



News this week...

- 2 – Canada raises wheat crop forecast, despite drought.
- 3 – Biofuels a major battleground in Washington.
- 4 – The great divide in Midwest crop conditions this year.

Grains fade late-week – December corn futures got within a half cent of filling the July 6 chart gap before pulling back. November soybeans pulled back after failing to clear the July 1 high to open the week. December corn is holding near the middle of the huge May trading range and November beans are around the midpoint of their wide June price range as traders weigh crop prospects in the better areas against those where drought is entrenched. Spring wheat futures shot to their highest price since November 2012 before pulling back. While crop prospects continue to dwindle, at some point the market will have factored in the crop losses. Cash cattle prices softened last week, but futures paused given their discounts. Hog futures continued their price recovery from the June lows as traders narrowed the discounts to the cash index.

Status-quo weather for Corn Belt

Heat and dryness will continue across the Northern Plains and northwestern Corn Belt this week, while conditions are expected to be generally favorable in other areas. Some rains could move into the Corn Belt in the first week of August, though crops will likely remain stressed in the dry areas.

Canadian crops wilt amid drought

World Weather Inc. expects scattered rains over Canada's southern Prairies this week. But Saskatchewan's ag ministry warns, "Any rain received now will not help increase crop yield but it will help maintain yields through the heat."

Barge rates signal big grain shipments

The three-month barge rate on the Illinois River is screaming higher, indicating an expected surge in grain shipments. An industry source tells us, "Although there are plenty of covered barges, river elevators really feel the need to lock in rates. This is typically a sign of forward export sales. What we don't know is if the forward sales are part of a huge program or a high percentage of exports are already forward sold. This throws cold water on the large cancellations theory."

Beef stocks signal strong demand

Frozen beef stocks totaled 398.7 million lbs. at the end of June, the lowest level for the month in seven years and 7.8% below the five-year average. Beef stocks dropped 4.3% in June even as beef production increased 8.5%, signaling demand continues to easily outpace supplies.

June 30 pork stocks at 442.1 million lbs. were 3.9% under last year and 20.7% below the five-year average. Pork inventories dropped 4.4% in June, slightly less than the five-year average, as pork production rose 8.9% for the month.

Odds rise for Senate infrastructure deal

At least 11 Republicans say they will vote for the \$579 billion physical infrastructure deal (\$1.2 trillion in total). But any deal could face resistance from Democrats, and lawmakers are still debating how to pay for the spending increases.

'Right to repair' a major issue for ag

The Federal Trade Commission (FTC) "right to repair" policy statement says, "Restricting consumers and businesses from choosing how they repair products can substantially increase the total cost of repairs, generate harmful electronic waste and unnecessarily increase repair wait times." FTC says it plans to:

- "Prioritize" inquiries into "unlawful repair restrictions."
- "Scrutinize restrictions for violations of antitrust laws."
- Look at whether repair restrictions violate the FTC Act.

This could change the landscape in agriculture relative to equipment fixes. An FTC official said, "Farmers have been blocked from an open repair market, which can lead to spoiled crops and missing out on critical income."

More aid coming, but some missing

The Biden administration has committed \$7.3 billion in Covid aid to farmers since March. USDA also has \$6 billion earmarked for the Build Back Better program to strengthen the food system, including \$650 million to expand meat processing capacity. USDA Secretary Tom Vilsack says, "The goal is to get as much of this done in 2021 as possible." USDA said it would provide aid to contract growers, but so far has only announced funds for poultry, not hogs.

Boozman challenges CRP incentives

John Boozman (R-Ark.), ranking member on the Senate ag panel, voiced his concerns with USDA's incentives to drive more CRP participation in a letter to Vilsack. Boozman says USDA's boost in payment rates violate provisions of the 2018 Farm Bill. Defenders of the move note that language allows discretionary incentives that "encourage owners and operators of eligible land to participate in the program."

Ag panel to vote on more WHIP+

The House Ag Committee is scheduled to vote on a WHIP+ bill covering 2020 and 2021 ag disasters this week. Of note will be how the program changes to make it more flexible and less complex. Another key: Funding levels and whether the language will say "such sums as necessary."

Spring wheat continues to deteriorate

USDA lopped another five percentage points off its “good” to “excellent” rating for the U.S. spring wheat crop, dropping it to just 11% as of July 18. The amount of crop rated “poor” to “very poor” jumped eight points to 63%. Ratings in top producing North Dakota, which accounts for roughly half of the U.S. spring wheat crop, basically are the same as the national numbers, with 11% of the crop rated in the top two categories and 64% in the bottom two.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the spring wheat crop plunged another 20.9 points, paced by an 11.5-point dive in North Dakota. The spring wheat CCI rating was 38.1% below the five-year average for the date.

Canada raises its wheat crop forecast

Agriculture and Agri-Food Canada (Ag Canada) in its WASDE-equivalent report raised its Canadian all-wheat yield forecast by 371,000 metric tons (MT) from last month to 31.4 million metric tons (MMT). Ag Canada cut its barley production forecast by nearly 1.1 MMT to 10.9 MMT and its canola crop peg by 165,000 MT to 19.9 MMT. All three crop forecasts are well above private estimates. “Downward pressure on yields is possible as drought persists in most of the Prairies,” Ag Canada wrote, noting there is “cause for significant uncertainty at this time in the growing season.”

Mike Jubinville with Canada-based MarketsFarm responded, “For a moment I questioned my own estimates. But since then I talked with farmers, grain company guys in the field and other analysts and there was 100% consensus: Ag Canada is dead wrong. The numbers are not survey based. And Ag Canada probably won’t venture too far until Statistics Canada announces its farm-survey results on Aug. 30.”

Jubinville concludes, “I’m still using a canola production number of 17 MMT and all Canada wheat (spring, winter, durum) around 26 MMT... and there are a lot of guys lower than that! There are traditional buyers of Canadian grains/oilseeds who are not going to get their orders filled in the year ahead because the crop is not there.”

Hay output signals major crop losses

Hay yields in the U.S. Northern Plains and Canadian Prairies are very poor this year due to widespread drought. Decent years usually produce roughly three to four large round bales per acre. The “ballpark” average this year (mainly from North Dakota), according to industry sources, is only one round bale per 2.3 acres.

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Major flooding in central China

Extreme rains fell from western Hebei and far eastern and southern Shanxi southward through northeastern Hubei, all of Henan, much of Anhui and northern Jiangxi in central China. Some areas were deluged with more than 30 inches of rain in a 24-hour period and more than 40 inches in five days, resulting in massive flooding in the important agricultural region of the Yellow River Basin.

World Weather Inc. estimated the area impacted by the worst conditions encompassed about 91,000 square miles — nearly the equivalent of Illinois and Indiana combined. The heaviest-hit areas produce 17% of China’s corn, 37% of its groundnuts (peanuts), 4% of its soybeans, 3% of its rice and 9% of its barley. When including the surrounding areas, flooding occurred across an area that produces 40% of China’s groundnuts, 21% of its corn and 14% of its soybeans.

Henan is also China’s second largest hog producing province and the largest pig exporter within the country. It is also the top egg producing province in China.

Typhoon to hit China’s east coast

Typhoon In-Fa was expected to bring several waves of heavy rains to northern Zhejiang along China’s east coast. Even though some crop losses are expected, the overall impact to China’s crop production will be small as this is a minor agricultural area.

Argentina to halve biodiesel blend rate

Argentine lawmakers passed a law lowering the minimum amount of biodiesel in diesel sold to the public from 10% currently to 5%, with the possibility that percentage could slide to 3%. Argentine President Alberto Fernandez backs the bill and is expected to sign it by month-end.

The head of Argentina’s Carbio biofuel industry chamber, says with the blend at 10%, Argentina consumed around 1 MMT of biodiesel each year. Under the new law, that volume would be at least halved, significantly increasing the volume of soyoil available for export.

Brazil to raise biodiesel blend rate

Brazil lowered its biodiesel blend rate to 10% from 13% for several months given high vegoil prices. But the Brazilian government has reconsidered that decision and will increase the biodiesel blend rate to 12% for September and October. Brazil’s soy crush industry is pushing to increase the blend back to 13% for November and December, 14% in March 2022 and 15% by the end of 2022.

One of the unintended consequences when the Brazilian government decided to reduce the biodiesel blend rate was that soy processors reduced their crush pace, which resulted in less soybean meal and higher prices for livestock producers.

Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Chickasaw Co. (northeast) Iowa:

"Crops look darn good considering the weather we've had. Corn shot from waist high to tasseling in the past couple of weeks with some rains. We're actively spraying fungicide. There's hardly any insect or disease pressure."

Delaware Co. (northeast) Iowa:

"This looks like it could be the best corn crop I've raised. Crops look so good, I'm hesitant to say too much."

Humboldt, Kossuth Cos. (north-central) Iowa:

"Things look good around here since we got rain. We've had eight inches since June 25, but the creeks barely went up. Lot of fungicide going on this week. Many farmers weren't going to put any on, but after the rain attitudes changed. We're mowing the lawn again, and that's always a good sign. We're going to get a crop now. Some areas west, south and north of us didn't get the rains we did."

Decatur Co. (south-central) Iowa:

"I've been traveling from Iowa to Ohio for 35 years. This is the most messed up soybean crop I've ever seen. The stunted beans often display a white stinky narrow top growth and a Christmas tree shape to the bottom. Most affected seem to be no-till and later planting dates."

Richland Co. (southeast) Illinois:

"Tennessee is looking like a monster crop. I drove from Chattanooga to Nashville and then north on the Pennyriple Parkway in western Kentucky. Probably the best corn crop I've seen in the last 30-plus years in that area!"

Deuel Co. (western) Nebraska:

"Wheat harvest is into the home stretch. Corn and sorghum are holding up well given the dryness."

Nemaha Co. (southeast) Nebraska:

"Looks like easily the best corn crop we've ever raised if it rains sometime in the next two to three weeks. April 5 planted beans are about waist-high and have some pods developing on the bottom half of the plant."

Southeast Nebraska:

"I drove I-70 across Missouri. Lots of yellow and stunted, short crops. Clearly too much water in many places."

Hennepin Co. (east-central) Minnesota:

"Corn stalks are about half the size they should be and already browning. It's really sad."

Northeast Missouri:

"We had 32 to 40 inches of rain since April 1 – 17 to 27 inches the past 30 days. Most everything planted in the first half of May was replanted in June due to all of the rain. Crops planted in April look really good as they were able to get going before the big rains. We had a similar amount of rain on our farms in north-central Missouri near the Iowa border, but things look better due to the much steeper terrain that drains better. On our farms in the bootheel, it's been dry except three to six inches recently. Had center pivots running hard before the rains. Corn and soybeans look really good there."

White House delays RFS proposals

The Biden administration has delayed its annual rulemaking process regarding its biofuel blending mandates under the Renewable Fuel Standard (RFS) for 2021 (2022 for biodiesel), *Reuters* first reported. While *Reuters* noted "political concerns" for the delay, the series of recent court decisions that have gone mostly against the U.S. biofuel industry may be the biggest factor.

The report indicated the White House is "hoping to take control of the matter," something the Trump administration failed to do, amid stepped-up pressure from lawmakers on both sides of the issue. This underscores that politics are alive and well in renewable fuels.

Given this apparent delay and the processes needed to finalize the RFS levels — a proposed rule in the Federal Register with a comment period and then a final proposal developed and published — the 2021 biofuels and 2022 biofuel levels are unlikely to be finalized by the Nov. 30 statutory deadline. But this "deadline" has been missed multiple times in the past without any consequences.

Low odds of ending ethanol mandate

Senators Pat Toomey (R-Pa.), Dianne Feinstein (D-Calif.), Susan Collins (R-Maine) and Bob Menendez (D-N.J.) introduced the Corn Ethanol Mandate Elimination Act, which would end the 15-billion-gallon conventional (primarily corn-based) ethanol requirement under the RFS. The measure frames the effort as a bid to reduce carbon emissions from transportation fuels by only removing the corn-based ethanol component and leaving the volume obligations in place for advanced and cellulosic biofuels and biodiesel. The lawmakers pointed to issues that have been debunked by the ethanol industry, including that corn-based ethanol raises food costs. They also are arguing the measure would lower carbon emissions despite new studies showing ethanol production has a favorable carbon impact.

This measure has very low odds of passing. While it was introduced by a mix of Democrats and Republicans, no farm-state lawmakers joined in the sponsorship.

Bill to permit year-round E15 sales

Senators Deb Fischer (R-Neb.) and Amy Klobuchar (D-Minn.) reintroduced the Consumer and Fuel Retailer Choice Act, a bill that would extend the Reid vapor pressure (RVP) volatility waiver to ethanol blends above 10%. The measure would allow retailers across the country to sell E15 and other higher ethanol blends year-round. This comes after a D.C. Circuit court struck down the Trump administration's waiver permitting year-round sales of such fuels. An effort will be made to roll the measure into an infrastructure package as it's unlikely to clear on its own.

The great divide is even greater this year

By Editor Brian Grete

Trusted Analysis. Professional Insight.

Every year there's somewhat of a divide between the so-called "haves" and the "have-nots" — those that receive ample and timely rains and those where weather conditions are unfavorable. The divide is greater than normal this year given the extreme drought in the northwestern Corn Belt and the generally favorable conditions in other areas of the Midwest, Mid-South and Delta.

Corn conditions remain slightly subpar

USDA rated 65% of the U.S. corn crop "good" to "excellent" as of July 18, unchanged from the week prior and a point lower than analysts expected. The amount of crop rated "excellent" did edge a point higher to 15%. But the amount of crop rated "poor" to "very poor" also climbed a point to 9%. On the weighted *Pro Farmer* Crop Condition

Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop improved 1.7 points to 368.5 points. That was 4.0 points (1.1%) below the five-year average for mid-July. A 1.1% reduction from USDA's trendline would project the yield at 177.5 bu. per acre.

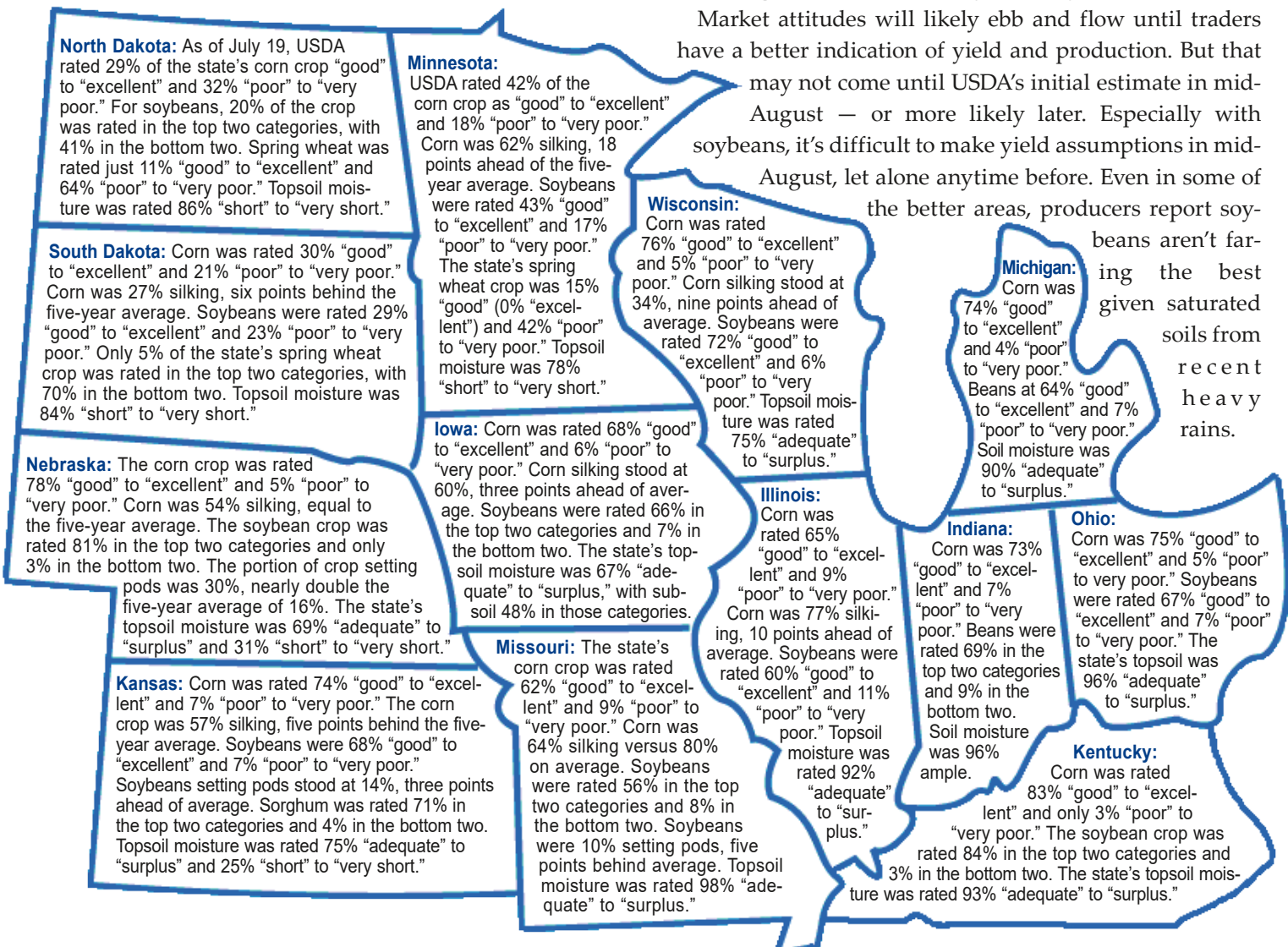
Soybean conditions improve marginally

USDA raised its "good" to "excellent" rating for the soybean crop by a point to 60%, while the amount of crop rated "poor" to "very poor" held steady at 11%. On our weighted CCI, the soybean crop firmed 0.4 point to 352.3 points. That was 2.0% below the five-year average. A 2.0% reduction from USDA's trendline would project the soybean yield at 49.8 bu. per acre.

Don't expect an 'answer' on yields anytime soon

Market attitudes will likely ebb and flow until traders have a better indication of yield and production. But that may not come until USDA's initial estimate in mid-August — or more likely later. Especially with soybeans, it's difficult to make yield assumptions in mid-August, let alone anytime before. Even in some of

the better areas, producers report soybeans aren't faring the best given saturated soils from recent heavy rains.

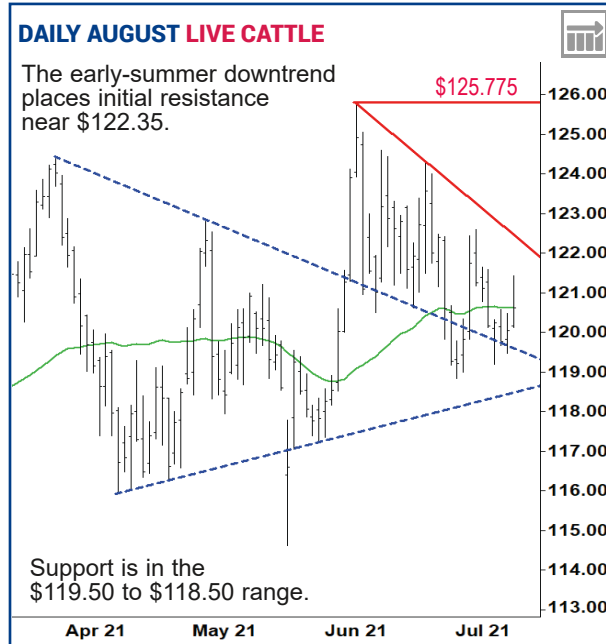
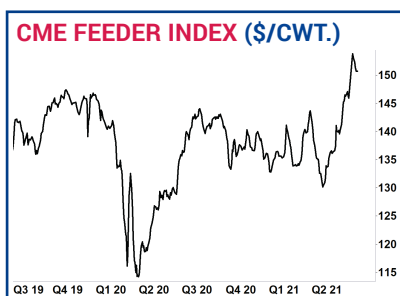


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CATTLE - Fundamental Analysis

With cattle slaughter likely to average around 650,000 head per week until Labor Day, the price outlook may depend upon short-term beef demand. The Choice cutout seemed to stabilize just above the former record from 2015, but could still move in either direction. Resurgent consumer demand could power a fresh advance, whereas summer demand doldrums often depress the complex. We think late-summer cash cattle prices will stay above late-spring lows around \$120.00. Meanwhile, the weather market in corn futures could again increase volatility in feeder prices.

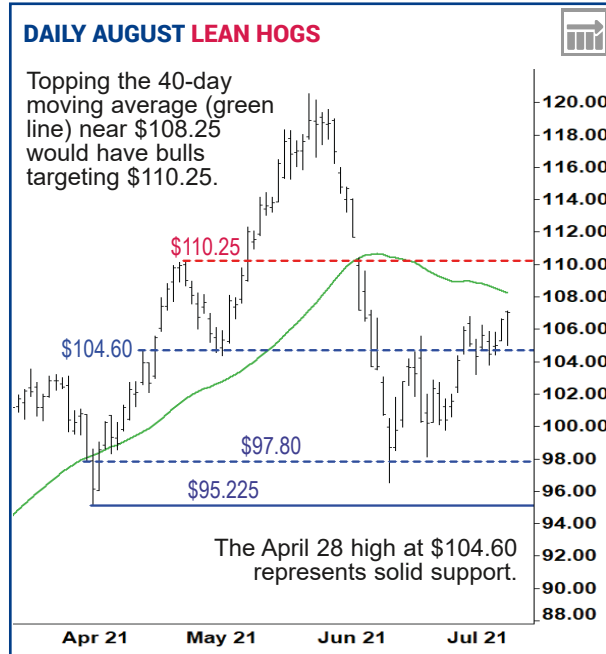
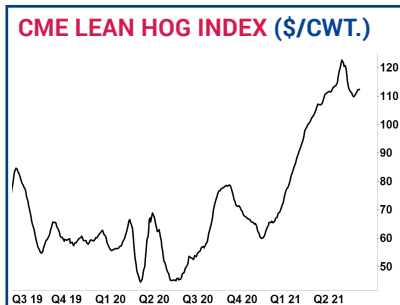
Position Monitor			
Game Plan:	Feds Feeders		
We see limited downside risk from current levels for live cattle futures. But be prepared to add hedges on an extended corrective price recovery.	III'21	0%	0%
	IV'21	0%	0%
	I'22	0%	0%
	II'22	0%	0%



HOGS - Fundamental Analysis

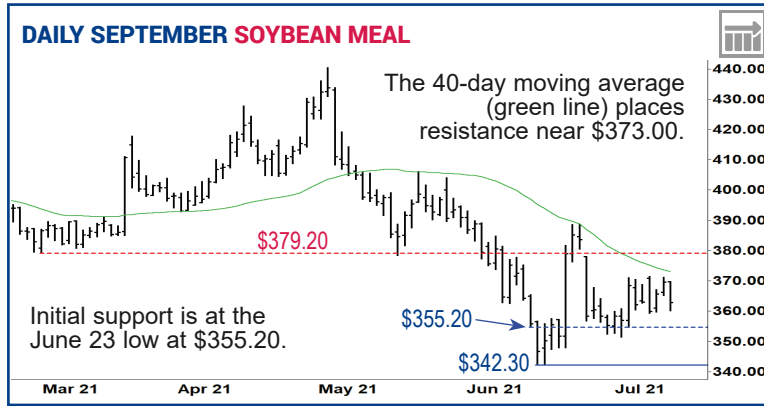
Seasonal factors regularly send hog prices lower from summer highs (see "From the Bullpen" on *Analysis* page 4), but slaughter rates have not increased as significantly as they often do in mid- to late July. Also, recent strength in ham and pork belly prices has seemingly confirmed anticipated support stemming from reduced stockpiles. These conditions suggest hog futures will continue narrowing their discount to late cash quotes over \$112.00, then turn downward as slaughter rates begin their usual late-year surge in mid-August. We view such short-term gains as potential hedging opportunities.

Position Monitor			
Game Plan:	Lean Hogs		
Carry all risk in the strengthening cash market for now. Be prepared to add fourth-quarter hedges when the rebound in cash or October hogs stalls.	III'21	0%	0%
	IV'21	0%	0%
	I'22	0%	0%
	II'22	0%	0%



FEED

Feed Monitor			
Corn			
III'21	83%	Corn Game Plan: On July 21, we advised covering the remaining 50% of August corn needs in the cash market. You should already have 50% of September needs covered.	
IV'21	0%		
I'22	0%		
II'22	0%		
Meal			
III'21	92%	Meal Game Plan: On July 21, we advised covering the remaining 25% of August meal needs in the cash market. You should already have 75% of September and 25% of fourth-quarter needs covered in cash.	
IV'21	25%		
I'22	0%		
II'22	0%		



Position Monitor

	'20 crop	'21 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	30%
Futures/Options	0%	0%

Game Plan: December futures have pushed above our sales target, but we want to let the price recovery from the July low extend as far as it can before increasing sales given the hot, dry forecast into at least early August. We still view rallies as selling opportunities, so be prepared to increase 2021-crop sales when the price rebound runs out of steam, especially if that's near \$6.00 in December futures.

DAILY DECEMBER CORN



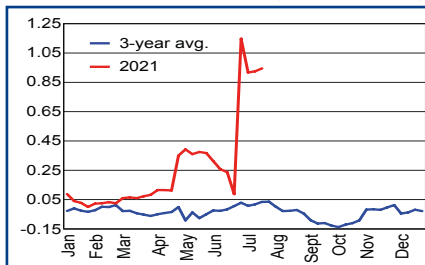
DAILY SEPTEMBER 2021 CORN



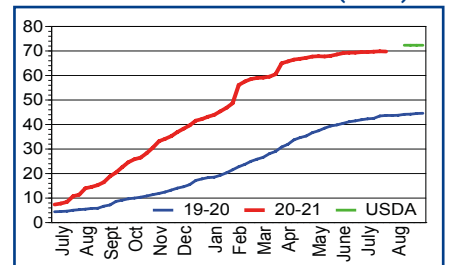
CORN - Fundamental Analysis

A "Goldilocks" effect of sorts seems to have taken hold in recent weeks — not too close to \$6, not too close to \$5. For now, the middle of that range feels "just right" to traders. But August weather and USDA's first crop estimate in the Aug. 12 Crop Production Report will determine which end of the range gets tested — possibly both. Technicals have firmed, with December trading above the 100-day moving average for nearly two weeks. Much of the U.S. crop should cruise through pollination, but the market can't shake persistent dryness in the northwest Corn Belt and decent but stubbornly static condition ratings. Still, history implies late-summer price declines, so look to sell rallies.

AVERAGE CORN BASIS (SEPTEMBER)



CORN EXPORT BOOKINGS (MMT)



Position Monitor

	'21 crop	'22 crop
Cash-only:	60%	10%
Hedgers (cash sales):	60%	10%
Futures/Options	0%	0%

Game Plan: You should get current with advised sales. The spring wheat market is signaling it may have the bulk of the crop losses built into prices. Be prepared to advance sales if the market signals a top has been posted.

DAILY SEPTEMBER SRW WHEAT



WHEAT - Fundamental Analysis

SRW — Winter wheat's brief July rally appeared to come to an abrupt halt the past week. If the recent gain in exports is sustained, September SRW could revisit the two-month high (\$7.18) reached July 20, but corn market direction will have a say as well.

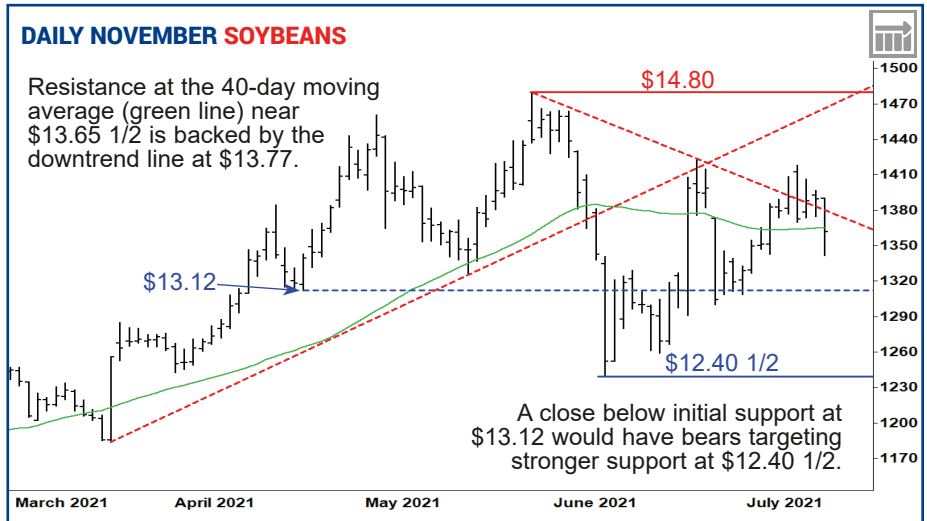
Position Monitor

	'20 crop	'21 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	30%
Futures/Options	0%	0%

Game Plan: With forecasts suggesting hot and dry conditions will last into at least early August, we don't want to get too aggressive with sales. But you should be prepared to increase new-crop sales if futures challenge the contract highs and show signs of stalling. While the long-term outlook is bullish, you should be prepared to use price rallies to advance your new-crop marketings.

DAILY NOVEMBER SOYBEANS

Resistance at the 40-day moving average (green line) near \$13.65 1/2 is backed by the downtrend line at \$13.77.



DAILY AUGUST 2021 SOYBEANS

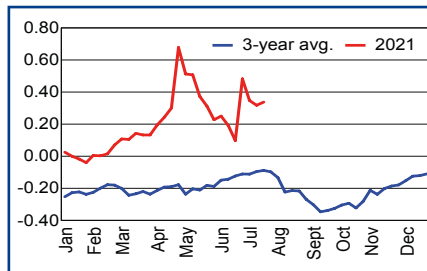
Resistance stems from the 40-day moving average (green line) near \$14.25.



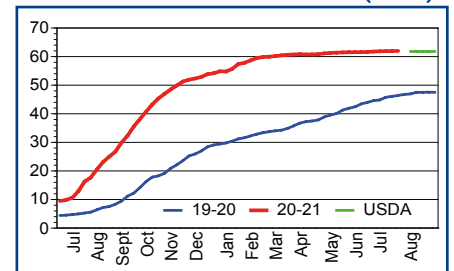
SOYBEANS - Fundamental Analysis

The November contract posted its second weekly decline in the past three, a potential warning sign for market bulls hoping for another run at the June contract highs. Hot weather on top of persistent dryness in the eastern Dakotas and other growing areas remains concerning, and an argument can still be made the market's longer-term uptrend remains intact. But recent export news has been a bit uninspiring, and upside momentum appears to be waning, as often happens this time of year. USDA's Aug. 12 Crop Production Report looms as a tone-setter for the remainder of summer, though weather during the podding and filling period will have a say over price direction.

AVERAGE SOYBEAN BASIS (AUGUST)

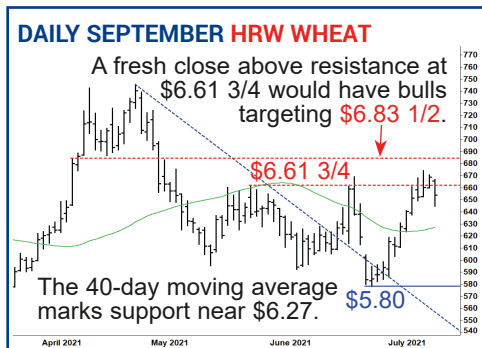


SOYBEAN EXPORT BOOKINGS (MMT)



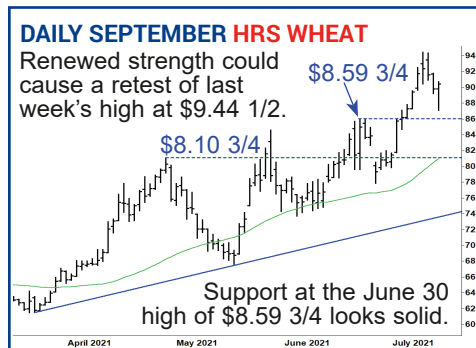
DAILY SEPTEMBER HRW WHEAT

A fresh close above resistance at \$6.61 3/4 would have bulls targeting \$6.83 1/2.

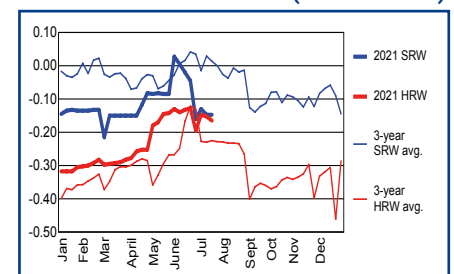


DAILY SEPTEMBER HRS WHEAT

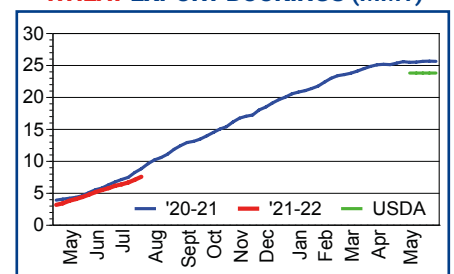
Renewed strength could cause a retest of last week's high at \$9.44 1/2.



AVERAGE WHEAT BASIS (SEPTEMBER)



WHEAT EXPORT BOOKINGS (MMT)



HRW – Harvest pressure is winding down, putting winter wheat markets at somewhat of a crossroads. Exports have perked up, for now, and HRW futures should end July in a much stronger technical posture than they began the month. But continued price declines in spring wheat or in corn could stifle HRW rallies.

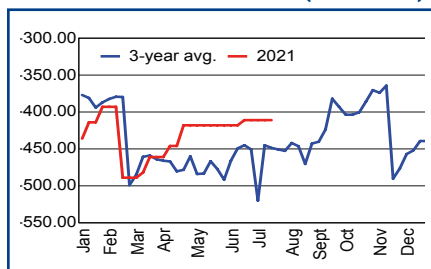
HRS – Prices reached the highest level on the continuation chart in nearly nine years, then promptly sold off. Questions of where additional bullish fuel will come from suggest the spring wheat market may have established a top, at least for the near-term. With just 11% of the crop rated “good” to “excellent,” there isn't much downside left.

Position Monitor

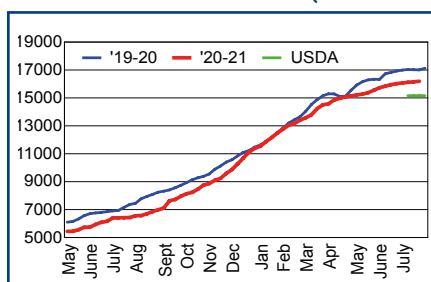
	'20 crop	'21 crop
Cash-only:	100%	60%
Hedgers (cash sales):	100%	60%
Futures/Options	0%	0%

Game Plan: Get current with all advised sales. Our target for increasing 2021-crop sales is around the 95.00¢ area in December futures.

AVERAGE COTTON BASIS (OCTOBER)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON



COTTON - Fundamental Analysis

The latest USDA export sales data confirmed robust overseas demand as weekly new-crop cotton sales topped 250,000 bales and shipments reached 246,100 bales. December cotton made new highs, showing the market remains well supported, despite improved crop prospects.

GENERAL OUTLOOK

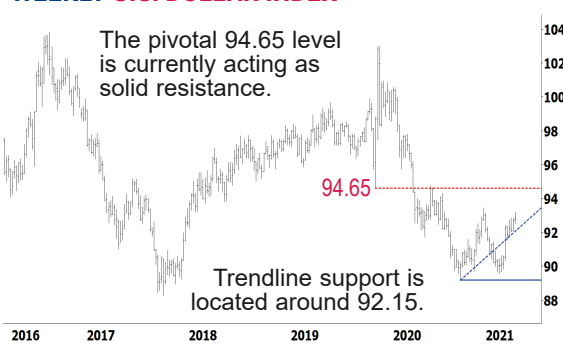
CURRENCIES: Some ask, *if inflation is on the rise and tapering talk is making headlines, then why are U.S. Treasury yields heading lower?* "It's because of all the liquidity in the system," DoubleLine Capital's Jeffrey Gundlach told CNBC. "Banks are so flush with deposits" that it is confounding the broader financial markets.

"Ultimately, the size of our deficits – both trade deficit, which has exploded post-pandemic, and the budget defi-

cit, which is, obviously, completely off the charts – suggest that in the intermediate term ... the dollar is going to fall pretty substantially," said Gundlach, the so-called bond king.

But hasn't the dollar gone up over the past month? "In the short term, the dynamics have been and will continue to be ... for the dollar to be marginally or moderately stronger. In the longer term, I think the dollar [is] doomed."

WEEKLY U.S. DOLLAR INDEX



FROM THE BULLPEN By Market Economist Dan Vaught

Historical patterns imply a \$13.00 cattle rally from a summer low to the cash market high the following spring. Given the June cash bottom around \$120.00, April 2022 live cattle futures trading around \$138 seem a bit overpriced.

However, the Choice cutout is currently around \$265.00, which is quite comparable to the pre-2020 record near \$263 from spring 2015, when fed cattle prices had recently fallen from their all-time peak near \$172.00. This suggests great upside price potential if the vigorous consumer demand that powered spring 2021 gains persists into next year.

Ultimately, that might not happen, since sizable futures premiums will encourage feedyard managers to

increase replacement buying and delay fed cattle marketings. Such conditions often lead to disappointing cash market performance the following year.

In contrast, fourth quarter hog futures are trading at large discounts to current cash prices. With the CME lean hog index currently above \$112.00, the October and December contracts settled at \$91.725 and \$85.00, respectively, on July 22. Given 10-year average cash losses from mid-July to mid-October and mid-December of \$11.09 and \$18.48, respectively, current futures quotes seem quite low. But the fourth-quarter low has averaged just \$52.39 over the past six years, indicating the potential for extreme downside risk.

WATCH LIST

- 1 USDA Crop Progress Report** **MON 7/26**
Focus is on corn, HRS ratings. 3:00 p.m. CT
- 2 EIA Ethanol Production Report** **WED 7/28**
Ethanol use outpacing USDA's peg. 9:30 a.m. CT
- 3 FOMC Meeting Concludes** **WED 7/28**
Scaling back bond buys in focus. 1:00 p.m. CT
- 4 USDA Weekly Export Sales** **THURS 7/29**
Sales likely to remain slow. 7:30 a.m. CT
- 5 Chinese Official PMI** **FRI 7/23**
Manufacturing data for July. 8:00 p.m. CT

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