

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: June 22, 2018

- **Another volatile week as traders work to decipher what a continued trade war could mean for commodities going forward and the old adage “rain makes grain” is put to the test. When the closing bell rang for the week we saw December corn down nearly 5 cents, December wheat down 12 and November soybeans down 14.**
- **The week started relatively weak as heat that had built throughout the bulk of the Corn Belt over the weekend was expected to give way to cooler temperatures coupled with extreme moisture in areas of the Belt that had seen beneficial rainfall the week before. With corn ratings nationally sitting at 78% good to excellent—a near record high and bean ratings at 73% the common idea was rain would continue to benefit production.**
- **Forecasts of heavy rain verified with many locations seeing several inches of rainfall over a 3 day period. Unfortunately some of the areas receiving moisture would not necessarily view it as beneficial as locations stretching from I-80 in Iowa up to I-90 in South Dakota stretching east to Lake Michigan have seen 3-6 times their average rainfall over the last 2 weeks.**
- **In these areas specifically flooding has become a great concern, especially in the areas where later than normal planting means smaller crops not necessarily capable of handling standing water—this being an issue with soybeans especially. Of course many believe there is no such thing as too much rain as for every acre flooded is 2 acres benefitting. Concern will remain though as extended forecasts indicate heat will return to much of the Corn Belt producing thunderstorms likely to run over the anticipated ridge potentially bringing additional rain to already saturated areas.**
- **With decent condition ratings and forecasted rain already weighing heavy on the markets many traders were shocked to see President Trump announce an additional 200 billion dollars in proposed tariffs on imported Chinese goods. Markets were rocked Tuesday morning with soybeans dropping to lows not seen in several years before bouncing back over 40 cents to close marginally lower.**
- **Traders remain perplexed about what President Trump is doing when it comes to trade, citing issues with NAFTA partners, Japan, China, the EU, India and just about anyone else we are doing business with, while others are quick to point out he was clear about a desire to seek a unilateral approach to trade agreements. While many feel these moves could be detrimental to the ag economy and the US economy as a whole others are quick to point to the idea of global free trade—something that would be impressive to see.**
- **When it comes to China there is confusion as to what the country could do if we were to place an additional 200 billion of tariffs on their goods. With China importing 130 to 150 billion dollars worth of US goods it would be difficult to follow the tit for tat plan initially discussed, especially since the US has over 500 billion dollars of goods imported every year.**
- **Some worry the Chinese could push their citizens to avoid American products (something happening in Canada right now, incidentally), while others fear the Chinese could make it difficult for American companies to do business there (something many are quick to point out already happens).**
- **It is clear the market is hungry for a good story about trade to surface and until then many buyers will likely wait in the wings until a potential solution comes about. The administration did mention “rapid fire trade agreements” would soon be announced mid-**

week encouraging optimism, but saw the immigration debate take center stage as the week drew to an end.

- Talk of a much anticipated ethanol solution hit newswires this week as well. Some believed the refiner exemptions that have been causing great angst in the ethanol industry would be unwound, something that would be supportive to ethanol demand and margins in the weeks and months ahead. As expected though the oil industry did not welcome this idea in the least and the administration announced any sort of change would be tabled for now.
- The USDA will release updated quarterly stocks and acreage numbers next Friday. Ahead of the report the average trade guess appears to be supportive when it comes to corn and soy acreage as a minimal change is anticipated. Looking over estimates traders are anticipating corn acres to come in at 88.35 million versus the March estimate of 88.03, with soybean acreage at 89.68 million versus the March estimate of 88.98. Wheat, cotton and sorghum acreage is expected to come in relatively close to March estimates as well.
- As usual quarterly stocks will have the potential to be the biggest wild card. Remember if stocks come in below estimates the likelihood of seeing further cuts to carryout exists in future supply and demand reports, while higher than anticipated figures would mean an increase to carry out would be likely.

Aside from trade announcements and the USDA numbers being released Friday attention will center on weather. At this point it appears some of the hottest temperatures of the year could be on tap for portions of the Corn Belt—with some locations expecting pollination to coincide with the heat. A USDA meteorologist was quick to point out how detrimental heat can be to a corn crop during or directly after pollination, going further to point that nighttime temperatures can have an even bigger impact on yield potential than once thought.

If the current forecast models were to verify it is likely trade attention could turn to what that would mean for production potential. It's important to point out that a crop failure is not needed to see an extreme cut in carry out projections. Just 4 bushel per acre off of current forecasted yield with all other factors unchanged would drop corn carryout to 1.2 billion bushels—nearly a billion bushel below this year's level. Of course with the rainfall received a lack of heat through pollination could push yield estimates higher as well so volatility will likely ramp up with each forecast model released.

Now is the time to reevaluate where you stand when it comes to yield potential and how you are sitting with sales. Take the time to re-enter orders to capture any sort of upside move if one were to develop. Simply ask yourself what you wish you would have done when prices were higher and make steps to take advantage of future moves accordingly. As always, don't hesitate to call us with any questions, we're here to help.

All the best!
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