Farm Journal
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**Macroeconomic concerns hammer livestock futures –** *Cattle and hog futures faced heavy selling pressure last week as macroeconomic concerns triggered a massive wave of fund liquidation. The heavy pressure on cattle futures pulled cash cattle prices lower, despite tight market-ready supplies. April lean hog futures fell to a discount to the cash market, which continued its slow-but-steady climb. However, wholesale pork prices faded. Funds also lightened their long positions in the soybean market despite continued cuts to Argentina's crop estimates. The corn market posted corrective gains in the face of the macroeconomic uncertainty on support from 2.111 million metric tons of daily corn sales to China. Wheat futures also rallied on corrective buying amid ideas recent losses were overdone.*

## Argentine crop pegs slashed again

The Buenos Aires Grain Exchange slashed its Argentine soybean crop estimate another 4 million metric tons (MMT) to 25 MMT. The Argentine corn crop was cut 1.5 MMT to 36 MMT.

## Black Sea grain deal will be extended

Ukraine, the UN and Turkey wanted a 120-day rollover of the Black Sea grain deal that was set to expire March 18. As of Friday morning, Russia insisted on only a 60-day extension.

## SNAP cuts would lead to others

Senate Ag Chair Debbie Stabenow (D-Mich.) said any reductions to SNAP/food stamps would result in cuts to other areas in the farm bill. She said "threats we are hearing from some in the House in favor of reckless and indiscriminate mandatory budget cuts will result in cuts to all farm bill programs."

## China cuts RRR to support economy

The People's Bank of China will cut the amount of cash banks must hold in reserve to provide ample liquidity and support economic growth. The reserve requirement ratio (RRR) will be lowered by 25 basis points, effective March 27.

## Importers paid most of Chinese tariffs

U.S. importers bore almost the entire burden of tariffs placed on more than $300 billion in Chinese goods, according to a report by the U.S. International Trade Commission. The bipartisan group found an almost one-to-one increase in the price of U.S. imports following the Section 301 tariffs.

## Thanks for 50 great years!

On March 18, 1973, the first issue of *Pro Farmer* newsletter was published. The goal was to "provide America's leading farmers with a competitive edge in marketing and financial management." On our 50th anniversary, we maintain that same goal. For those Members that have been with us from the beginning, we are forever grateful. To those who have joined since then, thank you for helping us carry on the legacy. There's a special message from co-founders Merrill Oster and Jerry Carlson on *News page 4*.

## Fear of financial contagion builds

The recent failure of Silicon Valley Bank and a couple other U.S. banks caused fears of a financial meltdown. The fears spread to Europe after Credit Suisse acknowledged it found "material weakness" in its financial reporting. That triggered emergency preventative measures from the U.S. and Swiss governments to provide necessary liquidity.

## Fed in a tough spot: *Tighten or pause?*

Following the contagion fears, markets priced in greater than 50% odds the Fed would pause its monetary tightening at this week's meeting. *Sevens Report* says there's danger in the Fed turning dovish because:

- Inflation is still too high to declare hikes are over.
- Disinflation stalled in February, implying inflation is more entrenched than the Fed would like.
- Core services inflation (an inflation target for the Fed) is showing virtually no signs of falling. And with the labor market still very tight, it's not likely it will fall anytime soon.
- If the bank crisis is limited, then the actions taken by the Fed and Treasury will prove inflationary.

### *'Stakes for Fed are incalculably high'*

*Bloomberg's New Economy Daily* noted: In August 2007, the Fed executed an emergency cut to interest rates, flipping from its monetary tightening to control inflation. That started a years-long cycle of monetary easing to combat the Great Recession.

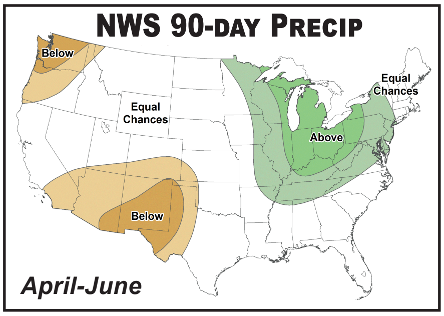
By contrast, in the fall of 1998, the Fed slashed rates repeatedly in the face of the collapse of Long Term Capital Management and the emerging-market crisis. But the U.S. economy proved strong and by 1999 the Fed reversed course. That tightening cycle eventually led to a recession.

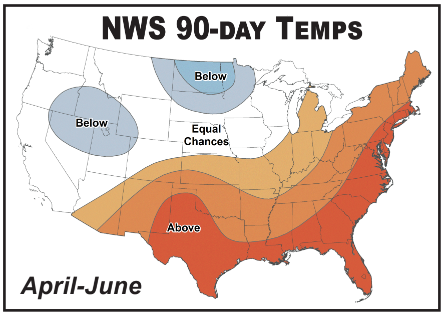
## Major difference between 2008 and now

*Sevens Report* notes: In 2008, assets held at banks were heavily underwater, which created solvency issues. Today, assets held at banks are worth what they paid for them as long as they don't have to be sold in distress. That makes this a liquidity issue, which central banks can solve, not a solvency issue.

## Spring outlook keeps La Niña influence

U.S. government forecasters signal La Niña has ended and ENSO-neutral conditions are expected through spring and early summer. But the extended weather forecast from the National Weather Service indicates La Niña-like weather will persist through June. The 90-day forecast for the April-June period calls for above-normal temps over the Southern Plains, and nearly the entire eastern half of the country. Below-normal temps are expected across the northwestern Corn Belt, with "equal chances" for above-, below- and normal temps through the central Corn Belt. The 90-day precip forecast shows elevated odds of below-normal rainfall over the southwestern Plains, with above-normal rains likely from the eastern halves of Minnesota, Iowa and Missouri eastward across the eastern Corn Belt and Mid-South. There are "equal chances" for precip across much of the western Corn Belt and Central Plains during the 90-day period.




If the forecast verifies, it would suggest drought will persist in key HRW wheat areas, while spring planting may be slowed in the Northern Plains/northwestern Corn Belt. The bulk of the Corn Belt should experience favorable planting conditions as long as rains aren't too heavy in eastern areas.

## Drought footprint shrinking but still big

As of March 14, 52% of the U.S. was covered by abnormal dryness/drought. USDA estimated drought covered 53% of U.S. winter wheat areas, including 15% "moderate" (D1), 11% "severe" (D2), 14% "extreme" (D3) and 13% "exceptional" (D4).

The Drought Monitor noted the "hot spot" for drought was over the Central and Southern Plains. The Seasonal Drought Outlook calls for drought to persist across southwestern areas of the Plains, including the western halves of Kansas, Oklahoma and Texas. Drought improvement or removal was expected in other HRW areas.

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## Argentine soy crushers face 'crisis'

Argentina's soybean crushing plants are operating at historically low levels due to impacts from drought. The leader of the country's top grains processing chamber said the industry faces a "crisis" with industrial capacity idleness approaching 70%, the highest ever when there are no protests. He noted Argentine crush plants may have to import soybeans from Brazil and Paraguay, though not more than 8 million metric tons (MMT).

## Brazil to boost soy crush, exports

Brazil's record soybean crop this season will allow the country to boost exports to China while also increasing domestic soybean processing, according to the head of Brazil's oilseed lobby Abiove. Expectations of a rise in domestic crushing will help make up for a drop in neighboring Argentina. He also said Brazilian President Luiz Inacio Lula da Silva's upcoming trip to China may encourage Chinese investments in Brazil's Ferrogrão "grain rail" project. He also expects a solution regarding the possibility of Brazilian soymeal exports to China after Lula's visit.

## Brazil port denies shipping delays

Port of Paranagua authorities downplayed concerns that traffic issues on the main road to access the grain export hub are delaying soybean shipments. Some ships are reportedly waiting up to 35 days to load cargos at Paranagua. As of March 15, 56 ships were offshore waiting to approach the port while 100 vessels were due to arrive by April 24.

## NOPA crush again shy of expectations

Members of the National Oilseed Processors Association (NOPA) crushed 165.4 million bu. of soybeans in February, slightly below expectations of 166.1 million bushels. Crush fell 7.6% from January but was up 0.2% from February 2022.

NOPA data implies a full February crush of around 175 million bushels. At that level, crush over the final half of the 2022-23 marketing year would need to run 2.5% above the same period last year to reach USDA's forecast of 2.220 billion bushels.

Soyoil stocks fell to 1.809 billion lbs., down 29 million lbs. from January — the first decline in five months. Soyoil inventories dropped 12.2% from year-ago levels.

## Joint venture on canola for biofuel use

Corteva Inc., Bunge and Chevron USA announced a commercial collaboration for proprietary winter canola hybrids that produce plant-based oil with a lower carbon profile to produce vegoil for use in renewable fuels with a lower carbon footprint. The companies said putting winter canola into a crop rotation "provides a cover crop which can enhance soil health by holding more nutrients, water, and carbon in the soil."

## China battling new surge in ASF

A surge in African swine fever (ASF) infections in China is set to reduce hog output later this year. Infections this year began to surge around the Lunar New Year holiday. "Data from swine fever virus testing companies show that the number of positive detections exploded after the new year holiday. The order of magnitude in a single month has reached the level of the whole year of 2022," said analysts at Huachuang Securities. "We guess that the current swine fever infection area in northern production areas may be reaching 50%." The disease outbreaks, as well as the prior herd reductions, will lead to fewer hogs reaching market when demand improves in the second half of the year, said the Huachuang report.

A China-based analyst said this outbreak of ASF appears "weakly toxic" and symptoms are similar to PRRS. However, previous detection and prevention treatment methods don't appear to be effective.

PERSPECTIVE: A widespread outbreak of ASF in China would be bearish for soybeans and corn as it would reduce its feed demand, especially during the second half of the 2023 calendar year. It would be bullish for soymeal and hogs as China would need to import more U.S. pork.

## Smithfield defends China's ownership

"We're as American today as we were in 2013," Smithfield CEO Shane Smith told the *Wall Street Journal*. WH Group's ownership has helped Smithfield weather an industry-wide decline in exports to China and ship more pork products overseas, he said. Some lawmakers have called for a ban on Chinese purchases of U.S. farmland. Roughly half of the approximately 350,000 acres of U.S. farmland owned by Chinese entities is represented by Smithfield's more than 400 company-owned hog farms and 43 plants, according to data.

Smith also said the company has discussed contingency plans in the event China escalates efforts to absorb Taiwan, a concern among U.S. leaders.

## Railroad merger approved

The U.S. Surface Transportation Board (STB) approved with conditions a merger between Canadian Pacific Railway Ltd. and Kansas City Southern, a deal that would create the first freight rail network linking Canada, the U.S. and Mexico. The deal would go into effect April 14. The Canadian Pacific Kansas City (CPKC) merger would be the industry's biggest in two decades. The merger will enhance competition by creating a stronger competitor for Union Pacific Corp., BNSF Railway and Canadian National Railway, STB said.

CPKC would have to keep gateways (connection points between the merged railroad and other railroads) open on reasonable terms. Upon customers' request, CPKC will also have to justify rate increases related to the gateway obligation.

## House Ag funding outline for farm bill

The House Ag Committee recently approved its budget views and estimates letter for fiscal year 2024. The committee stressed production agriculture, Title I and the importance of funding the farm safety net. Some key sections:

- "The 2023 Farm Bill… through investments in critical programs… "will alleviate the need for costly and inefficient emergency ad hoc spending and promote economic growth."
- "The current policies were designed in the 2014 Farm Bill using 2012 cost of production data. Consider the four crops that represent the largest acreage in the U.S.: corn, soybeans, wheat, and cotton. The forecast season average farm price of each commodity would need to fall by roughly 23%, 30%, 21%, and 52%, respectively, in 2023 to trigger any support under current law. If left unchanged, while production costs remain sticky, many producers would be bankrupt before Title I support provides assistance."
- "Due to the ineffectiveness of the existing farm bill safety net, Congress has returned to providing unbudgeted ad hoc assistance for both weather and market related disasters, totaling $93.3 billion over six years... 150% of the entire Title I 10-year baseline. The assistance has been a godsend for many producers.... However, the farm financial picture is beginning to erode due to repeated production losses and skyrocketing inflation."
- "With ad hoc assistance, producers and their lenders have no idea what assistance will be available, or which programs they will be eligible for. They don't know if or when policymakers will decide to step in, with action oftentimes occurring a year or more after a loss. Additionally, each time ad hoc assistance is authorized, either Congress or the administration changes the parameters of which losses are eligible. The Committee believes this inefficient and ever-changing delivery of assistance costs the taxpayer substantially more than what would have been needed if the support were incorporated into the existing farm safety net."

OUR COMMENTS: Budget panel chairs should take the well-researched funding recommendations to heart in working out a realistic farm bill baseline. Without that, the farm bill will not get the reforms it clearly needs to alter Title I and move away from the billions of dollars in ad hoc disaster program payouts. We also applaud what the letter notes is the importance of trade promotion programs and agricultural research — two topics that get short-changed at the end of farm bill negotiations.

## Ag groups also seek more funding

More than 400 farm groups asked Congress for more money for the next farm bill than is in the current baseline. They cited concerns with Chinese trade relations, the war in Ukraine, Covid-19, other supply chain issues, non-tariff trade barriers and devastating natural disasters, all of which the groups say "have tested the effectiveness of current farm policy."

# A View of Agriculture Past and Future

**By Pro Farmer Co-Founders Merrill Oster and Jerry Carlson**

Pro Farmer
Trusted Analysis. Professional Insight.

On the 50th anniversary of *Pro Farmer* newsletter, co-founders Merrill Oster and Jerry Carlson penned the following message for you, our Members. Full transcripts of Merrill and Jerry's messages are on www.profarmer.com

### *Merrill: Leveling the playing field; farming is a profession*

When Jerry Carlson and I launched *Pro Farmer* in 1973 we believed that if you treat farming only as a way of life you could lose the business, but if you treat farming as a business, you could reap a wonderful way of life.

We realized that a businessman's judgment is no better than his information sources... We delivered current, market-impacting, decision-making facts in the weekly, first-class *Pro Farmer* newsletter. We accelerated the process by ushering the information age into agriculture with high speed news and analysis hitting farm offices via telephone, video-text, satellite and the internet.

In the newsletter and Pro Farmer seminars we promoted the use of commodity futures, on-farm grain storage and forward contracting to level the playing field with the grain merchants who had manipulated harvest time prices to their advantage. We showed Members how to reduce operating risk by employing futures markets, and how to transfer that risk-bearing ability to land ownership.

### *Merrill: Threats to agriculture, but we will persevere*

Looking forward, there are threats to global economic stability and America as a nation that could have both positive and negative impacts on American agriculture. If left unchecked, economic chaos will result from the loss of moral restraint... As we debase our moral currency, we debase the American dollar.

There are other forces of evil lurking: open borders, Chinese thievery, fiscal irresponsibility, climate mania, lawlessness and Marxist ideology with its hate for the faith of our Fathers... Unless these threats are resisted, the painful disruptions in global economic activity will likely include widespread famine, bankruptcies, runaway inflation and regional wars. For the American farmer who has land mostly paid for, the ride will be rough but survivable. For those who are highly leveraged and financially unprepared to handle volatility, the result will be disastrous.

Investors will continue to flock to land as an inflation hedge and the world's best storehouse of value. Globally, food or its digital equivalent will be the new currency. Robots will milk cows, feed hogs and drive tractors. The farm office will be a push-button paradise with artificial intelligence at our fingertips.

Although there will be tribulations and volatility that will require sound judgment to survive, I am optimistic.

### *Jerry: Helping ignite today's regenerative ag megatrend*

Thanks to Merrill's instinct for land stewardship, our *LandOwner* newsletter helped farm families increase their resilience against global corporations' costs of fertilizer, GMO seed, weedkillers like glyphosate, and other pesticides. Amid the 1980s ag crisis, we presented Renewable Farming seminars and articles encouraging farmers to leverage soil biology profitably... *LandOwner* featured innovative ways to replace NPK and chemical dependence with natural nutrition from cover crops and rapid residue conversion. Goals: Higher profits; toxin-free, healthy soil and nutritious food; more resilience against weather; and captivity to high NPK and chemical costs. Today, many new biofarming consultants and companies are multiplying our early encouragement.

### *Jerry: Biofarming is a blossoming megatrend*

It's often labeled "Regenerative Agriculture." The most optimistic farmers I know are those phasing into non-GMO corn and soybeans, adding cover crops and microbes to multiply humus and soil life. They're capturing carbon and other nutrients from crop residue. Ag labs are expanding services to include measures of microbial activity, sap tests and other "regen" analyses.

As my wife Jill points out, the most difficult struggles take decades, but generate the most momentous outcomes.

### *Jerry: Raise crops our customers want*

Rising consumer eagerness for tasty, highly nutritious and toxin-free food is also spurred by health anxieties. Today, 42% of Americans are clinically obese, leading to shorter average lifespans. Medical costs have doubled since 2000. After analyzing more than 60 studies of GMO/glyphosate impacts on health, Mexican authorities are intent on banning GMO corn imports. I see opportunity in this: Raise crops our customers want!

Millions of families worldwide are choosing healthier lifestyles, including non-GMO and organic food, for greater natural immunity and fitness. Join the adventure to satisfy this market!

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Farm Journal CEO, Andrew Weber

## CATTLE - Fundamental Analysis

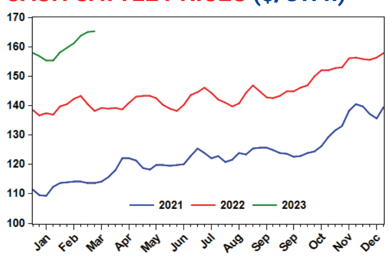
Cattle and beef fundamentals remain fully bullish, with tight feedlot supplies likely to give feedlot operators great leverage in price negotiations through April. And yet, futures dove last week on demand concerns as the equity markets sank and the U.S. dollar surged. We think these fears are overdone, since consumers seem to take money they save by avoiding restaurants and spend it at the meat counter during economic struggles. Still, the severity of the futures drop reportedly persuaded producers to take weaker bids for their cattle last week. We doubt cash market weakness will persist.

### Position Monitor

**Game Plan:** Fundamentals remain supportive, though macroeconomic concerns could trump that near-term. Hedges are risky with futures below cash.

| | Feds | Feeders |
|---|---|---|
| I'23 | 0% | 0% |
| II'23 | 0% | 0% |
| III'23 | 0% | 0% |
| IV'23 | 0% | 0% |

**CASH CATTLE PRICES ($/CWT.)**




**DAILY APRIL LIVE CATTLE**


## HOGS - Fundamental Analysis

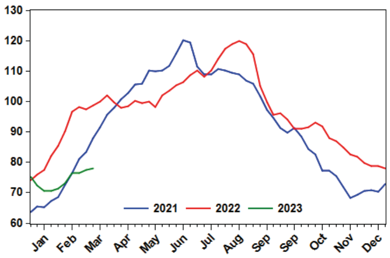
The hog and pork complex is still grinding slowly higher, despite it recently becoming apparent that hog supplies are running slightly above year-ago levels (and contrary to USDA projections for a 2% reduction). The market seems to be suffering under the same conditions that capped early-spring 2022 gains, but a post-Easter surge is likely coming as slaughter rates slow and demand improves seasonally. As with beef, spring grilling demand should surge despite grocers keeping retail pork prices elevated through winter. We still think summer futures are underpriced.

### Position Monitor

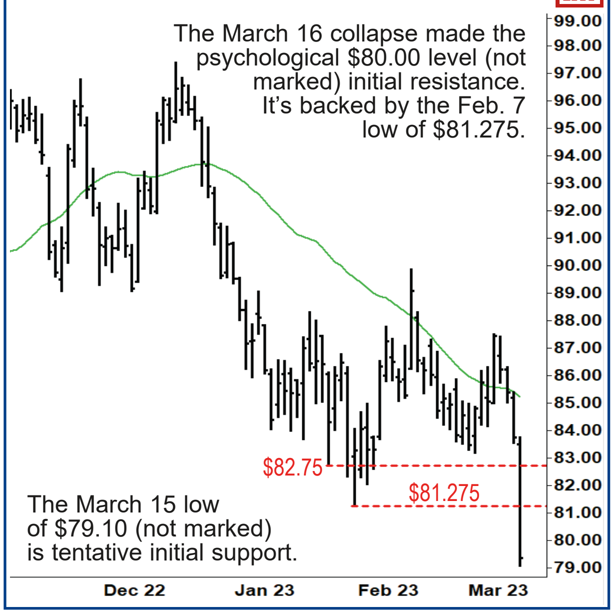
**Game Plan:** The seasonal strengthening of cash prices should continue into mid-summer. But traders are likely to remain rather cautious buyers of futures given macro concerns.

| | Lean Hogs |
|---|---|
| I'23 | 0% |
| II'23 | 0% |
| III'23 | 0% |
| IV'23 | 0% |

**CASH HOG PRICE ($/CWT.)**




**DAILY APRIL LEAN HOGS**




## FEED

### Feed Monitor

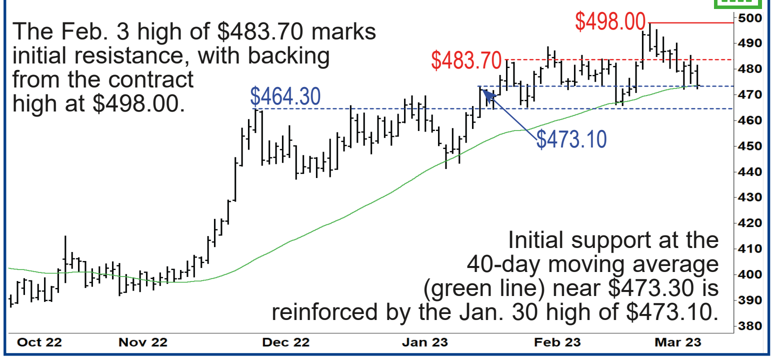
| Corn | |
|---|---|
| I'23 | 100% |
| II'23 | 17% |
| III'23 | 0% |
| IV'23 | 0% |

| Meal | |
|---|---|
| I'23 | 100% |
| II'22 | 33% |
| III'23 | 0% |
| IV'23 | 0% |

**Corn Game Plan:** You have all corn-for-feed needs covered in the cash market through mid-April. We are targeting $6.00 in May corn futures to extend coverage.

**Meal Game Plan:** On March 14, we advised extending cash soymeal coverage by four weeks in the cash market through April. We are targeting a drop to $465.00 or lower in May futures to extend coverage.

**DAILY MAY SOYBEAN MEAL**

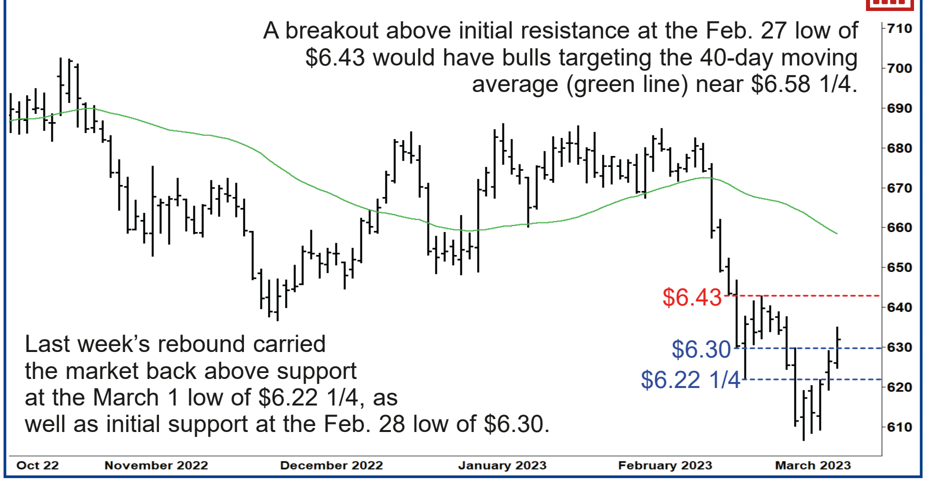


## Position Monitor

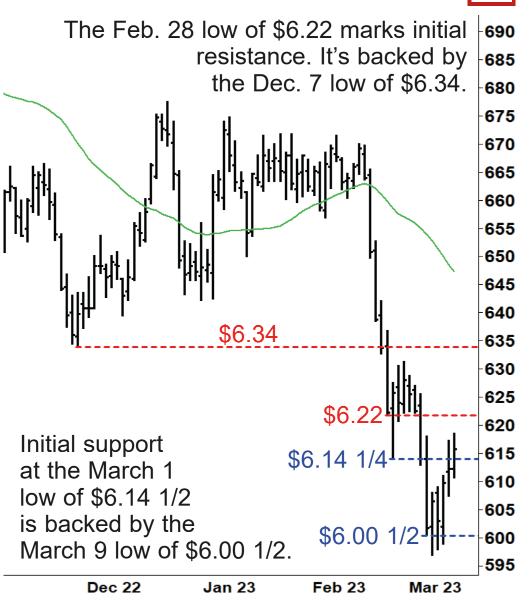
| | '22 crop | '23 crop |
|---|---|---|
| Cash-only: | 65% | 15% |
| Hedgers (cash sales): | 65% | 15% |
| Futures/Options | 0% | 0% |

**Game Plan:** Technicals have weakened and macroeconomic worries add to our demand concerns. As a result, we have increased urgency to sell a corrective bounce in corn futures. Be prepared to make additional 2022- and 2023-crop sales if futures rebound 20¢-plus. It's going to take a fresh catalyst to reignite buyer interest and turn the market bullish again. Short-term defensive hedges may be needed.

### DAILY MAY CORN



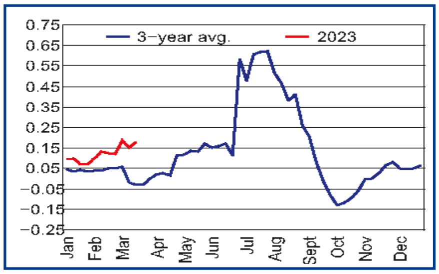

### DAILY JULY CORN



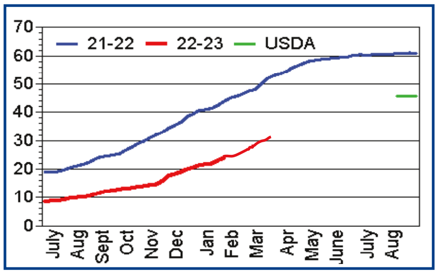

## CORN - Fundamental Analysis

Corn futures performed remarkably well last week after having ended the week prior near six-month lows. Four daily announcements totaling 2.111 million metric tons (MMT) of corn sold to China provided strong support, as did Thursday's weekly export sales total. The rebound in the face of Wall Street turmoil and big crude losses implies considerable underlying strength. Still, old-crop demand fundamentals are problematic and the potential for a large acreage figure in USDA's March 31 Prospective Plantings Report represents downside new-crop risk. With outside market concerns building and our fundamental concerns, be prepared to use a corrective rebound to advance sales.

### AVERAGE CORN BASIS (MAY)




### 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:** Wheat will struggle to find sustained buying unless there's a serious spring crop threat, especially with macroeconomic concerns building. Be prepared to advance sales on an extended corrective rebound.

## WHEAT - Fundamental Analysis

**SRW —** The Black Sea export agreement looks like a done deal, with only details on length of extension still to be worked out. Nevertheless, last week's wheat sector gains in the absence of bullish news were impressive. But we are not confident futures can sustain the corrective rebound for long.

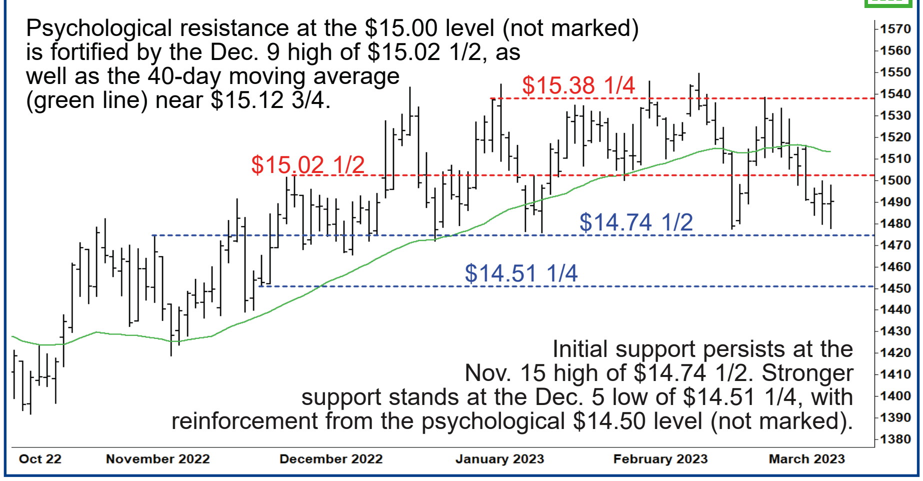
### DAILY MAY SRW WHEAT

## Position Monitor

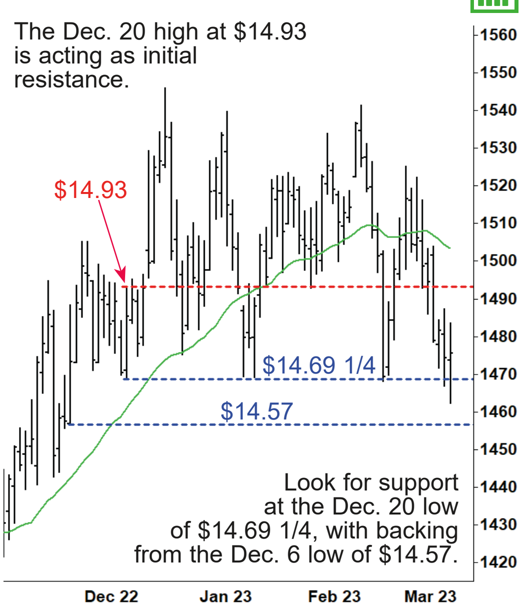
| | '22 crop | '23 crop |
|---|---|---|
| Cash-only: | 70% | 0% |
| Hedgers (cash sales): | 70% | 0% |
| Futures/Options | 0% | 0% |

**Game Plan:** Get current with advised old-crop sales as technicals have weakened and funds are liquidating long positions. While fundamentals remain supportive, macroeconomic concerns add a new market dynamic. Be prepared to increase old-crop sales if May futures return to the $15.25 level or higher. We'll also make initial 2023-crop sales when we increase old-crop sales.

### DAILY MAY SOYBEANS




### DAILY JULY SOYBEANS

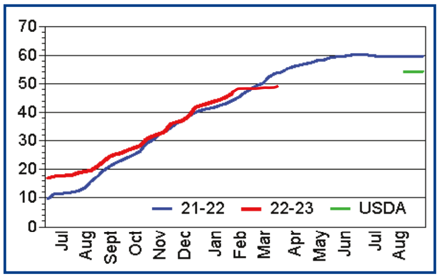



## SOYBEANS - Fundamental Analysis

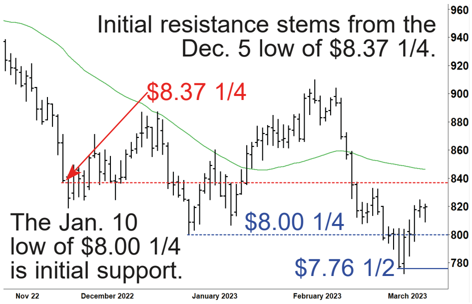
Given the strength of domestic soybean fundamentals, it was surprising to see futures struggle while the grains firmed last week. We harbor suspicions that Argentina could import up to 8 MMT of Brazilian beans to boost its domestic crush industry undercut soymeal and beans prices. Still, we were interested to see old-crop futures gain substantially versus new-crop quotes since late February, especially with Brazilian beans likely to dominate the global market through mid-2023. The widening spread may reflect rising trader expectations for spring plantings and a larger fall crop. We're looking to increase price protection on short-term strength.

### AVERAGE SOYBEAN BASIS (MAY)

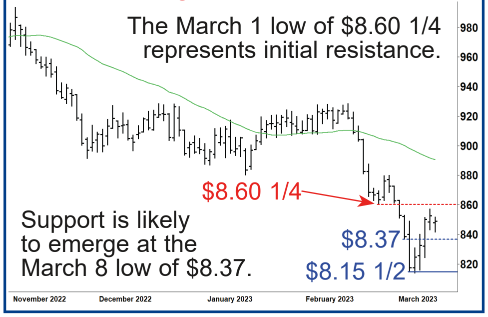

### SOYBEAN EXPORT BOOKINGS (MMT)



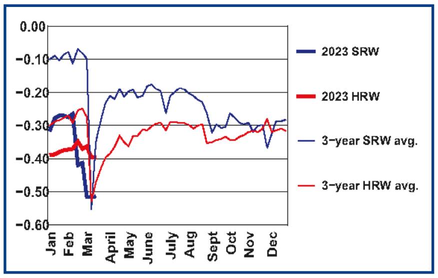

### DAILY MAY HRW WHEAT




### DAILY MAY HRS WHEAT



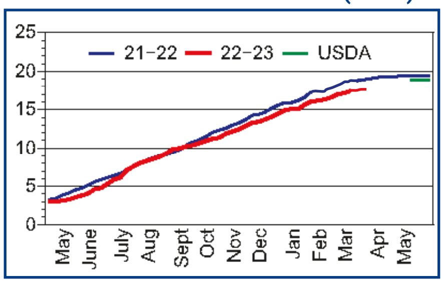

### AVERAGE WHEAT BASIS (MAY)




**HRW —** Weather forecasts imply little hope for a significant spring improvement in the HRW crop. Several signs point to conditions likely to be at or near record lows when USDA publishes its first Crop Progress Report April 3. It remains to be seen if the market has priced in such conditions or whether poor results will spark a rally.

**HRS —** After the December HRS contract reached a premium over July the week prior, it slipped back to par late last week. This suggests traders worry about this year's HRS crop since last week's financial market turmoil boosted demand concerns. Data from USDA's Outlook Forum implied spring 2023 plantings virtually unchanged from 2022.

### WHEAT EXPORT BOOKINGS (MMT)



**Position Monitor**

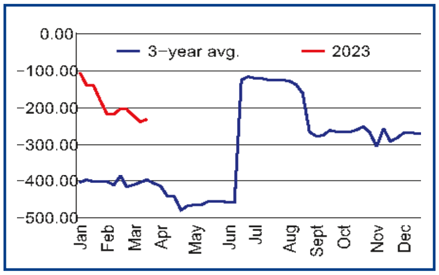
| | '22 crop | '23 crop |
|---|---|---|
| Cash-only: | 70% | 20% |
| Hedgers (cash sales): | 70% | 20% |
| Futures/Options | 0% | 0% |

**Game Plan:** Wait on a corrective rebound to get current with advised sales. Be prepared to increase sales on a return to the upper end of the sideways range.

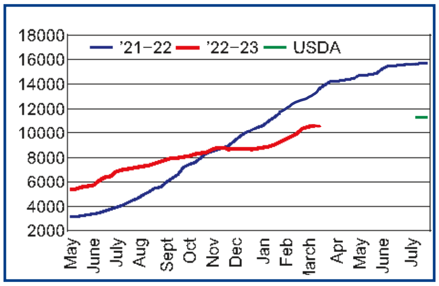
## COTTON - Fundamental Analysis

U.S. cotton export data improved in early March, but we suspect sales will accelerate in the wake of recent price losses. Given the amplified demand concerns now built into the market, a rebound back into the recent range seems likely.

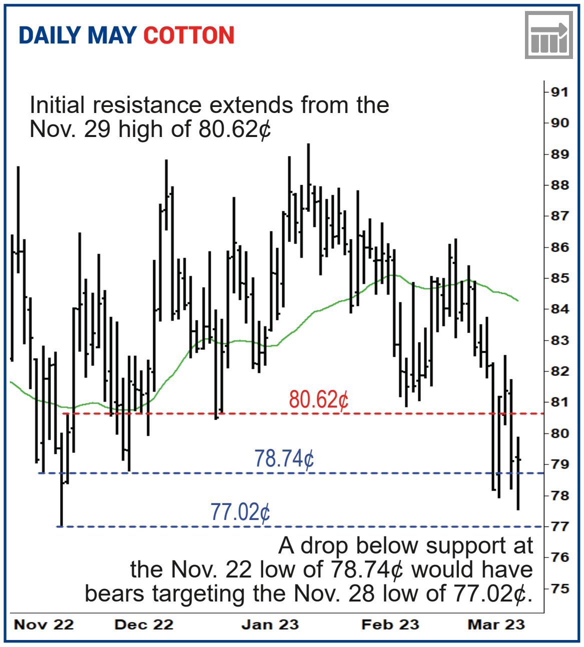
**AVERAGE COTTON BASIS (MAY)**




**COTTON EXPORT BOOKINGS ('000 BALES)**




**DAILY MAY COTTON**

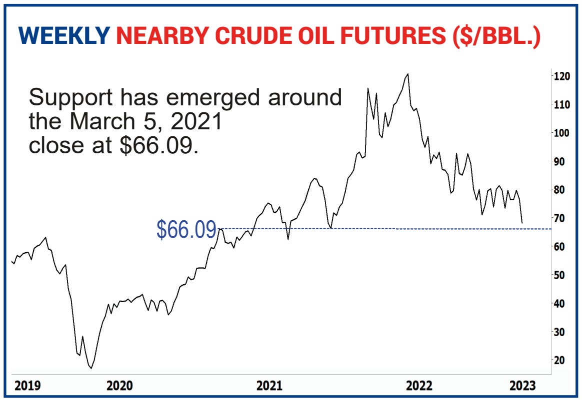



## GENERAL OUTLOOK

ENERGY: Crude oil, gasoline and diesel futures plummeted last week amid U.S and European banking turmoil that prompted heightened fears of weakening global economic growth and in turn reduced worldwide demand for energy. Months-long tightening of major central banks' monetary policies already had many economists projecting a U.S. and/or global recession.

Nymex crude oil futures last week fell to a 15-month low below $68 per barrel. Diesel futures dropped to a 14-month low and gasoline futures prices also fell. The technical postures of crude oil and diesel futures have quickly turned significantly bearish. Such suggests those market could slide even farther in the coming weeks. This also implies falling retail gasoline and diesel prices. It could also lead to broader presure on the commodity sector.

**WEEKLY NEARBY CRUDE OIL FUTURES ($/BBL.)**




## FROM THE BULLPEN By Economic Consultant Dan Vaught

The cotton outlook isn't terribly promising, but neither is a sustained decline at all guaranteed.

After trading sideways in the 80.00¢-85.00¢ range through much of winter, nearby cotton futures fell below 80.00¢ last week. But a sustained decline seems unlikely given the strong demand response to similar weakness in mid-February. That produced marketing-year high export sales of 425,322 bales that topped the previous peak by 60%. We suspect the latest drop will spur a similar, if not stronger response, which in turn could offer renewed support for old-crop prices.

Although drought limited 2022-23 production to just 14.68 million bales, sharply reduced global demand dragged cotton prices significantly lower. But prices are still rather high by historical standards, which helps explain why preliminary 2023 planting estimates are seen around 11.5 million acres.

The insurance price for most cotton planted in the deep South is at 85.00¢. This comparatively high price will not persuade many producers to shift acres away from cotton, especially with corn prices also dropping. In addition, even if they haven't already gotten seed into the ground, farmers in that region are fully committed to their plans at this juncture. Of course, we don't know how the weather will cooperate with farmers in the coming months, but the prospect of a larger crop implies seasonal weakness as harvest looms.

## WATCH LIST

1. **FOMC Meeting Concludes** — *A 25- or 50-point rate hike?* — **WED 3/22** 1:00 p.m. CT
2. **Fed Economic Projections** — New rate, inflation, GDP outlooks. — **WED 3/22** 1:00 p.m. CT
3. **USDA Export Sales Report** — Bean sales to China will be key. — **THUR 3/23** 7:30 a.m. CT
4. **USDA Cold Storage Report** — Frozen meat stocks for February. — **THUR 3/23** 2:00 p.m. CT
5. **USDA Food Price Outlook.** — Another increase is expected. — **FRI 3/24** 8:00 a.m. CT