ADM Investor Services, Inc.

Monthly Commodity Futures Overview
June 2024 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 **June 19, 2024.** This report is intended to be informative and does not guarantee price direction.*

Corn

There was limited fresh data for the corn market from the USDA as it made no changes to the U.S. corn balance sheet for either 2023/24, or 2024/25 marketing year in the June-24 WASDE report. Old crop stocks were left at just over 2.0 bil. bu. and 2.1 bil. for new crop. I was surprised to see no changes for either Argentine or Brazil 23/24 production holding steady at 53 and 122 mmt respectively. We were expecting a 3 mmt drop in Argentina. 23/24 world stocks at 312.4 mmt and 310.8 mmt for 24/25 were both in line with expectations. U.S. corn plantings moved along at a historically normal pace this spring.

At this point it does not appear that the market anticipates a significant change to the Mch-24 intentions estimate of just over 90 mil. acres. With U.S. drought levels at historically low readings, U.S. crop conditions started out at a historically high level. Recent heat and dryness, particularly in the central and eastern corn belt, has seen conditions drop a bit in recent weeks. Follow-up rains are needed by July in order for the crop to maintain lofty yield projections. Money managers continue to hold a historically large short position in corn as we move toward the key growing stage in the crop cycle next month. If timely rains develop where needed, look for spot corn to challenge the winter low of $3.95 by the end of August. Without a return of timely rains the first upside for spot corn is the fall high near $5.10.

Corn Futures - Weekly

Charts from QST

Soybeans

The USDA increased 23/24 soybean stocks by 10 mil. bu. to 350 mil. due to a lower crush, which is in line with our expectation for a 15 mil. bu. cut in the crush. Exports for now, held steady at 1.70 bil. bu. The higher 23/24 stocks carried right through to 10 mil. higher for 24/25, up to 455 mil., which also was in line with expectations. Domestic bean oil usage was cut 200 mil lbs. (not due to biofuels), while exports rose 100 mil. lbs. Bean oil production was lowered slightly due to the lower crush forecast. There were a lot of changes to the 23/24 meal balance sheet with production down 250 thousand tons, imports up 50, domestic use down 500, while exports were increased 200.

The Brazil 23/24 crop was only lowered 1 mmt to 153 mmt. We were looking for a 3 mmt cut to 151 mmt. Global stocks at 111 mmt for 23/24 and 128 mmt for 24/25 were both in line with expectations. Spot board crush margins have recently improved to $1.15 bu., which is a 6-month high. The crop is essentially planted, and conditions are above average. Demand from China is not as good as hoped as the market braces for higher domestic stocks. Speculative traders remain heavily short bean oil, and long meal, with a modest short position in soybeans.

Wheat

The USDA raised its winter wheat production 17 mil. bu. to 1.295 bil., which was exactly in line with our pre-report estimate. HRW wheat production rose 21 mil. to 726 mil., SRW was lowered 2 mil. to 342 mil. with white wheat production down 3 to 226 mil. Old crop ending stocks were left unchanged at 688 mil., which was in line with expectations. The old crop export forecast at 720 mil. still seems a bit lofty to me. The higher WW production was more than offset by a 25 mil.

bu increase in 24/25 exports resulting in ending stocks falling to 758 mil., which is roughly 25 mil. below expectations. The revised export forecast at 800 mil. bu. if realized would be the highest in four years. Global stocks for 23/24 were revised up nearly 2 mmt vs. expectations for unchanged. New crop 24/25 ending stocks are forecast to slip to 252 mmt, which is in line with expectations.

The USDA cut Russia's wheat production 5 mmt to 83 mmt, and lowered Ukraine's by 1.5 mmt to 19.5 mmt. Wheat prices remain under pressure, which suggests the market is anticipating higher production for U.S. WW in subsequent reports. Harvest as of this writing at 27% is double the historical average and at an eight-year high. The U.S. spring wheat crop ratings are at their highest level in six years. I anticipate prices will bottom by the end of the month, driven by U.S. hedge pressure. By then, expect the market to shift its focus to tightening global supplies, driven by lower production from the Black Sea region.

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

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Live Cattle

Live cattle and beef prices usually rally before U.S. holidays and for Memorial Day, May 27, 2024, both moved significantly higher. On May 1 June 2024 live cattle had a low price at $172.70. By May 15 the price moved up to $179.20 and on Tuesday, May 28, the day after Memorial Day, the price peaked at $184.62. Boxed beef prices also moved higher. On May 1 choice boxed beef was $293.92 and select beef was $288.94. By May 31 choice beef was up $19.90 to $313.82 with select beef gaining $13.06 to $302.00. Fewer cattle do account for higher prices with year-to-date federal slaughter on May 31 down 623,939 head.

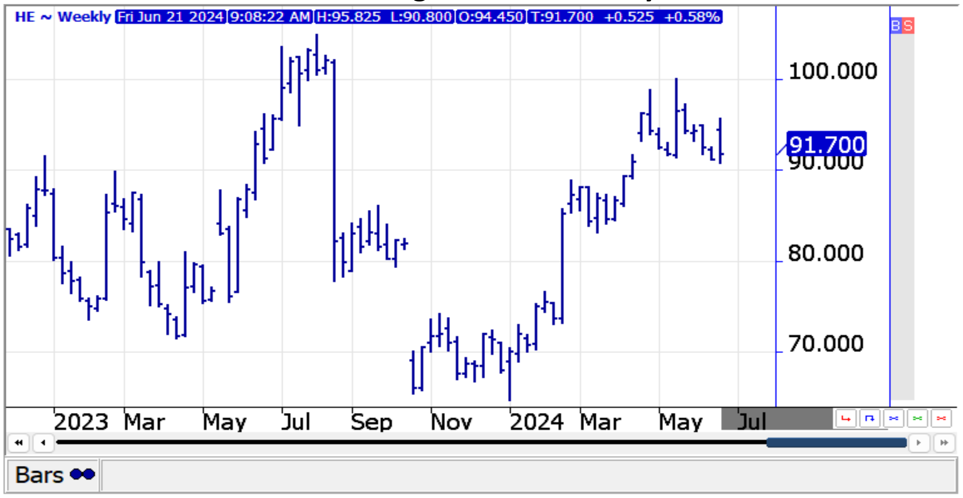
However, the low unemployment rate and higher wages kept beef demand strong. There has been a shift for some consumers on what type of beef they buy as consumers move from expensive high grading beef cuts such as choice/prime steaks to ground beef or lower grading cuts, but consumption, as prices increased, fell just 1.7%. In 2022 U.S. beef consumption was at a high at 59.1 pounds per capita. In 2023 it dropped to 58.1 pounds and in 2024 consumption is expected to be the same as 2023.

Live Cattle Futures - Weekly

Lean Hogs

Hog trading during May 2024 was simply a case that high priced June 2024 lean hog futures were overpriced compared to cash hogs. On April 10 June 2024 lean hogs peaked at $109.65 and then went into a steady decline. On May 1 June lean hogs settled the day at $100.42 with the CME lean hog index at $90.26. Either lean hog futures would fall, or cash hog prices needed to move up. A simple convergence had to happen. With federal hog slaughter year-to-date on May 31 up by 372,086 head, and the CME pork index prices gaining $4.22 from $98.11 to $102.03 during May, lean hogs dropped. On May 31, June lean hogs were down to $94.35, which is $2.86 over the CME lean hog index.

Lean Hog Futures - Weekly



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 have been strong with S&P 500 and NASDAQ futures advancing to new historical highs. Futures continue to advance despite hawkish rhetoric from Federal Reserve officials. Recently Philadelphia Federal Reserve Bank President Patrick Harker said the U.S. Federal Reserve would be able to cut its benchmark interest rate once this year if his economic forecast plays out. In addition, Minneapolis Federal Reserve Bank President Neel Kashkari reaffirmed that it was a “reasonable prediction” to expect a single rate cut this year.

Many economic reports have come in weaker than expected, which undermines the hawkish Federal Reserve rhetoric. Among the weaker than expected economic reports were housing starts in May, which were 1.277 million when 1.373 million were expected, and building permits, which were 1.386 million when 1.450 million were anticipated. Retail sales in May were up only 0.1% when a 0.3% increase was estimated. In addition, jobless claims reports have recently been higher than forecast coming in at 10-month highs. Also, inflation reports have been on the softer side, including the consumer price index and producer price index reports.

Despite many Fed officials predicting only one fed funds rate reduction this year, financial futures markets are suggesting a second interest rate cut is likely before the end of the year.

The fundamentals and technicals remain supportive.

S&P 500 Futures - Weekly

U.S. Dollar Index

Interest rate differential expectations are offering no clear advantage either way for the U.S. dollar, since many central banks, including the Federal Reserve, are on track to lower interest rates.

However, flight to quality buying has recently supported the U.S. dollar index in light of ongoing political turmoil in France after recent elections. So a flight to quality influence appears to be the main reason why the U.S. dollar has been strong as of late.

Euro Currency

The euro currency recently came under pressure due to political uncertainties in the euro zone, especially in France. The European Central Bank cut its key interest rate by 25 basis points at its monetary policy meeting on June 6 as expected. However, many analysts considered the rate reduction to be a “hawkish rate cut” as policymakers expressed worries over inflationary pressures and raised inflation forecasts. This shifted expectations away from a further rate reduction at the next policy meeting.

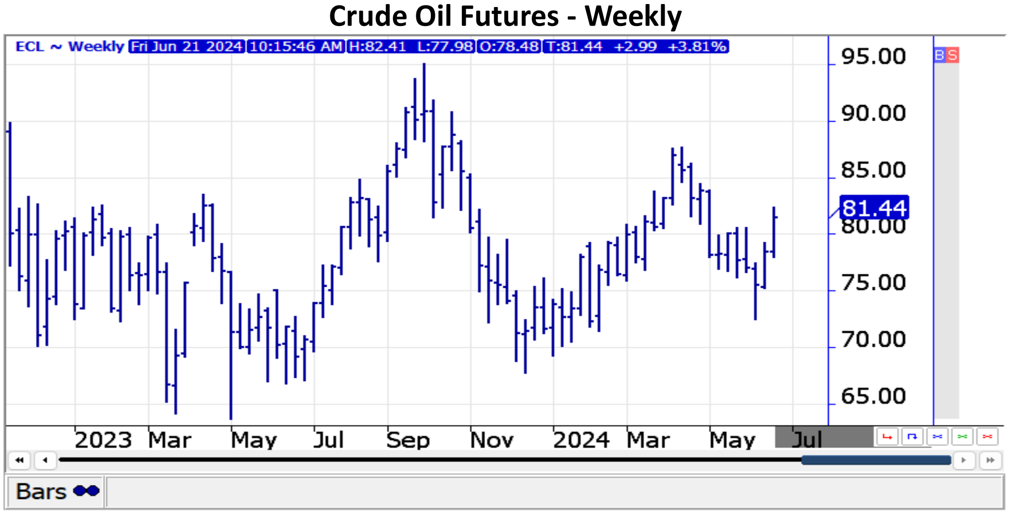
Interest rate differentials appear to be only neutral for the euro currency.

Crude Oil

Crude oil futures prices have been strong in June as declining U.S. crude inventories and an escalating conflict in the Middle East supported oil prices. Data released on June 20 showed U.S. crude stockpiles declined by 2.547 million barrels in the previous week, exceeding predictions for a two million barrel draw. U.S. gasoline and distillate stocks also experienced surprise drawdowns, suggesting strong energy demand. In addition, expectations that major central banks will deliver multiple interest rate cuts this year boosted the oil price outlook, with the European Central Bank, and the Bank of Canada already underway in their easing cycle.

Higher prices are likely for crude oil futures.

Crude Oil Futures - Weekly



Gold

August gold futures advanced to near the 2383 per ounce level, hovering at two-week highs. This comes as mostly weaker than expected U.S. economic data reinforced the belief that the Federal Open Market Committee may reduce interest rates this year one or two times. In addition, there is some flight to safety buying in light of increasing geopolitical tensions in the Middle East.

Recent economic reports revealed a slowdown in the labor market and in price pressures, followed by a weak retail sales report. In addition, there was the substantially lower than predicted housing starts and building permits numbers and a softer than estimated consumer sentiment report.

Recent gains have taken place despite strength in the U.S. dollar as underlying support for futures is coming from increasing evidence that the Federal Open Market Committee will be lowering its key interest rate in September. Analysts anticipate several major central banks will become more accommodative this year, and some already have, which remains a bullish long term fundamental for gold prices.

Gold Futures - Weekly

All Charts from QST

Support and Resistance

Grains

September 24 Corn

Support	4.32	Resistance	4.85

August 24 Soybeans

Support	11.15	Resistance	11.95

September 24 Chicago Wheat

Support	5.68	Resistance	6.50

Livestock

August 24 Live Cattle

Support	175.50	Resistance	185.00

August 24 Lean Hogs

Support	83.50	Resistance	93.00

Stock Index

September 24 S&P 500

Support	5450.00	Resistance	5590.00

September 24 NASDAQ

Support	19300.00	Resistance	20450.00

Energy

August 24 Crude Oil

Support	77.50	Resistance	84.50

August 24 Natural Gas

Support	2.650	Resistance	3.100

Metals

August 24 Gold

Support	2310.0	Resistance	2400.0

September 24 Silver

Support	29.10	Resistance	32.00

September 24 Copper

Support	4.3450	Resistance	4.5800

Currencies

September 24 U.S. Dollar Index

Support	104.500	Resistance	106.100

September 24 Euro Currency

Support	1.06900	Resistance	1.08400