

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: April 20, 2018

- **Markets spent a good portion of their week treading water before sliding lower into Friday's close. Strength seen in oil and other commodity markets remains, but it appears as though ideas that grains are a solid inflationary play seems to be waning at least at this point in time. When the final bell rang we saw May corn down 9, with December down 8, May soys down 25 with November down 13 and Chicago wheat down 9.**
- **Weather was the dominating factor to start the week with portions of South Dakota, Minnesota and Northern Iowa receiving over 20" of snow in the last week, while other locations of the Corn Belt were dealing with snow cover of their own. With the start of April being the coldest on record for many locations in the Midwest farmers are of course concerned with planting and yield potential. However as the week progressed forecasts looked warmer and drier with field work starting in earnest in areas where snow cover has dissipated.**
- **Though forecasts are indicating a change in pattern some may find themselves unable to catch up, particularly when it comes to Spring Wheat acreage in the Northern Plains. Going into next week Spring Wheat planting pace tends to run around 56% in South Dakota, 41% in Minnesota, 31% planted in Montana with North Dakota around 22% planted on average, little progress expected to be shown in next week's USDA report. While those states can plant wheat well into May or even June early planting is thought to be key when it comes to maximizing yield. Not to mention the fact that a well-supported soybean market with a weak wheat market overall has many still considering a switch.**
- **It has been 9 days since an export flash sale was announced by the USDA. A flash sale is required when over 100,000 metric tonnes of grain is sold to a foreign buyer and tends to be an indicator of overall export strength. While export sales have been strong recently for soybeans the lack of flash sales combined with the slow shipping pace seen thus far has some traders concerned that cancellations of said sales may not be far from becoming a reality.**
- **Fears ramped up this week when China officially announced a 178.6% tariff was going to be placed on sorghum imports from the U.S. While this is not entirely unexpected considering China announced the dumping investigation not long after the U.S. announced tariffs on washing machines and solar panels in February the size caught some traders off guard.**
- **According to Reuters 20 ships carrying more than 1.2 million tons of milo were in transit to China when the tariff was announced. 5 of which changed their destinations quickly while the others are said to be in a holding pattern while details surrounding the import penalties are discussed. While nothing has transpired officially with soy tariffs you can bet a chill was sent down the spine of any major exporter.**
- **An interesting tidbit to watch when it comes to Chinese purchases was the reportedly large sales inked between China and Canada. While it's not entirely unusual to see China purchase Canadian bushels the reported magnitude of trade was enough to catch the attention of many traders in both North and South America.**
- **Of interest in the milo story as well, is the rate of recent government corn auctions being held in China. Over the last several years the slow pace of government sales was pointed to by traders as an indication of slow domestic demand in the country. Over the last 2 weeks over 91% of corn offered by government officials—some of which was over 5 years old—was purchased by domestic buyers. This week's average sale value increased over the last round of sales as well, up to \$6.14 per bushel.**

- **With milo working as the alternative feedstock for Chinese feeders limiting its supply will likely further increase domestic corn demand in the country. Adding fuel to the demand fire is the continued push towards 10% ethanol blends in full usage by 2020, as another plant project was announced this week. It will be interesting to see how second crop corn production develops in Brazil in the weeks ahead as it will have a huge impact on the global supply and demand structure as a whole over the next several months.**
- **Speaking of ethanol, Japan announced this week it will open its doors to U.S. corn ethanol. Prior regulations had limited ethanol imports to fuel produced by sugar cane. This new market structure based on demand could propel Japan to our 4th largest ethanol importer behind Brazil, Canada and India. Considering they weren't even in the top 10 last year this would be a huge increase in demand for the U.S.—especially if we can maintain relationships already in place.**

Traders will continue to monitor weather closely next week as current forecasts are trending much warmer and drier. At this point the CPC is expecting May to run relatively close to “normal” with a tendency towards drier conditions. In the short-term this could cause markets to further relax as other commodity markets appear shinier and more attractive and seasonal price weakness begins to win out.

We'll also be monitoring trade developments closely as Chinese tensions still remain in the forefront of everyone's mind. Many are wondering what will happen with NAFTA negotiations as we are seemingly getting to the tail-end of talks with whispers of returning to the table when it comes to the TPP also being discussed. Overall if you have bushels to move to generate cash flow before you get in the fields the window of opportunity for quick short-term movement is starting to close. In the meantime, if you have any questions don't hesitate to ask, we're here to help! Until next week, have a great weekend and stay safe!

**All the Best!
Angie Setzer
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