ADM Investor Services, Inc.

Monthly Commodity Futures Overview
August 2024 Edition

Grain Market Outlook for the United States and South America by
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The following report is an overview of the US and South American economic, political and crop situations as of ***August 15, 2024.*** *This report is intended to be informative and does not guarantee price direction.*

Corn

The August 24 USDA data was neutral to slightly supportive for corn prices. Old crop 2023/24 ending stocks fell 10 mil. bu. to 1.867 bil., which was slightly below expectations as exports were raised another 25 mil. to 2.250 bil. with FSI usage cut by 15 mil. U.S. 2024 production rose 47 mil. bu. to 15.147 bil., which is roughly 35 mil. bu. above expectations. Yields increased to a new record high at 183.1 bpa, while harvested acres were cut 728k to 82.710 mil. Offsetting the higher production was a 60 mil. bu. increase in demand allowing ending stocks to slip to 2.073 bil., which is 25 mil. below expectations. New crop exports were raised 75 mil. to 2.30 bil., while FSI usage was cut 15 mil. The average U.S. farm price for 2024/25 was cut $.10 to $4.20 bu. Global stocks are forecast to fall 1.5 mmt to 310 mmt, which is nearly 1 mmt below expectations.

The USDA lowered 23/24 Argentine production another 2 mmt to 50 mmt, while also lowering exports by the same amount. It raised Ukraine's 23/24 production and exports 1.5 mmt. Noted production changes for 2024/25 were EU down 3.5 mmt to 60.5 mmt, Russia down .9 mmt to 14.1 mmt and Ukraine down .5 mmt to 27.2 mmt. Corn was able to divorce itself from lower soybean values on report day, while carving out a key reversal day. The higher trade following the report suggests the market had already discounted larger production and stocks than the USDA reported.

Spreads remain weak making new lows almost daily. While the lower global production does bode well for U.S. demand, exports will have to prove itself overtime as we have a lot of catching up to do to reach the USDA forecast. I suspect ending stocks would have to drop below 2.0 bil. bu. to support a rebound above $4.25 basis December 24 futures.

Corn Futures - Weekly

Chart from QST

Soybeans

The August-24 USDA data and weather forecasts are bearish for soybean prices. Old crop 2023/24 ending stocks were unchanged at 345 mil. bu., which was in line with expectations. There were no changes to the old crop soybean meal balance sheet. In soybean oil, usage for biofuel production fell 100 mil. lbs. to 12.9 bil. lbs., which was offset by a 100 mil. lbs. increase in exports leaving stocks unchanged at 1.612 bil. 2024 U.S. production rose 154 mil. bu. to a record 4.589 bil. 120 mil. bu. above expectations. Yields increased to a new record high at 53.2 bpa, while planted acres actually increased 1 mil to 87.1 mil. The biggest increases were SD up 350k, MO up 300k, and OH up 200k. Slightly offsetting the higher production was a 25 mil. bu. increase in exports, resulting in ending stocks growing to 560 mil. bu. 95 mil. above expectations. The average U.S. farm price for 2024/25 was cut $.30 to $10.80 bu.

Global stocks are forecast to surge to a record 134 mmt, which is 6 mmt above expectations. The USDA lowered 23/24 Argentine production another .5 mmt to 49 mmt. There was no change to the Brazilian production forecast of 153 mmt, however they did raise the export forecast 2 mmt to 105 mmt, while raising Chinese imports 3.5 mmt to 111.5 mmt. There were no significant changes to the global 2024/25 balance sheet. Prices are trying to get to a level to encourage increased U.S. demand, while also discouraging SA plantings that begin next month. I look for November 24 to challenge $9.50 by month-end. A non-threatening U.S. weather forecast continues to weigh on commodity valuations. Rains in mid-August are expected to favor the central Midwest, keeping yield expectations at record high levels.

Wheat

All U.S. wheat production at 1.982 bil. was down 26 mil. from last month and at the low end of expectations, however, still an 8-year high. Winter wheat production was increased 20 mil. to 1.361 bil. at the high end of the range of guesses. By class changes were HRW up 13 mil. to 776 mil., SRW down 2 mil. to 342 mil. and white up 9 mil. to 243 mil. The biggest surprise vs.

expectations was the 34 mil. bu. drop in spring wheat production to 544 mil. vs. expectations for a 4 mil. bu. increase. As a result of the lower than expected production, U.S. stocks are forecast to drop to 828 mil. down 28 mil. from July-24 and 34 mil. below expectations. World stocks at 256.6 mmt were in line with expectations. 2024/25 production was cut 2 mmt in the EU to 128 mmt, while Ukraine was raised 2.1 mmt to 21.6 mmt and Australia increased 1 mmt to 30 mmt. Look for MGEX to continue to gain vs. Chicago and KC with spring wheat production and stocks well below expectations.

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

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Live Cattle

The July 4, 2024 holiday was a boon for cattle and beef prices. Throughout June 2024 prices increased as consumers bought beef for the holiday. However, when the holiday was over, there was a downturn. Boxed beef prices plummeted in July. On July 5 the cumulative choice beef price was $330.43. A week later the price fell to $322.06. By month end, choice beef was down to $312.79. Cattle slaughter was also down. The week before July 4 the weekly federal slaughter was 620,000 head. Naturally, with fewer days in the week including July 4, slaughter was down to 522,000 head. The week after as beef prices dropped on a full 5-day slaughter schedule, it was 601,000 head, followed by 584,000 head, then 600,000 head and ending the month at 593,000 head. For producers selling cattle in July, lower beef prices and a light slaughter hardly affected prices for cattle. The 5-day accumulated average cattle price was $194.83 to start the month and by month-end the price was $195.64.

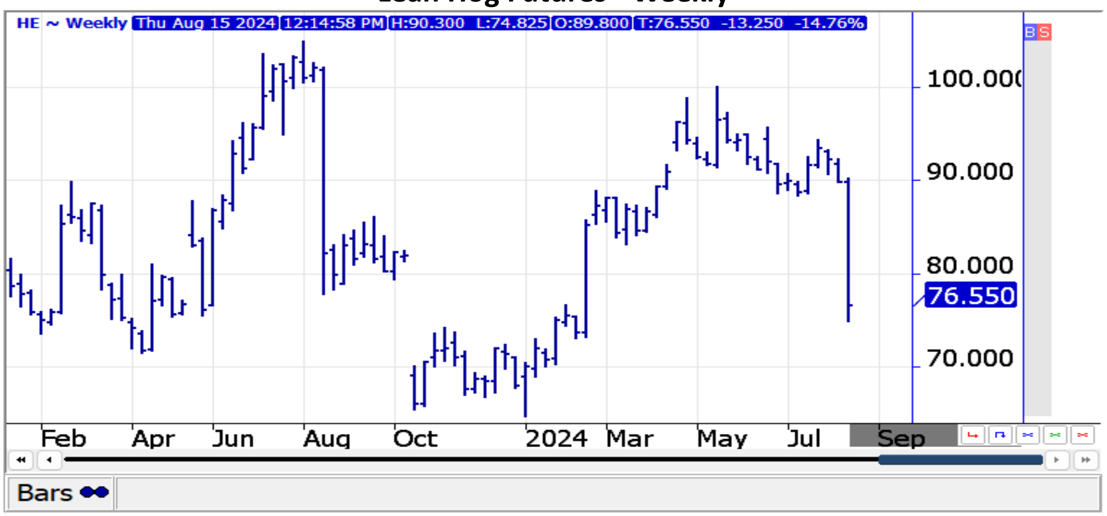
Live Cattle Futures - Weekly

Lean Hogs

U.S. federal hog slaughter for 2024 on July 31 was up 1.2% to 924,672 head. For the same period in 2023 hog slaughter was up 1.3%, at 936,000 head from 2022. The CME lean hog index was $93.53 on July 31, 2024 and the CME pork index was $105.64. On July 31, 2023 the lean hog index was $105.90, and the pork index was $114.61.

Strong pork exports may have kept hog and pork prices from falling more than they did in 2024. But according to the USDA Livestock and Meat International Trade Report, released on August 7, it may be changing. For the first quarter of 2024 U.S. pork plus variety meat exports were up 6.0% compared to 2023. The second quarter had total exports 3.0% higher for 2024. The U.S. needs to maintain exports as hog inventories increase.

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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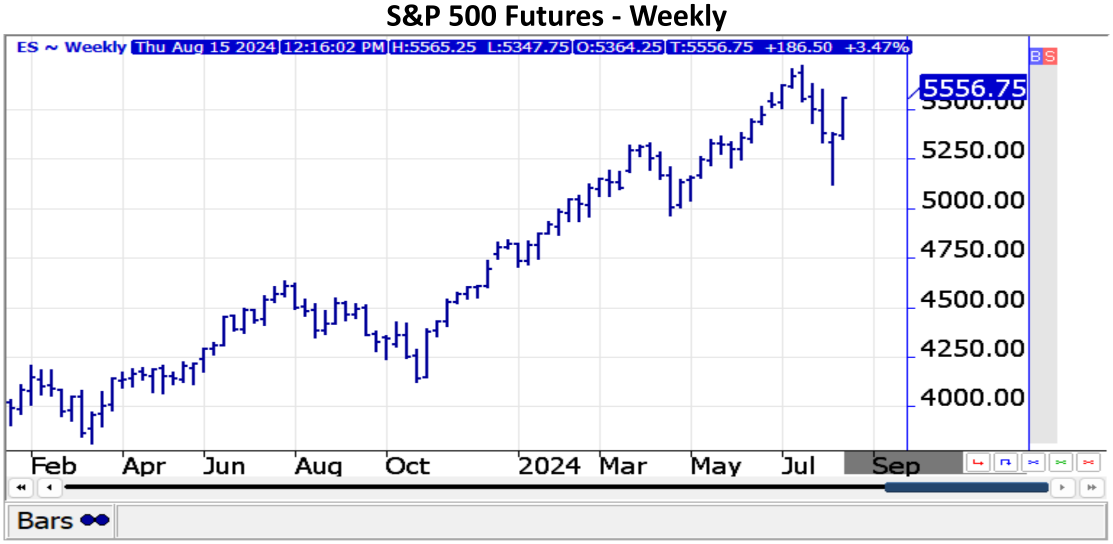
Stock Index Futures

Stock index futures advanced on news that retail sales in July increased 1.0% when up 0.3% was expected, and the jobless claims number was a little less than anticipated. These reports eased investors' concerns about a potential recession in the U.S. Other reports were not quite as supportive, including the August Philadelphia Federal Reserve manufacturing index, which was negative 7.0 when 5.8 was forecast and industrial production in July, which was down 0.6% when a decline of 0.1% was forecast. The August housing market index was 39 when 42 was estimated.

Recent economic reports suggest the Federal Reserve may be slightly less aggressive when it pivots to accommodation. There is now a 75% probability that the Federal Open Market Committee will lower its that funds rate by 25 basis points at its September 18 meeting, and there is a 25% probability that the FOMC will reduce its key rate by 50 basis points in September.

Stock index futures are performing better than the news would suggest, indicating traders are looking beyond recent economic reports to some other bullish not yet obvious fundamental.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar index has been trending lower since the last week in July. However, the technicals are improving now that futures have advanced above a steep downtrend line. In addition, the fundamentals may be improving, as well in light of the better than expected increase in July U.S. retail sales.

There has been some flight to safety flow of funds into the greenback in light of the escalating tensions in the Middle East.

The fundamentals and technical aspects have now turned from bearish to neutral for the U.S. dollar.

Euro Currency

The euro currency trended higher in August despite investors slightly increasing their expectations for two European Central Bank interest rate cuts by mid-October. Limiting gains, however, is a recent report that showed a sharp drop in investor confidence and a surprising decline in industrial activity across the euro zone. Euro area gross domestic product increased 0.3% in the second quarter, which is unchanged from the previous quarter and matched preliminary estimates.

Interest rate differentials are only neutral for the euro currency.

Crude Oil

Crude oil futures have been firm in August, driven by reinforced expectations of U.S. interest rate cuts, which could bolster economic activity and demand for crude oil. This came after tame U.S. inflation data, including consumer and producer price indexes. Additionally, investors remain anxious about the potential for supply disruptions in light of the potential for an escalating conflict in the Middle East.

Limiting the gains are lingering demand concerns. EIA data showed a surprising increase in U.S. crude oil inventories, which were up by 1.357 million barrels last week, and ending a six-week decline. This increase in inventories defied expectations of a 2 million barrel decline.

Crude Oil Futures - Weekly

Gold

Gold futures have remained strong despite the growing belief that the Federal Reserve may be less aggressive when it pivots to accommodation. This belief was enhanced when the U.S. retail sales report for July came in stronger than expected, and jobless claims were less than traders anticipated.

Central banks continue their strong pace of buying gold, while the bullish flight to quality influence continues to underpin the market.

Since the middle of April, gold futures have been trading in a broad congestion pattern between approximately 2350 to 2538. Futures are likely to break out above this congestion pattern.

Gold Futures - Weekly

All Charts from QST

Support and Resistance

Grains

December 24 Corn

Support	3.80	Resistance	4.25

November 24 Soybeans

Support	9.50	Resistance	10.15

December 24 Chicago Wheat

Support	5.50	Resistance	6.05

Livestock

October 24 Live Cattle

Support	171.00	Resistance	187.50

October 24 Lean Hogs

Support	68.00	Resistance	79.00

Stock Index

September 24 S&P 500

Support	5445.00	Resistance	5675.00

September 24 NASDAQ

Support	18700.00	Resistance	20550.00

Energy

October 24 Crude Oil

Support	72.20	Resistance	80.40

October 24 Natural Gas

Support	2.120	Resistance	2.550