DITSCH TRADING

May 2020 Monthly Commentary

Grains and oilseeds marked time in May, swaying back and forth on the latest headlines - which we have had no shortage of lately. There is enough on each side of the ledger to suggest this may last for a while.

US planting and early growing season weather has been good. This is a huge contrast to last year's extremely wet conditions that delayed planting significantly in the month of May. This type of favorable planting weather would generally suggest an increase in overall acreage as well as an increase in corn acreage relative to soybeans and to a lesser extent other crops. However, the USDA March prospective planting numbers reflected a stronger corn/soybean ratio than we are looking at today. Further, there were enough localized problems, particularly in the northern plains, to suggest USDA March total acreage was probably 'high enough' and that corn will actually lose some acreage to soybeans. At this time, I'm projecting we should see 2-3 million acres switch from corn to soybeans in the June acreage data released at the end of June. This is certainly 'needed', as the US soybean S&D would tighten and the US corn S&D would loosen considerably (assuming trend yields) without the shift. This shift in acreage really subdues some of those concerns on both ends.

Favorable weather suggests a significant rally will likely be difficult to achieve in June. However, shifting global demand from other origins back to the US along with a very reluctant US farmer seller suggests we probably won't see prices break much either.

South American soybean shipments have been absolutely massive, with shipments to China leading the charge. The big question is whether these huge shipments will be used to increase Chinese stocks or if it reflects better than expected Chinese demand. The answer is probably both of the above. The US does become the market for soybean exports from late August/early Sept through December – but total tonnage should be far less than the spring summer tonnage bought from South America for these reasons. I expect US soybean exports to reach record levels in SOND of this year, but they should fall off quickly again by late Jan/early Feb. Quite simply, even with the surge in exports – US stocks should remain reasonably large next year assuming higher US acreage and trend yields.

Corn exports are picking up now, and like beans, 2020/21 should be a much better year for US corn exports than 2019/20 was. However, even with the lower acreage (from March), trend yields still suggest US carryout at record high levels next year. Prices may be 'low enough', but I do not see much sustained upside.

Wheat has a bit of a story in some reduced supply projections around the world. However, wheat prices are very high relative to corn and that should hurt wheat feed demand around the world.

The bottom line is that we probably remain in a trading market through the month of June with the next move likely driven by US production this fall. Stay tuned…

Regards,

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