Ditsch Trading

July 2019 Monthly Commentary

The month of July began with a bang as the focus of the market remained on late planting and poor early field conditions. However, as the month went on, focus shifted quickly to the relatively benign overall weather pattern in the month of July and forecast into early August along with poor/slow demand. This pushed futures to recent lows by the end of the month.

While there are still lingering concerns about final planted acreage and what the excessively late planting means for yields, that took a back seat as we simply won't get answers to any of those concerns until mid-August and later.

Weather is generally being interpreted as non-threatening with cooler than normal temps set to prevail through mid-August at least. There are several spots – most notably IL, IN, and IA that have turned quite dry over the past several weeks, and that will need to be monitored closely. Also, the crop remains much less developed than normal (as a couple of examples – only 37% of the nation's soybean crop was setting pods as of August 4th vs. 63% avg and only 23% of the nation's corn crop had reached dough stage as of August 4th vs. 42% avg). This makes later-season weather all the more important going forward.

Soybeans are interesting in that 2019/20 carryout is likely going to fall by about 400 million bushels (assuming 1 mln additional loss in acreage vs. June intentions and a slightly smaller yield). Interestingly – all of last year we were looking at a carryout of over 1 billion bushels but soybean futures couldn't stay below $9 even though corn futures were relatively 'low'. This year, we are looking at a carryout perhaps 400 million bushels lower - near 600 million bushels – but soybean futures can't stay above $9 even though corn futures are relatively 'high'. Very strange. It seems as if its all due to the most recent spin. Last year, the market was confident that the US and China would soon work out a 'deal' in their trade war. This year, the market seems concerned that will never happen. Despite that, Brazil soybean stocks will be much lower at the beginning of US harvest than they were a year ago, so the US is bound to get more export business October forward - one way or another. At current futures levels with SX below $8.75, I feel there is more upside than downside, with a potential range of $8.50-9.50 seeming quite reasonable. Corn is a bit more balanced in my view with CZ in the $4.15 range – at least until we learn more about acreage and yields. Wheat seems to be a follower of corn for the time being.

Regards,

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