



June 1, 2017

Agriculture Market Highlights:

Looking back and dissecting the past month, there were two unique situations that accounted for the decline in performance. To start the month, wheat futures rallied sharply on very poor weather conditions particularly in Kansas. We were well positioned for this move, as we have held a slightly bullish posture on wheat for a few months now. Surprisingly, the market quickly reversed these gains and moved sharply lower. The lack of concern over wheat production seems inexplicable to me. US and world wheat supplies have peaked and I still expect higher prices for wheat in the weeks/months to come. I feel the market has grossly discounted the weather issues shown here in the past few weeks, and therefore we remain slightly long wheat.

The other difficult item seen last month was completely unexpected. We have been slightly friendly to soybeans based on expectations that global supplies have likely peaked and US demand is being understated. European demand is starting to improve from depressed levels seen over the past several months as well, and we had established long positions expecting continued hoarding of South American supplies to cut into US inventories. This was going along completely as expected until news broke mid-month of potential bribery by Brazil's president and the Brazilian Real devalued sharply. This devaluation in the BRL sparked renewed selling interest on the part of Brazilian farmers temporarily, and this has lessened the potential for old crop US exports to a degree. That said, I believe the market has over-reacted to this news as it usually does, and I remain modestly friendly to soybeans based on expectations that global supplies have indeed peaked and expectations for strong demand continue to be seen.

So both factors mentioned above negatively impacted performance last month, but I don't view either as long-lasting factors that truly change the trajectory of price direction over the medium to long term. That said, markets are seasonally moving into the very volatile summer period in which prices fluctuate in a very short term nature. Holding on to a long term view for price direction at this time of year is difficult due to the changing sentiment from weather forecasts which update every few hours.

Generally speaking, I remain slightly constructive to both soybean and wheat prices. In the case of wheat, the weather forecast will actually play a lesser role in price discovery and I expect the market to gradually realize wheat supplies outside of China have contracted sharply over the past several months. In soybeans, I expect the market to gradually realize export demand is understated, though crop potential will be the key driver of price action from this point forward.

I view corn slightly negatively over the long term due to strong Brazilian production figures this year and prospects for poor export demand in 17/18. Depending on weather developments, I will likely take a short position in corn as an offset vs. long positions with wheat and soybeans in the coming weeks.

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

David Zelinski
Opus Futures, LLC

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