April 09, 2021 **#1905**

LOOKING FORWARD WITH A BACKWARD GLANCE

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Sales Recommendations: No Sales. Next MNU by April 18th.

Current Sales:	**2020** sales:	**corn**	70 - 100%	**soybeans**	50 - 100%	**wheat**	60.0%
	2021 sales:	**corn**	20%	**soybeans**	0%	**wheat**	68.0%
	2022 sales:	**corn**	0%	**soybeans**	0%	**wheat**	0%

Technicals Plus: **May21 Corn's** price reaction was anticlimactic, after its ruckus up day yesterday. As stated for the last 2-weeks: "*Price needs 2 consecutive closes above $5.62 for price to move from sideways to higher*. *Price needs 2 consecutive closes above $5.72 for price to target $5.90 to $6.00*." We got both this week, with a high of $5.95 and a close of $5.772. Repeated from last week, ***"price will also print a weekly reversal higher by the end of this week; very bullish."*** While May21 filled its gap from last week, Dec21 corn did not. That gives us a measuring gap to project an upside. When Dec21 closes over $5.00, we will provide that objective. As expected, the USDA did everything possible to discourage price advances in **May21 Soybeans**. Yet, they cannot erase a ESU of 2.6%; 120 mb carryover. This is just too tight for soybean prices to just fall apart. Support for May21 soybeans, meal and soyoil are $14.00, $395 - $400, & $50, respectively. It is imperative the support levels in meal and oil hold. **May21 KC wheat** found support from $5.55 to $5.60 last week and on Monday this week. Traders considered Monday's wheat ratings and forecasts for little to no rain for the next week in the U.S. spring wheat areas and decided it was time to take prices higher, rallying May21 futures over $0.30 this week in 4-days. As long as the Dakota's, Montana and Southern Canada remain mostly dry, wheat prices will continue to rise, encouraging producers to plant wheat rather than switching to something else.

Pictures: If you are into pictures, we post many here. https://twitter.com/agmastersmrktng
We will include several of our posted photos from twitter, which you will find when you click on this link, so you can see what you are missing. There is too much information for us to put into what was to be a 1-page market letter. For years, we kept it to one page. But many requests have been demanding more, and it grew and grew over time. Much of the information in our texts is not duplicated in our MNU's, but it is included in our analysis which determines our sales recommendations.

USDA Grain Stocks Report:

U.S. Ending Stocks 2020/2021 **Average Guesses** **March 2019/2020**

Corn –	1.352 bb	Corn –	1.346 bb	1.919 bb
Soybeans –	.120 bb	Soybeans –	.119 bb	.525 bb
Wheat –	0.852 bb	Wheat –	0.849 bb	1.028 bb

World Ending Stocks 2020/2021		**Average Guess**	**March 2020/2021**
Corn –	283.90 mmt	Corn – 284.90 mmt	303.00 mmt
Beans –	86.90 mmt	Beans – 83.70 mmt	95.00 mmt
Wheat –	295.50 mmt	Wheat – 301.70 mmt	300.00 mmt

South American Production			**Average Guess**	**March 2020/2021**
Brazil Soybeans –	136.0 mmt	-	Beans - 134.4 mmt	126.00 mmt
Brazil Corn –	109.0 mmt	-	Corn - 108.3 mmt	102.00 mmt
Argentina Beans –	47.5 mmt	-	Beans - 46.8 mmt	49.00 mmt
Argentina Corn –	47.0 mmt	-	Corn - 46.8 mmt	51.00 mmt

USDA's Numbers: Interesting how they played the **Soybean** numbers. 120 mb is apparently the magic number for soybean carryover this year, as they left it unchanged again. Our bias has us believing the USDA is "managing" soybean carryover stocks, as well as world stocks, to create a negative bias to keep a lid on a very bullish, and potentially an extremely bullish supply shortage situation. Look what they did and did not do, in kind?

The USDA "preemptively" raised/jacked up Brazil's soybean production 2 mmt to 136 mmt, 1-day after Conab raised their estimate of "their" production by 0.4 mmt to 135.5 mmt. Isn't the USDA slow to react to production changes? Then on the other hand, Argentina's Buenos Aires Grain Exchange lowered its soybean estimate 1 mmt, from 44 mmt to 43 mmt. Our USDA decided not to preemptively lower their estimate, keeping it unchanged at 47.5 mmt, 3.5 mmt over their earlier estimate and 4.5 mmt over their most recent estimate. Both decisions for production numbers out of Brazil "managed" world stocks up to 86.9 mmt from last month's number of 83.7 mmt and the average trade guess.

On the U.S. balance sheet, the USDA increased demand by 30 mb, way short of what is needed. If export sales are "normal" from here forward, demand would suck up 470 mb over the next 5 months, which is only 470 mb of soybeans the U.S. does not have. ***(Odds are this "normal" demand falls off by at least 50% this year.)*** The USDA did reduce crush by 10 mb. That may not occur, but we will need to see the March crush report first to ascertain how much it recovered from February's vicious cold snap. The USDA left soybean imports unchanged at 35 mb. This will be where they "balance" soybeans balance sheets in the future. The biggest "tweak" comes from residual. The USDA reduced feed & residual from 21 mb to 4 mb! That is where they can "hide" things, likely their slush fund for price management in times when supplies run short.

Estimated stocks-to-use ***(ESU)*** sits at 2.6%, a record low. Anything under 5% ESU is extremely bullish and gets $13.00 cash soybean prices. We cannot find charts showing how high prices have risen with a ESU under 2.6% because the USDA "manages" this number by never putting a number under this in print. We believe the ESU for soybeans is under 2.6%. The USDA placed the average farmgate price for soybeans at $11.25. Go figure because the USDA cannot?

To date, China has purchased 1.32 bb of soybeans from the U.S. The soybean price in China, after a small break under the 100-day moving average, has risen back above, and is holding stable at the relatively high price of $17.03.

U.S. soybean average basis level is $0.28 under the board, which is the strongest in 8-years. Normal is $0.66 under. This is usually a flat demand period for basis. A strong basis at this time of the year is screaming tight supplies. As the board price is not rising, the basis is having to do the work. Basis levels in Illinois and east are above the board price, which is very positive.

Normal just before harvest and through 60% of harvest, sees soybean price collapsing, falling to harvest lows. Brazil's soybean price fell about 10% from January's high to a low in the last half of March. With harvest surpassing 80% complete, price has begun its normal rally, up 4% over the last 3 weeks or so. A normal price fall from a summer high to a harvest low, ranging from 15% to 20%. This year's price fall has been muted by strong demand and tight stocks. How soon China comes back to the U.S. for more soybeans, this summer, or this fall, will have a significant effect on prices; sooner higher, later lower.

The USDA increased **<u>Corn</u>** use by 150 mb by increasing feed & residual by 50 mb, ethanol by 25 mb, and increasing exports by 75 mb. China bought 152 mb in a surprise purchase last month, while the USDA only increased exports by 75 mb and left Chinese import needs unchanged. Look for exports to be increased by at least another 75 mb as the USDA "manages" corn stocks for 2020/2021.

The USDA left Brazil's production unchanged at 109 mmt, while lowering Argentina's corn production by 0.5 mmt. World corn stocks were lowered on increased demand, down to 283.9 mmt from 287.7 mmt.

Going back to USDA's corn number, a U.S. attaché came out yesterday and placed Brazil's corn crop at 105 mmt. We see Brazil's corn crop falling at least 5 mmt from this report to next month's report, plus at least 2 mmt off Argentina's crop. Adding in the attaché's reduction and that would be a total of nearly 10 mmt off South America's production coming very short. <u>Saying this, we would stay long corn for this reason and for technical considerations</u>.

The average corn price was placed at $4.90. That is with an ESU of 9.2% on corn and U.S. corn stocks at 1.352 bb. Corn stocks need to fall to 1.1 bb, taking corn's ESU down to 7.4%, to get corn prices to move over $7.00. Or it gets hotter and dryer in Brazil sooner. For both soybeans and corn, prices have very little weather premium built in yet and lest we forget, most position limits in grains have been increased by 100%. If Funds see an opportunity of an exploding market, they could pile in and give a price push that few would have imagined.

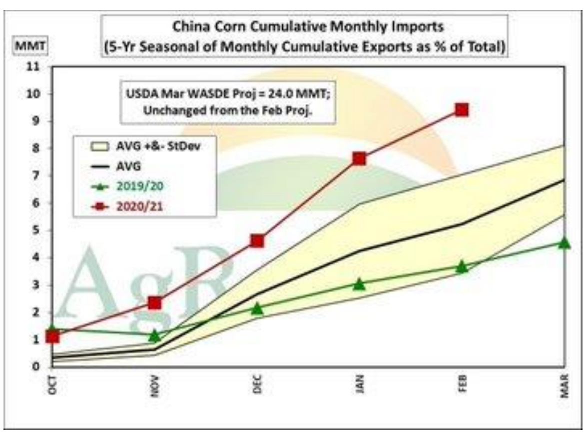
U.S. corn purchases from China to date is 917 mb. China's corn price is hanging at a strong $10.44/bu. The corn basis in St. Louis is $0.37 over the board, which is an 8-year high, showing how end users are trying to source their corn needs sooner than later. The USDA placed the average farmgate price for corn at $4.30/bu.

For **Wheat**, the USDA lowered imports by 10 mb and lowered feed and residual by 25 mb to 100 mb. That was a bit of a surprise, as most felt wheat feeding would have been rising, with falling wheat prices and rising corn prices. Total domestic use was lowered by 25 mb to 1.128 bb. Exports were kept unchanged, with all that said, raising ending stocks by 16 mb to 852 mb. Wheat's farmgate price was left unchanged at $5.00/bu.

Most of this report was dealing with old crop stocks/supplies, balancing the books. What has wheat prices jumping is the weather issues, which will be addressed below.

Corn: We do not recall this thought process before. It may be because we do not remember a time when corn stocks were "relatively" tight and production from the current forecasted acres is not enough to meet projected demand. That is a big issue, if it comes to pass. Some are saying that some of yesterday's strength in corn prices stemmed from fear that this year's corn crop will not be planted "early enough", reducing the chances of it achieving "full" production capability. This thought process is tied to the idea that acres will fall short of the minimum 92 m needed to achieve "no reduction" in carryover stocks, with a trendline yield of 179.5 bpa, in 2021/2022 carryover stocks to carryover stocks in 2020/2021.

Would you believe China could really blow up the apple/corn cart? Some analysts are saying Chinese corn demand is still understated by as much at 6 mmt, or 220 mb. If China purchased that amount from the U.S., 1.35 bb – 220 mb = 1.130 mb.



Here is the situation for the world and U.S. corn prices. ***ANY*** fear of production losses in Brazil, which hit yesterday, will be met with price increases in the U.S. ***ANY*** actual production losses in Brazil will be met with price increases in the U.S. ***ANY*** fear of production losses the U.S. will be met with higher prices in the U.S., even more so if Brazil's Safrinha crop sustains actual losses. We could keep going on, but you get the point. Corn's rally, which stumbled from USDA's "management data dump", will get back on track next week, with a continued hot and dry forecast for Brazil's Safrinha crop.

Soybeans: Brazil's soybean production began the year at a projected 126 mmt. Conab estimated 135.5 mb today vs USDA's surprised, upped estimate of 136 mmt, sees increased production of 10 mmt from initial expectations. Production killing rains ended up doing what they normally do. The surrounding areas of production overcompensated for the loss of production. Keep this thought in mind for 2022. With increased acres again in 2022, how big could Brazil's crop be if they had "good" weather conditions?

On the positive side, Brazil's soybean prices only fell 6% from their January high to their harvest low. If U.S. prices would do the same from today's level of $14.00, the U.S. fall harvest low would be $13.16! Chinese demand continues to be insatiable. One must question the demand in face of recent reports of expanding hog death losses from variant strains of ASF. Is this demand refilling strategic state reserves on possible future shortfalls in production out of the U.S. and/or in South America in 2022, or are all these soybean imports being burned through increasing their various forms of meat/protein production? ASF data suggests China's soybean prices will begin waning again, as cargos of Brazilian soybeans begin landing at Chinese ports.

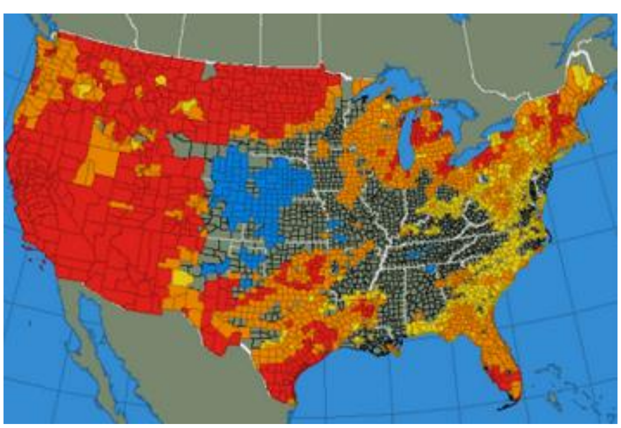
Wheat: In our March 31 MNU we wrote, ***"We see wheat bottoming no later than the 1st week in April. Let us see if our timing turn is correct."*** We believe wheat printed its low for this move today."

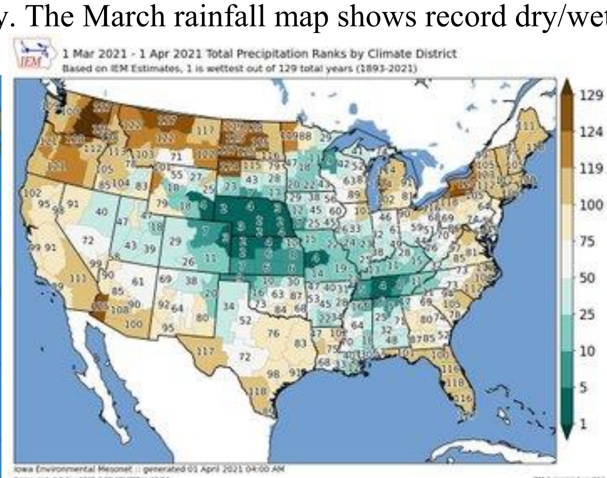
Price did strike a low that day in wheat, then wheat rallied, falling back to test that support on April 6th, before beginning its rally. Of the wheats, MN wheat should eventually find the greatest bullishness. It is difficult to argue for a great bull run in wheat prices, with most of the world having great production and world carryover stocks remaining record large. Only the U.S. and Canada are having potential production problems in 2021.

Wheat's bullishness stems from exceptional drought in West Texas and extreme drought in the Dakota's and NW Iowa; but particularly in North Dakota, where about 50% of the spring wheat is grown. The main issue is that only 8% of North Dakota's topsoil moisture is seen as adequate. Monday's Crop Progress Report showed spring wheat 3% planted.

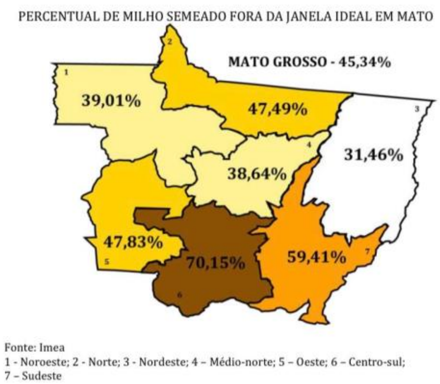
U.S. Weather:

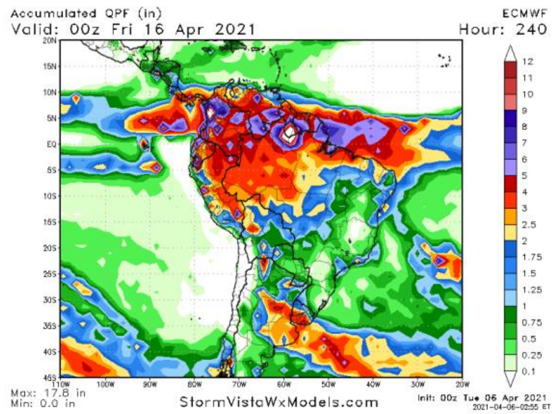
U.S. 60-day rainfall map tells an important story. The March rainfall map shows record dry/wet.





<u>Brazil - Safrinha Crop Weather</u>: Here is the % of corn planted outside of the ideal window in Mato Grosso. Dark brown Center-South and light brown Southeast are the latest planted and the driest, so far. Rains are forecasted to be zero to light over the next 10-days, with temperatures as much as 10 degrees above normal; hot and dry! The attached rainfall map gives precipitation for the next week.





The driest locations are already suffering yield losses. The 4-month, pre-plant record setting drought has set Brazil's Safrinha crop up for a major failure if "timely & consistent" rains do not fall. Subsoil moisture levels in many locations remain at an extreme deficit, like in the U.S.