



### News this week...

- 2 – Brazil no longer likely to have a record soybean crop.
- 3 – Fed is more hawkish than it projected in December.
- 4 – Meat, dairy policy issues surface to start 2022.

**Soybeans rally, wheat drops** — Soybean futures rallied to their highest level since June as private crop forecasters slashed their Brazilian crop estimates (see [News](#) page 2). While near-term forecasts offer limited relief for drought-stressed areas of Brazil, increasing crop stress in Argentina will be the next focus. Wheat futures plunged to their lowest levels since October, despite a sharp drop in U.S. HRW crop ratings (see [News](#) page 2), as export demand for U.S. supplies is abysmal. Corn was caught between support from soybeans and pressure from wheat, but mildly favored the upside. Cattle futures fell to open the year amid weaker cash cattle prices and concerns with absenteeism due to Covid at some slaughter plants. Hog futures firmed on the strengthening cash index and arctic temps across the Midwest.

## Crop stress to build in Argentina

Hot, dry conditions will be seen across Argentina into mid-month. Crop stress will build ahead of a potential rain event around Jan. 16. World Weather Inc. says conditions will improve across much of Brazil for the next 10 days, with better rains in southern Brazil, aside from Rio Grande do Sul, and needed dryness in central and northeastern areas.

## Smaller Brazil crop = fewer exports

Sharp cuts to Brazil's soybean crop mean there will be fewer supplies for the country to export in 2021-22. StoneX cut its 2021-22 Brazilian soybean export forecast by 8 million metric tons (MMT) to 84 MMT. That would be down 2.6 MMT (3.1%) from 2020-21.

This could allow the U.S. to regain some of the export business Brazil "stole" during the first half of 2021-22.

## Record ag imports, exports in Nov.

U.S. ag exports reached \$18.5 billion in November, while ag imports rose to \$15.4 billion — both were records. That left an ag trade surplus of \$3.1 billion. Through the first two months of fiscal year (FY) 2022, ag exports totaled \$36.1 billion against imports of \$30.2 billion for a surplus of \$5.9 billion.

## World food prices highest in a decade

Global food prices inched down 0.9% in December, but the UN Food and Agriculture Organization (FAO) food price index still marked a 10-year high in 2021. The FAO food price index rose 28.1% last year, as the sub-indices jumped 27.2% for cereal grains, 65.8% for vegoils, 16.9% for dairy, 12.7% for meat and 37.5% for sugar.

## Farmer sentiment rises in December

Farmer sentiment rose in December for just the second time since May, according to the Purdue/CME Group Ag Economy Barometer, fueled by the financial performance index that was higher than it was before the pandemic. Still, nearly half of farmers surveyed are concerned about high input prices, with the tight supply chain also a worry.

## Slew of report data coming Jan. 12

USDA's January crop reports have a tendency to swiftly move markets since there's so much data. Much of the focus is typically on USDA's "final" crop estimates for corn and soybeans, though modest changes are expected this year. Dec. 1 grain stocks have a history of providing market-moving surprises, especially for corn. Given the big (potentially record) 2021 corn and soybean crops, there is risk USDA finds more bushels than traders expect as of Dec. 1. Traders will also get winter wheat seedings, along with monthly U.S. and global balance sheets.

With corn and beans at elevated prices, and wheat still historically strong despite recent pressure, make sure your sales are at tolerable risk levels in case of a surprise — bullish or bearish.

## Admin. wants livestock pricing bills

The White House backs proposed legislation that would require beef processors to buy more cattle on open markets and to establish minimum regional prices. Proponents want to attach livestock pricing legislation to a must-pass bill like the coming omnibus spending measure. See [News](#) page 4 for more on this and other key livestock and dairy policy issues.

## Another huge miss on jobs data

The U.S. economy added 199,000 non-farm payrolls in December, well below the 400,000-plus economists expected. The unemployment rate dropped to 3.9%. The Fed has turned more hawkish (see [News](#) page 3) as the labor market struggles, fueling our concerns it will move too far in the opposite direction after ignoring inflation through 2021.

## Record Euro zone inflation

European consumer prices in December rose a record 5% from a year earlier following a 4.9% increase in November. While consumer data signals inflation is still raging, some economists are now saying it may have reached its peak. They note that international companies reported input prices fell for a second month in December and those for manufacturers reached their lowest level since last March.

## Brazil won't have a record bean crop

At the start of the 2021-22 growing season it was almost certain Brazil would grow a record soybean crop as early weather was favorable, planting was rapid and acreage was forecast to expand roughly 5%. While Brazilian farmers planted more acres, weather turned hot and dry in southern areas in late November/December. A crop in excess of last year's record of 138 million metric tons (MMT) now seems unlikely.

### **AgRural slashes Brazilian soybean crop estimate**

Brazil-based consultancy AgRural slashed its Brazilian soybean crop estimate by 11.3 MMT to 133.4 MMT. It now forecasts Brazil's soybean yield will be the lowest since 2015-16. AgRural says Paraná has been hit hardest. It also cut production in Rio Grande do Sul, Santa Catarina and to a lesser extent Mato Grosso do Sul.

AgRural says, "In the rest of the country, the crop is developing well and high yields are expected in Mato Grosso, where the first areas are already being harvested."

### **StoneX takes hatchet to Brazil bean crop, too**

StoneX slashed its Brazilian soybean crop estimate by 11 MMT to 134 MMT. The brokerage firm noted, "Production has been reduced by as much as a quarter in some southern regions, while northern regions have failed to achieve high yields, as expected."

## Consultant makes more crop cuts

Crop Consultant Dr. Michael Cordonnier cut his Brazilian soybean crop estimate another 2 MMT to 138 MMT. He lowered his Brazilian corn crop estimate by 1 MMT to 113 MMT. His current worst-case scenarios for Brazil's soybean and corn crops are 134 MMT and 109 MMT, respectively.

Cordonnier cut his Argentine bean crop estimate by 3 MMT to 45 MMT. Since he was already at the low end of most private forecasts, he left his Argentine corn crop peg at 52 MMT.

Cordonnier also left his Paraguay soybean estimate at 8 MMT, but says the situation is "bad and getting worse."

## Not a record S. American bean crop

Cordonnier projects South American soybean production at 196.6 MMT, which would be down 2.2 MMT (1.1%) from last year. His minimum production forecast of 187.6 MMT would be down 21.2 MMT (10.7%).

Cordonnier still forecasts South American corn production to rise 28.6 MMT (20.1%) from last year to 171 MMT. His minimum forecast at 164 MMT would still result in a 21.6-MMT (15.2%) year-over-year increase.

## HRW conditions plunge in December

Individual state crop conditions ratings showed major deterioration of the HRW wheat crop during December. The "good" to "excellent" ratings for HRW wheat plunged 29 points in Kansas (to 33%), 28 points in Oklahoma (20%), 13 points in Colorado (25%) and 25 points in Nebraska (39%) during December. The "good" to "excellent" ratings for HRW wheat improved two points in South Dakota (38%) and five points in Montana (12%) over the past month. Texas did not release updated crop condition ratings, though they undoubtedly declined significantly, as well.

When the updated crop condition ratings (and using Texas ratings from late November) were plugged into the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500 point scale, with 500 being perfect), the HRW crop plunged 40.3 points to a reading of 284.1. That would be 48.1 points below the five-year average for the end of November (when USDA stops releasing national crop ratings) and 45.8 points below the five-year average for early April (when USDA restarts releasing national ratings).

### **Yield, acreage — or both — will be lost**

Over the past 10 years, two stand out as having really low crop ratings when the HRW crop broke dormancy — 2018 and 2013. In 2018, the result was a below-trendline yield. In 2013, the crop managed a trendline yield, but only because acreage abandonment was double the normal rate. Given the dry conditions and crop damage from the mid-December wind storm, HRW acreage abandonment will likely be higher than normal this year. How much yield is potentially lost on the harvested acres will largely be determined by precip through spring.

## Two-thirds of winter wheat in drought

Based on the U.S. Drought Monitor, USDA says 65% of the U.S. winter wheat acres are facing drought conditions as of Jan. 4. USDA reported 24% of the winter wheat area is in moderate drought, 22% in severe drought, 17% in extreme drought and 2% in exceptional drought.

For the primary HRW wheat producing states, the Drought Monitor showed abnormal dryness covered 75% of Kansas (up two points from the previous week), 95% of Oklahoma (unchanged), 92% of Texas (up five points), 100% of Colorado (unchanged), 82% of Nebraska (unchanged), 79% of South Dakota (unchanged) and 93% of Montana (unchanged).

SRW growing areas saw general drought improvement over the past week, led by Missouri, Tennessee and Illinois. Missouri improved 14 points to 36% of the state considered abnormally dry/drought conditions. Tennessee has 13% of the state considered abnormally dry/drought conditions, down 11 points. Illinois has 11% of the state considered abnormally dry/drought conditions, down seven points.



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## FOMC minutes paint Fed as more hawkish than previously indicated

Federal Reserve officials are even more concerned with inflation than previously indicated after flipping from its “transitory” view on surging prices in December. Minutes from the Dec. 14-15 Federal Open Market Committee meeting signaled monetary policy officials now view inflation as potentially problematic, suggesting the Fed will be on a much quicker timeline with its monetary policy to combat surging prices. After the Fed ends its monthly bond-buying stimulus program, it is now expected to quickly transition to tightening monetary policy (starting to raise interest rates) and then reducing the overall size of its balance sheet. That’s a sign of increased concern about inflation.

Following the release of the minutes, Fed fund rate futures priced in a roughly 80% chance of a quarter-point rate increase in March. Rate futures also implied three Fed hikes this year.

Inflation: “Participants noted that supply chain bottlenecks and labor shortages continued to limit businesses’ ability to meet strong demand. They judged that these challenges would likely last longer and be more widespread than previously thought.”

Covid’s impact: “The possibility that Covid-19 cases could continue to rise steeply, especially if the Omicron variant proves to be vaccine resistant, was seen as an important source of downside risk to activity, while the possibility of more severe and persistent supply issues was viewed as an additional downside risk to activity and as an upside risk to inflation.”

The hawkish comments accelerated strong gains in bond yields to kick off 2022. See “General Outlook” on [Analysis page 4](#).

## Soybean crush slows

U.S. processors crushed 190.5 million bu. of soybeans in November, down 6.4 million bu. (3.3%) from October’s all-time record and 0.5 million bu. (0.3%) shy of last year’s pace. Through the first three months of 2021-22, soybean crush totaled 551.6 million bu., down 1.3% from the first quarter of last year. To hit USDA’s December forecast of a record 2.190 billion bu., crush must total 1.638 billion bu. over the final nine months of 2021-22 — just fractionally below the pace during that period last year.

Soyoil stocks totaled 2.415 billion lbs. and were greater than anticipated, despite crush falling short of expectations.

## Corn ethanol use rises

The U.S. consumed 468.7 million bu. of corn for ethanol production in November, up 721,000 bu. (0.2%) from October and 37.0 million bu. (8.6%) more than last year. Traders expected corn-for-ethanol use to total 453.1 million bushels. Total corn used for all industrial purposes was 520.6 million bu., up 0.2% from October and 8.3% more than November 2020.

For the first quarter of the 2021-22 marketing year, corn-for-ethanol use totaled 1.344 billion bushels. To hit USDA’s forecast of 5.250 billion bu., corn ethanol use would need to total 3.906 billion bu. or 3.9% above the same period last year.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	Feb.	March	April-June
				(Monthly & quarterly avg.)		
<b>CORN</b>						
Central Illinois, bushel	4.89	5.89	5.95	5.85	5.90	5.85
Omaha, NE, bushel	4.81	6.06	6.11	5.95	6.00	5.95
Dried Distillers Grain, IA, \$/ton	201.60	178.33	181.90	--	--	--
<b>SOYBEANS</b>						
Central Illinois, bushel	13.55	13.41	13.62	13.75	13.80	13.90
Memphis, TN, bushel	14.00	13.85	13.97	14.10	14.15	14.25
Soymeal, 48% Decatur, ton	435.80	431.40	425.70	415	415	410
<b>WHEAT</b>						
Kansas City, HRW, bushel	6.29	--	8.32	8.00	8.05	7.90
Minneapolis, 14% DNS, bushel	7.29	--	11.31	11.00	11.10	11.25
St. Louis, SRW, bushel	6.80	--	8.00	7.75	7.80	7.65
Portland, Soft White, bushel	6.60	10.88	10.73	10.75	10.80	11.00
Durum, NE MT HAD, 13%, bu.	5.88	15.75	15.78	15.75	15.75	16.00
<b>SORGHUM</b> , Kansas City, cwt.	10.33	11.25	11.33	11.25	11.35	11.25
<b>COTTON</b> , 11/16 SLM, 7 area, ¢/lb.	74.43	107.12	113.10	110.0	109.0	107.0
<b>RICE</b> , nearby futures, cwt.	12.45	14.47	14.46	14.65	14.70	14.75
<b>BARLEY</b> , MT, G.T., malting, bu.	7.25	7.67	7.67	7.75	7.80	7.85
<b>OATS</b> , Minneapolis No. 2 heavy, bu.	3.72	7.46	7.27	7.25	7.30	7.40
<b>ALFALFA</b> , NW Iowa, lg. sq. prem., ton	--	182.50	--	210	210	210
<b>SUNFLOWERS</b> , Fargo, ND, cwt.	19.00	32.00	32.05	32.00	32.00	32.00
<b>HOGS</b> , Nat’l carcass 51%-52% cwt.	59.98	70.32	72.96	82.00	88.00	110.00
<b>FEEDER PIGS</b> , 40 lbs., Nat. avg. head	67.38	76.99	79.03	88.00	98.00	85.00
<b>CHOICE STEERS</b> , feedlots, cwt.	111.51	135.64	139.59	144.00	147.00	140.00
<b>FEEDER CATTLE</b> , Oklahoma City						
Steers, 700-800 pounds, cwt.	--	--	--	162.00	158.00	160.00
Steers, 500-550 pounds, cwt.	--	--	--	190.00	188.00	184.00
Heifers, 450-500 pounds, cwt.	--	--	--	170.00	173.00	168.00
<b>COWS</b> , utility, Sioux Falls, SD, cwt.	57.82	68.13	68.30	72.00	74.00	76.00
<b>MILK</b> , Class III, CME spot month, cwt.	15.42	19.75	22.68	21.75	21.50	21.00
<b>LAMBS</b> , Slg., San Angelo, TX, cwt.	--	--	--	--	--	--
<b>ENERGY</b>						
Ethanol, IA, gallon	1.27	2.73	2.47	--	--	--
Farm diesel, U.S., gallon	2.01	2.99	2.98	3.05	3.08	3.10

\*Average prices expected for the indicated time periods based on available information. Forecasts will be revised as necessary to reflect changing market conditions.



# Meat, dairy policy issues kick off the new year

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

The U.S. won the first-ever U.S.-Mexico-Canada Agreement (USMCA) challenge in a dispute over Canada's dairy policy. Meanwhile, California's Proposition 12 went into effect and the White House again set its sights on big meat processors amid rising prices.

## **U.S. wins USMCA dispute with Canada over dairy**

Canada gave its dairy industry preferential treatment to tariff-rate quotas (TRQs) for dairy products into the Canadian market, a USMCA dispute settlement panel ruled. The verdict could allow U.S. dairy farmers to increase sales to Canada by more than \$200 million annually. Canada is the third largest market for U.S. dairy products.

Canada, however, maintained the USMCA decision still backed the country's ability to maintain its supply management program and that only the tariff-rate quotas needed to be changed.

Canada has until Feb. 3 to comply with the decision or face retaliation. However, U.S. trade officials said rather than retaliation, compliance is preferred.

**USMCA working, faster than WTO.** The decision shows the dispute settlement and compliance provisions under USMCA are not open-ended and are bringing decisions in months, not years, like the World Trade Organization.

## **Biden to fight meatpackers on inflation, concentration**

President Joe Biden promised to "fight for fairer prices" for farmers and consumers as he announced plans to combat the market power of big meat conglomerates that dominate meat and poultry processing. "Capitalism without competition isn't capitalism, it's exploitation," Biden said. "That's what we're seeing in meat and poultry."

Biden joined USDA Secretary Tom Vilsack and Attorney General Merrick Garland to meet virtually with farmers, ratcheting up a campaign blaming anti-competitive practices in the industry for contributing to surging food inflation. Meatpacking reps blamed soaring prices on labor shortages, rising fuel prices and supply-chain constraints.

**USDA's \$800 million effort.** Vilsack detailed how \$800 million will be spent this spring and summer for "gap financing grants" and technical assistance for independent processing plants. Within 30 days a new portal will be in place for farmers to report anti-competitive behavior in agriculture.

**Some industry officials are skeptical.** The U.S. Chamber of Commerce said, "This isn't economics, it is politics, and sadly, such government intervention would likely further constrain supply and push prices even higher." The North American Meat Institute (NAMI), said: "The Biden administration continues to ignore the No. 1 challenge to meat and poultry production: labor shortages."

NAMI said this "raises several questions," including:

- How much extra packing plant capacity is needed?
- How high should cattle prices be right now?
- How long will processors receive government money?
- How much will the government sponsored processors be required to pay employees?
- How will small and medium-sized processors that haven't received government money be affected?
- When will these new plants come online?... Where are they needed?... Will the new plants have sufficient labor?

## **Prop 12: Big impacts for hogs producers, consumers**

The Prevention of Cruelty to Farm Animals Act, known as Proposition 12, went into effect Jan. 1. The law establishes minimum space requirements for farm animals and prohibits the sale of meat from animals raised in housing that doesn't meet specifications. State regulators will inspect out-of-state farms to ensure compliance. A business owner or operator — including supermarkets, restaurant suppliers (not restaurants) and meat processors — found to be violating the law could face fines, jail or civil penalties.

The bigger issue is the change to how sows are housed.

**California regulations were due on Sept. 1, 2019.** "How do you make investments into a system when it's not clear what you're required to do?" one stakeholder asks.

**Impacts.** California accounts for about 13% of pork consumed nationwide, but only about 0.1% of the nation's hogs. Less than 1% of U.S. pork meets Prop 12 standards and compliance would raise production costs 9.2% at the farm level, or about \$13 a pig, pork industry officials say.

**Court battles past and ahead.** Pork producers and retailers have sued to block Prop 12. In late July, the U.S. Ninth Circuit Court of Appeals ruled against the challenge. Groups petitioned the U.S. Supreme Court to hear their case and a decision on that should be known around mid-January.

Meanwhile, industry groups in California are suing the state to block the farm animal welfare law.

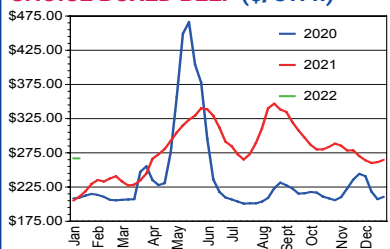
## CATTLE - Fundamental Analysis

The rapid spread of the Omicron Covid-19 variant has reportedly caused some packers to slow operational speeds at plants as they deal with increased worker absenteeism. Cattle futures declined, seemingly incorporating the risk of a repeat of spring 2020 shutdowns. These fears appear overblown, especially with Omicron symptoms seeming relatively mild. A quick recovery seems more likely since improving wholesale prices, the industry's history of cattle slaughter declining to February-March lows and an early spring demand surge point toward seasonal cash cattle gains into April.

### Position Monitor

Game Plan:	Feds	Feeders
The down-	I'22 0%	0%
side should	II'22 0%	0%
be limited for	III'22 0%	0%
	IV'22 0%	0%
live cattle futures. With no weather premium built in and a bullish outlook, continue to carry risk in cash.		

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



### DAILY FEBRUARY LIVE CATTLE

The 40-day moving average (green line) near \$138.20 marks initial resistance. Stiffer resistance is at \$139.65.



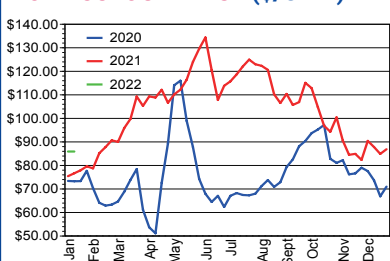
## HOGS - Fundamental Analysis

Although pork cutout values have been working unevenly higher since dipping to the \$82.00 area around Christmas, the CME lean hog index posted gains of almost \$1.00 per day in the first couple days of January. That news spurred a strong futures advance. The nearby contracts remain below their 2021 highs, but summer-month contracts broke out. We continue thinking hog futures premiums reflect expectations for greatly reduced first-half 2022 hog supplies, as well as normal spring-summer strength. We may seek late-winter price protection if futures falter near their contract highs.

### Position Monitor

Game Plan:	Lean Hogs
Seasonal lows have	I'22 0%
been posted in the	II'22 0%
cash market and	III'22 0%
	IV'22 0%
futures. But hedges may be needed if futures test the contract highs and run out of steam.	

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



### DAILY FEBRUARY LEAN HOGS

A close above tough resistance at \$84.675 would have bulls targeting the Oct. 1 high at \$87.475 (not marked).



## FEED

### Feed Monitor

#### Corn

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

**Corn Game Plan:** You are hand-to-mouth on corn-for-feed needs. Don't chase the corn market higher with extended coverage. We'll wait on a sharp pullback to advance coverage.

#### Meal

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

**Meal Game Plan:** You are hand-to-mouth on soybean meal needs. Don't chase the market higher. Wait on an extended price setback to advance coverage.

### DAILY MARCH SOYBEAN MEAL

Initial resistance persists at the Dec. 28 high of \$415.10. A breakout would have bulls targeting spring 2021 continuation highs near \$450.00 (not shown).

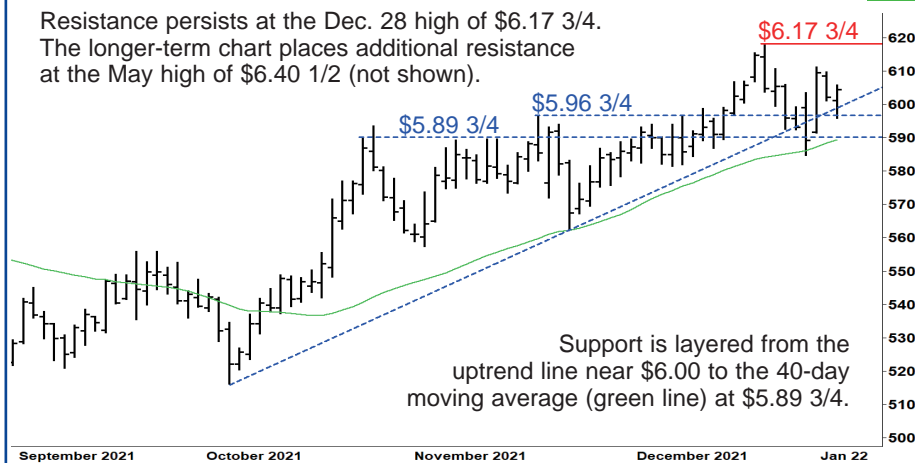


## Position Monitor

	'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 recent highs. We may also increase sales ahead of the Jan. 12 USDA reports to protect against a bearish price reaction. 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 selling opportunities.

## DAILY MARCH CORN



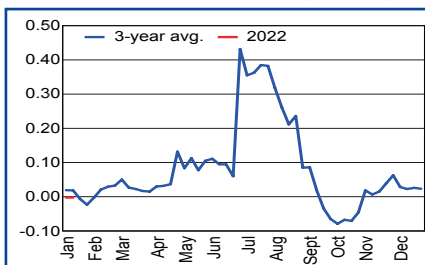
## DAILY MAY CORN



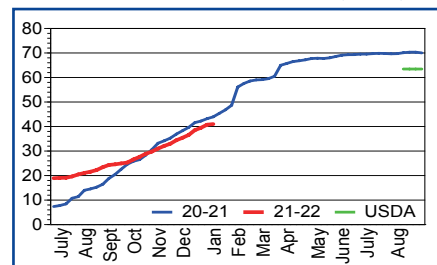
## CORN - Fundamental Analysis

USDA serves up a plateful of numbers Jan. 12 that will help determine market direction in the coming weeks. Just a modest bump higher in the U.S. crop is expected, which makes South American numbers and any changes to projected 2021-22 U.S. demand of keen interest. Quarterly corn stocks have a history of surprises. If there are no surprises, focus should revert to South American weather and the soybean market. Corn demand remains solid and crude oil's rally back above \$80 indicates the global inflation trade still has legs. But corn futures likely require an assist from soybeans to take out the late-December highs, or for that matter, to stay above \$6.00 for a sustained period.

### AVERAGE CORN BASIS (MARCH)



### CORN EXPORT BOOKINGS (MMT)

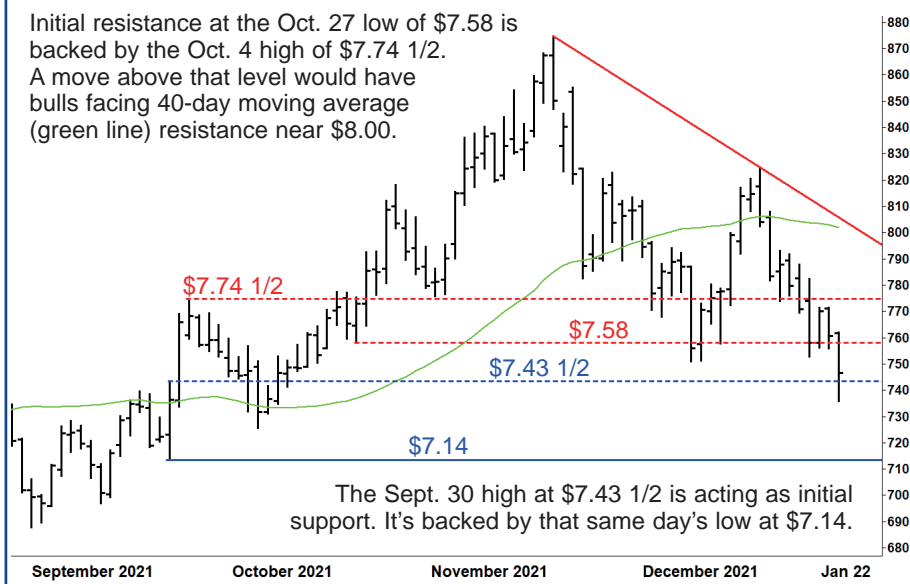


## Position Monitor

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

**Game Plan:** Get current with advised sales and hedges. Wheat needs help to strengthen. Given poor U.S. winter wheat conditions, we'll wait on an extended price rebound to advance old- and new-crop cash sales.

## DAILY MARCH SRW WHEAT



## WHEAT - Fundamental Analysis

**SRW** — Attitudes and price action have turned bearish. Even after a 15% drop from November highs, U.S. wheat isn't competitive on global markets. Corn and soybeans must continue to rally to stop the fund selling and encourage them to trim their net short position in SRW wheat.



## 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. We may also increase sales ahead of the Jan. 12 USDA reports to protect against a bearish price reaction. There's likely more near-term upside potential as bulls have momentum and technicals are bullish. But with the U.S. export window likely to close soon seasonally, the upside will be tied to additional cuts to South American crop estimates.

## DAILY MARCH SOYBEANS

The Jan. 5 high at \$13.99 likely represents the start of psychological resistance in the \$14.00 area (not marked). A close above that level would have bulls targeting summer highs in the \$14.36 area.



## DAILY MAY SOYBEANS

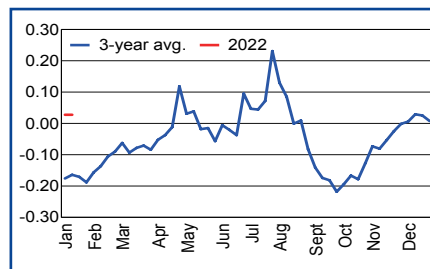
A breakout above resistance at \$14.06 3/4 would face stiff resistance at June prices around \$14.29 (not shown).



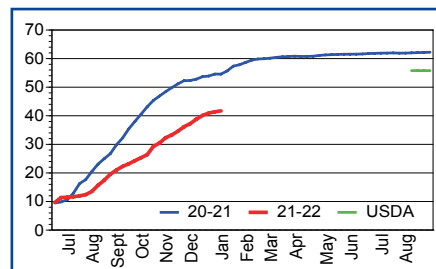
## SOYBEANS - Fundamental Analysis

USDA isn't expected to cut its Argentina and Brazil crop estimates nearly as much as several private forecasters did the past week. Nonetheless, it's obvious dry weather has taken a significant toll on South American crops and global soybean supplies won't be as abundant in 2022 as once thought. Strong domestic crushing margins bolster the fundamental case for further upside in soybean futures, though the market may be close to largely factoring in a South American crop shortfall. Slower U.S. exports could sap upside momentum. Large speculators recently ramped up their net long position in soybeans to the highest since June and U.S. plantings are likely to increase.

### AVERAGE SOYBEAN BASIS (MARCH)

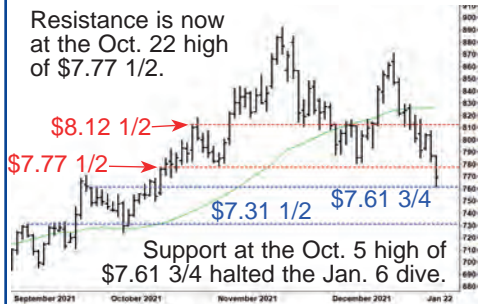


### SOYBEAN EXPORT BOOKINGS (MMT)



## DAILY MARCH HRW WHEAT

Resistance is now at the Oct. 22 high of \$7.77 1/2.

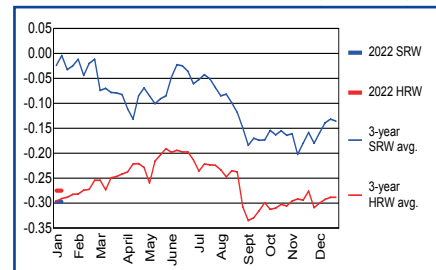


## DAILY MARCH HRS WHEAT

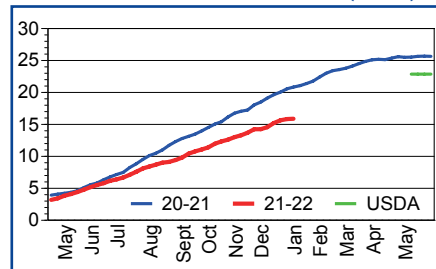
The Oct. 14 high at \$9.52 marks resistance.



### AVERAGE WHEAT BASIS (MARCH)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — There are reasons to be bullish wheat over the long-term: global supplies of milling-quality wheat remain tight and drought grips much of the HRW growing areas of the U.S. Plains. Near-term, the more likely path leads lower. USDA's initial winter wheat seedings forecast Jan. 12 may offer some price direction.

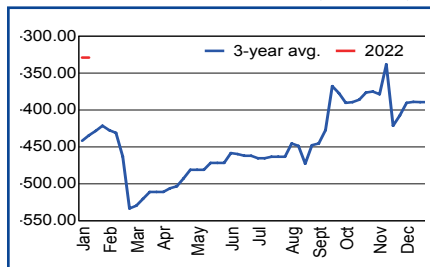
**HRS** — Spring wheat plantings in 2021, at 11.42 million acres, were the second-lowest for any year going back to 1972. Drought persisting in Montana, North Dakota and northern Minnesota raises the prospect of even fewer acres in 2022. HRS futures' nearly-6% drop the past week doubled that of SRW; further declines can't be ruled out.

## Position Monitor

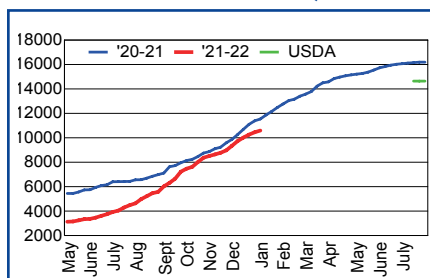
	'21 crop	'22 crop
Cash-only:	90%	40%
Hedgers (cash sales):	100%	40%
Futures/Options	0%	0%

**Game Plan:** Get current with advised sales. We are targeting a move near the 100.00¢ level in December 2022 futures to advance new-crop sales.

## AVERAGE COTTON BASIS (MARCH)



## COTTON EXPORT BOOKINGS ('000 BALES)



## COTTON - Fundamental Analysis

The holiday season crimped cotton exports and sales during the week ended Dec. 30. Otherwise, the respective weekly reductions of 35% and 26% look negative for short-term price prospects. We still think the bullish outlook requires faster shipments.

## GENERAL OUTLOOK

**Interest rates :** U.S. bond yields have been on the rise for three weeks and posted a big jump last week — the biggest advance to start a new year in over 10 years. The yield on the U.S. 10-year Treasury note topped 1.7%, besting the October peak and challenging the April 2021 high.

Don't be surprised to see renewed inflation concerns hit the marketplace in the near term and sap more risk appetite, as bond yields are likely to continue to rise. The latest Fed minutes revealed a more hawkish tone on interest rates, which will likely increase in anticipation of sustained inflation.

This is a big deal for the markets, as it implies inflation is becoming problematic. That's bearish for stocks and bonds, but historically bullish for hard assets like raw commodities, including grains and livestock.

The short-term downtrend acted as a springboard for the recent surge.

## FROM THE BULLPEN By Market Analyst Bruce Blythe

January tends to be more heartwarming for corn market bulls than for their counterparts in soybeans and wheat.

Over the past 20 years, March corn futures posted a January gain 13 times, while declining the other seven years. March soybeans notched January gains 11 of the past 20 years, fell in eight years and ended unchanged once. March SRW wheat gained in 11 of the past 20 years and dropped the other nine.

Last year started particularly strong. In January 2021, March corn surged 63¢, or 13%, the largest gain for the month since at least 1980. March soybeans gained 59¢, or 4.5%. March SRW wheat rose 22 1/2¢, or 3.5%.

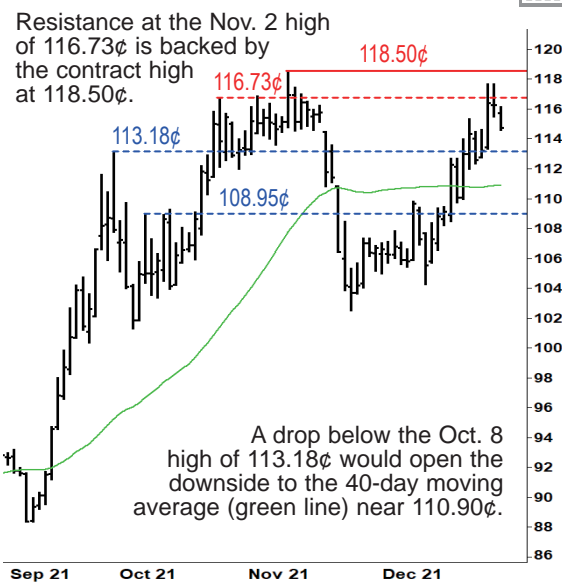
In retrospect, last January looks like

the launch point for the 2021 weather market that eventually saw corn futures top at \$7.75 and soybeans hit \$16.77 in May (though both had actually been climbing since late-summer 2020).

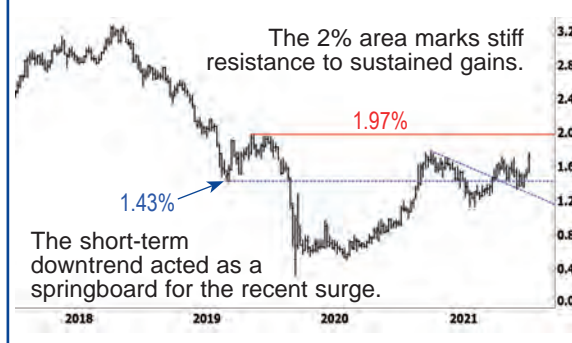
Most Januarys tend to be more sedate. Over the past 20 years, corn futures gained an average of about 7¢, or 1.8%, in January. In contrast, the 20-year sample indicated average losses of 3/4¢ for soybeans and 5 3/4¢ for wheat. Wheat suffered several large breakdowns in the down years.

This year, corn and soybeans are already off to a strong start as dry conditions trim South America's crop prospects. But as in any weather market, things can change quickly.

## DAILY MARCH COTTON



## WEEKLY 10-YEAR T-NOTE YIELD



## WATCH LIST

1	<b>Chinese Inflation Data</b> CPI, PPI data for December.	TUES 1/11 8:30 p.m. CT
2	<b>USDA S&amp;D, Crop Production</b> Final 2021-crop estimates.	WED 1/12 11:00 a.m. CT
3	<b>USDA Grain Stocks Report</b> Dec. 1 corn, bean & wheat stocks.	WED 1/12 11:00 a.m. CT
4	<b>USDA Winter Wheat Seedings</b> Higher wheat planted expected.	WED 1/12 11:00 a.m. CT
5	<b>China Trade Data</b> Exports and imports for December.	WED 1/12 10:00 p.m. CT

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