

This Week In Agriculture:

News That Could Make a Difference: November 11, 2016

- We were definitely not short on news this week. And while coming into it we thought we would finally receive answers to so many unknowns, we find there are even more questions as it draws to a close. As the dust settled December corn was down 8 cents for the week, with wheat down 11 and January soybeans down 4.
- The biggest shock of the week (to the mainstream press at least) was Donald Trump's winning bid to be our nation's 45th president. Though polling had drawn to near neck and neck ahead of the election, many "experts" saw this week's Trump victory as surprising as the Brexit vote in June. In fact initially the markets responded more resoundingly negative to the Trump election than the Brexit vote. However as the day after the election wore on ideas of great infrastructure spending, less regulation and lower taxes began to persuade buyers to jump back into the market head first.
- In fact the idea of increased infrastructure spending pushed copper up 20%, pushing it to post its best week ever as it went into Friday morning's trade. While many credited the pop in value to increased spending some were quick to point out the classic signs of Chinese speculator interest were obvious. As we worked our way through midday Friday a rumored Chinese hedge fund collapse, coupled with profit taking pushed prices lower on the day.
- While it is possible we could see stimulus-like spending resume domestically many traders are more closely monitoring what develops from a foreign trade and relations standpoint. Naming China as a currency manipulator and looking into renegotiating or leaving NAFTA all together has been listed as a top priority in President Trump's first 100 days in office. These plans while great at face value could have significant reverberations in our ability to trade with China-the largest buyer of our soybeans and Mexico-our largest corn buyer.
- Not to be outdone by the election the USDA decided a November surprise for corn was in order. Going into Wednesday many traders were expecting the USDA to adjust corn yields slightly lower, or to leave them unchanged. Instead the USDA doubled down on their record high crop conditions throughout October increasing corn yields 1.9 bushels per acre from last month, raising corn production 168 million bushels.
- The increase in production was partially offset by a demand increase of 85 million bushels for Food, Seed and Industrial use 25 of which will be an increase in ethanol demand. As a result carryout projections for the 16/17 crop year grew to 2.4 billion bushels, up from last month's 2.3 billion bushel estimate. Globally we saw corn carryout increased by 54 million bushels, coming in above pre-report expectations, but absorbing the domestic increase relatively well.
- Traders were anticipating a slight increase in soybean yields from last month, up to 52 bushels per acre from 51.4. The USDA agreed an increase was necessary, taking yields up a full 1.1 bushels from last month to 52.5. The 92 million bushel production increase was partially offset once reductions to crush and increases to exports were factored in. At 480 million bushels soybean carryout was up 85 million bushels from last month and 60 million bushels higher than pre-report estimates. Global carryout grew 153 million bushels as increases in expected carryout for both Argentina and China were factored in.
- Wheat carryout came in relatively close to pre-report estimates at 1.143 billion bushels, up 2 million bushels from last month. A slight reduction in use for food was mostly offset by class based increases in exports. Global carryout was up slightly from last month as well, coming in slightly above pre-report expectations but well within the range of estimates.

- With the November report out of the way and harvest all but wrapped up nationally there will be little in the way of updated supply and demand information from a domestic standpoint until the January quarterly stocks report (there will be a December supply and demand report, but that's historically a non-event). Attention will now turn to South America as their production season starts to ramp up.
- Many parts of Brazil have seen a record fast start to their planting season, with some areas 20% ahead of last year's pace. Mato Grosso in particular has seen decent weather for planting, with 80% of the state's beans in the ground. If weather cooperates many feel nearly a quarter of their beans could be harvested and in the pipeline by the end of January with over half harvested by mid-February. This fast start combined with high domestic prices and reasonable global demand could mean a large increase in second crop corn plantings. And will warrant watching.
- With currency developments dropping the Brazilian Real to its lowest level since last March it will be vital to monitor weather developments in the country and crop potential going forward.
- Some traders have been discussing wet conditions plaguing parts of Argentina, but at this point it is way too early to be concerned. Argentine corn planting is 39% complete, slightly behind average, but ahead of last year's pace. Considering bean planting doesn't really get underway in the country until the last half of November, with December being the main planting month there's still plenty of time. We also all know how too much rain can play out in the eyes of traders.
- The National Weather Service believes a weak La Nina will remain in place throughout much of the winter months. While this pattern will have minimal impacts on winter weather throughout the bulk of the Corn Belt it is likely drought conditions in the Southern Plains and Southeast will remain in place. South American weather impacts will be varied, with history showing La Nina can have a positive impact on Brazil production with mixed impacts in Argentina.

Looking forward it is likely we will see an increase in volatility due to global economic uncertainty, as well as changing opinions when it comes to presidential politics. With the holiday season approaching it is not likely to last forever, but will definitely present both frustrating market conditions as well as pricing opportunities that could be somewhat fleeting. In times like these target orders work the best to allow you to capture quick price moves without having to watch the market day to day.

Working our way through harvest is proving difficult as wet conditions and now variable quality issues have popped up. We will do all we can to service our customers and allow them to get their grain to market no matter the pipeline or quality concerns. If you have any questions on what we're looking at market-wise don't hesitate to contact us.

All the Best!
Angie Setzer
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