

Markets continue to drift lower in the absence of bullish news. Chicago corn has had an almost unbroken decline in prices since late October whilst soybeans have had a similar pattern but from mid-November. Wheat in Chicago moved sharply lower from late July highs in a period of about a month and has subsequently drifted sideways to slightly lower since. Funds continue to hold significant net short positions and buyers are hard to find. As we all know, if there are more sellers than buyers, prices will not trend higher regardless. This is broadly the position we find markets in right now. Until there is a bullish input, weather, geo-political, macro or something else we seem doomed to maintain the current status quo.

Doom mongering over, we are in the post CONAB/USDA report period, and these had minimal market moving impact, so we look back to the latest USDA Outlook Forum data that was released yesterday (Thursday). The Forum is designed to discuss trends and developments in US agriculture and is generally watched for the first indication of the USDA's thoughts on crop plantings and yield information. This year's data showed 2024 plantings for corn down year on year by 3.6 million acres at 91 million, soybeans up 3.9 million acres at 87.5 million and wheat down 2.6 million at 47 million acres. Combined three crop area was projected at 225.5 million acres, down 2.3 million. Corn yield was estimated to be 181 bushels/acre compared with 177.3 in 2023 and soybeans at 52 bushels/acre vs. 50.6 last year. Wheat output was estimated at 1.9 billion bu, up from 1.812 billion last year.

The Forum data was deemed bearish, and the year's outlook (at this time) offers minimal sign of change to the current position. As well as the area and yield figures there are also estimates of end stock, which were all increased year on year.

Markets are in an extremely oversold state and statistical and technical indicators all confirm the negative momentum. One thing we would note is that from an historic perspective bear markets frequently end at a time when stocks are high, and we still await a rally triggered by short covering – but we have been awaiting that for a while! Market trend will be dictated to a large extent by actual plantings in the US as well as conditions offered by mother nature in the early growing season. Meanwhile, S American weather remains a point of focus with potential for risk to Brazilian winter corn if developing dryness actually materialises and lingers.

Given the stated conditions and data it is hard to hold to a bullish stance – BUT we still maintain downside risk has limits based upon the fact that markets have to have both buyers and sellers to function normally. Currently, it is hard to see where sellers other than funds come from. Buyers, on the other hand, exist in the usual form of consumers, many of whom are still to step into the market and cover requirements. We await developments.