# December 2021 Monthly Commentary

There was a subtle, then major shift in sentiment as dryness in southern Brazil and Argentina intensified and the market started to quantify potential crop losses. Meal was the clear leader on Oilshare unwind and tight domestic supplies due to a strong export pull (despite record first quarter crush). Meal gained $69/ton for the month while beans were up 108 cents and oil gained *only* 92 points. Corn finished the month 23 cents higher. Wheat was the clear leader after being the strongest market in Nov. World buying slowed and the focus shifted to row crops. Chgo was down 16 cents with KC down 21 and Mpls 28 cents lower.

The outlook is pretty straight forward from here. SAm is facing major crop losses due to the third consecutive La Nina with heat and dryness plaguing Argentina and southern Brazilian growing areas and unprecedented rainfall raising red flags in central and northern Brazil. A few months ago, the world was expecting the soybean situation to go back to having major surpluses due to a building US stocks in 21/22 and record SAm crops this growing cycle. Market ideas have shifted rather quickly to a significant drawdown in US stocks as well as potential for the tightest 3-country stocks in 7-8 years. The market hasn't even begun to attempt to quantify potential losses from northern Brazilian wetness, but some areas have declared emergencies due to extreme rainfall. US crush will need to be maxed out given potential crush cutbacks in Argentina. Meal is typically the leader in years where Argentine supply is threatened, but oil still has issues too, partly related to ongoing labor shortages etc due to COVID. Beans are more affected balance sheet wise given the majority of Brazil's corn production is 2nd crop, but we are also setting up for an acreage battle. The US corn balance is starting 22/23 with low stocks and cannot afford to lose acreage, but beans won't be able to lose acreage either with reduced SAm production. It is very clear from here if the pattern continues through Argentina's growing season with considerable additional upside seen for both corn and beans. We have already seen wild day to day and intra-day swings this year so far on macro influences, inflation concerns, Omicron, the Fed, as well as midday weather forecasts, but I plan to maintain a long bias in both beans and corn as long as crop ideas continue to get smaller.

The wheat market is a different story and may be the weakest link in the near to medium term. It may have peaked. World tightness has, as of yet, not translated into extraordinary business coming to the US. It still may happen, but I am not holding my breath at the moment. There is room for corn to gain on wheat. There are weather considerations that could be significant going forward such as dryness in N Africa, parts of Europe, Ukraine, and the Mideast. Southern Plains dryness along with the dust storm last month may also be a big deal to the market. These likely won't move to the front burner until spring however. Unrest in Kazakhstan as well as brewing tensions between Ukraine and Russia have the potential to upend the above ideas, so I will be watching closely and will be nimble where a wheat position is concerned.

Regards,

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