



## November 2024 Monthly Commentary

Markets were mostly weaker in November with wheat and oil the big losers. Wheat was just wheat with improving winter wheat conditions and continued weakness in Russian values pressuring futures. Oil fell under pressure after the election with the biofuels policies at risk. Oil lost 350 points with meal down 8.00 and beans losing just 5 cents. There was also concern about Trump imposing tariffs and disrupting world trade patterns as we saw the last go around. Wheat was down 42 cents in both Chgo and KC with Mpls down 36. Corn managed to gain 7 cents on the month with US competitiveness and strong biz providing support. Most in the trade think the corn b/s is tighter than the USDA is portraying with ethanol and export demand running strong. We are in a period of uncertainty until the inauguration and possibly longer which is still a lifetime away in trading time.

There are currently very few concerns with S Am weather with Brazil crop ideas edging higher. La Nina could still be an issue for Arg/southern Brazil, but most in the trade are expecting a roughly 20-25 mmt gain in S Am bean production year over year. It was a choppy month as bearish weather inputs collided with a barrage of buying as users try to get covered ahead of Trump getting in office/front-running tariffs. US business has been strong, but is likely winding to a close as SAM is heavily discounted to US Feb forward. What is most in question is the biofuels policy going forward – in particular the 45Z tax credit which was supposed to kick off in January and reward fuels that produce fewer greenhouse gas emissions. The \$1/bln Blender's credit is also at risk as it is set to expire at the end of the month. The Biden Administration indicated they will not finalize tax credit guidance prior to leaving office. Oil lost 900 points from the Nov high on concerns about biofuels policy going forward. The biofuels piece of the balance sheet has become quite large. I have had a friendly outlook towards oil on the tight world oils situation and with US soy at sharp discounts to palm and other oils, but the cloudy biofuels outlook may continue to be the focus through at least January.

The corn market wasn't as nervous about tariffs as the bean market is as most in the trade have really pared back China's import forecast anyway for the 24/25 crop year. US business remains strong as low current SAM and Black Sea availability has become more evident recently and US corn is discounted to competing origins. It was surprising the USDA didn't raise its export forecast in the Nov WASDA with many private forecasts 150-250 milbus higher than the USDA. The pace of corn for ethanol use is also been quite strong with privates 100-150 milbus higher than the USDA. The USDA lowered yields in Nov, and if the private trade is correct on use, the balance sheet could contract instead of expand in 24/25, suggesting downside could be limited from current levels and corn should continue to gain on beans.

Wheat continues to have a compelling "story" on paper. Russia just issued it's Feb 15-Jun 30 export quota at 11 mmt, which compares to 24 mmt for the same period last year. Ukraine and the EU also have lower export availability, and something will have to give going forward. World wheats are finally showing some signs of firming, but confidence/conviction is lacking in a sustained move higher. I am playing it with bull spreads.

Regards,

Megan Bocken

December 3, 2024

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