

KFB Commodity Division Weekly Market Report

July 1, 2024

Macroeconomic

On Friday, we will get June's jobs numbers and unemployment rate. Not really expecting any fireworks from this report. Only from the 4th of July festivities that will be taking place. We are seeing a shift in interest rate expectations. As of today, markets are pricing in a heightened likelihood of rate cuts come the September meeting. Currently there is a 59% probability that we will see a 25-basis point cut September 18, according to the CME FedWatch tool. There is an increasing "inflation is on the right path" sentiment among market participants. A cut in September would be significant for several reasons. Primarily, it signals that the Federal Reserve has deemed economic conditions suitable to make it cheaper to borrow money. A pivot in narrative could come at a time where participant speculation, leading to additional stock market volatility, is already heightened due to the presidential election. We could be seeing as many as two rate cuts before we learn the presidential election results.

Grains and Oilseeds

Last week's June Acreage report is all the talk in commodities markets right now. Corn prices took a major hit following the report's release. The December corn contract had a high of \$4.41 on 6/28 before reaching a low of \$4.12 and closing at \$4.2075. So why the huge drop in prices? Corn acres planted came in higher than expected. Before the report was released the Ag Economists' Monthly Monitor, a survey of 70 ag economists, indicated that only 20% of economists expected corn acreage to fall between 91-92 million acres. The USDA reported 91.5 million acres. In summary, there is more corn going in the ground than participants expected. Additionally, the USDA's June 2024 Grain Stocks report showed that over 800 million more bushels of corn are stored on farm in the US currently than last year. In Kentucky alone there are 10 million more bushels. That means more bushels need to be sold at lower prices than pre-USDA report, to prepare for the new crop. Corn acreage and on farm stocks have set the stage for a bearish price scenario for the fall. If we get another year of strong production come harvest, there is the potential for corn price to carry a 3 in front for an extended period of time. Forecasting on farm production and understanding costs already on the books for this growing season is essential for producers. A necessary consideration for businesses is not always understanding where to take the profit but also where to limit the loss.

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