



News this week...

- 2 – Spring wheat keeps declining, corn and beans slip.
- 3 – Beef herd contraction more aggressive than thought.
- 4 – Special Report: What's needed to improve USDA data.

Corn and beans chop, wheat firms – December corn and November soybean futures were unable to sustain price strength from earlier in the week. Both markets sold off Friday to close out July as needed rains fell on some dry areas of the western Corn Belt. Trade will continue to ebb and flow with weather, suggesting price action is likely to remain choppy. Wheat futures also faced pressure Friday but were higher for the week. Confirmation of poor spring wheat yields from the Wheat Quality Council's crop tour and easing seasonal pressure on the winter wheat markets attracted fresh buying. Cattle futures rallied in response to the bullish Cattle Inventory Report (see [News](#) page 3) but gave back some of the gains through the week. Fund liquidation of long positions weighed on lean hog futures.

Only brief relief for western Midwest

Areas of the western Corn Belt received some needed rains to close out July, which provided temporary relief from moisture stress. While temps will briefly ease, conditions are expected to remain mostly hot and dry across the western Corn Belt for at least the next 10 days. Mostly favorable weather is expected in the eastern Corn Belt and South.

Tour: HRS yield 33% below average

The Wheat Quality Council HRS tour found an average yield of 29.1 bu. per acre, 33% below the 2015-19 average of 43.6 bu. per acre and the tour's lowest yield on records back to 1993. Harvested acres remain a question mark.

ASF found in Dominican Republic

USDA confirmed African swine fever (ASF) in samples from pigs in the Dominican Republic. The U.S. already bans pork imports from the Dominican Republic but has increased inspections of travelers from the country.

Cattle market could get more bullish

The July 1 U.S. beef herd shrunk to the smallest since 2015 (see [News](#) page 3). Beef numbers are falling at a time when USDA has pledged aid to expand meat processing capacity and Congress has ramped up its focus on packer pricing.

Higher inputs prices could be coming

China will temporarily suspend some fertilizer exports to ensure domestic supplies. Coupled with another antidumping, countervailing duty investigation on Russian fertilizer, farmer inputs prices could (and likely will) increase.

U.S. Q2 GDP short of expectations

The U.S. economy expanded 6.5% in the second quarter, up from 6.3% GDP in the first quarter but well shy of expectations for 8.4% growth. Economic growth is expected to slow amid a rise in the Delta variant of Covid, along with materials and labor disruptions, though the Fed expects any impacts will weigh less on the economy than the initial outbreak.

No climate payouts in CBO baseline

The Congressional Budget Office (CBO) baseline, which is primarily for budget purposes, does not include any climate-related payments or funding for a carbon bank linked to climate change. That is why some lawmakers are focusing on boosting conservation program spending ahead of the next farm bill so that when CBO puts together the baseline to be used to write the next farm legislation, there will be spots for those programs.

Congress won't do much on new farm bill ahead of elections

Odds favor Republicans taking control of the House after the 2022 midterm elections. They will not want to do any major work on writing a new farm bill prior to the election.

RMA offers drought provisions

Producers will have an additional 60 days to pay crop insurance premiums and administrative fees with interest to be waived for 60 days or until the policy's termination date — whichever comes first. RMA also authorized approved insurance providers to waive interest for another 60 days for written payment agreements due between Aug. 1 and Sept. 30, 2021.

WHIP+ proposal for 2020, 2021

The House Ag Committee cleared a WHIP+/ag disaster bill that would authorize up to \$8.5 billion for eligible 2020 and 2021 disasters. It would make it easier for farmers to qualify for drought losses — being in a county with a USDA disaster designation due to D2 (severe) drought or worse. The measure will likely be linked to a must-pass bill later this year.

Infrastructure bill odds rising, but...

The price tag will eventually drop to win over Senator Krysten Sinema (D-Ariz.) and other moderates like Senator Joe Manchin (D-W.Va.), though funding initiatives for their states will likely provide enough cover for them to vote for the go-it-alone Democratic measure. There may also be a change in the state and local tax (SALT) deduction permits designed to help those making \$400,000 or less annually. But there could be huge hurdles in the House.

Corn, soybean conditions tick down

USDA rated 64% of the U.S. corn crop “good” or “excellent” as of July 25, a one-point dip from the week prior. The amount of crop rated “poor” to “very poor” increased a point to 10%. On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop declined 2.5 points to 366.1 points, paced by losses in Iowa, Minnesota and Nebraska. The CCI rating has dropped 21.9 points since the start of the growing season and was 7.3 points (1.9%) below the five-year average for late July.

USDA’s soybean crop rating dropped two points to 58% “good” to “excellent.” The portion of crop rated “poor” to “very poor” climbed a point to 12%. On our CCI, the soybean crop slipped 1.1 points to 351.2 points, paced by declines in Iowa and Minnesota. The CCI rating has dropped 15.6 points since the start of the growing season and was 9.6 points (2.7%) below average for late July.

Nearly three-quarters of U.S. corn, beans trendline or better

Of the top 18 corn producing states, which account for 92% of U.S. acreage, Crop Consultant Dr. Michael Cordonnier subjectively puts 36.6% “at trendline” and 35.9% “above trendline” for yields. Of the top 18 soybean states, which account for 96% of acres, he places 34.5% “at trendline” and 37.8% “above trendline.” Cordonnier projects yields at 175.5 bu. per acre for corn and 50.0 bu. for soybeans.

Two-thirds of spring wheat P/VP

USDA’s “good” to “excellent” rating for the U.S. spring wheat crop dropped another two points to 9%, while the amount rated “poor” to “very poor” climbed three points to 66%. The spring wheat CCI dropped another 6.4 points to just 216.6 points and was 140.7 points (39.4%) below the five-year average for late July.

USDA reported 3% of the spring wheat crop was cut as of July 25, one point ahead of the five-year average. The harvest pace will accelerate quickly as heat and moisture stress are pushing maturity. One anecdotal report from the “good spot” in Montana noted: “Several hundreds of acres a day are being hayed or zeroed out by crop insurance.”

Cotton crop continues to improve

USDA raised its “good” to “excellent” rating for the cotton crop by a point to 61%. The amount of cotton rated “poor” to “very poor” dropped a point to 8%. On our CCI, the cotton crop improved 1.7 points to 369.7 points, which was 23.5 points (6.8%) above the five-year average.

Brazil’s corn crop faces more damage

A third round of frost/freezes was seen across southern Brazil last week, taking another bite out of the already beleaguered safrinha corn crop. Cordonnier cut his Brazilian corn crop estimate another 2 million metric tons (MMT) to 86 MMT ahead of the latest cold blast. While production losses are severe, crop quality could be the biggest concern on safrinha corn that was still filling. Cordonnier explains, “If these frosts had occurred in the U.S. Corn Belt, it would be the equivalent of three nights of frost in mid-July, then another three nights of even harder frosts the first week of August followed by more frosts the second week of August.” He says it’s uncertain if farmers will be able to sell their poorest quality corn, especially for export.

Argentine corn crop peg increased

Corn yields have consistently come in stronger than expected. As a result, Cordonnier raised his Argentine corn crop estimate by 1 MMT to 48 MMT. The “extra” bushels produced in Argentina this year will likely end up flowing into Brazil to make up for its shortfalls. Brazil is expected to import 4 MMT of corn, mostly from Argentina.

ADM, Bunge note China demand

Archer Daniels Midland CEO Juan Luciano said the world lost 15 MMT of crop production due to bad weather over the past two to three weeks, drawing specific attention to the drought’s toll on Canada’s canola crop. To offset the gap in canola supplies, Luciano commented that China will need to import an additional 2 MMT of soybeans.

In an earnings call, Bunge CEO Greg Heckman said he remains optimistic Chinese demand for corn will stay strong. While China has increased its wheat use in feed rations, he commented that “we think we’re kind of getting to the tail end of that.”

China cancels more U.S. old-crop corn

For the week ended July 22, USDA reported net sales reductions of 119,335 metric tons (MT) to China for 2020-21. That marked the fifth straight week of old-crop corn sales cancellations by China totaling around 425,500 MT. As of July 22, China had 3.608 MMT of unshipped old-crop corn purchases on the books. Given the now-flat price structure between September and December corn, it’s likely China will cancel or roll forward into the 2021-22 marketing year some additional old-crop corn purchases.

It’s no longer a question of if USDA needs to lower its old-crop corn export forecast, but rather by how much. We cut our old-crop corn export forecast by 25 million bu. to 2.825 billion bu. — and that may need to be lowered based primarily on Chinese activity the final five weeks of 2020-21.



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Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Howard Co. (northeast) Iowa:

"We have the 'potential' for a good crop, but we will need some moisture to make it happen."

Cook Co. (northeast) Illinois:

"I just finished a 1,000ish mile trip to all areas of Iowa except the southwest. I saw a lot of stressed and curling crops. I-35 and points west had more stress. Southeast Iowa was the big eye opener for me. Hail damage is under-reported and there are more crop issues due to excess rain."

Marshall Co. (central) Illinois:

"I had a lot of windshield time on my drive to central North Dakota. Minnesota had some real rough areas — as in zeros on corn and very little in beans. Pockets as you get further north and west looked good, but overall they need rain pretty bad. Some of the beans between Fargo and Jamestown still look really good, but corn needs water."

Kandiyohi Co. (central) Minnesota:

"We're watching the slow death of our corn. It's really dry and ears aren't going to amount to anything. It's pretty bleak. Go five miles any direction and crops look better. Go another five miles and they are dry again. Rain has been hit and miss and we struck out."

Dakota Co. (southeast) Minnesota:

"Marginal dryland ground and pivot corners are in that 10-bu.-per-day-loss mode. The heat and wind will finish a lot of it."

Day Co. (northeast) South Dakota:

"We drove a good chunk of eastern South Dakota and it looks like record production for corn and soybeans in many areas. Spring wheat, not so much."

Davison Co. (east-central) South Dakota:

Iowa crop report from RAGBRAI: "From Sac City to Fort Dodge, the only stressed crops I saw were on light soil or poor management — definitely less than 5% of the crop. From Fort Dodge to Iowa Falls, a small area around Webster City looked tough. Plenty of heat stress but crop is looking good yet. From Iowa Falls to Waterloo, crops look good. A little heat stress but zero drought stress."

Grand Forks Co. (northeast) North Dakota:

"Spring wheat crop is very short, thin and has heads that didn't fill. Yields are definitely not what we are used to, with some fields off 80% from APH."

Cass Co. (east-central) North Dakota:

"Spring wheat yields in my area 'better than expected' — some 50s and some 60 bu. to 75 bu. per acre. A field of beans I checked has 65 bu. potential. Corn is all over the board. Going to chop some that will be zero so will take the gravy off the top, but I have fields that can be 200+ bu. — but that's a big maybe."

Yellowstone Co. (south-central) Montana:

"Our HRW yields are on the low end of expectations — about 55% to 60% of APH. Test weight is a pleasant surprise at 58 to 60 pounds. Protein is high at 14% to 16%."

Beef herd contraction accelerates

In its biannual Cattle Inventory Report, USDA estimated the July 1 U.S. cattle herd at 100.9 million head, down 1.3 million head (1.3%) from last year and 800,000 head fewer than the average pre-report estimate implied. The midyear cow herd at 40.9 million head was down 500,000 from July 2020, easily top-

Cattle Inventory	USDA actual (percent of year-ago)	Trade expected
All cattle and calves	98.7	99.5
Calf crop	99.9	99.6
Cows/heifers that have calved		
Total	98.8	99.3
Beef	98.0	98.9
Milk	101.6	101.0
Heifer inventory		
500 lbs. & up	98.8	99.6
Beef replacement	97.7	99.0
Milk replacement	102.5	100.1
Other	97.4	99.8
Steers 500 lbs./up	98.6	99.6
Bulls 500 lbs./up	100.0	98.8
Calves under 500 lbs.	98.6	99.6

ping the 200,000-head annual declines over the two previous years. This indicates the herd liquidation phase has accelerated, which in turn suggests the reductions will continue for another year or two. The beef cow herd fell 650,000 head (2.0%), while the

dairy cow inventory rose 150,000 to 9.5 million head.

USDA predicted the 2021 U.S. calf crop will total 35.1 million head, down just 35,500 (0.1%) from last year's total. But Daily Livestock Report pointed out that in the past two years the July calf crop has been an average of 686,000 head (2.0%) below the final number. Since 2017, USDA's July calf crop estimate has been an average of 526,000 head (1.5%) too low.

Producers held back 4.3 million heifers for beef replacement, the lowest number since 2012 and down 2.0% from last year, suggesting they are trimming herds more aggressively than previously thought. Dairy heifer replacements rose 100,000 head (1.6%).

The supply of feeder cattle as of July 1 was estimated at 36.1 million head, down 600,000 head (1.6%) from a year ago. Beef cattle supplies are shrinking, reflected in the premiums built into deferred live cattle futures.

U.S. feedlot inventory shrinking

USDA estimated there were 11.29 million head of cattle in large feedlots (1,000-plus head) as of July 1, down 148,000 head (1.3%) versus year-ago. The number of steers in big feedyards totaled 6.975 million head, down 0.8% versus last

Cattle on Feed Report	USDA actual (% of year-ago)	Average estimate
On Feed July 1	98.7	99.0
Placed in June	92.9	95.9
Mktd in June	102.7	102.1

year. The number of heifers on feed stood at 4.315 million head, down 2.0%. The total U.S. supply of cattle on feed was 13.4 million head, down 200,000 head (1.5%) from July 2020.

Placements fell 7.1% from year-ago, with the two lightest categories down sharply. Lightweight placements (under 600 lbs.) plunged 19.8% and 6-weights fell 16.1%, reflecting a desire to limit the number of days cattle are on feed. June marketings rose 2.7% compared with last year.

What's needed to improve USDA estimates, forecasts

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

Many are quick to criticize USDA's efforts to estimate U.S. and global crops, stocks, usage, etc., but suggestions for real-time improvement are often limited. We examine legitimate questions the market has about USDA data and offer some suggestions for improvement, based on discussion with long-time sources and colleagues.

Understanding the different functions of WAOB, NASS

Within USDA, there are multiple branches, each responsible for different functions. The World Agricultural Outlook Board (WAOB) produces the monthly World Agricultural Supply and Demand Estimates (WASDE) — the domestic and global “balance sheets.” To produce the report, WAOB manages a system of Interagency Commodity Estimating Committees (ICECs). WAOB senior commodity analysts chair the ICECs that are comprised of representatives from key USDA agencies, including Economic Research Service (ERS), Foreign Ag Service (FAS) and the Farm Service Agency (FSA).

The National Agricultural Statistics Service (NASS) is responsible for U.S. crop and livestock estimates. Besides those survey-based estimates, NASS also conducts the U.S. Census of Agriculture every five years.

Three issues related to NASS' survey methodology

A trend has emerged of declining NASS survey response rates by farmer participants, and some say growing inaccuracy of farmer responses. For most crops, NASS production estimates are based on data collected from farm operations via grower surveys.

The declining survey response impacts more localized or regional estimates first, particularly county-level estimates.

Analysis of NASS data suggests that it is both objective and trustworthy; however, the variability of data as measured by market price reactions to NASS estimates appears to have increased in recent years.

WAOB's balance sheets are more subjective

WAOB relies on ERS for domestic and foreign regional assessments, NASS for U.S. crop and livestock estimates, FSA for farm policy input and Agricultural Marketing Service for domestic market information. The vast network of USDA attachés is another source of information.

Monthly industrial reports also provide information on the level of corn used to make ethanol and the level of soybeans crushed for soymeal and soyoil. That at least

tends to narrow the assumptions made by WAOB for its balance sheets, but assumptions are still made based on a snapshot for a moment in time. Conditions can change quickly, dating those snapshot assumptions.

WAOB has chosen to adopt “official” estimates from other countries for the most part, though WAOB will deviate from those official forecasts if its own intelligence says otherwise. Some say the recent country forecasts exposed over-reliance on foreign government forecasts or actions — particularly China.

Some initial conclusions and recommendations

- NASS needs to catch up with some new crop-forecasting tools used by private industry.
- Many ERS personnel did not want to go to Kansas City when jobs were relocated from Washington by the Trump administration, and thus left to work elsewhere or retired. ERS has hired some good, new analysts, but it will take time to rebuild the intellectual capacity that was lost.
- WAOB needs to modernize its forecast models. They seem dated, which is causing accuracy problems.
- Survey responses are poor — both in numbers and quality. The survey process and format needs to be redone.
- USDA's data is a garbage-in, garbage-out situation. That is not saying USDA data is garbage, but it needs better data coming in before its figures can improve.
- There are too many “experts” that are trying to prove USDA's numbers wrong. That's largely due to social media.
- Some say releasing data outside of market hours would “fix” the problem. Huge immediate price reactions to report data puts more focus on USDA being “wrong.” But a report timing change appears unlikely.

Money isn't the solution to all problems, but many of the “fixes” above suggest more funding would definitely help.

Possible solutions... not the final word

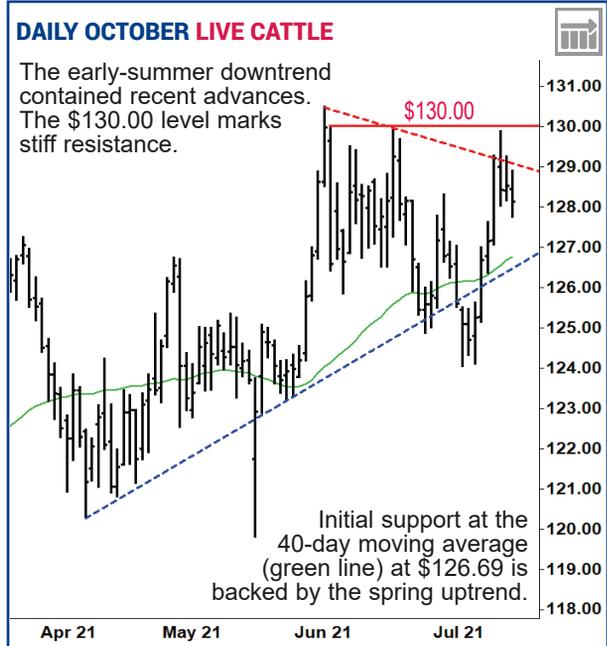
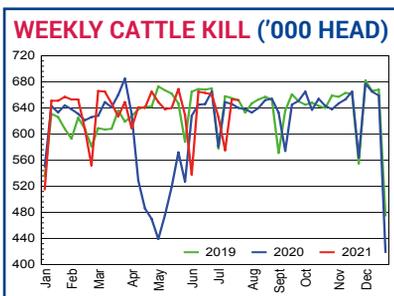
Pro Farmer has dealt with USDA's NASS and World Board for decades and knows they are professional and want to do their best job. USDA's estimates and forecasts are still the gold standard, even though improvements are needed. This is by no means the final word on this topic, but hopefully it drives discussions on improving USDA's forecasts. To read the full special report, including comments from current and former USDA staffers and industry contacts, go to www.profarmer.com.

CATTLE - Fundamental Analysis

On July 22, USDA reported ending-June U.S. beef stockpiles at 398.7 million pounds (lbs.), marking the first drop below 400 million lbs. since late 2014. That came just after fed cattle prices set all-time records around \$172.00. The previous instance of sub-400 million lb. stocks occurred in mid-2010, when the market was also on its way to record highs in 2011. Despite cattle futures' difficulty in topping the \$130.00 level in recent years, the deferred contracts are projecting a big move higher. But those sizable premiums can also spur placements while discouraging marketings, which is often a formula for disappointing prices.

Position Monitor			
Game Plan:		Feds	Feeders
The price	III'21	0%	0%
outlook is	IV'21	0%	0%
bullish, but	I'22	0%	0%
	II'22	0%	0%

fed cattle producers should be prepared to add hedges if October futures roll over around \$130.00.

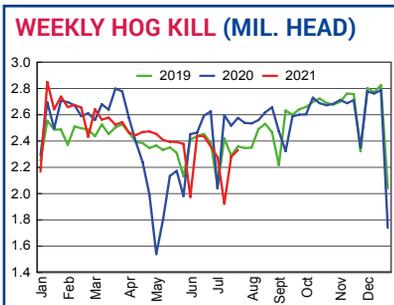


HOGS - Fundamental Analysis

USDA stated June 30 ham stocks at 130.7 million pounds. While that topped the comparable 2020 figure at 123.0 million, it fell far below both the June 2019 and the average for the 2015-19 period around 168.6 million pounds. If the demand strength that powered both beef and pork prices sharply higher last spring persists during the coming weeks and months, the pork industry is going to struggle to build ham stocks to normal levels by the year-end holiday season. Low total pork stocks also favor sustained price strength, but a much larger drop than anticipated by fourth-quarter futures is still quite possible.

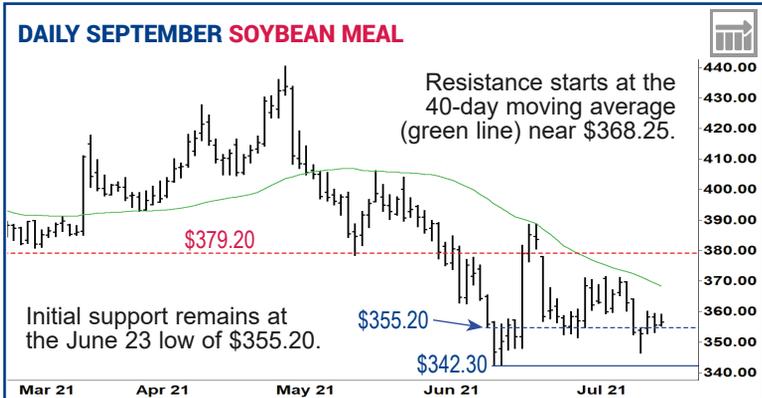
Position Monitor			
Game Plan: Price		Lean Hogs	
action in Octo-	III'21	0%	0%
ber hogs signals	IV'21	0%	0%
the upside may	I'22	0%	0%
	II'22	0%	0%

be tapped out. Be prepared to add hedge coverage on a portion of fourth-quarter marketings.



FEED

Feed Monitor			
Corn			
III'21	83%	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.	
IV'21	0%		
I'22	0%		
II'22	0%		
Meal			
III'21	92%	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.	
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: The price recovery from the July lows has stalled for now. Be prepared to finish old-crop sales and advance new-crop sales on the next push higher as seasonals are bearish during August, while chart patterns are not overly friendly. Given sluggish export demand, it would likely take a heightened weather/crop scare in August to recharge buyer interest and give bulls the upper hand.

DAILY DECEMBER CORN

The 40-day moving average (green line) places initial resistance near \$5.60.



DAILY SEPTEMBER 2021 CORN

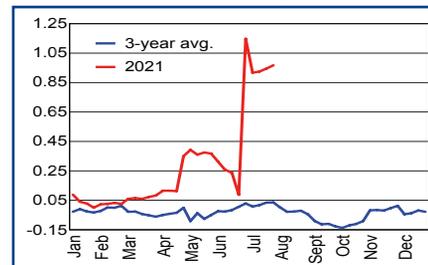
The 40-day moving average (green line) represents resistance near \$5.71.



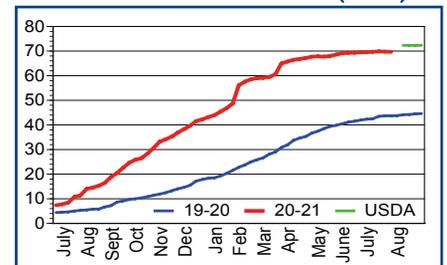
CORN - Fundamental Analysis

December futures scratched out a modest gain during a week when corn largely ceded the headlines to wheat. December closed lower for the month, which may be ominous news for bulls (see "From the Bullpen" on *Analysis* page 4). Pollination is mostly completed and a potential big harvest looms; throw in China's likely cancellation of more old-crop export sales, and it's difficult to picture revisiting the spring highs. Look to sell any rallies ahead of USDA's Aug. 12 Crop Production Report. Also, keep an eye on crude oil, which is near seven-year highs with U.S. inventories at 18-month lows. If black gold makes another run higher, it may take other commodities along for the ride.

AVERAGE CORN BASIS (SEPTEMBER)



CORN EXPORT BOOKINGS (MMT)



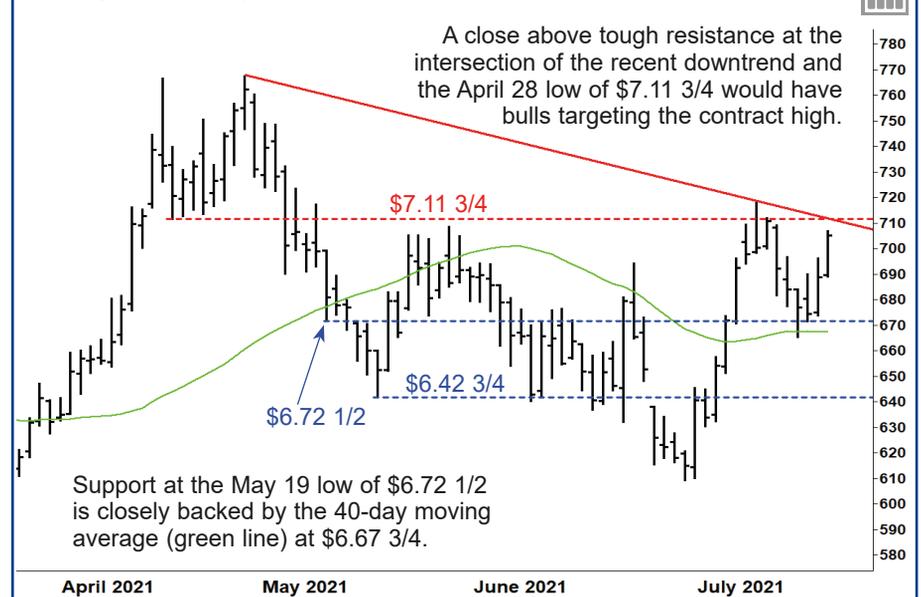
Position Monitor

	'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 and be prepared to increase sales on additional price strength. There could be another push higher on spring wheat crop concerns, but seasonals are neutral to slightly negative.

DAILY SEPTEMBER SRW WHEAT

A close above tough resistance at the intersection of the recent downtrend and the April 28 low of \$7.11 3/4 would have bulls targeting the contract high.



WHEAT - Fundamental Analysis

SRW – The September contract's rally over the past week suggests the wheat market may have decoupled from corn, at least for now. A pickup in exports and in HRS prices, as well as the looming end to this year's harvest, could help vault SRW above the July high.

Position Monitor

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

Game Plan: With the calendar flipped to August, weather and crop conditions will be more closely watched by soybean traders. With that said, the recent seasonal price pattern during August is bearish. That suggests weather must be concerning enough to entice a fresh wave of buying or prices will likely slide. Be prepared to finish old-crop sales and advance new-crop sales on the next push higher.

DAILY NOVEMBER SOYBEANS

The May 6 high of \$14.17 1/4 has emerged as likely initial resistance to rallies.



DAILY JANUARY SOYBEANS

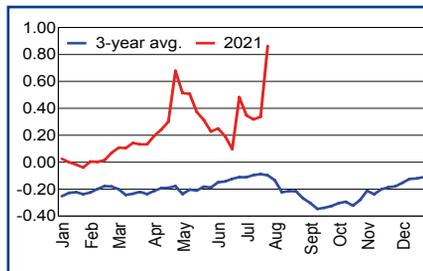
The June-July downtrend puts initial resistance near \$14.02.



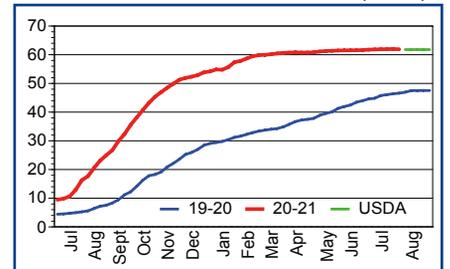
SOYBEANS - Fundamental Analysis

August holds potential for soybean market volatility. The crop must go through its critical podding and filling phases as drought grips the western and northern Midwest, while crop conditions are favorable elsewhere. Continued strength in soybean oil prices, which have more than doubled over the past year, based on nearby futures, could also play in market bulls' favor. USDA's Aug. 12 Crop Production and Supply and Demand reports could also move markets. November futures' year-long uptrend appears to remain intact, but the market's historical tendency toward an August fade tells us to view rallies as selling opportunities.

AVERAGE SOYBEAN BASIS (NOVEMBER)



SOYBEAN EXPORT BOOKINGS (MMT)



DAILY SEPTEMBER HRW WHEAT

Initial resistance is marked at \$6.98.

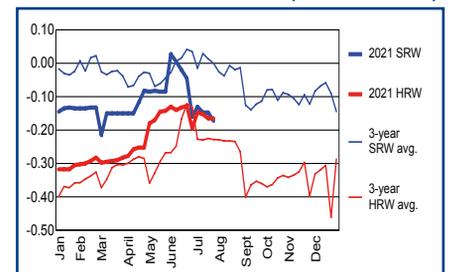


DAILY SEPTEMBER HRS WHEAT

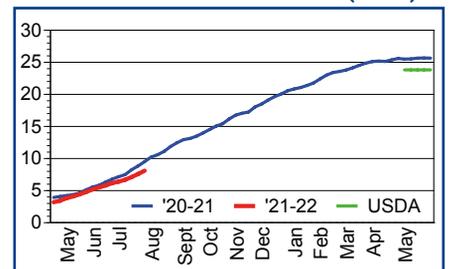
Bulls are targeting the contract high at \$9.44 1/2.



AVERAGE WHEAT BASIS (SEPTEMBER)



WHEAT EXPORT BOOKINGS (MMT)



HRW – News of a Chinese purchase helped propel September HRW futures to a 2 1/2-month high the past week. The winter wheat harvest is effectively finished, and the market appears poised for further upside, if export demand continues to improve and drought-driven HRS prices remain elevated.

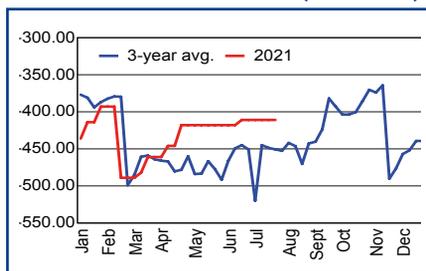
HRS – Talk of the end of spring wheat's rally appear to have been premature, as the Wheat Quality Council's crop tour estimates for sharply lower North Dakota yields boosted September HRS futures back near the contract high. Still, absent fresh fodder for bulls, we're skeptical how much upside remains over the near-term.

Position Monitor

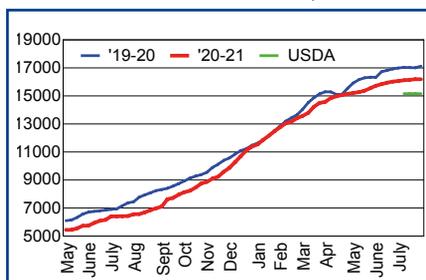
	'20 crop	'21 crop
Cash-only:	100%	60%
Hedgers (cash sales):	100%	60%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. Our target for more sales is 95.00¢ in December cotton unless futures signal a top prior to that level.

AVERAGE COTTON BASIS (OCTOBER)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON



COTTON - Fundamental Analysis

The looming end to the 2020-21 crop year sank old-crop sales, but the new-crop figure at 192,200 bales was impressive given prices around 90.00¢ amid hefty harvest prospects. The sales figure, as well as robust shipments at 238,300 bales, reminded traders of vigorous demand.

GENERAL OUTLOOK

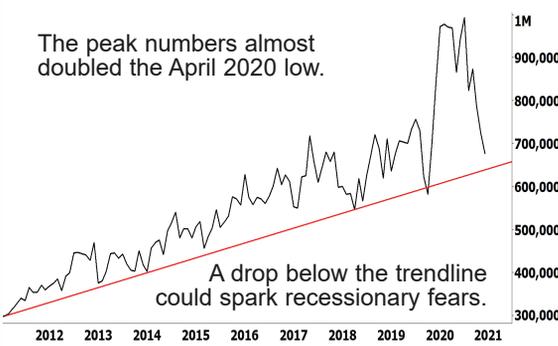
ECONOMY: The Federal Reserve made no changes to its policies following its July 27-28 meeting, indicating steady interest rates and government bond purchases in the short term. Fed Chair Jerome Powell indicated the U.S. economy is still falling well short of its mandated goals of stable prices and maximum employment.

However, the extreme demand pressures dominating events earlier this year have apparently diminished, as

indicated by the accompanying chart of New Home Sales. The Covid-driven spike in home buying activity has clearly slowed dramatically after setting a record at 993,000 in January. It remains to be seen if it will remain above the long-term upward trend.

Powell noted that vaccine uptake and past adaptations to pandemic conditions should limit the Delta variant's economic impact.

MONTHLY NEW HOME SALES



FROM THE BULLPEN By Market Analyst Bruce Blythe

Some baseball teams fade during the dog days of August. December corn and November soybean futures also tend to run out of gas during August.

December corn posted a net-lower July close for the eighth time in the past 10 years (ending last week at \$5.56 1/2, down from \$5.88 1/2 at the end of June).

July weakness often presages further declines in August. December futures closed August lower in six of the past seven years (last August's derecho that flattened thousands of acres of corn across the Midwest helped break the down streak). In the past 12 August down years, December futures declined an average of 4.9%.

For soybeans, it's a similar story.

November soybean futures closed August lower than July in six of the past seven years, with an average loss in those six years of about 5.4%.

If November soybeans fall the aforementioned 5.4% average, the new-crop contract will be trading around \$13.03 at the start of September. December corn, extrapolating based on the average 4.9% decline, will be around \$5.29.

The lesson? Use any short-term rally to advance new-crop sales, because seasonal point the market lower over the next month. Like baseball, there's always a chance for a late-season rally. But there's also a good chance the market, like your favorite team, will break your heart.

WATCH LIST

- 1 USDA Fats & Oils, Grain Crush** **MON 8/2**
Helps industry gauge demand. 2:00 p.m. CT
- 2 USDA Crop Progress Report** **MON 8/2**
Focus is on corn, HRS ratings. 3:00 p.m. CT
- 3 USDA Weekly Export Sales** **THURS 8/5**
Sales likely to remain slow. 7:30 a.m. CT
- 4 July employment data** **FRI 8/6**
Focus is on wage inflation. 7:30 a.m. CT
- 5 Chinese trade data** **FRI 8/6**
Export, import data for July. 10:00 p.m. CT

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