

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: November 23, 2018

- **Not much in the way of significant news throughout the week, as typical for this time of year in the grain markets most traders are already in holiday mode. Soybeans have managed to hold their own after a rough start to the week, while corn and wheat are testing the downside of the most recent trading range.**
- **Corn traders continue to monitor what is taking place in the crude market as selling pressure there has ramped up significantly. The crude complex has lost 31% in the last 7 weeks, hitting its lowest level in a year to close out the week. Saudi Arabia continues to increase production in the face of OPEC cuts, while the U.S. and other suppliers are hitting record production levels as well. President Trump applauded the move lower, thanking the Saudi's and proclaiming prices should move "even lower."**
- **As we've discussed before, though the corn market wasn't quick to follow oil higher the move lower is troubling. RINs values continue to languish at multi-year lows with ethanol grind margins barely above zero. Rumors hit the marketplace this week that 2 major plants would be shutting down due to poor margins, though the owners of said plants were quick to say this is untrue. Ethanol production numbers for the week showed a slight slow down versus last week, now coming in just slightly below the pace needed to meet USDA expectations.**
- **On top of the trouble the ethanol industry is experiencing when it comes to grind margins and the oil market the EPA announced this week it will reset the values required in the RFS. While the reset is necessary due to our lack of infrastructure to meet the second-generation biofuel requirements (ethanol produced from algae, corn stover etc), there is a concern this could result in a lowering of corn based ethanol blending.**
- **A lobbyist from The American Fuel and Petrochemical Manufacturers told Reuters the group will push to tie ethanol blend mandates to projected fuel demand as opposed to a set number across the board. He went on to state that though the current ethanol target for 2019 is 15 billion gallons, it should be closer to 14 billion gallons, which is 9.7% of the current expected gasoline demand. The initial reset targets are expected to be announced in January with a public comment period to follow, the EPA hopes to have final levels set by November 2019.**
- **Several stories out of China circulated the news cycle this week as the G20 summit and the highly anticipated meeting between President Trump and President Xi will take place late next week. First President Trump tweeted late last Friday that he didn't feel additional tariffs would be necessary if China was willing to negotiate. This was followed by a well-respected former Chinese trade negotiator slamming the country's approach to the trade war, stating agricultural commodities should be the last thing used as a bargaining chip in any trade battle.**
- **In addition to divided ideas on how the country should deal with trade tensions African Swine Fever was confirmed in the country's largest pork producing region, with officials announcing a significant crackdown on the disease and transportation of hogs going forward. It is obvious containing the disease is nearly impossible as many producers are still working to transport hogs or hide expected cases. As a result officials also announced they will reward whistleblowers. Hong Kong showing up as a major pork buyer in last week's export sales did not go unnoticed either.**
- **Cattle on Feed numbers were considered supportive with total on feed coming in slightly below expectations at 103%, placements were much lower than anticipated and marketings were above expectations. Cold storage was friendly to hogs with frozen belly stocks at a 52 week low, while overall pork stocks were down 5% from a year ago.**
- **Looking ahead to next week most attention will be focused on the G20 summit. Conversations about making changes to the WTO and its member countries are likely to be discussed as well. Otherwise harvest is expected to wrap up for the most part likely leaving buyers struggling to find easy to buy supplies as we work into December.**