

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: November 30, 2018

- **The moment we have all been waiting for is just a day away as the G20 summit kicks off and the world awaits the dinner meeting between President Xi and President Trump scheduled for Saturday. Traders seem to be bouncing between excitement and pessimism at a break neck pace. At the time of this writing however beans are at the high end of their recent range as we work towards the close.**
- **While the G20 meeting is garnering the most attention there are several other developments being monitored across the broad spectrum of trade. On the China side we cannot ignore what is taking place when it comes to the spread of African Swine Fever. The disease, while not harmful to humans is deadly to pigs and has spread like wildfire since its discovery in August. In just 3 short months it has moved across the country likely decimating the hog herd in its path.**
- **Traders have been monitoring the situation closely, wondering when we could see China enter into the buy side of our pork export market. Many thought it would take a trade resolution or at the very least would not take place until well into the 1st quarter of 2019. Neither thought was right it appears as China was the 3rd largest buyer of 2018 pork supplies in this week's export sales report and responsible for over 70% of purchases made for 2019.**
- **In addition, we are seeing the Eastern part of the US discussed in USDA cash sale transactions. According to experts this likely means Smithfield is in the negotiated cash market trying to secure additional supplies.**
- **Aside from China we are revisiting refinery waiver and biofuel blending requirements as well. Two important developments took place this week when it comes to refinery waivers. First, we learned that the energy department was revisiting requirements regarding the hardship exemption waivers that had garnered so much attention earlier this year. Many felt that exemptions would be limited or at the very least put on hold while the energy department reevaluated requirements. The EPA disagreed with this approach saying a late summer court ruling required exemptions continue to be offered.**
- **In line with the exemption conversation was a blow to the renewable fuels industry this week when the EPA announced it would not reallocate gallons exempted this year. Something biofuel groups had hoped to see.**
- **We are also waiting for the EPA to announce their targets for biofuel blending in 2019. While many anticipate the USDA will follow guidelines announced in June in their official announcement, the petroleum industry has made it very clear they will do everything in their power to see those targets lowered, claiming instead of arbitrary numbers put forth by the EPA the target should be in line with gasoline demand expectations.**
- **We did see the signing of the new NAFTA or the USMCA take place to kick off the G20 summit this morning. Some had questioned whether it would actually take place, so seeing follow through and the leaders of the 3 countries sitting together was comforting to the markets. Now we wait for the legislators of each country to approve the measure for it to become the law of the land. In the meantime, NAFTA will remain in place.**
- **Obviously, weather has not been our friend this harvest season. The USDA released their final crop progress numbers for the year showing unfinished harvest across the country. Estimates based on harvest progress numbers indicate 276 million bushels of soybeans and 878 million bushels of corn remain in fields. With January stocks numbers showing supplies as of December first it could be interesting to see how the USDA handles this unusual situation.**
- **Finally, it appears as though we have reached an agreement on the new Farm Bill. At this point we are just waiting for a final scoring from the Congressional Budget Office to ensure it meets fiscal requirements.**

- **Next week will be entirely dominated by what takes place Saturday night. A resolution would obviously be positive, however will we see a buy the rumor sell the fact type trade situation develop with the soy market trading at multi-month highs ahead of the meeting with what appears to be a relatively large Brazil crop weeks away from harvest? Having target orders in place to take advantage of any volatility is probably going to be a great approach in the short-term.**