

## May 2019 Monthly Commentary

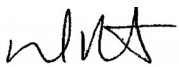
Corn futures made both contract lows and contract highs in May. This goes to show how quickly a market can swing. Both May and the June-to-May 12-month period ended up being amongst the wettest in history across the Corn Belt. The corn crop simply is not getting planted, and the delays are now historic in nature. Typically, the cut-off for planting corn is somewhere within 5 days of June 1, depending on the region of the Corn Belt. The north and west have to wrap up a little earlier, while the south and east have a few more days. USDA reported that as of June 2, only 67% of the corn crop has been planted vs. a previous historic low of 77% and 96% on average. Five states are still below 50% planted, with 4 of them in the East (IL, IN, OH, MI) and one in the West (SD). Nationwide, there are 31 mln acres unplanted, a ten-fold increase over the typical 3-4 mln unplanted this late. The Prevent Plant dates for SD have already passed, and they are coming up shortly for the ECB. Granted, some farmers in the East will continue to plant corn until June 10-15, but the topsoil is very wet and there is more rain on the way. All of this suggests that final US corn plantings are likely to fall by 10+ mln acres vs. the March intentions. I do not feel the market has fully grasped that concept yet. Further, starting-point yields on the later planted corn are likely to fall well below the 176 bpa USDA has been using. Obviously, we have felt all along that USDA has been too high on corn demand, and we still feel that is the case. However, the loss to supply is likely to far outweigh the demand losses. We expect further upside in corn futures in June.

Soybean futures are more of a follower. As corn acreage is lost, some will be enrolled in the Prevent Plant (PP) government program and will sit idle for the year. Some of the wettest areas will have no choice. In fact, some intended soybean acres in the wettest areas will also be lost to PP. However, some areas are likely to dry out too late to plant corn but with time still to plant soybeans. Soybean acreage, net/net, likely increases slightly with a big drop in corn acreage – but not much. For the time being, soybean futures may follow, but lag, corn futures higher. This should create a good soybean selling opportunity sometime within the month.

Wheat is also a mixed bag. Excess rains are likely to cause damage to US wheat prospects, but rainfall may have helped in some of the areas as well. Further, world wheat production appears more than ample and demand prospects questionable. Much focus will also be on other growing areas around the world.

The bottom line is that a historic corn planting delay is likely to push corn futures to new highs despite somewhat poor demand prospects. We are nearing the point of no return. Soybean and wheat futures are more likely to follow or even just sway in the wind until more information becomes available.

Regards,



Mark Ditsch

June 4, 2019

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