

**This Week in Agriculture:**  
**The Trade Truce Edition: December 7, 2018**

- **The much anticipated meeting between President Trump and Chinese President Xi did not fail to produce excitement upon its conclusion. Newswires lit up late Saturday and into Sunday with emerging details, the most important of which was the initial agreement to give a 90 day negotiation period, during which no additional tariffs would take place. This includes a freeze on the expected increase in tariffs on 200 billion worth of goods from 10% currently in place to 25% slated for January 1<sup>st</sup>.**
- **Monday morning brought a lot of discussion and statements from both parties responsible for negotiating showing 2 very different tones. This of course led to some confusion over what was actually accomplished, tempering some of the anticipated buying strength, but still allowing for solid moves in all markets across the scale.**
- **The official statement from the US after the meeting indicated that the 2 countries had agreed to proceed with negotiations aimed to make “structural changes” when it comes to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft in services and agriculture. All set to be negotiated and resolved over 90 days.**
- **When looking at statements made from both countries, the US said that Beijing had promised to buy a very substantial amount of US ag, energy, industrial and other products, while Beijing was quick to say they were willing to “import more goods from the US based on the needs of the Chinese people.” US officials said the purchases would be made immediately, while the Chinese said the increase would be gradual.**
- **Of course, the difference in statements can easily be chalked up to cultural differences when it comes to negotiation and conversation, however, the lack of visible action was concerning to some market watchers.**
- **As the week progressed the markets stalled out, seemingly comfortable with pricing levels for the most part until Thursday morning when a major bombshell shook the confidence of even the most bullish investor. An arrest of a top executive for China’s largest tech company was seen as a troubling occurrence in the midst of negotiation.**
- **Meng Wanzhou is the CFO and deputy chairwoman of the board for Huawei, China’s leading technological company. She also happens to be the daughter of the company’s founder and well respected in China. The arrest took place in Vancouver, Canada as she was switching planes, and said to be at the request of the US who was asking she be extradited immediately. While the Chinese and officials with Huawei said she had done nothing wrong and her arrest was a great error made by the US and Canada, United States officials claimed she has been working to avoid sanctions by selling American made products to Iran illegally.**
- **Early news reports seem to indicate the arrest had just taken place and was fresh news, roiling the markets, but as details began to emerge, we discovered that the arrest was not in fact as recent as first indicated and had actually happened on December 1<sup>st</sup>, the day of the Trump/Xi meeting. The fact that it took place days earlier and prior to the meeting removed some of the sense of urgency felt when first announced, though still concerning as it could have a big impact on the relationship between the 2 countries as a whole.**
- **It is interesting to note that the company in question has been banned in the US and Australia with a consumer warning issued in the UK as many believe they’re responsible for or at the very least capable of spying, facilitating identity theft and compromising private information.**
- **As the week drew to a close we saw export sales volumes come in above pre-report expectations for corn and wheat, with soys on the high side of recent ranges. We have also seen a handful of US flash sales for both corn and beans, with corn going to Mexico for the most part and soys going to unknown. China was in as a buyer of US pork for the second week in a row as well.**

- **Next week the focus will remain on what is taking place from a negotiation standpoint and if we start to see actual purchases being made. We also have a USDA supply and demand update scheduled for Tuesday. Considering there was a significant amount of crop in the field as of December 1st an adjustment to harvested acres or yield is not out of the question.**
- **At the same time it will be interesting to see if the USDA makes any adjustments to Chinese demand in light of recent news, as a Shanghai based market intelligence firm indicated China soy imports could come in 10 million metric tonne higher than current USDA projections.**