

This Week In Agriculture:

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

- **If this week's grain trade were to have a book written about it the title would be The Power of a Tweet. The start of the week seemed sluggish at best, even with excitement over renewed foreign wheat buying interest and the idea harvest pace would continue to be slower than average for the next couple of weeks. But ideas that we are closer to a Chinese trade war resolution than once thought helped propel beans significantly higher, dragging corn and wheat along for the ride.**
- **After the close last Friday, it was announced that Egypt had in fact purchased wheat from the US. For much of the day traders were simply excited we were price competitive for the first time in years, so the idea actual business was done was even more supportive.**
- **In addition to business being inked with Egypt we saw the Australian government lower their crop outlook yet again for the year ahead. Current government estimates would put the crop 2 million metric ton (73.5 mbu) below USDA estimates. It has become obvious to wheat traders as a whole that we have managed to chew through the burdensome global supplies in a short amount of time, putting even more emphasis on how the winter crop fares in the coming months.**
- **Though we are still a couple months from its release, traders will also be looking ahead to the USDA's prospective wheat planting numbers coming in January. Early on many traders felt farmers would increase their wheat plantings significantly due to higher prices. However, Mother Nature has been less than cooperative throughout the month of October putting some of that increase in jeopardy. While weather has improved substantially in parts of the Southern Plains with warmer ground temps and optimism allowing farmers to roll much of this week, many growers in the Northern Winter Wheat areas have had no choice but to change plans.**
- **Thursday morning we saw export sales confirm fears over a continued slowdown in world buying interest. As of late Argentina has been much cheaper when it comes to corn export offers, and of course after the rapid early season sales pace it is believed many foreign buyers have covered their short-term corn needs. It's obvious we're still struggling when it comes to soybean sales. Yes, we have become a supplier to several countries we had not been actively working with in the past, but with sales to China down 97% from a year ago volumes are struggling to meet numbers needed each week to reach USDA expectations.**
- **Additional talk that soybean cargoes initially loaded for China a couple weeks ago had been diverted to other countries while 2 boats loaded with soybeans that had arrived at Chinese ports the end of September have not yet been unloaded added to the negative feel prior to the market open.**
- **However, as mentioned the power of a tweet was shown as the market rallied significantly after President Trump tweeted he and Chinese President Xi had just had a "long and good talk regarding trade." Xi's confirmation that China and the US were working towards a "mutually beneficial" trade deal pushed the market even higher as buyers rushed back into the market.**
- **On one side the idea the two presidents are having private, low-key conversations about trade and working to "thaw relations" as one publication claimed is extremely positive and gives us some hope that was not present just a couple days ago. However, we have been hearing since April that both sides want a quick and positive remedy to the trade issues without much in the way of compromise being seen thus far.**
- **It is important to keep in mind the mid-term elections are on Tuesday as well, and with indications that many in the Rust Belt are struggling because of these trade issues, it is very possible the administration would want to take a much more positive and gentler tone when it**

comes to what is taking place. Any thoughts we could see a potential “win” is positive for soybeans even if it may mean very little to overall supply and demand potential as we move ahead.

- For now traders are encouraged by headlines, but it will likely take confirmation something is changing whether it’s a sale announcement of beans into China or confirmed shipments taking place to give confidence that will be so desperately needed when the bulls get bored.
- Looking ahead to next week, we will be closely watching the mid-term elections as they will give us an indication of the country’s feelings when it comes to what has taken place on a national political scale over the past couple years. The USDA is releasing an updated supply and demand outlook next Thursday. Many feel yields and subsequent production will likely be lower than last month for corn and beans, with the production reduction likely offset by a potential reduction in demand. We will also be watching any further developments in conversations with China when it comes to trade.