October 12, 2021 **#1949**

LOOKING FORWARD WITH A BACKWARD GLANCE

Sales Recommendations: Next MNU likely by 10/17.

Current Sales:	**2021** sales:	**corn**	20%	**soybeans**	50%	**wheat**	68.0%
	2022 sales:	**corn**	0%	**soybeans**	25%	**wheat**	0%

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Technicals Plus: **Dec21 Corn** fell to $5.192 but rallied above $5.20 support to close at $5.224. Corn's longer-term trend remains lower, with trendline resistance at $5.62. Watch Dec22 futures to see how the trade views the pricing/acre situation for 2022, bullish or bearish. **Nov21 Soybeans** closed below support at $12.00, with their next significant support level sitting at $11.80. Closing at $11.982 today, price needs to close above $12.00 ASAP to gain some footing or fall quickly to $11.80. The longer-term trend for soybeans remains lower. Watch Nov22 futures to see how the trade views the pricing/acre situation for 2022 soybeans, bullish or bearish. Wheat was the lone grain printing a higher trade today, with **Dec21 KC Wheat** closing up $0.52 at $7.396. Price needs to close above $7.70 to move KC wheat back into an uptrend. We see that happening. **Dec21 Oats** got slammed. After trading to a record high today of $6.862, price ended up limit down to $6.48. Today, oats printed a top or a short-term top, by posting a key reversal lower.

October 12th, USDA Grain Stocks Report:

U.S. Production 2021/2022		**Average Guesses**		**2020/2021**
Corn –	15.018 bb	Corn –	14.948 bb	14.182 bb
Soybeans –	4.374 bb	Soybeans –	4.409 bb	4.135 bb

U.S. Average Yield (bpa) 2021/2022	October	**Average Guesses**	**2020-2021**
Corn –	176.5	175.90	172.00
Soybeans –	51.5	51.10	50.20

U.S. Harvest Acres 2021/2022		**Average Guesses**	**2020/2021**
(Million Acres)	October		

Corn –	85.1	Corn –	85.0	82.5
Soybeans –	86.4	Soybeans –	86.4	82.3

U.S. Ending Stocks 2021/2022		**Average Guesses**	**Sept 2021**
Corn –	1.500 bb	1.421 bb	1.408 bb
Soybeans –	0.320 bb	0.289 bb	0.185 bb
Wheat –	0.580 bb	0.581 bb	0.615 bb

World Ending Stocks 2020/2021		**Average Guess**	**Sept 2021**
Corn –	290.00 mmt	287.40 mmt	286.50 mmt
Beans –	99.20 mmt	98.00 mmt	95.10 mmt
Wheat –	288.40 mmt	293.80 mmt	288.80 mmt

World Ending Stocks 2021/2022		**Average Guess**	**Sept 2021**
Corn –	301.70 mmt	298.40 mmt	297.60 mmt
Beans –	104.60 mmt	101.00 mmt	98.90 mmt
Wheat –	277.20 mmt	280.90 mmt	283.20 mmt

USDA's Numbers: In this report, the USDA left acres the same. From last month's numbers, the USDA increased soybean production by 0.9 bpa, nearly double the average trade guess, placing it at 51.5 bpa. Corn production increased 0.02 bpa to 176.5. The trade was looking for a small reduction. For 2021/2022 U.S. ending stocks, 1.5 bb on corn is not bullish and neither is 320 mb for soybeans. Corn and soybeans will be working on a seasonal low this month, with vegetable oils/biodiesel demand supporting long-term growth for soybean demand.

Wheat got a boost from the USDA lowering Canada's wheat production by another 2 mmt to 21 mmt, and then cutting global production by 4 mmt, allowing the USDA to drop world stocks 6 mmt to 277 mmt. These cuts will support wheat prices, which will support corn values. World ending stocks saw increases for corn by 4.1 mmt and soybeans by 5.7 mmt, both negative.

The USDA went after last year's numbers, taking harvested corn acres down to 82.3 m, which cut production 0.6 bu, or 171.4 bpa, reducing total production by 71 mb. Overall usage was lowered by 121 mb. Overall adjustments raised last year's ending stocks by 49 mb to 1.236 bb, which was the lowest carryover in the last 7 years for corn.

For 2020/2021 soybeans, the USDA had raised production by 81 mb, increasing the final production number to 51 bpa. With a few other minor adjustments, the USDA set the ending stocks at 256 mb, as stated in their last quarterly report.

Both beef and pork production in the U.S. is projected to be lower in 2022, reducing feed grain demand for the 2021/2022 marketing year.

Corn: While the 1.5 bb carryover is not tight as most thought it would be going into 2022, it is still tight enough to keep the trade on edge should production issues threaten next year's crops anywhere around the world. Rising wheat and oat prices will support corn prices. Basis levels are beginning to tighten on corn, signifying end user demand for product. Ethanol margins are rising, and ethanol production is improving, as margins have turned higher, aiding end user demand. They know they need to grab what they need now, before producers lock the bin doors, or pay up for short-term needs later.

Corn is competitively priced to Black Sea wheat prices. Corn futures in Europe remain strong, with futures hitting new highs. The same is occurring in Brazil. China is the odd nation out, with their corn prices weaker. Ukraine saw its corn production lowered by 1.2 mmt today, now set at 38.4 mmt. Mexico has been trying to help corn, with a couple of flash purchases of corn from the U.S. over the last few days.

Looking ahead, if the U.S. plants 91 ma of corn in 2022 with an estimated yield of 179 bpa, using today's S&D numbers, ending stocks would end up nearly identical to today's ending stocks number. That would support futures around $5.00. Drop acres to 89 m using the same S&D numbers and one could see futures from $6.40 to $6.60. With all the variables at play over the next 12-months, we will repeat this thought; 1.5 mb corn stocks carryover is not that tight, but tight enough to give traders pause, worried about crop losses in other nations during the 2022 growing season, or reduced acres in the U.S.

Soybeans: Traders keep talking of Chinese buying, but they remain on the sideline. We believe they will wait and step in as soon as a low is formed. Their buying would help set that low. So, if you were them, would you step in? When prices fall, they report bearish news, which is why prices fall. When prices turn higher, then you will hear the bullish news.

An issue with China holding off too long ties into shipping. There is a closing window of time from today, or sometime later, when Brazil's crop becomes available. How fast the U.S. can ship what China may buy could become an issue. In today's climate of supplies not being available in a timely fashion, could this become an issue later for China? No one knows, but it is likely something China is considering. We continue to wonder if China took all they could from Brazil's BIG crop this year to avoid being a major buyer of U.S. soybeans over the next 6-months?

We see market factors which are longer term, bullish soybeans. Several very large crush plants are going up in the U.S. and will be demanding tens of millions of bushels of soybeans. Biodiesel is increasing its needs, which is one of the major factors behind the amazing rallies in veg oils, with palm oil, canola oil, and soybean oil seeing the most benefit. As energy prices rise, so will veg oils.

The negatives we see for soybeans is Brazil raising very large crops again, China not taking as many soybeans from the U.S. as the experts believe, and high fertilizer/input costs driving U.S. corn acres down and soybean acres up. If corn prices move higher in this fear, traders will be buying Dec22 corn and selling Nov22 soybean futures. Pay attention! We are not ruling out fertilizer shortages or needed supplies not available to everyone next spring to where some corn growers may be forced to shift acres. So, repeating from our last MNU……. *"Those looking to shift 2022 corn acres to soybeans need to strongly consider offsetting the risk of lower prices by selling upwards of 50% of that production."* <u>At least 50% of your 2022 soybean production</u>?

Hyperinflation in the energy markets will spill over into the soybean complex. But for soybeans to get out of their hulls, soybean meal needs to find a low. Meal set a new low for the move today, touching $311.7/t. That broke most support levels. $300 psychological support should be its next target for Dec21, with $11.80 significant support for Nov21 soybeans. Considering the trade would believe another production raise in January, the trade could price that in now, allowing prices to challenge $11.50, sooner than later. There is an argument that the soybean pod count is lower this year than average and the higher yield report now was from larger soybeans, not more soybeans. If this argument has legs, USDA's next report would not necessarily raise soybean stocks, as most traders believe.

Export loadings are picking up for soybeans, hitting 59.2 mb this week. That shows the Gulf ports are back up and operating at a percentage that can meet needed export totals for soybeans.

The Phase 1 trade deal with China is in dollars, not bushels! Consider that fact, which means they do not need to buy as many bushels at today's prices to meet their obligations.

<u>Wheat</u>: Upward price pressure is coming from Russia, where their values have moved higher for 13 straight weeks. Russia is dealing with food price inflation, which has them instituting a wheat quota beginning in February. They keep "floating" this number higher, now close to $60/mt, to help limit exports. What happens is the opposite. Buyers are rushing in to grab available supplies before export limitations go on. World wheat importers have become aggressive, with Pakistan, Ethiopia, Japan, Taiwan, Tunisia, and Jordan, all rushing to the trough. Tight EU supplies also support continued price advancements.

******* To reduce the amount of material/details we send to you, we will lean on delivering headlines versus details in future MNU's. There is just too much market related information to provide a detailed analysis these days.

<u>Coming Threats</u>: Forecasting prices will be more difficult for this coming year than maybe it has been in decades. What is coming at the markets is most like those things which created the inflationary event in the late 70's. Many of these factors could be quite bullish for grain prices. Some can be quite bearish. Which ones hit at what times would determine. Just when you believe it is bullish and prices begin rising, the market could just as easily get slammed from something coming out of left field. We will work to identify those "contagions" that can infect grains/commodities from either side of the marketing equation.

In a news report today, those who think they know have changed their tune on "transitory" inflation; transitory meaning "not long-term in nature". They now believe ***<u>inflation could easily be with us through 2022, if not a lot longer</u>!*** Really? They seldom can see the forest for the trees. We wonder if the hyperinflation that is setting in other nations has caught their attention? Remember that we have stated what begins overseas does not stay overseas. Conditions are ripe for their issues to migrate to the U.S. We note that U.S. heating oil stocks are record low. How high energy prices rise in the U.S. will depend on how cold, how fast, how long, and how high or low U.S. fuel stocks are. At this moment in time, they are not that high.

Inflation, especially hyperinflation, is bullish commodities. A falling USD is also, especially for wheat, the most basic and widely consumed grain. As some grains are used for fuel, higher energies prices are bullish corn and soybeans. Demand for veg oils has increased more than it has for ethanol, with soyoil seeing record high prices this year. Canola and palm oil have stretched to new record highs this year. Yet, soybeans have not seen the gains made by canola. History has taught us that meal leads the soybean complex. With veg oil markets so strong, that historical fact has been questioned. Price action tells us this long-held truth still rings true, as soybeans and meal continue to print new lows, while soyoil prices continue to rise. Increasing U.S. soybean stocks will keep pressuring soybean prices, as will China's lack of buying. Soybean prices will find a base when China begins to buy U.S. soybeans again.

Producers need to be vigilant for potential shortages of chemicals and fertilizers through the 1st half of 2022. Do not believe you have the product, even if you have a PA (purchase agreement) and have paid in advance. If you have not taken delivery of these products, it is not guaranteed you will get them. The Global Supply Chain is breaking down, with many items being delayed by months, if not much, much longer! Full production and on-time shipment on many "essential parts" are already being warned will NOT occur in 2022. The reasons causing these shortages are many, just as there are reasons why these supply issues will not get corrected anytime soon.

Is war in our future? The U.S. economy is war based. When has the U.S. not been involved in some conflict somewhere around the world? And when a President is underwater in the polls, how often is it not beneficial for that President not to get the U.S. into another war. Going to war works to strengthen the economy.

Look at the political forces and responding actions currently at work for this possibility. Xi openly went to war with Taiwan over the weekend. He stated China is fully committed to a full reunification of the island to the motherland and that ***"it must be fulfilled, and it will definitely be fulfilled".*** Besides growing threats of military aircrafts breaching Taiwan's airspace almost daily, China has just begun conducting landing assault drills in the province of Fujian, closest to Taiwan, sending in shock troops, sappers, and boat specialists.

To counter, the U.S. is taking nearly 100 military aircraft out of mothballs. But realizing the economic blowback that would hit the U.S. and the world from a conflict with China, we only located one headline on Xi's loud and understandable statement that he will "reunify" Taiwan with China. That headline loudly pushed the narrative that anyone who would support going to war over Taiwan is a crazy idiot. They totally ignored the U.S. made an agreement with Taiwan to protect them if they were attacked. History shows how well the U.S. honors its commitments with its international partners. It is as good as China's commitments with the U.S. The U.S. had the same commitment with Ukraine. How did that work out for Ukraine?

For U.S. producers, the question is which means more to this administration, maintaining trade relations or maintaining trade relations and commerce? We cannot answer that today. The U.S.

military actions and the growing military presence from other Western Nations in the trade routes in and around Taiwan, raises many questions.

Does Pride dictate? Pres Biden is weak and needs to appear strong. Pres Xi is strong but cannot appear weak by backing down.

For timing, Xi will wait until after the Olympics, which are scheduled for February 04 - 20, 2022. If China decided to come after Taiwan after that date and when they see the U.S. at its weakest, we would bet the U.S. would let Taiwan fall to them like they did Hong Kong. We could then see this U.S. administration think it would be a great idea to slap a trade embargo on commodities to China. Their thinking is that would hurt China the most, as they are the largest importer of U.S. grains and meats. Then again, if the U.S. is really in bed with China as many think, the U.S. could just do nothing. Anyway, it unfolds, it will rattle the grains/commodity sector, as well as the financial sectors. It would be a Black Swan event which causes all markets to swoon. The response by the U.S. would determine if it is a short-lived event, or if it begins a major power struggle.

If history tells us what should occur, war nearly always breaks out when trade, especially global trade, breaks down. Many nations are suffering from trade disruption and supply shortages. When food shortages and/or food price inflation begins causing civil unrest, world tensions rise rapidly. While not trying to be alarmists, we are just pointing out what is occurring and what may be tomorrow's future. We pray calmer minds step forward to ward off the path the drumbeats are pushing many. Think of your stress level when the part you need to harvest your crops is unavailable. Think of the stress a nation feels when they cannot feed their people and there is a mass exodus. Think of the stress other nations feel when those fleeing starvation in their nation are invading your nation? Many issues are arising which many do not think about because it does not affect them. If any of these issues become uncontrollable, they will affect everyone.

Over the next 6-months, we see inflation, hyperinflation, and supply issues being the primary worries to the U.S. economy and possibly the farm sector. Taking care of things on the home front needs to be a priority. Managing the risks these issues are creating for your grain prices and to your input costs are more important today than they have been in decades. We are raising the warning flags, hoping you will stay diligent and tuned in to all that can create greater risks to your operation through 2022.

China is imploding for a multitude of reasons, in addition to the Evergrande debacle. The move in Chinese coal prices, seen in its long-term context, has been nothing short of staggering. Their inflation rate is skyrocketing, and production of needed commodities is tanking.