



October 2020 Monthly Commentary

It was another strong month with the same themes prevailing. Export demand continues to be strong for US beans and products, corn, and even wheat. Brazil is essentially out of beans until their new crop is available and they have begun importing. China demand for beans has come back in a big way and their corn demand could be much much more than what the USDA is projecting. The market is expecting another yield reduction, export increase, and stocks decrease in corn and beans next week from the USDA. The USDA still has a lot of work to do on the world corn numbers – think China and Ukraine. China buying of beans has slowed for a bit but the rest of the world is ramping up. All of this on its own suggests current values should hold. The next leg up is likely dependent on South American weather. Argentina is dry with a dry forecast and Brazil's rainy season started late and moisture is still not up to par. The 21/22 situation is dependent on Brazil having a record crop by about 7-9 mmt. This is especially true if La Nina dryness continues in Arg. We could be looking at an extremely tight 21/22 US bean balance even with a record Brazil crop and a big jump in US acres. There is literally no margin for error. New crop beans could be at least a dollar undervalued. The corn balance sheet may not expand either given beans need more acres which suggests little downside. Ongoing Russ/Ukr dryness could spell more trouble for wheat production in 21/22 and HRW dryness is also an issue. World buyers seem to be waking up recently and a dynamic market is expected to continue.

Regards,

Megan Bocken
November 6, 2020



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