AgResource Company

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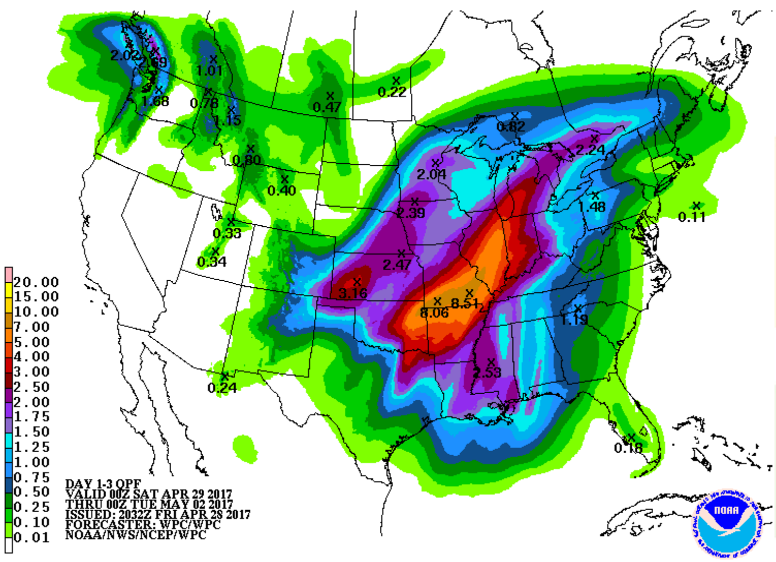
** AgResource US Daily Weather Comment & Analysis **

Apr 28, 2017
4:30 PM CDT

**** Central US Forecast Warmer, Drier Beginning Late Next Week:** The EU, GFS and Canadian models end the week in mostly good agreement, and the outlook beyond the early part of next week is trending warmer and drier across the heart of the Central US. The near term forecast, however, has trended even wetter across the Midwest and maintains the risk of additional frost across the Northern & Western US through the weekend.

** NOAA 3-Day Precip Forecast **



NOAA's best guess on rainfall through Tuesday is at left, and accumulation has been raised moderate across OK, AR, MO, IL and IN. As evidenced in graphic, cumulative totals there will reach as high as 7-8", and as this rain will fall in 2-3 days flood concerns are mounting. Planting progress will be halted entirely through the later part of next week, and longer across the Southern and Eastern Corn Belt. A more seasonal pattern does look to be established thereafter, though.

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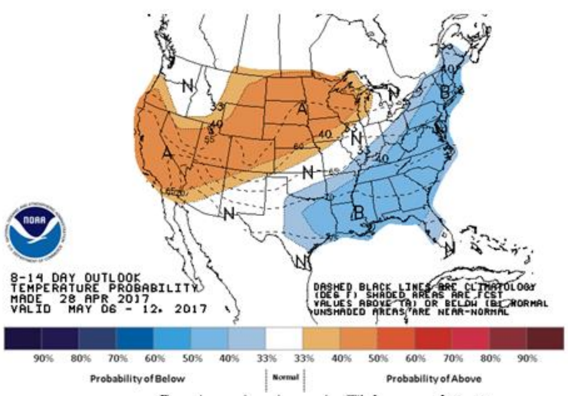

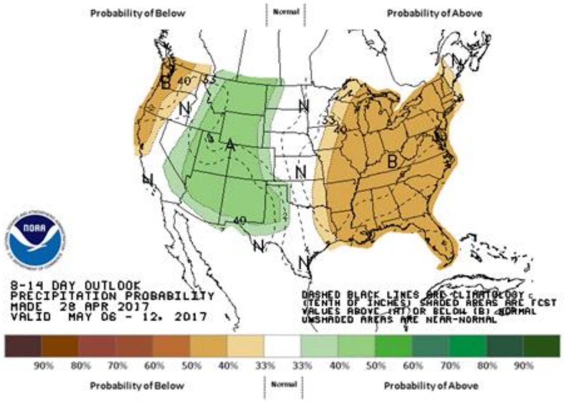

The general theme of the 6-15 day forecast is that deep low pressure aloft, which has been the trigger for recent and upcoming rain events, will stay isolated to Central Canada. This will allow the flow of warmer air to resume across the Central US. The storm track will also be pushed well north of primary growing areas, and rainfall beyond the early part of next week be more scattered and less frequent in nature.

Moderate showers are offered to the Northern Plains and Great Lakes Region May 6-8, and there are hints of heavy rainfall across the Southern Plains in the 12-15 day period, but the primary Corn Belt will be much drier. High temps look to reach into the 60s and 70s beginning next Wed/Thurs – which of course will boost the pace drying, germination and emergence. NOAA's latest extended outlook is at left. Longer term guidance suggests drier than normal conditions will persist into May 17th.

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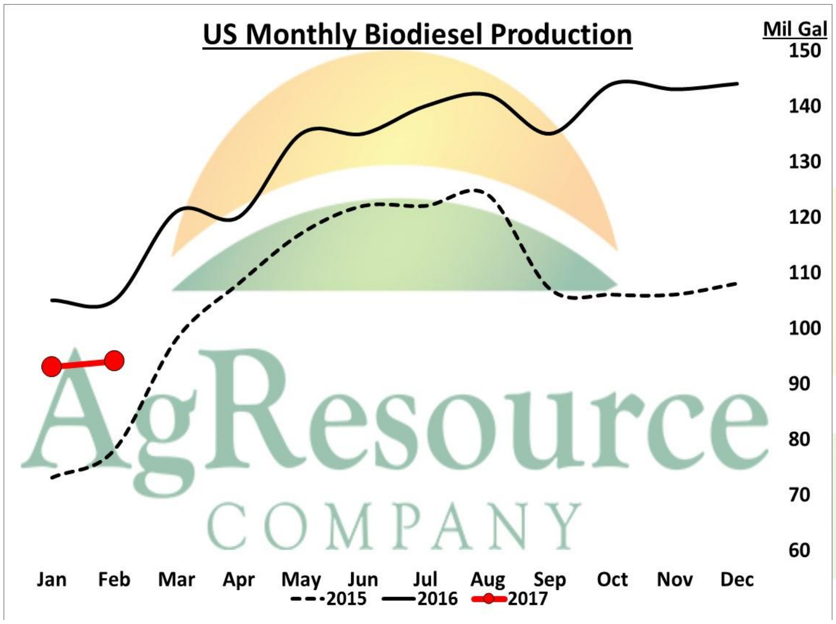
** US Monthly Biodiesel Update ** Apr 28, 2017 4:30 PM CDT

The monthly EIA Biodiesel report showed US production in February at 94 Mil Gal, near unchanged from January, but 11 Mil Gal under a year ago. US B100 demand is typically slow early in the year, and this along with the loss of the blender's credit subsidy, weighed on US biodiesel prices. The report showed B100 sales through the month totaled 37 Mil Gal, and another 46 Mil Gal were marketed through B100 blends. The combined use was down 17% from last year.



The EIA report showed that US biodiesel producers used 369 Mil Lbs of soyoil for biofuel production. The cumulative total now stands at 3,708 Mil Lbs, and with 7 months remaining in the crop marketing year monthly usage needs to average near 530 Mil Lbs/month (unchanged from last year) to reach the USDA forecast. The USDA is not expected to make any changes to their annual biodiesel forecast in the May WASDE.

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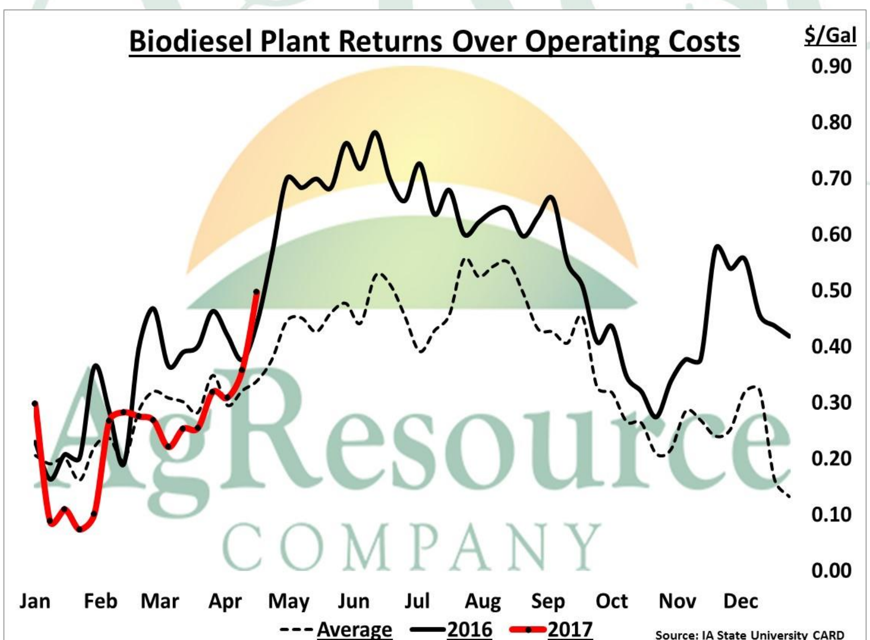
The EIA production data is lagged by 2 months, and since February, biodiesel producer margins have improved significantly as biodiesel prices have strengthened, while soyoil prices have trended weaker. The chart shows weekly estimated biodiesel plant returns over operating costs, as calculated by IA State University. Estimated margins through last week were at $.50/gallon versus 7 cents in late January. Plant margins are well over the 5 year average, and are similar to a year ago levels. Upcoming EIA reports should confirm unchanged or higher production figures starting in March.



While rising B100 prices are working in favor of US producers bottom line, stronger prices are also working against them as they create a magnate for cheaper, foreign produced biodiesel.

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** US Monthly Biodiesel Update **

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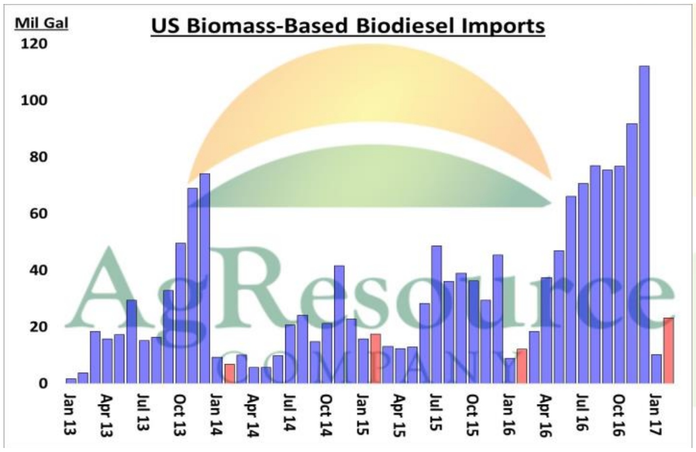
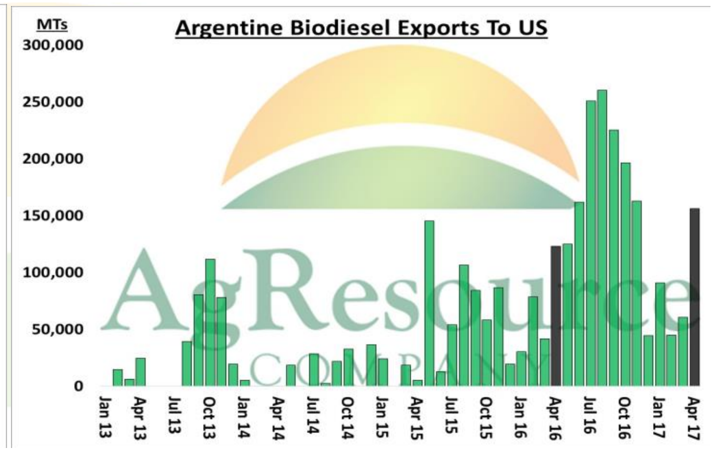
US biodiesel imports collapsed in January and the slow pace continued through February. Imports of 23 Mil Gal was nearly double last year, but well under the monthly totals in the last half of 2016. Much the this decline has been due to a sharp drop in imports from Argentina. Trade data from Argentina shows that their exports collapsed back and December and remained slow through the first quarter. However, Argentine trade data through this week shows April exports are nearly triple the March export total, and 27% over a year ago. Biodiesel legislation and interest in protecting domestic producers has been a news headline for months, and a jump in imports this summer will likely spur discussions and urgency for a change in policy (producer credit).





** AgResource Soybean Comment and Analysis **

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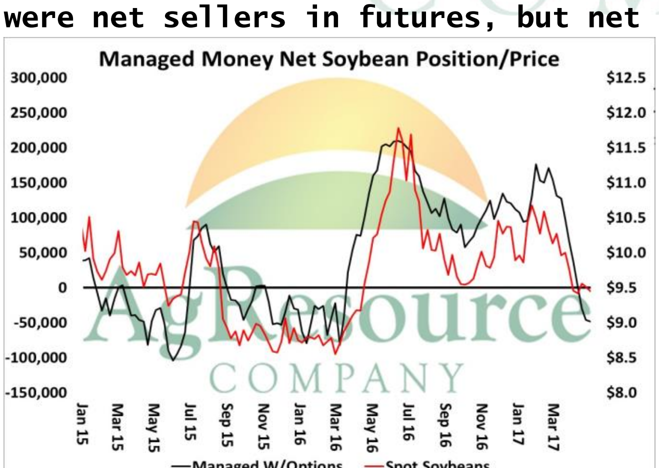
4:30 PM CDT

**** Choppy Trading Continues At Week's End:** Soybeans were steady at Friday morning's open and traded on both sides of unchanged through the day. At the close, soybeans were mostly a penny weaker, and the product markets were mixed. Commodity fund traders were estimated sellers of 2,000 soybean and 3,000 soyoil contracts, and buyers of 2,000 in soymeal.

The weekly Commitment of Traders report showed that through Tuesday, Managed Money had increased their net short soybean position to 48,8275 contracts (-2,447) or the largest since last March. The futures only position was net short 52,475 contracts (-3,285), so the 2 data sets together show that funds were net sellers in futures, but net buyers through options. And while funds were busy selling, hedgers added 7,409 contracts to their rare net long position, which now stands at 7,409 contracts or the largest in more than 2 years. Amidst the money flow, spot soybeans finished the week 5.75 lower.



Planting progress across the Cornbelt this week was slowed by rain, and Monday's report to show just 10-12% of the US soybean crop in the ground. It's still too early for a planting delay worry, but we are ready to advise sales on such a rally.

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** AgResource Corn Comment and Analysis **   Apr 28, 2017
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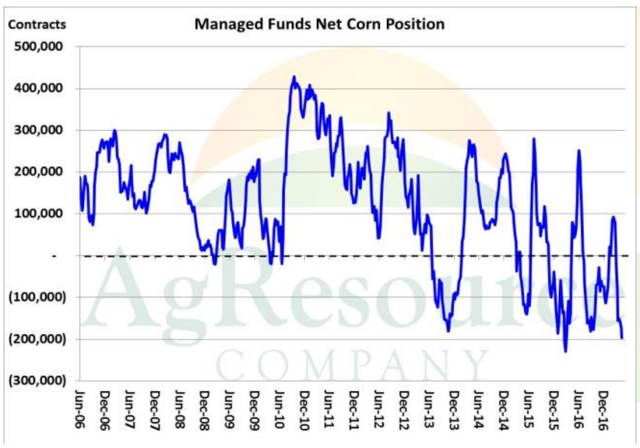
**** Corn Futures Correct on Warmer, Drier US Forecast:** The back and forth is ongoing in corn futures, and increasingly daily price action will be driven by weather model updates. The US forecast is trending warmer and drier beyond early next week, and important will be whether this pattern shift is sustained in Sunday night's forecast. AgResource mentions that despite this week's seemingly volatile week, July corn traded in a range of just 12 cents, the narrowest of such since the middle of March.

Trading on Sun night will hinge upon the market's reaction to CFTC data. Managed funds as of Tuesday were short a net 196,000 contracts at the CME, much more than expected, and not too far from the record posted in late 2016.



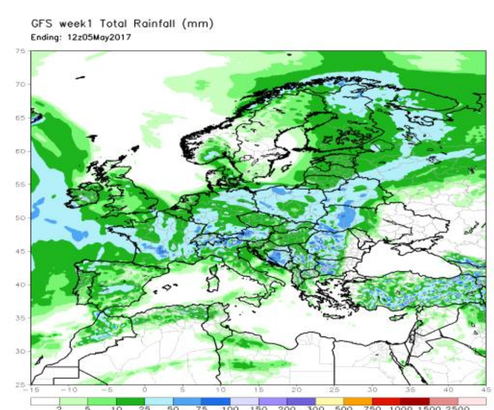
This position today is likely closer to 205,000, which is rather lofty ahead of a growing season.

Other fundamentals are mixed. The Brazilian real continues to weaken, which could boost near term producer sales there. Cash DDG prices have fallen this week amid an ongoing record pace of ethanol production, and needed rains will fall across much of Europe and 50-60% of Ukraine's Corn Belt in the next 10 days. But the US weather pattern in mid- to late May will be front and center.

** AgResource Wheat Comment and Analysis **   Apr 28, 2017

**** Wheat Maintains Support Ahead of Weekend Cold:** Another round of freezing or near freezing overnight lows is expected much of the HRW Belt on Saturday, funds still hold a massive short position, and unlike corn and beans US and world wheat markets remain well supported. AgResource does note that weather in Europe is improving and domestic Russian cash prices continue to sink, and so substantial short covering is absent, but until frost/freeze damage can be better assessed near term downside risk will be limited. Managed funds as of Tuesday were net short 162,000 contracts, a bit more than expected.

Next week's action will hinge upon actual low temps recorded this weekend, and whether the extended forecast retains a warmer/drier pattern beyond the opening days of May. The US forecast has been trending warmer/drier in recent model runs, but until this shift is pulled forward uncertainty over its arrival will remain.



Elsewhere, weather outlooks are improving. 7-day EU rainfall is at left, and needed moisture will cover all of France, Germany and Poland, and this wet pattern looks to persist into May 12-13 – which is rather timely. Russian domestic wheat prices have fallen \$10-12/MT since late March, and it's still important for the US to stay competitive for summer export demand – which suggests rallies above \$4.50, July, will be difficult without confirmed sizeable yield loss. We advise patience in extending cash sales.

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** AgResource Hog Comment and Analysis ** Apr 28, 2017
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**** Hogs Extend Weekly Gains Ahead Of The Weekend:** Hog futures were higher at the start on Friday and buying continued into late the day. For the week, June hogs traded a $5.85 range and marked the best close since late March. The hog index was down $.22 at $59.71 and projected $.08 lower for Monday. However, negotiated trade has been higher for the last 3 days, and was up $.75 on Friday. Negotiated business makes up a small percentage of transactions, but as the residual supply of hogs it offers insight into packer demand.

Placed against hog feeding margins were sharply higher at Friday's close, as the weekly gain in October hog futures was double the gains in corn and soymeal costs. Forward margins have stabilized over the last several weeks, but are also well under a year ago, which is pulling down weaned pig prices in the spot market. The USDA reported a weekly average price of $27.38/head on 34,750 head, down $2 from last week and more than $11 under a year ago. Formula prices ranged form $31-44, with a weighted average of $37.50. Large supplies and lower forward margins will maintain bearish seasonal trends in the weaned/feeder pig markets.