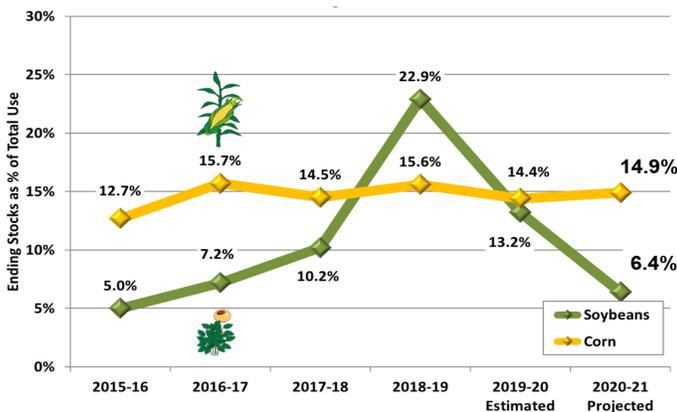


Crop Marketing STRATEGIES

The Stage is Set for a Blowoff Top; How High Prices Go is Tough to Predict

By mid-October, nearby corn and soybean futures contracts rallied more than 25% higher than they were trading in early August. Changes in the U.S. balance sheets were triggered from the NASS Quarterly Grain Stocks, October Production, and WASDE reports. Ending stocks of U.S. corn for the current marketing year are projected at 2.167 billion bushels on Aug. 31, 2021, with an average cash price of \$3.60 per bushel. That's a decrease of more than 600 million bushels and a price increase of \$.50 from the Aug. 1 projections. The U.S. corn ending stocks is projected at 14.9%, not that much different from the previous four years.

U.S. Ending Stocks as a % of Total Use



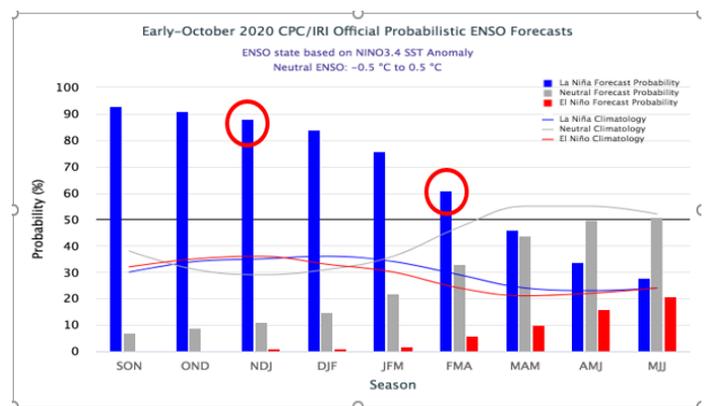
Source: WASDE, Oct. 9, 2020

A bigger surprise was that U.S. soybean ending stocks are expected at only 290 million bushels. The average cash price is likely to rise to \$9.80 per bushel. That's a decrease of more than 300 million bushels and an increase in the price of \$1.45 from the Aug. 1 projections. The U.S. soybean ending stocks is projected at 6.4%, the tightest in five years.

Global Export Demand & La Niña Forecast

Dry weather concerns in the Black Sea region and South America have kept strong export demand in place. China strengthened its buying of U.S. ag products to meet its Phase 1 trade deal obligations better and respond to the threat of rising prices. In August, the U.S. shipped \$2.15 billion worth of ag and related products to China, topping the 2012 record for the month by 19% as soybeans accounted for 41% of all U.S. shipments of farm goods. Exports of U.S. corn to China hit an all-time high for the month.

According to the latest U.S. Climate Prediction Center, odds are roughly 85% that the La Niña climate pattern will continue into the winter months. The odds are 60% it may linger into spring. Most climate models call for a moderate to strong event during the peak November to January season, then weaken during the spring months. La Niña winters are typically associated with heat and dryness in southern Brazil and across Argentina, cutting production.



Source: Int. Research Institute, Columbia University, Oct. 8, 2020

Fall & Winter Marketing Opportunities

La Niña winters are typically associated with heat and dryness in southern Brazil and across Argentina. The early soybean planting has been delayed, which means the start of Brazilian new-crop soybean exports in early 2021 will be pushed back. This will likely leave the window open a few weeks longer than usual for U.S. shipments of soybeans.

The larger impact from the soybean planting delays in Brazil could be to the safrinha corn crop – planted after soybeans are harvested. Because soybean harvest will likely be delayed, the safrinha corn crop will be planted later, which increases the risk the crop will pollinate and fill after the end of the rainy season. Those risks will be heightened if La Niña conditions strengthen past February.

Using Weekly Charts to Project Blowoff Tops

By mid-October, soybean futures contracts traded at life-of-contract highs. Commodity funds now hold record-long soybean futures positions, and open interest is large. The November '20 nearby soybean contract traded as high as \$10.79^{3/4}. Soybeans could be putting in a blowoff top now. However, predicting that resistance will be difficult. One tool could be the Weekly Soybean Futures chart going back to 2016. Those previous chart highs can be identified near \$10.82, \$11.78, and \$12.08, respectively.

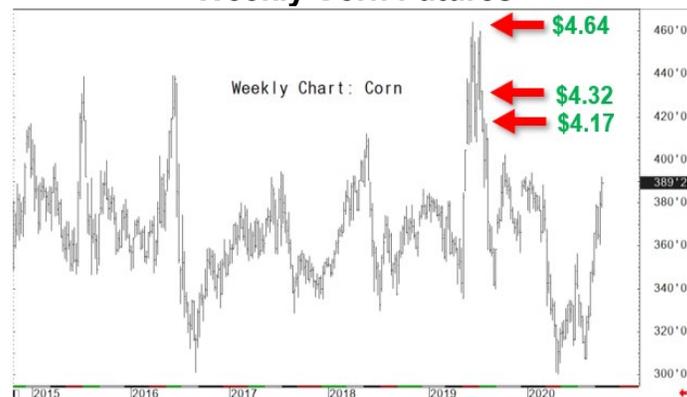
Weekly Soybean Futures



Source: CME Group, Oct. 9, 2020

The Weekly Corn Futures chart going back to 2015 might hold similar indications to blowoff top resistance. Those previous chart highs are at price levels near \$4.17, \$4.32, and \$4.64.

Weekly Corn Futures



Source: CME Group, Oct. 9, 2020

Conclusion

Counter-seasonal futures price rallies at harvest are rare. The last time was likely the fall of 2010 and was also initiated by starting a strong La Niña climate event. This fall, the harvest basis is not as weak as predicted. The tighter ending stocks serve as an incentive for exporters to acquire adequate supplies to ship, especially with Chinese booking bushels ahead.

Be prepared to sell more of your 2020 soybean crop with the inverted futures carry signal along with a strengthening basis post-harvest. Consider pricing some of your 2021 new crop soybeans as they trade over \$10 per bushel in the November '21 soybean futures contract.

Corn futures prices should remain strong with great demand both domestically and for export. However, with corn ending stocks forecast at over 2 billion bushels, the upside futures price potential could be limited. The lack of large futures price carry and strengthening basis post-harvest could trigger corn sales. Consider pricing some 2021 new crop corn as December '21 corn futures trade over \$4 per bushel.