



News this week...

- 2 – Possibility of crushing for oil instead of meal.
- 3 – EPA asks for some SREs to be remanded.
- 4 – Our updated old- and new-crop balance sheets.

Corn leads price declines – December corn futures weakened to their lowest level since July 12 and November soybeans fell to their lowest price since late June as Hurricane Ida caused export uncertainties at the Gulf and funds lightened long positions. Soybeans trimmed losses late in the week as China continued its recent buying of U.S. new-crop soybeans, prompting some bargain buying in futures. But many analysts, us included, expect USDA to raise its corn and soybean crop estimates on Sept. 10, which is likely to limit the upside to corrective buying ahead of the report. Wheat followed corn and soybeans lower, though its seasonals favor the upside during September. Cattle futures faced followthrough selling from the previous week as funds liquidated long positions. Hog futures chopped sideways.

Gulf closures impacting exports, basis

Grain exporters are still assessing damage to their Louisiana facilities following Hurricane Ida. Damage won't be as extensive as it was following Hurricane Katrina in 2005, but it will still likely take weeks before grain movement is back to normal at the Gulf. Some shipments will be rerouted to other export locations, but not all of them. Disruptions to exports are already being seen in basis, both in Louisiana and interior locations that supply the central Gulf. Areas that supply other export hubs should see basis strengthen.

NASS may adjust acres Sept. 10

USDA's September corn and soybean crop estimates will include its first objective field surveys. NASS may also adjust acreage – one month earlier than normal for these crops. Our analysis of FSA data in August suggested corn plantings could be increased more than 1 million acres from the June estimate, which we incorporated into our corn crop estimate. We didn't adjust soybean acreage.

Data also signals a nearly 400,000-acre cut to cotton plantings versus USDA's June estimate may be warranted.

Calmer atmosphere, big temp swings

Recent heavy rains across the central U.S. should give way to calmer weather this week, according to World Weather Inc. But hot temps are likely by the end of this week, followed by an "unusually cool air mass" Sept. 10-15.

Hiring slowed sharply in August

The U.S. added only 235,000 non-farm payrolls in August, well shy of expectations for 720,000 jobs added and far below the revised July figure of 1.053 million. But the unemployment rate dropped 0.2 point to 5.2%. Hiring slowed sharply as the Delta variant of Covid impacted employer, worker and consumer confidence. Average hourly earnings rose 0.6% from July and are now up 4.3% over the past year.

The disappointing jobs growth may give the Fed reason to push back tapering of its monthly bond purchases, though most economists didn't expect that to start until December.

Hog, biofuels aid coming 'soon'

In a *Farm Journal* virtual town hall meeting, USDA Secretary Tom Vilsack said the \$17 per head top-up payment to hog producers and biofuels aid are coming soon. Sources tell us the biofuels aid package is at the Office of Management and Budget for review, with some saying a direct payment can't be ruled out. He also noted "a commitment to aviation and marine fuel" that will open "a whole new vista" for biofuels.

As for the coming new definition of "waters of the U.S.," Vilsack believes the ag sector "will be in a much better place" than under the past two administrations. He also repeated his view that disaster aid programs may need to be reworked so they are better funded and more nimble.

USDA hikes farm income forecasts

USDA now forecasts net farm income will rise \$18.5 billion this year to \$113.0 billion, up \$1.6 billion from its February outlook. Net cash farm income, which tracks producers' cash flow, is now forecast at \$134.7 billion, up \$6.4 billion from its February projection. Farm cash receipts are expected to increase by \$64.3 billion, more than offsetting expected increases of \$26.1 billion in operating expenses and a \$17.7 billion decline in direct government farm payments.

Ag trade deficit narrowed in July

The U.S. exported \$13.0 billion in ag goods in July, while ag imports totaled \$14.5 billion, resulting in an ag trade deficit of \$1.5 billion. That was down from the June deficit of \$2.0 billion. The overall U.S. trade deficit narrowed to \$70.1 billion in July, down \$3.1 billion from the June record.

China's factory sector contracting

China's Caixin purchasing managers index (PMI), which gauges smaller and privately owned factories, fell to 49.2 in August, the first time below the 50.0 level denoting contraction in the sector since April 2020. China's official PMI that gauges larger state-owned factories dropped to 50.1 – the weakest level since February 2020. Weakening PMI data is fueling speculation Beijing will act to boost economic growth.

Canadian crops 'generally overstated'

Statistics Canada (StatsCan) estimated total Canadian wheat production at just shy of 23 million metric tons (MMT) — a 14-year low, with spring wheat at 16.1 MMT and durum production at 4.0 MMT.

StatsCan pegged canola production at 14.8 MMT — the smallest crop since 2012. StatsCan raised its 2020 canola production by 765,000 metric tons (MT), which increases 2020-21 ending stocks, but there will still be reduced domestic use and exports in 2021-22 due to tight supplies.

Mike Jubinville with MarketFarm says, "The trade should eventually perceive these StatsCan numbers as being generally overstated. This survey, and the next one to be released Sept. 14, are based on remote sensing data. The December report will be the first to use farmer surveys, which is the best way to determine harvested area — the factor of utmost importance in production this year."

Russia wheat crop estimate cut again

Russia-based ag research firm SovEcon made another cut to its Russian wheat crop estimate, dropping it from 76.2 MMT to 75.4 MMT, citing low spring wheat yields. Crops in the Urals and Volga Valley were hurt by hot, dry summer weather and those crop losses were only partially offset by higher production in other areas.

World Weather Inc. warns Black Sea wheat production could take another hit if frosts/freezes last week stretch into Russia's Volga River Basin or northern Ukraine early this week.

FAO slices global wheat production

The Food and Agriculture Organization of the United Nations (FAO) cut its 2021 global wheat crop forecast by 15.2 MMT to 769.5 MMT and now calls for a 0.7% year-over-year decline in production. The reduction was driven by "prolonged drought" in the U.S., Canada and to a lesser extent Kazakhstan, as well as adverse weather in Russia.

Brazil corn estimates still shrinking

Brazil's 2020-21 corn crop will likely total just 82 MMT, forecasts Crop Consultant Dr Michael Cordonnier, a 2-MMT cut from where his forecast has stood for weeks. Cordonnier notes, "Yields of the late-planted corn are very low, and the quality is very poor, so poor in fact, that in some cases, the grain elevator will not accept the corn."

Brokerage firm StoneX cut its Brazilian corn crop estimate to 86.6 MMT, down 500,000 MT from its August forecast.

Biofuels fueling new soy demand

A new soybean crushing plant will be built in Buena Vista County near Alta, Iowa. When the Platinum Crush plant becomes operational around March 2024, it will crush 38.5 million bu. of soybeans annually. This is the latest in a string of new soy crush plants amid increased demand for soyoil used to produce a greater amount of sustainable, carbon-neutral fuels.

Renewable diesel is not biodiesel. It is molecularly the same as petroleum-based diesel and can fill 100% of the tank. Phillips 66, Marathon Oil, Chevron and others are investing in the new soy crush plants so they can obtain the soyoil.

Peter Meyer, head grain/soybean analyst for S&P Global Platts, says: "In our opinion, feedstock demand for renewable diesel (RD) and sustainable aviation fuel (SAF) combined could reach 40 billion lbs. by 2025, based on the number/capacity of RD/SAF plants. In our opinion, soyoil will need to account for 68% of total RD and SAF feedstock by 2025, which would be 27 billion pounds. USDA has total biofuel soyoil demand at 11.5 billion lbs. in 2021-22 on production of roughly 25 billion lbs., so we think the soyoil demand number has potential to double in three years, dependent of course on increased crush capacity, and possibly higher oil content, above the current 19.5%."

"We're crushing for oil instead of meal and we'll use all the oil we make and stockpile meal," says Meyer. "The U.S. export system will have to evolve and that means beans and soyoil stay here and the meal gets exported."

Soy crush rebounds in July

U.S. July soybean crush totaled 166.3 million bu., which was up 2.9% from June but down 9.8% from last year's record level. Crush for the first 11 months of 2020-21 totaled 1.972 billion bu., indicating nearly 183 million bu. needed to be processed in August to hit USDA's forecast of 2.155 billion bushels. That didn't happen given the recent pace and weaker demand. Our crush forecast is 15 million bu. lower than USDA's.

Soyoil stocks totaled 2.070 billion lbs., which was modestly below expectations, despite the slightly stronger-than-expected crush. But data also shows soyoil exports and domestic use both fell sharply compared with year-ago in July. June biofuels use was disappointing and we suspect the same for July.

Corn ethanol use shy of forecast

USDA reported July industrial corn use at 502.2 million bu., of which 449.1 million bu. was for ethanol production, which was up 2.1% from June and 5.9% above last year. For the first 11 months of 2020-21, corn-for-ethanol use totaled 4.615 billion bu., signaling August consumption needed to total nearly 460 million bushels. Based on recent EIA weekly ethanol production data, August use will fall well shy of that level. Therefore, we have lowered our 2020-21 corn-for-ethanol use forecast to 5.035 billion bu., 40 million bu. below USDA's August estimate.



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Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Greene Co., (southwest) Illinois:

"Started harvesting April 4 planted corn. First 40-acre field averaged 255 bu. at 30% moisture. Great start!"

Mills Co., (southwest) Iowa:

"We received three inches of rain overnight Aug. 30-31. Beans are made in August!"

Montgomery Co., (southwest) Iowa:

"We got 2.3 inches of rain Aug. 31 – the most we've had in one event since 2019. Our August total was 3.84 inches."

Butler Co., (north-central) Iowa:

"Still some good corn out there. Late-season corn hybrids are drinking up every last drop of last week's rain."

Colfax Co., (east-central) Nebraska:

"Average corn yield of 214.1 bu. per acre from 13 dry-land samples, up from 189.7 bu. last year."

Martin Co., (south-central) Minnesota:

"I have never seen corn move to black layer as fast as we did this year. I had a field of 88-day corn that was planted April 4 average 22% moisture Aug. 31. A field of 94-day corn was running 28.5% moisture. Some 104-day corn is getting close. Stalks are going down already on some of the lighter soils."

Lincoln Co., (southeast) South Dakota:

"I think I got enough rain the last few days to finish the corn as well as it can. The rains are helping my soybeans and recharging soil moisture. But I don't want to fight mud to harvest after a dry year!"

Gentry Co., (northwest) Missouri:

"The 1.25 inches of rain we received won't do much for the corn but it should do the beans some good."

Texas Panhandle:

"The corn around here has really gone downhill the last 10 days with the hot weather. Ears are starting to turn down in a lot of fields, even in healthy looking corn. It's too early for that here."

EPA asks for SRE remand

EPA asked the U.S. Court of Appeals for the District of Columbia Circuit for a voluntary remand of a decision it made in 2019 under the Trump administration granting 31 small refinery exemptions (SREs) and denying five requests. "While EPA does not confess error, EPA acknowledges that a more robust analysis and explanation of its rationale for any action taken on remand would make any judicial review more efficient," the agency said in its filing. If EPA's request is granted, it would not vacate the waivers.

The agency said the remand could help it further review "what, if any, impact the remaining holdings in the 10th Circuit's decision may have on EPA's implementation of the small-refinery exemption provision generally" and on additional SRE requests given the Supreme Court ruling.

Whoa on WOTUS

A federal judge in Arizona struck down the Trump administration's Navigable Waters Protection Rule, saying it risks "serious environmental harm." The ruling is fueling even more uncertainty about federal wetlands jurisdiction and puts possibly hundreds of projects in legal limbo. There's likely going to be more litigation on this front and the decision shows the extent to which legal fights are shaping environmental policy.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	Oct.	Oct-Dec.	Jan-March
	(Monthly & quarterly avg.)					
CORN						
Central Illinois, bushel	3.36	5.82	5.61	4.80	4.90	5.25
Omaha, NE, bushel	3.39	6.20	5.99	4.85	4.95	5.30
Dried Distillers Grain, IA, \$/ton	133.08	203.09	205.50	--	--	--
SOYBEANS						
Central Illinois, bushel	9.36	13.38	12.94	12.00	12.25	12.50
Memphis, TN, bushel	9.69	13.50	13.10	12.20	12.45	12.70
Soymeal, 48% Decatur, ton	303.20	360.40	350.75	330	335	335
WHEAT						
Kansas City, HRW, bushel	4.96	7.35	7.31	7.30	7.40	7.50
Minneapolis, 14% DNS, bushel	6.96	10.36	10.24	10.50	10.75	10.50
St. Louis, SRW, bushel	5.87	6.80	6.69	6.75	6.85	6.75
Portland, Soft White, bushel	5.29	10.18	10.80	11.00	11.00	10.00
Durum, NE MT HAD, 13%, bu.	5.28	13.90	16.25	15.00	15.00	12.50
SORGHUM , Kansas City, cwt.	6.70	10.54	--	10.00	10.20	10.50
COTTON , 11/16 SLM, 7 area, ¢/lb.	59.37	91.90	90.05	89.00	90.00	91.00
RICE , nearby futures, cwt.	12.25	13.38	13.13	13.35	13.45	13.60
BARLEY , MT, G.T., malting, cwt.	7.25	6.75	6.75	7.00	7.10	7.20
OATS , Minneapolis No. 2 heavy, bu.	3.04	4.89	4.72	5.00	5.00	4.75
ALFALFA , NW Iowa, lg. sq. prem., ton	150.00	205.00	190.55	195	195	195
SUNFLOWERS , Fargo, ND, cwt.	16.65	26.50	31.70	31.00	30.00	28.00
HOGS , Nat'l carcass 51%-52% cwt.	54.69	105.94	101.76	96.00	89.00	85.00
FEEDER PIGS , 40 lbs., Nat. avg. head	23.49	64.54	60.93	64.00	68.00	72.00
CHOICE STEERS , feedlots, cwt.	105.09	125.47	125.74	127.00	129.00	130.00
FEEDER CATTLE , Oklahoma City						
Steers, 700-800 pounds, cwt.	137.25	156.96	160.32	159.00	163.00	162.00
Steers, 500-550 pounds, cwt.	153.41	174.77	168.60	174.00	178.00	175.00
Heifers, 450-500 pounds, cwt.	140.06	155.15	156.51	149.00	155.00	166.00
COWS , utility, Sioux Falls, SD, cwt.	65.75	69.57	69.99	69.00	67.00	65.00
MILK , Class III, CME spot month, cwt.	18.40	17.38	16.75	17.00	17.50	17.75
LAMBS , Slg., San Angelo, TX, cwt.	126.00	212.00	221.50	--	--	--
ENERGY						
Ethanol, IA, gallon	1.27	2.18	2.19	--	--	--
Farm diesel, U.S., gallon	1.74	2.69	2.71	2.82	2.78	2.71

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

Supply-side cushion improves, but not much

By Editor Brian Grete and Chief Economist Bill Nelson



Trusted Analysis. Professional Insight.

With corn and soybean harvest upon us, there's still a lot of uncertainty regarding the new-crop balance sheets. Wheat harvest is all but done, but there could still be a lot of movement on the old-crop balance sheet as we look ahead to 2022-23.

CORN: Old-crop exports and ethanol use will fall short of USDA's August estimates.

For 2021-22, the "average" weather scenario represents our yield and production estimates following Crop Tour. That projects ending stocks to rise nearly 200 million bu., though the average cash price would also rise given stronger prices ahead of and during harvest. If there's a poor finish to the growing season, ending stocks would hold virtually steady and require a much higher price to slow use. If yields top our expectations, it would push ending stocks to more comfortable levels.

SOYBEANS: Old-crop crush will fall short of USDA's August forecast, which pushes our ending stocks forecast higher.

As with corn, the "average" weather scenario represents our post-Crop Tour yield and production estimates. That projects ending stocks up 40 million bu. from our 2020-21 level, though the average cash price would also rise amid stronger prices ahead of and during harvest. If yields fall short of our expectations and below USDA's August estimate, ending stocks would tighten, requiring a much higher price to slow use. Under our "excellent" weather scenario, ending stocks would rise 90 million bu. from 2020-21.

WHEAT: We expect USDA to cut its 2021-22 production forecast, though that may not happen until the final estimate on Sept. 30. We see a slightly higher all-wheat yield than USDA, but have greater spring wheat abandonment built into our old-crop balance sheet. Due to fewer supplies, we expect 2021-22 exports to fall short of the level USDA forecast in August.

More acres are needed for 2022-23. But to rebuild ending stocks, there can be little increase in use.

Corn Supply/Demand

	2020-21	2020-21	2021-22	2021-22 Pro Farmer Proj.		
	USDA	PF	USDA	Poor	Average	Excellent
Planted (mil. acres)	90.8	90.8	92.7	93.9	93.9	93.9
Harvested (mil. acres)	82.5	82.5	84.5	85.4	85.4	85.5
Yield (bu./acre)	172.0	172.0	174.6	170.0	177.0	181.0
<i>million bushels</i>						
Beginning Stocks	1,919	1,919	1,117	1,192	1,192	1,192
Production	14,182	14,182	14,750	14,518	15,116	15,471
Imports	25	25	25	50	27	22
Total Supply	16,127	16,127	15,892	15,760	16,335	16,685
Feed and Residual	5,725	5,725	5,625	5,550	5,775	5,875
Food, Seed, Industrial	6,510	6,470	6,625	6,625	6,635	6,635
Ethanol for Fuel*	5,075	5,035	5,200	5,200	5,200	5,200
Total Domestic Use	12,235	12,195	12,315	12,175	12,410	12,510
Exports	2,775	2,740	2,400	2,400	2,550	2,600
Total Use	15,010	14,935	14,650	14,575	14,960	15,110
Carryover	1,117	1,192	1,242	1,185	1,375	1,575
Days' Supply	27.2	29.1	30.9	29.7	33.5	38.0
Stocks-to-use Ratio	7.4%	8.0%	8.5%	8.1%	9.2%	10.4%
Proj. avg. price/bu.	\$4.40	\$4.40	\$5.75	\$6.50	\$5.30	\$4.75

* "Ethanol for Fuel" is included in the Food, Seed & Industrial total.

Soybean Supply/Demand

	2020-21	2020-21	2021-22	2021-22 Pro Farmer Proj.		
	USDA	PF	USDA	Poor	Average	Excellent
Planted (mil. acres)	83.1	83.1	87.6	87.6	87.6	87.6
Harvested (mil. acres)	82.3	82.3	86.7	86.5	86.7	86.8
Yield (bu./acre)	50.2	50.2	50.0	49.0	51.2	52.2
<i>million bushels</i>						
Beginning Stocks	525	525	160	170	170	170
Production	4,135	4,135	4,339	4,238	4,436	4,525
Imports	20	20	35	62	24	15
Total Supply	4,680	4,680	4,534	4,470	4,630	4,710
Crush	2,155	2,140	2,205	2,190	2,225	2,230
Exports	2,260	2,260	2,055	2,050	2,075	2,100
Seed	102	102	104	105	102	100
Residual	3	8	15	5	18	20
Total Use	4,520	4,510	4,379	4,350	4,420	4,450
Carryover	160	170	155	120	210	260
Days' Supply	10.8	13.8	12.9	10.1	17.3	21.3
Stocks-to-use Ratio	3.5%	3.8%	3.5%	2.8%	4.8%	5.8%
Proj. avg. price/bu.	\$10.90	\$10.90	\$13.70	\$16.25	\$12.75	\$11.25

Wheat Supply/Demand

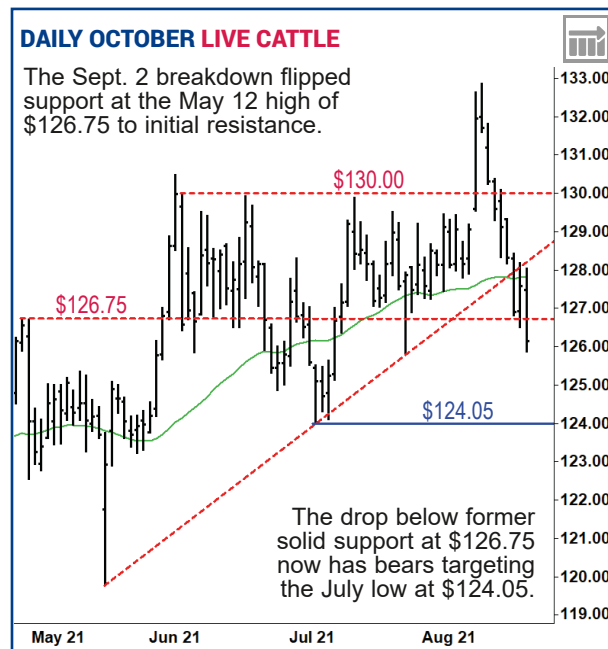
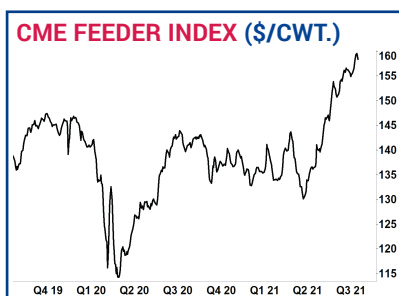
	2020-21	2021-22	2021-22	2022-23 Pro Farmer Proj.		
	USDA	USDA	PF	Poor	Average	Excellent
Planted (mil. acres)	44.3	46.7	46.7	47.0	48.5	49.0
Harvested (mil. acres)	36.7	38.1	36.6	38.0	40.7	42.0
Yield (bu./acre)	49.7	44.5	45.2	47.5	49.9	51.0
<i>million bushels</i>						
Beginning Stocks	1,028	844	844	600	600	600
Production	1,826	1,697	1,655	1,805	2,026	2,142
Imports	100	145	145	175	150	125
Total Supply	2,954	2,686	2,644	2,580	2,776	2,867
Food	959	962	961	960	962	963
Seed	61	62	63	65	61	59
Feed/Residual	99	160	160	105	125	135
Total Domestic Use	1,119	1,184	1,184	1,130	1,148	1,157
Exports	992	875	860	850	925	950
Total Use	2,110	2,059	2,044	1,980	2,073	2,107
Carryover	844	627	600	600	703	760
Days' Supply	146.0	111.1	107.1	110.6	123.8	131.7
Stocks-to-use Ratio	40.0%	30.5%	29.3%	30.3%	33.9%	36.1%
Proj. avg. price/bu.	\$4.58	\$6.70	\$6.75	\$7.25	\$5.85	\$5.25

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CATTLE - Fundamental Analysis

October live cattle's dive after having topped the pivotal \$130.00 level on Aug. 23 implies renewed pessimism about the fall price outlook. Traders apparently expect a wholesale market breakdown in the wake of the midsummer surge to a fresh 2021 high, thinking the Delta variant of Covid-19 will curtail consumer buying. We think fears are exaggerated and expect cash prices to rally in the months ahead. Meanwhile, feeder futures are still trending generally higher. This reflects optimism about the fed cattle outlook, as well as seeming anticipation of a seasonal breakdown in corn and soybean prices.

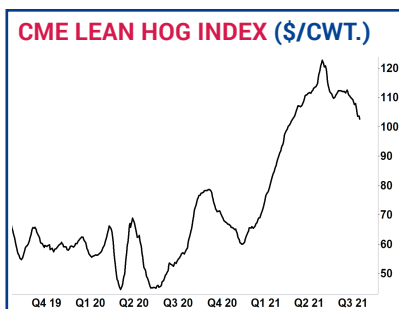
Position Monitor			
Game Plan:	Feds Feeders		
October futures are signaling a top is in place, but downside risk should be limited. We'll evaluate the need for hedges on a recovery.	III'21	0%	0%
	IV'21	0%	0%
	I'22	0%	0%
	II'22	0%	0%



HOGS - Fundamental Analysis

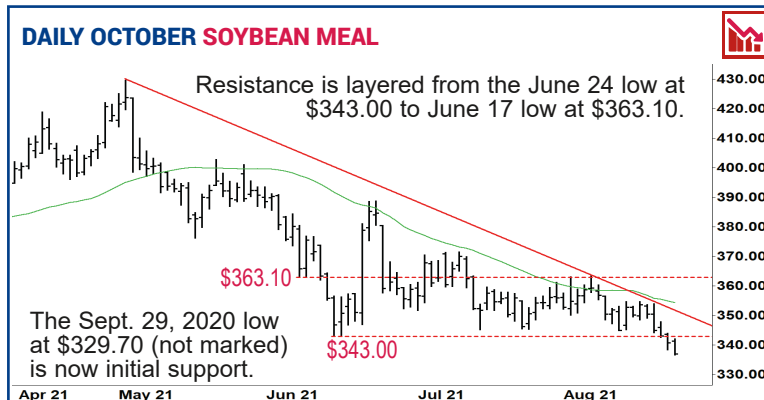
As expected, the CME lean hog index has been falling seasonally, dropping over \$10 from its Aug. 4 high at \$112.48. At that rate, one could argue that October futures trading around \$90 are overvalued. But such an argument ignores the hog and pork complex's tendency to rise during September and early October. On average, the index has bottomed in the second week of the month, then rallied over \$4.00 into mid-October during the past 10 years. Given soaring meat demand, tight stocks and the forecast 3% annual drop in hog supplies, the "normal" rally seems likely again this year.

Position Monitor			
Game Plan:	Lean Hogs		
The discount in futures is much wider than the normal seasonal break. We believe the downside is overdone in futures, so we don't advise hedges.	III'21	0%	0%
	IV'21	0%	0%
	I'22	0%	0%
	II'22	0%	0%



FEED

Feed Monitor			
Corn			
III'21	83%	Corn Game Plan: You should have 50% of corn-for-feed needs covered in the cash market for September. We'll use a seasonal break in prices to extend coverage.	
IV'21	0%		
I'22	0%		
II'22	0%		
Meal			
III'21	92%	Meal Game Plan: You should have 75% of soybean meal needs covered in the cash market for September and 25% for the fourth quarter. We'll use any seasonal weakness to extend coverage.	
IV'21	25%		
I'22	0%		
II'22	0%		

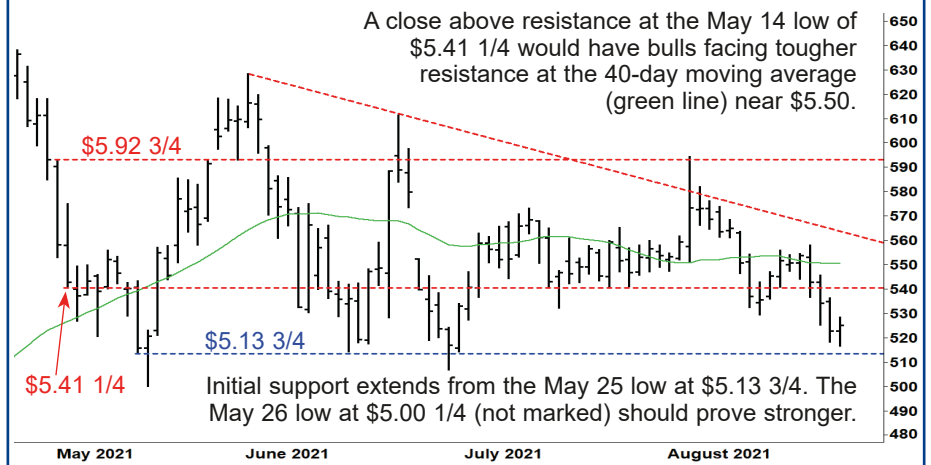


Position Monitor

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

Game Plan: On Sept. 1, we advised hedgers to add hedges in December corn futures covering 10% of expected 2021-crop production. Our entry was \$5.22. We see downside risk to at least the May low at \$5.00 1/4. If that level falters, additional hedges may be needed. While there's risk of additional near-term price pressure, buyers have surfaced in the low \$5.00 range, so we don't want to increase cash sales.

DAILY DECEMBER CORN



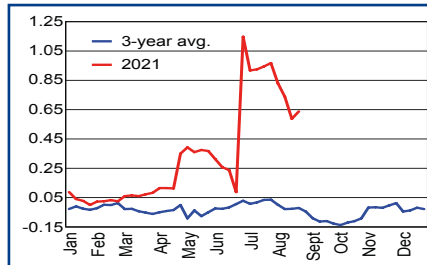
DAILY MARCH CORN



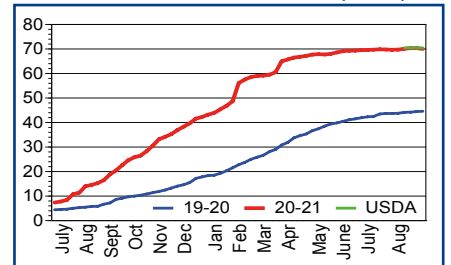
CORN - Fundamental Analysis

It was an ugly week for market bulls as December corn tumbled over 5% and prices on the nearby continuation chart sank to the lowest level since January. Uncertainty over exports will likely hang over the market for the time being after Hurricane Ida slammed the Gulf coast and forced the shutdown of several Louisiana grain terminals and key export gateways. USDA's Sept. 10 Crop Production Report will set the tone for the month ahead, with harvest and yield projections likely to be bumped up from August. Unless USDA unexpectedly cuts its yield and crop estimates, a pickup in exports that signals prices have dropped far enough will be needed to stall seller interest.

AVERAGE CORN BASIS (DECEMBER)



CORN EXPORT BOOKINGS (MMT)

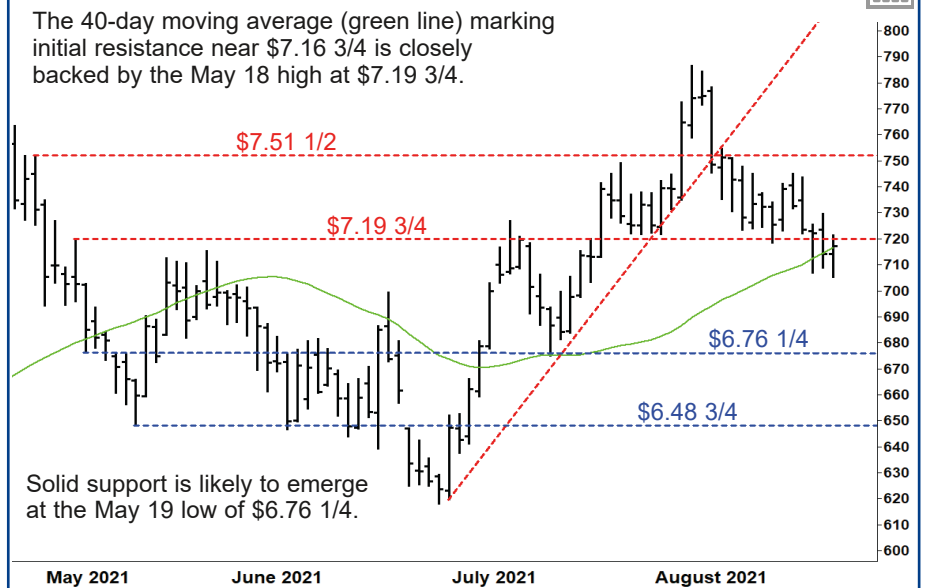


Position Monitor

	'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 season-also suggest prices could move higher.

DAILY DECEMBER SRW WHEAT



WHEAT - Fundamental Analysis

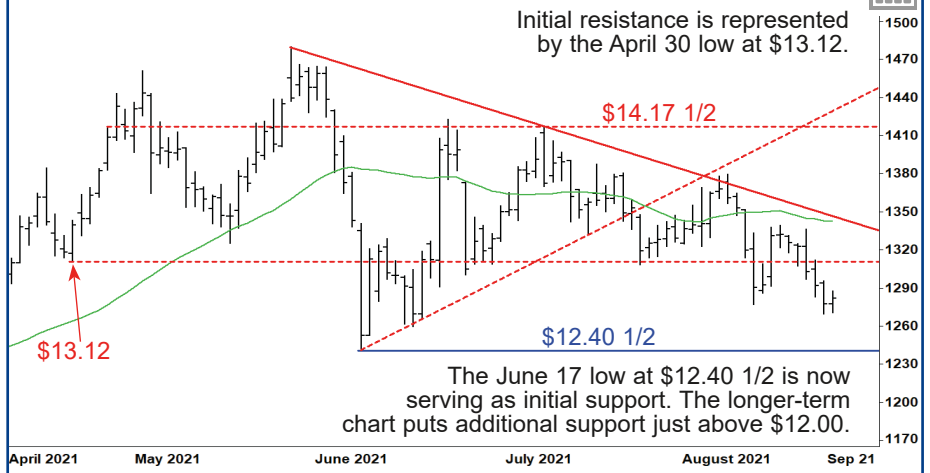
SRW – December futures posted a lower weekly close for the second week in the past three as the market's bullish summer momentum seems to have stalled. Unless a lackluster export pace perks up, long liquidation could put more near-term pressure on the markets.

Position Monitor

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

Game Plan: On Sept. 1, we advised hedgers to add hedges in November soybean futures covering 10% of expected 2021-crop production. Our entry was \$12.73 1/2. We see downside risk to at least the June low at \$12.40 1/2. If that level falters, additional hedges may be needed. While there's risk of additional near-term price pressure, we don't want to increase cash sales at the lower end of the choppy range.

DAILY NOVEMBER SOYBEANS



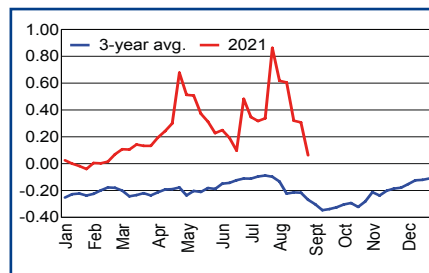
DAILY JANUARY SOYBEANS



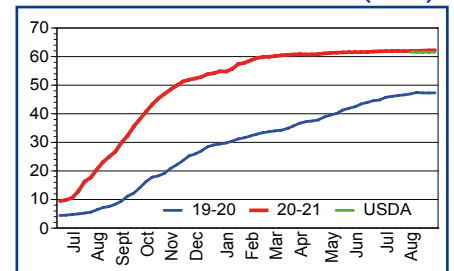
SOYBEANS - Fundamental Analysis

Recent Chinese buying provided some reasons for optimism in an otherwise souring outlook for market bulls. Since the beginning of August, USDA reported U.S. soybean sales totaling over 3.5 million metric tons to China or "unknown" destinations. *Will China continue to snap up U.S. soybeans in coming weeks?* November futures' slump to two-month lows reflects expectations for larger harvest and yields in USDA's Sept. 10 Crop Production Report. Funds have been trimming long positions and could accelerate their selling if USDA confirms a bigger crop estimate and/or support at the 200-day moving average is violated.

AVERAGE SOYBEAN BASIS (NOVEMBER)



SOYBEAN EXPORT BOOKINGS (MMT)



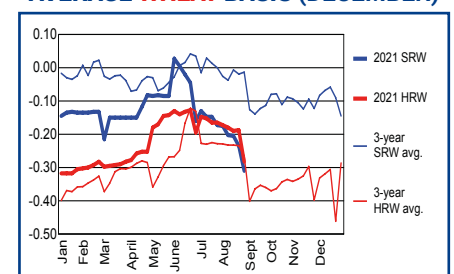
DAILY DECEMBER HRW WHEAT



DAILY DECEMBER HRS WHEAT



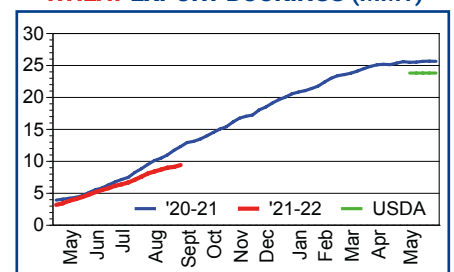
AVERAGE WHEAT BASIS (DECEMBER)



HRW – Assuming the past week's lows just under \$7.00 hold, we could see a sideways pattern for the time being as the winter wheat planting picture comes into clearer focus. March and May futures' 20¢-plus premium to nearby contracts convey a bullish global supply/demand outlook, though exports need to pick up to sustain current prices.

HRS – Futures appear to have settled into a sideways pattern between December's contract high just above \$9.37 and the late-August lows just under \$8.90. Whether HRS breaks above or below those levels will depend in large part on the direction of winter wheat markets in the weeks ahead. Deferred futures tell us to expect sub-\$9 in 2022.

WHEAT EXPORT BOOKINGS (MMT)

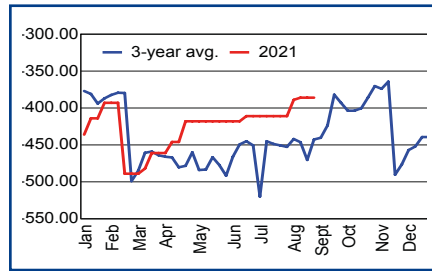


Position Monitor

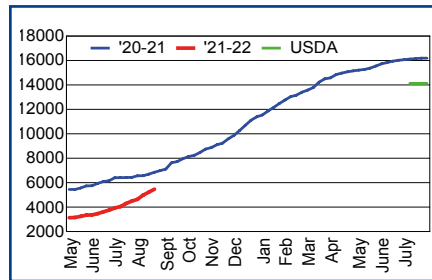
	'21 crop	'22 crop
Cash-only:	75%	0%
Hedgers (cash sales):	75%	0%
Futures/Options	0%	0%

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

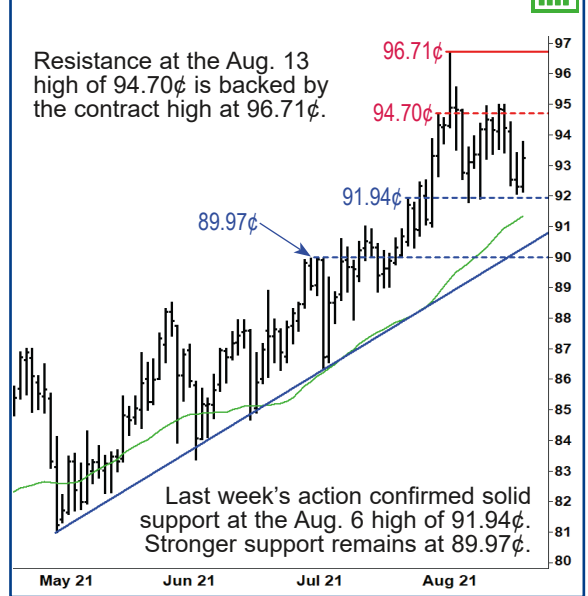
AVERAGE COTTON BASIS (OCTOBER)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON



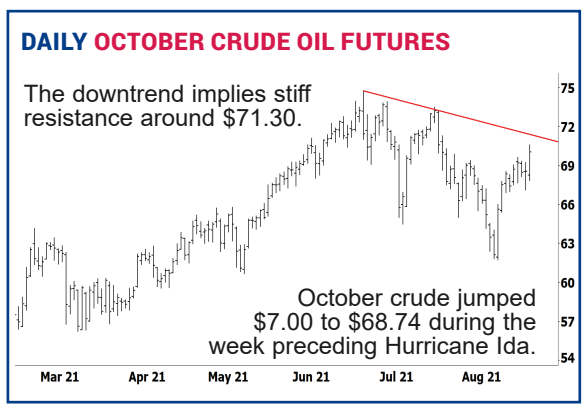
COTTON - Fundamental Analysis

Export sales and shipments for the week ended Aug. 26 came in at just 105,200 running bales and 168,600 RB, respectively. Those results suggested cotton prices over 90¢ per pound were curbing demand. But subsequent futures strength implied mills may be short bought on needs.

GENERAL OUTLOOK

ENERGY: Hurricane Ida is likely to lead to some increase in gasoline prices, but nothing drastic. Average national gasoline prices could rise roughly 5¢ to 10¢ per gallon over the next two weeks, according to GasBuddy Analyst Patrick De Haan. "Hurricane Ida isn't likely to lead to drastic price increases, but some increases are likely over the next two weeks or so," he said. Oil prices only belatedly built upon the previous week's big rally.

However, Moody's argued the post-Hurricane Ida reaction will mimic the gasoline spike following Hurricane Katrina in 2005, and could weigh on consumer spending and GDP. Reuters reported 94% of oil and gas infrastructure in the Gulf remained shuttered Aug. 31. Some estimate it will take two to four weeks to get the oil and gas industry up and running again.



FROM THE BULLPEN By Editor Brian Grete

Corn and soybean technicals flipped from neutral to negative and seasonal tendencies point to additional price pressure this month. As a result, we advised corn and soybean hedgers on Sept. 1 to add short-term defensive hedges covering 10% of expected 2021-crop production in December corn and November soybean futures. This gets hedgers to 50% covered on 2021-crop corn and soybean production. Our entries were \$5.22 in December corn and \$12.73 1/2 in November soybeans.

Key technical support for December corn futures is at the May low of \$5.00 1/4. For November soybeans, key support is the June low of \$12.40 1/2. We see near-term downside risk to at least

these levels. If they are violated, it would open risk to at least the \$4.50 level in corn and \$12.00 in soybeans.

Seasonally, corn and soybeans favor the downside during September, with a stronger downside bias for corn. If USDA raises its corn and soybean yield estimates this month, as we anticipate, the seasonal tendency is even greater for corn, though surprisingly not quite as bearish for soybeans as a "normal" year.

In "down" years for corn during September, the average loss is 6.2%, which would project the contract to around \$5.01, based off the Aug. 31 settlement. November soybeans average a loss of 6.1% in "down" years, or around \$12.13 this year.

WATCH LIST

- 1 Labor Day** **MON 9/6**
Markets and gov't offices closed.
- 2 USDA Crop Progress Report** **TUES 9/7**
Corn, bean focus ahead of harvest. 3:00 p.m. CT
- 3 USDA Weekly Export Sales** **FRI 9/10**
Sales to China the price key. 7:30 a.m. CT
- 4 USDA Crop Production Report** **FRI 9/10**
Objective field data for corn, beans. 11:00 a.m. CT
- 5 USDA Supply & Demand Rpt.** **FRI 9/10**
Supply-side changes will be key. 11:00 a.m. CT

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