

# DITSCH TRADING

## DECEMBER 2017 MONTHLY COMMENTARY

World demand continues to grow at impressive rates, but world production continues to keep pace with demand growth, due in large part to impressive yield growth around the globe. Looking back, 2017 was certainly not a year of memorable price moves but fortunately we were able to post a positive year.

Looking forward to 2018, I expect the next significant move to be upwards but I still feel like ag prices in general are in the process of forming a bottom in the near term. Weather and production will likely determine how quickly such a transition can happen. As mentioned previously, world stocks are near record high levels, so there is no reason to expect a significant near-term rally without some help from a weather catalyst. With that being said, futures prices continue to find support near the recent lows, and I expect that to continue.

Generally favorable South American weather tempers any near-term enthusiasm, particularly in Brazil. With that being said, the same thing happened last year – in fact South American yields last year surprised significantly to the upside – but soy prices never broke as much as many experts thought they would. Why? Demand, and the need to keep soybeans moving at all times. The world now has pressure to produce massive crops in both the Northern and Southern Hemisphere every single crop cycle. So while there are plenty of beans around, and it looks like South American production should be ample again, the focus will continually shift to the next crop cycle, both in terms of encouraging acreage and in terms of growing weather. Thus, I view favorable weather as primarily ‘priced into’ the market, especially when we dip down to the recent lows that pressed towards \$9.40. My bias is that there is modest upside and only minor downside from these low prices, but timing could be difficult to pinpoint.

World demand growth for soybeans exceeds grain demand growth, so I expect limited activity in these markets until/unless something changes in terms of production somewhere around the world. Corn and wheat may still be in trading range mode; those two markets do not warrant much excitement at this time.

Regards,



Mark Ditsch

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