March 2023 Monthly Commentary

Futures continued to work lower the first half of the month, which may be at least partially attributed to the SVB collapse as well as Credit Suisse. Selling felt relentless and like "get me out". Funds cleaned up their corn length and went short. Once the selling dried up and the market got word of China buying US corn, the tone turned. There were numerous daily sales announcements in a row. Beans came back also, partially on the realization that Brazil can't supply the world and also on nervousness that bean acres could be very low. Chgo continued to be the weakest market as Russia continues to undercut while hard wheats gained. KC was the strongest market in Mch on ongoing dryness in S Plains with KC making new all-time highs vs Chgo. For the month, corn was up 28 cents. Chgo wheat was down 13 with KC up 65 and Mpls up 29. Beans gained 25 cents with meal up $1.60 and oil down 429 points. The big loser was crush margins, which seemed counter intuitive given we are facing a meal shortage.

Corn got too cheap on the break and the nearby lead the way back on China buying and the need for origination. May-Jly has moved to a near 30 cent inverse. Old-new inverses are wide on expectations for a significant area increase and subsequent increase in ending stocks in 23/24. The transition to El Nino is underway, which suggests a decent chance for a cool summer and big yields. The USDA forecast 23/24 acres at 92.0 mil, up from 88.6 last year. The market is a bit reticent about this though given the snow pack in the N Plains and potential for Prevent Plant Acres. The USDA showed acres up 1.0 mil between ND and SD, which could be at risk. We are at a tough time of year. If the planting season goes well and weather is okay, Dec corn at $5.60 is going to look quite expensive in six months. But at the same time, old crop tightness and the Arg shortfalls/ongoing Ukr/Russ conflict don't leave a lot of room for error.

Beans have a bigger job to do given the Arg shortfalls and the snug old crop US balance sheet. Brazil is simply going to have a hard time supplying the world. We just saw a sizable old crop sales announcement to the unknown in Brazil's gut slot and harvest is barely finished. The USDA forecast US area at 87.5 mil acres – unch from last year. Some of this could also be at risk given flood potential in the N Plains, but there is a lot more time for beans. Even with a record yield, US stocks barely build and the 3 country S&D remains tight. Argentine import needs could be upwards of 10 mmt, which really limits Brazil and Paraguay's exportable supply to other countries. The Argentine gov't just announced another incentive to sell in dollars. The first tranche saw a huge response but the second was much more muted and this one likely will be too just for the lack of supply alone. We are going to be facing a very tight meal situation by the fall. Beans will have a hard time falling apart until US area/yield are better known and beans should gain on corn given corn's balance sheet should expand.

Wheat continues to feel untradeable. If the US S Plains receive better moisture this month, there could be a big move lower in KC and KC vs Chgo. If not, we're going to be facing a small HRW crop as winter wheat conditions are the worst since 1989. There are other potential watch areas including Canada where it has been dry, Australia where El Nino poses a drought risk, and Ukraine with lower area/inputs due to the ongoing conflict. Parts of Europe are also dry. The US and major exporter balance is tight going into the 23/24 crop year, so any shortfalls will be felt.

Regards,

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