November 2024 Monthly Commentary

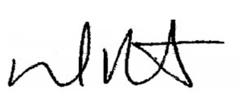
Ag futures were choppy in the month of November, but the forward outlook is getting more negative for soybean and soybean meal futures. South American weather has been excellent thus far, and while there is still a long way to go, the soil moisture with more rains in the forecast suggests the crop is probably getting bigger.

World supplies of soybeans are in the process of growing from record levels to even larger record levels. When this happens, there is always an influx of buying at 'new lows', which users often feel are historically good prices to extend ownership. Pipelines had to be refilled, and now at cheap prices world players are willing to store more than they normally would. That has prevented futures from breaking nearly as much as we see in the cards heading forward. This is step one in the process. However, once supplies are filled back up, one has to wonder where the next buying comes from. South America is in the process of producing a record harvest, which could be record by large margin if weather remains favorable. The US export window saw strong buying for the Oct/Nov timeframe, but this looks to taper off into December and January before likely falling off a cliff February through August. There isn't much open demand remaining for the US ahead of the 2025 US harvest.

With world and US soybean stocks poised to grow to burdensome levels, the market should start to price/ encourage US producers to plant less soybeans. The corn S&D looks to be much more in balance than does the soybean S&D. However, new crop futures have done little address this issue. While it is on my radar, I think the market will not truly embrace this relationship until 2025. Further, it looks as if corn acreage could increase a bit just on soybeans running away from acreage. Thus, I feel corn futures are somewhat fairly priced at the moment while I see soybean futures with another leg down in coming months.

The only supportive factor for soybeans remains – the market needs the US and South American farmer to incrementally sell their crops. They do not like current prices and continue to have well above normal ownership. Slow farmer selling tends to be supportive in the near-term and bearish in the mid to long-term. Regardless, I think the only thing that could tighten the US soybean balance sheet is a significant weather problem in South America, which is becoming less likely by the day.

Regards,



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