

Monthly Commodity Futures Overview January 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 **January 17, 2024**. This report is intended to be informative and does not guarantee price direction.*

Last year's record U.S. corn crop was increased another 108 mil. bu. to 15.342 bil. with the average yield rising to a record 177.3 bpa. Harvested acres were cut by 500k acres. Production was 115 mil. above expectations, however within the range of estimates. December 1 stocks at 12.168 bil. was 118 mil. above expectations and up 1.355 bil. from a year ago. The USDA raised usage 75 mil. bu. with a 50 mil. bu. increase for ethanol production with feed usage increased by 25 mil. bu. Ending stocks increased 31 mil. bu. from the December estimate to 2.162 bil., which is roughly 55 mil. above expectations and the highest in five years.

The average U.S. farm price slipped \$.05 to 4.80/bu. World stocks surged to 325 mmt, up 10 mmt from last month and up 25 mmt from a year ago, which is almost entirely due to increased Chinese production. If achieved, global stocks would be the highest in 6 years. Argentine production was left unchanged at 55 mmt, while Brazil was cut 2 mmt to 127 mmt. Brazil's exports were cut 1 mmt. Without aggressive cuts to SA production in future reports I would look for spot corn to challenge the \$4.00 - \$4.25 range by the end of the first quarter, 2024. Time will tell if speculative traders are willing to add to short positions below \$4.50, which represent 3-year lows.

Last year's U.S. soybean crop was increased 36 mil. bu. to 4.165 bil. with the average yield rising to a 50.6 bpa. Production was nearly 40 mil. above expectations, however within the range of estimates. December 1 stocks at 3.0 bil. was 25 mil. above expectations, however down 21 mil. from a year ago. The USDA's only change to usage was a 3 mil. bu. reduction to residual. I look for lower exports in subsequent USDA reports. Ending stocks rose 35 mil. bu. to 280 mil., a 4-year high, vs. expectations of near unchanged. There was no change to the U.S. meal balance sheet. Soybean oil usage for biofuel production rose 200 mil. lbs. to 13.0 bil. lbs., which was offset by lower exports and other domestic usage, along with higher imports. The average U.S. farm price fell \$.15 bu. to \$12.75.

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World stocks were steady at 114.6 mmt vs. expectations for a 3 mmt drop. As expected, Brazilian production was cut 4 mmt to 157 mmt, while Argentina rose 2 mmt to 50 mmt. With the expected huge rebound in soybean production this year, Argentina is expected to regain the crown as the global leader in meal exports. Production in Paraguay was raised .3 mmt to 10.3 mmt enabling combined production among the top 3 SA producers to still reach 217.3 mmt, well above the previous record of 195 mmt 3 years ago. There were no changes to the Chinese imports. Spot board crush margins did rebound another \$.07 today to \$1.03 bu. and were up \$.23 for the week. Bean oil PV increased to 40%, a 3-month high. Spot March 2024 held above \$12.00, if violated there is not much support until the May 2023 low near \$11.45.

U.S. wheat ending stocks fell 11 mil. bu. to 648 mil. vs. expectations for no change. The lower stocks were attributed to an adjustment from 2 years ago, which carried through to the present. Stocks are down 78 mil. from a year ago, representing the first year-over-year decline in 7 years. December 1 stocks at 1.410 bil. were 23 mil. above expectations, however down 112 mil. from a year ago. World stocks rose nearly 2 mmt to 260 mmt, vs. expectations of no change. The only noted changes to global production was a 1 mmt increase to both Russia and Ukraine to 91 and 23.4 mmt respectively. Russian exports rose 1 mmt to 51 mmt, while Ukraine's jumped 1.5 mmt to 14 mmt. 2024 U.S. winter wheat acres at 34.4 mil. were down 2.3 mil. from a year ago and 1.4 mil. below the average trade est. By class acres were: HRW – 24.0 down 1.7 mil. from a year ago and 1.1 mil. below expectations, SRW 6.86 mil., down .5 mil. from a year ago and .5 mil. below expectations, while – 3.54, down .1 mil. from a year ago and slightly below expectations. Given the sharply lower acres, I would expect wheat prices to find a bottom first.

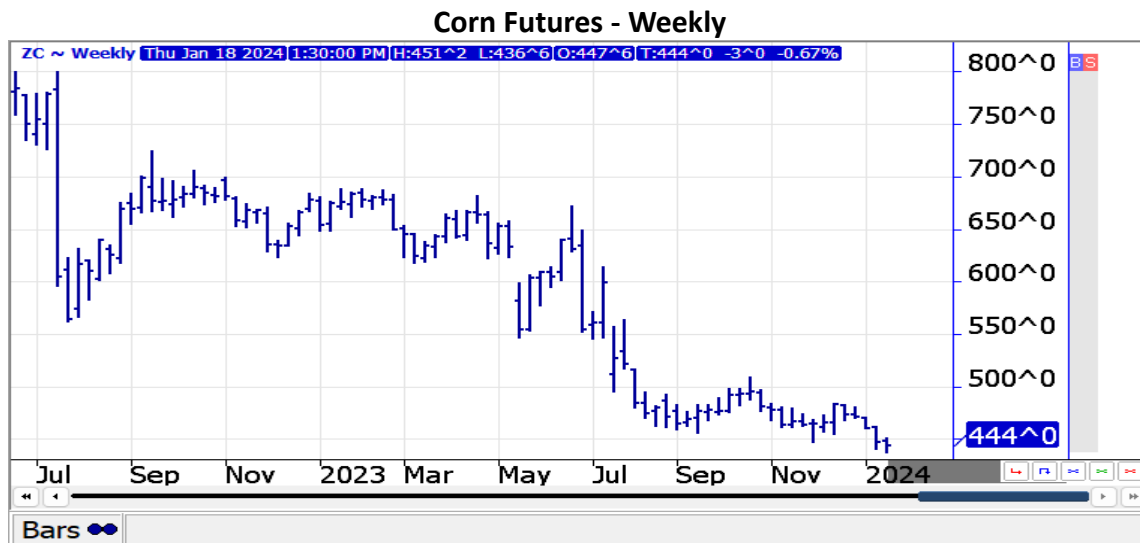


Chart from QST

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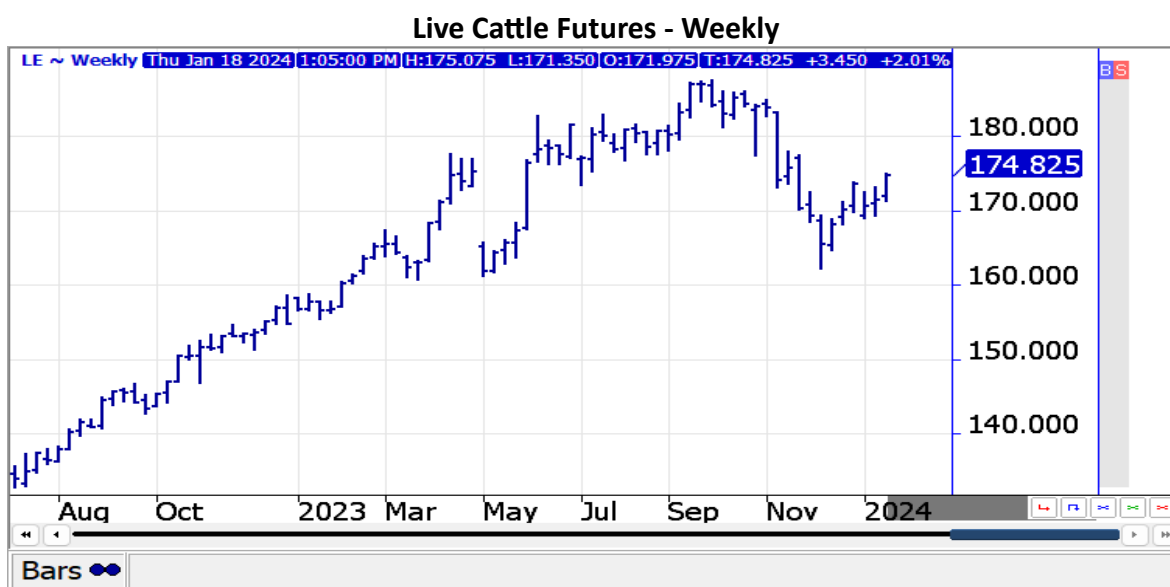
**Livestock Outlook by Chris Lehner,
Senior Livestock Analyst, contracted by ADM Investor Services**

*The following report is an overview as of **January 18, 2024** and is intended to be informative and does not guarantee price direction.*

Live Cattle

2023 will be remembered as the year cattle prices surged to historic highs. On September 19, 2023 December 2023 live cattle futures topped at \$192.05. The highest futures price was for April 2024 live cattle trading to \$199.82. A steep drop in cattle numbers throughout the year drove prices higher. By year end December 29, 2023, year-to-date U.S. federal cattle slaughter was down 4.2% or 1,414,000 head.

During December 2023 prices continued to drop from the September highs. December 2023 live cattle futures ranged from \$169.27 on December 1 to a low of \$162.05 on December 7 followed by a move higher into the last day of trading, December 29 at \$173.67.



Lean Hogs

Increasing hog inventories moved hog prices down throughout 2023 and December 2023 was no different. December 29, 2023 was the last slaughter day and federal hog slaughter was up 2.1% year-to-date to 2,669,000 head. On February 21 and 22, 2023 December lean hogs topped at \$85.50, by October 20, 2023 December hogs fell to \$65.40. The contract settled at \$67.17 on December 14, 2023.

High beef prices were a bit helpful for pork prices increasing exports for the year. Pork and pork variety exports were up 8.0%. However, the increase came after the 2022 exports were down 8.0%. High beef prices and increasing pork supplies in 2023 did little to increase U.S. consumption with estimates up 1 pound per person. Hog prices in December 2023 fell as increased hog numbers weighed on prices. The CME lean hog index in December 2023 lost \$6.30.

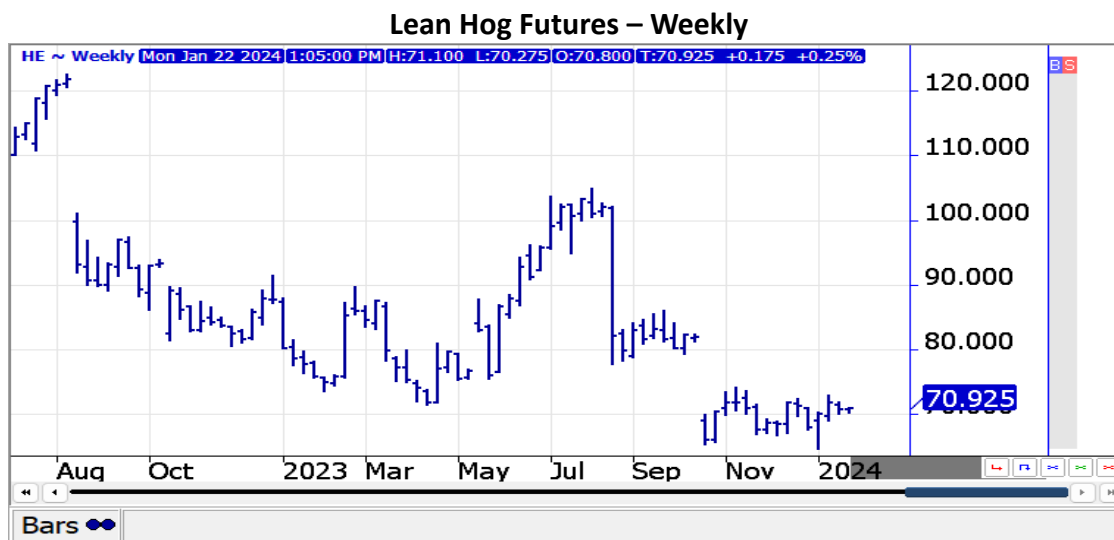


Chart from QST

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

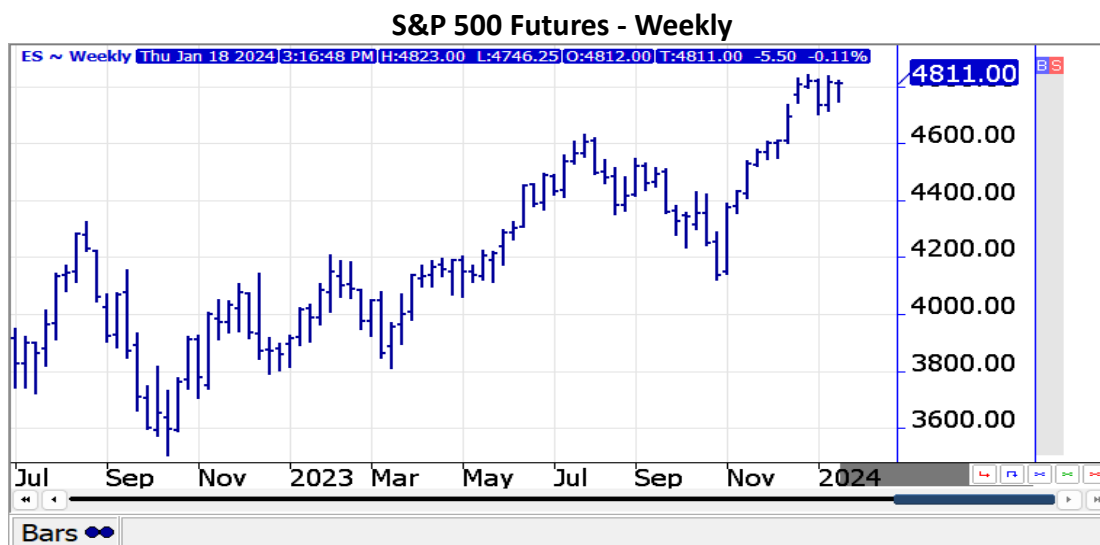
Stock index futures advanced to a new record highs in December due to the Federal Open Market Committee’s December 13 dovish policy statement and Federal Reserve Chair Powell’s press conference. The Federal Reserve held interest rates steady and signaled inflation had improved more rapidly than anticipated, which opened the door to interest rate cuts in 2024. Most officials penciled in three interest rate reductions in 2024 in economic projections released after the Fed’s policy meeting.

Stock index futures have come off of their highs in January on the belief that the Federal Reserve may be less dovish this year than what was thought in December.

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The fundamentals and technicals remain supportive to stock index futures longer term despite recent talk of a potentially less dovish Federal Reserve this year.



U.S. Dollar Index

Economic reports were mixed. Nonfarm payrolls in December increased 216,000 when up 164,000 was expected, rising from a downwardly revised 173,000 in November. The consumer price index for December increased 0.3% when up 0.2% was expected. On an annualized basis the consumer price index was up 3.4% when a gain of 3.2% was predicted. The producer price index for December unexpectedly declined 0.1% when up 0.2% was expected. On an annualized basis the producer price index was up 1.0% when a gain of 1.3% was anticipated. The January Empire State manufacturing index was -43.7 when -4.7 was expected. The new orders index was -49.4, which compares to -11.3 in December.

The U.S. dollar index fell to a 5-month low in late December on the belief that the Federal Reserve will start cutting rates earlier than other central banks. However, the fundamentals appear to have recently changed, as it now looks like the Federal Reserve this year will be relatively slow to lower interest rates, while other major central banks later this year will lower interest rate more aggressively than previously thought.

It now looks like the U.S. dollar has bottomed.

Euro Currency

The euro currency topped in late December. Economic reports have been mixed. Germany's seasonally adjusted jobless rate increased to 5.9% in December 2023, as predicted, which is a slight increase from November's revised 5.8%. This was the highest rate since May 2021.

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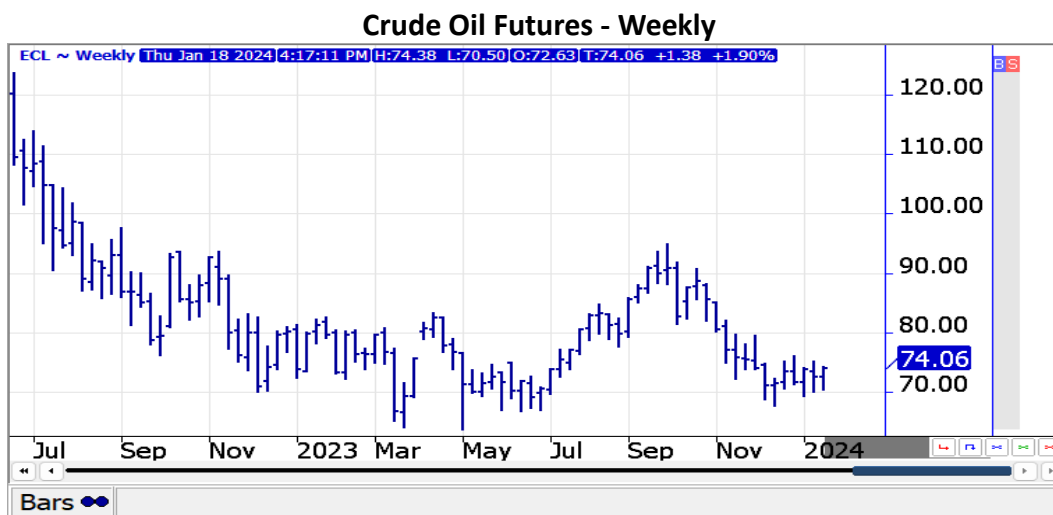
The inflation rate in the euro area increased to 2.9% year-on-year in December 2023, which was slightly below the market consensus of 3.0%. The core inflation rate, which excludes volatile energy, food, alcohol and tobacco prices, fell to 3.4% from 3.6% in November. That reading compares to the consensus of 3.5%.

German industrial orders increased less than expected in November as demand weakened. Industrial orders were up by 0.3% month-to-month on a seasonally and calendar adjusted basis when analysts had forecast a gain of 1.0%.

Interest rate differential expectations have recently turned against the currency of the euro zone and lower prices are likely.

Crude Oil

Crude oil futures gained as the International Energy Agency raised its 2024 demand growth forecast to 1.2 million barrels a day from 1.1 million previously. The EIA reported a larger-than-expected decline in crude oil inventories, including a 2.1 million barrel draw at Cushing, Oklahoma. The IEA's higher demand growth estimate was tempered by its expectation that oil supply will increase this year by 1.5 million barrels a day due to increased output by non-OPEC+ producers. Geopolitical risks in the Middle East and disruptions in U.S. output supported prices as well.



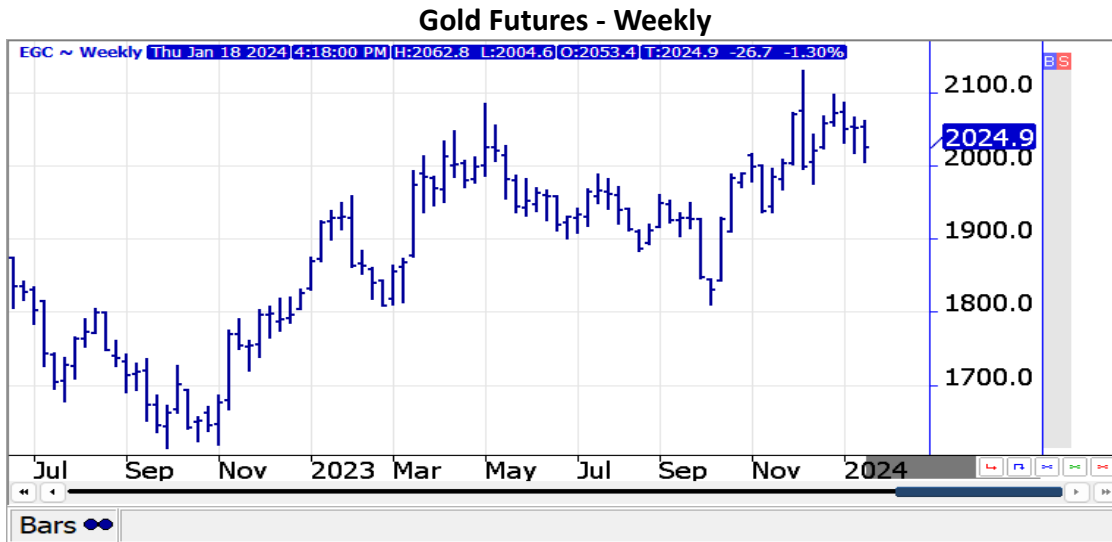
Gold

Gold futures advanced in December due to a weakening U.S. dollar and declining Treasury yields after the Federal Reserve at its December 13 policy meeting signaled three interest rate reductions in 2024 as a result of a faster than anticipated decline in inflation. Fed Chair Jerome Powell said a discussion of a reduction in borrowing costs is coming “into view.”

However, pressure developed in January on the belief that the Federal Reserve may be less accommodative in 2024 than what was thought in late December. Markets are now pricing in

approximately 55% chance of a Fed rate cut in March, which is a significant drop from 90% earlier in the month. In addition, there has been pressure on the yellow metal as the U.S. dollar trended higher in January.

Lower global interest rate will likely remain a longer term supportive influence.



All charts provided by QST

SUPPORT AND RESISTANCE

Grains

March 24 Corn

Support	4.45	Resistance	4.80
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January 24 Soybeans

Support	11.75	Resistance	12.60
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March 24 Chicago Wheat

Support	5.55	Resistance	6.20
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Livestock

February 24 Live Cattle

Support	162.50	Resistance	179.00
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February 24 Lean Hogs

Support	64.50	Resistance	73.50
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Stock Index

March 24 S&P 500

Support	4750.00	Resistance	4930.00
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March 24 NASDAQ

Support	16800.00	Resistance	17850.00
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Energy

March 24 Crude Oil

Support	68.20	Resistance	76.50
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March 24 Natural Gas

Support	2.020	Resistance	2.450
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Metals

April 24 Gold

Support	2020.0	Resistance	2090.0
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March 24 Silver

Support	21.80	Resistance	23.70
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March 24 Copper

Support	3.6850	Resistance	3.8050
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Currencies

March 24 U.S. Dollar Index

Support	102.000	Resistance	104.500
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March 24 Euro Currency

Support	1.08500	Resistance	1.10000
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