

## **This Week In Agriculture:**

**A Mixed Bag of Information from the Week that Was: May 19, 2017**

- **Weather, outside market uncertainty and a political scandal in Brazil made for a violent week of trade. Though we found ourselves still solidly entrenched in the recent trading range when all was said and done the trip around the block seemed fast and furious. When the dust settled we saw July corn up just over a penny, July wheat up 2, with July soybeans down 10.**
- **The big news of the week came out of Brazil as yet another corruption scandal rocked the country's currency and stock markets. As many of you remember the country's previous president was impeached and removed from power just over a year ago for covering up information about the country's public debt and other issues. Her removal from power pushed her then Vice President into power at the same time giving him certain immunity privileges.**
- **At the time of Rousseff's impeachment many of her supporters claimed it was a plan executed by the then Speaker of the House Eduardo Cunha and Temer to take over the country, many claiming it was a coup of sorts. While over the last year the country's economy and its currency has strengthened, the dislike of how Temer took power and the policies he was putting into place continued to grow. At the start of the week his popularity rating was a ridiculously low 9%.**
- **This general dislike for Temer has been exacerbated by recent scandals continuing to rock the country—the most notable being the tainted meat scandal involving JBS. Facing jail time and monetary punishment the heads of JBS have agreed to share information they have about corruption taking place in the Brazilian government. One very major claim coming from the heads of JBS is a tape of Temer ensuring money is being sent to Former Speaker Cunha in return for his silence. Of course in the eyes of Temer's opposition this further reinforces the idea Temer took part in a grab for power (not to mention a bribe is a bribe).**
- **Though calls for his resignation began almost immediately Temer remained steadfast claiming he did nothing wrong. With all of these developments taking place in the span of a day it's not hard to imagine why the country's currency lost over 9% with concern over further losses. However as the dust settled and traders began to look at the issues with a clear head many realized the corruption scandals being uncovered in Brazil are nothing new. In fact some indicate that leaving Temer in power until a direct election is held as planned late next year may actually be better for the country's stability in the short term.**
- **We are likely to hear more developments through the weekend as the details of the full plea deal given to the JBS officials are expected to be released late Friday. Of course it will be important to monitor how the market continues to react because any large moves lower in the country's currency provides a bump in prices the Brazilian farmer receives. With nearly 50% of farmer holdings remaining unsold many feel a push in sales could make Brazil more competitive in the global market, perhaps stealing back some of that market share many traders had anticipated the country to grab at the start of the South American harvest.**
- **However it will also be important to monitor how the world reacts to concerns Brazil may be without a government. If Temer were to step down or be removed from power the head of congress would likely step in for 30 days while congress determines who to put into power. This disruption in governing combined with overall anger from the populous could slow grain movement or cause other unforeseen issues as we move ahead.**
- **In other news traders continue to monitor weather developments as the idea of rain making grain is once again coming into question. With many areas of the Corn Belt and Southern Plains seeing upwards of 2-3 times their usual precipitation amounts over the last month the idea more heavy rain is expected to fall in the next few days is the last thing many growers want to hear. While**

**corn plantings actually came in ahead of the 5 year average in the latest crop report, the fact that emergence is running 5% behind normal because of cool and wet conditions is concerning.**

- **Reports that many areas are actually having to replant in parts of MO, IL and IN and may have done so ahead of heavy rainfall will also have to be monitored closely as well. As we work our way towards the end of the month some areas are finding themselves backed up against insurance dates, while other areas are beginning to complain about a lack of good replant seed availability. While many areas are far from calling it a crop failure our national average yield only needs to see a few bushel drop to make things interesting carryout-wise, especially if we were to lose a million acres or so to overly wet conditions.**

**Next week's market movers will continue to be weather and developments in Brazil and abroad. Concerns over volatility in US stock markets could push investors towards commodities as we work our way into a seasonally strong period for futures, but we need confirmation nothing crazy is going to come out of Brazil to really get the solid footing required to move much higher. We will be watching headlines and tracking weather outlooks for next week. At this point rainfall looks to continue to be heavy in already waterlogged areas over the next 5 days and beyond with cooler than normal temperatures anticipated over the next couple weeks as well.**

**Remember with all of the volatility in the market the easiest way to take advantage of any quick moves higher is to have standing orders in place. Recent basis strength has helped firm cash prices as of late as well. As always, don't hesitate to call us with any questions, we're here to help!**

**All the Best!  
Angie Setzer  
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