Ditsch Trading

August 2017 Monthly Commentary

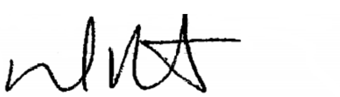
The US growing season is nearing its end, and harvest is already underway in southern areas. Thus, focus will slowly shift from growing weather to harvest weather and yield data. Overall, it appears as if 2017 will be somewhere in the neighborhood of an average crop, not nearly the record-breaker that we saw last year, but no major widespread problems either.

Basically, these potentially average crops suggest another 6-12 months, minimum, of adequate to burdensome supplies. On the other hand, prices are at levels that I would consider cheap – so this is fairly well priced into the market, especially at the recent lows. It is important to note, yet again, that world demand has been very impressive, and I expect this to continue. Crops in both hemispheres have blown away expectations, and that is the reason for the surplus, it has nothing to do with poor demand. Thus, I still believe that sub-par crops in any major production area could quickly push prices moderately higher from current levels. On the other hand, pushing prices substantially lower will be more difficult, as the pressure is always on the next growing cycle to produce yet another crop.

I'm not going to spend much time talking about the specifics of US production this month, because we can't really zone in on that until harvest progresses further. I will say that both USDA and private forecasters have probably set the bar high enough that the odds favor production estimates decreasing somewhat going forward. I am not suggesting a poor crop, just that the odds favor somewhat lower production than USDA and recent private forecasts. All eyes will be on the USDA monthly report on September 12, but the October report a month later will provide much more definition.

Looking forward, I'd expect that South American production growth will not keep pace with world demand growth. Further, I feel soybean prices under $10 are 'cheap' from a longer-term view. Thus, I still feel the next $1 move in the soybean market is more likely to be higher rather than lower. Timing will depend upon US production and South American growing weather. World demand for corn, wheat, and other grains is not growing as rapidly as it is for soybeans, so that longer-term supportive influence is not as strong in grains. I look for sideways to higher markets over the next several months.

Regards,



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