September 12, 2022 **#2014**

LOOKING FORWARD WITH A BACKWARD GLANCE

Sales Recommendations: No Sales. 2021 should be completed. Smaller crops shrink more with hot/dry weather at season's end. Today's production numbers are still too high.

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Current Sales:

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

Technicals Plus: Can timing highs turn grains lower? Will September live up to its name as a bastard month? **Dec22 Corn** "continues to look great on the charts", posting a new high close of $6.96 for this move. $7.00 offered resistance today. Its upside gap objective lies from $7.256 to $7.282. **Nov22 Soybeans** triple topped today, with a high of close of $14.882. This is the highest closing price since June 22, when price broke to the downside 2 weeks after posting this year's contract high of $15.846. Nov22 soybeans have a gap objective from $15.296 to $15.364. Soybeans' open gap from $13.49 to $13.56 becomes our break-away gap to measure soybeans upside potential. No change for wheat. **Dec22 K.C. Wheat** has a rounding bottom on the weekly chart, broke above $9.00 resistance, closed at its highest level since the week of July 5th, and above the psychological resistance level of $9.00, closing at $9.292. That pretty much says it all! A great week for wheat and ready to roll? Next objective is $10.00, then $11.00.

September 12th USDA Grain Stocks Report:

U.S. Production 22/23		**Avg Guesses**	**August 2022**	**2021/2022**
Corn –	13.944 bb	14.077 bb	14.359 bb	15.115 bb
Soybeans –	4.378 bb	4.481 bb	4.531 bb	4.435 bb

U.S. Average yield 21/22		**Avg Guesses**	**August 2022**	**2021-2022**
Corn –	172.5	172.4	175.4	177.0
Soybeans –	50.5	51.5	51.9	51.4

U.S. Ending Stocks 21/22		**Avg Guesses**	**August 2022**
Corn –	1.525 bb	1.537 bb	1.530 bb
Soybeans –	0.240 bb	0.233 bb	0.225 bb

U.S. Ending Stocks 22/23		**Avg Guesses**	**August 2022**
Corn –	1.218 bb	1.180 bb	1.388 bb
Soybeans –	0.200 bb	0.240 bb	0.245 bb
Wheat –	0.610 bb	0.622 bb	0.610 bb

World Ending Stocks 2021/22		**Avg Guesses**	**August 2022**
Corn –	312.10 mmt	312.10 mmt	311.80 mmt
Beans –	89.70 mmt	89.90 mmt	89.70 mmt
Wheat –	275.70 mmt	276.10 mmt	276.40 mmt

World Ending Stocks 2022/23		**Avg Guesses**	**August 2022**
Corn –	304.50 mmt	301.80 mmt	306.70 mmt
Beans –	98.90 mmt	101.10 mmt	101.40 mmt
Wheat –	268.60 mmt	267.60 mmt	267.30 mmt

USDA's Numbers: USDA has fun with numbers. Where to start? **Corn** production was cut 2.9 bpa to 172.5 bpa, plus harvested acres was reduced by 1 million to 80.8 m ***(wondering if that is from death loss and/or increased chopping for silage, as we have been writing about),*** yet 2021/2022 carryover was only cut by 5 mb. Carryover for 2022/2023 came in 38 mb higher than the average trade guess, at 1.218 bb, even with the surprise acreage cut. The rub comes from the USDA cutting demand. Corn ground for ethanol was cut by 50 mb, exports were reduced by 100 mb, as was feed usage, for a total reduction of 250 mb. In all this, the USDA managed to keep carryover pretty much unchanged. That is a compelling reason for the basis to be forced to do the heavy lifting in the months ahead, as Fund's motivation continues to be manipulated on future supply projections by a biased "manager" of the numbers. Keep in mind that this manager, the USDA, does not look ahead at coming future production losses which will absolutely occur. They are straight-line managers, working off non-changing and non-adapting historical data, which is always increasing, following trendline yield data.

Adding to corn's limited bullishness today is the USDA cutting grain sorghum production by 34 mb from the on-going drought. Combined, corn and milo losses will be down more than 700 mb, which is going to require massive rail movement west and south to feedlots. Perfect timing for a rail strike, which is set for this Friday, if the last 3 years of negotiations are not fruitful. In the end, the USDA lifted the average farmgate price up $0.10 to $6.75.

Soybeans have a similar story, with the USDA cutting soybean acres to 86.6 m, cutting 600,000 ma, or about 30 mb at 50 bpa. Yield was cut 1.4 bpa to 50.5, or 71 mb. Add all cuts and the USDA took 153 mb off USDA's August estimate of 245 mb, which would give a carryover of 92 mb. But, with some magic and some small adjustments of reducing their crush estimate by 40 mb and exports by 70 mb, the USDA can wipe away those pesky production losses and the acreage cut, lifting 2022/2023 carryover stocks to 200 mb. Interestingly, even with cutting carryover by nearing 20%, the USDA left the average farmgate price unchanged at $14.35.

A quick analysis of falling corn and soybean yields suggest yields in the East are not living up to their hype. The problem stems from lower ear populations and to the surprise of many, lighter ear weight. That translates into lighter test weights, smaller kernels, and less kernels. We wrote about July having the warmest/highest nighttime lows on record, a major reason for these issues.

The same is true with soybeans. Pods counts are down, as are pod weights. Soybean seeds are not only shriveling in the heat and dryness but also aborting seeds. Lower production numbers in September tend to create a trend of lower results in later reports.

Repeating from our last MNU, ***"More data since our Friday MNU gives us concern 170 bpa for corn and 50 bpa for soybeans may not be attainable. That means higher to much higher prices lie ahead."*** Today was a precursor of what lies ahead.

If our Trifecta rips Brazil like it did the last 2-year, soybeans will also rip higher. Watch how early or how late Brazil gets its 1st soybean plantings in. That matters, more so for their Safrina crop.

If South America has trend yields in 2023, soybeans' highs for 2023 would likely arrive in the January/February time frame. Be ready for anything in 2023.

Nothing to review with the **Wheat** numbers. There was no change in 2022/2023 wheat stocks, and only very minor changes in global stocks.

Global Stocks in corn fell 2.2 mmt, with soybean stocks falling 2.5 mmt.

World Issues: The war creates numerous issues. It will break the supply chain even more. New equipment ordered for fall use is not arriving on time. Part shortages are common. This, in and of itself, adds to inflation. All must pay attention to the fertilizer issues, which likely will grow into 2023. Producers in the U.S. have already had pricing of NH3 shut off, while suppliers wait to see how high the manufacturers want to jack up prices.

With Russia shutting down the flows of NG to Europe, NG prices have taken another sharp jump higher. Odds are the EU, and especially Germany, will need to decide which heavy users of NG need to slow production of whatever, or close completely, so there is sufficient NG for home heating needs so the population does not freeze to death. This will lead to further fertilizer shortages in 2023. And just like manufacturers of NH3 shut down because it is too expensive to make fertilizer, price will be a limiting factor in many nations, reducing acres of corn, wheat, soybeans, cocoa, palm, and other higher nitrogen/fertilizer needy crops. You may not think soybeans need much fertilizer? Low fertility soils exist in many nations, especially in Brazil, where soybeans demand a lot of fertilizer. Brazil has been doing its best to buy ahead, for grain production provides the government a great revenue stream.

Russia and Belarus are significant suppliers of potash, urea, and other fertilizers, going to Africa, Latin America, and Central Asia. Brazil and India can also source from Russia. EU sanctions and Russia being removed from SWIFT could limit flows to emerging markets.

A simple conclusion is the higher energy prices rise, the less global food production in 2023.