This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: September 23, 2016

- **A promising start to the week was erased as traders once again took their money to the sidelines waiting to see more in the way of actual harvest reports before getting excited about crop size. Heavy rains in parts of the Corn Belt lends another unknown to the market as too much rain tends to get the market's attention well after its effects are seen. When the dust settled we saw December corn down a half a cent, December wheat up a penny and a half with soybeans down 11.**

- **Rainfall amounts of more than a foot were seen this week in parts of Minnesota, Wisconsin and Iowa, with parts of Iowa expecting the second highest river crests on record in the coming days. While it is likely irreversible damage is being done to a significant portion of these acres the market is looking at potentially drier forecasts and a larger percentage of the Corn Belt weather remaining conducive to harvest as a more negative factor in the short-term.**

- **Global trade discussions caught the attention of traders this week with Egypt announcing they would revise their strict ergot tolerance policy. Ergot is a fungus common in wheat and in the last several months the Ag Minister of the country had cracked down on their acceptance of wheat containing any signs of the fungus resulting in several rejected cargoes. Because of this tenders for wheat from Egypt were left unanswered with no one wanting to offer wheat they knew would end up rejected. Once the declaration of acceptance was published Egypt was able to secure a cargo of wheat, but at a higher price than they were paying prior to the situation.**

- **Speaking of import acceptance, China announced this week they will once again accept U.S. beef imports. The country stopped U.S. beef in 2003 when a case of BSE (Mad Cow) in the U.S. was confirmed. While there are restrictions in place when it comes to the age of the animal as well as requirements under China's traceability, inspections and quarantine systems the change in tune is a welcome one.**

- **China's the world's 2nd largest beef importer, with imports growing 10 times between 2010 and 2015. With their demand for beef and other sources of protein growing at what seems an exponential rate many are beginning to wonder if the country will import more meat versus trying to figure out a way to produce more domestically in the years ahead.**

- **In true one step forward two steps back fashion though China announced they will apply a nearly 34% import tariff on U.S. distillers grains. The investigation into whether the tariff should be applied began in January and stems from ethanol producers in the country claiming the influx of U.S. distillers is limiting their ability to sell at what they claim is a reasonable level.**

- **Traders were expecting a 25-30% tariff to be imposed ahead of today's announcement, so it really wasn't a shock to the market. However the Obama administration did make moves last week with the World Trade Organization questioning China's farmer support practices, so whether this is the start to a possible trade war will remain to be seen.**

- **Continuing on the global trade front India announced cuts to their import tariffs on wheat, palm oil and refined vegetable oils this morning. With India expected to become the most populous country by 2022 food security is in the forefront of their minds. Issues with production after El Nino has tightened available food supplies and resulted in rapidly rising costs to their consumers.**

- **Planting is getting underway in Brazil as weekend rains allowed for some improvement in soil moisture in Central Mato Grosso. Dry conditions still remain in southern and eastern areas of the state, but rain is in the forecast. Reports of much higher input costs are likely going to limit acreage expansion versus recent years. Some could see input costs increase 25% from a year ago, this combined with a lack of available credit and higher interest rates weighs heavy on producers.**

- **Soybean planting will be monitored closely not only because of somewhat tight global supplies until new crop hits the pipeline, but also because of the tight supplies of corn and the need for early second crop plantings to ensure a reasonably full pipeline. Tight Brazilian corn supplies remain as livestock producers have been forced to cut back on production due to record high domestic prices. Imported supplies have helped lower prices, but are seen more as a band aid than a long term solution.**

Harvest forecasts will continue to be monitored closely. The USDA will update their quarterly stocks numbers next week giving us the final carryout figure for the 2015/16 crop year. Expectations are that numbers will be close to what was indicated in this month's supply and demand report. Any significant change would have big implications in our new crop carryout going forward.

Weather forecasts will be monitored closely as well as any indication of continued heavy rains in the already soggy areas of the Corn Belt will likely get the attention of traders. The 6-10 and 8-14 day forecasts released after the close are calling for above normal temperatures throughout the Corn Belt with above to much above normal precipitation in the Western Corn Belt down into the Southern Plains.

Harvest is likely to get started in Michigan in the coming days and weeks, please be aware there have been reports of quality issues and toxins throughout the area. If you happen to come across these issues in your field please let us know ahead of time and we will do what we can to find a good market for you and help to facilitate your harvest. We will have the USDA numbers when they're released next week, in the meantime if you have any questions don't hesitate to contact us, we're here to help!

All the Best!
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