

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: June 8, 2018

- **Jitters over trade disputes and ideas of beneficial rainfall and cooler temperatures showing up in weather models after recent heat pressured corn and soybeans. Ideas that production issues in wheat growing regions around the world are less than ideal kept values there exceptionally volatile. When the dust settled we saw wheat unchanged, corn down 14 and July soys 52 lower.**
- **Weather model conflict seemed to be the theme this week as the GFS and Euro seemed to contradict each other at every turn. The GFS has consistently been cooler and wetter than the Euro for several weeks now. Extended forecasts appear to lean towards cooler and wetter conditions only to dry out and warm up as time goes on. In fact early this week forecasted high temps missed Northern Corn Belt heat by as much as 10 degrees in some areas.**
- **With many areas of Southern IA, Central IL, IN and Missouri only seeing around half or less of their normal rainfall over the last 30 days it is vital this weekend's rainy forecast verifies as conditions in those areas are quickly deteriorating.**
- **With the current supply and demand outlook in corn it is interesting to see December futures fell below \$4.00 this week. Of course conditions at this point continue to look great with 78% of the nation's corn rated good to excellent, but it's as though trade is forgetting we need an exceptional crop just to keep carryout unchanged from a year ago when looking at current USDA estimates.**
- **Looking back to the initial outlook for new crop supply and demand released last month we can see the USDA anticipates total corn supplies to fall 675 million bushels on a 174 bushel per acre yield using an average harvested percentage on acreage. If we were to see corn acreage left alone at the end of the month it would mean we would have to see a 182.4 bushel per acre yield to keep corn supplies unchanged from this year.**
- **This of course not taking into consideration the recent trend of reducing both Brazilian and Argentina crops as well as concern over production in portions of the Black Sea region. As we've mentioned recently China is also chewing through their on hand supplies, cutting into government reserves by 1.68 billion bushels since April. A global reduction in overall stocks could create a shift in export demand, a trend already indicated somewhat by the recent pace in corn export sales.**
- **Of course we have to work our way through potential trade spats before we can get too excited about export potential. It appears now that NAFTA talks will carry on well into 2019, with some administration officials floating the idea of transitioning to individual negotiations though the powers that be in Canada and Mexico have refused the idea.**
- **This week we saw Mexico announce tariffs on pork with the first initial 10% wave initiated June 5th and additional 10% to be added July 5th. They did announce a certain amount of pork legs and shoulders would have access to the market tariff free due to demand, but stated they will work with Europe to cover other needs.**
- **The back and forth continues with China. Over the weekend it was announced China would purchase \$70 billion worth of agricultural, manufacturing and energy products but only if the US were to walk back tariffs being discussed. While the government did work to create a solution with ZTE the administration was clear they will put tariffs in place June 15th without a solid resolution.**

- **President Trump will be in Singapore over the weekend meeting with the North Korean leader to discuss denuclearization and peace in the region. It will be interesting to see if any further trade developments are announced after the meeting takes place.**
- **Domestically we had some fireworks this week over potential changes to the RFS. Early in the week it was announced the Trump administration had come to a conclusion on the RFS compromise. As you may remember there has been great concern over the handling of RINS and waivers that are being given to some relatively large oil companies and what that means for the ethanol and domestic biofuel business as a whole. The compromise initially announced was that exported ethanol would count towards domestic usage requirements with the RVP waiver being granted for year-round E-15 use.**
- **While biofuel groups have actively been pushing for the year-round usage of E-15 they have been adamant allowing exported ethanol to count toward domestic usage would all but gut the RFS and would completely erase any usage benefits seen through year-round E-15. A surprising opponent to Pruitt's ethanol plan came in the form of Iowa Senator Joni Ernst who unleashed on the administration saying any such plan would be a slap in the face to the American farmer.**
- **Trump, a self-proclaimed fan of the American farmer walked back the compromise saying at this point nothing will change until a better solution comes about.**

While other outlying factors could influence Sunday night's trade weather will likely be the determinant when it comes to trade direction next week. We saw corn open interest increase big time this week with our moves lower meaning new selling is coming into the market. While it can indicate a direction of trade for the time being there is nothing that says a whole host of new shorts are necessarily right. Most traders will remain glued to their radars this weekend with a make or break rain in the forecast.

We will get an updated look at the USDA's supply and demand outlook on Tuesday. Much of the focus there will be on global production and demand outlooks while we will look ahead to acreage updates and quarterly stocks on the 29th. This recent correction in the market should serve as a great opportunity for you to determine where your selling targets should be, make sure to take the time to get those in place in order to capture any significant moves higher. As always, don't hesitate to ask any questions. We're here to help!

**All the Best!
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