

This Week In Agriculture:

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

- **What a difference a week makes as weather, a more optimistic feel towards trade negotiations and global supply questions helped firm all three major markets this week. When the final bell rang we saw May soybeans up 16 with November up 13, May corn up 14 with December up 12, while July wheat was 22 higher.**
- **Of course with as much as 24” of snow blanketing parts of the Northern Corn Belt late last week and temperatures stuck in winter mode for much of April traders weren’t too shocked by Monday night’s planting progress report showing only 5% of the corn crop planted with 2% of intended beans in the ground, versus the 5 year average of 14% and 2% respectively.**
- **A warmer drier forecast allowed for significant planting pace to happen across portions of the Corn Belt this week, especially those around the I-80 corridor to the South. Traders anticipate around 20% of the corn crop will be planted as of Sunday night before a much rainier pattern moves in next week.**
- **Wheat caught a bid this week as freeze damage is beginning to show up throughout the Southern Plains and in parts of the Delta. There was uncertainty whether the crop was mature enough to receive significant damage when temperatures fell into the teens a couple weeks ago, but as the crop progresses experts say the damage is considerable in some parts of the production area. Delayed spring wheat planting is causing concern too as cold and wet conditions keep planters idle in the Northern Plains. Last year at this time South Dakota had 75% of their spring wheat planted, with the 5 year average at 50%, as of Sunday night only 2% of the crop was in the ground.**
- **Next week’s weather will remain key to plantings in the Northern Plains as mentioned with a wetter pattern forecast. May tends to be the main month for plantings, but many are starting to think about looking in other directions as later plantings can reduce yield potential significantly. The well-followed Hard Red Wheat tour kicks off in Kansas next week as well, giving traders more to chew on when it comes to overall production potential.**
- **However, today’s surprising Stats Canada numbers could limit some bullish enthusiasm in the short-term as they expect a significant increase in spring wheat acreage to our North. Today’s estimates show the government group anticipates a 2.4 million acre increase in spring wheat plantings vs a year ago, with durum plantings up 572,000 acres. Much of these gains came from cuts to canola, soys and winter wheat—with a slight increase in corn acres anticipated as well.**
- **In other news we saw potentially historical developments overnight as leaders from North and South Korea came together to discuss moves towards peace. While we’ve seen talks fizzle out in the past many feel this is the best first step taken towards ending the decades long Korean War and potentially opening North Korea up (in the very long term, of course) for imports of all types of goods. President Trump is set to meet with North Korea’s Kim Jong Un sometime in the next month to further discuss moves towards peace and inviting the country back to the world stage.**
- **Other global factors seen this week include NAFTA discussions making what representatives called “solid progress.” Representatives will take a week off before reconvening May 7th for what they hope is the final round of talks. Next week top level trade talks will take place between the US and China.**
- **Interesting to note, concerns over economic strength in Brazil has pushed the country’s currencies to lows not seen since late 2016. This combined with the recent strength in futures has pushed domestic prices received by farmers there to levels not seen since 2012 with beans solidly in the**

teens. While the cheaper currency has definitely helped Brazil in the export market it has also resulted in a significant slowing in farmer selling as keeping beans as a hedge against currency fluctuations has reappeared and higher prices mean a bushel goes further when it comes to cash flow.

- In Argentina significant damage to a port was seen this week. The port is responsible for 22% of soymeal exports and a solid amount of corn. Initially many thought the port would be out of commission for 4-6 weeks, but now after seeing the extent of damage some feel it could be 6-9 months before it is running at full capacity. This combined with an already drought reduced crop and the idea that heavy rains could limit further harvest progress has helped support beans into the tail-end of the week.
- The House will vote on their version of the Farm Bill in the coming weeks. Complaints from House democrats have been loud as they felt locked out of discussions and believe that significant cuts seen in food stamps will be incredibly detrimental to the poor. Negotiations are just beginning in the Senate where coming up with 60 votes to pass the measure will be a much harder task. At this point it appears significant changes will have to happen in the House bill to even get the Senate to take it seriously.
- Fun fact coming out ahead of Senate Farm Bill talks is that Senator Mitch McConnell wants to ensure hemp production becomes legalized. Hemp which can be used to produce just about anything it seems could be a boon for rural America McConnell believes, likening it to the start of industrial tobacco production.
- One final thing, the USDA announced this week they will make some minor changes to how they report global supply and demand numbers starting next month. With China accounting for a significant portion of rice and wheat ending stocks on the world scale but no intent to import them into the world pipeline the USDA will include a line showing global ending stocks not including China. With the country accounting for nearly half of the world's wheat it's definitely going to be interesting to see just how small global supplies actually are and though simple math can show anyone what the real global stock number is, seeing it in black and white might be slightly jarring for some.

In the end it appears as though planting pace will continue to ramp up in the coming weeks, though some fear a wet pattern returning next week and beyond could limit progress. Traders will be closely monitoring South American weather as dryness has worked its way into Brazil creating concern over second crop corn potential there. Any further cuts to production there after cuts to Argentina's crop could make for a very interesting stretch of months when it comes to US corn exports.

Keep your pricing goals in mind and make sure to set your target orders before heading out to the field. Let us focus on pricing while you focus on planting. As always don't hesitate to give us a call with any questions, we're here to help! Until next week, have a great weekend and stay safe!

All the Best!
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