



June 2024 Monthly Commentary

It was basically a down month. I was surprised to see the market give up so much risk premium ahead of an entire growing season. Typically, the market doesn't give up until July weather is better known. I had thought the early month breaks were buying opportunities especially in wheat given the major exporter tightness and given market structure. But funds got shorter in everything with the exception of meal, which they are long. Corn lost 45 cents and wheat was the big loser with Chgo down \$1.26 and KC and Mpls both down \$1.37. Nearby beans were down 68 cents with new crop down 80. Meal lost \$11.50 and oil was down 163 points.

The market must have inherently known that corn stocks were bigger than expectations and that planted acres were larger than the USDA reported in March. USDA Jun 1 stocks were 100 milbus more than trade expectations and acres were 1.5 mil above March. I don't remember the last time corn stocks came in materially above trade ideas. The economics favored planting beans so expectations were skewed towards less corn and more beans in June. The interesting thing is that there were still 3.4 mil acres left to plant at the time of the survey (well over average). There is also major flooding occurring in the northwest Corn Belt and harvested acres should be down. There is still a great deal of standing water and washed-out fields and river issues. Ratings have dropped from their high start. So far there has been no lasting heat and the drier areas in the south and east have received rain. Most yield ideas are starting in the 180 bu/a area which is unexciting/comfortable given larger carry-in stocks and bigger acres. Some in the trade had been expecting stocks to tighten some in 24/25, but it now seems that c/o will expand unless the weather takes a turn. At this point, hotter and drier weather would be welcome in the western and northwestern Corn Belt. As for the stocks, the "on-farm" stocks are the highest ever percentage-wise – 61%. The producer is way undersold in both the US and SAm, although SAm selling has picked up in the last week or so. The fund short is massive, but they keep getting paid and the US producer is waiting for a rally. If the weather is generally favorable, futures should continue to leak. However, given the fund short, a yield threat could rally the market swiftly and bail out the producers who haven't sold.

Wheat gave back the entire rally. Russian crop ideas stopped going down and Russian values stopped going up. A month ago Russian crop ideas were centered around 80 mmt with talk in the mid-70's. Yields have been better than expected in the bad areas and Sov Econ just raised to 84.1 mmt. That said, the major exporter balance remains tight and there are quality issues with western EU wheat. Austr stocks are rather tight and US business, particularly hard wheat has picked up in recent weeks as a result. The SRW balance is shaping up to be rather snug and there could be some intra and/or intermarket spread opportunities there.

Beans broke in June but gained on corn, mainly due to producers not selling in Argentina as expected and with Brazilian selling also subdued. It has reportedly picked up in the last week or so. The other issue has been that meal has stayed tight in the US longer than expected with bull spreads having another spike this week. US producers are also tight holders of beans with on farm stocks at the highest percentage of stocks since 2006. Acres were less than expected and could even be a touch smaller given the flooded-out areas. There is still a lot of growing weather ahead with August the key growing period for beans but even with smaller than expected area, the bean balance sheet is expected to expand to burdensome levels in 24/25. Bean oil has rallied on short covering with biofuel demand stronger than expected, SAm meal basis finally coming under pressure, and with EU oilseed prod'n expected to be down at least 2 mmt from year ago. Share could continue to gain over time and beans should work lower if there are no major weather threats.

Regards,

Megan Bocken
July 3, 2024

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