This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: May 6, 2016

- **The last few weeks have reminded us what it's like to have volatility in the market again as wide ranges and bumpy price action have returned. This week we continued to monitor economic developments both domestically and abroad, as well as weather, planting progress and demand potential moving forward. When the closing bell rang we saw July corn down 14 for the week, July wheat down 24, with July soybeans closing 5 higher.**

- **Over the last winter many traders lamented on the lack of volatility in the market place, with some going so far as to say we would never see volatile markets again. Soybeans proved this theory wrong this week as we saw a daily trading range average nearly 30 cents, with a weekly price range of nearly 50 cents. Corn wasn't quite as volatile, but compared to the days of 2 or 3 cent moves this week's wide daily ranges and price action was interesting.**

- **There are two very different fundamental aspects at play in the markets at this point. The first being both perceived and anticipated supply and demand, while the second continues to be macroeconomic factors and currency moves. On the first side of the coin we saw discussions continue this week on South American crop size as traders work to get a handle on the overall amount of Argentina beans lost to flooding last month and the potential of the Safrinha corn crop in Brazil as their growing areas struggle with drought.**

- **In Argentina we saw a local weather group come out this week stating they believe 9 mmt (331 mbu) of soys were lost to flooding late last month. Other crop watchers have been hesitant to put losses at a level that high, but agree crop loss has taken place to some degree. At the same time, last month's USDA numbers indicated an expected carryout of just over a billion bushels, potentially mitigating some of this loss. For what it's worth the country is still offering beans at a discount to the US indicating supply tightness from any loss at this point is not necessarily an issue.**

- **The second crop or Safrinha crop in Brazil is suffering from hot and dry conditions as forecast rains have been slow to materialize. Some believe upwards of 60% of the crop is suffering and have lowered crop estimates accordingly. At this point it appears as though production will come in at or slightly below last year's level, which is astonishing considering plantings were up 16%. This limited production will likely have global implications as Brazil's aggressive export sales pace last year pushed them to import corn in recent months in an effort to cover feeder needs until the Safrinha crop was harvested.**

- **Speaking of Brazilian import needs, Argentina benefitted the most from Brazil's overzealous export approach this crop year. The needs of their neighbor combined with changes to economic policy pushed the country's first quarter exports up 68% from a year ago. The removal of the tariffs placed on both beans and corn allowed for significant growth in both sectors with wheat exports up 105% from a year ago and corn exports up 84%.**

- **Argentina is not the only one to see improved exports in the first quarter of the year. Here in the US we have seen our export pace go from lagging last year by over 25% to surpassing the pace needed to meet USDA expectations. This recent quick pace has many believing we could see an increase in export outlooks in upcoming USDA reports, especially considering our biggest competitors will be focusing on bean exports in the short term and are unsure of where their final production numbers will fall.**

- **Of course how the dollar trades going forward will have a big impact on what we see developing in the global marketplace. After hitting 8 month lows late last week the dollar managed to recover slightly, even shrugging off what could have been considered a bearish jobs number released this morning. Many continue to debate when the next Fed rate increase will come, but with less than spectacular domestic information, poor Chinese data and uncertainty in the future of the Eurozone, volatility is likely to remain entrenched in the macro and currency markets as we look ahead.**

- **Also interesting to note are the developments taking place in the Brazilian political corruption scandal we have been watching in recent months. Certainty surrounding the country's future continues to dwindle as we see even more fallout from the Petrobras scandal and the alleged corruption of President Rousseff. This week it was announced Rousseff's most vocal opponent has been suspended from his speaker role in the country's Lower House due to his own potential involvement in bribes and money laundering.**

- **With an estimated 2/3rds of the country's Lower House of Congress and half of the Senate believed to be involved in corruption scandals of some sort the idea that Rousseff's impeachment will bring about marked change in the country's political and economic situations is becoming less likely. In fact many feel that no matter what happens the country will continue to struggle economically well into 2017.**

- **Closer to home traders will be looking to Tuesday for the updated supply and demand outlook from the USDA. This report will also give us insight into what they are expecting when it comes to new crop production and demand potential. Going into it traders are expecting old crop soybean carryout to be lowered, with small increases expected for both old crop wheat and corn. On the new crop side the average trade guess has corn carryout at 2.3 billion bushel, soybeans at 405 million bushels with wheat at 997 million bushels.**

Weather-wise traders continue to monitor relatively decent planting conditions in the Western Belt with less than ideal conditions plaguing the Eastern Belt. With forecasts continuing to show a wet pattern entrenched in Eastern states going forward it is likely we will begin a serious discussion on just how many acres could be switched out of corn and into beans. Many focus on anhydrous applications as a hindrance to any shifts, forgetting that the prevalence of fall or early spring anhydrous application is far less in the Eastern Belt than in the West.

Looking ahead don't be afraid to continue to take advantage of strong bean prices, while also capturing any quick moves higher in both corn and wheat. Rallies were created to be sold and without a weather issue of any kind the likelihood of long lasting, significant moves higher will continue to dwindle. As always, don't hesitate to call us with any questions, we're here to help!

All the Best!
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