LOOKING FORWARD WITH A BACKWARD GLANCE

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Sells Recommendation: No sales. All sales done? Additional comments and thoughts on this will be found within. Next MNU out by Sunday, September 14th.

Test Messaging: This service was provided due to the number of requests for it. Some have commented that there are few texts for grain sales. It seems most producers desire a text or so a week, if market relevant. While our initial intent for our texts were solely for sales alerts, but we have expanded to providing additional information which many Subscribers just don’t acquire on a timely basis due to their heavy work load. Sales alerts sent out do need to be acted on when sent. They are not something to ponder. (Consider this upcoming potential freeze event.) When the market says sell, sometimes it is screaming. You don’t think. You need to know what you want to sell and how you want it done – cash, HTA’s, deferred pricing, etc. That needs to be done before you get that text. Look ahead. Push the numbers. Know what you need sold and when. Cash flow needs have to be met. Those sales come first. If we happen to have a hard number where we want everything sold, you have to know your numbers. We have been aggressive on sales in the past and expect we will be doing that in 2015. 2008, 2009 and 2010 had us making major sales, up to 100%, of what you would consider selling, on one day. If that opportunity would occur next year, make sure you are ready to act when you get that text. We don’t want anyone shocked if the market gives us a pricing point that is easy to call and we can’t pass on it. It does happen from time to time. Let’s be prepared to act if that opportunity arises.

Making a Difference: In 2015, we look for a year like 2009 and 2010, where we become very aggressive on specific price points. It is our hope our year-end Target Zone Charts for 2015 will pinpoint those very accurately. When we reach those points, we will be “aggressively” recommending heavy sales for 2015, and most likely, 2016. If you were not aggressive on forward pricing this year like you now wish you were, you will need to be for 2015 production. Understand that in deflating markets where price has little hope of any upside, pre-selling does get you the best price. We know everyone has different issues and reasons for not being aggressive at times; dry conditions, hail, poor soils, too much rain. We understand. Weigh those issues to best determine production and get as much as you can priced in the upper third. These are the times where marketing is the most important aspect your operation. You can grow it. But most say their greatest financial losses come from poor marketing. Spend some time thinking and managing those sales. Look ahead. Look at basis levels offered for new crop 2015. Look at offers for January and March of 2016. That one call could add tens of thousands of dollars to your operation. It did last year for some of our Subscribers. Be pro-active in your marketing. Not making that effort will yield you those same results.

Freeze Possibilities: We texted out this link last week for one’s forecast for next week cold: https://twitter.com/patrickkimmis/status/507938534268100608/photo/1 Working with the numbers and a what if scenario, what if 10% of the U.S. crop gets hit with a 20% yield loss? Over the entire crop, production would be cut by 2%? A freeze like this usually has little effect on corn. The trade sees a one day price pop and then they realize it does not matter and new lows soon follow. What would cause this to be different than an early nip, would be a hard freeze where yield is actually substantially reduced, like it was in the early 70’s. Soybeans would be different. They can take a larger yield hit at this time of
the season than corn. If we miss this threat, price will continue falling. Next week will be a very jumpy week for prices. Then we add the USDA report on Thursday. Let’s not forget the good rains in the SW wheat areas. After they harvested, they plowed in beans - more acres, more bushels. That could be showing up in this report, also. History shows that if the USDA raises the bean yield in their September report, they will raise it again in their October report. MINIMUM average increase is 53 mb. That places us right around the 500 mb number. Our August rains pushed yields by at least 2 bpa. Don’t be surprised if it ends up being 3 bpa (potential freeze loss not included). A 2 bpa increase in yield takes our 2014/2015 carryover to over 600 mb. Now take off 100 mb from a freeze, mold and SDS. We still have 500 mb. Then we take off another 100 mb to fill the pipeline which we all know is closer to 40 mb than it is to the USDA’s number of 140 mb. Now were down to 400 mb by February 2015. The reductions the USDA will begin giving us after carryover peaks will give us a price push off our fall lows of up to $1.50/bushel. Basis in most areas should come back by at least 40 cents or more by January.

**Vindicated Projection:** We projected a cooler and wetter 2014, which would produce yields 8% above trend, pushing our fall prices from $3.25 to $3.75. Our spring projections of 108% of trend scoring a final yield of 179 bpa, was computed using the USDA's trend line estimate of 165 bpa. We see some say our 2014 trend line yield is actually around 160 bpa. There have been 8 years where the crop ratings around Labor Day have been 750 or higher. For those years, the final yield “averaged” 7.8% above trend. 108% of a trend line yield of 160 bpa, places yield at about 173 bpa. We will need to do some more research as to what the real trend yield is for the U.S. It has been decreasing these last 4 years. Many comments have been made this year about kernel depth increasing yields. Early reports are 260 bpa to 280 bpa from southern Illinois do turn one’s head. In this Thursday’s USDA’s report, we look for their yield forecast to jump from 2 to 4 bpa, at a minimum. With 11 states reporting record production, how can they not?

**Why We Add Bushels in 2015:** It is because of human nature. The farmer sees he can’t make a profit at these prices. His only out appears to be to increase his yield per acre. In years of low prices, if he can get another 30 bpa over his average, that is where he can reach break even or even make a profit. So he will do his best to increase yield in 2015 and plant all the acres he can. He sees little help coming to him in lower seed, fertilizer, chemicals, cash rent and taxes, as he fights them all the way to garner as much savings as he can. Yet, little will be gained by many in 2015. It will take more than one year of low prices to get our input providers to drop prices. The longer prices stay higher, the longer they wallow. It is a shame for these markets to turn around before the fall of 2016, it will take Mother Nature to step in and help. Argentina’s wheat areas were hit this last two weeks with floods. Total damage is not yet accessed. On the other end of this broad growing area, Brazil’s northern areas are suffering from a multiyear drought, hitting their coffee and sugar cane production. Extremes in 2014 have been just that.

**Weather 2014:** What has been more unusual this year, our commodity market or the weather? In February, the Wall Street Journal held an article with was entitled, “Commodities Rally is Half-Baked.” One said this about the late winter commodity rally, “the rally underway with grains, livestock, metals, energy and many tropical markets has analysts scratching their collective heads in disbelief. The stiff, stiff price gains across the wide spectrum of commodities has the trade aghast and searching for answers why it is happening....” Yes, that pop in grains 6 months ago was a surprise by many. And what about this potential freeze in the next 10 days? We have said if it was going to happen any year, this is the year the trend would support it. The cold needs to come at us to clear out the rains, to dry out the air. But if the cold comes, it could come in too cold. So what about this year’s weather? Our prediction of cooler and wetter was correct, along with much greater production and lower prices. But when look across the world, we find even more interesting facts, as well as reports and commentaries. Know that no fundamental force can alter ag markets or ag prices more dramatically than Mother Nature. No matter how bearish one may
see our grain markets at this time, or even into 2015, Mother Nature can quickly change all that we know is true – all that we know is true! An abnormal weather event can change a bearish trend to a bullish trend overnight. That possible change is what Mother Nature may throw at us this coming week. Note an article by NBC News: *Wild Weather:US Hit by 'Most Unusual Year' for Temperatures.* “If you haven’t seen anything like this year’s weather, well, neither has anyone else. This year is on track to set a temperature record that climate researchers say *is unique since the first time stats were taken in 1900.* A typical year in the U.S. would see near-average temperatures or a spike in either extremely cold or extremely warm temperatures. But this is the first year in which both cold and warm temperatures have ranged for outside the norms, according to the National Climatic Data Center.” NCDC’s chief of climate monitoring, told NBC News. “We haven’t seen this much extreme warmth entrenched alongside this much extreme cold for this long since at least 1900.” These are just the fact this year. Like the drought in Ukraine and Russia a few years ago, which lit the last big fire under the wheat market, floods hit areas on the back side of the drought. The same has been occurring in South America these last months. Could we not claim the same in the U.S. when you look at the west coast drought and put it aside the rains we have had in the Midwest this year? We have the same extremes in temperatures. Based on our weather trends this year, a blast of cold will occur again, and very likely, a number of times again this fall and winter. Whether this threatened blast can cause significant damage is yet to be seen. But the facts and the weather trends as they are, that threat is more real than imaginary. We all know anything can happen. What matters is how does one respond to it? A freeze, whether it ends up being real or just a scare, would produce a selling opportunity for those need catch up sales.

**Pricing Off a Weather Event:** The difficulty in doing this is in not knowing. The trade will know, or try to anticipate, before you get any facts. All we can do is just wait it out. With every freeze scare this last 40 years, any rally was sharp, fast and done, very quickly. Real damage takes time to assess. If we have real damage, you have one sharp rally, followed by a resting period, then support coming back into the market as actual yield losses come to light. The best we can do is track all forecast and compare models. Then, as the front encroaches upon our northern states, we track the night time lows and the hours it holds at what temperatures. This will give us some indication of any possible damage. As we all know, even temperatures between 36 to 38 degrees can have a frosting effect in low lying areas – and even freezing if such temperatures hold for a sufficient amount of time. For now, this event is scheduled to take place the morning of Friday, September 12th, the day after USDA’s monthly report. We will send out texts for updates on this possible event. Please look at the link again that we offered above. This is a forecast tendered a full week before this event. Will see how close this one comes to reality.