



### News this week...

- 2 – Corn, bean crop ratings continue to decline.
- 3 – Food price inflation impacting meat stocks.
- 4 – Putting a wrap on Crop Tour: Analysis of the data.

**Corn, soybean futures rebound** – Corn and soybean futures recovered from the Aug. 20 selloff last week. December corn futures returned to traders' comfort zone around \$5.50 and November soybeans rebounded back above \$13.00, as China and unknown destinations (also China?) purchased soybeans, while Mexico and Colombia were buyers of corn via daily sales announcements. But soybeans led a late-week pullback from their intra-week highs as rainfall in areas of the Corn Belt will aid later-maturing crops, though crop stress built in locations that missed the rains. Wheat followed corn and soybeans higher. Cattle futures retreated from the Aug. 23 price surge, signaling a failed upside breakout. Hog futures paused given their huge discounts to the slowly declining cash index.

## More rains for northern Corn Belt

Heavy rains fell on areas of the northern Corn Belt last week and the rainy pattern is expected to persist. Rains will be more sporadic in the eastern Corn Belt and conditions are expected to be dry in southwestern areas of the region.

### Ida will cause some crop damage

Ida will turn into a major hurricane before making landfall in Louisiana. Significant damage to crops in the Delta is expected, with remnant rains likely in the lower Ohio River valley.

## Perspective on PF crop estimates

The *Pro Farmer* corn and soybean crop forecasts were above USDA's August estimates. Since 2001, there have been four other such times for corn and eight other times for soybeans. In those years, USDA's final corn estimate has ended up above our forecast three times and below once by an average increase of 88 million bushels. For soybeans, USDA's final estimate has finished above our forecast five times and below it in three years, with an average increase of 51 million bushels. Our analysis of Crop Tour data is on [News page 4](#).

## New view boosts ag trade outlook

USDA fully adopted the World Trade Organization definition of ag products, which adds ethanol and other products to the total. The result is higher projected levels for both ag exports and imports. Fiscal year (FY) 2021 U.S. ag exports are now forecast at a record \$173.5 billion with imports seen at a record \$157.5 billion. USDA projects ag exports and imports will reach new highs of \$177.5 billion and \$157.5 billion, respectively, in FY 2022. The other impact of the new definition: The U.S. registered ag trade deficits in both FY 2019 and 2020.

### China the top customer for ag exports in FYs 2021, 2022

FY 2021 U.S. ag exports to China through June totaled \$28.3 billion, up from just \$11.1 billion in the same period in FY 2020. Ag exports to China are forecast at \$39.0 billion in FY 2022, up \$20.0 billion from the FY 2021 forecast, reflecting higher soybeans prices, along with strong cotton and sorghum demand. The addition of ethanol to the forecast was also a key factor.

## RFS plan reflects reduced gas usage

EPA sent its proposals for 2021 and 2022 biofuel mandates under the Renewable Fuel Standard (RFS) to the Office of Management and Budget (OMB) for review. EPA reportedly proposed retroactively lowering the 2020 RFS levels due to reduced gasoline use during the pandemic. EPA also wants to set 2021 levels below those for 2020, but reports signal the proposal for 2022 was above levels for the other two years. Proposed levels are subject to change after the OMB review.

## Contract grower aid via CFAP 2

USDA will provide up to \$1 billion in aid to contract producers of eligible hogs and poultry. Producers have until Oct. 12 to sign up for aid or modify existing Coronavirus Food Assistance Program 2 (CFAP 2) applications. Contract growers can now use eligible revenue from Jan. 1-Dec. 27, 2018, instead of the same dates in 2019 "if it is more representative." There also are additional flexibilities for those that increased the size of their operation in 2020 and did not have a full period of revenue in either 2018 or 2019. Assistance is also now available to new contract producers in 2020.

USDA still hasn't provided aid to contract cattle producers.

## USDA unveils much-delayed DDP

USDA's Dairy Donation Program (DDP) will reimburse eligible dairy donations up to \$400 million, with \$50 million retroactive for donations from Jan. 1-Dec. 27, 2020. Still awaited are \$580 million in supplemental Dairy Margin Coverage payments targeted to small- and medium-size producers and \$350 million in pandemic payments to dairy producers announced Aug. 19.

## Fed edging closer to tapering

Chair Jerome Powell said Friday the Fed could start dialing back its economic stimulus this year, as one of the two goals it wants to achieve before starting to taper has been met. But he said the Fed will continue to closely monitor the Covid Delta variant, which is lowering consumer sentiment (see "General Outlook" on [Analysis page 4](#)).

## Corn, bean ratings continue to drop

USDA cut its “good” to “excellent” rating for the corn crop by two points to 60%. It also raised the amount of crop rated “poor” to “very poor” by a point to 14%.

USDA cut its “good” to “excellent” soybean rating by a point to 56% and increased the portion of crop rated “poor” to “very poor” by a point to 16%.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500 point scale, with 500 being perfect), the corn crop dropped 4.8 points to 355.1 points, while the soybean crop declined 2.5 points to 347.1 points.

The corn CCI has dropped for five straight weeks and stands 32.9 points (8.5%) below the initial rating of the growing season. The soybean CCI has dropped for three consecutive weeks and is 19.8 points (5.4%) below the initial rating.

## Cotton crop rating historically strong

As of Aug. 22, USDA rated 71% of the cotton crop “good” to “excellent,” up four points on the week. It rated only 6% of the crop “poor” to “very poor,” though that was up one point from the previous week. The only other times the cotton crop was rated above 70% “good” to “excellent” for this week were 1987 (76%) and 2004 (70%).

On our CCI, cotton improved 2.4 points to 380.8 points. That’s 33.9 points (9.8%) above the five-year average.

The strong crop rating would suggest this year’s yield will be high. But a lot of lower-yielding cotton acres in West Texas will be harvested this year instead of being abandoned like they would in a normal year.

## Brazil’s acreage, production to climb

Brazilian farmers are expected to expand soybean acreage by 3.6% and corn plantings by 3.9% due largely to an anticipated 5.2% jump in safrinha acres, according to the initial 2021-22 projections from Conab. The Brazilian government statistical agency expects the soybean crop will rise 3.9% to a record 141.3 million metric tons (MMT) and corn production will surge 33.8% from this year’s drought-stricken crop to a record 116.0 MMT.

South American Crop Consultant Dr. Michael Cordonnier expects Brazilian soybean plantings to increase 4% to 5% and corn acreage to expand 5% to 6%. His initial production forecast ranges are 143 MMT to 145 MMT for soybeans and 116 MMT to 118 MMT for corn, assuming “normal” weather. But he warns, “The weather may be problematic during the 2021-22 growing season given the potential reemergence of La Niña.”



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## Producer Crop Comments...

Please send crop comments to [editors@profarmer.com](mailto:editors@profarmer.com).

### Black Hawk Co. (northeast) Iowa:

*“We had 1.2 inches of rain Aug. 20-21, another 1.1 inches Aug. 22-23 and another two inches Aug. 24. We had more rain in five days than all of May, June and July combined.”*

### Buchanan Co. (northeast) Iowa:

*“Lots of storm damage in northeast Iowa on Aug. 24. It wasn’t nearly as devastating on a wide scale as last year’s derecho, but some fields will be nasty to harvest.”*

### Clinton Co. (east-central) Iowa:

*“We received our first 0.1 inch of rain this month on Aug. 23. Happy to get something but that won’t help for long. Just north of us they got a half inch.”*

### Southeast Iowa:

*“The corn crop is really getting pushed by dry conditions in Washington and Keokuk counties.”*

### McDonough Co. (west-central) Illinois:

*“The difference in corn in three weeks is amazing. Seeing a fair amount of nitrogen deficiency. Much of the corn is half milk line so it has a little ways to go.”*

### Bond Co. (southwest) Illinois:

*“Cut 12 acres of corn for silage. Adjusted yield was 221 bu. per acre. My corn APH is in the 180s. Only two times has the whole farm average been above 200 bu. per acre. We are expecting to break our record this year.”*

### East-central Indiana:

*“Been very erratic rainfall the last month in my neck of the woods. Crops have great stands but are trying to fill with a very dry August. Our averages are shrinking every day.”*

### Carroll and Cass Cos. (north-central) Indiana:

*“We caught 0.2 inches at one of our farms. Nothing on the rest of them. The rain hits I-65 and poof... it’s gone.”*

### Kosciusko Co. (north-central) Indiana:

*“It’s frustrating to watch what could have been a great crop not finish so great because our rains stopped.”*

### Martin Co. (south-central) Minnesota:

*“We have black layered corn on Aug. 23. Die and dry is the theme this year.”*

### Washington Co. (east-central) Nebraska:

*“I can’t remember when there was this much silage chopped by Aug. 22.”*

### McCook Co. (east-central) South Dakota:

*“Harvested end row to chop for silage. Corn moisture tested 29%. Harvest to begin very soon.”*

### Davison Co. (east-central) South Dakota:

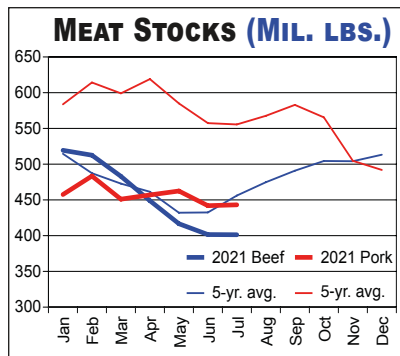
*“Had a storm park over us overnight Aug. 22-23 that produced 3.5 inches of rain. We lost a little corn to wind but should gain some soybeans!”*

### Marshall Co. (northeast) South Dakota:

*“We had an old-fashioned toad strangler Aug. 24. It was intense. Ended up with around an inch. Neighbor two miles away had 1.3 inches. But it sounded like a monsoon.”*

## Beef stocks drop contra-seasonally

USDA's Cold Storage Report estimated beef stocks in frozen storage at 401.3 million lbs. at the end of July, down 256,000 lbs. from June compared with the five-year average increase of 23.6 million lbs. during the month. Beef inventories fell 38.9 million lbs. (8.8%) versus year-ago and were 54.8 million lbs. (12.0%) below the five-year average. Daily Livestock Report



Pork stocks totaled 443.1 million lbs., a 1.2-million-lb. increase from the end of June. Pork stocks typically don't change too much during July, with the five-year average being a 1.8-million-lb. drawdown during the month. Pork stocks were down 17.5 million lbs. (3.8%) from year-ago levels and 112.4 million lbs. (20.2%) below the five-year average.

Stocks of frozen poultry totaled 1.173 billion lbs. at the end of July, a 2.3% increase from June but a 16.6% decline from year-ago. Chicken breast stocks were down sharply from June and last year's record level.

## Another decline in cattle placements

USDA's Cattle on Feed Report estimated there were 11.1 million head of cattle in large feedlots (1,000-plus head) as of Aug. 1, down 210,000 head (1.9%) from last year and just marginally lower than traders anticipated. Placements

Cattle on Feed Report	USDA actual (% of year-ago)	Average estimate
On Feed July 1	98.1	98.2
Placed in June	91.9	93.1
Mkted in June	95.5	96.7

dropped 8.1% versus year-ago levels in July, while marketings declined 4.5% due to there being one less workday than in July 2020.

Placements of lightweight calves (under 600 lbs.) fell 10.7% from July 2020, 6-weights dropped 19.0%, 7-weights declined 5.7% and 8-weights fell 7.4%. Placements of 9-weights climbed 5.1% from year-ago and heavyweights (1,000-plus lbs.) were steady with year-ago. High feed costs incentivized feedlots to place heavier cattle and reduce the movement of lighter animals onto feed.

This marked the third consecutive month of declines in placements, especially in the lighter weights. Feedlot numbers will decline, but the breakdown of placements suggests a marketings "hole" will develop in the first half of 2022. As long as feedlots don't get backed up on marketings, that adds to the bullish price outlook for the fed cattle market.

## USDA raises food price forecasts

U.S. food prices are now expected to rise 3.0% to 4.0% this year, up from a prior forecast for food price inflation of 2.5% to 3.5%, according to USDA's Economic Research Service (ERS). The midpoint of that range would be up 0.1 point from last year's 3.4% increase.

ERS now forecasts food away from home (restaurant) prices will rise 3.5% to 4.5%, up from its prior outlook for them to increase 3.0% to 4.0% and above the 3.4% jump last year. It forecasts food at home (grocery) prices will increase 2.5% to 3.5%, up from prior expectations of a 2.0% to 3.0% rise. Prices are higher than the 20-year historical averages of 2.4% for all food, 2.0% for food at home and 2.8% for food away from home.

ERS left its 2022 food price inflation outlooks unchanged from previous forecasts. All food prices are seen rising 2.0% to 3.0%, with grocery store prices expected to increase 1.5% to 2.5% and restaurant prices likely to jump 3.0% to 4.0%. Even with no change in the forecast levels for 2022 from prior forecasts, the increases are coming from a higher starting point, which means consumers still will deal with higher food prices.

## South Korea raises interest rates

South Korea is the first big Asian economy to raise interest rates since the start of the Covid pandemic. The Bank of Korea raised its benchmark rate to 0.75%, increasing it 25 basis points from a record low of 0.50%. Record household debt and rocketing property prices outweighed fears over Seoul's struggle to contain the Delta Covid variant.

Economists are on watch for how soon and how many other major economies tighten monetary policy to curb inflation.

## China's pork imports will rise in 2022

China's hog and pork production are expected to decline next year, according to a USDA attaché report from the country, as "government policies designed to limit price fluctuations inadvertently undermine [hog herd] expansion." The attaché forecasts China's hog production will fall 5% next year as "low prices and disease outbreaks in 2021 led to significant slaughter and delayed [herd] restocking." The post expects China's pork production to plunge 14% next year. As a result, it forecasts China's pork imports will rise to 5.1 MMT as "consumer demand for pork exceeds domestic production."

The attaché says the country's cattle and beef production will "grow slowly" next year. "High beef prices will encourage investments by large producers. However, small producers with poor herd genetics and space constraints will continue to dominate production." The post forecasts beef imports will expand "at a slower rate to 3.3 MMT, as high beef prices are balanced by more diverse beef suppliers entering the market."



# Post-Crop Tour: Record ear counts, pods near 'sweet spot'

By Pro Farmer editors

**ProFarmer**  
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We've had a week to let the dust settle and reflect on what we found on the Pro Farmer Crop Tour. More importantly, we've had a week to do additional analysis of the data from the nearly 3,400 corn and soybean samples scouts helped us gather Aug. 16-19.

## **Crop Tour is about data-gathering, ground-truthing**

Our goal during Crop Tour is to get a strong, objective view of corn yield potential from one big field across seven Midwest states during the third full week of August. Still, it's nearly impossible to block out all of the data we've gathered about the crop ahead of Tour. In fact, some of that data helps shape our opinion of crops outside the Tour areas.

Heading into this year's Tour, we knew there was a great divide between the eastern Corn Belt and the western Belt. Would we find enough bushels in the eastern Corn Belt to offset lost production in the western states? We found enough bushels in the eastern Belt to offset some of those lost west of the Mississippi River, but not enough to get to a trendline yield this year.

## **Record ear counts, but grain length declines**

Ear counts were up in five of the seven states — only South Dakota and Minnesota had lower ear numbers than we found in 2020. Ear counts also averaged above 100 in two 30-foot rows in five of the seven states, with South Dakota and Nebraska being the exceptions. For all 1,710 corn samples, ear counts averaged a record 99.34, ahead of 2018 (99.05) and 2017 (96.50).

Grain length was up in only three of the seven states — Iowa, Indiana and Ohio. Shorter grain length in South Dakota, Nebraska and Minnesota was not surprising given the drought in these states. A decline in grain length in Illinois was surprising. Average grain length at 6.87 inches was down 0.7% from last year but up 1.9% from 2017 and 0.3% versus 2018.

The number of kernel rows around each ear averaged 16.2, down 0.3% from last year's record. But kernel rows were up 1.3% versus 2017 and 0.4% from 2018.

## **The average of all samples is our best number**

As we've detailed in the past, we have two corn yield calculations that use the same raw data (ear counts, grain inches, kernel rows and row spacing). We report the results of the standard calculation during Crop Tour and in our final analysis since it has proven to be more accurate over time.

The second "old" calculation adjusts for kernel size based on the number of kernel rows around the ear. (The higher the number of kernel rows, the smaller the kernel size.)

The average of all samples collected was a record 185.87 bu. per acre. The average from the "old" adjusted yield calculation was 168.09 bu. per acre.

The Pro Farmer yield is the midpoint of that range, 2.4 bu. above USDA's August estimate. With a +/- 1% range, the Pro Farmer yield forecast is 175.2 bu. to 178.8 bu. per acre. We went with the midpoint of the two yield measures because of the vast differences in the western Corn Belt and the eastern Corn Belt this year. We measured two different crops.

## **Data points to a record corn yield... if it can hang on**

Of the 1,710 corn samples we pulled, 891 (52.1%) were above 185.87 (the average of the standard yield calculation), while 819 (47.9%) were below that level. There were 648 samples (37.9%) below the Pro Farmer estimate of 177.00 bu. per acre and 1,062 samples (62.1%) above that mark.

The data tells us this year's corn yield has potential to be a record, eclipsing the highs of 176.6 bu. in 2017 and 176.4 bu. in 2018. The crop held onto yield potential amazingly well in many of the dry western areas, while it built record potential in the eastern Corn Belt. As is the case each year, it's now a matter of how much of that yield makes it to the bin.

## **Soybeans: Lots of pods... and some timely rains**

We don't calculate a soybean yield with Crop Tour samples. Instead, we count pods in a 3-foot square. Reason: The number of pods it takes to make a bushel is different in each state and varies from year to year.

In our 1,684 samples, we found an average pod count of 1,192. The average of all the state averages this year was 1,169 pods. Both were close to the 1,150 level we've found over the years where yields are optimized. Other years with similar high average pod counts have been the highest yielding: 1,297 in 2020 (50.2 bu. yield), 1,216 in 2018 (50.6 bu.) and 1,154 in 2016 (51.9 bu. per acre).

We say it every year... if your boots got muddy on Tour, soybeans are getting the late-season moisture needed to plump up beans in the pods. It rained on portions of the eastern Corn Belt during Crop Tour. Rains fell on areas of the western Belt after Tour. Those were timely rains.

The Pro Farmer yield is 51.2 bu. per acre. With a +/- 2% range, our yield forecast is 50.2 bu. to 52.2 bu. per acre.

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## CATTLE - Fundamental Analysis

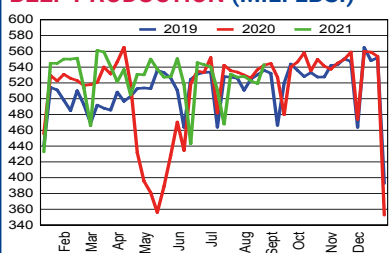
July feedlot marketings fell 4.5% annually, but the result matched year-ago levels when viewed on a marketings-per-workday basis. Feedyard sales aren't especially current, but steer weights running 10 lbs. over the five-year average imply market-ready supplies are much tighter than they were during spring, when 2021 figures were running well over 30 lbs. above the five-year mean. Beef prices have probably reached a seasonal peak, but the vigorous consumer demand powering the recent surge appears set to limit late-summer losses. The cattle outlook still seems promising.

### Position Monitor

Game Plan:	Feds Feeders		
Fed cattle	III'21	0%	0%
producers	IV'21	0%	0%
should be	I'22	0%	0%
	II'22	0%	0%

prepared to add hedges if October futures signal topping action after the upside breakout last week.

### BEEF PRODUCTION (MIL. LBS.)



### DAILY OCTOBER LIVE CATTLE



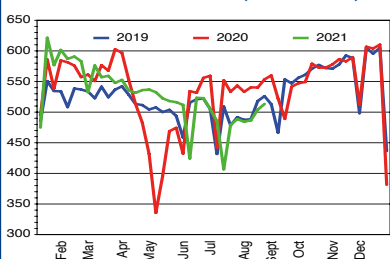
## HOGS - Fundamental Analysis

Hog slaughter and pork production are climbing seasonally and will almost surely continue doing so into the holiday season. This tendency, along with seasonally reduced consumer demand for several pork cuts, causes the usual fall price decline. However, given the extreme strength exhibited by beef values this summer, various competing pork products (e.g., pork chops, ribs, steaks and sausage) could benefit greatly from substitution demand. When combined with reduced ham stocks and forecasts for a 3% annual drop in hog supplies, the extraordinary seasonal drop built into futures appears overdone.

### Position Monitor

Game Plan:	Lean Hogs		
discount in fu-	III'21	0%	0%
tures is much wid-	IV'21	0%	0%
er than the nor-	I'22	0%	0%
mal seasonal break. We believe the downside is overdone in futures, so we don't advise hedges.	II'22	0%	0%

### PORK PRODUCTION (MIL. LBS.)



### DAILY OCTOBER LEAN HOGS



## FEED

### Feed Monitor

#### Corn

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

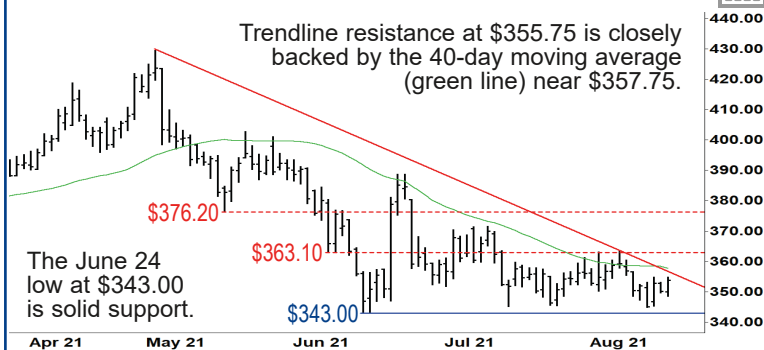
**Corn Game Plan:** You should have all corn-for-feed needs covered in the cash market through August and 50% for September. We'll use a seasonal break to extend coverage.

#### Meal

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

**Meal Game Plan:** You should have all soybean meal needs covered in the cash market through August, 75% for September and 25% for the fourth quarter. We'll use any seasonal weakness to extend coverage.

### DAILY OCTOBER SOYBEAN MEAL

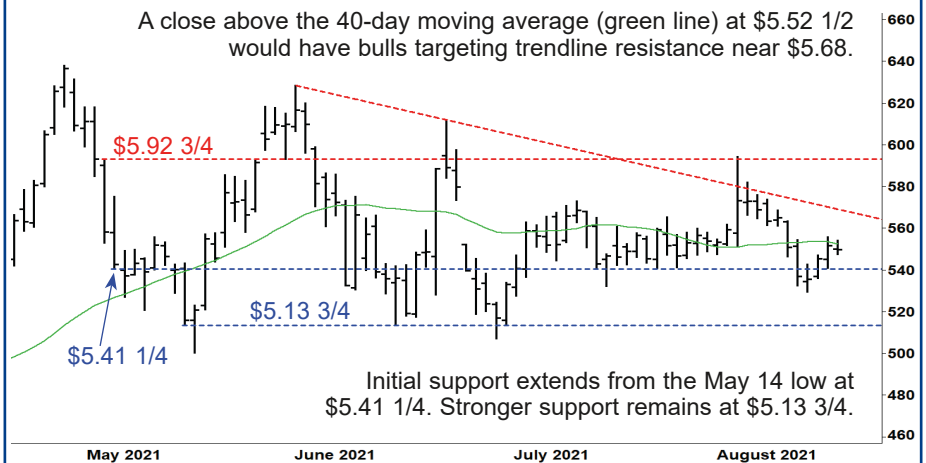


## Position Monitor

	'20 crop	'21 crop
Cash-only:	100%	40%
Hedgers (cash sales):	100%	40%
Futures/Options	0%	0%

**Game Plan:** On Aug. 27, we advised hedgers and cash-only marketers to sell the final 5% of old-crop inventories. Get current with advised old- and new-crop sales. Given long-term fundamentals, we wouldn't panic and make sales at the bottom of the broad trading range. But you must be prepared to sell on a price recovery into the upper end of the range. Bottom line: \$5 December corn is too cheap and \$6 is too pricey.

## DAILY DECEMBER CORN



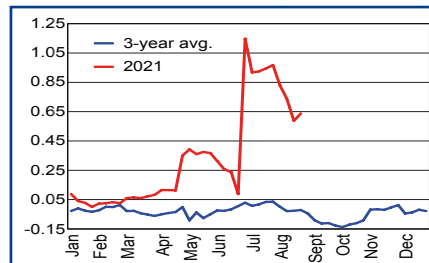
## DAILY MARCH CORN



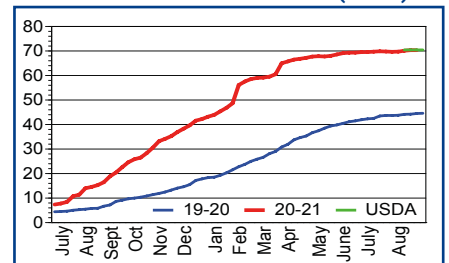
## CORN - Fundamental Analysis

December futures clawed back some of the previous week's nosedive, underscoring the market's bullish demand-driven underpinnings. Last week's rebound in Nymex crude futures didn't hurt bull's cause, either. USDA's crop estimate is likely to increase, but the market appears content to bide its time until the Sept. 10 Crop Production Report. Seasonally, prices tend to decline ahead of harvest, but we expect any price breaks to spark additional export demand from global end-users and buying in futures by funds, assuming recent patterns hold. Any rallies should be viewed as opportunities to advance new-crop sales.

## AVERAGE CORN BASIS (SEPTEMBER)



## CORN EXPORT BOOKINGS (MMT)



## Position Monitor

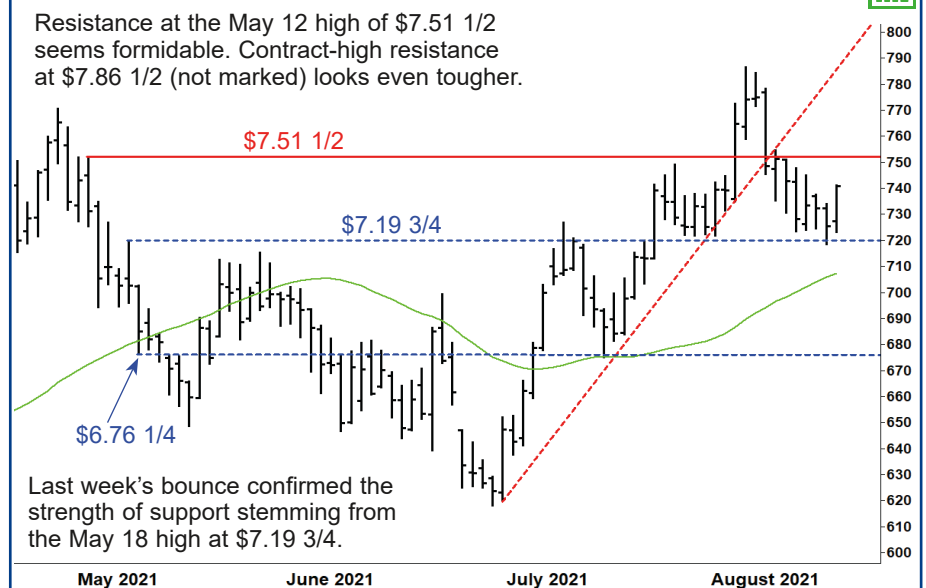
	'21 crop	'22 crop
Cash-only:	70%	20%
Hedgers (cash sales):	70%	20%
Futures/Options	0%	0%

**Game Plan:** Get current with advised sales. Given bullish fundamentals, there's no reason to make panic sales on an extended pullback. We're content to wait on the next move higher to advance old- and new-crop sales.

## WHEAT - Fundamental Analysis

**SRW** — December futures appear to have stabilized from a mid-August tumble. Reports of reduced harvest or export estimates for top global producers seem to hit the news every week, so a test of the contract highs is certainly possible. Still, consider rallies as selling opportunities.

## DAILY DECEMBER SRW WHEAT



## Position Monitor

	'20 crop	'21 crop
Cash-only:	100%	40%
Hedgers (cash sales):	100%	40%
Futures/Options	0%	0%

**Game Plan:** On Aug. 27, we advised hedgers and cash-only marketers to sell the final 5% of old-crop inventories. Get current with advised old- and new-crop sales. Prices could weaken during harvest. But given the long-term outlook, we wouldn't make panic sales near the bottom of the broad, extended trading range. Be prepared to advance sales if futures return to the top of that range.

## DAILY NOVEMBER SOYBEANS



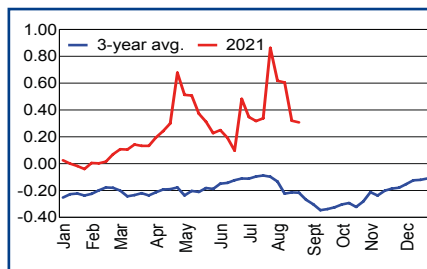
## DAILY JANUARY SOYBEANS



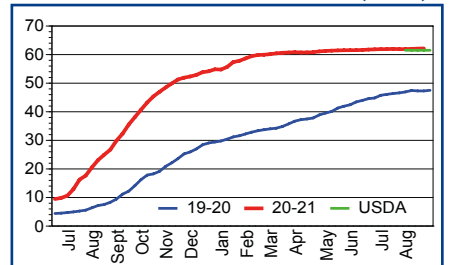
## SOYBEANS - Fundamental Analysis

After a mid-August nosedive, November soybeans mustered a modest bounce-back the past week. But that may come as cold comfort for market bulls. Midwest weather concerns are fading as a market driver and USDA's crop estimate may be revised higher, suggesting a sideways to lower path for futures in the weeks ahead. Even soybean futures, one of the ag complex's top performers this year, has shown slippage, with the December contract pushing under its 100-day moving average. Chinese demand may limit price downside. So far in August, USDA reported U.S. soybean sales totaling about 3 million metric tons to China or "unknown" destinations.

## AVERAGE SOYBEAN BASIS (NOVEMBER)



## SOYBEAN EXPORT BOOKINGS (MMT)



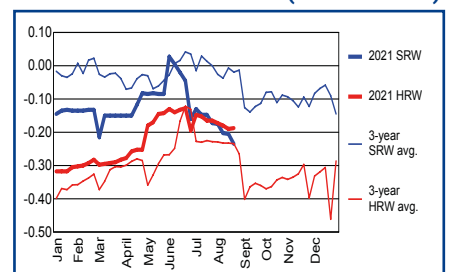
## DAILY DECEMBER HRW WHEAT



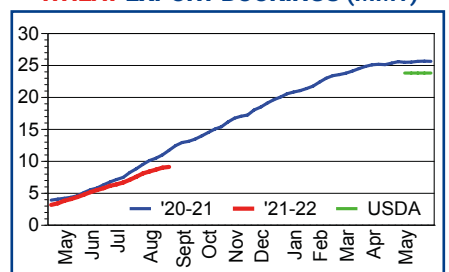
## DAILY DECEMBER HRS WHEAT



## AVERAGE WHEAT BASIS (SEPTEMBER)



## WHEAT EXPORT BOOKINGS (MMT)



**HRW** — The market's ability to shrug off recent disappointing export sales numbers paints a picture of a resilient market underpinned by bullish long-term fundamentals — specifically, tightening global supplies. Watch for any tests of support in the \$7.05 to \$7.10 range in December futures and remain ready to sell rallies near the contract highs.

**HRS** — December HRS futures closed at the highest price in nearly two weeks with the drought-depleted Northern Plains harvest largely wrapping up and focus shifting more toward the global supply and demand outlook. Strength in winter wheat could help HRS make a run at the December contract high above \$9.37 in the weeks ahead.

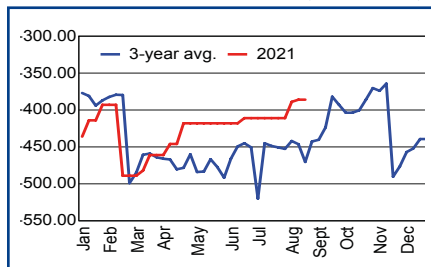


## Position Monitor

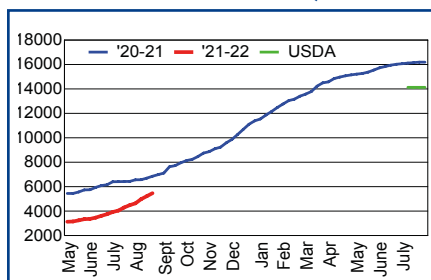
	'21 crop	'22 crop
Cash-only:	75%	0%
Hedgers (cash sales):	75%	0%
Futures/Options	0%	0%

**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

The contract high at 96.71¢ represents tough resistance.



## COTTON - Fundamental Analysis

Export sales of U.S. cotton for the 2021-22 and 2022-23 crop years totaled 313,000 running bales during the week ended Aug. 19, which reemphasized the strength of demand at elevated prices. The recent rally seems unlikely to end until export demand shows signs of slowing.

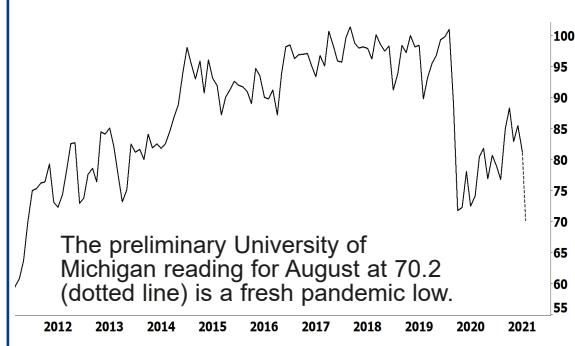
## GENERAL OUTLOOK

**ECONOMY:** Uncertainty over the lethality and duration of the Delta variant has emerged. Dr. Vince Malanga, president of LaSalle Economics Inc., says it "will not kill the economic recovery," but it will affect the pace of recovery. "We were expecting about 7% annualized growth in the current quarter, and we are inclined to reduce this to about 5% annually." Malanga said the travel and leisure sectors are most vulnerable. The mid-

August dive in consumer sentiment added to concerns about the outlook.

U.S. GDP in the second quarter was revised up to 6.6% from the initial 6.5% level, though that was shy of economists' expectations. Despite the second quarter data, unease still exists about third quarter prospects due to the Delta variant and continued labor and materials shortages that have driven up prices for a host of goods.

## MONTHLY UM CONSUMER SENTIMENT INDEX



## FROM THE BULLPEN By Market Analyst Bruce Blythe

Speculative funds known as "managed money" are more bullish than usual on corn and soybeans as harvest approaches, which may bode for some interesting price action ahead.

Managed funds' net long futures and options positions in corn and soybeans were both recently at the highest levels in over two months, CFTC data showed:

**CORN:** Managed money's net long had risen five straight weeks as of Aug. 17, to 278,911 contracts, the highest since June 1 and the largest for that date since 2012. During the previous five years, managed money held a net short of about 55,000 contracts in mid-August.

**SOYBEANS:** The managed money net long as of Aug. 17 was 97,179 contracts,

the second consecutive weekly gain and highest since June 15. A year earlier, the net long was slightly higher at about 107,000, but the average for the previous five years was closer to even.

*How might such a bullish stance hold up over the short- and long-haul?* Over the past five years, December corn futures fell an average of 3.3% from Aug. 17 through the end of the month but then shifted into a sideways-to-higher pattern through October, with a peak gain of about 7.7% on Oct. 15.

November soybeans also dipped in late August but then climbed during the next six weeks or so, hitting a peak of about 7.4% on Oct. 15, based on the average of the past five years.

## WATCH LIST

- StatsCan Crop Production** **MON 8/30**  
Drought cut Canada's crops. 7:30 a.m. CT
- USDA Crop Progress Report** **MON 8/30**  
Will rains boost corn, bean ratings? 3:00 p.m. CT
- USDA Corn, Soy Crush Rpts.** **WED 9/1**  
Crush data for July. 2:00 p.m. CT
- USDA Weekly Export Sales** **THURS 9/2**  
Price break a buying opportunity. 7:30 a.m. CT
- U.S. Ag Trade Update** **THURS 9/2**  
Export, import data for July. 9:00 a.m. CT

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