Grain Market Compass

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The 2024 crop year will certainly be one to remember—a slow, wet spring gave way to a quick, dry harvest. The weather allowed farmers to harvest at a record pace but also created some unfavorable conditions. The warm, dry and windy weather caused soybeans to lose moisture content, with many producers reporting yield loss in beans due to lower-than-expected moisture. Corn also dried down rapidly across the grain belt, with some corn coming out of the field under 14%. We saw long lines at processors and basis slip fast.

In early October, farmers were able to sell grains at the highest levels since June. The opportunity presented itself due to drought conditions in South America, tensions in the Middle East and funds liquidating their large short futures positions. As the month progressed, rains crept back into the forecasts for Brazil and Argentina, and the weather premium eroded from the futures market. The October World Agriculture Supply and Demand Estimates report also added pressure to the market and pushed corn and soybean futures to harvest lows. The USDA increased the average corn yield to 183.8 bushels per acre despite pre-report estimates pricing in a small decrease in yield. The USDA also decreased the corn carry-out by 60 million bushels, a smaller cut than expected. Soybean stocks were left unchanged with a very slight decrease in yield. Other factors contributing to the downturn in the futures market include the U.S. dollar pushing back toward the highs from August and low Mississippi River levels, causing freight costs to increase.

Grains will continue to face headwinds in the next few months. South America is receiving rain, and the extended forecast shows moisture for Brazil, creating better growing conditions. Planting progress in South America continues to climb and catch up to the five-year average pace, making it difficult for U.S. prices to increase. U.S. exports of corn and soybeans are running ahead of pace, but our export window is short, and logistical issues are weighing on the market. Traders and exporters are nervous about potential tariffs on exports under the next administration. China and Mexico have been front-loading exports and have started booking sales out of South America for next spring.

With a significant amount of U.S. corn and soybean production areas currently facing drought conditions, it may be advantageous to price grain now. Traders likely won't concern themselves with a drought until February, and while better prices may be possible due to continued drought into spring and summer, we learned earlier this year just how quickly a drought can dissipate.

In conclusion, look for the lows in the bean market before re-owning bushels through futures or options strategies. There is some hesitancy to enter a long position in beans, but a call spread may be beneficial if willing to take on some risk. We are looking at a 60-80 cent strike spread, limiting premium cost but having upside potential. Corn is also near harvest lows, and we're looking to have upside exposure with a call spread on sold corn. Keep watching for futures resistance levels to make sales and working offers for corn in on-farm storage and for the new crop of 2025.

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