Farm Journal
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News this week...

Corn, beans pause, wheat firms – *Price action was relatively quiet in the corn and soybean markets last week as both December corn and November soybeans showed little net movement. The pause could be considered a "win" for bulls. But with harvest quickly advancing and sluggish export demand for both crops, bulls may need bullish surprises in USDA's Sept. 30 reports to fend off seasonal pressure. Wheat futures posted modest gains last week amid talk of increased export demand, including chatter China bought U.S. wheat. Cattle futures traded sideways ahead of Friday afternoon's Cattle on Feed Report that was expected to show continued contraction in feedlot supplies. Hog futures traded mostly higher ahead of Friday's Hogs & Pigs Report that was expected to show a smaller hog herd.*

Reports: EPA proposing big RFS cuts

EPA reportedly is proposing retroactively reducing total 2020 biofuels levels to 17.129 billion gallons, down nearly 3 billion gallons from the original level. EPA also reportedly proposed lower levels for 2021 (18.628 billion gallons for total renewable fuels, including 13.453 billion gallons of corn-based ethanol) and 2022 (20.765 billion gallons of total renewable fuels, including 14.096 billion gallons of corn-based ethanol).

On *AgriTalk*, USDA Secretary Tom Vilsack said the pandemic impacted U.S. fuel demand and in turn biofuels. In an apparent spin on a bad situation for the biofuels industry, he also said USDA will "continue to support this industry."

Any proposal is not final, but Senator Chuck Grassley (R-Iowa) acknowledged that once the proposed levels are out, it is "very, very hard" to get them changed.

Inspections relief at the Gulf

USDA has waived official grain inspections and weight measurements on a shipment-by-shipment basis from Baton Rouge, Louisiana, to the mouth of the Mississippi River until Sept. 30. This will somewhat help, but it's still going to take weeks before grain shipments at the Gulf are normal.

Grain stocks could provide surprises

Analysts have consistently missed the mark on pegging quarterly stocks, especially for corn, so the Sept. 30 Grain Stocks Report could have some surprises. Any surprises for wheat would likely come from the Small Grains Summary. We anticipate USDA will cut spring wheat harvested acreage to reflect more abandonment than previously estimated.

Fed to taper 'soon,' rate hike in 2022?

Fed Chair Jerome Powell says conditions have largely been met for the Fed to start tapering its monthly asset purchases, but not all voting Fed presidents agree yet. He said the tapering could start in November and be wrapped up by the middle of next year. Also, half of the Fed board expects at least one interest rate increase in 2022. While the U.S. economy is recovering, "risks to the economic outlook remain." See *News page 4*.

Likely outcomes of key DC issues

- A stopgap spending bill without a debt limit suspension, but including billions of aid for 2020 and 2021 ag disasters.
- Democrats will include a debt limit suspension in a scaled-back human infrastructure bill via reconciliation or could do a separate reconciliation bill for the debt ceiling.
- A House delay of a promised Sept. 27 vote on traditional infrastructure, unless House Speaker Nancy Pelosi (D-Calif.) works another deal with her moderates and liberals.

Dems' hidden conservation funding

Democrats tried to hide $28 billion in conservation funding in the $3.5 trillion reconciliation package, reportedly including:

- $5 billion for direct payments for cover crops totaling $25 per-acre, up to 1,000 acres per producer through fiscal year (FY) 2026.
- $9 billion for EQIP through FY 2026.
- $4 billion for the CSP through FY 2026.
- $1.5 billion for the Agricultural Conservation Easements Program through FY 2026.
- $7.5 billion for the Regional Conservation Partnerships Program through FY 2026.
- $200 million for NRCS technical assistance through FY 2031.
- $650 million for climate change adaptation through regional climate hubs and carbon sequestration and greenhouse gas emissions quantification through NRCS.

Linkage requirements for WHIP+, QLA

If you received a WHIP+ or QLA payment for losses in the 2018, 2019 or 2020 crop years, you are required to obtain federal crop insurance or Non-Insured Crop Disaster Assistance Program coverage at the 60/100 level, or higher, for both the 2022 and 2023 crop years. Failure to do so will result in the required refund of benefits received, plus interest.

WOTUS to maintain ag exemptions

Exemptions will remain in place for farming/ranching activities as part of EPA's rewrite of its waters of the U.S. (WOTUS) definition. EPA Administrator Michael Regan says normal farming/ranching activities won't require a permit, including "plowing, seeding and minor drainage as well as activities like construction and maintenance of irrigation ditches."

Tar spot robbing corn yields

Tar spot is tearing through Midwest cornfields, causing quick maturity and a big reduction in yields in some hybrids. The disease, which was fueled by high humidity and wet conditions in the eastern Corn Belt this summer, is causing premature plant death. Plant health deteriorated so rapidly it couldn't fill kernels, leading to yield loss and leaving field susceptible to being flattened by high winds or heavy rains.

Farm Journal Field Agronomist Ken Ferrie says, "Fields that had a decent amount of green went dead-brown in seven to 10 days. The corn all died early, most of it before reaching black layer." Many of the fields he scouted with tar spot had rubbery cobs and were putting in what he describes as a gray layer — a lighter and thinner layer than normal.

"Some growers have said it looks like harvest is coming quicker this year — that we must have had more heat units than usual — but that's not the case," Ferrie says. "This tar spot has worked on the corn like a killing frost, and stalk quality is deteriorating fast."

Drought worsens in U.S. wheat areas

The U.S. Drought Monitor showed 79% of Oklahoma was impacted by abnormal dryness/drought as of Sept. 21, a 25-point surge from the week prior. In Texas, dryness/drought coverage jumped 12 points with 31% of the state now affected. In Kansas, drought coverage rose four percentage points, with 40% of the state now impacted.

Drought also intensified in some Midwest states, including parts of Missouri, northern Illinois, southern Wisconsin and the lower Great Lakes region.

IGC hikes global corn crop forecast

The International Grains Council (IGC) raised its total grains production forecast for 2021-22 by 5 MMT to 2.289 billion MT, as larger-than-expected corn and sorghum harvests more than made up for cuts to its wheat, barley and oats production outlooks. IGC raised its global total grains ending stocks forecast by 10 MMT to 599 MMT.

IGC raised its 2021-22 global corn crop forecast by 7 MMT from last month to 1.209 billion MT, which would be an 82-MMT jump from 2020-21. USDA projects global corn production at 1.198 billion MT in 2021-22.

IGC shaved 1 MMT off its wheat production outlook for 2021-22, cutting it to 781 MMT, though that would be up 8 MMT from last year but just below USDA's 780 MMT projection.

IGC kept its global soybean crop forecast at 380 MMT, which would be up 18 MMT from 2020-21 but 4 MMT below USDA.

Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Buchanan Co. (northeast) Iowa:
"Areas where corn is standing perfectly, yields are 240 bu. to 260 bu. per acre. Areas where corn is leaning hard, it's running 210 bu. to 230 bu. per acre. Areas where it's dead brown and laying in the mud, yields fall to 150 bu. to 200 bu. per acre. I've got one field that's flat but didn't snap. It's still green and just black layered. It's going to yield very well if I can pick it up."

Humboldt, Kossuth Cos. (north-central) Iowa:
"Our early soybeans are 12% to 13% moisture and yielding between 60 bu. and 70 bu. per acre, which is above our APH. I've heard from other farmers bean yields are a little better than expected and corn yields are a little lower than expected and down a bit from last year."

Effingham Co. (southeast) Illinois:
"Our 116-day corn planted April 25 tested 18% moisture and 250-plus bu. per acre. This corn had heavy tar spot damage. I'm curious what we lost to tar spot."

Sangamon Co. (southwest) Illinois:
"Worst anthracnose I've seen plus tar spot at least 10 times heavier north of Springfield than south. Any wind and standability will be a major problem."

Mason Co. (central) Illinois:
"Corn around here is running around 10 bu. per acre better than APH and soybeans 5-plus bu. above APH."

Hancock Co. (central) Indiana:
"Corn is running 8 bu. to 10 bu. per acre above APH, soybeans are 3 bu. to 6 bu. below APH. My personal opinion is later beans will be better and corn might fall off."

Gage Co. (southeast) Nebraska:
"Our first dryland corn was all over the place from poor to spectacular — netted about 5 bu. better than average."

Phelps Co. (south-central) Nebraska:
"Early 2.0 dryland soybeans running 68 bu. to 72 bu. per acre with 30 inches of rain this year."

South-central Minnesota:
"Several fields of early corn running in the 220-bu.-per-acre range. Early soybeans are in the mid- to upper-60s, with some into the low 80s. Yields are generally better than expected and definitely over APH with the exception of some corn-on-corn. Beans have been the real surprise."

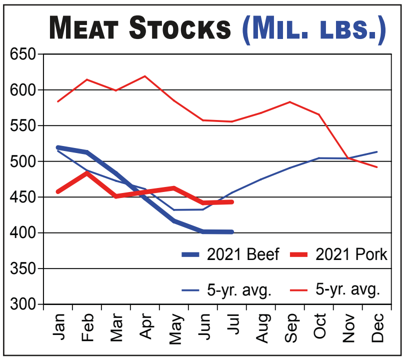
Yellow Medicine Co. (west-central) Minnesota:
"After an inch of rain and some pretty tough hail, I expect the soybean yield on our south farm to be off at least 40% and maybe more. Many beans are on the ground, more are sitting in open or cracked pods."

Fayette Co. (central) Ohio:
"Early corn is averaging 230 bu. per acre, 10 bu. above last year, as expected, but not a record."

Gray Co. (southwest) Kansas:
"Could've been a record year for our corn with two inches of rain in August. But it's hard to complain about an average crop in a below-average year."

Beef stocks rise less than normal

USDA estimated beef stocks in frozen storage at 414.9 million lbs. at the end of August. That was up 14.1 million lbs. (3.5%) from July but 34.4 million lbs. (7.7%) below last year. Beef stocks rose less than the five-year average increase of 18.6 million lbs. for the month and were 59.8 million lbs. (12.6%) below the 2016-2020 average, reflecting ongoing strong demand.



Pork stocks totaled 460.1 million lbs., up 17.7 million lbs. (4.0%) from July, which was more than the five-year average increase of 12.1 million lbs. for the month. But pork stocks declined 4.9 million lbs. (1.0%) versus last year and were down 107.6 million lbs. (19.0%) from the five-year average.

Total poultry inventories dropped 32.3 million lbs. (2.8%) from July and 284.6 million lbs. (20.0%) versus last year. Chicken breast meat stocks declined 41.9 million lbs. (20.5%) from last year's record levels.

China pork imports drop sharply

China imported only 280,000 MT of pork in August, down 20.6% from last year and the lowest monthly volume since February 2020. Through August, China's pork imports totaled 2.9 MMT, up 1.0% from the same period last year.

China's customs data doesn't break down origin of the shipments, but U.S. export figures signal Chinese demand for American pork has waned. Through Sept. 16, the U.S. had exported 362,074 MT of pork muscle cuts to China, with another 19,939 MT of outstanding sales on the books. China's total pork export commitments (exports + outstanding sales) were down nearly 43% from last year. European and Brazilian pork shipments to China were both up versus year-ago.

Beef replacing Chinese pork demand

China's African swine fever outbreak drove pork prices sharply higher and also sparked consumer concerns, causing a sharp increase in Chinese consumption of beef. While Chinese pork prices have since declined dramatically, eating habits changed and beef is now a much bigger part of the Chinese diet.

China doesn't release beef import data, but with pork accounting for only 280,000 MT of the 758,000 MT in total meat imports in August, the beef tally was high. U.S. export data showed China is now the fourth largest market for U.S. beef. Through Sept. 16, the U.S. had exported 108,736 MT of beef muscle cuts, with another 24,614 MT of unshipped sales on the books, with total commitments up nearly 400% from year-ago levels.

ASF confirmed in Haiti

USDA confirmed the first outbreak of ASF in Haiti near the border with the Dominican Republic. The surge in Haitian migrants at the U.S. southern border heightens concern the highly contagious disease could make its way to America.

Pork and pork products from Haiti and the Dominican Republic are already prohibited from entering the United States. But the U.S. Customs and Border Protection is "increasing inspections of flights from Hispaniola to ensure travelers do not bring prohibited products to the United States." APHIS previously suspended movement of all swine products from Puerto Rico and the U.S. Virgin Islands as a precaution.

Germany plans wild boar-free zone

Gemany presented a plan to the European Commission for a protective corridor between two fences along its border with Poland to counter the spread of ASF. Within the zone, the wild boar population would be intensely hunted, with hopes of eradicating the population. Germany has already built long stretches of fencing to control wild boar along the Polish border but Poland has not built its own barriers. It called for Poland's participation in the effort, saying it was important to Germany but also for the "whole of Europe."

China lowers sow herd target

China's ag ministry lowered its sow herd inventory target for the Five-Year Plan. The hog breeding capacity target is now around 41 million head of sows for 2021-25, with numbers to fall no lower than 37 million head, to ensure domestic supplies and stabilize pork prices. Previously, the ag ministry and state planner set the target between 40 million and 43 million head.

China will keep records on farms that send more than 500 pigs to slaughter per year and will categorize sow inventories by three zones. The "green zone" would show the sow herd inventory fluctuating within a normal range and would not require any action. Authorities would need to act if the inventory entered the "yellow zone", indicating a sharp fluctuation, or the "red zone," signifying "excessive fluctuation" of more than 10% either side of the normal level.

The ag ministry didn't acknowledge this, but part of the reason for the lower sow target is due to reduced pork consumption amid increased use of beef (and other proteins) in the Chinese diet.

China, Russia agree on beef trade

Russia's ag safety watchdog reached an agreement on supply terms for Russian beef, which could help simplify trade between the countries. Currently, Russia supplies just a small amount of beef to China, with only two Russian producers allowed to ship their product to the country.

Economic focus moves beyond Covid

By Editor Brian Grete and Washington Policy Analyst Jim Wiesemeyer

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Economists had been focused on impacts of the Delta variant of Covid as they made their short- and long-term global economic forecasts. But concerns about whether Congress will act before the U.S. government runs out of cash and the possibility of China property giant Evergrande collapsing have snared their attention.

Evergrande not a repeat of Lehman Brothers collapse

China's real estate situation has been described as a "bubble of economic proportions" by some economists. Evergrande, one of the country's largest real estate developers, could be the needle that bursts the bubble.

Evergrande reportedly has more than $300 billion in debt, with a series of interest payments coming due, the first of which was Sept. 23, which it "resolved." China's central bank pumped the most liquidity into its banking system since January and Chinese authorities have reportedly told local governments to prepare for Evergrande's eventual fall.

Goldman Sachs strategists estimate that an Evergrande collapse could cut China's GDP by $350 billion in the next year. But many economists, including Vince Malanga, president of LaSalle Economics, say this is not on the same level as the Lehman Brothers collapse that exposed the subprime mortgage crisis and helped trigger the Great Recession in 2008-2009. Malanga says, "Consensus is that the problem is largely contained within China and that the government will take some opaque steps to limit the damage. The biggest problem is there is no transparency in China — and it is getting worse."

While it seems unlikely Beijing would let Evergrande trigger a collapse of its economy, economists warn the situation could impact trade, which has been the engine for China's economic recovery from the pandemic.

Evergrande not a U.S. worry... shouldn't lead to contagion

Fed Chair Jerome Powell indicated he saw no impacts from the Evergrande situation for the U.S. at this stage as there was little exposure relative to Evergrande. "The Evergrande situation seems particular to China, which has very high debt for an emerging market economy — the largest. There isn't a lot of direct U.S. exposure and the big Chinese banks aren't tremendously exposed," he said. But Powell cautioned, "you would worry it would affect global financial conditions through confidence channels. I wouldn't draw a parallel to the United States' corporate sector."

Laurence Boone, chief economist for the Organization for Economic Cooperation and Development (OECD) echoed those sentiments, though on the broader global scale. She says Chinese authorities have capacity to "buffer the shock" and global impacts should be "fairly limited."

Powell: 'Important' for debt ceiling to be raised

Lawmakers have until mid- to late October to either raise the borrowing limit, or allow the U.S. to default on its debt. Powell says failure to raise the debt ceiling could spark "severe damage to the [U.S.] economy," but the Fed won't come to the rescue if the U.S. defaults. He says it's up to Congress to ensure the U.S. doesn't default on its debt obligations. He cautioned, "No one should assume that the Fed or anyone else can protect the markets or the economy in the event of a failure."

OECD, Fed lower 2021 economic growth forecasts

OECD warned of an "uneven" global economic recovery as it lowered its 2021 growth forecasts for the world and the United States. Global output is now expected to expand by 5.7% this year, down 0.1 percentage points from its previous forecast. OECD lowered its growth outlook for the U.S. from 6.9% to 6.0% this year. Its GDP forecast for China remained unchanged at 8.5%.

OECD warned "sizable uncertainty remains" due to the Delta variant of Covid and low vaccination rates in many countries. Global economic growth is expected to slow to 4.5% next year, though that's up 0.1 point from its prior forecast. OECD forecasts U.S. economic growth of 3.9% next year, up 0.3 point from its previous outlook, while China's economy is expected to grow 5.8%.

The Fed cut its U.S. GDP forecast to 5.9% this year from its prior estimate of 7.0% growth. The Fed raised its GDP projection for 2022 to 3.8% from 3.3% previously.

Inflation will continue to rise

The Fed raised its projection for inflation, with overall inflation expected to be 4.2% this year, up from 3.4% in its June outlook. Core inflation, which excludes food and energy costs, is forecast at 3.7%. However, the Fed stuck with its "transitory" view, with overall inflation expected to rise 2.1% and core inflation up 2.3% next year.

OECD hiked its inflation forecasts and warned managing inflation will be "a very difficult balancing act" for policymakers through 2022.

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Farm Journal CEO, Andrew Weber

CATTLE - Fundamental Analysis

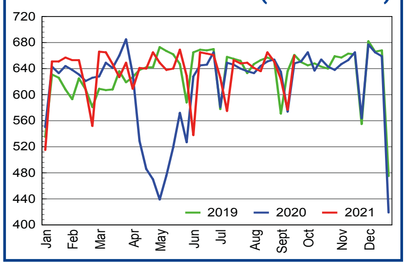
Expectations for August feedlot marketings near year-ago rates, as well as recent slaughter totals, indicate cattle supplies are matching those from late-summer 2020. This confirms ideas beef demand is the main driver of price fluctuations these days. After seeming to stabilize early last week, the decline in wholesale prices resumed. It now seems clear the cattle markets are unlikely to regain their footing until the beef breakdown ends. Seasonal patterns suggest that might not happen until early October. Conversely, prospects for a winter to spring rally are quite good.

Position Monitor

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

Game Plan: We feel the downside is overdone at current levels. But fed cattle producers should be prepared to hedge a corrective rebound.

WEEKLY CATTLE KILL ('000 HEAD)



DAILY OCTOBER LIVE CATTLE

HOGS - Fundamental Analysis

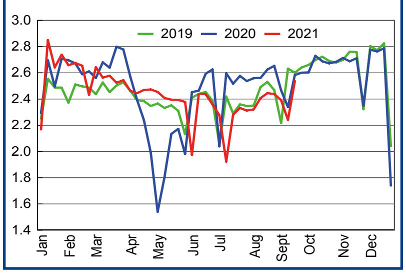
Hog slaughter in late August and early September averaged 3.1% under comparable year-ago rates, which almost exactly matched the results implied by the June USDA Hogs & Pigs Report. Similar annual reductions were indicated through the end of the year. Despite the reduced production, as well as diminished frozen stocks, seasonal strength in hog and pork prices has failed to materialize. Ultimately, falling beef prices have robbed the pork complex of spillover support. Futures are anticipating more of the same, but the situation could reverse if/when the wholesale markets stabilize.

Position Monitor

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

Game Plan: Cash prices are falling seasonally, but we maintain fall- and winter-month contracts are undervalued. Wait on a corrective price recovery before adding hedges.

WEEKLY HOG KILL (MIL. HEAD)



DAILY OCTOBER LEAN HOGS

FEED

Feed Monitor

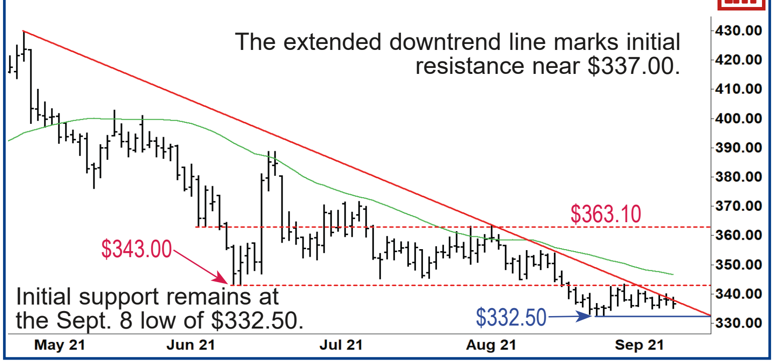
Corn	
III'21	83%
IV'21	0%
I'22	0%
II'22	0%

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. We believe sustained upside price risk will be limited during the first half of harvest.

Meal Game Plan: You should be hand-to-mouth on meal needs until the end of September. You should also have 25% of fourth-quarter needs covered in the cash market. Wait for a seasonal low to extend coverage.

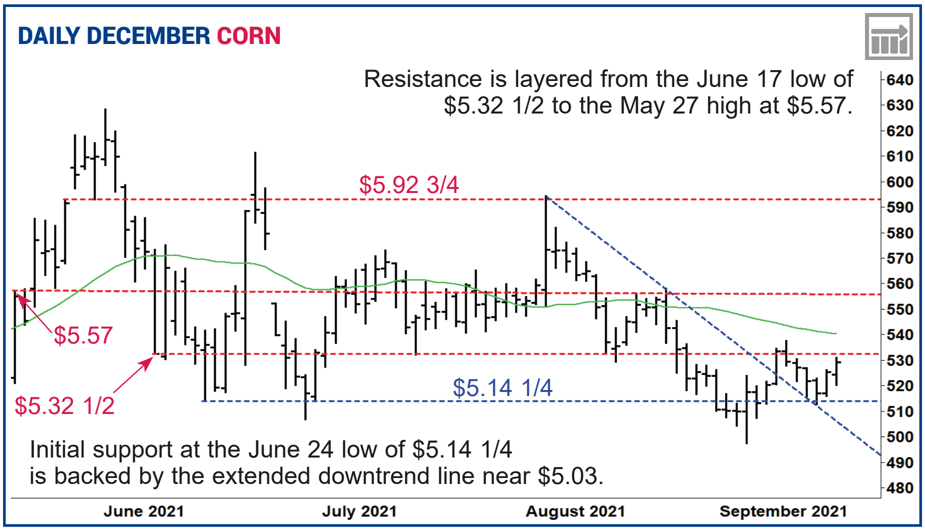
DAILY OCTOBER SOYBEAN MEAL

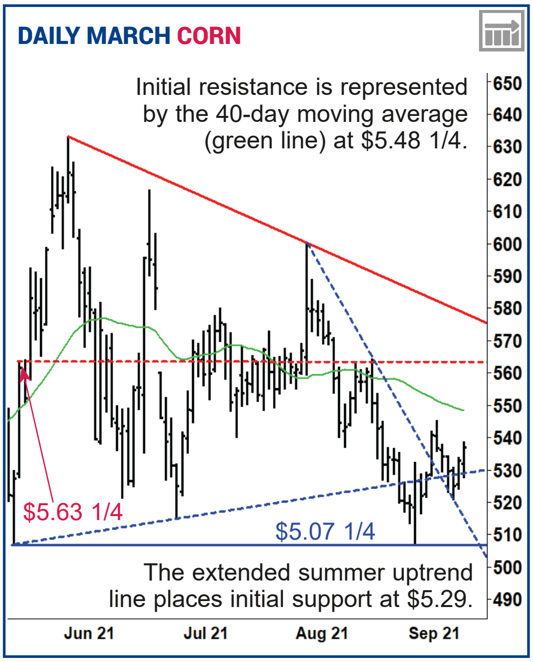


Position Monitor

	’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.

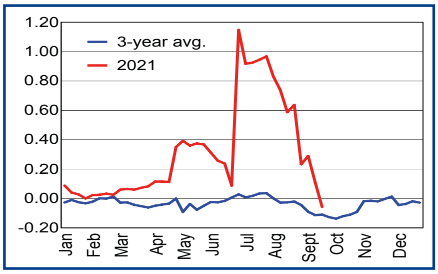




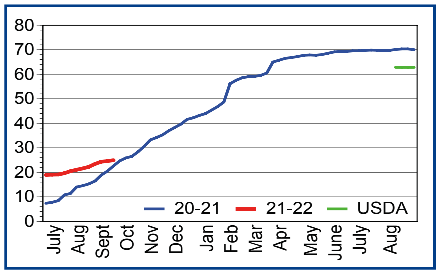
CORN - Fundamental Analysis

Bulls and bears battled to a stalemate the past week, and a sideways trade may continue if USDA’s Sept. 30 Grain Stocks Report doesn’t trigger a major price move. There appears to be little impetus either up or down near-term, but we continue to see greater risks to the downside. Partial restoration of U.S. Gulf export capacity is encouraging, but exports remain lackluster, and there must be a pick-up for the market to generate any sustained price upside. Outside factors are worth watching, including U.S. stocks (nearing a historically volatile month), and the U.S. economy. Also, keep an eye on crude oil, which just hit the highest price in over seven weeks.

AVERAGE CORN BASIS (DECEMBER)



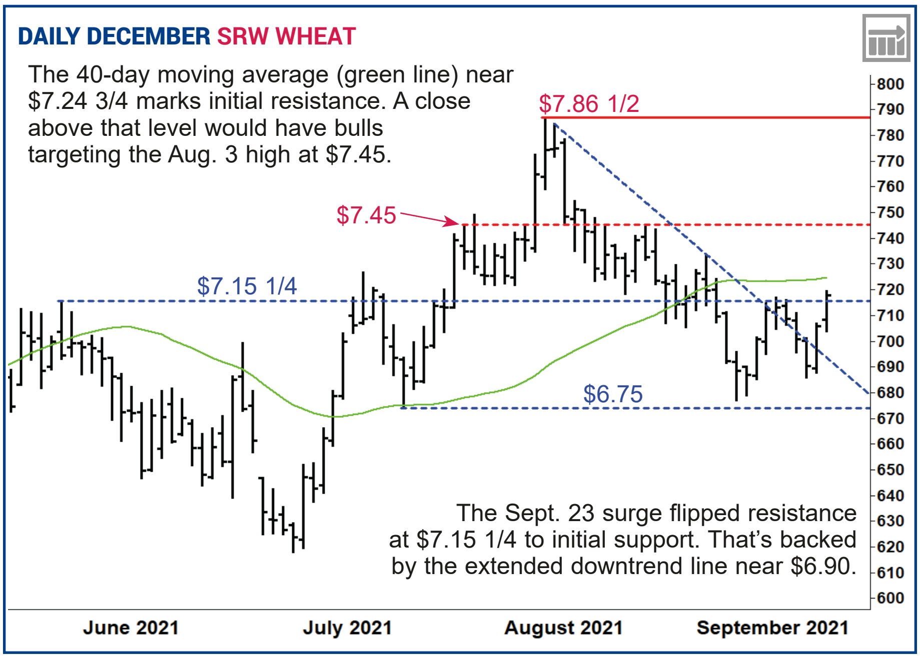
CORN EXPORT BOOKINGS (MMT)



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. The downside should be limited unless the corn and soybean markets pull wheat lower.



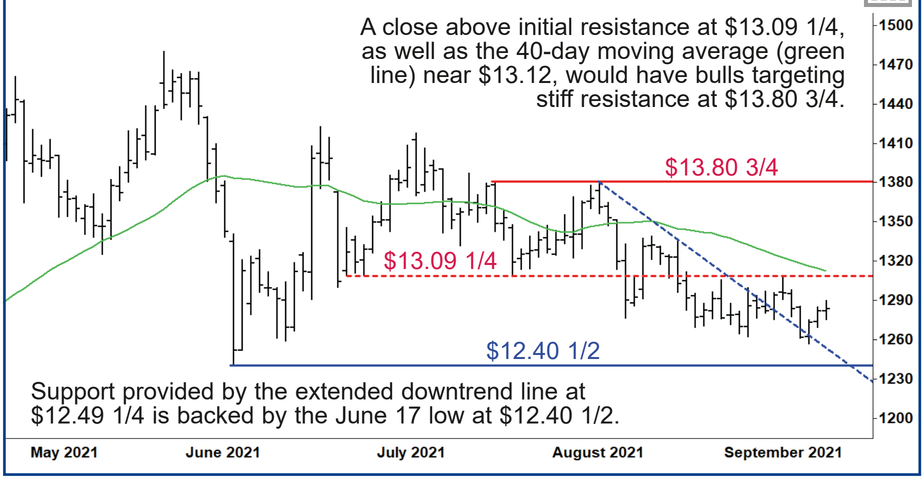
WHEAT - Fundamental Analysis

SRW — December futures seem primed for another leg higher after a strong performance the past week. U.S. SRW exports so far in the 2021-22 marketing year are running 34% over year-ago levels, but we doubt that pace can be sustained. Weakness in corn may suppress further rallies.

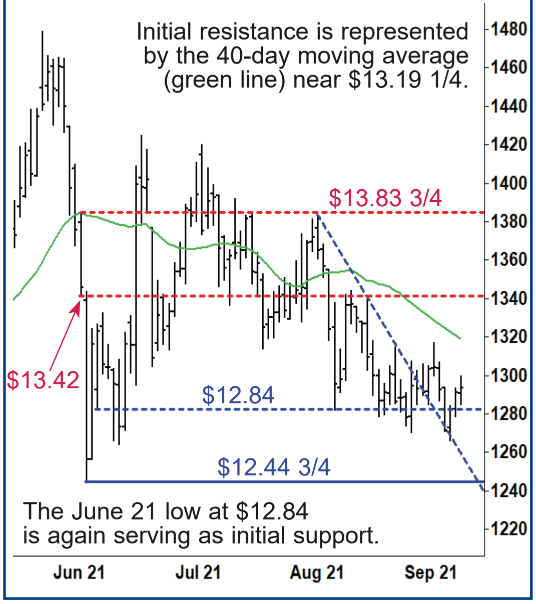
Position Monitor		
	'21 crop	'22 crop
Cash-only:	40%	0%
Hedgers (cash sales):	40%	0%
Futures/Options	10%	0%

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



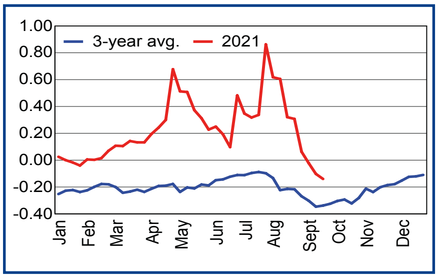
DAILY JANUARY SOYBEANS



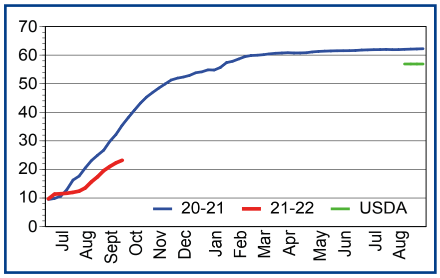
SOYBEANS - Fundamental Analysis

USDA recently projected the second-largest U.S. soybean harvest on record and U.S. soybean exports so far in 2021-22 are running at about one-sixth of year-ago levels. Yet November futures have traded sideways since the end of August. That has to be encouraging for market bulls, especially following a week when no China purchases were reported. But with U.S. harvest accelerating, the next significant price move could be lower, with futures still in a 3 1/2-month downtrend from June highs. Any continued rallies in Nymex crude oil and/or Malaysian palm oil could limit seller interest in soybeans. We're also watching for changes to U.S. biofuels mandates and any soyoil reaction.

AVERAGE SOYBEAN BASIS (NOVEMBER)



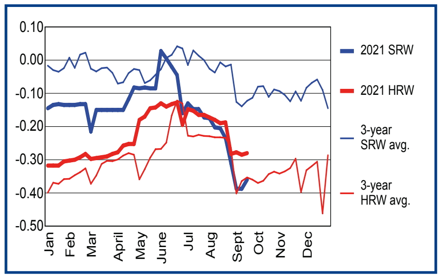
SOYBEAN EXPORT BOOKINGS (MMT)



DAILY DECEMBER HRW WHEAT

DAILY DECEMBER HRS WHEAT

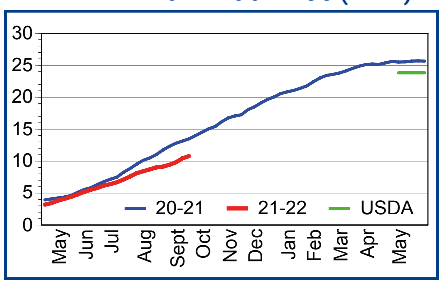
AVERAGE WHEAT BASIS (DECEMBER)



HRW — Like its SRW counterpart, December HRW futures showed renewed upside vigor, despite another ho-hum export sales report. Export strength could help lift futures above the late-August highs. The swift winter wheat seeding seems sustainable. Forecast rainfall in the U.S. Plains later this month would also ease dryness concerns.

HRS — Oat futures' rally to 7 1/2-year highs the past week served as another reminder of drought's impact in the Northern Plains and Canadian Prairies. December HRS futures' recent jump puts it within shouting distance of the contract high posted in August. We look for a cut in harvested acres in USDA's Small Grains Summary on Sept. 30.

WHEAT EXPORT BOOKINGS (MMT)

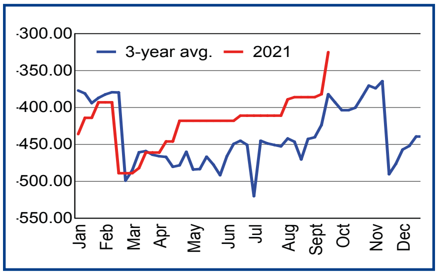


Position Monitor

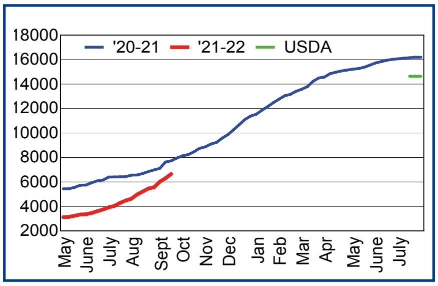
	'21 crop	'22 crop
Cash-only:	75%	0%
Hedgers (cash sales):	75%	0%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. Hedgers should be prepared to add hedges on a drop below the Sept. 20 lows as that would signal a top.

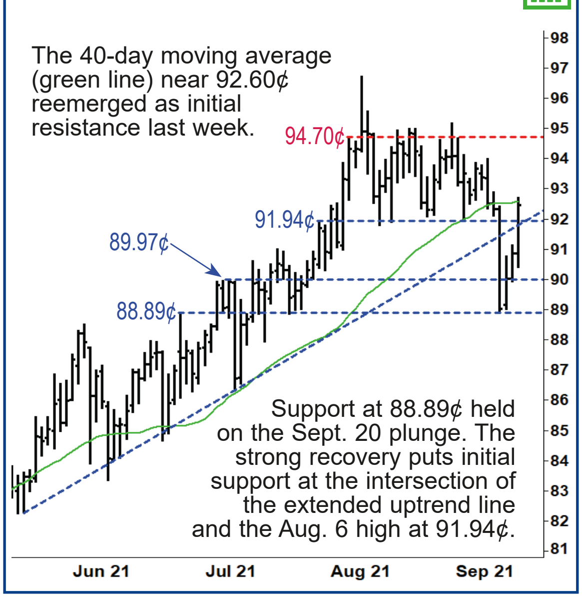
AVERAGE COTTON BASIS (DECEMBER)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON



COTTON - Fundamental Analysis

Although mid-September cotton shipments proved mediocre, weekly export sales of 345,400 bales showed elevated prices didn't deter buyers. That news spurred the recovery from the Sept. 20 plunge. The export market's response to last week's price drop may prove pivotal.

GENERAL OUTLOOK

Fed policy: So-called tapering of the Fed's monthly bond purchases "may soon be warranted," the Fed said following its latest Federal Open Market Committee (FOMC) meeting. Nine of 18 FOMC members said they expected an increase in the Fed's funds rate in 2022.

The 10-year Treasury yield's spread with the 2-year note (as shown in the chart) has narrowed since early this year, reflecting expectations an eventual stimulus pullback will temper long-term economic growth. For now, the Fed will keep its funds target near zero (0.00% to 0.25%). That makes considerable sense given recent global economic warning signs, such as a potential real estate crisis in China. Vince Malanga, president of LaSalle Economics said, "The uncertainty is another reason for the FOMC to continue its wait-and-see policy stance."

WEEKLY 10-YEAR/2-YEAR T-NOTE RATE SPREAD

FROM THE BULLPEN By Market Consultant Dan Vaught

Funds had cut their net long holdings in corn futures to just under 198,000 contracts as of Sept. 14, which represented their smallest bullish commitment since last October. Given the grain sector's tendency toward seasonal weakness at this time of year, it would be easy to assume they'll continue selling during October and into November.

A look at the long-term average of fund holdings shows funds are much more heavily committed to the long side than usual. Conversely, they generally cut their bullish holdings to annual lows around Oct. 1. That suggests any further long liquidation could prove less aggressive than some fear.

Soybean positions indicate fund managers have sold futures more actively than corn, with their net long holdings having fallen to just over 50,000 lots. And while seasonals imply increased harvest selling, the 10-year average of fund positions suggests they tend to build long soybean holdings between early August and mid-October. Thus, funds might soon become net buyers.

Funds tend to be net short SRW wheat in the early to mid-September period, which is true again this year (net short 10,131 lots). But the long-term average also shows they regularly cut those short holdings from mid-September to mid-October. Conversely, from that point, they often build net short positions into the end of the year.

WATCH LIST

1. **USDA Crop Progress Report** — **MON 9/27** 3:00 p.m. CT
   Rapid harvest progress likely.
2. **USDA Weekly Export Sales** — **THUR 9/30** 7:30 a.m. CT
   Corn export sales must improve.
3. **USDA Grain Stocks Report** — **THUR 9/30** 11:00 a.m. CT
   Final 2020-21 corn, bean carryover.
4. **USDA Small Grains Summary** — **THUR 9/30** 11:00 a.m. CT
   Final 2021 wheat crop estimates.
5. **USDA Grain, Soy Crush Rpts.** — **FRI 10/1** 2:00 p.m. CT
   Ethanol, soy crush data for August.