- A new NAFTA, heavy rainfall wreaking havoc across much of the Corn Belt, solid exports for 2 out of 3 majors and ethanol margin struggles were the topics most heavily discussed by traders this week.
- Late Sunday news broke that an agreement had been reached by the US, Mexico and Canada to salvage the once tri-lateral North American Free Trade Agreement. The newly dubbed USMCA (US, Mexico, Canada agreement) kept much of the former agreements language but with a few new clauses attached for better market facilitation. One particular change captured a good share of attention from members of the US dairy industry as it works to unravel the class 7 dairy class introduced by Canada early last year.
- The class 7 dairy class covered skim milk powder and other milk proteins. Prior to the introduction of this new class processors in Canada had to import these products from the US. With the introduction of the class not only did we see a significant reduction in the imports of these products from the US by Canada we also saw a significant increase of exports to traditional US customers as the cost of said products was well below US sale value. This had become a huge point of contention across the US dairy industry.
- In addition to changes in the class 7 structure the agreement opens up market access to additional dairy products as well as poultry and eggs. According to those who have access to the text of the agreement US producers will now have access to 3.59% of the Canadian dairy market, higher than the initial amount of 3.25% agreed upon during TPP negotiations. American producers will also have access to 10 million dozen eggs worth of Canadian demand in the first year with an additional 1% of market access growth each year for the next 10 years. Poultry market access will also grow significantly over the next 10 years.
- Of course because of these changes many Canadian farmers are angry at their political leaders as they feel their interests were undercut for the sake of the country's other industrial interests. What is most interesting however is the clause stating if any of the 3 countries were to enter into an unapproved agreement with a country outside of the USMCA the other 2 can leave the agreement and create their own.
- While there is some confusion as to whether or not this particular clause impacts US interests or not it is very clear the US is still working to isolate China economically for one, and that the possibility remains the US/China trade spat is setting up to go on for the long haul.
- There were rumblings this week the agreement would not make it through a full Senate vote as well, but only time will tell us whether that is accurate or not.
- On the trade side of things we saw solid export sales for both corn and soybeans this week. While it may not be overly surprising for corn as the US is one of the few producers with available supply, soybean sales caught some traders off guard coming in higher than the same week last year.
- At this point it appears corn exports could easily come in 100 to 200 million bushels higher than current USDA projections based on current sales pace. Soybeans aren't quite as rosy with sales pace running 110 million bushels below last year's levels. However considering China is nowhere to be found on the purchase side the fact that other buyers have made their presence known can be seen as slightly supportive.
- Wheat export sales continue to struggle. We saw strength return to wheat this week after a Russian agricultural safety watchdog group threatened a 90 day suspension of shipments out of several ports in the country's 2 largest grain producing regions due to phytosanitary concerns. At this point the threat seems idle as Russia is still actively selling wheat for export, coming in $20 to $30 a tonne (54 to 82 cents per bushel) cheaper that current US sale values when looking at trade data in the latest Egyptian tender.
- Thank goodness for the solid corn export pace, because ethanol margins and production continue to struggle. The deflation of RINs values at the hand of refinery exemptions and slow ethanol export demand has weighed heavy on grind margins across the country, with many plants reportedly working to break even. President Trump is expected to announce year-round access to E-15 during his trip to Council Bluffs, IA on Tuesday. While it may do little to impact current margins since E-15 is available in the winter months, deferred values could see a shot in the arm as refiners start to work on summer blends next spring.

- Weather forecasts continue to call for the wettest areas of the Corn Belt to continue to receive moisture. Reports of damaged beans are beginning to surface and cause concern. While in many cases the damaged product can be mixed with good supplies and used for shipment the short-term bottle neck could cause great issues for elevators, farmers and exporters alike. As of yesterday the cool, wet weather is expected to remain across much of the Western Corn Belt for the next 2 weeks, while drier warmer conditions for the Eastern Belt have appeared in the 6-10 day.