November 09, 2021 #1954

LOOKING FORWARD WITH A BACKWARD GLANCE

Sales Recommendations: Re-owned previously priced soybeans and corn, as well as corn that one would be selling in January or February. Those sold bushels were re-owned in July22 corn futures with buy-stops $0.03 and $0.05 above where July22 corn futures were trading at 10:56 am. Buy-stops were filled on the USDA release at 11 am. Today the standard rule applied, sell the rumor buy the fact. Overriding, long-term market fundamentals have not changed. Next MNU by November 21st.

Pricing Grain & Re-Ownership: For cash grain sellers only, you need to be somewhat more conservative on your future sales, as you have no option available to "manage" those sales, now or at a later date, to increase profit margins. By selling 2022 soybean production and owning the same dollars you sold in July22 corn futures, you have not changed your financial position. What you did is changed your risk factor to the soybean/corn ratio moving against a long soybean, long corn position, currently 2.25:1. If that ratio moves to 1.9:1, your financial position moves in your favor $1.02/bu of corn. If you bought 100,000 bu of corn today to offset 2022 soybean sales and the soybean/corn ratio moves to 1.9:1, you have added $102,000.00 to your 2022 soybean sales.

If you cannot or will not re-own early 2022 soybean sales, you cannot offset the risk of that price falling. Thus, you should not be too aggressive on 2022 soybean sales unless you believe there is not much upside left to 2022 soybean production in the 2022 market year. That would also include what prices might fo through August of 2023! Even more so if you **can hold** your 2022 soybean production through most of 2023.

Current Sales:	**2021** sales:	**corn**	20%	**soybeans**	50% - **100%**	**wheat**	68.0%
	2022 sales:	**corn**	0%	**soybeans**	50% - **100%**	**wheat**	0%

Technicals Plus: **Soybeans** failed to hold its 11:00 am price move up to $0.554 in the 1st minute after USDA's numbers were released. Not good, but the price of Jan21 did close back above $12.00. We will call that a win for now. Soybeans received friendly numbers, corn and wheat numbers were mostly neutral. The most bullish factor was the market going so short soybeans pre-report, with general short selling in corn and wheat futures. **Dec21 Corn** consolidated gains pre-report, testing $5.50 support yesterday and today, touching $5.4476 today before closing at $5.546. Not a great close but holding $5.50 support. Price must close above $5.64 to resume its uptrend. We do not see any runaway corn markets in November. Price can retrace much further and still maintain its uptrend. Even with its massive 1-minute price push, **Jan22 Soybeans** remain entrenched in its longer-term downtrend. Today's trade did not change a thing and its price close was weak, not good. We see no reason for this to change. Fundamentals should have price trading from $10.00 to $11.00. China's buying, or lack of buying, will determine if support at $12.00 will hold. If it fails to hold, $11.00 is its next major support level. $12.40 and $12.50 will provide very significant resistance, a good pricing opportunity which we could only pray it can reach again – soon. **Dec21 KC wheat** continues in its higher trend, with support at $7.75. **Dec21 Oats** found resistance at $7.75. Gap projections point to a top from $7.50 to $8.00. Price stopped dead center. Price broke its uptrend line and should now challenge its recent high. Technicals say it should fail and turn lower from $7.50. Any gamblers want to risk a short position in oats!

November 9th, USDA Grain Stocks Report:

U.S. Production 2021/2022	November	**Average Guesses**	**2020/2021**
Corn –	15.062 bb	Corn – 15.040 bb	14.111 bb
Soybeans –	4.425 bb	Soybeans – 4.480 bb	4.216 bb

U.S. Average Yield (bpa) 2021/2022	November	**Average Guesses**	**2020-2021**
Corn –	177.0	176.80	171.40
Soybeans –	51.2	51.90	51.00

U.S. Harvest Acres 2021/2022 (Million Acres)	November	**Average Guesses**	**2020/2021**
Corn –	85.1	Corn – 85.0	82.3
Soybeans –	86.4	Soybeans – 86.4	82.6

U.S. Ending Stocks 2021/2022		**Average Guesses**	**Oct 2021**
Corn –	1.494 bb	1.482 bb	1.500 bb
Soybeans –	0.340 bb	0.360 bb	0.320 bb
Wheat –	0.583 bb	0.581 bb	0.580 bb

World Ending Stocks 2020/2021		**Average Guess**	**Oct 2021**
Corn –	291.90 mmt	290.60 mmt	290.00 mmt
Beans –	100.10 mmt	99.70 mmt	99.20 mmt
Wheat –	288.00 mmt	287.80 mmt	288.40 mmt

World Ending Stocks 2021/2022		**Average Guess**	**Oct 2021**
Corn –	304.40 mmt	301.40 mmt	301.70 mmt
Beans –	103.80 mmt	105.70 mmt	104.60 mmt
Wheat –	275.80 mmt	277.10 mmt	277.20 mmt

USDA's Numbers: Nothing bullish in this report, though **Soybeans'** numbers were friendly when compared to expectations and from traders pummeling prices anticipating a very negative yield number from the USDA. They got the opposite, which ran the Jan22 soybean price to $12.406. That high makes $12.40 major resistance, with R from $12.40 to $12.50. For those who need to make sales yet, they could target this price level, though after failing to hold gains suggests making it back to this level will be extremely difficult. Today's low becomes significant support, making a close below $11.80 very negative, projecting to $11.50, followed by $11.00. Soy oil continues in its downtrend, with Jan22 meal working major resistance from $340 to $345. The USDA lowered soybean yield 0.7 bpa from its October guess, now set at 51.2 bpa, which would be soybeans' 3rd largest crop on record. Carryover stocks for 2021/2022 were increased 20 mb, with the trade looking for a 40 mb increase. They got to that number by cutting exports by 40 mb and lowering seed use by 2 mb. The USDA reduced the average farmgate price from $12.35 to $12.10/bu.

Corn production was increased 0.5 bpa to 177 bpa, which is a new record high average yield, taking total production to 15.062 bb, up 43 mb from their October number. The USDA did increase corn used for ethanol by 50 mb, exactly what we figured, increasing total domestic use to 12.33 bb. They left export demand unchanged at 2.5 bb. Combined, that had the USDA leaving the farmgate price unchanged at $5.45/bu.

USDA left U.S. **Wheat** production numbers unchanged from their October guess of 44.3 bpa. With domestic ending stocks increasing a tad to 583 mb, that still makes it a 14-years low for wheat ending stocks. Wheat exports were reduced by 15 mb and wheat imports by 10 mb. Amid continued rising prices for all classes of wheat, the USDA allowed itself to raise wheat's farmgate price a whopping $0.20 to $6.90/bu.

Corn: While corn export sales are picking up, inspections continue to run light, only 22 mb last week. Total inspections are running 21% behind last year. China remains absent, though most do not expect them in for much until Q1. Corn prices in China keep rising, now at $10.75/bu, a record high for November. With wheat prices climbing, not many wheat bushels will be going into their feed rations anytime soon.

Corn values in Ukraine, who would be the greatest competition for U.S. corn exports at this time of year, sees U.S. corn price at a sharp discount to Ukraine corn offers.

The world's fertilizer issues/shortage stems from energy issues. Too high NG prices shut down 2 fertilizer facilities in the UK. Any production lost from now until planting in 2022 cannot be made up. That reduces total supplies for next year.

The same had been occurring in China and possibly in Russia. If you are short on energy, you cannot run something. You choose what? China was shutting down soybean crush facilities. That reduced food production 1) for animal feed and 2) possibly for human consumption. If they chose to shut down food producing facilities in "real time", does it make sense that they would more likely shut down fertilizer facilities first? Closing a fertilizer manufacturing plant would only reduce future food production, not real time production of food/nutrient needs.

Checking data, Russia is the **<u>#1</u>** exporter of NPK. China is the **<u>largest</u>** exporter of nitrogen fertilizers, with Russia a close 2nd, Netherland's 3rd, but 70% less than the 1st two. Canada is the **"<u>biggest</u>"** exporter of potash. Kazakhstan is the **<u>#1</u>** exporter of potash. China is the #1 exporter of phosphates. ***(We were surprised that <u>biggest</u> and <u>#1</u> were not seen as the same in this data.)***

With both China and Russia now restricting fertilizer exports, taking care of their needs first, the odds are the "world" is going to run short of nitrogen in 2022 and likely of other fertilizers. Price is great for rationing supplies. Maybe if price does not matter to you, you can get all you want. If price cannot ration simply because there is not enough to cover all needs, no matter what, global corn and wheat production on a yield per acre basis, will fall.

We find it interesting that if the U.S. does anything to restrict exports to protect its people, other nations, especially China and Russia, condemn the U.S. as being an unreliable trading partner, using that as their reason for buying from the U.S. last.

The reality of rhetoric is very simple. It is a lie. China desires to be the #1 Superpower, while maintaining they are a 3rd world, developing nation that needs help. They will not do anything that benefits the U.S. It is no different than farmers not wanting to do anything that would financially benefit their competition, or other farmers. No one wants their competition to gain an upper hand, especially at the next farm auction.

Do not just think how your operation could be harmed by not getting the fertilizer you need to grow your crops. Do not just think about the U.S. Do think about the world. Global production will be down as this is a global issue. Corn and wheat are the largest ***(bushels of human/animal food)*** nitrogen suckers. World corn stocks are "reasonably" tight, with wheat stocks abnormally tight. Global demand increases annually. Global corn stocks should fall through 2022, guaranteed to fall if this perceived fertilizer shortage comes to pass. Think 5%. How much yield loss would you expect your corn crop to suffer, or your wheat crop, if your entire crop was short by 5% of what your crop needed to reach maximum yield?

Let us talk about price. We have reports of nitrogen over $1100/ton. If prices of corn and soybeans do not change from today's levels in 6 months, are you going to plant all your corn acres or shift some to another crop? You know some will. That will reduce global production of corn.

If energy prices stay at current levels and/or move higher, fertilizer prices should also increase. If fertilizer supplies are reduced over the next 6 months, prices will also rise.

In this world event which none of us have ever lived through before, if this winter is colder and colder longer than usual, things will just become less available and more costly. How are you hedged against supply shortages? How are you hedged against rising prices? How are you hedged against changing your crop acres? All these issues deserve your attention. Send questions to agmarkets@247.ag. We will post and respond to them in our MNU's.

<u>Soybeans</u>: Inspections have really picked up for soybeans, reaching 97 mb last week and 96 mb the week before that. While encouraging, one still needs export sales! With soybean prices in China falling over $3.00 from their highs, China buying and meeting the Phase 1 Agreement is kaput. We have stated from Day 1 of this agreement, that China will not honor it. They will buy what they need, when they need it, or when price offers them a reason to buy. We also wrote that we believe China sucked every soybean out of Brazil from their record crop, to avoid buying as many soybeans as possible from the U.S. this 2021/2022 marketing year. It will create a yo-yo effect. China will buy piles at times, driving prices higher, then buy as little as possible to collapse prices. This works to their benefit. Thank goodness Mother Nature can ruin all plans of mice and men.

China's soybean imports for October were down 41.2% versus last year, and the lowest since March of 2020. Total soybean inspections are running 31% behind those of a year ago. China soybean imports have only reached 187 mb vs 319 mb last year, as some crush plants had been idled, and margins were poor. Soybean crush margins are great in the U.S., near $2.00/bu, incentivizing processors.

Brazil's soybean plantings are 67% done vs versus 56% last year. The Malaysian Palm Oil Board is expected to report numbers later today, with end of the month palm oil stocks expected to rise to 1.806 mmt from 1.746 mmt last month.

<u>Wheat</u>: The world's wheat situation is not going to change for a few more months. Russian wheat prices keep rising, up nearly $3/ton last week. In working to control food price inflation, Russia keeps raising their export tax, now near $70/mt. That has lowered Russia's wheat exports by 32% from a year ago. On the flip side, Ukraine's exports are expected to increase to 24.5 mmt vs last year's 16.6 mmt. Argentina is beginning to have too much rain, reducing the quality of their crop. That is the greatest concern in this market. Good quality or high protein wheat is in short supply, commanding a premium. The lower the quality of future wheat production will maintain price strength in those wheats in greatest demand.

U.S. wheat weather issues persist in the southern and western Plains, where dryness persists. Winter wheat conditions remained unchanged this week at 45% G/E, a record low rating going into its winter's sleep. Winter wheat plantings are 91% complete, with the eastern Midwest lagging from recent heavy rains. Illinois is 10 pts behind average, Ohio is down 10 points, and Michigan is down 8%.

<u>South American Weather</u>: The winter forecasts suggest support could come to the grain markets in 2022, after oil seed prices ***(soybeans)*** take a hickey.