

November 2023 Monthly Commentary

November was a frustrating month. Fundamental factors, especially in a middle to long-term basis, began looking increasingly bearish, and I tried to lean into the market at an inopportune time. The market got overly excited about the lack of rainfall in Northern Brazil and markets rallied, led by soybeans and particularly meal.

Looking forward, I think the market fundamentals continue to look increasingly bearish, particularly for soybeans and meal, but also somewhat for corn. If I had to rank the markets with the most potential downside, I would put meal first (May forward, after South American harvest), soybeans second, corn third and wheat fourth. US wheat has found a bid from China and the soft red wheat carryout is declining. The plan is to develop a structural short in May forward meal, potentially do the same in soybeans (depending upon opportunities), and sell rallies in corn.

South American weather was quite worrisome in early to mid- November, with Northern Brazil historically hot and dry and southern Brazil very wet. The trends are shifting somewhat now in December. Surely, there has been some loss in Northern Brazil, but that could be somewhat or maybe even fully offset by increases in Southern Brazil, Paraguay, Uruguay and Argentina. Even if total South American production ends up slightly below the last USDA estimate, world soybean stocks are poised to grow by at least 20 MMT (this uses my world demand base, which is below USDA). Things may not move significantly until South American harvest gets rolling, but I do expect lower soybean and meal prices in 2024. Soybean oil should be more range-bound and will find relative support from the US biofuel demand.

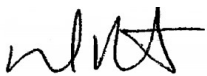
US exports of ag commodities have turned quite slow in November and this will continue through December. There should be a bit of an uptick in soybean exports in January and February, thanks to China buying to increase their strategic reserve stocks. Corn demand should increase steadily throughout 2024, but I still believe US corn exports will end up below USDA estimates. Wheat demand should also pick up due to China, but new sales are likely to be slowed by much higher ocean freight costs.

I still believe we are one decent/adequate growing cycle away from more extended bear markets in both corn and beans. Corn is clearly further along in that curve, meaning soybeans probably have more downside. Adequate South American crops would have corn and soybean futures both fighting to reduce US acreage in 2024.

The bottom line is that I still see the next big move as likely being another push lower, but probably not until South American harvest moves further along.

Regards,

Mark Ditsch



December 7, 2023

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