

## June 2021 Monthly Commentary

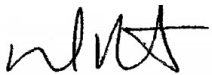
June followed May's lead, with ag markets spending most of the month swinging back and forth in a wild, choppy range with no real trend or direction. The latest action seems to be that these markets go from rallying on a lack of sellers to breaking on a lack of buyers, then back to do it all over again. This tells me that nobody has a real conviction on markets or what fair value truly is.

Market participants were eager to get some direction from the June 30 stocks and acreage reports. While this was definitely not the most shocking report we've ever experienced, the reports were universally bullish versus average trade expectations. Against all odds, the market remarkably nailed the stocks estimates in wheat, corn, and beans – but more importantly overestimated the overall acreage pie by about 2.5 million acres. Soybean acreage was reported at only 87.6 million, actually fractionally lower than the March report and 1.5 million below trade expectations. Corn acreage was not quite as much of a surprise but still supportive, coming in at 92.7 million, up 1.6 million from March but 1.1 million below expectations.

While these numbers were clearly bullish and the June 30 rally was fully justified, it is my feeling that we have just found a new equilibrium and not really moved into a bull market from these levels. I see world demand issues creeping in that nobody seems to be talking about. In beans, Chinese crush has really been disappointing lately, and while their imports YTD are stellar, we look for them to back off much more than the market anticipates over the balance of the year. USDA is likely 1-3 MMT too high on their import projections for both the 20/21 and 21/22 marketing year. While China is leading, the rest of the world is also showing signs of sluggish demand. The three primary exporters of soybeans could see total shipments drop by about 11 MMT in JJA versus last year. Nobody in the market is talking about that. In corn – prices have rallied to a level at which the US is losing the battle to other feed grains, wheat, and other origins. I'm not bearish given the less than ideal weather and lower acreage, but I think there are enough cross-winds that I am not convinced on general market direction just yet. We need to get a better feel for US weather and production potential before we can do that.

The bottom line is that while USDA did give us some direction, there are still way too many unknowns to have a clear market view at these higher price levels. In other words, I feel that the USDA report has mostly been priced in already – but weather can move prices substantially higher or significantly lower in the next several months. I'd prefer to keep positions small and reasonable while watching weather and demand developments. I am hoping for more clarity in the coming weeks.

Regards,



Mark Ditsch  
July 1, 2021

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