

August 2022 Monthly Commentary

The month of August brought a bit more clarity to the agriculture markets, both in terms of supply and demand. Numerous crop tours noted disappointing corn yield potential, while soybeans seem to have fared better with much of the corn yield losses attributed to variable weather early in the growing season.

Corn yield ideas have drifted lower to somewhere in the neighborhood of 170 bpa nationally. This is considerably below trend. Soybeans, on the other hand, are still seen to yield close to trend and potentially around 51 bpa. Demand for both corn and soybeans has turned reasonably disappointing, with Chinese soybean demand clearly underwhelming. US corn has lost competitiveness in the world market, at least somewhat offsetting the probable yield losses.

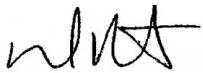
Reasonably solid yield prospects and disappointing world demand for soybeans has been offset somewhat by heavy rains in the southern US. Damage and slow harvest are keeping a bid in the nearby soybean market, but it seems as if this may be a short-term issue with harvest expected to accelerate in the latter part of September. It will still take some time to refill pipelines, but I have a bearish lean to soybean futures over the next several months.

Adding to the resistance above the bean market are weaker oilseed markets around the world and an agreement between the Argentine government that should encourage reluctant farmers to finally move an increased tonnage of soybeans to market. The government is allowing the industry to export soybeans at a favorable exchange rate through the month of September. This should relieve world soybean and product tightness. It will also be interesting to see if this agreement is pushed forward beyond September. If it is extended, one can reasonably expect Argentine farmers to plant more soybeans at the expense of corn this fall.

Corn is a bit of a different story, with yield losses likely to exceed reduced demand, resulting in a tightening US corn carryout this marketing year. With that being said, corn has rallied considerably already on the lower yield ideas, and may need more of a catalyst to continue to rally. While I think it may be difficult to break corn futures significantly, it may also be difficult to rally as we head into significant US harvest this month.

The bottom line this month is that soybean futures should have difficulty rallying much, and could break into harvest. Corn futures should turn more two-sided, with a tightening balance sheet battling against harvest pressure for at least the next couple of months.

Regards,



Mark Ditsch

September 6, 2022

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