

DITSCH TRADING

APRIL 2017 MONTHLY COMMENTARY

The feature in April was basically just a consolidation in prices at lower levels following sharp declines in March. While supplies of the major ag commodities remain burdensome, it seems as if the market has mostly priced these excess supplies into current prices. I've talked in past months about how \$10 is now reasonably 'cheap' for soybeans for a number of reasons, but that current fundamentals argue for prices to stay below those 'cheap' levels until we can find more demand. Current prices (closer to \$9.50 at the end of April) appear to achieve better balance in the near-term. At these low prices, world farmers (especially South American farmers) are very willing to carry excess stocks in hopes of higher prices down the road. Currency concerns, domestic inflation, and declining export taxes over time further promote this idea. It will probably be difficult to press futures dramatically lower as we begin another growing season in the US.

On the other hand, it is important to stay grounded and bear in mind that world stocks of grains and soybeans remain burdensome. Rallies will be met with aggressive farmer selling, most notably in South America, but realistically around the world. Wheat stocks are the most burdensome. Slower demand growth for wheat than for corn and soybeans means less wheat acreage is needed in the US on an annual basis. This opens the door for record soybean acreage and plentiful corn acreage. With normal weather and normal yields, US and world supplies of corn and soybeans look to remain burdensome well into 2018.

I do not see markets as trending in either direction in the near-term, but we should continue to see opportunities to trade the ranges while keeping a watchful eye on weather developments that could shift fundamentals in one direction or the other.

At this time, US planting weather has been less than ideal (too cool and wet in many areas), and that will become a bigger factor through the month of May. It is difficult to get too excited in early May though, considering how quickly US farmers can plant their crop when given short windows of opportunity.

For now the plan is to buy low, sell high.....and stay tuned for shifts.

Regards,



Mark Ditsch

May 3rd, 2017

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