

The month of April was mainly a choppy affair with no real big moves in corn while soybeans broke to their recent low. While far from a good month, the program closed at a small profit.

As the calendar flipped past the 15th of April, the important planting season in the US started. With mostly below normal precipitation in March, plantings got off to a rapid start. As April progressed, precipitation increased which has slowed the overall pace of planting. The increased rainfall is a bit of a double-edged sword. The areas in the western Corn Belt that were running on the dry side are in much better shape for the growing season ahead. However, with April precipitation above normal, the planting progress slowed. The current forecast has about a week of an open window to resume fieldwork and should show good progress. Absent inundating rainfall for May, this crop will be off to a great start. With ample soil moisture and a timely planting, crop conditions should be strong as we roll into June which should put pressure on prices.

When the world corn balance sheet is examined, the supplies are fully ample. The US will have their highest ending stocks in years. The Brazilian crop will be smaller than last year, but the 2nd largest on record. Argentina is much improved from last year's disaster and production should be up more than 60%. When put together, worldwide exporter supplies are up year over year while demand has slowed. It is still increasing on an annual basis, but that increase has fallen to about 1-2% growth per year. If that trend continues and the US grows a normal crop, overall supplies could shift into burdensome with prices falling to either increase demand or reduce planted area for next year.

The world soybean balance sheet has a similar look to corn. US ending stocks for old crop are larger than last year and still growing larger. USDA is still overestimating export demand from the US and will need to cut those expectations in the coming months. The Brazilian crop is mostly harvested at this point. While smaller than last year, it is still a large crop. Like corn, the Argentina production in soybeans has rebounded sharply. When all South American production is combined, it is record production. Those ample supplies will compete against the US well into our new crop year (starting in September). US exports will struggle to exceed those of the current crop year. At current prices, supply will far exceed demand and the world balance sheet turns burdensome. Prices will need to fall in order to increase demand or lower planted area.

Regarding the cattle market, the long-term outlook is still bullish, however, the short-term outlook is heavy. With the start of the calendar year, total supplies of cattle on the front end were up year over year. The initial thought process was that those supplies would be consumed in relatively short order and the market would move higher. While prices did rebound from the sharp sell-off from late fall into early winter, supplies are still too large. In addition to larger supplies, the weights of the cattle are record large for this time of year. The record weights allow packers to produce similar tonnages of beef while harvesting fewer head of cattle. These larger supplies are projected to continue through at least mid-summer. The other worrying factor is that the consumer has been backing off beef demand due to higher prices. There have been plenty of stories regarding the record level of consumer debt and record high interest payments. The increased burden of expanding debt appears to be at least one of the culprits leading to weaker demand. The combination of larger supply and lower demand should push prices lower over the next several months. While the program is currently positioned short to take advantage of the likely move lower in prices, the future supply of cattle is still getting tighter. As the market transitions from bigger to smaller supplies, the goal is to move into a long position for the winter to early spring months.

Sincerely,



Stephen Davis
May 8, 2024

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