DITSCH TRADING

July 2024 Monthly Commentary

Volatility marked generally lower markets in July. Summer 2024 US weather has been mostly favorable, but a few scares along the way (flooding in the North/Northwest Corn Belt, hot and dry forecasts that never really seemed to pan out) kept markets from free-falling and provided some decent inter-month rallies.

While corn is generally made in July – August is the most important weather month for soybeans. Late in the month, forecasts for August turned hotter and drier. This supply fear pushed markets momentarily higher, only to set back again as forecasts moderated. Above trend to record yields are now quite probable for both corn and beans in the US this year.

In addition to the favorable weather conditions, soybeans are suffering from a not so fully understood lack of demand, particularly from China. US new crop export sales currently lag last year by 4.5 MMT. While part of this can be attributed to hand-to-mouth world buying (again, particularly from China), overbuying of cheaper South American beans in April through July will reduce total demand through the fall. Additionally, South American acreage continues to expand where anything even close to trend yields would supply yet another record output. World fundamentals are simply bearish, with world soybean stocks expected to balloon by another ~20 MMT or so year-on-year from already record levels. As mentioned in previous wires, the only thing preventing the market from fully feeling these bearish inputs has been the world farmer's amazing preference to hoard rather than sell – despite things looking worse down the road. This, however, may be catching up with the farmer as world supplies become increasingly burdensome.

In July, I did not feel the US soybean crop was yet 'made' until we had a better feel for August weather. Thus, instead of being fully vested in short positions, I followed my analysis that suggested corn was cheap on beans and soybean oil was cheap on soybean meal. While I still feel both of those ideas are correct in the medium to longer term, they did not work well in July. My focus should have been more oriented towards being short the soybean and meal market rather than focusing so much on relationships. Looking forward, I plan to lean short soybeans and/ or soybean meal and keep a more neutral view on corn and soybean oil provided fundamentals stay the course.

I still believe soybean and meal futures could be in a 12-18 month bear market. I thought this even before US weather turned so favorable, so it is more convincing now. Corn prices are low relative to beans and finding more world demand at current prices. Fall demand for US corn is improving while soybean demand continues to look worse. USDA may be 100-200 million bushels too high with their 24/25 soybean export forecast. I am not suggesting that the US will not do any soybean export business this fall – I do expect world buyers to increase US purchases October through January, but the competition from South America on both ends are making the US window of opportunity even smaller.

Regards,

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