



March 2016 Monthly Commentary

I wanted to write a piece this month to quell everyone's frustration; believe me no one is more frustrated than I am. I started writing and it just brought up all the mistakes I have made and I'd rather focus on the future and upcoming opportunities. The bean market has turned a corner in my opinion with 850 likely to end up being a long term low. This is especially true if the currency relationships continue to unwind. I think the Brazilian Real is going to continue to strengthen as the market begins to anticipate an economic recovery starting with Dilma's impeachment which should put a floor under the bean market. The peso has stabilized and Arg is on the right track. They still have high export taxes for soy, so soy area is expected to be down vs corn and wheat. I thought that this would be the year when US stocks didn't tighten into the end of the crop year but am not so sure anymore. Exports and crush continue above trade ideas and we will likely end the crop year near or under 400 milbus carryout. With no increase in area, a potential warm summer, with potential for a dry Aug, along with lower Arg area, beans could get fairly tight in 16/17.

USDA gave us lower than expected bean area and now the function of the market is to make sure we buy back some acres (some of this is already done given that the survey was taken March 1st and the bean/corn ratio has had a huge move). The market needs more acres as a buffer in case of yield threats and risk premium for the growing season. China demand continues to exceed expectations as does overall protein demand. With all this said, a great deal of beans moved on the recent rally, which need to be digested. The acreage report was a shocker in corn with huge acres. If these are realized, we could be looking at a big increase in stocks next year. That said, you still have the private weather forecasters waiving warning flags about this summer. The likely scenario is corn grinds lower until there is actually a weather issue. The function of the market is to *not* plant 93.6 mil acres and we may have lost some already. Planting progress is the next event and then getting a look at the summer weather pattern. Some private forecasters suggest El Nino will be gone by June which could set up for a more threatening pattern. The corn market (whether build stocks or tighten stocks) will still come down to yield. Wheat still has the main themes that have been discussed but stocks remain plentiful and there is nothing imminent to threaten supply.

Regards,
Megan Bocken
April 5th, 2016



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