



News this week...

- 2 – Argentine crop estimates continue to decline.
- 3 – Signs hog herd contraction may be ending.
- 4 – Key factors that will impact agriculture in 2023.

Risk aversion to start 2023 – Grain and soy markets were pressured by long liquidation and broad risk aversion in markets to kick off the new year. While China scaled back its zero-Covid restrictions, infections surged, causing trepidation among investors. South American weather remained varied, with Argentine crops stressed by heat and dryness, while Brazil retained record production potential amid mostly favorable conditions. Demand news leaned negative for corn and wheat markets as exports remained poor. Corn also faced ethanol demand concerns. USDA's Jan. 12 reports could be market-moving this week. Live cattle futures avoided some of the risk-off trade thanks to the firming cash market and tightening supplies. Hog futures faced heavy pressure as the cash market continued its seasonal decline.

Argentine crop stress continues

World Weather Inc. anticipates scattered showers and cooler temps with a frontal passage through Argentina during the middle of this week, but amounts and coverage levels won't be enough to halt crop stress. Southern Brazil is also likely to remain mostly dry over the next five days, with some potential for scattered showers by the middle to latter part of this week. Growing conditions will remain mostly favorable in other areas of Brazil.

World Weather says there will be a notable decline in the cool waters at the surface of the eastern equatorial Pacific over the next two to four weeks, which will bring better rainfall potential to Argentina, though that would be too late for some of the country's crop.

Keys issues for agriculture in 2023

Key issues for agriculture in the year ahead include a new farm bill, economic impacts from China's move away from its zero-Covid policy, China's relations with Taiwan and the Russia/Ukraine war. We take a look at some bigger-picture issues that could impact agriculture this year and beyond on [News page 4](#).

One of the bigger-picture issues pertains to increased use of electric vehicles and how that could impact gasoline use. A [study](#) by the University of Illinois stated: "We find relative declines in ethanol production would decrease corn prices by about 4%, but this price forecast assumes corn production and other uses continue current trends. The development of new uses for corn may substantially alter future corn prices."

Global food prices decline again

The UN Food and Agriculture Organization (FAO) global food price index dropped for the ninth straight month and was 1.0% below year-ago. The decline in December was driven by a steep drop in the international prices of vegetable oils, along with smaller declines in cereal grains and meats. Compared to year-ago, prices were up 2.5% for meat, 7.8% for dairy, 4.8% for cereal grains and 0.7% for sugar, while vegoils dropped 19.1%.

Fed still focused on taming inflation

Officials had made "significant progress" in combating inflation, based on minutes from the December Fed policy meeting. But the Fed now must balance its fight against rising prices with the risks of slowing the economy too much, emphasizing "the need to retain flexibility."

Jobs data suggests another slowdown in rate increase

The U.S. economy added 223,000 non-farm payrolls in December, down from November's revised number of 256,000 jobs added. Hourly earnings rose a less-than-expected 0.3%. Traders priced in 70% odds of just a 25-basis-point increase in interest rates following the Jan. 31-Feb. 1 policy meeting.

Thompson outlines farm bill issues

Representative-elect Glenn "GT" Thompson (R-Pa.) told us on *AgriTalk* the following regarding the new farm bill:

- Extension of the 2018 Farm Bill that expires Sept. 30 "would be a missed opportunity."
- Ad-hoc disaster relief is "not reliable" and he would like to incorporate some of that into other programs, including crop insurance to better serve farmers and lenders.
- Senate Ag Chair Debbie Stabenow's (D-Mich.) surprise announcement she won't seek re-election in 2024 will have no farm bill impact. Thompson looks forward to again working with Stabenow on another farm bill.
- USDA's use of CCC funds must be refined.
- There may be "drama" in the farm bill debate, but "we always put out a good product that's bipartisan."
- Debate on a new farm bill will stretch into September and they'll likely have to use the final days before the Sept. 30 expiration, but they will get new legislation done.

Small ag trade surplus in November

The U.S. exported \$17.48 billion of ag goods in November against imports of \$16.04 billion for a trade surplus of \$1.44 billion. Through the first two months of fiscal year 2023, U.S. ag exports stood at \$35.01 billion against imports of \$33.38 billion for a surplus of \$1.63 billion.

Argentine crops shrinking

After cutting his Argentine soybean crop for five consecutive weeks, South American crop consultant Dr. Michael Cordonnier left his estimate at 43 million metric tons (MMT). But he warned the estimate “will probably move lower” if forecasts calling for dryness to persist in early 2023 verify. Cordonnier kept his Argentine corn crop estimate at 46 MMT “because there was just enough rain over the week-end to maybe stabilize the crop at least temporarily.”

Argentine crop conditions continue to decline

As of Jan. 5, Buenos Aires Grain Exchange rated Argentina’s soybean crop 8% good/excellent (down two points from the previous week), 54% fair (down eight points) and 38% poor (up 10 points). It rated the corn crop 13% good/excellent (down two points), 55% fair (down two points) and 32% poor (up four points).

The soybean crop was 82% planted. Cordonnier says as much as 500,000 hectares of the expected 16.7 million hectares of soybeans could go unplanted. Corn planting was 70% completed.

Brazil crops maintain record potential

Cordonnier kept his Brazilian crop estimates at 151 MMT for soybeans and 125 MMT for corn. He says soybeans in central and northern Brazil “are expected to do fine while the yields of the soybeans in far southern Brazil will depend on the rainfall during January.” Cordonnier has a neutral bias toward Brazil’s soybean crop and a neutral/lower bias for corn.

Soy crush lower than expected

U.S. processors crushed 189.5 million bu. of soybeans in November, according to USDA, down 7.1 million bu. (3.6%) from October and 1.1 million bu. (0.6%) less than year-ago. Through the first three months of 2022-23, crush was only 0.4% above the same period last year, despite plentiful supplies and strong processing margins. Crush must run 2.4% above the year-ago pace over the final nine months of the marketing year to hit USDA’s record forecast of 2.245 billion bushels. Given strong margins, that should be achievable, but the slower-than-expected pace during the first quarter of 2022-23 gives us some pause.

Soyoil stocks at the end of November totaled 2.108 billion lbs., up 14 million lbs. from October despite the smaller crush but 298 million lbs. less than year-ago.

HRW conditions decline further

Individual state crop conditions ratings showed further deterioration of the HRW wheat crop during December except for Oklahoma and Colorado. The “good” to “excellent” ratings for HRW wheat dropped two points in Kansas (to 19%), 22 points in Montana (22%), two points in Nebraska (18%) and 11 points in South Dakota (16%) during December. The “good” to “excellent” ratings for HRW wheat improved seven points in Oklahoma (38%) and 20 points in Colorado (50%) over the past month. Texas did not release updated crop condition ratings.

When the updated crop condition ratings (and using Texas ratings from late November) were plugged into the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500 point scale, with 500 being perfect), the HRW crop dropped two points to a rating of 278.3. The HRW crop went into dormancy with the lowest CCI rating on record for fall/winter.

Drought recedes but still prevalent

As of Jan. 3, 70% of the U.S. was covered by abnormal dryness/drought, down four percentage points from the previous week and 15 points below the peak in early November. USDA estimated 64% of U.S. winter wheat areas were covered by drought.

In HRW areas, dryness/drought covered 100% of Kansas, 60% of Colorado, 98% of Oklahoma, 71% of Texas, 100% of Nebraska, 98% of South Dakota and 91% of Montana.

In SRW areas, dryness/drought covered 50% of Missouri, 65% of Illinois, 93% of Indiana, 43% of Ohio, 52% of Michigan, 6% of Kentucky and less than 1% of Tennessee.

Russian wheat crop, exports raised

SovEcon raised its 2022-23 Russian wheat crop estimate by 300,000 metric tons (MT) to a record 101.2 MMT. Amid the bigger production forecast, the consultancy increased its 2022-23 wheat export figure by 200,000 MT to 44.1 MMT. SovEcon expects record or near-record monthly export volumes in the second half of 2022-23.

SovEcon raised its 2023-24 Russian wheat crop outlook by 400,000 MT to 86 MMT amid “good crop conditions after ample rains in recent months.”

Corn-for-ethanol use struggling

Corn-for-ethanol use totaled 447.4 million bu. in November, according to USDA, down 1.6 million bu. (0.4%) from October and 19.5 million bu. (4.2%) less than last year. Based on weekly production data from the U.S. Energy Information Administration, ethanol production fell 6.8% from last year in December. Ethanol production plunged 19.5% in the week ended Dec. 30 to the lowest since the week ended Feb. 19, 2021.



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Hog herd smaller than expected, but signs contraction phase is ending

Hogs & Pigs Report	USDA actual (% of year-ago)	Trade expected
Inventory —		
All Hogs/Pigs	98.2	98.5
Breeding	100.5	99.8
Marketing	98.0	98.4
Pig Crop —		
Sept.-Nov.	98.7	98.4
Pigs/litter	100.3	100.2
Farrowings —		
Sept.-Nov.	98.5	98.3
Dec.-Feb. Ints.	101.0	99.8
March-May Ints.	100.5	99.9
Market Hog Inventory —		
Under 50 lbs.	98.0	98.6
50-119 lbs.	98.0	98.5
120-179 lbs.	98.1	98.7
180 lbs. plus	98.1	97.7

USDA estimated the Dec. 1 hog herd at 73.119 million head, down 1.327 million head (1.8%) from year-ago and 210,000 head less than the average pre-report estimate implied. The hog herd was the smallest for Dec. 1 since 2016 and was down 6.5% from the 2019 peak. The market hog inventory at 68.321 million head declined 2.0%, while the breeding herd at 6.154 million head rose 0.5% from last year. The fall pig crop was estimated at 33.961 million head, down 432,000 head (1.3%).

Based on market hog inventories in the report, slaughter will run about 2% under year-ago through the first half of 2023.

The slightly bigger breeding herd, along with greater winter and spring farrowing intentions, suggest producers may start to rebuild their herds. But we have our doubts farrowings will live up to indicated levels.

USDA made modest revisions to past data. The June 1 market hog inventory was reduced 210,000 head and the Sept. 1 market hog inventory was cut 115,000 head, as USDA lowered its spring and summer pig crop figures.

Feedlot supplies tighten

USDA estimated there were 11.673 million head of cattle in large feedlots (1,000-plus head) on Dec. 1, down 312,000 head (2.6%) from year-ago but 24,000 head more than expected.

Cattle on Feed Report	USDA actual (% of year-ago)	Average estimate (% of year-ago)
On Feed Dec. 1	97.4	97.2
Placed in Nov.	97.9	95.8
Mkted in Nov.	101.2	100.9

November placements dropped 42,000 head

(2.1%), though traders expected a 4.2% decline from year-ago. November marketings were slightly stronger than anticipated at 1.2% above year-ago.

Feedlot supplies have tightened versus year-ago for three straight months and will continue that pattern in 2023.

Meat stocks follow trends

USDA's Cold Storage Report showed beef stocks as of Nov. 30 totaled 521.9 million lbs., up 11.6 million lbs. from October. The five-year average during the month was a 3.5-million-lb. increase. Beef stocks rose 31.5 million lbs. (6.4%) from November 2021 and were 25.9 million lbs. (5.2%) above the five-year average.

Pork inventories totaled 454.2 million lbs., down 55.5 million lbs. from October, which was slightly greater than the five-year average decline of 52.7 million lbs. during the month. Pork stocks increased 52.0 million lbs. (12.9%) from November 2021 but were 27.2 million lbs. (5.6%) below the five-year average.

DOANE Market Watch	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	Feb.	March	April-June
(Monthly & quarterly avg.)						
CORN						
Central Illinois, bushel	5.95	6.61	6.38	6.30	6.35	6.50
Omaha, NE, bushel	6.11	7.30	7.18	6.50	6.55	6.75
Dried Distillers Grain, IA, \$/ton	181.90	262.50	—	—	—	—
SOYBEANS						
Central Illinois, bushel	13.62	14.64	14.62	14.50	14.60	14.75
Memphis, TN, bushel	13.97	15.25	15.34	15.25	15.15	15.10
Soymeal, 48% Decatur, ton	425.70	458.30	—	460	455	445
WHEAT						
Kansas City, HRW, bushel	8.32	9.34	9.01	8.75	8.70	8.50
Minneapolis, 14% DNS, bushel	11.31	11.74	11.09	11.00	11.00	10.90
St. Louis, SRW, bushel	8.00	7.60	7.46	7.25	7.20	7.00
Portland, Soft White, bushel	10.73	8.65	8.48	8.50	8.50	8.50
Durum, NE MT HAD, 13%, bu.	15.78	9.50	9.50	9.50	9.50	9.50
SORGHUM , Kansas City, cwt.	11.33	12.14	11.76	11.50	11.60	11.75
COTTON , 11/16 SLM, 7 area, c/lb.	113.10	83.31	82.10	80.00	81.00	82.00
RICE , nearby futures, cwt.	14.46	17.94	18.08	17.50	17.60	17.75
BARLEY , MT, G.T., malting, bu.	7.67	7.50	7.50	7.50	7.50	7.60
OATS , Minneapolis No. 2 heavy, bu.	7.27	4.06	4.03	4.00	4.05	4.10
ALFALFA , NW Iowa, lg. sq. prem., ton	—	—	—	235	235	240
SUNFLOWERS , Fargo, ND, cwt.	32.05	24.40	24.40	24.50	25.00	26.00
HOGS , Nat'l carcass 51%-52% cwt.	72.96	78.74	78.06	88.00	90.00	108.00
FEEDER PIGS , 40 lbs., Nat. avg, head	79.03	73.80	73.36	98.00	95.00	90.00
CHOICE STEERS , feedlots, cwt.	135.59	156.26	157.81	162.00	165.00	157.00
FEEDER CATTLE , Oklahoma City						
Steers, 700-800 pounds, cwt.	—	—	—	180.00	182.00	185.00
Steers, 500-550 pounds, cwt.	—	—	—	210.00	212.00	205.00
Heifers, 450-500 pounds, cwt.	—	—	—	185.00	187.50	185.00
COWS , utility, Sioux Falls, SD, cwt.	68.30	—	75.56	77.00	80.00	82.00
MILK , Class III, CME spot month, cwt.	22.68	19.83	18.24	19.00	19.00	18.50
LAMBS , Slg., San Angelo, TX, cwt.	—	—	—	—	—	—
ENERGY						
Ethanol, IA, gallon	2.47	2.03	—	—	—	—
Farm diesel, U.S., gallon	2.98	4.05	4.06	3.72	3.78	3.82

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

Big-ticket issues for agriculture in 2023... and beyond

By Pro Farmer Policy Analyst Jim Wiesemeyer and Editor Brian Grete



Several big-ticket issues confront agriculture in 2023 and beyond. Following are a few of the most important factors that could impact your farming operations.

Fed tightening could lead to recession

This year could see a mild recession, largely driven by the Federal Reserve's goal to tame inflation, which is expected to slow the labor market. Many economists expect a drag will begin to weigh on the labor market by the middle of the year, sparking more layoffs and a jump in the unemployment rate. The loss of income will slow consumer demand as households tap savings and rack up credit card debt, which is already happening.

Many economists forecast sluggish or negative economic growth for the year, and a substantial slowdown in price growth. But core inflation is likely to stay above the Fed's 2% target, forcing the central bank to keep rates high through year end. Many think the lagging world economy could weigh on U.S. economic activity.

Ag sector impact: A continued rise in operating loans/interest rates is a clear conclusion for 2023. A recession could lead to a tightening of credit, which can make it more difficult for farmers to obtain financing for their operations. It could also slow demand for commodities and reduce income for farmers.

On the positive side, a recession could reduce the cost of inputs such as seeds, fertilizers and fuel. But any impact on inputs likely wouldn't be felt until late 2023 or 2024.

Trade policy should be a bigger focus for White House

The Biden administration's first two years did not put trade policy as a priority. But this may be changing, especially given the two key trade posts are finally filled after two years — and given the growing ag trade deficit. The United Kingdom and some Latin and Central America countries are candidates for new trade accords to boost market access.

Dairy issue with Canada. The U.S. for a third time is pursuing a formal dairy quota consultation under the U.S.-Mexico-Canada Agreement (USMCA). The concern lies in Canada's USMCA violations by reserving preferential dairy TRQs for Canadian processors.

GMO corn issue with Mexico. Mexico is working to come to an agreement on its ban of U.S. GMO crops by the end of January. President Joe Biden is slated to meet with Mexican President Obrador on Jan. 9.

EV use, biofuels changes will have more impacts

The U.S. and other countries are offering incentives to encourage the adoption of electric vehicles (EVs), such as tax credits and subsidies. Some governments also have implemented regulations to phase out internal combustion engines in favor of EVs. There's also a growing EV infrastructure, making it easier for people to charge their EVs. The adoption of EVs will play a role in the future of transportation.

Ag sector impact: The Renewable Fuel Standard is in "reset" mode as the old system was based on gasoline consumed. One major change for the biofuels sector has been the shift from corn-based ethanol to advanced biofuels, especially renewable diesel. This will impact plantings this year and in the years ahead as the industry gears up for carbon offsets designed to deal with climate change.

Debt crisis is no longer just talk

With interest rates rising rapidly, the federal government is paying more interest on the national debt. The \$31.3 trillion debt is nearly as large as the nation's total economic output, the highest ratio since the mid-1940s.

Ag sector impact: The U.S. debt is now more than two times the level it was when a prior farm bill had to cut \$26.3 billion of ag's contribution to lowering the debt. While we don't see that in the current farm bill debate, this is a long-term pressure point ahead in a vicious cycle that promises bruising fights over debt and spending in Washington.

Water shortages a growing concern

There are concerns agriculture may face even more water shortages in certain regions in the future given the depletion of underground water sources, such as aquifers, and the diversion of water for urban and industrial use. To address these challenges, farmers and other ag stakeholders are working to adopt more efficient irrigation technologies and water-saving practices. The development of drought-resistant crops and the expansion of irrigation infrastructure, such as reservoirs and pipelines, can also help to ensure ag has a reliable supply of water in the future.

Robotics will help with labor shortages, exports

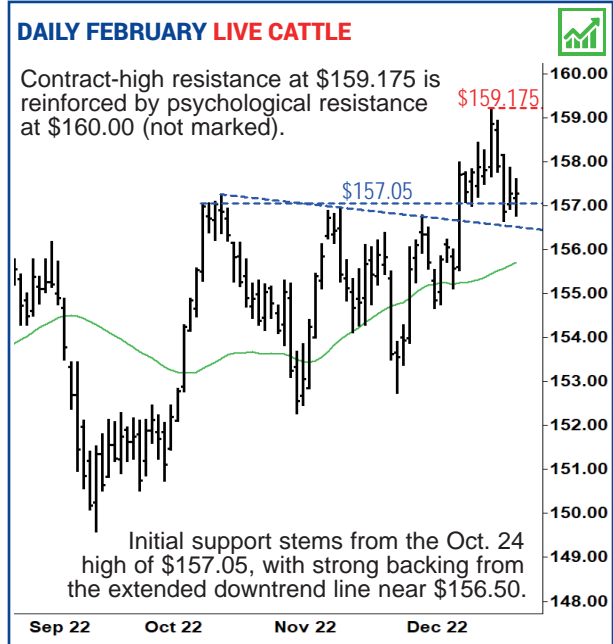
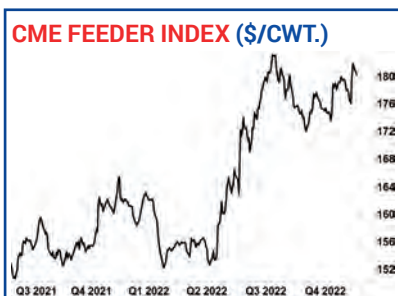
More in the dairy industry and the meat processing sector continue to invest millions of dollars for "agbots." The growing use of driverless trucks and digitization in the transportation sector will make U.S. ag exports more competitive.

CATTLE - Fundamental Analysis

Choice beef cutout continued its December surge into the new year, reaching \$286.95 on Jan. 3 before setting back. Its tendency to work higher into late spring is driven by a seasonal combination of reduced cattle and beef supplies, as well as increased consumer demand. We believe current circumstances will amplify those forces and push cash cattle prices above \$160.00 in the weeks ahead. The feeder outlook also looks promising as the seasonal reduction in yearling supplies is exacerbated by the ongoing cyclical herd liquidation. The feeder index will probably top its August 2022 high in the near future.

Position Monitor		
Game Plan:	Feds	Feeders
Traders are	I'23 0%	0%
overly pes-	II'23 0%	0%
simistic with	III'23 0%	0%
	IV'23 0%	0%

nearby futures trading below the cash market. Continue to carry all risk in the firming cash market.

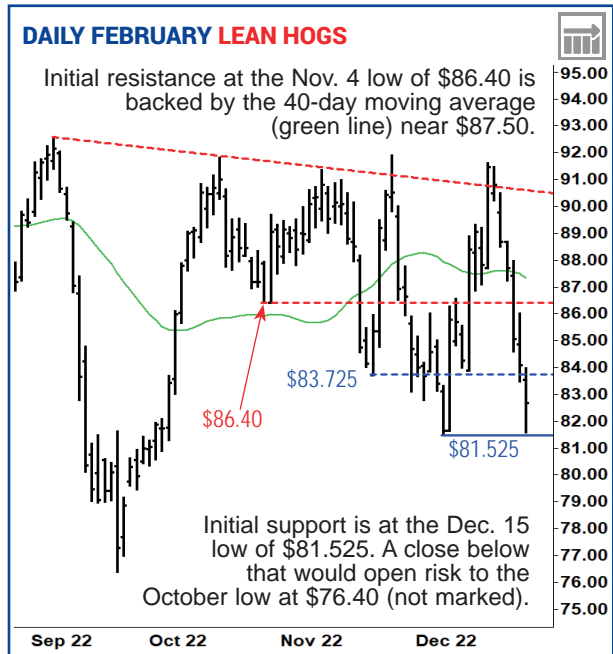
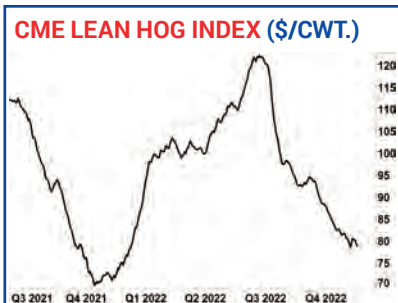


HOGS - Fundamental Analysis

The CME Lean Hog Index proved surprisingly weak again during the holiday season and seems to be struggling to turn higher in the new year. But seasonal strength will likely kick in soon and power a broad hog and pork rally into late winter before a stronger move to a summer high. Demand for several cuts should surge seasonally, whereas the usual seasonal reduction in hog supplies will be exaggerated by the ongoing cyclical drop in hog herds. We also suspect pork is better positioned to capture consumer attention due to the poultry industry's 2022 troubles with bird flu and elevated feed costs.

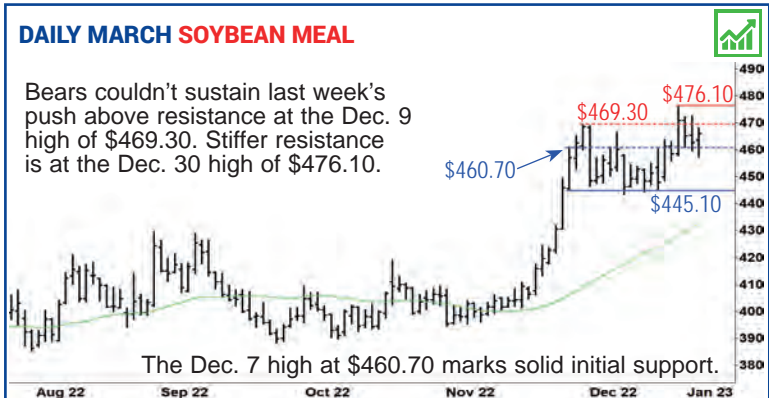
Position Monitor		
Game Plan:	Lean Hogs	
The market could face	I'23 0%	0%
more near-term	II'23 0%	0%
pressure, but a	III'23 0%	0%
seasonal low should come soon.	IV'23 0%	0%

We are only interested in hedging on an extended price rally.



FEED

Feed Monitor		
Corn		
I'23	0%	Corn Game Plan: You are hand-to-mouth on corn-for-feed coverage. Our target for extending coverage is a pullback to the \$6.40 to \$6.30 level in March futures.
II'23	0%	
III'23	0%	
IV'23	0%	
Meal		
I'23	0%	Meal Game Plan: You are hand-to-mouth on soybean meal coverage. We are targeting a drop to the \$450.00 to \$440.00 area in March futures to extend coverage in the cash market.
II'22	0%	
III'23	0%	
IV'23	0%	

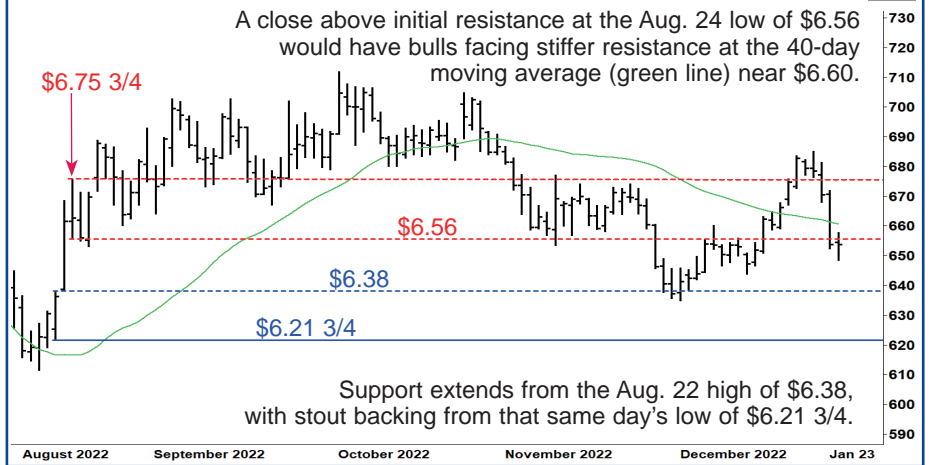


Position Monitor

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

Game Plan: Wait on a corrective rebound to get caught up with advised sales if you aren't current. With the market signaling a short-term top was posted in late 2022, there could be more near-term price pressure. Seasonals are bullish during January, but they may be countered by demand headwinds, especially if the risk aversion to start the new year continues. A drop below the December lows could trigger defensive hedges.

DAILY MARCH CORN



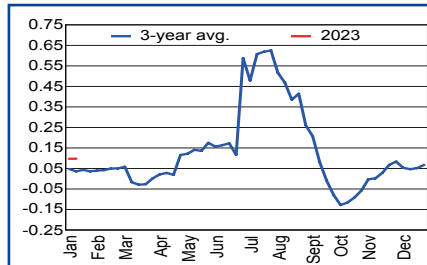
DAILY MAY CORN



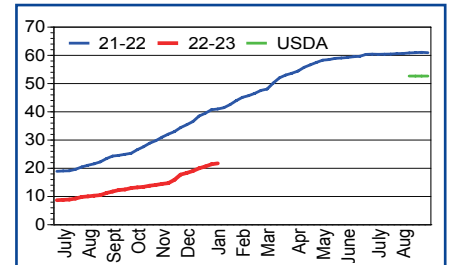
CORN - Fundamental Analysis

March corn futures ended 2022 at the second highest year-end quote on record, reflecting tight supplies. But demand concerns are growing. Last week brought fresh news of feeble ethanol demand from the fuel sector, while the latest USDA export sales data indicated persistent weakness. Meanwhile, reduced livestock herds are consuming less feed, whereas the latest broiler numbers rose 1% annually and dairy cow numbers are inching upward. Few changes to the corn crop are expected in the Jan. 12 USDA Crop Production Report, but the quarterly Grain Stocks Report could surprise the market. We regard rallies as potential selling opportunities.

AVERAGE CORN BASIS (MARCH)



CORN EXPORT BOOKINGS (MMT)

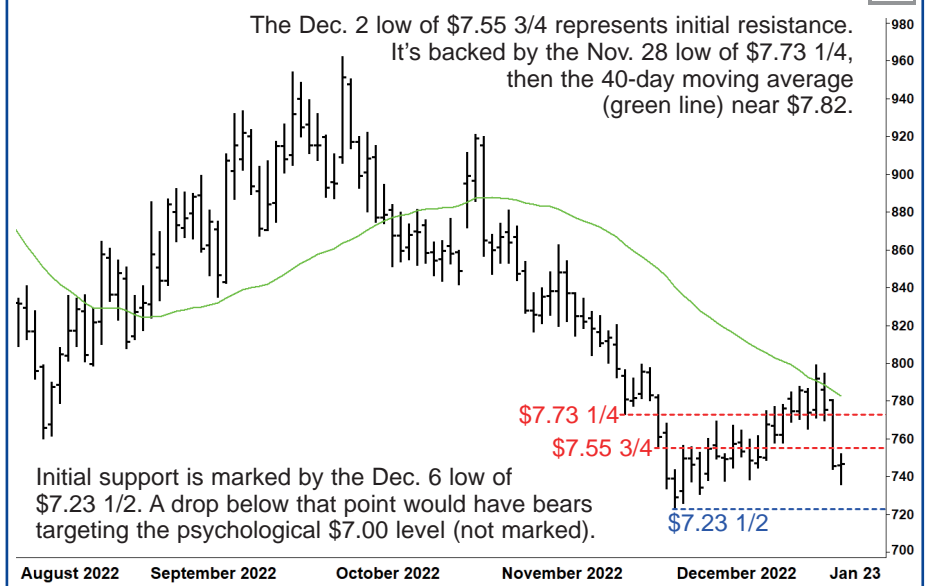


Position Monitor

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

Game Plan: The market could remain choppy to lower near-term, but given our sales levels, we are content to wait on an extended price rally to increase sales. Defensive hedges may be needed if the December lows are violated.

DAILY MARCH SRW WHEAT



WHEAT - Fundamental Analysis

SRW – Rising estimates of the Australian and Russian wheat crops more than offset an upward adjustment to the latter's export tax. The U.S. export situation remains poor. Ultimately, increased fuel costs have worsened the transport disadvantage hampering U.S. wheat sales.

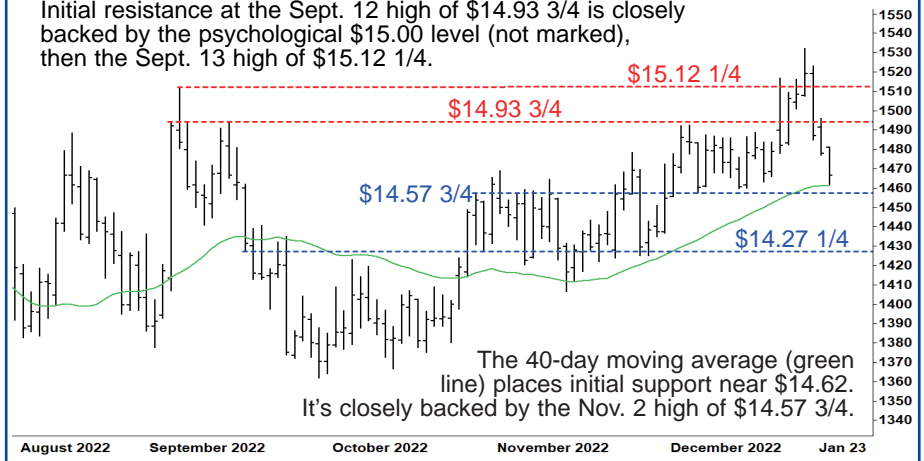
Position Monitor

	'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 March futures are at \$14.75 or higher. With the market signaling a short-term top in late December, we would likely advance sales on price strength ahead of USDA's Jan. 12 reports, as current prices are historically strong. Seasonals during January have favored bulls over the past 10 years, but Brazil is in line to produce a record soybean crop.

DAILY MARCH SOYBEANS

Initial resistance at the Sept. 12 high of \$14.93 3/4 is closely backed by the psychological \$15.00 level (not marked), then the Sept. 13 high of \$15.12 1/4.



DAILY MAY SOYBEANS

Last week's drop again made the Sept. 21 high of \$14.93 1/2 initial resistance.



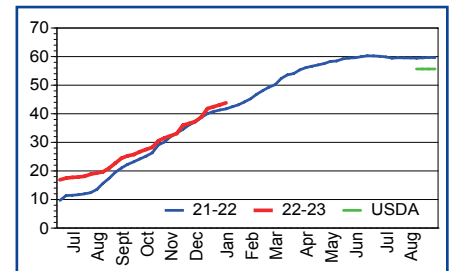
SOYBEANS - Fundamental Analysis

The soybean crush proved surprisingly low in late 2022 despite strong margins and forecasts for sustained growth in the domestic industry. While the forecast record for the Brazilian crop is looming over the outlook, the latest export numbers indicate Chinese buying and shipments to that country remain robust. Basis also testifies to the tightness of supplies. As the chart shows, the three-year norm points to a flat to negative basis with March futures trading over cash, whereas the latest reading has cash trading about 15¢ premium. This suggests persistent support underlying the market and partially justifies patience toward increasing price coverage.

AVERAGE SOYBEAN BASIS (MARCH)



SOYBEAN EXPORT BOOKINGS (MMT)



DAILY MARCH HRW WHEAT

The Dec. 2 low of \$8.60 1/4 marks initial resistance.

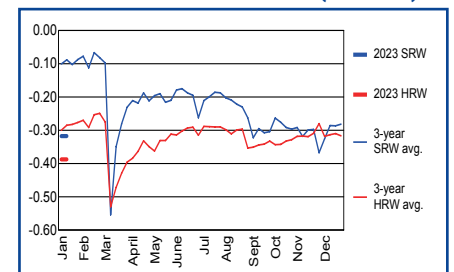


DAILY MARCH HRS WHEAT

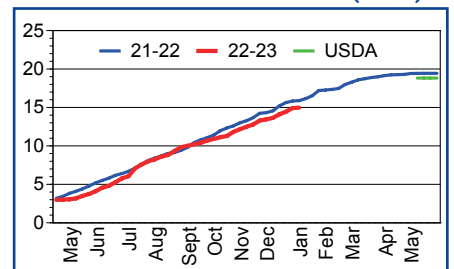
Initial resistance stems from the Dec. 2 low of \$9.19 1/4.



AVERAGE WHEAT BASIS (MARCH)



WHEAT EXPORT BOOKINGS (MMT)



HRW – Despite declining results in most areas, traders largely ignored the latest state ratings of the HRW crop. It may take some fresh bullish news, such as surprisingly small fall plantings and/or stronger-than-expected second quarter use, in this week's USDA reports to give the market a boost. We're waiting on an extended price recovery to increase sales.

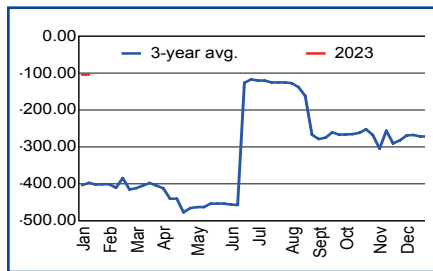
HRS – The latest drought readings imply the outlook for HRS plantings isn't promising, since over 90% of Montana, Nebraska and South Dakota are seen as covered in dryness/drought. North Dakota is at 100%. This seems likely to maintain the HRS premium over winter wheat values and provide underlying price support.

Position Monitor

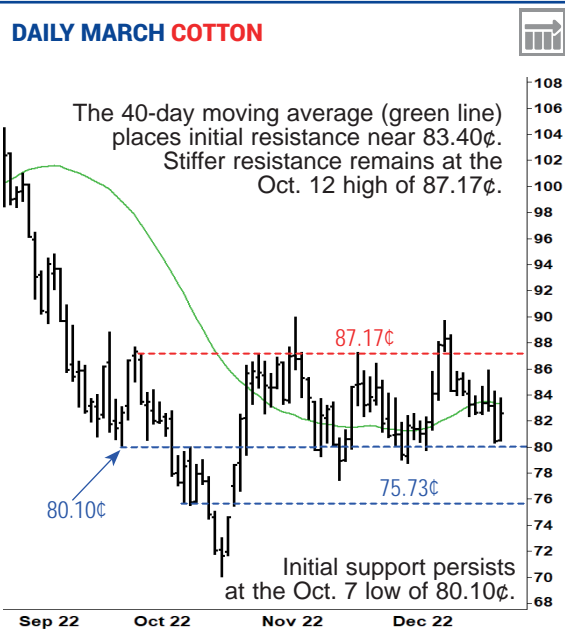
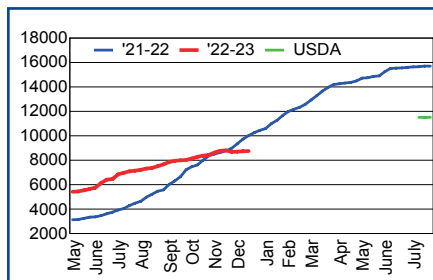
	'22 crop	'23 crop
Cash-only:	70%	0%
Hedgers (cash sales):	70%	0%
Futures/Options	0%	0%

Game Plan: We'll wait on an extended rally before advancing sales. Short-term defensive hedges may be advised on a drop below the late-November lows.

AVERAGE COTTON BASIS (MARCH)



COTTON EXPORT BOOKINGS ('000 BALES)



COTTON - Fundamental Analysis

The market is capped by weak demand in the wake of last year's big price surge, with traders also worried about the global economic outlook. But the downside is also limited by concerns cotton will lose acreage to other crops. Choppy trade is likely to continue.

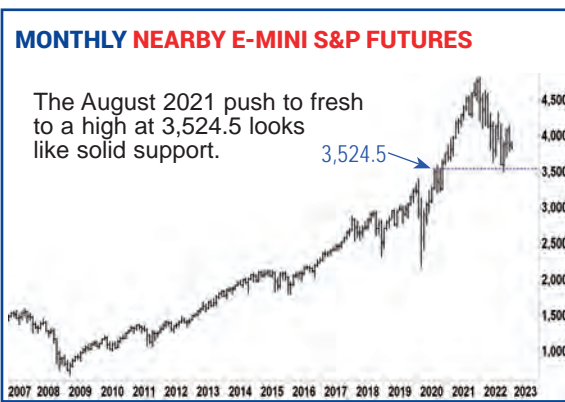
GENERAL OUTLOOK

EQUITIES: After setting a new intra-day record high on Jan. 3, 2022, the S&P 500 stock index proceeded to lose ground the rest of last year and lost 19% – the worst annual performance since 2008. Analysts at some major banks are forecasting the stock indexes will retest their 2022 lows in the first half of 2023.

Higher U.S. Treasury yields (which compete with stock dividends), still-hawkish monetary policies from most of

the world's major central banks (higher interest rates), worries about economic growth in China, the U.S. and European Union, and the grinding Russia-Ukraine war are all formidable hurdles stock market bulls will face this year.

Some long-time market watchers say higher interest rates are just beginning to pervade global stock markets, with many also anticipating another mild economic recession.



FROM THE BULLPEN By Market Consultant Dan Vaught

The January performance of corn, soybeans and wheat has improved in recent years. For example, March corn futures have risen during January in 24 of the past 43 years, but the ratio rises to 14 of the last 20 and eight of the last 10 years.

But we harbor concerns about the corn market's ability to sustain its December rally in the new year. Last week's downward reversal seemed to send bearish signals, but our main worries are fundamental in nature. Of particular concern is the fall pace of U.S. corn exports. Total U.S. export commitments (exports + outstanding sales) are running almost 50% behind the comparable year-ago level). With the Ukraine/Russia war having forced China to shift its attention to Brazilian corn, as

well as U.S. grain shipment difficulties, the situation may not improve in the coming weeks/months.

The March soybean contract's January performance has also improved in recent years, rising from gains in 20 of the last 43 years to seven of the past 10 and six of the last seven years. The expansion of the domestic crushing industry is favorable, as is the export commitments pace above year-ago levels. But a record Brazilian harvest seemingly bodes ill for 2023 prices.

March SRW wheat futures have improved their January performance to gains in six of the past 10 years, but poor U.S. exports remain a major issue. History also implies a downward tendency in the wake of the Jan. 12 USDA reports.

WATCH LIST

- China Inflation Data** WED 1/11
Consumer, producer prices for Dec. 7:30 p.m. CT
- USDA Export Sales Report** THUR 1/12
Soybean sales to China in focus. 7:30 a.m. CT
- USDA Crop Prod., S&D Rpts.** THUR 1/12
Final 2022 corn, bean crop ests. 11:00 a.m. CT
- USDA Grain Stocks Report** THUR 1/12
Grain stocks as of Dec. 1. 11:00 a.m. CT
- USDA Winter Wheat Seedings** THUR 1/12
Winter wheat acreage will rise. 11:00 a.m. CT

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