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In mid-October Senate Majority Leader Mitch McConnell (R-Ky.) said that a vote on USMCA won't happen until 2019, which didn't surprise most trade policy watchers. Meanwhile, the Trump administration plans to start formal trade-deal talks with the EU, Japan and post-Brexit Britain. Negotiations with the first two could begin within months. Talks with Britain would start "as soon as it is ready" after it leaves the EU, said U.S. Trade Representative Robert Lighthizer. Under fast-track rules, the U.S. cannot start trade talks until 90 days after notifying Congress. The administration must provide (publish) negotiating objectives 30 days before the talks start.

Several gasoline and retail outlets announced plans to sell 15% ethanol fuel blends in the wake of President Donald Trump's mid-October announcement that he will push for a year-round market for the fuel. The large convenience store chain Cumberland Farms will join a growing list of firms selling E15. But until infrastructure (E15 pumps, storage) is built, industry analysts expect limited impact from year-round E15 sales. Senators Chuck Grassley (R-Iowa) and Joni Ernst (R-Iowa), in a commentary in the *Wall Street Journal*, note that "Today only about 1,400 out of 122,000 filling stations in the U.S. sell E15. That's a result of the Obama-era regulation, not a lack of consumer demand."

Representative Collin Peterson (D-Minn.), one of the four farm bill principals, says prospects for completing the farm bill after lawmakers return from Nov. 6 elections have dimmed. Lawmakers from areas hit by recent hurricanes are likely to pressure Congress to pass a disaster-relief package after the midterms, which could complicate efforts to finish a farm bill before the end of the year. "What I'm more worried about now is what happened with Hurricane Michael. I think you're going to see, when we get back after the election, a lot of pressure from members that are in that hurricane area to either add something to the farm bill or appropriations."

Texas ranchland and dryland cropland values rose more than 5% for the year ending Sept. 30, according to a survey of ag bankers conducted by the Federal Reserve Bank of Dallas. The bank reports the value of Texas dryland cropland increased 5.8% and ranchland rose 5.5% compared to a year earlier. Meanwhile, the value of Texas irrigated cropland slipped 0.4% versus a year ago.

Chinese officials announced a new case of African swine fever in Datong city in Shanxi province October 17. The latest case marked the country's first in the northern province. There was also another case at a small farm in Lianing's Panjin city. There have now been nearly 40 outbreaks in 10 regions. In response, China's vice ag minister said local authorities should increase their oversight of large-scale pig farms and breeding operations.

There are now 70% odds El Niño will form this year, according to the Australian Bureau of Meteorology. The Aussie weather bureau says Pacific waters are warming, and there are signs a positive Indian Ocean Dipole has started. These two factors increase odds of warm, dry weather continuing across eastern Australia. El Niño conditions would favor warmer-than-normal temps across all of Brazil and most of Argentina. El Niño events usually lead to abnormal conditions across northern and northeastern Brazil, with above-normal rainfall over Argentina.

Farm Manager Focus

A Quick Look at the USMCA

The U.S.-Mexico-Canada Agreement (USMCA) will replace NAFTA if lawmakers approve it in the coming months. As usual, the trade policy road ahead could be bumpy as proponents and opponents argue about the pending accord.

Most farm groups offered positive comments, but want other trade issues settled, including lifting U.S. metals tariffs on Canada and Mexico to make those countries lift retaliatory tariffs on U.S. farm products, such as pork, dairy and corn. Soybean and other groups are focused on the trade battle with China. Canada agreed to grade imported wheat with the same requirements as Canadian wheat.

The U.S. dairy sector scored some of the biggest wins. The pact opens up the Canadian dairy market to U.S. exports at a 3.59% level, higher than the 3.25% market share the Obama administration negotiated under the Trans-Pacific Partnership (TPP). Canada agreed within six months to eliminate a recent milk-ingredient pricing program (Class 7) that greatly curbed Canadian dairy imports. Mexico is also important for U.S. dairy. Around 15% of U.S. dairy production is exported, and one-quarter of that total is exported to Mexico. That is why the U.S. dairy sector wants Mexico's retaliatory tariffs lifted — a 25% duty remains in place on U.S. cheese.

The pact prohibits discrimination against GMOs, and data protection for biologic drugs will be doubled to 10 years. Language extends the pact for 16 years, with a review period every six years. The fine print of the USMCA includes a provision that requires any country in the pact to give three months' notice to other parties if it is entering into trade negotiations with a nonmarket economy, which the U.S. considers China to be. If one country enters into a deal with China or another similar economy, then that nation can be kicked out of the newly negotiated trade pact.

The fair trade provisions included in the USMCA will serve as a template for other agreements, including with Japan, the EU and China "if it wants to come along." Focus now shifts to settling major differences with China.

Doane's MARKETING MENTOR

CORN
The USDA surprised the grain industry by trimming its U.S. yield forecast 0.6 bushel to 180.7 bushels per acre in its monthly WASDE Report. That cut was largely responsible for the 49 million bushel slice taken out of the U.S. corn production estimate, which now stands at 14.778 billion bushels. Harvest estimates may slip further after heavy early-October rains; precipitation raised field-loss risks. Farmer sales remain very slow, and high river levels have slowed barge movement to the Gulf and the export market, signaling a low in cash basis has probably passed. Cumulative export sales are 51% ahead of a year ago, leading USDA to raise its export projection for the year by 75 million bu. to a record. Smaller world wheat, barley and sorghum supplies mean improving demand for U.S. corn. Minimum trucking rates in Brazil and the new tax scheme in Argentina increase uncertainties regarding their export outlooks. Ultimately, declining U.S. and global stocks imply improved 2019 prices.

SORGHUM
USDA cut projected 2018 sorghum acreage in the October WASDE by 4% or nearly 250,000 acres to 5.792 million. Thus, plantings shifted from a previously forecast surge to a rise of just 3%. Yields are turning out better than expected at 75 bu/ac. The higher yield offsets the acreage adjustment, with the crop rising 6 million bushels from September. The market balance swung to the bullish side when September 1 ending stocks, at 35 million bushels, fell far below the 49 million bushel forecast. Basically, feed use was strong. Further, USDA sees this feed use trend continuing into 2018/19. Reduced exports mitigated the bullish outlook, reflecting the US/China trade conflict and China's reduced buying.

SOYBEANS
The soybean supply/demand forecasts for 2017/18 were adjusted to account for the ending stocks estimates published in the September 28 Grain Stocks Report. Those added 43 million to the 2018/19 supply, more than offsetting the 3 million bushel production decline. As expected, the USDA boosted its soybean yield forecast to 53.1 bushels per acre, but that was largely offset by a big reduction in acreage estimates. Prices were choppy as rains boosted the start of the South American planting season. It would not be surprising to see yields come down in future reports, based on excessive rains and reported damage. USDA didn't make any cuts in its export forecast for 2018-19, nor did it raise its crush estimate from a month earlier. Increased carry-out forecasts easily offset the reduced production figures. Reports that President Trump and Chinese leader Xi Jinping will discuss trade at the November G-20 summit put a floor under the market in mid-October. But until China removes tariffs on U.S. beans, rallies will be limited.

WHEAT
U.S. 2018-19 wheat ending stocks were raised 21 million bu. in response to a larger crop, bigger imports and reduced feed use. U.S. prices are competitive, but trade has been slow. Prices need to stay low to attract new overseas buying. USDA cut global wheat supplies 2.9 million metric tons for 2018- 19 on crop cuts in Russia and Australia. World ending stocks are projected 1.1 MMT lower from September at 260.2 MMT and down from 274.85 MMT last season. Record Russian exports continue to hurt U.S. sales. Russian officials are checking the quality of shipments after recent complaints, suggesting Russia will export less aggressively in the months ahead. Given widespread talk of diminished Russian production and possible domestic supply shortages, this wasn't terribly surprising. Spring wheat held firm relative to winter varieties as snow slowed harvesting and raised quality and yield concerns in Canada. This could boost demand for high-protein U.S. wheat.

FEEDER CATTLE
Feeder cattle prices traditionally tend to rally through spring and early summer to reach a seasonal peak in late summer. This pattern reflects dwindling supplies of heavy yearlings born two years prior, while the calf supply is surging as young stuff born the year prior reach marketable weights. Their increasing prominence seemingly weighs upon prices later in the year. Given this pattern, the CME feeder index's recent decline from its early-October high at $158.45/cwt wasn't very surprising. The seasonal slide in corn and soybean meal prices as the fall harvest progresses also offers support for yearling values, but that tendency reverses post-harvest. We at Doane worry that grocers shifted away from beef to pork features after the hog market crashed during summer. Feeder values may suffer as a result.

CATTLE
Cash cattle prices proved remarkably stable around $111.00/cwt from early September through mid-October. Packers apparently used captive supplies to restrain upward price pressure, while cattle feeders kept actively selling cattle rather than risk adding extra tonnage as market weights rose seasonally. Conversely, marketings will likely decline through year-end. Rain and mid-October snows also made feedlots sloppy, another reason to keep market-ready steers moving to town. Beef values tumbled from late-summer highs, possibly due to surging grocer interest in depressed pork quotes. Consumer meat demand remains strong with more people working, while U.S. beef exports apparently remain quite strong. Optimism on the demand front continues supporting prices, but the cash market's ability to justify sizable futures premiums is open to question.

DAIRY
The USDA's September Milk Production Report stated the August U.S. dairy cow population at 9.40 million head. The indicated 5,000-head monthly increase was surprising given the persistent price weakness seen this year and the 9,000-head drop reported during July. The latest figure was also just 4,000 head below the comparable year-ago figure. The long string of yearling increases in milk production continued, with the 18.295 billion pounds setting a new August record by rising 1.4% annually. The milk market seems likely to continue suffering from the trade situation, since Mexico is maintaining its tariff on U.S. cheese in retaliation for metal tariffs. Those are unlikely to go away before the USMCA is approved by Congress next year. Canada is also being given time to make the agreed-upon dairy trade/regulation changes.

HOGS
The USDA's September, 28, 2018 Hogs & Pigs Report stated the U.S. hog population as of September 1 at 75.486 million head, up 3% from Labor Day 2017. That marked a new modern record for the U.S. herd, but it actually fell several hundred thousand head (about 0.5%) below industry expectations. The data implied domestic hog slaughter would run approximately 3% over year-ago levels through the fall and winter, with producer farrowing intentions indicating somewhat slower industry expansion next year. Prices turned lower after staging a big comeback from greatly-depressed late-August lows. Futures led cash prices lower, with pessimism about the late-2018 outlook exemplified by the December contract's $14-$15 discount to the CME Lean Hog Cash Index. We at Doane believe the market will hold up better than expected.