

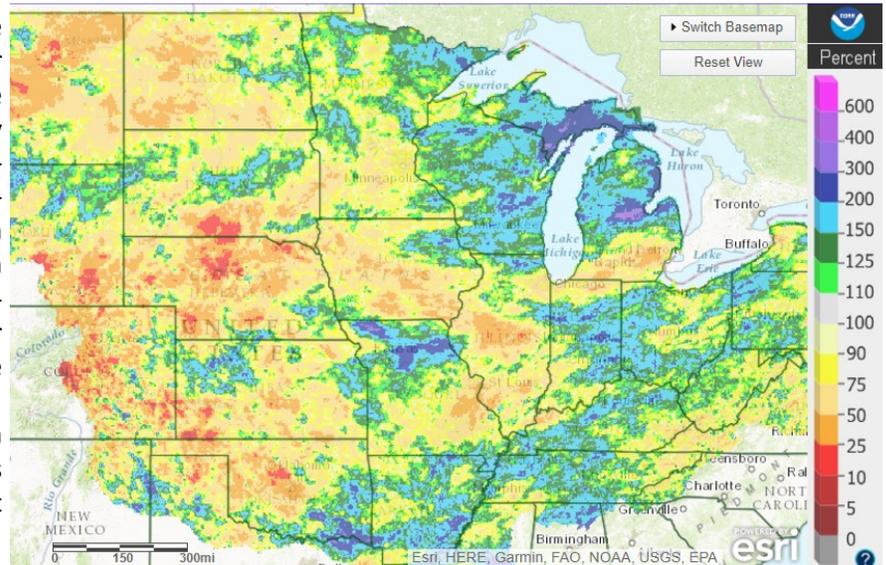
July 6, 2017

## **Agriculture Market Highlights:**

Markets finally caught up to our thought process last month, and program performance was exceptionally strong. If you recall over the past few months I've been noting my growing confidence towards upside in wheat prices. Specifically, a global shortfall of high-quality, high-protein wheat had me looking at HRW and HRS markets. Fortunately we were quick to realize growing distress in the US Northern Plains and jumped into the Minneapolis wheat HRS markets with long positions. This market rallied sharply during the month, and was a large contributor to our gains. We also benefitted through long soybean positions and timely short positions in corn.

My overall bias towards markets today remains relatively unchanged, but unfortunately I do have to step aside from the HRS market for now. Minneapolis wheat futures are notorious for their low liquidity and high volatility. This is unfortunately no longer a market I can participate in with good conscious. That said, we will still be looking at the other wheat markets in Chicago and KC for timely opportunities.

Corn and soybean price direction will be largely dictated by weather conditions over the next six weeks (at least). As you can see from the attached map, a large portion of key agricultural areas have received below normal rainfall over the past 30 days. Speculative positioning in both corn and soybean leans short, but that is especially the case in soybeans. This gives the soybean market tremendous upside potential IF dryness and/or heat persist and/or intensify. Corn of course will rally on weather threats as well, but a rally in corn will likely not keep pace with strength in soybeans as corn demand appears much more suspect than soybean demand at the moment.



Longer term, I think agricultural commodities are on the cusp of breaking out of the bear market that has persisted for several years now. While a lot will still depend on weather and production prospects around the world, it is becoming increasingly apparent to me that global supplies of corn, soybeans, and wheat have likely peaked due to very strong demand trends. This should lend support to markets on breaks and should allow for excellent timely upside opportunities in the months ahead.

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