



September 2021 Monthly Commentary

September was a “relationship” month as we saw corn gain relative to beans, KC gain on Chgo, and oil gain on meal. It was a bit of a strange month with a lot of macro influences including the dollar making new highs while the “inflation trade” sputtered. Corn dipped under \$5.00 in the Dec before rallying back on worse than expected yields in the ECB. Bean yields in general were better than expected which kept beans under pressure. The tight world wheat situation gained traction as Russian values continued to firm and the trade expected US production cuts in the Small Grains Summary. For the month, corn finished up 2 cents. Chgo wheat was up 3, with KC up 20, and Mpls up 9. Beans lost 36 cents, while meal lost 17 dollars and oil was down only 12 points.

The increasing presence of tar spot in IL and the ECB took anecdotal corn yield reports down by 20-40 bu/a in those areas, which was a surprise to the market. The trade had been expecting low yields in the WCB due to drought conditions and record yields in the East due to more favorable precip and less extreme temps. The USDA raised the nat'l ave yield in the Sept report to 176.3 bu/a from 174.6 in Aug which pressured the market early in the month. Then, as reports of disease/tar spot became more widespread, corn clawed its way back. Sept 1 stocks were bigger than expected, but the corn situation is not burdensome and an increase in acres will be needed next spring. Shortages of fertilizer along with a huge price increase may be a feature as corn acres may be harder to come by due to an increase in input costs. Brazil's shortages will be felt over the next 6-9 months and the US should benefit. Longer term I do not see a lot of downside in corn, especially relative to beans with the need for increased US supplies next year along with expected further strength in wheat providing support.

Beans worked sideways/lower most of the month, and then came under pressure on the last trading day as the USDA revised up last year's crop and Sept 1 stocks came in considerably bigger than expected. In the Sept crop report, the USDA had raised the nat'l yield to 50.6 bu/a from 50.0 in Aug so carryout ideas were already increasing. Along with the bigger than expected stocks and very favorable anecdotal yield reports, and in addition to a very sluggish export pace, the 21/22 bean situation could be quite burdensome. Fertilizer shortages/high prices could also make planting beans more attractive, which will be the opposite of what the market needs. 21/22 ending stock ideas are approaching 500 milbus and Brazil is starting out with favorable moisture. Hard to see much upside going forward, and there could be considerable downside over time. Am positioned as such.

Wheat is where the real “story” is currently. The US and major exporter balances continue to tighten further. The USDA lowered US crop size in the Small Grains Summary at the end of the month, mainly in HRW/white and Sept 1 stocks were lower than expected. With Canada's shortfall, EU quality issues, and Russian export quota/tariff issues, the world may need US wheat this year in a more meaningful way. Russian and EU values continue to work higher and world demand has been active/steady. Iran and the Middle East will have increased needs in 21/22. I don't think that the major exporter tightness has been fully reflected in futures and I look for futures to make a run at new highs.

Regards,

Megan Bocken
October 6, 2021



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