July 2022 Monthly Commentary

Extreme volatility with no clear direction was the name of the game in July. Ag commodities traded mostly significantly lower for the first 3 weeks of July with macro markets, general liquidation, dollar strength, and the Fed's attack on inflation the major reasons associated with the break. The last week of the month featured a reversal and a major rally across ag commodities (soybeans up nearly $2), with the strength attributed to forecasts turning hotter and drier for the Western Corn Belt.

While markets made some major moves throughout the month, gaining any sort of confidence in a general direction got even more difficult. Markets seemed to have a singular focus most days, with macro concerns dominating early and WCB weather dominating late. Certainly, hot and dry conditions are not ideal, with Iowa and surrounding areas to the south and west the biggest concerns. Weather in the Eastern Corn Belt looks pretty favorable, while the Northern Plains have gotten off to a much better start than past years and the Mid-South/Southern growing areas are now getting some much-needed rainfall. It seems more like a regional disaster than a national one, but enough to bring national yield ideas down somewhat. Trade seems to be in the 175-176 bpa national range on corn (vs. USDA at a trend level of 177) and 50.5-51 for beans (vs. USDA at a trend of 51.5). This suggests, at the mid-points, that the US may lose about 120 mln bushels of corn and 60 mln bushels of soybean production. The lean towards lower yields suggests if anything – something more near trend (which remains possible) would be bearish.

While weather has taken over the daily trade, the market has paid less attention to a general slowdown in world demand for ag commodities. Chinese soybean imports from all origins could decline 10 MMT from last year, with recovery ideas for next year now tapering well below previous ideas. Brazil soybean shipments to all destinations dropped nearly 6 MMT from January through July, while Argentina dropped by about 2 MMT to only a trickle. US soybean exports did increase by 4 MMT to partially offset, but the three-country total is definitely disappointing with Chinese demand notably absent. Further, there are concerns about if/when and how much China will buy this fall. Generally, expectations are not as robust as they were just a few months ago. US corn exports are also losing out to South American origin at this time. It is difficult to quantify, but it does look as if there is a reasonable chance that production losses in the US could be more than offset with demand decreases.

Macro and weather swings with no clear direction remain the story here. It remains very difficult to determine what the market will focus on for any given time period. Nobody seems to have much confidence in terms of value. Focus will remain on analysis and working to define the next fundamental move. If anything, lower demand and near trend yields would be a bearish lean.

Regards,

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