Market Highlights

- Next Wednesday (12), USDA will release its new World Agricultural Supply and Demand Estimates (WASDE) report.
- It is expected that USDA will revise its production projections for 2023/24 in the United States.
- The market was not discounting the planted area scenario published by USDA for soybeans and corn, which continued to generate volatility in prices this week.
- Overall, it was a week of relative stability with a bearish tone for major agricultural commodities.
- Despite good rains recorded in important regions of the Corn Belt, there are still no significant improvements in crop conditions.
- Total U.S. corn consumption in May decreased 2% year-on-year: USDA.
- On Friday (7), private exporters reported to USDA sales of 180,000 metric tons of corn for delivery to Mexico.
- Brazil's second corn harvest has advanced 20% to date: Conab.
- Harvest pressure is affecting corn prices in Brazil, both in the Brazilian Exchange (B3) and in the physical market.
- Soybean exports from Brazil reached a record 13.8 million metric tons in June.
- According to Anec, Brazil expects the country's soybean exports to increase to 9.44 million metric tons in July, compared to 7.00 million last year.
- Wheat planting in Paraná, Brazil, reaches 96%; corn harvest begins: Deral.
- Wheat export tax in Russia will increase to 2,610 rubles/ton: Interfax.
- Fears and rumors surrounding the Zaporizhzhia nuclear power plant in Ukraine.
- Geopolitical risk premium. Fears related to the nuclear power plant have led to an increase in the geopolitical risk premium in the wheat market.
- Pork prices in China have remained at low levels for much of this year due to oversupply and weak consumption. This affects the demand for soybean meal.

This week, the agricultural commodities market experienced significant volatility but ended relatively stable for wheat and corn. On the other hand, soybean trimmed the gains from the previous week for both the nearby contract and the 2023/24 harvest contract.

Last week, wheat recorded significant declines, losing a substantial portion of the gains made in the second half of June. On Monday (3), the grain continued to fall, but after the July 4th holiday, there was a significant rebound following seven consecutive days of decline, and it ended the week stable. The expiration of the Black Sea export agreement is approaching, which will generate volatility in the markets. Investment funds anticipated this and sharply reduced their net short position. This week marks the beginning of the 2023/24 wheat campaign in the northern hemisphere, and Russia will set the pace for prices. On Friday, U.S. spring wheat closed at $235.61 per metric ton, stable with a slight decrease of $1.19 per metric ton compared to the previous Friday.

The corn market collapsed on Friday (30) following the USDA's acreage report and started the week on a downward trend. However, on Thursday (6), there was a significant rebound that changed the overall direction. It is possible that there was some overreaction initially, but as we have been discussing, we are in the process of building production expectations based on weather and acreage, which brings volatility to the markets, and one needs to remain vigilant to seize opportunities. Last week, the drought-affected area in the United States improved slightly, and above-normal rainfall is expected for the week of July 11-15. Sales for the 2022/23 exports are progressing slowly, so it is likely that the USDA will have to further reduce the export estimate by 2 to 3 million metric tons. This would increase the estimate of initial stocks for 2023/24. The planted area for 2023/24 is larger than expected and compensates for a possible decline in yields, but ample corn supply is perceived in the new marketing year. The nearby corn contract closed at $220.65 per metric ton, compared to $218.29 per metric ton from the previous Friday, representing a slight decrease thanks to the rebounds on Thursday (6).

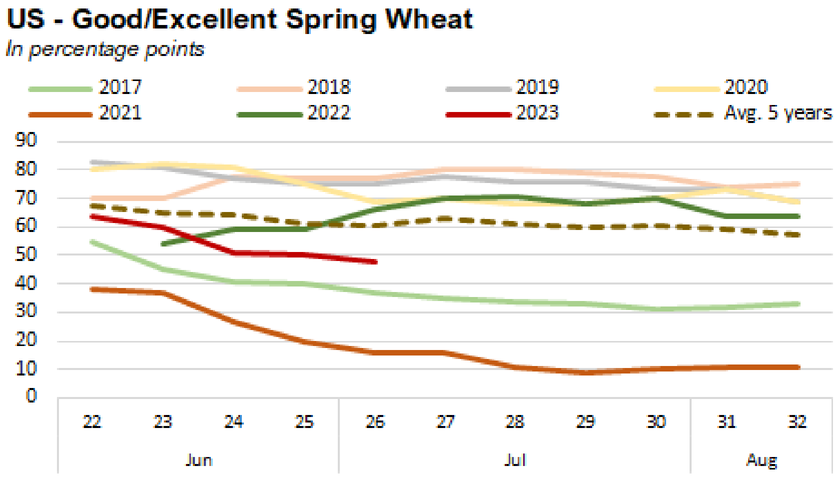
Finally, the soybean market operated mostly bearish this week, following a 28.5-dollar increase in the previous Friday due to surprises in the U.S. soybean planted acreage report. According to some estimates, the USDA may reduce the 2023/24 production projection by 9 million metric tons under the current scenario, although not necessarily in one go. Overall, even tighter ending stocks could be expected for the new marketing year. Prices declined this week due to profit-taking, but strength could be seen in the soybean market. The nearby position dropped by $26.3 per metric ton, and the December contract decreased by $9.8 per metric ton to $546.14 per metric ton and $484 per metric ton, respectively. Soybean meal closed on Friday at $409.6 per short ton, with a weekly decrease of $9.6 per short ton.

WHEAT

Last week, wheat recorded significant declines, losing a good portion of the gains made in the second half of June. On Monday (3), the grain continued to fall, but after the July 4th holiday, there was a significant rebound following seven consecutive days of decline, and it ended the week stable. The expiration of the Black Sea export agreement is approaching, which will generate volatility in the markets.

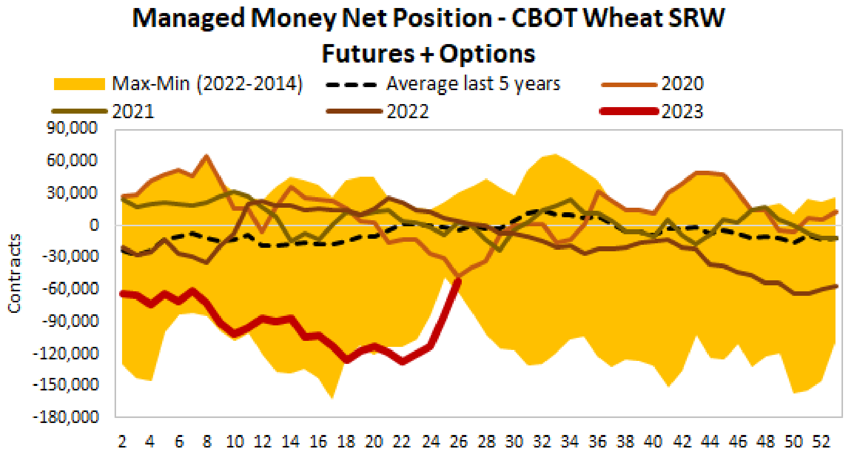
In the United States, the good to excellent condition of spring wheat continued to decline this week to 48%, 2 points below the previous week and well below the average of the last 5 years. This variety of wheat has already finished planting, and 51% of the crop is in the flowering stage, compared to 18% last year and the 5-year average of

46%. It is important for the condition of the crop not to deteriorate further to avoid losing yield potential.



Fuente/Source: USDA

Regarding the positioning of investment funds, they have been rapidly reducing their net short position in recent weeks, which explains the price increases at the end of June. The market had the most significant bearish positioning since at least 2014, but the weather conditions are not supportive, leading to market reactions.



Fuente/Source: CFTC

In terms of commercial activity, export inspections in the last week until June 29th were 336,349 metric tons. It is the highest weekly volume since the start of the 2023/24 marketing year in June, but progress remains slow. June ended with shipments of 1.06 million metric tons, the lowest tonnage since at least the 2013/14 season. The trend indicates that export volume should pick up in the coming weeks as the winter wheat harvest progresses. As for weekly export sales, 405,763 metric tons were reported last Friday, indicating a rebound in sales that have been progressing slowly due to a lack of competitiveness.

Global Market

European Union → Ended the 2022/23 wheat campaign with exports of 32.5 million metric tons, a 10% increase compared to the previous marketing year.

On June 30th, the 2022/23 wheat campaign in the European Union concluded with wheat exports reaching 32.5 million metric tons, a 10% increase compared to the previous campaign and a 20% increase compared to the 2020/21 cycle. Importantly, imports also saw a significant rise of 175% during the 2022/23 campaign.

DG Agri-E 4 — **Exports and imports** — Situation at 04/07/2023

Cumul of weeks 1 to 53

	EU* 01/07/2022 - 30/06/2023				EU* 01/07/2021 - 30/06/2022		EU* 01/07/2020 - 30/06/2021	
Customs Surveillance (tonnes)	Export	Y/Y variation	Import	Y/Y variation	Export	Import	Export	Import
Common wheat	31 141 947	+12%	9 194 709	+257%	27 910 910	2 575 099	25 708 428	2 021 336
Common wheat flour (grain equivalent)	482 304	-11%	350 259	+36%	544 585	258 202	470 610	117 885
Durum wheat	742 735	-24%	1 837 410	+41%	972 424	1 299 846	476 384	2 836 167
Durum wheat meal (grain equivalent)	173 323	-21%	3 482	-35%	218 368	5 355	239 767	2 874
Total Wheat	**32 540 308**	**+10%**	**11 385 861**	**+175%**	**29 646 287**	**4 138 502**	**26 895 189**	**4 978 261**
Barley	6 398 945	-10%	2 024 773	+117%	7 119 953	933 261	7 415 391	465 943
Malt (grain equivalent)	3 098 622	-2%	29 546	+3%	3 148 598	28 766	3 223 000	21 531
Maize	3 585 818	-41%	25 797 304	+57%	6 077 141	16 422 319	2 833 181	15 215 160
Rye	133 116	-8%	110 494	-58%	144 171	265 828	148 432	86 288
Oats	67 851	-68%	174 123	+15%	213 872	151 540	117 583	20 129
Sorghum	11 009	-27%	33 101	-78%	15 150	153 634	9 405	14 602
Total Coarse grains	**13 295 361**	**-20%**	**28 169 342**	**+57%**	**16 718 885**	**17 955 349**	**13 746 994**	**15 823 653**
General Total	**45 835 669**	**-1%**	**39 555 203**	**+79%**	**46 365 172**	**22 093 851**	**40 642 182**	**20 801 914**

* The United Kingdom is no longer a Member State of the European Union, however until the end of the transition period it was still a part of the EU Customs Union. Due to the absence of intra-trade data in the surveillance system, the totals of the EU trade data therefore also include the UK data until 31/12/2020. The data as of 1/1/2021 is therefore not comparable with the data until 31/12/2020.

Fuente/Source: European Commission

The conflict between Russia and Ukraine has been disruptive in the region, and the European Union has become the main destination for Ukrainian products in the past year. In the 2022/23 campaign, half of the EU's wheat imports came from Ukraine. The significant influx of wheat from Ukraine has caused discontent in Eastern European countries in recent months, as the large arrival of merchandise has sharply driven down prices. The rejection of Ukrainian wheat by EU countries has become a problem for the conflicted country, as entry into this region was a major logistical relief and ensured stability in the export flow, regardless of what happens with the secure grain corridor.

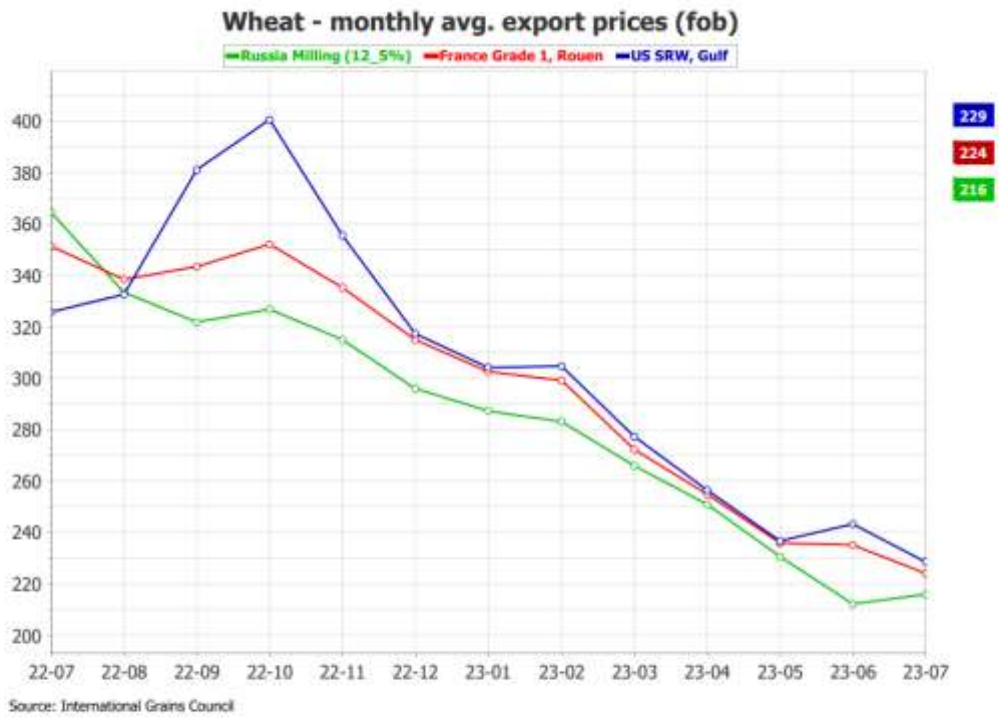
For the 2023/24 campaign, USDA expects wheat exports (including flour) to reach 38.5 million metric tons, compared to the estimated 34.5 million metric tons for 2022/23. Meanwhile, wheat imports are expected to decline to 7 million metric tons due to a reduced willingness to import Ukrainian wheat.

Russia → USDA expects wheat production to be 85 million metric tons, but the market is already talking about 80 million metric tons.

There is increasing talk that Russia's wheat harvest may fall below 80 million metric tons, compared to the current USDA forecast of 85 million metric tons.

In the Russian domestic market, since early June, offers for Russian wheat at seaports have been rising and are already being traded at $168 per metric ton, according to a private consultancy. This is the highest offer since June 2022. The price increase has been supported by favorable global market conditions, the reduction of export taxes, and active competition among exporters.

The dynamics of the global market have been favorable for the increase in Russian wheat offers, as it remains the most competitive origin in terms of FOB export values. On June 23rd, prices reached $212 per metric ton, but in the past two weeks, there have been increases due to stable to higher quotes in general from other origins. In the United States, Gulf of Mexico-origin SRW wheat remains expensive but is adjusting to the values traded in other origins to stimulate export sales.



Recommendations

During the week of July 3rd, the wheat market experienced mixed movements and price volatility. The overall trend showed short-term consolidation without a clear direction, influenced by factors such as supply and demand, as well as weather conditions in wheat-producing regions.

Two key support levels were identified: around $6.00 per bushel and $5.80 per bushel. Support level 1 has been relevant in previous weeks and could provide buying opportunities, while support level 2 would act as potential additional support if the previous level is broken.

Regarding resistance levels, two key levels were highlighted: around $6.20 per bushel and $6.40 per bushel. A breakout above resistance level 1 could indicate further bullish momentum, opening the path to higher levels. Resistance level 2 would act as significant resistance in case of continued price increase in wheat.

Short-term outlook for the wheat market largely depends on weather conditions and crop quality. Additionally, economic and geopolitical developments will continue to influence wheat demand and trade. Traders and farmers should remain vigilant to these factors and monitor reports and forecasts to make informed decisions in the market.

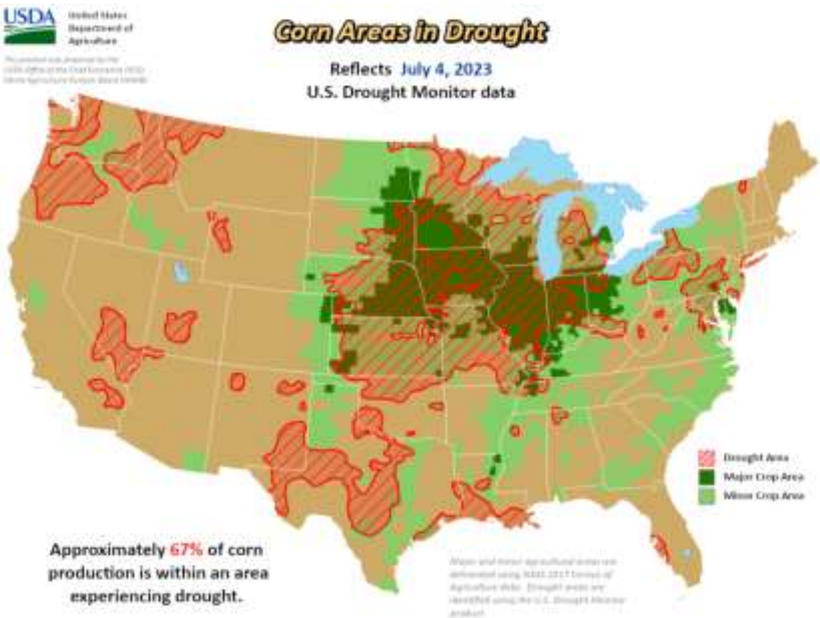
In summary, the week in the wheat market was marked by mixed movements and price volatility.

CORN

The corn market collapsed on Friday (30) following the USDA's acreage report and started the week on a downward trend. However, on Thursday, there was a significant rebound that changed the overall direction. It is likely that there was some overreaction initially, but as we have been discussing, we are in the process of building production expectations based on weather and acreage, which brings volatility to the markets, and one needs to remain vigilant to seize opportunities.

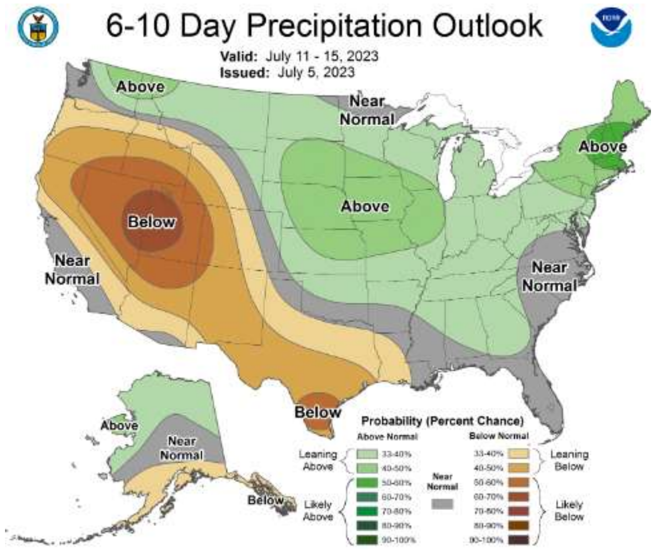
Currently, there is no significant improvement in drought conditions in the United States. As of July 4th, data shows that 67% of the area is in moderate to severe drought, and as observed in the graph, the entire key production region is affected. Without significant rainfall in July, it is challenging to maintain the USDA's production outlook.

In Iowa, 89% of the corn area is in drought condition, with 47% in moderate drought and 42% in severe drought. In Illinois, 88% of the area is in drought condition, with 38% in moderate drought and 50% in severe drought.



In the past few weeks, we reported that above-normal rainfall was projected in key corn-producing regions in the United States, but the impact so far has been limited. Last week, the area in drought condition decreased from 70% to 67%, a 3-percentage point decrease after surging from 26% to 70% between May 23rd and June 27th.

The market is observing that good rainfall is forecasted in the dry corn production areas next week, although I have doubts about whether it will have a significant impact. It may help that temperatures are not expected to be much above normal, but the weather continues to add uncertainty. However, July has already begun, and the window of time for improvement is shrinking week by week.



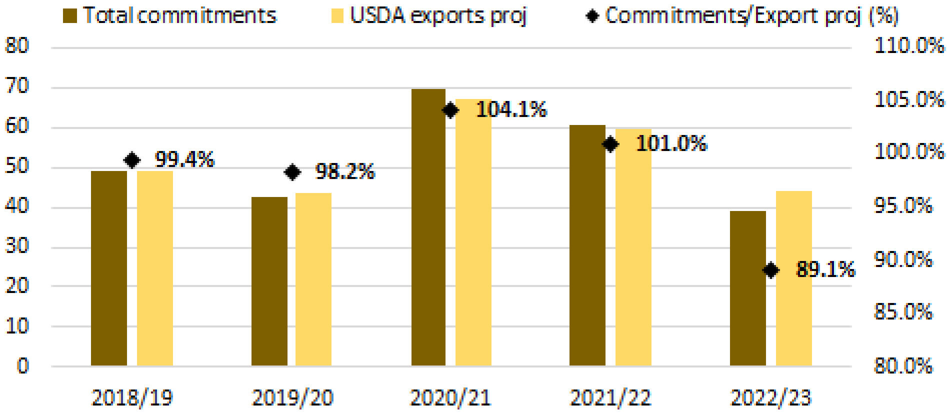
Regarding the 2022/23 marketing year, there are only two months left until its completion. Attention is focused on the new production, but current demand dynamics can impact the initial stocks of the 2023/24 marketing year.

In terms of accumulated exports, 33.1 million metric tons have been inspected, which is the lowest volume in at least the past decade. Until a few weeks ago, the 2015/16 campaign had a lower accumulated value, but in June of that year, exports picked up. However, this year, that did not happen.

USDA projects corn exports for 2022/23 at 43.8 million metric tons, and there are commitments for 39.04 million metric tons. Between July and August, export sales of 4.76 million metric tons would need to be recorded. If we look at the past few years, the highest sales in this period were in the 2017/18 marketing year with 2.8 million metric tons, and it followed a very active June. In June of this year, export sales were only 733,645 metric tons. Since April, sales have not exceeded 300,000 metric tons per week, meaning the equation is not adding up.

U.S. - Export commitments and corn export projections as of June 22nd each year

In million of tons



Fuente/Source: USDA

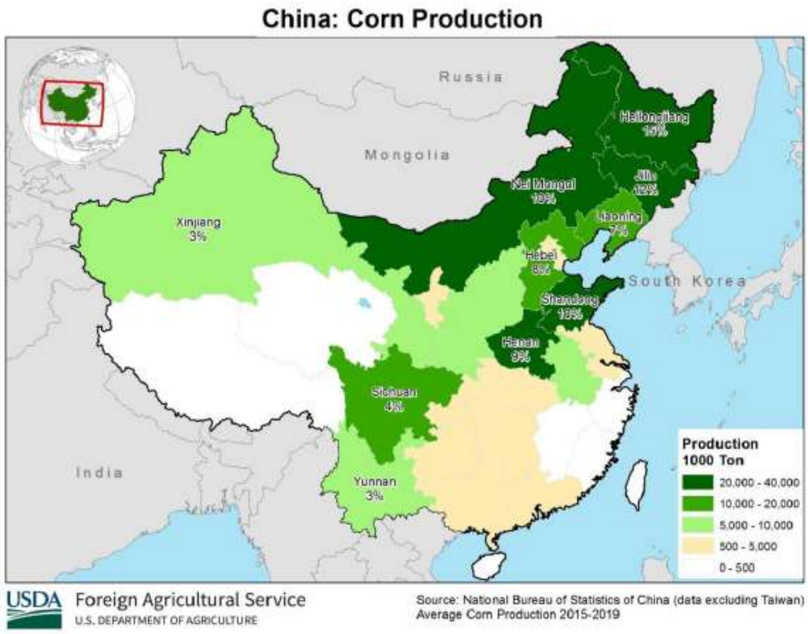
It is highly likely that the USDA is holding back adjustments in 2022/23 exports and industrial consumption, which will impact the initial stocks of 2023/24. The planted area is larger than expected and compensates for a possible yield decline, but there is a perceived ample supply of corn in the new marketing year. If sales dynamics continue at the current pace, between 2 and 3 million metric tons could be cut from 2022/23 exports. Only 89.1% of the total projected for export has been sold, and there would need to be a boom in sales amidst Brazil's competitive harvest. In other words, significant export sales seem highly unlikely.

Global Market

China → USDA estimates record corn production of 280 million metric tons, but the weather adds uncertainty

China is facing two major weather problems, excessive rainfall in the south and extreme temperatures in the north. Energy consumption is increasing, indicating that people are using more air conditioning. Power distribution networks in the south are already showing signs of strain.

In the case of corn, this scenario could become a real issue as the extreme heat is expected to continue in the northern producing regions, extending into July and August when most crops will be in the flowering and grain-filling stage. The most important corn-growing regions are located in northern China, in the provinces of Henan, Shandong, Liaoning, Jilin, and Heilongjiang. According to the USDA map, these regions account for 61% of China's national corn production. Currently, USDA projects a production of 280 million metric tons due to historically high yields, not increased planted area. If this scenario continues, production estimates will likely see declines in the coming months.



Medium-scale actors in China are showing interest in importing corn for shipments in August from Brazil. Interest had been "dead" for the past two months due to the availability of corn substitutes at highly competitive prices in southern Chinese ports, such as Black Sea feed wheat, Australian feed barley, and low-quality domestic wheat.

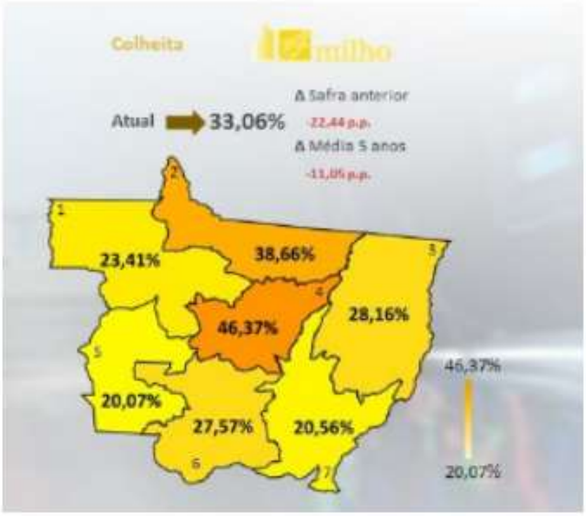
There is a widespread belief in China that there will be an excess of feed wheat. Currently, there is an estimated excess of 20 million metric tons, which can pose significant competition for corn. However, the adverse weather conditions affecting corn production could be a bullish factor that strengthens in the coming months in the Chinese domestic market.

Currently, the price ratio between corn futures on the Dalian Commodity Exchange (DCE) and the CBOT is approaching 2.0 again, meaning that 1 bushel on the DCE buys 2 bushels on the CBOT. This price relationship is becoming increasingly attractive for corn and other cereal imports by consumers and trading companies in China. From this level, the arbitrage between imported corn and domestic corn becomes profitable, which becomes a strong incentive for importation. If the weather in the United States continues to improve and worsens in China, this will be the indicator to watch in the market.

Brazil → Second-crop corn harvest gains momentum

The second-crop corn harvest for 2022/23 showed a weekly increase of 13.82 percentage points in Mato Grosso, ending on Friday, June 30th, with a progress of 33.06% in that state. Nationally, CONAB estimates a 20% progress as of July 1st, with a 9 percentage point increase in the last week. However, it is still behind last year when it reached 28% respectively.

Mato Grosso/Brazil - Corn harvest progress 2022/23



Fuente/Source: IMEA

The fact of this situation is that second-crop corn is finally entering the market, in a context where increased short-term demand from China is expected, and the United States is lagging behind in its export sales. However, Brazil offers the most competitive prices among the main origins.

Brazil continues to be the most competitive source for exporting corn. If the incentives start to favor China's resurgence in corn imports, Brazil will be the primary beneficiary. The following table shows CFR prices considering different origins, with the United States being less competitive, while Argentina (Up River) and Ukraine could capture a portion of the demand.

Corn Competitiveness Matrix by Origins (US $/t)

Corn prices CFR destined for Asia

	Gulf	Santos	PNW	Up River	Ukraine
Jul-23	265.63	228.61		213.95	219.64
Aug-23	284.28	226.77		228.06	
Sep-23	282.43	230.54			
Oct-23	279.97	234.47	283.22		
Nov-23	280.06	233.77	282.62		
Dec-23	281.04	235.44	282.62		

Fuente/Source: AgInv

Recommendations

The corn market had a week characterized by volatility and notable price movements. Despite this, the overall trend for corn remains bullish in the short term, with the potential to regain some value.

Regarding support levels to consider, two key levels stand out. The first is around $5.00 per bushel, proving to be a relevant support zone in previous weeks and offering a potential buying opportunity for traders. The second support level is located near $4.80 per bushel, and if the price of corn breaks the previous support level, this level could act as additional support.

In terms of resistance levels, two key levels deserve attention. Resistance level 1 is around $5.20 per bushel, and a breakout above this level could indicate further bullish momentum, opening the way to higher levels. Resistance level 2 is approximately at $5.40 per bushel, and if the price of corn continues its upward trend, this level could act as significant resistance on the path to higher levels.

Among the relevant technical indicators, the 50-day moving average has been a key support indicator in recent weeks. A break of this moving average could indicate a change in the market trend. On the other hand, the Relative Strength Index (RSI) is in neutral territory, indicating a lack of clear direction in the short term. Traders should watch for overbought or oversold signals to make informed decisions.

In summary, the corn market experienced a volatile week with significant price movements. The key support and resistance levels, along with the mentioned technical indicators, can assist traders in making informed decisions about their trading strategies in this market. As always, it is essential to closely monitor fundamental developments and news related to corn to get a complete picture of the market.

SOYBEAN

The soybean market operated mostly bearish this week after experiencing a significant increase of $28.5 per dollar on the previous Friday following surprises in the planted soybean acreage report in the United States. The market was expecting a planted area of 87.67 million acres (35.478 million hectares), but the USDA released an estimate of 83.5 million acres (33.79 million hectares), resulting in a difference of 4.17 million acres (1.69 million hectares) respectively.

Next week, the USDA will publish its new World Agricultural Supply and Demand Estimates (WASDE) report, and there are still significant uncertainties regarding the US production. Based on the USDA's new numbers regarding planted area, SP Global presented an interesting projection of soybean supply and demand in the United States. Assuming that record yields are not achieved, the 2023/24 production could reach 4,176 million bushels (113.65 million metric tons), which is 334 million bushels (9.09 million metric tons) less than the June projection.

This reduced production projection is partly offset by higher beginning stocks and fewer exports due to Brazil's strong competitiveness in international markets. However, the ending stocks would need to be adjusted downwards, once again reaching very low levels.

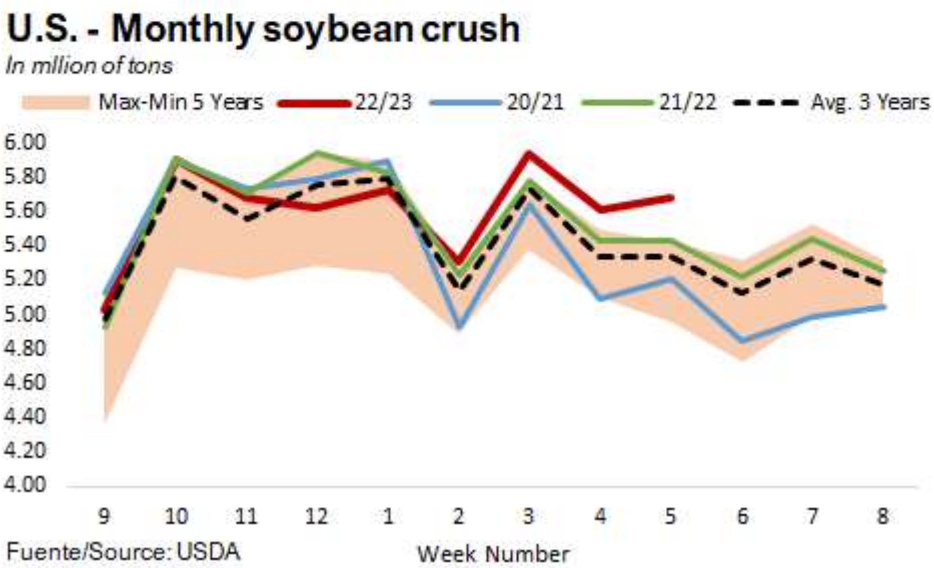
U.S. - Soybean supply and demand outlook

In millon of bushels/million of acres

	2019/20	2020/21	2022/23		2023/24	
			USDA Jun	S&P Global	USDA Jun	S&P Global
Planted Acres	76.1	83.4	87.5	87.5	87.5	83.5
Harvested Acres	74.9	82.6	86.3	86.3	86.7	82.7
Yield	47.4	51.0	49.5	49.5	52.0	50.5
Carryn (Sep 1)	90.0	525.0	274.0	274.0	230.0	316.0
Production	3,552.0	4,216.0	4,276.0	4,276.0	4,510.0	4,176.0
Imports	15.0	20.0	20.0	20.0	20.0	15.0
Total Supply	4,476.0	4,761.0	4,571.0	4,571.0	4,760.0	4,507.0
Crush	2,165.0	2,141.0	2,220.0	2,220.0	2,310.0	2,320.0
Exports	1,683.0	2,266.0	2,000.0	1,920.0	1,975.0	1,820.0
Seed	97.0	101.0	102.0	97.0	101.0	97.0
Residual	8.0	-4.0	19.0	18.0	25.0	20.0
Total Use	3,952.0	4,504.0	4,340.0	4,255.0	4,410.0	4,257.0
Carryout (Aug 31)	525.0	257.0	230.0	316.0	350.0	250.0
Stocks/Use	0.1	0.1	0.1	0.1	0.1	0.1
Farm Price (US $/Bu)	8.6	10.8	14.2	14.3	12.1	12.6

Fuente/Source: S&P global

Regarding current factors, the domestic demand for soybeans remains very strong, with crushing activity reaching new highs of at least the past 5 years since February. This week, the data for May was released, showing a crushing volume of 5.68 million metric tons, significantly surpassing the volumes of the same month in previous years. In cumulative terms, soybean crushing for the 2022/23 season has reached 50.51 million metric tons, surpassing last year's figure by 307,394 metric tons and likely setting a historical record.



Lastly, regarding the 2022/23 soybean exports, almost everything is already committed with export sales reaching 52.3 million metric tons, which is 2 million metric tons less than the USDA's projection for the entire season. If average export sales of around 250,000 metric tons are realized, the target will be met; otherwise, it could lead to the possibility of higher initial stocks for the 2023/24 season in a scenario where the USDA has to downwardly adjust the expected production.

Global Market

China -> Domestic sales of soybean meal surge due to ample supply of soybeans from Brazil and approaching holidays

Daily sales of soybean meal in China reached a record high last Friday, with sales volume reaching 2.7 million metric tons, surpassing previous records of just over 1 million metric tons in a single day. The month of June closed with a high sales volume of 7.6 million metric tons. The quarter of April, May, and June ended with sales of 17.5 million metric tons, marking the best quarter in a long time. The sales include a group of 121 processors located in the coastal region.

The big question is: What is driving this strong growth? Some points to consider are:

Greater availability of soybeans, which is undoubtedly the main explanation. Brazil has shipped 65.5 million metric tons of soybeans from January to June, in line with the projection of 95 million metric tons.

Feed mill inventories were very low.

Traders in China indicate that a significant portion of the sales is for future delivery, to cover the seasonal growth in pork and poultry consumption. Important holidays are approaching, such as Mooncake Day at the end of September, National Day in October, and the Spring Festival.

Despite the strong growth in sales during the quarter of April, May, and June, there is still no belief in a trend reversal in terms of demand. The main reason is the poor margins in the pork sector.

Recommendations

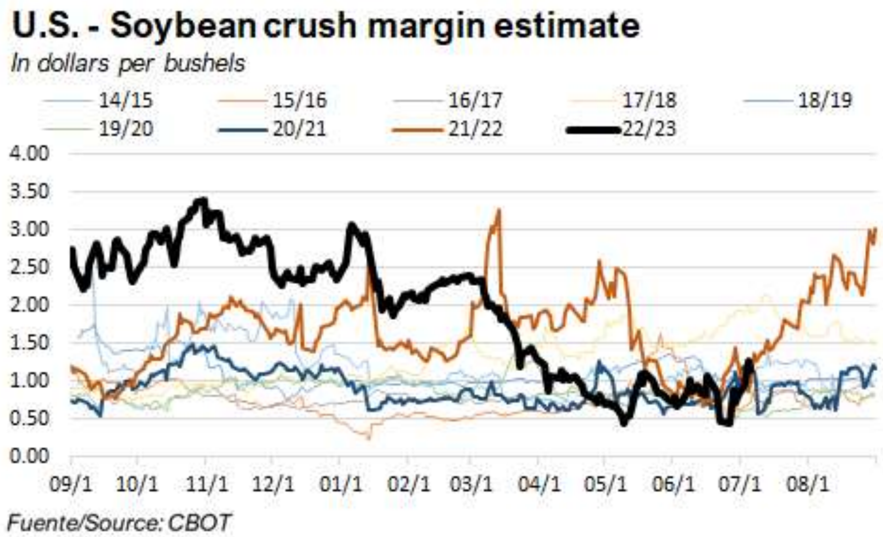
Soybeans had a volatile week with significant price movements. The general trend is bullish in the short term due to solid demand and weather concerns. Key support levels are around $13.00 and $12.50 per bushel, while resistance levels are near $14.00 and $14.50 per bushel. The 50-day moving average has been an important support indicator. The RSI is in neutral territory. It is important to watch for overbought or oversold signals. At the same time, it is recommended to closely monitor fundamental developments and news to have a comprehensive view of the soybean market.

Overall, soybeans have experienced a volatile week with significant price movements. Key support and resistance levels, along with technical indicators, can help traders make informed decisions about their trading strategies in the soybean market. As always, it is essential to closely monitor fundamental developments and news related to soybeans to have a complete picture of the market.

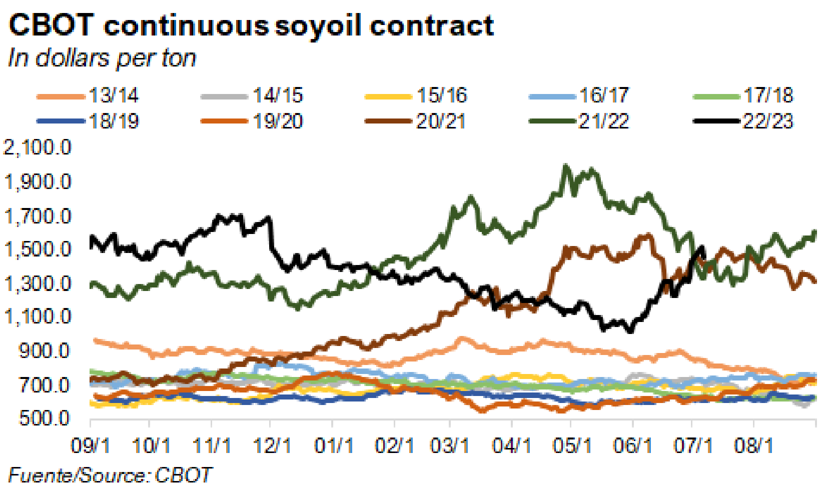
SOYBEAN MEAL/SOYBEAN OIL

Soybean meal is facing resistance in its upward movement in a context where the soybean market is operating with volatility as there is uncertainty regarding the production projections for 2023/24. On Friday (7), the nearest contract closed at $409.6 per short ton, losing part of the gains from the end of last week when soybean prices rose by approximately 6% due to changes in planting area projections in the United States, and soybean meal increased by 4%.

The gross crush margin in the United States had collapsed in mid-June but has almost doubled in the past few weeks, considering the nearby positions according to CME methodology. Overall, good yields are being reported, which explains a dynamic soybean crushing activity along with high domestic demand in the United States, leaving little room for exports.



A key factor contributing to the recent increase in margins in the U.S. soybean crush is the strong rise in soybean oil prices in the Chicago market. Between June 26 and July 5, it was the commodity that experienced the highest increase, with a price increase of approximately 10%. In general, the market bottom was observed at the end of May, and since then, soybean oil prices have already risen by approximately 45%.



The role of investment funds has been crucial, as they had a near-decade low net short position a few weeks ago, with -37,449 contracts. However, this quickly reversed, and within just four weeks, they transitioned to a net long position of 38,751 contracts, surpassing the average of recent years and approaching historical highs. This clearly indicates that the market is acting swiftly, and one must remain vigilant for market opportunities.

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