

Weekly Market Report

Monday, 31 July 2023

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Weekly Overview

Price changes over the week.

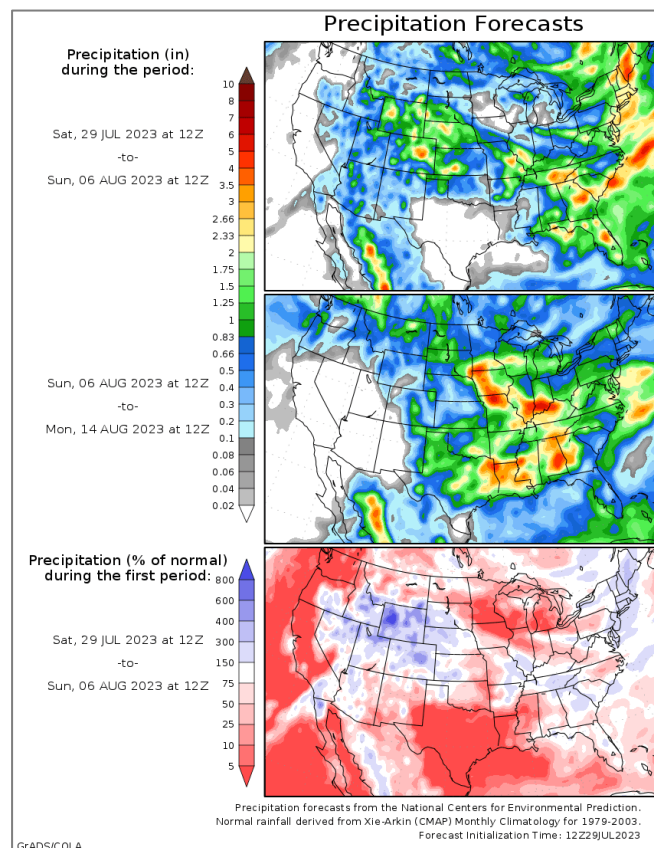
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	728.00	10.25	1.43%	796.25	641.50
Kansas Wheat	869.25	2.50	0.29%	936.00	789.50
Corn	530.25	-6.00	-1.12%	572.25	481.00
Soybeans	1382.50	-19.25	-1.37%	1435.00	1266.00
Soybean Meal	405.80	-2.70	-0.66%	424.70	380.00
Soybean Oil	62.40	-0.40	-0.64%	65.58	55.05
Crude Oil	79.32	3.25	4.27%	79.43	69.32
Palm Oil	891.50	-4.25	-0.47%	920.25	819.25

Last week, grains and oilseed complex exhibited highly volatile prices, despite the weekly close price of grain and oilseed not showing significant change. Initially marked by a rally, prices then retraced later in the week.

Some of the growing areas reported below-normal precipitation, limiting the total yield potential for both soybeans and corn, and resulting in a downtick in crop conditions ratings.

The geopolitical uncertainty in the Black Sea region continues to fuel market volatility. The world balance sheet for both corn and soybean appears significantly tighter without the Black Sea supply.

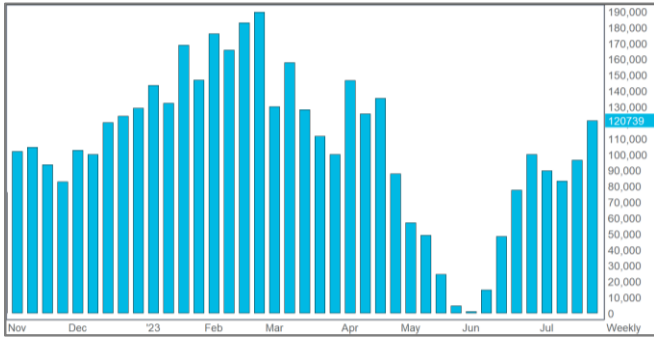
However, some believe grain will continue to flow through the region, with Russia likely taking a more substantial share of the exports, while Ukraine's export capability may be hampered due to Russia's persistent attacks on its infrastructure.



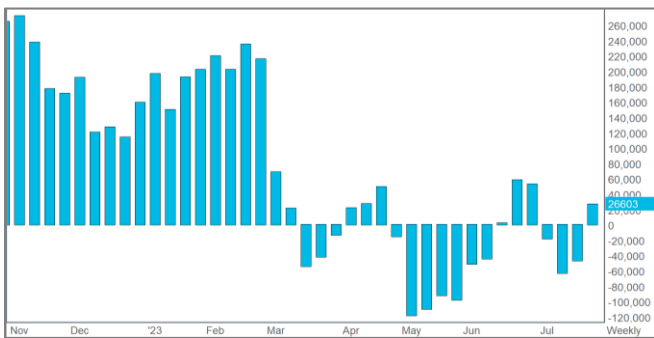
Russian wheat prices have stabilized, and exporters have continued to offer Russian-origin cargoes, indicating confidence in Russia's capacity to export.

Managed money funds have notably added longs to soybean positions and flipped from the short to the long side in corn.

The factors that will impact the market in the upcoming week remain weather forecasts, final yield numbers, and news related to the Russia/Ukraine grain corridor.



Soybeans Managed Money Fund Net Position (in contracts)



Corn Managed Money Fund Net Position (in contracts)

Grains

Wheat prices experienced a tumultuous week. Trading almost limit up on Monday, the market responded sharply to the escalation in the conflict due to a lack of extension in the grain corridor. Despite this, funds persist in holding short positions in wheat.

There is hope that Europe might establish an alternative route for Ukrainian supplies by autumn, though no clear plans exist for that currently. The ongoing uncertainty with Russian and Ukrainian supply continues to be the key threat to world

wheat prices, and many are hopeful for a resolution or at least continued export from Russia's ports. The possibility of grain ships being attacked is also a significant risk to commodity traders. Such an event could lead to difficulties in securing war risk insurance, significantly reducing exports.



Adding to the global food inflation is India's ban on rice export and potential allowance of wheat imports later in the year. Canadian production size estimates continue to decrease, while the northern hemisphere crop's size remains unknown, which could impact global wheat carry-out stock.

The Australian wheat supply might also be significantly affected if El Nino conditions hamper yield potential for Q4.

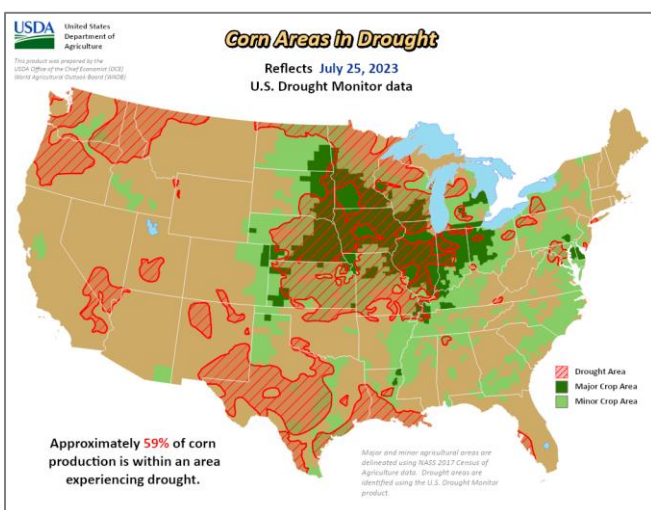
Uncertain geopolitical factors and suboptimal weather for the growing season across the northern hemisphere continue to add volatility to wheat prices. Wheat prices seem directionless at this point due to Black Sea uncertainties.



Corn prices were volatile, starting strong earlier in the week, only to close almost unchanged to lower by week's end. Drought still affects 59% of US corn acreage, making yield estimates challenging prior to mid-August crop tours.

The Black Sea conflict could push world prices higher if it leads to restricted exports, though some hope remains for continued exports via the land route from the EU.

Despite a sharp decline in yield, US is expected to have adequate ending stocks, price rallies will likely have limited upside potential as long as Black Sea supply flow remains intact and weather stays benign.



The weather continues to be challenging but not so adverse to expect yields falling to 170 levels. Large acreage estimates give the balance sheet room for lower exports.

Argentina has included corn in the Export Increase Program that contemplates a differential dollar rate to boost the country's foreign exchange reserves until Aug. 31, potentially encouraging producer selling. The market will focus on Midwest weather and elevated Chinese corn prices, while China continues to book Brazilian origin corn cargoes.

Abnormally hot temperatures in China's corn area could lead to higher price floors as private crop estimates decline.

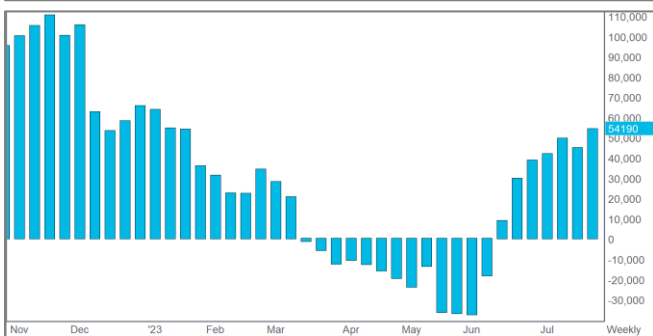
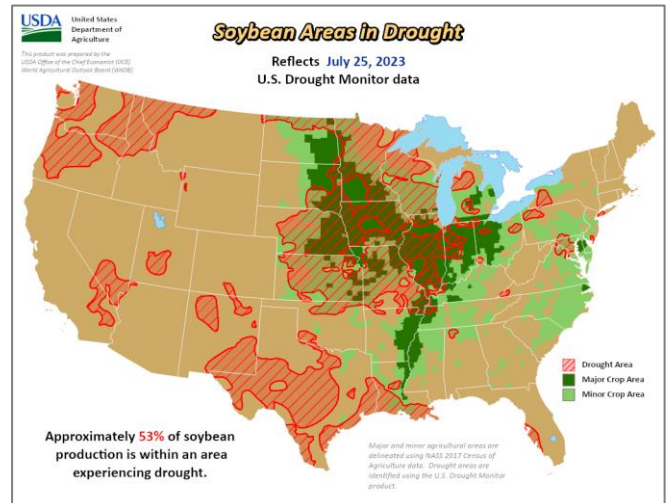
The volatility factor in corn remains the export capacity in the Black Sea, with the bottom line that there is still room for a lower yield in the balance sheet. However, sub 170 yield will erase that margin for error, possibly leading to a price rally, although that scenario seems unlikely at present.

Oilseed complex

Soybean prices trended higher most of the week, helped by physical cash tightness in the US domestic market, but retraced lower by week's end due to improved long-term weather forecasts. Although soybean crop conditions had a downtick, we should not read too much into these small changes as the yield is yet to be fully established next month.

With no room in the supply and demand balance sheet for a larger yield decline, any threat to the crop will likely trigger an outsized price reaction. The August Crop Report in two weeks is expected to add to market volatility. Soybean price will likely be dictated by the weather in the coming months, especially August.





Soybean Oil Managed Money Fund Net Position (in contracts)

Trade-Ideas:

Soybeans: continue to hold long call options on SX .

Corn: Own short term volatility

Wheat: Too much risk globally, own calls

Food for Thought: This year global GDP per Capita ranking

With the USDA expected to reduce both estimated yield and demand side due to tight carryout in the next report, the price risk remains to the upside, as there is no room for yield decline, making even a small drop in yield significant for tight carryout.

Ranking of countries by GDP per capita (2023)

GDP per capita (Nominal), U.S. dollars

K - thousand

- \$100K and more
- \$35K - \$49.99K
- \$75K - \$99.99K
- \$10K - \$34.99K
- \$50K - \$74.99K
- Less than \$10K



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Including dependent territories
Source: International Monetary Fund



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