Farm Journal
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September 18, 2021
Vol. 49, No. 38

News this week...

2 – Perspective on USDA's yield, acreage changes.
3 – USDA cut its beef, pork production forecasts.
4 – Washington could be even more volatile.

Corn rebounds, beans pause – *December corn futures built on their upside reversal posted after USDA's Sept. 10 reports. But the market is going to need some bullish demand news to uncover sustained buying during harvest. November soybeans paused last week as China booked some Brazilian soybeans for fall delivery in case U.S. Gulf shipments remain limited due to logistics issues (see items below). Wheat futures firmed as world production forecasts continued to decline and export demand picked up for U.S. supplies. Cattle futures rebounded from Monday's drop to the lowest levels since early June, but buyer interest will be limited until the wholesale beef market finds a bottom. Hog futures rebounded after spiking below the June low as traders narrowed the big discounts to the cash index.*

China buying Brazilian beans

Chinese crushers are securing fall shipments of Brazilian soybeans given export disruptions at the U.S. Gulf caused by Hurricane Ida. Last week, China reportedly booked up to six cargoes of Brazilian soybeans for delivery in October or November, despite premiums of around $15 per metric ton compared with U.S. soybeans. China could wash out some or all of the Brazilian purchases if shipments start actively flowing again at the Gulf in time to meet its fall needs.

Some Gulf terminals reopen, but barge availability scarce

Cargill, Louis Dreyfus and ADM have reopened export facilities at the Gulf, while Bunge's Destrehan, Louisiana, facility is "running intermittently." CHS expects to have its Myrtle Grove, Louisiana terminal operational by the height of harvest. Delays in unloadings at the Gulf are creating a shortage of empty barges upriver as harvest accelerates quickly, causing barge rates to spike. Logistics issues have hammered corn and soybean basis (see charts on *Analysis pages 2 and 3*).

Push for farmer tax credits for SAF

Biofuel producers say reaching the White House's goals of increasing sustainable aviation fuel (SAF) use to slash greenhouse gas emissions would be impossible without tapping into feedstocks like ethanol and soyoil. They want the current model used to determine eligibility for the proposed $1.75 to $2.00 per gallon tax credit, which they say exaggerates the environmental impact on land use of farm-grown biofuels feedstocks, to be changed to one developed by the Department of Energy that would allow farmers to benefit.

Farmland prices support RMI

The Creighton University rural mainstreet index (RMI) that surveys rural banks in a 10-state region dependent on agriculture and/or energy, declined for a fourth straight month in September but remained above growth-neutral. The farmland price index advanced to a record. The confidence index, which reflects bank CEO expectations for the economy six months out, increased for the first time since May, but bankers remain concerned about Washington policy.

A lot of moving parts in Washington

Democrats continue to haggle over the proposed $3.5-trillion human infrastructure package that could be $5 trillion-plus as some provisions will arbitrarily lapse before the 10-year budget window. Here's the latest on ag-related components:

- The existing estate tax exemption would be cut from $11.7 million to $5 million, while increasing a special-use valuation that could offset the impact of reducing the exemption.
- Stepped-up basis will be preserved, which will protect farmers, ranchers and investors from significant tax burdens.
- Ways and Means Democrats rejected GOP amendments, including one to strike all estate and gift tax provisions.

Meanwhile, a growing concern is the looming debt ceiling. Treasury Secretary Janet Yellen warned Senate Minority Leader Mitch McConnell (R-Ky.) that brinkmanship on the debt limit wasn't productive as the U.S. economy continues to emerge from the Covid-19 pandemic. McConnell contends its up to Democrats to solve the problem since they control the White House and Congress.

We highlight these and other key issues ahead in Washington on *News page 4*.

OMB schedules more RFS meetings

Three meetings were added to the original scheduled at the Office of Management and Budget (OMB) on the proposed Renewable Fuel Standard (RFS) levels from EPA. One of those meetings was held Sept. 16, with two others scheduled for Sept. 23 and Oct. 4. If all the meetings take place before OMB completes its review, it suggests that it will be into October before the RFS levels will be published. But sources tell us the levels will be published no later than Sept. 27.

Layers not eligible for PLIP

Livestock and poultry producers who suffered losses during the pandemic due to insufficient access to processing now have until Oct. 12 to apply for Pandemic Livestock Indemnity Program (PLIP). The original deadline was Sept. 17.

FSA says layer hen flocks that were depopulated during the pandemic due to a lack of an egg market do not qualify for PLIP.

Perspective on USDA's yield increases

USDA raised its corn yield estimate this month. Since 1970, there have been 23 such instances where the corn yield estimate increased from August to September. The final yield ended up higher than the September forecast in 17 of those years and down six times. That suggests there are nearly three-quarter odds USDA's final corn yield will come in above the 176.3 bu. per acre it estimated in August.

In years when USDA increased its yield in September, the average increase to the final yield was up another 2.4 bu. per acre. If you apply that to the September estimate, it put yields at 178.7 bu. per acre. That's not to say yields will increase that much, but it gives an indication of how much yields could increase based on the historical average.

For soybeans, the numbers aren't as convincing. Of the 26 previous years when USDA has raised its soybean yield from August to September, only 14 times (54%) has the final yield been higher, while 12 years yields have declined. In years when USDA increased its yield in September, the average increase to the final yield was 0.4 bu. per acre. If you apply that to USDA's September estimate of 50.6 bu., it would result in a yield of 51.0 bu. per acre.

Perspective on acreage adjustments

USDA raised its corn plantings estimate in September based on FSA certified acreage data, but not as much as we anticipated. Since 2010, this was the smallest deviation above September FSA data. The average increase in acres over the past 11 years was 243,000 acres from October (typically the first month USDA incorporates FSA data) to final. We expect corn acreage to push a little higher.

USDA modestly reduced soybean planted acres whereas we expected little change. Similar to corn, this was the smallest deviation from September FSA data back to 2010. On average, final soybean acres have shifted 254,000 acres from October to final. We expect USDA to mildly increase soybean acres.

Warm October with mixed precip

The 30-day forecast from the National Weather Service (NWS) calls for above-normal temps during October across most of the U.S., including the entire Corn Belt and Plains. NWS calls for "equal chances" of above-, normal and below-normal precip across most of Indiana, Illinois, Iowa, Missouri, Nebraska and the Dakotas during October. There are increased odds of above-normal precip in the far northern and eastern Corn Belt, with below-normal rainfall likely over the far southwestern Corn Belt and Southern Plains.

Canada cuts wheat, canola crop pegs

Statistics Canada (StatsCan) now estimates Canada's 2021 total wheat crop at 21.7 million metric tons (MMT), based on satellite and agroclimatic data, down 1.2 MMT from its forecast in late August. If realized, it would be a 38.3% plunge from 2020-21 and Canada's smallest wheat crop since 2007. Canada's spring wheat crop is estimated at 15.3 MMT, 40.7% under year-ago levels, with the durum crop estimated at 3.5 MMT, down 46.1% from 2020.

StatsCan now estimates the Canadian canola crop at 12.9 MMT, down nearly 2.0 MMT from its late-August forecast. That would be a 34.4% plunge from last year's production and the country's smallest canola crop in 13 years.

EU wheat crop clipped by weather

Strategie Grains lowered its EU soft wheat crop estimate for 2021 by 2.4 MMT to 129.1 MMT, which would still be a 10.3-MMT increase from last year's crop. "These quantitative setbacks — which stem either from excessive rains (in western EU countries) or lack of rain (north and central countries) — are exacerbated by the damage to grain quality for this season's spring barley and milling wheat," Strategie said. It lowered its 2021-22 EU soft wheat export forecast to 31.0 MMT, a 1.7-MMT cut from its outlook last month.

The cut to EU wheat production contributed to a 10.9-MMT decline in the consultancy's global wheat production estimate (including durum) that now stands at 739.4 MMT.

China lowers import quality regs for French wheat

Chinese buyers will ease test weight quality requirements for coming shipments of French wheat, according to a *Reuters* report citing traders in Europe and Asia. Heavy late-season rains compromised the quality of France's wheat crop, resulting in China and other major markets for French wheat like Algeria and Saudi Arabia lowering test weight requirements.

Russian wheat crop estimate cut

Russia-based ag consultancy IKAR cut its 2021 Russian wheat crop forecast to between 74 MMT and 75 MMT due to "smaller crops in the Central, Volga and Urals regions." The firm says a "high level of uncertainty remains" with this year's Russian wheat crop.

Russia to plant less winter wheat for 2021-22

Russian farmers are expected to sow fewer acres to winter wheat this fall compared with record levels last year due to unfavorable weather (including recent dryness), a switch to oilseeds in some regions and concerns about the country's grain export tax. Analysts surveyed by *Reuters* expect a 500,000-hectare to 1-million-hectare (1.24 million to 2.47 million acre) drop in wheat acres. Winter wheat typically makes up around 70% of the country's total wheat crop.

Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Lee Co. (southeast) Iowa:
"It will be interesting to see if the fast drying of corn in the field equals lower-than-expected yields. We went from 70% to 21% moisture in less than 40 days. Seeing huge variability from field to field and even row to row."

Washington Co. (southeast) Iowa:
"Our 105-day corn averaged 200 bu. per acre, which was about 25 bu. above our 10-year average, but 25 bu. short of being a record."

Peoria Co. (central) Illinois:
"The patches of down corn are going to add up around here. It's no disaster by any means, but we lost the highest of our expectations over the past four weeks."

Morgan Co. (southwest) Illinois:
"Our first two fields of corn averaged 252 bu. and 215 bu. per acre. Both were about 10% to 15% higher than our APH yields on those fields."

Champaign Co. (east-central) Illinois:
"A field of 106-day corn made 199 bu. per acre and one with 107-day corn made 217 bu. per acre. Both were cover crop, no-till ground. That was a yield hit of about 20 bu. per acre from surrounding conventionally tilled fields."

Iroquois Co. (east-central) Illinois:
"My early soybeans are right at my APH around 65 bu. per acre. Considering that was off the worst part of my farm and we had no rain in August, I'll gladly take it."

Martin Co. (south-central) Minnesota:
"I'm in the bright red blob on the Drought Monitor and I'm surprised how good the corn is doing with little to no rain and no subsoil moisture. You're going to be surprised. The early stuff will be the worst. I'm not saying it's a record yield by any means. All I'm saying it's just not as bad as people think. Yields will be below my APH, but it's kind of amazing what we got."

Otter Tail Co. (west-central) Minnesota:
"Early soybeans are running 40 bu. per acre (46 bu. APH). This is good ground, but we had dry, windy weather the third week of August. Yields could have been worse."

Scotland Co. (northeast) Missouri:
"First 60-acre field yielded 227 bu. per acre dry, which was higher than my expectations of 180 bu. to 200 bushels. This field has never yielded above 190 bu. per acre. We now have hopes our overall yield will be higher than expected."

Wabaunsee Co. (east-central) Kansas:
"Short-season corn averaged 122 bu. to 128 bu. per acre. Was 170 bu. last year and was expecting close to that this year. Ears were wildly inconsistent, which might have been residual damage from the May cold."

Haskell Co. (southwest) Kansas:
"We almost didn't get all the silage and high moisture corn done as quickly as it dried down. Yields were everywhere from disappointing to extremely pleased."

Beef, pork production forecasts cut

USDA cut its 2021 beef production forecast as lower steer and heifer slaughter and lighter carcass weights are expected to more than offset higher cow kills. It also cut its beef production forecast for next year. Beef production is now forecast to rise 2.1% this year. USDA raised its 2021 beef export forecast to reflect strong global demand. Beef shipments are now expected to rise 15.7% versus 2020. Given the cut to production and the stronger export outlook, USDA increased its average cash steer price forecast by $1.00 from last month to $122.20, which would be up $13.69 from last year.

USDA cut its 2021 pork production outlook amid lower second-half slaughter than previously expected. Pork output is now expected to fall 2.0%. It cut the pork export forecast to reflect recent trade data. Pork shipments are now expected to decline 0.7% from last year. USDA raised its 2021 average cash hog price forecast by 20¢ from last month to $69.90, which would be up $4.90 from 2020.

For 2022, USDA expects beef production to decline 3.1% and pork output to decline 1.5%. It forecasts exports will drop 4.2% for beef and 0.5% for pork. USDA projects the average cash steer price will jump $5.80 next year to $128.00, while the cash hog price will fall $13.90 to $56.00.

FAPRI: Lower net farm income in '22

The University of Missouri's Food & Agricultural Policy Research Institute (FAPRI-MU) analysis uses ag policies in place in late August and USDA's September WASDE Report data. Highlights of its report:

- Net farm income in 2021 is projected at $122 billion — the highest level since 2013 and several billion dollars above USDA's outlook.
- Government spending on farm-related programs is expected to reach a record $52 billion in fiscal year (FY) 2021, due mostly to pandemic-related program payments.
- Under current policies, government outlays would drop to $22 billion in FY 2022, and government payments to farmers would fall by $23 billion to $6 billion in 2022. Conservation programs would account for most 2022 government payments.
- Projected grain and oilseed receipts decline after 2021.
- Receipts for cattle, dairy and poultry are all forecast to increase. Hog receipts are expected to jump in 2021.
- In 2022, net farm income is forecast to decline by $23 billion and net cash income would fall even more sharply. Reduced government payments and higher production expenses will lead the decline, as little change in farm receipts is expected.
- Rising asset values and slower growth in debt will reduce the sector's debt-to-asset ratio in 2021 and 2022. Lower projected farm income is expected to halt the rise in farm real estate values in 2023, and the debt-to-asset ratio will increase.

Even more volatility ahead for congressional activity

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

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Like volatility in droughts or demand-pull ag markets, the coming weeks, and perhaps months, in Washington are primed for major swings amid the political action… or inaction.

A lot to do in a short time

The list includes: (1) a $1-trillion traditional infrastructure bill, (2) an up to $3.5-trillion "social" infrastructure measure, (3) spending for fiscal year (FY) 2022, which begins Oct. 1, and (4) language regarding the debt limit.

Tasks will take weeks but more likely months

House Speaker Nancy Pelosi (D-Calif.) has promised moderates in her party a vote on the bipartisan infrastructure bill by Sept. 27. Leaders want the budget reconciliation measure done by October. That's a lot to do in a short time, especially with major differences among Democrats over the social infrastructure package — over both the total amount and its individual provisions.

Moderate House Democrats insist they will not vote for the big spending bill unless there is a vote on traditional infrastructure. Moderate Senate Democrats say they won't vote for the social infrastructure unless the price tag is a lot lower… perhaps down to $1.0 trillion or $1.5 trillion. Progressives (far-left liberals) in the Senate like Socialist Senator Bernie Sanders (I-Vt.) say $3.5 trillion is the starting point… and they say they won't vote for the bipartisan bill until they get a reconciliation package.

Bottom line: There are huge differences among Democrats, who can only lose three votes in the House and none in the Senate, assuming no Republicans vote for at least the bigger package. That's why we look for slippage in the self-imposed deadlines; they will likely extend into October and perhaps November or December.

Debt limit issue could be major market factor

So far, financial markets have not been concerned about this topic, even though Treasury Secretary Janet Yellen has said end-arounds her department are taking will be exhausted around mid-October. Democrats think Senate Minority Leader Mitch McConnell (R-Ky.) is bluffing when he says he will not vote for a debt limit increase. He expects to be able to hold all his Senate Republicans to this line. He acknowledges the debt ceiling needs to be raised.

But by who? In an interview last week, McConnell said: "A Democratic president, a Democratic House, a Democratic Senate… They should step up. It's hard being in the majority. They are the ones who will raise the debt limit."

Bottom line: Congressional sources privately tell us they can no longer rule out the U.S. defaulting on its debt. That would have significant market impacts. In that case, Democrats would try to blame Republicans, who they say wouldn't then join them in settling the issue. But others say that would be a failed strategy because, as McConnell notes, Democrats control both chambers of Congress and the White House. Others say at the 11th hour, Democratic leaders will attach debt limit language to the budget reconciliation measure, or to a stopgap, continuing resolution (CR) to extend government funding into December for FY 2022. Any CR approach would also likely include some "sweeteners" to get GOP votes (see next item).

WHIP+ in CR, but GOP insists no debt limit language

To entice Republicans, Democrats are planning, at least at some stage, to include $14 billion in natural disaster relief to cover the last 18 months of disasters, at least another $10 billion in response to Hurricane Ida and $9 billion for a WHIP+ extension covering 2020 and 2021 losses in the CR. Some $6.4 billion for Afghan resettlement is also in the mix. A clean CR or one with WHIP+ and other disaster funding would capture enough GOP votes to pass in each chamber but adding debt ceiling language to the CR would kill GOP support.

So what's going to happen?

There are a lot of moving parts, with key provisions still being negotiated. Our sources can't even rule out both measures being defeated due to intraparty differences among Democrats. But Pelosi has pulled complex issues off before, and she knows Democrats need some wins to present to voters come midterm elections in 2022.

The biggest hangups are the social infrastructure package and what strategy Democrats finally use regarding the debt ceiling. The traditional infrastructure bill has wide bipartisan support but there are hurdles, as we have detailed, within the Democratic Party.

Our daily reporting on www.profarmer.com will chronicle the twists and turns on these issues. Recent developments show change can come fast and furious. Sounds like markets again, doesn't it?

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Farm Journal CEO, Andrew Weber

CATTLE - Fundamental Analysis

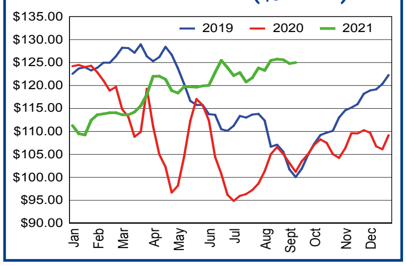
Falling beef prices have weighed heavily upon cattle futures since late August, but losses posted by the cash markets have been much more moderate. Indeed, they seemed to stabilize last week. This difference likely reflects the huge disparity between wholesale prices setting records for this time of year versus cash quotes about 30% below their highs from 2014-15. The chart below shows the spot markets are involved in a decided uptrend since dipping below $110 last January. We expect this to continue, especially if beef prices firm and feedlot placements continue running significantly below year-ago levels.

Position Monitor

Game Plan: We feel the downside is overdone at current levels. Fed cattle producers should wait on a strong price recovery before considering hedges.

	Feds	Feeders
III'21	0%	0%
IV'21	0%	0%
I'22	0%	0%
II'22	0%	0%

CASH CATTLE PRICE ($/CWT.)



DAILY OCTOBER LIVE CATTLE

HOGS - Fundamental Analysis

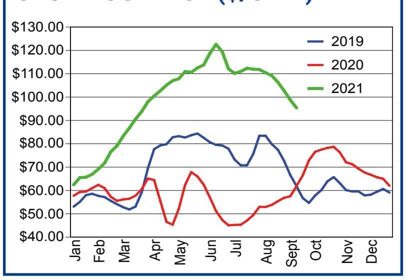
Despite the accelerated rate of decline in the CME lean hog index last week, nearby futures continue trading at substantial discounts, thereby reflecting great pessimism about the short-term outlook. Historical patterns suggest cash prices will firm over the next few weeks, but there are always exceptions. It's not terribly uncommon for spot prices to keep sliding in early autumn. But a low at this time might also mark the bottom for the year. Pork prices have declined in concert with wholesale beef values. Look for a rebound soon after beef values stabilize and/or reverse to the upside.

Position Monitor

Game Plan: Traders have too much price pessimism built into fall- and winter-month hogs. Wait on a strong corrective price recovery before adding hedges.

	Lean Hogs
III'21	0%
IV'21	0%
I'22	0%
II'22	0%

CASH HOG PRICE ($/CWT.)



DAILY OCTOBER LEAN HOGS

FEED

Feed Monitor

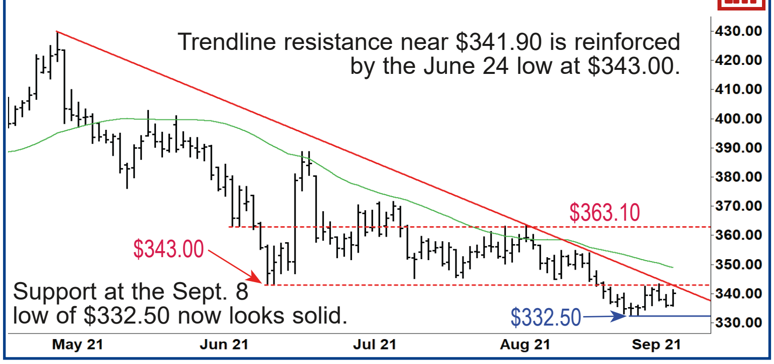
Corn	
III'21	83%
IV'21	0%
I'22	0%
II'22	0%

Meal	
III'21	92%
IV'21	25%
I'22	0%
II'22	0%

Corn Game Plan: You should be hand-to-mouth on corn-for-feed coverage. While futures are signaling a short-term low, we see limited sustained upside price risk during the first half of harvest.

Meal Game Plan: You should have 75% of soymeal needs covered in the cash market for September and 25% for the fourth quarter. Wait for a seasonal low to extend coverage.

DAILY OCTOBER SOYBEAN MEAL

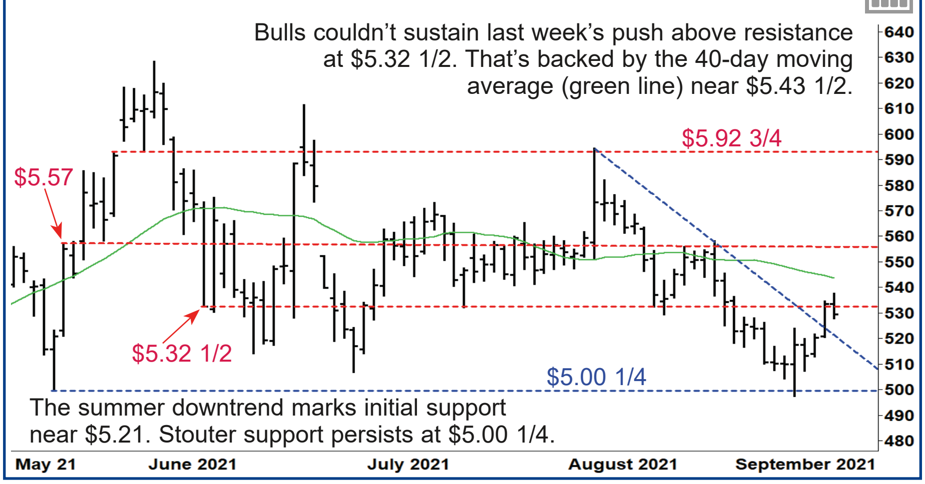


Position Monitor

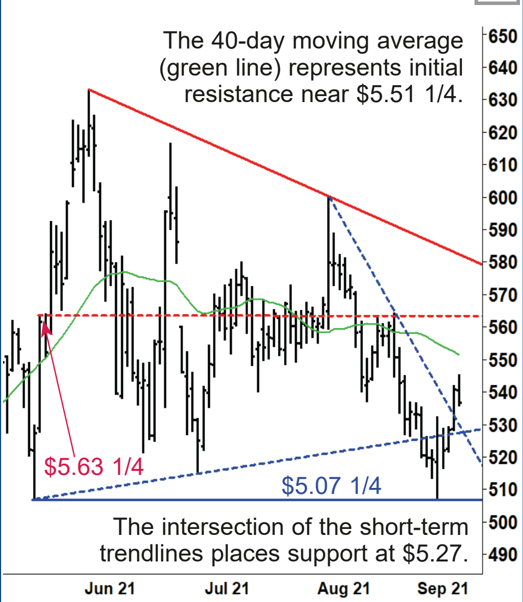
	'21 crop	'22 crop
Cash-only:	40%	0%
Hedgers (cash sales):	40%	0%
Futures/Options	10%	0%

Game Plan: Wait on an extended price recovery to get current with advised cash sales. We are targeting a rebound into the mid-$5.00 range to extend 2021-crop sales. We would likely make 2022-crop sales at the same time. 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



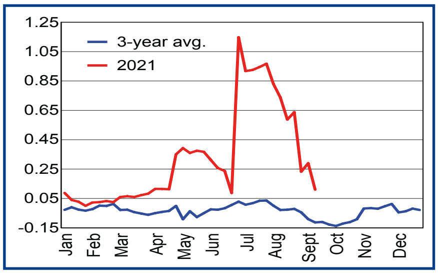
DAILY MARCH CORN



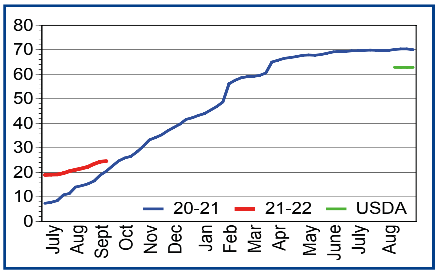
CORN - Fundamental Analysis

December corn's advance the past week, which followed a quick rebound from a brief foray below $5.00 boosted confidence the market has established a near-term bottom. The low-$5.00 area continues to act as a magnet for fresh buying, and we could see sideways-to-higher prices the next few weeks. But there are a few key caveats. Harvest will accelerate the next few weeks. Plus, sluggish exports are concerning, as it may take weeks, if not months, for grain terminals at the U.S. Gulf to return to full capacity from the damage done by Hurricane Ida. If export demand remains sluggish as harvest pressure builds, December futures could again test the waters below $5.00.

AVERAGE CORN BASIS (DECEMBER)



CORN EXPORT BOOKINGS (MMT)



Position Monitor

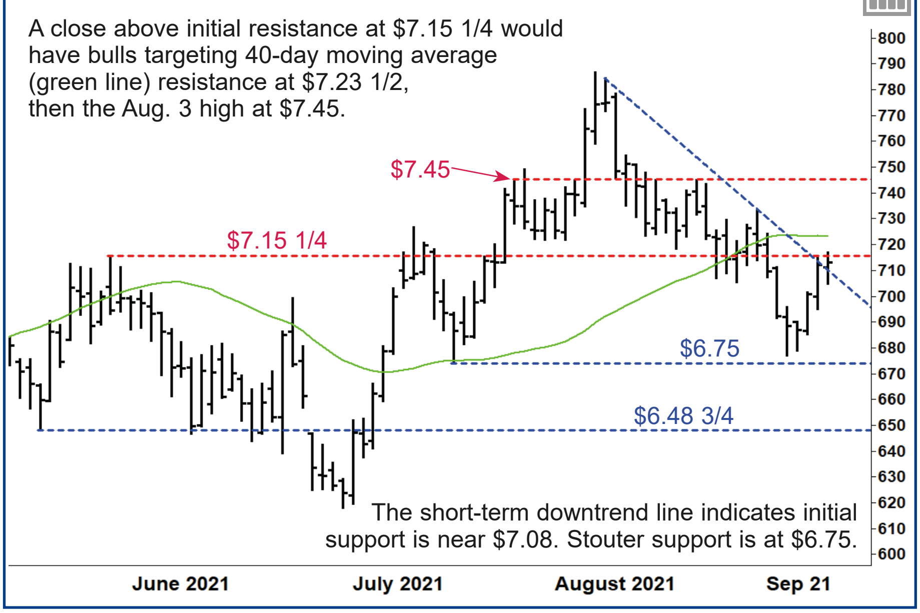
	'21 crop	'22 crop
Cash-only:	70%	20%
Hedgers (cash sales):	70%	20%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. We're content to wait on the next move higher to advance old- and new-crop sales as long-term fundamentals are supportive and seasonals suggest prices could move higher.

WHEAT - Fundamental Analysis

SRW — December futures' 3%-plus gain the past week appears to have stanched a recent selloff. Reduced production estimates for top growers like Canada and France seem to come out every day, but a sustained pickup in exports is needed before bulls will regain the upper hand.

DAILY DECEMBER SRW WHEAT



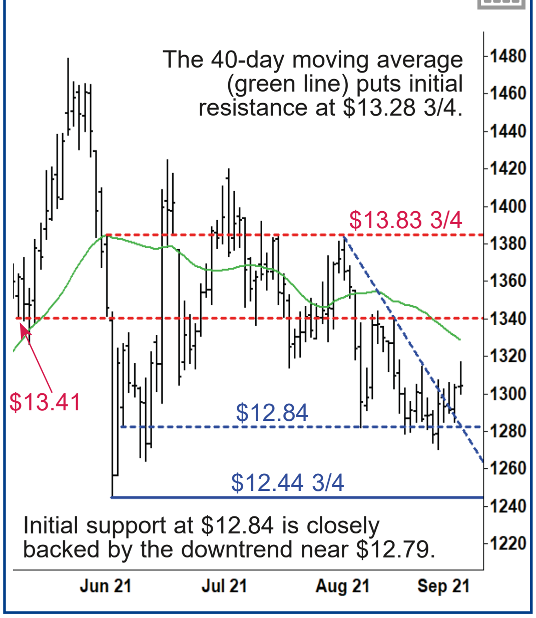
Position Monitor

	'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 are targeting a price recovery into the mid-$13.00 range to extend 2021-crop sales. We would likely make 2022-crop sales at the same time. Hold the 2021-crop hedges in November futures as downside protection during harvest. Additional hedges may be needed on a violation of the June low.

DAILY NOVEMBER SOYBEANS

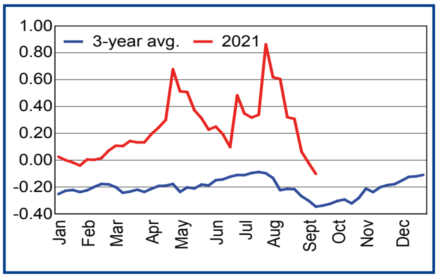
DAILY JANUARY SOYBEANS



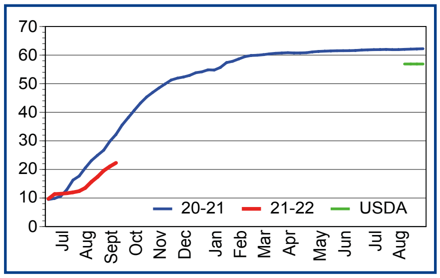
SOYBEANS - Fundamental Analysis

Export demand concerns with China buying Brazilian soybeans for fall delivery (see *News page 1*) limited the price rebound from the Sept. 10 upside reversal. Early harvest results will be closely monitored given concern that warmer- and drier-than-usual weather in the Midwest may take the top off yields. A pickup in Chinese purchases of U.S. soybeans will likely be needed to offset harvest pressure, unless yields are consistently disappointing. The market remains in a downtrend from the summer highs and rallies must be used to advance sales. Traders will watch to see if renewed La Niña conditions affect South American plantings, but that will likely have little effect.

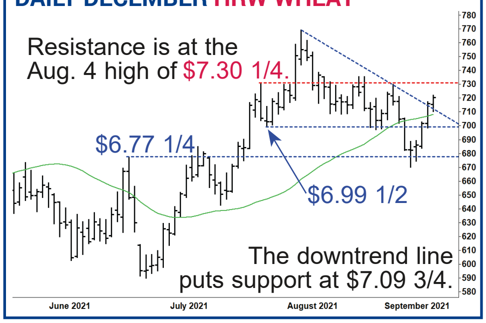
AVERAGE SOYBEAN BASIS (NOVEMBER)



SOYBEAN EXPORT BOOKINGS (MMT)

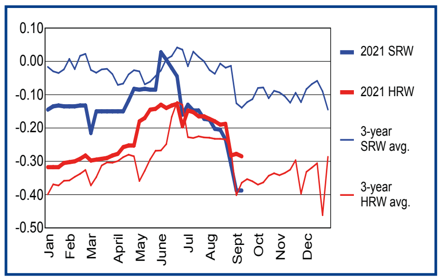


DAILY DECEMBER HRW WHEAT

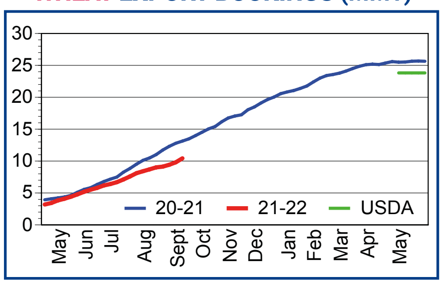


DAILY DECEMBER HRS WHEAT

AVERAGE WHEAT BASIS (DECEMBER)



WHEAT EXPORT BOOKINGS (MMT)



HRW — Last week's December HRW surge outpaced that of its SRW counterpart as winter wheat planting accelerated. Given the warm, dry extended forecast, planting should remain ahead of normal. But with dry conditions expected to persist in the U.S. Plains, it may become an increasing concern for fall crop establishment.

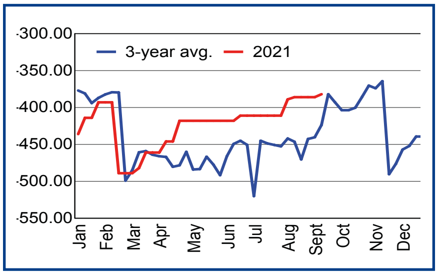
HRS — Drought has devastated the U.S. spring wheat crop, but the market already "knows" that. We expect USDA to lower its U.S. spring wheat crop estimate on Sept. 30. But it may take a bigger-than-expected cut to harvested acreage for HRS futures to find sustained buying above $9.00. HRS will likely take its lead from winter wheat.

Position Monitor

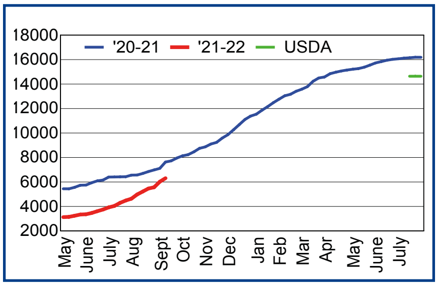
	'21 crop	'22 crop
Cash-only:	75%	0%
Hedgers (cash sales):	75%	0%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. Be prepared to increase sales on a blowoff top or signs the extended price rally is exhausted.

AVERAGE COTTON BASIS (OCTOBER)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON

COTTON - Fundamental Analysis

U.S. cotton export sales and shipments continue to impress, especially given elevated cotton prices. Bears' inability to force a sustained decline in response to the huge upward revision of USDA's crop forecast, now at 18.51 million bales, also implies great underlying strength.

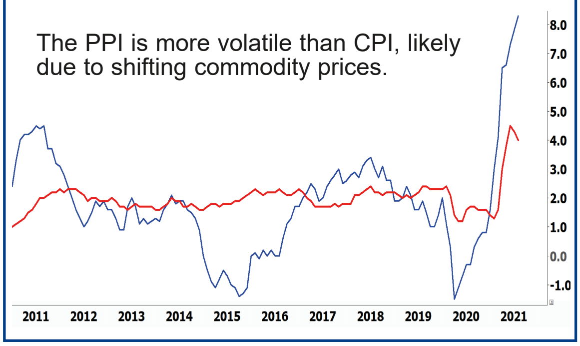
GENERAL OUTLOOK

Inflation: Market pundits saw the downtick in the consumer price index (CPI) last month as positive news. Shoppers already paying high prices for goods may not be so enthused.

CPI for August rose 5.3% over the same month in 2020, down from a 5.4% year-over-year increase in July. However, the Producer Price Index (PPI), which can foreshadow consumer price direction, surged a record 8.3% annually in August. Part of the PPI jump was driven by costlier meat, which soared 38%.

Economists expect inflation to eventually wane as Covid disruptions ease. But with U.S. livestock herds shrinking and animal prices still historically high, little near-term relief is likely at the meatcase. Bacon, for example, averaged $7.10 a lb. nationwide at retail stores in August, up 28% from a year ago, USDA data showed.

MONTHLY CPI VERSUS PPI (% ANN. CHANGE)



FROM THE BULLPEN **By Market Consultant Dan Vaught**

Pro Farmer forecasts for the corn and soybean markets look similar to the situation in 2014-15. This may offer clues as to the 2021-22 price outlook. We project corn carry-out levels for 2021-22 and 2022-23 to reach 1.375 billion bu. and 1.730 billion bu., respectively. Those figures are similar to respective ending stocks for 2013-14 and 2014-15 at 1.232 billon bu. and 1.731 billion bu., respectively.

Elevated prices in 2012 and 2013 prompted a surge in plantings and production. This year's strong prices imply similarly large supply gains next year. Mid-2021 prices for the December 2022 corn contract are comparable to those for December 2014 in mid-2013. Using the latter as a guide, this suggests December 2022 futures will average around $5.00 in the fourth quarter of 2021, then fall 10¢ to 15¢ cents in each of the following three quarters.

The soybean similarities aren't as strong, but we expect an analogous rise in soybean stocks, with stocks-to-use ratios below average in both years. Price levels are comparable. Using November 2014 futures as a guide, this suggests the contract will average around $12.50 next quarter, edge up to $12.65 or so in early 2022, then drop about 50¢ next spring and again next summer.

Downside risk is large for both corn and soybeans in the absence of South American and U.S. weather problems during the coming growing seasons.

WATCH LIST

1	**USDA Crop Progress Report** Harvest progress will be watched.	**MON 9/20** 3:00 p.m. CT
2	**USDA Cold Storage Report** Data will show strong beef use.	**WED 9/22** 2:00 p.m. CT
3	**USDA Weekly Export Sales** Strong China bean buys again.	**THUR 9/23** 7:30 a.m. CT
4	**USDA Hogs & Pigs Report** Herd contraction deepened.	**FRI 9/24** 2:00 p.m. CT
5	**USDA Cattle on Feed Report** Light placements again in August.	**FRI 9/24** 2:00 p.m. CT

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