

Last week we suggested that soybean's next "target" was \$9.37/bu (basis May '17), which was last summer's low, and surprise, surprise, we have hit just that! The key factor pushing prices lower was last Friday's bearish (as far as soybeans are concerned) USDA report. Larger than anticipated planting intentions and quarterly stocks were the catalyst. Soybean acres were reported at 89.5 million, some six million over 2016's actual plantings whilst March 1st soybean stocks were 56 million bu above trade expectations. Little wonder we saw lower prices after the report's publication.

Grains, corn and wheat, were forecast to see reduced planted acres, in fact the lowest since 2009. However, March 1st stocks were record large in corn whilst wheat stocks were seen to be at their largest since the mid 1980's. Prices rallied post-report but have leaked lower as the week has progressed. For the record, corn plantings were seen 4 million acres below 2016 and wheat 6 million lower. March 1st corn stocks, at 8,616 million bu, are up almost 800 million year on year, and around 80 million above trade estimates. Wheat planting intentions were bang on trade expectations at 46.1 million acres, whilst March 1st wheat stocks at 1,655 million bu are increased by 283 million year on year.

	2012				2013				2014			
Acreage, millions	Proj.	Forum	Mar 31	Final	Proj.	Forum	Mar 31	Final	Proj.	Forum	Mar 31	Final
Corn	94.0	94.0	90.9	97.2	96.0	96.0	97.3	95.4	93.5	92.0	91.7	90.6
Soybeans	74.0	73.0	73.9	77.2	74.0	77.5	77.1	76.9	78.0	79.5	81.5	83.7
All Wheat	38.5	38.0	38.9	38.7	37.5	36.0	36.4	36.0	37.0	38.5	38.9	38.8
Upland Cotton	12.0	9	13.5	12.1	5.3	9.8	9.8	10.9	11.0	11.5	10.9	11.5
Total (4 crops)	228.5	228.0	226.6	242.3	228.8	229.8	240.9	238.9	229.5	232.5	235.9	242.1
Net Sown or Idle	164.6	164.0	163.2	162.1	163.1	160.8	159.9	158.1	165.5	166.2	169.0	171.0
Corn	44.0	43.0	43.2	43.0	44.4	44.5	43.1	44.0	45.2	43.3	43.1	47.5
Soybeans	44.6	44.0	44.6	45.2	45.2	45.2	45.0	47.1	45.9	45.8	46.4	43.7
All Wheat	810	x	845	892	800	800	800	821	795	y	883	828
Upland Cotton												

	2015				2016				2017			
Acreage, millions	Proj.	Forum	Mar 31	Final	Proj.	Forum**	Mar 31	Final	Proj.	Forum**	Mar 31	Trend***
Corn	88.0	89.0	89.2	88.0	90.5	90.0	93.6	94.0	90.0	90.0	90.0	
Soybeans	84.0	83.5	84.6	82.7	82.0	82.5	82.2	83.4	85.5	86.0	89.5	
All Wheat	58.0	59.5	58.4	54.6	53.0	51.0	49.6	50.2	48.5	46.0	46.1	
Upland Cotton	9.3	9.7	9.5	8.4	9.0	8.4	9.4	10.1	10.5	11.5	12.2	
Total (4 crops)	239.3	239.7	239.7	233.7	235.0	233.9	246.6	237.6	234.5	235.5	237.8	
Net Sown or Idle	164.6	164.0	163.2	162.1	163.1	160.8	159.9	158.1	165.5	166.2	169.0	171.0
Corn	46.0	45.0	44.9	43.0	46.7	46.7	45.9	52.1	47.8	48.0	47.8	
Soybeans	45.0	45.2	45.4	43.6	45.3	45.5	45.9	52.6	47.1	47.1	47.2	
All Wheat	800	800	800	796	800	812	876	869	808	816	89.1	
Upland Cotton												

*Fig is the Agricultural Long-Term Projection Report published around the second week in Feb. Data is early released sometimes in mid-December.
 **Forum is the USDA Agricultural Outlook Forum held in Washington DC around the third week in Feb.
 ***Trendline is 20 year mathematical trendline. Cotton is 10 year average.

Post-report fund position reporting showed the funds close to record net short in wheat and adding to their already sizeable corn net short position whilst they moved very close to a net short in soybeans, a position that we have not seen since mid-March 2016! This week's CoT report will again make interesting reading, and many expect to see further short positions taken adding to corn and wheat net shorts and potentially taking soybeans to an overall net short.

The key downside of such fund positions, as we have stated many times in the past, is the potentially explosive price moves that result should short covering of any scale take place. However, at this time there is little in the way of fundamental news to suggest that we may be about to witness such a turnaround. On the other hand, given the fund positions, we would be reluctant to turn majorly bearish despite our continued non-bullish stance.

In common with previous weeks we see limited fresh market moving news input. One potential issue may be starting to "bubble", that being drier than desired weather conditions in N Africa where wheat crops are showing signs of decline and there is beginning to be a suggestion that some of the European and Black Sea crop areas are forecast to be warmer and drier than growers may wish. This is something that needs to be watched closely if we

are not to miss what may turn out to be one of the first major “triggers” in a long while. However, it should not be an issue to taken out of context, there remains plenty of global supply for the time being.

Weather will be a building factor in the markets with saturated Argentine soybean crop that needs to be harvested and thoughts of 2016’s wet harvest still fresh in people’s minds. Elsewhere, we are tracking ongoing drier than normal conditions in parts of N Brazil and a wet pattern across the majority of US growing areas as planting gets under way. All of which are not major problems today but worth keeping an eye on.

Next week, we will see another USDA WASDE report. There will be no new crop balance sheets reflecting the recent acreage adjustments. For that, we will have to wait for the May report. Focus will be mostly on S American crop production and Chinese soybean demand. Some slight revision to US usage is possible (most likely soybean crush), but not earth moving. The report is not expected to be bullish.

In conclusion, we see limited price downside (for the reasons we have stated previously) but would see price rallies as potential selling opportunities because the market fundamentals remain non-bullish. There will be no report next week due to the Easter break and shortened trading week.