

## **This Week In Agriculture:**

**A Mixed Bag of Information from the Week that Was: February 16, 2018**

- **A much calmer week from an outside market perspective gave the entire trade sector a break from chaos. Less rainfall than anticipated in Argentina, USDA Baseline projections ahead of their outlook forum next week and preparation for a holiday weekend in the grain markets helped drive price action for much of the week. When the dust settled Friday we saw corn up 5, wheat up 7 with soybeans up 38.**
- **As we mentioned last week, Argentina weather has become the short-term driving factor when it comes to price direction. The first two weeks of February has been the driest on record, with heat and continued dryness remaining entrenched in the 6 to 10 day forecasts. Recent government estimates show 56% of the country's soybeans and 58% of the corn in poor to very poor conditions.**
- **Argentina is the world's largest soybean meal and oil exporter, responsible for 49% of oil exports and 47% of meal. Due to tax implications they are only responsible for 6% of the world's whole soybean exports though-which remains an important distinction. The thought of reduced by-product supplies has pushed meal and oil higher dragging with it crush values and in turn soys.**
- **It is important to keep in mind though the USDA is already forecasting record large crush figures for the year, so the likelihood of far greater demand expansion because of the reduction in Argentina production may be difficult to see. It is also important to remember that due to tax implications spoke about earlier and the idea beans act as a hedge for currency fluctuations it is estimated Argentina has anywhere between 700 million and a billion bushels of soybeans in reserve waiting for higher domestic prices.**
- **Speaking of crush the National Oilseed Processors Association released their January numbers this week, showing we crushed 163.1 million bushels of soybeans in January, slightly below trade expectations of 165 million bushels and the December crush of 166.3, but higher than the 160.6 million bushels crushed a year ago.**
- **In theory Argentina weather issues could have a far greater impact on the global corn situation as we look ahead than soybeans. Argentina is the third largest exporter of corn expected to ship 1.1 billion bushels of corn into the global market this year. Though current government production estimates match the USDA's outlook any further decline in supply could have lasting impacts on sale availability.**
- **Between reductions in Argentina's production outlook and thoughts that Brazil's second crop corn acreage could be greatly reduced we've seen a push as of late to secure US corn supplies for delivery in the summer months. This week's corn export sales number was just over 2 million metric tons and was a record for the week in the marketing year. At this point we are close to last year's pace on sales though the USDA is expecting an 11% year on year reduction. It is important to note that shipments are dragging though, behind last year by 33%--they will have to pick up greatly to give trade the idea USDA expectations need to be further increased.**
- **Also good for corn demand is the recent push in ethanol production. In their most recent supply and demand estimate the USDA maintained their expectation of a 2% year over year increase in ethanol production. Current production levels are running 2.7% ahead of last year's pace. With the push for corn based ethanol around the globe exports have been impressive as of late as well and will bear watching as we move ahead.**

- **The USDA released their baseline acreage estimates ahead of next week's Outlook Forum to very little fanfare. At this point they are anticipating an even split for corn and soybean acres at 91 million each. Using this acreage estimate, current carryout estimates, trend line yields of 173 and 48 bushels per acre respectively, while keeping demand estimates unchanged year over year we would see corn carryout come in at 2.27 billion bushels, with soybeans at just under 630 million bushels.**
- **Of course the USDA will release their outlook on what to expect in the year ahead next week, giving us an indication of what they expect from a yield and demand perspective. Though it will give trade something to ponder, we learned last year the effect of these numbers will only last until we get surveyed information out the end of March.**
- **Trade will become a key focus as we move ahead as we continue to negotiate NAFTA, have heard chatter the US could be interested in rejoining TPP and talk continues to gain momentum that China could launch an anti-dumping investigation on US soybeans. All three would be major factors in market direction.**
- **Officials from the Washington Wheat Commission have asked the Trump administration to look at rejoining the TPP, claiming without the agreement wheat growers have the potential to miss out on nearly 63 million bushels of wheat exports to Japan. The CEO of the group was recently quoted saying Japan has no interest in a bilateral agreement and would rather we rejoin the trade partnership. The administration has made it clear they would look to rejoin if certain conditions were met, stating negotiations have been "ongoing."**

**As we look ahead to next week weather in Argentina will remain important to the market structure, as will soybean bulls' ability to defend against supply and demand outlooks that on paper would not indicate futures would be trading \$10 plus. We will of course be monitoring US weather as continued dryness remains entrenched in much of the nation's midsection. Outside market moves will be key as well; the Dow managed to gain back over 60% of last week's losses a continuation of this trend would help keep chaos at bay.**

**In the meantime remain aware of recent market moves to the upside and the opportunity they present. Do not become complacent in the idea the market \*has\* to do anything, because of course the market does not have to have a reason to move irrationally. Markets are closed until 8am eastern Monday in observance of President's Day. As always, don't hesitate to call if you have any questions, we're here to help!**

**All the Best!  
Angie Setzer  
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