

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: July 13, 2018

- **At this point we seem to be seeing ‘if it isn’t broke, don’t fix it’ when it comes to trade as selling this market since Memorial Day has been a winner. Additional tariff announcements, ideas of further trade war escalation, forecasts for cooler temps and a USDA supply and demand report pressured the market across the board. For the week we saw corn down 20, wheat down 17 while November soys were 60 lower.**
- **While the market started the week lower on ideas that long term weather forecasts were indicating a pattern shift towards cooler, wetter conditions the Tuesday night announcement from the Trump administration of an additional \$200 billion in tariffs on Chinese goods accelerated the market’s move lower. The latest round of tariffs would hit fish, furniture, tires and other goods.**
- **While China cannot retaliate with additional tariffs due to their limited import of US goods the concern is these tariffs could cause greater hardening of attitudes between the two countries. Of course in the past China has worked to take a very anti-whoever stance when it comes to trade spats. Creating negative consumer sentiment towards whatever country they are doing battle with at the time has hurt demand of that country’s goods in the past and many are afraid anti-American sentiment could create long-term issues even if the trade spat was short-lived.**
- **At this point it is interesting to see the Chinese hesitant to speak poorly of the US to create that negative consumer sentiment. In fact no retaliation to the threat of additional tariffs has been announced thus far, with some pointing to a desire to schedule further high-level trade discussions by Chinese leaders.**
- **Interesting to note rumors from this week’s NATO meetings indicate many in the group support cracking down on China, just not necessarily the way the administration is going about it.**
- **In other news the USDA released their monthly supply and demand report Thursday. Ahead of the report traders were anticipating an increase in new crop ending stock estimates for both corn and wheat. The level of anticipation going into the report was a touch higher than usual as the USDA had made it clear they were going to assess and include any adjustments necessary due to the current trade conflict.**
- **Also adding great interest to the report was the announcement media sources would no longer get the report ahead of time indicating that a concern over leaks was a concern. Further adding intrigue was the idea crop conditions were so good the USDA would buck tradition and increase yields for both corn and soybeans.**
- **The latter mentioned was unnecessary as the USDA left yield projections unchanged for both crops, leaving acreage as outlined in the June 29th report as the only adjustment made to production.**
- **Increased exports and food/seed/industrial usage seen in old crop corn was more than enough to offset reduced feed usage resulting in a cut to old crop ending stock estimates. The reduction in old crop estimates combined with increases in new crop feed and export demand more than offset the increase in production because of the larger corn acres indicated last month. New crop carryout at 1.55 billion bushels was below trade expectations of 1.712 billion and last month’s 1.58 billion bushel projection.**
- **Perhaps the biggest news in yesterday’s report was a continued indication of shrinking global supplies. Yesterday’s estimates indicated new crop global carryout would be down 40 mmt (1.6 billion bushels) from a year ago and an astounding 3 billion bushels from the 16/17 crop year. In fact if realized the global stocks to use ratio would be the tightest seen in decades.**

- Soybeans did not catch a break when it came to USDA projections yesterday. While old crop carryout was reduced and came in lower than expected the 250 million bushel cut to new crop bean exports caught the market a little off-guard. While it is likely we could see a cut to new crop exports due to reduced Chinese demand, many traders are very quick to point out that new crop exports are currently the best in 4 years.
- It is interesting to note the USDA was anticipating a 200 million bushel year to year increase in soybean exports ahead of Thursday's report, something that had been questioned thoroughly by experts when initially released.
- Global production increases in soybeans is something we will want to monitor closely though as initial estimates indicate an increase in acreage and subsequent production in South America will create further competition as we look ahead.
- Domestic ending stocks for wheat would not get anyone excited at first glance but once we start to dig into numbers, especially on the global side some traders are finding a reason to get excited. Looking at overall global supply and demand it is extremely important to recognize China's place in the overall number as they are holding on to 52% of the world's wheat.
- Once China is removed from the overall picture many are quick to point that the world's major exporter stocks to use is the tightest seen in quite some time. That combined with continued reductions to European, Black Sea and Australian wheat is something that cannot be ignored.

Though Thursday's report could be viewed as bullish for corn continued pressure from selling momentum combined with the idea cooler conditions with much needed rains will prevail next week was enough to push values to new contract lows. It is interesting to note one major model had a very significant hiccup after an update resulting in much lower temperature calls than what will likely be seen. While temperatures are likely to be cooler many farmers in the Eastern Belt will cross their fingers that the forecasted rain will fall as dryness is growing.

Looking ahead into next week we will continue to monitor weather closely of course as we will start to get a look at what to expect for August weather and soybean production. Any developments in trade news will have a great impact in price direction as the excitement over the current trade trends could begin to wane. As always give us a call with any questions, we're here to help!

All the Best!
 Angie Setzer
 Citizens LLC

www.citizenslevator.com

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