

## **This Week in Agriculture**

A Mixed Bag of Information from the Week that Was: September 28, 2018

- Quarterly stocks numbers, harvest progress and trade developments dominated much of the market conversation this week.
- After what appeared to be a move by China to find the good graces of their global trade partners last week a much different attitude emerged over the weekend. Saturday evening leaders announced they would not come to the US for trade talks until after the midterm elections, claiming the increase in pressure out of Washington was behind the decision. This was seen as an incredible blow to the administration as many outside observers feel some rural voters could have their votes decided by a trade solution or lack thereof.
- In addition to the announcement the Chinese government purchased a large ad which ran in the Des Moines Register over the weekend. The ad claimed the Trump administration was ‘selling out farmers’ and causing great economic harm in the Farm Belt. In response the Trump administration claimed this was meddling in the upcoming election stating it would not go unpunished.
- Rhetoric was spewed between the US and Canada as well. Little progress has been made when it comes to dispute resolution and dairy sticking points in the bilateral agreement there. As a result Trump refused the Canadian Prime Minister’s invitation for a meeting and stated that without an agreement he would be forced to tax car imports and other goods. At this point both sides remain willing to hold off on further negotiations, hoping perhaps negotiating without a deadline would relieve some pressure.
- While it appeared we made zero progress when it comes to Chinese and Canadian trade relations we did see a bright spot in the bilateral US/Mexico trade announcement as well as what appears to be cordial trade discussions beginning with our Japanese counterparts. While the Japanese government was quick to say the US would not receive any better treatment than their TPP allies, many industry groups welcome the open discussion with the idea that any additional access to the Japanese market is a bonus.
- In other news the USDA released their updated quarterly stocks figures mid-day Friday. These numbers hold greater importance this month for corn and soybeans because they will be used as final old crop ending stocks numbers, giving us an indication as to whether or not USDA supply and demand estimates put together each month have been accurate.
- Based on Friday’s numbers the USDA had overestimated feed demand throughout the year as corn ending stocks came in 130 million bushels higher than traders had anticipated ahead of the report. Of these numbers it is interesting to note that while on farm and commercial stocks are lower than a year ago the amount of movement off farm is greater than one would anticipate. This would help to explain some of the basis trouble seen through the Corn Belt in the month of September.
- The USDA also came in higher than expected when it came to soybean carryout. Since we have a pretty good idea of soybean usage throughout the year thanks to export sales figures released weekly and crush numbers released each month the USDA actually increased last year’s production by 19 million bushels. They credited a drop in residual usage as the secondary reason for the 42 million bushel increase over initial September carryout figures.
- It is interesting to note that while stocks increased across the board when it comes to soybeans, the US farmer is holding a significant amount of beans as we work our way into harvest.
- Wheat numbers came in slightly higher than expected as well as production was raised slightly.

Overall the increase in stocks figures will result in an increase in old crop carryover and subsequent new crop carry-in for both corn and beans. Without an equal or larger increase in new crop demand or reduction in production estimates new crop carryout will increase in the October WASDE.

Harvest pace is ahead of the 5 year average by 5% for corn and 6% for beans, with some areas looking to wrap up in the week ahead while others are still waiting to get started. We are getting a better picture when it comes to yields, at this

point it appears beans are as good if not better than the latest USDA expectations, while corn reports are solid, but more-so in line with last year's production versus the large increase currently expected by the USDA.

Cash markets, specifically basis moves will likely be a better indicator of what is actually taking place across the countryside than anything these next few weeks.