August 2023 Monthly Commentary

It was a less volatile month with corn in a fairly tight range. There were nice rains early in the month followed by a record setting hot/dry spell. On Sep 6, the temps are just now moderating and there still isn't much in the way of organized rain in the forecast. The finishing weather really was the worst-case scenario. Although it means less for corn given July was more important and the balance sheet isn't as tight, it could still take the nat'l yield down. The jury is still out on how bad it was for beans, but the trade is dialing down a lower yield. Beans gained 36 cents in Aug with meal up 4.00 dollars and oil gaining 276 points. Corn lost 33 cents. Wheat sank into the abyss with Chgo down 90 cents and KC and Mpls both down 102 cents.

The trade is now contemplating a bean yield in the 49-50 range (possibly below) vs 50-51 last month as conditions have dropped considerably in recent weeks. Even figuring exports 75 milbus below the USDA's 1825, a 49.5 yield indicates the US balance sheet will be very tight (roughly 4% stocks to use). This suggests downside is somewhat limited, but it is also not clear how much upside there is from the $14 area. Especially given funds have piled in recently. There are very few years that rallied throughout September and the market will be facing seasonal harvest pressure. But it is not unheard of if yields come in considerably below expectations. At the same time however, as tight as the US balance sheet may be, the market is expecting much bigger SAm supplies (they will start planting soon) which should keep the overall situation manageable. SAm will need to perform, but the market will likely assume record supplies until there is a strong reason not to. It will be interesting to see how aggressive the USDA is next week with a yield cut. We could have at least one more flurry leading up to the report and possibly further depending how much they cut.

Corn has gone rather quiet and traded in mostly a 30-cent range for the month. Futures may have stopped going down for now as ratings have deteriorated over the last few weeks and are similar to last year overall. Last year's final yield was 173.3 bu/a and the latest USDA was 175.1.   The trade is contemplating something around 172-174. Even a 172 yield won't result in a tight balance sheet, and stocks should still able to build roughly 500 milbus from last year. At the same time however, funds are short and early indications suggest producers are opting to sell beans off the combine and hold corn, so there may not be a lot of pressure in the near term. Could just be a slow grind lower. There are still risks associated with the Ukraine war and China's needs may be more than expected.

Wheat just hasn't been able to get out of its own way despite having one of the tightest major exporter stocks to use ever. Russia has continued to undercut the world market and the carry trade is back in vogue in Chgo. We could possibly be forging a seasonal low near the 600 level in Chgo, but it remains that US exports need to pick up to sustain any strength. Keeping an eye open for India's import program to get underway and an eye on the situation in Ukraine (although the trade seems a bit numb to it at this point).

Regards,

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