January 2024 Monthly Commentary

Everything was under pressure throughout January despite getting a bit choppy last half Jan. In general, the theme was the slowing of US demand under the backdrop of a big increase in overall SAm production. A dry spell in Argentina with some heat paused the downtrend briefly and the market will want to see the rains later this week verify. There was nothing compelling in wheat as US FOBs ran away from additional business and there is a sizable amount of wheat that has yet to ship to China. For the month corn was down 23 cents, Chgo wheat down 33, and Mpls was down 31. KC sprds inverted given the tight stocks to use and Mpls sprds also narrowed. Beans lost 75 cents with meal down $17.60 while oil was down 210 points.

There is still a wide range of Brazil crop ideas although the low end may have stabilized over the last month. Low end is near 149-150 mmt (there are some low outliers). USDA is one of the highest at 157 mmt and will likely lower on Thurs. Conab is also out Thurs and will likely be down from their previous 155.3 mmt, it is a question of how much. It is yet to be determined if the hot/dry spell in Argentina is lowering tonnage, and rain is expected later this week. If the rain materializes as expected and temps moderate during the key final growing period, there should be no issues and world supplies should be more than ample going forward. China buying has slowed, and most in the trade think the USDA's export forecast is 50-100 milbus too high. So with that, and increased acres expected in the US, the US and big three S&Ds should be quite burdensome going forward. And although futures have come down a lot, there is likely considerable add'l downside. The US stocks-to-use could be near 11%, a level not seen since 17/18 and suggests a $9.00-11.00 range. Nearby meal had a little spike/short covering rally as both SAm and domestic basis firmed. US did another big round of meal business, but the window is closing. Arg crush should come back to normal by the spring, and forward meal looks considerably overpriced as well. Both the US and SAm producer is undersold. As the situation described is realized, futures should find a new price range. We are positioning for lower prices and taking advantage of rallies.

Corn has already been in the process of expanding the balance sheet, and without any major hiccups with SAm production, futures should continue to work lower. Even with lower US acres, the balance sheet should either hold near this year's 15% stocks-to-use range, or could expand to a burdensome 18-19% stocks-to-use if a record yield is seen. 18/19 was the most recent similar stocks-to-use at 15.5% when nearby futures saw a $3.50-4.00 range. Forward months shouldn't earn the carry.

Wheat ran away from additional business, pricing out of the world market in true wheat fashion. There have been no real concerns with N Hem winter wheat so far, and S Hem crops likely came out at least a bit better than originally thought. As a result, both the US and major exporter balances are set to expand going forward. Market structure and the current tight hard wheats situation could spur additional short covering rallies and/or further tightening of spreads. But barring a late freeze or major issue with winter wheat crops, the big picture direction should continue to be lower.

Regards,

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