

## **This Week in Agriculture:**

**A Mixed Bag of Information from the Week that Was: December 14, 2018**

- **A week full of rumors, confirmation and headlines gave everyone a lot to talk about, but surprisingly left the markets somewhat directionless.**
- **The week started with Reuters reporting China was looking to purchase 5-8 mmt of soybeans and that sales were just days away. President Trump agreed in an interview Tuesday saying China was in the market buying large amounts. Excitement continued to build into Wednesday as additional news reports indicated \$180 million worth of sales had been finalized, with subsequent reports indicating even more buying throughout the day.**
- **The US Soybean Export Council announced after the close Wednesday that a Chinese delegation had in fact agreed to book 1.5 to 2 million metric tons (55-74 million bushels). With all of this talk of purchases being made, traders could hardly wait for Thursday morning to see actual confirmation through the USDA's export sale flash system. The USDA requires all sales of 100,000 metric ton or more be announced at 9am central time the day after the transaction is completed.**
- **Thursday confirmed 1.13 million metric ton was booked Wednesday, with another 300,000 metric ton announced as sold Friday morning. Unfortunately, as is usually the case, reality didn't quite match expectations and the board failed to rally on the news.**
- **While many were confused as to why the news of Chinese purchases were not immediately bullish to the market, it is important to remember a couple things. First, prior to the trade rift we were shipping 30-35 million metric tons (1.1-1.3 bln bushels) to China a year so while any purchases are a great first step in rebuilding the trade relationship we so desperately need when faced with a tremendous amount of on-hand supplies, we definitely need to see more.**
- **Secondly commodities tend to trade on what could happen, so many times the old adage of buying the rumor and selling the fact is tough to break. We have seen a significant run up in value first on the expectations the Trump/Xi meeting would take place and be a positive development and then on the idea of the trade truce and subsequent purchases. Many of the folks that were interested in buying that news already had prior to any type of confirmation.**
- **Interesting to also see reports China will be looking to buy US corn for the first time in several years. Talk is up to 3 mmt (118 mbu) will be booked as soon as next month. Considering both the USDA and the Chinese government raised on hand corn supplies in the November report by several billion bushels, the idea China will need corn sooner than later is intriguing.**
- **In other Chinese news, soy processors there are losing nearly \$50/tonne. This is the worst margin in 18 months as weakened feed demand and higher input prices are creating a pinch. The weaker feed demand outlook is likely being driven by both the desire to include less protein in rations as a way to reduce soybean demand, and from the historic spread in African Swine Fever.**
- **As we've discussed before, ASF is incredibly deadly to hogs and has been spreading across the country like wildfire. Rumor has it China is seeking to reduce small hog farms in an attempt to stop the spread, a news story surfaced this week that China will close all farms with 500 pigs or less in the Beijing region, buying each hog for \$170 regardless of weight to be culled.**
- **The USDA updated their monthly supply and demand numbers Tuesday leaving most everything unchanged when it comes to both supply and demand. The largest adjustment was to corn used for ethanol with a 50 million bushel reduction from last month's numbers. A slight adjustment lower in wheat exports was seen as well.**
- **We're watching weather closely as a significant portion of Brazilian bean production is dealing with hot and dry conditions. At this point most crops are handling the shift in weather well and we are looking**

**forward to next week's wetter forecast. Argentina is too wet in some areas, while Australia has been struggling with drought only to have heavy rains come into play as wheat harvest begins.**

- **Russia is expected to hold a wheat exporter meeting December 21<sup>st</sup>. Some feel this could lead to an announcement of wheat exports being curbed, though this expectation has been discussed for many months now with no real indication of a slowdown.**