

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: December 16, 2016

- **Another week another record high set in the Dow with it on track to finish higher for the sixth week in a row. Unfortunately related strength in the dollar has caused some issues when it comes to buyer enthusiasm in corn and wheat in the short-term though. With no other clear or significant issues otherwise the market continues to take direction from outside markets. For the week March corn closed 2 lower, January soybeans were basically unchanged with March wheat down 5.**
- **The much anticipated Fed interest rate decision was the primary focus for traders this week. As expected Chairwoman Yellen announced a .25% rate increase, the second such increase in a year. Her continued positive outlook and overall Hawkish stance (meaning leaning towards rate increases/strong market outlook) have many believing we will see more increases to rates in the New Year. As a result the dollar surged to 14 year highs.**
- **Strong economic talk domestically paired with continued concerns out of the European Central Bank has pushed the dollar/euro to its weakest level in 14 years as well, nearing parity. The Chinese/US currency ratio is also at an 8 year low. While the strength in the dollar has done little to limit our export interest as of late many go back to “Commodities Trading 101” believing a large South American crop could bring this lack of correlation to an end.**
- **Speaking of South America, conditions so far appear to be conducive to solid production in Brazil, with soil conditions reported as nearly ideal in many areas. As a result a private group in the country raised their soybean production estimate to 106 million metric tonnes (3.9 billion bushels) up from last month’s estimate by nearly 147 million bushels and 331 million bushels higher than last year.**
- **While the crop is far from in the bin earlier soybean plantings versus a year ago has shortened the window of weather risk as well as meaning more of the crop could be available sooner. Good weather in Brazil coupled with high domestic prices could also have a big impact on second crop corn production, but we are months away from any sort of confirmation on crop size.**
- **The opposite appears to be true throughout much of Argentina with warm and dry conditions beginning to stress crops there. Traders have already thought soybean production estimates could be lowered by as much as 75 million bushels based on a poor start to planting, meaning weather going forward will be that much more important. At this point much needed rains are in the forecast for next week, whether or not they show could have a big impact on market direction in the short-term, especially with corn entering its critical production phase throughout much of the country.**
- **The fact that we just put the most recent crop in the bin doesn’t mean folks won’t start talking about next year’s production potential. A well-followed private analytical group released their updated production estimates for next year. They currently anticipate based on economics that we could see 4.2 million acres less corn planted with 5.2 million acres more of beans. If realized corn yields would have to be 165 bushel per acre or better (using current carryout and demand estimates) to keep ending stocks from falling below 1.5 billion bushels. The exact opposite is true in beans with an acreage increase like that meaning carryout could balloon to well above 600 million bushels even with a substantial cut in this year’s ending stocks.**
- **In a fun twist we’re now seeing Chinese wheat futures post a quiet rally. With the USDA estimating China wheat holdings accounting for 44% of the record world stocks this rally and continued purchases of cargoes is interesting. Other Chinese developments, soybean crush**

margins have hit a two year high with profits per hog likely to encourage expansion there. Sorghum buying by the country has remained unexpectedly strong as well.

Though it doesn't quite feel like it next week is a holiday week meaning we are likely to see lower volumes and potentially larger price moves. Take this opportunity to develop a plan and get your target orders in place as quick market rallies followed by sudden moves lower may become the norm as volatility becomes fully entrenched in the market place.

We are holding a marketing meeting in Charlotte the 12th of January, if you have not seen an invitation and are interested in attending please contact us for information. In the meantime have a great weekend and try to keep warm!

**All the Best!
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