

AGW DTN Closing Grain Comments

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Soybean Oil Prices Take Front Stage with Higher Close Tuesday

Propelled by new one-month highs in May contracts of canola and rapeseed oil, May soybean oil closed up 1.18 cents at 47.82, the leading percentage gain in the grain-related sector Tuesday. May soybeans closed up 16 3/4 cents, aided by strength in the vegetable oil sector and signs of better demand out of China.

Todd Hultman

DTN Lead Analyst

GENERAL COMMENTS:

May corn ended unchanged and December corn was also unchanged. May soybeans closed up 16 3/4 cents and November soybeans were up 14 1/2 cents. May KC wheat closed down 1 1/2 cents, May Chicago wheat was up 1/4 cent and May Minneapolis wheat was up 2 cents.

The U.S. Dollar Index is up 0.12 at 102.99. The Dow Jones Industrial Average is up 248.30 points at 39,017.96. April gold is down \$27.10 at \$2,161.50, May silver is down \$0.37 at \$24.35 and May copper is down \$0.0. April crude oil is down \$0.41 at \$77.52, April ultra-low sulfur diesel is down \$0.0359, April RBOB gasoline is up \$0.0059 and April natural gas is down \$0.059.

CORN:

May corn ended steady at \$4.41 3/4 Tuesday, a quiet day of trading that remains up from the February low but looks reluctant to trade higher. Earlier Tuesday, Brazil's crop agency, Conab, lowered its estimate of Brazil's corn production from 113.7 million metric ton (mmt) to 112.7 mmt or 4.44 billion bushels, more credible than USDA's estimate of 124.0 mmt or 4.88 bb. Soil moisture remains a concern in Brazil as the safrinha crop is now mostly planted and this week's forecast is for lighter amounts in central Brazil. The main concern is whether the crop will get enough moisture before the dry season arrives and that remains to be seen. In Argentina, crops are in good shape for both, corn and soybeans. Beneficial rains are expected this week.

On the demand side, corn export sales are doing well, staying a little above USDA's estimated pace, while the situation in Brazil remains uncertain. Demand for corn for ethanol production is also doing well, up 4.6% in 2023-24 from a year ago and will have another update on Wednesday. Cattle numbers are lower this year, but the number on feed is similar to a year ago at this time.

May corn is now up 33 cents from its February low of \$4.08 3/4 and is showing better support in March, but the overall trend remains down with resistance at \$4.59. DTN's National Corn Index was priced at \$4.14 Monday evening, 28 cents below the May futures. The U.S. Labor Department said consumer prices were up 3.2% in February from a year ago, slightly more than

expected with a bump in gasoline prices, while the refinery in Whiting, Indiana, has been down.

SOYBEANS:

May soybeans ended up 16 3/4 cents at \$11.96 Tuesday, getting support from the oil side of the market. While May palm oil trades near their highest prices in seven months, related to dry weather in Malaysia, May contracts of canola and rapeseed oil closed at their highest levels in over a month and helped May soybean oil close up 1.18 cents at 47.82 cents. Key resistance for May soybean oil is at \$48.90, near the sites of both, the one-month high and the 100-day average.

Soybean prices also received encouragement from Conab, lowering its estimate of Brazil's soybean production from 149.4 mmt to 146.9 mmt or 5.40 bb, a significant distance from USDA's 155.0 mmt or 5.70 bb estimate. As with corn, Conab's estimate is more in line with other estimates and looks more credible with Brazil's soybean harvest now past the halfway mark. According to the ag institute, IMEA, the soybean harvest in Mato Grosso is 84% complete. Along with lower crop estimates for Brazil as harvest commences, we have also seen a nice rebound in China's soybean prices, an encouraging sign of improving demand. July soybeans on the Dalian exchange ended a little higher again Tuesday, now at the U.S. equivalent of \$14.29 a bushel and near its highest prices in two months.

Here in the U.S., soybean exports remain below USDA's estimated pace in 2023-24 and will likely bring a lower export estimate from USDA eventually. Domestic crush demand remains stable however and price incentives continue to encourage processors to keep at it. Monday's report from USDA estimated soybeans' processing value increased 29 cents to \$14.20 a bushel as of March 8, maintaining a comfortable margin over the cost of soybeans, currently averaging in the low \$11s. Fundamentally speaking, there is good reason for prices to have found support near \$11.50 and it will be interesting to see if the market can stress specs, holding a record net short position of 197,241 contracts as of March 5. For now, the trend in May soybeans remains down. DTN's National Soybean Index was priced at \$11.22 Monday evening, 58 cents below the May futures.

WHEAT:

May KC wheat ended down 1 1/2 cents at \$5.97 1/4 Tuesday, a quieter day of trading after following last Wednesday's new low with three higher closes. Wheat prices, in general, remain well below their production costs and are fundamentally cheap enough to attract long-term support. What is difficult to assess is whether wheat valuations no longer command the price levels they once did before Russia dominated the export market and support levels will have to prove themselves in time. So far, the trends remain down for all three U.S.

wheats, but it is interesting how May KC rejected last week's new low of \$5.51 1/2, a possible sign of the long-term support we've been looking for.

Fundamentally, wheat supplies are not burdensome on either a national or global level, but the lack of U.S. wheat exports have encouraged specs to build a short position in wheat since late August 2023 and those positions have not been significantly challenged yet. Key resistance for May KC wheat is currently at \$6.28, the site of the 100-day average and near \$6.33, February's high. This week's forecast has areas of light to heavy precipitation expected for SRW wheat, limited rain chances for select parts of the southwestern Plains and light amounts expected in the Pacific Northwest.

For now, the trends remain down for the May contracts of all three U.S. wheats. DTN's National HRW index closed at \$5.52 Monday, up from the lowest price in three years. DTN's National HRS index closed at \$6.49.

Todd Hultman can be reached at Todd.Hultman@dtn.com.

Follow him on X, formerly Twitter, @ToddHultman1.

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