

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: April 28, 2017

- **The market appears to be struggling with a solid direction, remaining range-bound overall as traders weigh the pros and cons of each new development. The knowns versus unknown is the biggest struggle with lack of clarity over production outlooks, geopolitical tension and outside market fundamentals running up against a well-supplied pipeline. As the final bell rang this week we saw soybeans down 6, July corn up 1, with wheat up 11.**
- **We are reminded of the shifts in production agriculture that have taken place over the last 10 years whenever we look at planting pace. Though much of the weather experienced in the Corn Belt these last couple of weeks has been less than ideal planters have still managed to roll throughout the countryside any time a window for field work has been open. As of last Sunday night corn planting was 11% complete-behind last year but in line with the 5 year average.**
- **Though we have only seen a couple days suitable for fieldwork across much of the Corn Belt this week traders are still anticipating 28% of the corn crop will be planted in Monday night's report. Though that is 15% behind last year's pace it is still in line with the 5 year average. With us maintaining average pace and the perceived ability of the American farmer to do amazing things with only a few days of opportunity many traders are struggling to get concerned when it comes to planting delays.**
- **The lack of concern when it comes to delays is likely for good reason, as the crop will get planted for the most part. However, if we were to lose just 2 million intended acres with a 5% adjustment lower in yield it is easy to see stocks to use ratios go from more than comfortable to uncomfortably tight. At the same time though the lack of production concern we've seen these last couple years and the idea that the weather will moderate as we move forward is enough to keep many traders holding off on any buying until a true yield moving factor develops.**
- **While the lack of concerns production-wise remains relatively limited geo-political issues continue to arise. This week we saw the market fall off relatively hard as the White House declared a withdrawal from NAFTA could be imminent. Some argue the shift in price was due to drier weather models for late next week, but the reality is a sudden withdrawal from NAFTA could make it very difficult for ag exports in the short-term. Some of those losses were recovered when it was announced the withdrawal would not take place at this point and that negotiations will begin in short order instead.**
- **One of the bigger concerns I am monitoring is what is shaping up when it comes to North Korea. While North Korea seemingly lacks the ability to hit a US target they have a lot of fire power that could hit South Korea or Japan-2 of our top trading customers especially for corn. This morning the Chinese government told North Korea nuclear testing needed to stop under no uncertain circumstances. With President Trump telling Reuters the chance of a "major, major conflict" remains though he hopes to remedy the situation through peaceful means, it is hard to feel overly confident when uncertainty remains incredibly high.**
- **The market hates unknowns and between North Korea and further moves the administration makes trade-wise the perceived unknowns and potential geopolitical risk appears to be at the highest level seen in several years.**
- **Even with all of the unknowns in the world demand has remained strong, specifically exports. In a surprising twist this week we saw the largest late April export sales figure announced in 9 years. With Brazil also on pace to ship a record amount of beans out of their ports for the month it's somewhat amazing to see sales strength remain. However, while the large amount of sales is great, they only matter if they're shipped. At this point we have a record large amount of unshipped**

sales, meaning we need to make sure steady shipping pace continues or cancellations could take place once the crop appears to be on its way to solid production.

- Traders will be monitoring wheat production potential as temperatures fell below freezing this week across much of Kansas. With much of their wheat heading out the damage potential is greater than what we would normally see for this time of year. Much below normal temperatures are expected through this weekend and though freezes aren't necessarily in the forecast it's the last thing the relatively mature wheat crop wants to see.

Traders will also be watching this weekend's heavy rainfall closely as 5 day precipitation totals could be in the 3-8" plus range throughout Arkansas, Missouri, Illinois and into Indiana, with 1-3" expected in surrounding states. This afternoon's extended forecast from the National Weather Service showed much below normal temperatures with a much welcomed below normal precipitation outlook in the 6-10 day forecast. A bit of warming in the Western Belt is expected in the 8-14 day forecast with below normal precipitation projected. Traders will be watching to see if this changes as we move ahead as some forecasters are indicating the cooler, wetter pattern will continue through much of the first half of May.

At this point it appears breaking the market out of its current range will be difficult until more is known about production potential. The market understands what dry weather can do to a crop, but continues to struggle with what rain can do. Of course the biggest wildcard at this point is temperatures with much of the Western Corn Belt, especially Minnesota and the Dakotas seeing soil temperatures stuck in the 30's with snow in the forecast. With the short position seen in fund camps the potential remains for a quick pop in price, but it will likely take patience before that takes place, don't forget to get your target orders in place before hitting the fields though, just to ensure you're able to take advantage of any quick pop in price that could take place. As always, don't hesitate to call with any questions, we're here to help!

All the Best!
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