

This Week in Agriculture

A Mixed Bag of Information from the Week that Was: October 12, 2018

- A USDA supply and demand update, weather, trade talks and outside market volatility were the most talked about developments across the board this week.
- Trade was relatively quiet the first part of the week as a failure to break out above short-term resistance levels and concerns over a potentially bearish USDA report pressured corn and beans. Developments in the outside market structure though created great concern throughout all markets resulting in a risk off attitude and increased selling pressure mid-week.
- Ideas that a shift in Fed policy towards a more hawkish tone resulting in increased interest rates, though known for some time now, was pointed to as the reasoning behind the selloff. However it appears shifts in global monetary policy as well as a general feeling of just being overbought after what seems to have been a decade long period of gain were the more likely culprits. The debate as we move into next week and beyond is whether this shift is a long term correction or a flash in the pan.
- On the ag side weather garnered the most attention this week as heavy rainfall resulting in flooding, snow and a hurricane wreaked havoc across much of the production area. It's amazing to see much of Iowa and Minnesota experiencing their wettest harvest period on record over the last 6 weeks. Adding to the concern over the excessive rainfall is that much of the crop was mature and ready to be harvested when the rain began. As a result reports of pods bursting due to excess moisture as well as beans and corn sprouting in the field are relatively widespread and concerning for many growers in the areas impacted.
- In addition to heavy rain and flooding, parts of the Dakotas into Nebraska saw extremely heavy snowfall midweek. With only 34% of the soybean crop harvested in North Dakota (well below the 5 year avg of 50%) many farmers fear the worst as many of the unharvested fields are covered in nearly a foot of snow. Snow is expected in the Southern Plains over the weekend and into Monday as well with parts of KS expecting 3-6".
- While it appears as though the weather is likely to dry out for much of the Corn Belt over the next couple of weeks below normal temperatures are anticipated slowing the drying for many of the crops and soil.
- It will be interesting to see if the USDA will adjust harvested acres or yields as a result of the adverse harvest conditions. While it is rare to see a widespread loss in crops due to poor harvest weather it is not unprecedented, in fact we saw further downward adjustments in Argentina earlier this year after widespread harvest delays and heavy rainfall reduced yields in already drought stricken areas. The USDA did note that they will resurvey farmers at the end of the month for an updated crop production outlook to be released in November, as is normal practice.
- Speaking of the USDA, we saw updated supply and demand numbers released this week, with many traders and private analytical groups anticipating an increase in yield expectations across the board to stick with the recent trend. The USDA disagreed however in corn and came in lower than expected for soybeans at 180.7 and 53.1 bushels per acre respectively, while the trade was expecting a 181.8 and 53.3 bushel per acre yield projection.
- While we saw a slight decrease to feed usage of 25 million bushels, we saw a significant 75 million bushel increase in corn export expectations. That combined with the reduced production estimate versus pre-report guesses chewed through much of the increase we would have otherwise seen through higher beginning stocks as outlined in the September 28th quarterly stocks report. Ending stocks at 1.81 billion bushels are higher than last month's 1.77 projection, but lower than the 1.92 billion bushel pre-report expectation. Global ending stocks came in relatively close to pre-report expectations and slightly higher than last month's outlook.
- While soybean yields were increased slightly from last month overall production came in lower as the USDA reduced harvested and planted acreage 600,000 acres from earlier projections. The reduction in production was minimal at 3 million bushels but helped to soften the psychological blow that came with a 40 million bushel increase in beginning stocks. Carryout is projected at a record high 885 million bushels, slightly lower than the 898 million projected.

- Wheat numbers came in relatively close to expectations across the board. Continued rainfall across the Wheat Belt combined with snowfall and poor conditions reducing production and quality prospects across Western Canada will likely keep prices relatively firm in the weeks and months ahead.
- Finally, trade will be watching the back and forth between the US and China next week. This week brought talk that China could join the Trans Pacific Partnership as a way to force the US' hand. Though it's likely to be a difficult negotiation between the nations currently in the TPP and China the idea that free trade would grow between those countries without the US is troubling. President Trump and President Xi are expected to meet at the G20 summit in November to discuss issues at hand. This is likely to be the greatest opportunity for a trade resolution we have seen since its beginning.