DITSCH TRADING

April 2023 Monthly Commentary

April was a volatile month with macros, shifting ag fundamentals, and uncompetitive US grains and oilseeds in the world market providing various tugs and tows on the market daily. Later in the month ag commodities all moved generally lower driven by cheap offers from non-US origins, generally good US planting weather, and poor demand outside of China all weighing on markets.

Brazil had harvested most of their record soybean crop by the end of the month, while Argentine harvest of their drought-ravaged crop began. Record supplies from Brazil ultimately became burdensome locally, driving Brazilian basis levels to historically low levels. Brazil fob soybean basis traded down to -220 (about $3 discount to US soybeans) before recovering about one-third of the losses into month-end. Their crush and exports did expand, with crush approaching record levels while China in particular taking advantage of the cheap soybean offers. However, demand outside of China has been quite disappointing. The poor world demand outside of China and resulting cheap Brazilian soybean offers enabled Brazil to step up exports to neighboring Argentina to record levels, a feature that should remain for quite some time. It is noteworthy that even though Argentina's soybean production fell an amazing 25 MMT or so from initial estimates, world stocks are likely to end up near initial ideas. Brazil production should end up a few MMT higher than initial expectations, but the major driver has been slow world demand, particularly from the EU, Middle East, North Africa, and Southeast Asia. While they have been able to use substitutes to a larger degree, the demand certainly has fallen off more than would be suggested by that alone. World soybean fundamentals are looking increasingly bearish, with world stocks poised to grow by about 5 MMT year-on-year despite the disaster in Argentina. If the US and South America both have average crops over the next 12 months, world stocks could easily increase another 20 MMT or so to burdensome levels. The function of the market appears to be to buy demand and slow South American expansion.

Corn and wheat futures also came under significant pressure by the end of the month. US corn exports finally got a window of export opportunity, basically for shipment in April/May/June. However, that window got slammed shut quickly by cheap corn and/or feed wheat offers from Ukraine, South America, and the EU. Nearby corn futures (May) remained quite strong as this is the short period of US exports - but July forward likely will not have the US export demand and prices came under severe pressure accordingly. Good US planting weather has many looking forward to a possible significant increase in US and global corn stocks. Much like soybeans, fundamentals appear negative with normal or better US weather.

I am bearish ag futures in general, but admit it will be a bumpy transition from relatively tight nearby stocks to more adequate and ultimately burdensome stocks post-US harvest. It seems to me that it is now a 'sell rallies, cover some on dips' market, not a swift move lower market.

Regards,

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