AgCountry Farm Credit Services
JULY 2023 MARKET UPDATE
Cody Didier, Marketing Education Specialist

The second quarter of the year is a time when the South American harvest, U.S. weather, and U.S. planted acres control the market. In addition to those factors, there were some other events that had an impact on the market in Q2 of 2023, such as the Black Sea Grain Initiative being renewed once again.

Corn

Throughout the second quarter, there wasn't a steady trading range at all for old crop corn off the July futures contract. Over the trading period futures traded in a $1.20 range varying from $6.72 to $5.52. New crop corn off the December futures traded much like old crop in a massive range for corn of $1.39 from $6.29 to $4.90.

Starting out the second quarter in April, the trading range was holding flat until rumors of the giant South American crop progressed, creating old crop corn sale cancellations to China. Not long after the sale cancellations, the Black Sea Grain Initiative once again was renewed in mid-May bringing more bearish news into the market.

The next big impact on the market focuses on U.S. weather. The corn belt, which is the area within the U.S. where the majority of corn and soybeans are grown, was experiencing drought conditions. For example, in June 99% of Illinois was either dry or experiencing drought conditions. These poor crop conditions brought us the worst corn condition estimates for June since 1988. With Illinois being a main production state, all eyes were watching Illinois weather.

To round up the second quarter for corn, on June 30th the USDA released their June planted acreage estimates. This report flooded the corn market with more bearish news than thought possible. The USDA stated that there are 94.1 million acres planted, which is well above the USDA March Prospective Planting report estimate of 92 million acres and 6% more acres than last year. These planted acres make it the third-highest number of acres planted since 1944.

Soybeans

Like the corn market, the soybean market took a very hard hit recently creating lows we haven't seen in years. Although with the release of the USDA acreage report, soybeans are sitting back at levels we haven't seen since early March. The South American record soybean harvest impacted the soybean market. U.S. weather also impacted the soybean market due to dryness in the corn belt. This showed we are experiencing poor crop condition estimates we haven't seen in years for soybeans.

Unlike the corn market, the soybean market loved every bit of the June acreage report. The USDA reported 83.5 million acres planted, down 5% compared to last year and well below the March Prospective Planting estimate of 87.51 million acres. With the large decrease in acres compared to the Prospective Planting estimate the soybean market bounced back from contract lows.

Wheat

Wheat markets have been everything except steady. New contract lows were set throughout the second quarter. Talks throughout Q2 about the Black Sea Grain Initiative affected wheat markets in major ways as well, pushing them both higher and lower at times. The only news that didn't affect the wheat markets was the USDA acreage report. All wheat planted acres were reported at 49.6 million acres, which is 9% higher than last year's acreage and right in line with the March Prospective Planting report estimate of 49.9 million acres.

Sugarbeets

The U.S. sugar supply increased by 176,692 short tons to 14.637 million, due to increased imports. Production for 2023/2024 is projected at 33.345 million tons with a yield estimated at 30.77 tons per acre.

Dry Beans

Total planted dry bean acres are estimated at 1.21 million acres. That is down 3% compared to last year's planted acres. This is due to a decrease in acres in seven of the nine dry bean-producing states. That includes a decrease in acres in both top-producing North Dakota and top-five-producing Minnesota.

Biofuels

With an increase of renewable diesel producers escalating their output in the U.S., growth in supply and diminishing margins have appeared. Throughout the record soybean harvest in Brazil, the vegetable oil market was put to the test. Brazilian producers were foreced to sell their soybeans no matter the circumstance. This was due to a weaker Chinese demand and a lack of storage from record production.

Lean Hogs

Even with hog prices falling to contract lows in May, lean hog prices have climbed back up to levels we haven't seen since March. This is, however, trending right in line with the last few years. We traditionally begin trending upward throughout the summer months and then once we get into fall, we typically see the prices start trending back downward.

Feeder Cattle/Fat Cattle

The second quarter has been a great time to be a cattle producer. Prices are trading higher than we have witnessed in years. Tight cattle supplies, improving pasture conditions along with lower feed costs continue to push this market higher.

Dairy

Even with lower input costs bringing some relief to margins, demand continues to weaken. The weakness in demand is the result of higher food prices along with slower economic activity in 2023.

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