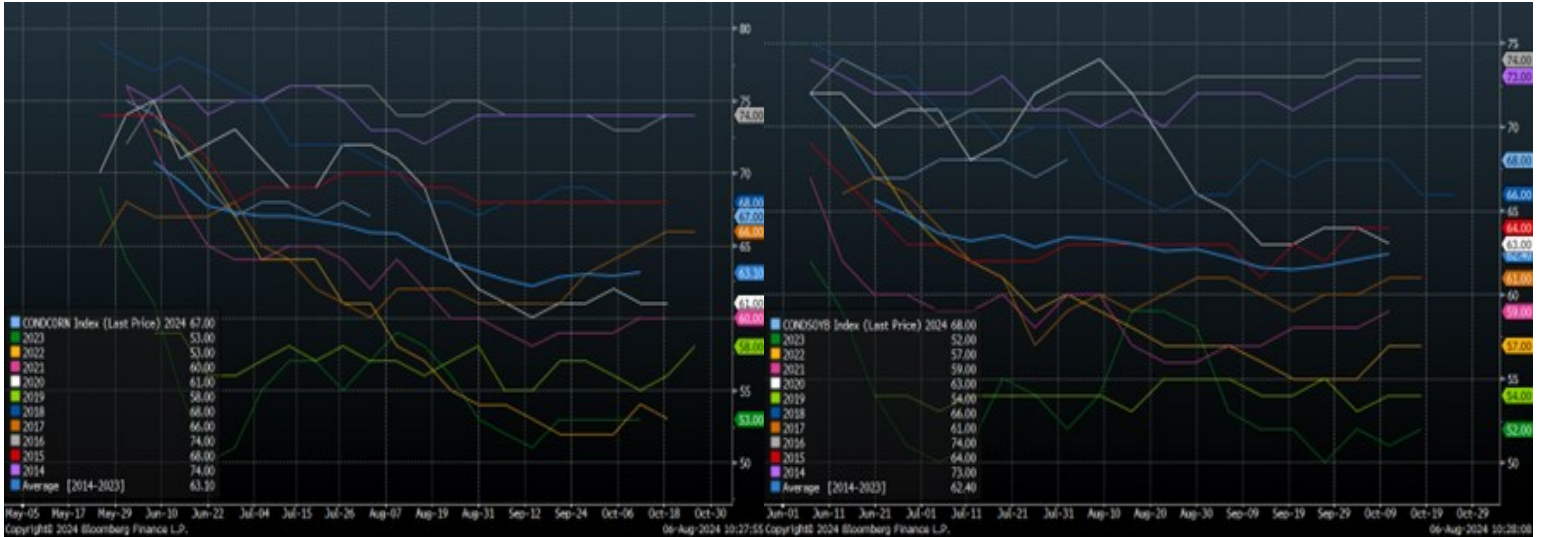
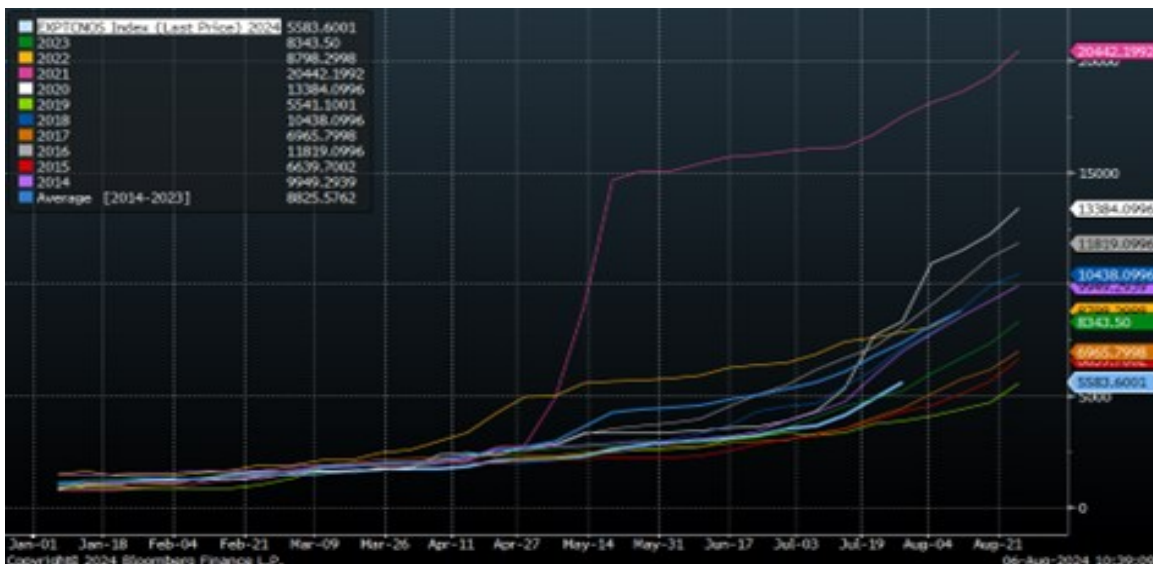


As the summer has progressed, weather has been mostly conducive to good growing conditions for both corn and soybeans. While the most critical month for corn is now over, the key growing month for soybeans is now upon us. With a forecast that continues to be non-threatening and crops in good condition, the path of least resistance continues to be lower. As shown in the charts below, corn conditions (left) are above average, while soybean conditions (right) are well above average.

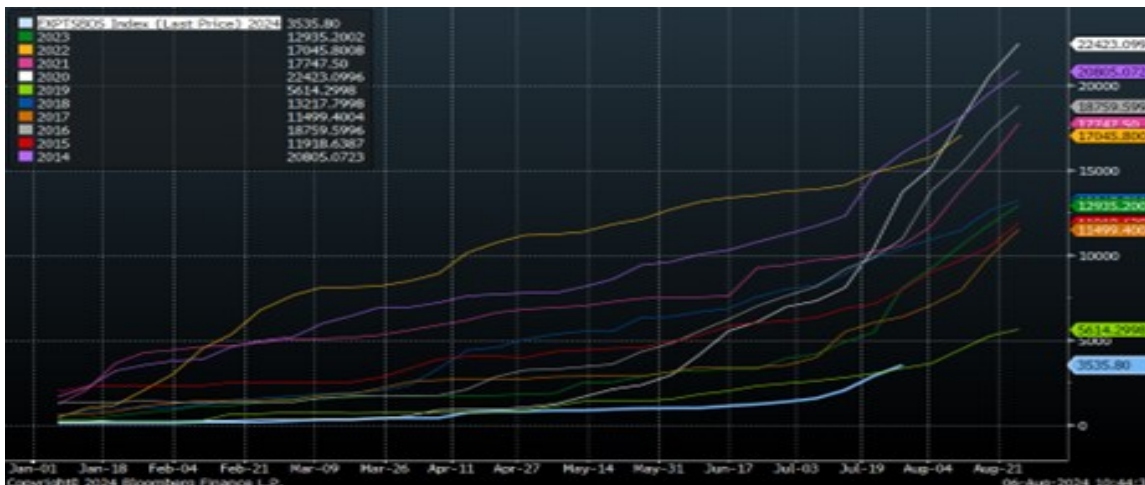


While the crop is far from in the bin, the current state of conditions and forecast can allow us to assume that trend or higher yields is quite likely. With that in mind, we need to turn our attention to demand.

For corn, while demand is far from stellar it is doing OK. Current new crop outstanding sales were ~5.6 million metric tonnes (mmt) as of July 25. As you can see in the chart below, it is middle of the pack. Total South American production was roughly on par with last year, but Former Soviet Union (FSU) production should decline due to ongoing adverse growing conditions. With slightly lower competitor supplies, US export demand should pick up as we move into the first quarter of calendar year 2025 with exports exceeding year ago by ~100 million bushels (mb). That slightly higher demand and slightly lower production (mainly due to planted area) should allow the corn market to find support as we move into the October timeframe. While there is nothing overtly bullish with the corn market, the large demand pull should support futures on dips.



After a relatively small year for exports in soybeans, there doesn't appear to much change for new crop either. As you can see in the chart below, outstanding sales for new crop soybeans are just slightly larger than the trade war year of 2019 at ~3.5mmt. While there is no doubt that sales will pick up as harvest nears, reaching the outstanding sales of 2023 at ~13mmt will be a tall order.



With outstanding sales most likely to come in under year ago, getting to the USDA estimated growth in exports to 1,825mb is not likely. Brazil has been actively selling soybeans for September shipment. This leaves the US with mainly the October-January timeframe to sell and ship more soybeans than last year. While possible, it is highly unlikely to occur. While export demand should come in smaller than a year ago, crush demand should accelerate. There have been five new crushing plants brought online in the past calendar year. Those extra plants will lead to higher demand. Overall, demand should be stagnant year over year while supplies should be near record large. The extra available supply should continue to weigh on prices as we move into the fall.

The cattle market had been defying expectations of a pullback. The program was set to take advantage of that potentiality, but fighting the tape for a couple of months forced me to step aside and wait. The market has started to pull back on the realization of larger than anticipated supplies of fat cattle and seasonally record weights. With beef prices at historically high levels (near record), consumer demand should be switching to lower priced pork and chicken. While there is anecdotal evidence of this happening, the hard data has yet to support. Beyond the next 4-5 months, the outlook is still bullish. Supplies of feeder cattle will continue to contract which will lead to smaller supplies of fed cattle. The continual shrinking of supply will turn prices back higher most likely during late winter to spring timeframe.

Sincerely,



Stephen Davis
 August 6, 2024

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