



February 3, 2017

Agriculture Market Highlights:

The opening month of 2017 is in the books and so far things are going basically as expected. In total, our positions at the time of writing are not dramatically different from how we opened the year. The underlying themes and expectations presented last month remain in place, and I encourage you to visit our website to review last month's full and detailed commentary if you'd like. Here is a very quick recap:

Wheat-

The USDA, as we anticipated, showed a strong YOY decline in US winter wheat area. This sets the stage for spring weather price volatility as yields need to come in fairly strong to maintain healthy balance sheets. Globally, while total world wheat area is expected to be close to unchanged YOY a return to trendline yields (vs. last year's records) will create a sharp YOY reduction in wheat production. I believe wheat needs to work itself out of feed rations and thus expect wheat prices to gain on corn.

Soybeans-

The jury is still out on South American production prospects, but for now it appears conditions are solid enough to expect very solid crops. This will present some near-term downside pressure on prices but I believe this will prove to be fairly temporary and limited. Expectations for massive acreage increases might be a bit optimistic and even with solid crops penciled into balance sheets we do not see global stocks increasing. This leaves longer-term risk/reward skewed to the upside.

Corn-

Corn demand in the near-term might be surprising slightly to the upside, but I still view corn as having very limited upside unless Brazil's safrinha crop runs into weather adversity. That crop is currently only in the initial stages of planting, so we have a long way to go before we gain clarity on this crop. In the absence of crop adversity, I expect corn to continue to chop listlessly in a range and corn should provide a opportunistic short-leg against long positions in wheat and soybeans.

One "macro" factor that *is* different in the past few weeks is the overall theme of global inflation. Inflation expectations picked up noticeably since Trump's election and these readings continue to impress. While this won't override individual market fundamentals over the long-term, it will at times create unexpected volatility that we can hopefully use to our advantage. It will also likely support commodity markets (in general) on extended price breaks.

We're off to a good start in 2017...I expect more good things to come!

A handwritten signature in black ink, appearing to read "David Zelinski".

David Zelinski
Opus Futures, LLC

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