DITSCH TRADING

October 2024 Monthly Commentary

US harvest came and past in October, as historically dry harvest weather allowed for rapid harvest across mostly all of the harvest areas. Yields were above-trend and posted record levels for both corn and beans, although the top end was certainly taken off the table by the dryness that began in early September. At the same time, South American weather improved and has been nearly ideal over the past several weeks. Record area is in the process of being planted in a timely manner.

Ag futures were accordingly mostly weaker in the month of October. Soybean and meal futures led the move lower. Record US and world supplies of soybeans have been met with some solid front-end demand, but nothing nearly enough to offset the supply side. Crush margins have stayed surprisingly firm despite US crush capacity increasing by nearly 100 million bushels over the previous marketing year. World vegetable oil supplies have tightened, so soybean oil has taken over the lead in product value and meal grinds lower.

Corn futures have stabilized with the US being the market for world corn buyers. Smaller crops in Europe and increasing ethanol needs in South America along with the excess supply in the US have US corn exports at historically strong levels. USDA is likely about 200 million bushels too low on their US corn export forecast. While that is not enough to make the US balance sheet tight, it is probably enough to bring the carryout down to levels similar to last year. In other words, the export surplus appears to be finding homes.

My views are not overly different than they were a month ago. Soybeans and soybean meal are in the process of moving from tight, to adequate, to excessive, to burdensome, to potentially historically burdensome. We are somewhere early to middle of that progression. If South American weather remains favorable – even trend type crops in South America would boost world supplies of soybeans by about 25 MMT. Any increase in acreage planted to soybeans in the US or South America in 2025 would further the disconnect. At current prices and price relationships, it appears as if the US would plant a similar amount of soybean acreage again next year, suggesting this will happen. I remain bearish soybean and meal futures.

Corn futures are caught between solid demand and big supplies and probably trade within a range in the near-term. If soybean futures were not so bearish, one could make the case that corn futures might have moderate upside. But as it is, my bias is that soybean futures should continue the grind lower into next spring or summer (assuming normal South American weather), and corn should be relatively range-bound. One thing to watch though is that the US farmer does not like current prices and has held a high percentage of his corn and soybean crops post-harvest. The market will need the farmer to incrementally sell this crop. I do expect better movement beginning in January of 2025 (new tax season), but this will remain something to watch. Regardless, I think the only thing that could tighten the US soybean balance sheet is a significant weather problem in South America. While there are no signs of that happening at this time it is still very early in their marketing year.

Regards,

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