

The Farmer's Advocate

A disciplined approach to marketing and farm management.

Z E N G E R

Management, Inc.

The 2019 planting season is on track to be record slow and late—and a record by a wide margin. Monday's Progress Report said **49%** of the nation's corn crop was planted—the slowest pace since **40%** in 1993. In both 1993 and 1995 the planting pace was around **71%** by the Progress Report closest to May 24. A respected analyst who estimated this week's progress state by state calculates the 2019 planting pace to be **57%** in next Tuesday's Progress Report. And he said this number is optimistic. The start to the 2019 growing season is truly historical—historically bad.

July and December corn futures are both up about **\$0.60** from the post-May WASDE lows set a week ago Monday. Price action has not been crazy. Rather, the methodical advance suggests large speculative fund managers are still holding a relatively large short (sold) position in corn futures. If so, it means a day of wild, nutty "get me out" price action is possible next week in the corn pit—possible if there is no break in the excessive wet weather pattern.

Last week I wrote that "betting on a longshot is usually a losing bet". But longshots can win. Another old adage is, "Don't bet against the American farmer getting the crop planted." It looks like an unprecedented wet spring will make 2019 the "atypical year" when old adages fail.

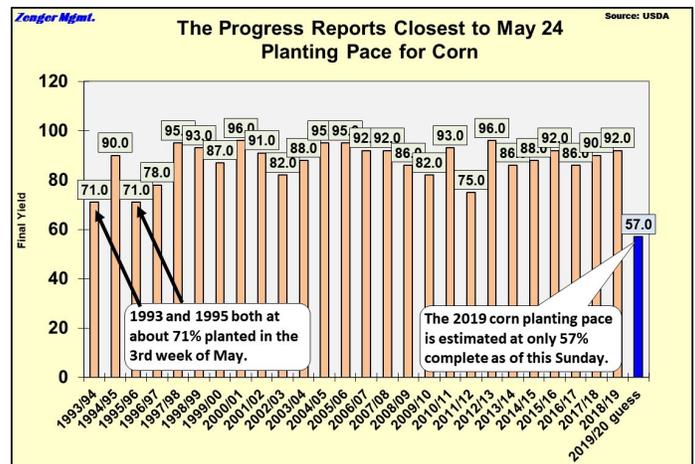
Therefore, this morning a TEXT was sent recommending pulling offers to price corn and milo at the next upside target. My suggesting we "pull orders" may be unprecedented, too. The goal is to participate should the corn market ratchet up next week following news of an extremely slow planting pace.

The risk is real—the corn market could implode Tuesday if weekend Midwest rains are lighter than expected and early week forecasts predict a dry window for planting the 2019 crop. But right now the forecast remains wet. Considering we have much of the 2018 crop priced and a strong start on pricing the 2019 corn/milo production—and considering the probability is greater for a "fund run" next week than a price collapse—it is reasonable to pull orders. However, if the weather services are calling for an end to the wet pattern on Monday, we may be selling corn on a sharply lower market on Tuesday. This is not a normal way to market . . . but this is not in a normal time. Interestingly, the long Memorial Day weekend was the key turning point in the grain markets in 2018. Could it happen again? And instead of starting a year of poor prices, start a year of good prices? ▼

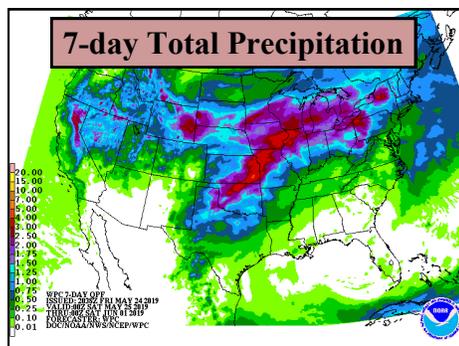
The 6-10 day outlook shows the cool west—warm east set-up starting to breakdown. The conflict created where the warm mass collides with the cool mass produces storms across the central part of the U.S. The 8-14 day outlook shows normal temperatures in the Corn Belt, Central and Northern Plains. Above normal temperatures move into the Southern Plains and Delta. This forecast is still showing above normal precipitation in the first week of June—but the probability is less. Weather forecast accuracy decreases the farther out it goes—so trade confidence in this 10-day forecast is low. ▼

Approx. closes	Last Week	Today	Chg
July 19 Corn	\$3.83	\$4.04	\$0.21
Dec 19 Corn	\$3.98	\$4.20	\$0.22
Dec 20 Corn	\$4.08	\$4.14	\$0.06
Dec 19 - Mar 20	\$0.095	\$0.095	\$0.000
Dec 19 - Dec 20	\$0.095	(\$0.058)	(\$0.153)
July 19 Sbeans	\$8.22	\$8.30	\$0.08
Aug 19 Sbeans	\$8.29	\$8.37	\$0.08
Nov 19 Sbeans	\$8.47	\$8.56	\$0.09
Nov 19 - Aug 20	\$0.463	\$0.403	(\$0.060)
Nov 19-Nov 20	\$0.493	\$0.495	\$0.002
KC July 19 Wht	\$4.20	\$4.42	\$0.22
KC July 20 Wht	\$4.95	\$5.17	\$0.22
KC N19 - KC N20	\$0.750	\$0.748	(0.002)
Ch July 19 Wht	\$4.65	\$4.90	\$0.24
Ch July 20 Wht	\$5.04	\$5.27	\$0.24
Ch N19 - Ch N20	\$0.385	\$0.378	(\$0.007)

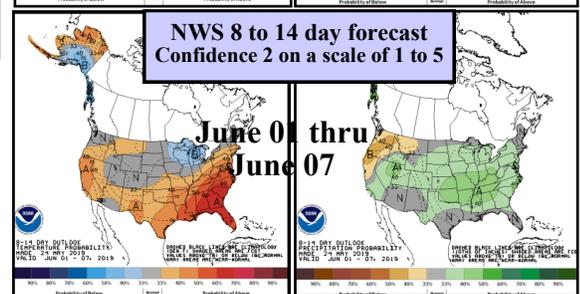
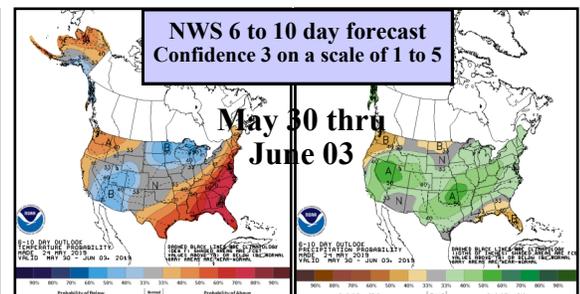
Corn: Percent Planted				
State	Week Ending			2014-2018 Avg.
	May 19, 2018	May 12, 2019	May 19, 2019	
	Percent	Percent	Percent	
IL	95	11	24	89
IN	86	6	14	73
IA	83	48	70	89
KS	80	46	61	80
MN	72	21	56	83
MO	95	52	62	92
NE	86	46	70	86
OH	69	4	9	62
SD	60	4	19	76
WI	52	14	35	65
18 Sts	78	30	49	80



The 7-day precipitation map shows heavy rain across the heart of the Midwest—but the afternoon map shows less coverage than the morning forecast. Planting process will be confined to the fringes of the Corn Belt as this forecast plays out. Maturing SRW and HRW wheat will be stressed by excess water and vulnerable to diseases.

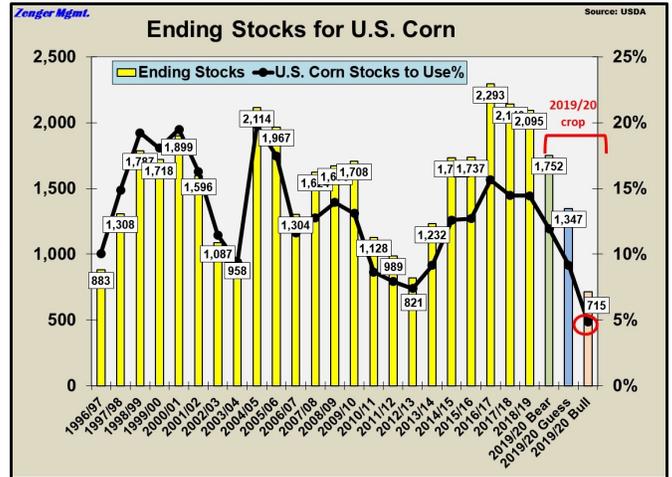


The 6-10 day outlook shows the cool west—warm east set-up starting to breakdown. The conflict created where the warm mass collides with the cool mass produces storms across the central part of the U.S. The 8-14 day outlook shows normal temperatures in the Corn Belt, Central and Northern Plains. Above normal temperatures move into the Southern Plains and Delta. This forecast is still showing above normal precipitation in the first week of June—but the probability is less. Weather forecast accuracy decreases the farther out it goes—so trade confidence in this 10-day forecast is low. ▼



Corn fundamentals went from burdensome to possible price rationing in less than two weeks . . . how??? A weather scare rally is usually based on a production threat to *part of the country—but not the entire Corn Belt*. And the intensity of the threat usually varies within the region in trouble. Trade participants cuss and discuss opinions, but nobody knows for sure how much the total national production is really impacted until after harvest. However, *the current extreme wet conditions have impacted planting across the entire Corn Belt. Everywhere is being hit—no debate.* And counting acres planted or not planted is easier and much more accurate than estimating yield in July.

The chart shows three scenarios for the 2019/20 corn ending stock and stock/use. The first scenario (green bar) shows an approximate outcome if planted corn acres are down **3.0 million** from March Intentions (92.8 ma) and the yield is **3.0 bpa** below the **176.0 bpa** trend. This “Bear” scenario creates a **1.752 bbu** carryout and a **11.9 stocks/use**. The second scenario (blue bar) is cutting **4.0 million acres** of corn and reducing the yield **6.0 bpa** below trend. This “Guess” scenario creates a **1.347 bbu** ending stock and **9.2% stocks/use**. Note that the “Guess” scenario keeps the stock/use above the tight levels experienced during the 2010-2012 period. The third scenario represents the bullish crazy talk that has emerged. Here acres are reduced **6.0 million** and the yield is down **10.0 bpa** from trend. This “Bull” scenario creates an ending stock of **715 mbu** with a super tight stocks/use of **4.9%**. The stocks/use will probably not drop to **5.0%** because high prices would reduce corn usage. Price rationing would be necessary in the “Bull” scenario.



December corn reached **\$4.20** today and closed near the session high at **\$4.19**³/₄. The next upside target is **\$4.23**³/₄, the contract’s May 2018 high. After that the target and resistance is **\$4.29**¹/₂, last spring’s high on the continuation chart. The next obvious upside objective is **\$4.50**. Quickly reaching **\$4.50** is possible if the speculative funds are forced to abandon their short positions quickly early next week.



Note how very small the window to sell the “high” was in each of the past four years. And how fast the price dropped back below **\$4.00** after the “high” was posted. Human nature is such that we usually “sell a little” on the way down—and that’s it. The reason for incrementally selling into a rally is to insure a high percent of the planned sales are made before the market implodes and the opportunity is over. Pulling orders today looks right tonight—it may not look smart by Tuesday. And if the market races higher next week . . . we need to be nimble and ready to start pricing again. There is no “target” to price the next increment tonight—for the price might blow right through **\$4.30** on Tuesday or Wednesday. But December corn trading in the **\$4.30** to **\$4.50** range needs to be sold.

July corn closed at **\$4.04**¹/₄. The first upside target is **\$4.10**¹/₂, the August high. There is resistance at **\$4.12**¹/₄, last spring’s high on the weekly chart. And there is a line at **\$4.21** on the July chart that would attract the technical crowd’s attention if upward momentum is strong next week.

This is a very strange marketing atmosphere. The entire Corn Belt hit by the same event and said event well documented. Even so, expect the corn market to retreat once the acres are planted that will be planted. A bull needs fed every day—traders will take profits on long positions when the market is starved for fresh news. The bulls will reemerge quickly if the crop is threatened by tough growing conditions during the summer.

Bottom line . . . plan to sell a “crazy move” if it occurs next week. Watch for direction from daily TEXT and emails. ▼

The soybean market remains in the dumps pressured by large domestic stocks and a large, growing global supply. South America is harvesting a massive soybean crop and China demand is weakening due to African Swine Fever. Further, a sharp drop in the value of the Brazilian real and Argentina peso—combined with China’s willingness to pay a premium for South American production—is creating a strong profit incentive for farmers to plant soybeans in the Southern Hemisphere.

Early in the week newswires falsely reported the 2019 tariff aid package included a \$2.00 per bushel payment to soybean producers. But details released Thursday evening indicate the program will not encourage farmers to



USDA Announces Support for Farmers Impacted by Unjustified Retaliations and Trade Disruption

- Producers of alfalfa hay, barley, canola, corn, crambe, dry peas, extra-long staple cotton, flaxseed, lentils, long grain and medium grain rice, mustard seed, dried beans, oats, peanuts, rapeseed, safflower, sesame seed, small and large chickpeas, sorghum, soybeans, sunflower seed, temperate japonica rice, upland cotton, and wheat will receive a payment based on a single county rate multiplied by a farm’s total plantings to those crops in aggregate in 2019. Those per acre payments are not dependent on which of those crops are planted in 2019, and therefore will not distort planting decisions. Moreover, total payment-eligible plantings cannot exceed total 2018 plantings.
- Payments will be made in up to three tranches, with the second and third tranches evaluated as market conditions and trade opportunities dictate. The first tranche will begin in late July/early August as soon as practical after Farm Service Agency crop reporting is completed by July 15th. If conditions warrant, the second and third tranches will be made in November and early January.

shift fields from corn to soybeans. The aid payment will be made on all acres planted by a producer. It is not dependent on which crops are planted. The payment rate is based on a “single county rate”—which is impossible to predict at this time. The aid package is sliced into three payments. The first payment will be sent to producers late this summer. The second payment is scheduled for November and the third for January—but they are not guaranteed. The second and third payments depend on “market conditions and trade opportunities”. ▼

Wheat closed higher for the week supported by concern that heavy rain is reducing both bushels and quality. Oversold conditions and rising corn prices also supported short-covering in the wheat pits. And chatter about a hot, dry forecast for some of the key wheat producing areas in Russia and Kazakhstan underpinned the markets this week, too.

Traders may cover short wheat positions next week, but it is doubtful the Chicago group gets too excited about possible production losses. Historically it is hard for traders to gage the impact of too much rain on maturing wheat. Disease is a real threat if clouds and rain are not replaced with sunshine and warm winds.

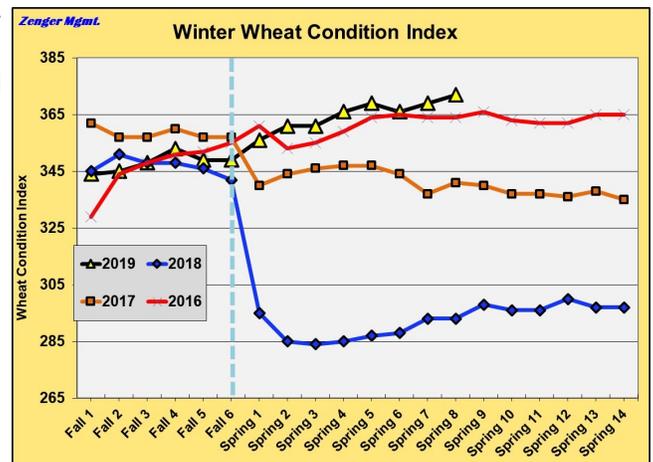
The 2019 KC July contract reached **\$4.53** on Tuesday. The clear upside technical target for the KC July contract is **\$4.60**. This is close to **\$4.61**, which is both the March high and the 100-dma. The 200-dma on the weekly chart is **\$4.60**.

Therefore, the target to price an increment of cash wheat is **\$4.60** on the KC July contract. This is especially true if the bushels are going to town at harvest and will be sold soon for cash flow purposes.

The 2020 KC July contract reached **\$5.18** today. The chart has a clear upside target of **\$5.23**. The 100-dma at **\$5.22** will also pull the price towards the **\$5.20** area. Therefore, the **\$5.20** line is a reasonable target for hedging or contracting the first **10%** of the anticipated 2020 wheat production.

Wheat prices could shoot higher next week on the heels of corn. This assumes, of course, that the corn market continues to rally—which is not a guarantee. The **\$4.60** KC July price is still “cheap wheat”. But if the wet weather produces a big crop, it could be tough making money storing cheap wheat in town. Farm stored wheat is another story—we can make money hedging in the big carry market. Either way it starts by selling some wheat on the Board. ▼

Winter Wheat: Percent Headed				
State	May 19, 2018	May 12, 2019	May 19, 2019	2014-2018 Ave
	Percent	Percent	Percent	Percent
IL	70	35	64	75
IN	44	28	40	53
OH	25	6	15	33
MO	81	51	70	84
KS	67	35	61	83
OK	95	89	95	97
TX	91	87	95	94
NE	4	2	8	27
18 Sts	59	42	54	66



5/24/2019	Soybeans				Corn				Wheat				Milo/White Corn			
	Cash	Bas	NC	Bas	Csh	Bas	NC	Bas	Csh	Bas	NC	Bas	Csh	Bas	NC	Bas
	July 19		Nov 19		July 19		Dec 19		July 19		July 19		July 19		Dec 19	
Futures	8.30		8.56		4.04		4.20		4.42		4.42		4.04		4.20	
Topeka	7.65	-0.65	7.81	-0.75	4.04	0.00	3.90	-0.30	4.32	-0.10	4.32	-0.10	3.94	-0.10	3.95	-0.25
Mayfield	7.29	-1.01	7.61	-0.95	3.74	-0.30	3.85	-0.35	4.27	-0.15	4.32	-0.10	3.45	-0.59	3.70	-0.50
Frankfort-shut	7.50	-0.80	7.62	-0.94	3.80	-0.24	3.86	-0.34	4.09	-0.33	4.12	-0.30	3.49	-0.55	3.46	-0.74
Linn	7.25	-1.05			3.64	-0.40			4.17	-0.25	4.07	-0.35				
Palmer	7.20	-1.10	7.51	-1.05	3.64	-0.40	3.70	-0.50	4.17	-0.25	4.12	-0.30	3.24	-0.80	3.35	-0.85
Narka	7.10	-1.20	7.41	-1.15	3.64	-0.40	3.70	-0.50	4.17	-0.25	4.07	-0.35	3.29	-0.75	3.50	-0.70
Belleville	7.10	-1.20	7.41	-1.15	3.64	-0.40	3.70	-0.50	4.17	-0.25	4.12	-0.30	3.34	-0.70	3.50	-0.70
AGMARK	7.20	-1.10	7.51	-1.05	3.69	-0.35	3.75	-0.45	4.27	-0.15	4.22	-0.20	3.44	-0.60	3.65	-0.55
Clay Center	7.15	-1.15	7.41	-1.15	3.64	-0.40	3.70	-0.50	4.17	-0.25	4.12	-0.30	3.34	-0.70	3.50	-0.70
Flint Hills Abil	7.40	-0.90	7.61	-0.95	3.79	-0.25	3.85	-0.35	4.27	-0.15	4.27	-0.15	3.64	-0.40	3.75	-0.45
Salina Cargill	7.40	-0.90	7.66	-0.90	3.79	-0.25	3.85	-0.35	4.22	-0.20	4.22	-0.20	3.54	-0.50	3.75	-0.45
Nesika					3.79	-0.25										
Scoular-Salina	7.40	-0.90	7.61	-0.95	3.79	-0.25	3.85	-0.35	4.32	-0.10	4.27	-0.15	3.59	-0.45	3.75	-0.45
Colwich Ethan	<i>Cash is May del</i>				3.99	-0.05	4.03	-0.17								
Hebron	7.40	-0.90	7.56	-1.00	3.79	-0.25	3.75	-0.45	3.92	-0.50	3.92	-0.50	3.29	-0.75	3.50	-0.70
Superior East	6.95	-1.35	7.56	-1.00	3.82	-0.22	3.75	-0.45								
Agrex Superi	6.86	-1.44	7.56	-1.00	3.83	-0.21	3.81	-0.39	4.02	-0.40	4.12	-0.30				
Bruning	7.60	-0.70	7.71	-0.85	3.73	-0.31	3.74	-0.46	ADM Abilene							
AGP Hastings	7.65	-0.65							3.97	-0.45	3.97	-0.45				
ProAG Bradsh	7.29	-1.01	7.53	-1.03	3.66	-0.38	3.72	-0.48								
Henderson	7.25	-1.05	7.61	-0.95	3.74	-0.30	3.75	-0.45								
Plymouth/Jans	7.30	-1.00	7.56	-1.00	3.70	-0.34	3.74	-0.46	4.04	-0.38	4.07	-0.35	4.34	0.30	4.35	0.15
Carleton	7.47	-0.83	7.71	-0.85	3.78	-0.26	3.78	-0.42	Jamestown NuSun cash				14.35			
AGP Lincoln	7.40	-0.90	7.71	-0.85	3.76	-0.28	3.75	-0.45	Jamestown NuSun har del				14.80			
Scoular-Downs	7.15	-1.15	7.46	-1.10	3.64	-0.40	3.75	-0.45	4.27	-0.15	4.17	-0.25	3.49	-0.55	3.65	-0.55
Red Cloud	7.10	-1.20	7.56	-1.00	3.74	-0.30	3.80	-0.40	4.07	-0.35	4.07	-0.35	3.25	-0.79	3.55	-0.65
Andale	7.45	-0.85	7.66	-0.90	3.79	-0.25	3.90	-0.30	4.27	-0.15	4.32	-0.10	3.44	-0.60	3.60	-0.60
Gavilon Hays	7.40	-0.90	7.76	-0.80	3.74	-0.30	3.90	-0.30	4.27	-0.15	4.27	-0.15	3.59	-0.45	3.75	-0.45
Belle Plaine	7.34	-0.96	7.61	-0.95	3.74	-0.30	3.85	-0.35	4.27	-0.15	4.32	-0.10	3.44	-0.60	3.70	-0.50
Wellington	7.31	-0.99	7.61	-0.95	3.74	-0.30	3.85	-0.35	4.27	-0.15	4.32	-0.10	3.45	-0.59	3.70	-0.50
Scoular Welli	7.30	-1.00	7.66	-0.90	3.76	-0.28	3.90	-0.30	4.37	-0.05	4.42	0.00	3.56	-0.48	3.75	-0.45
MKC Sumner Cd	7.30	-1.00	7.66	-0.90	3.75	-0.29	3.90	-0.30	4.37	-0.05	4.42	0.00	3.59	-0.45	3.75	-0.45
Great Bend	6.80	-1.50	7.31	-1.25	3.74	-0.30	3.95	-0.25	4.07	-0.35	4.07	-0.35	3.24	-0.80	3.60	-0.60
ADM Hutchin	7.30	-1.00	7.76	-0.80	3.84	-0.20	3.90	-0.30	4.32	-0.10	4.32	-0.10	3.54	-0.50	3.65	-0.55
Strong City	7.60	-0.70	7.66	-0.90	3.94	-0.10	3.90	-0.30	4.27	-0.15	4.27	-0.15				
Goodland	6.61	-1.69	7.06	-1.50	3.64	-0.40	3.82	-0.38	4.09	-0.33	4.07	-0.35	3.20	-0.84	3.45	-0.75
Crete Mills	3.84	-0.20	3.85	-0.35	E Energy	3.81	-0.23	3.82	-0.38	Fairmont	3.87	-0.17	3.90	-0.30		
Wichita	7.80	-0.50	7.96	-0.60	Emporia	7.91	-0.39	7.96	-0.60	ADM Linc	7.75	-0.55	7.81	-0.75		

Bid Sheet Information: Cash corn basis is flat to \$0.05 weaker this week. Cash milo basis is flat to \$0.05 stronger. Cash soybean basis is unchanged. The KC May/July spread was \$0.14 when most elevators shifted to the KC July contract. Cash wheat basis is mostly unchanged.

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Client Information:

The next newsletter will probably be on Thursday, June 30. We'll be on the road next Friday, May 31.

"Blessed are those whose iniquities are forgiven, and whose sins are covered; blessed is the one against whom the Lord will not reckon sin."

Romans 4:7-8

*The information and recommendations in this letter are taken from sources, which we believe to be reliable, but it is not guaranteed by us as to accuracy or completeness and is provided to you for informational purposes only. There is risk of loss when trading commodity futures and options.

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