

This Week in Agriculture:

A Mixed Bag of Information from the Week That Was: November 4, 2016

- **We saw a more risk off approach in the markets this week as the unknowns surrounding Tuesday's election, Wednesday's USDA updates and how the Fed is going to handle rate increases were a bit too much headwind for buyer optimism. As the dust settled for the week we saw corn down 7, beans down 19, with wheat up 5.**
- **Nationally harvest pace remains in line with the 5 year average as corn is 75% completed and soys are 87% done. Recent wet conditions have slowed Michigan's overall harvest pace with corn harvest 3% behind our usual pace at 40%, while bean harvest lags the average by 11%. With harvest nearly completed nationally traders feel more comfortable about what to expect yield and production-wise in next week's USDA update.**
- **It is interesting to note that history indicates the yield numbers released by the USDA in November tend to be very close to final numbers released in January. With major adjustments to overall production next week's USDA numbers will give us great insight into our supply side and allow us to turn our attention to the demand side. At this point traders are expecting soybean production to increase slightly from last month's as overall yields are expected to increase to around 52 bushel per acre vs last month's 51.4 bushel estimate. Corn production is expected to decline slightly as traders expect the USDA to stay in line with their recent tendency of reductions.**
- **From the demand side of things exports continue to shock and amaze. At this point wheat exports are up 26% from a year ago, soybean exports are up 29% with corn exports up a whopping 91% from last year. There is some concern regarding potential protectionist policies from both candidates for president, with some analysts floating the idea that questions surrounding trade policies is one of the reasons we've seen such a big jump in early sales. In any event it's nice to see the strength in demand even with a strong dollar.**
- **China continues to change their approach to domestic agriculture, working to modernize it and reduce the significant waste they have been seeing these last several years. They announced this week they will reduce the amount of open air storage used for grain 95% by the year 2020. One must wonder the condition of the grain being held when they have an estimated 15% of their overall production or nearly 4 billion bushels stored in open air piles around the countryside.**
- **In addition to this change in storage they intend to continue to cut corn acres while focusing on increasing soybean production. Plans to increase soybean production nearly 50% by the year 2020 have been heavily touted as well. In the meantime traders will monitor further production estimates as a private group came out this week calling for overall corn production to come in 315 million bushels below the current USDA estimate. It is important to note though this particular group called for an 827 mbu reduction in the crop last year that never came to fruition.**
- **Speaking of production, a relatively fast start to planting in portions of Brazil could have interesting implications for both the corn and bean markets. Soybean planting in some areas of Brazil is 30% ahead of last year's pace, with a relatively decent weather forecast. This fast start not only means new crop beans could work their way in to the global pipeline by early January it could also mean double crop corn acreage could increase above expectations as well. Argentina farmers are dealing with far too wet conditions in some locations resulting in a reduction in planted area estimates.**
- **In the US concerns over dry conditions impacting wheat emergence in the South, with conditions that are too wet limiting planting in the North are beginning to reach traders' radar. While we are still struggling with burdensome stocks the idea that already reduced production expectations could be further reduced due to poor conditions will likely keep solid support under the market.**

- **From a global economic standpoint we saw the Brexit vote come into question this week as Britain's high court determined no exit strategy could be unilaterally decided upon. In short they determined that the Parliament would have to approve when and how the country would leave the EU. While some feel this is overturning the decision of the people others applaud the decision saying it's a much better approach providing a better likelihood of a soft landing rather than the economic whiplash many had feared when the vote was initially announced.**

Next week is likely to go one of two ways, extreme volatility or extremely boring. Volume dropped considerably this week and while that could possibly be attributed to the Cubs World Series win it's likely uncertainty has sent many would be traders to the sidelines until more questions are answered. The USDA will release their update Wednesday helping to provide some clarity; we'll have those numbers after their release.

It is important to discuss recent developments in local corn harvest. As we have gotten further into harvest we are discovering much more variability in our corn. For the first time in my career we are dealing with an unprecedented problem with Vomitoxin in our corn. The good news at this point is levels accepted are higher than seen for wheat, with discounts being far less severe as well. At this point we will be testing every load until we get a better feel on what to expect. Please know that though our testing system is up to date and accurate, as in wheat there will be variability. We will do everything we can to find you the best market structure and treat you fairly as we work through these issues. As always though, don't hesitate to call with any questions, we're here to help!

All the Best!

Angie Setzer

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