



December 2024 Monthly Commentary

Everything but corn made new lows into mid-month and then staged rallies to end the month/year. Corn was the upside leader and oil languished as the biofuels policies remain a big question mark until after the inauguration. Strong export biz and ethanol use supported corn with futures finishing the month up 26 cents. The same themes continued in wheat and futures managed to finish the month higher – up 3 in Chgo, 15 in KC, and up 4 in Mpls. Beans dipped below 9.50 mid-month and then a short-covering rally followed with concern about Arg dryness coupled with a lack of producer engagement fueling gains. Meal was the leader as funds held a record short position. Beans finished the month 13 cents higher after a 50-cent break. Meal gained nearly \$15/ton while oil lost 200 points.

Nearly ideal starting weather in SAM into mid-Dec along with a weak Brazilian currency on top of already comfortable 3 country supplies has weighed on the soy complex. We got our first weather scare with southern Brazil and Argentina in need of rain with a 2-3 week hot/dry spell forecast. We are in a weak (and possibly already fading La Nina) which typically equates to dryness in Arg/S Brazil. Lack of producer selling during a thin holiday trade prompted a sizable short covering rally in beans and meal. Both areas started the growing season with ample soil moisture and we are likely talking degrees of how burdensome the situation will be, but 950 basis SH and 285 SMH possibly discounted perfect conditions. We have a big USDA report at the end of the week with Dec 1 stocks, final production, and S&D's reported. These reports can set the tone for the near and medium term. Obviously SAM weather will be important. If conditions stay dry in Arg, more short covering is expected. Rallies may be short-lived however as Brazil may be bigger than current estimates. US meal has finally worked through the tightness and cash has turned weak. US crush may slow as a result. Without a major disaster in Arg, markets will likely retest the lows and make new lows as the function should be to reduce US acres this spring. Oil/Oilshare could see renewed strength at any point if/when the biofuels policies are clarified.

The USDA finally raised its corn export forecast in the Dec WASDE by 150 milbus. They could raise it slightly again later this week and also raise corn for ethanol use by another 50-100. The trade is expecting a slight reduction in yield as well and the balance sheet could tighten further. Futures are sitting near highs of the move – CH 460, and funds have covered a large portion of the short position suggesting further upside could be limited. At the same time however, US corn remains the most competitive on the world market and balance sheet considerations justify further upside. The market also needs to encourage more acres in the US this spring.

If wheat is going to have a move higher, the next few months is the time as the world (US?) will have to make up for considerably less export availability out of the Black Sea/EU regions. World values have been steady/firming with Indian values in new highs. If we don't get a move in the next few months, it will likely continue to be more of the same with new crop on the horizon (India has the first harvest in Meh). That said, Russian winter wheat has started out in quite poor condition and HRW conditions have been declining, both of which will need to be monitored. USDA will issue its first forecast for winter wheat seedings later this week and expectations are pretty close to last year overall and by-class.

Regards,

Megan Bocken

January 7, 2025

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