



RICK ALEXANDER, MARKET STRATEGIST
ZANER GROUP

2/28/2018

Wheat Bulls Ignoring Minneapolis - Guess Author Brian Grossman

We have a guest author this week: Brian Grossman

Brian is a marketing strategist with Zaner Ag Hedge Group. He grew up in Linton, North Dakota; born in 1988 and raised on the family farm. He attended North Dakota State University and graduated in 2010 with a degree in Agricultural Economics with a focus on commodity marketing as well as a minor in Crop and Weed Science. After graduating he returned to the family farm for the next five years before pursuing a career in commodity marketing. Brian works with grain and livestock producers and end users of all sizes across the United States helping them develop risk management strategies. As a former producer who hedged through Zaner, Brian brings a unique perspective with vast experience on the client side of this industry.

Feel free to visit with Brian about any marketing needs or thoughts at (312) 277-0119, bgrossman@zaner.com or follow him on twitter @AgHedgeGrossman

Wheat Bulls Ignoring Minneapolis

For good reason, the wheat market bulls have been active recently. Staring down the barrel of another major drought through the winter wheat belt, the USDA on Monday with its monthly crop conditions report reinforced the concerns of deteriorating conditions.

Kansas, the nation's largest producer of wheat, has set two consecutive records with crop conditions in January showing only 14% Good/Excellent (G/E) ratings which has since fallen further to 12% as the Very Poor/Poor ratings continue to climb; now at 49%. Similar to the spring wheat rally last summer, drought fears are the primary driver behind the wheat complex. However, Minneapolis seems to have been forgotten. While Chicago and Kansas July contracts have rallied roughly 60¢ and 90¢ cents; respectively from their December lows. Minneapolis September, while off the December low by roughly 15¢ cents, it has struggled through the drought headlines and is actually nearly 10¢ cents off the February highs.

As talk of higher acreage continues to float around, the USDA Outlook conference estimated all wheat acreage at 46.5 million acres and with roughly 32.6 million in winter wheat which leaves roughly 13.9 million acres for Other-spring wheat and roughly 12.5-13.2 million for hard red spring wheat -- well above the 10.499 million acres of spring wheat planted last year. With the prospects of higher acreage thus higher production, the market is lacking a reason to budge as last summer's rally quickly caught global attention as export demand began to taper off.

--- Ag Hedge Newsletter Get daily fundamental and technical updates for free. Sent by email each morning! Sign Up!
http://www.zaner.com/offers/ag_hedge_newsletter.asp?ap=bgrossma

In December, STATS Canada released 2017 production with all wheat coming in near 2,000 metric tonnes higher than the average trade estimate. That topping off a US market shock that came from the USDA's September Small Grain Summary report. Posting US other-spring wheat production at 416 million bushels; the average trade estimate was at 382 million bushels. Hard red spring wheat production came in strong at 385 million bushels higher than the estimate for all spring wheat. Adequate subsoil moisture and late season rains pushed what was considered a devastating drought in the Dakotas to a decent finish in terms of production. Posting a yield of 41.0 bushels per acre nationwide versus 47.3 the previous year, production surely took a hit but demand suffered as well.

Ag Hedge Calendar Handy reference and calendar guide - in US only

<http://www.zaner.com/offers/calendar.asp?ap=bgrossma>

Now estimated to export 245 million bushels, below the 315 million estimate from the USDA in the June 2017 WASDE report and well below the 321 million exported in market year 2016/17. As rapid demand damaged was occurring, the market was struggling with the idea that production may be above estimates following the highly watched Wheat Tour. Minneapolis was doomed with bearish blow after blow from July on out and those bruises continue to be felt. However, with all this bearishness for the market to chew on, we are still a long ways away from having a crop in the ground much less in the bin and the drought from last summer continues to linger through the Dakotas and Montana with one big difference □ no/minimal subsoil moisture.

The winter wheat belt is suffering while the spring wheat belt is standing on a shaky 3-legged stool so all hope is far from lost but producers do need to stay vigilant to evolving conditions. Given the prospects of higher production, producers should consider hedge positions both on the board and with cash sales up to a point of comfort. As a producer, you can always participate in a rally if the opportunity arises however there are little to no options to make a market move back above breakeven.

To learn more about our market outlook or to discuss current market strategies in place, give me a call at 312-277-0119 or email me at bgrossman@zaner.com. It is a great time of year to be performing 2017 marketing postmortem and pin point where things went awry.

--- Brian

To read more economic research reports like this one or subscribe to the mailing list, visit www.zaner.com.

THIS MATERIAL IS CONVEYED AS A SOLICITATION FOR ENTERING INTO A DERIVATIVES TRANSACTION.

THIS MATERIAL HAS BEEN PREPARED BY A ZANER BROKER WHO PROVIDES RESEARCH MARKET COMMENTARY AND TRADE RECOMMENDATIONS AS PART OF HIS OR HER SOLICITATION FOR ACCOUNTS AND SOLICITATION FOR TRADES; HOWEVER, ZANER DOES NOT MAINTAIN A RESEARCH DEPARTMENT AS DEFINED IN CFTC RULE 1.71. ZANER, ITS PRINCIPALS, BROKERS AND EMPLOYEES MAY TRADE IN DERIVATIVES FOR THEIR OWN ACCOUNTS OR FOR THE ACCOUNTS OF OTHERS. DUE TO VARIOUS FACTORS (SUCH AS RISK TOLERANCE, MARGIN REQUIREMENTS, TRADING OBJECTIVES, SHORT TERM VS. LONG TERM STRATEGIES, TECHNICAL VS. FUNDAMENTAL MARKET ANALYSIS, AND OTHER FACTORS) SUCH TRADING MAY RESULT IN THE INITIATION OR LIQUIDATION OF POSITIONS THAT ARE DIFFERENT FROM OR CONTRARY TO THE OPINIONS AND RECOMMENDATIONS CONTAINED THEREIN.

THE RISK OF LOSS IN TRADING FUTURES CONTRACTS OR COMMODITY OPTIONS CAN BE SUBSTANTIAL, AND THEREFORE INVESTORS SHOULD UNDERSTAND THE RISKS INVOLVED IN TAKING LEVERAGED POSITIONS AND MUST ASSUME RESPONSIBILITY FOR THE RISKS ASSOCIATED WITH SUCH INVESTMENTS AND FOR THEIR RESULTS. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

150 S Wacker Dr, Suite 2350 · Chicago, IL 60606 · Direct: 312-277-0050 Fax: 312-277-0150 · info@zaner.com

Copyright © 2010 Zaner Group LLC. All Rights Reserved.