

July 2021 Monthly Commentary

July was a month in which it was difficult to find an edge. The entire month felt like we were transitioning into new crop fundamentals – but the problem was that new crop fundamentals offered enough cross-winds to confuse the market. The result was yet another mostly choppy, directionless month.

I laid pretty low in July, spending more time on supply and demand analysis than trading, because it was very difficult to get a read on where the market was heading. US weather started off great during the planting season, then turned very mixed in June and July. The northern Plains along with much of Canada are experiencing a significant drought. Moving south and east from there, conditions improve with July rainfall across much of Iowa and Nebraska keeping them amongst the ‘haves’ along with most states east and south rather than the ‘have nots’ of Minnesota, North Dakota, and South Dakota. Forecasts for August have turned a bit more favorable as well. At this time, consensus seems to be that US corn yields are likely to fall slightly below trend – with the drought in the Northwest slightly more than offsetting favorable weather across the remaining three-fourths of the Corn Belt. Soybean yield ideas are more mixed, with most believing soybean yields are at or maybe just slightly below trend. August weather trumps all for soybeans, so my bias is also that soybean yields could be near trend even if corn ends up slightly below trend.

Wheat has been the price leader, supported by the drought in the northern Plains and Canada along with unfavorable weather in many other primary growing areas. Wheat price strength has taken wheat out of the feed equation in the US and many other areas. Further, the Brazilian corn crop is ending up well below initial expectations. This should support US corn exports. On the other hand, the record US corn export program to China is coming to an end this month and is not likely to really kick off again until January of 2022. China loved buying corn under \$5, but near \$5.50 they definitely seem more reluctant to add to stockpiles. Overall, my view on corn price remains pretty undefined. Somewhat below trend yields, strong US demand, and solid export demand outside of China outweighed by slowing Chinese demand definitely make the picture a bit unclear.

Soybeans are a bit more clear to me. World demand for soybeans and soybean meal has been slowing in recent months. South American soybean stocks are well above where they were a year ago, particularly in Brazil. USDA is probably 4-5 MMT too high on combined old and new crop Chinese soybean demand. Subsequently, I feel they are probably 100-150 million bushels too high on their export projection. If weather remains favorable in August, I look for soybean futures to grind lower into new crop. That may still prove to be a big ‘if’ though, with the all important August weather still ahead of us. I’ll be watching weather developments closely and trading accordingly.

Regards,



Mark Ditsch
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