



July 12, 2021

#1926

## LOOKING FORWARD WITH A BACKWARD GLANCE

**Sales Recommendations:** Not selling in a hole or against major support. Today's numbers have likely helped set the lows in place for now. Next MNU by July 18<sup>th</sup>.

<b><u>Current Sales:</u></b>	<b><u>2020</u></b> sales:	<b><u>corn</u></b>	80 - 100%	<b><u>soybeans</u></b>	50 - 100%	<b><u>wheat</u></b>	100.0%
	<b><u>2021</u></b> sales:	<b><u>corn</u></b>	20%	<b><u>soybeans</u></b>	0%	<b><u>wheat</u></b>	68.0%
	<b><u>2022</u></b> sales:	<b><u>corn</u></b>	0%	<b><u>soybeans</u></b>	0%	<b><u>wheat</u></b>	0%

**Technical Plus:** **Dec21 Corn** moved above its 100-day moving average, a nice step ahead. This week's rain event could pressure prices in corn and soybeans. We doubt it will take prices back to last week's lows. It would offer re-ownership opportunities, especially if weather goes back to dry and hotter from Iowa, north and west. **Nov21 Soybeans** are starting to see the Big Picture, too many acres too hot and too dry, with too many acres too wet, too long. Interesting how difficult it is to get trend yields, even more so where many of the "extra" acres are in states suffering the most from weather related yield losses. Soon, Nov21 becomes the lead month, and **we will be looking for at least \$3.00 up from its low, which was \$12.40.** Today's close at \$13.50 gave us the 1<sup>st</sup> dollar. Think about that with any old crop soybeans you may yet be holding. **Dec21 KC Wheat** tested support from \$5.90 to \$6.00 for 5-days, then took off to the upside today off a surprising reduction in U.S. wheat stocks, especially in spring wheat. \$6.70 will be its next upside objective. **Sept 21 MN wheat** proved up \$8.00 as significant support again last week, with USDA's shocking carryover number pushing price to close at a new contract high of \$8.572. *Did anyone notice the gap open higher in Sept21 MN wheat?*

Last week we wrote, ***"We see its weakness as temporary. When corn proves support and weather goes back to hotter and dryer once again for the PNW, Canada and the Northern U.S. Plains, price will rise to challenge its recent high of \$8.57. Southern wheat harvest is currently price's greatest suppressor. It could be MN wheat's greatest driver when its harvest begins."***

### **July 12<sup>th</sup>, USDA Grain Stocks Report:**

<b><u>U.S. Production 2021/2022</u></b>		<b><u>Average Guesses</u></b>		<b><u>2020/2021</u></b>
Corn –	15.165 bb	Corn –	15.007 bb	14.182 bb
Soybeans –	4.405 bb	Soybeans –	4.374 bb	4.135 bb

<b><u>U.S. Average Yield (bpa) 2021/2022</u></b>		<b><u>Average Guesses</u></b>	<b><u>2020-2021</u></b>
	July		
Corn –	179.50	179.50	172.00
Soybeans –	50.80	50.80	50.20

<b><u>U.S. Ending Stocks 2020/2021</u></b>		<b><u>Average Guesses</u></b>	<b><u>June 2021</u></b>
Corn –	1.082 bb	Corn – 1.091 bb	1.107 bb
Soybeans –	0.135 bb	Soybeans – 0.136 bb	0.155 bb
Wheat –	0.844 bb	Wheat – 0.845 bb	0.852 bb

<b><u>U.S. Ending Stocks 2021/2022</u></b>		<b><u>Average Guesses</u></b>	<b><u>June 2021</u></b>
Corn –	1.432 bb	1.309 bb	1.357 bb
Soybeans –	0.155 bb	0.140 bb	.155 bb
Wheat –	0.665 bb	0.711 bb	.770 bb

<b><u>World Ending Stocks 2020/2021</u></b>		<b><u>Average Guess</u></b>	<b><u>June 2021</u></b>
Corn –	279.90 mmt	278.40 mmt	280.60 mmt
Beans –	91.50 mmt	87.60 mmt	88.00 mmt
Wheat –	290.20 mmt	293.50 mmt	293.50 mmt

<b><u>World Ending Stocks 2021/2022</u></b>		<b><u>Average Guess</u></b>	<b><u>June 2021</u></b>
Corn –	291.20 mmt	287.00 mmt	289.40 mmt
Beans –	94.50 mmt	92.30 mmt	92.60 mmt
Wheat –	291.70 mmt	295.80 mmt	296.80 mmt

<b><u>South American Production</u></b>			<b><u>Average Guess</u></b>	<b><u>June 2021</u></b>
Brazil Soybeans –	137.0 mmt	-	Beans - 137.0 mmt	137.00 mmt
Brazil Corn –	93.0 mmt	-	Corn - 91.5 mmt	98.00 mmt
Argentina Beans –	46.5 mmt	-	Beans - 46.4 mmt	47.00 mmt
Argentina Corn –	48.5 mmt	-	Corn - 47.5 mmt	47.00 mmt

<b><u>U.S. Production 2021-2022 (mb)</u></b>			<b><u>Average Guesses</u></b>	<b><u>June</u></b>	<b><u>2020-2021</u></b>
All Wheat	–	1.746	1.835	1.898	1.826
Winter	–	1.171	1.337	1.309	1.171
HRW	–	.805	.792	.771	.659
SRW	–	.362	.344	.335	.266
White	–	.237	.201	.202	.246

Other Spring	–	.345	.440	N/A	.586
Durum	–	.370	.520	1.3	.690

**USDA's Numbers:** As expected, U.S. Corn ending stocks moved up to 15.165 bb with the updated acreage number and sticking to a trend yield of 179.5 bpa, resulting in carryover for 2021/2022 of 1.432 bb for an increase of 123 mb from the average trade guess. Corn ending stocks for 2020/2021 were cut slightly from 1.107 bb to 1.082 bb, or 35 mb. Not too pleased to see world stocks increased “again”, this time from 289.4 mmt to 291.2 mmt. Interesting how they “manage” these numbers, after they cut Brazil’s corn production from their last estimate of 98.5 mmt to 93 mmt. This appears to be about 8 mmt (315 mb) higher than what Brazil’s corn crop will end up finalizing. To get corn prices popping again for next year, this year’s corn crop needs to lose 250 mb minimum, or a final yield of 176.5 bpa. Another 3 bpa loss would get corn prices downright cocky!

USDA’s numbers do not consider crop losses in the U.S., further tightening U.S. carryover stocks. Take 250 mb off USDA’s 2021/2022 carryover number of 1.432 bb and it takes it down to 1.182 bb. Make no other adjustments to demand or price rationing, with another 3 bpa off yield, or 173.5 bpa, carryover falls to 0.932 bb.

The USDA remains too high on Brazil’s corn production, giving it 93 mmt. Based on all the data we have; it should be no more than 85 mmt. That means future reports will be friendly/bullish corn, as the USDA catches up with reality. The USDA did not cut Brazil’s corn exports, currently at 32 mmt. The average estimates cut it nearer 22 mmt. That is close to a half billion bushels of corn other nations need. The U.S. will be picking up additional exports of 3 to 4 mmt for 2021/2022. This will need to be blended with China’s imports from the U.S., which the USDA has at 26 mmt for both marketing years. Based on export inspections, the USDA is high on China’s corn imports from the U.S. by 3 mmt and likely high by at least 3 mmt for 2021/2022. Of course, this can all change if China has a short corn crop this year. Satellite imaging shows China’s corn crop continues to deteriorate. This will not be a great year for corn production in China.

We need to pay attention to crop condition ratings for MN, ND, SD, and the west half of IA. This area produces 25% of the corn produced in the U.S. It is the area most harmed by the drought of 2021. We should also include eastern Nebraska, where the highest percentage of their dryland corn is grown. Good to excellent ratings in these states are ND 33%, SD 31%, MN 42%, and IA 66%. The western and northern parts of Iowa have been hurt the most. A surprise in today’s crop rating showed IL falling 6% from too much rain! IN was unchanged, OH dn 1, NE dn 5, CO dn 5, KS dn 5, TX dn 3, and ND dn 2. Surprisingly, G/E conditions for corn increased by 1%, now at 65%.

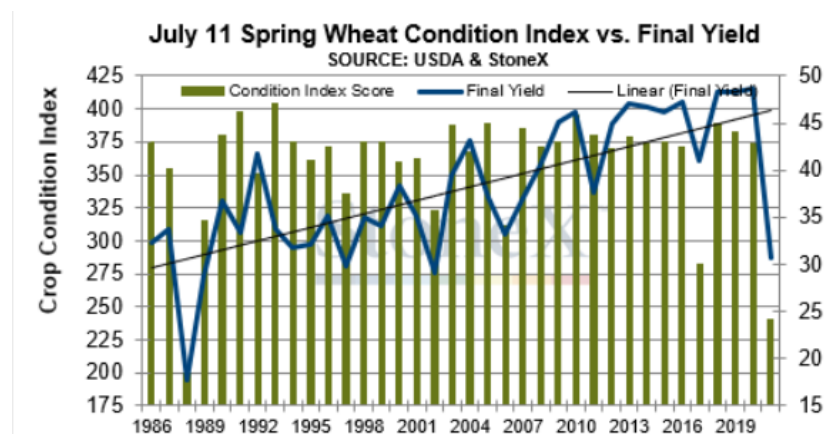
With no change in acres or yield, the USDA was able to leave U.S. Soybean production unchanged at 4.405 bb and 2020/2021 & 2021/2022 ending stocks unchanged at 135 mb and 155 mb, respectively.

*(Taking U.S. soybean yield down to only 50 bpa, would take 2021/2022 soybean carryover stocks down to 85.4 mb. It only takes a minor cut in yield to take carryover stocks below pipeline supplies. A 2 bpa reduction produces a negative carryover number. Pay attention to weather and Funds' reactions.)*

Somehow, even after leaving Brazil's soybean production unchanged at 137 mmt, the USDA "managed" to raise world stocks from 92.6 mmt to 94.5 mmt for 2021/2022 and from 88.0 mmt to 91.5 mmt for 2020/2021. The USDA is still too high on Argentina's soybean production, even after cutting it from 47 mmt to 46.5 mmt. Soybean crush for old crop was lowered 5 mb to 2.17 bb and exports were dropped 10 mb, lowering total exports to 2.27 bb. China's soybean imports were cut by 3 mmt, 2 mmt for old-crop and 1 mmt for new crop.

**Wheat** is where the fun begins. All wheat fell 89 mb from the average trade guess down to 1.746 bb. Winter wheat was pegged at 1.171 bb, **down 166 mb** from the average trade guess. That is missing it by 13% and worthy of price escalation. The bigger miss was on other spring wheat, which was **guessed at 446 mb, but came in at 345 mb**. That was a miss of **22.6%**. That will end up pushing MN spring wheat to new contract highs. Higher highs will come from a combination of less carryover stocks than most thought and continued heat and dryness in the extended forecasts, which includes the PNW, most of Southern Canada west of the Great Lakes, and the northern U.S. spring wheat states. This would be a continuation of the weather trends which we have experienced for months on end in 2021. The U.S. spring wheat crop at 345 mb is set to be the smallest since 1988 and 42% off the recent 3-year average. Yield at 30.7 bpa would be the worst since 2002 and 37% off the 3-year average.

While the G/E ratings for spring wheat came in unchanged at 16%, the state-by-state numbers make one wonder if ratings could fall any lower. While Montana's G/E rating rose from a paltry 7% to 16% the rest fell. MN from 35 to 28, ND 18 to 16, SD 7 to 3, ID 18 to 16, and WA 8 to 1. Yes 1%! Last year WA crop was rated 85% G/E. With these rating falls, we would call Sept21 MN wheat futures to gap open higher tonight. \$10.00 here we come?

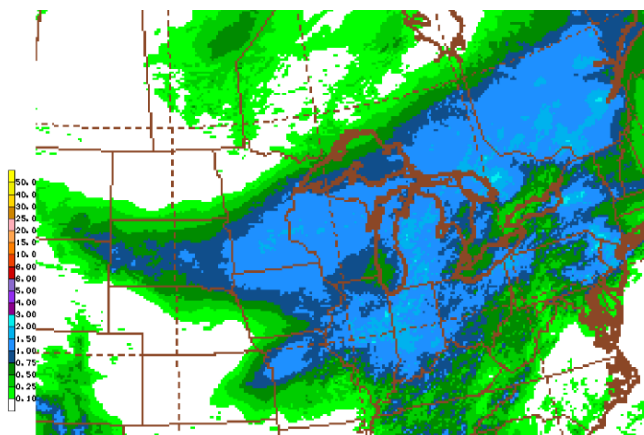


**Tidbits:** Canada's canola crop continues to deteriorate due to excessive heat and dryness. July21 canola reached a high last month of \$1045.30. Dec21 canola was limit up on Friday at \$844. Today it was up, up, and away with price hitting limit up at \$889 at 7:20 am today. No change in their forecast is roasting their crops. China is reported to be adding 10.8 mmt to their strategic grain storage capacity. Construction of 120 facilities across 18 provinces this year will increase their current capacity estimate from 650 mmt to 662 mmt. That will give them more flexibility in driving world prices lower before they need to import more grains. Think about it. Bloomberg Commodity Index continues to trade above its 50, 100, 200-day moving average due to inflation fears. This will continue so long as the U.S. government keeps trillions of dollars pumping into the system. Where is it all going to go, besides raising the volatility level in grains?

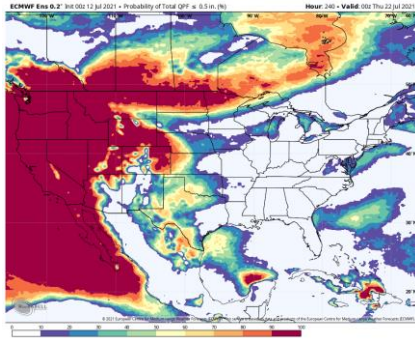
**Weather Again:** No more USDA numbers until August 12<sup>th</sup>! It really is all about the weather now. Today's rally before the USDA's numbers came out was caused by rainfall over the weekend coming in less than expected. Is that back to trend? Too much rain in the south and east of Iowa has caused yellowing of corn and soybeans, as well as denitrification in corn. Storms were so severe over the last 3-days, the trade is looking for G/E ratings to be adjusted lower next week.

Longer term forecasts continued with less than normal rainfall across most of the upper Midwest. This will be after the rain even scheduled for Tuesday through Thursday this week. From this morning until this evening, they have already lightened the totals for the southern half of Minnesota, shoving it into Wisconsin. Northeast Iowa is now to pick up an inch or more, with lighter amounts west, south, and southeast.

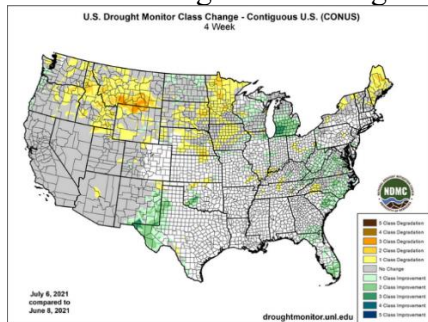
This morning's forecast for this week's rain event.



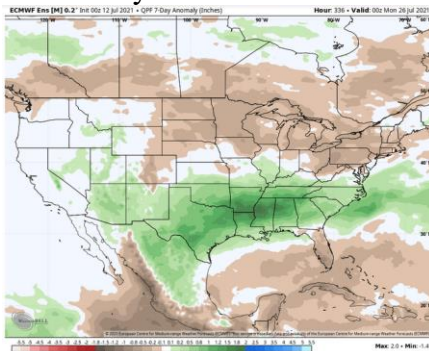
What are the odds of you getting 0.50 or less of precipitation in the next 10 days? This map tells all! Crops in these areas should pretty much be toast in 10-day, or forage if it was to be grain producing. Many thinking forage have given it up to abandonment.



Minnesota got torched in June. Coming rains would be a God Send for many. It would guarantee them something to run through the combine this fall. The yellow shows further degradation.



The 10-day forecast continues to suggest crop losses in the Northern U.S. states will continue.



This shows how bad Minnesota has had it this year. ND, SD, MT, ID, WA all suffering the same.

