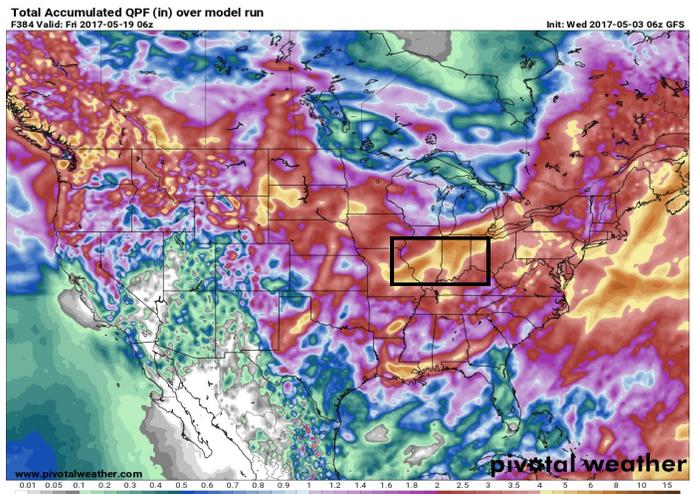


May 3rd, 2017

**Agriculture Market Highlights:**

Our underlying approach to markets this month remains largely unchanged. If you recall from last month's commentary, I noted that speculative positions (as measured by the CFTC's COT) had turned massive net short ahead of a long US growing season. While I concede balance sheet projections presently don't offer strong hopes of significant upside in the short term, the fact that there is so much uncertainty with regards to US crop prospects makes this massive short position vulnerable for shocks. We've already seen some short-covering bursts develop in the past few weeks, and we've thankfully managed to take advantage of these moves. Despite these short-lived price pops, speculative positioning has only grown more short over the coming weeks. It seems market sentiment is so negative that many are using these bounces to add to their already large short positions. I wonder if this will prove ill-advised.

Attached to the right is a map showing 15-day forecast precipitation totals (GFS model). The area I have highlighted with the black box is an area that has already received flooding rains over the past week. The heavy rains forecast for this period shown in the map will only serve to make the situation worse. This will slow planting efforts in the area and could eventually lead to some loss of acreage. While I doubt this will lead to significantly altered final production prospects, it *might* produce enough nervousness to push some of these shorts to the sidelines. With that in mind, I still favor a mindset of using dips in prices to acquire modest long positions. I will continue to trade in-and-out of these positions in a short term nature as the market dictates.



We also have our eyes on Washington for two potential bio-fuel announcements pending. First, the EPA is expected to update with 2018 advanced biofuel mandates at some point in the very near future, and it is highly likely we'll once again see a YOY increase. Additionally, the US International Trade Commission has a hearing scheduled in the near future on a potential antidumping investigation against imports of Argentina and Indonesian biodiesel. Both of these issues could prove supportive to soybean prices, so we've established a modest long position there.

Though short/medium term markets remain clouded in uncertainty, I'm starting to get a feel that we could start to see a recovery in prices in the long term. I'll comment more on this in the future.

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