

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: October 26, 2018

- **Politics, poor export pace and major harvest progress were the main factors in this week's trade. A failure to push to new levels after breaching technical resistance last week played a role as well as values spent much of their week moving lower before some strength returned late in the week.**
- **Political rhetoric ramped up this week as we are less than 2 weeks from the mid-term election. Many believe the upcoming elections will give us insight into whether or not President Trump's policies are popular with the American people. Considering rural America was so supportive of the President's agenda in the 2016 election the idea that trade policies are hurting farmers and Trump's rural voters is being pushed extensively by many media sources as well as the Chinese.**
- **Articles outlining the struggles in farm country and beyond are nearly everywhere and will likely continue to be next week through when voters head to polls. While it is obvious that the trade war between the US and China has had a major impact when it comes to Chinese demand—exports to the country are down 97% this marketing year, the idea that the American farmer is abandoning ship as a whole may be flawed.**
- **In addition to US political discussions many will be watching what is taking place in Brazil, with their presidential election happening Sunday. Many agree the leading candidate is very similar to Trump, if not further to the right when it comes to certain economic policies and beliefs. What's most interesting is Bolsonaro's apparent dislike for the Chinese when it comes to their economic involvement in Brazil and trade.**
- **While he has been quoted in the past as saying he would like to work with the Chinese he has also called them 'predators' saying they are looking to dominate key sectors of the Brazilian economy. Bolsonaro has said many times he would limit Chinese ability to buy land and the control they would have over investment in infrastructure as a whole.**
- **In addition, Bolsonaro has made it very clear the policies he looks to impose would fundamentally change the way the Brazilian political system and economy would work, likely strengthening the country's currency long-term, potentially making their agricultural products more expensive in the global marketplace.**
- **Before getting too bullish US ag when talking about a Bolsonaro election it is important to point out he has a desire to remove many environmental regulations. This would potentially open up a significant amount of land currently off limits when it comes to production agriculture. It will definitely be something to watch down the road.**
- **Aside from politics we got some positive news in the wheat sector this week after Chicago wheat worked to fall significantly from recent highs, testing what has been a front month contract low for much of the year. This reduction in value made US soft red wheat competitive into Egypt for the first time in over 2 years.**
- **We also saw a Russian meeting between wheat traders and government officials reiterate the 33-34 mmt limit on exports this marketing year. This is slightly below the current USDA estimate of 35 mmt. Considering current export pace would put Russian wheat exports at 32 mmt by January many traders feel we could see a huge opportunity remain for US wheat exports the last half of the marketing year.**
- **Speaking of exports, we will definitely need to keep an eye on what is taking place when it comes to soybean and corn exports. For the second week in a row exports came in well below trade expectations and below what is needed each week to meet USDA projections. While corn export sales have been strong enough so far to make up for a 2-week breather, soybean sales have not.**

The weak pace in beans is prompting some to expect a decreased USDA export outlook in the November report. Without a significant reduction in yield a decrease in exports would push carryout even higher, which is the last thing we need at this point.

- **Looking ahead to next week, the harvest window is likely to close for many as rain works its way back into the forecast. Elevators will be rolling from the November board to the January mid-week in soybeans. Expect it to appear as though basis levels are widening on the countryside when this takes place, in reality it is just the carry between the Nov and Jan being factored in, don't get caught panicking as a result. Political talk will likely be amped up, though it will be interesting to see if further downward moves in outside markets prompt buyers to return to commodities no matter the fundamental outlook as a whole.**