Looking Forward with a Backward Glance

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Sales Recommendations: No Sales. Our next MNU will be out by March 29th.

Corn: Big day up in grains today because of a big break lower in the dollar. In a move we would call buy the rumor sell the fact, the Feds announcement on Wednesday that they “may” raise rates at some time in the future, caused the dollar to give up 3 weeks gains of 5% in just 2 hours. Knee jerk reactions had grains moving higher. After breaking lower out of a consolidating wedge formation last week, May corn moved another 13 cents lower this week before the Fed stepped in, confusing short term traders and scaring the Bears. In Wednesday’s night trade, corn and beans gapped open higher. We tweeted out “Don’t let yesterday’s price action throw you. Acres will cap soybeans, but weather will determine corn’s potential to rally later.” Those gaps were back filled later Thursday. We are hearing some ethanol plants are bulging at the seams with inventory. This falls in line with our earlier statement that you can’t put yourself in a position of having to sell any grain the second half of this year. End users are chomping at the bit to steal your grain. Basis levels will fall hard later this year. Yet, corn is the market that has the best chance to get something going, later. This “bailout” can only come from Mother Nature. There’s nothing new in this market right now. It’s just marking time until USDA’s Plantings Report. Cash prices only work high enough to get enough bushels sold to meet current demand. Watch basis levels as falling board prices will cause a rise in basis levels.

Beans: May beans not only broke lower last Friday, on Tuesday this week, they scored a new low close for this move; not a good sign. November is still holding its recent low of $9.40, and above its harvest low of $9.275. Currency gyrations are helping push South American beans to market. The Real has fallen hard, which is providing incentive to producers to move grain; sell now, not later, opposite of Argentina. Brazilian beans are still priced below us, at least 30 cents; another price negative for our prices. Argentina is just beginning harvest. At this time, they have turned dry, which will expedite harvest. They are still sitting on about 300 mb from last year’s crop. Their crop estimates remain 1 to 2 mmts higher than what our USDA has been posting. Lower than expected U.S. crush data, with chatter that ending stocks for 2014/15 could increase from 385 mb, has helped maintain the bearish tone. Export sales continue their seasonal decline. Meal prices remain inverted, showing that market is still struggling to secure short term needs. This is a supportive factor for bean. Again, watch meal for the price direction on soybeans. Continued rains in the south and southeast U.S. will have later plantings favoring beans over cotton. From the technical side, the monthly charts are setting up for a monthly key reversal lower. November needs to close below $9.42 and May below $9.62. On the bullish side, Brazil’s truckers strike could be back next week. High fuel costs are still giving them fits. Then we still have the fact that bean prices have fallen over 80 cents this month. Traders won’t want to be scoring new lows going into the Plantings Intention Report. We would look for a small rally going into this report. If we can’t get that, the longer term downtrend will become even more entrenched / strengthened.
**Wheat:** July K.C. wheat broke out of short term down trend, moving higher since March 6th. It is trying hard to get something going. Russia is offering new crop wheat at a substantial discount to the rest of the world, even though their wheat is coming out of dormancy in worse condition than last year. The best news for wheat is the fact that Funds are holding record shorts. Any real scare can give this market a hard, sharp rally. Sprinkles and drizzle in the SW is giving hope. Rains are close, yet so far away. Weather in the world’s wheat producing regions is decent. Only the U.S. wheat areas are having significant drought/flooding issues. In the big picture, U.S. weather issues are not a big thing. But from the technical side, futures can still get jacked up if dryness persists. Too wet in the east for wheat is not a concern to the market at this time.

**Acreage Estimates:**
- C/B/W- USDA: 89/83.5/55.5
- Allendale: 88.35/87.2/55.3
- Farm Futures: 88.3/87.25/57.6
- Informa: 88.5/87.5/56

Only the bean acres are at odds with the USDA.

**Dollar:** The gyrations this week have helped stem the slide in beans. A falling dollar is bullish. A 5% fall in 2 hours is “unsettling” to say the least to Bulls. This will allow the dollar to consolidate gains for a few weeks, sliding lower at times, like today, taking the bearish pressure off grains for a bit. Better yet, stem the tide of deflation and recover a bit into the USDA’s upcoming acre numbers. Know that increasing interest rates will cause the flight of risk capital to the dollar means such an action is negative grains. Know that what our Fed has done with QE has so screwed up the world, ANY actions other nations have to take to help them against what the U.S. has done is bullish the dollar. Look for the trend of the dollar to continue higher. That will continue the deflationary trend across the world; the race to the bottom. Our economy is not as good as they would have you think. This will keep them “talking” about higher interest rates in the hopes of not having to do another round of QE. Speaking of that, we had an article concerning the fact QE had not really ended, it was being done subvertly. If we can find source this information again, we will provide it here.

**Weather:** The only thing that can bail out producers who have 2013 or 2014 grain they want/need to price, those living on a hope, prayer & weather scare, is Mother Nature. The question is if they will get that hope and prayer. Last year’s weather was easy to forecast. It fit perfectly into the long term trends that had been persistent for several years. Not so this year. Things started changing late last fall. We noticed the flipping weather this winter. The cold we had in 14 - landed 1000 miles east of us this winter. Dryer has filled the void here & to the west. The SE keeps getting heavy rains, as does the NE. El Nino has officially set in this month. That would normally give us above normal precipitation in the Midwest. That is what we have been projecting since late last summer for 2015. While that is what we would generally expect, we are leaning to a more “sporadic” weather pattern here. The trend for the northern belt is dryer. After years of wet, a dryer spring would be greatly appreciated by all. Current trends project this will be the case for the next 4 to 6 weeks. Not sure if the Dakota’s and MN will want to run that early. But if they can have a dryer spring, one would suspect more corn acres would go in. This thought would hold true for any area of the U.S. that had a planting season that held for them a normal to dryer weather pattern. We still need to see how the wet weather in the south & east advances. That should begin the first week in April. If this northerly movement begins, we would then project good spring rains in May. A dry April would have then just created a good planting window to get a good head start on this year’s plantings. We will look at how we expect summer weather to settle out in late May. For now, average to above yields are expected.
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

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