



### News this week...

- 2 – Argentine crop estimates declining amid drought.
- 3 – Farmer sentiment stable; inputs, inflation concerning.
- 4 – A breakdown of USDA's December S&D Report.

**Old-crop soybeans nearing \$15** – January soybean futures rallied to the highest level since mid-September on increased Chinese demand and Argentine drought stress. Soybean futures posted new contract highs, reaching their highest level since August on the continuation chart. Corn futures initially followed the wheat market lower, but rebounded with spillover from soybeans and soybean meal to post little net change for the week. Wheat futures slumped amid ongoing export demand struggles. Live cattle futures faced pressure last week as the two-month rally in cash cattle prices paused. Lean hog futures faced heavy pressure as traders aggressively removed premium from deferred contracts as traders became impatient waiting on the cash market to forge a seasonal low.

## Mexico to revise GMO corn ban

Mexico has offered to extend a deadline to ban genetically modified (GMO) corn until 2025, a year later than previously planned. Mexico is crafting a proposal to modify and “make clearer” the presidential decree. U.S. and Mexican officials could meet Dec. 16 to discuss the new proposals.

## La Niña weakening will accelerate

World Weather Inc. says its confidence is “high” La Niña will diminish and will lose much of its influence on world weather by February. The weakening La Niña should help reduce rain intensity in central and northeastern Brazil during the early soybean harvest and produce favorable conditions for safrinha corn planting. In Argentina, there will be potential for improved rainfall during January and February. World Weather says improved rainfall also should be seen in the Central and Southern Plains in early 2023.

## China relaxes strict Covid policy

China announced the most sweeping changes to its zero-Covid policy since the pandemic began three years ago. China’s national health authority said asymptomatic Covid cases and people with mild symptoms can quarantine at home. China also dropped testing for people travelling within the country. Many of the 10 new measures reflected steps recently taken in various cities and regions, following citizen protests against the strict Covid controls. Relaxed Covid standards are expected to boost Chinese economic activity and demand for commodities.

## Chinese inflation falls in November

China’s factory-gate prices contracted for a second month in November as the producer price index fell 1.3% annually, unchanged from October’s decline. China’s consumer price index rose at its slowest pace in eight months, climbing 1.6% from a year earlier, which was less than the 2.1% annual rise in October. This was the lowest figure since March, mainly due to a sharp slowdown in the cost of food (3.7% vs. 7.0% in October) as pork prices eased (34.4% vs. 51.8% in October).

## Cotton crop: 14.424 million bales

USDA raised its cotton crop estimate 211,000 bales from last month. The yield estimate rose 13 lbs. to 868 lbs. per acre.

## China cuts cotton use forecast

China cut its 2022-23 cotton use by 200,000 metric tons to 7.5 million metric tons (MMT). China kept its 2022-23 cotton import forecast at 1.85 MMT. It also kept its soybean and corn import forecasts at 95.2 MMT and 18 MMT, respectively.

## EPA used old data for renewable diesel

Renewable diesel capacity topped 2 billion gallons per year as of August, according to the U.S. Energy Information Administration. But EPA used 1.5 billion gallons in its RFS proposals for 2023 through 2025. EPA could increase its renewable diesel figures in the final rule that is due by June 14, 2023.

## Year-round E15 sales being vetted

The Office of Information and Regulatory Affairs is scrutinizing a draft EPA policy change from at least eight Midwestern governors that would allow year-round sales of E15 gasoline. Action could come within weeks.

## U.S., EU discuss EV tax credits

U.S. and the European Union officials cited progress addressing European concerns about a provision that would cut off the bloc’s electric vehicles (EVs) from U.S. tax credits. But Senate Finance Chairman Ron Wyden (D-Ore.) says he’s “not reopening the text” of the EV tax credit in the Inflation Reduction Act, despite strong lobbying for changes to the provision by foreign automakers and European leaders.

## Democrats keep control of Senate

Arizona Sen. Kyrsten Sinema will register as an independent. Sinema’s move away from the Democratic Party is unlikely to change the power balance in the next Senate. After Democrats won the Georgia Senate runoff, they had a narrow 51-49 majority that includes independents Sens. Bernie Sanders of Vermont and Angus King of Maine.

## Consultant again cuts Argy crop pegs

A lack of rain and high temperatures in early December increased crop stress across Argentina. As a result, South American crop consultant Dr. Michael Cordonnier cut 1 million metric tons (MMT) each from his Argentine soybean and corn crop forecasts. He estimates both crops at 48 MMT with a neutral to lower bias.

## Brazil trims corn crop forecast

Brazil kept its official 2022-23 soybean crop estimate at a record 153.5 MMT this month. Conab cut its Brazilian corn crop estimate by 570,000 metric tons (MT) from last month to a still-record 125.8 MMT.

Despite dry pockets in areas of center-west and south-central Brazil, Cordonnier kept his Brazilian crop estimates at 151 MMT for soybeans and 125.5 MMT for corn.

Conab raised its 2022-23 Brazilian soybean export forecast to 96.6 MMT, up 140,000 MT from last month. It kept the 2022-23 corn export forecast at 45 MMT.

## Australia expects record wheat crop

Australia is expected to produce a record wheat crop, despite impacts from widespread flooding in the country's eastern region. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimates 2022-23 wheat production at 36.6 MMT, up 4.4 MMT from its September forecast and around 300,000 MT above last year's record. Barley production is expected to reach 13.4 MMT, the fourth-largest crop on record, with the canola crop forecast at a record 7.3 MMT.

ABARES forecasts Australia's agricultural exports will reach a record of over \$72 billion in 2022-23, driven by crops.

## SovEcon raises Russian wheat exports

SovEcon raised its 2022-23 Russian wheat export forecast by 200,000 MT to 43.9 MMT as the pace of shipments has increased in the final quarter of 2022. SovEcon expects Russia to export 12.7 MMT of wheat during the current quarter, up 33% from the same period last year.

The firm expects Russian wheat exports to slow "substantially" in early 2023 as wintry weather is likely to slow activity in the Black Sea and river navigation within the country. A lack of grain cars and stronger competition from Ukraine and Australia are also expected to slow Russian wheat shipments during the first half of next year.

## Small ag trade surplus to start FY '23

The U.S. exported \$17.5 billion of agricultural goods in October against imports of \$17.1 billion for a trade surplus of \$424 million during the first month of fiscal year (FY) 2023. That ended a seven-month string with an ag trade deficit, though it was well below the October 2021 surplus of \$2.9 billion. Ag exports declined modestly from \$17.7 billion in October 2021, but imports rose significantly from the year-ago figure of \$14.8 billion.

Overall, the U.S. posted a trade deficit of \$78.2 billion in October — a four-month high. Exports fell \$1.9 billion to \$256.6 billion, while imports rose \$2.2 billion to \$334.8 billion.

## Beef, pork exports rise in October

The U.S. exported 301.1 million lbs. of beef during October — a record for the month. Beef shipments increased 25.3 million lbs. from September and 26.6 million lbs. from October 2021. Through the first 10 months of 2022, the U.S. shipped 2.993 billion lbs. of beef, up 5.1% from the same period last year, driven by a 26% increase in exports to China.

U.S. pork exports totaled 539.7 million lbs. in October, up 26.7 million lbs. from September and 487,000 lbs. above last year. Through the first 10 months of this year, U.S. pork shipments totaled 5.198 billion lbs., down 12.1% from the same period last year as exports to China plunged 54%.

## China's trade slumps in November

China's exports contracted 8.7% in November from a year earlier — the worst performance since February 2020. China's imports dropped 10.6% versus last year — the worst since May 2020. This resulted in a narrowing of the trade surplus to \$69.84 billion, down from \$85.15 billion in October and the lowest since April. China's trade surplus with the U.S. narrowed to \$24.33 billion, down from \$34.19 billion in October.

## China's soy imports under year-ago

China imported 7.35 MMT of soybeans in November, up 77.5% from October but 14.2% less than last year. Logistics issues with U.S. soybean shipments out of the Gulf and China's strict Covid restrictions slowed arrivals. Through the first 11 months of 2022, China imported 80.53 MMT of soybeans, down 8.1% from the same period last year.

## China's meat imports inch higher

China imported 670,000 MT of meat during November, up 6.4% from October but 1.0% less than last year. Even though China's preliminary data doesn't break down meat imports by category, pork imports have started to increase, though they remain below year-ago levels.

Through the first 11 months of this year, China imported 6.7 MMT of meat, down 23.2% from the same period last year.



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## Farmer sentiment holds but high input prices, inflation remain concerns

The Purdue University/CME Group Ag Economy Barometer came in at a reading of 102 in November, unchanged from October. There was, however, a slight movement in both of the barometer's sub-indices. The Current Conditions Index declined 3 points to a reading of 98, while the Future Expectations Index increased 2 points to a reading of 104.

The Farm Financial Performance Index improved modestly but it remains 14% below this same time period last year. While nearly one-third of producers continue to express concern that their farm's financial performance this year will be worse than the prior year, just over two-thirds of producers expect their farm's 2022 financial performance to be equal to or exceed 2021. Still, high input costs continue to weigh on producers' minds with 42% of respondents in this month's survey citing that as their top concern in the year ahead. Just over one-fifth (21%) of respondents chose rising interest rates, while 14% cited input availability and declining commodity prices as a top concern.

The Farm Capital Investment Index matched the record low posted in September. Just 10% of respondents said now is a "good time" to make large investments in their farming operation. Among the 79% that said now is a "bad time" to make large investments, almost half (47%) chose "rising prices of farm machinery and new construction" as the primary reason.

The survey's Long-Term Farmland Value Index held steady this month while the short-term index declined slightly. Although farmland auction results in the Corn Belt continue to set new record highs, both farmland value indices are well off the highs established in fall 2021.

## Prop 12 to wait on SCOTUS

A California judge extended his ban on enforcement of voter-approved Proposition 12 until July 1, to allow time for the Supreme Court to rule on the constitutionality of the animal welfare law. The Sacramento County Superior Court injunction was to expire on Feb. 28.

## Pork Checkoff rate change

Effective Jan. 1, the Pork Checkoff rate will drop a nickel to 35¢ per \$100 of value. This change is a result of a resolution passed at the 2022 Pork Industry Forum.

## Product of U.S. label review

USDA has forwarded its proposed rule to the Office of Management and Budget on how it will amend product of the U.S. labeling. The rule would apply to voluntary labeling and not mandatory labeling efforts, something which would put the U.S. at odds with a WTO ruling that forced the removal of U.S. country of origin labeling efforts on pork and beef.

## USDA to publish cattle data

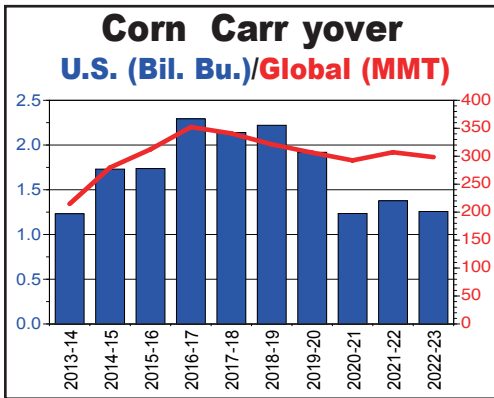
USDA will publish data on contracts between meatpackers and cattle producers, including prices paid and amount purchased. The Cattle Contracts Library pilot program is an effort to help producers figure out how much they should be getting for their cattle.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	Jan.	Jan.-March	April-June
	(Monthly & quarterly avg.)					
<b>CORN</b>						
Central Illinois, bushel	5.74	6.51	6.25	6.25	6.30	6.35
Omaha, NE, bushel	5.87	7.30	6.92	6.75	6.75	6.75
Dried Distillers Grain, IA, \$/ton	165.00	215.56	213.06	--	--	--
<b>SOYBEANS</b>						
Central Illinois, bushel	12.39	14.44	14.42	14.50	14.50	14.60
Memphis, TN, bushel	12.74	14.91	14.82	15.00	15.00	15.10
Soymeal, 48% Decatur, ton	364.80	433.80	445.50	450	445	440
<b>WHEAT</b>						
Kansas City, HRW, bushel	—	9.42	8.85	9.15	9.25	9.25
Minneapolis, 14% DNS, bushel	11.97	11.80	11.26	11.50	11.60	11.70
St. Louis, SRW, bushel	—	7.38	6.92	7.25	7.35	7.35
Portland, Soft White, bushel	11.08	8.95	8.70	8.75	8.75	8.85
Durum, NE MT HAD, 13%, bu.	15.25	9.94	9.56	9.50	9.50	9.50
<b>SORGHUM</b> , Kansas City, cwt.	11.09	12.03	11.26	11.25	11.35	11.50
<b>COTTON</b> , 11/16 SLM, 7 area, c/lb.	103.80	79.57	83.59	80.00	81.00	82.00
<b>RICE</b> , nearby futures, cwt.	13.92	17.90	16.83	17.00	17.25	17.50
<b>BARLEY</b> , MT, G.T., malting, bu.	7.67	7.50	7.50	7.50	7.50	7.60
<b>OATS</b> , Minneapolis No. 2 heavy, bu.	7.90	4.28	4.22	4.25	4.30	4.40
<b>ALFALFA</b> , NW Iowa, lg. sq. prem., ton	—	—	—	235	240	245
<b>SUNFLOWERS</b> , Fargo, ND, cwt.	32.15	25.85	24.40	24.50	25.00	26.00
<b>HOGS</b> , Nat'l carcass 51%-52% cwt.	69.38	82.60	81.75	84.00	92.00	108.00
<b>FEEDER PIGS</b> , 40 lbs., Nat. avg, head	73.83	62.04	65.63	68.00	90.00	90.00
<b>CHOICE STEERS</b> , feedlots, cwt.	140.44	156.07	156.42	158.00	161.00	157.00
<b>FEEDER CATTLE</b> , Oklahoma City						
Steers, 700-800 pounds, cwt.	162.14	—	176.96	175.00	176.00	177.50
Steers, 500-550 pounds, cwt.	181.44	—	202.30	200.00	202.00	198.00
Heifers, 450-500 pounds, cwt.	162.57	—	179.00	175.00	180.00	178.00
<b>COWS</b> , utility, Sioux Falls, SD, cwt.	69.07	73.87	75.45	76.00	80.00	82.00
<b>MILK</b> , Class III, CME spot month, cwt.	19.54	19.61	20.04	20.00	19.00	18.50
<b>LAMBS</b> , Slg., San Angelo, TX, cwt.	249.00	—	137.00	—	—	—
<b>ENERGY</b>						
Ethanol, IA, gallon	3.22	2.33	2.25	—	—	—
Farm diesel, U.S., gallon	3.04	4.55	4.40	4.20	4.27	4.32

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

# USDA raises corn, cotton stocks more than expected

by Editor Brian Grete



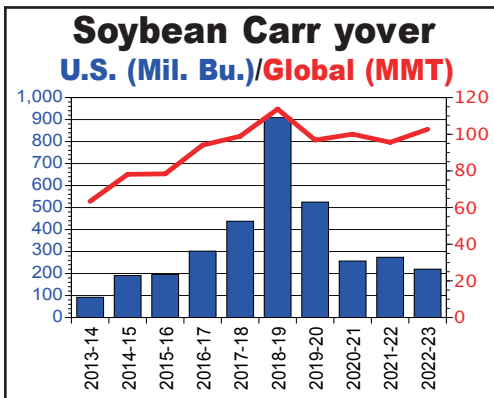
**CORN** — USDA increased projected corn carryover 75 million bu. from last month to 1.257 billion bushels. That was 20 million bu. above the average pre-report trade estimate. Total corn supplies for 2022-23 were unchanged from last month. USDA cut 75 million bu. from expected corn exports (to 2.075 billion bu.) to drive carryover higher.

Our corn ending stocks forecast is 1.400 billion bu. for 2022-23.

- **USDA 2022-23 price: \$6.70, down a dime from last month.**

Global corn carryover: 298.4 million metric tons (MMT) for 2022-23, down 2.4 MMT from last month. Global ending stocks are forecast to decline 8.7 MMT from last year.

USDA left its corn crop forecasts for Brazil and Argentina unchanged at 126.0 MMT and 55.0 MMT, respectively. USDA cut its Ukraine corn production forecast by 4.5 MMT to 27.0 MMT.



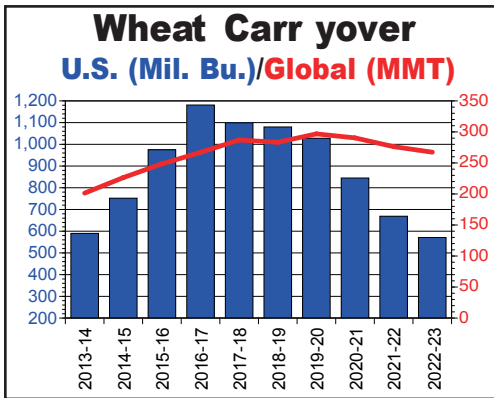
**SOYBEANS** — USDA made no change to the supply- or demand-side of the balance sheet for soybeans, leaving projected carryover at 220 million bushels. That was 18 million bu. below the average pre-report trade estimate.

Our soybean ending stocks forecast is 255 million bu. for 2022-23.

- **USDA 2022-23 price: \$14.00, unchanged from last month.**

Global soybean carryover: 102.7 MMT for 2022-23, up 540,000 metric tons (MT) from last month. Global ending stocks are forecast to rise 7.1 MMT from last year to the highest since 2018-19.

USDA left its soybean crop forecasts for Brazil and Argentina unchanged at 152.0 MMT and 49.5 MMT, respectively.



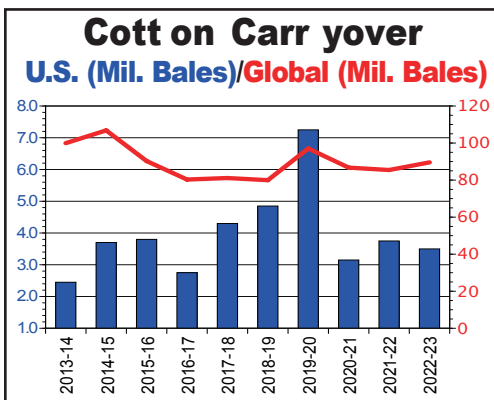
**WHEAT** — USDA made no change to the supply- or demand-side of the balance sheet for wheat, leaving estimated carryover at 571 million bushels. That was 5 million bu. below the average pre-report trade estimate.

Our wheat ending stocks forecast is 600 million bu. for 2022-23.

- **USDA 2022-23 price: \$9.10, down a dime from November.**

Global wheat carryover: 267.3 MMT for 2022-23, down 490,000 MT from last month. Global ending stocks are forecast to drop 9.0 MMT from 2021-22 to the lowest since 2016-17.

USDA cut its production forecasts for Argentina (down 3 MMT to 12.5 MMT) and Canada (down 1.2 MMT to 33.8 MMT). USDA raised its production forecast for Australia by 2.1 MMT to 36.6 MMT.



**COTTON** — USDA raised projected cotton ending stocks by 500,000 bales from last month to 3.5 million bales. USDA increased total supplies 210,000 bales amid the bigger crop estimate. On the demand side of the balance sheet, expected domestic use was reduced 100,000 bales (to 2.2 million) and exports were cut 250,000 bales (to 12.25 million bales).

Our cotton ending stocks forecast is 3.4 million bales for 2022-23.

- **USDA 2022-23 price: 85.0¢, unchanged from last month.**

Global cotton carryover: 89.6 million bales for 2022-23, up 2.3 million bales from November. Global stocks are expected to rise 4.1 million bales from last year.

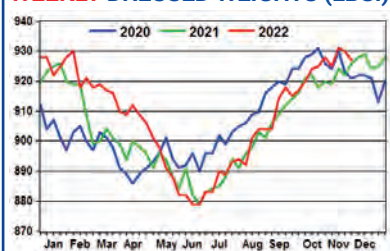
**CATTLE - Fundamental Analysis**

A surprising early-December dive in Choice beef cutout triggered a similar breakdown in cattle futures. And while the former was reversed rather quickly, the futures market is struggling to recover. We still believe strong feedlot performances have powered the surge in cattle weights and slaughter rates and that wintry weather will expose the underlying tightness of market-ready supplies in the weeks ahead. We also expect consumer demand will remain robust, especially with meat counter prices having fallen below year-ago levels. We think nearby cattle futures discounted to cash prices are undervalued.

**Position Monitor**

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

**WEEKLY DRESSED WEIGHTS (LBS.)**



**DAILY FEBRUARY LIVE CATTLE**



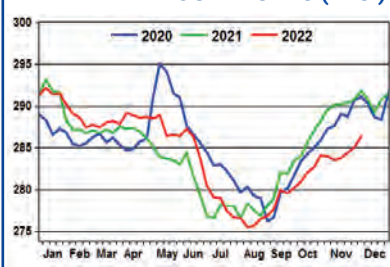
**HOGS - Fundamental Analysis**

Given the supply tightness implied by hog weights falling sharply below late-2021 levels, it wasn't surprising to see hog slaughter dip 2.4% below year-ago in early December. We expect more of the same in the short-term, with the net result likely to be an unexpectedly low peak kill total during the week ended Dec. 17. Firming cash prices last week offered further evidence of a tightening market. A late-December dip caused by the end of the ham buying season will probably emerge, but we anticipate a strong seasonal advance through mid-February as post-holiday demand emerges.

**Position Monitor**

Game Plan:	Lean Hogs
A seasonal low in the cash market should come soon. We would only be interested in hedges on an overdone price rally in futures.	IV'22 0%
	I'23 0%
	II'23 0%
	III'23 0%

**WEEKLY LIVE HOG WEIGHTS (LBS.)**



**DAILY FEBRUARY LEAN HOGS**



**FEED**

**Feed Monitor**

Corn		Corn Game Plan: On Dec. 2, we advised covering all corn-for-feed needs in the cash market through December. Be prepared to extend coverage into 2023 on additional price weakness.
IV'22	100%	
I'23	0%	
II'23	0%	
III'23	0%	
Meal		Meal Game Plan: You have all soybean meal needs covered in the cash market through December. Wait on an extended price pullback to extend coverage.
IV'22	100%	
I'23	0%	
II'23	0%	
III'23	0%	

**DAILY JANUARY SOYBEAN MEAL**



### Position Monitor

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

**Game Plan:** Wait to get caught up with advised sales if you aren't current. The recent technical breakdown suggests there could be more near-term price risk, though the downside should be relatively limited. Long-term fundamentals remain supportive and should encourage a corrective rebound once the market finds a short-term bottom. We'll also wait on an extended price rally to advance sales.

### DAILY MARCH CORN

The Dec. 2 breakdown flipped support at the Aug. 26 low of \$6.53 1/4 to initial resistance. It's backed by the 40-day moving average (green line) near \$6.74.



### DAILY MAY CORN

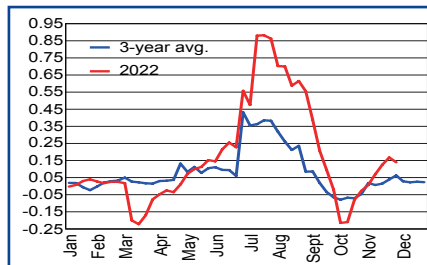
Resistance stems from the Aug. 24 low of \$6.56 3/4.



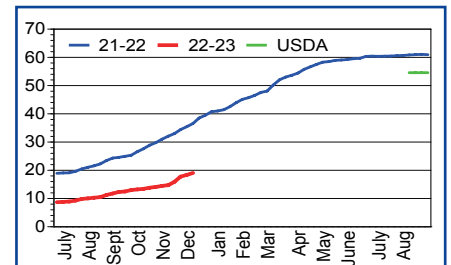
### CORN - Fundamental Analysis

Prices held up relatively well last week after a chart breakdown to start the month. Futures remain in a six-week downtrend as the market searches for a short-term bottom. Outside markets and macroeconomic factors may have outsized influence through the holidays — slumping crude oil, in particular, could become an increasing burden for the commodity sector. But last week's price resilience illustrates solid buying interest on price pullbacks and the longer-term outlook for tight supplies, with U.S. stockpiles heading for a decade-low in 2023, remains supportive. The near-term path is likely to be choppy/lower unless export demand strengthens.

#### AVERAGE CORN BASIS (MARCH)



#### CORN EXPORT BOOKINGS (MMT)



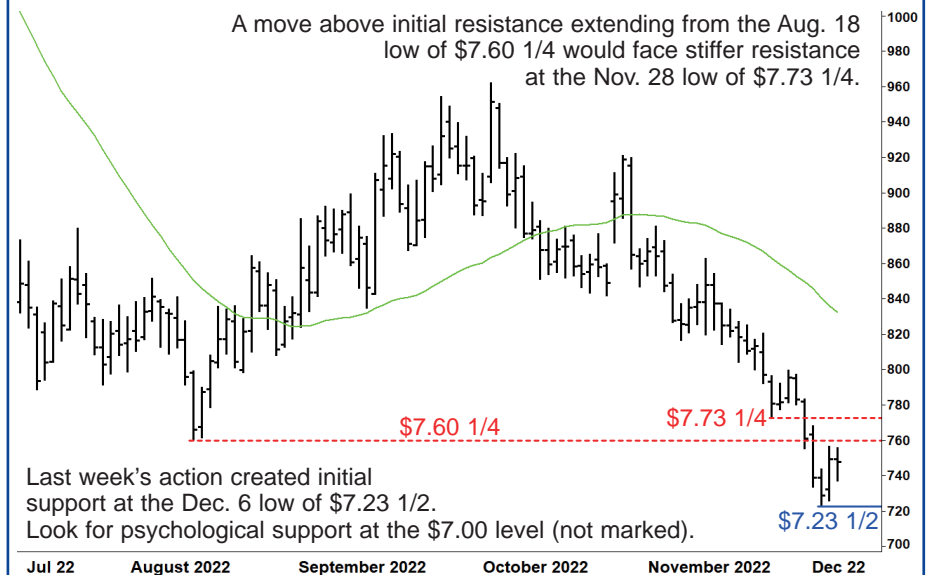
### Position Monitor

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

**Game Plan:** There could be more near-term price risk, though the downside is overdone and the market is due for a corrective bounce. Wait on an extended price rebound to get current with advised sales.

### DAILY MARCH SRW WHEAT

A move above initial resistance extending from the Aug. 18 low of \$7.60 1/4 would face stiffer resistance at the Nov. 28 low of \$7.73 1/4.



### WHEAT - Fundamental Analysis

**SRW** — Futures sank to 14-month lows as poor export demand and a still-strong U.S. dollar continued to weigh on the market. Further downside is likely until prices are low enough to attract demand. It would likely require a Ukraine shock for any sustained rallies over the near-term.

### 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 when January futures are at \$14.75 or higher. A rally to the \$15.00 level in nearby futures would likely trigger new sales and/or hedge advice. We still view extended price strength as a selling opportunity. The market has been unable to break out above the sideways range and Brazil is projected to grow a record crop. Plus, supplies will be ample through 2022-23.

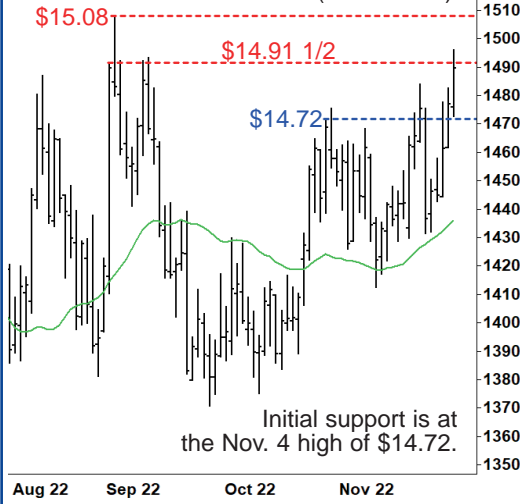
### DAILY JANUARY SOYBEANS

A close above initial resistance at the July 29 high of \$14.95 would have bulls targeting the psychological \$15.00 level (not marked), then the Sept. 13 high of \$15.12 1/4.



### DAILY MARCH SOYBEANS

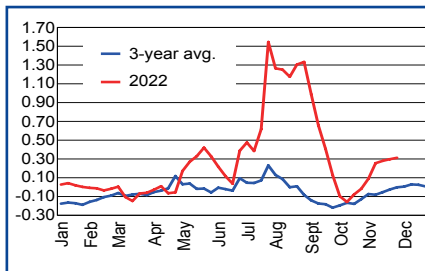
Resistance at the Sept. 12 high of \$14.91 1/2 is reinforced by the psychological \$15.00 level (not marked).



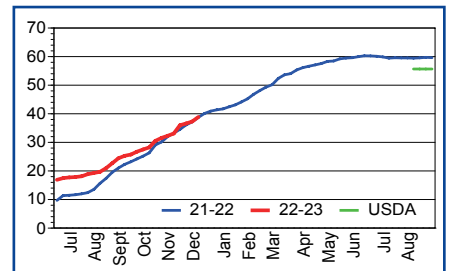
### SOYBEANS - Fundamental Analysis

A recent uptick in Chinese purchases combined with escalating concerns over persistent dryness in Argentina helped send January futures near three-month highs last week. Speculative funds were heavy buyers in both soybeans and soy meal, fueling the kind of momentum that could push beans back above \$15.00, perhaps even above the mid-September highs. We're skeptical over prospects for extended rallies above \$15.00, however. While weather in Argentina remains supportive, Brazil is faring much better, with some private analysts scaling up the country's production forecasts even further into record territory.

### AVERAGE SOYBEAN BASIS (JANUARY)



### SOYBEAN EXPORT BOOKINGS (MMT)



### DAILY MARCH HRW WHEAT

The Sept. 1 low of \$8.65 1/4 marks resistance.

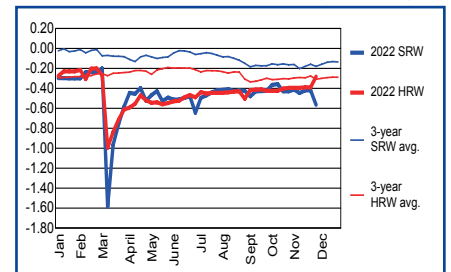


### DAILY MARCH HRS WHEAT

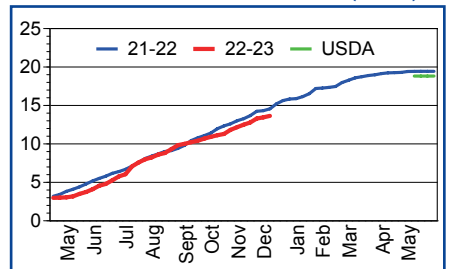
Initial resistance stems from the Aug. 15 low at \$9.15.



### AVERAGE WHEAT BASIS (MARCH)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** – Winter wheat went into dormancy showing slight improvement from record-low ratings in early fall, but drought looks to persist well into 2023. That's not a near-term price-driver, but longer-term, a weakening La Niña could portend moisture relief during spring. Meantime, HRW futures likely will follow the SRW market.

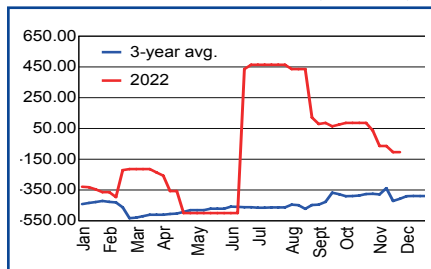
**HRS** – Spring wheat futures followed winter markets to multi-month lows before recovering to end the week. Strong HRS exports and tight global supplies of high-protein wheat are long-term supportive but doing little against heavily bearish sentiment depressing the wheat complex. More snow appears headed for Northern Plains.

### Position Monitor

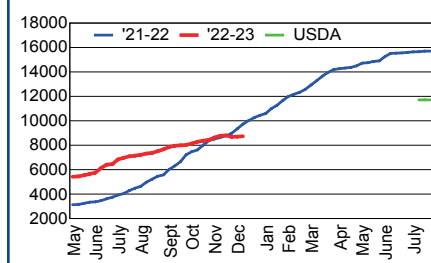
	'22 crop	'23 crop
Cash-only:	70%	0%
Hedgers (cash sales):	70%	0%
Futures/Options	0%	0%

**Game Plan:** Prices have likely bottomed. We'll wait on an extended rally before advancing sales. New-crop cotton is currently too cheap versus other crops.

### AVERAGE COTTON BASIS (MARCH)



### COTTON EXPORT BOOKINGS ('000 BALES)



## COTTON - Fundamental Analysis

Cotton export sales for the week of Dec. 1, at 32,640 bales, were the best since early November, but still fell dramatically below year-ago rates. And while cotton futures have a historical tendency to rally during December, we don't see a big advance without much stronger sales.

## GENERAL OUTLOOK

**Commodities:** Since reaching a nine-year peak in March shortly after Russia invaded Ukraine, the Bloomberg Commodity Index (BCOM) has erased nearly all of this year's gains. That partially reflects slumping crude oil futures, which fell to an 11-month low last week and played a significant role in pulling the BCOM downward as well.

The overall technical posture of the BCOM has turned bearish, suggesting

still more downside price action for the index in the coming weeks or even months. The weekly BCOM chart also favors the contentions of economists who believe U.S. price inflation has peaked. Others argue excessive money supplies will keep prices inflated.

Keep a close eye on crude oil futures, as that market's trajectory will likely be a good gauge of overall commodity price direction in the months ahead.

## FROM THE BULLPEN By Market Consultant Dan Vaught

The ratio of November 2023 soybean futures to December 2023 corn averaged around 2.2 during late summer and early fall, causing many in the ag industry to project a big surge in corn plantings at the expense of soybean acres next spring.

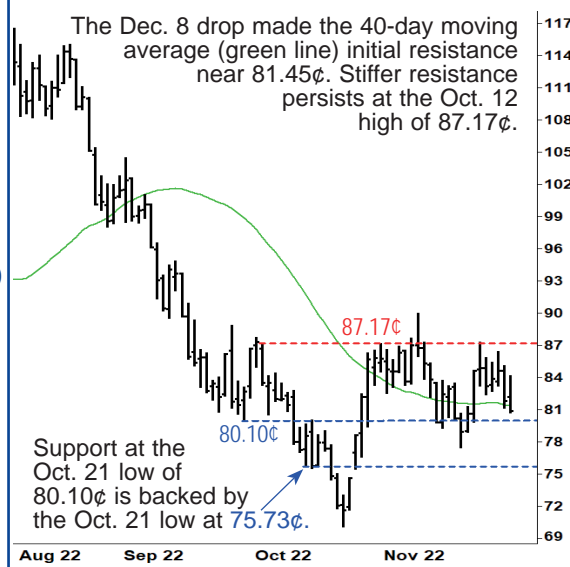
But soybeans have gained substantially on corn lately, with the ratio reaching 2.35 last week. That is historically viewed as a "neutral" reading for plantings, but often limits increases in corn acreage.

Thus, the market appears to be buying soybean acres, pulling spring planting projections closer to our forecasts. We contend the extreme expenses of fuel and fertilizer will favor soybean plantings, predicting a rise from this year's 87.455 million-acre total to 89.5 million next year.

But the comparatively high price of corn, as indicated by December 2023 futures just under \$6.00, still seems likely to attract acreage. We see corn plantings climbing from 88.61 million this year to 91.0 million acres in 2023. Low cotton prices also favor corn. A corn/cotton ratio over 6.0 spurs southern corn planting versus cotton; recent readings over 7.0 point that way. We project spring 2023 cotton plantings at just 11.1 million acres, down sharply from 13.8 million this year.

Recent price losses have made wheat less attractive, but we estimate winter wheat plantings at 35.7 million acres, up 2.4 million from last year. We see total U.S. 2022-23 wheat plantings at 49.8 million acres versus 45.7 million in 2022-23.

### DAILY MARCH COTTON



### WEEKLY BLOOMBERG COMMODITY INDEX



## WATCH LIST

- 1 **U.S. Consumer Inflation Data.** TUE 12/13  
Consumer inflation for November. 7:30 a.m. CT
- 2 **Weekly Ethanol Production** WED 12/14  
Output remains below year-ago. 9:30 a.m. CT
- 3 **FOMC Meeting Concludes** WED 12/14  
Will Fed slow its rate hikes? 1:00 p.m. CT
- 4 **USDA Export Sales Report** THUR 12/15  
Soybean sales to China in focus. 7:30 a.m. CT
- 5 **NOAA Extended Weather** THUR 12/15  
Outlook for January-March 7:30 a.m. CT

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