



### News this week...

- 2 – Global milling-quality wheat supplies shrinking.
- 3 – China's northeast grain belt hit with flooding.
- 4 – A breakdown of USDA's July WASDE Report.

**Limited price reaction to August crop reports** – *USDA's August crop estimates came in lower than anticipated, which provided support to soybeans and cotton, though the corn and wheat markets had muted responses. With the August estimates as benchmarks, traders will now add or subtract bushels for corn and soybeans based on late-season weather. Since the August USDA estimates are primarily based on farmer surveys and satellite imagery, the Pro Farmer Crop Tour Aug. 21-24 will be the first broad field samples taken across the Corn Belt. Live cattle futures showed little net movement for the week as traders remained cautious waiting on direction from the cash market. Hog futures faced heavy selling pressure as they rolled over amid signs of a seasonal top in the cash index.*

## Crop estimates lower than expected

**CORN:** Production of 15.111 billion bu. on harvested acres of 86.322 million and a yield of 175.1 bu. per acre.

**SOYBEANS:** Production of 4.205 billion bu. on harvested acres of 82.696 million and a yield of 50.9 bu. per acre.

**WHEAT:** Production of 1.734 billion bu., down 5 million bu. from July. The all-wheat yield estimate of 45.8 bu. per acre declined 0.3 bu. from last month. USDA raised harvested area 150,000 acres.

**COTTON:** Production of 13.99 million bales on harvested acreage of 13.922 million and a yield of 779 lbs. per acre.

## Another week before temps rise

Forecasts indicate rains and moderate temps will continue into the middle of this week. A drier weather pattern is expected to develop across the Corn Belt Aug. 15-24, while temps are forecast to rise around Aug. 20.

## Update on Black Sea situation

- Ukraine said Russian Black Sea ports should be considered subject to "military threat."
- Some Russian terminals on the Azov Sea have stopped accepting grain. These smaller terminals are more over-loaded than Russia's bigger Black Sea ports.
- Ukraine allowed transshipment of grain from one vessel to another without entering the Danube port berth.
- Some insurers have restricted the amount of cover they are providing for Ukrainian shipments on the Danube.
- Ukraine's navy established a temporary "humanitarian corridor" in the Black Sea for commercial ships blocked at its Black Sea ports to transport grain and ag products.

### Perspective from SovEcon

Black Sea consultant SovEcon said, "Things are not as bad as politicians and headlines are telling you." SovEcon raised its 2023-24 Ukraine corn export forecast by 1 million metric tons (MMT) to 19 MMT. It left the wheat export forecast at 10 MMT. The firm raised its 2023-24 Russia wheat export forecast 900,000 metric tons to a record 48.1 MMT.

## Record monthly ag trade deficit

The U.S. exported \$12.80 billion of ag goods during June, the lowest monthly value since September 2021, while imports totaled \$15.96 billion. That resulted in a record monthly ag trade deficit of \$3.16 billion. For fiscal year (FY) 2023, ag exports stood at \$141.37 billion, while imports total \$148.18 billion for a deficit of \$6.81 billion.

## Update on key farm bill topics

- House Ag Chair Glenn "GT" Thompson (R-Pa.) may push back plans to release a panel markup by mid-September. The Senate signals its farm bill draft won't be ready until October at the earliest. Sen. Amy Klobuchar (D-Minn.) said her chamber will likely go before the House on a farm bill vote.
- Some hardline GOP conservatives are already questioning the farm bill price tag estimated at \$1.51 trillion over 10 years. They also want further policy changes for the food stamp program, something Thompson is trying to avoid.
- The farm bill will blend policy and politics. Example: If efforts to boost reference prices fail, lawmakers like Sen. John Boozman (R-Ark.) will be pressed to pull their support.
- Creative is a word several lawmakers have used relative to funding constraints in improving some features of the farm bill, especially the Title I safety net programs. That appears to be the case with ongoing work regarding possible changes relative to updating acreage bases, which could lead to some savings being moved elsewhere.
- Sources signal to watch for farm bill changes to improve ag insurance programs – for both crops and livestock.

## U.S. inflation edges up in July

The U.S. consumer price index (CPI) rose 3.2% annually in July, up from a 3.0% increase in June – breaking a 12-month string of declines. Almost all of the monthly inflation increase came from shelter costs, which rose 7.7%. Excluding food and energy costs, core prices rose 4.7% annually, down from a 4.8% increase the previous month.

The producer price index (PPI) rose 0.8% annually in July, while core PPI posted a 2.7% rise – both above expectations.

## Corn, soybean crop ratings improve

As of Aug. 6, USDA rated 57% of the corn crop as “good” to “excellent,” up two percentage points from the previous week. The “poor” to “very poor” rating decreased one point to 14%.

USDA rated 54% of the soybean crop as “good” to “excellent,” an increase of two points. The amount of crop rated “poor” to “very poor” declined one point to 14%.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500 point scale, with 500 being perfect), the corn crop improved 4.4 points to 348.7, which was only 3.3 points (0.9%) below last year on that date. The soybean crop improved 4.3 points to 340.1, though that was still 11.1 points (3.2%) below last year.

### Consultant's bias toward corn, soybeans improves

Crop consultant Dr. Michael Cordonnier kept his corn and soybean yield estimates at 174 bu. and 50.5 bu. per acre, respectively, but he now has a neutral to higher bias toward both crops after recent rains and moderate temps.

## Spring wheat conditions deteriorate

USDA rated 41% of the U.S. spring wheat crop as “good” to “excellent,” down one point. The “poor” to “very poor” rating increased four points to 20%. The spring wheat CCI rating fell another 5.2 points to 321.6.

## Global wheat quality concerns rise

The share of milling wheat in Ukraine’s wheat crop could fall to 40% from 70% in previous years due to poor late-season weather. The Ukrainian Agrarian Council said other European countries also had large volumes of feed wheat, warning milling-quality supplies will be “problematic” in 2023-24.

France’s ag ministry warned late-season rains in northern areas of the country may increase feed wheat supplies.

## EU wheat crop smaller than last year

Strategie Grains cut its EU wheat crop forecast by 1.5 million metric tons (MMT) to 124.7 MMT, which would be 600,000 metric tons (MT) below last year. Despite the smaller production forecast, Strategie Grains raised its EU wheat export forecast by 700,000 MT to 30.8 MMT, though that would still be down 1.3 MMT from 2022-23.

## Brazil raises corn, bean crop pegs

Conab raised its official Brazilian corn crop estimate 2.2 MMT to a record 129.9 MMT. The 2022-23 Brazilian corn export forecast was increased 2 MMT to 50 MMT. Conab inched up the Brazilian soybean crop 100,000 MT to a record 154.6 MMT. It kept the 2022-23 bean export forecast at 95.6 MMT.



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## Producer Crop Comments...

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

### Grundy Co. (central) Iowa:

*“My dad is 70 years old and he’s put a lot of fence in over those years. Said Aug. 5 as we were putting corners in he’s never seen it this dry. We were four to five feet deep in Grundy County land and nothing sticking to the auger or post hole digger. The inch-plus of rain we received Aug. 6 was timely and needed.”*

### Sioux Co. (northwest) Iowa:

*“My sweet corn was darn good but my field corn looks a little tired. I’ve got medium quality dirt and a 218 bu. per acre APH, but we had pollination issues. Corn looks way worse than I imagined.”*

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

*“We got 0.2 inch out of two days of rain chances. Corn is still green, so we’re putting on fungicide before the stress hits again. Cool temps are helping, but a soaker is needed or we’ll shrink kernels.”*

### Iroquois Co. (east-central) Illinois:

*“I’m not sure I could have asked for a better and more timely rain event than this one. We ended up with 8.5 inches from Aug. 5-7, which was a little more than optimal, but I feel very blessed.”*

### Douglas Co. (west-central) Minnesota:

*“I drove from west-central Minnesota to north-central Iowa on Aug. 4. Corn and soybeans were short and stressed through central Minnesota. They didn’t look great but not horrible either. Once I crossed into Iowa I felt like the crop had deteriorated over the past month. The crops along this route definitely needed the rains that came after I drove through.”*

### Faribault Co. (south-central) Minnesota:

*“Given May’s brutal rain and two smallish rounds of hail, our crops around the farm are really looking half decent.”*

### Gage Co. (southeast) Nebraska:

*“Got some tipback — even on irrigated corn. Dryland corn improved and soybeans are hanging on after a 0.4 inch rain.”*

### Day Co. (northeast) South Dakota:

*“Eastern South Dakota and southeast North Dakota picked up a good rain with very few holes Aug. 5-6. We had anywhere from 1.8 to 2.3 inches of glorious rain on our farm.”*

### Logan Co. (southeast) North Dakota:

*“We had a pleasant rain Aug. 5-6, though coverage over the expanded area was spotty. Most areas south of I-94 got some rain, but there wasn’t much north of that. These rains will do wonders for row crops, even the late wheat.”*

### Wright Co. (south-central) Missouri:

*“I’ve had about nine inches of rain the past three weeks. It was perfect timing. I’ve never seen it so green this time of year.”*

### Atchison Co. (northwest) Missouri:

*“Corn ears look a lot bigger over the past week. Lots of pods on soybeans and plenty of moisture.”*

## Typhoons hit China's grain belt

China's grain belt braced for more rains and flooding from Typhoon Khanun, as producers tried to recover from earlier impacts from Typhoon Doksuri. China's northeastern grain belt includes the provinces of Heilongjiang, Jilin and Liaoning, and the Inner Mongolia region, which produce almost one-third of China's annual grain output.

## China soybean imports stay strong

China imported 9.73 MMT of soybeans in July, down 5.3% from June but 23.4% more than last year. Chinese crush margins turned positive in mid-June, driven by stronger demand for soy meal and soy oil, while some cargoes that were delayed by tightened port inspections were offloaded. Through the first seven months of this year, China imported 62.3 MMT of soybeans, up 15.0% from the same period last year.

## China trade slumps on weak demand

China's imports dropped 12.4% from last year to \$201.16 billion in July, the steepest decline since January amid weak domestic demand. Exports fell 14.5% to \$281.76 billion, the steepest drop since February 2020 amid slowing global demand. That increased China's trade surplus to \$80.6 billion from \$70.62 billion in June, though it was sharply below \$102.7 billion in July 2022. The trade surplus with the U.S. widened to \$30.3 billion from \$28.72 billion in June.

For potentially broader impacts from China's slumping trade figures, see "General Outlook" on [Analysis page 4](#).

## China's meat imports inch up

China imported 679,000 MT of meat during July, a 2.1% increase from June and 5.6% more than last year. China doesn't break down meat imports by category, though the increase was driven by stronger pork arrivals. China imported 4.49 MMT of meat in the first seven months of the year, up 9.5% from the same period last year.

## Chinese deflation worries build

China saw a decrease in both consumer and producer prices in July for the first time since November 2020. China's consumer price index (CPI) dropped 0.3% versus last year in July, the first year-over-year decline since February 2021. The cost of food fell 1.7%, after rising in the prior 15 months, amid a plunge in pork prices.

China's producer price index (PPI) declined for a 10th consecutive month, down 4.4% amid weakening demand and moderating commodity prices.

Mounting concerns with deflation and other economic concerns are increasing pressure on Beijing to deliver more direct stimulus. Anxiety is rising that China is entering an era of much slower economic growth akin to Japan's "lost decades."

## Record June pork exports

The U.S. exported 583.9 million lbs. of pork in June. While that was down 34.2 million lbs. (5.5%) from May, it was up 50.7 million lbs. (9.5%) from last year and a record for June. During the first half of 2023, the U.S. shipped 3.451 billion lbs. of pork, up 301.4 million lbs. (9.6%) from the same period last year. Shipments increased to each of the top five destinations for U.S. pork — Mexico, Japan, South Korea, China and Canada.

The U.S. shipped 269.9 million lbs. of beef during June, up 2.8 million lbs. (1.1%) from May but 44.5 million lbs. (14.2%) less than last year. During the first six months of the year, U.S. beef exports totaled 1.584 billion lbs., down 202.8 million lbs. (11.4%) from the same period last year. Beef shipments increased to Mexico but were down to the other four top destinations.

## Some clarity on Massachusetts Q3

A federal judge approved a compromise joint motion between Massachusetts state regulators and industry groups, who had challenged pork-related regulations that were set to begin Aug. 24. As part of the deal, Massachusetts will not enforce any new restrictions on "transshipped" pork meat for at least six months, while state officials develop a regulatory carveout explicitly exempting products that traverse the state but are neither produced nor sold there. Terms of the settlement state the Question 3 (Q3) regulations won't apply to whole pork meat that's already in the supply chain as of Aug. 23, nor will they apply to whole pork meat that was raised and sold to an out-of-state consumer. Also, if pork destined for out-of-state restaurants passes through distribution centers in Massachusetts, it will not be subject to Q3, even if a sale occurs in the state. The outcome allows impacted stakeholders more time to avoid supply disruptions.

PERSPECTIVE: With the settlement, issues not covered by the Supreme Court decision, particularly transshipment through Massachusetts, would be resolved. This is important because allowing a state to dictate what products are sold or consumed elsewhere could significantly impact the national supply chain.

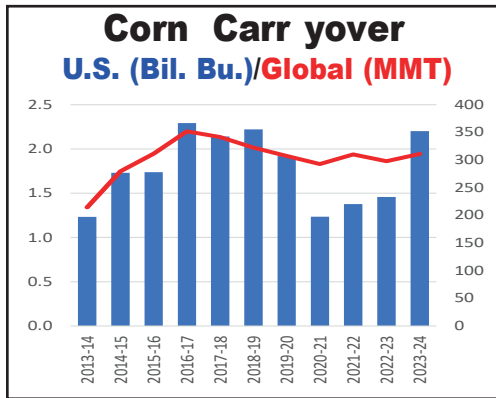
## Smithfield, Tyson announce closings

Smithfield Foods is permanently closing 35 hog farm sites in Missouri in October. They included 13 sites in Newtown, 12 in Lucerne and 10 in Princeton, Missouri.

Tyson Foods is shutting four more chicken plants in Arkansas, Indiana and Missouri. Tyson said it will move the work done at the plants in North Little Rock, Arkansas; Corydon, Indiana; Dexter, Missouri; and Noel, Missouri to newer facilities closer to its customers. The plants are slated to close in late 2023 or early 2024.

# New-crop corn, soybean ending stocks cut

by Editor Brian Grete



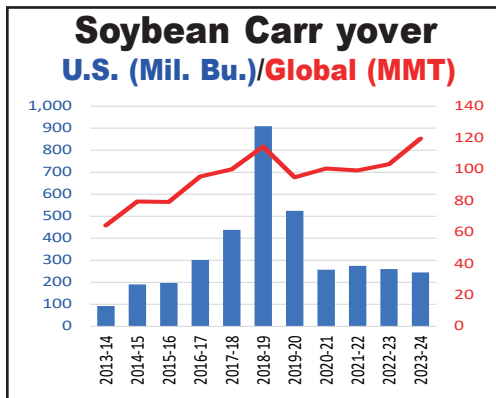
**CORN** — USDA raised old-crop corn carryover 55 million bu. to 1.457 billion bushels. On the supply side, USDA raised estimated imports 10 million bushels. USDA cut total old-crop use 45 million bu., with food, seed and industrial use down 20 million bu. and exports down 25 million bushels.

For 2023-24, USDA cut ending stocks 60 million bu. to 2.202 billion bushels. Total supply dropped 155 million bu. with bigger beginning stocks more than offset by the 209-million-bu. cut to the 2023 corn crop. Total use was cut 95 million bu., with feed and residual down 25 million bu., food, seed and industrial use down 20 million bu. and exports down 50 million bushels.

Our corn ending stocks forecasts are 1.482 billion bu. for 2022-23 and 2.342 billion bu. for 2023-24.

- USDA 2022-23 price: \$6.60, unchanged from July; 2023-24: \$4.90, up a dime.

Global corn carryover: 297.9 million metric tons (MMT) for 2022-23, up 1.6 MMT from last month; 311.1 MMT for 2023-24, down 3.1 MMT from July.



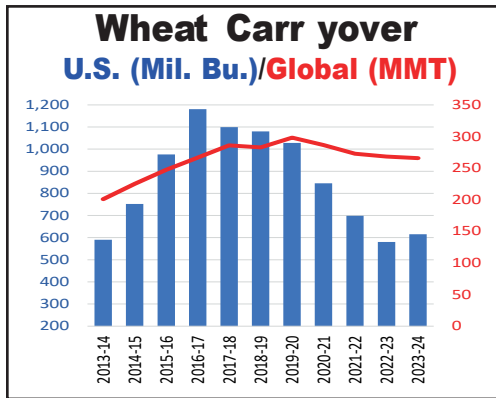
**SOYBEANS** — USDA raised old-crop soybean carryover 5 million bu. to 260 million bu. on an increase to estimated imports.

For 2023-24, USDA cut ending stocks 55 million bu. to 245 million bushels. Total supplies were lowered 79 million bu. with the bigger beginning stocks and a 10-million-bu. increase to imports more than offset by a 95-million-bu. cut to production. USDA cut total use 25 million bu. on smaller projected exports.

Our soybean ending stocks forecasts are 250 million bu. for 2022-23 and 300 million bu. for 2023-24.

- USDA 2022-23 price: \$14.20, unchanged from July; 2023-24: \$12.70, up 30¢.

Global soybean carryover: 103.1 MMT for 2022-23, up 190,000 metric tons (MT) from last month; 119.4 MMT for 2023-24, down 1.6 MMT from July.

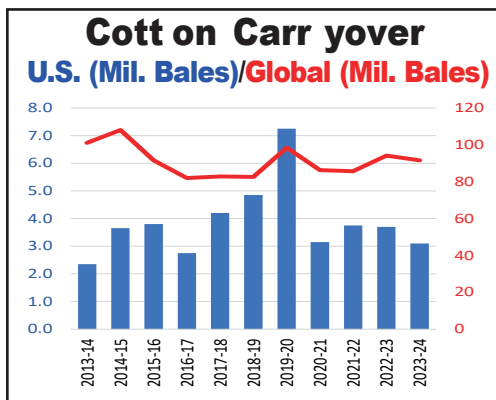


**WHEAT** — USDA raised 2023-24 ending stocks 23 million bu. to 615 million bushels. It cut total supply 5 million bu. on the smaller crop. USDA reduced demand 28 million bu. with food use down 3 million bu. and exports down 25 million bushels.

Our wheat ending stocks forecast is 600 million bu. for 2023-24.

- USDA 2022-23 price: \$8.83, unchanged from July; 2023-24: \$7.50, unchanged.

Global wheat carryover: 268.3 MMT for 2022-23, down 1 MMT from last month; 265.6 MMT for 2023-24, down 920,000 MT from last month.



**COTTON** — USDA raised old-crop ending stocks 450,000 bales to 3.7 million bales. It cut exports 100,000 bales and unaccounted use 350,000 bales.

For 2023-24, USDA cut ending stocks 700,000 bales to 3.1 million bales. Total supplies for 2023-24 were cut 2.06 million bales from last month with the bigger beginning stocks more than offset by a 2.51-million-bale cut to the 2023 crop. Domestic use was trimmed 50,000 bales; exports were slashed 1.25 million bales.

Our cotton ending stocks forecasts are 3.7 million bales for 2022-23 and 3.15 million bales for 2023-24.

- USDA 2022-23 price: 82.0¢, unchanged from July; 2023-24: 79.0¢, up 3¢

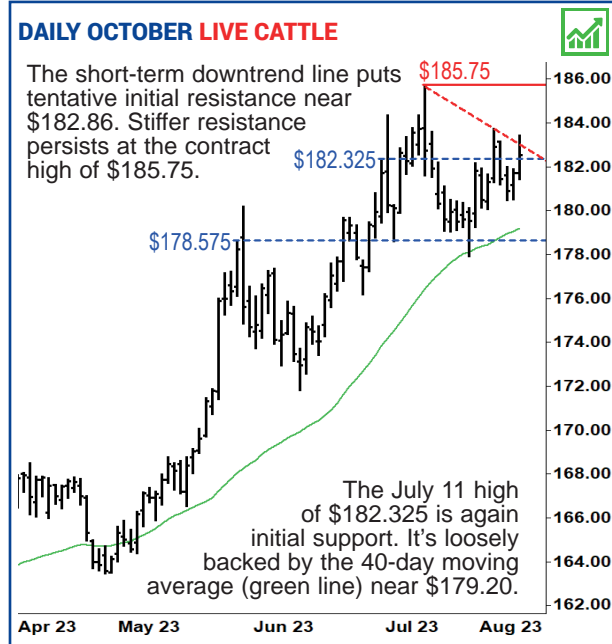
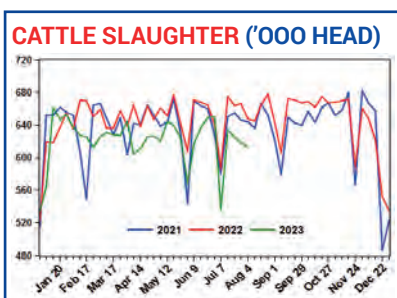
Global cotton carryover: 94.1 million bales for 2022-23, up 180,000 bales from July; 91.6 million bales for 2023-24, down 2.9 million bales from last month.

**CATTLE - Fundamental Analysis**

The slaughter chart illustrates the reductions in fed cattle supply routinely experienced this year, although a sizeable portion of the cutbacks seen this summer reflect operational cutbacks by packers as well. Cattle and beef production are increasing seasonally, whereas grocers are now actively buying for planned Labor Day features. This suggests the cash and futures markets could post fresh record highs in mid-August. However, packers' inability to trigger a substantial wholesale market advance may be signaling the higher prices are curbing demand and limiting upside potential this fall.

Position Monitor			
Game Plan:	Feds Feeders		
Live cattle	III'23	0%	0%
futures	IV'23	0%	0%
continue to	I'24	0%	0%
	II'24	0%	0%

trade well below the cash market.  
Any hedges should be done by purchasing put options.

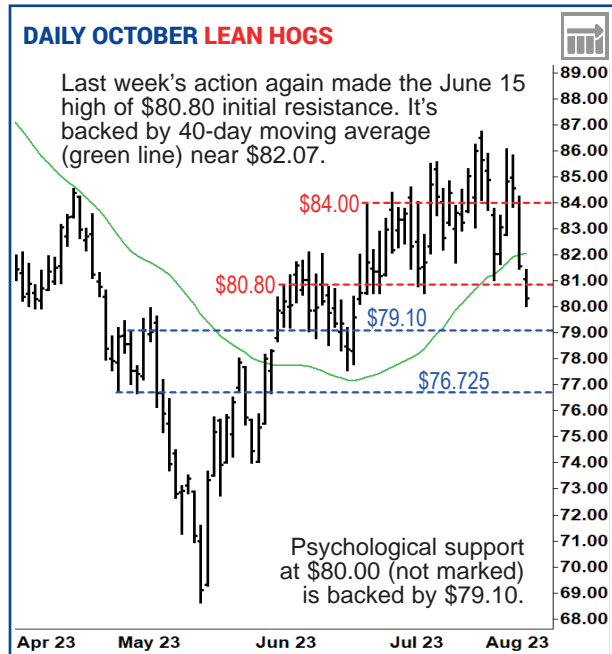


**HOGS - Fundamental Analysis**

The relative increase in July hog slaughter implied second-half supplies would exceed expectations around unchanged levels, but early-August totals suggest such a conclusion was premature. The chart depicts the looming slaughter surge, with weekly autumn kills likely to routinely top early-summer levels by 200,000 head. See "From the Bullpen" on Analysis page 4 for a discussion of the resulting seasonal price drop. We believe grocers will maintain cuts to retail pork prices instituted in late spring, which could limit the size of the anticipated cash market drop and support heavily discounted futures.

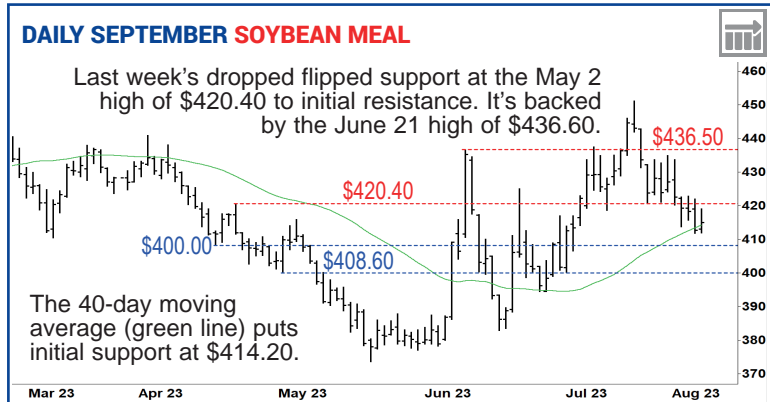
Position Monitor			
Game Plan:	Lean Hogs		
seasonal top is in	III'23	0%	0%
place. But hedges	IV'23	0%	0%
are risky given	I'24	0%	0%
	II'24	0%	0%

steep discounts in fall- and winter-month contracts. Buy put options if you want downside coverage.



**FEED**

Feed Monitor			
<b>Corn</b>			
III'23	50%	<b>Corn Game Plan:</b> Plan to go hand-to-mouth on corn-for-feed needs beyond mid-August. We'll wait on the market to signal a low before extending coverage.	
IV'23	0%		
I'24	0%		
II'24	0%		
<b>Meal</b>			
III'23	50%	<b>Meal Game Plan:</b> Plan to go hand-to-mouth on soy meal needs beyond mid-August. Wait on the market to signal the corrective pullback is complete before extending coverage.	
IV'22	0%		
I'24	0%		
II'24	0%		



### Position Monitor

	'22 crop	'23 crop
Cash-only:	90%	35%
Hedgers (cash sales):	90%	50%
Futures/Options	0%	0%

**Game Plan:** Be prepared to finish old-crop sales on a short-term price recovery. We will conclude old-crop sales by the Aug. 31 end of the marketing year. While there will likely be near-term price pressure into harvest barring a bullish catalyst, we are willing to wait on an extended correction to increase 2023-crop sales. Unless something drastically changes, rallies should be viewed as selling opportunities.

### DAILY DECEMBER CORN

Psychological resistance at \$5.00 (not marked) is backed by the May 12 low of \$5.04, then the May 1 low of \$5.20.



A drop below initial support at the May 18 low of \$4.90 3/4 would have bears targeting the July 12 low of \$4.81 3/4.

### DAILY SEPTEMBER 2023 CORN

A move above initial resistance at the May 17 low of \$4.92 1/4 would face stiffer resistance at \$5.00 (not marked).

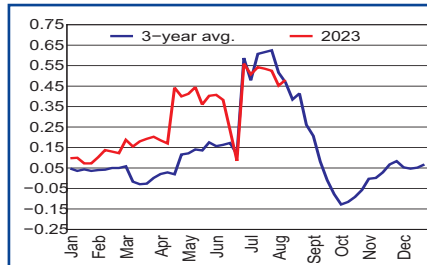


Support at the July 5 low of \$4.79 is backed by the July 12 low of \$4.74.

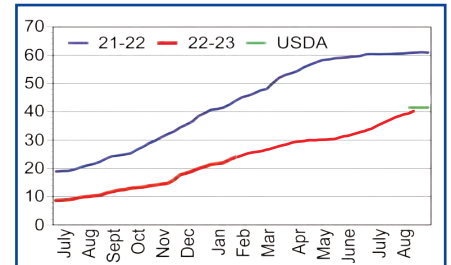
### CORN - Fundamental Analysis

Widespread anticipation of favorable midsummer weather depressed the grain markets in late July. The subsequent arrival of the expected rains didn't increase pressure on futures as traders awaited USDA's first crop estimate. December corn futures were confined to a 17 3/4 cent range during the six sessions leading up to USDA's Aug. 11 reports versus numerous July days with larger ranges. The improved condition ratings as of Aug. 6 confirmed the positive impact of the rainfall. And while seasonal tendencies imply conditions could deteriorate, little short of a destructive storm system seems likely to cause significant declines in crop ratings.

#### AVERAGE CORN BASIS (SEPT.)



#### CORN EXPORT BOOKINGS (MMT)



### Position Monitor

	'23 crop	'24 crop
Cash-only:	50%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	0%	0%

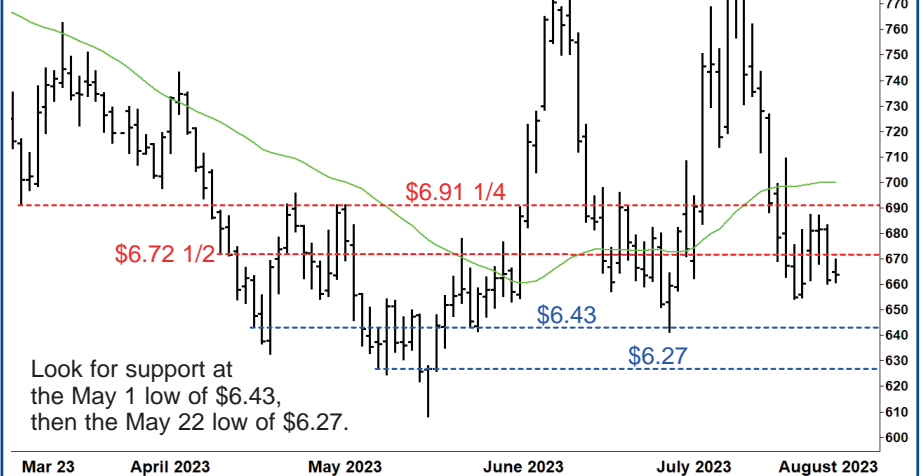
**Game Plan:** Be prepared to increase 2023-crop sales and make initial 2024-crop forward sales on an extended rally. While seasonals are fairly neutral for wheat into fall, spillover pressure from other markets limits the upside.

### WHEAT - Fundamental Analysis

**SRW** — Black Sea conditions have seemingly lost their power to significantly affect markets, as indicated by the lack of reaction to Ukraine declaring "open season" on Russian freighters. Seasonal pressure is likely to persist as spring wheat harvesting hits its stride.

### DAILY DECEMBER SRW WHEAT

Resistance is layered from the April 25 low of \$6.72 1/2 to the 40-day moving average (green line) near \$7.00.



Look for support at the May 1 low of \$6.43, then the May 22 low of \$6.27.

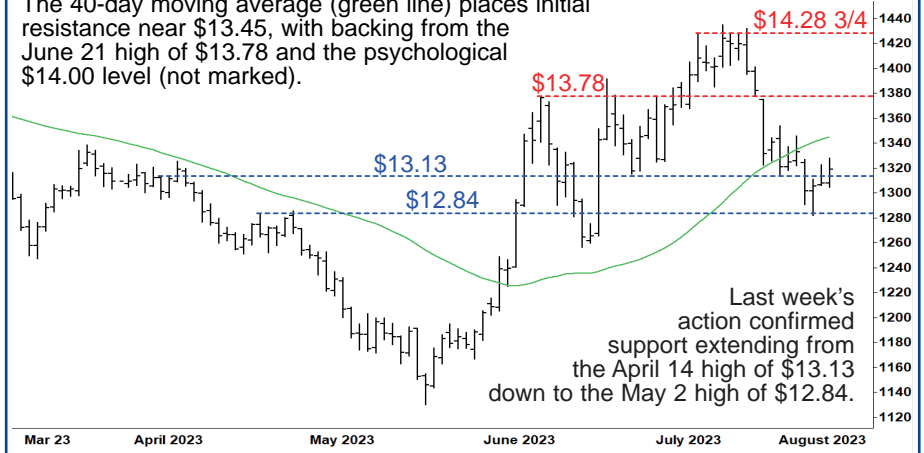
### Position Monitor

	'22 crop	'23 crop
Cash-only:	100%	40%
Hedgers (cash sales):	100%	45%
Futures/Options	0%	0%

**Game Plan:** You should be finished with old-crop sales. We'll wait on an extended price rally to advance new-crop sales, though futures could face near-term pressure barring a late-season shift to a hot, dry weather pattern as seasonals are price-negative. While there isn't a lot of cushion on new-crop supplies, we still believe extended price rallies should be viewed as selling opportunities.

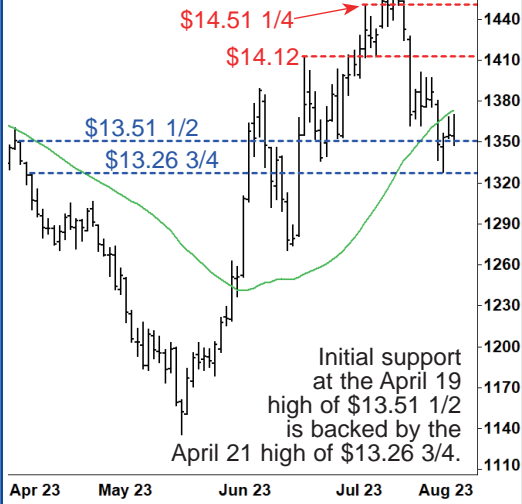
### DAILY NOVEMBER SOYBEANS

The 40-day moving average (green line) places initial resistance near \$13.45, with backing from the June 21 high of \$13.78 and the psychological \$14.00 level (not marked).



### DAILY SEPTEMBER 2023 SOYBEANS

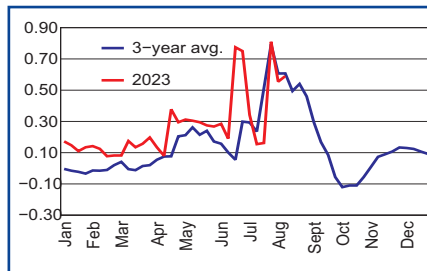
Resistance at the 40-day moving average (green line) near \$13.73 1/4 looks stiff.



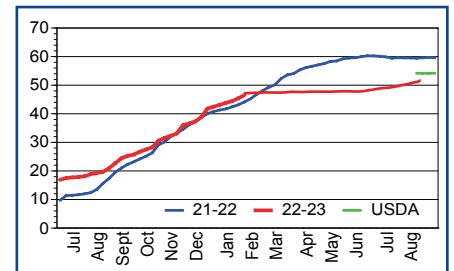
### SOYBEANS - Fundamental Analysis

Strong export demand has provided intermittent support for the soy complex lately, although surprising soy meal weakness has tended to undercut the bean market. Palm oil weakness has more than offset the positive energy sector impact on soy oil futures. But new-crop prospects have likely been the overriding factor pulling the complex lower, with recent rains and forecasts for more of the same into late August implying conditions during the critical late-summer period will be favorable. Still, the market has performed relatively well this summer, especially when current prices are compared to the spring lows. We are still looking to boost price protection amidst rallies.

#### AVERAGE SOYBEAN BASIS (NOV.)



#### SOYBEAN EXPORT BOOKINGS (MMT)



### DAILY DECEMBER HRW WHEAT

The 40-day moving average (green line) near \$8.31 marks resistance.

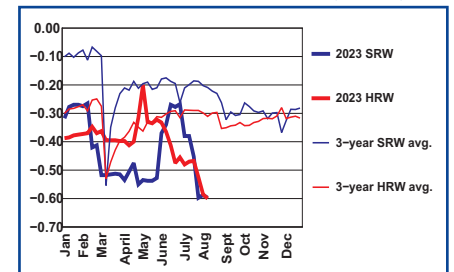


### DAILY SEPTEMBER HRS WHEAT

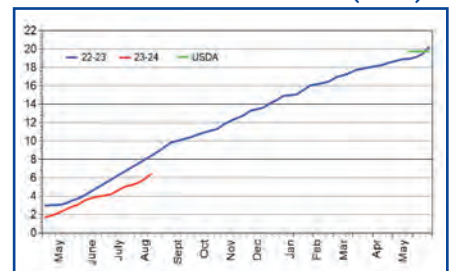
Initial resistance arises at the 40-day moving average (green line) near \$8.59.



#### AVERAGE WHEAT BASIS (SEPT.)



#### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — As was to be expected, USDA's changes to its estimates for the corn and soybean crops had a greater influence on wheat futures than did its tweaks to the wheat numbers. Look for increasing attention to shift to planting conditions for the 2024 HRW crop. The crop outlook has improved, but the U.S. logistical disadvantage remains.

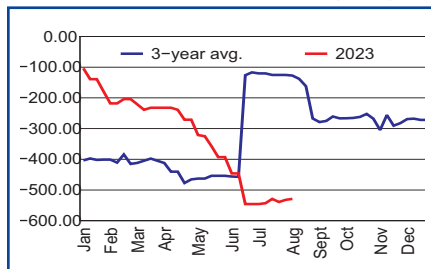
**HRS** — Some areas of the Canadian Prairies received significant rainfall last week, whereas others got little relief. Still, the midsummer price drop implies traders aren't concerned with the HRS crop. As with winter wheat, short-term fluctuations will likely reflect corn and soybean prospects as much as those for wheat.

### Position Monitor

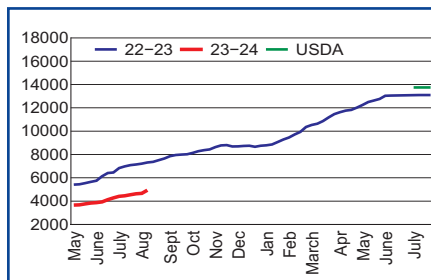
	'22 crop	'23 crop
Cash-only:	100%	60%
Hedgers (cash sales):	100%	60%
Futures/Options	0%	0%

**Game Plan:** Be patient with additional sales unless there's a major rally. Defensive hedges may be needed if futures break down technically.

### AVERAGE COTTON BASIS (OCT.)

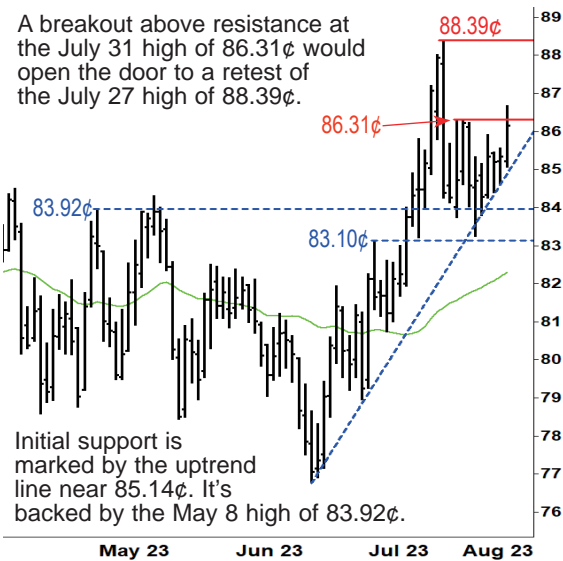


### COTTON EXPORT BOOKINGS ('000 BALES)



### DAILY DECEMBER COTTON

A breakout above resistance at the July 31 high of 86.31¢ would open the door to a retest of the July 27 high of 88.39¢.



Initial support is marked by the uptrend line near 85.14¢. It's backed by the May 8 high of 83.92¢.

## COTTON - Fundamental Analysis

Net sales of 2.15 million bales of cotton were carried over to start the 2023-24 crop year on Aug. 1. While not a huge total, it's still quite respectable. How the market sustains its reaction to USDA's initial 2023 crop estimate will dictate further pricing opportunities.

## GENERAL OUTLOOK

**CHINA:** China's imports in July dropped 12.4% from last year, the steepest decline since January. This implies weak domestic demand. China's exports fell 14.5%, the sharpest drop since February of 2020, in apparent response to slowing global demand.

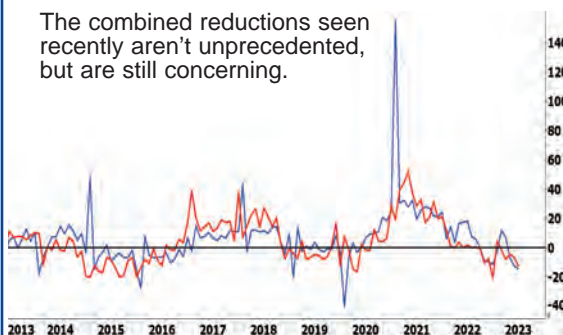
China's consumer prices in July declined by 0.3%, year-on-year, pushing its economy into deflationary territory for the first time in two years.

The summer rally in the U.S. stock market hit a speed bump on the poor Chinese economic data. Grain and livestock markets also saw diminished buying interest.

Look for China's central bank to implement more stimulus measures. If that does not put a charge into the Chinese economy, the other major economies will feel the sting of slower Chinese growth.

### MONTHLY CHINA EXPORTS/IMPORTS (% CHANGE)

The combined reductions seen recently aren't unprecedented, but are still concerning.



## FROM THE BULLPEN By Economic Consultant Dan Vaught

The end of the BLT and grilling seasons routinely combines with the second-half surge in hog slaughter to power a dramatic seasonal price dive from summer highs to late-year lows.

The CME Hog Index peaked at \$122.25 in August 2022, with the subsequent decline carrying it down to \$78.60 just after Christmas (with sustained weakness continuing through early this year). The 2021 drop extended from \$122.68 in mid-June to \$70.04 just after Thanksgiving.

The memory of those huge losses is apparently causing traders to anticipate another big breakdown this fall. That's exemplified by December hog futures trading over \$30.00 below the recent index peak at \$106.00.

Such a large discount seems extreme when considering the 10-year average decline from the summer high to the year-end low was \$25.55. This includes the big losses of the past two years, as well as the plunge from the record PEDV-powered peak (\$134.01) of mid-2014.

The second-half breakdowns of 2021 and 2022 were at least partially triggered by grocers keeping retail pork prices at greatly elevated levels, causing demand to sag while production remained high. Conversely, the recent rally has been powered by resurgent demand as grocers cut pork prices. We believe they will continue featuring pork in response to soaring cattle prices, which in turn will limit the anticipated hog decline.

## WATCH LIST

- 1 USDA Crop Progress Report** **MON 8/14**  
Will crop ratings improve with rains? 3:00 p.m. CT
- 2 NOPA Soybean Crush** **TUE 8/15**  
Crush data for July. 11:00 a.m. CT
- 3 USDA Export Sales Report** **THUR 8/17**  
Big sales needed for price support. 7:30 a.m. CT
- 4 NWS Extended Weather** **THUR 8/17**  
Outlook for Sep.-Nov. 7:30 a.m. CT
- 5 USDA Cattle on Feed Report** **FRI 8/18**  
Placements will be key data. 2:00 p.m. CT

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