

This Week In Agriculture:

A Mixed Bag of Information from the Week That Was: September 7, 2018

- **Trade negotiations, weather and concerns over the spread of a major hog virus dominated much of this week's market news.**
- **The recent announcement of a deal struck between Mexico and the US when it comes to updating NAFTA was met with great celebration, however we are continuing to discover negotiations between Canada and the US tend to be where the bulk of trouble lies. Representatives from both countries spent much of the week working to come up with a deal before Friday's soft deadline was reached.**
- **At the time of this writing though it appears the 3 major sticking points centered on dairy, culture and the Chapter 19 dispute resolution mechanism (the right to challenge each other's anti-dumping and countervailing duty decisions in front of an expert panel with members from both countries involved in a dispute). While Friday's soft deadline was initially stated as necessary in order to have the deal approved by Congress and accepted by all 3 parties prior to Mexico's new president taking office officials have stated both countries truly have until October 1st to put their deal in writing and have it added to the US-Mexico pact.**
- **In addition to NAFTA talk this week we saw an additional 200 billion of tariffs placed on Chinese imports by the Trump administration. While China is relatively out of ammo so to speak when it comes to additional tariffs on US goods they were quick to react with strongly worded rhetoric, making it clear they were not going to be quick to back down.**
- **One buying group stated at the start of the week that they would rather run out of soybeans than purchase US goods. While we are seeing an occasional cargo loaded and relatively strong new crop purchases for 'unknown' the idea we are far from a solid resolution is troubling for soybean traders.**
- **Adding what could be viewed as insult to injury when it comes to uncertainty over future agricultural product exports we saw Japan come up as the potential next target for trade discussions and tariffs. In a late week interview President Trump mentioned the great relationship we had with Japan, but adding the caveat "that may change when they have to pay." With Japan being a major buyer of US grains and meats a trade dispute is most unwelcome in the minds of traders.**
- **While trade talk with China has been seen most recently as a wildcard in future market moves, a fast-spreading and extremely deadly hog disease has quickly become a source of uncertainty and concern. African Swine Fever was first discovered in the country just over a week ago and has quickly turned into a nightmare for hog producers with over 16 reported cases in a short amount of time.**
- **Discovery of the disease on a farm requires the culling of all hogs present. At this point it appears as though upwards of 20 million hogs are at immediate risk. With an estimated hog population of 400 million—nearly 55% of the world's population—it is thought the situation could quickly go from bad to worse. In addition to concerns over the spread in China the fact that many countries import feed from suppliers there (the US included) there is additional worry this could become a global epidemic if not properly managed.**
- **While this could bring great support to the hog market a sharp cut to the hog population in China or even worse on a global scale would greatly reduce soybean demand as we would have far fewer mouths to feed. Any further developments will be closely monitored.**

- **The USDA will release their updated supply and demand outlook next Wednesday. At this point it appears traders are anticipating a slight cut to corn production and carryout, while an increase in soybean production and carryout is expected.**

Overall we will continue to monitor the development of tropical systems as significant rainfall is expected to continue in areas looking to begin fall harvest. Quality concerns are beginning to surface. Trade developments and USDA numbers will be the forefront of trade next week with prices looking to continue to trade towards the low end of the recent trading range and in line with seasonal expectations without any addition of price positive news.

All the Best!

Angie Setzer

www.citizenselevator.com

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