DITSCH TRADING

February 2019 Monthly Commentary

World wheat prices imploded in February, and that ultimately weighed on corn as well. Soybean futures seem to finally be reacting less to the promise of a "DEAL!" with China, with rallies losing their enthusiasm. Despite that, soybean futures gained on grains due to the break in world grain prices.

We begin the US 2019 planting season fighting cold and wet conditions. Granted, it is still early, but this needs to be monitored. This coupled with higher input costs for corn is pushing net revenue calculations to favor soybean acreage across most growing areas. At the same time, imploding world grain prices are cutting into wheat and corn export prospects. Soybean demand is also taking a hit from ASF in China and lack of progress on a US/China trade deal. The demand side of the equation seems quite bearish for all commodities, but US acreage should gain further traction as we head into spring. If this poor US weather rolls forward, I'd expect corn futures to find a bottom and perhaps find a bid, particularly as output costs flirt with the cost of production and trend following funds increase their short positions.

South American crop ideas have stabilized and are actually working somewhat higher now. This combined with the overall slow Chinese demand has US soybean carryout ideas increasing. With that said, all eyes will be on the US prospective planting report coming out at the end of March. US producers are holding onto record supplies of soybeans. Some of those supplies are in non-traditional storage and need to move when the weather warms. The balance will need to move prior to new crop harvest. This will be a weight on soybean futures for quite some time. I expect soybean rallies to be well contained with a wall of producer selling coming on any rally, or as the calendar moves forward – whichever happens first.

Regards,

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