MARTINSON AG
RISK MANAGEMENT

AG INSIGHT

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Wheat

The wheat markets started the week with losses triggered by improving weather conditions for both the HRW and HRS areas. Nationwide winter wheat crop condition ratings were down 1% from last week with: KS: 43% g/ex (-6), OK: 49% g/ex (+2%), TX: 40% g/ex (-4), CO: 45% g/ex (-2%) and MT: 69% g/ex (+6). Spring wheat planting progress made gains, with 54% planted compared to 31% last week and 60% for the 5-year average. Wheat export inspections were better than trade estimates at 22.6 MB.

The losses continued in Tuesday's session. Early selling was tied to pressure from Monday's Crop Progress report. Selling was also tied to weather forecasts calling for warm, dry conditions for much of the next 10 days for the Northern Plains, which should allow for good planting progress. On a positive note, 2 million acres of Canada's wheat is still in the field and likely will not get harvested due to wet conditions.

The wheat markets all closed higher on Wednesday after the supply and demand report came out. US numbers were friendly wheat, but world numbers were negative as even though US wheat production is projected to be the second lowest on record, world wheat production is projected at the second highest on record. US ending stocks came in slightly below trade estimates at 1.159 BB for 2016/17 and 914 MB for 2017/18.

For old crop, USDA increased imports 5 MB, decreased food 5 MB and increased exports 10 MB, national average price was increased 5 cents to $3.90. World ending stocks were higher than trade estimates: 255.4 MT vs 252.2 MT for 2016/17 and 258.3 MT vs 246.1 MT for 2017/18. USDA issued their first estimate of new crop winter wheat at 1.246 BB, down sharply from last year's 1.671 BB and reflecting new record low for winter wheat harvested acres.

Thursday had the wheat markets closing higher, supported by commercial buying despite a negative export sales report. Ironically, the day after USDA increased wheat export estimates by 10 MB, the export sales report showed a net reduction of 900,000 bushels. Weather through the weekend looks to be warmer and drier for the Great Plains before rains move in again next week.

Last week's wheat export inspections pace was estimated at 22.6 MB and sales were at -900,000 bushels (net cancellations). After 48 weeks, wheat shipments are at 89% and sales are at 99% of USDA's expectations. With 4 weeks left in wheat's export marketing year, shipments need to average 28.96 MB and sales need to average 2 MB to make expectations.

For the week, July MW was at $5.465 down 7.75 cents, Sept MW was at $5.535 down 7.75 cents, July Chicago was at $4.3275 down 9.5 cents, and July KC was at $4.3925 down 10.75 cents.

Corn

Corn started the week off lower due to a negative export inspections estimate as well as expectations of rapid planting progress for the western regions of the Corn Belt. Losses were limited by heavy moisture concerns in IL, IN, and MO. After the close, USDA estimated corn planted progress at 47% compared to 34% last week and 52% for the 5-year average (trade was expecting progress at 40%) Corn emergence was estimated at 15% compared to 9% last week and 19% average.

The middle two sessions of the week saw corn trade steady on Tuesday and with solid gains on Wednesday. Tuesday's session traded steady with most of the activity focused on position squaring ahead of Wednesday's Crop Progress Report. Wednesday's session was completely focused on the report. For old crop, USDA increased food, seed and residual 25 MB to 1.47 BB which followed through to result in a 25 MB decrease in ending stocks, now estimated at 2.295 BB compared to expectations of 2.331 BB.

For new crop, USDA used the March planted acreage estimate of 90 million, harvested at 82.4 million, yield of 170.7 bus, for a production estimate of 14.065 BB, putting total supply at 16.4 BB. Use was estimated at 14.3 BB (feed: 5.425 BB, ethanol: 5.5 BB, food, seed: 1.5 BB, exports: 1.875 BB), for a net ending stocks estimate of 2.1 BB (25 MB less than expected by the trade). The national average cash price is expected to remain unchanged at $3.40. On world front, Argentina corn production increased 1.5 MMT to 40 MMT and Brazil's corn production increased 2.5 MMT to 96 MMT.

Corn closed out the week with losses. Another week of disappointing export sales and improving weather forecasts proved to be too much for the bulls. Last week's exports were at a new marketing year low. And weather forecasts are calling for a 5-day window of dry weather for between now and early next week, which should help producers in slow planting progress regions to catch up. Traders are still showing some concerns for the southern tips of the IN, IL, and MO as another heavy rain system is forecast to move in next week.

Last week's corn export inspections pace was estimated at 28.4 MB and sales were at 10.9 MB. After 35 weeks, corn shipments are at 69% and sales are at 92% of USDA's expectations. With 17 weeks left in corn's export marketing year, shipments need to average 40.1 MB and sales need to average 10.2 MB to make expectations.

For the week, July corn was at $3.71 up 0.25 cent, while Dec was at $3.8875 up 0.25 cent.

Soybeans

Soybeans lost ground in three out of the four sessions this week, with only turn around Tuesday posting gains. Soybeans started the week off on the lower side, marking this the third session in a row of losses. A stronger US dollar and expectations of a strong planting progress estimate caused most of the selling pressure. A disappointing export shipments report added to the pressure.

Monday's Crop Progress confirmed trader's expectations, planting progress was at 14% complete, which matched trade expectations, but was lower than the 5-year average of 17% planted.

Buyers came to the market on Tuesday with most of the focus on position squaring ahead of Wednesday's Crop Production report. Support also spilled over from a stronger Malaysian palm oil market, which traded to a 4-week high.

Wednesday, report day, saw soybeans up 13 to 15 cents after a mixed supply and demand report came out, but ended the day 3 cents lower for old crop and less than a cent lower for new crop. The report had US ending stocks for 2016/17 lowered by 10 MB to 435 MB, with exports 25 MB higher and crush 15 MB lower.

The US estimated ending stocks for 2017/18 came in at 480 MB, much lower than the average trade estimate of 555 MB, due to USDA's aggressive demand expectations. However, world ending stocks for 2016/17 were at 90.1 MT, higher than the average trade estimate of 87.5 MT, due to the continually increasing numbers for South American production. Brazilian soybean production was bumped up again to 111.6 MT from 111.0 MT last month while Argentinian production was increased 1 MT to 57 MT.

Light pressure returned to the soybean market Thursday with improving weather forecasts the main reason for the selling pressure. CONAB also increased Brazilian soybean production to 113 MMT, higher than yesterday's USDA estimate of 111.6 MMT. There is concern about the number of drowned-out corn acres in southern IL, IN and MO that may switch to soybeans.

Last week's soybean export shipments pace was estimated at 12.8 MB and sales are at 14 MB. After 35 weeks, soybean shipments are at 89% and sales are at 102% of USDA's expectations. With 17 week's left in soybeans marketing year, shipments need to average 12.97 MB to make expectations while sales are 49 MB above expectations.

For the week, July soybeans were at $9.63 down 10 cents while Nov was at $9.5975 down 6.75 cents.

Cattle

After a lot of fanfare (live cattle traded in a $8 to $9 trading range this week), cattle finished the week with losses in every session and ended lower for the week. Pressure came from technical selling as cattle have pushed to levels not expected to be seen this year. Strong cash bids remain, as cash remains $15 to $20 above the front month June futures contract. That will limit any selloff in the market, unless cash starts to sell off hard. Boxed beef prices have remains strong all week, which helped to limit losses. In their May production estimate, USDA cut 2017's beef production 190 million pounds.

Feeder cattle had the same type of volatility as the live cattle, except feeders traded in a $9 to $10 trading range, and closed out the week with small losses. The lower live cattle market pressured the feeders but those losses were kept in check by strong demand for calves as well as from a weaker corn market this week.

As of May 7, USDA estimated pasture rangeland conditions at 63% g/e, 28% fair, and 9% p/vp, compared to 61% last year at this time, disappointing considering how wet it has been this season.

For the week, June live cattle were at $125.175 down $3.125 while May feeders were at $144.55 up 75 cents.

Canola/Sunflowers

Canola started the week steady to higher but ended the week with losses. The first two sessions of the week, canola traded with gains with concerns still tied to tight old crop supply concerns as well as slow planting progress due to cool wet conditions.

The end of the week brought selling to the canola market due to a pickup in farmer selling as well as from a stronger Canadian dollar. Commercial buying has slowed down slightly and that added pressure. Weather forecasts are calling for a 5-day window of warm dry conditions. This will help spur planting progress. USDA estimated ND's canola planting progress at 16% completed, compared to 3% last week and 26% for the five-year average. Thursday's cash canola bids in Velva were at $17.21.

Sunflowers continue to be the undervalued veg oil product, considering holding sunflowers until late May or June, which seasonally is when prices push higher. Thursday's cash sunflower bids in Fargo were at $15.00.

For the week, July canola was at $523.90 down $1.90 CD while Nov was at $504.20 down 60 cents.

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.
- 15% sold by futures fixed at elevator at $5.65 July MW (5/01/17)

2017 Wheat:
- 15% sold by futures fixed at elevator at $5.65 Sept MW (5/01/17)

Crop Insurance

Now that planting is underway, it's time to start thinking about the type of crop hail coverage you may need for your operation.

Crop Hail Reminders:
- Farmers Mutual offers immediate coverage once the application is received. Most other companies offer coverage two hours after the application is received.
- Most companies offer a 3% to 5% cash discount if premium is paid in July.
- Production hail and wind/green snap coverages have sales closing deadlines that vary by company. Contact our office for details.

We work with multiple insurance companies so we can find you the best product and rate for your individual circumstances.

Some Popular Crop Hail Plans:
- **Basic**—No deductible. Pays out the percent of damage.
- **DXS5**—5% deductible. Catches up (pays like a Basic) at 25% damage.
- **DDA**—10% deductible. Catches up at 25% damage.
- **Comp2**—5% deductible. If damage is less than 55%, pays (damage percentage - 5%) x 2. If damage is in excess of 55%, pays 100%.
- **Production Hail**—Guarantee is based on a percentage of your APH yield for that section (up to 120%) and the RP price election. Loss payments cannot be made until the crop is harvested and it is possible to grow yourself out of a loss.

See the Crop Insurance tab on our website for more information on crop hail products.

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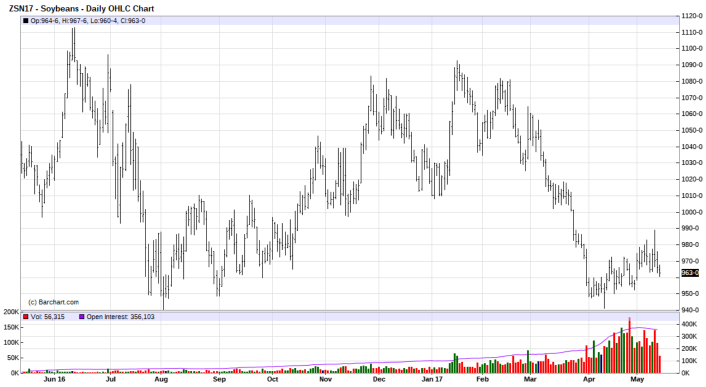
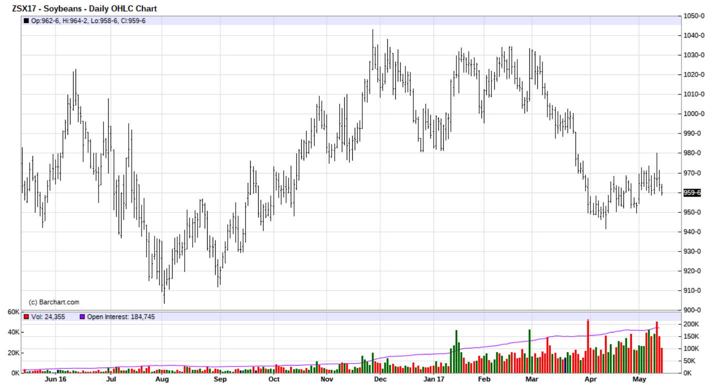
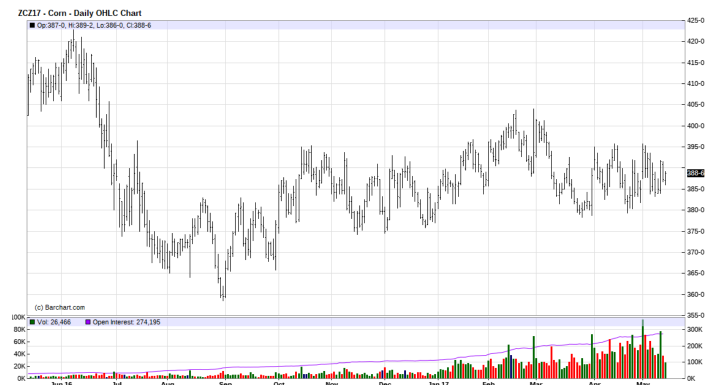
Soybeans





Corn



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