



Archer Financial Services, Inc.

## **How About The 2018 U.S. Corn Inspections?**

By Chris Lehner (Sept 5)

It was good to see Tuesday morning corn inspections for 2018 were 57,732,863MT compared to 56,947,583 for last year. Soybeans for 2018 were 56,279,551MT compared to 57,848,672MT, slightly behind, but they did some serious catching up. It is important to remember that the U.S. currently has products where Brazil has shipped most of their grains and oilseeds for the year. There is going to be a window, where the U.S. can sell. Hopefully, trade restrictions in place now can soon be fixed. Like any window, eventually there is a time they must be shut.

On August 22<sup>nd</sup> I left Kansas City on my way to northern Minnesota. According to Google maps it is about 675 miles if you stay on the Interstate, don't stop for gas and drive straight through. This year, I often stayed off the interstate, drove many extra miles through the country. I left on Wednesday mid-morning and arrived where I was staying Saturday afternoon. I met an older farmer from Missouri in Minnesota and told him the route and time it took me. He said the time it took reminded him of how his family did the trip about 55 years ago. He said, "I saw a lot of countryside." I asked him how his crops looked. He said he had reserved a cabin until the second week of October. There was no reason to rush home to harvest.

Northwest and north central Missouri have a lot of corn that started out like it would be a record, but now it looks like somebody poured chemicals over it to kill it. It is sad. There are many Missouri farmers that will be lucky if they get 30 bushels if they even combine it. Quite a lot of it won't be combined, but plowed up. It isn't even good for silage. This is not an exaggeration.

On the other hand, soybeans were short but still green, but blooms and pods were often non-existent. Rains over the past week probably have helped, but any beans in low areas of hilly ground may have been damaged with too heavy of rains. From Council Bluffs, Iowa over to Interstate 35, most soybeans look good to fair. Hopefully the recent rains are going to help beans, but this time of year there isn't a lot of time left for growth. Some hard rains over the past weekend have caused some flooding.

Mother Nature has not been kind to Missouri and southwestern Iowa farmers this year. Also, in the week and half I was gone, it is easy to see soybeans beginning to shut down. The lush green on August 22<sup>nd</sup> in many areas from Kansas City all the way up into Minnesota have started fading with quite a few fields especially in northern Iowa and Minnesota beginning to yellow.

When I was about 40 to 50 miles north of the Missouri/Iowa border, the majority of corn and beans in Iowa in a 50 mile corridor, east and west of Interstate 35, driving county and country roads looked very good up to the Mason City, Iowa area, Then I started to see corn that was lime greenish, with thinner stalks and quite a bit of smaller cobs. I did get out along the way and checked corn and soybeans, but I didn't count pods which I personally think is a waste of time this time of the year. (Remember last year, beans kept growing throughout September with many farmers wondering if they would stop growing and dry down to combine.) The corn looked fair, with the

lime green color due to not enough nitrogen. It was wet and cool into late April and May in northern Iowa and in wetter areas nitrogen uptake was poor. These weren't isolated areas. They won't make trend line yields in these areas but, I also saw corn and soybeans in Iowa that could be centerfold pictures in seed magazines.

From my earlier travels from Kansas City across a lot of the Midwest to Virginia early in June to my trip far up into Minnesota and back, undoubtedly, corn and soybeans are going to produce big crops. Poor areas are crossed out by many excellent areas, but when using excellent crops to subtract the poor crops, it does reduce the overall crops. With a laptop, tablet and cell phones to having a portable Wi-Fi, whenever I want, I am able to cover a lot of crop land and stay in touch with clients and people I talk with on a regular basis. I think the most noticeable part of this year's crops from what I saw and what I heard from others as I was driving or emails when I stopped, I wonder if we have been fooled about the times it takes to grow a crop?

Missouri and Kansas planted early. Rains and warmth came at ideal times and pushed corn up fast. Corn grew like weeds in a home garden left unattended. Then, almost as fast and as good as crops started out, it became extremely hot and dry. It was like a science fiction movie. It was as if crops started out to produce records and some force came and killed regions and other regions are set to produce records never imagined.

### **Hard Times at Harvest**

If soybean basis remains as wide as it is now, farmers will sell the bare minimums they cannot store on the farm or store in town. Currently, there are merchandisers that do not have any bids, basis or prices for soybeans at harvest. That tells us they absolutely don't want soybeans. A grain buyer told me they were building a gate and next to it in the field, a circle so anyone not scheduling soybeans to unload would line up with an excuse they couldn't turn around. The bean basis is as wide as it is now because buyers don't want to be stuck with beans they outright purchase without being to sell them.

In big crop years, corn piled outside is a normal occurrence. It is rare beans are piled outside. There is a real possibility beans will be in piles this year, quickly covered along with using polyethylene storage bags. It is another reason for the wide basis. Buyers that outright buy the soybeans and own them know there will be losses.

The carrying charges for soybeans and corn are wider than normal. Selling crops and then buying calls is not a good risk-to-reward or a speculator just buying calls. If you want to buy, be patient and let the market and your broker tell you when it is time to buy.

Soybeans more so than corn have a real conundrum. Too many soybeans were grown in states where usage is almost nil. Dried distiller grains compete directly with meal and then corn in the states don't have the large distillers, so they must move both to draw down supplies. Early last winter I wrote about the wide basis in South Dakota and unfortunately, basis has become wider. To put icing on the cake, the trade war has hurt sales to China. States such as the Dakotas, Nebraska and Wisconsin overplanted soybeans where there is little usage, and buyers must extend their basis and like a dam with too much water, the overflow begins to flood into surrounding states. For instance, northwest Iowa has a heavy concentration of hogs and cattle, but with the flow of

soybeans from South and North Dakota, Iowa's basis has to widen out. Indiana has had some of the narrowest basis for all grains for several years, but with the possibility of record crops in Ohio, basis in Indiana has had to widen out. I don't have a desired solution, but for now with Brazil expecting another big crop year for 2019, if a farmer is holding soybeans, work with a broker on strategies that lower risk.

Patience is the key to trading into the end of 2018 and into 2019. Planning trades instead of placing and the hoping is a big part of risk-to-reward versus risk-to-immediate loss.

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