



News this week...

- 2 – Record Brazilian bean, corn crops expected in 2021-22.
- 3 – Chinese demand drives record U.S. beef exports.
- 4 – Biden's trade strategy with China mostly status quo.

Corn pauses, beans correct – December corn futures held within the broad Sept. 30 trading range in choppy-to-lower price action last week. November soybeans posted corrective gains late in the week after earlier dropping to the lowest level since late March. There's hope Chinese buyers showed up on the sharp price break and some daily sales will be announced after China returns from its National Day holiday this week. Winter wheat futures pulled back and spring wheat rallied to new highs on spreading action. Cattle futures threatened an upside breakout from the three week-plus consolidation range, despite ongoing pressure on wholesale prices. Lean hog futures faced active profit-taking as the market pulled back from the strong price response to the late-September Hogs & Pigs Report.

Big S&D revisions coming Oct. 12

USDA's 2021-22 domestic balance sheets will reflect the Sept. 1 stocks data and the final 2021 wheat crop estimate, along with any changes to corn and soybean production. That could produce some major adjustments, especially for soybeans, which will see projected 2021-22 ending stocks rise sharply — potentially above 300 million bushels.

Trade deficit rises, ag red ink eases

The U.S. trade deficit rose \$3 billion in August to a record \$73.3 billion. For ag trade, imports eased slightly to \$14.1 billion, though that marked the sixth straight month above that level. Ag exports eased to \$12.7 billion in August, the smallest total for fiscal year (FY) 2021. The result was a monthly ag trade deficit of \$1.5 billion, the third straight month of red ink. The U.S. will still register a trade surplus for FY 2021, a reversal of the prior two years that had a negative trade balance. But USDA's forecast for FY 2021 ag imports appears light by several billion dollars.

Inputs, ag trade curb farmer optimism

The CME Group/Purdue University Ag Economy Barometer dropped 10.1% in September to the lowest since July 2020. Producer optimism about both current and future conditions on their farms fell, driven by inflation and trade concerns.

New record land price in Iowa

A farmland auction brought a record \$26,000 per acre in Johnson Co. Iowa. Jim Rothermich, farmland real estate appraiser with Iowa Appraisal and Research, said: "We're seeing over two times the amount of auctions coming to market in the next 60 days" due to the record prices.

Another disappointing jobs report

The U.S. added only 194,000 non-farm payrolls in September, far less than economists expected. The unemployment rate dropped 0.4 points to 4.8% amid a decline in the participation rate. Fears of stagflation (rising inflation combined with a weak jobs market and slowed economic growth) are rising.

Crises can kicked down the road

The Senate passed a \$480-billion extension of the debt limit until Dec. 3. The House will vote on the measure Oct. 12. The new debt limit will run out when the recently passed continuing resolution (CR) expires.

Haggling on infrastructure bills continues

The CR and debt limit extension give lawmakers time to work out a deal on the bipartisan infrastructure bill (BIF) and the social infrastructure and climate change bill (BBB). Progressives (liberals) say they will not vote for BIF until BBB passes, but the price tag must be trimmed significantly to get votes from centrist Democrats.

Cattle market under a microscope

An Oct. 7 hearing by the House Ag Committee on the U.S. livestock industry revealed no consensus on needed changes to the U.S. cattle market. Ahead of the hearing, a [Texas A&M University book](#) warned changes could lead to unintended consequences and loss of market opportunities for cattle producers. NCBA vice president Todd Wilkinson also cautioned, "Mandating this [from Congress or USDA] is clearly going to be problematic for cattle producers."

Hog market issues addressed, too

USDA Secretary Tom Vilsack says his department is in discussions on a line speed waiver with New Swine Inspection System pork processing facilities and workers that agree to certain unspecified conditions. He also said a USDA-developed African swine fever vaccine candidate has gone through the "first steps" of testing but "there is work to be done" before it's ready for commercialization.

New WHIP+ program glitch

Some producers who took revenue protection insurance may see little or no WHIP+ payment under the new calculation. As it stands now, it's possible producers who selected a yield protection policy (no price coverage) may come out ahead of those who bought better coverage. We're told USDA can address any glitch in rule making.

Brazil expects record soy, corn crops

Brazilian soybean production is expected to rise 2.5% in 2021-22 to a record 140.8 million metric tons (MMT), according to the first forecast by its government statistics agency. Conab projects soybean plantings will expand 2.5% to 39.9 million hectares (98.6 million acres).

Conab projects Brazil's 2021-22 total corn crop will surge 33.7% to a record 116.3 MMT coming off this year's drought-plagued output. It expects total corn planted area to expand 4.8% to 20.9 million hectares (51.6 million acres).

Conab forecasts Brazil will export 84.3 MMT of soybeans this year, with shipments expected to climb to 87.4 MMT in 2021-22. It projects Brazilian corn exports will surge to 39.0 MMT in 2021-22 from an expected 22.0 MMT this year.

In September, USDA projected 2021-22 Brazilian production at 144.0 MMT for soybeans and 118.0 MMT for corn.

Brazilian planting ahead of normal

Brazilian farmers have planted one-third of their full-season corn crop and 4% of their soybeans, both slightly ahead of the respective average pace. With a pickup in rains, especially across southern Brazil, farmers will quickly accelerate planting. Crop Consultant Dr. Michael Cordonnier says he expects farmers to actively plant crops in the drier areas ahead of forecast rains this month.

FAO raises world wheat crop forecast

The Food and Agriculture Organization of the United Nations (FAO) raised its 2021-22 world cereal grains production forecast by 12.1 MMT to a record 2.8 billion metric tons. But it noted global consumption is expected to outpace the increased production.

The bulk of the increase in grains production was due to better crop prospects for wheat. FAO raised its world wheat production forecast by 7.2 MMT to 776.7 MMT, reflecting higher yield estimates in eastern Europe and continued beneficial rains in Australia.

In September, USDA raised its world wheat production forecast to 780.3 MMT.

Global food prices keep climbing

Global food prices climbed 1.2% in September, according to FAO's food price index. The index was up 32.8% from September 2020 and at a 10-year high. All five food categories tracked by the index are up sharply from year-ago levels, led by a 60% surge in vegoil prices and a 53.5% jump in the sugar index.



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Soy crush should surge seasonally

The U.S. crushed 168.3 million bu. of soybeans in August, a 1.1% increase from July but 3.7% below year-ago. The August crush pace was slowed by tight supplies, weak margins and South American competition. But crush margins have improved dramatically and plentiful new-crop supplies are available. That will support a strong seasonal rebound in the soy crush pace over the coming months.

Soyoil stocks at the end of August were higher than anticipated, despite the lighter-than-expected crush, signaling weak demand. Soyoil exports were weak in August and domestic use was also down sharply.

Corn ethanol use rebounding

Corn-for-ethanol use totaled 417.3 million bu. in August, which was down 6.9% from July but 1.5% above year-ago. Ethanol production for the week ended Oct. 1 rose a stronger-than-expected 64,000 barrels per day (bpd) to 978,000 bpd. Production was up 2% from both year-ago and the comparative 2019 level. That was the first time in 13 weeks production exceeded the 2019 pre-Covid level. Given strong margins, output should continue to rise. That may help offset some of the sluggish export demand for corn.

Attaché shuffles China corn imports

The ag attaché in China raised its estimate for 2020-21 Chinese corn imports to 30 MMT, 4 MMT above USDA's September figure. But the post cut its 2021-22 Chinese corn import forecast by 6 MMT to 20 MMT. The attaché said, "As the feed sector sources cheaper feed grain alternatives and growth in feed demand increases at a slower rate, demand for imported corn is expected to moderate," adding that Chinese buyers will turn to Ukraine for more of their 2021-22 corn needs.

The attache also expects China to import 8 MMT of wheat in 2021-22, which is 2 MMT lower than USDA's official forecast.

Russia cuts wheat export forecast

Russia's ag ministry cut its 2021-22 wheat export forecast to just 31.5 MMT, which would be down sharply from 38.5 MMT last year and the 35.0 MMT USDA projected last month. The ministry plans to introduce a wheat export quota from Feb. 15 forward. Traders suspect exporters will more aggressively sell Russian wheat onto the global market ahead of the quota, despite rising export taxes.

Ukraine raises grain export forecast

Ukraine's ag ministry raised its grain export forecast due mostly to expected bigger wheat shipments, despite cutting its crop estimate. The ministry expects the country to export 61.45 MMT of grain in 2021-22, including 24.51 MMT of wheat. That would be up from wheat exports of 16.85 MMT in 2020-21.

Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Iowa Co., (east-central) Iowa:

"We are harvesting our best crop ever (so far) with a 13-inch rainfall deficit, most of which occurred during the growing season."

Worth Co., (north-central) Iowa:

"With 500 acres of beans done, our yield is averaging 63 bu. per acre, 3 bu. above APH."

Carroll Co., (west-central) Iowa:

"Very pleased with our yields. Short-season corn is running 215 bu. to 225 bu. per acre. Longer-season corn is running 245 bu. to 260 bu. per acre on early tests."

Washington Co., (southeast) Iowa:

"Yields were better than expected given cold temps early and dry conditions late. Rough ground is right on target at 180 bu. to 190 bu. per acre. Good black dirt yielded 235 bu.-plus. Heard lots of good bean yields around here."

Carroll Co., (north-central) Indiana:

"Soybean yields on deep, dark soil are running 90 bu. in some fields, but clay knobs in the same fields are 45 bu. to 50 bu. per acre. We're still pleased, though, given the lack of late-season rains. We haven't done much corn yet, but some of the good fields went 229 bu. to 240 bu. per acre, while a hilly and lighter soil field did 218 bu. per acre."

Thayer Co., (southeast) Nebraska:

"Irrigated corn with wind damage is running 260 bu. to 280 bu. per acre at 20% moisture. Undamaged fields are 300 bu. to 310 bu. per acre. Soybeans ran 77 bu. to 83 bu. per acre, including the corners."

Scott Co., (southeast) Missouri:

"Corn yields in the bootheel are 10% to 15% better than normal. We had more rain than our farms in central and northern Missouri."

Osage, Coffey Cos., (east-central) Kansas:

"Beans are yielding 10 bu. better than they look! Total opposite of the corn."

Record beef exports fueled by Chinese demand

The U.S. exported 324.5 million lbs. of beef in August — the most ever for any month. Beef exports surged 9.1% compared with July and 21.3% versus August 2020. Through the first eight months of the year, U.S. beef exports at 2.291 billion lbs. increased 21.0% from the same period last year amid an 841% surge in shipments to China. That helped to far more than offset reduced beef shipments to Japan and Taiwan.

Chinese pork demand falls

U.S. pork (muscle cut) exports totaled 525.9 million lbs. during August, up 3.5% from the previous month but 0.2% under the year-earlier level. Pork shipments to China fell 49.2% for the month. Through August, the U.S. exported 4.867 billion lbs. of pork, down 0.2% from the same period last year. Pork shipments to China fell 35.7%, but that was offset by a 27.5% increase in exports to Mexico.

Pork variety meat demand strong

While China's pork muscle-cut imports have slowed, Chinese demand for U.S. pork variety meat remains "extremely strong," according to the U.S. Meat Export Federation. Through August, pork variety meat exports to China/Hong Kong increased 23% versus last year.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	Nov.	Dec.	Jan.-March
				(Monthly & quarterly avg.)		
CORN						
Central Illinois, bushel	3.64	5.03	5.01	5.15	5.20	5.25
Omaha, NE, bushel	3.63	5.38	5.43	5.20	5.25	5.30
Dried Distillers Grain, IA, \$/ton	147.36	192.60	190.09	--	--	--
SOYBEANS						
Central Illinois, bushel	10.30	12.37	12.12	11.75	11.87	12.00
Memphis, TN, bushel	10.64	12.15	12.01	12.00	12.10	12.25
Soymeal, 48% Decatur, ton	358.60	352.30	325.70	325	325	325
WHEAT						
Kansas City, HRW, bushel	5.39	7.31	7.67	7.80	7.90	8.00
Minneapolis, 14% DNS, bushel	6.78	10.22	10.63	10.75	10.80	11.00
St. Louis, SRW, bushel	6.05	6.21	6.35	7.10	7.20	7.30
Portland, Soft White, bushel	5.63	10.13	10.25	10.50	10.75	11.00
Durum, NE MT HAD, 13%, bu.	5.40	--	14.00	14.50	14.50	15.00
SORGHUM , Kansas City, cwt.	7.54	9.82	9.97	10.00	10.20	10.50
COTTON , 11/16 SLM, 7 area, ¢/lb.	61.22	96.89	105.72	100.0	100.0	95.0
RICE , nearby futures, cwt.	12.63	13.93	13.53	13.75	13.90	14.25
BARLEY , MT, G.T., malting, cwt.	7.25	6.75	6.88	7.00	7.10	7.20
OATS , Minneapolis No. 2 heavy, bu.	3.04	5.80	5.89	6.00	6.00	6.00
ALFALFA , NW Iowa, lg. sq. prem., ton	170.00	--	--	195	195	195
SUNFLOWERS , Fargo, ND, cwt.	17.25	31.50	31.50	31.00	31.00	30.50
HOGS , Nat'l carcass 51%-52% cwt.	75.41	89.80	91.33	89.00	86.00	85.00
FEEDER PIGS , 40 lbs., Nat. avg. head	40.82	70.30	73.90	68.00	65.00	72.00
CHOICE STEERS , feedlots, cwt.	107.12	123.64	122.56	128.00	129.00	131.00
FEEDER CATTLE , Oklahoma City						
Steers, 700-800 pounds, cwt.	134.86	154.32	153.36	158.00	160.00	163.00
Steers, 500-550 pounds, cwt.	153.94	162.79	159.76	173.00	176.00	175.00
Heifers, 450-500 pounds, cwt.	130.04	143.18	137.76	154.00	156.00	166.00
COWS , utility, Sioux Falls, SD, cwt.	62.00	69.60	71.11	68.00	67.00	65.00
MILK , Class III, CME spot month, cwt.	20.54	17.64	18.19	18.00	17.75	18.00
LAMBS , Slg., San Angelo, TX, cwt.	144.00	219.00	217.00	--	--	--
ENERGY						
Ethanol, IA, gallon	1.33	2.36	2.27	--	--	--
Farm diesel, U.S., gallon	1.75	2.78	2.85	2.85	2.82	2.90

*Average prices expected for the indicated time periods based on available information. Forecasts will be revised as necessary to reflect changing market conditions.

Biden's China trade strategy: Trump plan without the drama

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

President Joe Biden's clear focus on domestic policy was evident when his top trade official presented a mostly status-quo plan for trade dealings with China.

Key Biden goals

U.S. Trade Representative (USTR) Katherine Tai during an address said Biden's approach is to counter China's economic threats with trade barriers and other punitive measures. The Biden administration will not immediately remove the Trump administration's tariffs and will require Beijing to uphold its trade commitments.

Return to tariff exemptions

The Biden administration will re-establish an expired process that gives some companies a reprieve by excluding them from existing tariffs. USTR will accept public comments Oct. 12 to Dec. 1 on whether to reinstate product exclusions on tariffs imposed on billions of dollars of Chinese goods. China maintains tariffs on 58.3% of its imports from the U.S.; the U.S. imposes tariffs on 66.4% of the products it brings in from China.

China must meet Phase 1 commitments

Beijing will be held accountable for trade commitments agreed to during the Trump administration, according to Tai. They are lagging some in ag product purchases and a lot in other areas — primarily energy.

The U.S. trade deficit with China widened to \$31.7 billion in August — the largest gap since July 2019. Exports declined while imports continued to grow, highlighting one source of friction in the troubled relations. Tai will talk with her Chinese counterpart, Vice Premier Liu He, about the country's failure to honor its purchase commitments. China disputes it fell short of purchase commitments, citing the Covid pandemic.

Focus on China subsidies

Biden officials will press China on subsidies giving its industries a competitive edge. Tai said the U.S. would continue working with allies to counter them. "We will use the full range of tools (Section 301 of U.S. trade law, etc.) we have and develop new tools as needed to defend American economic interests from harmful policies and practices," she said. "We continue to have serious concerns with China's state-centered and nonmarket trade practices that were not addressed in the Phase 1 deal," she added.

U.S. officials acknowledged talks might not persuade Beijing to abandon its increasingly authoritarian, state-centered approach. Instead, the primary emphasis will be on building the competitiveness of the U.S. economy, working with allies and diversifying markets to limit the impact of Beijing's harmful trade practices. The Biden administration is also looking into incentives to encourage companies to "buy American products up and down the supply chain," Tai said, again a focus on the domestic agenda.

U.S. officials did not rule out the possibility of imposing further tariffs if coming talks did not produce desired results. The administration planned to use the enforcement mechanism established in the Phase 1 trade deal, which would allow the U.S. to resort to further tariffs if consultations are unsuccessful.

Vilsack comments on Phase 1 biotechnology shortfalls

Besides making good on prior Phase 1 purchase shortfalls, the Biden administration wants Beijing to address seven of 57 commitments on structural trade barriers that remain unresolved. That includes easier and faster approval of biotechnology traits in U.S. ag products, USDA Secretary Tom Vilsack said. If China meets its commitment to approve biotechnology traits quickly and easily, it "means trade opportunities open up" for U.S. farmers, he noted.

'Durable co-existence' between the two countries

Tai says decoupling with China is not a "realistic outcome in terms of our global economy." Rather, Washington wants a "durable co-existence" with Beijing, she said. "Our objective is not to inflame trade tensions with China," she said, defining the administration's goal as "re-coupling," or to have trade with China but without falling into dependency.

Phase 2 not on Biden agenda; Biden/Xi talks ahead

Biden's trade team will not pursue Phase 2 negotiations with China on deeper structural issues because Beijing is "doubling down on its authoritarian state-centric approach," senior administration officials said. "We recognize that China simply may not change, and that we have to have a strategy that deals with China as it is, rather than as we might wish it to be," one of the officials said.

The next big event will be when President Joe Biden holds a virtual summit with China's Xi Jinping.

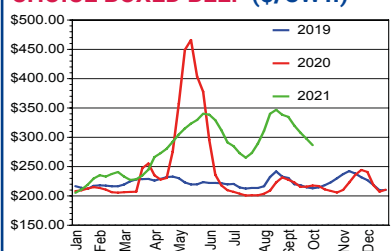
CATTLE - Fundamental Analysis

U.S. beef exports surged to a record high in August, as did U.S. shipments to China (see *News* page 3). That at least partially explains the August wholesale market surge to its second highest levels on record. Sustained beef losses since the August peak strongly suggest elevated retail prices have reduced domestic offtake, which has raised doubts about the cattle and beef complex's ability to post its usual October rebound. Still, last week's futures strength implied a potential reversal is looming as fed cattle supplies diminish and cull cows increase in the slaughter mix.

Position Monitor

Game Plan:		Feds	Feeders
Fed cattle producers should continue to carry all risk in the cash market. But be prepared to hedge if futures violate the Oct. 1 lows.	IV'21	0%	0%
	I'22	0%	0%
	II'22	0%	0%
	III'22	0%	0%

CHOICE BOXED BEEF (\$/CWT.)



DAILY DECEMBER LIVE CATTLE

A close above the 40-day moving average (green line) near \$130.80 would open the door to a test of \$133.95.



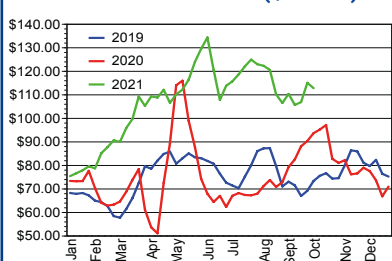
HOGS - Fundamental Analysis

In contrast to beef, U.S. pork exports during August, including those to China, were mediocre, which helps explain late-summer price weakness. Elevated wholesale and retail prices also suggest domestic demand is suffering, but those factors may be offset by reduced supplies. Fourth-quarter kills are forecast to drop about 2% under year-ago levels, while Sept. 1 frozen stockpiles fell 101 million lbs. (18%) below the 10-year average. When wholesale beef prices bottom, we expect the subsequent rebound to provide a significant boost for pork values (and hog prices) from that point forward.

Position Monitor

Game Plan:		Lean Hogs
The price outlook has turned more bullish for hogs. But be prepared to add hedges if futures challenge the summer highs and run out of steam.	IV'21	0%
	I'22	0%
	II'22	0%
	III'22	0%

PORK CUTOUT VALUE (\$/CWT.)



DAILY DECEMBER LEAN HOGS

The June 15 high at \$86.35 remains initial resistance.



FEED

Feed Monitor

Corn

IV'21	33%
I'22	0%
II'22	0%
III'22	0%

Corn Game Plan: On Oct. 6, we advised covering all corn-for-feed needs for October in the cash market. Be prepared to extend coverage if prices fall near the September low.

Meal

IV'21	33%
I'22	0%
II'22	0%
III'22	0%

Meal Game Plan: On Oct. 6, we advised purchasing remaining October soybean meal needs in the cash market. Be prepared to extend coverage below \$310.00 in December soybean meal futures.

DAILY DECEMBER SOYBEAN MEAL

Resistance persists at the Sept. 9 low of \$335.40.

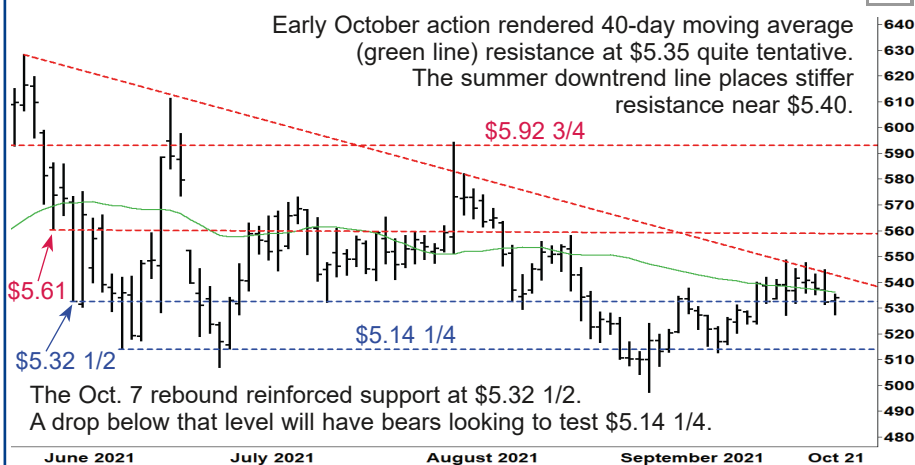


Position Monitor

	'21 crop	'22 crop
Cash-only:	40%	0%
Hedgers (cash sales):	40%	0%
Futures/Options	10%	0%

Game Plan: Wait on an extended price recovery to get current with advised cash sales. We feel the low \$5.00 range is too cheap and the \$6.00 area is too pricey for the market. Sell in the upper end of that range and don't panic with sales in the lower end. Hold the 2021-crop hedges in December futures as downside protection during harvest. Additional hedges may be needed if the Sept. 10 low is violated.

DAILY DECEMBER CORN



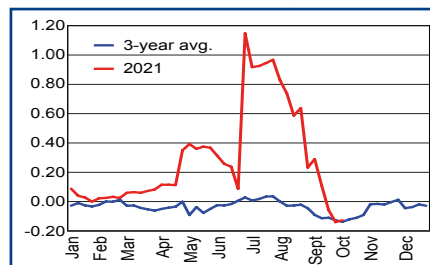
DAILY MARCH CORN



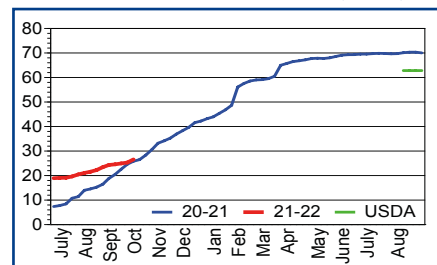
CORN - Fundamental Analysis

USDA's Oct. 12 Crop Production and Supply and Demand Reports will set the autumn market tone. December futures' small recent uptrend stalled the past week even as export sales perked up, a potential troubling sign for market bulls. A supportive USDA surprise could revive bullish momentum and push prices above the pivotal \$5.50 area, but without that, a resumption of the longer-term decline may occur as harvest pressure intensifies and with Brazil projecting a record 2022 corn crop. Crude oil, which is close to pushing above \$80 a barrel for the first time since late 2014, could encourage funds to extend their net long position, which ticked up from reduced levels in late September.

AVERAGE CORN BASIS (DECEMBER)



CORN EXPORT BOOKINGS (MMT)



Position Monitor

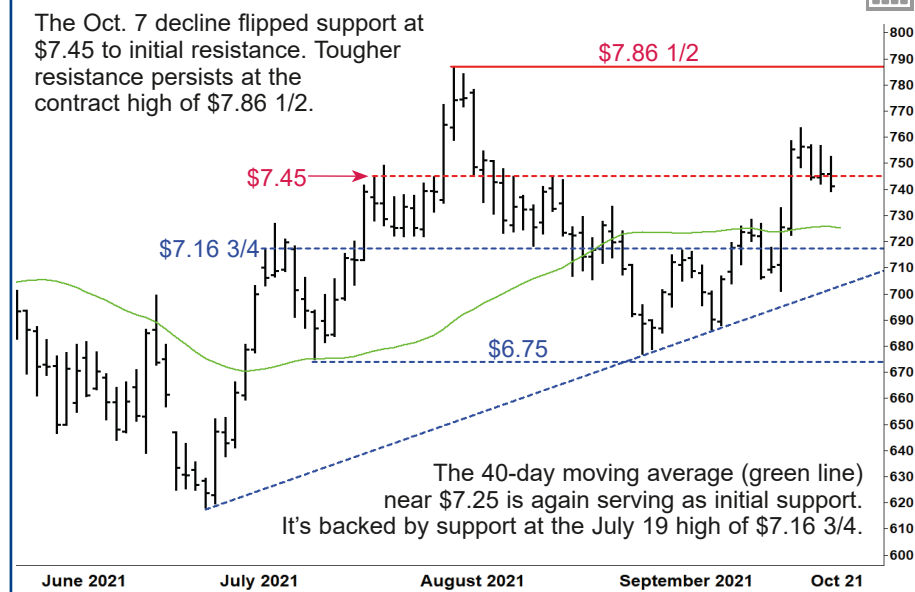
	'21 crop	'22 crop
Cash-only:	70%	20%
Hedgers (cash sales):	70%	20%
Futures/Options	0%	0%

Game Plan: Use periods of price strength to get current with advised sales. We are willing to give winter wheat futures a chance to challenge the contract highs before advancing 2021- and 2022-crop sales.

WHEAT - Fundamental Analysis

SRW – December futures posted the first weekly decline in the past four weeks as the recent rally lost some steam. But global supplies are tight and U.S. exports show signs of perking up. Any surprises in USDA's U.S. or global stocks updates Oct. 12 may catalyze the market's next move.

DAILY DECEMBER SRW WHEAT



Position Monitor

	'21 crop	'22 crop
Cash-only:	50%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	10%	0%

Game Plan: On Oct. 4, we advised hedgers and cash-only marketers to sell another 10% of 2021-crop production in the cash market. Get current with advised cash sales. Hold the 2021-crop hedges in November futures as downside protection during harvest. Additional cash sales and/or hedges may be needed on a violation of the June low. Any corrective price strength should be used to advance 2021-crop sales.

DAILY NOVEMBER SOYBEANS



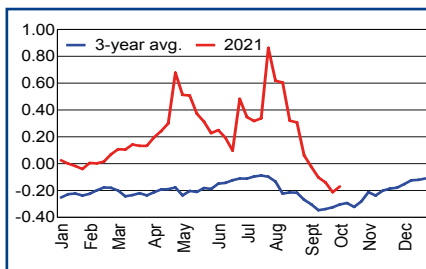
DAILY JANUARY SOYBEANS



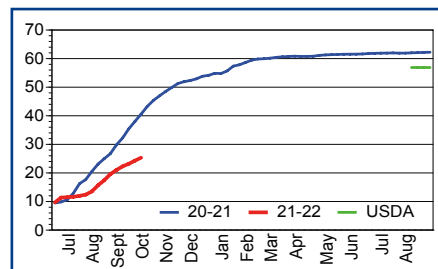
SOYBEANS - Fundamental Analysis

If USDA, as expected, hikes its crop and yield estimates Oct. 12, it will likely push 2021-22 ending stocks well above the "comfort level." With harvest progressing rapidly, seasonal hedge-related pressure may soon ease. But with soymeal at 13-month lows and projections for a record 2022 Brazil soybean crop, November soybeans could still face more downside pressure. Fresh Chinese buying is needed for the market to secure a seasonal low. Given the shift in fundamentals after the Sept. 30 Grain Stocks Report, which resulted in a far less tight supply situation, there's increased urgency to use price rallies as selling opportunities.

AVERAGE SOYBEAN BASIS (NOVEMBER)



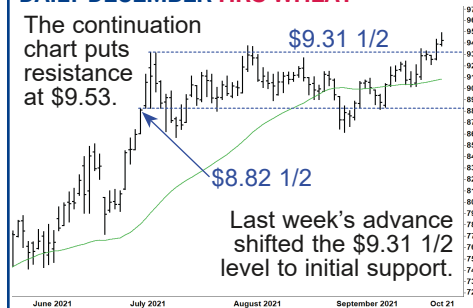
SOYBEAN EXPORT BOOKINGS (MMT)



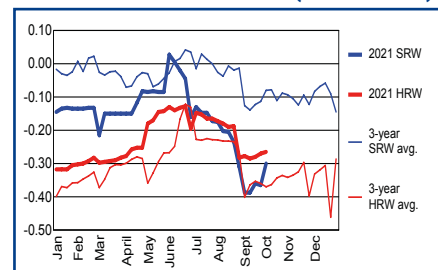
DAILY DECEMBER HRW WHEAT



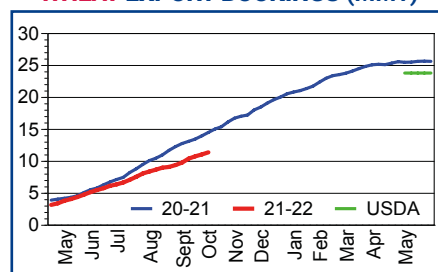
DAILY DECEMBER HRS WHEAT



AVERAGE WHEAT BASIS (DECEMBER)



WHEAT EXPORT BOOKINGS (MMT)



HRW — December HRW futures are about the same price as their SRW counterparts. With the winter wheat crop over half planted and little apparent relief ahead for parched U.S. Plains soils, HRW futures should lead any further price strength and could shoot to new contract highs. Look to increase crop sales at that point.

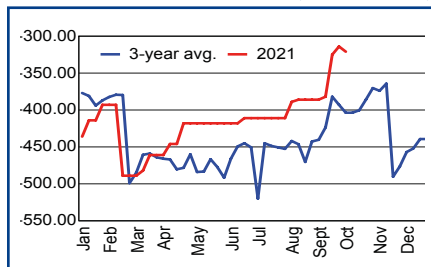
HRS — Tight supplies and Plains drought will keep HRS prices elevated, but the market is more likely to return to its status as follower of the winter wheats. But if the market pushes above this year's high on the continuation chart, it could spark a run-up to the 2012 highs or higher. Persistent winter-wheat dryness could spur such a move.

Position Monitor

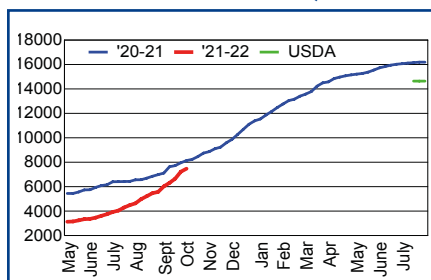
	'21 crop	'22 crop
Cash-only:	85%	20%
Hedgers (cash sales):	85%	20%
Futures/Options	0%	0%

Game Plan: On Oct. 6, we advised selling another 10% of 2021-crop. Be ready to increase 2021- and 2022-crop sales when the rally stalls.

AVERAGE COTTON BASIS (DECEMBER)



COTTON EXPORT BOOKINGS ('000 BALES)



COTTON - Fundamental Analysis

As expected, the late-September cotton spike stunted U.S. exports, which dove 57% from the week prior. But having China buy 174,500 bales of the 246,700-bale total cushioned the blow to price prospects. The rally is overdone; use it to price some additional cotton.

GENERAL OUTLOOK

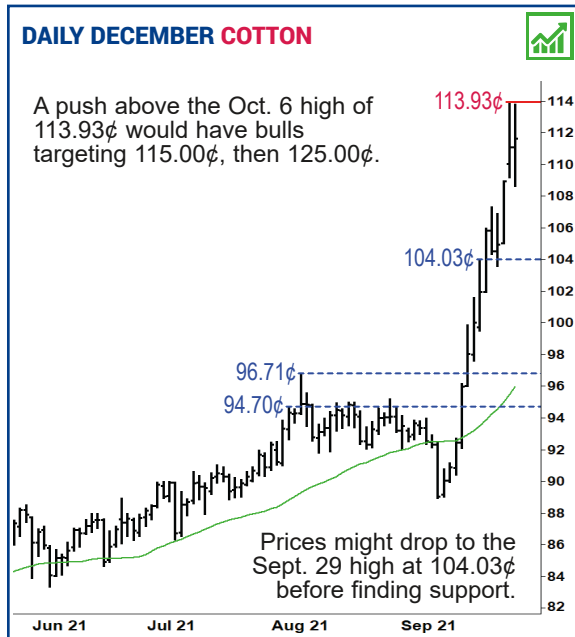
SHIPPING AND FREIGHT: It's not just energies, fertilizer and other commodities that have grown more expensive. Costs to ship raw commodities and other goods across the oceans have soared to the highest levels in 13 years amid strong demand and port congestion.

The Baltic Dry Index (BDI), which tracks average prices for transporting dry bulk materials, recently rose to its highest level since September 2008.

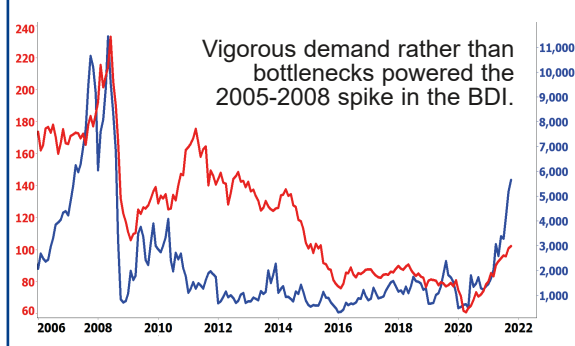
The surging shipping rates have far outpaced commodity inflation, as the chart illustrates. The Bloomberg Commodity (BCOM) Index has risen 31% so far this year, reaching the highest level since 2015. By contrast, the BDI has more than quadrupled. High freight rates will persist until bottlenecks that have plagued global shipping since the pandemic hit are worked through. That's going to take time.

DAILY DECEMBER COTTON

A push above the Oct. 6 high of 113.93¢ would have bulls targeting 115.00¢, then 125.00¢.



MONTHLY BCOM VS. BALTIC DRY INDEX



FROM THE BULLPEN By Market Consultant Dan Vaught

USDA's Sept. 30 Small Grains Summary indicated that the 2021 oat harvest at 39.8 million bu. was the smallest on record. This year's average yield slipped just 3.8 bu. from last year, emphasizing the record low for harvested acreage at just 650,000 acres.

The domestic production shortfall played a big role in the third-quarter price surge. December futures moved above the former record of \$5.04 1/2 in mid-August and topped in the \$6.00 area last week. This clearly implies record costs for users and processors of oats for the foreseeable future.

The 2021 barley harvest reached just 118 million bu., down 31% from 2020. The Northern Plains drought cut U.S.

yields by 16.8 bu. to 60.4 bu. While planted acreage dipped just 2% from last year, the drought slashed harvested acreage by 12%. USDA trimmed its forecast for 2021-22 prices from August by 30¢ to \$5.45, but that would be the highest since 2015-16.

The September Crop Production Report stated 2021 U.S. sorghum production at 454 million bu., up 21.7% from a year ago, which largely reflected a 1.4 million acre (27.5%) jump in harvested acreage. As a result, 2021-22 carryout is projected to more than double from 13 million to 32 million bushels. And yet, the average price for the crop year is projected to reach \$5.85 per bu., up from \$5.00 last year.

WATCH LIST

- Columbus Day holiday** **MON 10/11**
Markets are open, gov't is closed.
- USDA Crop Production Report** **TUES 10/12**
Updated corn, bean & cotton crops. 11:00 a.m. CT
- USDA WASDE Report** **TUES 10/12**
U.S. tables will reflect Sept. 1 stocks. 11:00 a.m. CT
- Chinese trade data** **TUES 10/12**
Export, import data for September. 10:00 p.m. CT
- USDA Weekly Export Sales** **FRI 10/15**
Did China actively buy the bean break? 7:30 a.m. CT

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