

September 2024 Monthly Commentary

Ag commodities put in an impressive pre-harvest rally throughout the month of September. There were numerous reasons given for the rally – dryness in the US to potentially take the top end off of corn and particularly soybean yields, historic dryness in Brazil (although too early to make a difference in production ideas), Chinese getting caught up a bit on their soybean buying, the EU deforestation issue, and heightened global tensions just to name a few. In the end, I think the two major catalysts were fund buying (primarily covering shorts, but also some new technical and macro buyers) and a lull in farmer selling after farmers cleaned out old crop bins and ahead of more significant harvest in the US.

Fundamentals have not really changed much, which is a strange thing to report when soybean futures put in a 10%+ rally. If anything, they look more bearish than they did at the lows nearly 2 months ago. Corn and soybean yields thus far have been impressive, suggesting USDA may need to edge higher in soybeans and possibly go up more than expected in corn. Demand has been sporadic, but in general disappointing. The US should be selling close to 2 MMT of soybeans per week in this time frame, particularly considering how slow sales were coming into the marketing year. US crush continues to disappoint due to the combination of planned and unplanned downtime along with some delays in getting new crush plants operational and hurricane delays in the Southeast. While this has kept soybean meal tight for longer than anticipated, the combination of slow exports and slow crush is not good for overall US soybean demand. US carryout is likely to approach 700 million bushels and world stocks are likely to balloon by as much as 30 MMT if South American crops are somewhat normal.

I continue to view corn more neutrally than soybeans, but corn could be near the top of the range if these strong US yields translate into a bigger crop in the Oct and/or Nov USDA reports. Wheat is caught between heavy nearby supplies and cheap origin offers and the prospect of tightening later in the marketing year.

It is a tough trade when markets do not go the way you feel they should fundamentally. Timing can be difficult. The choice is add, hold, or get out. The choice to hold is a decision. Markets just seemed too firm on a daily basis to add much, but I still think new lows are coming over the next several months if South American weather is just average or better. World stocks are growing fast and current prices encourage an expansion of acreage this fall in South America and again next spring in the US. I would suggest the market is sending the wrong signal to producers and will have to correct for that at some point in time.

Regards,



Mark Ditsch
October 9, 2024

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