Weekly Market Report

Monday, 12 June 2023

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Weekly Overview

Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	658.00	6.00	0.92%	691.00	608.25
Kansas Wheat	792.75	-10.75	-1.34%	890.25	760.75
Corn	530.50	-10.75	-1.99%	548.00	490.75
Soybeans	1204.25	20.50	1.73%	1253.00	1130.50
Soybean Meal	366.60	-1.10	-0.30%	399.00	361.80
Soybean Oil	51.96	3.19	6.54%	52.23	44.47
Crude Oil	69.38	-1.23	-1.74%	73.40	66.48
Palm Oil	742.00	-4.75	-0.64%	784.50	712.25

Last week, CBOT agricultural commodities' prices predominantly held their ground, oscillating within a tight range. The USDA's Friday report, falling in line with market expectations, offered little in terms of shock or surprises, ensuring the market dynamics were stable. Additionally, the USDA's carry-out estimates upheld market forecasts, suggesting no major push in prices.

Weather conditions add to the intricate balance of market prices. Although the US continues to see below-average rainfall, scattered showers are expected. Conversely, forecasts point towards adverse weather in Europe. Such climatic factors directly affect crop yields, primarily the weather of July and August, which will have the most impact on yields.

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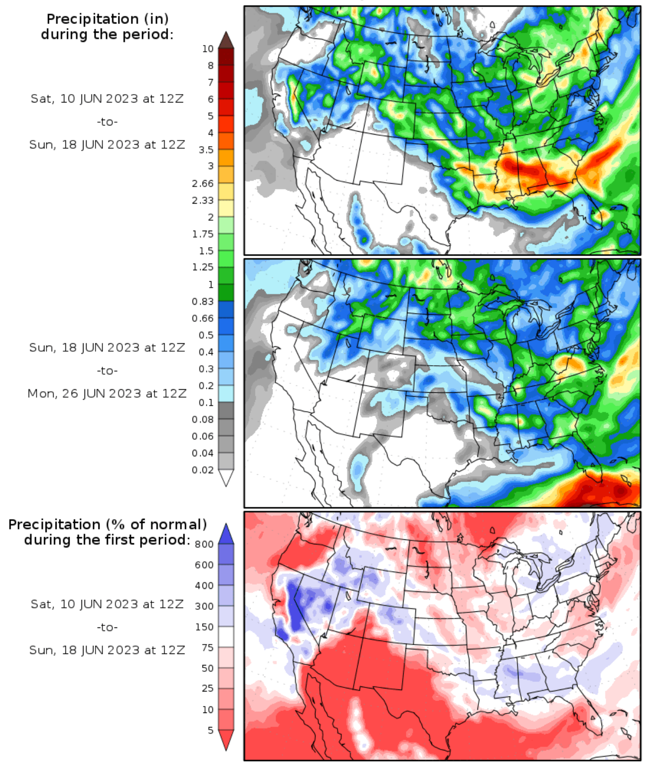
The COT report reflected a relative stagnation in the positions of Managed Money Funds, with no notable increases in long positions for soybeans or significant alterations for other commodities. However, risks for a price rally persist, largely due to the USDA's statistical yield models used in the most recent report.

The critical factor driving prices in the coming months will be forecasted weather in the mid-west US.

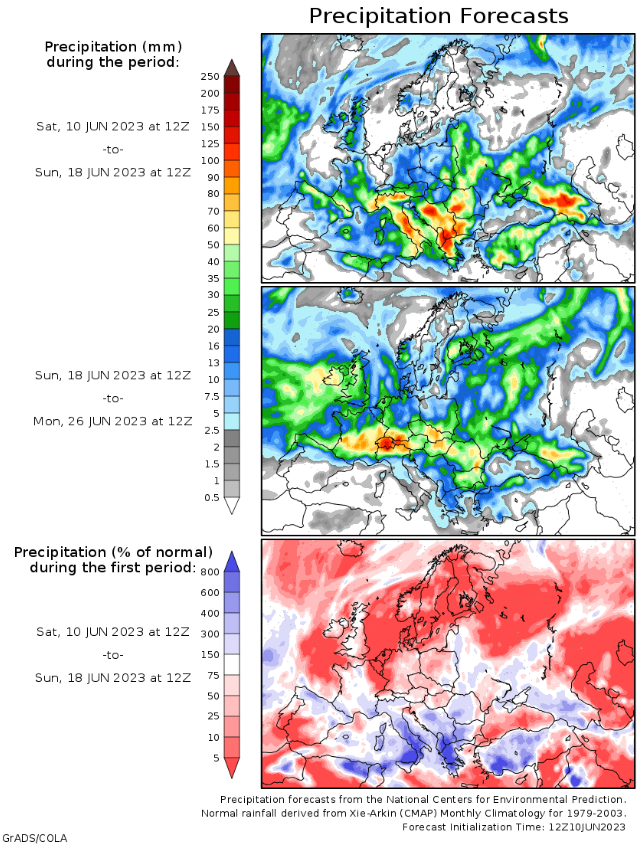
Precipitation Forecasts

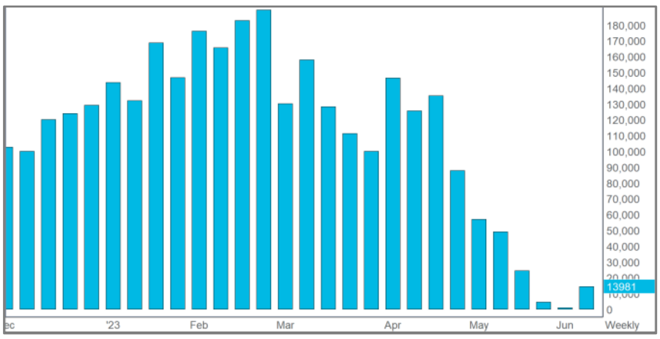


Precipitation forecasts from the National Centers for Environmental Prediction.
Normal rainfall derived from Xie-Arkin (CMAP) Monthly Climatology for 1979-2003.
Forecast Initialization Time: 12Z10JUN2023

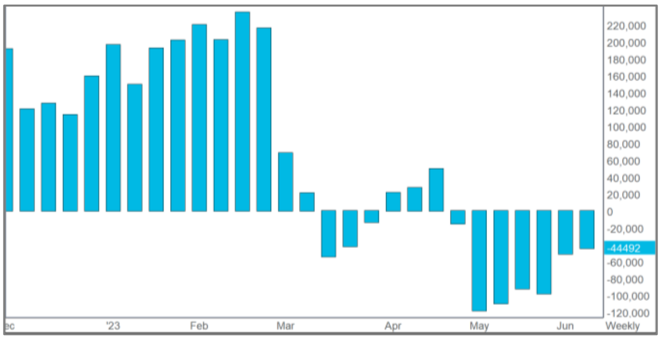
GrADS/COLA

The planting of corn and soybeans will be completed well ahead of schedule.





Soybeans Managed Money Fund Net Position (in contracts)



Corn Managed Money Fund Net Position (in contracts)

Grains

Managed money funds continue their trend of holding short positions in wheat. Should a threat to the crop occur, the potential unwinding of these short positions could escalate wheat prices. USDA's new crop carry-out, estimated at 562 million bushels, was close to the market expectation of 569 million bushels.

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The global wheat carry-out stock's future hinges on the success of the northern hemisphere crop, with weather as the defining variable. While concerns persist in the US, Canada, Northern Europe, Central Russia, and Australia, USDA has upped its production forecast for several countries, including Russia, India, Ukraine, and the EU.

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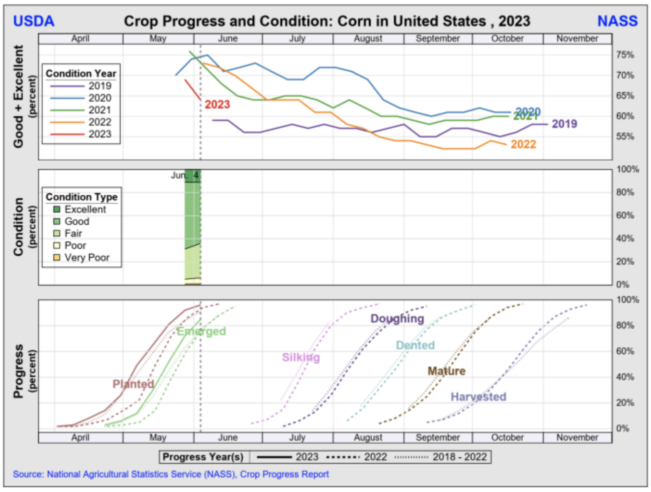
El Nino's strengthening could notably influence the Australian wheat supply, affecting the world export market. The HRW wheat crop condition rating has improved recently, with harvest set to begin shortly and expected to peak in July.

However, if northern hemisphere weather remains adverse, a price rally led by fund short covering could significantly amplify prices. Overall, the price risk for wheat is tilted to the upside.

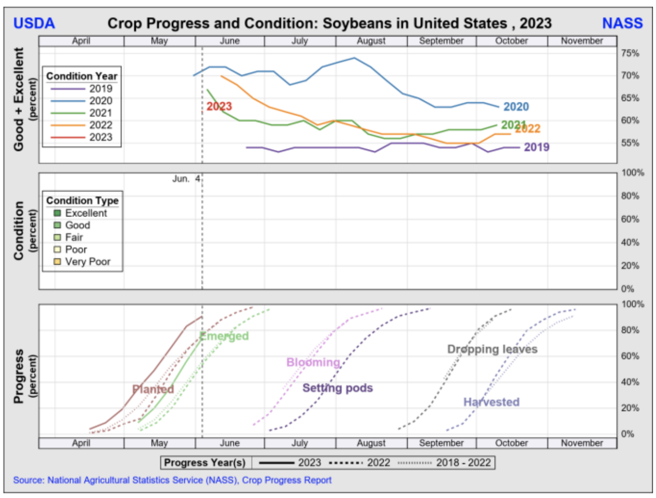


Over the next few months, corn prices are anticipated to be largely influenced by weather patterns, with the US carry-out playing a pivotal role in shaping the global carry-out. The past week saw a dip in corn prices, primarily triggered by rain forecasts in some of the drier regions. The USDA's pegging of ending stocks at 2.257 billion bushels aligned perfectly with trade estimates.

Normalization of world supply and demand balance sheets hinges on obtaining trend yields in the US, Europe, and the Black Sea come autumn. Persistent dryness over the next six weeks could significantly lower yield numbers. Managed money funds continue to hold short corn positions, albeit at a smaller scale than before.

Oilseed complex

Soybean futures marked a positive trend over the week, driven by a rally in soybean oil, causing the old crop to rally against the new crop. USDA's new crop carry out estimated at 350 million bushels was closely aligned with the market estimate of 345 million bushels. soybean planting has now been completed, with low risk of abandonment of acres.



The NX spread continues its recovery, inching closer to the 185 mark. Long-range forecasts continue to predict a dry spell in the Dakotas. The future of soybean prices will be driven by the weather forecast of the coming months, with August being a crucial month.

NASS reported initial soybean crop condition ratings at 62% GD/EX. Given the absence of room for a yield decline in the supply and demand balance sheet, even a marginal 2-bushel yield drop could significantly tighten the carry-out. Consequently, the price risk appears to be leaning to the upside.

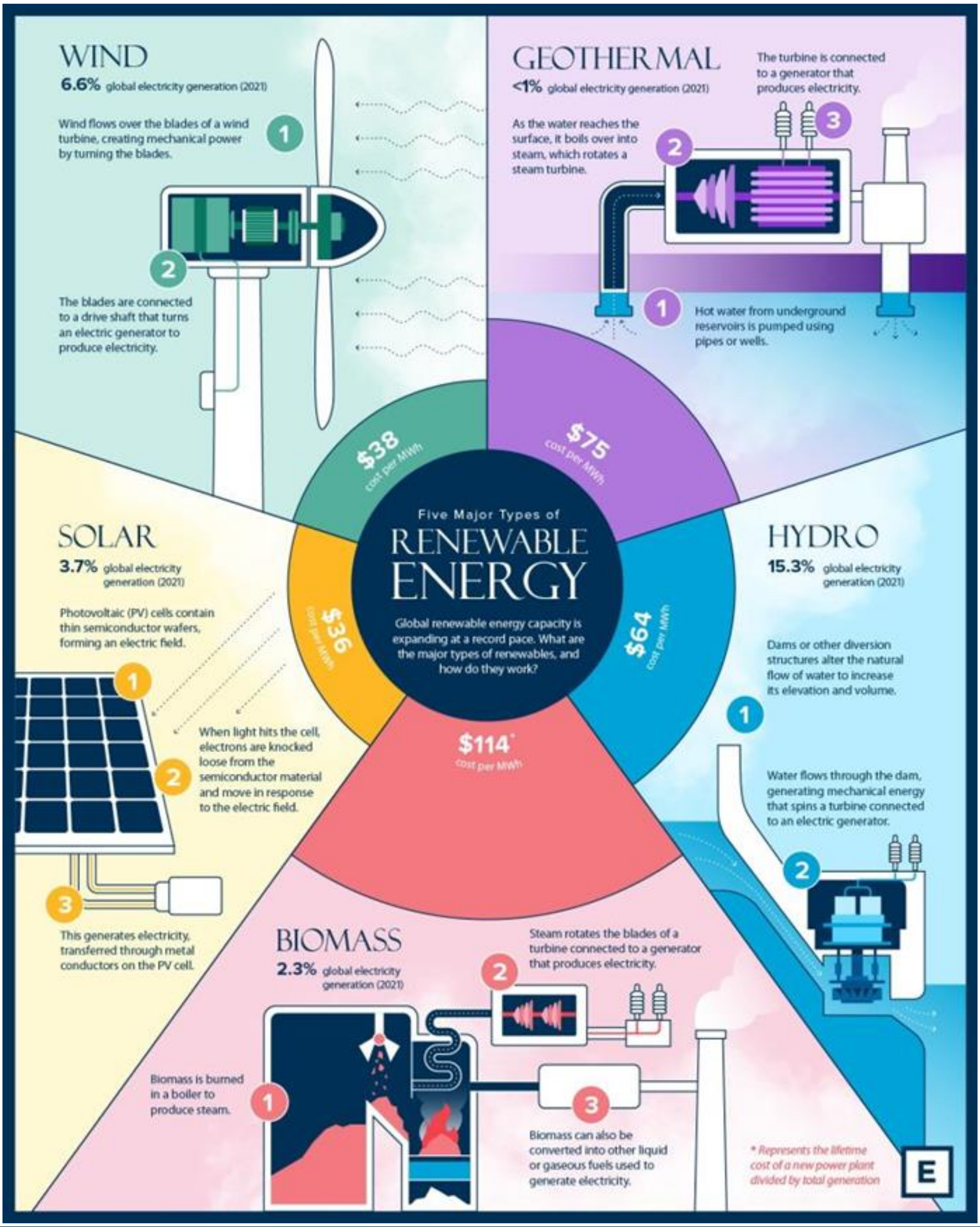
Trade-Ideas:

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

Soybeans: continue to hold long call options on SX

Corn: get ready to start taking positions again in the coming weeks

Food for Thought: 5 major types of renewable energy



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