June 2024 Monthly Commentary

June was a month of generally lower ag commodity prices, with the trajectory downward increasing late in the month. US weather was not perfect, but mostly favorable with moderate temps and plenty of rain across most growing areas (far too much in some). While there are certainly some areas with locally serious concerns, the overall crop has gotten off to a solid start. This combined with accelerating farmer selling in South America and a non-bullish month-end acreage and stocks report to push futures down to levels we haven't seen in a while.

The story brewing for the past several months has been adequate and growing world stocks contrasted with historically slow farmer selling across all major origins. The lack of commercial ownership kept prices well supported much longer than world S&Ds suggested they would, making for a frustrating trade. In June, market focus shifted increasingly to the adequate and potentially becoming burdensome world stocks. This shift happened faster than anybody (myself included) imagined. It had become prudent to cover shorts on dips and wait for the market to rebound. This time, however, prices sliced through support to make new lows. I have been surprised at how quickly this has occurred. However, if weather remains non-threatening, it is hard to come up with much to support prices. The market will ultimately attempt to buy more demand – but for now South American prices (aided by currency exchange rates) remain below US values. With that being said, it is still early in the calendar, with at least 2 months of important weather still ahead of us. It will be important to watch closely for any shifts in weather over the next couple of months.

I am a bit surprised the US farmer planted so much corn acreage (up 1.5 million acres from March to June projections) given the economic advantage of soybeans at these price relationships. However, the US farmer does love to plant corn when weather allows, and despite some challenging planting weather, it did ultimately allow. Soybean acreage was down only very slightly, with the overall acreage pie increasing. Now the focus will turn to weather and yield potential. Although it is not being widely discussed, weather projections out through the middle of July suggest potentially above trend corn yields. All of this has certainly weighed on markets.

I still believe soybean and meal futures could be in a 12-18 month bear market, but that will be dependent upon decent weather in late July through early September. Corn is a bit further along developmentally and one can already make the case for potentially very large yields if weather remains decent through pollination. Fall demand for US corn and soybeans does not look stellar. I do expect world buyers to increase US purchases September through February, but the competition from South America will keep demand relatively subdued. At this time, any rallies probably need to be sold without a significant change in weather projections.

Regards,

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