

March 2023 Monthly Commentary

I will be the first to admit that markets did not trade like I expected them to in March. Argentina's soybean production estimates continued to fade lower down to about 24-27 MMT from initial expectations near 50 MMT. As a percentage lost, this is one of the largest disasters any major producing country has experienced. With Brazil production increasing in the north and decreasing in the south, remarkably their production estimates remained virtually steady start to finish, near 151-155 MMT. However, the combined loss of about 25 MMT (and slightly more if Uruguay is included), I expected soybeans and particularly soybean meal to take charge from a bullish perspective. Instead, both lost significant value before finally bouncing somewhat late in the month.

Brazil harvest was very active in March, and that harvest activity weighed on their basis levels. This combined with fund length in soybeans and meal pushed the soy complex lower, much lower than I had expected. Fortunately, we had positions pretty well insulated on the break. So what comes next? Argentina is importing record amounts of soybeans from Paraguay and Brazil to cushion the blow of their crop disaster. Cheap Brazilian basis has allowed this. Realistically, this kicks the can down the road more than it solves the problem. South American supplies of soybeans and products should be ample for the next 2-3 months, but then things will certainly tighten. Brazil will likely ship about 80 MMT of their soybean crop via exports by September. Argentina will be able to crush at a reduced rate, but not as low as they would have been without imports. All of this means that South American supplies on September 1 will be down by 5-7 MMT despite total SAM production higher than last year. This will put added pressure on the US to produce at trend or better yields this fall. US crush and exports will both need to go higher next year.

USDA updated stocks and acreage on March 31. Soybean acreage was projected below expectations at 87.5 million acres. This type of acreage would really require trend or better yields. They projected corn acreage at 92 million acres – enough to expand stocks. However, cold, wet, wintry, snowy conditions in the Northern Plains have the market concerned that some of those acres will not be planted. As for stocks, both corn and soybean stocks were below expectations. This has and should continue to keep US stocks tight until this fall.

The bottom line is that I am cautiously bullish soybeans and soybean meal while more neutral on soybean oil, wheat and corn.

Regards,



Mark Ditsch
April 5, 2023

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