

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: March March 23, 2018

- **A very noisy week with trade war talk dominating much of the markets' attention both on the commodity side and the outside. Weather played a minor role as well with much needed rain falling in the Southern Plains. When the dust settled for the week we saw corn down 6 and wheat down 8. May soybeans were off 23 cents, while November traded 14 lower.**
- **As mentioned much of trade's attention was dominated by tariff talk as the Trump administration announced it will instruct the US Trade Representative to place \$50 billion worth of tariffs on Chinese imports to be named later. At this point it appears we will see a list of proposed products to be tariffed within 15 days, while the Treasury Secretary has 60 days to propose new investment restrictions on Chinese companies.**
- **With such a large amount of agricultural exports going to China from the US many American farmers fear the worst when it comes to retaliation and escalation in tough talk about trade. With a significant portion of our soy exports making their way to China growers have good reason to be concerned, however China has made it clear they would like to avoid a trade war if at all possible.**
- **Though China says they would like to avoid trade turmoil they announced overnight that tariffs will be placed upon US pork, recycled aluminum, steel pipes, fruit, wine and nuts. Noticeably absent from the list was US soybeans, which allowed growers to breathe a sigh of relief—even if only in the short term. And though markets were down strong in an initial reaction to the overnight announcement most losses were gained back before the close.**
- **In other political news talk out of DC is that the Trump administration will wash its hands when it comes to making a decision regarding any changes to the RFS, instead making Congress make adjustments. Considering the RFS was a law passed by Congress in the first place this move would be much better for all parties as it would fit from a constitutionality standpoint. Of course this would leave unknowns present in the market, but with the recent trend of nothing actually being agreed upon or changed in Congress these days some feel this move is the best protection for the RFS going forward.**
- **As mentioned much needed rainfall fell in portions of the Southern Plains, just in time for some of the wheat crop struggling in the region. Of course in true wheat fashion rain in the Plains resulted in a significant sell off, pressuring corn as well. However not everyone saw significantly measurable rainfall and haven't since October. Because of the trend of hits and misses many traders will be looking forward to the Southern Plains wheat tour next month.**
- **In other news we will have a holiday shortened week wrapping up with the USDA perspective plantings and quarterly stocks report. Ideas that we will see an increase in bean acres from last year and potentially steady to slightly lower corn acres seems to be well expected overall and would not necessarily come as a surprise. However next week's acreage will allow analysts to start building supply and demand estimates for the new crop year judging at that point what types of risk premiums we could see built in until production is better known. Amazing that we are already talking about summer weather when portions of the Corn Belt are expecting 5-8" of snow.**
- **Though developments out of South American are no longer in the forefront of trade discussions they are still important to monitor. At this point further cuts to the Argentina soybean and corn crops are expected, with increases in Brazil's soybean crop and potential cuts to corn from current USDA estimates. With the second crop corn production just getting underway there's a long way left to go before anything solid is known-but the recent trend of diminishing global corn supplies will make the next couple months very important when it comes to market direction overall.**

In the end no one knows for sure how China will react to the proposed tariffs and what that will mean for US agricultural products going forward. What we do know is China is heavily dependent upon our soybeans, even if only to fill the gaps in Brazilian production. With the loss in Argentina production it's also pretty clear China wants to tread lightly when making decisions on how they proceed with soybeans especially. Next week's trade will be dominated by expectations ahead of Thursday's report as well as any news attached to exports, trade deals or the RFS.

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**All the Best!
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