April 2024 Monthly Commentary

Markets moved counter-seasonally in April, pushing mostly higher on the month. Soybean meal led the charge, with soybeans, corn and wheat all moving higher as well.

The surge was driven by a perfect storm of inputs. US soybean processors took big downtimes in April after running hard for the past 6+ months. There was also some unintended downtime due to heavy nearby soybean oil supplies plugging up the system. Argentina has a big soybean crop (more than double last year) which had traders and end-users waiting for these supplies to not only solve, but over-solve any nearby meal tightness on paper. However, their harvest was delayed by rains. Second, the Argentine farmer has been even slower to sell their bigger crop than the modest expectations. Third, Argentine port workers and oilseed processors held a strike with more planned, pushing their processing back. Third, historic flooding in the southern Brazil state of RGDS, the primary area of Brazil that has not been harvested yet, has caused quantity, quality, and soybean processing losses/delays. Finally, the speculative community (along with end-users and commercials) have been leaning short, waiting on the big Argentine supplies. All of these factors pushed soybean and soybean meal prices sharply higher to end the month.

One can argue, and I believe rightfully so, that most of these factors are more about timing than any significant changes in world supply and demand fundamentals. To start with, farmers in all three major origins have stepped up their selling on the rally (although Argentine selling remains quite disappointing). With that being said, cash markets have not broken on the rally, which is a concern for shorts. It seems commercials and end-users got quite short into Argentine harvest and are now covering these shorts with farmer selling rather than offering new supplies more aggressively. The bottleneck in primarily meal but also soybean supplies in the nearby may take longer to fully resolve itself than myself and many others had expected. And that makes the timing more difficult, as any burdensome feel to stocks will now be pushed back into the US growing season, when weather will be the primary driver. Looking at fundamentals, I still expect lower futures over time, but things could be pushed back several months, waiting to see if the US crop materializes.

Corn futures pushed higher on slower than hoped for corn planting in the US and some production concerns around the globe. Wheat also moved higher on world production concerns. Both corn and wheat now face a similar (although not quite as heavy) outlook to soybeans – bearish if production is normalized, but waiting for more confidence in that happening.

Slow farmer selling around the world had record world supplies heavily in farmer hands. The recent rally has increased farmer selling, but the market may want a few weeks of this along with a better US planting outlook before truly breaking. I still believe soybean and meal futures could be in a 12-18 month bear market, but all of that is on hold in the short-term. From a bigger picture, world production is growing faster than world demand, with that expected to continue well into 2025 assuming normal weather. Soybeans remain expensive against corn – something that I expect to reverse (soybeans should become cheap relative to corn) over the next several months – as always assuming that weather is normal.

Regards,

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May 7, 2024

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