



September 2023 Monthly Commentary

It was a seasonally weak month as harvest ramped up and yields were variable, and in some cases, not as bad as expected. Beans were under the most pressure losing 92 cents. Meal was down \$22/ton and oil lost 666 points. Corn was mostly sideways with a large fund short limiting selling pressure. Wheat continued in its death spiral with Chgo down 61 cents, KC down 63, and Mpls down 58.

The bean market transitioned to more of a focus on US demand which is shaping up to be pretty dismal. Brazilian origin is competitive into January and most private export estimates keep edging lower. At the same time, despite the poor growing weather, yield ideas have stabilized/edged higher. Assuming the national yield settles around 50 bu/a give or take, exports are going to drive the market going forward, especially if South American weather is okay (currently southern Brazil is too wet and Argentina remains too dry). The USDA is forecasting exports at 1790 milbus, down from 1990 last year. Most in the trade are under 1700 milbus, and some are closer to 1600. There has been an uptick in business recently but it will likely not be enough to increase export ideas given how wide the deficit to last year is. If the October report next week doesn't show a much lower yield, futures will likely continue to drift lower. The market will have one eye on South American weather as it needs to dry down in RGDS and Argentina needs to break out of the dry pattern, but it is still early. At this point the market is assuming very large South American crops, so if that changes in a major way, it will be a big deal.

There is nothing friendly about the corn balance sheet. Sep 1 stocks were smaller than expected, but even if the USDA lowers the yield in October (which isn't likely), it would not tighten the situation materially. Balance sheet considerations suggest that value for corn could be 50 cents or more below current levels. But given China has surfaced near these levels and with the big fund short, it's hard to get excited about selling corn here. Futures are not likely going anywhere on the upside either unless funds decide to cover for some reason.

With the tightest major exporter stocks in history and the ongoing conflict in the Black Sea, I was not expecting futures to work lower all season. There were flash sales of SRW to China this week and we still seem to have trouble stringing together two consecutive higher days. Can't see breaking out of this pattern while Russia continues to undercut the market and VSR keeps triggering wider carries.

Regards,

Megan Bocken

October 4, 2023

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9047 Poplar Avenue, Suite 101 • Germantown, Tennessee • 38138

newaccounts@bockentrading.com • phone: 901.766.4446 • bockentrading.com