

March 2019 Monthly Commentary

Fundamentally, these markets look increasingly bearish by the day. USDA surprised the market with much larger US corn stocks as well as larger corn acreage on the final day of March. While the soybean and wheat numbers were relatively neutral, each of these three markets keep taking bearish jabs on a routine basis. World demand is slowing, world supplies are increasing, production looks generally favorable around the globe, and nationalist policies are hurting world trade. There just doesn't seem to be much friendly in the markets at this time.


USDA released US stocks and acreage numbers on the final day of March. The corn numbers were the ones that stood out. First, USDA reported March 1 US corn stocks nearly 300 million bushels above trade expectations, a huge miss to say the least. To add insult to injury, they also projected 2019 US corn acreage at 92.8 million acres, above expectations. The large stocks number suggests some combination of feed demand is much worse than expected and/or the 2018 corn crop size is being significantly underestimated - probably a bit of both. This combined with slowing export demand (as competition increases) and poor ethanol demand paints a very bearish picture to the corn market. The main caveat at this time is weather - it has been very wet, but looking forward forecasts are not horrible and some net drying should take place in coming weeks. It will take a major weather issue (or a huge sale to China) to shift the tide on corn. The 2019/20 balance sheet is very interesting - its not too difficult to draw up a 3 billion bushel carryout for 2019/20. The corn market just looks ugly. I'd expect lower prices in coming months assuming normalizing weather, but it may be a slow grind.

There isn't much new to say about soybeans. USDA numbers on Friday may have read slightly bullish, but plugging them into a balance sheet still yields carryout levels over 1 billion bushels for both old and new crop. Chinese demand is still being significantly overestimated, South American soybeans are a discount to US beans well into the 2019/20 marketing year, and soybean acreage likely goes up from the March estimate due to both too low of an initial acreage pie and some corn acreage likely shifting to beans in the wettest areas. Like corn, I expect prices to plow lower in coming months.

Wheat led the markets lower, and is now mostly just an afterthought. US wheat acreage is down but competition looks to increase next marketing year. Wheat may not lead markets lower from these levels, but likely follows.

Ag markets remain overly sensitive to US/Chinese trade negotiations. Fundamentals are getting more bearish. A trade deal with China likely is not enough to shift the tide but the headlines could provide a better selling opportunity. We will continue to look to sell rallies and cover on breaks with a negative bias in coming months unless the weather becomes a legitimate threat.

Regards,



Mark Ditsch

April 3, 2019

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