

## April 2021 Monthly Commentary

Ag futures moved significantly higher in April, led by corn. Tightening old crop supplies spurred by the beginning of a record corn export program to China, severe dryness reducing the Brazil corn production potential, and a growing awareness of just how tight supplies will be not only this year but at least into next year as well pushed the advance.

I have been generally quite bullish, but I was surprised by the degree to which corn led the charge in April. I continue to see both corn and soybean balance sheets tightening, but soybeans still look tighter to me both for this year and next year. The dramatic weather in Brazil was really critical in April and will continue to be going forward. It appears as if the Brazilian corn crop will be somewhere around 90 MMT, well below the latest USDA projection of 109 MMT. Prior to this reduction, the market had been a bit nonchalant about the record US to China corn exports, because the Brazilian crop was to be able to supplement US corn exports and essentially supply the rest of the world. However, this reduction is set to boost US corn exports to the rest of the world now. Corn has now rallied to the point that feed wheat is more competitive than corn in much of the world, and that will ensure the ~20 MMT reduction in Brazilian production is not a one-for-one increase to US exports, but it has still tightened US balance sheets to near pipeline minimums for this year and leaves no room for error in the US crop being planted now.

US corn and soybean planting weather has been good, but the market is much more focused on Brazil and demand. One thing that has happened, a bit under the radar, is that new crop corn production economics now significantly favor planting corn versus soybeans. While it is too late for a wholesale shift in acreage, there is no question that corn is gaining acreage while soybeans are losing. Put another way, SX has simply not been competing in the acreage battle. I think this will have a significant impact on soybeans in coming months. I expect USDA to raise the total corn+soybean acreage pie by some form of 3 million acres in their June report due to favorable planting weather and high prices. However, I suspect the switch from soybeans to corn will surprise the market a bit. Producers can now make a much bigger profit on corn than on soybeans. I'd expect this switch to more than offset the increased total pie for soybean acreage, with the corn acreage gaining accordingly. I'm projecting soybean acreage unchanged to down 1 million acres and corn up 3-4 million acres, for soybeans near 87 mln and corn near 95 mln. If achieved, this still would not be bearish corn, especially with the losses in Brazil. However, it would make next year's soybean balance sheet nearly unsolvable. It will be interesting to say the least.

The bottom line is that I expect tightness in old crop and new crop supplies to continue to push ag futures higher in coming months, particularly soybeans.

Regards,



Mark Ditsch

May 6, 2021

The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. Ditsch Trading, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such. There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of Ditsch Trading, LLC. No one has been authorized to distribute this for sale.