent rains have relieved much stress for their crops.

Ethanol production was up 3.11% last week and up 9.59% over last year. Corn ground for ethanol was 104.36 mb versus needing to grind 99.639 mb/wk to meet USDA's estimate for an annual grind of 5.325 bb. Ethanol stocks were 25.271 mb, up 1.36% from last week and up 14.5% from last year.

<u>Soybeans</u>: This year's high trade in May22 soybeans was $17.592 on February 24, closing at $16.54. Price traded over $17.00 again today, touching $17.34. Multiple probes above $17.00 clears out stops, opening the door for a close over $17.00, on its way to at least $17.90. U.S. soybeans are now the world's cheapest offer for old crop, a good reason for China to return on nearly a daily basis to buy old and new crop soybeans from the U.S. Their demand for new crop has been surprisingly strong and brisk.

An interesting fear taking place, of wheat prices being too high and "stealing" soybean acres around the peripheries of the Midwest Grainbelt. This would not be acceptable, as soybean acres MUST come in above 90 m, closer to 92 m minimum. Now guessed at 88 ma or less, soybean prices will need to increase just because of wheat prices! If high wheat prices can steal from soybean acres, odds are it will steal from corn acres, too.

Palm oil, canola, and soybean oil futures *(soyoil touched $83.54 today)* all reached new record highs. Malaysian Palm oil had its single largest daily rally on record, closing at 7,074 RM/MT. Indonesia increased its export tax on palm oil to 30% as of March 10, looking to keep more of it home and not in the world market. That will effectively raise its price, like it did in a record setting way today.

Wheat: It is all about the war, Russia, and Ukraine. There is a decent chance the highs for wheat are not in. We are watching for wheat to "catch" this week, setting short-term lows. Next will be the drought in the U.S. Risk increases every day it does not rain. The trade will care if the U.S. comes up with an ALL-wheat crop 100 mb to 200 mb short this year. Several inches of snow once a week does little to help, especially if high winds come with.

China's Ag Minister reportedly said their winter wheat conditions could be the "worst in history". What perfect timing, and another reason for them to shift their feed rations back to soybean meal and away from wheat.

Sov Econ dropped Russian wheat exports by 800,000 mt to 33.5 mmt. They did report over 10 vessels of wheat will be delivered to Turkey. Not sure that changes anything in the Big Picture.

Demand: New crop corn and soybean export commitments at the end of February are the largest on record going back to 1990, while 2021/22 wheat export commitments of 671.6 mb are the lowest since 2016 and 2nd lowest on record going back to 1990. Ukraine and Russia were expected to supply 18-19% for global corn trade in 2021/2011, but this should drop precipitously. New crop corn export commitments of 74.8 mb are the largest on record, going back to 1990. New crop soybean commitments total 248.0 mb, the largest on record by nearly 10%. Total wheat commitments of 671.7 mb are down 23% from a year ago and the 2nd lowest on record.

So Many Issues: We want to take a moment to say thanks to everyone who sends us information which they come across which could assist others. Most everyone knows things that others do not. Anything anyone comes across to help all of us better understand the Big Picture, send it on. Our job is to help everyone do a better job pricing their grain. The more you can see and understand the Big Picture, the better job you will do.

It is impossible for anyone to wrap their minds around all the issues driving prices higher. We will list some for you to consider and for why we forecast higher highs. Higher highs in wheat are still possible. Never say never in these times and in these markets.

Forward thinking is if the war continues through March, you can scratch most of any production off the table for 2022 out of the Black Sea Regions. We are hearing talk from those who are directly responsible for the mess that they see this war going on for months. They are making sure it does, to the deaths of 100's and 1000's more Ukrainians and Russians, not even mention the 100's of 1000's of those who will die from starvation from the **Global Food Crisis** their actions are directly responsible for.

Who steers all those vessels loaded with grain, oil, coal, fertilizers, cars, lumber, and everything else? Nearly 2,000,000 of captains and crew come from China, Russia, India, Philippines, and Indonesia. With nearly 10% of these seafarers now sanctioned or banned, what kind of issues will be added to the current supply chain issues if the war escalates? Will the West have issues dealing with Chinese crews? International relations may well be an issue in future shipping, with India and China abstaining from condemning the Russian invasion. That is 50% of the world's seafarers.

Freight rates are now skyrocketing, as the war has heavily impacted cargo ships in the Black Sea, making port backlogs across European ports dramatically worse. The same will soon be occurring at U.S. ports. As usual, it will be a perfect storm. It lines up perfectly with the ILWU port workers contract negotiations, set to expire in Q2. You can bet your bippy they will use it to their advantage, using a work stoppage as leverage.

All this pours more fire on exploding inflation. NG is skyrocketing in the EU, forced higher due to the war. Port backlogs are adding to costs. It is also forcing up air freight rates. Higher energy, whether it is crude, fuel, or NG, increases costs of everything for goods and services, with ocean rates, foreign and domestic, trucking costs, processing costs, all rising.

Estimates of refugees out of Ukraine will reach nearly 2,000,000, which will affect spring plantings of row crops. End users of any crops out of Ukraine or Russia have no option but to plan on next to nothing out of these countries. Doing so will shift demand dramatically. Talk is this demand will take U.S. soybean stocks down near 120 mb and corn to 1 B. Understand these numbers will be priced in sooner than later.

Over the last year, China was unwilling to pay up for higher corn and soybeans, switching many rations to wheat based. This made perfect sense, as they produce 50% of the world's wheat. Now with wheat prices soaring, they are switching back to soybean meal. This is spiking their internal prices for soyoil, meal, soybeans, as well as corn hitting record highs, as well as creating a huge demand again for amino acids. Add in countries reopening as the flu season comes to an end, and you have another perfect storm pushing demand.

A possible demand issue could well be in our backyard. The USDA reported another outbreak of H5N1, a highly contagious strain of avian flu, in a flock of 240k broiler chickens in a SE MO County. Over the past few weeks, H5N1 has been confirmed in 10 commercial chicken and turkey farmers in 4-states. The timing is not good, as it is just before bird migration from south to north. Flocks are generally all killed on confirmation of this disease. This would have an immediate impact on feed needs. Pay attention, as it could produce a negative pull-on prices.

Production: It is becoming an accepted fact that unless there is a swift de-escalation, the flow of commodity exports from Ukraine and Russia will decline sharply. Commodity flow not only includes grains and oilseeds, but it also includes metals, meats, textiles, etc.

These 2 countries export 59 mmt of wheat, 29% of the world's total exportable wheat. They both account for 19% of total global corn exports. These nations are the top 2 producers of sunflower seed, accounting for 33% of exports of sunflower seed, 78% of sunflower seed oil, and 81% of sunflower seed meal. They also account for 23% of global rapeseed exports, 31% of barley, and 52% of rye.

Russia supplies nearly 50% of the EU's crude oil imports and more than 70% of the EU's NG imports. A large portion of Russia's NG flows through pipelines in Ukraine or Belarus, which will most likely face sanctions for their support of Russia's invasion.

For metals and NH3, Russia provides 37% of global palladium and 11% of global platinum. Together again, they export 7% of global iron ore output, 8% of global magnesium, 5% of global steel, and 12% of global nitrogen ammonia production.

The Top 5 nitrogen ammonia producing nations are China 39 mt, Russia 16 mt, U.S. 14 mt, India 12 mt, and Indonesia at 5.9 mt.

The war has cut off fertilizer to a nation which imports 90% of its fertilizer needs, Brazil! Brazil was in Russia negotiating for their remaining fertilizer needs for 2022 when exports got shut down from this war. They are now up in Canada attempting to secure their "immediate" needs.

Brazil's fertilizer woes will continue this year, as well as the woes of the world for the coming Global Food Crisis. Some fertilizer producers in Europe, Russia, and Ukraine are going off-line again due to the extremely high cost of NG, adding to the world shortage of fertilizers**.**

Everything combined, this should keep fertilizer prices high or higher for U.S. Ag producers this spring.

Just Today:

- **The US ban all Russian energy** (except uranium), which the White House had kept resisting until the last minute
- **The EU announce it will diversify from Russian energy** as soon as possible, which will apparently take around a year, and will involve re-juggling global energy supply chains
- **The EU plan the launch of a massive new Eurobond to pay for both its new energy security and its new defense spending** – which crosses a fiscal Rubicon in that defense spending is going to be a multi-decade commitment, not a one-off package. The EU is also flagging potential outright price interventions in energy markets.
- **Italy considering possible energy rationing**– indeed, the serious discussion of the inevitability of some form of Western rationing other than just by price underway in serious circles

- **China announced it is considering buying into the Russian energy and commodity sector**, with firms like Gazprom and Rusal likely targets, which will infuriate the West
- Shell say it will no longer deal in any Russian energy at all
- **The US Commerce Secretary say Chinese companies that defy sanctions against Russia may be "essentially shut"**, e.g., China's semiconductor sector
- **K-Street lobbyists finally learn to reject some sources of money** – in this case Russia, but who next?
- **Russia announced it will restrict some raw material exports**, with the details of to whom and of what to be made clear in two days – but we can already guess it will be those sanctioning it.
- **Russia suspended access to FX** for its citizens until 9 September, further underlining the squeeze in a market where RUB closed at 130 after having hit 175 briefly on Monday
- **Wild trading on the Hong Kong-owned LME 'undone' by the 145-year-old exchange**: after Nickel soared 250% Tuesday, it 'cancelled' trading, allowing the Chinese players caught in a short squeeze to close out huge loss-making positions at the prevailing end-of-Monday price.
- **Global commodities trading houses suddenly raising debt**