DITSCH TRADING

November 2017 Monthly Commentary

As we wrap up November and move into December, it is my bias that ag commodity prices have likely bottomed, or if not they are in the process of forming a bottom, with markets likely to work higher in 2018. This is a bit of a minority opinion given the large world stocks of wheat, corn and soybeans, but I am of the strong opinion that futures prices trade the evolution of world stocks over time, and I believe world stocks have either peaked or are within one crop cycle of peaking, with world demand likely to pull stocks lower over time. To put it simply, there is absolutely no question that supplies today are massive, even burdensome at this very moment. As an example, December 1 stocks of soybeans in the US will prove to be record large, by a fairly significant margin. However, while the spin seems to be along the lines of 'demand is slow and supplies are excessive', world demand has actually been STRONGER than expected, and my analysis suggests that after several years of world supplies exceeding world demand, the shift will be towards world demand exceeding world production over the next several years (of course assuming normal weather), with soybeans likely to push that change first.

Obviously, this is a longer-term perspective, and I don't necessarily think that ag prices need to move significantly higher in the near-term. There are plenty of stocks around and a potential weather problem in South America is the only near-term catalyst for such a push. On the other hand, futures markets do tend to sniff out longer-term changes relatively early.

It is still early, but South American weather has been less than ideal. If that trend continues, perhaps South American weather could serve as a catalyst to drive futures higher in the near-term. My bias is that there is modest upside and only minor downside at current prices, but timing could be difficult to pinpoint. I do think that the soybean market should reflect these longer-term changing fundamentals before the corn and wheat markets due primarily to stronger world demand growth for protein than for grains.

My strategy at this time will be to focus on modest length in the soybean market while assuming corn and wheat may still be in trading mode.

The winds of change are beginning to shift, albeit slowly. I think the odds point to higher prices in 2018 assuming normal weather. Stay tuned.

Regards,

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