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News this week...

Bearish reaction to USDA reports — *Friday's Grain Stocks Report featured some surprises, as it typically does, with Sept. 1 soybean stocks coming in above traders' expectations and corn stocks falling shy of the anticipated level. The final 2023 wheat crop estimate topped expectations. Grain and soybean futures faced increased price pressure after the reports, marking a poor end to the week, month and quarter. Live cattle futures scored a new all-time high on the continuation chart. But with the cash market stuck in neutral since June and demand concerns, any move to the upside has failed to trigger sustained buying in futures. Lean hog futures had a bearish reaction to USDA's Hogs & Pigs Report, which showed unexpected expansion of the U.S. hog herd (see News page 3).*

Sept. 1 stocks provide surprises

Sept. 1 corn stocks (2022-23 ending stocks): 1.361 billion bu., 68 million bu. less than the average pre-report estimate. Use during the final quarter of 2022-23 was 2.75 billion bu., down 7.4% from the same period last year.

Sept. 1 soybean stocks (2022-23 ending stocks): 268 million bu., 26 million bu. more than traders expected. Indicated disappearance for the quarter totaled 528 million bu., down 24% from the same period a year earlier.

Sept. 1 wheat stocks: 1.780 billion bu., 8 million bu. more than the average pre-report estimate. Indicated disappearance was 614 million bu., up 8% from the same period a year earlier.

U.S. wheat crop: 1.812 billion bu.

USDA raised its all-wheat production estimate 78 million bu. from August. The yield increased 2.8 bu. to 48.6 bu. per acre.

Mississippi River near historic low

The Mississippi River at Memphis is near the historic low. The river is expected to remain below the -10 foot mark into at least mid-October, creating a choke point between heavy production areas in the Corn Belt and the Gulf of Mexico, where around 60% of U.S. grain exports originate. Midwest basis continues to plunge (see *News pages 2&3*), especially for soybeans, as new-crop supplies are hitting elevators and terminals faster than they can move them out.

Mexico buying U.S. corn, China isn't

Chinese buyers reportedly purchased 10 to 12 cargoes of Ukrainian corn for November and December shipment. China is also slated to receive a heavy inflow of Brazilian corn during fall, along with big domestic supplies, which will limit its appetite for U.S. corn and other grains.

USDA announced daily corn sales to Mexico totaling nearly 1.9 million metric tons (MMT) last week — 1.273 MMT for 2023-24 and 611,389 metric tons (MT) for 2024-25.

As of Sept. 21, outstanding new-crop corn sales to all destinations totaled 10.510 million metric tons, down 7.8% from last year and 34.5% behind the five-year average.

Gov't shutdown appears likely

As of Friday, both the Senate and House were deadlocked in negotiations on how to ensure the government's continued operation, with funding set to expire at midnight on Sept. 30. Unless there is an 11th hour compromise, a temporary government shutdown will begin Oct. 1.

There's never been a comprehensive shutdown that lasted more than about a week, according to Ariana Salvatore, a Morgan Stanley researcher. The difference from the last shutdown in 2019 is this time none of the federal agencies have been funded for 2024.

Farm bill impact from a shutdown

The Congressional Budget Office told lawmakers it will cease work Oct. 10 without funding. That could cause big issues for the farm legislation, as agriculture lawmakers say they're already waiting for critical budget estimates they need to write the new farm legislation.

Economic impacts from a shutdown

A rule of thumb among Federal Reserve staff members is that each week of shutdown shaves off 0.2 percentage point from the annualized GDP growth rate, according to David Wilcox, who used to work at the Fed and is now at *Bloomberg Economics*. But the losses aren't lasting and typically get made up in the following quarter.

Meanwhile, the bond market believes "no data, no hike" regarding the Fed's Nov. 1 policy decision.

Fed's annual inflation gauge declines

The personal consumption expenditures (PCE) price index rose 3.5% on an annualized basis in August, up from a 3.4% gain in July. But excluding food and energy prices, the core PCE price index slipped to a 3.9% annualized increase from a 4.3% rise in July.

The Fed forecasts core PCE inflation for 2023 at 3.7%, expecting hotter prices to end the year. If core PCE inflation undershoots Fed expectations, policymakers would have a reason to continue this month's pause to rate hikes.

Cordonnier cuts corn, bean crop pegs

Crop consultant Dr. Michael Cordonnier lowered his corn and soybean yield estimates, noting crops are maturing faster than normal, meaning recent rains came too late to have much benefit. Cordonnier cut his corn yield by 1.5 bu. to 171.5 bu. per acre, reducing the production forecast to 14.93 billion bushels. He cut his soybean yield by 0.5 bu. to 49.0 bu. per acre, lowering his production estimate to 4.05 billion bushels.

Cordonnier slashes Brazil corn forecast

Cordonnier slashed his projection for Brazil's 2023-24 corn production by 9 million metric tons (MMT) to 125 MMT amid reports of sharply reduced planting intentions due to poor margins. Conab, the Brazilian equivalent of USDA, forecasts first-crop corn acreage will drop 5.4% and safrinha plantings will decline 4.8% from last year. Additionally, El Niño could result in below-normal rainfall in central Brazil and a potential early end to the summer rainy season, both of which could negatively impact safrinha corn yields. While current conditions suggest Brazil's corn acreage will be down sharply from last year, Cordonnier notes farmers won't have to finalize safrinha intentions until the end of the year, so the acreage outlook could change.

What ag economists are watching

Ag economists' views on the ag economy are eroding. The September Ag Economists' Monthly Monitor from the University of Missouri and *Farm Journal* shows lower commodity prices, concerns about demand and a negative outlook for China's economy are all contributing to the changing attitudes. But the most influential factor on the farm economy might be the price of corn. Ag economists indicated they are most closely watching the following items, which means you should be too:

- U.S. and global weather creating production challenges.
- Decline in many commodity prices.
- Below-trend yields for major crops in 2023.
- Strong cattle prices offset by lower prices of other livestock commodities.
- Generally high interest rates and input costs, despite some lower prices for fertilizer, etc., providing relief.
- Variable profitability across farm operations based on production challenges.
- Tight farm margins in some instances.
- Declining export demand.
- Uncertain international grain market factors.
- Increased competition from South America.

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Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Story Co. (central) Iowa:
"We're finding a lot of one- and two-soybean pods at the top of plants this year."

Lee Co. (southeast) Iowa:
"Early corn is running 23% to 25% moisture with excellent yields thanks to timely July and August rains."

Effingham Co. (east-southeast) Illinois:
"Yields are surprisingly good considering we only had two rains after July 9, one July 19 and the other Aug. 4 — and both were less than 0.2 inch. Field averages for corn yields are ranging from 230 bu. to 265 bu. per acre. Soybeans are running 69 bu. to 80 bu. per acre."

Jefferson Co. (southeast) Illinois:
"Neighbor cut his first-crop soybeans, which averaged 15 bu. per acre below APH. Double-crop soybeans are in real trouble here."

Greeley Co. (east-central) Nebraska:
"First dryland soybeans are way worse than expected. Tons of pods but no beans. Hills are running 2 bu. to 3 bu. per acre. Field average will be around 5 bu. per acre. Had some rains right before and after planting to get good early growth. Got hot and dry end of July and all of August. Hopefully irrigated is better but not hearing good things from guys that have started on them."

Thayer Co. (southeast) Nebraska:
"Irrigated soybeans are running 70 bu. to 75 bu. per acre. Dryland beans are 5 bu. to 10 bu. per acre. Irrigated corn is still 25% moisture."

Pike Co. (southwest) Indiana:
"Received over an inch of rain on Sept. 27, which slowed harvest, but it sure was needed. Yields are better than expected, with corn running about 5% above APH, while soybeans are about 10% higher than APH."

Gibson Co. (southwest) Indiana:
"Dry weather has allowed us to reach the halfway mark with harvest on our farm. Corn yields are in-line with our five-year average. Kernel counts are down, but weights are above average due to favorable filling conditions. Soybeans are all over the place in terms of maturity, though yields so far have been roughly 10% higher compared to APH."

Putnam Co. (northwest) Ohio:
"Soybean yields are coming in better than expected, though that's off 30% from the past two years. We only received about half the amount of rainfall we typically get during the growing season."

Cass Co. (east-central) North Dakota:
"Corn is coming off three weeks early with yields 15% and 20% under APH. The neighbor's soybeans were 50% under APH."

Atchison Co. (northwest) Missouri:
"Corn yields running 195 bu. to 205 bu. so far. Fighting some downed corn and running out of fields that are dry enough, so switching to soybeans."

Hog herd unexpectedly expands

USDA estimated the U.S. hog herd at 74.319 million head as of Sept. 1, up 194,000 head (0.3%) from year-ago and 787,000 head more than the average pre-report estimate implied. The breeding herd contracted 1.2% from last year but the market hog inventory increased 268,000 head (0.4%).

The summer pig crop increased 133,000 head (0.4%), despite a 3.7% decline in farrowings, given a 4.3% jump in pigs per litter to a record 11.61 head.

Hogs & Pigs Report	USDA actual	Trade expected
	(% of year-ago)	
Inventory —		
All Hogs/Pigs	100.3	99.2
Breeding	98.8	98.7
Marketing	100.4	99.3
Pig Crop —		
June-Aug.	100.4	98.6
Pigs/litter	104.3	102.0
Farrowings —		
June-Aug.	96.3	96.6
Sept.-Nov. Ints.	94.8	96.5
Dec.-Feb. Ints.	98.6	97.9
Market Hog Inventory —		
Under 50 lbs.	100.1	98.5
50-119 lbs.	100.4	99.5
120-179 lbs.	100.7	99.9
180 lbs. plus	100.6	100.0

Looking forward, the herd expansion may be short-lived as the breeding herd is smaller and producers indicated reduced farrowing intensions for fall (-5.2%) and winter (-1.4%).

Based on the market hog inventories, slaughter will run slightly ahead of year-ago levels into next spring, whereas traders expected kill rates to decline slightly.

Revisions to past data

Most of the upward revisions to past data reflect increased farrowings and pig crops in recent quarters. Surging litter sizes have been boosting the U.S. hog herd since late 2022.

Feedlot supply continues to shrink

USDA estimated there were 11.094 million head of cattle in large feedlots (1,000-plus head) as of Sept. 1, down 248,000 head (2.2%) from year-ago but 71,000 head more than the average pre-report estimate implied. This marked the 12th consecutive month of year-over-year declines in feedlot numbers — a trend that will continue given shrinking U.S. calf supplies. Placements fell 5.1%, while marketings dropped 6.0% from year-ago levels during August.

Cattle on Feed Report	USDA actual	Average estimate
	(% of year-ago)	
On Feed Sept. 1	97.8	97.7
Placed in Aug.	94.9	93.6
Mkted in Aug.	94.0	94.7

Cattle on feed for over 120 days numbered 4.108 million head, down 2.6% from the previous year. Those on feed for more than 150 days amounted to 2.401 million head, a 2% decrease from last year.

Placements fell 50,000 head in Colorado, 60,000 head in Nebraska and 22,000 head in "other states," while Kansas and Texas placed 15,000 head and 10,000 head more cattle into feedlots, respectively, in August 2022.

Red meat stocks rise less than average

USDA's Cold Storage Report indicated beef demand is keeping up with supplies, despite concerns on that front, as beef stocks built slightly less than normal last month. Pork stocks rose much less than normal during August.

Frozen beef stocks at 421.6 million lbs. rose 11.2 million lbs. (2.7%) from July, which was slightly less than the average increase of 11.5 million lbs. over the past five years. Beef inventories fell 92.2 million lbs. (17.9%) from the August 2022 record for the month and were 48.2 million lbs. (10.3%) less than the five-year average.

Pork stocks totaled 471.1 million lbs., up 327,000 lbs. from July. The five-year average was a 10.7-million-lb. increase during the month. Pork inventories fell 71.5 million lbs. (13.2%) from last year and were 58.1 million lbs. (11.0%) less than the five-year average.

Chicken breast meat stocks declined 5.5 million lbs. (2.4%) from July but were a record for the month at 220.7 million pounds. Chicken breast meat stocks rose 29.4 million lbs. (15.4%) from last year.

Retail pork prices expected to drop

USDA forecasts all food prices will increase 5.8% this year, within a range of 5.4% to 6.2%. Food-at-home (grocery) prices are predicted to increase 5.1% (range of 4.6% to 5.8%). Food-away-from-home (restaurant) prices are predicted to increase 7.1% (range of 6.9% to 7.4%). Retail pork prices are the only category expected to decline with a projected 1.1% drop after an 8.4% jump last year.

In 2024, all food prices are forecast to increase 2.2%, with USDA using a range of -2.6% to 7.3%. Food-at-home prices are predicted to increase 1.6%, (range of -5.5% to 9.5%). Food-away-from-home prices are predicted to increase 4.3% (range of 1.9% to 6.8%).

Two livestock relief programs

USDA initiated the Emergency Livestock Relief Program (ELRP) for 2022 losses stemming from drought or wildfires and Phase 2 of the 2021 ELRP. Those payments will be processed before Sept. 30 in case there is a government shutdown.

For the 2022 ELRP, data from the Livestock Forage Disaster Program (LRP) will be utilized to determine payments, which will be calculated based on the number of animal units, with consideration given to available grazing acreage in eligible drought-affected counties. Payments will be set at 90% of the LRP payments for underserved producers and 75% for all other producers. Producers who have already received LRP payments for their losses will not need to resubmit information to receive the 2022 ELRP payments.

Producers do not need to resubmit information for the 2021 ELRP Phase 2 payment if you received aid via Phase 1.

What *Pro Farmer* Members are asking

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

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Impacts of a government shutdown, farm bill issues, ag trade and foreign purchases of U.S. farmland are key issues we've been asked about recently. Our responses:

Will any gov't shutdown impact crop insurance?

Crop insurance has historically not been affected by shutdowns because it is a contractual agreement between the government and the private sector that cannot be broken.

Will the October Crop Production Report be issued?

USDA's National Agricultural Statistics Service advised those conducting phone surveys to gather as much data as they can Sept. 29-30 — the survey period runs from Sept. 29 to Oct. 4. Whether NASS could release the report as scheduled depends on how long a shutdown lasts, and the amount of data collected. The situation would also result in the NASS St. Louis lab stopping processing of samples gathered from fields, which could make those samples unusable depending on the length of a shutdown.

What's behind the recent U.S. ag trade deficit?

In a word: Brazil, whose combined exports of soybean, corn and cotton more than doubled over the past decade.

The U.S. ag trade shortfall for the fiscal year (FY) ending Sept. 30 is estimated at $19 billion and is expected to balloon to almost $28 billion in FY 2024, according to USDA. The trend is driven in part by a shift in Americans' eating habits — we consume more imported produce, such as Mexican avocados and Indian mangoes — but stagnating grain and oilseed exports are also a factor.

The U.S. accounts for less than one-third of global soybean exports — half the volume of Brazil. On wheat the U.S. is fourth, far behind No. 1 Russia. "Look at where Russia exports its grain to, and then look at the people who didn't sign the UN resolution against Russia. It's basically the same list," Scott Reynolds Nelson, a history professor at the University of Georgia, told *Bloomberg*. That referenced a meeting last year in which five countries voted against condemning Russia for its invasion of Ukraine, with 35 nations — including China, India and South Africa — abstaining.

Disaster aid questions: If and when

USDA will certify any Emergency Relief Program Phase 2 payments prior to Sept. 30 so they go out in case of a shutdown. Signup for 2022 ERP will be on hold if there's a shutdown. Congress will determine whether there will be disaster aid for 2023 crops and livestock. We think lawmakers will clear a disaster package near the end of the year. But a big issue is what many call a failed USDA idea of a "progressive factor" on ERP for 2022 losses. This will really harm full-time farmers, especially specialty crop farmers, but all farmers with big losses: The more losses you had, the more USDA dings you by the factor.

Farm bill timing

Senate Ag Committee Chair Debbie Stabenow (D-Mich.) addressed the challenges facing the new farm bill, emphasizing the numerous obstacles that have emerged, including the looming government shutdown. Stabenow expressed her concerns, stating, "Everything keeps getting in our way" and described current circumstances as unusual. She noted the 2018 Farm Bill was enacted in December of that year and expressed hope lawmakers could meet a similar timeline this time.

Dr. Joe Outlaw, economist with Texas A&M University, said it would take a couple of years to pass a farm bill, but getting a bill is possible in 2024 if lawmakers can get it done by February before many of the primary elections. "This is a terrible time to do a farm bill," said Outlaw. His concern is not only the political strife in Washington, but also the current farm economy. "The farm safety net is all about the bad times, and frankly the bad times are coming, they just aren't here right now," Outlaw said.

Restrictions ahead on foreign purchases of farmland?

The system for tracking and reporting foreign land purchases in the U.S. is outdated and insufficient. There are concerns about potential underreported land acquisitions.

Members of the Senate Ag Committee expressed support for enhancing the authority of the Committee on Foreign Investment in the United States (CFIUS) to provide more robust oversight of foreign acquisitions. This would also involve a more substantial role for the USDA and the FDA.

There is no clear evidence foreign land ownership is causing American farmland prices to rise, and it is not perceived as a threat to our ability to produce food.

Concerns are being raised about potential retaliatory actions from other countries if the U.S. tightens control over foreign farmland investment. The U.S. is a significant investor in foreign agricultural land, and any restrictive measures could lead to trade challenges.

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CATTLE - Fundamental Analysis

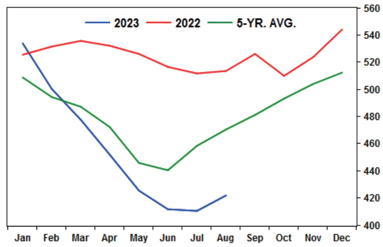
USDA's Cattle on Feed Report indicated fed cattle supplies will remain tight through the end of the year, and likely longer (see *News* page 3). The chart below illustrates the dramatic reduction in domestic beef stockpiles resulting from that tightness. The Cold Storage Report (see *News* page 3) indicated a belated seasonal rise in those inventories last month, with the underlying implication consumer demand remained robust during late summer. Record retail beef prices raise the prospect of stifling consumer offtake and eventually creating excess supplies, but that point has not been reached.

Position Monitor

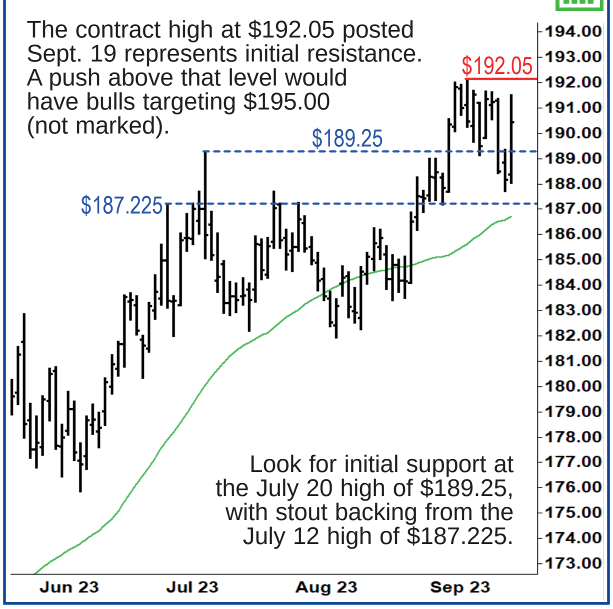
Game Plan: Supply-side fundamentals are bullish but we have demand concerns. We'll wait on hedges unless there are clear signs of a market top.

	Feds	Feeders
III'23	0%	0%
IV'23	0%	0%
I'24	0%	0%
II'24	0%	0%

FROZEN BEEF STOCKS (MIL. LBS.)



DAILY DECEMBER LIVE CATTLE



HOGS - Fundamental Analysis

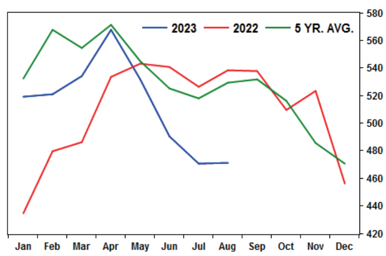
The chart below implies pork demand surged once grocers cut retail prices last spring, with stocks inching up in August when a 10-million lb.-plus surge is normal. August hog slaughter averaged about 1% over year-ago levels. Improved pork offtake should persist during autumn, especially with retail beef prices setting fresh records. Fourth-quarter slaughter is expected to roughly match year-ago levels, but most-active December futures are priced near the lows of the past two years. The stronger demand, along with a relative shortage of hams, could keep the cash market above those levels.

Position Monitor

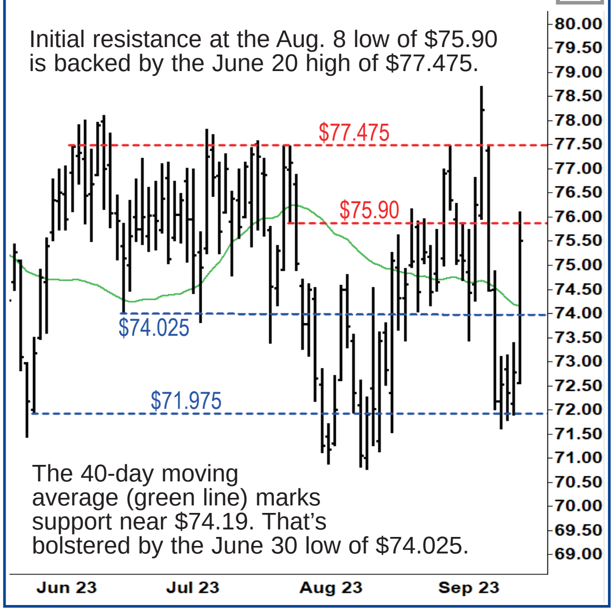
Game Plan: Winter-month hogs appear undervalued at current levels. Be prepared to hedge a corrective rebound. We're hesitant to chase the market lower with hedges.

	Lean Hogs
III'23	0%
IV'23	0%
I'24	0%
II'24	0%

FROZEN PORK STOCKS (MIL. LBS.)



DAILY DECEMBER LEAN HOGS



FEED

Feed Monitor

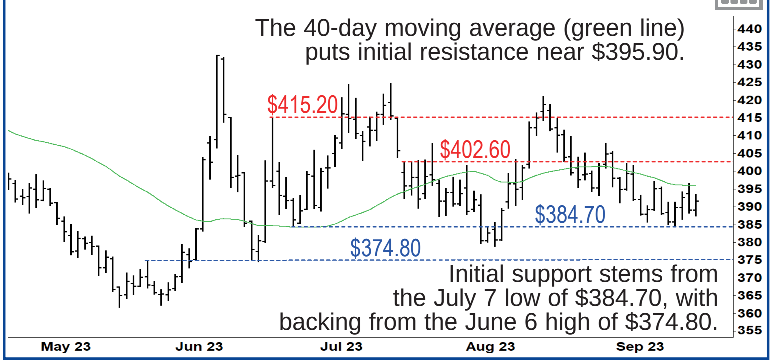
Corn	
III'23	100%
IV'23	0%
I'24	0%
II'24	0%

Corn Game Plan: Cash corn-for-feed coverage expired at the end of September. Wait on clear signs of a low before extending coverage.

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

Meal Game Plan: Cash soymeal coverage expired at the end of September. Futures are in our "value buy" range but wait on the market to signal a low before extending coverage.

DAILY DECEMBER SOYBEAN MEAL

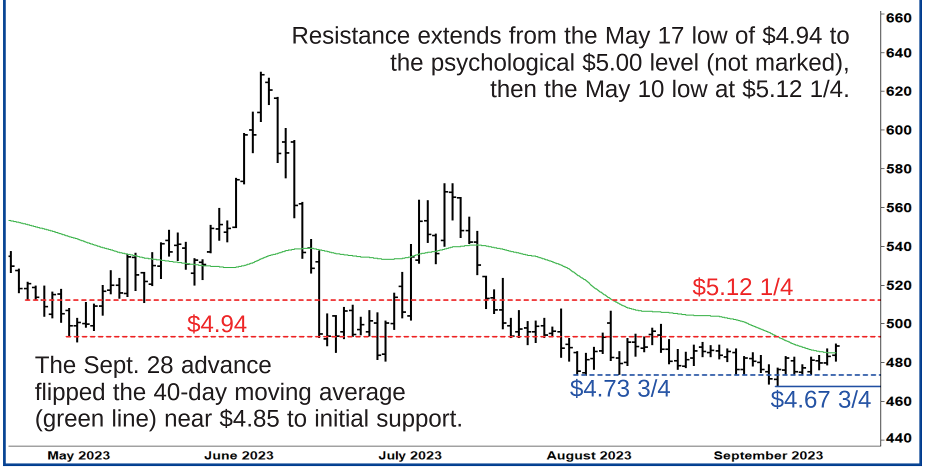


Position Monitor

	'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 demand is struggling and ending stocks will be plentiful for 2023-24 —even if crop size shrinks through harvest.

DAILY DECEMBER CORN

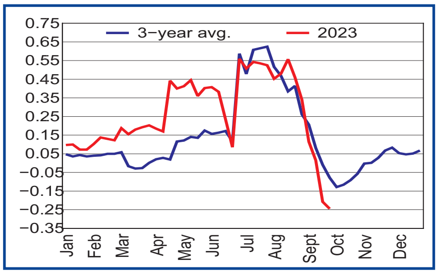


DAILY MARCH CORN

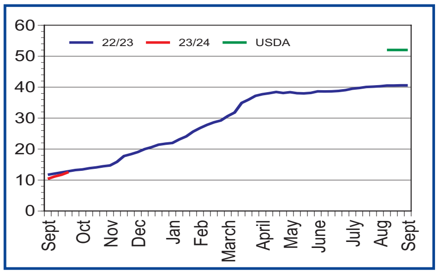
CORN - Fundamental Analysis

The corn market has seemingly had every reason to decline lately, especially with Brazil dominating the export market and 2023-24 U.S. carryout projected over 2.2 billion bushels. Concerns about the global economic outlook (see "General Outlook" on *Analysis page 4*) and the dollar's upward march have also favored bears. Harvest pressure suggests potential for a drop to fresh lows as well. But traders covered some short positions ahead of USDA's Grain Stocks Report. That may have reflected talk Brazilian plantings will drop 5.4% for 2023-24 (see *News* page 2) and/or USDA's recent history of surprises in the quarterly corn stocks figures.

AVERAGE CORN BASIS (DEC.)



CORN EXPORT BOOKINGS (MMT)



Position Monitor

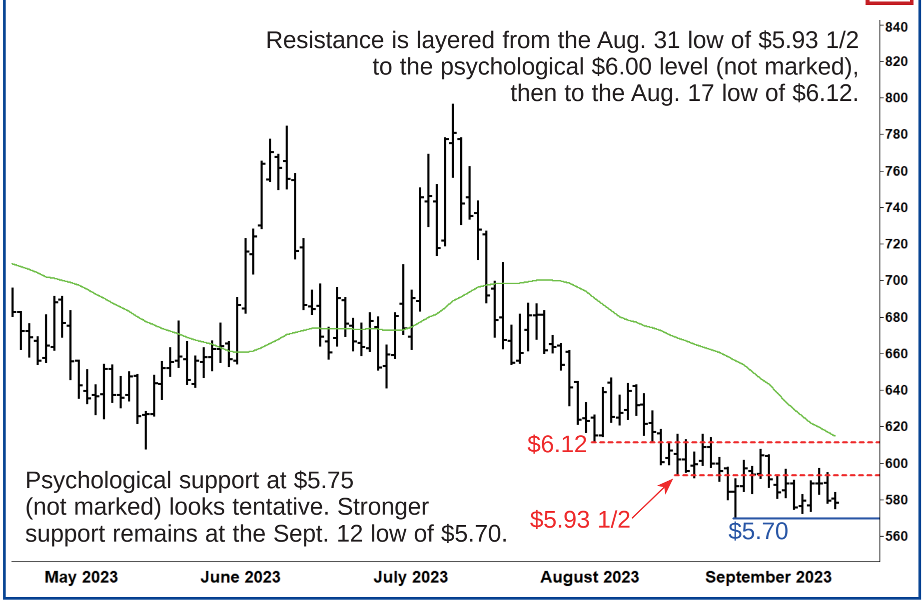
	'23 crop	'24 crop
Cash-only:	50%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	0%	0%

Game Plan: Wait on an extended rally to increase 2023-crop sales and make initial 2024-crop forward sales. Wheat likely needs help from corn and soybeans for an extended rally given weak demand and the strong dollar.

WHEAT - Fundamental Analysis

SRW — Recent corn firmness seemingly did little to support wheat prices. Given El Niño's threat to the Indian and Aussie wheat crops, increased optimism might easily be justified. The wheat complex's stubborn weakness suggests further slippage will be forthcoming.

DAILY DECEMBER SRW WHEAT

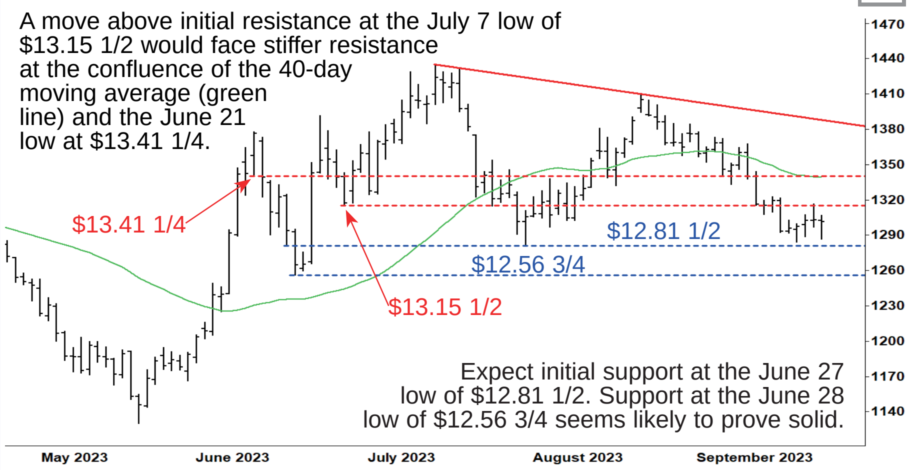


Position Monitor

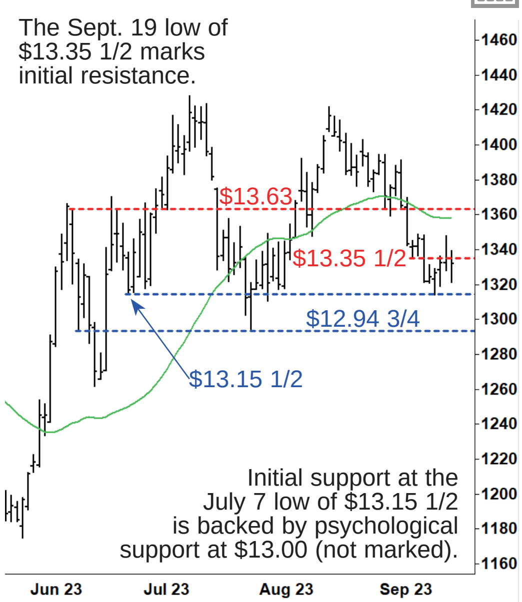
	'23 crop	'24 crop
Cash-only:	40%	0%
Hedgers (cash sales):	45%	0%
Futures/Options	0%	0%

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. With that said, you should be focused on selling an extended price recovery.

DAILY NOVEMBER SOYBEANS



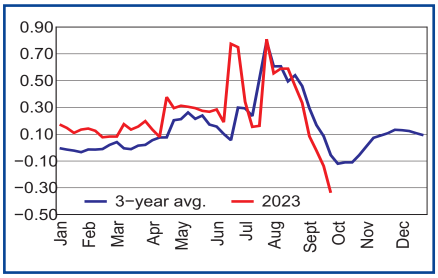
DAILY MARCH SOYBEANS



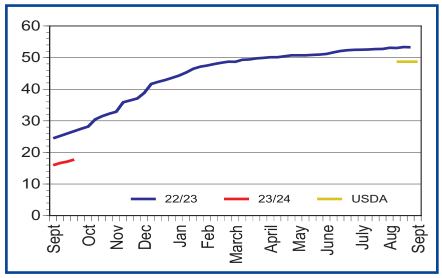
SOYBEANS - Fundamental Analysis

Soybean fundamentals seem much more supportive of the price outlook than those for corn, but bean futures underperformed versus corn last week. A sharp plunge in cash prices amid river transportation woes is weighing on futures. Recent pressure may also reflect expectations of another surge in Brazilian bean plantings for 2023-24 versus an anticipated corn cutback. We must also point out the nearby soybean/corn price ratio had reached a seven-year high in September. Still, the comparative domestic supply tightness expected during the coming months is likely to keep the bean market well supported. We would be in no hurry to boost sales at current levels.

AVERAGE SOYBEAN BASIS (NOV.)



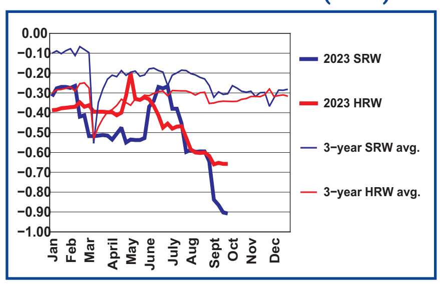
SOYBEAN EXPORT BOOKINGS (MMT)



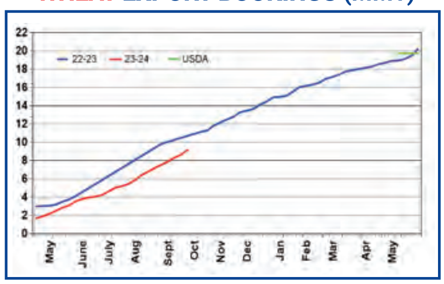
DAILY DECEMBER HRW WHEAT

DAILY DECEMBER HRS WHEAT

AVERAGE WHEAT BASIS (DEC.)



WHEAT EXPORT BOOKINGS (MMT)



HRW — Despite corn providing an implicit floor, the prospect of improved autumn moisture over the Southern Plains seemed to undercut HRW futures last week. Traders may have been unwilling to take long positions ahead of USDA's reports. Bulls will likely be encouraged if corn refuses to make a fresh harvest low.

HRS — Spring wheat futures seemingly ignored disappointing anecdotal reports on North Dakota crops, posting fresh lows last week. The market may still be suffering from the mid-September boost to Canada's HRS crop. Sustained strength in corn and soybeans may be required to reverse the trend. Be patient waiting for a post-harvest rally.

Position Monitor

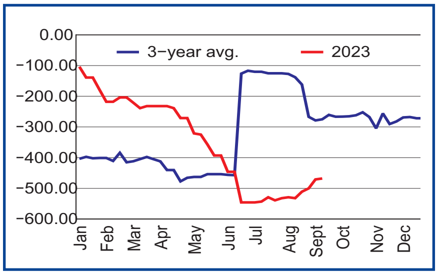
	'23 crop	'24 crop
Cash-only:	60%	0%
Hedgers (cash sales):	60%	0%
Futures/Options	0%	0%

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.

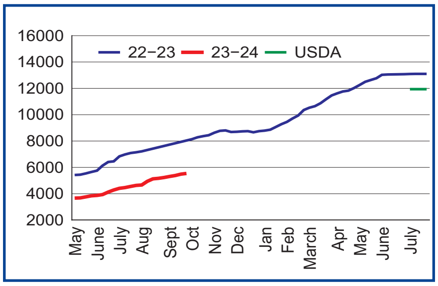
COTTON - Fundamental Analysis

Cotton futures proved surprisingly weak during mid-September despite reduced crop prospects. Conversely, the negative demand implications of recent events couldn't dent last week's rebound. Those concerns keep us seeking selling opportunities above recent highs.

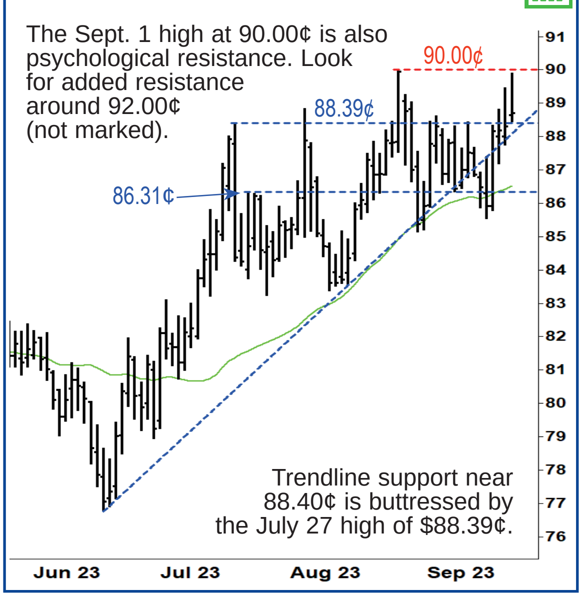
AVERAGE COTTON BASIS (DEC.)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON



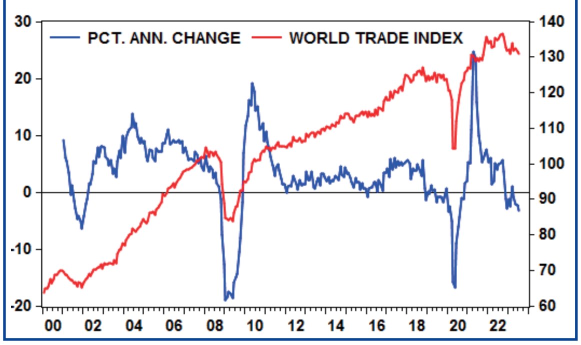
GENERAL OUTLOOK

Economy: The Fed's renewed hawkishness sparked a fresh downward move in the equity markets last week. Traders and investors fear future interest rate increases by the Fed will greatly increase the chances of a recession.

Such fears seem well founded with several recent reports implying underlying economic weakness. For example, the latest reading on global trade suffered a monthly decline of 0.6%, but more concerning, it represented an annualized drop of 3.2%.

As the chart shows, that marked the largest reduction since August 2020 and reached levels seldom seen outside of recessions. The good news is that U.S. trade activity is some of the strongest in the world, but Chinese trade is suffering badly. China's industrial output is a big driver of global growth, which is worrisome.

MONTHLY WORLD TRADE



FROM THE BULLPEN By Economist Lane Akre

There is no question renewable diesel has had the attention of both soybean producers and end-users. Crush plants have been planned and constructed amid expectations of greater soybean use to meet rising domestic demand. Even the soybean/corn ratio has responded, with the 2024 ratio currently near 2.5, the highest level for this time of year since 2017, implying soybean acreage will increase next year.

Historically, processors have crushed soybeans for the meal content, with soybean oil the "other" product. But that is changing, with soyoil use skyrocketing to meet renewable diesel demand. The main reason for the soyoil strength stems from renewable diesel use tied to the Renewable Identification Numbers (RINs) market.

D4 RINs are biomass-based diesel credits traded by blenders, refiners and importers in order to meet mandated blending requirements. This leads to volatility in the value of D4 RINs as entities have an excess or shortage.

Not surprising, D4 RINs have become closely correlated with soyoil prices. D4 RINs led soyoil higher starting in 2020, but they peaked in 2022 and have since trended lower, with an acceleration in selling since summer as investors were disappointed by EPA's proposed biodiesel mandates for 2023-2025. Also, sharply rising diesel prices reduced the RIN support.

With increased volatility in the D4 RINs market, there will continue to be bigger and wilder price swings in soyoil.

WATCH LIST

1	**USDA Soy/Grain Crush Rpts.** Soy crush, ethanol use for Aug.	**MON 10/2** 2:00 p.m. CT
2	**USDA Crop Progress Report** Rapid corn, soybean harvests.	**MON 10/2** 3:00 p.m. CT
3	**USDA Export Sales Report** New-crop bookings lagging.	**THUR 10/5** 7:30 a.m. CT
4	**U.S. Ag Trade Data** Ag exports, imports for August.	**THUR 10/5** 9:30 a.m. CT
5	**Employment Summary** Jobs data for September.	**FRI 10/6** 7:30 a.m. CT