December 09, 2021 **#1959**

LOOKING FORWARD WITH A BACKWARD GLANCE

Sales Recommendations: **No Sales.** Next MNU by December 19th.

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

Technicals Plus: **Dec21** corn futures reverted from being inverted last week, closing $0.03 under Mar22 corn futures, while posting a new high close for this move and its highest close since June 11! **Mar22** futures tied their highest close in the last 3 weeks of $5.916, posting its highest close since July 1. Basis keeps tightening. Technically, Mar22 corn's chart is looking great, consolidating below $5.90 since November 2nd. Resistance is strong from $5.90 to $6.00. Traders **will** push prices high much quicker **when** – not if – price clears $6.00. A close above $6.00 sets Mar22 futures on our short-term and minimum upside objective of $6.40. Patience! **No Sales**. **Jan22 Soybeans** closed well at $12.644. Its short-term downtrend line continues to hold, offering resistance from$12.70 to $12.75. A Head-and-Shoulders formation remains intact until such time at price would close above $12.75. If that would occur, price would target resistance at $12.90, then $13.00. **Jan22 Meal** is in a short-term uptrend with support at $340 and resistance at $370. It is also in a shorter-term downtrend, with resistance at $360 and $370. Price closed at $359.70 today. Jan22 Soyoil posted a new low close for the move, closing at $54.85. One can argue support at $54.00 and $52.00. Veg oils have been consistently weak over the last 6 weeks. If support gives way, spreading will support higher meal values as soyoil falls. **Mar22 KC Wheat** closed below $8.00 support at $7.964. Trendline support gives way on a close under $7.80. We would suspect profit taking going into the weekend. Mar22 Oats appear to have topped. The Fat Lady sings when/if oats close below $7.00; the price oats have traded above ever since they broke through that price level on October 29th. Once major resistance is broken, it becomes support.

December 9th, USDA Grain Stocks Report:

U.S. Ending Stocks 2021/2022		**Average Guesses**	**Nov 2021**
Corn –	1.494 bb	1.485 bb	1.493 bb
Soybeans –	0.340 bb	0.353 bb	0.340 bb
Wheat –	0.598 bb	0.591 bb	0.583 bb

World Ending Stocks 2020/2021	**Average Guess**	**Nov 2021**

Corn –	292.70 mmt	291.70 mmt	291.90 mmt
Beans –	99.80 mmt	100.40 mmt	100.10 mmt
Wheat –	289.60 mmt	288.10 mmt	288.00 mmt

World Ending Stocks 2021/2022		**Average Guess**	**Nov 2021**
Corn –	305.50 mmt	304.20 mmt	304.40 mmt
Beans –	102.00 mmt	104.30 mmt	103.80 mmt
Wheat –	278.20 mmt	276.20 mmt	275.80 mmt

USDA's Numbers: The only change from last month's numbers in U.S. 2021/2022 ending stocks was in wheat, which was raised 15 mb. World ending stocks for 2020/2021 saw corn raised 0.8 mmt, beans lowered 0.3 mmt, and wheat raised 1.6 mmt. World ending stock estimates for 2021/2022 saw corn raised 1.1 mmt, beans lowered 1.8 mmt, and wheat raised 2.4 mmt.

USDA's Numbers: The only change from last month's numbers in U.S. 2021/2022 ending stocks was in wheat, which was raised 15 mb. World ending stocks for 2020/2021 saw corn raised 0.8 mmt, beans lowered 0.3 mmt, and wheat raised 1.6 mmt. World ending stock estimates for 2021/2022 saw corn raised 1.1 mmt, beans lowered 1.8 mmt, and wheat raised 2.4 mmt.

Corn saw the least movement in numbers, which will support corn prices going forward. Soybean numbers were flat to a bit positive in 2021/2022 world stocks, so nothing really negative there. Wheat got the hammer, adding 15 mb to U.S. stocks, 1.6 mmt added to world stocks for this year and when added to next years, they would have only raised that number by 2.4 – 1.6 or raised by 0.08 mmt for 2021/2022 world wheat stocks. Plus, K.C. wheat has already fallen nearly $1.00 from its high. That said, most of this should have been priced in already.

Corn: While the corn market did not get jazzed from it yesterday, Mexico came in with a flash sale of 72.6 mb, of which 42.9 mb was for this marketing year, with the balance of 29.7 mb for the 2022/2023 marketing year. The EPA announcement reducing blending mandates might have thrown a blanket over the market yesterday.

The recent driver in the corn market has been ethanol. Grind picked up last week, pumping out 1.09 m barrels, up from 1.035 last week. Even though profit margins are slipping, it came in better than expected, up 5% over the previous week.

Tuesday saw the October monthly export data released for ethanol, showing 104.7 mg ***(million gallons)*** shipped for the month, compared to 75.8 mg in September and 126.4 mg in October of 2020. Year-to-date showed ethanol exports at 976.6 mb, compared to 1.092 bg ***(billion gallons)*** a year ago. India was highlighted for taking 14 mg for the month, the highest since April.

The EPA threw a wrench at the markets earlier this week, releasing proposed levels for the 2020 conventional ethanol blending mandate to be set at 12.5 bg, 2021 at 13.3 bg, and 2022 at 15 bg.

Years 2020 and 2021 were significant reductions from the 15 bg level previously set in 2017. They believe this was done because of the CCPV-related fall in gasoline demand. Some were surprised that these numbers were not lower. The surprise was that the numbers were not worse than some had thought, as they could have been helped offset the overall negativity of these numbers.

Weekly corn inspections came in at 29.8 mb vs needing to be 52 mb to meet USDA's numbers. Total inspections were 369 mb, down 16% from last year, with not a single week in this marketing year reaching the level needed.

October DDG exports came in at 1.058 mmt vs 854 mt last month and 979k mt a year ago. Year to date DDG exports totaled 9.645 mmt vs 9.151 mmt a year ago.

Soybeans: Beans are hammering away on their loadings, hitting nearly 83 mb last week, while only needing 29 mb weekly to meet USDA's estimate. We note that the last 8 weeks have all been over 80 mb. Loadings need to be this high to make up for how low it will be later. Total inspections sit at 866 mb, which is still down 21% from a year ago.

Flash sales for soybeans came in everyday so far. On Monday, 130k mt to China. Tuesday saw 123k mts to unknowns. Wednesday another 130k to China and then that whopper of a corn sale to Mexico of 1,089 b mts. Today another split sale, but this one was for soybeans, with 280k mt sold to unknowns, 140k mts for this marketing year and the same amount for 2022/2023. If Flash Sales keep trickling in daily, that will support prices. We fear that as soon as they stop, it will become a bearish influence.

The EPA also came out with their blending mandates this week, pertaining to the biofuel and vegetable oil markets. The EPA proposed the 2020 total advanced biofuel mandate at 4.63 bg, below the 4.92 bg mandate in 2019, while 2021 was proposed at 5.2 bg and 2022 at 5.77 bg. Renewable diesel, sustainable aviation fuel and biodiesel production requirements in future years will require an increasing amount of vegetable and waste oil feedstock. These numbers fuel the anticipation of a big demand boom coming to the aforementioned oils, somewhat similar to the demand boom seen in ethanol back in 2006 through 2008.

Biodiesel exports for October totaled 29,689 mt vs. 40,973 mt in September and 15,634 mt in October of 2020. Biodiesel exports for the year-to-date total 545,453 mt, which is already a record for any year with two months left in the calendar year. End-of-year numbers will blow the lid off the past record.

Soybeans' greatest demand factor in the 2nd half of its marketing year will not be sales or loadings, cut crush. Crush will not be able to carry the load alone. January crush is at $1.50/bu, after hitting a high of $2.06 in mid-November.

Veg oils are taking a break. Palm oil has been sliding lower, printing its lowest price this week since the 1st week in October and falling below its 50-day. Looking forward, soybeans have a building positive with increasing demand for soyoil from sustainable aviation fuel ***(SAF),*** renewable diesel and biodiesel, which looks amazingly strong. Remember, we did say longer term!

SAF is still a fledgling industry, with only about 20 mg produced and used on a global basis last year. The industry has set a goal of 2.5 bg of SAF by 2025. Suncor has committed to building and operating a commercial production facility somewhere in North America for LanzaJet. LanzaJet is a spinoff of Illinois-based LanzaTech, and it already has a demonstration facility producing SAF in Georgia. The company expects to begin commercial operations there in 2022.

Wheat: Improving weather and improving crop conditions have been a drag on wheat prices. Less rains and dryer conditions have arrived in Australia. The lower quality wheat that the heavy rains caused will not improve. The damage once done is done.

Russia's proposed cap does exactly what they "supposedly" are trying to avoid, limiting exports. Importers fearing later restrictions on supplies move purchases forward. Russia's cap from February until June of 9 mmt, or 331 mb, pushes buyers to chase Russian wheat. Seems like a smart marketing play to us, which worked well last year so why not play it again, Sam? Russia's export tax keeps rising, expected to move close to $90/mt by next week. That should "promote" U.S. wheat on the world stage, making it more competitive. A $1.00/bu price fall could have done that on its own! Historically, wheat supplies of the top 8-exporting nations are at their lowest levels in 14 years.

The floods in southern British Columbia saw their western grain shipments slowed. There remain more heavy rains forecasted for their coastal regions. While this was bullish short term, the rains pushed eastward, benefiting wheat regions in Canada and the U.S. states of OR, WA, ID, and MT.

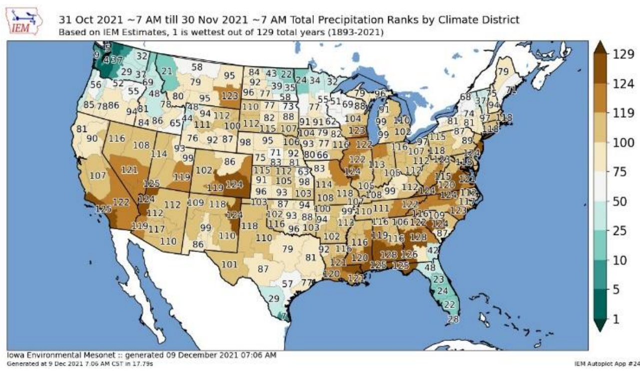
U.S. wheat sales are dragging kernels. Both wheat sales and loadings are lagging USDA projections by a considerable amount. Wheat loadings last week were a paltry 9 mb vs the 15.7 m needed, leaving total loadings at 409.7 mb, down 17% compared to a year ago. At this rate, the USDA will be lowering demand in their January report by upwards of 20 mb.

The premium of what to corn around the globe needs to be considered. There will need to be a resetting of feed rations in favor of corn and to the detriment of wheat. Never forget that the best cure for high prices is high prices. High prices push buyers to use lower priced, substitute/interchangeable grains. This will reduce wheat demand as a feed component, raising U.S. and global stocks. Some consideration for this may have been included in today's WASDE numbers.

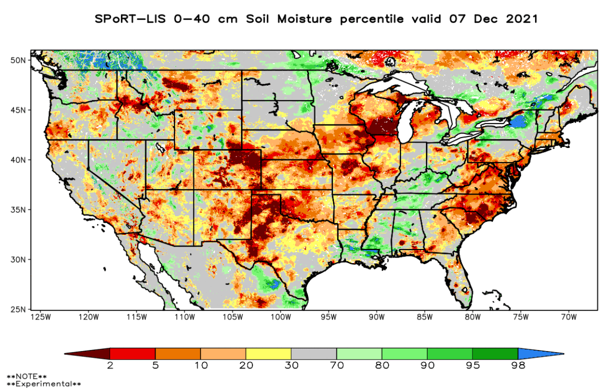
Importers are still chasing for product, with Saudi Arabia, Egypt, Ethiopia, Bangladesh, Jordan, and South Korea all in the market these last 2-weeks. The last 4 see their flour mills splitting purchases between the U.S. and Australia.

We do not want to forget the geopolitical issues of Russia invading Ukraine. Knowing the relationship between the U.S. administration and Russia, we will assume Russia will invade, as the U.S. will not do anything to physically stop them, just like it was all talk the last time Russia invaded. Such an invasion would be bullish, as wheat supplies out of the Black Sea region could be hampered. When this occurs, be prepared to add to old crop and new crop wheat sales. A short-term slow-up or stoppage of exports does not change wheat's S&D balance sheets.

Weather: We need to track for how dry and for how long this La Nina will maintain itself. The rainfall pattern in the U.S. is currently following exactly what is normal for La Nina conditions.



Surface drought conditions are building.



December's forecast is for drought conditions to expand in the east and south.