

After a strong rally in September for both corn and soybeans, October saw the majority of those gains given back. Soybeans are hovering near the recent low and corn is about the middle of the range.

Regarding the soybean market, supply continues to outstrip demand. The US soybean yield appears to be a new record allowing the ending stocks to move out to burdensome levels. After a dry start to the planting season in South America, the weather pattern has normalized allowing rapid progress in sowing the crop. Current planting progress is now running ahead of year ago and near the 5-year average in Brazil. The forecast for the next 15 days continues to look near ideal for all of South America which should allow for further relaxation in prices. The potential outlier for the short-term is the election today. While that can cause some gyrations in the near-term, without a change to the weather pattern in South America, the world soybean balance sheet will continue to get looser which should move the entire market lower.

The corn market is also staring at a new record yield, however, the price outlook is a bit different than soybeans. After smaller crops in Former Soviet Union and Europe, the overall supply/demand is slightly tighter than last year. The US is in better position to benefit from higher exports until we get into Argentina harvest in May. The export pull over the next 6 months should be enough to support the market on dips, however, rallies should be short-lived barring a reversal to weather in South America. Corn should find support near \$4 and resistance near \$4.50 until harvest picks up in Argentina and then later in the summer with Brazil's crop.

The cattle market has defied all expectations thus far and continues to push into new highs. With total cattle-on-feed (COF) near year ago levels and weights at record highs, the conventional wisdom was that we could see a drop in cattle prices. Even with beef supply exceeding year ago, demand has been even better. Wholesale and retail beef prices continue to press into new highs. The cow herd is still not showing any signs of expansion which should lead to a lower calf crop and eventual tighter supplies of fat cattle later next year. While still long-term friendly, the market is currently pricing in an optimistic outlook for the coming 6 months. The program will sit mostly on the sidelines waiting for a correction to accumulate a bullish position.

Sincerely,



Stephen Davis

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