



News this week...

- 2 – Major changes to USDA's U.S. global forecasts.
- 3 – U.S. meat exports slowed as China buying eased.
- 4 – What you need to know ahead of Crop Tour.

Bullish reaction to USDA's August reports – USDA's Aug. 1 crop estimates were lower than expected for corn, soybeans, wheat and cotton, which in most cases led to new-crop ending stocks being below the average pre-report estimates (see below and [News](#) page 2 for report details). That triggered a bullish price response in all four markets. December corn futures rallied to their highest level since early July, but the pattern of lower highs since May remains intact. November soybeans continue to hold near the midpoint of their wide June trading range. Wheat futures surged to new contract highs in SRW, HRW and HRS contracts. Live and feeder cattle futures held in their sideways trading range. Lean hog futures extended their sharp price drop amid fund liquidation, but worked off the lows late in the week.

Bullish August crop estimates

USDA's first corn crop estimate at 14.750 billion bu. was 254 million bu. below the average pre-report trade estimate and down 415 million bu. from the July projection. USDA estimates the national average corn yield at 174.6 bu. per acre, down 4.9 bu. from trendline. USDA forecasts record yields in eight states: California, Illinois, Indiana, Michigan, New York, Ohio, Oklahoma and Pennsylvania.

USDA's initial soybean crop estimate at 4.339 billion bu. was 36 million bu. below expectations and down 66 million bu. from the July projection. USDA estimates the national average soybean yield at 50.0 bu. per acre, 0.8 bu. below trendline. USDA estimates record soybean yields in nine states: Illinois, Indiana, Maryland, Mississippi, Missouri, New York, Ohio, Pennsylvania and Texas.

Cotton crop estimate shockingly low

USDA's first survey-based cotton crop estimate at 17.264 million bales was 886,000 bales below the average pre-report trade estimate and 536,000 bales lower than the July projection. USDA estimates the cotton yield at 800 lbs., down 14 lbs. per acre from last month's projection. USDA cut its harvested acreage estimate by 140,000 acres from last month to 10.36 million acres.

Rains forecast during Crop Tour

Rains are forecast across much of the Corn Belt next week, though dry northwestern areas are likely to see limited rainfall. Temps are expected to be seasonal to slightly above normal through midweek, followed by cooler air.

Our analysis of FSA's initial acreage

CORN: FSA reported planted/failed acres of 90.3 million acres. FSA data already exceeds USDA's June acreage estimates in seven states, suggesting corn plantings will increase around 1 million from the June estimate of 92.7 million acres.

SOYBEANS: FSA reported planted/failed acres of 85.3 million acres. USDA's June estimate of nearly 87.6 million acres appears close to final acreage.

NASS has historically started incorporating FSA acreage data into its corn and soybean crop estimates in October.

Cracks in infrastructure deal

Far-left House Democrats had threatened to vote against the infrastructure bill without assurances that a large spending package on social issues would also advance. But a group of nine moderate Democrats told Speaker Nancy Pelosi (D-Calif.) they won't vote for a budget resolution until physical infrastructure clears. Dems have a three-vote margin.

Time to hit the fields on Crop Tour. Scout your fields, too!

While we're scouting fields across the Corn Belt Aug. 16-19 on the *Pro Farmer* Crop Tour, you can scout your own fields. That will allow you to compare your results to those we find in other areas of the Corn Belt.

In each corn field, get past the end rows and then take 35 paces into the field.

- At the 35th pace, lay out a 30-foot plot and count all the ears that will make grain on two 30-foot rows.
- From one of those two rows, pull the 5th, 8th and 11th ears. This gives us a consistently random process to select sample ears.
- Measure the length of grain (in inches, rounded to the nearest one-quarter inch) on each ear.
- Count the number of kernel rows around each ear.
- Record the row width in the field.
- To calculate the estimated yield, take the average number of ears in the two 30-foot rows TIMES the average length of grain per ear TIMES the average number of kernel rows around; DIVIDE the total by row width.

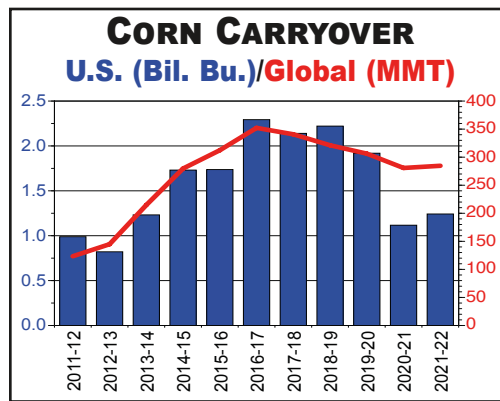
EXAMPLE: (50 ears X 6.5 inches X 16.7 kernel rows) / 30-inch rows = 180.9. This example gives you an estimated yield at that spot in the field of 180.9 bu. per acre.

In each soybean field, pick a 'representative spot' in the field.

- Measure three-foot of row and count all the plants in that plot. Randomly select three plants. Count all the pods on those three plants and calculate the average number of pods per plant.
- Multiply the average number of pods per plant by the number of plants in the three-foot plot. Multiply that number by 36, and divide by row width.

EXAMPLE: (14 plants X 32 pods/plant X 36) / 15-inch rows = 1,075.2 pods in a 3'X3' square. Compare your results to what we find on Tour.

August U.S. and global S&D highlights

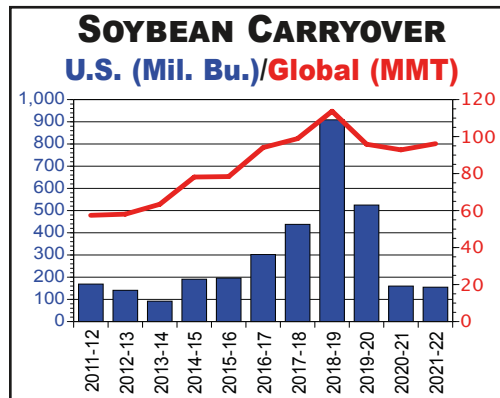


CORN

U.S. CARRYOVER — 2020-21: 1.117 billion bu., up 35 million bu. from July; 2021-22: 1.242 billion bu., down 190 million bu. from July.

AVG. CASH PRICE — 2020-21: \$4.40, unchanged from July; 2021-22: \$5.75, up 15¢ from last month.

GLOBAL CARRYOVER — 2020-21: 280.8 million metric tons (MMT), up 890,000 metric tons (MT) from July; 2021-22: 284.6 MMT, down 6.6 MMT from last month.

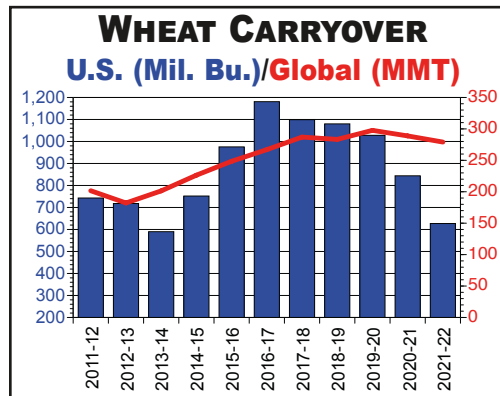


SOYBEANS

U.S. CARRYOVER — 2020-21: 160 million bu., up 25 million bu. from July; 2021-22: 155 million bu., unchanged from last month.

AVG. CASH PRICE — 2020-21: \$10.90, down 15¢ from July; 2021-22: \$13.70, unchanged from July.

GLOBAL CARRYOVER — 2020-21: 92.8 MMT, up 1.3 MMT from July; 2021-22: 96.2 MMT, up 1.7 MMT from last month.

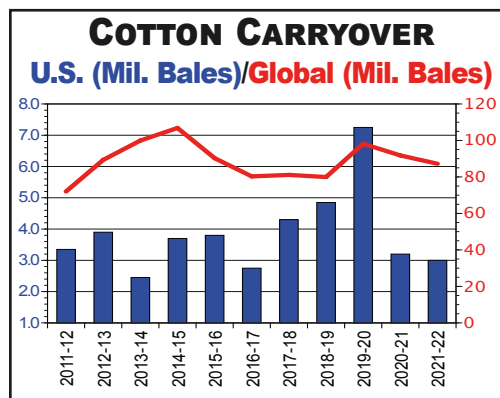


WHEAT

U.S. CARRYOVER — 2021-22: 627 million bu., down 38 million bu. from last month.

AVG. CASH PRICE — 2021-22: \$6.70, up a dime from July.

GLOBAL CARRYOVER — 2020-21: 288.8 MMT, down 1.4 MMT from last month; 2021-22: 279.1 MMT, down 12.6 MMT from last month.



COTTON

U.S. CARRYOVER — 2020-21: 3.2 million bales, up 50,000 bales from July; 2021-22: 3.00 million bales, down 300,000 bales from July.

AVG. CASH PRICE — 2020-21: 66.5¢, unchanged from July; 2021-22: 80¢, up a nickel from last month.

GLOBAL CARRYOVER — 2020-21: 91.8 million bales, up 210,000 bales from July; 2021-22: 87.2 million bales, down 510,000 bales from last month.

U.S. wheat crop lowered

USDA cut its U.S. all-wheat crop estimate by 49 million bu. from last month to 1.697 billion bushels. The winter wheat crop was unexpectedly lowered 45 million bu. — HRW down 28 million bu., SRW up 4 million bu. and white winter wheat down 22 million bushels. USDA only trimmed its other spring wheat and durum crop estimates by 2 million bu. each from last month. USDA cut its all-wheat yield estimate by 1.3 bu. to 44.5 bu. per acre.

USDA slashes global wheat production

USDA cut its 2021-22 global wheat production forecast by 15.5 MMT from last month. It now expects the world wheat crop to climb only 1.1 MMT versus the 2020 crop. That's a significant change from May when USDA's initial projection called for a 12.9 MMT year-over-year increase and the peak in June when it expected an 18.6-MMT surge in global wheat production this year.

USDA slashed its forecast for Russia's wheat crop by 12.5 MMT and its Canadian wheat crop by 7.5 MMT from last month — both catchup moves that got it in line with private crop estimates the market has been trading. USDA raised its wheat crop forecasts for Australia by 1.5 MMT, Ukraine by 3.0 MMT and the European Union by 400,000 MT from last month.

Brazil slashes corn crop, export forecasts

Conab slashed its Brazilian corn crop estimate by 6.7 MMT from last month to 86.7 MMT. Due to the much smaller supply, it cut its 2021 corn export forecast by 6 MMT from last month to 23.5 MMT.

USDA cut its forecast by 6 MMT to 87 MMT. That's still higher than forecasts from private crop estimators. South American Consultant Dr. Michael Cordonnier estimates the Brazilian corn crop at 84 MMT, while Brazil-based AgRural is at 82.2 MMT.

Conab inched up its Brazilian soybean crop estimate to a record 136.0 MMT. But it cut the soybean export forecast by 3.3 MMT from last month to 83.4 MMT.



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#PFTour21

Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Hamilton Co. (central) Iowa:

"Aug. 8 rains exceeded our expectations — two inches! That's more rain than we got the whole month of July!"

Washington Co. (southeast) Iowa:

"Crops look good in our area, but yields will be no record by any means. Beans need a drink. The pods are there, they just need a rain to fill."

LaSalle Co. (northeast) Illinois:

"I knew crops were looking too good around here. A microburst storm Aug. 11 will get adjusters busy again."

Starke Co. (northwest) Indiana:

"Our corn looks terrific. Big, long ears filled to the tip. If we don't break our personal dryland and whole farm corn yields this year, I will be very disappointed."

Carroll Co. (north-central) Indiana:

"We need to get some rains soon or we will lose yield. Seems like the systems get close and then fizzle. Three weeks ago I thought we might be sitting on our best crops ever. The dryness is not just impacting us locally, crops are really showing stress in a swath from Logansport down through Indianapolis."

Chase Co. (southwest) Nebraska:

"Dryland corn is fading fast. It's looking like maybe 40 bu. to 50 bu. per acre. Irrigated corn is still in great shape, but I'm having to run hard to keep up."

Lac qui Parle Co. (west-central) Minnesota:

"Five inches of rain was a little too late for our crop. Corn on heavy soil has already aborted kernels on the first couple inches."

Day Co. (northeast) South Dakota:

"I traveled to the Twin Cities. The central and western Minnesota corn crop is definitely more hit and miss than southern Minnesota. It's not a bumper crop, but it's far from a disaster."

Campbell Co. (north-central) South Dakota:

"I took a half mile drive through a corn field I thought was in OK shape. I was shocked at how stressed it was. I'm scared to drive the fields I know are bad."

McLean Co. (west-central) North Dakota:

"There are thousands of acres of wheat in our area that are either baked or abandoned. Some guys are just cutting low spots. We will cut just to clean up the fields."

Grand Forks Co. (northeast) North Dakota:

"With the rain Aug. 9, I have a good chance of not turning the rest of my crops into insurance like I did with my wheat. I think the rains helped quite a bit. We were so dry, there was no ponding on our poor, low ground after three inches."

Kiowa Co. (east-central) Colorado:

"A month ago I had potential for 80-bu.-per-acre corn. Now I'll be lucky to get 30 bu. per acre. But there's a lot of decent looking corn around the area. A mile in either direction and it's a different story."

U.S. meat exports slowed in June

The U.S. exported 563.8 million lbs. of pork in June, which was a record for the month but down 18% from May. Beef exports totaled 267.2 million lbs., down 16% from the previous month. U.S. meat shipments to China slowed notably in June, led by a 45% drop in pork exports to the lowest volume in 20 months. Broiler exports to China fell to the lowest level in 15 months and dropped 20% from May. Beef shipments to China declined only 1% from May. There were also notable declines in meat exports to South Korea, with beef down 31%, pork down 21% and broiler meat down 13% from May.

Through the first half of this year, the U.S. exported 3.833 billion lbs. of pork, up 1% from the same period last year, and 1.669 billion lbs. of beef, up nearly 22%.

China's meat imports slowing

China imported 854,000 MT of meat in July, down 14.4% from last year. In the first seven months of this year, China imported 5.93 MMT of meat, up 3.1% from the same period last year.

China's soybean imports slowed, too

China imported 8.7 MMT of soybeans in July, down 19.1% from June and 14.1% below year-ago amid a decline in hog production profitability, substitutions for soy meal in feed rations and negative crush margins. Through the first seven months of this year, China imported 57.6 MMT of soybeans, up 4.5% from the same period last year.

China's trade data below expectations

Chinese exports rose 19.3% in July and its imports surged 28.1%, but both were lower than expected. China posted a trade surplus of \$56.6 billion in July, up from \$51.5 billion in June. China's trade surplus with the U.S. stood at \$35.4 billion in July, up from \$32.6 billion the previous month. For the first seven months of the year, the surplus with the U.S. was \$200.3 billion, up from \$164.9 billion during the first half of 2020.

China's PPI matches 12-year high

China's factory-gate prices rose at an unexpectedly fast clip in July, matching the highest level in more than 12 years as crude oil and coal prices soared. China's producer price index (PPI) rose 9% from a year earlier in July. The price increases came despite measures taken by Beijing in recent months to cool soaring commodity costs.

The high producer prices haven't fed through to consumers thanks largely to tame food prices. China's consumer price index rose 1% from a year earlier in July, down from June's 1.1% gain. Food prices dropped 3.7% versus year-ago in July, led by another drop in pork. Non-food prices rose 2.1%, up from a 1.7% rise in June.

A first-hand, objective look at the 2021 corn, soybean crops

by Pro Farmer editors

ProFarmer

Trusted Analysis. Professional Insight.

This marks the 29th year of the *Pro Farmer* Crop Tour. Because USDA no longer collects objective yield samples in August, this will be the industry's first broad look at field data from across the Corn Belt. The objective of Crop Tour is to find a representative sample of yield potential across the seven Corn Belt states from the roughly 1,500 samples each of corn and soybeans.

How to receive up-to-date information from Tour

There will be exclusive daily route reports from Tour leaders on www.profarmer.com. Also, don't forget to log on for the live-streamed Crop Tour meetings each evening where you will get daily Tour results and route observations from Tour participants.

Tour leaders and consultants will provide daily commentary in "From the Rows" on www.profarmer.com. Also, tune into AgriTalk each day at 10:06 a.m. and 2:06 p.m. CT on www.agweb.com/agritalk or the AgriTalk app, or your favorite farm radio station to hear a Crop Tour update.

Search #PFTour21 on Twitter to get Tour-related tweets and follow @BGreter, @ChipFlory, @BruceBlythe, @MNWeedWizard, @emily_floryag14 and @brent8320r for tweets from the field each day. Follow @MeghanVick and @profarmer for daily Tour results.

Compare with last year; apply the historical difference!

The best analysis of this year's data will be to compare state-by-state results to last year's Tour, with close attention to the percentage changes. Also, apply the historical difference for each state! We know the yield calculated during Crop Tour will be different than USDA's final yield for each state. Fortunately, we know by how much on average.

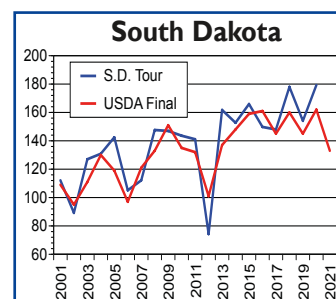
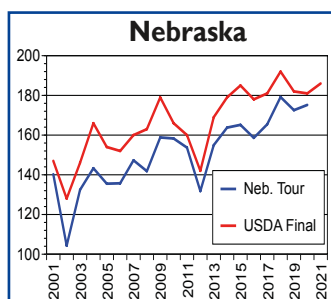
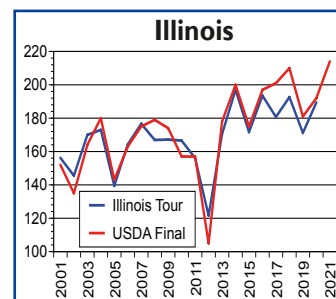
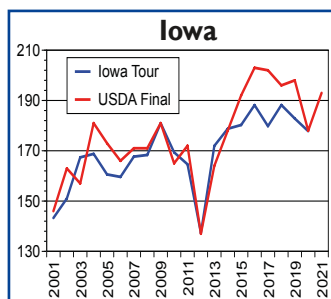
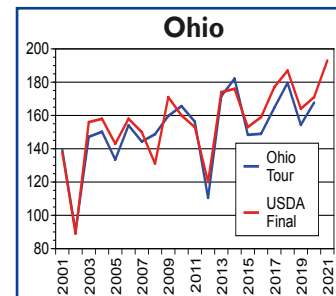
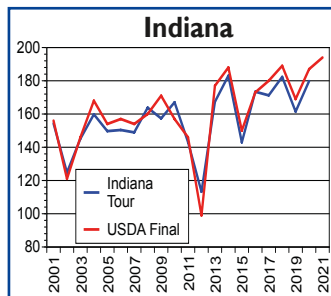
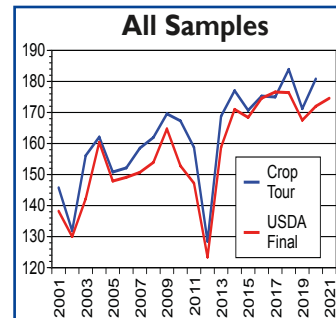
The historical difference is the result of where the Tour travels. EXAMPLES: In Nebraska, about 60% of the corn crop is irrigated, but Crop Tour samples include about 40% irrigated fields. In Minnesota, we cover only the highest yielding southern districts. There are reasons for the differences and understanding them makes Tour yields valuable.

On soybeans... no yield, but lots of data!

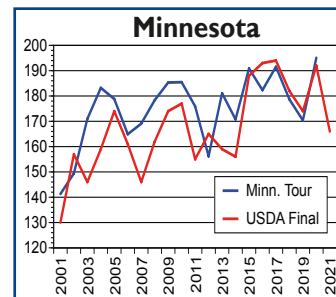
The number of soybean pods it takes to make a bushel is different in each state. Instead of yield, we calculate the number of pods in a 3X3-foot square. Compare pod counts to past Tour data to get an idea about the size of this year's yield "factory."

The best piece of data —

The most reliable set of data is the average yield of all corn samples from the seven Tour states. On average since 2001, the yield calculated from all corn samples has been 6.2 bu. above USDA's final national average corn yield. (The average yield from the seven Tour states — Ohio, Indiana, Illinois, Iowa, Minnesota, South Dakota and Nebraska — should pull up the national average yield!)



| Historical Difference — Tour Yield Vs. USDA Final (avg. since 2001) | | | |
|---|-----|----------|--|
| Ohio | ADD | 3.6 bu. | |
| Indiana | ADD | 3.0 bu. | |
| Illinois | ADD | 2.4 bu. | |
| Iowa | ADD | 5.4 bu. | |
| Nebraska | ADD | 14.6 bu. | |
| Minnesota | SUB | 7.8 bu. | |
| S. Dakota | SUB | 5.6 bu. | |
| 7-State | SUB | 6.2 bu. | |



On each of the charts above, USDA's 2020 yield is the Aug. 1 yield estimate. For all other years, USDA's yield is the final yield.

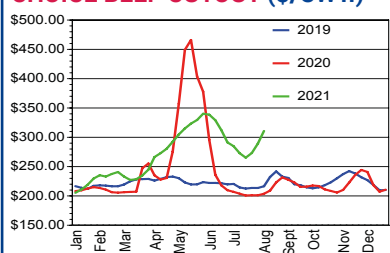
CATTLE - Fundamental Analysis

Wholesale beef prices continued their midsummer surge last week, with Choice-grade cutout reaching \$315.43 by Aug. 12. Of course, beef values were much higher last spring, and cash cattle prices never reached \$126.00. Recent action in nearby futures has raised questions about the cattle market's ability to move higher. We believe producers will become more insistent about gaining a share of the packer beef windfall. We also suspect packers will prove more amenable to higher cattle prices with Congress and USDA focusing on concentration in the livestock sector and their resulting market power.

Position Monitor

| Game Plan: | Feds Feeders | |
|------------------------------------|--------------|----|
| The outlook | III'21 | 0% |
| is bullish, | IV'21 | 0% |
| but fed cat- | I'22 | 0% |
| tle producers should be prepared | II'22 | 0% |
| to add hedges if October futures | | |
| can't find buyers around \$130.00. | | |

CHOICE BEEF CUTOUT (\$/CWT.)



DAILY OCTOBER LIVE CATTLE



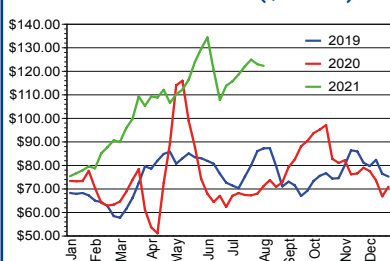
HOGS - Fundamental Analysis

Hams represent about 24% of the hog carcass, which makes their price extremely important to the value of each animal. Indeed, if not for the supply chain's focus upon hams during autumn as the year-end holiday season looms, hog prices would almost surely suffer even larger fall losses (as demand for most other cuts dwindles seasonally) than is normally the case. This year's shortage of stored hams to supplement late-year production should further limit the downside in hog prices. This is especially true if recent demand strength persists. See "From the Bullpen" on [Analysis page 4](#) for more.

Position Monitor

| Game Plan: | Lean Hogs | |
|--|-----------|----|
| Trad- | III'21 | 0% |
| ers have built in | IV'21 | 0% |
| much more than | I'22 | 0% |
| a normal seasonal | II'22 | 0% |
| price break for fall- and winter-month | | |
| hogs. We believe the downside is | | |
| overdone, so we don't advise hedges. | | |

PORK CUTOUT PRICE (\$/CWT.)



DAILY OCTOBER LEAN HOGS



FEED

Feed Monitor

Corn

| | |
|--------|-----|
| III'21 | 83% |
| IV'21 | 0% |
| I'22 | 0% |
| II'22 | 0% |

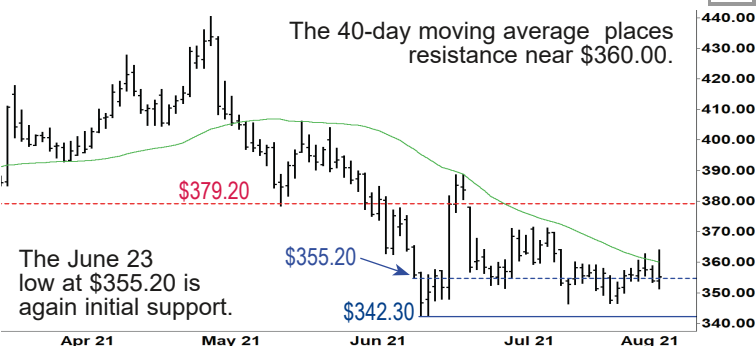
Corn Game Plan: You should have all corn-for-feed needs covered in the cash market through August and 50% for September. Get current with advised corn-for-feed coverage.

Meal

| | |
|--------|-----|
| III'21 | 92% |
| IV'21 | 25% |
| I'22 | 0% |
| II'22 | 0% |

Meal Game Plan: You should have all soybean meal needs covered in the cash market through August, 75% for September and 25% for the fourth quarter. Get current with advised cash meal coverage.

DAILY SEPTEMBER SOYBEAN MEAL



Position Monitor

| | '20 crop | '21 crop |
|-----------------------|----------|----------|
| Cash-only: | 95% | 40% |
| Hedgers (cash sales): | 95% | 40% |
| Futures/Options | 0% | 0% |

Game Plan: Get current with advised old- and new-crop sales. Be prepared to finish old-crop sales and advance new-crop sales on a contra-seasonal price rally. Given long-term fundamentals, we wouldn't panic and make sales at the bottom of the broad trading range. But you must be prepared to sell on a price recovery into the upper end of the range. Bottom line: \$5 December corn is too cheap and \$6 is too high.

DAILY DECEMBER CORN

The Aug. 12 failure at tough resistance near \$5.93 spurred a pullback below trendline resistance at \$5.80.



DAILY SEPTEMBER 2021 CORN

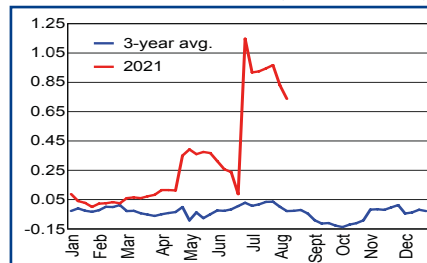
Trendline resistance near \$5.80 is reinforced by the April 22 high at \$5.82.



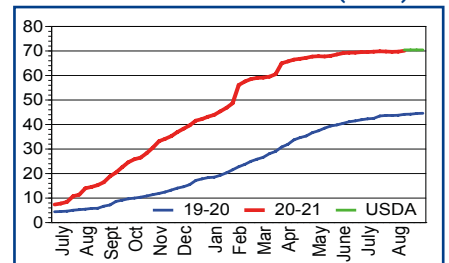
CORN - Fundamental Analysis

December futures closed at a six-week high after USDA's smaller-than-expected August crop estimate. Persistent dryness in the northwestern Corn Belt has apparently taken a bigger toll on the crop than some thought. A return to the \$6 level or higher is now a possibility if late-season weather trims more yield potential. But USDA's 1.3% reduction in estimated 2021-22 corn use raises questions over whether we'll get sufficient demand to sustain prices at elevated levels, and seasonal tendencies are weaker through harvest. Be prepared to sell on a push above the \$6.00 level, as price spikes above that level have proven to be short-lived.

AVERAGE CORN BASIS (SEPTEMBER)



CORN EXPORT BOOKINGS (MMT)



Position Monitor

| | '21 crop | '22 crop |
|-----------------------|----------|----------|
| Cash-only: | 70% | 20% |
| Hedgers (cash sales): | 70% | 20% |
| Futures/Options | 0% | 0% |

Game Plan: On Aug. 13, we advised selling another 10% of 2021-crop in the cash market and forward-selling another 10% of expected 2022-crop for harvest delivery next year. Spring wheat growers should adjust according to crop potential.

WHEAT - Fundamental Analysis

SRW — Nearby futures soared to the highest level since February 2013, putting the \$8 level in sight. USDA's bullish data uncorked additional upside potential, and it's hard to say how long or far this rally will play out. We see the price rally as an opportunity to increase sales.

DAILY SEPTEMBER SRW WHEAT

A close above contract-high resistance at \$7.67 1/2 would have bulls targeting \$8.00 (not marked).



Position Monitor

| | '20 crop | '21 crop |
|-----------------------|----------|----------|
| Cash-only: | 95% | 40% |
| Hedgers (cash sales): | 95% | 40% |
| Futures/Options | 0% | 0% |

Game Plan: Get current with advised old- and new-crop sales. Given the seasonal tendency for price pressure during August, you should be prepared to finish old-crop sales and increase new-crop sales on a move into the upper end of the broad trading range. Given the long-term outlook, we wouldn't make panic sales near the bottom of that range. Bottom line: Sell strength, not weakness.

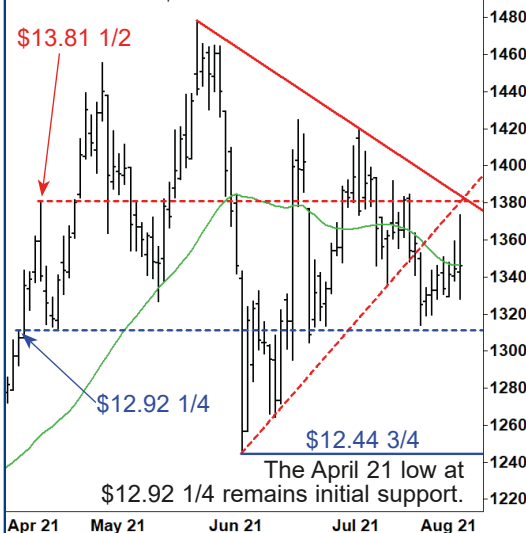
DAILY NOVEMBER SOYBEANS

Stiff resistance near \$13.75 is marked by the intersection of recent trendlines.



DAILY JANUARY SOYBEANS

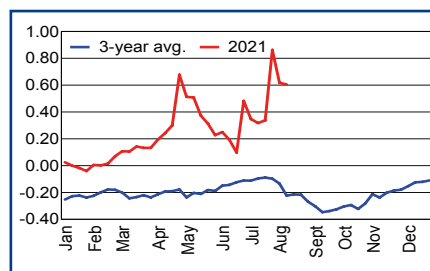
The intersecting trendlines reinforce resistance at \$13.81 1/2.



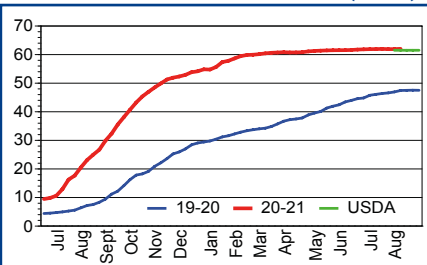
SOYBEANS - Fundamental Analysis

USDA estimated the U.S. soybean crop at 4.339 billion bu., which was lower than expected. USDA cut old-crop exports and crush, which raised 2020-21 carryover by 25 million bu. and helped offset the smaller-crop forecast. As a result, projected ending stocks for 2021-22 were left unchanged at 155 million bushels. Based on current forecasts, Midwest weather into late August isn't expected to significantly change. China and unknown destinations (also China?) were active buyers of U.S. new-crop soybeans ahead of USDA's reports. USDA reported seven straight days of export sales totaling 1.711 million metric tons from Aug. 5-13.

AVERAGE SOYBEAN BASIS (NOVEMBER)



SOYBEAN EXPORT BOOKINGS (MMT)



DAILY SEPTEMBER HRW WHEAT

Resistance persists at the contract high of \$7.67 1/2 (not marked).

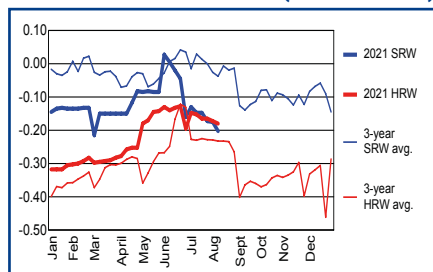


DAILY SEPTEMBER HRS WHEAT

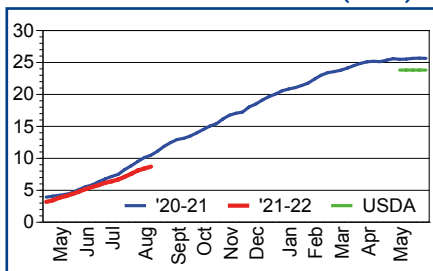
Continuation resistance above \$9.44 1/2 is at \$9.66 1/4.



AVERAGE WHEAT BASIS (SEPTEMBER)



WHEAT EXPORT BOOKINGS (MMT)



HRW — Nearby futures jumped to the highest level since May 2014 as USDA cut its all-U.S. wheat harvest estimate to a 19-year low. With weather woes shrinking global ending stocks to a five-year low, further market upside is possible. But as with SRW, we believe the price rally represents a selling opportunity.

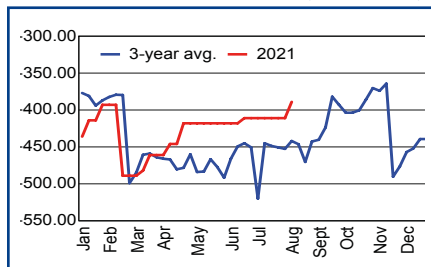
HRS — USDA's numbers weren't quite as bullish for the spring wheat market, but HRS still joined the rally as nearby futures reached the highest levels since November 2012. Wheat's general renewed bullish vigor raises prospects for HRS futures to push further above the \$9.50 mark, perhaps near the \$9.75 to \$10 range.

Position Monitor

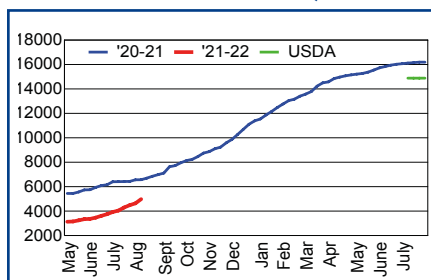
| | '21 crop | '22 crop |
|-----------------------|----------|----------|
| Cash-only: | 75% | 0% |
| Hedgers (cash sales): | 75% | 0% |
| Futures/Options | 0% | 0% |

Game Plan: On Aug. 10, we advised selling another 15% of expected 2021-crop production. Our target for more sales is 95.00¢ in December cotton.

AVERAGE COTTON BASIS (OCTOBER)

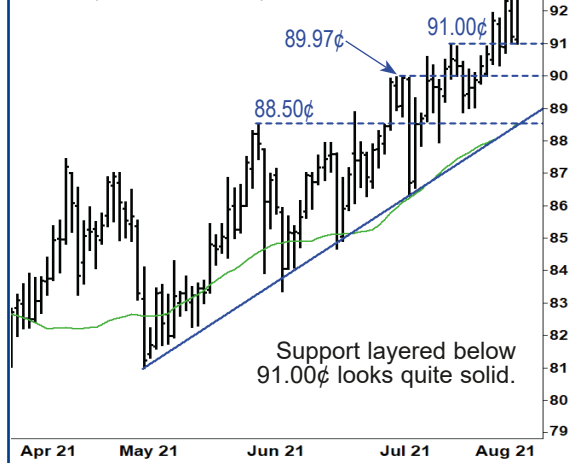


COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON

Psychological resistance at 95.00¢ is backed by the June 2018 high at 96.50¢ on the continuation chart (neither marked).



COTTON - Fundamental Analysis

Export sales for the first week of the new cotton crop year reached 342,700 bales, and weekly shipments were above average. Futures initially stalled on the export data, but surged after USDA estimated the 2021 U.S. crop at 17.3 million bales, well below expectations at 18.2 million.

GENERAL OUTLOOK

COMMODITIES: The commodity sector has proven quite strong in 2021, especially amidst the big spring inflation scare. Lumber prices nearly tripled former records, soybeans were at eight-year highs and crude oil rallied to its highest levels since 2014.

The inflation concerns that fueled those moves have diminished, causing futures prices to pull back. However, as the chart shows, the commodity indexes

recently reached six-year highs. Consumer demand remains robust, so more generalized price strength seems likely. Commodity inflation is apparently here to stay.

And yet, as the highs seen early in the past decade show, current price strength is well below the levels reached by the commodity sector 8 to 10 years ago. This also illustrates commodity market potential going forward.

WEEKLY BLOOMBERG COMMODITY INDEX



FROM THE BULLPEN By Market Economist Dan Vaught

August hog futures looked set to expire around \$110.00 last Friday, whereas the October contract was trading around \$86.475. That \$23.53 difference smashes the former record size of the expiration spread at \$19.575 from 2014. *Is the indicated pessimism about the fall hog outlook justified?* We doubt it.

The August to October spread has been larger than \$15.00 at expiration only three times since 1980. In both 2014 and 2011, the October contract rallied significantly from mid-August levels to its mid-October expiration. The other year of large discounts (2017) saw October futures decline even farther.

The fall lows of the past six years were vastly lower than those projected

by October and December 2021 futures, but there are good reasons to think those prices are overly pessimistic.

Red meat demand has clearly surged in 2021, as indicated by both beef and pork cutouts reaching their second-highest levels on record, behind last year's Covid-driven spike and the 2014 PEDV crisis, respectively. The recent beef-led rebound from early-summer lows indicates strong demand persists. Beef should keep boosting pork.

Finally, U.S. ham stocks are running far below normal while fall hog kills are expected to decline 3% annually, which implies a shortage during the holiday season. These factors should support hog prices as packers try to build stocks.

WATCH LIST

- Pro Farmer Crop Tour** MON 8/16 - THURS 8/19
Daily results on profarmer.com.
- USDA Crop Progress Report** MON 8/16
Corn, bean conditions the focus. 2:00 p.m. CT
- USDA Weekly Export Sales** THURS 8/19
Export sales to China are key. 7:30 a.m. CT
- Pro Farmer crop estimates** FRI 8/20
Our corn, soybean crop estimates. 1:30 p.m. CT
- USDA Cattle on Feed Report** FRI 8/20
Feedlot numbers below year-ago. 2:00 p.m. CT

Free Crop Tour meetings!

Stream or attend the nightly Crop Tour meetings Aug. 16-19 for live results, scout observations and historical analysis.

Register for free: www.profarmer.com/register.