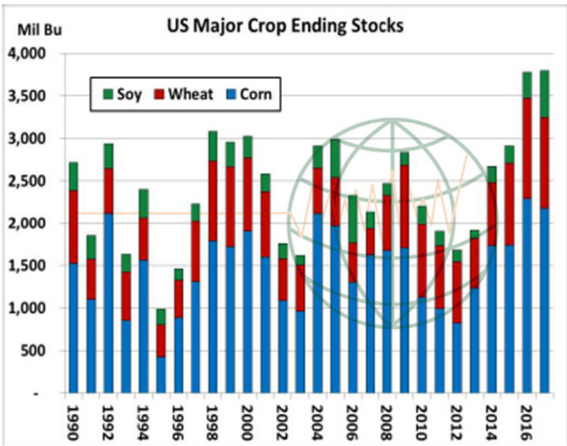
The April WASDE report offered few surprises, which is in keeping with historical trends. The only time that April WASDE report offers a market shock is when the March Stocks report offers a big surprise. The April 2018 report was tame, with the market's focus now shifting to N Hemisphere weather and ongoing trade disputes. The attached chart shows clearly that US major crop ending stocks are huge, and outside of the crop losses from this year's Argentine drought, it will take another supply shock to further the current Chicago rally. We note that world corn and soybean demand remains robust, but that supply growth exceeds that of demand, except in times of crop shortfalls. That sets the stage for Chicago prices heading into the 2018 growing season. The point is that world grain markets lack a new demand driver, but the Argentine drought will push more export demand to the US into year end. The market risks are up until trend-plus yields are confirmed.



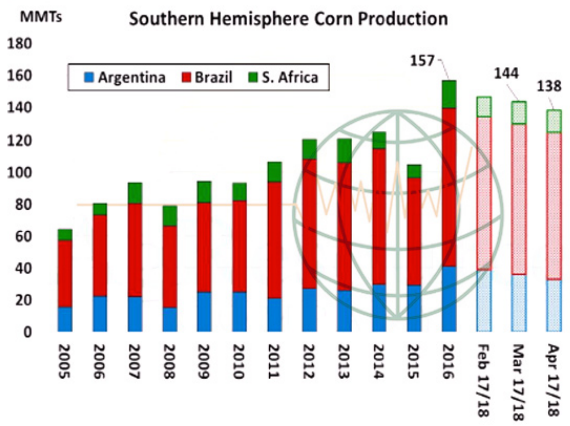
The USDA fine-tuned its non-ethanol industrial demand forecasts, but otherwise its April corn balance sheet was right in line with previous trade expectations. Feed/residual disappearance was lowered 50 million bu following disappointing use throughout the first half of the crop year, but end stocks at 2,182 million are very little changed from March, and moving forward price direction will focus entirely on implied new crop supply and demand. We look for a modest upward revision in old crop exports, but critical to the corn market is the plunge in stocks without above-trend yield in 2018/19. This year's Argentine drought, and perhaps budding dryness in Central Brazil, will produce a long export tail, which will extend well into the first quarter of the next crop year. A yield of 176 plus, and thus solid early crop ratings, are needed to provide comfort to end-users.

US Corn Supply & Demand

	---------- Mils of Acres/Bushels ----------			
	USDA 2016/17	USDA 2017/18	Estimate 2017/18	Estimate 2018/19
Planted	94.0	90.2	90.2	88.5
Harvested	86.7	82.7	82.7	81.1
Yield	174.6	176.6	176.6	174.0
Production	15,148	14,604	14,604	14,120
Carryin	1,731	2,293	2,293	2,150
Imports	57	50	50	50
Total Supply	16,942	16,947	16,947	16,320
Feed/Resid	5,467	5,500	5,475	5,400
Indus/Seed	1,450	1,465	1,470	1,490
Ethanol	5,439	5,575	5,575	5,565
Exports	2,293	2,225	2,275	2,150
Total Use	14,649	14,765	14,795	14,665
End Stocks	2,293	2,182	2,150	1,655
Price	$3.36	$3.35	$3.50	$3.85

Also as expected, the USDA continues to ratchet down its S American production estimates. Combined Argentine/Brazilian production this month was lowered 5.5 million mt, with Argentina down 3 and Brazil down 2.5. Along with lost production in S Africa, total S Hemisphere production is down 19 million mt on last year, which again should allow for strong US export demand in the months ahead. CONAB raised its Brazilian crop estimate 1 million mt to 88.6 (vs.

USDA's 92.5), but a close eye needs to be kept on soil moisture in Parana and Mato Grosso do Sul, where Feb-Mar precipitation was below normal, and where very little rain is forecast in the next two weeks. There is a risk that another 2-3 million mt will be stripped from S American production in May/June. S American plantings will balloon come autumn, but upside risk is apparent until N Hemisphere crop health is known, and particularly amid lingering cold in the US.

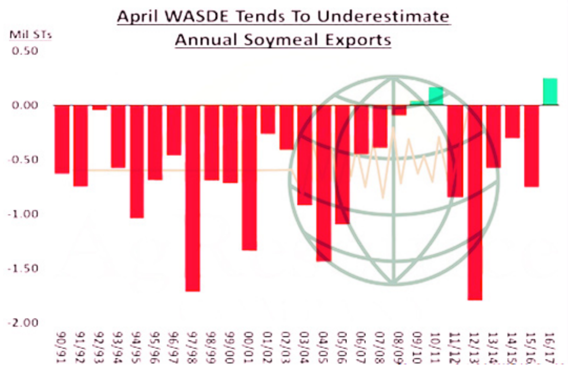


The April WASDE report is not typically a soybean market moving data point, and the USDA did not offer any significant surprises this year. In the US balance sheet estimates, the USDA once again raised their crush estimate by 10 million bu to a record large 1,970 million bu, noting higher soybean meal prices and strong soybean crush margins. Based on lower than expected new planting intentions, seed use was lowered by 3 million bu, and residual was also lowered slightly based on the March 1 stocks figure. The end result was a 5 million bu cut in old crop stocks to 550 million bu. The season average price forecast narrowed to $9.10-9.50, though, the midpoint of $9.30/bu was unchanged from March. Going forward, our view is that the US soybean balance sheet is likely to expand further. China has secured large tonnages of Brazilian soybeans, and hopes for stronger late season exports looks to be diminishing each day that the US/China trade dispute continues.

US Soybean Supply & Demand

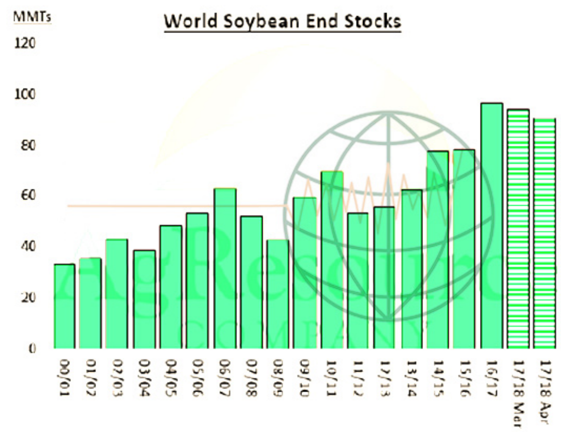
---------- Mils of Acres/Bushels ----------	USDA 2016/17	USDA 2017/18	Estimate 2017/18	Estimate 2018/19
Planted	83.4	90.0	90.1	90.5
Harvested	82.7	89.1	89.5	89.0
Yield	52.0	49.1	49.1	48.5
Production	4,296	4,392	4,392	4,320
Carryin	197	302	302	600
Imports	22	25	25	25
Total Supply	4,515	4,718	4,718	4,945
Crush	1,901	1,970	1,960	2,000
Exports	2,174	2,065	2,045	2,250
Seed	105	103	103	100
Residual	34	30	12	30
Total Use	4,213	4,168	4,120	4,380
End Stocks	302	550	600	565
Price	$9.47	$9.30	$9.15	$9.55

In the soy product estimates, production increased on the larger crush figure. The USDA took another swipe at the biodiesel demand figure and lowered use by another 200 million lbs, 100 of which were added to exports. Soyoil stocks were increased to a six-year high of 1,966 million lbs. Soymeal exports were increased by 100,000 tons to 12.5 million short tons. The chart shows that since 1990, the April WASDE has underestimated annual soymeal exports in 24 of the 27 years (89%). Excluding the 2012 N and S American droughts, the April forecast on average has been 400,000 tons too



low. US meal today is offered $25-30/mt over Brazilian meal, but just $5 over Argentine meal out to July. A year ago Argentine meal traded at $25/mt under the US in May, and reached $40/mt under by July. The market has been slow to reflect crop losses, but the latest announcement that two cargos of US soybeans were sold into Argentina reflects: 1) Argentine supply tightness, 2) the large premium that Chinese buyers have built into the Brazilian cash market. US meal export commitments confirm the USDA forecast, but we expect that narrowing prices spreads will continue to drive world demand to the US in the upcoming year.

The USDA again made more significant, but largely expected changes to the global balance sheet. The Argentine crop was lowered by 7 million mt to 40 million mt, which was a record large cut for the April WASDE. Compared to the start of the year, the April WASDE is down 16 million mt, also a record large decline; though estimates from both the Argentine commodity exchanges and private crop analysts suggests that the USDA could still be 3-5 million too high. The Brazilian crop was increased by 2 million to 115 million mt, and right in line with Brazil's CONAB estimate that was released earlier. Chinese imports were held steady at 95 million mt, and crush was unchanged at 97 million mt. The world crop size was down 6 million, while world demand was lowered by 1.75 million, taking world soybean stocks to 90.8 million mt, down 3.6 million from March and 6 million under last year's record. Amid a short Argentine crop, US/Chinese trade concerns, and a cool/wet start to the US corn planting season, the soybean outlook is quite complex. We expect this will keep Chicago prices in broad trading ranges into early summer.



In its US wheat update, the USDA cut feed use 30 million bu, a bit more than expected, but left exports unchanged. We are in general agreement with the USDA's numbers, though is not yet willing to lower feed use below 100 million bu. Still, exports appear overstated, and it is certain that old crop stocks by the final count will exist above 1.0 billion bu. HRW carryover, in particular, will be a rather large 545 million, vs. 510 million in March, which will further buffer against what looks to be yields 10-20% below trend across the W Plains. Amid higher abandonment and reduced yield, new crop stocks do drop noticeably, but it is the lack of exports that is key. Without adverse Black Sea weather, exports in

US Wheat Supply & Demand

--------- Mils of Acres/Bushels ----------	USDA 2016/17	USDA 2017/18	Estimate 2017/18	Estimate 2018/19
Planted	50.2	46.0	46.0	47.3
Harvested	43.9	37.6	37.6	38.5
Yield	52.7	46.3	46.3	44.0
Production	2,309	1,741	1,741	1,695
Carryin	976	1,181	1,181	1,050
Imports	118	155	155	125
Total Supply	3,402	3,076	3,076	2,870
Food	949	955	955	960
Seed	61	62	62	65
Feed/Resid	157	70	100	110
Exports	1,055	925	910	850
Total Use	2,222	2,012	2,027	1,985
End Stocks	1,181	1,064	1,050	885
Price	$4.89	$4.65	$4.70	$4.90

the years ahead will be limited to captive markets, which is likely worth 850-900 million bu.

There is certainly no shortage of wheat globally. World end stocks were raised to a new record 271 million mt. This was mostly a function of revisions made to balance sheets in Iran, along with the minor adjustments made to N Africa. But the broad theme is still that wheat end stocks continue to drift higher nearly every month, as evidenced in the graphic at left. World cash markets have been very well supported based on drought in the US, and also logistics issues in the Black Sea and Europe. Work indicates there is downside risk of 30-40 cents in new crop global cash markets, and Black Sea carryover stocks next year will be at a six-year high 23 million mt. Assuming unchanged area and trend yield, world stocks in 2018/19 will range between 250-260 million mt, which is still high.