



## May 2022 Monthly Commentary

May was a volatile month with corn and oil correcting strong gains from April. Macro influences and fund liquidation contributed to the corrections with corn losing 60 cents and oil down 620 points. Meal found support and corrected vs oil gaining \$17.60/ton. Beans chopped around and finished the month nearly steady. Wheat made new highs mid-month on continued planting delays for N American spring wheat and struggling crop ratings for US winter wheat. Mpls was up 81 cents in May with KC up 60 and Chgo up 32 cents despite giving back most of the month gains at the end of the month. At mid-month, Mpls was up \$2.50/bu with KC up \$2.73, and Chgo up \$2.12.

Wheat gave much of its gains back on fund selling/liquidation with the catalyst being hope for movement of Ukraine grain into export channels. In addition, sales of US wheat had basically dried up and the weather opened up some for spring wheat seeding to resume. Wheat is still shaping up to see one of the tightest major exporter balance sheet situations in history on paper. On paper; meaning it won't really matter if it doesn't translate into increased business in the US. Also, we already surpassed the 07/08 highs and we likely need a new catalyst to "feed the bull". The prevent plant date is past for HRS and am fairly confident we lost more area. N Hemisphere winter wheat harvest results and spring wheat conditions along with developments in the Rus/Ukr war should provide day to day direction with volatility likely to remain high.

Corn gave up a lot in May as the planting pace improved, and the risks are more equally balanced at this point. The 22/23 balance is still shaping up to be very tight even with a record 181 bu/a. The USDA (likely prematurely) lowered yield to 177 bu/a in the May WASDE, and should raise it back in the next month or two. I also think there is a risk of a further acreage loss mainly in the Dakotas and little chance of an acreage gain. The weather generally is non-threatening at the moment which usually means we lose risk premium during the growing season. However, given that we shed nearly a dollar from the highs into the end of May, I think we have found support at least until the stocks and acreage report at the end of Jun. Also, given the old crop tightness, any weather threats will likely be exaggerated and futures will be back at the highs in a hurry.

Beans held up quite well during the corn and wheat liquidation as cash beans are the strongest in recent history despite ongoing COVID/lockdowns in China. Futures are sitting near all time highs and there are some in the trade that maintain last year's crop was overstated. This could explain the basis strength. Possibly the stocks report at the end of the month will shed some light on last year's crop. The 22/23 US S&D is not expanding much with a 51.5 bu/a yield (which is what most including the USDA are using at this point). There is no ruling out a higher yield that could make beans much more comfortable and the weather seems quite favorable at the moment. But there is also no ruling out a lower yield, which could tighten the balance sheet rather quickly, especially if stocks come in smaller than expected.

I got a bit beat up by the swings in May and the first few trading days in June and plan to tread lightly and wait for a better opportunity to present itself. We're in a bit of no-man's land with anyone able to plug in any yield/scenario.

Regards,

Megan Bocken  
June 7, 2022

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