



### News this week...

- 2 – Consultant lowers corn, soybean crop estimates.
- 3 – U.S. ethanol production falls amid weak gas demand.
- 4 – Climate focus a battle line in new farm bill.

**Volatility remains high** – Grain markets rallied early last week as tensions between Russia and the West accelerated. Heightened global supply concerns added to already-bullish fundamentals. But late-week trade proved macroeconomics and money flow will continue to impact near-term price action as much as fundamentals as global recessionary concerns triggered strong risk-off trade Friday. With major price influencers pulling markets in opposite directions, highly volatile trade is likely to continue. USDA's Sept. 30 Grain Stocks and Small Grains Summary (final 2022-crop wheat estimates) could add to near-term price volatility. Livestock markets weren't immune to the volatile trade as cattle and hog futures plunged late in the week despite cash cattle strength and hogs' discount to the cash index.

## Putin strengthens stance, rhetoric

Russian President Vladimir Putin ordered Russia's first partial mobilization since World War II and backed a plan to annex swaths of Ukraine. He also warned the U.S. and its western allies he would be prepared to use nuclear weapons to defend Russia. Annexation polling in four Russian-controlled regions of Ukraine runs from Sept. 23-27, though the Ukrainian government and Western leaders plan to ignore the results.

## China buying Argentine soybeans

Argentina devalued its peso earlier this month to spur soy exports, and it worked. China booked as much as 3 million metric tons (MMT) of soybeans from Argentina in the past two weeks, *Bloomberg* reported, almost as much as the roughly 3.75 MMT it imported from the country all of last year.

## 'Limited' drought impacts in China

Drought warnings in central and southern China have been in effect for more than a month, spanning 13 provinces. Chinese officials say the drought had a "limited" impact on crops.

Perspective: Watch China's actions, not what it says in regards to the drought. If China starts booking U.S. corn given the Ukraine supply uncertainties, it would signal drought impacts were more than "limited."

## Farm bill battle lines being drawn

On *News page 4* we look at how House Republicans want to shift the focus of a new farm bill away from climate change. History indicates both political parties must give (sometimes a lot) when it comes to certain issues. These include food and nutrition funding, conservation program funding and now climate change. If lawmakers dig in too much, the votes will be lacking, as we have seen in some recent farm bills.

## Mandated cattle contract reporting

USDA plans to require beef processors to report details of active cattle contracts. That data will be used in a pilot program Congress authorized. The North American Meat Institute says USDA lacks legal authority to mandate such reporting.

## Fed inflation fight to persist

The Fed raised its target interest rate by 75 basis points to a range of 3.00% to 3.25%. Chairman Jerome Powell said the central bank will take "forceful and rapid" steps to get inflation down to its 2% target — even if it leads to economic recession. Fed officials project the benchmark rate rising to 4.40% by the end of this year, implying another 75-basis point hike in November, followed by a 50-point increase in December. For perspective, see "General Outlook" on *Analysis page 4*.

## Japan defends yen but stays dovish

Japan intervened in the foreign exchange market to buy yen for the first time since 1998 but the Bank of Japan said it could hold off on hiking rates or changing its dovish policy guidance for years. The yen has depreciated nearly 20% this year, sinking to 24-year lows, largely as aggressive U.S. interest rate hikes pushed the dollar to 20-year highs.

## USDA again raises food price outlook

USDA raised its outlook for all food prices and grocery store prices in 2022, with all food price inflation now forecast to rise 9% to 10% and food at home (grocery store) prices up 10.5% to 11.5% — the most since 1979 and 1974, respectively. Food away from home (restaurant) prices are still forecast to rise 6.5% to 7.5%. USDA projects all food prices will rise another 2.5% to 3.5% next year, unchanged from its prior forecast.

## Meat demand outpacing supplies

Beef stocks totaled an August record of 515.8 million lbs., up 3.8 million lbs. (0.7%) from July, whereas they rose an average of 20.1 million lbs. over the previous five years. Beef inventories increased 100.8 million lbs. (24.3%) from year-ago and were 53.3 million lbs. (11.5%) above the five-year average.

Pork stocks totaled 532.0 million lbs., up 5.6 million lbs. (1.1%) versus July, though less than the five-year average increase of 12.3 million lbs. for the month. Pork inventories increased 77.8 million lbs. (17.1%) from August 2021 but were 4.6 million lbs. (0.8%) under the five-year average.

## Consultant cuts U.S. corn, bean crops

Crop consultant Dr. Michael Cordonnier lowered his corn and soybean yield estimates given highly variable early corn yields and the hot, dry end to the growing season across areas of the Corn Belt. Cordonnier cut his corn yield by 1 bu. to 169 bu. per acre, which lowered his production estimate to 13.60 billion bushels. He cut his soybean yield by 0.5 bu. to 50.0 bu. per acre, which dropped his production estimate to 4.33 billion bushels.

## Further decline in corn, bean CCIs

As of Sept. 19, USDA rated 52% of the corn crop “good” to “excellent,” down one percentage point from the previous week. The portion of crop rated “poor” to “very poor” increased one point to 21%.

USDA’s “good” to “excellent” rating for soybeans also dropped one point to 55%. The amount of crop rated “poor” to “very poor” held at 15%.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn and soybean crops each dropped 3.3 points to 336.9 and 338.9, respectively. The corn CCI rating has declined 10 straight weeks and was 23.1 points (6.4%) below average. The soybeans CCI has dropped for seven consecutive weeks and was 14.2 points (4.0%) below average.

### Extrapolating CCI ratings to yields

The corn CCI rating was the exact same for the date as 2011. The 2011 corn yield ended 14.9 bu. per acre below trendline and 11.9 bu. below USDA’s initial projection. A repeat this year would drop the final yield into the 165.1 bu. to 166.1 bu. range. We expect the corn yield to keep coming down, but it likely won’t get that low. We’re comfortable with our estimate of 168.1 bu. per acre.

The soybean CCI rating matches up closely with 2019, 2013 and 2011. In those years, the soybean yield rose an average of 1 bu. per acre from USDA’s trendline/May figures. That would result in a final yield of 52.5 bu. per acre. We doubt the yield increases that much. We are comfortable with our estimate of 51.7 bu. per acre.

## Cotton CCI rating plunges

USDA rated 33% of the cotton crop in the top two categories, unchanged from the previous week. The portion of crop rated “poor” to “very poor” increased two points to 39%.

The cotton CCI rating plunged 10.4 points to 312.7, the lowest for the date since 2011.

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## Producer Crop Comments...

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

### Johnson Co. (east-central) Iowa:

*“First yield check was 251 bu. per acre at 24%. Moisture levels were highly variable through the field. Where it was dry, the cobs were very spongy.”*

### Ida Co. (west-central) Iowa:

*“First 200 acres of early-planted, 105-day corn yielded 180 bu. per acre, down 60 bu. from last year. It pollinated during the heat of July and was too far along when the rains came in August.”*

### Humboldt Co. (north-central) Iowa:

*“Our first 300 acres yielded 200 bu. per acre, down from 250 bu. last year and APH of 230 bu. per acre.”*

### Washington Co. (southeast) Iowa:

*“Amazing to see the variability in yields and moisture! We had so little rain that there is major separation between the plants that found moisture and those that burned up.”*

### Moultrie Co. (east-southeast) Illinois:

*“Our first field of 100-day corn ended up at 202 bu. per acre dry yield. That was under the APH, but we were generally satisfied given it was short-season corn and the drought issues we faced earlier in the season.”*

### Holt Co. (north-central) Nebraska:

*“Our irrigated high-moisture corn yielded right at our APH despite some pivot problems. We’re expecting our soybeans to be near APH.”*

### Kearney Co. (south-central) Nebraska:

*“Our dryland yields are down 60% from year-ago.”*

### Cuming Co. (northeast) Nebraska:

*“Early soybeans are coming off at 25 bu. to 30 bu. per acre. Same fields yielded 65 bu. to 70 bu. per acre last year. Our county average was 67 bu. per acre last year.”*

### Meade Co. (southwest) Kansas:

*“Early corn yields are average to below average. Most of the dryland corn didn’t fare well due to lack of rains and extreme heat during the growing season.”*

### Dickinson Co. (central) Kansas:

*“Received 1.15 inches of rain, which will be beneficial as we start drilling wheat. Soybeans and sorghum got more benefit from the moisture than damage from the hail that came with the rains.”*

### Putnam Co. (northwest) Kansas:

*“No chance of rain overnight (Sept. 21) turned into 0.75 to 1.3 inches. With ample moisture in the ground already and harvest days away, I would have been ok without it. Looking more like a repeat of last year’s mud fest during harvest.”*

### Northern Texas (Panhandle):

*“We’re far enough into corn harvest to know that every little mistake, every little flaw in irrigation, insect control, etc, is showing up in yield deficit. That’s not to mention hail and wind damage. We’re going to have a little at APH, but we’re going to have some far below.”*

## Bigger South American crops expected

Cordonnier initially projects South American soybean and corn production at the following levels:

- **Soybean** production of 211.0 million metric tons (MMT), up 38.3 MMT (21.3%).
  - Brazil: 151.0 MMT, up 25 MMT (19.8%).
  - Argentina: 50 MMT, up 6 MMT (13.6%).
  - Paraguay: 10.5 MMT, up 6.3 MMT (150%).
- **Corn** production of 187.5 MMT, up 11.6 MMT (6.5%).
  - Brazil: 125.5 MMT, up 9.5 MMT (8.2%).
  - Argentina: 55.0 MMT, up 2.0 MMT (3.8%).
  - Paraguay: 5.0 MMT, unchanged.

With La Niña still present, Cordonnier says it could negatively impact South American crops for a third year in a row.

## Exchange cuts Argy crop forecasts

The Rosario Grain Exchange cut its Argentine wheat crop estimate by 1.2 MMT to 16.5 MMT as drought has trimmed yield potential. It now forecasts the country's 2022-23 corn production at 56 MMT, down 2 MMT from the previous outlook as drought delayed planting of the crop. The exchange raised its soybean crop forecast by 1 MMT to 48 MMT as it now expects 200,000 hectares originally intended for corn to be switched to soybeans.

## Tighter FX regs for Argy soy exporters

Argentina's central bank tightened access to the foreign exchange market. According to the measure, soybean exporters selling via the so-called "export incentive program," which entails a higher exchange rate, are not allowed to buy foreign currencies. Exporters were also blocked from trading foreign currency-denominated securities.

## Big Russia wheat crop getting bigger

SovEcon raised its 2022 Russian wheat crop forecast by 5.3 MMT to a record 100 MMT due to strong spring wheat yields across most regions. It now expects total grain production to be a record 151.4 MMT.

Despite record production, SovEcon estimates July-September wheat exports at 10.2 MMT, down 14% from the five-year average.

## Ukraine wheat forecast shrinking

Ukraine's 2023 wheat crop may decrease to 16 MMT to 18 MMT, down from 19 MMT this year due to an expected fall in the winter wheat sowing area. Ukrainian ag officials have said the area under winter wheat could fall by at least 20% due to Russian occupation of some areas of the country and as farmers prefer to sow oilseeds that have stable export demand. But some private estimates suggest wheat acreage could be around 10% under that level.

## U.S. ethanol production plunges

Ethanol production fell 62,000 barrels per day (bpd) for the week ended Sept. 16 to 901,000 bpd. That was 2.7% below the corresponding week last year and the lowest weekly average since the week ended Feb. 26, 2021. Ethanol plants continued to slow operations amid downtime for maintenance ahead of new-crop supplies, but falling gasoline demand is also an issue. Gasoline demand was the lowest since February and 5% below last year, despite the sharp drop in pump prices from the peak earlier this year.

## OMB reviewing RFS for canola/rape oil

EPA sent the Office of Management and Budget (OMB) its final rule on Renewable Fuel Standard (RFS) pathways for certain biofuels produced from canola/rapeseed oil. There were 34 comments filed on EPA's proposal that canola-derived renewable diesel, jet fuel, heating oil, naphtha and liquefied petroleum gas meet the lifecycle greenhouse gas emissions reduction threshold of 50% required to qualify as advanced biofuels and biomass-based diesel under the RFS.

## China has issues with U.S. EV subsidy

China's commerce ministry said it suspects subsidy regulations for electric vehicles (EVs) in the U.S. Inflation Reduction Act violate World Trade Organization (WTO) rules but it will follow and evaluate the implementation of the law before acting. The new law eliminates federal tax credits for EVs produced outside North America.

## UK lifts moratorium for fracking

The controversial practice of extracting shale gas, which was banned in 2019 for fear of causing earth tremors in the process, was allowed to resume in an attempt to expand domestic energy production. Britain's business and energy secretary said the country needed to "explore all avenues available to us" amid spiraling energy prices.

## 'Electrofuel' to cut CO2 emissions

Starting next year, Amazon will look to cut its CO2 emissions in Southern California by about 95% by using a new, renewable "electrofuel" diesel to power delivery vehicles. Amazon says the fuel causes significantly less carbon pollution than petroleum-based diesel due to how it's produced: clean hydrogen sourced from renewable energy is mixed with waste carbon dioxide captured from industrial sources.

## Big rigs next on California's cut list

The California Air Resources Board (CARB) is expected to vote Oct. 27 on whether to ban the sale of diesel-fueled semi trucks by 2040. The state previously voted to end the sale of gasoline-fueled cars and light trucks by 2035.



# House GOP wants shift from climate focus in new farm bill

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

Rep. GT Thompson (R-Pa.), ranking member on the House Ag panel, said a farm bill conservation title written by his party would focus less on the Biden administration's climate priorities and more on retooling conservation programs to be innovative and economically useful to farmers. Thompson made his comments at a Subcommittee on Conservation and Forestry hearing at which Chairwoman Abigail Spanberger (D-Va.) and ranking member Doug LaMalfa (R-Calif.) heard comments about voluntary conservation programs that are popular with farmers, ranchers and forestland owners but are oversubscribed and understaffed.

## House GOP farm bill priorities

Thompson, who would be House Ag Chairman if Republicans win the House in Nov. 8 elections, listed priorities he said Republicans would pursue in a new farm bill in 2023. "I hope in the next Congress we can truly evaluate the funding needs for these programs paired with an evaluation of the ability to effectively and judiciously deliver these funds to farmers," Thompson said. "I don't feel bound by the amount of funding or the specific program allocation passed in the partisan IRA bill," Thompson said, referring to the August reconciliation bill/Inflation Reduction Act.

## Renewed focus on USDA's use of \$20 billion

Thompson said Congress needs to scrutinize USDA's use of \$20 billion included in the August reconciliation package for major environmental programs. The \$20 billion will provide about a 47% increase over previous farm bill levels, according to an analysis from the National Sustainable Agriculture Coalition.

## CCC will also get a farm bill review

Thompson said he and his colleagues will look at the \$2.8 billion in multiyear grants from the Commodity Credit Corporation (CCC) for climate-smart projects that USDA Secretary Tom Vilsack announced Sept. 14, with \$700 million additional funding to be announced later. "There is strong and growing interest in the private sector and among consumers for food that is grown in a climate-friendly way," Vilsack said in a statement announcing the new programs.

"Congress must be mindful of this massive amount of

funding before amending programs or making policy changes that reorient programs toward climate. No one natural resource concern should be prioritized over others," LaMalfa said.

## Conservation programs popular, but...

More than 140 million acres of U.S. farmland are currently receiving conservation-related financial and technical assistance from the federal government, according to an analysis from Farm Bureau. By comparison, the national park system has more than 85 million acres, according to the National Park Service. Michael Crowder, president of the National Association of Conservation Districts, stressed one message to members: "Voluntary, locally-led, incentive-based conservation works."

## Several hurdles to getting in conservation programs

Spanberger noted a complicated application process that makes it difficult to access the programs. Iowa beef producer Shayne Wiese, appearing on behalf of the National Cattlemen's Beef Association, testified that he wasn't turned down, but was never given an answer on his Environmental Quality Incentives Program (EQIP) request.

## CRP: Potential for major enviro benefits

Wiese said CRP has the potential to provide significant environmental benefits, but currently fails to maximize its value. "Changes made in the 2018 Farm Bill limit our ability to effectively manage CRP acreage with grazing," he said. "Grazing is a valuable tool in maximizing carbon sequestration but is not a tool that we are able to use on CRP acreage without penalty."

## Staffing problems

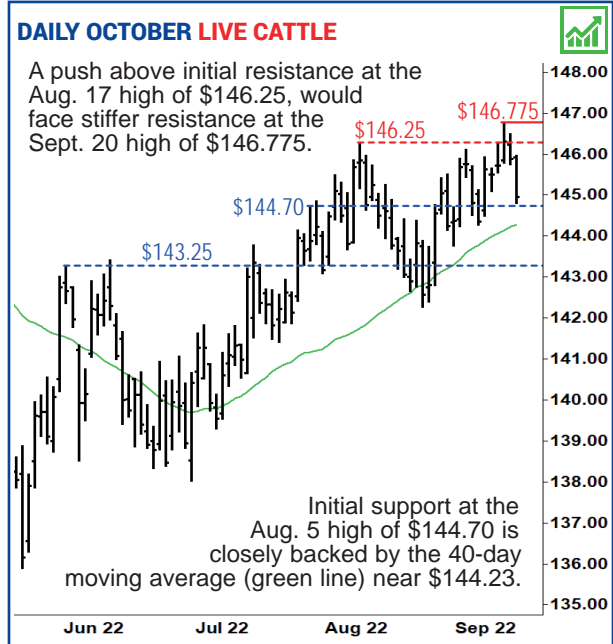
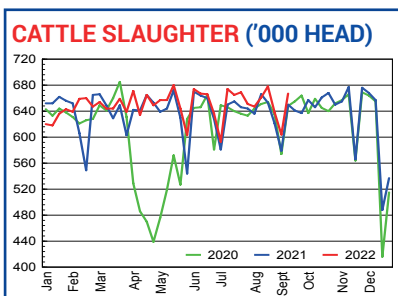
Rep. Dusty Johnson (R-S.D.) said many farmers at a roundtable in his state noted turnover at the Natural Resources Conservation Service (NRCS) resulted in new hires unfamiliar with the conservation practices under the agency's programs. As a result, they were unable to provide the level of technical assistance the producers needed.

Lawmakers agreed they would like to support staffing for NRCS and a simpler application process for producers. "We are looking to find on-farm efficiencies and boost the bottom line for producers and make sure we are combating the climate crisis with the first conservationists, who are our nation's farmers and producers," Spanberger said.

**CATTLE - Fundamental Analysis**

After running 1.5% above year-ago levels through summer, cattle slaughter averaged 2.8% over last year during late August and early September. Given the tightness of market-ready supplies this indicated strong packer demand was pulling cattle forward. Flat steer weights also moved below year-ago levels, confirming the tightening of those numbers. The underlying implication of strong demand and diminished supplies is higher cash prices. Live cattle futures are anticipating sustained gains, but may still be undervalued. Concerns about Southwest herd liquidation may be depressing feeders.

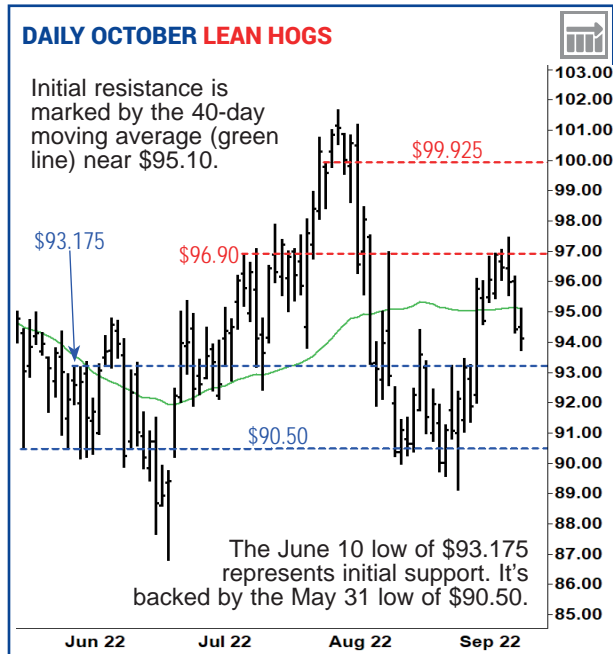
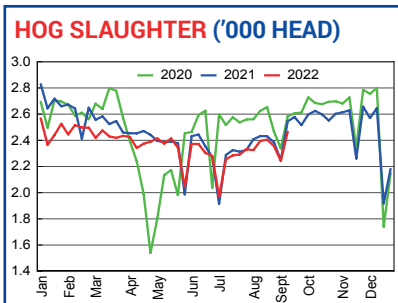
Position Monitor		
Game Plan:	Feds	Feeders
Continue to	III'22 0%	0%
carry risk in	IV'22 0%	0%
the strength-	I'23 0%	0%
ening cash market. The cash market should remain on an upward trajectory as market-ready supplies tighten.	II'23 0%	0%



**HOGS - Fundamental Analysis**

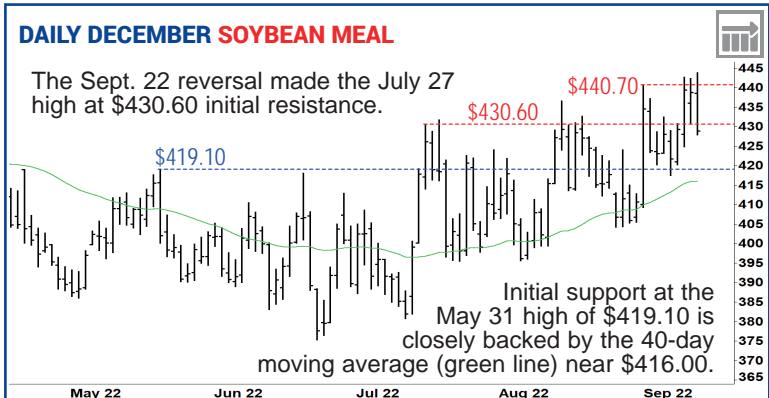
Summer 2022 hog slaughter generally matched expectations for a 1% annual decline, but the 3% reduction seen during the week ended Sept. 16 raised significant questions about fall supplies. It may have been a hiccup in market-ready numbers, but it might have foreshadowed a surprisingly large decline in fourth-quarter hog supplies. The belated summer price rally, persistently elevated feed costs, as well as the poor price outlook projected by 2023 hog futures have all sent discouraging messages to producers. We expect the Sept. 29 Hogs & Pigs Report to indicate persistently reduced hog supplies.

Position Monitor		
Game Plan:	Lean Hogs	
discount fall- and	III'22 0%	0%
winter-month	IV'22 0%	0%
futures hold to	I'23 0%	0%
the cash index has narrowed. We would consider hedges around the \$90.00 level in December futures.	II'23 0%	0%



**FEED**

Feed Monitor		
<b>Corn</b>		
III'22 0%	<b>Corn Game Plan:</b> You are hand-to-mouth on corn-for-feed needs. Wait on an extended price drop to extend coverage. We would extend coverage on a drop to the \$6.50 level in December corn futures.	
IV'22 0%		
I'23 0%		
II'23 0%		
<b>Meal</b>		
III'22 0%	<b>Meal Game Plan:</b> You are hand-to-mouth on soybean meal needs. We would extend coverage on a drop to the \$415.00 to \$410.00 level in December meal futures.	
IV'22 0%		
I'23 0%		
II'23 0%		

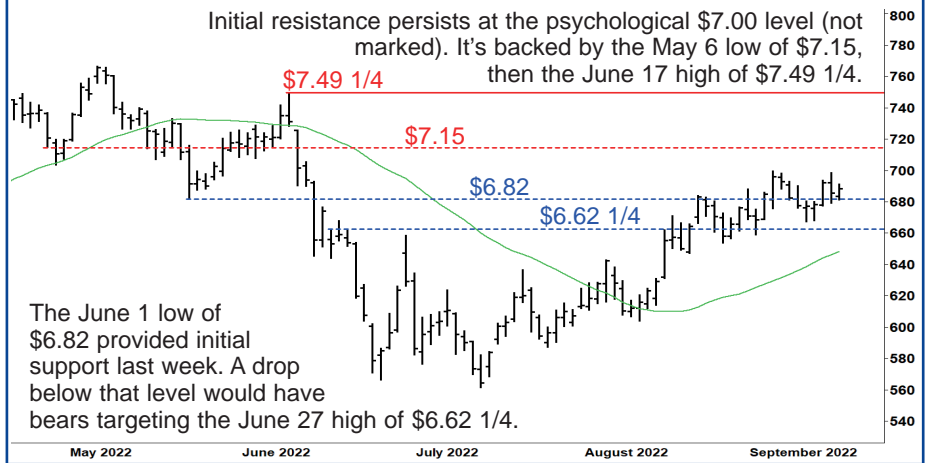


### Position Monitor

	'22 crop	'23 crop
Cash-only:	50%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	0%	0%

**Game Plan:** Use the strong rally off the summer lows to get caught up with advised sales if you aren't current. The shrinking crop and pipeline ending stocks for 2022-23 paint a positive outlook, though you can't get more bullish as prices rise. We would likely increase new-crop cash sales and/or establish new-crop hedges if December futures rally above the \$7.00 level.

### DAILY DECEMBER CORN



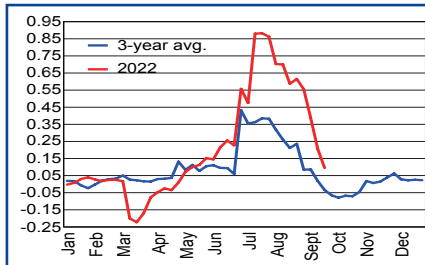
### DAILY MARCH CORN



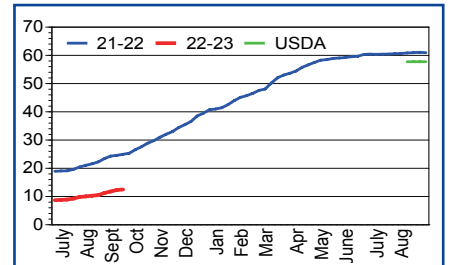
### CORN - Fundamental Analysis

December corn futures failed to clear the \$7.00 level again last week and turned lower. While declining crop estimates and projected tight ending stocks for 2022-23 are price-supportive, macroeconomics and outside markets are negative. The U.S. dollar pushed to a fresh 20-year high and crude oil futures dropped below \$80 for the first time since mid-January as the Fed aggressively continued its fight against inflation and global economic worries heightened. Money flow and macroeconomics will be as key to near-term price direction as fundamentals. The industry will get fresh updates on the latter when USDA publishes its Sept. 30 Grain Stocks and Oct. 12 Crop Production Reports.

#### AVERAGE CORN BASIS (DECEMBER)



#### CORN EXPORT BOOKINGS (MMT)

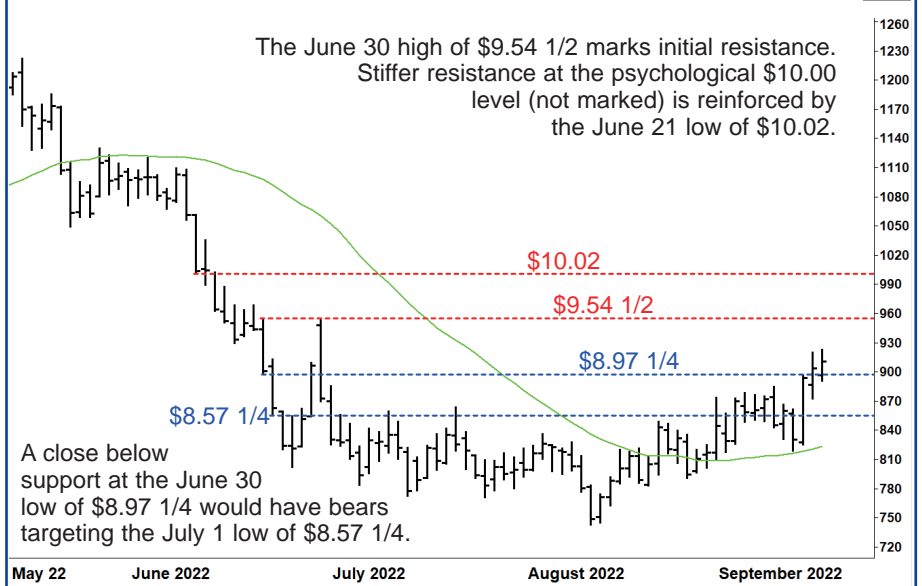


### Position Monitor

	'22 crop	'23 crop
Cash-only:	85%	30%
Hedgers (cash sales):	85%	30%
Futures/Options	15%	0%

**Game Plan:** Be prepared to exit the 2022-crop hedges in December SRW futures as near-term downside price risk is reduced. Additional 2022- and 2023-crop cash sales will wait for an extended price recovery.

### DAILY DECEMBER SRW WHEAT



### WHEAT - Fundamental Analysis

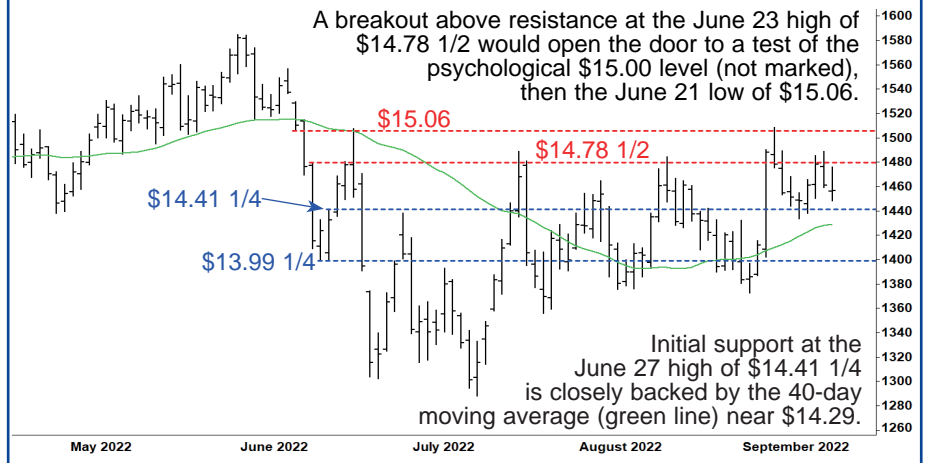
**SRW** – Last week's strong SRW gains underscore how wheat still holds explosive upside potential similar to earlier this year as long as Russia/Ukraine tensions remain high. Forecasts for record Russian production and bearish seasonals may limit price upside.

### Position Monitor

	'22 crop	'23 crop
Cash-only:	60%	0%
Hedgers (cash sales):	60%	0%
Futures/Options	0%	0%

**Game Plan:** Get current with advised sales. While the price outlook turned more bullish after USDA's cuts to production and ending stocks, the market has struggled to find fresh buyers in November soybean futures around the \$15.00 level. A rally to near the summer highs would likely trigger sales and/or hedge advice, as we still view extended price strength as a selling opportunity.

### DAILY NOVEMBER SOYBEANS



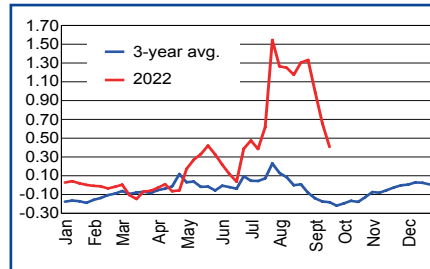
### DAILY JANUARY SOYBEANS



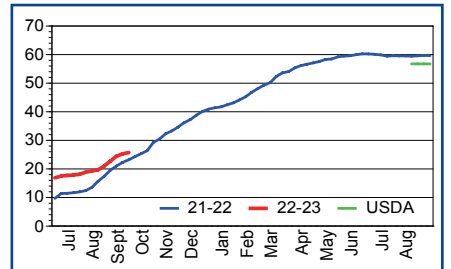
### SOYBEANS - Fundamental Analysis

November futures posted weekly declines as harvest picked up and global macroeconomic concerns built. Early 2022-23 production outlooks for South America indicate a strong rebound from last year's drought-reduced harvest, although La Niña conditions remain a threat to that region. The reversal lower in soybean futures last week, along with a crude oil downtrend now in its fourth month, could also burden soybeans. Tight soybean ending stocks expected in 2022-23 should provide longer-term price buoyancy, but near-term trade is likely to remain choppy as macroeconomics concerns battle bullish fundamentals.

### AVERAGE SOYBEAN BASIS (NOVEMBER)



### SOYBEAN EXPORT BOOKINGS (MMT)



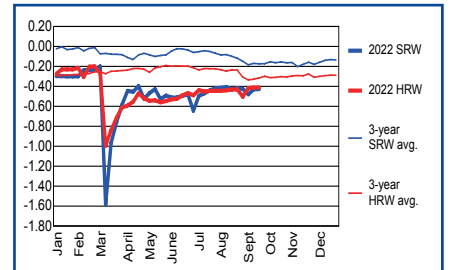
### DAILY DECEMBER HRW WHEAT



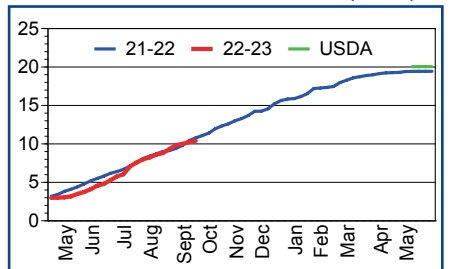
### DAILY DECEMBER HRS WHEAT



### AVERAGE WHEAT BASIS (DECEMBER)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** – U.S. winter wheat planting is running ahead of average but Plains dryness is worsening, with drought expanding in HRW producing areas. There's little moisture relief ahead, which combined with continued upside leadership from SRW, could lift HRW futures beyond the near-three-month highs posted last week.

**HRS** – With harvest pressure abating, spring wheat futures broke above the past two months' trading range and could extend gains provided HRW and SRW markets advance recent rallies. USDA's annual Small Grains Summary on Sept. 30 will provide the final estimate for the U.S. spring wheat crop, but any changes will probably be small.

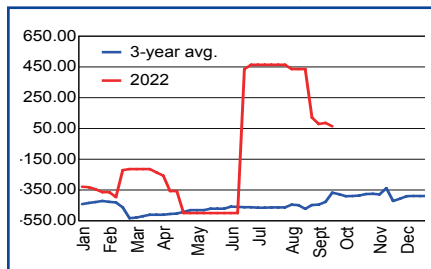


### Position Monitor

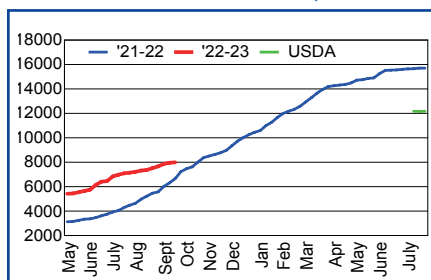
	'22 crop	'23 crop
Cash-only:	70%	0%
Hedgers (cash sales):	70%	0%
Futures/Options	30%	0%

**Game Plan:** Get current with advised hedges in December futures. We see downside risk to 90.00¢ or lower. Wait on a corrective rebound for additional sales.

### AVERAGE COTTON BASIS (DECEMBER)



### COTTON EXPORT BOOKINGS ('000 BALES)



### DAILY DECEMBER COTTON



## COTTON - Fundamental Analysis

Although recent cotton shipments have generally matched seasonally reduced norms, the latest sales totals have been mediocre. Last week's U.S. dollar surge doesn't help export prospects. Demand and recession concerns are overshadowing U.S. crop woes for now.

## GENERAL OUTLOOK

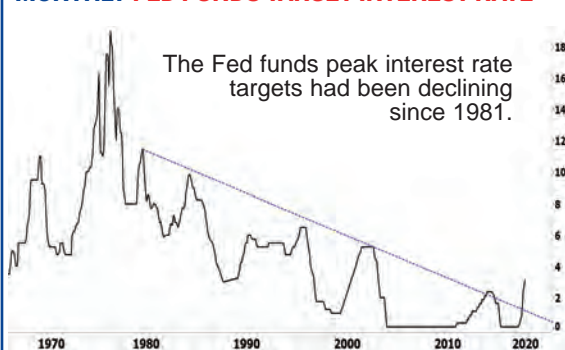
Interest rates : Confluence Investment Management recently wrote: "The Fed's rate hike was historic. The decision lifted the policy rate above the previous cycle's peak for the first time since 1981.

"The milestone possibly reflects the central bank's confidence in financial market conditions. The previous two economic downturns exposed the weaknesses in the financial system and forced the Fed to develop policy tools

designed to prevent a crisis. Therefore, we may be heading into a new finance regime in which the Federal Reserve raises interest rates and maintains those rates for much longer. If so, the tech sector's dominance in the S&P 500 is likely over.

"But, the financial services industry could be on the ascent. The Fed's new policy tools will be tested as the central bank ramps its balance sheet reduction."

### MONTHLY FED FUNDS TARGET INTEREST RATE



## FROM THE BULLPEN By Market Analyst Bruce Blythe

SRW wheat futures have posted a historically strong performance so far this month, but history also suggests September gains are difficult to sustain after mid-October.

December SRW wheat rallied more than \$1.00 (almost 14%) from Sept. 1 to Sept. 20, due in part to rising concerns over disruptions to Black Sea grain supplies and sustained Southern Plains drought..

This month's SRW performance to date was the strongest of all years going back to 1990 and outpaced the average Sept. 1-20 gain of about 8% for the top-gaining years during that period.

But there's no guarantee September gains will carry forward. October is historically a seasonally strong month for winter wheat, but rallies tended to run

out of steam late in the month as seedings are completed.

In the strongest-performing SRW years, prices usually eased in late September, climbed to another peak around mid-October then tended to fade through mid-November. Of the nine years December SRW gained 5% or more in September, the market ended November below the Sept. 1 close four times.

Circumstances this year are different, of course. For much of the summer, large speculators ramped up bearish bets in SRW and held a still-sizable net short of over 20,000 contracts through the week ended Sept. 13. But funds bought a net 7,500 contracts Sept. 14-21 and additional buying could fuel further price upside.

## WATCH LIST

- 1 USDA Export Sales Report** **THUR 9/29**  
New-crop sales rise seasonally. 7:30 a.m. CT
- 2 U.S. Second Quarter GDP** **THUR 9/29**  
Final reading on Q2 contraction. 7:30 a.m. CT
- 3 USDA Hogs & Pigs Report** **THUR 9/29**  
U.S. hog herd continues to shrink. 2:00 p.m. CT
- 4 USDA Grain Stocks Report** **FRI 9/30**  
Final 2021-22 corn, bean carryover. 11:00 a.m. CT
- 5 USDA Small Grains Summary** **FRI 9/30**  
Final wheat production estimates. 11:00 a.m. CT

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