



## WEEK IN REVIEW MARKET UPDATE 9/28/18

### Grain

Corn – Dec 18 **down \$0.01** closing \$3.56<sup>1/4</sup>  
Soybeans – Nov 18 **down \$0.01<sup>3/4</sup>** closing \$8.45<sup>1/2</sup>  
Wheat – Dec 18 **down \$0.12<sup>3/4</sup>** closing \$5.09  
Soybean Meal – Dec 18 **up \$0.10** closing \$309.00

### Outsides

Dow – **down 265.89** closing 26461.84  
S&P – **down 15.82** closing 2914.11  
NASDAQ – **up 62.14** closing 8046.98  
US Dollar – December 18 **up 0.952** closing 94.750  
Crude Oil – November 18 **up 2.47** closing \$73.25

### Livestock

Cattle – Dec 18 **up \$0.40** closing \$118.85  
Feeders – Nov 18 **up \$0.25** closing \$158.05  
Hogs – Dec 18 **up \$0.53** closing \$57.93  
Class III Milk – Oct 18 **down \$0.25** closing \$15.79

### News/Reports:

- Export report released Thursday 9/27. Corn came in at 67.4 million bushels, expected range 35 – 51. Beans came in at 32.0 million bushels, expected range 22 – 37. Wheat came in at 24.1 million bushels, expected range 9 – 18. Beanmeal came in at 147,300 metric tons, expected range (50) – 50K.
- Ethanol output weekly data reports were out Wednesday 9/26 at 1,036,000 barrels per day versus 1,051,000 last week. Ethanol stocks were at 22.629 million barrels versus 22.746 million last week.
- Corn Conditions came out 10/1 at 69% good to excellent versus 69% last week, and 63% last year.
- Soybean Conditions came out 10/1 at 68% good to excellent versus 68% last week, and 60% last year.

### Notes:

- The USDA small grains and quarterly stocks report was bearish for all commodities on Friday.
  - September 1 **corn** stocks was 130 million bushels above expectations and 40 million bushels above the highest estimate, 17/18 ending stocks estimate was 2.14 billion bushels, this will push up 18/19 carry/out from 1.77 to 1.91 billion bushels.
  - September 1 **soybean** stocks was 438 million bushels, +40 million bushels versus the trade guess and +43 vs September crop report. This was the 3<sup>rd</sup> largest stocks increase versus trade estimates in last 25 years. Last year's crop was increased 19 million bushels on +.2 bushel per acre yield increase. Increased stocks should roll to carry out in Oct 11<sup>th</sup> report, implying 889 million bushels carry out.
- Canada has agreed to join the new NAFTA agreement. The deal is expected to be signed within 60 days by all three countries with Congress likely to act on it in 2019. Similar to the TPP, Canada is expected to open up 3.25% of their dairy market but do away with several exceptions including the class 7 milk pricing program. Officials said to expect a Canadian exemption from auto tariffs in exchange for a flexible auto export quota to the US. Chapter 19 is expected to be preserved.
- China has purchased very few soybeans from the United States since the onset of the trade dispute between the two countries. As a result, more than 80% of Brazil's soybean exports in 2018 have gone to China. There are very high premiums for soybeans at Brazilian ports resulting in strong domestic soybean prices. In contrast, domestic soybean prices in the United States are near 10-year lows. Margins for soybean crushers in Brazil are very tight if not negative, whereas crushers in the United States are reporting very good margins.
- Japan and the US have agreed to begin trade discussions. Japan is the largest US export market but the Japan and EU free trade agreements may challenge the presence and market share of US pork in Japan. Additionally, this week a revised KORUS agreement was reached that will lower the duty rate of US beef entering South Korea from 40% to 21.3% and support a continual decline to 0% by 2026. Pork already enters South Korea duty free. The agreement has made beef and pork products in South Korea more affordable and accessible.
- While most grains and soft commodities are little changed or down in the past couple of years, two types of crop nutrients are on the up. Phosphate prices have been climbing and potash has recovered from a decade low. The latest sign of a more expensive market came when Belarus signed a benchmark deal with China that raised potash supply price by 26%. One indicator of rising potash demand is the spread between China and India, the two biggest users. China usually buys at a discount to India, but this year the contract prices were the same for the first time ever. Belarus Potash Co. agreed to supply potash to China at \$290 a metric ton. The first deal China signs with a producer is then typically used in contracts between the country and other suppliers. The Chinese deal should lead to price increases in Asia and Brazil.
- Four people in China were detained for forging transportation documents that would have allowed them to move pigs from infected African Swine Fever regions to Inner Mongolia. Transportation has been banned in the 16 provinces that have reported ASF, and the government has promised to block pork from infected regions from the market.
- As expected, the Fed raised rates for a third time this year. They signaled another increase later this year as economic growth is likely to exceed 3%.
- The next USDA report will be the October WASDE report out on Thursday October 11<sup>th</sup> at 12:00 est.