

This Week In Agriculture:

A Mixed Bag of Information from the Week that Was: March 3, 2017

- **Rumors about major changes to the Renewable Fuels Standard and talk that wet weather could limit Brazil's ability to export beans in the short-term brought unexpected volatility in to the market this week. As the final bell rang we saw May corn up 10, May soybeans up 13, with May wheat closing up 5.**
- **The big story of the week was the potential shift in the point of obligation in the RFS. The point of obligation refers to whose responsibility it is to purchase RINs (the RFS' version of carbon credits) to fall into line with requirements put forth by the legislation. As it stands now refiners are responsible for meeting the obligation, meaning that if they don't have the infrastructure to blend an adequate amount of biofuels into the fuel they are refining they have to buy RINs to make up the difference.**
- **Carl Icahn, a powerful advisor of President Trump owns a refinery lacking the necessary infrastructure. Icahn has been against RINs and the point of obligation being on refiners since the inception of the RFS. Claiming the RINs are a regulatory burden costing refiners billions, he has been vocal about looking for the shift throughout the campaign and since the election. Proponents of the change claim the shift in point of obligation would be a nightmare citing the burden would shift from a handful of refiners to thousands of wholesale fuel sellers.**
- **Though they had been against the change since the discussion began many were shocked early in the week to learn that a compromise had been struck between the Trump administration and the Renewable Fuels Association. Bob Dinneen, the head of the RFA claimed a compromise had made the deal doable.**
- **The compromise in question was a long sought after waiver of something called the RVP or Reid Vapor Pressure—a protocol put in place by the EPA in the late 80's requiring adjustments to octane levels in the summer months in the hope of limiting pollution. While e10 has been issued the waiver making it possible for it to be used year round, e15 has not. This lack of waiver is why many feel e15 has not been more readily used nationwide.**
- **Talk that the waiver was included in the deal as well as an idea that perhaps we would see an increase or a shift in biodiesel credits pushed the markets up to recent highs. However news out of the White House that no executive order was imminent softened markets dramatically into the close. At this point it appears as though the White House is still negotiating a shift though now there appears to be a rift among those in the renewable fuels industry.**
- **Heavy rains throughout February damaged the main road used for soybean travel from parts of Mato Grosso to Northern Ports. At one point the backlog of trucks was estimated at nearly 5000, with drivers taking 14 days to complete the 620 mile trip. With the help of the Brazilian army and many government agencies it appears the worst is now over as crews work to improve drainage and work the trucks through one by one. While the highway was scheduled to be paved years ago government officials are now claiming the paving project will be complete by the end of 2018.**
- **The timing of this week's logistical nightmares out of Brazil could be somewhat ironic as Mexico is rumored to be shopping ocean freight. A lock down on freight would likely mean they are serious about looking at other avenues for their corn, soybean and rice needs. With freight being the biggest cost hurdle it is a question as to whether the shopping of freight is more symbolic than realistic; in any event it needs to be watched.**
- **In outside market news Fed Chairwoman Yellen spoke Friday indicating a March rate increase is highly likely, stating domestic economic conditions have improved enough to warrant such a move. Central Bankers will meet March 14th and 15th with an official determination, but Fed Fund**

Futures put the hike at an 82% likelihood after Yellen's speech today. The dollar strengthened briefly after her speech, finishing the week higher.

Volatility is only likely to increase as we work through the month. Policy shifts and Fed announcements are only going to add to the seasonal excitement that comes with improved ideas of just what to expect crop-wise out of South America combined with peak uncertainty over the potential US crop. The USDA will release their updated supply and demand outlook next week, but the major report giving us quarterly stocks and planting intentions won't be out until March 31st. As we saw Tuesday it is very possible for the market to make major moves to the high side, but those moves can be short lived. Don't be afraid to get target orders in place to capture these kinds of moves when they happen.

Basis-wise soybean values continue to stink with corn values somewhat flat. New crop wheat values have strengthened as of late with traders thinking the limited amount of available new crop wheat could make things interesting come summer. In the meantime don't hesitate to contact us if you have any questions. We're here to help!

All the Best!

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