Ditsch Trading

September 2021 Monthly Commentary

Ag markets spent the first 29 days of September mostly chopping around, continuing the recent trend. The Sept 30 stocks reports were mostly bearish – especially for soybeans – and markets finally made a modest move lower on the final day of the month. My strongest bias has been short soybeans, so after frustrating me most of the month, things finally worked out at the end of the month.

Going forward, I remain bearish soybeans. Chinese demand has been and should continue to be slow, especially for US soybeans. The late August hurricane in the gulf certainly didn't help demand, idling export elevators – in some cases for an extended time. This pushed up gulf elevations and increased barge and ocean freight rates (due primarily to the transportation sitting in the gulf and waiting for barge unloads/vessel loads). All three of these are bearish origin prices and bearish demand. Thus, while I had already been well below USDA on my soybean export projection – I had to move this projection even lower in September. I am now forecasting 21/22 US soybean exports at only 1880 million bushels vs. USDA at 2090 million. Export inspections in the marketing year to date are running nearly 200 mln bushels behind last year, and I project this deficit to increase to 300 mln by early December. The hurricane put a huge CNF inverse into the market into China and other destinations, so destinations will be incentivized to pull down stocks and wait on South American harvest. Throw in the bearish surprise from the Sept 30 USDA stocks report and better than expected US yields, and my carryout projection is now 545 million bushels vs. the USDA unrealistic and silly 185 mln.

I am still bearish for all of the reasons above – and there are plenty of them. There are a couple of items that make me think the break may not be as deep as one would normally see with all of these bearish fundamentals. Higher energy prices, strong biofuel demand and veg oil prices, and a frustrated US farmer that may choose to hold more beans at these lower prices (and wider carries) are concerns for the position. However, I still believe soybeans have a date with $12 – but it may be a long slow (and sometimes frustrating) grind lower, with some pops in prices along the way. I will position accordingly.

There really isn't as much to say about corn this month. I feel like corn prices are pretty well balanced at current prices. Wheat has and should continue to be a price leader on upside moves. Strong wheat fundamentals and bearish bean fundamentals should keep corn in the middle, and it may just go nowhere.

Regards,

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