

This Week in Agriculture:

A Mixed Bag of Information from the Week that Was: November 9, 2018

- **Continued slow harvest pace, the mid-term election results and updated USDA supply and demand numbers were the main focus for traders this week.**
- **Though Monday's USDA crop progress numbers showed corn harvest pace is close to average nationally, the state by state numbers showed why some feel as though the struggle is real this year. On corn Iowa, Kansas, Missouri, North Dakota and South Dakota are all lagging normal pace by 5 or more percent, while soybean harvest lags as a whole on the national scale, running 6% slower than average. With cold, wet and even snowy weather hanging around for much of the week into the weekend limited progress is expected as we work our way into next week.**
- **The slow harvest pace combined with potentially lower production and more on farm storage competition has created an interesting cash market set-up. It wasn't long ago many were fearing a lack of space at harvest would cause great turmoil throughout the Corn Belt, now many end users are scrambling to source easy to buy supplies. As a result basis levels are firming in areas with a competitive end user structure creating opportunity for those only planning to hold their grain for a short period of time.**
- **Tuesday's mid-term election results were what you could call mixed, with both sides claiming victory and defeat it seems. Many had believed a so-called 'blue wave' could have emboldened China potentially allowing them to hold out on major negotiations until the after the 2020 presidential election.**
- **However, the lack of surprising results combined with obvious support in many areas for the President's agenda may push the Chinese to the negotiating table sooner than later. In fact President Trump even tweeted Wednesday morning that foreign friends had already called to congratulate him on his "big victory" and progress would now be made when it comes to solving trade disputes.**
- **Going into Thursday's USDA report many traders were not anticipating much in the way of surprises. The November supply and demand report is generally a non-event aside from some marginal adjustments made to production outlooks or demand projections. There was some conversation ahead of the report about the updated Chinese National Statistics Board's hefty revision to corn and wheat production numbers. The agency had conducted its first assessment of actual production and supply availability in ten years, making adjustments that stretched back a decade.**
- **CNSB claimed they had missed the production of provinces entirely and as a result were raising production numbers by over 200 million metric tonne (7.9 billion bushels) as a whole. Many took this info in stride, believing that the USDA would maintain the numbers they had been collecting over the years. They did not, instead taking the production numbers released by the Chinese government, estimating their own usage numbers and determining carryout for the country was instead 149 million metric tonnes (5.9 billion bushels) higher than previous estimates. By doing so the USDA doubled their global carryout projections from a month ago as well as trader expectations.**
- **This significant increase in global supplies overshadowed what would have been a bullish domestic corn outlook as production was lowered due to yield coming in 2.5 bushels to the acre lower than last month's estimate and 1.1 bushels per acre lower than trader expectations. The reduction in yield lowered overall production by 152 million bushels.**
- **Some of the reduction in production was offset by lowered demand with feed usage lowered by 50 million bushels and export demand reduced by 25 million bushels. In the end domestic carryout came in at 1.736 billion versus trader expectations of 1.773 billion and last month's 1.813 billion bushel estimate.**
- **On the soybean side of things we saw production lowered as well as the USDA reduced their yield outlook by 1 bushel per acre, coming in slightly below trader expectations. The reduction in yield reduced overall production by 90 million bushels from last month, but was not enough to offset the 160 million bushel reduction in the export outlook. Carryout came in at 955 million bushels, above pre-report expectations**

of 898 million bushels and last month's 885 million bushel projection. If realized carryout would now be over 10 times larger than levels seen just 5 short years ago.

- **Wheat was basically a non-event. We continue to see the USDA expect a large increase in new crop wheat seedings, thus an increase in seed usage expectations. This increase in seed lowered carryout slightly from a month ago, bringing it in slightly below trader expectations as well. Chinese production levels were increased on wheat as well, but nowhere near the levels seen in corn.**
- **In the end though we saw wheat, corn and beans all work to regain their post-report losses and close strong for the day but corn and wheat finished the week under pressure. Heavy snow falling across many areas with beans still waiting to be harvested and the idea we are closer to a Chinese trade resolution lent some surprising support to beans as the week drew to a close.**
- **It is important to point out however when looking at the Chinese numbers, even with the increase in available supplies those bushels are not going to make it into the world pipeline. On top of that we have actually seen the price of domestic corn bushels in the country start to move higher, something that would not match the oversupplied outlook released by the government, and when China stocks are removed from both wheat and corn on a global scale we actually saw carryout fall for both.**
- **Next week we will continue to monitor harvest progress and quality when it comes to what is left in the field. We are also drawing closer to the G20 summit and the potential meeting between President Trump and Chinese President Xi. Excitement over a potential resolution once the two parties meet is likely to continue to build.**