



News this week...

- 2 – Outlook for corn, soybean and wheat markets.
- 3 – Outlook for cattle, hog and cotton markets.
- 4 – *Pro Farmer's* 2022 ag story, person and event of the year.

Merry Christmas, Happy New Year from *Pro Farmer*!

Due to how the calendar fell this year, this is a special four-page 51st issue of *Pro Farmer*. It includes the events, stories and people we believe had the most impact on agriculture and your farming operations in 2022. We also have outlooks for the ag markets we cover. This is your final issue of *Pro Farmer* for 2022. Your next newsletter will be dated Jan. 7, 2023. For market and policy updates during the holidays, go to www.profarmer.com. *Pro Farmer* wishes you a blessed Christmas filled with joy... and a prosperous 2023!

Consultant again cuts Argy bean crop

South American crop consultant Dr. Michael Cordonnier cut his Argentine soybean crop estimate another 2 million metric tons (MMT) to 45 MMT, amid “problematic” weather. Cordonnier kept his Argentine corn crop estimate at 47 MMT. He kept his Brazilian crop estimates at 151 MMT for soybeans and 125.5 MMT for corn but noted “developing dryness in southern Brazil is becoming a concern.”

Argentine rains, southern Brazil dry

Needed rains are forecast across Argentina the next two weeks, with the greatest amounts expected Dec. 22-25, though they won't likely be enough to end the drought. Central and northern Brazil are expected to remain wet. World Weather Inc. says crop concerns in Rio Grande do Sul, along with portions of Mato Grosso do Sul and western Sao Paulo will rise if forecast rain fails to develop during the second half of this week.

Some winterkill likely in U.S. wheat

Temps Dec. 21-25 were expected to be cold enough as far south as the Texas Panhandle to cause some winterkill in U.S. winter wheat. But impacts won't be known until spring.

Malanga sizes up U.S. economy

Dr. Vince Malanga, president of LaSalle Economics, says: “We think it's most likely the economy is headed for a second dip recession if the Fed remains strident in its quest for 2% inflation. Whether a soft landing, low inflation and minimal disruption to labor markets and profits is achievable may depend on the Fed becoming more flexible — and quickly. Stagflation is the least likely outcome. A worst-case approach would be to continue ignoring market signals until the economy is clearly in a ditch. Then the Fed would have to reverse course by adding liquidity and risk undoing its progress on inflation.”

PBOC holds pat, BOJ changes stance

The People's Bank of China kept benchmark rates unchanged for the fourth straight month. The Bank of Japan shockingly adjusted its bond yield cap to 50 basis points instead of 25 points.

Omnibus spending for FY '23 finalized

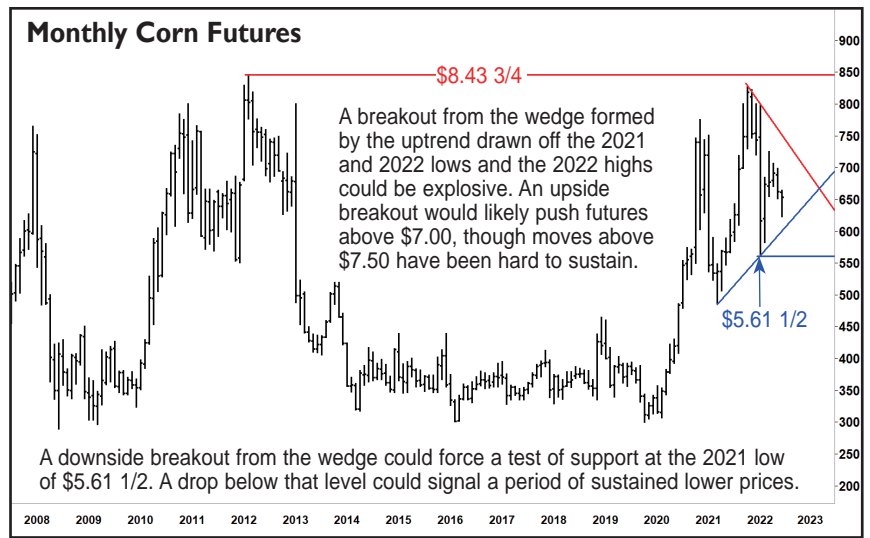
Some ag-related provisions in the \$1.7 trillion fiscal year 2023 spending measure expected to be law include:

- \$3.7 billion in disaster aid for farmers to cover 2022 crop and livestock losses, with \$494.5 million to be used for livestock losses due to drought or wildfires, as part of overall \$40.6 billion for disasters.
 - \$250 million in aid to rice producers and \$100 million to cotton merchandisers to make up for losses related to the pandemic or supply chain disruptions. For rice, USDA would determine payment rates based on yield history and acreage.
 - \$1.92 billion for farm programs, including \$61 million to resolve ownership and succession of farmland issues. This funding will continue support for various farm, conservation, and emergency loan programs.
 - \$25 million for specialty crop equitable relief and directs USDA to index all administrative and operating expenses in the crop insurance program for inflation.
 - Aid for Food for Peace (\$1.8 billion) and McGovern-Dole International Food for Education (\$248 million) programs.
- Some ag-related items not in the omnibus bill:
- Nothing for the proposed farmworker labor reforms.
 - No legislation to reform cattle markets or appoint a USDA investigator for possible anti-competitive behavior.
 - A slate of expired/expiring tax provisions was not included. Another 28 temporary tax benefits that have already expired or will at year end also failed to make the bill.

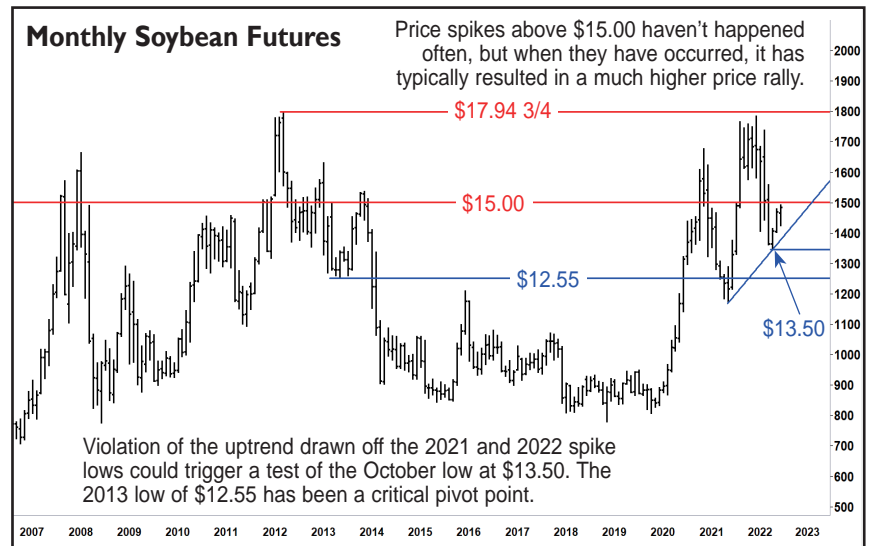
Carbon market add-ons could make farm bill debate easier

- The Growing Climate Solutions Act would authorize USDA to oversee the registration of farm technical advisers and carbon-credit verification services. The legislation would direct USDA's role in determining protocols for credit eligibility. USDA must still maintain a list of “widely accepted” protocols.
 - The SUSTAINS Act would allow corporations and other private entities to contribute funding for conservation projects and authorizes USDA to match up to 75% in donations.
- See www.profarmer.com for full spending measure details.

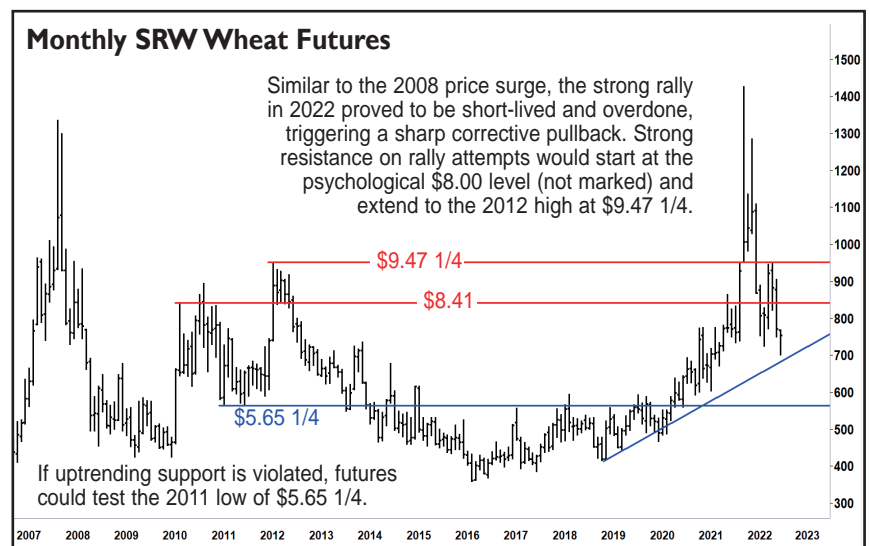
U.S. and global corn ending stocks are projected to be tight in 2022-23, though not as snug as previously anticipated. The tight supply picture puts a floor of support under the market and should attract buyers on extended price slides as happened in November. But extended price rallies will also be limited as export demand for U.S. corn is poor. Export commitments (exports + outstanding sales) are running 48% behind last year and USDA forecasts 2022-23 exports at only 2.075 million bu., down 16.0% from last year and 24.5% below two years ago. Any pickup in export demand would likely need to be triggered by South American crop concerns. While both Argentina and southern Brazil are struggling with drought, Brazil's safrinha crop will determine the level of concern in South America.



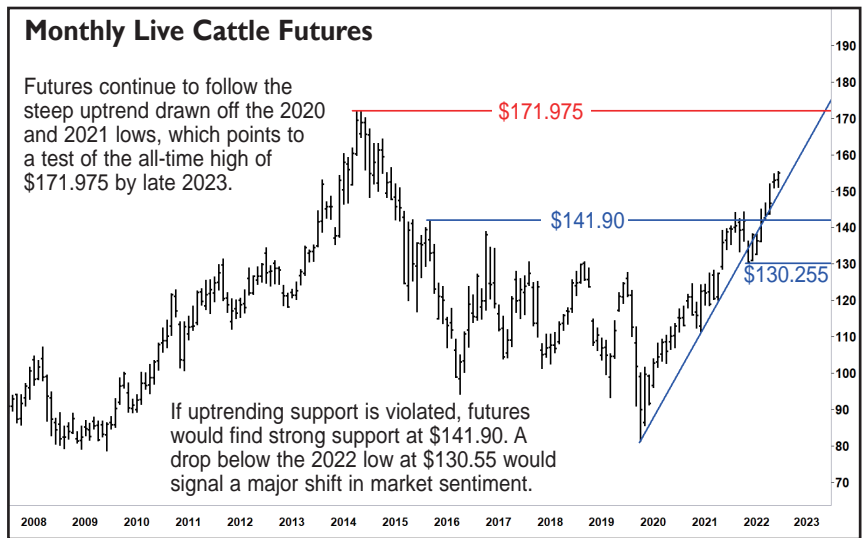
U.S. soybean ending stocks are projected to be the lowest in seven years. But global stocks are forecast to be the second highest ever behind only 2018-19. Drought concerns in Argentina will likely lead to acreage and yield cuts. However, Brazil is expected to grow a record crop and produce around three times the amount of soybeans as Argentina. Unless dryness in southern Brazil expands and becomes a greater issue, the market isn't likely to get too concerned. With U.S. exports forecast to drop 5.2% from 2021-22 and 9.8% from two years ago, price rallies above \$15.00 may be hard to sustain and should be viewed as selling opportunities, especially with a record Brazilian crop coming and U.S. soybean acreage likely to expand again for the 2023 growing season.



Wheat ending stocks are forecast to be the smallest since 2007-08 in the U.S. and the lowest in six years globally, which is price-supportive. The HRW wheat crop also entered dormancy in the worst shape ever, based on the weighted Pro Farmer Crop Condition Index. But the U.S. is forecast to export only 775 million bu. of wheat in 2022-23, which would be the lowest since 1971-72 — and that likely isn't low enough. U.S. wheat is fairly competitive from a flat-price perspective, but freight continues to make supplies uncompetitive on the global market. Unless there's a surge in export demand for U.S. wheat the second half of the year, the upside will be tied to rallies in the corn and soybean markets and/or a Black Sea export disruption. With managed money accounts short both SRW and HRS wheat futures, the wildcard could be a pickup in speculative buying with the flip of the calendar to 2023 if funds seek a value buy.



The price outlook for the cattle market is bullish as supplies will tighten during 2023, especially during the second half of the year. USDA projects beef production will fall 7.5% next year — and that may be too conservative based on the continued aggressive movement of heifers into feedlots in 2022. Beef exports are expected to plunge 13.3% next year amid an expected slowdown in Chinese demand. But the reduced export demand won't offset lower production. As a result, USDA expects the average cash cattle price to rise \$11.85 from this year to \$156.00. If Chinese demand doesn't decline as much as anticipated and/or beef production falls more than expected, the price outlook would be even stronger. The wildcard for the cattle market could be domestic demand, which should be strong amid reduced retail prices.

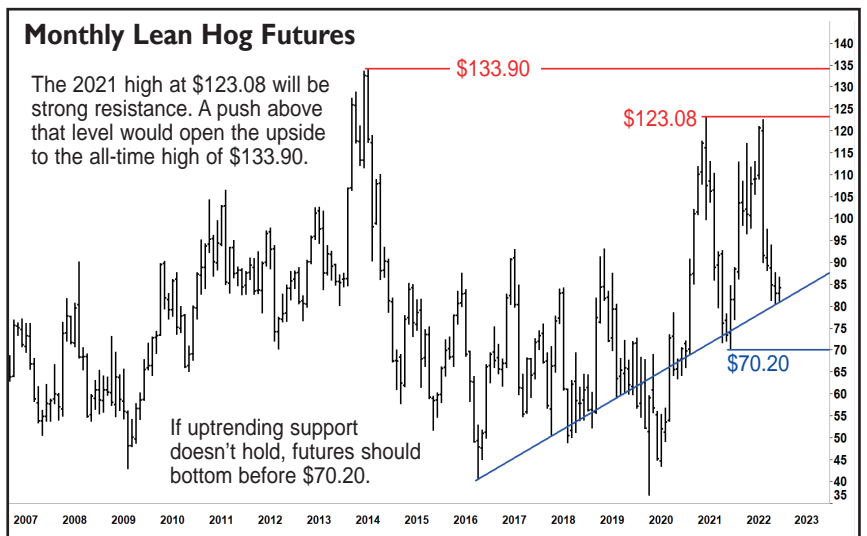


USDA projects U.S. pork production will increase 1.1% in 2023, though that would still be down 1.2% from two years ago. Pork exports are forecast to fall another 0.9%. As a result, the average cash hog price is forecast to fall \$4.33 from this year to \$67.00.

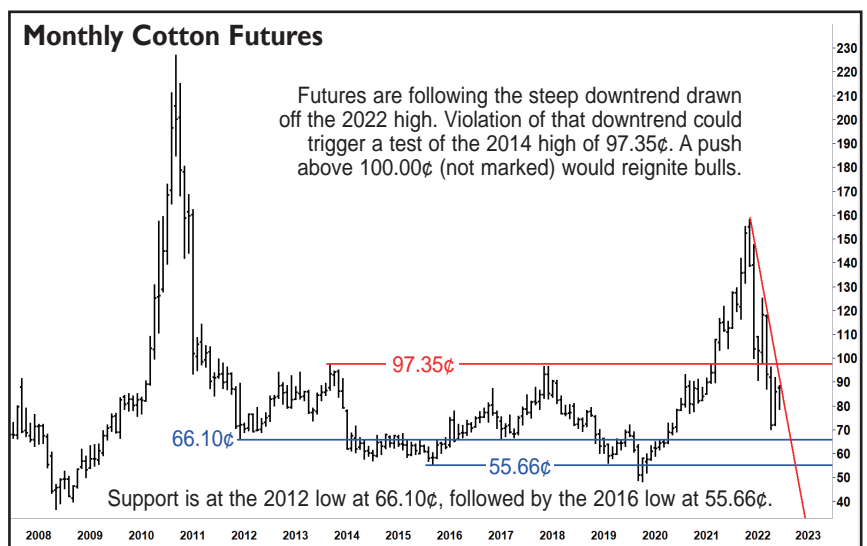
We aren't convinced U.S. producers will ramp up production as much as USDA anticipates — or even at all — as the hog herd continues to contract.

The wild card for the hog market is Chinese demand. Chinese purchases of U.S. pork plunged in 2022 as it ramped up domestic production. But Chinese pork imports rose late in 2021 amid a jump in its domestic prices. Also watch Mexico's handling of the GMO corn issue.

If there's a trade dispute on corn, it could impact other commodities, and Mexico is the top market for U.S. pork.



Old-crop cotton futures are trading above 80.00¢ and new-crop is hovering around that level. While that's a historically strong price, the cotton market isn't keeping up with other markets, notably corn. The new-crop corn/cotton ratio strongly favors more corn acres across the South. USDA's initial baseline projection for upland cotton acres in 2023 is 9.5 million acres — and some industry sources signal cotton acreage could fall even more. The cotton market could make a push to "buy" some acres before spring. The conundrum for cotton traders is the demand outlook, which suggests cotton exports will continue to struggle amid the global economic slowdown and reduced demand for cotton to produce textiles. The wild card for the cotton market will be how China's economy recovers from the easing of strict Covid lockdowns that impeded growth and slowed Chinese cotton consumption over the past three years.



2022: Russian invasion disrupts markets, adds to inflation

By Pro Farmer Editors



Each year is unique, presenting a new set of circumstances that shape agriculture and our lives. As 2022 comes to a close, it's time to look back on the events, stories and people that were most influential over the past year.

Pro Farmer ag event of the year: Russia invades Ukraine

The event of the year was a no-brainer. Russia's invasion of Ukraine on Feb. 24 shocked the world, prompting *Pro Farmer's* lead headline in the Feb. 26 issue: "Russia invades Ukraine... Europe's 'darkest hours since WWII.'"

The war closed Ukraine's ports on the Black and Azov seas, triggering an explosive rally in grain and soy markets amid disruptions to global trade flows. Front-month corn futures surged to \$8.27 — only 16 3/4¢ below the all-time high posted in 2012. Front-month soybeans hit \$17.84, just 10 3/4¢ shy of the market's all-time high. Front-month SRW wheat futures surged to a new high of \$14.25 1/4.

Combined, Ukraine and Russia account for nearly 30% of global wheat exports and almost one-fifth of world corn exports. Ukraine is also the world's largest producer of sunflower seeds and sunflower oil. Combined with Russia, the two countries account for nearly 80% of global sunseed oil exports. They also account for nearly one-third of the world's barley exports.

Energy prices also spiked higher since Russia is a major producer and exporter of oil, natural gas and fertilizers. Front-month crude oil rallied to \$130.50, the second highest ever behind the 2008 surge to \$147.27. Natural gas prices jumped to \$10.028, though that was only the fifth highest price and well below the record \$15.780 in 2005. Diesel and fertilizer prices also spiked.

Prices have dropped sharply from those levels and Ukrainian grain started flowing via Black Sea ports in August, but the war continues and global impacts from Russia's invasion are still being felt as Western sanctions remain intact.

Pro Farmer ag persons of the year: Guterres, Erdoğan

After extended negotiations, a 120-day deal to resume Ukraine's grain exports via three Black Sea ports was signed in late July and shipments started by early August. A parallel deal allowed the resumption of Russian grain and fertilizer exports. Shipments were allowed via a "humanitarian corridor," with all incoming and outgoing vessels inspected at Istanbul, Turkey, by representatives from Ukraine, Russia, Turkey and the United Nations. The grain export deal was

extended for another 120 days on Nov. 18, without changes, though UN officials committed to freeing up more shipments of Russian grain and fertilizers.

Ag exports from the two countries aren't back to their pre-war levels, but concerns with global trade flows have eased.

Many officials helped negotiate the deal to resume Black Sea grain and fertilizer exports, but UN Secretary-General António Guterres and Turkish President Recep Tayyip Erdoğan were the ones that brought Russia and Ukraine to the negotiating table — twice — and got the deals signed. For their efforts, *Pro Farmer* recognizes Guterres and Erdoğan as the ag persons of 2022.

Pro Farmer ag story of the year: Fight against inflation

Inflation surged to the highest levels in more than 40 years in the U.S. and other countries in 2022. Russia's invasion of Ukraine, China's Covid-19 lockdowns, major transportation disruptions and other logistics struggles all contributed to the decade's-high prices.

The Fed and other central banks around the world aggressively raised interest rates to combat surging inflation. As 2022 comes to a close, there are signs inflation has peaked and central banks have slowed their rate of increase to interest rates... but the battle will continue well into 2023.

The question will be whether the Fed and other central banks can get inflation under control and negotiate a soft landing. Inflation will remain a threat to consumers and the economy in 2023.

Honorable mentions for ag story, event and person

Farmers: Producers around the world continued to deal with huge price volatility, adverse weather, inputs supply and price constraints and lingering Covid impacts.

Crop insurance agents: They are not only a farmer's No. 1 financial advisor on crop and livestock insurance but also advise on FSA programs. Agents helped with farm bill choices, MFP, Covid aid and disaster assistance.

La Niña: It caused adverse weather in North America, South America and Australia for a second straight year.

Vladimir Putin: The man behind our event of the year — even though his impact was extremely negative.

Jon Doggett: CEO of National Corn Growers Association gets a "lifetime achievement" award for 20-plus years of service. He influenced five farm bills, two versions of the RFS and this year publicly pushed for year-round E15.