

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: March 2, 2018

- **Politics and weather dominated the focus of trade this week. Talk of trade wars, dryness in the Plains as well as Argentina and potential changes to the RFS created solid trade narratives. When the dust settled we saw May corn up 10, May soybeans up 23-with November only up 7 and May wheat up 35.**
- **The White House was the center of attention this week for a multitude of reasons. Potential changes to the RFS caught trades attention at the start of the week as a group of industry professionals and lawmakers met to discuss RINs and their impact on the economy. A RIN or Renewable Identification Number is created any time a gallon of biofuel is produced. These RINs function similar to the once proposed Carbon Credit.**
- **To be compliant with the Renewable Fuels Standard refiners are required to blend a certain amount of biofuel into every gallon of gas refined. For those unable or unwilling to purchase the physical biofuel for blending RINs are available to be purchased. As a result of this requirement RINs trade can get quite volatile and according to some in the oil industry can cause great additional expense.**
- **The recent bankruptcy filing of a refiner in Pennsylvania brought RINs and their trade into focus for many in the oil industry. The head of the EPA made it clear several weeks ago that he felt the cost of RINs was the sole reason the plant was forced into bankruptcy. While other factors that contributed to the plants financial demise have become clearer in recent weeks the focus on RINs remains with Ted Cruz stepping in to the fight.**
- **Conversations this week centered around capping the price of RINs or adjusting the requirements of refiners. While no decisions were made talk is that we could see a potential compromise. The most ideal for both farmers and those fighting RINs would be the RVP waiver to E-15 usage. As we've talked about in past letters the RVP is a law put in place by the EPA limiting octane levels in fuel. This limit makes it very difficult to see the increase in E-15 usage year round on a national level. Further meetings are scheduled for next week and both sides remain hopeful a mutually beneficial compromise will be found.**
- **In addition to RFS talk, the White House had a lot to say about trade. As mentioned a couple weeks ago the administration had been floating the idea of a tariff being placed on steel and aluminum imports. This week President Trump made it clear a 25% tariff on steel and a 10% tariff on aluminum were going to be imposed.**
- **While the tariffs are mainly designed to fight the "unfair trade policies" of the Chinese according to Trump many other countries feel this policy would unfairly target them and cause great strife. European countries, Canada, Mexico, Australia, Brazil and Japan all quickly responded negatively to the news, as did many sectors of the US stock market.**
- **Of course while it is too early to tell what this would mean overall, the greatest concern is that agriculture will be impacted the most when it comes to retaliation by the countries mentioned above. China is of greatest concern considering half of our soybeans, an estimated 12.4 billion dollars worth went to the country last year.**
- **Though the political news seemed negative to the market overall concerns over what's taking place in Argentina from a production standpoint seemed to more of a driver to the upside than anything. Over the last 90 days 91% of Argentina's soybeans experienced drier than normal conditions, while 95% of the country's early corn and 75% of the country's late corn experienced similar conditions.**

- **The Buenos Aires Grain Exchange—similar to the USDA rated the country’s corn crop at only 24% good to excellent, down 20% from their last rating. They put the country’s soybean crop at only 3% good to excellent. Though they left their corn production estimate unchanged at 37 mmt (2 mmt below current USDA estimates) the poor ratings prompted the group to lower soy production estimates by another 3 million metric tons, down to 44 mmt. If realized the country’s soy crop would be 13.5 mmt (496 mbu) lower than last year’s production and 10 mmt (367 mbu) lower than current USDA estimates.**
- **As mentioned before Argentina is responsible for nearly half of the world’s soybean meal and oil exports, hence the significant increase in byproduct prices and subsequent run-up in whole bean prices. It is important to note though that decent weather conditions have prompted many private groups to push soybean production estimates higher for Brazil, some increasing their expectations to 118 mmt, 6 mmt (220 mbu) higher than current USDA estimates.**
- **Weather pushed the wheat market to its highest level seen since last summer. Concerns over production issues in the Southern Plains, lack of moisture in the Northern Plains and uncertainty over conditions in Europe and parts of Russia prompted fund shorts to rush for the exits in typical wheat style. Though the run up seen Thursday was somewhat short lived it showed that opportunity remains for pricing action in both 18 and 19 production seasons.**

Looking ahead to next week rains forecasted for portions of Argentina will be key as will any news centered around trade policy or the RFS. The USDA will update their supply and demand outlook as well, with most traders’ attention falling on what the group will do when it comes to South American production and global carryout numbers.

Be aware that all markets have made substantial moves higher from their lows and should be rewarded, especially with the amount of uncertainty floating around when it comes to trade policy and domestic usage via the RFS. As always don’t hesitate to contact us with any questions you may have, we’re here to help!

**All the Best!
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