Farm Journal
Pro Farmer
Trusted Analysis. Professional Insight.

Go to ProFarmer.com
January 22, 2022
Vol. 50, No. 4

News this week...
2 – Consultant continues to trim Brazil soybean crop.
3 – NOPA crush sets all-time record in December.
4 – Our updated 2021-22 S&D tables, with 2022-23, too.

Soybeans surge to 7-month highs – *Soybean futures surged to their highest levels since June amid ongoing stress to South America crops. While some areas of South America received much-needed rains last week, more rains will be needed to keep crop estimates from declining further. Be prepared to make additional old- and new-crop sales as soybean futures have reached our next targets. Corn futures moved to the top of their recent range, but failed to post an upside breakout, despite the strength in soybeans. Wheat futures posted a strong corrective rebound amid geopolitical tensions with Russia. Livestock markets were boosted by a resurgence in inflation-based investor buying and hopes recent slowdowns in slaughter due to Covid will end soon. Cattle futures rebounded, while spring and summer hogs surged to new highs.*

Some relief rains in South America

Some of Argentina received heavy rains over the past week as a cool front passed through the middle of the country. But far northern Argentina, southern Brazil and Paraguay remained hot and dry. The high pressure ridge over these areas is expected to break down during the middle of this week, bringing some relief. Meanwhile, conditions turned drier in central and northern Brazil, which will benefit maturing soybeans.

Ukraine: *Are the Russians coming?*

Leaders from the U.S., Germany, France and the UK held meetings with each other and Russian officials last week in an attempt to avoid a Russian invasion of Ukraine. President Joe Biden initially said retaliation from allied nations was unlikely if there was a minor Russian incursion, but he later took a stronger stance. Despite diplomatic attempts, some sources believe it's a matter of when not if Russia will invade Ukraine.

Potential price impacts if Russia invades Ukraine

It's difficult to gauge exactly how markets will react to military force, but the recent past suggests it would support wheat and corn. In 2014 when Russia annexed Crimea from Ukraine, SRW wheat futures rallied 13.9% and corn firmed 10.6%.

China a big buyer of U.S. ag goods

Export sales activity to China the week ended Jan. 13 included net 2021-22 sales of 76,897 metric tons (MT) of corn, 183,458 MT of sorghum, 797,049 MT of soybeans and 62,1823 bales of upland cotton. Sales to China for 2022-23 included 462,000 MT of soybeans, 53,000 MT of sorghum and 106 bales of upland cotton. China also bought 3,858 MT of beef and 24 MT of pork.

Record Midwest ethanol stocks

U.S. ethanol stocks increased 681,000 barrels to 23.59 million barrels for the week ended Jan. 14, a 48-week high, including record inventories in the Midwest region (PADD 2).

Weekly ethanol production rose 47,000 barrels per day (bpd) to 1.053 million bpd, an increase of 11.4% from the same week last year. But the combination of record Midwest stocks and weakened margins could slow near-term production.

China cuts rates, warns on tightening

The People's Bank of China (PBOC) made a series of cuts to interest rates after the country reported fourth-quarter 2021 GDP fell to 4.0% from 4.9% the previous quarter. PBOC noted additional monetary policy moves could be coming as it tries to avoid a "collapse" in credit. While China will use a variety of monetary and fiscal policies to boost its economy, officials say they won't resort to "flood-like" stimulus.

China is easing monetary policy to boost economic growth at the same time other central banks are tightening to combat surging inflation. Chinese President Xi Jinping warned the U.S. and others there would be "serious negative spillovers" if they get too aggressive with rate hikes.

Vilsack highlights key issues for ag

In testimony before the House ag panel, USDA Secretary Tom Vilsack addressed the state of U.S. agriculture and many of the key topics that will impact farmers and ranchers.

- Initial WHIP+ payouts for 2020, 2021 will come in spring.
- Payments to hog producers via the Spot Market Hog Pandemic Program will hopefully be in "the March timeframe."
- The administration is pushing China on seven key areas it has fallen short relative to Phase 1, including purchases, biotech approvals and several sanitary and phytosanitary issues.
- Vilsack defended EPA's proposed lower RFS levels for 2020 but added its 2021 and 2022 levels are the highest in history. He also touted the $700 million of pandemic assistance to biofuel producers and $100 million to expand access to higher blends.
- Amid the push for electric vehicles, Vilsack stressed cars with internal combustion engines will remain on the road for the foreseeable future and will require the use of biofuels.

See Vilsack's comments on these topics and others here.

House farm bill work to start soon

Chair David Scott (D-Ga.) says the House ag committee will start work on the next farm bill after returning from the late-January break. But Republicans believe they will be in control of the panel after the 2022 elections and some predict at least a one-year extension of the current farm bill is likely.

Another cut to Brazil bean crop peg

Areas of southern Brazil received some rains, but they were irregular in Parana and Rio Grande do Sul and the heavier amounts favored the Atlantic coast while the soybeans are grown mostly in the western regions of those states. As a result, Crop Consultant Dr. Michael Cordonnier cut his Brazilian soybean crop estimate another 1 million metric tons (MMT) to 134 MMT. He left his Brazilian corn crop forecast at 112 MMT, as three quarters of the country's production will be from the safrinha crop, which won't be planted until soybeans are harvested.

Cordonnier also lowered his Paraguay soybean crop estimate 1 MMT to 7 MMT, as the country remains a "dry bubble." He calls early soybean yields "terrible" and does not expect any significant improvement as harvest advances.

Attaché well below USDA's Brazil soy export forecast

USDA's attaché in Brazil lowered its estimate for the country's soybean production to 136 MMT, saying drought in some regions and excessive rain in others has dampened prospects for a record crop. The attaché forecast is lower than USDA's 139 MMT projection in the Jan. 12 Supply and Demand Report.

Due to the crop losses, the attaché cut its 2021-22 Brazilian soybean export projection to 88 MMT, which would be slightly lower than the record 88.5 MMT it estimates for 2020-21, and 6 MMT (220 million bu.) below USDA's 2022-23 forecast.

Rains don't boost Argentine crops

Recent rains across areas of Argentina improved soil moisture conditions a little but didn't boost crop ratings. As of Jan. 20, the Buenos Aires Grain Exchange rated soil moisture conditions as 48% "adequate" (up from 40% the previous week) and 52% "drought" (down from 60%) for soybeans. The soil moisture ratings for corn stood at 56% "adequate" (up from 47%) and 44% "drought" (down from 53%).

The exchange rated the country's soybean crop as 30% "good/excellent" (down from 31% previously) 43% "fair" (up from 40%) and 27% "poor" (down from 29%). It rated the corn crop 22% "good/excellent" (down from 23%), 41% "fair" (unchanged) and 37% "poor" (up from 36%). Because of the development stage, earlier planted soybeans and corn are faring worse than later planted acres.

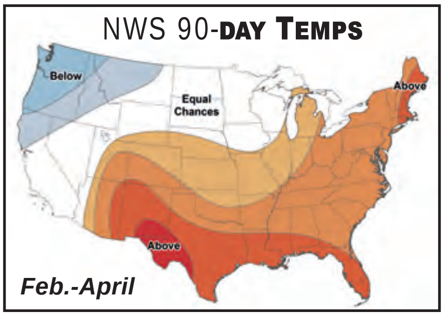
The exchange maintained its crop estimates at 44 MMT for soybeans and 57 MMT for corn.

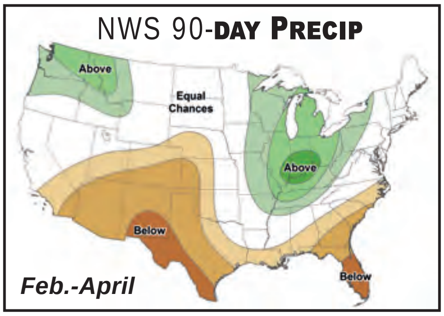
Cordonnier left his Argentina soybean and corn crop forecasts at 43 MMT and 51 MMT, respectively, noting forecasts for improved conditions through late January.

Follow us on Twitter:
@ProFarmer @ChipFlory @TimHoskinsPF
@BGrete @BruceBlythe @DavisMichaelsen

No HRW relief in extended forecast

The National Weather Service's (NWS) 90-day forecast continues to give elevated odds of above-normal temps and below-normal precip across HRW areas of the Southern Plains. Below-normal precip is likely over nearly all of Texas and the western half of Oklahoma for February through April, unchanged from the previous 90-day forecast for January through March. The predicted bubble of below-normal precip is expanded to now include all of Colorado, the western half of Kansas and most of the western portion of Nebraska. NWS expects above-normal temps from Nebraska southward and eastward.





While the forecast offers little hope for relief from moisture stress for the HRW crop, NWS calls for above-normal precip over the bulk of SRW production areas from February through April, along with above-normal temps.

Late-winter/early spring precip would not only support SRW development as the crop breaks dormancy, it would also provide beneficial soil moisture ahead of spring planting in the eastern Corn Belt.

The late-winter/early spring forecast gives mostly "equal chances" for above-, below- and normal precip and temps across nearly the entire western Corn Belt through April.

White winter wheat areas of the Pacific Northwest should see some improvement in drought conditions, as precip is expected to be above normal through April.

Drought footprint remains wide

The amount of U.S. winter wheat considered in drought conditions dropped one percentage point for the week ended Jan. 18, but 68% is still moisture-stressed, according to the U.S. Drought Monitor. USDA said winter wheat drought was 27% "moderate," 22% "severe," 17% "extreme" and 2% "exceptional." Most of the improvement of abnormally dry/drought conditions occurred in the SRW area.

In HRW areas, Texas had a one-point drop in the area considered abnormally dry/drought to 96%. The amount of land classified as abnormally dry/drought in Kansas (81%), Oklahoma (95%), Montana (93%), Colorado (100%), Nebraska (82%) and South Dakota (78%) was unchanged.

Record NOPA crush in December

Members of the National Oilseed Processor Association (NOPA) crushed 186.4 million bu. of soybeans in December, up 7 million bu. from November and the highest tally for any month ever. The NOPA data implies a total soybean crush for December of 197.5 million bu., which would top the current record of 196.9 million bu. set in October.

For the first four months of 2021-22, we estimate crush at 749 million bu., down 0.4% from the same period last year. But given current strong margins through summer, we project crush to reach a record 2.2 billion bu., which would be up 2.8%.

NOPA's December soyoil stocks totaled 2.031 billion lbs., up 199 million lbs. from November. The bigger-than-expected crush accounted for some of the increase, but the data still implied domestic demand was weaker than anticipated.

Record Chinese corn, wheat imports

China imported a record 28.4 MMT of corn in 2021, a 152% surge from the previous year. The country's wheat imports at 9.8 MMT were also a record and up 16.6% from 2020. Chinese buyers stepped up imports of corn and wheat amid a shortage of domestic corn supplies. But the appetite for imported grains waned after China harvested a bigger corn crop that pushed down domestic prices, while feed demand weakened on plunging hog production margins.

China's U.S. soy imports rise in 2021

Of the 96.5 MMT of soybeans China imported in 2021, 32.3 MMT (33.5%) came from the U.S. and 58.2 MMT (60.3%) originated from Brazil. While Brazil was the main supplier of soybeans to China, arrivals from the U.S. rose 25% from 2020 and shipments from Brazil declined 9.5%.

Canada plans big renewable diesel site

Federated Co-operatives Limited and AGT Foods announced plans to build Canada's largest renewable diesel and a canola processing facility near Regina, Saskatchewan. The renewable diesel plant will have a production capacity of 15,000 barrels per day, or about 1 billion liters per year. The canola processing plant could process 1.1 MMT of canola seed, about half of the feedstock needed.

Study: U.S. renewable diesel likely less than half of estimates

From 2024 to 2025, U.S. renewable diesel production is forecast to grow to 4 billion to 5 billion gallons per year, according to the Energy Information Administration. However, production will likely only reach 2 billion gallons by 2025, according to a study from Cerulogy, an independent consultant for the International Council on Clean Transportation. The study notes current policies like the Renewable Fuel Standard and California's Low Carbon Fuel Standard are not strong enough to encourage renewable diesel production to reach 5 billion gallons.

Record euro zone consumer inflation

Consumer inflation in the euro zone climbed at an annual rate of 5% in December, up from 4.9% in November and the highest level on record. Energy prices surged 25.9% from year-ago. Excluding energy and food, so-called core inflation jumped 2.7% from last year.

UK inflation hits 30-year high

British consumer inflation rose to an annualized rate of 5.4% in December, the highest since March 1992. In December, the Bank of England (BOE) became the first major central bank to raise interest rates in an attempt to combat surging inflation. Financial markets now price in a more than 90% chance BOE will raise rates again on Feb. 3.

Global oil demand recovering

Global oil demand will exceed pre-pandemic levels this year thanks to growing Covid-19 immunization rates and recent virus waves that haven't proven severe enough to warrant a return to strict lockdown measures, the International Energy Agency (IEA) said. In its monthly oil market report, IEA hiked its oil demand growth forecast for 2022 by 200,000 barrels a day (bpd) to 3.3 million bpd. It forecasts total demand this year should hit 99.7 million bpd, around 200,000 bpd more than 2019 levels.

U.S. finds bird flu in Carolinas

As of Jan. 20, USDA reported three detections of highly pathogenic Eurasian avian flu in wild birds, two cases in South Carolina and one in North Carolina. USDA said all three confirmed cases are the H5N1 strain.

U.S. officials are taking precautions to keep bird flu from spreading to commercial flocks and there have been no trade disruptions for U.S. poultry.

South Korea lifts Canadian beef ban

South Korea lifted its suspension of Canadian beef imports that was imposed after Canada detected an atypical case of bovine spongiform encephalopathy (BSE) in December.

China and the Philippines still have bans on beef imports from Canada. China banned Brazilian beef for three months after it discovered an atypical case of BSE last fall.

China's pork production jumps 21%

China's 2021 pork output reached 53.0 MMT last year, up 21% from 2020 and just below the 53.4 MMT produced in 2017, prior to the African swine fever (ASF) outbreak that decimated the country's hog herd. China slaughtered 671.3 million hogs in 2021, up 27% from a year earlier. The country's hog herd totaled 449.2 million head at the end of December, up from 437.6 million head at the end of the previous quarter.

Focus is on old-crop demand with an eye on 2022-23

By Editor Brian Grete and Chief Economist Bill Nelson

Pro Farmer
Trusted Analysis. Professional Insight.

USDA's old-crop ending stocks forecasts increased for corn, soybeans and wheat in the Jan. 12 Supply & Demand Report. In the case of corn and soybeans, the increases came on bigger supplies via the larger crop estimates. For wheat, demand was trimmed more than imports. With old-crop supplies virtually set, focus for the remainder of 2021-22 will be squarely on how much of the supply gets used. As spring approaches, there will also be greater attention on planted acreage for corn and soybeans. For wheat, USDA provided the market with a solid benchmark on winter wheat acreage on Jan. 12.

Corn: We remain a little more hopeful on old-crop exports than USDA, especially with South American crop estimates declining. Even if exports reach our forecast and pull ending stocks a little lower than USDA projected this month, it likely wouldn't be enough to impact the average on-farm cash price.

For 2022-23, our initial projection is for a 3-million-acre decline in corn plantings. Combined with a trendline yield, that would result in just a fractional decline in total supply. We project total use will decline slightly more than supplies, to increase ending stocks and lower the average cash price.

Soybeans: As with corn, we are slightly more optimistic on the demand side of the balance sheet, with bigger crush and export forecasts due to South American crop losses. Unlike corn, our lower ending stocks forecast would be enough to impact the average cash price a little.

We anticipate soybean plantings will increase 1.2 million acres. Assuming a trendline yield, production would grow. And beginning stocks will be bigger. That would boost total supply by 2.6%. We forecast total use would increase only 1.4% to push ending stocks higher. At our ending stocks projection of 375 million bu., the national average cash price would likely fall around 75¢.

Wheat: USDA cut its 2021-22 wheat export forecast by 15 million bu. this month, but we don't think that was enough. Cutting exports to our 800-million-bu. projection would increase ending stocks and slightly lower the national average cash price. There isn't enough wheat left to sell to have a major price impact.

For 2022-23, our planted acreage forecast of 48.0 million acres, implies 13.6 million acres will be seeded to spring wheat and durum. Our harvested acreage projection assumes bigger-than-normal winter wheat abandonment (mostly HRW). And our average yield is also below-trend to reflect the rough conditions for the entire U.S. winter wheat crop. Still, we expect total supply would increase more than use to push ending stocks higher. Ending stocks at our projected level of 700 million bu. would drop the average cash price about 50¢ from this year.

Corn Supply/Demand

	2020-21 USDA	2021-22 USDA	2021-22 *PF*	2022-23 *PF*
Planted (mil. acres)	90.7	93.4	93.4	90.4
Harvested (mil. acres)	82.3	85.4	85.4	82.7
Yield (bu./acre)	171.4	177.0	177.0	179.0
		million bushels		
Beginning Stocks	1,919	1,235	1,235	1,515
Production	14,111	15,115	15,115	14,800
Imports	28	25	25	25
Total Supply	**16,055**	**16,375**	**16,375**	**16,340**
Feed and Residual	5,602	5,650	5,650	5,650
Food, Seed, Industrial	6,465	6,760	6,760	6,690
Ethanol for Fuel*	5,028	5,325	5,325	5,250
Total Domestic Use	12,068	12,410	12,410	12,340
Exports	2,753	2,425	2,450	2,400
Total Use	**14,820**	**14,835**	**14,860**	**14,740**
Carryover	**1,235**	**1,540**	**1,515**	**1,600**
Carryover, days' supply	30.4	37.9	37.2	39.6
Stocks-to-Use	8.3%	10.4%	10.2%	10.9%
Proj. avg. price/bu.	$4.53	$5.45	$5.45	$5.10

* "Ethanol for Fuel" is included in the Food, Seed & Industrial total.

Soybean Supply/Demand

	2020-21 USDA	2021-22 USDA	2021-22 *PF*	2022-23 *PF*
Planted (mil. acres)	83.4	87.2	87.2	88.4
Harvested (mil. acres)	82.6	86.3	86.3	87.5
Yield (bu./acre)	51.0	51.4	51.4	51.4
		million bushels		
Beginning Stocks	525	257	257	315
Production	4,216	4,435	4,435	4,500
Imports	20	15	15	15
Total Supply	**4,761**	**4,707**	**4,707**	**4,830**
Crush	2,141	2,190	2,200	2,235
Exports	2,265	2,050	2,075	2,100
Seed	101	102	104	105
Residual	-3	16	13	15
Total Use	**4,504**	**4,357**	**4,392**	**4,455**
Carryover	**257**	**350**	**315**	**375**
Carryover, days' supply	20.8	29.3	26.2	30.7
Stocks-to-Use	5.7%	8.0%	7.2%	8.4%
Proj. avg. price/bu.	$10.80	$12.60	$12.75	$12.00

Wheat Supply/Demand

	2020-21 USDA	2021-22 USDA	2021-22 *PF*	2022-23 *PF*
Planted (mil. acres)	44.5	46.7	46.7	48.0
Harvested (mil. acres)	36.8	37.2	37.2	39.2
Yield (bu./acre)	49.7	44.3	44.3	48.5
		million bushels		
Beginning Stocks	1,028	845	845	650
Production	1,828	1,646	1,646	1,900
Imports	100	100	100	125
Total Supply	**2,957**	**2,591**	**2,591**	**2,675**
Food	961	962	962	963
Seed	64	66	66	62
Feed/Residual	95	110	113	100
Total Domestic Use	1,120	1,138	1,141	1,125
Exports	992	825	800	850
Total Use	**2,112**	**1,963**	**1,941**	**1,975**
Carryover	**845**	**628**	**650**	**700**
Carryover, days' supply	146.0	116.8	122.2	129.4
Stocks-to-Use	40.0%	32.0%	33.5%	35.4%
Proj. avg. price/bu.	$5.05	$7.15	$7.10	$6.60

News alert and analysis exclusively for Members of **Professional Farmers of America**® 402 1/2 Main St. Cedar Falls, Iowa 50613-9985
General Manager Joel Jaeger • Editor Brian Grete • Editor Emeritus Chip Flory • Chief Economist Bill Nelson • Market Analyst Bruce Blythe • Washington Policy Analyst Jim Wiesemeyer
News Editor Tim Hoskins • Technical Consultant Jim Wyckoff • Market Economist Consultant Dan Vaught • LandOwner Editor Davis Michaelsen
Subscription Services: 1-800-772-0023 • Editorial: 1-888-698-0487

Farm Journal CEO, Andrew Weber

CATTLE - Fundamental Analysis

Prior to the Covid-driven price dive of early 2020, cash cattle prices averaged an $11.00 advance between Christmas and early spring in the previous 10 years. Given the 2020 example, recent packing plant cutbacks due to Covid might bode ill for the spring outlook, but last week's resurgence by futures reflected expectations for a timely return to normal. If so, the 10-year average suggests a seasonal rally into the $146 to $150 level may be coming. Having grocers pass along some of their recent wholesale savings to consumers could boost demand and amplify a seasonal rally, but that can't be relied upon.

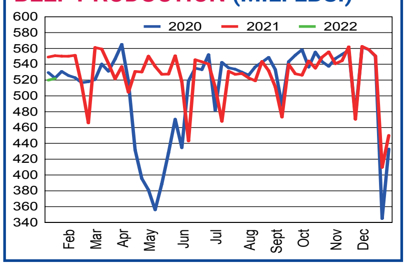
DAILY FEBRUARY LIVE CATTLE

Position Monitor

Game Plan: Fed cattle producers should keep risk in the cash market. Short-term hedges may be needed if the recent price runup becomes overdone.

	Feds	Feeders
I'22	0%	0%
II'22	0%	0%
III'22	0%	0%
IV'22	0%	0%

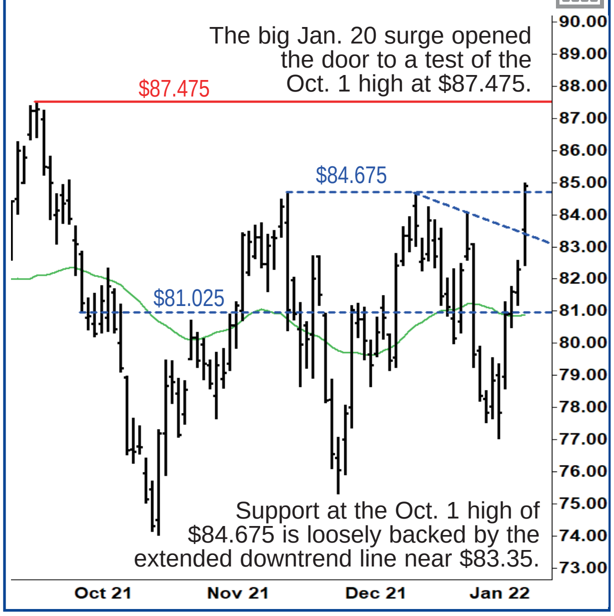
BEEF PRODUCTION (MIL. LBS.)



HOGS - Fundamental Analysis

Hog traders have seemingly wakened to the potential for hog prices to climb significantly this spring and summer. For example, the popular June contract sustained a push above the $100.00 level for the first time last week, whereas the CME Lean Hog Index peaked at $122.68 last June. In December, USDA implied spring 2022 hog supplies will run 4% below year-ago levels. The most-active April contract topped $90.00 last week despite a history of only modest gains between mid-February and early April. We are optimistic, but also wary of some bearish development such as a new Covid strain.

DAILY FEBRUARY LEAN HOGS

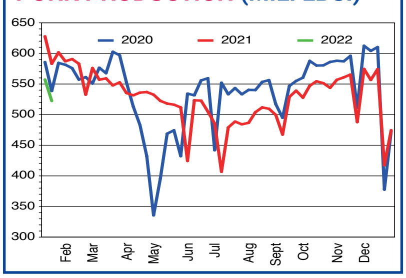


Position Monitor

Game Plan: The cash market and futures are strengthening seasonally. We feel there's more upside potential, but short-term hedges may be needed if the upside becomes overdone.

	Lean Hogs
I'22	0%
II'22	0%
III'22	0%
IV'22	0%

PORK PRODUCTION (MIL. LBS.)



FEED

Feed Monitor

Corn

I'22	0%
II'22	0%
III'22	0%
IV'22	0%

Meal

I'22	33%
II'22	0%
III'22	0%
IV'22	0%

Corn Game Plan: You are hand-to-mouth on corn-for-feed needs. We'll wait on a pullback to the $5.75 level or lower to advance coverage.

Meal Game Plan: On Jan. 18, we advised extending cash soymeal coverage through the end of January. We are targeting a drop to the $385 level in March futures to further extend cash coverage.

DAILY MARCH SOYBEAN MEAL

Position Monitor

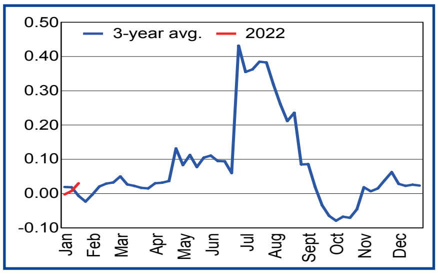
	'21 crop	'22 crop
Cash-only:	70%	20%
Hedgers (cash sales):	70%	20%
Futures/Options	0%	0%

Game Plan: Get current with advised 2021- and 2022-crop sales. Be prepared to advance sales if futures push above the December highs. We continue to feel the market will struggle to sustain trade above $6.00 in old-crop contracts and price moves above that level should be viewed as an opportunity to advance sales. We'll likely sell more 2022-crop when we advance old-crop sales.

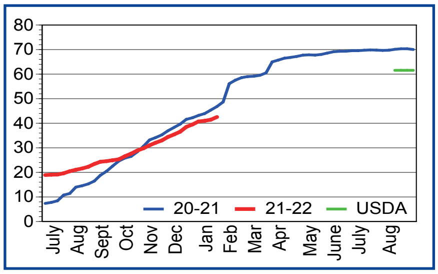
CORN - Fundamental Analysis

The limited response to the soybean market's sharp rally last week signals traders remain hesitant to push corn much above $6.00 and it doesn't have the strength to be an upside price leader. Corn's backwardation (spot prices above deferred futures) tells us supplies through summer aren't concerning. Still, ethanol demand remains strong and external factors (including Russia/Ukraine, China/Taiwan, rallying crude oil and widening inflation concerns) will provide underlying support. With old-crop futures above $6.00 and new-crop pushing to new contract highs last week, the market is providing selling opportunities.

AVERAGE CORN BASIS (MARCH)



CORN EXPORT BOOKINGS (MMT)



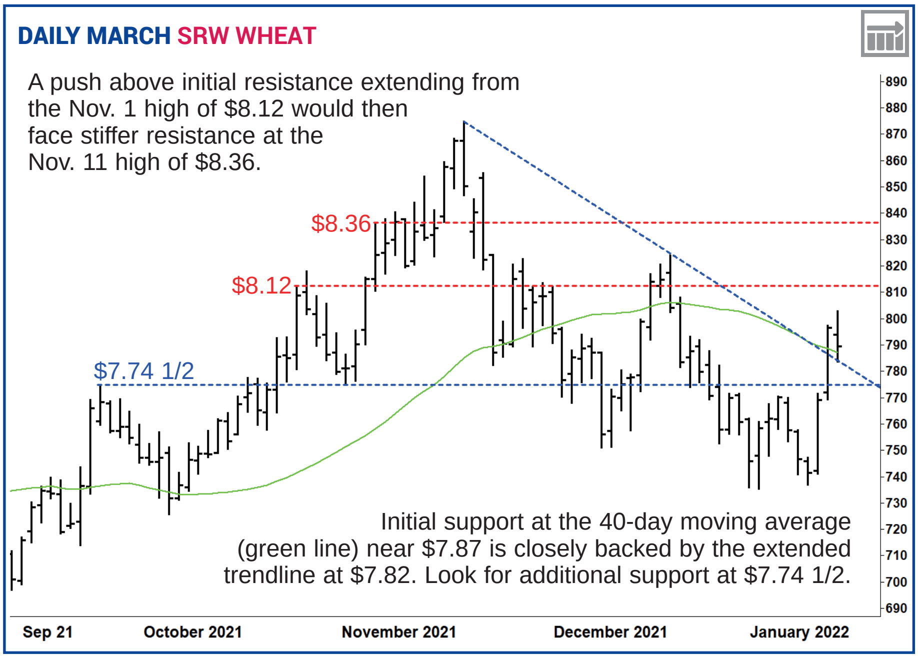
Position Monitor

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

Game Plan: Get current with advised sales. We intend to use the price recovery to increase old- and new-crop sales. The lack of export demand limits the upside, though a Russian invasion of Ukraine would be price-supportive.

WHEAT - Fundamental Analysis

SRW — Wheat futures rebounded amid heightened concerns about Russia invading Ukraine. Unless the pattern of lower highs is violated, traders will likely view price rallies as fresh selling opportunities as fundamental support is lacking amid poor export demand.

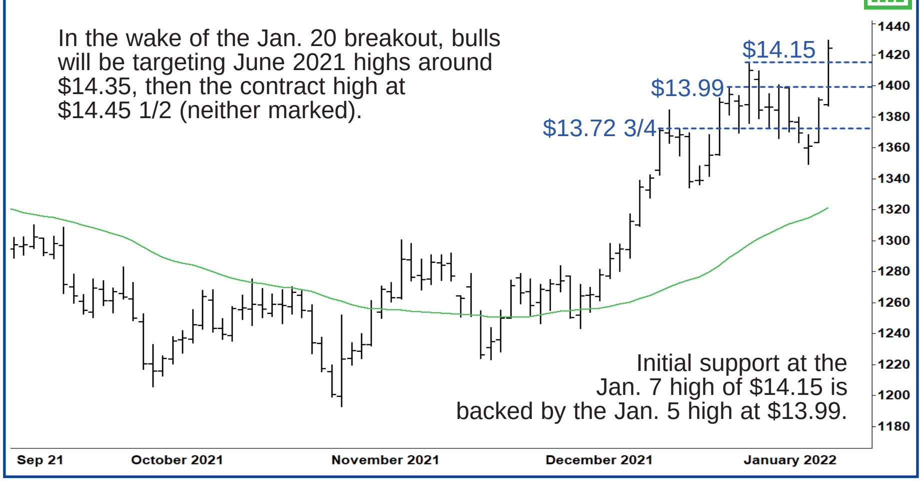


Position Monitor

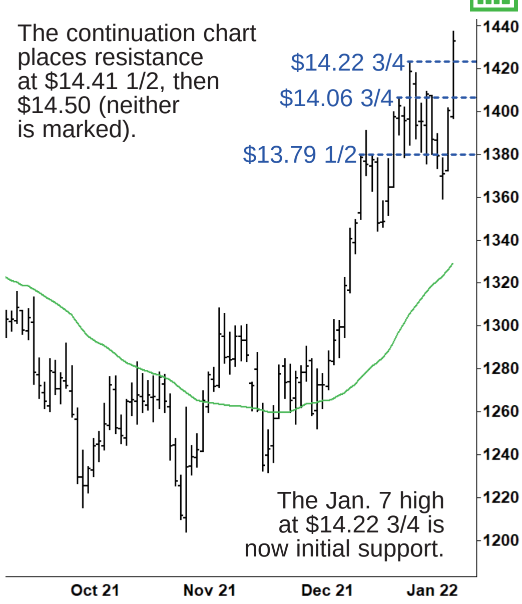
	'21 crop	'22 crop
Cash-only:	75%	20%
Hedgers (cash sales):	85%	20%
Futures/Options	0%	0%

Game Plan: Get current with advised 2021- and 2022-crop sales. Most of the South American crop losses that are currently forecast have been priced into the market. With the export window soon likely to start closing seasonally, the upside is tied to additional cuts to South American production. With old-crop futures above $14.00 and new-crop nearing $13.25, be prepared to increase sales.

DAILY MARCH SOYBEANS



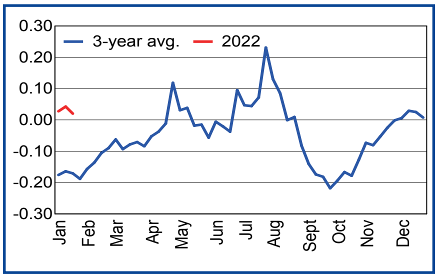
DAILY MAY SOYBEANS



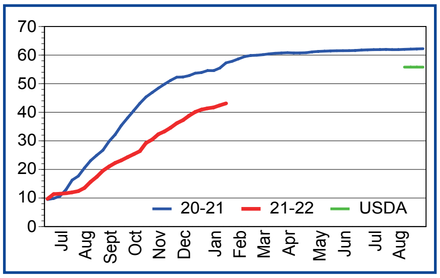
SOYBEANS - Fundamental Analysis

Last week's sharp rally illustrates bulls still have firm near-term control over the market. Traders' near-term focus will remain largely on South American weather and production. But there's also a bullish demand story driven by record domestic crushing and a big jump in Chinese purchases late last year. To what extent fresh China buying emerges in coming weeks will be one key to whether futures can continue rising. Other variables include whether soymeal has peaked and ceded upside leadership to resurgent soyoil. It's easy to forget about markets when prices are rising, but the current rally should be viewed as a selling opportunity.

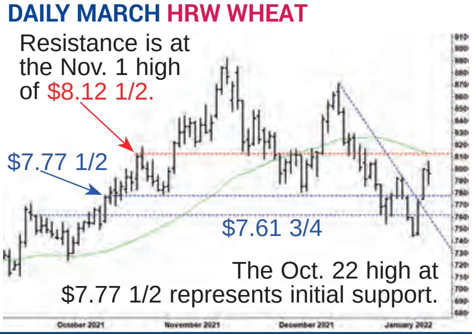
AVERAGE SOYBEAN BASIS (MARCH)



SOYBEAN EXPORT BOOKINGS (MMT)

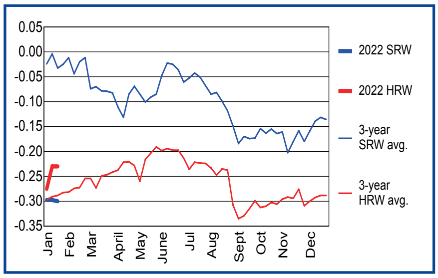


DAILY MARCH HRW WHEAT

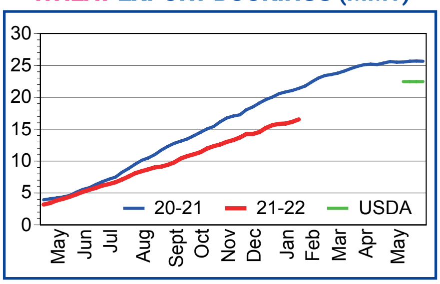


DAILY MARCH HRS WHEAT

AVERAGE WHEAT BASIS (MARCH)



WHEAT EXPORT BOOKINGS (MMT)



HRW — Exports recently improved but U.S. wheat isn't competitive on the global market. Besides high U.S. prices and the elevated dollar, transportation costs are an issue for export customers. Unrelenting Plains drought likely will lead to higher-than-normal acreage abandonment, but traders probably won't worry about that until spring.

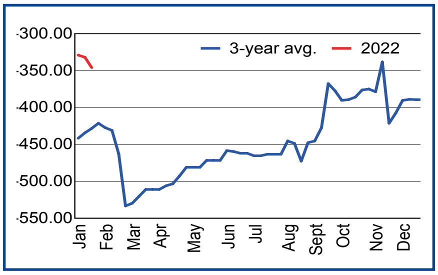
HRS — We expect 2022 U.S. spring wheat and durum seedings to rise about 545,000 acres from last year's 13.06 million acres, which could help replenish tight stocks. Near-term, tight global stocks of milling-quality wheat may prop up prices but the bulk of price direction for HRS futures will continue to come from intra-market spreading.

Position Monitor

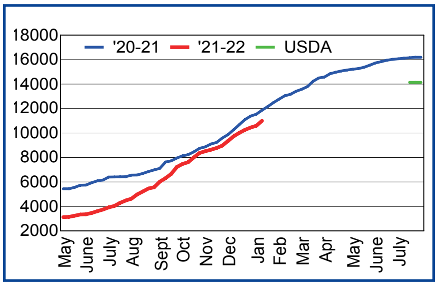
	'21 crop	'22 crop
Cash-only:	90%	40%
Hedgers (cash sales):	100%	40%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. December 2022 futures are nearing our target of 100.00¢ to advance new-crop sales.

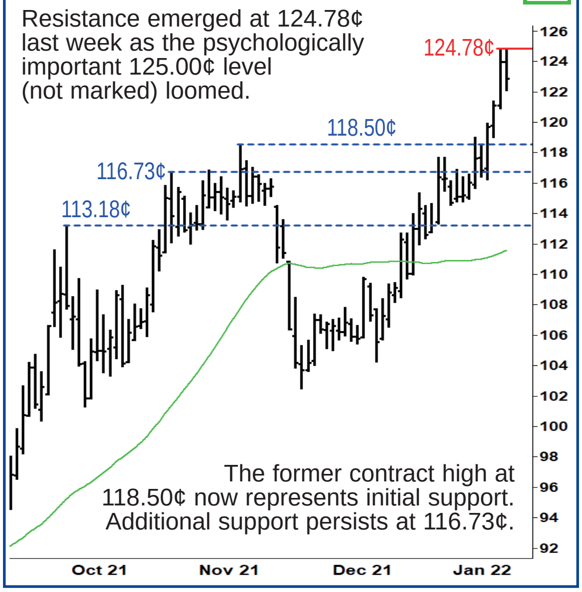
AVERAGE COTTON BASIS (MARCH)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY MARCH COTTON



COTTON - Fundamental Analysis

Traders are not concerned about the ability to ship cotton already sold to export customers this year, as reflected by last week's price advance. But some industry sources say containers aren't available to meet shippers' needs. Regardless, the strong rally is a selling opportunity.

GENERAL OUTLOOK

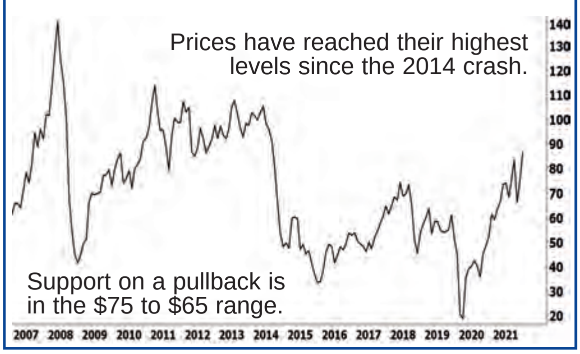
Energy: Crude oil's upward march has the market knocking on the door of $90, a level last topped in October 2014.

Nymex WTI futures have risen over 30% since early December, and fuel prices are tagging along. Heating oil (diesel) futures are also trading at seven-year highs. Motorists can expect to pay even more than they are now, as it takes a few weeks for a move in crude to be fully reflected at the pump.

A sustained oil rally would add fuel to the global "inflation trade" and may encourage commodity bulls to scale up bets in other markets, such as grains.

Consumers could catch a break later in 2022, as December crude futures are trading about $9.00 lower than nearby contracts. But the break won't last long, if Wall Street analysts are on the mark. Goldman Sachs projects crude will hit $105 in 2023.

MONTHLY CRUDE OIL FUTURES



FROM THE BULLPEN

By Market Consultant Dan Vaught

Cattle and hog slaughter averaged about 5% and 10%, respectively, under comparable year-ago levels during early January, each four to five percentage points below expected levels. The reductions reflected packing industry slowdowns due to Covid-driven absences among their workers.

Futures did not initially react well to the reduced rates because they shrank short-term packer demand, as well as potentially creating backlogs in feedlots and hog barns. This possibility was best illustrated by the latest steer carcass weight reading at 928 lbs. per head, only one lb. short of the December high. The diminished wholesale supply steadily boosted beef prices, whereas pork values rose erratically.

It now looks like the run of Omicron infections may be slowing and signs suggest packer operations will return to normal levels in the near future.

Futures surged in response to the changing outlook, with the most-active April cattle contract looking set to challenge recent highs. Anticipation of seasonal strength sent spring and summer hog futures to new contract highs. Summer hog futures are well below year-ago highs, but April hogs look rich when compared to current cash quotes.

The latest surge could create some hedging opportunities, especially if the premiums reach excessive levels and/or the various contracts fail at key levels.

WATCH LIST

1. **USDA Cold Storage Report** — **MON 1/24**, 2:00 p.m. CT
   Frozen meat stocks for December.
2. **USDA Food Price Outlook** — **TUES 1/25**, 8:00 a.m. CT
   Will USDA raise price forecasts?
3. **EIA Weekly Ethanol Output** — **WED 1/26**, 9:30 a.m. CT
   Margins dropped, demand slowed.
4. **FOMC meeting concludes** — **WED 1/26**, 1:00 p.m. CT
   Will the Fed raise rates?
5. **USDA Export Sales Report** — **THUR 1/27**, 7:30 a.m. CT
   Export demand has been sluggish.