

Grain Market Compass

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Rains have fallen across the Midwest and Great Plains, slowing post-harvest field work but helping the winter wheat crop. The USDA released November's WADSE report, trimming back yields greater than expected: corn was cut by .7 bushels per acre, and soybean yield was trimmed back by 1.4 bu./ac. Trade had been expecting an increase in exports on the balance sheet, but corn remained unchanged and soybean exports were trimmed by 25 million bushels. Even with the changes, trade is comfortable with carryout numbers.

The U.S. Dollar has moved higher, making US products more expensive, but fortunately, the rains increased river levels, cheapening barge freight and offsetting the strength of the dollar. The Feds also announced another rate cut of 25 basis points, and trade is looking to the potential of another cut in December. Soybean crush and ethanol production is strong, with new records last month. The demand for soy oil supports soy crush, a cheaper alternative to sunflower, palm and canola oil. China also is potentially reinstating the export taxes for used cooking oil.

Japan plans to increase its ethanol blending mandate to E10 by 2030 and E20 by 2040. Currently, Japan does not have the infrastructure to produce enough ethanol and will depend on imports, potentially from the U.S. In the future, trade will be closely watching for announcements from the Trump Administration on biofuels.

Brazil and China announced a partnership this month. China will invest in infrastructure development and technical assistance and expand Brazil's sorghum exports to China. China currently accounts for 90% of U.S. sorghum exports, and Brazil only produces enough sorghum for its needs. This leaves the question of whether Brazil will shift acres to sorghum production.

The Russia/Ukraine conflict has escalated this month, with Ukraine launching long-range missiles into Russian territory, marking a significant development in the war. In response, Putin signed a decree allowing the launch of nuclear weapons in the event of a massive missile attack on Russian soil. This has introduced a high level of uncertainty in the market, particularly regarding wheat exports from the Black Sea region. The conflict's potential impact on trade dynamics and market stability is a key concern for industry.

The upcoming December WADSE report, scheduled for release on December 10, is highly anticipated by the trade community. It is expected to shed light on the future of the market, particularly with regards to the demand for corn stemming from exports, feed and ethanol. StoneX's last projection of a carryout around 1.828, which is 100 million bushels less than the USDA's estimate, is a key point of interest. His slightly bullish forecast for corn futures, coupled with the potential pressure on corn from beans, adds to the anticipation surrounding the report.

Another notable point is that Mexico has been a big buyer of U.S. corn this year; the question is, are they front-running purchases before the Trump administration and a trade war, or is it new demand? Mexico has experienced drought in the last two years and increased domestic livestock production.

After trading lower at the beginning of the month, grains attempted to move higher with positive export numbers, yield cuts, regular flash sales announcements and solid livestock numbers. Corn is in a sideways pattern, and beans are slipping to lows. Grains will struggle until the incoming administration provides more explicit direction on biofuels, trade and geopolitical intentions.

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