This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: March 10, 2017

- **All three major markets gave up last week's gains and then some this week. A negative feel from a technical standpoint after a failed test of new highs combined with negative fundamental information created significant downside pressure as we worked towards Friday's close. When the dust settled for the week we saw May wheat down 13, May corn 16 lower with May soybeans down 30 cents.**
- **As mentioned last week's failed attempt at trading to new highs resulted in Monday's trade starting somewhat weak. News of new cases of Bird Flu in Tennessee combined with negative information from the USDA brought many more sellers to the market as the week progressed.**
- **Though the incident of Bird Flu in Tennessee has a very low threat to humans and is nothing like the outbreaks in Asia traders remain concerned, especially when they remember the outbreak in Iowa and Minnesota 2 years ago that resulted in millions of birds being culled. The idea that a similar outbreak could weigh heavy on feed demand (though the IA/MN outbreak had more of an impact on local basis values than anything else) was enough to spook potential buyers.**
- **Surprises from a global production outlook in Thursday's USDA report allowed some of that selling pressure to move into high gear. Though domestic numbers for corn were relatively in line with trader expectations with carryout left unchanged from last month, a sharp 6 mmt (236 million bushels) increase in South American production estimates and subsequent increase in global carryout were too much for traders to ignore. Of course when it comes to South American production estimates, specifically Brazil we're a long way from that crop being put into the bin.**
- **Domestic soybean carryout was negative as well, with the USDA increasing their carryout expectations by 15 million bushels from last month when traders were anticipating a slight reduction. Though the USDA raised crush slightly, they feel the large crop coming out of South America will limit export potential as we move ahead.**
- **Globally the USDA surprised traders as well. Though many private analysts have been talking about the Brazilian soybean crop having the potential to hit 110 mmt many traders expected the USDA to maintain their historical tendency of being slow with production increases, anticipating we would see Brazilian production estimates of around 106 mmt. The USDA met each group in the middle, putting their Brazilian soybean crop estimate at 108 mmt. An astounding 12 mmt (441 million bushels) higher than what we saw last year.**
- **On the wheat side of things we saw domestic carryout come in slightly below pre-report expectations due to continued active exports. Globally however the USDA came in a bit higher than expectations due to another 2 mmt increase in Australian production.**
- **A report from a well followed private bank about Chinese meat demand caught the attention of some traders this week. The author believes the continued growth of China's middle and upper classes will push beef demand to unprecedented levels. With the lack of available space for feed lots and domestic production the finance group believes upwards of 20% of China's total beef supply will be imported by 2020. A shift in consumer demand will keep a floor under all meat imports overall.**

As we work our way into the last half of March discussions surrounding planted acreage intentions will likely hit a fever pitch. Traders will debate what every acreage and yield scenario may mean for prices. Of course the wild card of the month end report will be what quarterly stocks say. If stocks come in higher than anticipated the USDA will have no choice but to increase old crop carryout in subsequent reports, while a lower than anticipated stocks number could give the market a bullish twist ahead of

spring field work. At the very least the volatility that comes with the production season will make its way back into the market structure.

As always, don't hesitate to ask if you have any questions. We're here to help.

All the Best!
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