



March 08, 2023

#2043

## LOOKING FORWARD WITH A BACKWARD GLANCE

**Grain Sales Recommendations:** Fundamentally and geopolitically, we remain longer-term bullish grains. **July23 Soybeans** has failed a number of times to close over \$15.40, a target for those looking to make sales. As stated last week, expect heightened volatility. Next MNU by March 19<sup>th</sup>.

<b><u>Current Sales:</u></b>	<b><u>2022</u></b> sales:	<b><u>corn</u></b>	10% - 50%	<b><u>soybeans</u></b>	50% - 100%	<b><u>wheat</u></b>	75%
	<b><u>2023</u></b> sales:	<b><u>corn</u></b>	0%	<b><u>soybeans</u></b>	0%	<b><u>wheat</u></b>	40%

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**Technicals Plus:** Fed Chair Powell roiled the financial sector, which fell the Dow and rallied the USD sharply. That combination hit grains earlier in the week, capping a potential, pre-report and profit taking rally. Corn and wheat have rolled over on the charts, now in a downtrend, while soybeans continue to hold their own. All months in corn posted new low closes for the move. **July23 Corn** closed down \$0.084 at \$6.14. Significant Gap support will be found at \$6.00, with an open gap that fills at \$5.954. Dec23 corn sees support from \$5.45 to \$5.50, closing today at \$5.58. **July23 Soybeans** has failed a number of times to close over \$15.40, a target for those looking to make sales. Price fell to \$14.68 the last day of February, rallying back to \$15.25 on Monday, closing today at \$15.06. Price has been trading sideways for the last 3-months. Meal is also beating against major resistance, \$500/t. With soybeans and meal struggling against resistance and near their highs, what is out there to move prices much higher in the short term? The market has been trading bullish news for months and price has been stagnant for months. **K.C. July23 Wheat** fell through major support on Monday, blowing through \$8.00 and closing today at \$7.91. Next significant support is \$7.50. The Russian/Ukraine grain deal will be the next major market mover for wheat. If they agree, it is already priced in. If they do not, its bullish. Next is U.S. weather, followed by global values and where wheat prices trade.

### **March 8<sup>th</sup>, USDA Grain Stocks Report:**

<b><u>World Production (mmt)</u></b>	<b><u>Average Guess</u></b>	<b><u>Feb 2023</u></b>	<b><u>2021/2022</u></b>
<b><u>March</u></b>			
<b><u>Corn</u></b>			
Argentina	40.0	43.2	47.0
			49.5

Brazil	125.0	125.0	125.0	116.0
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**Soybeans**

Argentina	33.0	36.3	41.0	43.9
Brazil	153.0	153.0	153.0	129.5

<b><u>U.S. Ending Stocks 2022/2023</u></b>	<b><u>Average Guesses</u></b>	<b><u>Feb 2023</u></b>	<b><u>2021/2022</u></b>	
<b><u>March</u></b>				
Corn –	1.324 bb	1.299 bb	1.266 bb	1.377 bb
Soybeans –	0.210 bb	0.219 bb	0.225 bb	0.274 bb
Wheat –	0.568 bb	0.576 bb	0.568 bb	0.698 bb

<b><u>World Ending Stocks 2022/2023</u></b>	<b><u>Average Guess</u></b>	<b><u>Feb 2023</u></b>	<b><u>2021/2022</u></b>	
<b><u>March</u></b>				
Corn –	296.5 mmt	293.7 mmt	295.3 mmt	306.3 mmt
Beans –	100.0 mmt	100.1 mmt	102.0 mmt	98.8 mmt
Wheat –	267.2 mmt	269.9 mmt	269.3 mmt	276.7 mmt

**USDAs Numbers:** We also find USDAs numbers uniquely confusing. Starting with **Soybeans**, they cut Argentina's production by 8 mmt, 3.3 mmt more than the trade guessed. Yet, global stocks were cut 2 mmt. We get it. Because there is less production, people and animals will naturally eat less. One might think the price would rise to help ration by reducing demand. No, because the USDA left the national average farm gate price unchanged from last month at \$14.30/bu. When you figure it out, let us know. Crush was reduced by 10 mb. No doubt crushers will crush less because they are making so much money, over \$3/bu, perfectly logical with buyers needing physical meal still paying over-board. No reason for crushers to pay more for soybeans when making record profits? With a record soybean crop out of Brazil this year, we were surprised to see the USDA raise U.S. exports by 25 mb. More demand but crush demand less; whatever.

As expected, **Corn** exports were cut by 75 mb, now set at 1.85 bb, bringing corn's ending stocks to 1.342 bb, the 2<sup>nd</sup> lowest stocks number in 9-years. No change was made in corn ground for ethanol, holding at 5.25 bb. All totaled, domestic use came in at 11.965 bb, with total use at 13.815 bb, down 75 mb. Corn's national farmgate price was left unchanged at \$6.60/bu. Corn production in Brazil was left unchanged, though Argentina's was cut 7 mmt, 3.2 mmt more than the average of the trade guesses. That had them raising global stocks 1.2 mmt to 296.5 mmt. Do not be confused. Ukraine will see a considerable shortfall in corn production this year, too. But to help control fear from the growing Global Food Crisis, all one needs to do is manage the numbers, as that is what traders using algo's work with.

**Wheat** numbers were much cleaner, coming in unchanged from last month. What is interesting is the average farmgate price was \$9.00/bu. K.C. July wheat is trading at \$7.85, with Chicago July at \$6.95. Wheat prices are said to be overpriced to world wheat prices, the reason for the recent fall in prices. Compare wheat prices to that of corn and soybeans and we do even more head scratching. USDA estimated Russia's crop at 92 mmt, while Russia says it will be under 88 mmt. For exports, they say Russia will export 43.5 mmt, unchanged from February, with Ukraine exporting 13.5 mmt and Australia exporting 28.5 mmt.

**Corn:** Flash corn sales on Monday! *(Yes, it is a shocker, as the last time there was a Flash sale of corn to China was on August 9, 2022, of 133k mts.)* Japan took 110k mts of corn and 182k was taken by unknowns, likely China. We know China needs corn, with their internal price being near \$10.50/bu and with Brazil's, Argentina's and Ukraine's available supplies limited at best. Ukraine's 2023 corn plantings are projected to decline 20% from last year. Acres harvested in 2021 were 13.5 m. In 2022, they harvested 9.8 ma. That would place them around 7.6 ma in 2023, down about 46% in 2-years. Any for export? Also, Ukraine has a cash crunch. Which banks will loan for operating? Corn is an expensive crop to put in. Many others are cheaper. The Ukraine government estimates total acres to be down just 5%. Optimistic?

The UN is involved in trying to get the Ukraine/Russian grain deal renewed. This would be a Big Deal to grain prices "if" there is no agreement. The trade is pricing in an agreement.

Brazil's planting rate of their Safrinha crop matters Big Time to U.S. corn prices. In Parana, they are 37% complete, the slowest in 12-years and far below their 5-year average pace of 68%. Brazil's planting pace is at 70+%. Rains continue to delay soybean harvest, which delays corn plantings. Their soybean harvest is 31% complete versus its 5-year average of 51% and 32% in 2021. Remember their corn losses from late plantings in 2021? But the trade is expecting everything to go perfect, thus Brazil producing a record corn crop and deflating U.S. corn prices.

\*\*\* For re-owning past corn sales, we would be targeting the open gap that begins at \$6.00. We would hope prices could reach that area, then one could buy-back all sales, with an appropriate stop in place if price closes the gap and then closes below that gap.

**Soybeans:** China imported a record 16.2 mts of soybeans in January and February, up 16% YoY, due to strong shipments from the U.S. in January amid Brazilian rain-delayed harvest activity.

Argentina soybean losses will net South America an "average" year for soybean production. No record – again. Yin and yang, Argentina losses/Brazil gains.

April23 meal reached new highs again this week, hitting \$498/t on Tuesday. Mar23 meal continues over \$500/t. Cash meal prices in Illinois continue around \$15/t higher than Mar23 futures. Crush was cut by 10 mb, though renewable diesel continues to show strong growth and strong incentives, giving processors no reasons to slow down.

None of the numbers we wrote about earlier have changed for soybeans. Biofuels are the driving demand factor for soybeans. We have argued that the U.S. needs 4 ma more soybeans planted this year for demand in 2024. The U.S. should need another 4 ma acres in 2024 for demand in 2025. Currently at 88 ma for 2023, that is 4 ma too low. To get more acres, new crop prices need to adjust to obtain the needed acres. Either Dec23 corn futures fall or Nov23 soybean futures rise. If Nov23 futures rest at \$14.00, how low does Dec23 have to fall to get you to shift acres? Wheat acres can go to soybeans. How far do wheat prices need to fall for you to switch to soybeans? It does not matter because wheat's insurance price gives you the guarantee you need to stay with wheat? Things need to change quickly to move acres. Another question is if there are enough

acres for all crops to satisfy demand in each? If corn acres fell to 88 m and bean acres rose to 92 m, corn prices would rise as production would not maintain stocks high enough to be comfortable to the trade. We think the trade really screwed up on pricing to get the acres needed in and for the U.S. market. If we are right, the Bulls ride with the soybeans. It looks like the corn market feels they got the acres it needs. We will see if the trade decides they messed this up and start jacking up new crop soybean prices.

**Wheat:** It is beginning to come out of dormancy. Trade will be tracking crop ratings and soil moisture conditions. Kansas produces about 50% of the HRWW in the U.S. and 25% of all wheat. Kansas sees its winter wheat conditions at 17% G/E and 53% P/VP. Kansas topsoil is 1% S (surplus), 35% adequate, 64% S/VS. Kansas subsoil is 0% surplus, 22% adequate, and 78% S/VS. As you can see by this, Kansas's wheat crop is literally – living on the edge. Being that wheat is a grass, a very heavy dew, followed by fog until 2, could keep the crop alive for some time. Temperatures racing into the 90's later this month, with strong SW winds, would be the death nail for many acres. These rain chances each few days give life to some and hope to many.

As stated earlier, the Black Sea Corridor initiative remains in flux until it does not, with its end-date being March 18<sup>th</sup>.

India needs to be watched in the wheat equation. Rainfall has been limited for the last 6-weeks and expected to continue to be short in March, a key month for their wheat crop. Reduced yields are already feared, as they have seen poor weather conditions going through reproductive phases. Hotter and drier conditions in March will further enhance the potential for lower yields. 100F is forecasted in the west, with limited rainfall. What rains do fall will have limited value under high evaporation rates seen under high temperature situations. With India being the 3<sup>rd</sup> largest producer of wheat in the world, expectations were for India to be a wheat exporter in 2023. Odds are this will flip and India will need to be a wheat importer. Something went wrong when they produced a near record crop last year and ended up having to release wheat from their strategic reserves to manage food price inflation.

**Economy:** A bad day in stocks Tuesday, with Powell putting a 50bps increase in play, falling 587 points. That caused the USD to run sharply higher, closing strongly above \$105.00 resistance at \$105.592. That rolled over and hit corn, soybeans, and energies. After closing above \$80 in its lead month Monday, April crude nearly touched \$81, before dying on the vine, closing down \$2.88/bl Tuesday at \$77.58. Its short-term trend remains higher.

If the stock market falls apart as many forecast it will due to continuing rate hikes by the Fed, the question for producers is if the potential financial “crash” would destroy so much buying power that it limits commodities upside potential through demand destruction. Trades assume it will and would let algorithms follow the trend until the selling dries up. When it does, be long or be wrong.

**Fertilizer:** See past comments. Trends in fertilizers remain lower. *(When the trend of lower stops, do what you need to do to cover your needs.)* Economy/economic concerns affect these prices too, as does the now rising USD. Track global economic health as well. Remember, whatever the Fed touches, the Fed screws up. Remember, they are experts at what they do.

**Tidbits:** Since July 1, Ukraine has exported 11.4 mmt of wheat, 19.1 mmt of corn, and 2.1 mmt of barley. Their total 2022/2023 grain exports are currently running behind year-ago levels by 26.6%.

ENSO forecasts are currently pointing to El Nino conditions by late spring (*June?*) for the U.S., which tends to give greater odds of trend to above trend yields for corn and soybeans. As detailed in last week's MNU, we are not yet in that camp. Too many other variables need to come into alignment. Their forecast stems from a major indicator, which at this time of year, has very low confidence. The reality is that an El Nino could gain traction anytime from May through September. If it comes in late, where the high pressure sets up in the Midwest could make or break crop yields. A movement of 200 miles could drop or increase yield 5 bpa, a big deal. Then again and like the last 2-years, the experts could get it wrong – again.

How bad is Argentina's soybean crop? Could it be 25 mmt? Some say so. That is 50% off. Not possible. That is a 900 mb loss. Nonetheless, South American production will not be much over the last several years. We have been talking about the severity of this drought since last fall, when they were struggling with getting their wheat crop planted with soils being so dry. And the drought continues.

Ukraine's wheat crop looks "good". Russia's wheat crop is expected to be down this year, currently placed at 85.3 mmt.

**El Nino/La Nina:** Our next MNU will provide an update to summer weather possibilities in the U.S.