



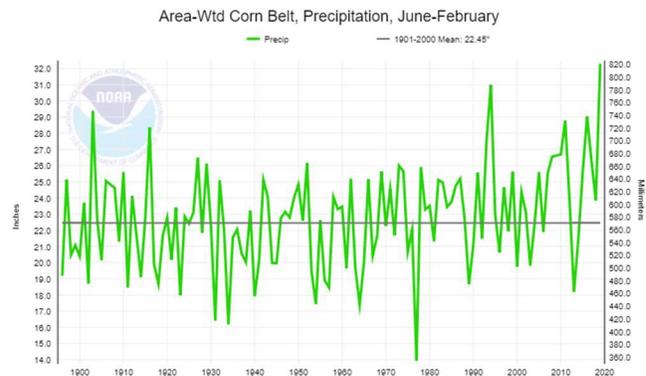
March 6, 2019

Advanced Ag Program Commentary

Time marches on, and as we open the third month of 2019 we are finally turning the page to discussions on something other than trade negotiations. Of course no official US-China trade deal has yet been reached, but by all accounts it appears the Trump administration is growing more and more concerned about the market's reaction and less and less concerned about enacting real change within the Chinese system. While I can agree or disagree with the administration's decisions, the point remains that a "soybean solution" (to borrow a phrase from USTR Lighthizer) is truly unlikely to be much of a solution to the soybean supply conundrum. I've gone over these themes in detail over the past months, but as a quick refresher – 1) Crops in South America are much larger YOY, allowing the world to funnel their demand needs there (cheaper than US), 2) Chinese feed demand is questionable at best. ASF and other problems have meal prices on 2-year lows and crush margins are the lowest in several years, 3) Planting economics will likely encourage larger-than-necessary soybean area in the US this year, unless prices or weather discourage it this spring (more on that below).

All those points have been noted before, and obviously price action has seemed indifferent to my thoughts lately. I won't spend any additional time on them here. Instead, as alluded to in my opening line, I'm much more interested in and excited about the change in seasons. Though it certainly doesn't yet feel like it, spring is right around the corner. The arrival of spring will bring with it a renewed focus away from trade negotiations and onto things that have historically mattered to agricultural markets. We will once again be focusing closely on weather developments and production potential...and I can't wait for the change. While certainly ongoing trade negotiations and headlines will continue to make some waves here and there, I strongly believe the US crop season will become the predominant market driver in the months ahead. This is good news.

How is the early spring setting up? Well, we certainly have some issues capable of producing fireworks. The graphic to the right shows that Corn Belt precipitation from Jun-Feb has been the wettest ever recorded. Soils are saturated, additional precipitation is shown in the forecast, and temperatures are likely to remain below normal for the foreseeable future. In other words, it is looking like we'll get a late start on planting efforts in the Corn Belt this spring. It is too soon to say whether this will create upside price potential in grain markets, but it is something we're watching and something we'll definitely be ready for.



I am beyond grateful for the opportunity to focus more on weather models and less on Trump tweets.

Thank you,
David Zelinski
Opus Futures, LLC

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9047 Poplar Avenue, Suite 101, Germantown, TN 38138
newaccounts@opusfutures.com • Tel: 901-766-4446 • Fax: 901-766-4406