

Weekly Market Report

Monday, 15 May 2023

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Weekly Overview

Price changes over the week.

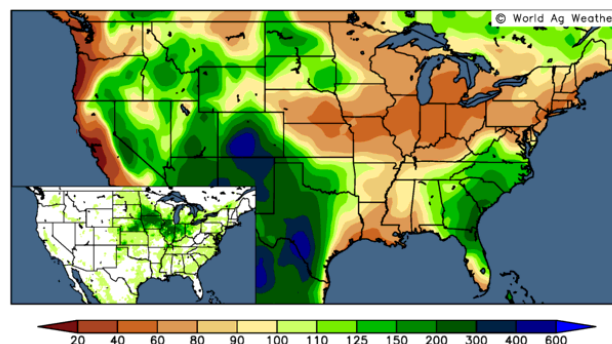
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	664.25	-23.00	-3.35%	743.00	632.75
Kansas Wheat	846.75	25.50	3.11%	876.50	736.00
Corn	508.75	-26.00	-4.86%	571.25	504.00
Soybeans	1223.75	-56.25	-4.39%	1325.50	1221.75
Soybean Meal	392.00	-4.40	-1.11%	420.40	388.30
Soybean Oil	48.37	-4.37	-8.29%	54.54	47.90
Crude Oil	68.38	-1.05	-1.51%	79.05	63.00
Palm Oil	784.50	-8.00	-1.01%	838.00	749.25

Grain and oilseed prices moved as a function of the May WASDE report. May WASDE numbers are important because these are the first official US news crop size estimates. The weather will determine the supply and demand balance sheets' carry-outs in the coming months.

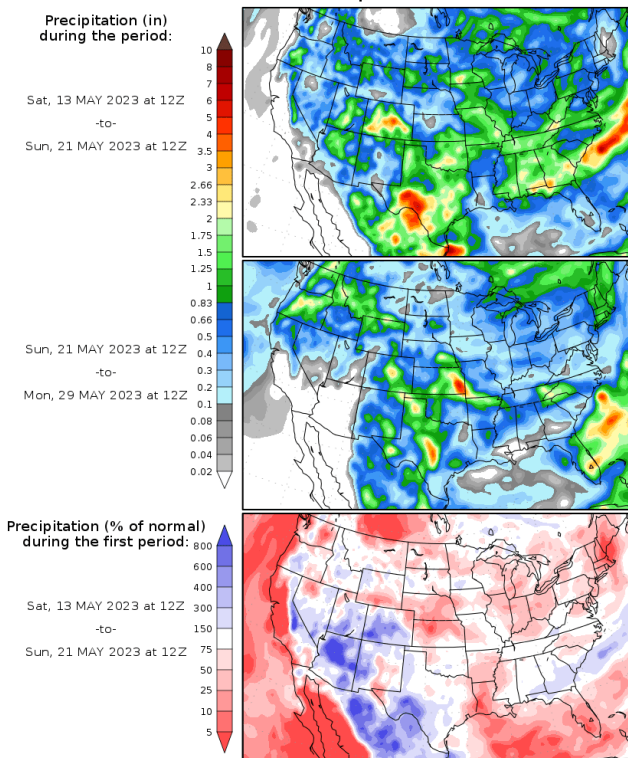
The carry-out expectation for Corn and Soybean was larger than the trade expectations, while wheat carry-out was significantly lower vs analyst estimates. Trade estimate for corn carry out was at 2.094 billion bu, and corn soybeans were at 293 million bu. USDA pegged corn carry out at 2.222 billion bu and soybeans at 335. Psychologically, a carryout number of over 2 billion in corn and over 300 million bu in soybean is not seen as tight carryout, which should pressure prices.

However, these carry-out numbers are based on high crop yield estimates, an important factor yet to be determined.

Forecast Precipitation (percent of normal)
Corn Production Shown Inset
15-Day Forecast (GFS) Beginning 13 May 2023



Precipitation Forecasts

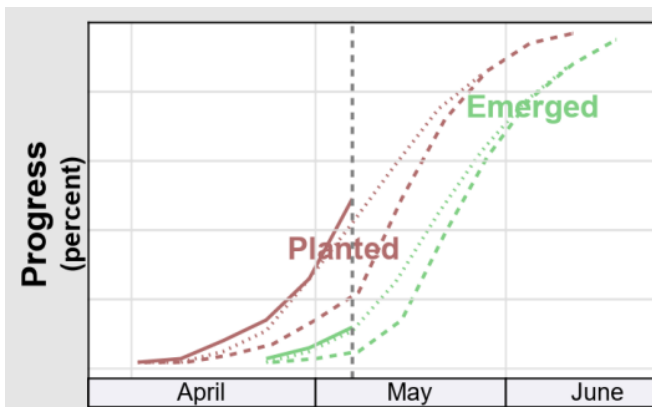


Precipitation forecasts from the National Centers for Environmental Prediction.
Normal rainfall derived from Xie-Arkin (CMAP) Monthly Climatology for 1979-2003.
Forecast Initialization Time: 12Z13MAY2023

GRADS/COLA

All Wheat carry out was pegged at 556 milling bu vs market estimate of over 600 million bu. USDA reduced HRW crop production by much larger than the current average market expectations. Trade guess for HRW production was at 591 million bu vs the production at 514 million bu.

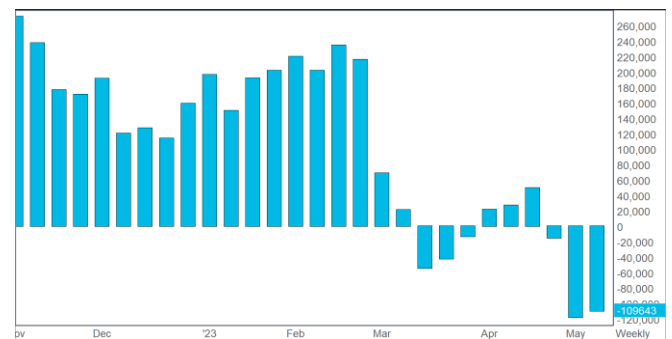
With the initial estimates for the crop out of the way, the critical factor driving prices in the coming months will be forecasted weather in the mid-west US. The planting of corn and soybeans is progressing well. However, it is still too early to make anything but statistical model estimates on the yields, as long-range forecasts are unreliable.



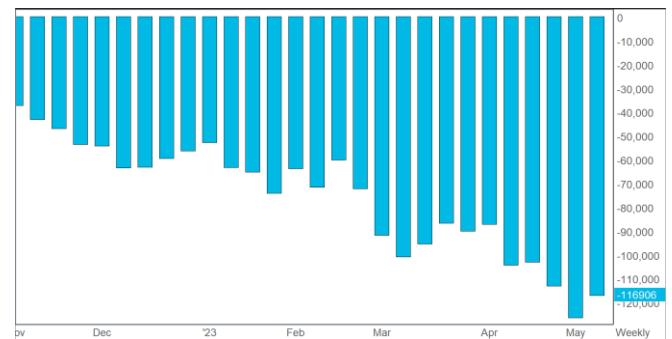
Corn Planting Progress

CFTC COT Report showed that the funds are still short in corn and a sizeable short position short in wheat. Funds reduced their long exposure in the soybeans as well.

The managed money funds short corn position and soybean long position reduction are in line with the USDA's carry-out estimates, assuming that USDA's estimated yields are highly likely. However, the short position in wheat is contrary to the fundamentals carryout number reported by the USDA. Regardless of the positioning of Managed money funds, the critical driving factor in the coming months will be the crop size, which will only be determined during July/August.



Corn Managed Money Fund Net Position (in contracts)



Wheat Managed Money Fund Net Position (in contracts)

Grains

Wheat prices were higher in HRW on the lower US production estimates, while the CBOT wheat closed lower on the week. Global production in wheat mixed bag, i.e. Canada and Europe, are expected to export higher quantities vs last year, while the US will have lower exports due to lower crops. Russia and Ukraine’s crop numbers are unclear, though the market is factoring in a similar crop size for Russia and lower for Ukraine.



The key factor for world prices will be the size of the Northern Hemisphere crops, which would be determined in the coming months.

Even though there have been several reports on the threat of the grain corridor not being extended, we believe that the grain corridor will be extended eventually, as both countries would want the export revenue to help with the conflict.

We continue to be bullish on wheat prices in the longer term due to the dependence on the size of the North Hemisphere crop.

Corn prices were under pressure late in the week after the USDA report pegged the corn carry-out at 2.2 billion bu. Corn prices would struggle to rally from current levels unless there is a credible threat to the Corn



Corp in the US. USDA estimated corn yield at 181.5 bu per acre vs last year’s yield of 171.3. In our view, the US will need to get near-perfect growing weather conditions to achieve this number. However, there is room in the balance sheet this year for a marginally lower yield.



For corn, the market needs to see a clear and significant threat to the US new crop for a sustained price rally.

Oilseed complex

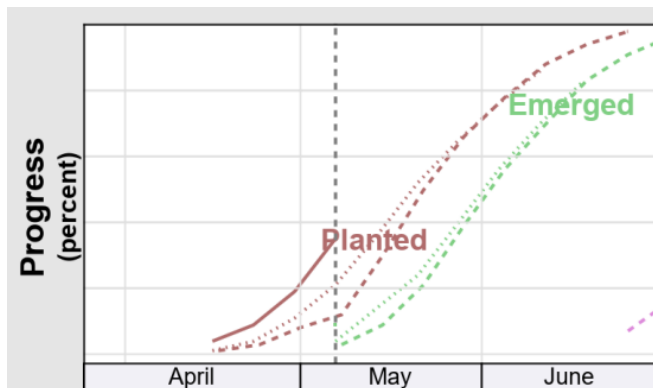
This week, soybean prices were under pressure again with continued fund selling due to the higher-than-expected carry-out number from the USDA WASDE release.





However, NX spread also rallied last week in line with our expectations. We continue to be bullish N/X spread.

WASDE estimated soybean carry out at over 300 million bu. An ending stock estimate of lower than anything below 200 million is seen as bullish. Given that any threat to the US can potentially bring the crop carryout to sub-200 remains a risk. We hold that soybean fundamentals have not changed significantly, and the risk of new crop carryout being smaller than current estimates remains; the price move probability skew remains to the upside.



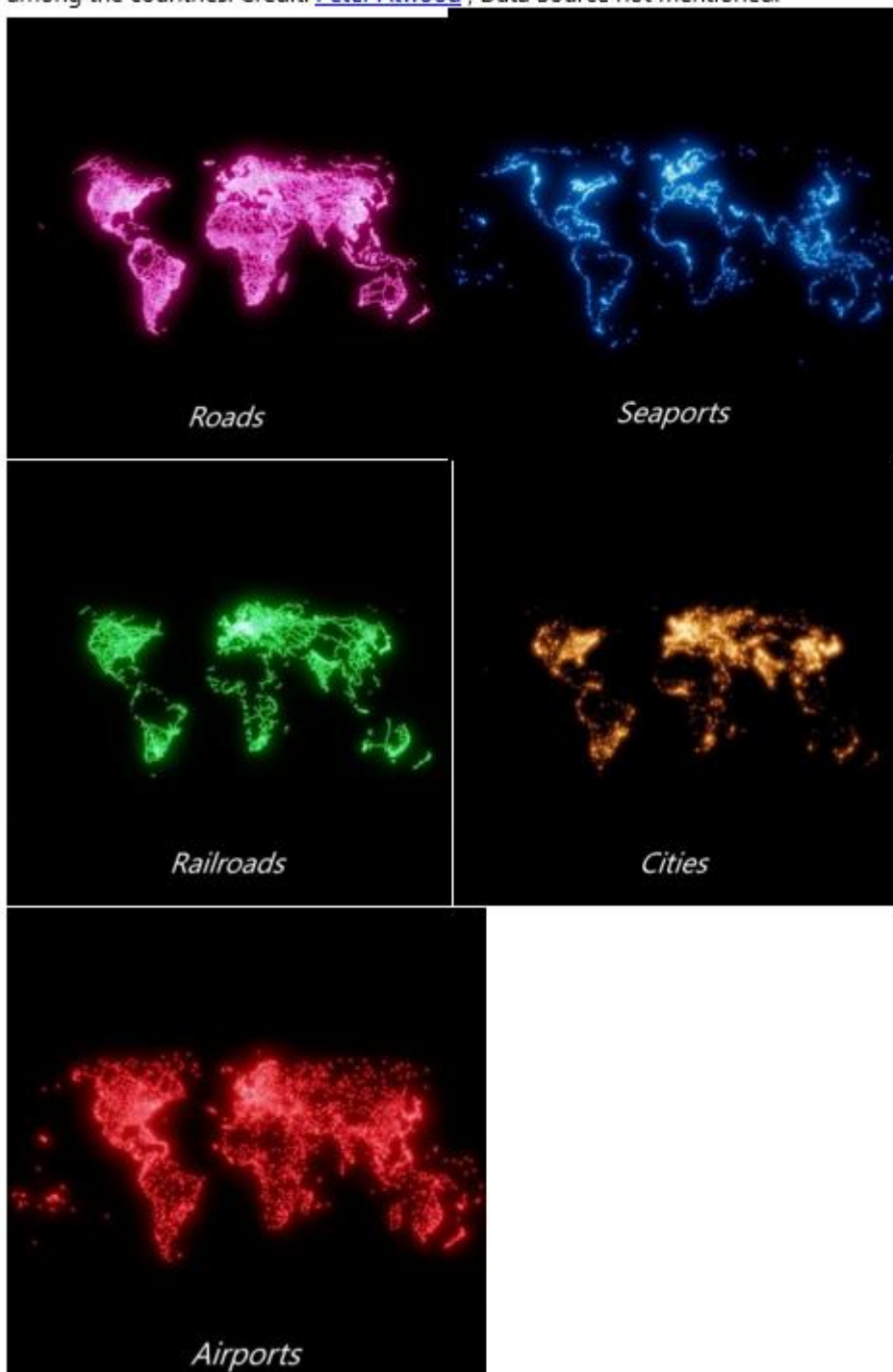
Trade-Ideas: no change in trade recommendations, as we continue to be bullish wheat and bullish calendar spreads in soybeans

Wheat: continue to hold long options calls or call spreads.

Soybeans: long on the N/X spread between 150-160 range. Add long options (call, or call spreads) on SX, as implied volatility levels are low, and under pricing the risk to new crop in our view.

Food for Thought: global infrastructure pictured from space

Fascinating maps of the world's infrastructure, you can clearly see the difference in density and distribution among the countries. Credit: [Peter Atwood](#) , Data Source not mentioned.



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