

The month of September continued the volatility that we have seen since the Russian invasion of Ukraine back in February. While corn was relatively calm spending most of the month in a 50 cent trading range, soybeans moved \$1 higher and then \$1 lower to end the month near where it started. Two crop reports were the main catalysts for the moves. The first was the crop production report that showed lower production than the market (and we) were expecting. It appears that the high temperatures endured over the summer had a larger effect than our weather model would have indicated. As we reached the end of the month, USDA issued their stocks in all positions report that indicate the final ending stocks for the 2021-2022 crop year. The corn ending stocks were smaller than expected while soybeans were larger. Based on those reports, it looks like corn supplies will stay relatively tight for the remainder of the crop year. On the other hand, soybeans will have a bit more wiggle room.

At this time of year, the market is usually grappling with final crop size and the implied ongoing usage. This year, we have an unusual input; river levels. With a summer of below normal rainfall and a particularly dry September, the water levels on the Mississippi River are critically low. The low depth is hindering barge movement up and down the river. Drafts have been reduced along with the number of barges that each tug can push. The combination of the two is curtailing the total amount of agricultural products that can make it to the Gulf of Mexico for export. While the September-November quarter is not the prime period for corn exports, it is absolutely critical for soybean exports. The lion's share of soybean exports is completed in the Sep-Jan period. September exports for soybeans were abysmal and October doesn't look to be much better. Without above normal rainfall in the US soon, the window for exports will be closing. If rainfall does pick up by the end of October, exports from Nov-Jan could recover some of the lost business, it will not be what we lost in Sep-Oct. The bottom line is that USDA indicated larger beginning supplies for the 2022-2023 crop year at the same time that our ability to meet demand is suspect. If/when the river levels improve, demand will be strong, but until we see a better forecast, the market will continue to deal with faltering exports.

As indicated earlier in the commentary, corn looks to stay tight for the upcoming crop year (without a surprise increase in production). As we get into peak harvest season over the next few weeks, we do look for some downside as the crop is put away and excess bushels hit the cash market. Once completed, we see corn rebounding to the upside. Without a drastic change to the macro-economic outlook, dips will be used as a buying opportunity.

Sincerely,



Stephen Davis
October 4, 2022

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