



April 2017 Monthly Commentary

April was a pretty choppy month with all markets making new lows mid-month and bouncing from there. Ranges were pretty tight. We were transitioning from the South American growing season to our growing season. Late month really kicked it off with a major blizzard in hard red winter wheat areas and flooding in corn/bean/soft red wheat areas. It remains to be seen how much corn will need replanting and the forecast isn't great. The snow was a potential nail in the coffin for wheat in western KS (more on that below). For the month, corn was down 7 cents, Chgo wheat was down 13, KC was up 5, and Mpls was up 7. Beans had a 30 cent range and ended the month down 1. Meal was up \$3.30 with oil down 36 points. The share really whipped around on the biodiesel rumors regarding shutting off imports.

Kansas City wheat gained on Chgo last month and into May. It had gotten too cheap vs Chgo and vs corn. Prior to last weekend's freeze and major snow event in western HRW areas, there was already talk of high abandonment and blank heads/prior freeze damage. Then 1-2 feet of snow fell and temps remained below freezing for hours on end. The wheat was further along than normal years, with wheat in KS already 44% headed (33 ave). CO, NE, and the OK/TX panhandles experienced the same weather and are also at risk. Given that HRW planted area was the lowest in history and that abandonment could be the highest ever, production could be nearly half of last year's crop. SRW had flooding issues and HRS seeding is behind schedule due to cold temps. The US balance sheet could look drastically different from last year. In addition, if other major exporting countries don't see the monster yields they did last year, the major exporter situation could also tighten considerably. The trade has gotten complacent about "big supplies" in wheat, and funds are carrying record shorts. There is considerable upside risk going forward. There are also a few other areas to keep an eye on - including Canada where spring wheat seeding has been slow, EU where it's been dry (particularly Spain and France), FSU where the forecast for winter wheat areas is dry, and Australia where it is dry with planting underway. I caught the move and will maintain at least small length and add on breaks if the situation shapes out as I am expecting.

Corn had a nothing month in April. Export demand continues strong. Acres were on the low side and we have started out with mostly a cool/wet planting season with flooding in IL/MO and more cool/wet weather in the offing. The longer we go with delayed planting or replanting, the higher the risks to yield. The market also seems very complacent in corn with massive fund shorts. Even a relatively small reduction in yield could tighten the corn balance. Doesn't seem like the time to be short.

The dynamics in beans have quietly changed. Most have still not picked up on this and just say the market is bearish because Brazil had a record crop. US exports have not let up and the South American farmer (both in Brazil and Argentina) is only selling what they have to. My old crop export forecast is now 2140 milbus vs the USDA's 2025. Commitments are already 2073 milbus with four months to go. My carryout is 340 milbus vs the USDA's 445 milbus. The USDA is also too low on China's forecast of 88 mmt - it is likely closer to 90 mmt. In addition, Argentine area will go down again next year and most are expecting a return to a trend yield in Brazil, so supplies are likely peaking. I think downside is quite limited in beans and will maintain at least some length in the near term.

Regards,

Megan Bocken

May 4th, 2017

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