


March 2022 Monthly Commentary

Soybean and product supplies continue to tighten, but there were enough signs of progress or at the very least attempted progress in terms of the market boosting production and reducing or slowing demand to pressure prices late in the month of March. The most important of these was the US Prospective Planting estimate projecting US soybean acreage to grow to a record high 91.0 million acres, nearly 3 million above last year and 2 million above trade estimates. Farmers have shown that they are more interested in planting a crop with less risk (lower input prices) than focusing solely on return per acre. Planting corn clearly shows an advantage in terms of projected return per acre, but record high (and tight) fertilizer, chemical, seed and other input prices have them turning to the less risky soybean acreage. While this boost in acreage does not appear to be enough to fully resolve the world tightness, this combined with signs of slowing demand was enough to pressure prices nearly 10% off their highs. It appears as if the speculative longs got ahead of themselves and higher acreage forced liquidation as well as new speculative shorts on the technical breakdown. Brazilian soybean basis levels also sagged lower later in the month despite the combination of falling futures prices and stronger Brazilian currency that forced prices paid to the farmer lower than they were before their drought was realized. World demand slowed, with China taking a bit of a pause as local stocks are released, and they along with the rest of the world appear comfortable with remaining much more spot than normal and not worrying about extending coverage.

While soybean fundamentals were showing a few signs of progress in terms of solving tight supplies, corn was hit with the opposite. Along with the higher than expected soybean acreage came the correspondingly low corn acreage. Corn acreage below 90 million acres suggests new crop corn carryout below the historical 'tight' 1 billion bushel mark. The market has quickly adopted this tightness with new crop corn futures pushing above \$7 per bushel. There isn't much new to say about wheat except that it seems to play headline bingo based on the latest news out of Ukraine.

Despite the somewhat loosening soybean fundamentals, it still appears as if the US could export something in the neighborhood of 150 million bushels more than current USDA projections. Further, we will probably need trendline or above yields in both the US and South America next spring to truly loosen world fundamentals. In the near-term, it seems as if markets will trade structurally rather than focus on fundamentals. Whipsaw aggressively seems to be the mode of the market for now. I plan to remain patient and work on analysis before re-entering any of these markets in any meaningful way. I feel there is risk in both directions for all ag commodities in the near-term. There will come a time to back a trend again, but I just don't think now is the time – particularly with slowing demand (particularly US demand) for the next month or two.

Regards,



Mark Ditsch

April 5, 2022

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