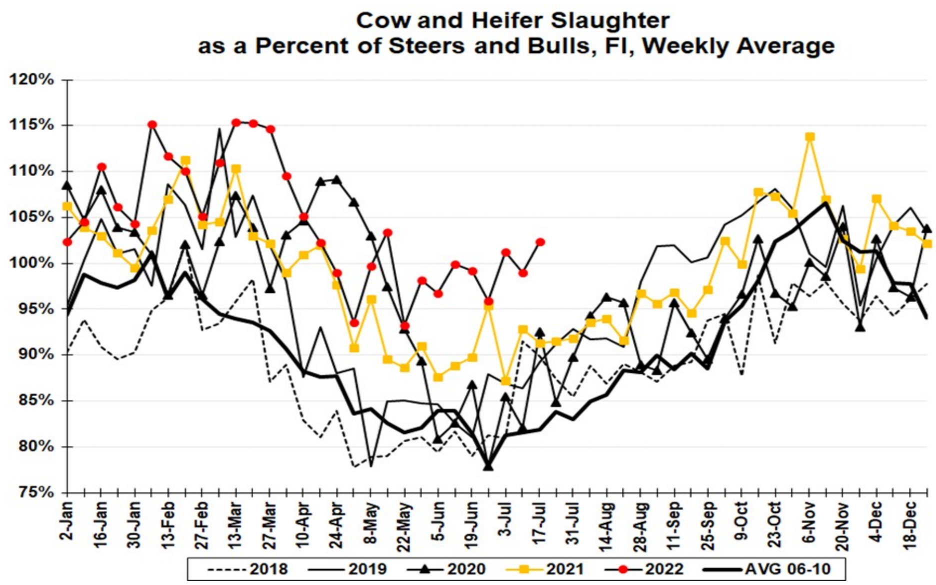
# July 2022 Market Commentary

The month of July was marked by jaw-dropping breaks and eye-watering rallies in the grain and oilseed markets. It appears that the market has been trying to price demand destruction due to slowing economies worldwide while balancing potential damage to the crops from the weather forecast. With two $2 moves in soybeans, risk had been pared back to weather the storm.

As the calendar has turned to August, the outlook for growing conditions has improved. While there is still heat in the far western Corn Belt and Southern Plains, precipitation for the majority of the area looks good. In addition, the eastern Corn Belt looks to stay well-watered with normal temperatures. The improved weather outlook should allow for at least normal finishing to crops. Our empirical work would indicate that yields are currently hovering right near the recent USDA forecast of 177 bushels per acre for corn and 51.5 for soybeans. If anything, we would shade those yields a small amount higher.

On the demand front, the soybean market will look similar to the fall of 2019-2020 when there was little competition from South America. Current expectations are for September-November exports to run well over year ago. That demand pull should support the soybean market once the crop size is a known factor. In addition to exports of soybeans, the product market looks to stay well-supported, too. With the European energy crisis ongoing, expectations are for their soybean crush to come in lower year over year as there simply isn't enough energy to run crushing plants. Their lower crush should support soybean meal/oil imports. Once we score the fall low on realizing crop size, we look for demand to overwhelm and prices to bounce meaningfully.

Corn demand based on outstanding sales for new crop appears to be good. Outstanding new crop sales are one of the highest on record. However, world demand has slowed in recent months. The major concern regarding world demand is centered on China. They have emerged as a sizeable buyer the past two years. With the majority of their buying happening behind the scenes, it is difficult to ascertain how big their program will be this upcoming crop year. As the majority of the US shipments to China have been in the late second quarter of the crop year (Feb, Mar, Apr), we have a long time before their true demand will be pushed to the fore. As it sits now, it does appear that fall exports will run well under year ago levels as Brazilian supplies are still large and they are taking the lion's share of the business. The bottom line is that fall corn demand will feel relatively soft. While the mkt generally enjoys a post-harvest rally, the one upcoming this fall will most likely be smaller than normal.




The cattle market has been slowly grinding higher as corn prices have fallen and deferred supplies look to tighten. Female slaughter remains well above year ago and historical norms as the drought in the southwest has pushed cattle feeders to liquidate cows and sell heifers instead of holding them for cow replacement. As you can see in the chart below, the female slaughter is well over recent years and the 5 year average.

As we stated last month, the exact timing of the big rally is a bit uncertain but, we do expect supplies to tighten significantly into the late spring to early summer of next year. As of now, positioning is small, but will become a large part of the portfolio over time.

Sincerely,

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