

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: May 18, 2018

- **The week started out relatively weak with all three major markets retracing a solid portion of the upward move seen prior to last week's USDA report. Many felt the potential negative news stories left to be released combined with the idea the strength in the market the first part of May was based on bullish supply and demand ideas confirmed by the USDA last week prompted some heavy selling early on. However as the week progressed pressure on the sell side began to wane opening the door for bullish enthusiasm to re-enter on the corn and wheat side.**
- **As of Friday's close we saw July soybeans down 6, July corn up 12 with July wheat up 19 for the week.**
- **As mentioned the week started relatively quietly. Traders saw planting progress released Monday come in close to expectations. The USDA pegged national corn planting progress at 62% complete, 1 point behind the 5 year average. Soybean planting was 9% ahead of average pace with an estimated 35% of the crop in the ground.**
- **Spring wheat growers are still struggling to get the crop in across the Northern Plains, with overall planting pace 9% behind the 5 year average and 17% slower than last year. Winter wheat conditions continue to show stress in the Southern Plains with 36% of the national crop rated good to excellent versus the 51% seen a year ago.**
- **Summer weather outlooks vary greatly as this point as some forecasters point to a relatively benign growing season, while others are quick to point to forecast models indicating the potential for a hot and dry pattern to emerge. With much of the US transitioning from the coldest April on record to one of the top ten hottest Mays there is no surprise the summer weather outlook is hard to pin down.**
- **As we've grown accustomed as of late much of the trade's attention this week was placed upon trade deals and geopolitical developments. We saw concerns develop over the potential for North Korean peace talks this week as the country protested a South Korean military exercise. It was reported mid-week that the US would not take part in a joint exercise as an extension of good faith with North Korea's leader. At this point it appears as though the talks between North Korea and the United States will continue as planned.**
- **Much attention is still being paid to China and the potential trade war. Overnight the Chinese announced they will not only discontinue the anti-dumping investigation into US sorghum they will also refund any duties paid since the tariffs and investigation were announced. Rumor has it the country has also put together a list of 200 billion dollars worth of trade concessions in an attempt to avoid any escalation in the much talked about trade war. While no solid proof of these concessions was produced the idea that we are working towards an amicable solution is positive.**
- **Though the market was somewhat quick to shake it off there were nearly a million metric ton of soybean sales announced as cancelled by "unknown" this morning. This indicates that though the news surrounding the potential trade war does appear friendly at this point adequate domestic soybeans stocks and poor Chinese crush margins could weigh heavy on export demand as we move through the summer with or without trade troubles.**
- **Positive news floated out of NAFTA discussions this week as well as Canada's Prime Minister stated a "good deal" is on the table when it comes to NAFTA negotiations. While exciting the US Trade Representative continues to make it clear in his mind a final agreement is far from being completed. Of course we want to make sure the deal is beneficial to all parties, but the sooner the fear we will walk away from NAFTA is removed from the market the better for those reliant upon ag exports.**

- **Interesting to note the expected corn crop size in Brazil continues to shrink as dry weather there has hampered development in some regions. This morning a private analytical group dropped their full season corn outlook for the country to 79 mmt. If realized this would be 315 million bushel below the current USDA estimate and 630 million bushels below the initial USDA estimate.**
- **While a 3 billion bushel corn crop is large when looking at historical Brazilian production the idea that we could see over a half a billion bushels removed from early season estimates becomes so much more important when we look at Chinese usage and what is happening from a domestic perspective there. It is estimated that government corn reserves there could fall by 60 mmt (2.36 billion bushels) this year compared to last, with some saying that is a conservative estimate.**
- **The recent push for increasing domestic demand in the country via ethanol, combined with increasing feed demands and quality concerns are behind the significant reduction in government supplies. Of course banning alternative feed products like sorghum and distillers grains hasn't been overly helpful in the face of exploding domestic demand either.**

As we look ahead into next week many traders are expecting corn planting to come in close to the 80% mark with soybean progress well into the 60s. While it's hard to think that's the case in the areas that remain wet like portions of the Central Corn Belt and areas around the Great Lakes where farmers can't buy 5 days without a rain, other areas are starting to complain it's too dry prompting rapid completion of intentions. At this point traders can only assume the accuracy of the USDA's planting intentions with many arguing already over what June's "final" numbers will look like.

As usual this time of year, weather models will be key, though trade developments will have the ability to move the market heavily in one direction or another any given day. Now is a great time to get target orders in place ahead of typical summer strength. As always don't hesitate to call if you have any questions, we're here to help!

**All the Best!
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