



### News this week...

- 2 – Rapid harvest, but forecast signals October rains.
- 3 – Brazil heat, dryness not alarming – yet.
- 4 – *What happens if the gov't temporarily shuts down?*

**Soybeans sharply extend seasonal slide** – Soybeans faced increased liquidation pressure last week, with the November contract dipping below \$13.00 for the first time in six weeks amid ramped up harvest activity and sluggish export demand. Wheat also faced pressure as supplies continue to actively flow out of the Black Sea region, despite sanctions on Russia and the lack of a Ukrainian grain export deal. Corn futures shook off spillover pressure and held within the extended sideways trading range. Live cattle scored an all-time high on the continuation chart amid strengthening cash prices, but traders remain wary about building premium into futures given sluggish wholesale beef trade. The recent wild price swings continued in hog futures as traders monitored the stabilizing cash market.

## Rains won't replenish low rivers

The western Corn Belt is expected to see multiple waves of rain into early October. World Weather Inc. says these rains will do little to replenish low waters on the Mississippi and Missouri rivers. Southern and eastern areas of the Midwest are forecast to remain dry over the next 10 days, signaling low water levels on the Ohio and Tennessee rivers will decline further. The extended forecast calls for above-normal rainfall next month, which could help river levels (see [News](#) page 2).

### Barge rates rising as river levels fall

Barge rates along the Mississippi and Illinois rivers continue to closely track last year's early autumn surge and are well above average. As water levels drop, restrictions have been placed on drafts and tows, causing barge rates to rise. Current projections signal river levels could decline to record lows in October. Falling water levels and surging barge rates mean it's (a lot) more expensive to get corn and soybeans to the Gulf for export, which means interior basis will weaken – and new-crop corn and soybean exports will remain sluggish.

## Market-moving data likely Sept. 29

USDA's Quarterly Grain Stocks Report will set final 2022-23 ending stocks for corn and soybeans. The report has a history of surprises, especially for corn, with analysts routinely missing those estimates by a wide margin. For corn to put in an early seasonal low, a bullish surprise is needed Sept. 29. Otherwise, prices could fade through harvest. USDA will also issue its final estimates for 2023 wheat production, though modest changes are expected.

## Mexico replacing some U.S. corn

Mexico plans to test new strands of hybrid seed varieties created by researchers at the Autonomous University of Chapingo in 2024 with a scheduled release for commercial planting in 2025. The project aims in two years to develop enough non-GM seed varieties cultivable in Mexico to replace about 6 million metric tons (MMT) of the nearly 18 MMT of corn the country imports from the U.S. annually.

## Federal gov't shutdown looms

Lawmakers exited Washington early last week and won't return until Sept. 26 after House Republicans for a second time rejected Speaker Kevin McCarthy's (R-Calif) efforts to pass a Pentagon funding bill. It now looks like the Senate will take the lead in trying to get a continuing resolution to keep the government funded after Sept. 30, even though the House would likely balk at its contents. We take a look at impacts of a shutdown on [News](#) page 4.

## Fed pumps brakes on rate hikes

As expected, the Fed kept the benchmark lending rate in a range of 5.25% to 5.50% last week. But Fed officials strengthened their hawkish stance, with another quarter-point rate hike expected by the end of the year and rates likely to remain high through 2024. New economic forecasts portrayed confidence from policymakers in a "soft landing" for the economy.

## OIG: Strengthen oversight of RFS

EPA must strengthen its oversight of the Renewable Fuel Standard (RFS) to prevent fraudulent activities and circumvention of program rules, according to the Office of Inspector General (OIG). The report noted the creation of 339 million counterfeit Renewable Identification Numbers (RINs) since the start of the program, with an estimated value of approximately \$87 million. OIG stressed until these issues are addressed, EPA cannot reasonably ensure the RFS is achieving its objectives of reducing greenhouse gas emissions, expanding the renewable fuels sector and decreasing dependence on imported oil.

## Groups urge GREET for SAF credits

Clean Fuels Alliance America, American Soybean Association, National Oilseed Processors Association and U.S. Canola Association urged the administration to utilize the GREET model as the "similar methodology" for determining eligibility for sustainable aviation fuel (SAF) tax credits. They argue that not using the GREET model could hinder investments in SAF production, which their members have already committed nearly \$10 billion to expand or build facilities.

## Corn conditions continue to decline

As of Sept. 17, USDA rated 51% of the corn crop as “good” to “excellent,” down one percentage point from the previous week. The amount of crop rated “poor” to “very poor” increased two points to 20%.

USDA rated 52% of the soybean crop as “good” to “excellent,” unchanged from the previous week, though there was a one-point decline in the top category. The portion of crop rated “poor” to “very poor” held at 18%.

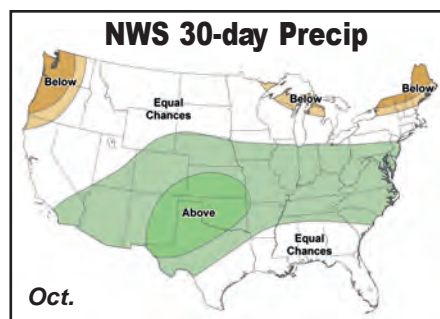
On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop dropped 3.2 points to 332.9, which was 4.0 points (1.2%) below year-ago at this point. The soybean crop declined 2.1 points to 331.3, down 7.6 points (2.3%) from last year in mid-September. Illinois accounted for the bulk of the decline for both crops over the past week.

## Harvest running ahead of average

USDA reported 9% of the corn crop and 5% of soybeans had been harvested. That was two points ahead of average for corn and one point ahead for soybeans. With crop maturity running ahead of normal (54% mature for corn vs. 44% average; 54% dropping leaves for beans vs. 43% average), the harvest pace is likely to remain quick barring weather delays. That also means corn and soybean basis will likely continue the sharp seasonal declines (see charts on [Analysis](#) pages 2&3).

## Untimely harvest-time rains forecast

The 30-day forecast from the National Weather Service signals increased chances of above-normal rainfall across the southern half of the Corn Belt, Central and Southern Plains and Mid-South during October. With corn and soybean crops maturing much quicker than normal, the rains would benefit only double-crop soybeans and could hinder harvest activity. The northern Corn Belt is expected to see “equal chances” for normal, above- and below-normal precip during October, signaling harvest activity should continue at a rapid pace in these areas, especially with above-normal temps also forecast.



The 30-day forecast would be beneficial for the U.S. winter wheat crop, with virtually all HRW and SRW areas expected to see increased chances of above-normal precip.



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## Producer Crop Comments...

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

### Buchanan Co. (northeast) Iowa:

*"We found 15.7% moisture corn on Sept. 18. Here it is worse than 1988 or 2012. First fields of corn, which admittedly have some low water-holding soil and died in the 100 degree heat, are 60% of APH."*

### Clayton Co. (northeast) Iowa:

*"I am shocked how well our corn is doing. It might be down a little bit from last year, but not very much. Corn genetics are amazing considering everything is dried up and dead here."*

### Butler Co. (north-central) Iowa:

*"First 539-acre corn field averaged 174 bu. per acre across the scale; APH of 229 bu. per acre. Northeast quarter of Iowa is not looking too cherry. Lots of corn looking to be 50 bu. to 60 bu. per acre under APH."*

### Tama Co. (central) Iowa:

*"Early corn yields running 160 bu. to 175 bu. per acre. That's well below average but about what we expected."*

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

*"It's amazing the yield difference on fields that caught a late-June rain versus those that didn't — 40 bu. per acre in some cases."*

### Coles Co. (east-southeast) Illinois:

*"Corn is drying down really fast around here. Our 109-day corn planted April 14 was 16% moisture. Yields were good, but not exceptional — around 240 bu. per acre."*

### Lancaster Co. (east-central) Nebraska:

*"Yield reports so far have been surprisingly decent BUT (big but)... all over the board. There's a lot of corn that's 'off' and some that's record or near record."*

### Murray Co. (southwest) Minnesota:

*"Yield checks on corn for silage have been 0 to 260 bu. per acre. Early soybean yields are 15 bu. to 50 bu. per acre. Very wide ranges. Spotty rains = spotty yields."*

### Hamilton Co. (central) Indiana:

*"Our corn is still about half milk line, so it's got a ways to go yet. I feel good about it as plants are still alive."*

### Harrison Co. (south-central) Indiana:

*"Corn is starting to give it up. No rain for 10 days. I think it's over, though cool temps are helping it hold on. We were lucky this year. Crops should be average at least."*

### Gibson Co. (southwest) Indiana:

*"Early bean yields are a little better than expected. Too much rain in early July hurt yields more than dryness in late July and August. Overall, I think bean yields will be close to APH. Corn yields so far have been 20 bu. to 30 bu. below normal."*

### Grant Co. (southwest) Wisconsin:

*"Early corn yields are running 10 bu. to 20 bu. less than our three-year average."*

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

*"The early bean yields in my area have been 10 bu. to 15 bu. per acre above APH. Later beans are likely be better."*

## **CPC weakening El Niño too quickly?**

The latest ENSO forecast from the U.S. Climate Prediction Center implied El Niño may have already peaked. But World Weather “believes the model may be mishandling a short-term bout of cooling that is occurring off the west coast of South America. That cooling trend coupled with a slower cooling trend occurring in the subsurface central Pacific Ocean may have the model forecasts tilted toward more aggressive weakening in El Niño conditions than what logic would suggest. The model is likely to correct itself in future weeks.”

World Weather notes: “There is not likely enough cool weather to eliminate El Niño and that is one of the reasons we believe El Niño may slightly weaken for a little while and then strengthen again during the middle to latter part of October into November when these cooling biases should be gone. None of these ocean water temperature changes will have much influence on world weather unless El Niño begins to dissipate.”

## **Brazil heat, dryness not alarming yet**

World Weather Inc. says recent dry weather and extreme temps in areas of central Brazil may be “a little too much hype,” noting it is not unusual to see hot conditions ahead of the rainy season. The forecaster says, “There is moisture building up in the Amazon River Basin and it seems to be positioning itself to move into center-west and some center-south Brazil crop areas in the last days of September and especially early October. El Niño years usually find seasonal rains beginning relatively normally and even though the pre-monsoon showers may be more restricted until early October there is not much reason to be overly concerned about the situation.”

## **Brazil expects record bean crop**

Brazilian crop estimating agency Conab in its first forecast for 2023-24 projects the country to produce a soybean crop of 162.4 MMT, which would be up 5.1% from this year’s record production. Conab forecasts a 2.8% increase in planted soybean area.

Conab expects Brazil’s corn crop to decline 9.1% from this year’s record to 119.8 MMT, fueled by a projected 4.8% drop in harvested area.

### **Meteorologists warn against planting in dry soils**

Brazil’s soybean planting window opened in mid-September. While soil moisture is adequate for early planting in Parana and other areas of southern Brazil, conditions are hot and dry in central locations, including top producer Mato Grosso. Meteorologists warned farmers in central Brazil not to get too anxious to plant their soybeans in dry conditions as any soybeans that manage to germinate under forecast high temperatures will probably die and need to be replanted.

## **OECD warns on interest rates, China**

The Organization for Economic Cooperation and Development (OECD) forecasts a global economic slowdown as rising interest rates dampen economic activity and China’s post-pandemic recovery falls short of expectations. According to the latest OECD forecasts, global economic growth is expected to ease to 2.7% in 2024, following an already lackluster expansion of 3% this year. This projection, excluding the pandemic-hit year of 2020, would represent the weakest annual growth since the global financial crisis. OECD cautioned the risks to its prediction lean toward the downside due to Chinese uncertainties.

OECD expects the U.S. economy to grow 2.2% this year and slow to 1.3% in 2024, up 0.6% and 0.3%, respectively, from its prior forecasts. It now expects China’s economy to expand 5.1% this year and 4.6% next year, down 0.3% and 0.5%, respectively, from the previous forecasts.

## **NCGA challenges EPA on ethanol views**

The National Corn Growers Association (NCGA) criticized a draft report from EPA’s Science Advisory Board (SAB), which questions whether increasing ethanol usage can significantly reduce greenhouse gas (GHG) emissions versus gasoline or diesel. The draft report suggests there is a reasonable chance that substituting corn ethanol for gasoline or diesel may result in minimal or no climate benefits, prompting SAB to recommend further research into the role of the RFS in reducing GHG emissions. NCGA cited studies, including research from the Department of Energy’s Argonne National Laboratory and academic research, which showed substantial GHG emission reductions from corn ethanol.

## **Prop 12 causes price, supply issues**

California’s Proposition 12 rule is causing significant price increases and supply chain disruptions in the state, according to a recent review by *Southern Ag Today*. It found pork ribs and loin prices saw substantial hikes in California of 25% and 43%, respectively, in August compared to June. In contrast, the rest of the U.S. saw lower price increases during the same period. There has also been a notable decline in the volume of pork purchased in California, decreasing by 23% from June to August this year. The August volume of pork purchases was 37% less than the three-year average.

## **DHS proposes H-2 visa changes**

The Department of Homeland Security (DHS) has unveiled a new rule proposal aimed at modernizing the H-2 visa program, which includes major changes to improve worker protections and streamline processes. The proposed rule also clarifies that H-2 visa workers can take steps toward becoming lawful permanent residents while maintaining their visa status.



# Lawmakers won't shut up, but they can shut down

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

Here we go again. While a last-minute stopgap spending measure for fiscal year 2024 still can't be ruled out, with inaction to date — especially in the House — it appears to be a case of how long the government will be closed, not if there will be a temporary shutdown.

## **Key to any shutdown: House Republicans**

House Republicans are facing challenges in passing a measure to keep the government funded beyond Sept. 30. It's been Republicans versus Republicans in that chamber, as a band of GOP renegades appears to want to block anything from keeping the government open. Some Republicans are considering two options: 1) Passing a stopgap funding bill with spending cuts and border security measures that Democrats oppose; or 2) Accepting a bipartisan "clean" continuing resolution (CR) from the Senate. However, conservative Sen. Rand Paul (R-Ky.) announced he will hold up any bill to keep the government open past Sept. 30 if it includes funding for the war in Ukraine.

## **Administrations can vary on handling shutdowns**

The Trump administration was aggressive in keeping staff at work during prior lapses. The Biden administration may face constraints due to a previous finding by the Government Accountability Office that the Trump administration acted unlawfully during the 2018-2019 funding lapse, including chiding USDA for disbursing Supplemental Nutrition Assistance Program (SNAP) benefits early during the shutdown.

## **Next gov't steps... contingency plans**

The Office of Management and Budget has instructed agencies to update their shutdown contingency plans. It will convene a call with agency leaders one week before a funding lapse if Congress has not taken action.

## **Key gov't reports will be impacted**

A government shutdown on Oct. 1 could temporarily halt the release of the September jobs report, September CPI data, and third-quarter GDP estimates, all scheduled for release in October.

USDA's NASS told us that phone surveys for the Oct. 12 Crop Production Report are scheduled to run Sept. 29 to Oct. 4. Unless a deal is reached by then, NASS will ask enumerators to make as many contacts as possible on Sept. 29-30. If a shutdown occurs, all data collection will

halt at midnight on Sept. 30.

Whether NASS could release the report as scheduled all depends on how long a shutdown lasts, and more importantly how much data NASS can collect prior to Oct. 1. They must have enough data to set accurate estimates.

## **USDA activities that would continue during a shutdown:**

- Meat, poultry, and processed egg inspections.
- Grain and other commodity inspection, weighing, grading and IT support services funded by user fees.
- Inspections for import and export activities to prevent the introduction/dissemination of pests into/out of the U.S.
- Forest Service law enforcement, emergency and natural disaster response, and national defense preparedness.
- Care for animals, plants and associated infrastructure to preserve agricultural research.
- Monthly SNAP benefits to eligible households.
- Most other domestic nutrition assistance programs can continue to operate at the state and local level with any funding and commodity resources that remain available.
- Natural Resources Conservation Service offices will remain open to support conservation technical and financial assistance.
- Payments for producers that have already certified production with the Farm Service Agency.
- Agricultural export credit and other agricultural trade development and monitoring activities.
- USDA's Market News Service.

## **USDA activities that would not continue:**

- FSA county offices would close.
- Provision of new rural development loans and grants for housing, community facilities, utilities and businesses.
- Recreation sites across the U.S. National Forest System, unless they are operated by external parties under a recreational special use permit, will be closed.
- NASS statistics, the WASDE Report and other agricultural economic and statistical reports and projections.
- Assistance for controlling plant and animal pests/diseases unless funded by cooperators or non-appropriated sources.
- Research facilities except for the care for animals, plants and associated infrastructure to preserve ag research.
- Provision of new grants or processing of payments for existing grants to support research, education and extension.
- ERS reports, staff analysis and projections. The ERS website would be taken offline.

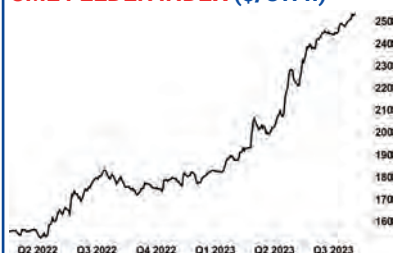
## CATTLE - Fundamental Analysis

Steer weights and the Choice/Select beef price spread continued pointing to a shortage of high-graded cattle and beef. This may well justify the premiums built into fed cattle futures, especially with cash trade showing signs of a fall rise after recent weakness. The fly in the ointment is surging retail beef prices, which climbed to record highs in late summer, and their potentially negative impact on consumer demand. Feeder futures are carrying substantial premiums over the CME Feeder Index. Yearling prices have clearly been surging, but strong feedlot demand will be required to justify bullish futures quotes.

### Position Monitor

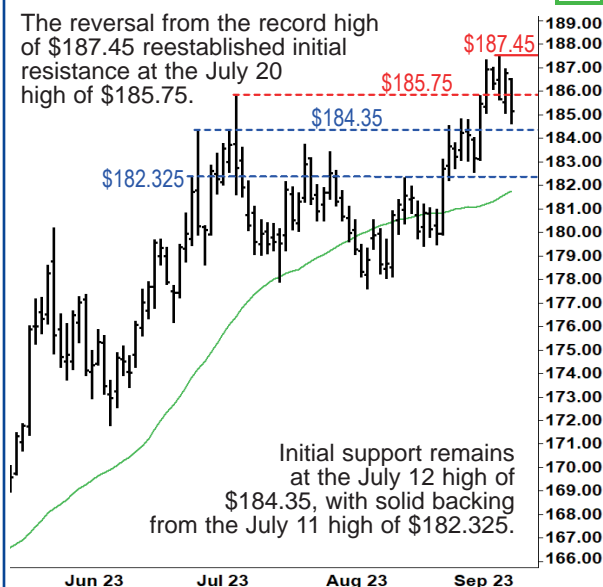
Game Plan:	Feds Feeders	
Supply-side	III'23	0%
fundamen-	IV'23	0%
tals are bull-	I'24	0%
ish but we have demand concerns.	II'24	0%
We'll wait on hedges unless there are clear signs of a market top.		

### CME FEEDER INDEX (\$/CWT.)



### DAILY OCTOBER LIVE CATTLE

The reversal from the record high of \$187.45 reestablished initial resistance at the July 20 high of \$185.75.



Initial support remains at the July 12 high of \$184.35, with solid backing from the July 11 high of \$182.325.

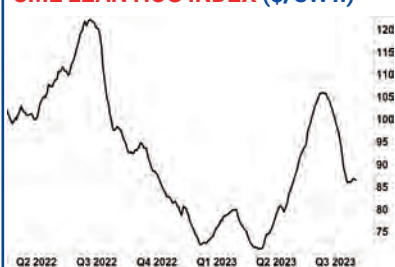
## HOGS - Fundamental Analysis

The recent rise in the CME Lean Hog Index has been modest, raising doubts about its sustainability into October. That likely reflects last week's slaughter topping the year-ago total by 1.8%. Indeed, weekly hog kills have exceeded comparable 2022 levels every week since mid-June, with the only exceptions coming during the weeks of Independence Day and Labor Day. That suggests USDA will have to revise its spring numbers upward in the Sept. 29 Hogs & Pigs Report. Given the increased supplies and price strength seen this summer, modest herd expansion seems likely to be indicated.

### Position Monitor

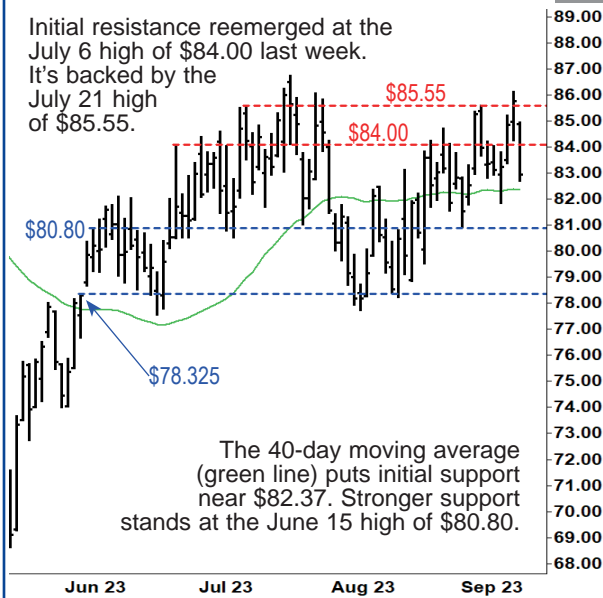
Game Plan:	Lean Hogs	
The cash market has	III'23	0%
stabilized and	IV'23	0%
could strengthen	I'24	0%
a bit before a sharper seasonal pull-back. Be prepared to use any short-term strength in futures to hedge.	II'24	0%

### CME LEAN HOG INDEX (\$/CWT.)



### DAILY OCTOBER LEAN HOGS

Initial resistance reemerged at the July 6 high of \$84.00 last week. It's backed by the July 21 high of \$85.55.



The 40-day moving average (green line) puts initial support near \$82.37. Stronger support stands at the June 15 high of \$80.80.

## FEED

### Feed Monitor

#### Corn

III'23	100%
IV'23	0%
I'24	0%
II'24	0%

**Corn Game Plan:** You have all corn-for-feed needs covered in the cash market through September. Wait on signs of a low before extending coverage.

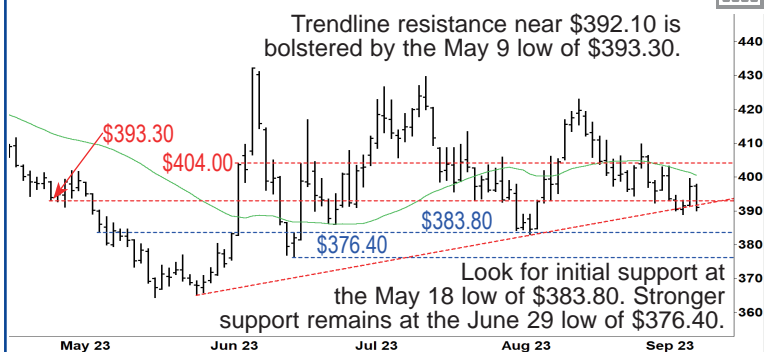
#### Meal

III'23	100%
IV'22	0%
I'24	0%
II'24	0%

**Meal Game Plan:** You have all soybean meal needs covered in cash through September. Futures are in our "value buy" range but we're anticipating a seasonal low in early October to extend coverage.

### DAILY OCTOBER SOYBEAN MEAL

Trendline resistance near \$392.10 is bolstered by the May 9 low of \$393.30.



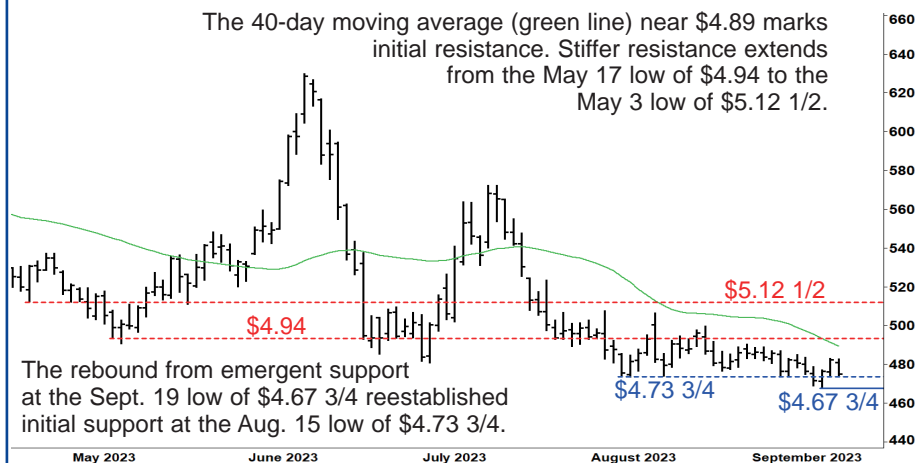
Look for initial support at the May 18 low of \$383.80. Stronger support remains at the June 29 low of \$376.40.

## Position Monitor

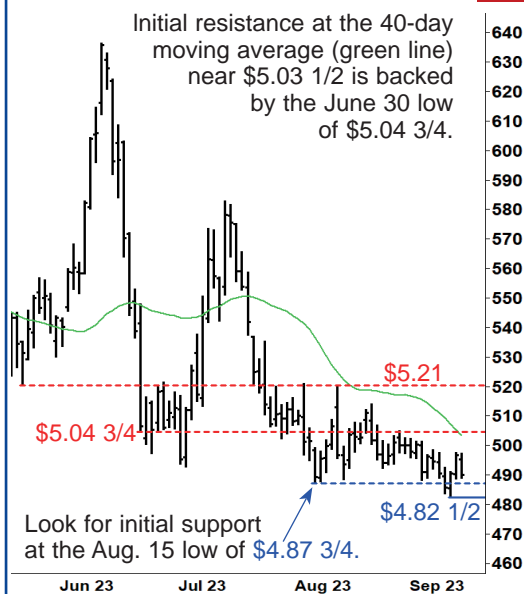
	'23 crop	'24 crop
Cash-only:	35%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	0%	0%

**Game Plan:** Wait on a corrective rebound to get current with advised sales. While there could be near-term price pressure through harvest, 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 as ending stocks will be plentiful. See "From the Bullpen" on *Analysis* page 4 for our sales price targets.

## DAILY DECEMBER CORN



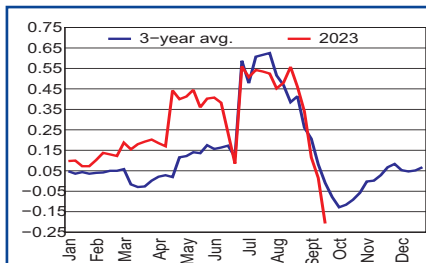
## DAILY MARCH CORN



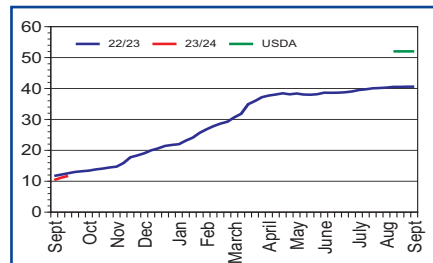
## CORN - Fundamental Analysis

The ag markets came under renewed pressure last week as the Fed redoubled its hawkishness toward inflation. And while the weather appears uncooperative into early October in the form of early-fall rains likely to complicate the harvest, the underlying problem for the corn market is a projected 2023-24 carryout over 2.2 billion bushels. Talk of a smaller Brazilian crop and reduced U.S. plantings next year offer long-term support, but short-term prospects aren't all that promising. From a purely pragmatic standpoint, the sideways late-summer price action and quick rebound from last week's dip to fresh lows offer some hope a harvest low is looming.

### AVERAGE CORN BASIS (DEC.)



### 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:** Wait on an extended rally to increase 2023-crop sales and make initial 2024-crop forward sales. Wheat likely needs help for an extended rally, meaning pressure on corn into harvest could keep prices suppressed.

## WHEAT - Fundamental Analysis

**SRW** — Rains over the eastern Midwest may complicate SRW plantings in the coming weeks, but seem likely to improve the crop's early condition. Conversely, the extremely poor basis suggests producers will limit plantings this fall, possibly presaging higher prices next year.

## DAILY DECEMBER SRW WHEAT





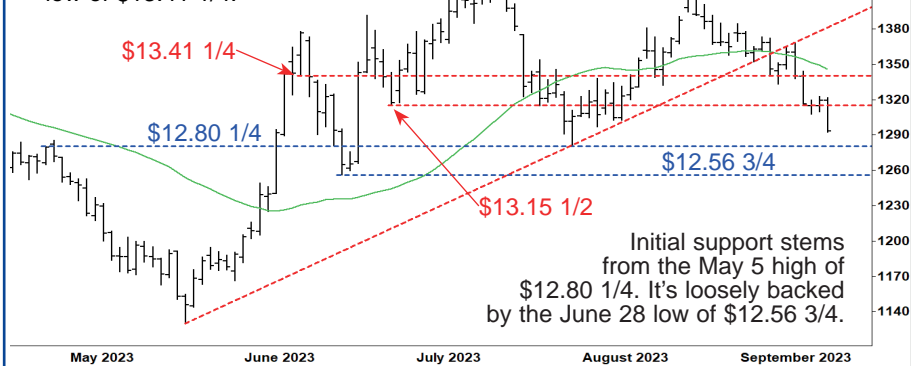
## Position Monitor

	'23 crop	'24 crop
Cash-only:	40%	0%
Hedgers (cash sales):	45%	0%
Futures/Options	0%	0%

**Game Plan:** Wait on a corrective rebound to get current with advised sales. We'll also wait on an extended rally to make additional 2023-crop sales. Because there isn't much "cushion" on new-crop supplies, any further reduction to ending stocks would be bullish as prices would need to rise enough to slow demand. See "From the Bullpen" on *Analysis* page 4 for our sales price targets.

## DAILY NOVEMBER SOYBEANS

Last week's drop made the July 7 low of \$13.15 1/2 initial resistance. Look for stiffer resistance at the June 21 low of \$13.41 1/4.



## DAILY MARCH SOYBEANS

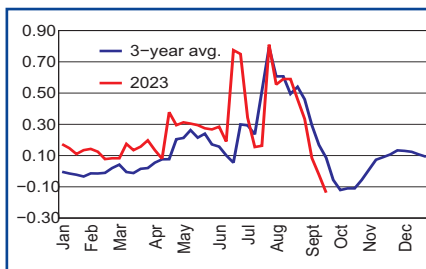
Resistance at the June 16 high of \$13.30 is backed by the 40-day moving average (green line) near \$13.62.



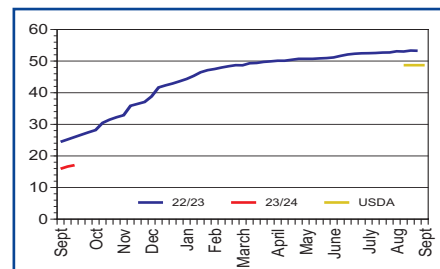
## SOYBEANS - Fundamental Analysis

Given the low projection for 2023-24 U.S. soybean carryout, a significant seasonal rally from a harvest low seems probable. But the potential size of the advance is debatable due to several likely obstacles. First, the strong U.S. dollar and China's economic issues suggest the weak international demand exhibited lately will persist. The second issue arises from last week's forecast of another record Brazilian crop (up 5.1%) next year. Third, the strong soybean/corn price ratio, as well as our historical work, suggests a big domestic shift toward soybean plantings next year. Still, strong 2024 crops won't arrive any time soon, so soybeans should rebound once a seasonal low is forged.

### AVERAGE SOYBEAN BASIS (NOV.)



### SOYBEAN EXPORT BOOKINGS (MMT)



## DAILY DECEMBER HRW WHEAT

The Aug. 14 low of \$7.43 1/2 denotes initial resistance.

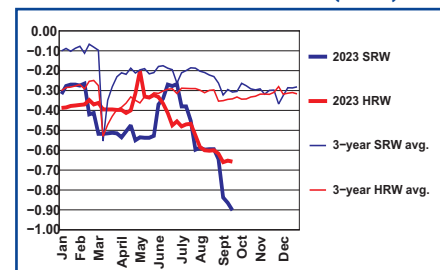


## DAILY DECEMBER HRS WHEAT

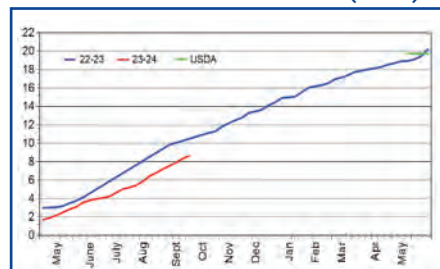
Resistance is at the Aug. 22 low of \$7.88 1/2.



### AVERAGE WHEAT BASIS (DEC.)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — Forecast rains for southern portions of the Plains seemingly favor improved conditions for early HRW growth. But with prices depressed and HRW basis also quite poor, farmer incentives to plant wheat are weak. Depressed prices are unlikely to spur much farmer selling in the near future. Wait on a sustained rally to increase sales.

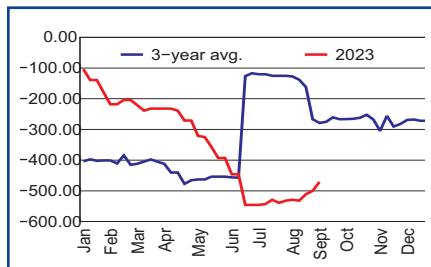
**HRS** — While the mid-September upward bump to the Canadian HRS crop increased supplies somewhat, it didn't appear to affect prices immediately. As with winter wheat, having the corn market find a bottom and rebound may be necessary for a sustained HRS advance. There is little incentive for sales at this point. Give the market a chance to rally.

## Position Monitor

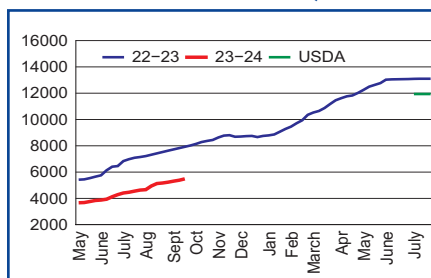
	'23 crop	'24 crop
Cash-only:	60%	0%
Hedgers (cash sales):	60%	0%
Futures/Options	0%	0%

**Game Plan:** Be patient with additional sales unless there's a major rally. We are targeting a move above 90.00¢ in December futures for the next sales.

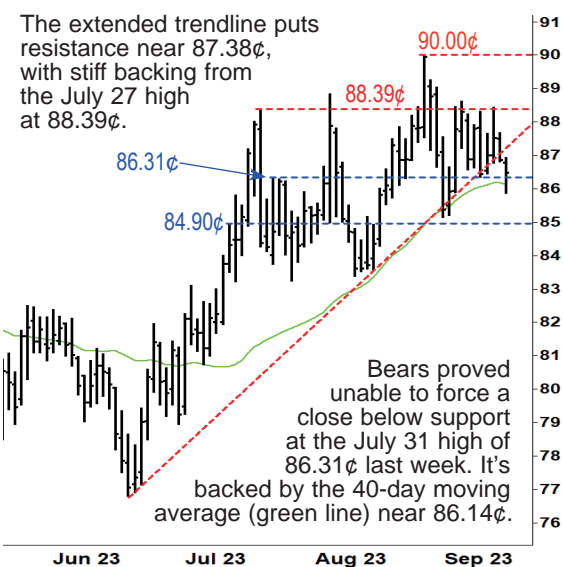
## AVERAGE COTTON BASIS (DEC.)



## COTTON EXPORT BOOKINGS ('000 BALES)



## DAILY DECEMBER COTTON



## COTTON - Fundamental Analysis

Weekly export numbers improved in mid-September, but continue running well below late-summer totals of recent years. This is amplifying concerns about the export outlook, especially with China's economy proving wobbly. Tight supplies still suggest potential upside.

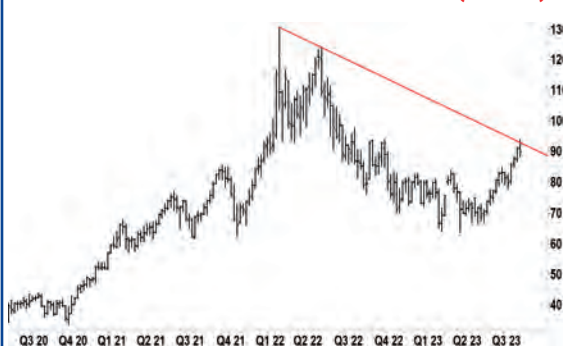
## GENERAL OUTLOOK

**ENERGIES:** Nymex crude oil futures last week jumped to a 10-month high of \$93.74 per barrel. Diesel futures hit an eight-month high and the average price of regular unleaded gasoline approached \$4.00. OPEC-plus production cuts being extended recently and continued solid U.S. economic expansion as reinforced by Federal Reserve comments last week are bullish elements on both the supply and demand

sides of the balance sheet for crude oil.

Many oil market watchers are now predicting Nymex crude will hit \$100.00. JP Morgan said Brent crude oil futures prices could reach \$120.00 if OPEC cuts supplies further, which the firm said would bring economic growth to a halt in the fourth quarter of next year. Meanwhile, the implied inflation surge may cause the Fed to resume its interest rate increases.

## WEEKLY NEARBY CRUDE OIL FUTURES (\$/BBL.)



## FROM THE BULLPEN By Economist Lane Akre

One of the many benefits of the futures market is the ability to look back at historical price ranges to gain market insight. The futures curve allows one to look at where price currently is and apply a range of outcomes and where one can expect prices to go within upper and lower bounds, excluding any extreme developments, such as weather or geopolitics.

The price curve implies a steady rise in corn futures over the coming months, encouraging storage. The upper bound of the expected range would be \$5.25 over the next three months, with urgency to sell increasing the closer futures get to that target. The lower bound stands at \$4.10, which would be undervalued. Store corn and wait for a price rebound under

the midpoint of \$4.76. The upper boundary increases to \$5.60 in the first three months of 2024, while the lower bound rises to \$4.30. As price nears the upper boundary, the likelihood of a reversal increases, upping the urgency to make sales on such a move.

There is carry in soybean futures as well, which strays from the norm the past couple of years. The upper bound of possible price action over the next two months stands at \$14.25, while the lower bound is at \$12.30. Any price below \$13.15 is seen as undervalued, where producers should be encouraged to hold off on making sales. The upper boundary increases to \$14.75 into March, while the lower bound moves up to \$12.50.

## WATCH LIST

- 1 USDA Crop Progress Report** **MON 9/25**  
Attention turning to harvest pace. 3:00 p.m. CT
- 2 USDA Export Sales Report** **THUR 9/28**  
New-crop bean sales in focus. 7:30 a.m. CT
- 3 USDA Hogs & Pigs Report** **THUR 9/28**  
Upward revisions to past data. 2:00 p.m. CT
- 4 USDA Grain Stocks Report** **FRI 9/29**  
Final 2022-23 corn, bean stocks. 11:00 a.m. CT
- 5 USDA Small Grains Summary** **FRI 9/29**  
We expect a smaller wheat crop. 11:00 a.m. CT

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