

June 3, 2015

Monthly Agriculture Market Notes:

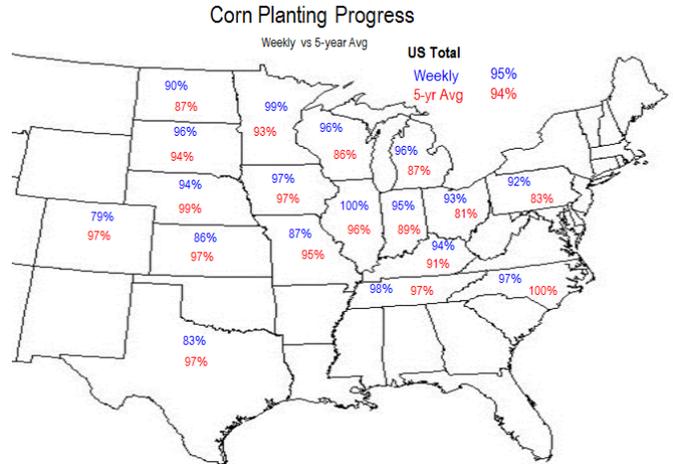
Corn and soybean futures performed as expected last month. Recall from last month's update we were looking for lower prices in both corn and soybeans for a variety of reasons. However, the primary catalyst, in our opinion, was that spring planting conditions were highly favorable for rapid advancement of planting in exceptional conditions. In most cases, this has turned out to be exactly what happened. Corn planting pace exceeded historical norms, but more importantly was planted in excellent seedbed conditions. The pace of soybean planting has been closer to average, but still in excellent conditions in most parts of the Corn Belt.

There have been some minor situations where excess rainfall has fallen this spring. Planting progress stretching from Colorado through Kansas and into Missouri has run slower than normal due to the active precipitation pattern. This is not insignificant, but the fact that the "heart" of the Corn Belt has been planted in such good conditions has produced an overall very good start for this year's summer production prospects.

Corn and soybean prices responded appropriately to this overall good news and sold off through much of the month of May. At times soybean prices got volatile during the Argentine port strike, but that has since been resolved. The market has essentially priced-in the good start to the growing season, leaving us with a big question heading into the "heart" of the summer....

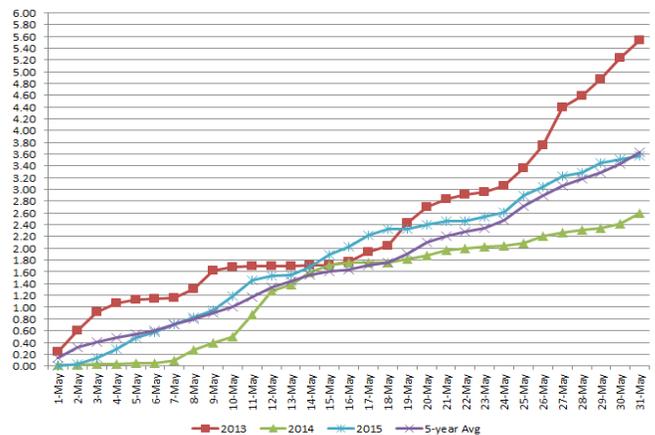
Now what?

If you believe the market has done a good job of pricing the good start for both corn and soybean prospects, and I do, then we're essentially stuck right now on trying to analyze the weather forecast. This is never easy, and it means markets are potentially in for a lot of near-term volatility in the weeks ahead.



US corn planting is all but wrapped up. There are certainly delays in the Central Plains (and likely some acreage loss), but the crop-critical production areas have been planted quickly. More importantly, these areas have been planted in near-optimal soil conditions, which have been a major drag on yield potential in the past few years.

**May Cumulative Precipitation Total By Date
8-State Weighted**



This graphic shows again that, while there are some areas of the country that have been overly wet, precipitation across the 8 key corn production states has run near recent averages this year.

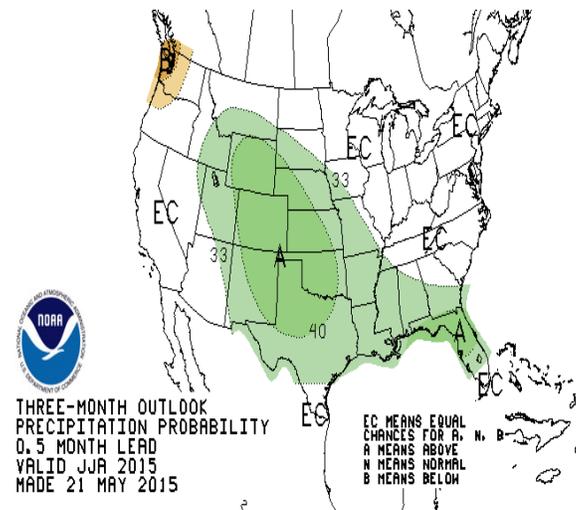
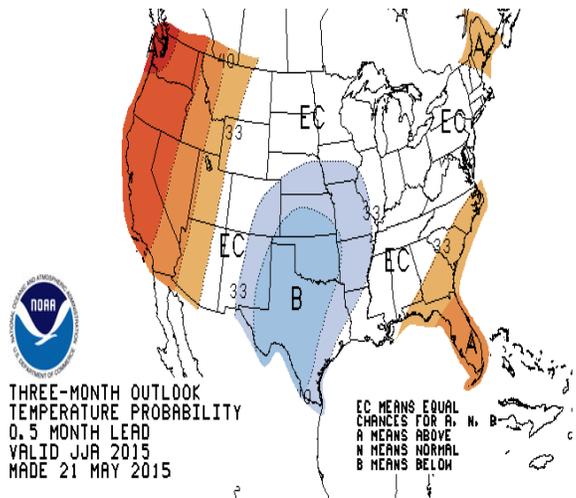
That being said, there are reasons to remain optimistic towards crop potential based on the information available today. Most private forecasters agree that the summer growing season should feature a combination of modestly cool temperatures and adequate rainfall. The NWS forecast for June-July-August is shown in the right column. They are also on board for a cool summer with near normal rainfall chances.

The forecast for cool temps is especially important for corn yield potential. Research shows that corn yield potential is actually more affected by temperature swings than precipitation. That isn't to say precipitation isn't important, but the temperatures, especially during pollination, have a more important impact on corn yields based on our data.

The combination of the above average planting conditions (in most of the major production areas) along with a favorable forecast imply potential for near or above trend yields this summer. Any yield near or above trend will provide ample corn and soybean supplies for the next marketing year.

I usually include several graphics illustrating demand thoughts, but to be blunt: demand really doesn't matter to price direction right now. For the next two months, market price direction will be almost entirely based on implications of the weather and crop conditions. This will likely create some added volatility to prices, so we'll keep our positions slightly smaller than we have up to this point in the year. However, as long as there isn't a dramatic reversal in forecasts, any attempts at price rallies should be short lived. The US farmer remains well under-sold on his corn and South America has now taken the spot of the world's soybean supplier for the next few months.

Regards,
David Zelinski



The NWS outlooks above show prospects for a relatively mild summer that should bode well for crop yield prospects. Most private forecasters also agree that the summer weather pattern looks relatively cool with adequate precipitation odds. Unless the forecast changes dramatically, price upside in corn and soybean markets should be pretty limited in the weeks and months ahead.



Disclaimer:

The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. Opus Futures, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such.

There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. This document contains only commentary on economic, political, or market conditions and is not intended to be the basis for a decision to enter into any derivatives transaction. The contents of this commentary are for informational purposes only and under no circumstances should they be construed as an offer to sell or a solicitation to buy or sell any futures or options contract. This material cannot be copied, reproduced, modified, or redistributed without the written consent of Opus Futures, LLC. No one has been authorized to distribute this for sale.