

This Week in Agriculture

A Mixed Bag of Information from the Week that Was: October 19, 2018

- Calling this week's trade a 'roller coaster ride' would likely be putting it mildly as traders and farmers work to recover from price whiplash. A trio of what could be viewed as bullish news stories for soybeans stoked by some interesting trade rumors created a great start to the week before the realization not much has actually changed from a fundamental perspective sent us back to around levels seen at last Friday's close.
- The week started with residual excitement from last week's idea that trade discussions would take place at next month's G20 summit between President Trump and Chinese President Xi. With these talks being at the highest of levels the idea a resolution could be just around the corner gave traders the confidence to buy.
- In addition to ideas trade talks would soon be taking place we saw two vessels of beans loaded out of US ports destined for China in the weekly export inspection figures. This inspection announcement caused ripples of excitement as it had been quite some time since we had seen bean sales to China loaded and shipped as opposed to cancelled. Somehow this exciting news became even more exciting when a rumor of major Chinese purchases being inked rippled throughout the trade.
- The talks, shipments and further sales ideas got an extra shot in the arm with higher than expected crush figures released in Monday's NOPA crush report. Crushers reported just over 160 million bushels of beans were crushed in September, a record for the month and the highest seen in over 10 years. That, coupled with falling soyoil stocks indicated that demand remains strong domestically for beans.
- Unfortunately it didn't take long after Monday's close for reality to set in. While it was exciting to see China show up on the shipments list, the fact that these purchases were inked several months ago, likely by state owned Sinograin who we already know will not see punitive tariffs attached to their purchases is not quite as exciting as if they were fresh sales made by a private buyer. In addition the idea that major sales were made to China was quickly proven to be false as no USDA flash sale confirming the purchase was released.
- Poor export sales for corn and beans released Thursday morning removed all hope private sales activity with China was taking place. Not only was China not on the list of buyers, unknown was in cancelling big quantities of corn and soybeans. China and unknown were also in to cancel soybean purchases in a flash announcement Friday morning.
- With traders sad their excitement was likely for naught the announcement by the Trump administration that the US and China are so far apart it's likely the G20 talks are unnecessary made it easy for bean bulls to transition to bean bears without much thought.
- It is interesting to note though, China's economy is struggling. At this point the Shanghai composite index is down 35% from the start of the year, and working on its worst bear stretch in over a decade with far more significantly lower closes than higher ones. The country's economic growth also appears to be at its weakest pace since 2009. It is very possible the Trump administration stating talks are unnecessary at this point could be yet another negotiation tactic as the struggles the Chinese economy is facing are apparent across the board.
- In other news harvest pace was allowed to pick back up mid-week with a good amount of progress being made until some light rains fell across portions of the Corn Belt Friday. Monday's harvest progress is expected to show corn harvest in line with the 5 year average if not slightly ahead of it, while bean harvest remains slow. Reports of decent but variable corn yields are common; damage and shattering appears to be an issue in beans across much of the Western Corn Belt, with growers struggling to put a number on what it could actually mean when it comes to yield reduction and crop loss.
- After a smattering of rain Friday into Saturday growers look to have a harvest window before above normal rainfall works its way back into the 6-10 and 11-15 day forecasts. At this point temperatures appear to remain below average for the rest of October.
- Looking ahead into next week it is likely we will see more of the same when it comes to market direction. At this point we are working to establish our short term trading range while also trying to gather concrete ideas when it

comes to yields and overall production. We will continue to monitor trade developments but caution anyone from getting too excited when it comes to headlines as the situation remains extremely fluid at this point.