

## **This Week In Agriculture:**

**A Mixed Bag of Information from the Week that Was: June 1, 2018**

- **A strong open on Monday night's trade was quickly erased on Tuesday as this week's holiday shortened trading session began to focus on crop conditions, wetter weather outlooks and geo-political headaches. As the dust settled at Friday's close we saw corn down 15, beans were down 17 with wheat down 20.**
- **Last week's optimism over beneficial trade deals being locked in place quickly faded this week as the Trump administration announced punitive measures would be put in place if China did not do something to address the intellectual property theft taking place. This after just a week ago the country announced an increase in intended purchases of U.S. agricultural goods. Rumor has it China had worked to purchase nearly 37 million bushels of old crop soybeans in a good faith effort (with Brazilian logistical issues contributing a bit as well) but is hesitant at the announcement of new trade measures being proposed.**
- **Optimism is beginning to fade a bit over an announcement regarding a solid NAFTA agreement coming soon as well as the administration removed the steel and aluminum tariff exemption put in place for Canada, Mexico and the European Union. While it appears to be a strong arm negotiating tactic with our neighbors to the north and south it is definitely something we want to watch as all three countries reacted swiftly with counter-tariffs put in place on U.S. exports ranging from pork bellies to Harleys.**
- **In other geo-political news we saw concerns over Italy hit the market hard to start the week as a government shake up and uncertainty over the country's political future prompted a sharp selloff in outside markets. News anti-establishment political groups had come to an agreement Thursday allowing the government to move forward prompted a global sigh of relief.**
- **Domestically we saw crop conditions released Tuesday night coming in relatively close to expectations. Traders were anticipating corn conditions to come in the best we've seen in recent history and weren't wrong. 92% of the corn crop was planted nationally with 79% of the crop rated good to excellent. At 79% good to excellent the corn crop has bested the most recent best crop rating of 77% in 2012. The USDA estimates 77% of the soybean crop is in the ground.**
- **Weather watchers are wondering what is going to come in the month of June as we went from the coldest April on record to the 2<sup>nd</sup> hottest May on record across the Corn Belt. Looking at the top 16 warmest Mays on record we saw an above average June following 75% of time. At this point forecasts appear to continue to warm a bit though the question will circle around rainfall more than anything as portions of the Corn Belt are dealing with below to much below normal rainfall over the last 6 weeks or more.**
- **Interesting to note hot and dry weather is prompting private analysts in Brazil to cut their corn crop expectations further. A private group put their estimate at 78.4 million metric tons, 339 million bushels below the current USDA estimate and 650 million bushels below the USDA's initial guess. This could be why export sales continue to run ahead of amounts needed to meet USDA projections.**
- **Also interesting to note from the global corn perspective, China has sold over 1.5 billion bushels of corn out of their government corn reserves since April with an average price floating around 5.91/bushel.**
- **In ag news we saw Bayer win US antitrust approval for its planned takeover of Monsanto on the condition it sells 9 billion dollars worth of assets. The request aligns closely with requests made by EU regulators. To comply Bayer will sell its entire cotton, canola, soybean and vegetable seeds business as well as its digital farming business and Liberty herbicide.**

**After the close today the White House announced the talks with North Korea are back on after being off at the close last week. President Trump was quoted as saying Korean peace could come from these talks. It will be interesting to see how that progresses into next week.**

**Weather will become the main focus over the next couple of weeks as heat is expected to remain present in the Corn Belt. While the heat is okay, the heat coupled with dry weather in already dry areas could be incredibly detrimental to crop development. As one trader was quoted as saying, where the initial crop ratings start doesn't matter near as much as where it heads. The recent downturn has been great opportunity for feeders and cash traders to catch up on their buying needs while giving sellers a chance to reassess their crop outlooks and pricing needs. Make sure to get those realistic target orders into place as June is the month with the most market highs for both corn and soybeans. As always don't hesitate to ask questions we're here to help. Until next week, have a great weekend and stay safe!**

**All the Best!**

**Angie Setzer**

**Citizens LLC**

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