October 4, 2017

Agriculture Market Highlights:

Over the past few weeks we've started to see corn and soybean harvest slowly advance in the US. Fall weather, up to this point, has proven to be mostly beneficial for finishing crop development. As such, it would seem appropriate to expect corn and soybean yields to likely finish on the higher end of our presumed range of yield potential following our crop trip earlier in the summer. So far, anecdotal yield reports support this bias with the refrain of "better than expected" and "similar to last year" far exceeding any negative commentary.

Though the top end of our yield expectations still lie just below current USDA estimates, the bottom line is that US production has once again put in another solid performance. With significant carryover supplies in South America following excellent production last year, the global supplies of corn, soybeans, and even wheat remain ample. As long as ample supplies remain our reality, price upside will remain limited and prices will generally have a bias towards the downside.

However, while there is certainly no argument that supplies have been and remain ample there is also very little evidence to suggest supplies are presently *excessive*. In the case of wheat, we've seen global production decline as prices have discouraged planting. In both corn and soybeans we've seen demand increases keep pace with gains in production. Animal feeding and biofuels both have seen strong advancements in recent years, and this keeps us one poor crop cycle away from potentially interesting developments. I admit it has become tiresome to point out that each new crop cycle could be "it", but the fact remains that any sort of significant crop concern surrounding the upcoming South American growing season could cause markets to rally sharply. This is one big reason that I am not strongly interested in holding significant short positions at these price levels. Additionally, farmer selling will remain limited at these levels, meaning a more limited downside "push" is likely. This leaves risk/reward for large short positions unfavorable at the moment in my opinion.

It simply just isn't the right time of year to be holding to a strong bias in the grain & oilseed markets. We need to first see what actual US corn and soybean production will prove to be and then see how the early conditions for South America are shaping up. From there, we will be in a better position to take advantage of the opportunities as they present themselves.

Thank you,

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