September 6, 2017

Agriculture Market Highlights:

As the calendar turns to September, summer is unofficially wrapped up. Though there are certainly additional weather considerations to factor in to our outlook, the bottom line is that the day to day changes in the weather forecast will now exert much less influence in to our daily trading ranges. From a trading and risk management perspective, it is a welcomed change of pace.

That does not mean, however, that we are now able to look beyond weather. Weather most certainly will play a key role in price discovery in the coming weeks and will still exert an influence on crop production potential. This is where we have a key advantage vs. most of the other key players in the market. Based on our annual crop trip (covering 2,700+ miles through MO, IL, IA, NE) we have a very solid foundational idea of where the crop stands *today*. That knowledge will give us advanced notice of where the crop potential might be heading based on early fall weather to "finish" crops.

Our crop trip uncovered mostly favorable conditions around the country, certainly a far cry from the decidedly negative sentiment that prevailed earlier in the summer. However, in the case of soybeans I am a bit concerned about the conditions shown on plants. Our pod counts were lower vs. the prior few years (by significant levels in some areas) and the plants appeared less able to add pods (and thus add yield) than in years past. Additionally, so far September weather has been less favorable than in the prior few years with drier than normal precipitation and below normal temperatures. I suspect the market has overlooked the fantastic finishing weather of the past few years and have mistakenly ascribed most of the yield gains during this period to improved genetics. My suspicion is the market might be slightly disappointed in the soybean yield when all is said and done….though that will still take several months to figure out.

My current bias is to maintain a modest long position in soybeans in anticipation of a potential shortfall in production (vs current expectations) combined with continually increasing global demand. I will, at times, offset this with a modest short position in corn where the likely downfall in production will be less problematic relative to current demand projections. Generally speaking, this isn't the time of year to really press bets in the grain markets. The goal is to be ready to pounce when the dust settles on production figures.

Thank you,

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