MARTINSON AG RISK MANAGEMENT

AG INSIGHT

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Wheat

Wheat closed lower in three out of four sessions this week with Tuesday the only session that saw gains. MW was the best performer posting only small losses, while the winter wheat exchanges dropped hard. By the end of Thursday's session, Chicago May was at a new low for 2017 while KC May was at new contract lows.

The winter wheat contracts were hit hard the beginning of the week and the end the week. Improving weather forecasts were the main reason for the pressure with Monday's selling tied to good weekend rains and the expectation that winter wheat conditions would see another week of improving conditions. Wheat's crop condition rating this week were: KS: 51% g/ex (+3), OK: 46% g/ex (-2%), TX: 42% g/ex (+1), CO: 41% g/ex (-1%) and MT: 67% g/ex (+4). Overall winter wheat conditions improved 1% to 54% g/e, 33% fair, and 13% p/vp. Winter wheat is also 19% headed, above the 5-year average of 13%. Spring wheat is 13% planted, well below last year's 25% at this time and the 5-year average of 21%.

Tuesday's session had all three of the wheat exchanges posting gains. MW was the strongest for a couple of reasons. First, planting progress continues to lag behind normal and with the current forecasts, it appears that drills will now be returning to fields anytime soon. Second. there are reports of wheat streak mosaic and leaf rust in Texas. Third, Stats Canada released planted acreage estimates Friday morning. All Wheat acres are estimated at 23.18 million, higher than the average trade estimate of 22.4 million, and about even with last year's 23.2 million. Spring wheat acres are expected to increase 8% from last year, while durum acres are expected to drop 17%.

In other world wheat news, the Ukraine estimates their wheat exports at 15.2 MMT, up 11% from last year. In addition, the Western Europe and the Black Sea area are seeing some dryness, but that is not too concerning yet.

The biggest issues facing wheat going forward, weather. If weather delays continue in the Northern Plains for another two weeks, it is likely producers will start considering switching wheat acres to later season crops like soybeans or sunflowers. This will certainly be the main driver of the market in short term. Demand is another, but at this point the 2016 export year is coming to a close and it appears it should hit projections.

Last week's wheat export inspections pace was estimated at 24.7 MB and sales were at 15.2 MB. After 45 weeks, wheat shipments are at 83% while sales are at 99% of USDA's expectations. With 7 weeks left in wheat's export marketing year, shipments need to average 24.8 MB and sales need to average 867,000 bushels to make expectations.

For the week, May MW was at $5.265 down 3.5 cents, Sept MW was at $5.4225 down 4.5 cents, May Chicago was at $4.05 down 24.75 cents, and May KC was at $4.045 down 22.75 cents.

Corn

The corn markets lost ground every day this week, with US weather conditions becoming the biggest driver in the markets. On Monday, USDA released the weekly planting progress report showing corn at 6% planted nationwide, behind last year's average of 12% and the 5-year average of 9%. Every state is behind last year's planting pace, except for Indiana. However, it appears as of now that traders are not overly concerned about the slow planting pace this early in the season. Export inspection numbers were solid and 21% above this week last year.

Tuesday's session saw corn finishing lower again, following soybean's lead and erasing all of last week's gains. Wednesday's session saw corn close near unchanged. The forecast for the corn belt for next week shows a 5-day window of dry weather that should speed up planting progress. Trade estimates for next Monday's planting progress range from 15% to 20%, compared to the 5-year average of 28%.

Thursday's session saw corn starting the day steady to higher, but again ended with minor losses after wheat started to lose ground. The session also saw selling tied to the export sales report, which was disappointing. The updated 6 to 10-day forecast shows the possible of heavy rains with flooding potential in the Plains and Midwest.

Last week's corn export inspections pace was estimated at 52.3 MB and sales were at 29.8 MB. After 32 weeks, corn shipments are at 63% while sales are 89% of USDA's expectations. With 20 weeks left in corn's export marketing year, shipments need to average 40.6 MB and sales need to average 12.6 MB to make expectations.

For the week, May corn was at $3.57 down 14 cents while Dec was at $3.82 down 12.5 cents.

Soybeans

Soybeans lost ground in three out of four sessions this week. But even with that, soybeans were the best performers for the week. This is a market that seems to be patient to wait and see just how spring unfolds.

Soybeans started the session week off with small losses as heavy weekend rains in Argentina resulted in more flooding. Reports have Argentina harvest at 8% harvest, which would be the slowest pace in 5 years. But the lack of progress in Argentina was more than offset by planting concerns in the US. Spring wheat planting progress and corn planting progress has been lagging behind expectations and that has many traders concerned more acres could switch to soybeans.

On the world acreage front, reports have China looking to increase soybean acreage as well in an attempt to become less reliant on imports. Also, Stats Canada is releasing their acreage estimates for 2017 on Friday and the average trade estimate has acres increasing about 5% from last year (the actual increase was 27%, as acres are expected to be 6.96 million compared to 5.47 million last year).

Rain is expected to end in both the US and Argentina late in the week and should allow for the planters to return to the fields in the US and combines to the fields in Argentina. Traders took this as friendly soybeans as again it might reduce the chance of more soybean acres.

Pressure returned to close out the week with selling tied to a disappointing export sales estimate, which put last week's sales below expectations. A lower palm oil market added to the pressure as palm oil trading to lows not seen in 8 months.

Last week's soybean export shipments pace was estimated at 15.8 MB and sales were at 7.8 MB. After 32 weeks, soybean shipments are at 88% while sales are 102% of USDA's projections. With 20 week's left in soybeans marketing year, shipments need to average 12.6 MB to make projections and sales are 40 MB over projections.

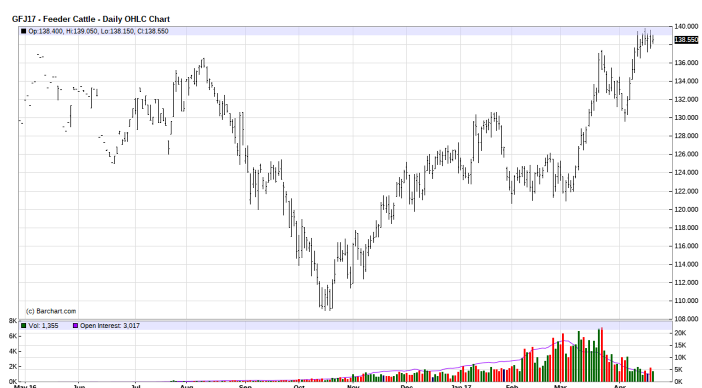
For the week, May soybeans were at $9.51 down 4.5 cents while Nov was at $9.595 down 2.25 cents.

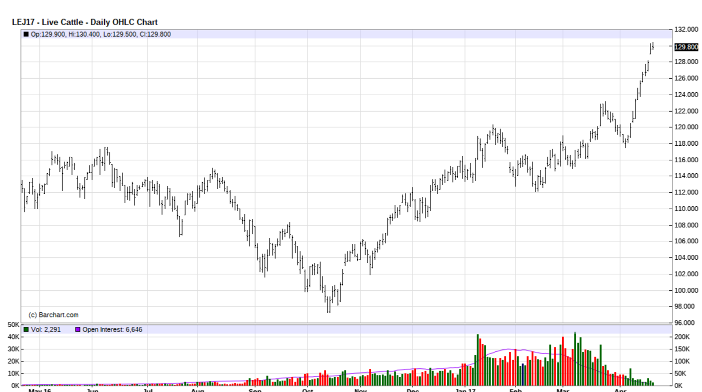
Cattle

Live cattle closed with gains in every session this week. By the close on Thursday, live cattle had closed higher in that past 11 straight sessions. Stronger export demand and good packer interest continues to push the live cattle market. Cash bids continue to push higher as packers try and secure product. Packer margins have returned to the black, which has helped them to be aggressive buyers. Boxed beef process has also remains firm this week, which has helped keep packers engaged.

Feeder cattle did not fare as well as the fat cattle market. Feeders posted gains on Monday, but lost ground the rest of the week. Early strength spilled over from the higher fat cattle market. Technical pressure took charge later in the week. Positon squaring ahead of Friday's COF report was also evident. Early estimates have the report at: On Feed: 100%, Placed: 106%, and Marketing: 110%

For the week, April live cattle were at $129.80 up $4.425 while April feeders were at $138.55 up 75 cents.





Canola/Sunflowers

Canola traded with gains in every session this week. Early support came from a mostly stable US soybean complex as soybeans only posted small losses for the week. Light support came from weekend rain and snow over much of the western regions of Canada, which is preventing producers from wrapping up the last of the 2016 crop. At this point traders are not expecting much of the 2016 crop that is left in the field will get harvested. This has many expecting old crop canola stocks to get extremely tight before the new crop supplies become available. Traders were expecting to see an increase in canola acres in Stats Canada's 2017 Acreage Estimate. The report estimated canola acres at 22.39 million, a 10% increase over last year.

For the week, May canola was at $525.90 up $25.90 CD while Nov was at $492.10 up $11.60 CD. Thursday's cash canola bids in Velva were at $17.36.

Sunflowers continue to be the undervalued veg oil product, considering holding sunflowers until May or June, which seasonally is when prices push higher. Thursday's cash sunflower bids in Fargo were at $14.90.

Recommendations

2016 Corn:
- 10% sold by futures fixed at elevator at $4.08 Dec (05/25/16)
- 20% sold by futures fixed at elevator at $4.38 Dec (06/15/16)
- 20% sold by futures fixed at elevator at $3.65 Mar (01/17/17)

2017 Corn:
- 15% sold by futures fixed at elevator at $3.95 Dec (4/13/17)

2016 Soybeans:
- 15% sold by futures fixed at elevator at $9.285 Nov (03/29/16)
- 15% sold by futures fixed at elevator at $9.95 Nov (04/20/16)
- 20% sold by futures fixed at elevator at $11.38 Nov (06/15/16)
- 25% sold by futures fixed at elevator at $10.70 Mar (01/17/17)

2017 Soybeans:
- 10% sold by futures fixed at elevator at $10.15 Nov (11/22/16)

2016 Wheat:
- Took LDP on winter wheat. ND was at 24 cents. SD was at 27 cents (09/01/16).
- 10% sold by futures fixed at elevator at $5.05 Dec MW or $4.40 Mar KC (09/23/16)
- 20% sold by futures/futures fixed at elevator at $5.89 Mar MW (01/17/17). Bought back at $5.23 for a profit of 65.5 cents.

2016 Cattle:
- 25% sold by options or LRP at $138.975 Jan 17 (8/10/16)

Crop Insurance

Production hail is designed to be coupled with your MPCI policy to cover the portion of the crop left unprotected by your MPCI policy.

Sales closing and available crops vary by company, but in general you can choose a coverage factor of 100% to 120% of your APH yield. You can also choose a lower price percentage to lower the premium.

You must have a hail loss to collect. Payment will be the lesser of the appraised hail loss or the actual harvested production. If the crop does rebound after the appraisal, you loss can be reduced. Losses cannot be paid until after harvest.

Production Hail Example:

Ransom county corn with a 165 APH at 75% RP

165 APH x 75% = 124 bu RP guarantee

165 APH x 120% production hail factor = 198 bu loss trigger

Production hail will cover the top 74 bushels only (198 - 124).

If you have an appraised hail loss and harvest less than 198 bu/acre, you will receive a production hail payment.

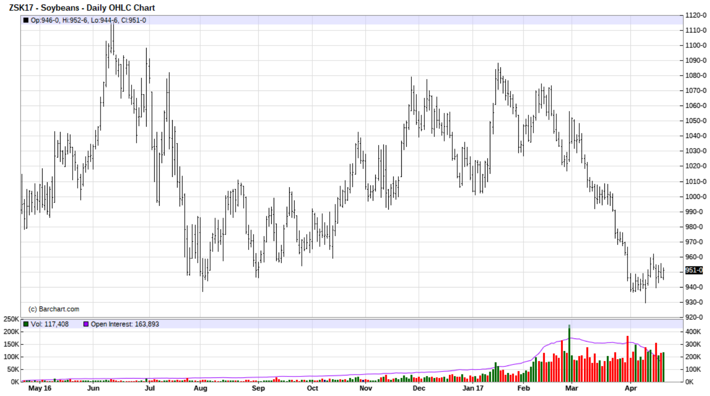
Production hail coverage = 74 bu x $3.96 RP price election = $293.00 coverage per acre.

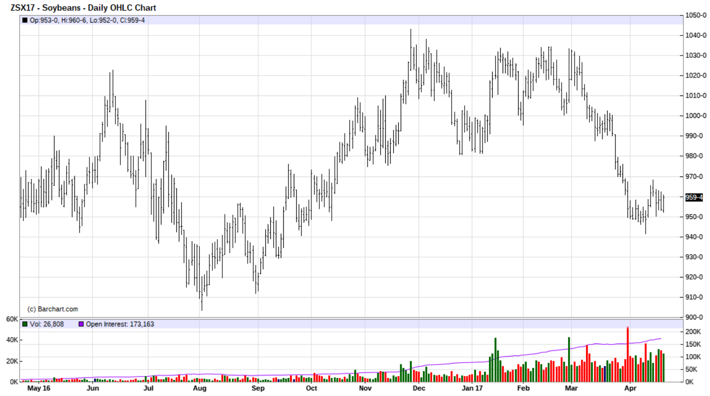
Remember you can choose a percentage of the $3.96 price election to lower your premium. You will still have a loss trigger at 198 bushels.

Production hail coverage in this scenario with $293.00 of liability would cost $20.22/acre. Basic coverage at $293.00 of liability would cost $12.89/acre. However, production hail pays out much faster—see the chart at the right.

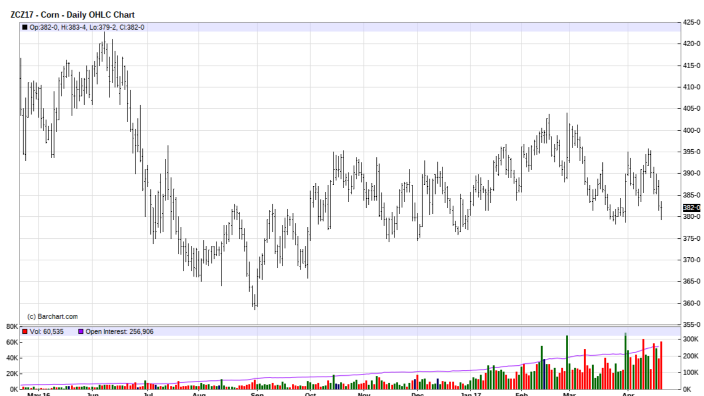
% Loss	Basic Payout	Prod Hail 120% Payout
5	$14.70	$39.11
10	$29.30	$78.21
20	$58.60	$156.42
30	$87.90	$234.63
40	$117.20	$293.00

Soybeans





Corn



Wheat