

## **This Week In Agriculture:**

**A Mixed Bag of Information from the Week that Was: February 9, 2018**

**We're back! I'm going to be working on getting back on the newsletter writing schedule going forward, but would like some feedback from our readers. If you could choose would you rather have a weekly newsletter like we've sent out in the past sent every Wednesday, Thursday or Friday? A shorter version sent out daily? Or one only sent when there's a news update (USDA report, major announcement, ect)? Please feel free to respond via email and let me know what you would like to see.**

- Updates from the USDA, other government agriculture agencies, outside market moves and weather in South America were the main drivers in this week's trade. When the final closing bell rang for the week we saw corn nearly unchanged, March beans up 5 with Nov up a penny, while wheat was up 3.**
- Outside market volatility garnered the bulk of trade's attention this week with the Dow posting one of its worst weeks since 2009. Concerns over inflationary pressure and potential increases in interest rates prompted market jitters a week ago, with those fears hitting a thousand point crescendo Thursday.**
- The major index was able to recover into positive territory after falling over 400 points Friday, though concerns over this newly found volatility remain. At this point fear over the unknown appears to be showing up in nearly every market sector—even in commodities where many assume a flight to safe assets could eventually take place.**
- The USDA released updated domestic and global supply and demand information Thursday. Though we continue to see evidence of surplus stocks in the overall numbers the recent trend of exceptionally bearish information in the corn sector appears to be shifting.**
- Ahead of the report traders were expecting corn carryout to remain relatively close to projections released in January. The USDA disagreed increasing export demand 125 million bushels from last month—the second highest demand increase in February on record. This increase in demand brought carryout down to 2.35 billion bushels—relatively in line with carryout expectations posted a year ago.**
- Global carryout was reduced as well and came in below expectations. It is interesting to note that though stocks remain well above surplus levels the recent trend of shrinking stocks will have to be monitored. Yesterday's global projections indicated over a billion bushels less when it comes to leftovers versus a year ago. Demand sectors continue to grow internationally with both China and Brazil moving towards corn based ethanol at increasing speed.**
- It is also interesting to note that the USDA left Brazil's corn production estimate unchanged though CONAB (Brazil's version of the USDA) lowered their corn production idea nearly 160 million bushels from last month's estimate. Yesterday's USDA estimate would be 276 million bushels above CONAB's projection. Slow harvest pace and low prices are expected to reduce second crop corn acreage over 5% from a year ago. Reductions to Argentina's corn production outlook will have to be monitored as well as dry conditions there have hampered yield outlooks.**
- Though price reaction to yesterday's report didn't show it, soybeans didn't fare quite so well when it came to USDA projections. The USDA started the year relatively aggressive when it came to export expectations. Many in the industry were puzzled by this aggression considering Brazil had a record crop last year and available soybean supplies far later in the year than they typically would. Sales pace through the first half of the marketing year has been disappointing prompting the USDA to lower export expectations a surprisingly large 65 million bushels in January.**

- **Going into yesterday's report many traders expected a further 10-15 million bushel cut in exports. The USDA agreed with trade sentiment, but took it a step further cutting exports an astounding 60 million bushels. This large cut pushed carryout expectations up to 530 million bushels, 44 million bushels higher than the average trade estimate and if realized the largest carryout estimate since the 06/07 crop year.**
- **This adjustment did little to impact global carryout however, with a reduction in Argentina production and the loss in US exports shown as a gain in Brazilian sales. Recent tensions when it comes to trade policy between the US and China were a contributing factor in the shift as rumors surfaced this week that China is looking into the impacts of a anti subsidy/anti-dumping investigation when it comes to US soys—something that will have to be watched closely in the weeks ahead.**
- **Wheat carryout came in higher than traders were expecting as well. The slow pace to exports prompted the USDA to cut expectations 25 million bushels, more than offsetting the 5 million bushel increase in food use. At 1.01 billion bushels carryout projections remain burdensome to price.**
- **Similar to corn and beans though global carryout came in slightly below expectations. With reduction to planted acreage across the globe and questionable conditions when it comes to the drought in the Southern Plains traders will continue to monitor the new crop outlook closely as a hiccup in production could quickly chew through those burdensome left overs.**

**Traders will be watching outside market moves closely as we get rolling next week. Continued fear over the unknown could be a limiting factor when it comes to any potential upward moves. Weather in Argentina over the weekend will be closely monitored as well as expected rainfall there could aid in late season crop development, saving some areas currently on the bubble when it comes to production. Folks in the Southern Plains finally have some rain in their extended forecast as well, hopefully busting what has been over 120 days without precipitation for some locations.**

**As we move ahead make sure you're taking into consideration profitable price levels and taking advantage of them when they present themselves. Locally old crop basis has been firming pushing cash levels to the highest seen since last August (in some locations last July even). Be aware of these opportunities especially if you have cash flow needs to fulfill. Be aware of new crop opportunities as well. As always if you have any questions don't hesitate to ask, we're here to help!**

**All the Best!  
Angie Setzer  
Citizens LLC**