



### News this week...

- 2 – Needed precip in Argentina, U.S. Southern Plains.
- 3 – Demand is the key in the hog/pork market.
- 4 – Survey: Record combined corn and soybean acres.

**Tepid response to huge China corn purchases** — *The corn market firmed last week, but the price response was far less than expected given aggressive purchases by China (see below), and futures remained within the sideways pattern. Soybeans chopped sideways as needed rains fell on Argentina and far southern Brazil, while weather turned a little drier across central Brazil, allowing harvest to advance. Winter wheat futures led losses in that market as much of the Central and Southern Plains received heavy snow and rainfall that will give the crop needed moisture as it greens up. Cattle futures showed signs of topping after surging to new highs. Hog futures extended their impressive rally on building cash market strength and China demand hopes. Commodity indexes are signaling a potential top for the sector.*

## Survey says... total crop area up 3%

We expect total area planted to crops in the U.S. to rise to 319.4 million acres this year, up 8.9 million acres (2.9%) from last year and the highest since 2018. Stronger prices and improved farm financial conditions are expected to bring more acres into production. We have details and analysis of our annual spring acreage survey on [News page 4](#).

## Argentine dryness has peaked

Argentina received needed rains over the past week and more are in the forecast through March 29. World Weather Inc. says crop stress has likely peaked and crops should stabilize, though the rains came too late for some of the early-maturing corn and soybeans in the country. Forecast models signal warmer, drier conditions for central and northern Brazil over the coming weeks. Key is whether this is a temporary trend change in Brazil or the end of the wet season.

## U.S. economic recovery picking up

Restaurant and hotel bookings are up, air ticket sales are surging and consumers are spending the most on personal care since the pandemic started. Rising Covid vaccinations, falling business restrictions, ample household savings and federal stimulus funds are fueling the economic surge. The Fed says inflation will be “transitory,” and it is not worried. See “General Outlook” on [Analysis page 4](#).

## House splits immigration bills

The House passed two immigration bills largely along party lines that would provide a citizenship path for illegal immigrants and legal status for immigrant farmworkers. One bill would offer a pathway to citizenship to those who entered the country illegally as children (a.k.a. “Dreamers”) and are currently living here. The other would provide illegal immigrant agricultural workers a path to legal status, and make the H-2A guestworker program more flexible for employers.

The bills face steep odds in the evenly divided Senate. Republicans are increasingly opposed to any new immigration measure, noting the worsening situation at the border.

## Another China corn buying spree

U.S. exporters reported daily corn sales totaling nearly 3.9 million metric tons (MMT; 153 million bu.) last week. A cash market source told us nearly all of those bushels are already owned by the U.S. division of COFCO and most of them will be shipped this spring. Combined with previous outstanding sales, there are now 610 million bu. of unshipped corn sales to China on the books for 2020-21.

Based on Census data, we estimate corn exports to all countries at 1.232 billion bu. as of March 11, with another 1.203 billion bu. outstanding, excluding last week’s sales to China. Export commitments including last week’s sales to China are already nearly equal to USDA’s 2020-21 forecast. The question is how much can be shipped by Aug. 31.

### China plans new global food-trading giant

China’s largest food company COFCO plans to merge its international trading division with several domestic businesses to create a new ag commodity behemoth. After the merger, COFCO plans an IPO that could value the company at more than \$5 billion. The new company will compete with the so-called ABCD firms — ADM, Bunge, Cargill and Louis Dreyfus — who have long dominated global grain trading.

## Huge jump in China grain imports

China imported 4.8 MMT of corn through February, a 414% surge from year-ago and two-thirds of its annual 7.2 MMT low tariff rate quota (TRQ). The country also imported 2.5 MMT of wheat, up 265% from the first two months of 2020 and a quarter of the annual TRQ. China’s cumulative imports of sorghum (1.4 MMT) and barley (1.3 MMT) also soared 366% and 79%, respectively, versus year-ago.

## China plans to cut corn, meal feed use

China’s ag ministry is expected to approve by April 10 a coming plan from its animal nutrition committee to cut corn and soybean meal use in feed rations. China’s government wants to promote greater use of rice, wheat and other meals as feed to reduce reliance on corn and soybean meal.

## Rains stabilize Argentine crops

Recent rains in Argentina improved corn crop condition ratings, according to the Buenos Aires Grain Exchange. It now rates 22% of the crop as “good” to “excellent,” up five points from the previous week. Soil moisture conditions jumped eight points to 67% “adequate” for corn areas. The exchange rates just 6% of the soybean crop as “good” to “excellent,” unchanged from the previous week. But it noted a five-point increase in soil moisture, with 58% of soybean areas now rated as “adequate.” It says rains were too late to benefit early-maturing soybeans, but they will help later-planted crops. The exchange kept its production estimates at 44 million metric tons for soybeans and 45 MMT for corn.

South American Crop Consultant Dr. Michael Cordonnier estimates last week's rains will likely benefit around 40% of both the soybean and corn crops in the country. He kept his Argentine production estimates at 46 MMT for soybeans and 45.5 MMT for corn with a neutral to lower bias for both crops.

## Brazil fieldwork jumps, but still slow

Brazil had its best stretch of soybean harvesting and safrinha corn planting the past two weeks, but both remain well behind normal. Half of the country's soybean crop was still in fields, while one-quarter of the safrinha corn crop will be planted after March 15, the typical end of the planting season.

Cordonnier says if rains end at the normal time of early May, safrinha yields will be disappointing. If the wet season extends to early June, yields may still be “ok.”

Cordonnier continues to estimate Brazilian production at 132 MMT for soybeans and 105 MMT for corn.

### State of emergency in Sorriso, Mato Grosso

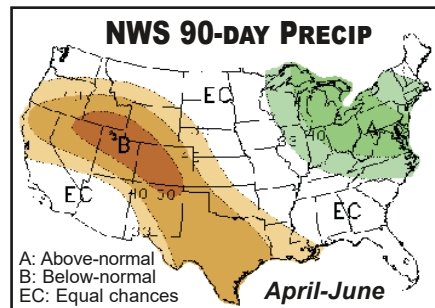
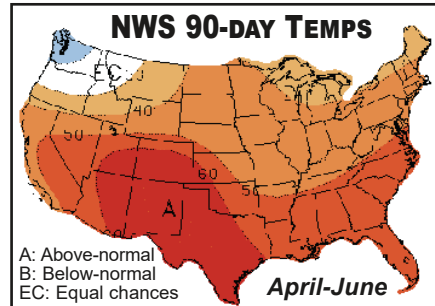
Authorities declared a state of emergency for the largest soybean and corn producing municipality in Brazil due to excessive rainfall. Over the last 45 days, Sorriso has received more than 32 inches of rain, resulting in localized flooding, washed out roads and bridges, and lost crops. The emergency declaration will also allow for additional funds from the state and federal government and also help farmers in Sorriso renegotiate their contracts with grain companies.

## South American bean crop slightly bigger, corn crop smaller

Cordonnier estimates South American soybean production will rise just 1.2 MMT (0.6%) from last year to 193.1 MMT. His South American corn production estimate stands at 156.6 MMT, down 2.0 MMT (1.3%) from last year.

## Warm, with mixed precip through June

The extended forecast from the National Weather Service (NWS) continues to have a La Niña influence. The NWS 90-day outlook gives increased chances for above-normal temps across all of the contiguous U.S. aside from the Pacific Northwest. It also shows elevated odds of below-normal precip over much of the Southern and Central Plains for April through June.



An area of above-normal precip is likely across nearly all of the eastern Corn Belt during the 90-day period, while there are “equal chances” for normal, above- and below-normal precip for all but the far western edges of the western Corn Belt through June. The extended forecast suggests pockets of dryness in the eastern Corn

Belt should shrink ahead of summer. Precip will need to be monitored closely in the western and north-central Corn Belt, where dryness is prevalent coming out of winter.

## HRW country gets moisture recharge

After recent rains, the concern with the extended forecast calling for warm, dry conditions for HRW areas of the Southern and Central Plains isn't quite as strong. NWS seven-day precip maps show most of HRW wheat country received at least half an inch of moisture, with an inch-plus from the Texas Panhandle northward through Kansas. The forecast calls for additional one-half to one-inch-plus rains across eastern Texas, most of Oklahoma, Kansas and northeastern Colorado through March 25.

## Drought prevalent in HRW, HRS areas

The scope and intensity has receded, but some form of dryness/drought continues to cover 90% of Texas, 48% of Oklahoma, all of Colorado, 45% of Kansas and 80% of Nebraska. The most severe conditions remain in the western half of Texas, including the Panhandle.

In hard red spring wheat country, all of North Dakota, South Dakota and Minnesota are covered by dryness/drought, along with 85% of Montana, 62% of Idaho and 26% of Washington.



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## **Demand the real story in hogs/pork**

There is a lot of talk in the hog industry that “numbers aren’t there,” referring to the 2.7% decline in hog slaughter relative to year-ago the past month. But since the beginning of December, hog slaughter has been down 1.2% compared with year-ago, which is right in line with what USDA’s Hogs & Pigs (H&P) Report projected. The drop in kills over the past month appears to be tied to producers pulling marketings forward during January. That’s why hog weights have been steady even after weather-induced marketing delays last month. USDA’s March 25 H&P Report should give the market a better handle on supplies, though revisions to past data may not be as big as some anticipate.

The real story in the hog/pork market is demand. The pork cutout value is near \$100 — about 35% above both year-ago and the five-year average for mid-March. Part of the demand pull is restaurants/food service reopenings as Covid restrictions are eased/lifted. But with ample talk of inflation and hog futures surging, retailers probably are scrambling to build inventories, fearing even higher pork prices this summer as hog supplies tighten seasonally. As Daily Livestock Report notes, “The risk is that current prices will cause retailers to limit pork features for the grilling season and high processing item prices start to take a bite out of Q3 fast food demand.” The ASF situation in China and how much pork it needs to import remain the wildcards.

## **China pork imports running strong**

China imported 320,000 metric tons (MT) of pork in February, a 28.3% jump from year-ago. In the first two months of this year, China imported 700,000 MT of pork, a 26.2% rise from the same period last year.

Through March 11, the U.S. exported 120,334 MT of pork (muscle cuts only) to China, with another 82,336 MT of unshipped pork sales on the books. Outstanding pork sales to China are 52,323 MT (38.9%) behind year-ago but 38,166 MT (86.4%) ahead of the five-year average for mid-March.

## **China says sow herd still expanding**

China’s sow herd was 34.1% larger than year-ago at the end of February, according to the country’s ag ministry, and inventories were 95% of levels at end of 2017 prior to the ASF outbreak in August 2018. It noted month-over-month increases of 1.1% and 1.0%, respectively, in January and February, and the country’s hog herd totaled more than 400 million head.

Industry sources are skeptical of the ag ministry’s figures, citing a resurgence in ASF and other diseases this winter. Shandong-based Yongyi Consulting estimates China’s sow herd has been declining each month since December, with a 4.99% drop in January and a further 4.68% decline in February.

## **U.S., Canada craft ASF plan**

USDA and the Canadian Food Inspection Agency (CFIA) have developed a protocol to ensure bilateral trade will continue if ASF is detected in feral hogs in either country. Under the protocol, all trade in live swine, swine germplasm, and untreated swine products would initially stop if ASF is found in wild hogs and then resume in three phases with increasingly reduced restrictions. If a case of ASF is identified, geographic boundaries would be defined to contain the outbreak.

The two countries would modify their export certificates to allow trade of live swine, swine semen, pet food and animal by-products and meat from approved disease-free zones in the event of an ASF outbreak in domestic hogs.

## **Japan hikes tariff on U.S. beef**

U.S. beef exports to Japan pushed above the fiscal year maximum of 242,000 MT, triggering a rise in the safeguard tariff from 25.8% to 38.5% for 30 days. Japan’s new fiscal year starts April 1 and beef importers could delay the customs process until April 17 to avoid the higher tariffs, so there won’t be a market impact. Tariffs on imports of U.S. beef into Japan will drop to 25% for fiscal year 2021.

## **Cold spell curbed NOPA soy crush**

Members of the National Oilseed Processors Association (NOPA) crushed 155.2 million bu. of soybeans during February. While that was the second highest total for the month, it was 13.5 million bu. lighter than analysts anticipated and a 17-month low. To hit USDA’s forecast of 2.2 billion bu., crush would need to run 0.4% under year-ago the final six months of 2020-21. Limited soybean supplies could dramatically slow crush in the final quarter of 2020-21.

Soyoil stocks fell to 1.757 billion lbs. at the end of February, which was 165 million lbs. under year-ago levels. But implied use was about as expected with the smaller crush.

## **SRE ruling coming in late April**

The U.S. Supreme Court on April 27 will hear refiners’ appeal of the 10th Circuit Court ruling that invalidated three small refinery exemptions (SREs). EPA recently came out in favor of the court ruling and said that it will not act on the pending SREs until after the Supreme Court issues its decision on the case.

There are 20 so-called “gap year” SREs pending for the 2011 through 2018 compliance years. Another 30 waivers are outstanding for the 2019 compliance year and 16 for the 2020 compliance year. If the Supreme Court sides with the 10th Circuit ruling for waivers to be granted they must be continuous from 2010 forward, EPA would likely slash the number of SREs it grants.



# Corn, soybeans will take acres from other crops

by Chief Economist Bill Nelson and Editor Brian Grete

Results of the *Pro Farmer*/Doane planting intentions survey not surprisingly signaled there will be big increases in corn and soybean acres this year given the sharp rise in prices. We project total corn and soybean plantings at a record 182.3 million acres, which would be up 8.4 million acres (4.8%) from last year. Total acres planted to the big four crops (corn, soybeans, wheat and cotton) are expected to rise 9.5 million acres (4.1%) from last year.

## **Corn acres expected to rise nearly 3%**

Our analysis of survey responses signals producers intend to plant 93.4 million acres to corn this year, up 2.6 million acres (2.8%) from last year. However, corn acres are expected to be lower across the central Corn Belt, with producers signaling they would reduce corn plantings by 2.9% in Iowa, 2.7% in Illinois and 3.9% in Nebraska compared with year-ago. Wisconsin producers also indicated they would trim corn acres by 1.3%.

Survey responses from the rest of the Corn Belt indicated higher corn plantings, led by a 59% surge in North Dakota and an 11.1% jump in South Dakota. Outside of the Corn Belt, producers indicated they would increase corn plantings by 7.7% this year.

Across all the surveys, 44% of respondents signaled they would keep corn acres unchanged this year, with 29% noting plans to increase acres and 27% saying they would reduce their corn plantings.

## **Soybean plantings expected to jump 7%**

Producers indicated they intend to plant 88.9 million acres to soybeans in 2021, up 5.8 million acres (7%) from last year. Soybean plantings are expected to rise across all of the 12 Corn Belt states except Kansas, where producers signaled they intend to plant 2.1% fewer acres to soybeans this year. We project soybean plantings will rise 5.3% in Iowa, 3.9% in Illinois and 10.6% in Nebraska — not surprising given the indicated declines in corn acres in those states.

As with corn, producers in the Dakotas indicated they plan on seeding a lot more acres to soybeans this year, with a 20% jump noted in North Dakota and a 17.2% increase in South Dakota. Outside of the Corn Belt, producers signaled they would increase soybean plantings by 10.0%.

Some 43% of farmers indicated they would hold soybean acres steady with year-ago, while 32% intend to increase seedings and 25% said they would reduce soybean acres.

## **HRS acres to decline; durum plantings to rise**

Our survey showed producers in the Northern Plains intend to plant 11.6 million acres to other spring wheat, down 650,000 acres (5.3%) from last year. Despite the expected big increase in corn and soybean acres in North Dakota, farmers there indicated they would increase other spring wheat seedings by 1.8% this year. The big jump in overall plantings in the state reflects last year's heavy prevent-plant acres coming back into production. Our survey showed other spring wheat acres will decline 9.1% in Minnesota, 16.9% in South Dakota, 12.1% in Montana, 9.8% in Idaho and 7.4% in Washington.

We project durum seedings will increase 125,000 acres (7.4%) from last year.

## **Texas drives modest increase in cotton plantings**

Our analysis of survey responses signals producers intend to plant 12.2 million acres to cotton, up 107,000 acres (0.9%) from last year. We project cotton seedings will increase 2.7% in Texas, which basically offsets producer plans to reduce cotton acres across most of the Mid-South, Delta and Southeast. Surveys from Georgia, the second largest U.S. cotton producing state, indicate producers there will reduce cotton acres by 5.5%.

## **Corn, soybean alternative crops to rise sharply**

Respondents indicated they intend to increase sorghum acres by 13.9%, canola by 9.6% and barley by 9.5%.

## **Acres of most 'other crops' will decline**

Given the expected big increases in corn and soybean acres in the Northern Plains and South, it's not surprising our survey indicated fewer acres will be seeded to other crops. Respondents intend to reduce acres planted to rice (10.1%), oats (6.7%), sunflowers (0.5%), dry edible beans (1.0%), sugarbeets (0.7%) and hay (2.5%). Producers intend to plant slightly more acres to peanuts.

## **Track record: Our surveys have been close**

There's a slight tendency for our survey to underestimate corn acres and overestimate soybean plantings compared with USDA's March intentions. Over the past 10 years, our spring acreage survey on average has been 980,000 acres too low for corn and 881,000 acres too high for soybeans. Our survey has done a very good job of pegging combined corn and soybean acres over the past decade.

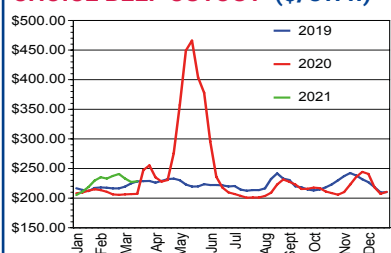
## CATTLE - Fundamental Analysis

Cash cattle traded near \$114 for a seventh consecutive week, but the steady to firmer tone failed to generate strength in the premium-priced futures, leading to fund selling March 18. Deferred cattle futures moved to new contract highs on the outlook for tighter supplies but erased weekly gains late week on profit-taking. However, it looks like beef cutout values found a low at \$225 with restaurant/food service restocking is increasing. Overall consumer demand should be supported by fresh government stimulus checks hitting mailboxes. Beef exports rose to a six-week high, rising 39% from the prior four-week average.

### Position Monitor

Game Plan:	Feds	Feeders
The rally in deferred fed cattle is getting ahead of the cash market. Be prepared to place hedges on further strength into April.	I'21 0% II'21 0% III'21 0% IV'21 0%	0% 0% 0% 0%

### CHOICE BEEF CUTOUT (\$/CWT.)



### APRIL LIVE CATTLE

Initial resistance is the broken horizontal line near \$119.90. Stronger resistance is the 40-day moving average (green line) near \$121.50.



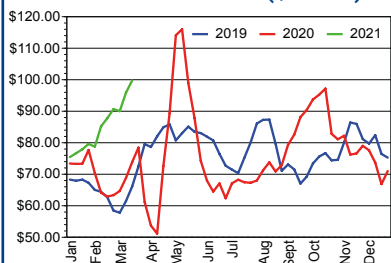
## HOGS - Fundamental Analysis

Front-month hogs rose to the highest on the continuation chart in 6 1/2 years, with all contracts hitting new highs on stepped-up fund buying. The CME Lean Hogs Index is up nearly 50% this year, touching the highest since the 2017 peak. Pork cutouts are the highest since the Covid-19 peak. The rallies are similar to 2014, which was driven by fears of disease reduced supplies from PEDV. This year's rally reflects a combination of supply worries, but it has primarily been driven by a shift in consumer dining habits, restaurant restocking and Chinese imports. Once food service orders are filled, a top will be formed (see *News* page 3.)

### Position Monitor

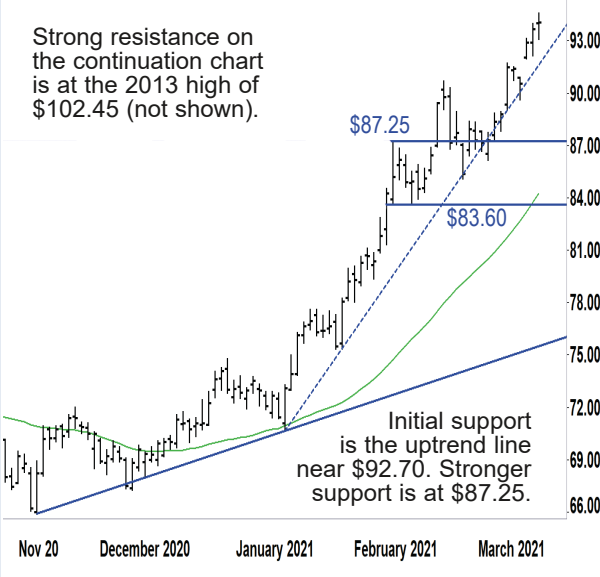
Game Plan:	Lean Hogs
Get current with second- and third-quarter hedge advice. The vertical price trajectory warns the rally may be climaxing. Be prepared to add to hedges.	I'21 0% II'21 25% III'21 25% IV'21 0%

### PORK CUTOUT VALUE (\$/CWT.)



### APRIL LEAN HOGS

Strong resistance on the continuation chart is at the 2013 high of \$102.45 (not shown).



## FEED

### Feed Monitor

#### Corn

I'21	100%
II'21	33%
III'21	0%
IV'21	0%

**Corn Game Plan:** You should have all corn-for-feed needs covered in the cash market through April. We are targeting more purchases below \$5.20 in May futures.

#### Meal

I'21	100%
II'21	67%
III'21	33%
IV'21	0%

**Meal Game Plan:** We have advised buying 100% of meal feed needs through April in the cash market and 50% of protein feed needs for May through August in the cash market.

### MAY SOYMEAL

A close above \$405.00 would target resistance at \$413.40.



A close below \$395.80 would open the downside to the \$375.00 area (not marked).

## Position Monitor

	'20 crop	'21 crop
Cash-only:	80%	20%
Hedgers (cash sales):	80%	20%
Futures/Options	0%	0%

**Game Plan:** Everyone should get current with old- and new-crop sales advice. Prices are following normally weak seasonal trends. A close below the February lows in old-crop futures would be a warning that the rally may have peaked. USDA's tight supply outlook for 2021-22 argues prices should find support until this year's output becomes more clear. Stay patient on additional new-crop sales.

## DAILY DECEMBER CORN

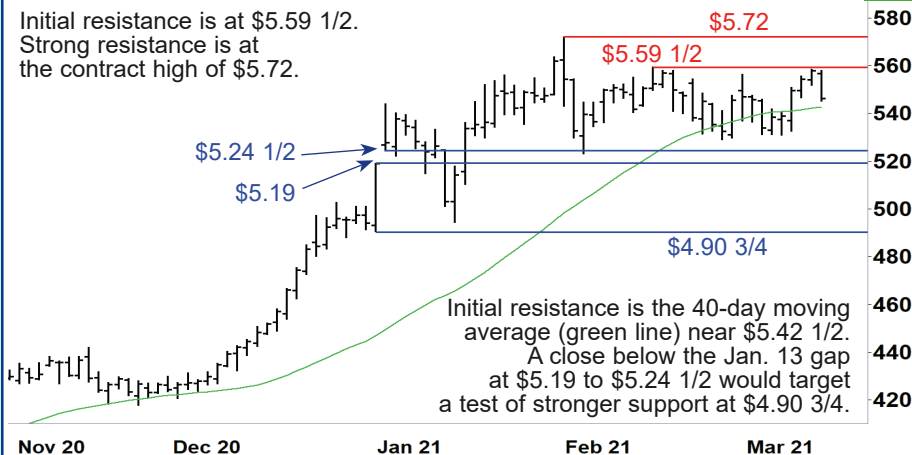
Initial resistance is the convergence of the broken uptrend and contract high at \$4.85 3/4. Stronger resistance on the weekly continuation chart is at \$4.94 (not marked).



Initial support is at \$4.65 1/2. Stronger support is the 40-day moving average (green line) near \$4.62.

## MAY CORN

Initial resistance is at \$5.59 1/2. Strong resistance is at the contract high of \$5.72.

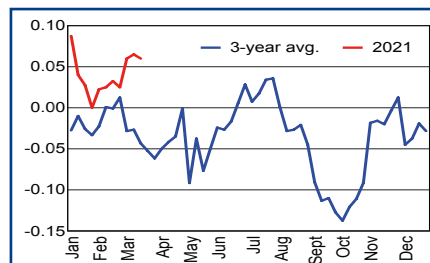


Initial resistance is the 40-day moving average (green line) near \$5.42 1/2. A close below the Jan. 13 gap at \$5.19 to \$5.24 1/2 would target a test of stronger support at \$4.90 3/4.

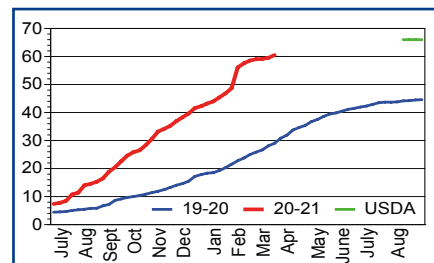
## CORN - Fundamental Analysis

Futures rose on massive new sales to China but the market's rally was tepid relative to USDA's announcements of nearly 3.9 million metric tons of new sales. Skeptics worry the sales were politically motivated ahead of the U.S./China meetings in Alaska last week. Chinese efforts to reduce reliance on corn and soybean meal in feed are unlikely to have any notable impact on demand. Given last week's sales to China, USDA's export projection looks too low. That has bulls looking for a smaller carryover estimate in April. The market will be focused on USDA's March 1 grain stocks and U.S. farmer planting intentions data March 31 to set price direction.

### AVERAGE CORN BASIS (MAY)



### CORN EXPORT BOOKINGS (MMT)



## Position Monitor

	'20 crop	'21 crop
Cash-only:	85%	30%
Hedgers (cash sales):	95%	30%
Futures/Options	0%	0%

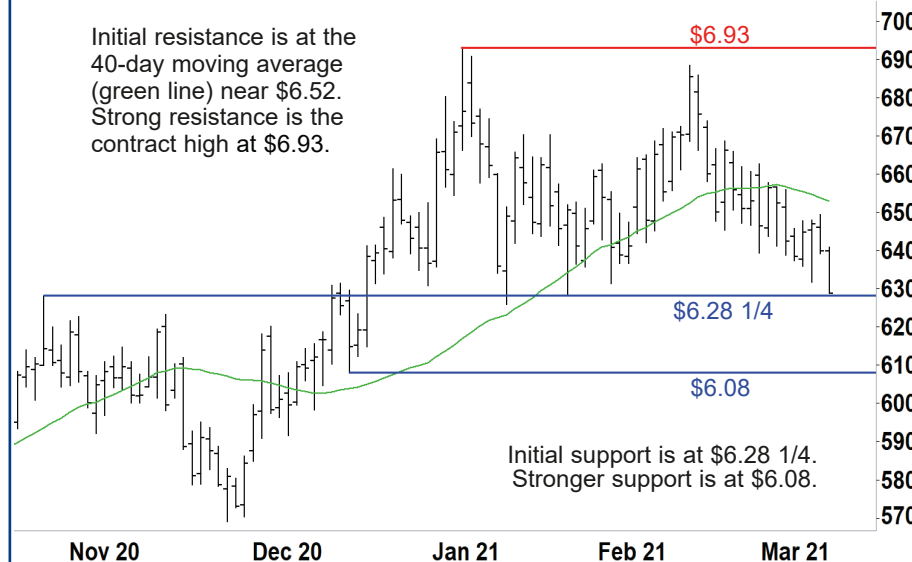
**Game Plan:** Make sure to get current with advised sales recommendations on corrective rallies. Hold off on additional new-crop sales for now until more is known about April and May weather across the Northern Hemisphere.

## WHEAT - Fundamental Analysis

**SRW** — Futures fell as global production concerns eased. The U.S. drought monitor showed dramatic improvement across parts of the Plains, and Russian and European crop forecasts are rising. But it's May weather that determines yields. Amid seasonally slowing world trade, wheat lacks a bullish spark.

## MAY SRW WHEAT

Initial resistance is at the 40-day moving average (green line) near \$6.52. Strong resistance is the contract high at \$6.93.



Initial support is at \$6.28 1/4. Stronger support is at \$6.08.

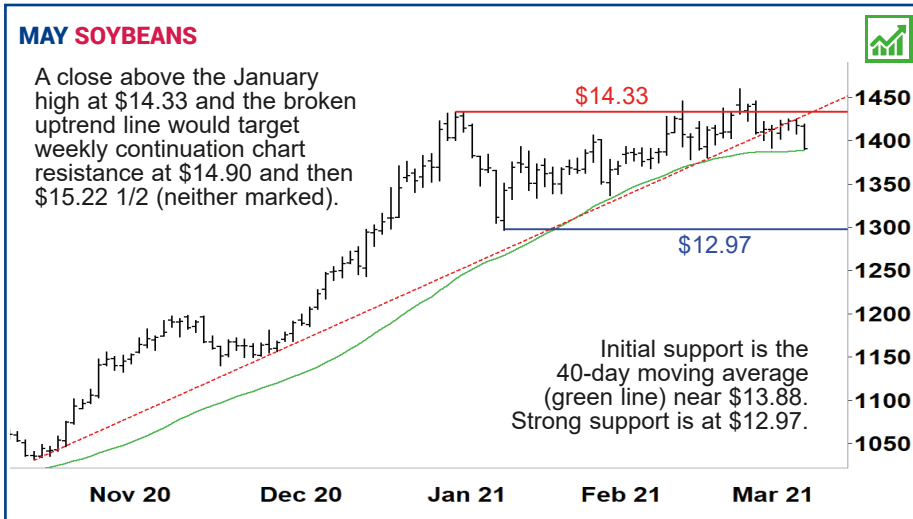
## Position Monitor

	'20 crop	'21 crop
Cash-only:	90%	20%
Hedgers (cash sales):	90%	20%
Futures/Options	0%	0%

**Game Plan:** Use market strength to make catch up sales for both old- and new-crop supplies. Attention is on Argentine yield forecasts after recent rains and the pace of Brazilian exports. We want to be patient on advancing new-crop sales before USDA's acreage report at month's end. The steep discount November futures hold to spot cash bids should encourage buying in new-crop futures on bullish news.

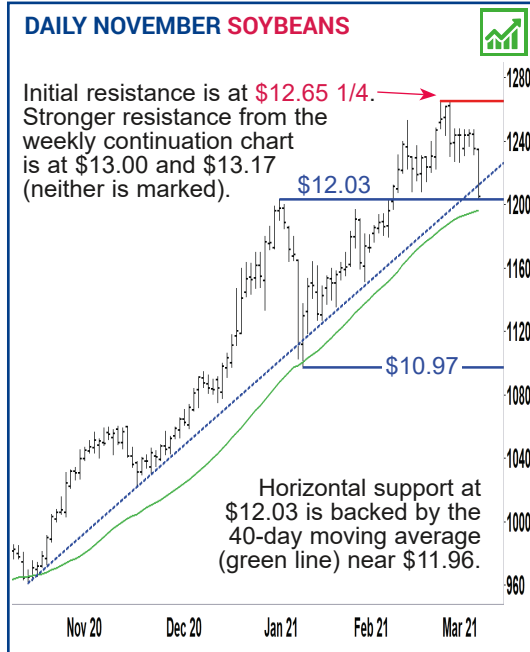
## MAY SOYBEANS

A close above the January high at \$14.33 and the broken uptrend line would target weekly continuation chart resistance at \$14.90 and then \$15.22 1/2 (neither marked).



## DAILY NOVEMBER SOYBEANS

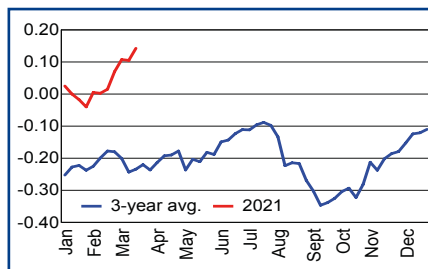
Initial resistance is at \$12.65 1/4. Stronger resistance from the weekly continuation chart is at \$13.00 and \$13.17 (neither is marked).



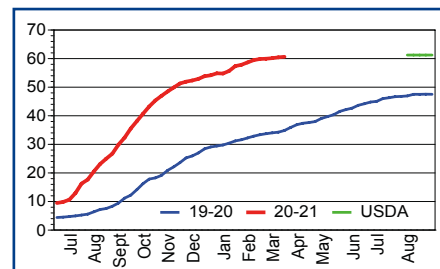
## SOYBEANS - Fundamental Analysis

Futures drifted lower on beneficial rains in Argentina and the increasing Brazilian soybean export pace. The market is cautious after high-level U.S./Chinese talks produced public barbs from both sides. Brazil is entering the peak of its export season and U.S. shipments are slowing. Traders also remain nervous about Chinese import demand into early 2022 after the recent resurgence of African swine fever that has slowed the crushing pace in China. A collapse in world vegetable oil prices last week limited new buying. Soybean prices will likely hold their current two-month range ahead of the USDA's grain stocks and planting intentions reports on March 31.

### AVERAGE SOYBEAN BASIS (MAY)



### SOYBEAN EXPORT BOOKINGS (MMT)



## MAY HRW WHEAT

Initial resistance is at \$6.09 1/2.

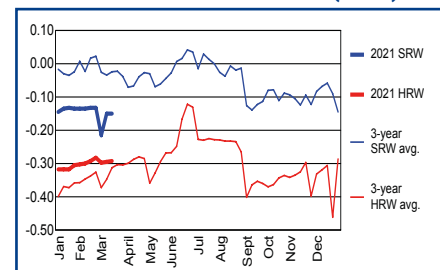


## MAY HRS WHEAT

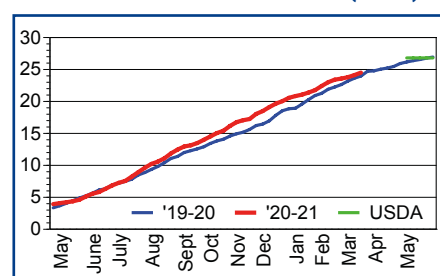
The contract high at \$6.62 is strong resistance.



### AVERAGE WHEAT BASIS (MAY)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** – HRW futures led price declines last week, slumping to the lowest levels since January on beneficial rain. Followup moisture will be needed, with the outlook calling for warmer, drier weather into June. Russian export prices also declined on indications the government may modify its export tax regime that has curtailed new-crop sales.

**HRS** – Spring wheat continued to gain on winter wheat futures as moisture deficits across the Northern Plains and Canadian Prairies persist. Higher returns for other crops may also curb planting intentions across North America. With world inventories adequate, this year's production is key as more wheat moves into feed rations.

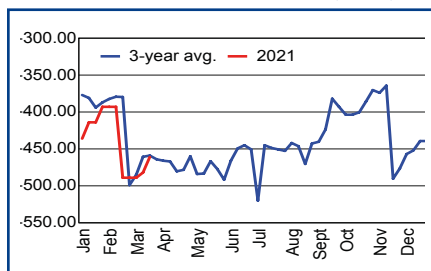


## Position Monitor

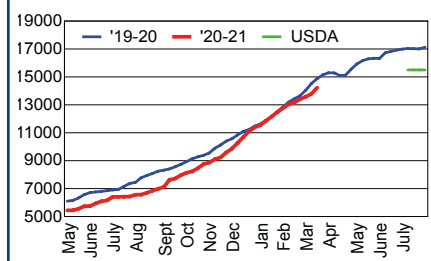
	'20 crop	'21 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

**Game Plan:** Use rallies to get current with old-crop and new-crop sales. We plan to finish old-crop sales and add to new-crop forward sales on rebounds.

## AVERAGE COTTON BASIS (MAY)



## COTTON EXPORT BOOKINGS ('000 BALES)



## MAY COTTON



## COTTON - Fundamental Analysis

Sideways consolidation continued ahead of the USDA's planting intentions report March 31. Weekly export sales surged to the most since September and put a solid floor under prices. Shipments this year are equal to 62% of USDA's forecast, above the five-year average of 50%.

## GENERAL OUTLOOK

**INTEREST RATES:** Federal Reserve officials projected near-zero interest rates through 2023, despite upgrading their U.S. economic and inflation outlooks.

Still, seven of 18 officials predicted higher rates by the end of 2023 compared with five of 17 at the December meeting, showing a slightly larger group who see an earlier start to the withdrawal of ultra-easy monetary policy.

But the message was clear that the

Fed won't get scared by higher bond yields or the next boomlet in inflation.

"We will continue to provide the economy the support that it needs for as long as it takes," Fed Chairman Jerome Powell reiterated during a press conference.

The rising yield for the U.S. 10-year Treasury note signals the market is more concerned about inflation than the Fed is about making sure employment and the economy fully recovers from Covid-19.

## WEEKLY 10-YEAR YIELD MINUS 2-YEAR YIELD



## FROM THE BULLPEN By Sr. Market Analyst Jeff Wilson

Ethanol production is rebounding on rising demand after an arctic blast last month cut output to the 2020 pandemic lows.

Weekly production increased 33,000 barrels per day (bpd) to 971,000 bpd, up 3.5% from a week earlier and the highest since last December. Sustaining the current output will top the USDA's 2020-21 forecast. Rising production and a record spring and summer export outlook will support stronger cash bids on increased competition for tighter supplies.

Ethanol stocks fell 730,000 barrels to 21.340 million barrels, the lowest since November. Inventories are 13.3% below last year after sharp draws from the Texas freeze and ramped up blending for the summer driving season.

Ethanol production should continue to rebound as travel increases with the economy reopening. Down south, traders are talking about the driving season already having ramped up, with cities from Memphis to New Orleans reporting traffic jams last week.

Improving exports will support rising output. Earlier this month, three ships were loaded with about 720,000 barrels of ethanol for shipment to China. That's more than the 506,000 barrels shipped to China in all of 2020. In January, ADM Chief Financial Officer Ray Young said that China had bought 4.76 million barrels of U.S. ethanol for the first half of 2021 as tight Chinese corn supplies and record prices spurred ethanol imports.

## WATCH LIST

1	<b>USDA Grain Inspections</b> Focus is on corn shipping pace.	<b>MON 3/22</b> 10:00 a.m. CT
2	<b>USDA Cold Storage Report</b> Strong meat demand cut stocks.	<b>MON 3/22</b> 11:00 a.m. CT
3	<b>USDA Weekly Export Sales</b> Huge corn sales to China.	<b>THUR 3/25</b> 7:30 a.m. CT
4	<b>USDA Hogs &amp; Pigs Report</b> Trade looking for smaller supply.	<b>THUR 3/25</b> 2:00 p.m. CT
5	<b>U.S. Income &amp; Spending</b> Cold weather curbed spending.	<b>FRI 3/26</b> 7:30 a.m. CT

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