June 10, 2022 **#1993**

LOOKING FORWARD WITH A BACKWARD GLANCE

Sales Recommendations: No Sales. Advised via text producers could begin re-owning corn/soybeans on breaks. See the TZCs. ***(See possible re-ownership comments/recommendation for November soybean sales in the "Soybean" section below.)*** Prices failed to reach downside objectives as projected and as we said, if they cannot reach major support during the normal/seasonal time it should be "correcting" to do so, the markets are more bullish than most understand. These markets have been more bullish than many have understood for the last 9 months!!! **Based on our comments under "Soybeans", prices will soon close over $18.00**. MNU by June 19th.

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Current Sales:	**2021** sales:	**corn**	75%	**soybeans**	50% - 100%	**wheat**	100%
	2022 sales:	**corn**	0%	**soybeans**	50% - 100%	**wheat**	75%
	2023 sales:	**corn**	0%	**soybeans**	25%	**wheat**	40%

Service Issues: Major service issues with providers who serve our needs. When they have issues, it hits us. We have "work around" avenues to maintain our services to you, but they are not as good/efficient, and they are just a short-term fix. Inability of them to secure staff is a function of the worker shortage, which is exasperating the issues. We have noticed a distinct rise in the incompetency of those who staff help desks. This has hit all sectors, including IT. With the worker shortages, employers are forced to utilize the best "warm body" they can find, resorting to something is better than nothing? We know 1st hand in the farm sector, going this route can be very costly! Better to have it done late and right than quick and wrong!

Technicals Plus: **July22 Corn** traded higher every day this week, closing at $7.732. The downtrend line off its 2-recent highs crosses through $7.85 next week. Price must close above this downtrend line for price to rise back to challenge its old high and contract high of $8.244. $7.20 to $7.25 is corn's new support level. **July22 Soybeans** closed above its February 24th high of $17.41 this week, posting a new contract high trade of $17.84, before closing this week at $17.454. The record high price for soybeans is $17.946. Price closed at a new high on its weekly chart, which is positive. Price put in a hook-reversal higher the week of April 4th and May 9th. If one looks at soybeans sideways trade from February 22 to May 23rd, one could argue that the chart points to a potential high from $20.00 to $21.00. When soybeans close over $18.00, Funds will add length. After reaching down to $11.124, **July22 K.C. Wheat** has been forming a pennant formation of higher lows and lower highs. Generally, based on the gap-open top formation and the resulting downtrend, price should break lower out of this formation. The downside price objective would target $9.50 to $10.00. Seasonally, this fits perfectly if this was a normal year. This year is far from normal. We would not be surprised if price faked a breakout to the downside, only to trap shorts. Price needs to close over $11.85 to move price back into an uptrend. A close over major resistance at $12.00 would be very supportive.

*** Many are calling for lower prices from here and that only weather problems will be able to take out current highs. Again, we are on the wrong side of this Bull Market by other's standards.

While we do see the seasonals as a "normal" negative, as well as recent "technical" tops and history, we rest our beliefs with demand, profit margins from crush and grinds, plus our belief energies and inflation will remain intact as the major drivers behind rising grain prices. We might even have an Ace up our sleeve. We are also betting that stupid does not get smart anytime soon. The trend of stupid has been solidly inflationary and the greatest regulatory dynamic behind rising energy costs since January 20, 2021.

June 10th USDA Grain Stocks Report:

U.S. Production 22/23		Avg Guesses	May 2022	2021/2022
Corn –	14.460 bb	14.442 bb	14.460 bb	15.115 bb
Soybeans –	4.640 bb	4.638 bb	4.640 bb	4.435 bb
All Wheat –	1.737 bb	1.726 bb	1.729 bb	1.646 bb
Winter –	1.182 bb	1.181 bb	1.174 bb	1.277 bb
HRW –	0.582 bb	0.594 bb	0.590 bb	0.749 bb
SRW –	0.358 BB	0.357 bb	0.354 bb	0.361 bb
White –	.242 bb	0.229 bb	0.230 bb	0.167 bb

U.S. Ending Stocks 21/22		Avg Guesses	May 2022
Corn –	1.485 bb	1.438 bb	1.440 bb
Soybeans –	0.205 bb	0.217 bb	0.235 bb
Wheat –	0.655 bb	0.661 bb	0.655 bb

U.S. Ending Stocks 22/23		Avg Guesses	May 2022
Corn –	1.400 bb	1.337 bb	1.360 bb
Soybeans –	0.280 bb	0.295 bb	0.310 bb
Wheat –	0.626 bb	0.622 bb	0.619 bb

World Ending Stocks 2021/22		**Avg Guesses**	**May 2022**
Corn –	310.90 mmt	308.90 mmt	309.40 mmt
Beans –	86.20 mmt	85.00 mmt	85.20 mmt
Wheat –	279.40 mmt	278.90 mmt	279.70 mmt

World Ending Stocks 2022/23		**Avg Guesses**	**May 2022**
Corn –	310.50 mmt	305.00 mmt	305.10 mmt
Beans –	100.50 mmt	99.80 mmt	99.60 mmt
Wheat –	266.90 mmt	267.60 mmt	267.00 mmt

South American Production		**Average Guess**	**May 2022**
BRAZIL			
Soybeans –	126.0 mmt	124.8 mmt	125.0 mmt
Corn –	116.0 mmt	114.6 mmt	116.0 mmt
ARGENTINA			
Soybeans –	43.4 mmt	42.2 mmt	53.0 mmt
Corn –	53.0 mmt	52.2 mmt	53.0 mmt

USDA's Numbers: We still see the USDA managing **Corn** prices with these funny numbers. If this were real, board prices would not be near $8.00 and cash prices over $8.00. Just saying.

The USDA raised Ukraine's **Corn** production, left U.S. 2022/2023 corn production unchanged by not changing acres or their 177/bu yield forecast, raised old crop ending stocks 45 mb, raised new crop ending stocks 40 mb, and raised world old crop and new crop ending stocks. They left the average farmgate price unchanged at $6.75/bu. While no big changes, prices rallied into this report. That will make further rallies slower coming. Plus, financials are getting hit and when they get hit hard, selling comes into grains. Weather will begin being the lead driver for corn next week. Sunday's evening forecast will matter.

For **Soybeans**, they did the same with production, not changing the record high acreage of 91 m planted or the average, estimated yield/acre of 51.5 bushels. They did take old crop and new crop carryover stocks lower, by 30 mb for old crop and the same for new crop. Old crop carryover now at 205 mb, will fall below 200 mb before this year is over, also cutting 2022/2023 carryover stocks. As stocks fall, prices rise. The average farmgate price was upped $0.30/bu to $14.70/bu. Old crop world stocks were increased .95 mmt.

New crop **Wheat** projections were increased a tad to 1.737 bb, with an average yield set at 46.9 bpa, up 0.3 bpa from May's number. Average farmgate price came in at $10.75, unchanged from May. Winter wheat saw its production rise to 1.18 bb, up 1%. Yield was increased by a titch to 48.2 bpa, but down 2 bpa from last year. HRW wheat production was lowered 1% to 582 mb. SRW wheat was increase 1% to 358 mb. WW wheat was increased 5% from last year, coming in at 242 mb. Global new crop wheat stocks were lowered a bit to 773.43 mmt. India saw its wheat crop lowered, Australia's left unchanged, and Russia's increased.

Corn: The 1st ratings for corn came in at 73% G/E, and only 4% P/VP. USDA's data suggests 1.23 m corn acres remain unplanted in MN & ND as of June 5th. Those we spoke to said they were done planting. As cold as it has been, there is too much risk going forward to plant corn now. Nearly every state was ahead of its 5-year average. It was just that ND, MN, and PA were far enough behind to keep plantings only 2% ahead of its 5-year average. Corn planted came in at 94% vs its 5-year average of 92%.

Thursday's export sales were 11 mb vs needing 9 mb weekly to meet USDAs forecasted total for the 2021/2022 marketing year. Total commitments of 2.343 bb are down 14% from last year, but are already at 93.7% of the USDAs estimate, with 3 months left in the marketing year. It is interesting that for new crop, total commitments are 226.3 mb, the 3rd largest on record, behind last year and 1996. Most of us remember the record high of $5.544 in 1996.

Opposite soybeans, corn could have a better chance of getting close to its national trendline yield **if** farmers in northern states go the PP route, rather than taking the risk of planting after June 1. Many have done that before and know 1st hand doing so creates too much risk, especially after such a cold start. Going PP and expecting additional government support is a safer bet.

Referring to a better chance of getting close to trendline is referencing only to this topic. It is not weighing the odds of this year's crop being reduced from the coming heat and dryness. Watching the weather trends in South America and Europe, caused by this back-to-back La Nina, raises much concern. Even if the U.S. could eke out 175 bpa, growing crop losses in Argentina, Brazil, and Europe will have the same effect as crop losses in the U.S. will, due to the global grain shortages.

Ethanol is a bright spot for corn this year, caused by the never-ending rally in crude oil and its refined products. USDA reported April exports sales of ethanol jumped from 125.1 mg to 185.2 mg. Biodiesel exports also showed a big gain in April, rising from 29.2k mt to 70 mt. It is amazing the increase in demand for these products to cheapen the cost of fuels when gasoline and diesel prices go through the roof. Ethanol grind is very profitable, driving demand and keeping basis levels strong/stronger, with profits over $2.00/bu this week.

The price of corn remains expensive in China, when compared to U.S. prices, with theirs at $11.00/bu. While high, that price is down from its April high and trading near their lowest level in 3-months, maybe the reason China has not been chasing for U.S. corn.

Soybeans: The USDA believes there were 6.37 ma of soybeans yet to be planted in ND & MN as of June 5th. Continued rains north will help support soybean prices, creating continued delays in getting the soybeans planted in ND & MN. The nation as a whole showed 78% planted vs 79% its 5-year average. Like in corn, most states were ahead, some quite a bit ahead. MN at 72 vs 92 and ND at 41 vs 85, really pulled the national average down. Unless the northern states get heat and a perfect August, U.S. soybean production will not make trendline yield. In addition, there will be more double cropped soybean aces due to soybeans' high price. Those acres will have very low yields compared to what trendline would be, helping pull this year's national yield below trendline expectations.

More supportive to soybean prices is the continued rise of HO/diesel prices, underpinning soyoil prices. Meal posted a massive key-reversal higher Tuesday, looking to turn this segment of the soybean complex higher. If both oil and meal move into an uptrend, soybeans will quickly take out contract highs of $17.95. Meal only needs to close above $435 for additional Fund buying to jump in.

This week, the USDA showed that 1-bushel of $17.57 soybeans in Illinois can produce $20.10 worth of soybean meal and soybean oil. That will keep crushers crushing.

Soybean export sales have already exceeded USDAs expectations. Thus, any sales reported in the weekly export sales data is bullish. What is holding soybeans back are loadings. Shipments are not keeping up with sales. Inspections on Monday showed just 12.9 mb, a bit over half of what is needed to meet USDAs numbers. If loading can pick up to meet expectations, and there is no reason they cannot – provided China can clear its ports and take the product bought – which will bring another bullish component in the bean complex. For this week, China was the featured buyer of U.S. soybeans, taking 4.7 mb of old crop and 9.6 mb of new crop. All this new crop buying continues to tighten the balance sheet for new crop. ***This fall, it will be important that you re-own any new crop soybeans sold in May23 or July23 soybean futures. Mr. Aggressive could own Nov22 soybean futures now.***

China needs the beans, considering their price is $22.45/bu, near its highest price on record. That, and South America's drought-reduced 2022 production, places the U.S. in a great position to benefit, with higher export sales to other nations, not just China.

We are surprised that we have heard so little talk from the trade or other sources of the soybean losses out of Argentina. If they are down 10 mmt from their opening bid, that is a big deal. As Argentina is the largest crusher/exporter of soybean meal, a reduced crop translates into less meal exported. That swings imports of meal from Argentina to the U.S., a good reason for U.S. soybean meal to perk up, which it has this week! If the market does not want to talk about various crop losses in other nations, maybe for the reason of trying to cap rallies or to keep the public unaware of the problems looming on the horizon ***(which governments often do)***, keep your eyes on the charts.

At least the IGC is letting us know that they see total global grain production falling by 40 mmt in 2022-2023. Take note. That is for next year! That is making a reduction to 2.251 bb, a 1.175% reduction. We are calling for a 5% reduction, mostly from those nitrogen needy crops like corn and wheat. Other crops should gain production due to increased acres.

Wheat: As of June 5th, the USDA was estimating there were still 1.793 ma of spring wheat unplanted in MN and ND. Plantings were just 82% complete vs 97% average. States behind were MN at 65% vs their 5-year average of 98%. ND 74% vs 97. ID, MT, and WA were on par.

Last planting date for crop insurance for spring wheat was June 5th. With prices so high, expectations are that producers will push this week and then stop with the next rain event this week or this weekend.

Weekly export sales were 16.6 mb vs needing 10.1 mb weekly. That was one of the better weeks for wheat in months. Total commitments of 167.5 mb are down 17% from last year, which was one of the worst export sales years on record. 167.5 mb of commitments are the lowest since 2018 and the 2nd lowest on record since 2010. The anticipated business that was expected to show up since the war began has not. Still, a robust export program for wheat cannot really be supported from our reduced supply environment of today.

Wheat's plight in Ukraine remains the same. Russia dictates the narrative, attempting to act as a benefactor to the world by offering possible solutions to help with the **Global Food Crisis**, solutions which have no hope of coming to fruition in the immediate future. Putin's offer shifts the burden of saying no to the West.

Dry weather persists in western Europe, Argentina, North America, with possible drought in the North China Plains. Argentina is seeing the worst of it right now. The Rosario Stock Exchange lowered its estimate for cereal again: 700k hectares less would finally be implemented than in the last season. The main reason is the lack of water in the main Argentine triguera areas, influenced by the unusual phenomenon of the "Trifecta" - La Nina.

According to the report, 80% of the Pampas region is in a dry to very dry situation, which covers Córdoba, San Luis & gains ground towards the NW of Buenos Aires & the center of Santa Fe. In the historical records of the BCR, the same dry conditions were observed in 2009. If compared with the 2021/22 cycle, the reduction of area climbs to 10% and means in real values 700k hectares less for cereal, which would result in a harvest of 18.5 mt, far from the 23 mt of the previous year, assuming an average yield of 31 quintals/hectare are reached.

Weather: Over last weekend, a significant shift was seen in the Pacific, a shift from this wetter pattern in the Midwest to our summer weather pattern. The shift sees high pressure setting up off the west coast and the east coast, with the 3rd one setting up over the Midwest. The one over the Midwest will direct rainfall over its top, limiting rainfall chances over the majority of the Grainbelt and opening the door to high to much higher temperatures. Texas, already hot and dry, is going to experience even warmer and drier conditions. Rolling brownouts will be common in Texas next week, spreading north into other states. St. Louis is already preparing for the heat and the accompanying brownouts, which lie ahead.

The frost/freezes we forecasted months ago for Argentina and Brazil have been pushing up these last weeks. A frost event occurred in mid-May, but it was isolated to Parana. This year, frost looks to be more widespread than it was in 2021, but not as severe as the crop is more mature than last year. We are keeping in mind that the trade keeps saying we cannot afford losing even one more bushel. Yet, losses keep coming, a ding here, a hit there. It all matters.

Cold air was pouring over a colder lobe of high pressure yesterday. Some frost is seen today across the southernmost state of Rio Grande do Sul in Brazil. As the winds calm, low-lying areas will see a much greater risk over the weekend. Rio Grande do Sul, Parana and southern Mato Grosso do Sul look most likely to see freezing temperatures and very possible it will extend into another frost/freeze event on Monday.

About 70% to 75% of the crop is not mature, so some damage is likely. The more widespread this frost/freeze event, the more damage to Brazil's Safrinha crop. On the plus side, any rains will add to soil moisture, which is desperately short. Unfortunately, this crop is too far along for it to help with this year's production.

We remain extremely curious how this year's fertilizer shortage, high prices, and reduced application of fertilizers, will affect final production. As we have mentioned before, this year's Safrinha crop may look good. But a stressed crop, which this was, would see reduced yield if it was short of fertilizer. Knowing producers are "cheap" just like most everyone else, we will cut corners to reduce costs when margins become tight. Science is not yet perfect for precise applications to meet unknown plant risks during any one growing season. Yield losses can easily go unseen until combines roll. We will see if we are right, expect final yields to come in short of expectations.

Fertilizer/Fuel: Nutrien looks to increase potash and nitrogen production capacity due to changes in the global energy, agriculture, and fertilizer markets. Their goal is to grow to 18 mmt **by 2025**, 5 mmt or 40% over their 2020 production. Nutrien expects to ramp up production at an annual rate similar to other additions in production it has made during the last 2 years. To meet these goals, Nutrien plans on hiring 350 people and investing in underground mining equipment, mine development, storage, and loadout capacity. Looking to increase nitrogen fertilizer production, it has announced brownfield expansion projects which are expected to add about 500,000 mt of capacity by the end of 2025. They do comment that there is no fast solution to overcome the current challenge, seeing long-term strength/high/higher prices for grains and inputs.

Subscribers are checking prices and offers on NH3 for this fall range from $1350/t to $1425/t. We recommend that one go ahead and lock that in, or at least half your needs, as this was this spring's price for many. Argue with your supply that if you pay for it now or lock it in, if prices fall between now and fall, they give you the lower price. A "good" supplier would not have an issue with this. Our opinion.

Do you lock in diesel prices? We see crude oil and its products continuing to rise this summer. We suppose this administration could pull something off before the Midterms to get energy prices lower. So not knowing what new Black Swan Event could rise before fall's harvest, we will keep recommending to get inputs locked in – IF YOU HAVE NOT DONE SO ALREADY! Diesel is running around $0.70 below today's values. We would recommend locking something in if you have done nothing to date. If you have not been reaching ahead as far as possible to lockdown your input costs for how much we have been preaching, you may be thinking it is too late now. Maybe yes and maybe no. We say inflation will be with us for a long time. Thus, rising prices will be, too. That said you should be covered in inputs.

Our simple thought is what we told Subscribers this week. For 2022 corn production, we see you being able to get $7.00 to $8.00 for this year's corn. Can you cover these high input costs with these prices for your corn?