



News this week...

- 2 – Brazil slashes bean crop in line with private estimates.
- 3 – Record ag exports, imports through Q1 of FY 2022.
- 4 – U.S. carryovers disappointing, global stocks decline.

Rarified air for soybeans, corn – Soybeans continued to surge, topping \$16.00 and reaching the highest level since last May on the continuation chart amid falling Brazilian production, a flurry of export sales to China and “unknown” and a rush of fund buying. The corn market had little choice but to follow soybeans higher. Corn futures posted new contract highs and reached their highest level since July of last year on the continuation chart. The wheat market was also supported by surging soybeans, though gains were more modest. Live cattle and lean hog futures pushed to new contract highs amid a rush of fund-led buying and firming cash markets. Money flow is likely to be just as important as fundamentals (probably more so) for near-term price action in the grain and livestock markets.

Perspective on soybean, corn markets

Front-month soybean futures topped \$16.00 for only the fifth time — 2008 (one month), 2012 (three months), 2013 (one month) and 2021 (three months). Front-month corn futures pushed above \$6.50 for only the sixth time — 2008 (two months), 2011, 2012 and 2013 (virtually an entire two and a half year span) and 2021 (four months).

Can price rallies continue?... yes. Will markets continue higher?... probably. When and at what price will markets top?... no one “knows” for sure. Is this a historic selling opportunity?... absolutely.

Front-month futures are well above their historical fundamental value. And aside from the extended stretch for corn from 2011-2013 when ending stocks were historically tight, prices haven’t held at these levels for long. New-crop soybean futures have never been this high in February and December corn has been higher only one time — February 2011.

When markets are this bullish, it’s easy to assume prices will continue higher and forget about marketing your grain. Don’t fall into that trap. While there is more upside potential, history suggests the eventual price drop will be sudden and dramatic. It might not take anything more than funds, who hold record or near-record long positions in soybeans and corn, deciding to liquidate to top markets.

China buying U.S. soybeans, corn

USDA reported daily soybean sales of 482,700 MT for 2021-22 and 1.136 million metric tons (MMT) for 2022-23 to China and “unknown” (also China?) last week. There was also talk China booked between 2 MMT to 3 MMT of U.S. corn for spring delivery. Soybean buys since late January are due to severe Brazilian crop losses. Any U.S. corn buys could be tied to concerns about potential conflict between Russia and Ukraine.

Razor’s edge tensions with Russia

Russia warned ships to avoid portions of the Black and Azov Seas due to live naval exercises, though as of Friday, that hadn’t impacted Ukrainian grain exports. Some believe Russia will wait until after the Winter Olympics in Beijing end on Feb. 20 before taking any military action.

U.S. ‘losing patience’ with China

The Biden administration is considering a new China tariff probe if talks fail to persuade Beijing to follow through on its Phase 1 trade commitments. China met less than 60% of its overall purchase commitments. China wants the U.S. to cancel remaining tariffs to boost trade.

Consumer inflation highest since 1982

The U.S. consumer price index (CPI) surged 7.5% above year-ago levels in January, the highest since February 1982. Minus food and energy prices, the so-called core CPI rose 6.0%, the largest 12-month increase since August 1982.

EU sees lower GDP, higher inflation

The European Commission now forecasts 2022 euro zone GDP at 4.0%, down from 4.3% previously. It expects inflation will rise 3.5% this year, up from its 2.2% forecast in November. Despite these forecasts, European Central Bank President Christine Lagarde warned raising interest rates too quickly and aggressively would harm the bloc’s economic recovery.

USDA’s climate-smart initiative

USDA will provide \$1 billion in funding for its climate-smart initiative via the Commodity Credit Corporation (CCC).

- Initial effort is open to groups, companies, nonprofits and others, but not individual producers.
- Existing practices and enhancements are eligible.
- Measuring and quantifying, monitoring, reporting and verification are key for farm-level greenhouse gas benefits.

The initiative faces major opposition from Republicans because it would use CCC for funding. There also is no definition of a climate-smart commodity. Further details will be key on determining farmer adoption.

USDA formally announces 2022 PCCP

Farmers could get up to a \$5 per acre premium reduction on crop insurance for planting cover crops during the 2022 crop year under the Pandemic Cover Crop Program (PCCP). Farmers need to report cover crop acreage by March 15 to FSA. Go to www.rma.usda.gov for other program details.

Brazil slashes soybean crop forecast

Conab slashed its official Brazilian soybean crop estimate by 15 million metric tons (MMT) from last month to 125.5 MMT due to drought impacts. That forecast is now in line with the lower end of private crop estimates, though some believe the crop could end up at 120 MMT or lower.

Conab cut its Brazilian corn crop estimate by 559,000 metric ton (MT) from last month to 112.3 MMT. Its estimate of safrinha corn production remained at 86 MMT.

USDA cut its Brazilian soybean crop estimate by 5 MMT to 134 MMT. Its Brazilian corn crop estimate was lowered 1 MMT to 114 MMT.

Due to the much smaller production forecast, Conab slashed its 2021-22 soybean export forecast by 9.1 MMT to 80.2 MMT, which would be down from exports of around 86 MMT in 2020-21. It now forecasts 2021-22 Brazilian corn exports at 35 MMT, down 1.7 MMT from last month. Conab expects Brazil to import 1.7 MMT of corn in 2021-22, up from its forecast for 1.3 MMT of imports last month.

Exchange cuts Argy corn crop peg

The Buenos Aires Grain Exchange lowered its 2021-22 corn crop estimate by 1 MMT to 51 MMT amid expectations for lower yield on early maturing corn that was hurt by extreme heat and drought in January. The exchange's estimate is 3 MMT lower than USDA's forecast, which was unchanged this month at 54 MMT.

The exchange kept its Argentine soybean crop estimate at 42 MMT. USDA reduced its forecast by 1.5 MMT to 45 MMT.

Paraguay has only half a bean crop

Crop Consultant Dr. Michael Cordonnier cut his Paraguay soybean crop peg another 1 MMT to 5 MMT — less than half of what the country was originally expected to produce. USDA reduced its Paraguay soybean crop estimate by 2.2 MMT this month to 6.3 MMT.

USDA will make further crop cuts

Even with this month's cuts, USDA's cumulative soybean production forecasts for Brazil, Argentina and Paraguay are nearly 13 MMT higher than the lowest private forecasts for these three countries. When USDA makes additional production cuts next month, it will dramatically tighten the global soybean balance sheet, with ending stocks likely to be the tightest level since 2015-16. But the market already "knows" this and has the crop losses and ending stocks decline priced in.



Canadian wheat stocks shockingly low

As of Dec. 31, Statistics Canada (StatsCan) estimated Canadian all wheat stocks at 15.6 MMT, which was far lower than the average pre-report estimate of 17.3 MMT. Wheat stocks plunged 38.0% from the previous year and were 37.5% below the 2016-2020 average. Mike Jubinville of MarketsFarm says, "It's difficult to completely ascertain an explanation to this wide stocks gap, but it might suggest smaller 2021 wheat production than is currently projected by StatsCan."

Canola stocks were estimated at 7.6 MMT, which was the lowest level for the date since 2007. Canola stocks plummeted 43.1% from Dec. 31, 2020 and were 47.6% below the five-year average. Jubinville says, "If use continues at the current rate through to the end of the marketing year, it would imply 'negative' canola marketing year ending stocks. That obviously cannot happen, so the process of rationing demand is not yet complete, even at these high prices."

Drought keeps grip on HRW areas

The amount of U.S. winter wheat considered in drought conditions increased two points to 71% for the week ended Feb. 8, according to the U.S. Drought Monitor. USDA rated winter wheat drought as 30% "moderate," 24% "severe," 17% "extreme," and 2% "exceptional."

There was modest drought improvement in the Southern Plains over the past week, but the majority of HRW wheat areas remain heavily drought-ridden. The area considered abnormally dry/drought improved three points in Kansas to 86%, five points in Texas to 88% and four points in Oklahoma to 92%. Nebraska had a six-point increase in the drought area to 98%. The amount of land classified as abnormally dry/drought in Montana (92%), Colorado (100%) and South Dakota (78%) remained the same.

Lots of wheat export competition

Consulting firm Strategie Grains cut its 2021-22 EU soft wheat export forecast by 800,000 MT to 30.4 MMT due to competition from Black Sea and South American exporters, as well as reduced expectations for imports from Algeria and Egypt.

The U.S. faces even more export challenges for wheat than the EU. USDA noted "slowing export sales and shipments" as the reason for cutting its export forecast by 15 million bu. for U.S. wheat, in particular, HRW and white wheat.

Shipments out of the Black Sea region remain strong, but USDA noted higher wheat exports out of Argentina and India in raising its 2021-22 global wheat trade forecast. USDA projects India's wheat exports at a record 7 MMT, with much of those supplies going to Asian markets. USDA increased its Argentine wheat export outlook to a record 14 MMT, noting the "strong early pace" of shipments after harvesting a record 2021-22 crop.

Record U.S. trade deficit in 2021

An \$80.7 billion deficit in December drove the U.S. 2021 calendar year trade red ink to a record \$859.1 billion. Total 2021 imports were \$3.4 trillion against exports of \$2.5 trillion, underscoring pent-up demand for goods from China and other countries amid the economic recovery from the 2020 Covid-induced slump.

The U.S. trade deficit with China grew 14.5% in 2021 to \$355.3 billion. According to an analysis by Chad Bown, a senior fellow at Peterson Institute for International Economics, Beijing fell far short of the purchase targets set under the Phase 1 agreement. The wider gap and missed targets increase pressure on the Biden administration to respond to Beijing on trade policy. Administration officials have said they would hold China accountable but haven't disclosed specific steps.

U.S. ag exports, imports declined

U.S. ag exports totaled \$16.2 billion in December, down more than 10% from the record November level of \$18.5 billion. U.S. ag imports fell to \$14.6 billion, down 5% from the record of \$15.4 billion in November. That left the U.S. with a trade surplus of \$1.9 billion.

Through the first quarter of fiscal year (FY) 2022, ag exports totaled \$52.6 billion against imports of \$44.9 billion for a cumulative surplus of \$7.8 billion. The three-month totals for both exports and imports are the highest on record for the opening quarter of a fiscal year.

USDA forecasts U.S. ag exports at \$175.5 billion for FY 2022 with imports of \$165.0 billion — both would be new record marks — for a surplus of \$10.5 billion. After the first quarter of trade data, FY 2022 exports would have to average \$13.7 billion per month and imports \$13.4 billion per month to meet those forecasts. U.S. ag exports were below the “required” level the final four months of FY 2021, but imports were at \$14 billion or more the final six months of FY 2021. This suggests USDA will likely raise its ag import forecast on Feb. 24 and could result in a much smaller trade balance in FY 2022 than is currently expected and potentially below the FY 2021 tally of \$8.9 billion.

Farm income forecast to fall

U.S. net farm income in 2022 is forecast to fall to \$113.7 billion, down 4.5% from 2021, but still above the \$100-billion plateau for a second straight year. Net cash farm income is forecast to rise 1.4%. USDA projects farm cash receipts will rise 6.8%, including an increase of 5.1% for crops and 8.9% for livestock. Total expenses are forecast to rise 5.1%. Government farm program payments are expected to drop 57.0% to the lowest level since 2017. Farmers' financial indicators are edging up but are still projected far below levels during the 1980s farm crisis.

Record beef exports in 2021; pork finishes with a whimper

The U.S. exported 288.0 million lbs. of beef in December — a record for the month and up 1.0% from year-ago, though down 3.4% from November. For 2021, the U.S. exported a record 3.447 billion lbs. of beef, up 16.8% from the previous year, driven by a surge in shipments to China. South Korea was also a strong growth market for U.S. beef exports last year, rising 16% from 2020 levels.

Pork exports totaled 531.6 million lbs. in December, down 8.4% from November and 16.5% from 2020. That was the lowest December pork export figure since 2018. U.S. pork exports fell 3.4% to 7.030 billion lbs. in 2021, due largely to a 46.0% drop in shipments to China. Exports to Mexico surged 29.6% last year.

Big jump in cash hog forecast

USDA raised its 2022 average cash hog price forecast by \$4.50 this month to \$65.00 based on “current prices and slower growth of production” expected this year. The cash hog price is still expected to fall \$2.29 from last year's average.

USDA lowered 2022 pork production by 135 million lbs., with output now expected to decline 1.1% from last year. But the export forecast was cut 190 million lb. and exports are projected to decline another 3.1% amid “continued weakness in demand from China” and “increased competition.”

Cash cattle price forecast inches up

USDA raised its average cash steer price forecast by 50¢ to \$137.50, which would be up \$15.10 from last year. The higher price forecast came despite a 210-million-lb. increase to expected beef production and no change to exports. Beef production is still expected to drop 2.0% this year.

Bird flu confirmed in Indiana

An outbreak of H5N1 highly pathogenic avian influenza was discovered on a commercial turkey farm in Dubois County, Indiana. That led to trade restrictions from China, South Korea, Taiwan, Mexico and other trading partners, though the export halts were limited to poultry/products from the state.

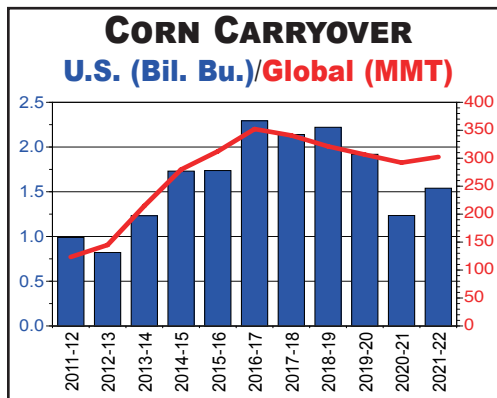
Indiana is the third-largest U.S. turkey producing state, No. 1 in duck production and No. 2 in table eggs and egg-laying chickens. The Indiana outbreak is also significant because it indicates bird flu has entered a migratory pathway for birds in the so-called Mississippi Flyway that includes major poultry-producer Mississippi.

Canada confirms bird flu, too

Canada confirmed H5N1 bird flu in a commercial poultry flock in Nova Scotia. The discovery also prompted varying trade restrictions against Canadian poultry.

Lower global ending stocks offset disappointing U.S. data

by Editor Brian Grete



USDA's domestic corn, soybean, wheat and cotton ending stocks forecasts were all higher than traders anticipated in the February Supply & Demand Report, though the numbers weren't bearish. USDA cut its global ending stocks forecasts for soybeans, wheat and cotton more than anticipated, which offset the disappointing U.S. carryover figures.

CORN — USDA kept its corn ending stocks forecast unchanged at 1.540 billion bu., whereas traders expected a 28-million-bu. cut. USDA made no changes to the old-crop corn balance sheet this month.

Our corn ending stocks forecast is 1.490 billion bu. for 2021-22.

- **USDA 2021-22 price: \$5.45, unchanged from last month; up 92¢ from 2020-21.**

Global corn carryover: 302.2 million metric tons (MMT) for 2021-22, down 850,000 metric tons (MT) from January. That would still be up 10.2 MMT from the 2020-21 marketing year.

SOYBEANS — USDA lowered its old-crop soybean ending stocks projection by 25 million bu. from last month to 325 million bushels. Traders expected USDA to cut projected carryover by 40 million bushels. USDA made no changes on the supply side of the balance sheet. For demand, USDA raised projected crush by 25 million bu. from last month to a record 2.215 billion bushels. It made no other changes to soybean use.

Our soybean ending stocks forecast is 300 million bu. for 2021-22.

- **USDA 2021-22 price: \$13.00, up 40¢ from January; up \$2.20 from 2020-21.**

Global soybean carryover: 92.8 MMT for 2021-22, down 2.4 MMT from last month and now down 7.6 MMT from 2020-21.

WHEAT — USDA raised its old-crop wheat carryover forecast by 20 million bu. from last month to 648 million bushels. Traders expected just a 1-million-bu. increase to projected ending stocks. USDA made no changes to the supply side of the balance sheet. On the demand side, USDA cut exports by 15 million bu. (to 810 million bu.), trimmed food use by 3 million bu. (to 959 million bu.) and lowered seed use by 2 million bushels (to 64 million bu.).

Our wheat ending stocks forecast is 650 million bu. for 2021-22.

- **USDA 2021-22 price: \$7.30, up 15¢ from January and up \$2.25 from 2020-21.**

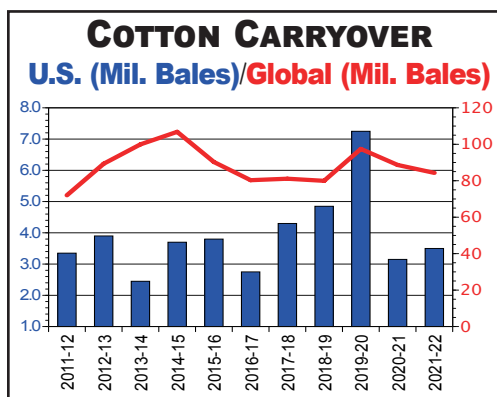
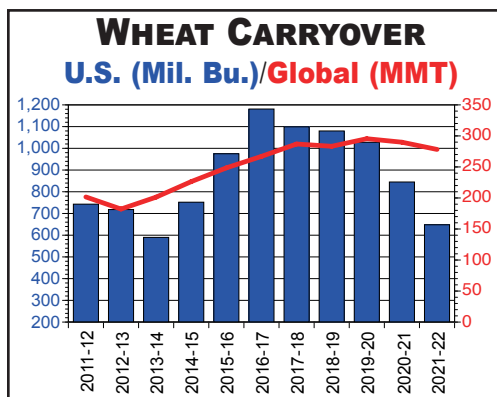
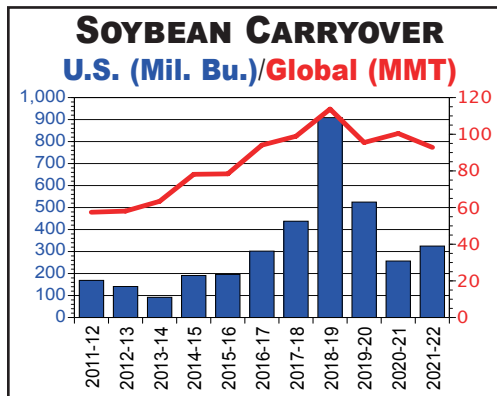
Global wheat carryover: 278.2 MMT for 2021-22, down 1.7 MMT from last month and 11.7 MMT from 2020-21.

COTTON — USDA raised its ending stocks forecast by 300,000 bales from last month to 3.5 million bales. Traders expected USDA to increase ending stocks nearly 200,000 bales. USDA made no changes to total supply this month. On the demand side of the balance sheet, USDA cut exports by 250,000 bales to 14.75 million bales and lowered unaccounted use by 50,000 bales to -20,000 bales.

Our cotton ending stocks forecast is 3.25 million bales for 2021-22.

- **USDA 2021-22 price: 90.0¢, unchanged from January and up 23.7¢ from 2020-21.**

Global cotton carryover: 84.3 million bales for 2021-22, down 700,000 bales from January and 4.4 million bales lower than 2020-21.



CATTLE - Fundamental Analysis

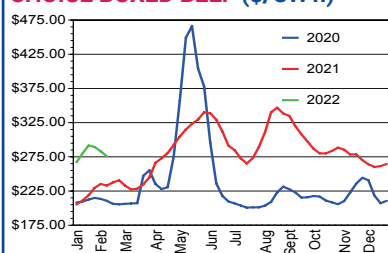
Beef cutout continued sliding last week, but packer margins remain deep in the black. That explains sustained packer demand strength for fed cattle and last week's cash market firmness. Despite fears to the contrary, there is little evidence the January packing industry slowdowns created a significant backlog of market-ready cattle in feedlots. There seem to be few impediments to the usual spring cash rally. Still, elevated retail prices are likely to limit consumer demand. Large fall and winter futures premiums could make producers overconfident, possibly signaling trouble down the road.

Position Monitor

Game Plan:	Feds	Feeders
Fed cattle	I'22 0%	0%
producers	II'22 0%	0%
should keep	III'22 0%	0%
	IV'22 0%	0%

all risk in the firming cash market.
Be prepared for hedges when the market shows signs of a top.

CHOICE BOXED BEEF (\$/CWT.)



DAILY APRIL LIVE CATTLE

The sharp Feb. 10 setback from the new contract high at \$148.70 made the Feb. 3 high of \$147.275 initial resistance.



HOGS - Fundamental Analysis

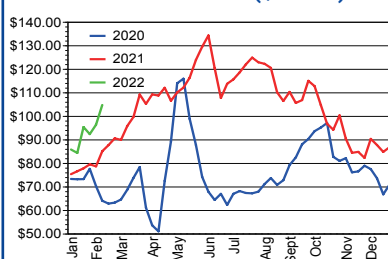
Hog slaughter during the week ended Feb. 5 reached 2.455 million head, down 3.2% and 8.5% from comparable week- and year-prior levels, respectively. Hog slaughter averaged 8.6% below year-ago from mid-January through the first week of February. Covid-driven packer slowdowns likely played a role in the reductions, but the latest figures suggest hog supplies are falling below the 6% year-over-year reduction indicated by USDA's Hogs & Pigs Report. And while pork prices moved erratically higher again last week, the possible shortage is seemingly powering spring and summer futures to fresh highs.

Position Monitor

Game Plan:	Lean Hogs
The upside is over-	I'22 0%
done, so be pre-	II'22 0%
pared for at least	III'22 0%
	IV'22 0%

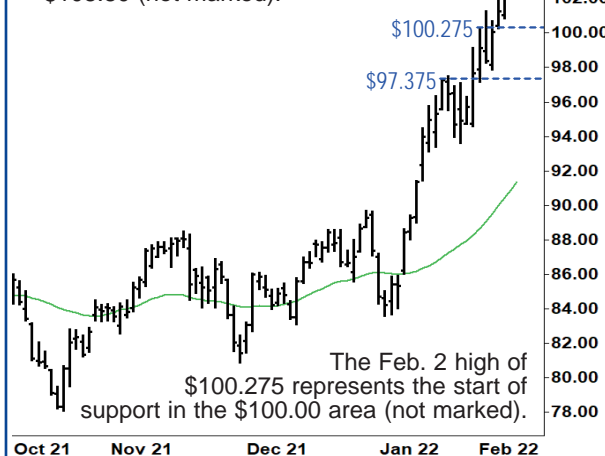
short-term hedges on signs the rally has run out of steam. Seasonally, futures tend to pull back in late winter.

PORK CUTOUT VALUE (\$/CWT.)



DAILY APRIL LEAN HOGS

Feb. 10 price action established initial resistance at \$107.70. Measured move analysis puts additional resistance at \$108.80 (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 market higher. We'll wait on an extended corrective pullback to advance coverage.

Meal

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

Meal Game Plan: You are hand-to-mouth on soybean meal coverage. Don't chase the market higher. We'll wait on an overdue corrective pullback to extend coverage in the cash market.

DAILY MARCH SOYBEAN MEAL

The renewed push above resistance at \$477.90 would have bulls targeting the \$500.00 level (not shown).



Position Monitor

	'21 crop	'22 crop
Cash-only:	80%	30%
Hedgers (cash sales):	80%	30%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. While there may be more near-term upside potential, current price levels offer strong sales opportunities from a historical perspective. Be prepared to advance old- and new-crop sales on signs the rally is exhausted. When the market eventually tops, there will likely be a sudden and sharp price pullback, especially if funds actively liquidate long positions.

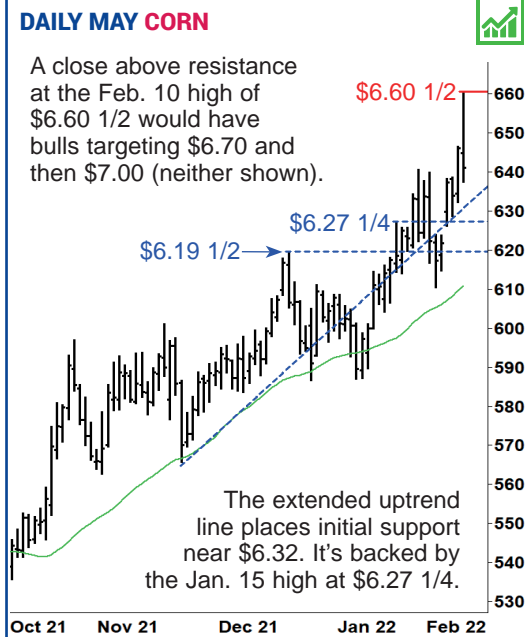
DAILY MARCH CORN

The Feb. 10 reversal at the new contract high of \$6.62 3/4 established stiff resistance at that level. The continuation chart puts additional resistance around \$6.70 and then the psychological \$7.00 level (neither marked).



DAILY MAY CORN

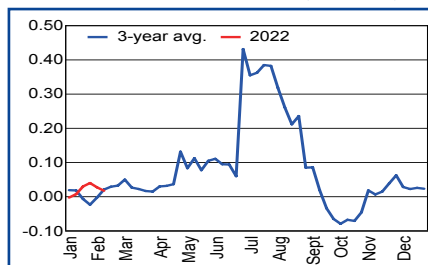
A close above resistance at the Feb. 10 high of \$6.60 1/2 would have bulls targeting \$6.70 and then \$7.00 (neither shown).



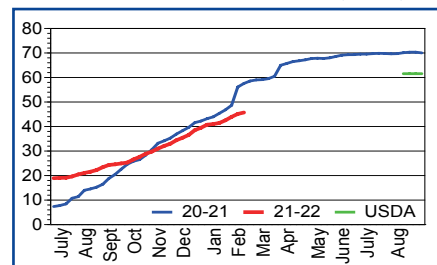
CORN - Fundamental Analysis

Futures shrugged off a disappointing Supply and Demand Report and extended a rally to seven-month highs, illustrating strong fund-driven bullish momentum. Whether that momentum is sustained will depend largely on soybeans and money flow ahead of next month's Supply & Demand (March 9) and Prospective Plantings (March 31) Reports. U.S. ethanol production dropped near a four-month low and export commitments lag last year's levels by 21%, two fundamentals that by themselves don't argue for an extended run of \$6-plus corn. The global inflation trade may keep prices elevated, but funds are near record-long corn futures.

AVERAGE CORN BASIS (MARCH)



CORN EXPORT BOOKINGS (MMT)



Position Monitor

	'21 crop	'22 crop
Cash-only:	80%	30%
Hedgers (cash sales):	80%	30%
Futures/Options	20%	0%

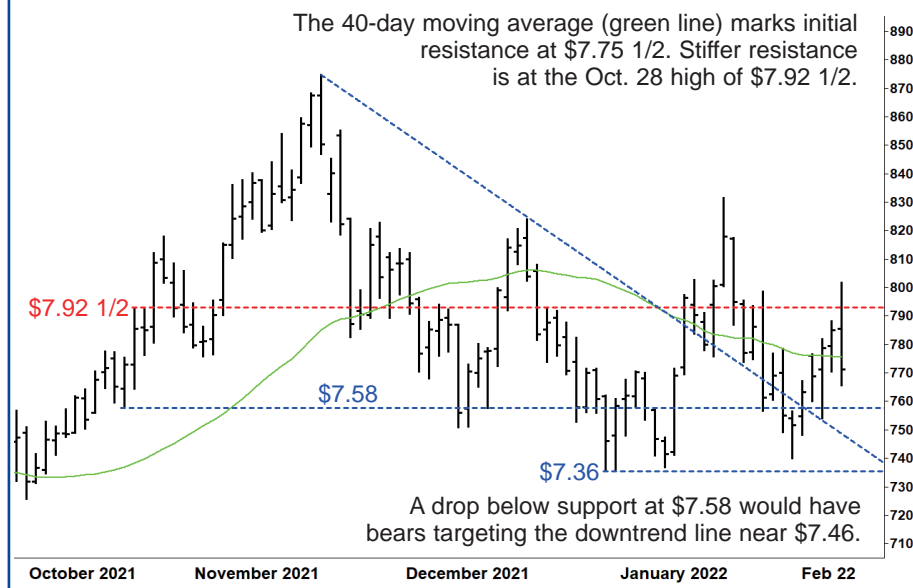
Game Plan: Get current with advised sales. The upside in wheat is tied to soybeans and corn. Be prepared to advance wheat sales when those other markets signal the upside has been exhausted.

WHEAT - Fundamental Analysis

SRW — A bigger-than-expected rise in U.S. ending stocks, combined with sagging exports and an outlook for higher U.S. wheat acreage, argue for further price downside. But continued corn and soybean strength and ongoing Russia/Ukraine tensions should limit near-term downside risk.

DAILY MARCH SRW WHEAT

The 40-day moving average (green line) marks initial resistance at \$7.75 1/2. Stiffer resistance is at the Oct. 28 high of \$7.92 1/2.



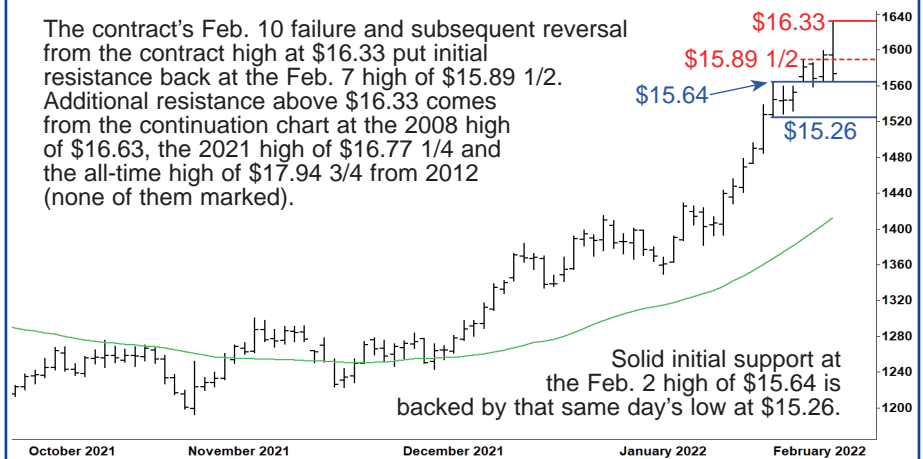
Position Monitor

	'21 crop	'22 crop
Cash-only:	85%	30%
Hedgers (cash sales):	95%	30%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. There may be more near-term upside potential, but current price levels offer exceptional sales opportunities from a historical perspective. Be prepared to advance old- and new-crop sales on signs the rally is exhausted. When the market eventually tops, there will likely be a sudden and sharp price pullback, especially if funds actively liquidate long positions.

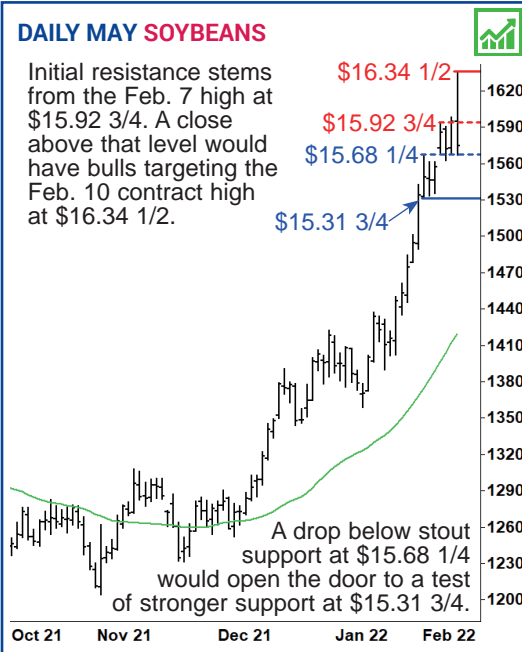
DAILY MARCH SOYBEANS

The contract's Feb. 10 failure and subsequent reversal from the contract high at \$16.33 put initial resistance back at the Feb. 7 high of \$15.89 1/2. Additional resistance above \$16.33 comes from the continuation chart at the 2008 high of \$16.63, the 2021 high of \$16.77 1/4 and the all-time high of \$17.94 3/4 from 2012 (none of them marked).



DAILY MAY SOYBEANS

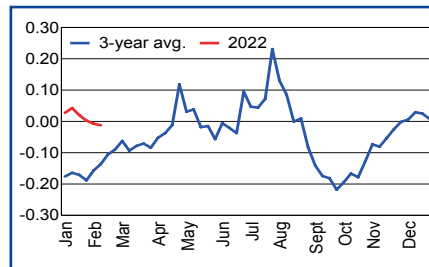
Initial resistance stems from the Feb. 7 high at \$15.92 3/4. A close above that level would have bulls targeting the Feb. 10 contract high at \$16.34 1/2.



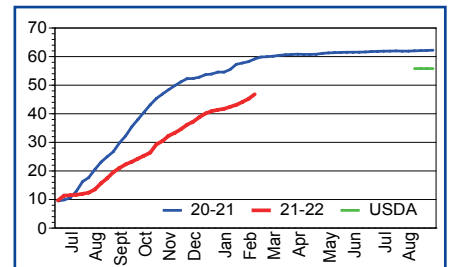
SOYBEANS - Fundamental Analysis

China's soybean buying spree since late January suggests escalating supply concerns as South America's crop losses mounted. Continued Chinese business in the weeks ahead could keep futures prices elevated, but may not justify extending the rally much beyond current levels, which reflect expectations for a Brazil crop closer to 125 million metric tons (MMT), 9 MMT under USDA's forecast. It would likely take several private Brazilian crop estimates under 125 MMT to drive a further upside push. We'll be watching South American harvest results and the U.S. acreage outlook, as a soybean:corn ratio near the highest level since late September may be buying more bean acres.

AVERAGE SOYBEAN BASIS (MARCH)



SOYBEAN EXPORT BOOKINGS (MMT)



DAILY MARCH HRW WHEAT

The 40-day moving average (green line) marks resistance at \$8.00.

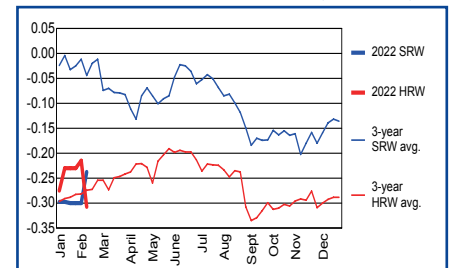


DAILY MARCH HRS WHEAT

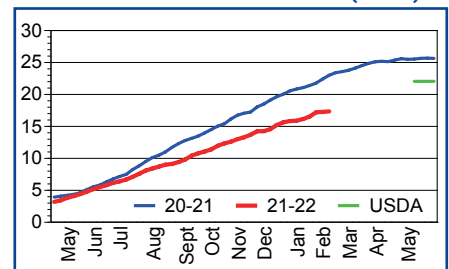
Initial resistance is at the Jan. 5 low of \$9.44 3/4.



AVERAGE WHEAT BASIS (MARCH)



WHEAT EXPORT BOOKINGS (MMT)



HRW — The offsetting dynamics that have held HRW futures in roughly a \$1.00 range this year could persist for several more weeks. Global supplies of milling quality-wheat remain tight, but in the U.S., HRW stocks are expected to be larger than previously thought. Expanding Plains drought lingers as a supportive background factor.

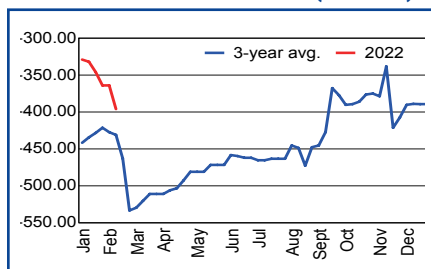
HRS — Spring wheat futures' recent outperformance versus their winter wheat counterparts suggests the market may have established a near-term bottom. The 38% drop in Canadian wheat stockpiles at the end of 2021 served as a reminder of the severe decline in North American wheat supplies amplified by last year's drought.

Position Monitor

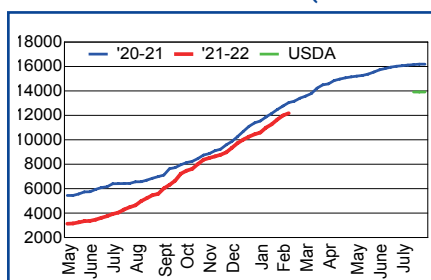
	'21 crop	'22 crop
Cash-only:	90%	50%
Hedgers (cash sales):	100%	50%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. We are targeting the 110.00¢ level or higher in December futures to further advance new-crop sales.

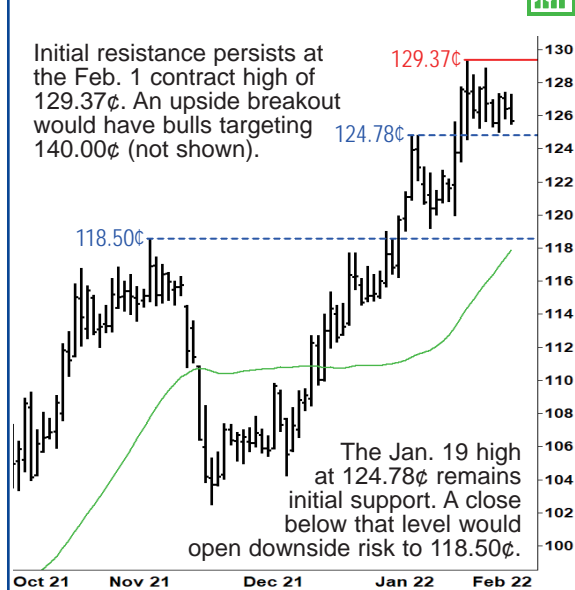
AVERAGE COTTON BASIS (MARCH)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY MARCH COTTON



COTTON - Fundamental Analysis

USDA's 250,000-bale cut to its 2021-22 U.S. export forecast seemed justified by the big weekly reductions in sales reported Feb. 10. But comparatively strong weekly shipments at 299,700 bales suggested the industry could still fulfill huge export commitments.

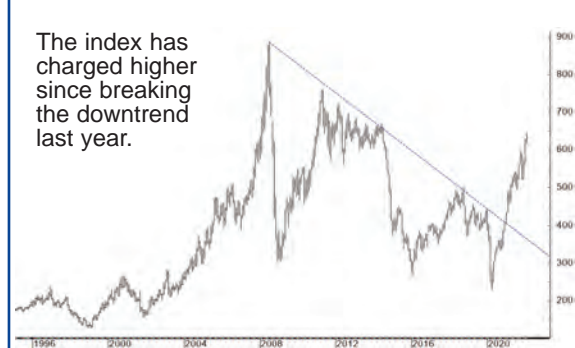
GENERAL OUTLOOK

Commodities: According to Goldman Sachs analyst Jeff Currie, commodity futures markets are presently seeing the most "backwardation" since 1997— in 19 out of 28 markets. Backwardation means nearby futures trading at a premium to the deferred contracts. Usually, deferred futures are higher-priced, due to a "carry" premium. Backwardation suggests strong near-term demand for the commodity and/or a supply shortage.

"We're out of everything. I don't care if it's oil, gas, coal, copper, aluminum, you name it we're out of it," said Currie. While that's hyperbolic, it signals the bullish attitudes of investors.

Futures curves are pricing in shortages seldom seen in 30 years, he added. Crude oil prices are leading the raw commodity price surge. Thus, crude and other economically connected futures will be important to monitor.

MONTHLY GOLDMAN SACHS COMMODITY INDEX



FROM THE BULLPEN By Market Consultant Dan Vaught

The January Cattle Report from USDA indicated a 2% annual reduction in the U.S. cattle population, with the 2021 calf crop falling 1.2%.

The acceleration of the ongoing contraction phase of the cattle cycle has encouraged bulls in the live cattle and feeder markets, as implied by rising premiums built into the 2022 feeder cattle contracts. Sizeable premiums built into the fall and winter fed cattle contracts are also spurring that buying, but we suspect deferred live and feeder cattle contracts are overpriced.

April feeders were trading about \$25.50 over their fed cattle counterpart last week, as opposed to the 10-year average cash difference of \$21.40 in late

April. Seasonal factors play a part in the widening of the spread into summer and fall, but the August futures difference around \$45.00 is about \$5.00 over the 10-year cash norm.

These differences don't seem particularly large until one considers feed costs likely to be paid this year. July corn and soybean meal were trading near \$6.30 and \$450.00, respectively, last week, whereas their early-July cash quotes have averaged about \$4.50 and \$400.00 during the past 10 years.

Given the upward momentum displayed by live cattle futures, we currently don't favor hedging, but we think ranchers should be prepared to hedge feeder sales this spring.

WATCH LIST

- NOPA Soy Crush** **TUE 2/15**
Will January crush be another record? 11:00 a.m. CT
- China Inflation Data** **TUE 2/15**
PPI, CPI data for January. 8:30 p.m. CT
- USDA 10-year Projections** **WED 2/16**
Baseline projections through 2031. 2:00 p.m. CT
- USDA Export Sales Report** **THUR 2/17**
Did China buying pick up? 7:30 a.m. CT
- NWS Extended Forecast** **THUR 2/17**
Weather outlook for March-May. 7:30 a.m. CT

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