



January 2022 Monthly Commentary

The market focus in December was the ongoing hot and dry pattern in Southern Brazil, Paraguay, and Argentina. Argentina actually saw some better rain but February is key there. Southern Brazil and Paraguay saw extreme temps in the 105-112F many days in a row. Beans led the way with oil share gaining. Beans were up \$1.51/bu with meal gaining \$18.60/ton and oil up 834 points. Corn followed with gains of 44 cents. Wheat rallied into mid-month on Ukraine/Russian tensions but sank into month-end. Chgo saw monthly losses of 10 cents with KC down 20, and Mpls down 76 cents.

The focus continues to be SAm weather with S Brazil and Paraguay all but cooked. Argentina is turning drier again during a key growing phase while Central and Northern Brazil are turning wetter again during harvest. The trade continues to downgrade their crop forecasts with Brazil's bean crop now forecast around 125-130 mmt (USDA recent 139 mmt). It does not take much imagination to get below 120 mmt and the market is already in rationing mode. Argentine crop ideas are centering around 40-42 mmt vs the USDA at 46.5 mmt. Beans are leading as Brazil's first crop is a much smaller percentage of the total corn crop. But beans will need more acres this spring in the US and corn cannot afford to give too many away. If Argentina continues on the dry side through Feb and Brazil ends up below 120 mmt, futures should trade \$16-17 fairly quickly. That said, we have had huge moves already to start the year and a setback, consolidation phase is possible.

Wheat has a couple things going on with tight major exporter stocks still a theme. Within this, there is also the fact that US exports have not picked up like previously thought which remains a drag. Much is dependent on Russ/Ukr and if tensions escalate. The wheat market will move sharply higher very quickly if war breaks out, making it difficult to hold a short position. Futures will leak however if nothing happens or the rhetoric turns more conciliatory.

I am concentrating on beans and corn for now where the most opportunity lies. There may be some big swings going forward, but I am expecting additional substantial upside. The market may not fully relax until the US crop is in the ground this spring and non-threatening weather is seen.

Regards,

Megan Bocken
February 2, 2022



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