

AGW DTN Closing Grain Comments

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Spot Soy Futures Rise to Fill the Open Gap; Wheat and Corn Surge

The soybean and meal markets rebounded from Monday's massacre but failed to hold the early strength, trading into the red late, while soybean oil fell on crude oil weakness. Wheat markets rose in unison from oversold conditions, and corn made up all of Monday's losses.

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GENERAL COMMENTS:

March corn closed up 10 3/4 cents per bushel and May corn was up 10 1/4 cents. March soybeans closed down 1 3/4 cents and May soybeans were down 3/4 cent. March KC wheat closed up 14 3/4 cents, March Chicago wheat was up 14 1/2 cents and March Minneapolis wheat was up 17 1/2 cents.

The March U.S. Dollar Index is trading down 0.206 at 101.710. The Dow Jones Industrial Average is up 70.82 points at 33,700.38. February gold is up \$8.80 at \$1,937.40, March silver is up \$0.23 at \$23.79 and March copper is up \$0.0030 at \$4.2595. March crude oil is down \$1.49 at \$80.13, March heating oil is down \$0.1098, February RBOB is down \$0.0478 and February natural gas is down \$0.205.
CORN:

Corn futures were able to stabilize early on Tuesday, gaining back all of Monday's 10-cent losses. A new export sale of 130,000 mt (5.1 mb) was announced sold to unknown destinations. However, overall corn sales are still down 46% from a year ago, with total inspections still off by 5 mmt (197 mb) from a year ago. The weather forecasts for Argentina and southern Brazil remain more favorable with more weekend rains, followed up by storms the following week. However, longer-term forecasts suggest a dry start to February. Weather in the U.S. features more moisture, coming from the southern Plains and on into the Midwest and Ohio River areas. With a shortage of fuel supplies facing Europe, consumers in France have embraced ethanol, and especially the E85 blend, with sales of the same up 83% for the year, with total ethanol sales reported to be up 13% for the year. U.S. trade officials continue to hold meetings with Mexico representatives regarding the proposal to eliminate genetically modified (GMO) corn imports from the U.S. That would be devastating for a market that typically figures to be 17 mmt (670 mb) per year, with much of that used for feed. March corn futures remain in an uptrend, as long as the \$6.62 area (50-day moving average) is not breached. DTN's National Corn Index closed at \$6.74 and 8 cents over the March contract.

SOYBEANS:

In quiet, but volatile trade, soybeans and soy meal, both pummeled on Monday, recovered early on Tuesday before again trading into the red. The

forecast continues to project more rain from Wednesday into the weekend, possibly bringing another half inch to 3 inches of rain, with yet another system slated to move through next week. The big question is can soybeans recover from the current dismal 3% good to excellent and 60% poor to very poor status of the crop prior to rains. Soybean meal bids in the central U.S. are said to be fading, pressuring that market a bit, while bean oil was down hard on crude oil weakness. With the January WASDE report reflecting a 4 mmt drop in Argentine production, that could turn out to be way too high. We have heard some sharply lower forecasts of the Argentine crop; with word that Oil World has pegged the crop at just 34 mmt (1.24 bb) -- 11.5 mmt (422 mb) below that of the USDA. Although that sounds extreme, many questions remain on whether the current rain is too little and too late. On the other hand, few questions remain about the potential for Brazil to harvest a record large crop, with some forecasts as high as 155 mmt (5.7 bb), should weather continue to cooperate. The harvest there is just starting, with just shy of 2% harvested, with major producer Mato Grosso now up to 6% finished, and some record yields being recorded. U.S. crush margins, though down from the highs, remain very profitable, As Brazil advances in their harvest, it is expected that U.S. soy sales will falter, but so far, demand is running above expectations. Funds remain net long a very large position in both soybeans and especially soybean meal. November beans failed to fill the open chart gap and appear to have further downside. DTN's National Soybean Index closed at \$14.60 and 31 cents below the March contract.

WHEAT:

Wheat futures recovered nearly two-thirds of Monday's losses, rallying on oversold conditions, without much in the way of fresh news to impact markets. Paris milling wheat futures closed higher, but barely, and settled just above the 11-month lows set on Monday. Cheap Russian and Ukrainian wheat continue to move into export markets, with Russian FOB values still hanging around \$310/mt. On a positive note, the recent price plunge in wheat has made feed wheat cheaper than corn into some Asian markets. In the U.S. wheat is now working into feed rations in both the U.S. southwest and southeast. Also bullish for wheat is the move by the U.S. Dollar Index to 8-month lows. After weekend snows fell in western Kansas over the weekend, more snow and rains are falling in west Texas, Oklahoma and southern Kansas. KC and Chicago wheat remain in a downtrend, while Minneapolis continues to move sideways. Funds remain net short a sizable position in Chicago wheat and are estimated to have bought 5,000 contracts as of noon, covering shorts. DTN's National HRW index closed at \$7.89, 30 cents below the March contract.

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