

Monthly Commodity Futures Overview September 2023 Edition

Grain Market Outlook for the United States and South America by Mark Soderberg, Senior Grain Market Specialist, ADM Investor Services

*The following report is an overview of the US and South American economic, political and crop situations as of **September 14, 2023**. This report is intended to be informative and does not guarantee price direction.*

In September the USDA lowered the U.S. 2022/23 corn carryout 5 mil bu. to 1.452 bil. bu. as a 30 mil. bu. cut in usage for ethanol production and 5 mil. bu. increase in imports was more than offset by a 40 mil. bu. increase in exports. 2023 corn production increased 24 mil. bu. to 15.134 bil., 140 mil. above expectations and just above the range of estimates. Currently this year's crop is forecast as the second highest ever, just shy of the 2016 record at 15.148 bil. Driving the higher production was an 800k jump in harvested acres, while the average yield slipped to 173.8 bpa from 175.1 bpa in August.

There were no changes in demand for the 2023/24 MY allowing ending stocks to increase 19 mil. bu. to 2.221 bil., matching a 5-year high. Global 2022/23 stocks rose 1.5 mmt to 299.5 mmt, which was above expectations. Brazil's 2022/23 production forecast rose 2 mmt to 137 mmt, while their export forecast increased 1 mmt to 57 mmt. China's imports rose .5 mmt to 18.5 mmt. New crop 2023/24 global stocks jumped 3 mmt to 314 mmt, which is slightly above expectations and the highest in 5 years.

The USDA lowered the U.S. 2022/23 soybean carryout 10 mil. bu. to 250 mil. as exports were increased by this amount. Old crop soybean oil usage for biofuels rose 100 mil. lbs. to 11.8 bil. lbs. I was looking for a 200 – 300 mil. lb. increase. As we expected, soybean meal exports rose another 200k tons to 14.2 mil. short tons. 2023 production fell 59 mil. bu. to 4.146 bil., which was slightly below expectations. The average yield fell to 50.1 bpa. 2023/24 demand was cut 45 mil. bu. enabling ending stocks to fall only 25 mil. to 220 mil., slightly above expectations. Exports were lowered 35 mil. bu. to 1.790 bil., while the crush was lowered by 10 mil. bu. to 2.290 bil. If realized, this export figure would be the lowest since 2019/20. The average farm price for 23/24 rose \$.20 to \$12.90. Stocks/use was at 5.2%, which is the lowest in 8 years. 2022/23 global stocks held steady at 103 mmt. Brazil's exports rose 1 mmt to 95 mmt., while China's imports rose 2 mmt

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to a record 102 mmt. 2023/24 global stocks held steady at 119 mmt. China's new crop imports rose 1 mmt to 100 mmt.

U.S. wheat stocks were left unchanged at 615 mil. bu. Final production for the U.S. winter wheat crop will also be out on the last business day of the month, Friday, Sept 29. While overall stocks were left unchanged, there was a 10 mil. bu. shift in exports from HRW to spring forcing HRW stocks to rise to 256 mil. bu., while spring wheat stocks fell to 138 mil. Global stocks for 22/23 fell 1 mmt to 267 mmt. Global stocks for 23/24 plunged 7 mmt to 258.6 mmt, driven by lower production. Here are some of the production changes: Australia down 3 mmt to 26 mmt, Canada down 2 mmt to 31 mm, while Argentina and the EU both saw a 1 mmt production cut to 16.5 and 134 mmt respectively. Ukraine's production rose 1.5 mmt to 22.5 mmt. If realized, global stocks would be the lowest in 8 years, while the stocks/use ratio is the lowest in 9 years.

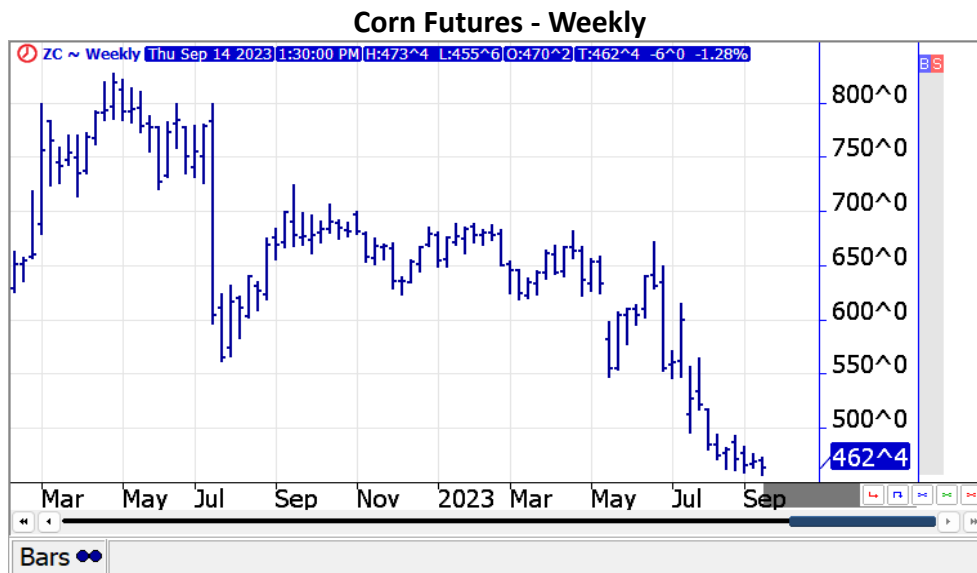


Chart from QST

Livestock Outlook by Chris Lehner, Senior Livestock Analyst, contracted by ADM Investor Services

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Live Cattle

The cattle market during August 2023 was typical in some ways and atypical in others. Beef prices a week after July 4 through the first week of August drifted lower as summer heat kept

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ovens turned off. Consumers bought beef that could be quickly cooked inside or on the grill. On July 3 choice boxed beef was \$328.73/cwt and as the heat intensified through July and into August, consumers also spent money on summer vacations and high energy bills for air conditioning. Beef prices fell. By August 1 choice beef dropped to \$306.10/cwt.

Consumers shifted from high priced cuts such as steaks for July 4th, to less expensive beef like ground round and ground chuck to chubs made of all grades and grinds. This is a typical pattern during the summer, and it was followed by another typical pattern in August when beef prices increase for the last big summer beef buying, Labor Day. From August 1 to August 31 choice boxed beef prices moved up and were back to \$313.79/cwt.

As much as beef buying was typical in August, the cattle market was atypical. U.S. cattle slaughter that had been falling throughout 2023 saw steep declines in August. The severe record breaking temperatures in the South and Southwest had cattle in feedlots not gaining weight and the cattle sold were often lower grade. From the week ending Friday, July 14 to Friday, August 11 weekly slaughter went from 633,000 head a week down to 603,000 head a week, averaging 7,500 head less per week. The last two weeks of August, as more cattle moved particularly in the Midwest and upper Plains, slaughter did improve and was back to 626,000 head a week.

Cattle prices were also atypical during August. August 2023 live cattle futures traded near contract highs in a tight range. On August 1 August live cattle settled at \$179.50/cwt, and on August 15 it closed the day at \$179.10/cwt, and by August 31 the contract settled at \$179.72/cwt. The daily trade high was \$181.70/cwt on August 10, and the daily trading low was \$177.47/cwt on August 18. The contract high for August 2023 live cattle was \$182.97/cwt on July 20, 2023.

Live Cattle Futures - Weekly



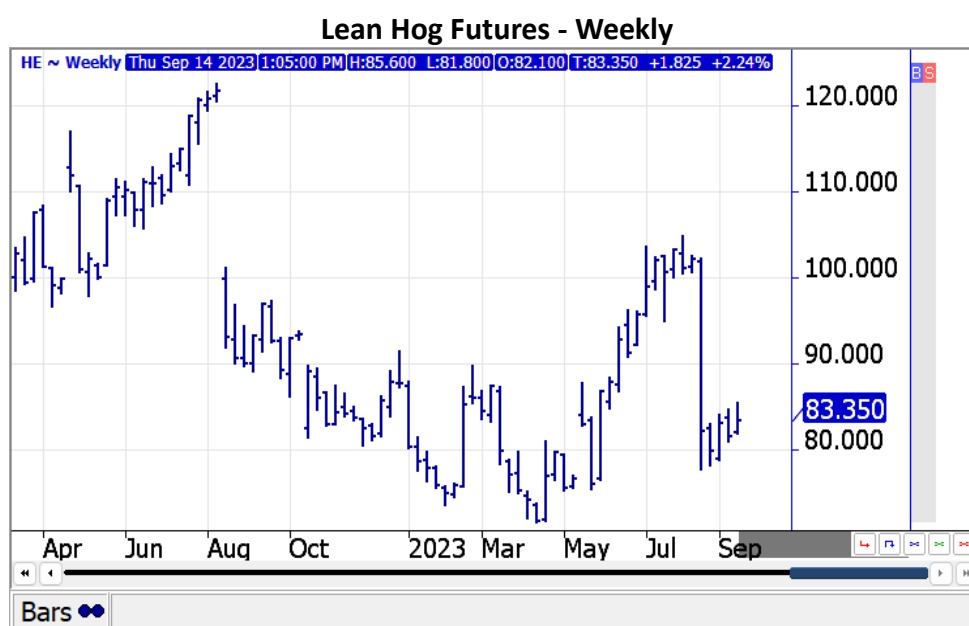
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Lean Hogs

August 1, 2023 was a significant day for lean hog futures because the rally starting on May 30, 2023 topped. On August 1, 2023 the August 2023 lean hogs rallied \$31.47/cwt off the lows in May. Traders began to focus on the larger hog inventory and pork prices well off the highs. By week-end Friday, August 4, 2023, U.S. federal hog slaughter was up 1.3% over the same period in 2022 by approximately 951,000 hogs. On September 1, 2023 U.S. federal hog slaughter was up 1.4% over the same period in 2022, which is approximately 1,132,000 more hogs. The increasing hog inventory put a lid on pork prices moving higher.

On May 1, 2023 the CME pork index dropped to \$79.27/cwt but rallied into August and was at \$114.02/cwt. But like the hogs, pork topped and by August 31 the pork index had retreated to \$93.33/cwt.



All Charts from QST

Stock Index, Currency, Crude Oil and Precious Metal Futures Market Outlook by Alan Bush, Senior Financial Economist, ADM Investor Services

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Stock Index Futures

Stock index futures made a near term bottom on August 18, as Federal Reserve rhetoric has become more hawkish recently. For example, Boston Federal Reserve President Susan Collins said

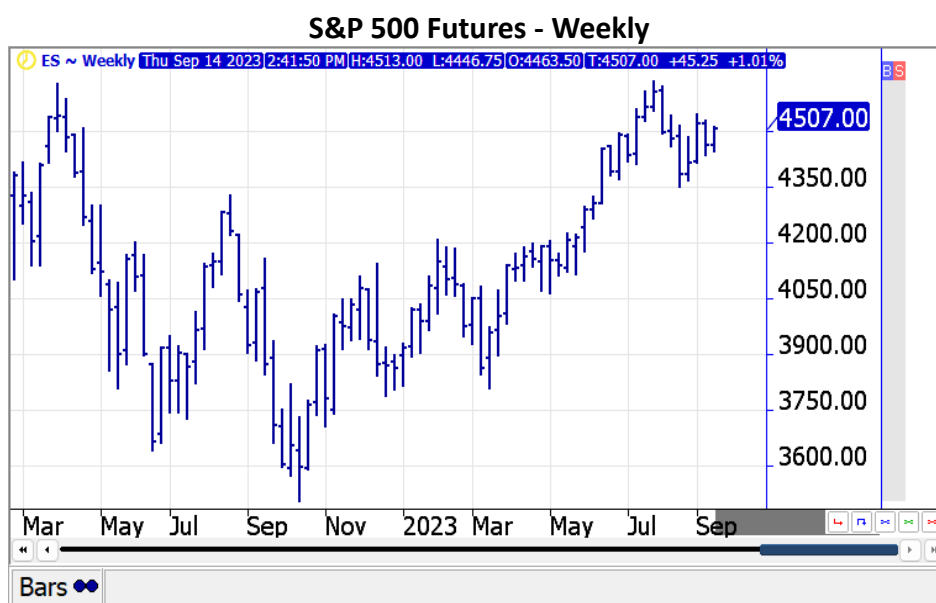
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she needs more evidence to convince her that inflation has been tamed, and more increases in interest rates could be needed depending on upcoming data.

Economic reports have been mixed. Retail sales in August increased 0.6% when a gain of 0.2% was predicted. Personal income in July increased 0.2% when a 0.3% gain was anticipated, and personal consumption expenditures were up 0.8% when an increase of 0.6% was expected. U.S. based employers announced 75,151 job cuts in August, which is a 217% increase from the 23,697 cuts announced in the previous month, according to Challenger, Gray & Christmas, Inc. Major downtrend lines were taken out to the upside in late August.

Most analysts appear to be bearish on balance, which from a contrarian point of view suggests higher prices for stock index futures longer term, especially after the seasonally weak month of September is out of the way .



U.S. Dollar Index

The U.S. dollar index advanced to the highest level since early March due to increasingly more hawkish commentary from Federal Reserve officials. In addition, the greenback has been supported by its safe-haven status because of ongoing worries over the health of the U.S. banking sector. Also supporting the U.S. dollar is a growing belief that the Federal Reserve is willing to keep its elevated fed funds rate higher for longer.

Longer term, interest rate differential expectations remain favorable for the greenback, especially against the European currencies, since the U.S. economy appears to be holding up relatively well compared to economies in Europe.

Euro Currency

The euro currency was pressured by further evidence of an economic slowdown in the euro zone.

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The euro area gross domestic product expanded only 0.1% on quarter in the three months to June, which was revised lower from an initial estimate of a 0.3% gain. Industrial production in Germany shrank 0.8% month-over-month in July 2023, which is worse than the market consensus of a 0.5% decline and following a downwardly revised 1.4% fall in June. Also, retail sales in the euro area decreased 0.2% month-over-month in July, following an upwardly revised 0.2% increase in June, compared with market expectations of a 0.1% drop.

The annual inflation rate in the euro area remained unchanged at 5.3% in August 2023. However, the core rate, which excludes volatile items such as energy and food, fell to 5.3% from July's 5.5%. The euro area seasonally adjusted unemployment rate remained at a record low of 6.4% in July 2023, matching market forecasts.

German unemployment increased more than expected in August. The Federal Labour Office said the number of people out of work increased 18,000 in seasonally adjusted terms to 2.63 million. Analysts expected an increase of 10,000. The seasonally adjusted jobless rate in Germany remained stable at 5.7%.

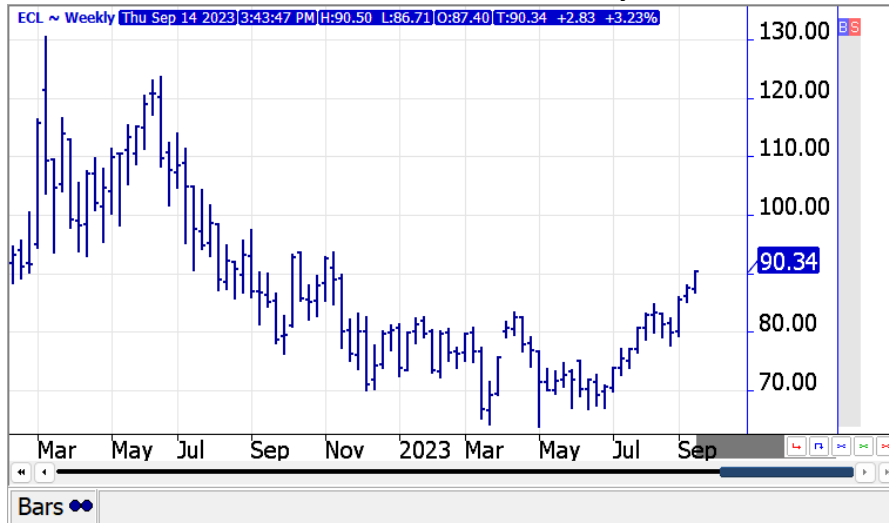
The HCOB Euro Zone Composite PMI fell to 47.0 in August 2023 from 48.6 in the previous month, which is well below market expectations of 48.5, according to a preliminary estimate. The HCOB Germany Composite PMI dropped to 44.7 in August 2023 from 48.5 in July, which was substantially under the forecast of 48.3, a preliminary estimate revealed. The euro zone economy will grow slower than previously predicted this year and in 2023, according to an estimate from the European Commission. There was limited support for the currency of the euro zone when on September 14 the European Central Bank raised interest rates by another 25 basis points at its policy meeting, marking the 10th consecutive rate hike. This move took the main refinancing operations rate to a 22-year high of 4.50% and the deposit facility rate to a new record of 4.0%.

In the longer term lower prices are likely for the currency on the euro zone.

Crude Oil

Crude futures traded over \$90 per barrel, which is the highest since November last year, driven by expectations of reduced global supplies. The International Energy Agency reported ongoing supply cuts by major producers are pointing to a significant market deficit in the fourth quarter. OPEC also predicted a substantial 3.3 million barrel per day deficit, while the U.S. Energy Information Administration offered a more conservative estimate of a 230,000 barrel deficit. There was only limited price pressures when U.S. crude inventories unexpectedly increased by 4 million barrels last week, defying expectations of a 1.9 million barrel decline.

Crude Oil Futures - Weekly



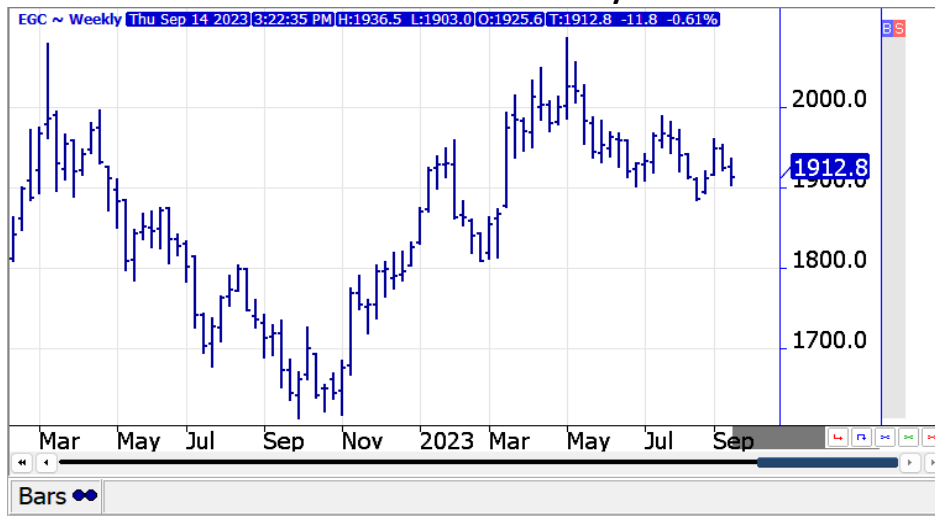
Gold

Gold futures are under pressure this month due to a stronger U.S. dollar, which advanced to its highest level since early March. In addition, the ongoing hawkishness from Federal Reserve officials added to the negative sentiment towards the gold market.

Gold prices held near a three-week low despite higher-than-expected U.S. producer prices data and stronger retail sales numbers that increased worries that U.S. interest rates could remain higher for longer.

Futures remain oversold and may be making a bottom in the 1910-1920 area.

Gold Futures - Weekly



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Support and Resistance

Grains

December 23 Corn

Support	4.63	Resistance	5.25
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December 23 Soybeans

Support	12.82	Resistance	14.35
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December 23 Chicago Wheat

Support	6.08	Resistance	6.88
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Livestock

October 23 Live Cattle

Support	173.00	Resistance	189.00
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October 23 Lean Hogs

Support	74.00	Resistance	87.00
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Stock Index

December 23 S&P 500

Support	4470.00	Resistance	4620.00
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December 23 NASDAQ

Support	15250.00	Resistance	16000.00
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Energy

November 23 Crude Oil

Support	83.00	Resistance	94.85
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November 23 Natural Gas

Support	2.700	Resistance	3.100
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Metals

December 23 Gold

Support	1910.0	Resistance	1980.0
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December 23 Silver

Support	22.85	Resistance	24.80
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December 23 Copper

Support	3.6800	Resistance	3.8500
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Currencies

December 23 U.S. Dollar Index

Support 103.800 Resistance 106.300

December 23 Euro Currency

Support 1.06000 Resistance 1.08000

Any questions or comments on this special monthly outlook, send them to sales@admis.com.

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