Weekly Market Report

Monday, 03 July 2023

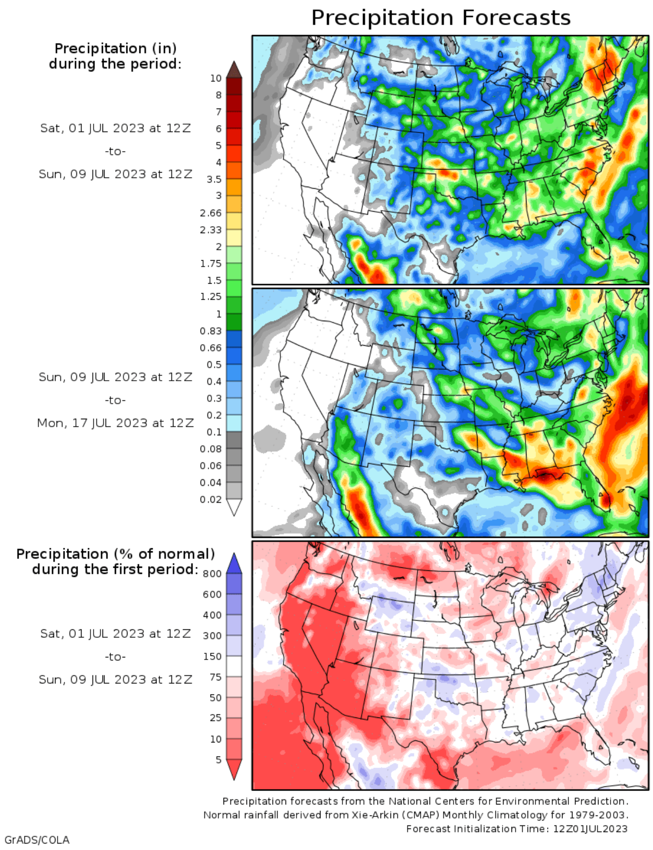
Weekly Overview

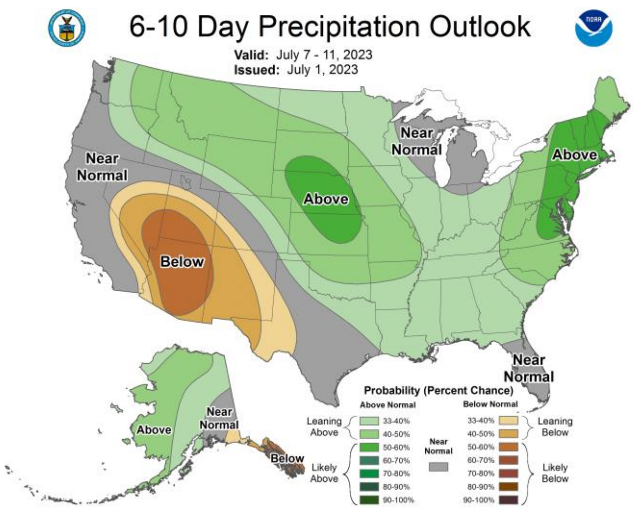
Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	669.25	-92.50	-12.14%	784.25	626.00
Kansas Wheat	800.25	-62.75	-7.27%	889.00	776.75
Corn	494.75	-93.25	-15.86%	629.75	493.00
Soybeans	1343.25	33.25	2.54%	1378.00	1144.25
Soybean Meal	397.30	-1.00	-0.25%	432.60	362.40
Soybean Oil	58.97	4.01	7.30%	58.97	46.13
Crude Oil	70.40	1.30	1.88%	73.40	66.36
Palm Oil	815.00	34.50	4.42%	816.00	718.50

Corn and oilseed complex prices took a downturn prior to the June 30 stocks report, influenced by more positive weather forecasts. Unexpected changes in acreage numbers published in the June 30 stock reports, diverging significantly from market estimate ranges, pushed prices significantly

Regarding old crop stock numbers, the figures corresponded largely with market predictions. However, price movement was mainly propelled by alterations in new crop carry-out numbers due to shifts in planted acreage. Specifically, corn-planted acreage was reported at a staggering 94.096 million acres, surpassing the highest analyst estimate of 93 million acres, and dwarfing the average analyst acreage of 91.8 million acres.





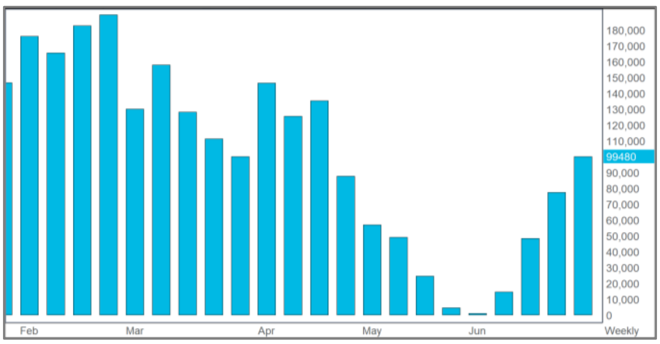
In comparison, soybean planted acreage numbers were noticeably lower at 83.5 million acres, undercutting even the lowest analyst estimate of 87 million acres.

The average market estimate was considerably higher at 87.5 million acres.

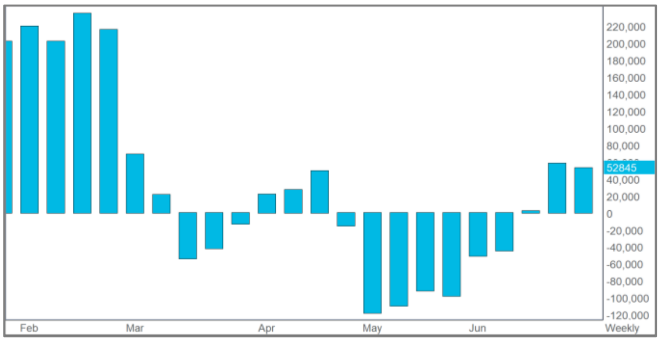
Although forecasts for precipitation have shown significant improvement, they still fall short of the norm. Crop conditions continue to worsen, suggesting a reduced likelihood of crops hitting USDA trend yield projections.

Managed money funds diversified their approach, adding longs to soybean and wheat, while their position in corn remained unchanged. Despite the improving forecasts, the risk of a price rally remains - particularly in the case of soybean due to its reduced acreage.

Finally, with the June 30 report behind us, market focus now shifts to the June WASDE carry-out estimates, emphasizing yield numbers.



Soybeans Managed Money Fund Net Position (in contracts)



Corn Managed Money Fund Net Position (in contracts)

Grains

Wheat prices experienced a significant decline last week, with prices plummeting over 100 cents per bushel. The reported number of planted acres mirrored the market average estimates, clocking in at 49.628 million acres. European crop projections took a hit, as persistent aridity in the European growing regions diminishes expectations for the year's yield.

Russian supply only added to the market's downward trajectory, due to the competitiveness of Russian prices in the export market. The global wheat carry-out stock now hinges on the progress of the northern hemisphere crop, the size of which is yet to be confirmed.

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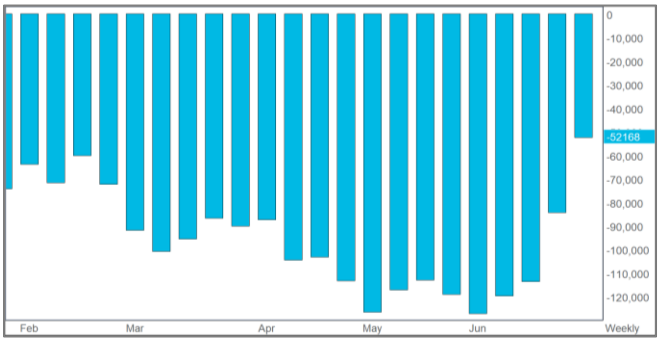
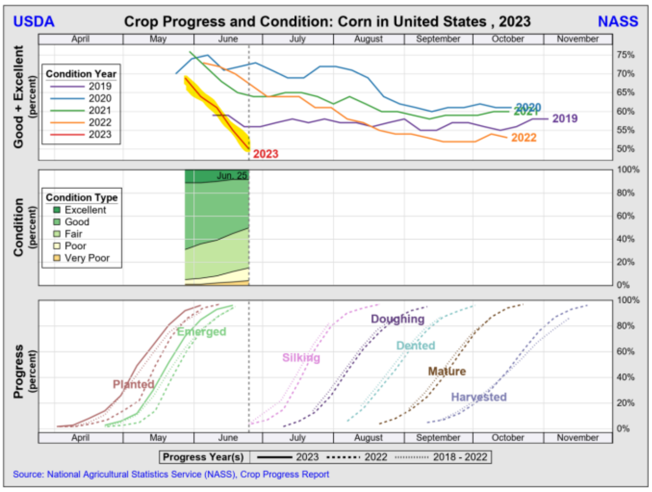


Funds, although still short on Chicago wheat contracts, have lessened the size of their short position. If adverse weather persists in the northern hemisphere, fund short covering could lend some support to prices. Finally, geopolitical uncertainties coupled with the ongoing northern hemisphere growing season will continue to add volatility to wheat prices.

Corn futures on the CBOT suffered a severe setback early in the week, driven by improved precipitation forecasts. Friday's acreage report compounded this decline. Even with current acreage estimates, leaving all other supply and demand variables unchanged, a yield of 170 (compared to the USDA yield of 181.5) would still result in a carry out estimate for the new crop above 1.5 billion bushels.

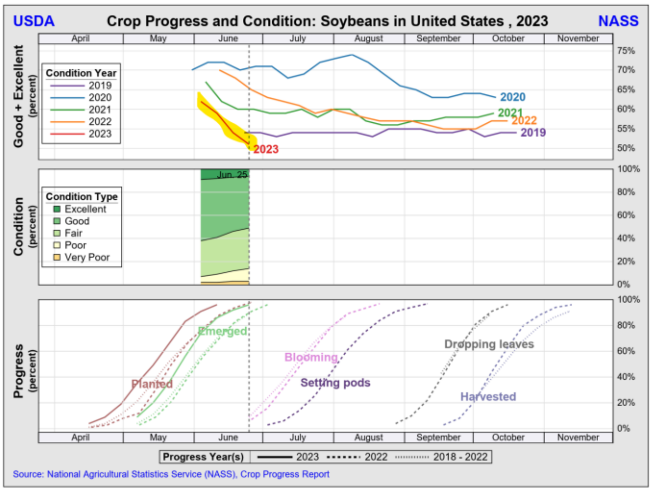


Significant yield declines would still result in adequate US ending stocks, thereby limiting the upside potential for price rallies. Volatility is set to continue as the market gauges the developing yield number both domestically and abroad. Any persistence of dry conditions over the next six weeks in growing areas could significantly lower yield numbers.

Improved weather forecasts according to both the GFS and EU models give some hope, yet the probability of reaching an above-trend yield seems slim given the crop condition ratings. There is some wiggle room in the corn balance sheet for a lower yield. However, a sub-170 yield will wipe out this safety net, potentially leading to a considerable price rally.

Oilseed complex

Soybean futures took a midweek dip due to more promising weather forecasts. However, the shock of lower-than-expected acreage numbers published on Friday reversed the week's losses, sending prices rocketing towards the limit price move.



As we move forward, soybean prices will be largely influenced by the weather in the upcoming months, with August being particularly crucial. The dramatic decline in soybean acreage has left no buffer in the supply and demand balance sheet. If the yield decreases even slightly to 49 bu/acre cs USDA estimate at 51.5 (with all other variables remaining unchanged), the ending stock estimate dips into negative territory. This would necessitate a significant price rally to deter demand.

Crop condition reports for soybean continue to indicate a downward trend, suggesting a lower final yield number. Weather forecasts and crop conditions will remain the key drivers of price trends. As it stands, the fundamental situation in soybean is more bullish than anticipated. Given the absence of any buffer for yield decline, the risk for prices remains firmly to the upside.

Trade-Ideas:

Wheat: liquidate wheat long position , as price decline in corn would limit wheat price rallies

Soybeans: continue to hold long call options on SX , as the risk of higher price has only increased post the June 30 stocks report.

Food for Thought: Declining birthrates around the world

Declining Birth Rates

Live births per 1,000 people for the most populous countries in 2021

Data: UN World Population Prospects 2022 | Visualization: Pablo Alvarez

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