LOOKING FORWARD WITH A BACKWARD GLANCE

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Sells Recommendation: No sales. All sales and all catch up sales should have been done. Review past Target Zone Charts. Next MNU out by Sunday, July 27th.

Attached Charts: Please view these long term charts which are attached. Click on each to open. Major long term support has given way. This does not bode well for any long term price strength. Prices could fall to our long term uptrend lines with one more good crop year.

K.C. Wheat: December K.C. wheat had been trading in a 12 cents band for 4 days. With major support at $6.21 and price at $6.48, everything pointed to price breaking lower to test that support level. Yesterday, price started breaking lower, out of that band. Right after that break lower started, the news of the Malaysian airliner being shot down hit the wheat market, jumping it some 25 cents in just minutes. Instead of a break lower, the charts showed a key reversal higher. This was a knee jerk reaction to irrelevant news. It pulled corn higher and beans higher, running stops on those who used them, kicking them out of the short positions. Reality/truth re-entered the market after that sharp crack higher, with beans posting a reversal lower on the charts. For those who have wheat sales to make, it is possible the $6.00 to $6.20 range could be our fall low for K.C. wheat. It matches last year’s low and a historic low. All know how large the world stocks are. Funds are near record short. If $6.00 gives way, there is no support until $4.50. Look for price to work down to at least the $6.21 area yet this month. To add to wheat’s negative tone was a projection for Egypt to reduce imports by up to 30%.

Corn: The gap at $4.104 projects much lower prices for corn. Corn is trying to rally, but struggles against benign weather and slackening rainfall. Today saw a new low close for this week, right on major support and closing on the low. This sets up for the potential of a gap open lower on Sunday night trade. If a new gap comes into play, it offers even lower price projections. Even without a new gap, if another new low comes our way next week, which we expect will occur, December corn will target its next support zone of $3.43 to $3.50. Current weather forecasts have rain and cooler temps arriving later next week. Cooler with scattered showers will weigh on price. We look for another 2 weeks of very good crop condition reports, which will continue to cap any rally attempts. Exports/loadings are running behind USDA projections. This will add another 50 – 100 mb to old crop stocks, which then get added on to next year’s numbers. A 175 bpa yield takes carryover to over 2.5 bb. Our early year projection of an 8% increase from trend would take stocks to over 3 bb. We have to go back to the 80’s for stocks that large. Unless we get a dramatic change in weather, the price trend will remain steady to lower through the end of this month. Our long term forecast remains the same; very favorable, on average, across the grain belt, through August. Our only fear remains getting too cool too soon and an early frost/freeze. That would be a continuation of this year’s weather trend. Funds continue to fight the technical trend; still long corn. Last year they gave it up and went heavy short, taking corn down under $4.10, the price we gapped lower from this year. If they are not yet short, add at least another 40 cents lower if they do.
Beans: November futures added over 50 cents from its low last week at $10.65. Rallies are meant to be sold in a down trending market. Again, timing strongly points to a low at the end of this month, followed by a rally into the next USDA report due on Monday, August 12th at 11 am. Testing its last low should be this market's minimum objective before months end. On yesterday's plane down and bean sale to China price pop, beans hooked lower, setting the market up for further downside. It was also a failure to reach this market's gap area at $11.294, a gap which projects price with a 9 in front of beans before this trend completes itself. Another export sale of 464,000 mts to unknown origins today is creating some bull spreading, buying August and selling November. The market gets a pop for the news, but why care? The sales are for next year, 2014/2015. If price falls into fall, they know they can renego on those contracts & pick up those purchases at lower prices. Brazil came in yesterday and sold 700,000 mts, pricing some of their grain in anticipation of lower prices ahead. Their hedging turned the tide, though the plane down had nothing to do with the fundamentals of the market. Societe General upped the ante in soybeans, offering their estimate of our carryover stocks at 464 mb; over USDA’s last number of 413 mb. While they upped it, Argentina came out and lowered their 2014 crop by 1 mmts.

Weather: Our forecast for above normal rainfall and below normal temperatures continues, unabated. Unusually cold air is showing up in the stratosphere, giving additional credence to possible early cold snaps and a colder than normal winter. Beans don’t like wet and cold, which is what we have had. If we don’t get a month of warmer and dryer, the jury would still be out on final yield. Many producers are looking out their windows, worried about their bean crop; too wet, too short, too late and too cool. Remember crop ratings are based on looks, not GDD’s, height, planting date, etc. Good weather gives a good looking crop. Let’s not forget you are looking out your window. The USDA looks over the entire U.S. At this time, we must defer to their numbers because the Funds will. Any verification of yield potential will not come to the market until September. Until then, price will suffer because it’s just looking so good. We are hearing even more beans have been planted behind harvested wheat acres. History has shown in most every circumstance, cooler means better yields, especially for corn.

Marketing 2015: Had a producer looking to price 2015 corn. He asked how low we expect price to go. We asked if he shouldn’t be asking how high price might go. After some thought, he agreed. To figure that, one has to project this fall's low, which is totally dependent on how large our corn crop ends up being and where the trade finds “value in price”. (See last year’s TZC’s) Let’s assume the worst; big crop and no early freeze, giving a 2.5 to 3 bb carryover and December 14 corn down to the gap projection of $3.00. The carry in the market should not be any greater than 40 cents, likely closer to 30, making December 15 corn priced around $3.30. With 2.5 bb hanging over the market, can any old crop month rally past $4.00? We think not. A 30 cent carry would put December 15 corn at $4.30, $4.50 tops. Today you could have sold for December 15 at $4.20 board. Should you sell any? Yes, 25% if you can. 50% if you can manage the sale; managing meaning offsetting the sale with futures if a big change takes place in this market. You are offsetting because you sales should be via HTA’s. A big change would be an early freeze. That is all we can see for this fall. History says the odds are against that. If it does, many times it only depresses price because it adds poor quality corn to the market. Last freeze that mattered was in the 70’s. One could argue it’s about time. The trend is pointing that way. It was expected last year. A late shift in weather gave us just the opposite. Then the cold settled back in late winter. The cold has never left us this year, except for what is coming at us now. Odds
are against another saving grace like in 2013. Just saying. Be aware anything is possible. This week we saw record low highs in the U.S. Those record lows are being set during what would normally be the time frame we see our hottest temperatures. Just be aware of what is happening around us. That is a better weather forecaster than those in suits.