

February 2022 Monthly Commentary

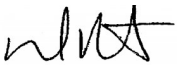
Russian forces invading Ukraine compounds the already developing soybean and soy product tightness and creates a whole new one for corn and wheat. The level of uncertainty is at unprecedented levels already and markets are struggling to define 'value' in these historic times. Obviously, the war in and of itself is bullish to wheat first and foremost, corn second, and vegetable oils third, suggesting that one should focus on length in the grains. However, I feel I have no edge in determining how long this conflict will go on (it seems as if it could be a long while), so I've decided to continue to focus the bulk of my energy into the soybean and soy product markets because they have a very bullish fundamental story regardless of what happens in Ukraine. World soybean supplies are in the process of dwindling to the tightest on record whereas corn and wheat world supplies are still sufficient (although admittedly many are in the wrong areas of Ukraine and Russia).

Soybean harvest continues to advance in Brazil, and production ideas continue to decline. I wrote last month that Brazil production estimates had fallen to 126-132 MMT. I would say most are in the 118-124 MMT range now, down yet another 6 MMT. Last month I stated that Argentina estimates were 40-42 MMT and Paraguay 5-7 MMT. Now, I'd suggest Argentina is more like 39-41 MMT and Paraguay 4-6 MMT, bringing total losses from last month up to about 8 MMT in addition to the 29 MMT lost from November to January. Only Northern Brazil is expected to have a good crop, and that crop is being harvested and used quickly. Both soybean exports and crush have been/will be record large in Feb/March. As the calendar turns to April, one has to wonder where the world will draw supplies from. Southern Brazil, Paraguay, Uruguay, and Argentina will essentially have very little exportable surplus. This is already pushing additional unexpected soybean business back to the US for April through August. It now appears quite likely that the US will export and crush soybeans down to pipeline minimum levels prior to our new crop. I am still expecting old crop futures and old/new spreads to push to new high levels probably new all-time highs in an effort to make sure we don't oversell our carryout.

The function of our markets is getting much more complex with the Russian invasion of Ukraine. I wrote last month that the soybean market needs to encourage more US soybean acreage in 2022. Now, concerns over corn/wheat planting/production/exports is pushing corn and wheat futures to the forefront. Soybeans are losing ground to corn and spring wheat in the acreage battle.

It just doesn't seem as if prices can relax substantially for anything. Further, there is a strong possibility that futures not only push to, but sustain levels near all-time high prices. The set-up is historic. I am looking for significantly more upside in coming months. With that comes increased volatility. I will continue to cap risks via options. Knowing the risk of a trade is essential in these unbelievable times.

Regards,



Mark Ditsch

March 4, 2022

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