

## **This Week in Agriculture**

A Mixed Bag of Information from the Week that Was: September 14, 2018

- Updated USDA numbers, continued trade negotiations, African Swine Fever and a hurricane captured most of the market headlines this week.
- The USDA updated their crop production and demand estimates mid-day Wednesday giving us further insight into what they expect to take place in the year ahead. Prior to the report many traders were anticipating the USDA to lower corn yields slightly, while increase soybean production expectations. The USDA followed along with pre-report ideas when it came to soybeans but ended up lifting corn yields expectations much higher than anticipated.
- The USDA expects a 181.3 bushel per acre corn yield with a 52.8 bushel per acre soybean yield, both above trade expectations but within the range of pre-report expectations for soybeans and actually below some of the higher expectations some had feared prior to the report. If realized both projections would be record high.
- Because of the increases in production we saw projected ending stocks for both commodities creep higher, coming in above the average pre-report trader estimates as well. However it is interesting to note that even with record high yields and a solid production outlook we will still see corn ending stocks fall below last year's level due to a solid increased in expected demand.
- On the soybean side of the equation ending stocks at 845 million bushels is something many traders and farmers are having a hard time wrapping their minds around. Prior to the global demand explosion many felt a carryout of around 200 million bushels was more than adequate, considering carryout expectations are now over 4 times the adequate level many traders are trying to find a word that accurately describes the obviously more than burdensome situation we see when looking ahead.
- Global wheat numbers came in higher than traders were expecting as well resulting in a push to sell. The higher than anticipated numbers came from an increase in Russian production and export expectations. It is interesting to note though the USDA has a bit of a track record in being slow to meet foreign production and demand ideas, so it would not be surprising to see an adjustment higher from them even in the face of many Russian traders and analysts backing off on their production and export expectations. Of course as with anything else only time will tell when it comes to what actually takes place in the year ahead.
- Even in the face of a more than burdensome USDA outlook the soybean market was actually able to hold on to some slight gains into the close on Wednesday as news broke that the US and China would sit down for another round of high level trade talks. Many have claimed the administration will do all they can to have the Chinese trade issue solved prior to mid-term elections in an attempt to please the farm belt and its constituents. This of course would be positive news for the market and will be watched very closely in the days and weeks ahead.
- News also broke late week that Canada is prepared to compromise when it comes to dairy imports from the US—one of the major sticking points in NAFTA negotiations. Many traders met this news with excitement; however late Thursday Mexican officials said they are prepared to move forward bilaterally making many wonder if we were still light years away from a Canadian solution.
- While China has had their hands full dealing with the spread of African Swine Fever with confirmed cases continuing to spread the announcement it was discovered in 2 wild boars in Belgium near the French border struck fear into the hearts of many hog producers across the globe.
- While the spread of the disease could be a short-term bullish factor for US hog prices further bolstering export demand, the idea the disease has yet to be contained is extremely concerning, especially considering how many feed products and additives are imported from other countries for use in the US hog population. Producers and traders alike will continue to hold their breath hoping the disease does not make its way into North America.
- As we close the week traders will be monitoring the landfall of Hurricane Florence and its path across the US as a tropical system. At this point it appears the impact will be limited to the South East, but will be felt across the country. Actual effects will become much clearer as we move into next week.

Looking ahead we will continue to monitor actual harvest yield results as well as actual cash values across the countryside. Trade discussions will remain of utmost importance as well.

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