This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: February 3, 2017

- **It's not unusual to run into winter doldrums this time of year, and though the unknowns associated with a Trump presidency has kept some volatility in the markets the overall lack of market moving information has kept us solidly range bound. The week ended with corn up 2, wheat up 9 and soybeans down 23.**
- **Noticeably absent this week was much conversation from the Trump administration about developments in trade with Mexico and the construction of the border wall. It was reported top administration officials had a "good discussion" with Mexican representatives and talk of what is likely to be changed in NAFTA began to be floated. Reports have also indicated that Mexican officials have welcomed offers from other commodity suppliers, but at this time nothing has been set in stone and price will have a much greater effect on trade than anything else.**
- **Some traders continue to watch developments with China closely as the country returns from holiday. Late last night the Chinese Central Bank announced their decision to raise short term interest rates. This move is done to curb some of the free flowing money seen in the country's economy, and will also likely strengthen their currency ahead of any impending "currency manipulation" discussions.**
- **Speaking of decisions by central banks, Fed Chair Janet Yellen announced midweek that our interest rates will remain unchanged. She went further to indicate that rates were likely to remain unchanged in March as well, taking a much more dovish stance than seen in previous months.**
- **In a further turn of events when it comes to monetary policy the Trump administration announced today that it will begin reviewing Dodd-Frank legislation and start to repeal regulations they deem unnecessary. Put into law in response to the 2008 financial meltdown some have claimed the act has limited a bank's ability to lend, while others claim it's there to keep banks from predatory lending practices or becoming over leveraged in an overly risky manner. In an interview about the subject this morning a Trump representative stated the administration "wants banks in the business of lending again."**
- **Outside of geopolitical developments traders are monitoring growing crop prospects out of South America. Several private estimates out of Brazil are beginning to creep higher with some raising their estimate up to 107 mmt—110 million bushels higher than current USDA projections. Some are indicating crop losses in Argentina weren't nearly as bad as originally reported as well—though with the USDA still at the high end of estimates it's not likely we will be caught off guard by any adjustments there.**
- **As harvest gets ramped up in Brazil it is interesting to note that the amount of vessels lined up for bean loading is nearly double that of a year ago. However with heavy rains in the forecast over the next couple of weeks talk of harvest and loading delays supporting the market in the short term is not out of the question.**
- **What will be most important in the month ahead will be second crop corn planting, both conditions and pace as Brazil's second crop corn production could likely make or break the amazing pace we've seen when it comes to our corn exports. At this point Safrinha planting is on pace with 2010's record start, but is likely to slow substantially if rains fall as forecast.**
- **Reports this week that we may be running out of bacon appear to have been exaggerated. While frozen pork belly reserves have fallen to their lowest level in 50 years and prices for bellies have increased these last couple months the idea that we could be running out of bacon appears to be farfetched. It is interesting to note the US produces 75 million pounds of pork bellies every week, a**

pace that is actually expected to grow as the nation's hog producers anticipate slaughter rates to increase to yet another record high this year.

- **Ethanol production is also setting records. With another record level achieved this week. At this point it appears we are well on our way to easily meeting if not exceeding current USDA usage estimates, however growing stocks of ethanol and struggles with DDG sales have resulted in falling margins for ethanol producers prompting many to widen their basis and potentially look at slowing production in the weeks ahead.**

Overall not much in the way of surprises is expected out of next week's USDA report. Many traders will instead be monitoring any developments in the geopolitical realm as the uncertainty there appears to be greatest. It will be important to watch any further developments in aggression we've seen between the Ukraine and Russian backed rebels. With the change in administration and potential Russian relations it will be interesting to see if Putin tries to test any boundaries.

From a local market standpoint basis levels remain wide for beans, with corn values falling off a bit with the recent rally in price. There are still great opportunities available for pricing though and your break even projections should be kept in mind when it comes to making sales decisions. In the meantime don't forget to take this lull in action as an opportunity to get target orders in place. Until next week, have a great weekend and stay safe!

All the Best!
Angie Setzer
Citizens LLC
www.citizenselevator.com