



### News this week...

- 2 – U.S. winter wheat crop starts below average.
- 3 – Frozen meat inventories remain well below average.
- 4 – An expert's take on how elections would impact ag.

**Wheat extends price rally** – Front-month HRS wheat futures extended to their highest level in more than 10 years, while nearby HRW futures hit a seven-year high. SRW futures followed those markets higher but failed to clear the contract highs posted in August. December corn futures rallied to their highest price since mid-August, while the December 2022 contract posted a new high. That prompted us to advise additional 2021- and initial 2022-crop sales (see “From the Bullpen” on [Analysis](#) page 4). Soybeans followed wheat and corn higher, though buying remained rather subdued. Cattle futures posted a new for-the-move high on the recovery from the early October low before erasing most of the gains late-week. The September lows in hog futures held for now, though attitudes remained highly pessimistic.

## Near-record weekly ethanol output

Ethanol production for the week ended Oct. 22 was 1.106 million barrels per day (bpd), a 10,000-bpd jump from the previous week and just shy of the all-time record of 1.108 bpd during the week ended Dec. 1, 2017. Ethanol margins are currently running between roughly 55¢ and 74¢ per gallon across the Corn Belt, so production should continue to rise.

Despite the stronger production, ethanol stocks dropped to 19.93 million barrels, down 1.174 million barrels (5.6%) from the corresponding week in 2019 (pre-Covid).

## U.S. Q3 GDP lower than expected

The U.S. economy grew at an annualized rate of 2% during the third quarter, its slowest pace since the second quarter of 2020. That was down sharply from GDP of 6.7% in the second quarter of this year, as the Delta variant of Covid, supply shortages, rising inflation and impacts from Hurricane Ida crimped the economy.

## Fed-favored core PCE rises 3.6%

The overall personal consumption expenditures (PCE) price index rose 4.4% versus last year in September and was up 0.2 points from August. The core PCE (minus volatile food and energy prices), the Fed's preferred inflation gauge, increased 3.6%, unchanged from August. Both levels are the highest since 1991. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, rose 0.6% last month, down 0.4 points from August, while personal income declined 1.0%.

With high inflation and slowing economic growth, focus is on whether the Fed opts to start tapering its monthly asset purchases after its Nov. 2-3 monetary policy meeting.

## Euro zone inflation record-high

The euro zone consumer price index rose 4.1% versus year-ago in October, matching the all-time high from 2008. The European Central Bank (ECB) did much “soul searching” on inflation at its meeting last week with levels already more than twice its target. But like many other central banks, the ECB maintained its stance that prices will ease next year.

## Key ag components in BBB package

President Joe Biden's scaled-back \$1.75 trillion to \$1.85 trillion social infrastructure/Build Back Better (BBB) package had some key components for ag... and some farmer-friendly omissions. USDA Secretary Tom Vilsack told us the proposal has “nothing but good news” for ag.

What's included for ag:

- Just over \$28 billion in new conservation funding.
- Vilsack said there is an “opportunity” to expand prior debt-relief efforts for farmers “who are in a distressed circumstance that have loans from USDA.”
- \$1 billion in “specific appropriations” for the biofuels industry and “a series of tax credits” to formulate low-carbon fuel. There are also possibilities for biofuels and/or ethanol production facilities to “be able to store carbon, to sequester carbon and there is a potential tax credit that they can benefit in the bill for that kind of storage capacity.” Plus, there will be an opportunity for the industry to participate in developing sustainable aviation fuel.

• In conjunction with the bipartisan infrastructure plan, BBB would provide investments for improvements to “roads, bridges, ports and inland waterways.”

What's not included for ag:

- No change in stepped-up basis.
- No change in capital gains taxes.

Perspective: Vilsack touted the “good indication of support” for biofuels in the BBB. That *could* suggest the industry may end up being disappointed in the Renewable Fuel Standard (RFS) levels that are yet to be released by EPA.

## Can election polls be trusted?

“Maybe not,” according to election expert Dave Wasserman. He told us, “The dirty little secret” is that political poll response rates are only 2% to 3%. We're in the equivalent of what he calls “a power outage,” not being able to rely on the traditional telephone or cell phones for polls — or internet surveys. Wasserman will be watching governor's races and down-ballot results for the Virginia legislature on Nov. 2 as early indicators of the 2022 elections (see [News](#) page 4).

## U.S. winter wheat starts below average

USDA's first winter wheat crop condition rating was lower than expected with 46% rated "good" to "excellent." The rating was also below the historical norm of around 52% "good" to "excellent" in late October. But the overall rating doesn't tell the whole story. The SRW crop is performing much better than the HRW crop at the start of the growing season.

When USDA's initial crop condition ratings of the season were plugged into the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the HRW crop started with a 332.9 rating, 21.2 points higher than last year but 8.5 points below the five-year average. The SRW crop began with a 365.2 rating, 1.1 points higher than last year and 4.4 points above the five-year average.

### Impacts on prices from USDA's initial crop ratings

There have been only six previous years back to 1986 when USDA started releasing national crop condition ratings in which its initial winter wheat rating was less than 50% "good" to "excellent." On average, July SRW wheat futures tend to slightly favor a firmer tone through winter in those years, rising about 8% by early February before fading. But in three of those six years there were lower prices through winter, despite the low ratings.

## Drought spreading in HRW areas

The U.S. Drought Monitor showed that as of Oct. 26, Texas was 55% covered with dryness/drought, up 10 points from the previous week, including nearly all of the wheat-intensive areas in the Panhandle and West Texas. Drought covers 95% of Oklahoma, 96% of Colorado, 38% of Kansas and 80% of Nebraska. The hardest hit HRW state is Montana, which is fully engulfed in drought, including extreme or exceptional conditions over 70% of the state.

U.S. white wheat areas in the Pacific Northwest (PNW) are almost entirely covered by drought conditions, with much of that area being severe, extreme or exceptional drought.

The Drought Monitor shows virtually no abnormally dry conditions and no drought across the SRW states. Some of these areas are experiencing excess soil moisture.

USDA says 43% of U.S. winter wheat production areas are experiencing drought. The seasonal drought outlook calls for the drought footprint to expand in the Southern and Central Plains. Drought conditions are expected to remain intact but improve somewhat in the PNW through January. SRW areas are expected to remain drought-free.



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## Producer Crop Comments...

Please send crop comments to [editors@profarmer.com](mailto:editors@profarmer.com).

### Jasper Co. (southeast) Illinois:

"We're done with soybeans but have about 20% of corn left. Long lines at the elevator — can't get rid of the grain. And ground is wet."

### Warren Co. (west-central) Illinois:

"Our March-planted soybeans that endured two frosts yielded 90 bu. to 100 bu. per acre."

### Henderson Co. (west-central) Illinois:

"Our harvested average yield for soybeans was just shy of 80 bu. per acre, but a bunch of wet holes that were zero made for about a 73-bu. farm average, which was under our 10-year average."

### Winneshiek Co. (northeast) Iowa:

"Had a frost on May 29, a hot summer with not enough water and I still grew corn that yielded 10%-plus above my APH. My beans were below APH this year."

### Floyd Co. (northeast) Iowa:

"I had my best yields ever at well over 250 bu. per acre. We combined 20% moisture corn that was still green due to strong plant health."

### Pottawattamie Co. (southwest) Iowa:

"Most farmers in our area are reporting corn yields 20 bu to 40 bu. per acre better than APH."

### Allen Co. (northeast) Indiana:

"We are WET! Harvest is indefinitely delayed in our area. There are some that will have to wait for a hard freeze to resume harvest."

### Whitley Co. (northeast) Indiana:

"Our beans averaged 59 bu. per acre, 3 bu. better than our three-year average. Our corn did 167 bu. per acre, down from our 180-bu. average."

### Kandiyohi Co. (central) Minnesota:

"My corn yielded 67% of APH and beans were 63%. We missed the few timely rains that we needed."

### Waseca Co. (south-central) Minnesota:

"Our overall corn yield was 208 bu. per acre versus 206 bu. last year. There was quite a difference between corn-on-corn, which ranged from 146 bu. to 208 bu. per acre, and corn after beans, which ran 207 bu. to 233 bu. per acre."

### Henry Co. (northwest) Ohio:

"We've had 13 inches of rain in the past 30 days. Harvest is on hold. We're really going to need it to freeze up on some acres to get our corn off."

### Huron Co. (central) South Dakota:

"We had 2.8 inches of rain in a week and 12 inches in the past 60 days. Fields, cattle lots and roads are a mess. It's going to be a while before harvest resumes. I believe the drought for this area is over."

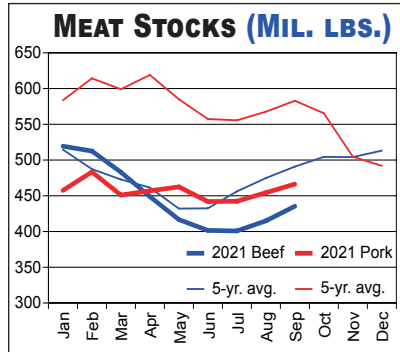
### Cass Co. (east-central) North Dakota:

"Harvest is in the books. Yields weren't what I was hoping for, but it could have been worse given drought conditions."

## Total red meat supplies decline

USDA's Cold Storage Report estimated total red meat inventories at 930.4 million lbs. at the end of September, down 38.2 million lbs. (3.9%) from last year.

Beef stocks totaled 435.3 million lbs., up 20.4 million lbs. (4.9%) versus August, slightly more than the five-year average build of 16.1 million lbs. for the month. Beef inventories dropped 27.7 million lbs. (6.0%) from September 2020 levels



and were 55.5 million lbs. (11.3%) below the five-year average.

Pork stocks totaled 466.4 million lbs., up 12.1 million lbs. (2.7%) from August, slightly less than the five-year average increase of 15.3 million lbs. for the

month. Pork stocks rose 791,000 lbs. (0.2%) versus year-ago levels — the first year-over-year increase since March 2020. But frozen pork inventories fell 116.5 million lbs. (20.0%) versus the five-year average.

Total poultry stocks came in at 1.154 billion lbs., up 9.5 million lbs. (0.8%) versus August but down 240.6 million lbs. (17.2%) from year-ago. Chicken breast meat inventories plunged 59.0 million lbs. (27.0%) from last year's record levels amid sharply higher restaurant usage.

## Placements unexpectedly decline

USDA estimates there were 11.550 million head of cattle in big feedlots (1,000-plus head) as of Oct. 1, down 1.4% from last year and 97,000 head fewer than the average trade estimate implied. The decline in feedlot numbers was driven by smaller-than-expected placements during September, which more than offset lighter-than-anticipated marketings.

Cattle on Feed Report	USDA actual (% of year-ago)	Average estimate (% of year-ago)
On Feed Oct. 1	98.6	99.4
Placed in Sept.	97.1	101.4
Mkted in Sept.	96.9	97.5

While feedlot supplies are down from year-ago, the inventory of cattle that have been on feed for more than 120 days is estimated at

4.103 million head, 3.2% higher than a year ago and 7% higher than the five-year average. The inventory of cattle in feedlots 150-plus days is calculated at 2.259 million head, 13.6% higher than year ago and 22% higher than the five year average. Feedlots need to get more current before the cash market can show sustained strength. Once that happens, declining feedlot supplies should allow the cash market and futures to strengthen.

The breakdown of feedlot supplies showed steers down 3.4% from last year at 7.065 million head and heifers up 1.8% at 4.485 million head as of Oct. 1.

## USDA raises meat price forecasts

USDA continues to forecast overall food price inflation at 3% to 4% for 2021, with restaurant (food away from home) prices seen rising 3.5% to 4.5% while grocery store (food at home) prices are seen increasing 2.5% to 3.5%.

However, USDA noted categorical changes, especially for meat prices, which are now forecast to rise 5.5% to 6.5%, up from 4.5% to 5.5% in September. Beef prices are now expected to jump 6.5% to 7.5% compared with an increase of 5% to 6% last month. Pork prices are also expected to rise 6.5% to 7.5% from 2020 levels, up slightly from a range of 6% to 7% previously. Poultry prices are forecast to rise 3.5% to 4.5% versus 3% to 4% in September.

Meat prices have been driven up by strong domestic and international demand, labor shortages, supply chain disruptions and high feed and other input costs, USDA said.

## Consumer confidence improves

The Confidence Board's consumer confidence index unexpectedly increased 3.6% during October, ending three straight monthly declines. The present situation index, based on consumers' assessment of current business and labor conditions, rose 2.1%. The expectations index, based on consumers' short-term outlook for income, business and labor market conditions, strengthened 5.3%. Concerns about the spread of the Delta variant of Covid eased, driving the unexpected increase in consumer confidence.

The report noted consumers planning to purchase homes, automobiles and major appliances all increased in October — a sign that consumer spending will continue to support economic growth. Also, 47.6% of respondents intend to take a vacation within the next six months — the highest level since February 2020, a reflection of the ongoing resurgence in consumers' willingness to travel and spend on in-person services.

A pickup in buying intentions suggests consumers are willing to spend despite rising inflation, or perhaps, because they believe prices will rise even more. Expectations for wage inflation also appears to be helping, with 18.7% of consumers expecting their incomes to increase over the next six months.

## Chinese pork prices continue to fall

China's average pork price in 16 provincial regions fell 15% in September and was down 61.8% versus year-ago, according to ag ministry data. Chinese domestic pork and hog prices continue to fall amid increased supplies and a decline in demand. In August, Beijing increased surveillance of the hog/pork market in an attempt to stabilize prices and domestic production.

While pork prices are falling, Chinese consumers are spending a lot more on vegetables after fall flooding wiped out crops. The price of some vegetables is now higher than pork.



# If elections were held today... talking to an expert

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

A few governor races take place Nov. 2, but the next elections of note come in November 2022 when mid-term races will determine control of both the House and Senate. Who controls Congress will impact the remainder of President Joe Biden's first term and a host of issues in Washington, including a new farm bill and the future of the Renewable Fuel Standard. We chatted about these topics with election expert Dave Wasserman of the *Cook Political Report with Amy Walter*.

## The importance of the Nov. 2 Virginia governor's race

GOP challenger Glenn Youngkin has pulled ahead of Democratic candidate Terry McAuliffe in the polls for Virginia's governor race. Just a few weeks ago, McAuliffe was ahead by 10 points in polls. Sinking approval ratings for Democrats and Biden are part of the reason, but state issues involving education are also important. Biden won Virginia by 10 points in 2020. Democrats will declare victory even if McAuliffe wins by a slim margin, but Wasserman says that would suggest other state races in the House and Senate for 2022 that are already close could be bad news for Democrats. If Youngkin wins, as Wasserman now predicts, it would suggest a "wave" election for Republicans in 2022.

## 2022 House races: GOP wins a net 25 seats

Although it's early, Wasserman sees some important trends. One of them: A growing number of House Democrats have announced they are leaving office or retiring. While many of these are "safe" Democratic districts, Wasserman says it likely shows they believe they would be delegated to minority status. Republicans need a net gain of five seats to wrest control of the House in 2022; Wasserman sees a net gain of 25 seats, with two to five of them coming because of redistricting.

## Key impacts if GOP wins the House

(1) Current House Minority Leader Kevin McCarthy (R-Calif.) would be the likely new House Speaker. Wasserman thinks Nancy Pelosi (D-Calif.) will leave her post after the two major infrastructure bills pass and could be replaced by Hakeem Jeffries (D-N.Y.) to lead House Democrats. (2) The House Ag leadership would flip to G.T. Thompson (R-Pa.). Under his leadership, the panel would likely switch to more traditional ag policy issues — a major change from current Chair David Scott (D-Ga.).

## 2022 Senate races: GOP 53 Democrats 47

There is currently a 50/50 split in the Senate, with Democrats controlling the chamber because Vice President Kamala Harris breaks ties. Democrats have only 14 seats up for re-election in 2022 versus the 20 seats for Republicans. Wasserman says control of the Senate will largely be determined by seven races: The currently held Democratic seats in Arizona, Georgia, New Hampshire and Nevada, and the GOP-held seats in North Carolina, Pennsylvania and Wisconsin. Wasserman thinks Republicans will garner six of those seven seats. The exception would be Georgia, where he sees current Sen. Raphael Warnock winning re-election over GOP challenger Herschel Walker.

## Key impacts if GOP wins the Senate:

(1) Senate Majority Leader would flip to Mitch McConnell (R-Ky.) from Chuck Schumer (D-N.Y.). (2) Senate Ag Committee leadership would move to John Boozman (R-Ark.) from Debbie Stabenow (D-Mich.). If so, there would be a one- to two-year extension of the current farm bill to allow a "rethinking" of the next farm bill.

## Other observations from Wasserman:

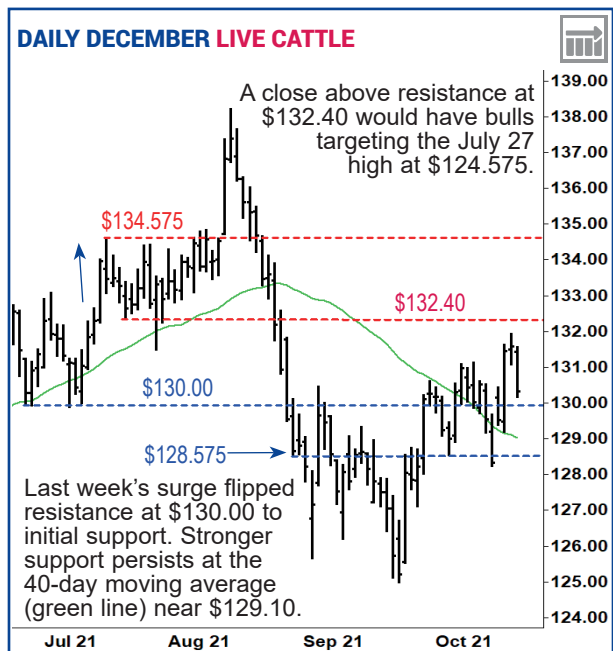
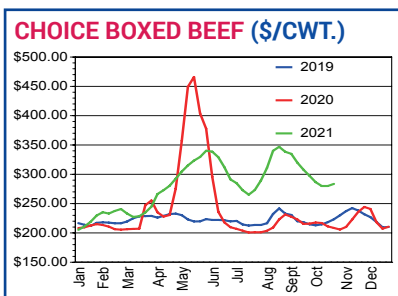
- Democrats have another Senate problem in 2024 when they have more seats up for re-election than do Republicans.
- He gives 60% to 70% odds Donald Trump will seek re-election. If not, possible GOP candidates include Sen. Tim Scott (R-S.C.), former Secretary of State Mike Pompeo, Nicki Haley, a former North Carolina Governor who also served as U.S. ambassador to the U.N. for two years under then President Trump, or Florida Gov. Ron DeSantis.
- Wasserman says there's a 40% chance Biden will seek re-election. "He's got to say that he's running to avoid looking like a lame duck." If Biden does not run, Wasserman thinks it will be difficult for him not to support his vice president, Kamala Harris. But Wasserman said it's clear Harris "has not lit up the political skies." He sees a potential candidate from state governors, perhaps Michigan Gov. Gretchen Whitmer. "I think there is an opening on the Democratic side that is much more moderate," Wasserman believes. On the far left, Wasserman notes that Rep. Alexandria Ocasio Cortez (D-N.Y.) will be eligible to run for president as she turns 35 a couple weeks before the 2024 election. "She would be a pretty easy Republican target," Wasserman concludes.

**CATTLE - Fundamental Analysis**

As suggested the week prior, wholesale beef prices were near a low and turned higher last week. Packers and traders were apparently encouraged by this development, as indicated by gains in both cash and futures prices, despite mixed results from the Oct. 23 Cattle on Feed and Cold Storage Reports. Surprisingly low September feedlot placements were supportive, but slow marketings and rising steer weights imply producer sales are lagging. Continued beef gains would likely translate into a sustained cattle market advance, but lower retail prices may be needed to power a bull run into 2022.

**Position Monitor**

<b>Game Plan:</b>	<b>Feds</b>	<b>Feeders</b>
Fed cattle producers should continue to carry all risk in cash. Be prepared to add hedges when the current rally shows signs of stalling.	<b>IV'21</b> 0%	0%
	<b>I'22</b> 0%	0%
	<b>II'22</b> 0%	0%
	<b>III'22</b> 0%	0%

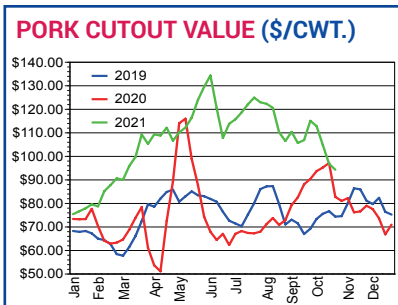


**HOGS - Fundamental Analysis**

Hog slaughter recently averaged 2% to 3% under year-ago levels, confirming the reductions implied by USDA's September Hogs and Pigs Report. September pork stocks also fell well short of recent fall norms, so excessive hog and pork supplies aren't a problem. Thus, persistently declining prices imply poor demand is undercutting the complex. Rebounding beef values promise improved substitution demand for pork, but elevated consumer prices and greatly reduced Chinese buying are likely undercutting prices. We still think recent futures losses are overdone and don't favor hedges.

**Position Monitor**

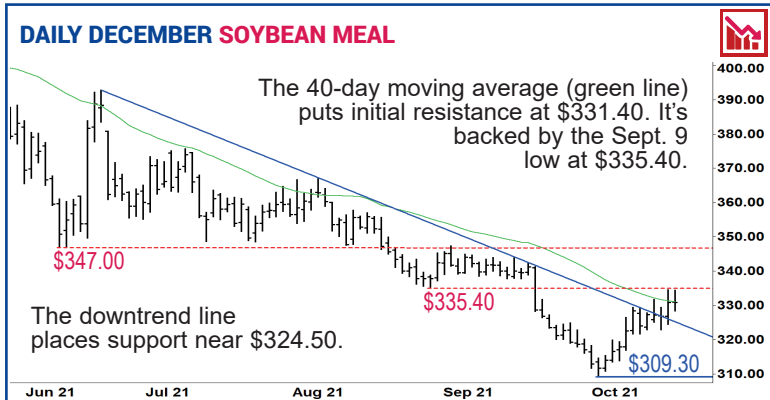
<b>Game Plan:</b> There may be more near-term downside risk, but hedges are risky given the bigger-than-normal seasonal discounts winter-month futures hold to the cash index.	<b>Lean Hogs</b>
	<b>IV'21</b> 0%
	<b>I'22</b> 0%
	<b>II'22</b> 0%
	<b>III'22</b> 0%



**FEED**

**Feed Monitor**

<b>Corn</b>	<b>Corn Game Plan:</b> You are hand-to-mouth on corn-for-feed needs. We don't anticipate a sustained price rally in corn futures. We'll wait on an eventual pullback to extend coverage.
<b>IV'21</b> 33%	
<b>I'22</b> 0%	
<b>II'22</b> 0%	
<b>III'22</b> 0%	
<b>Meal</b>	<b>Meal Game Plan:</b> You are hand-to-mouth on soymeal needs. We'll wait on a pullback below \$315 in December futures to extend coverage, as the downtrend remains in place.
<b>IV'21</b> 33%	
<b>I'22</b> 0%	
<b>II'22</b> 0%	
<b>III'22</b> 0%	

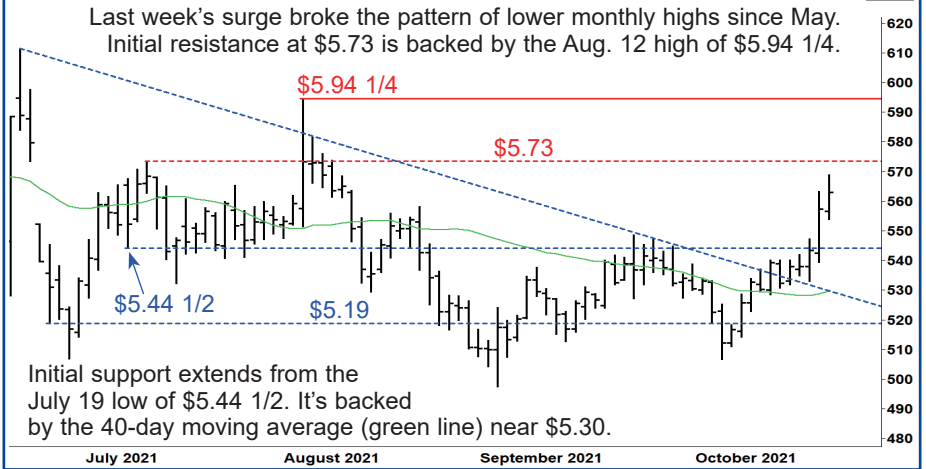


### Position Monitor

	'21 crop	'22 crop
Cash-only:	50%	10%
Hedgers (cash sales):	50%	10%
Futures/Options	0%	0%

**Game Plan:** On Oct. 27, we advised hedgers to exit the 2021-crop hedges in December futures and make an offsetting 10% cash sale. We also advised cash-only marketers to sell another 10% of 2021-crop. In addition, we advised all corn producers to sell an initial 10% of expected 2022-crop production for harvest delivery next year. Get current with advised sales and be prepared to make more sales on additional price strength.

### DAILY DECEMBER CORN



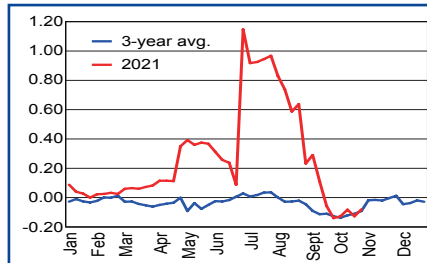
### DAILY MARCH CORN



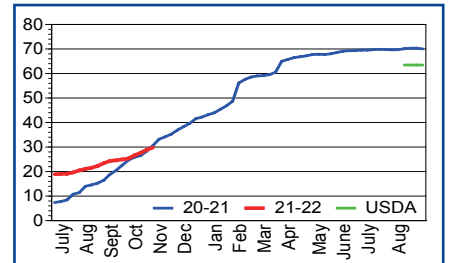
### CORN - Fundamental Analysis

December futures' rally to 2 1/2-month highs changed momentum and demonstrated corn bulls are getting more active. A spike in ethanol production signals USDA may hike estimated 2021-22 corn usage for ethanol production in its Nov. 9 Supply and Demand Report (it was unchanged at 5.2 billion bu. in October). Speculative funds continue to lean bullish in corn and likely will be a key price influencer moving forward with the commodity "supercycle" story gaining fresh legs amid rising global inflation. But a sustained rally will require stronger export demand. We view further price advances as potential selling opportunities.

#### AVERAGE CORN BASIS (DECEMBER)



#### CORN EXPORT BOOKINGS (MMT)

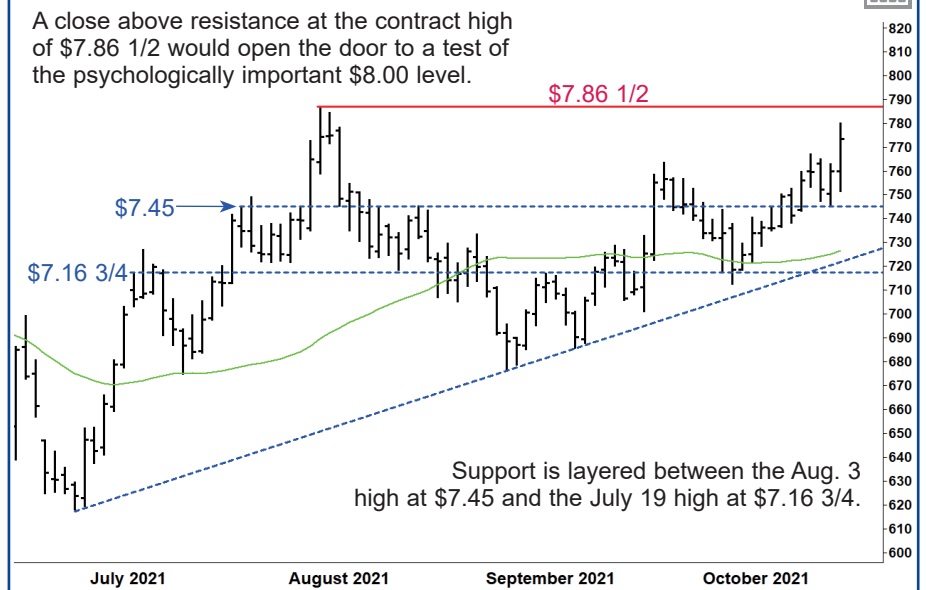


### Position Monitor

	'21 crop	'22 crop
Cash-only:	70%	20%
Hedgers (cash sales):	70%	20%
Futures/Options	0%	0%

**Game Plan:** Given our sales levels, we are willing to wait on the market to signal the upside is exhausted before advancing 2021- and 2022-crop sales. Fundamentals are supportive, but demand is needed to sustain the price rally.

### DAILY DECEMBER SRW WHEAT



### WHEAT - Fundamental Analysis

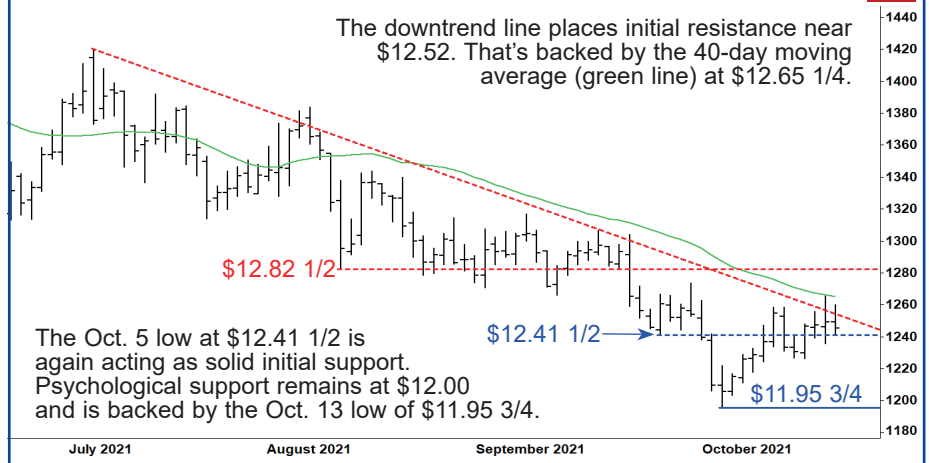
**SRW** — Strong initial USDA crop condition ratings in top SRW states wouldn't seem to make much of a bullish case. But as long as the HRW and HRS markets keep rallying, SRW likely holds impetus to climb beyond the near-nine-year highs posted by front-month futures last week.

### Position Monitor

	'21 crop	'22 crop
Cash-only:	50%	0%
Hedgers (cash sales):	60%	0%
Futures/Options	15%	0%

**Game Plan:** Get current with advised sales. Continue to hold the 15% hedges in January soybean futures as downside price protection. Any extended corrective price rebound should be used to advance cash sales. While the market has likely put in a seasonal low, the upside is limited unless corn and/or wheat pull soybeans higher. Thus far, soybeans have been a reluctant follower to the upside.

### DAILY JANUARY SOYBEANS



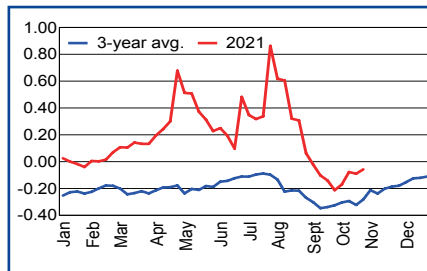
### DAILY MARCH SOYBEANS



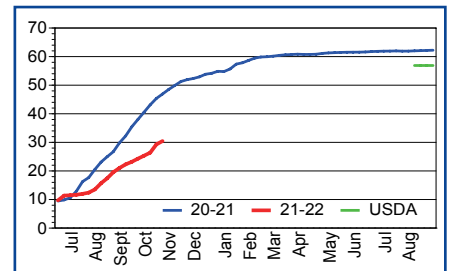
### SOYBEANS - Fundamental Analysis

Futures' modest rally since mid-October stalled a bit, but stepped-up China purchases could provide fodder for bulls. USDA's Nov. 9 Crop Production Report will help set the tone for the rest of the year. USDA may bump up its crop estimate again and near-term supplies appear sufficient. Crude oil and Malaysian palm oil, both near multiyear highs, will also influence price action in soybeans. By contrast, soybean futures pulled back and the forward price curve is down throughout 2022. Given their relationships, it's unlikely oil markets will continue to diverge. Unless funds load up on the long side, soybeans' upside potential probably remains limited.

### AVERAGE SOYBEAN BASIS (NOVEMBER)



### SOYBEAN EXPORT BOOKINGS (MMT)



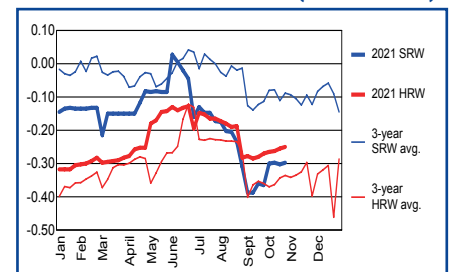
### DAILY DECEMBER HRW WHEAT



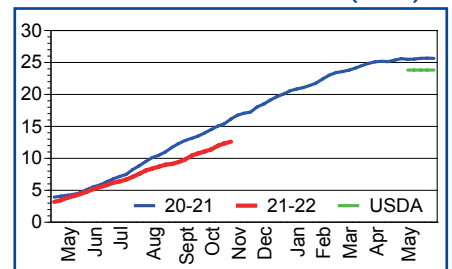
### DAILY DECEMBER HRS WHEAT



### AVERAGE WHEAT BASIS (DECEMBER)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — Export sales at 463 million bu. are off 130 million bu. from last year and shipments have been terrible at just over 5 million bu. each of the past two weeks. Still, global tightness in high-protein wheat supplies is price-supportive. Persistent Plains dryness should also be supportive. HRW futures last topped \$8.00 in May 2014, peaking at \$8.55 1/4.

**HRS** — Seven straight weekly gains put spring wheat futures within reach of the 2011 high at \$11.20. Further gains in the HRW market, combined with shrinking global supplies and ongoing Plains drought, could help vault HRS even higher, though at some point, demand will need to improve to support prices. HRS exports lag last year's pace by 20%.

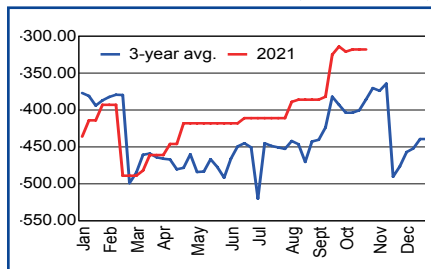


### Position Monitor

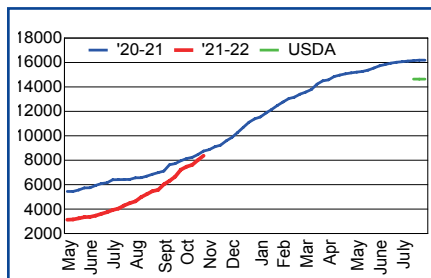
	'21 crop	'22 crop
Cash-only:	85%	30%
Hedgers (cash sales):	100%	30%
Futures/Options	15%	0%

**Game Plan:** On Oct. 28, we advised hedgers to reown 15% of 2021-crop in long March futures. Our entry was 111.34¢. Get current with sales and hedges.

### AVERAGE COTTON BASIS (DECEMBER)



### COTTON EXPORT BOOKINGS ('000 BALES)



## COTTON - Fundamental Analysis

Weekly upland cotton export sales at 360,800 bales topped the four-week average by 6%. This indicates export demand remains robust despite elevated prices. Total export commitments (exports + outstanding sales) are already 57% of USDA's forecast.

## GENERAL OUTLOOK

**EQUITIES:** U.S. stocks roared back from a September slump, as benchmarks like the S&P 500 index bucked October's weak performance history and posted record highs late in the month. Market bulls may have further room to run over the final two months of 2021.

The S&P usually rallies in November and December. Since 1980, the S&P 500 rose nearly three-quarters (73%) of the time in the last two months of the year

and was up an average of 3.3% overall, according to Jessica Rabe, co-founder of DataTrek Research.

Strong corporate earnings have driven a 22% gain in the S&P this year through late October, and an unexpected jump in consumer confidence suggests the market has fuel for further upside. But weaker-than-expected GDP reminds us that the economy, like the market, doesn't move in straight lines.

## FROM THE BULLPEN By Editor Brian Grete

From the September low, December corn futures firmed around 65¢ to their Oct. 27 intraday peak. While the contract closed above the 100-day moving average for the first time since mid-August and violated the pattern of lower monthly highs that's been in place since May, the strong rally was too good of an opportunity to ignore.

On Oct. 27, we advised hedgers to lift the 10% 2021-crop hedges held in December futures and make an offsetting 10% sale in the cash market to get to 50% sold. We also advised cash-only marketers to sell another 10% of 2021-crop to get to 50% priced.

We intend to increase old-crop sales on further price strength. While the tech-

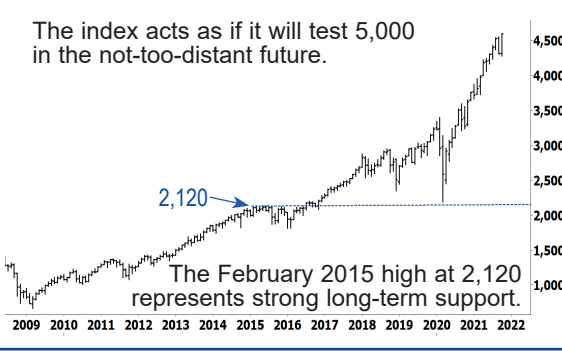
nical pattern has strengthened, there will be strong resistance in the \$5.75 to \$6.00 area that will be tough to clear. We maintain our long-standing stance that price rallies above \$5.50 should be used to increase 2021-crop sales.

December 2022 futures surged to a contract high of \$5.47 3/4 on Oct. 27. That prompted us to advise hedgers and cash-only marketers to sell an initial 10% of expected 2022-crop production for harvest delivery next year. While there's talk of sharply higher fertilizer prices reducing corn acres, we still believe the strong price rally is an opportunity to begin pricing 2022-crop production to protect downside risk if market sentiment sours.

### DAILY DECEMBER COTTON



### MONTHLY S&P 500 STOCK INDEX



## WATCH LIST

- 1 USDA Grain, Soy Crush Rpts.** **MON 11/1**  
Soy crush, ethanol data for Sept. 2:00 p.m. CT
- 2 USDA Crop Progress Report** **MON 11/1**  
Winter wheat conditions in focus. 3:00 p.m. CT
- 3 USDA Weekly Export Sales** **THUR 11/4**  
Soybean sales to China in focus 7:30 a.m. CT
- 4 U.S. Ag Trade Update** **THUR 11/4**  
Export, import data for Sept. 9:30 a.m. CT
- 5 September Employment Rpt.** **FRI 11/5**  
Back-to-back disappointing data. 7:30 a.m. CT

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