



February 2024 Monthly Commentary

The continued overwhelmingly bearish fundamentals continued to pressure all markets in February with beans the downside leader, losing over a dollar and ending the month down 94 cents. Funds continued to pile on shorts with a spat of short covering coming near the end of the month. Meal was down \$35.60 with oil losing 140 points. Meal is anticipating the return of normal supplies/crush in Argentina after this crop is harvested. Corn was down 29 cents and Chgo wheat also dropped by 29 cents. KC was down 33 and Mpls down 39. Black Sea wheat continued to undercut the world market and weigh on futures.

Brazil crop ideas have stabilized near 149-150 mmt which was the low end a month ago. There are a few outliers near 145 mmt. CONAB was 149.4 (low historically) and USDA's latest was 156 mmt. Both will update over the coming week. Argentina had a hot/dry spell but then received better moisture. Crop ideas are stable near 50-52 mmt, more than double year ago. Brazil's harvest is nearing the halfway point. There is some risk of weather being too wet for harvest in southern Brazil, which will need to be monitored. But overall, SAM crops are close to being realized with 20-25 mmt more supply than last year. US supplies are building even with a smaller crop last summer with US export ideas continuing to be drawn down. US area is expected to increase by 2-4 mil acres this spring with stocks building to burdensome levels unless there is a major weather issue this summer. While futures have had a sharp drop, there could still be considerable additional downside if US planting and growing weather cooperates. SAM basis firmed throughout the month, but remains under and well below US. US meal may finally be solved. Nearby just had another run with Mch inverting to \$9.00 over May as the US has been doing big business of late. But the window appears to be rapidly closing. Arg crush should come back to normal by the spring, and forward meal looks considerably overpriced as a result. Both the US and SAM producer remain undersold. If the situation described is realized, futures should find a new price range. We continue to position for lower prices and taking advantage of rallies.

Corn made a new low in Feb as SAM crop ideas stabilized and funds continued to pile on shorts. Producers are undersold and there was a short covering rally at the end of the month that is not atypical for this time of year. Not sure there is much to sustain upside however. Without an issue with the safrina crop in Brazil or with US seeding this spring, futures should continue to work lower over time. There is not a lot of precedent for new lows in Mch, but this year could be an exception given both US and SAM producers are undersold, business is slowing, and balance sheets are expanding. It would likely take a big disaster this summer even with lower acres (which are currently expected) to tighten things materially. In the meantime, I am looking for sideways/lower trade to continue.

Black Sea supplies continue to overwhelm the wheat market with world FOBs working lower. US business has been routine and we still have 1.4 mmt SRW to ship to China, which may continue to pull on deliverable stocks. Otherwise, there are no major threats to N Hem winter crops. EU production is expected to be lower vs. last year, but not materially so at this point. We could still have a late freeze (has happened in Apr before). But without such an occurrence, US and major exporter balances are expected to expand in 24/25.

Regards,

Megan Bocken
March 5, 2024

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