March 2021 Monthly Commentary

It was a rather painful month waiting for the all-important stocks and planting intentions report from the USDA on the last day of March. We had sideways/lower trade most of the month in corn and beans with wheat steadily under pressure. Bullish acreage numbers prompted limit up moves on the 31st. For the month, nearby corn was up 15 cents (more China buying) with new crop up 6. Chgo wheat lost 42 cents with KC down 58, and Mpls down 28. Beans rallied 29 cents (30 cents in new crop). Meal was down 80 cents for the month while oil rallied 286 points.

March 1 bean stocks were roughly 20 milbus above expectations at 1564 milbus. The big surprise however was prospective plantings at 87.6 mil acres which compared to expectations that were near 90 mil acres. The USDA Outlook Conf in Feb forecast 90 mil acres. 87.6 is not nearly enough acres even with a larger carry-in. 87.6 mil acres with a 51-52 yield results in a 21/22 carryout of less than 25 milbus depending on usage forecasts. The market put on a quick 70 cents following the report, and has since turned sideways. The market has a big job to do to incentivize maximum plantings. The market should not break from here and likely needs to go higher and quickly to ensure enough acres (what if the yield is less than 51?). The old crop is solved for the moment with SAm crops available and the old crop has been quite volatile with inverses relaxing considerably. The market still has a crucial function however in new crop, and I am expecting higher values over time.

Corn acres were probably the most shocking at 91.1 mil acres vs expectations of 93.2 (and talk of 94+). The total acreage pie was shockingly low especially given the market is seeing the highest insurance prices since 2013. Corn stocks were below trade ideas – 7704 milbus vs the average guess of 7767. The combination of lower stocks and acreage paints a snug balance sheet for both 20/21 and 21/22. The USDA also has a lot of work to do on US exports (to account for the China demand). This should be at least partly addressed in the Apr WASDE. We could be facing a stock- to-use below 7% for both crop years. In 10/11 the stocks to use was 8.7%, but it hasn't been below 7% since 95/96 (5%). This forecast assumes a record yield near 180 bu/a. Old crop rallied nearly 50 cents in two days after the report but has since given back half of the move. New crop hasn't given back as much. Downside should be quite limited until the crop is in the ground and until the June acres report to see if we gained area (hopefully both corn and beans). So far the weather is being cooperative.

The KWN-WN spread imploded (as did wheat in general) as better rain fell in both the US S Plains and in the EU/FSU. Plummeting Black Sea values also added to the negative action. I definitely overstayed my welcome in the spread. Crop ratings are still well below year ago however in OK, TX, CO, SD, and NE. KS is about on track with last year. The region has turned warmer and drier. Wheat may find support near current levels. HRW is at feed levels and priced roughly in line with Russian wheat. World buyers have come to life on the break with a flurry of business seen in the last week. There is still a lot of weather in front of the market. But with little downside expected in corn, and with wheat at feed value, downside should also be limited in wheat. Chgo is also carrying a near record short position.

Regards,

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