



News this week...

- 2 – Implied yields would tighten new-crop supplies.
- 3 – U.S. registers trade deficit; ag trade deficit in June, too.
- 4 – USDA responds to our report on improving data.

Waiting on USDA's Aug. 12 reports – December corn futures continued to chop around the \$5.50 area last week. November soybean futures faced early price pressure, but found late-week support from two daily new-crop export sales to China and “unknown,” signaling prices had fallen to a value point. Both markets awaited USDA's first survey-based crop estimates on Aug. 12. While the growing season is far from the finish line, traders will use those estimates as benchmarks from which to add or subtract bushels based on late-season weather. Given the poor spring wheat crop and with winter wheat harvest wrapping up, the market firmed. Cattle and hog futures broke down technically late in the week, suggesting at least short-term tops are in place, despite ongoing strong cash fundamentals.

Rains expected, then dry again

Rains that started Aug. 5 are expected to continue over the Corn Belt into the middle of this week. Drier conditions are expected to return to the western Corn Belt the following week. Temps are likely to be seasonable for much of the Corn Belt this week, though periods of above-normal readings are possible in west-central and southwestern areas.

Market-sensitive data coming Aug. 12

USDA's first corn and soybean crop estimates Aug. 12 will be based primarily on farmer surveys and satellite imagery, as it discontinued the August field samples last year. Traders expect USDA's initial estimates to be down from the July projections. Given the razor-thin supply-side cushion for corn and soybeans in 2021-22, that could have major impacts on new-crop usage forecasts and ending stocks.

USDA will also issue its first survey-based cotton crop estimate and update its U.S. wheat crop forecast.

USDA's global crop forecasts will also be a focal point.

Old-crop ethanol, soy crush slowing

U.S. processors crushed 161.7 million bu. of soybeans during June, which was down 6.8% from May and lighter than expected. As a result, we cut our 2020-21 crush estimate to 2.155 billion bu., 15 million bu. below USDA's July forecast.

Corn-for-ethanol use totaled 439.9 million bu. in June, which was down 2.0% from May and lower than expected. Given the disappointing June crush and the slowing ethanol production pace, we lowered our 2020-21 corn-for-ethanol use forecast by 25 million bu. to 5.075 billion bushels.

Wage inflation evident in jobs data

The U.S. economy added 943,000 non-farm payrolls in July, while figures from the two previous months were increased a combined 119,000 jobs. The unemployment rate fell 0.5 point to a pandemic-era low of 5.4%. Average hourly earnings rose 0.4% in July and jumped 4.0% over the past year. The strengthening jobs data suggests the Fed will start tapering its monthly bond purchases sooner than thought.

Food vs. fuel debate resurfaces

The American Bakers Association told *Reuters* it wants the Biden administration to lower biodiesel blending mandates to 2019 levels or at least to “hold the line” on any growth. The group contends any increase to the biodiesel mandate would tighten soybean supplies, which could cause food prices to rise.

Biden signs EV executive order

President Joe Biden signed a non-binding executive order calling for half of all new vehicles sold in the U.S. to be electric by 2030. The shift would take time as manufacturers and suppliers need to transform factories, charging stations need to be built and consumers must be persuaded to buy. China currently makes about 70% of all electric-vehicle batteries.

Hurdles remain on infrastructure

The Congressional Budget Office (CBO) estimated the Senate infrastructure package would result in \$256 billion in higher deficits over the next decade. Odds still favor enough centrist Republicans joining Democrats to pass the measure in the Senate. But there will still be differences in the House measure and additional hurdles will arise with the reconciliation package, which will contain human infrastructure.

Reports to boost cattle price clarity

Beginning Aug. 9, USDA will issue two new cattle reports.

- The National Direct Formula Base Report will show differences between negotiated trade and formula-base prices, as well as aggregated values paid as premiums and discounts.
- The National Net Price Distribution Report will show weekly weighted average trade (price and volume) for negotiated, negotiated grid, formula and forward contract sales.

OMB reviewing Covid aid, CFAP

The Office of Management and Budget (OMB) is reviewing a final rule for Covid aid to farmers. That will provide an answer on Covid aid for contract hog producers that was signed in December 2020 but later paused by USDA, though we don't expect any results until sometime in September.

Corn conditions drop, beans improve

USDA rated 62% of the U.S. corn crop “good” to “excellent” as of Aug. 1, down two points from the previous week. The amount of crop rated “poor” to “very poor” increased a point to 11%. USDA’s soybean crop ratings climbed two points to 60% “good” to “excellent,” while the portion of crop rated “poor” to “very poor” held at 12%.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop dropped 2.3 points to 363.8 points, while the soybean crop rose 1.7 points to 352.9 points. The CCI ratings are 8.0 points (2.1%) below the five-year average for corn and 7.8 points (2.2%) below for soybeans for the beginning of August.

Implied yields based on Aug. 1 crop ratings

It’s difficult (dangerous) to predict yields off Aug. 1 crop ratings because so much can change by the end of the growing season. But early August conditions give some indication of yield potential. Since USDA started its national crop ratings in 1986, there have been seven other years with Aug. 1 ratings between 59% and 65% “good” to “excellent” (+/-3 points of 62%). Based on those years, it would imply a yield of 176.0 bu. per acre. The percent change in our CCI rating would project the yield at 175.7 bu. per acre.

There have been 12 previous years when USDA’s Aug. 1 soybean ratings have been between 57% and 63% (+/-3 points of 60%) as of Aug. 1. Based on those years, it would imply a yield of 50.0 bu. per acre. The percent change in our CCI rating would project the yield at 49.7 bu. per acre.

Supply implications if USDA makes implied yield cuts

If USDA’s Aug. 1 survey-based yield estimate is in line with the implied levels above, it would cut corn production by 293 million bu. to 318 million bu. from the July projection. Without any other adjustments (which there would be), that would trim 2021-22 projected corn ending stocks to between 1.114 billion bu. and 1.139 billion bushels. We are keeping our new-crop corn ending stocks forecast at 1.200 billion bushels.

For soybeans, the implied yields above would cut production by 70 million to 96 million bushels. With new-crop soybean ending stocks projected by USDA at only 155 million bu. in July, there would need to be some usage offsets — even if beginning stocks (old-crop carryover) increases. We are maintaining our new-crop ending stocks forecast at 120 million bushels.

BOTTOM LINE: There’s virtually no supply-side cushion.

Spring wheat unexpectedly improves

USDA rated 10% of the U.S. spring wheat crop “good” to “excellent” as of Aug. 1, up a point from the previous week. The portion of crop rated “poor” to “very poor” declined two points to 64%. A late-season uptick in crop ratings is not uncommon — even in years like this with extreme crop stress. The uptick doesn’t mean the crop is any better per se, but more likely that some of the worst acres were hayed, abandoned or already harvested and thus not factored into USDA’s latest ratings.

Firm slashes Russian wheat crop peg

Russia-based SovEcon slashed its Russian wheat crop forecast by 5.9 million metric tons (MMT), dropping its production estimate to 76.4 MMT. The firm said “substantially” smaller winter wheat acreage reported by the country’s statistical agency was to blame for 4 MMT of the cut. The other 1.9 MMT was due to hot, dry weather during July diminishing yield potential for the country’s spring wheat and in some cases winter wheat crops.

Frosts shrink Brazil’s wheat crop

Three rounds of frosts/freezes clipped Brazil’s winter wheat crop. In top-producing Parana, around 27% of the wheat crop had heads emerged when the third and hardest freeze hit in late July. The extent of damage to the crop won’t be known until grain filling starts, but “some of the most advanced wheat may be a complete loss,” according to Crop Consultant Dr. Michael Cordonnier. He says wheat in No. 2 producing Rio Grande do Sul is still in vegetative development and should not be impacted by the frosts/freezes. Argentina’s wheat crop should also emerge largely unscathed.

World wheat production shrinking

Cuts to world wheat production — some minor and others major — are being noted in North America, Europe, Asia and South America. The Food and Agriculture Organization of the United Nations (FAO) cut its 2021-22 world wheat production forecast by 1 MMT to 784.7 MMT, primarily on dry conditions in the “Near East.” While FAO still expects world wheat production will rise 9.5 MMT (1.2%) from 2020-21, the crop isn’t going to be as big as once thought.

FAO’s forecast for global wheat production is 7.7 MMT less than USDA projected in July. As USDA aligns its forecast more closely with the global outlook, ending stocks will tighten. In July, USDA projected global wheat ending stocks would rise 1.5 MMT in 2021-22. Unless global wheat use slows dramatically from USDA’s July expectations, ending stocks are likely to tighten year-over-year.

In years when world wheat stocks fall year-over-year, December SRW wheat futures typically rise from mid-July through the end of the year by as much as 15%.



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Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Black Hawk Co., (northeast) Iowa:

"Sure is painful to watch our crops die a little more every day. Over 12 inches below normal rainfall now. The rain always is either 15 miles east or 15 miles west. Very consistent pattern since April 1. Total July rainfall was 1.2 inches — all in one hour. Good ground probably has a week before it's the point of no return. On the marginal ground, nothing will help from here on."

O'Brien Co., (northwest) Iowa:

"We were fortunate to have an inch-plus of rain in our area July 30. Going to need more to finish crop. Some kernels have aborted and ground is still dry."

Lyon Co., (southwest) Minnesota:

"Crops are really hurting. We've only had 1.5 inches of rain since June 1. The most we've received is 0.3 inch at a time. Corn could maybe yield 75% of normal if we get rains. Beans need rains or they won't fill pods."

Nodaway Co., (northwest) Missouri:

"Received 2.5 inches of rain to end July with temps at night in the 60s. This could be our biggest corn crop ever."

Gray Co., (southwest) Kansas:

"Early dryland corn looks excellent, but it's still way too early to count the chickens. Ears don't have much of a profile yet. Still needs one more good rain to finish strong."

Linn Co., (east-central) Iowa:

"Traveled to Baudette, Minnesota. From eastern Iowa until the Algona, Iowa area (north-central) crops looked lush, beautiful, even picturesque. Not sure I've seen beans look this good in a long time. Corn looked uniform and tall. I'd say 95% of the crop in this stretch was without stress. North of Algona until Fairmont, Minnesota, honestly I was expecting to see more stress. I did see some corn looking a little weaker, but it was still very uniform and green. Beans looked as good as any I had seen. North of Fairmont up until we got to south of St. Cloud, crops looked awesome again. Some end rows of corn looked a little weak. North of St. Cloud, we started to see some stress — roughly 20% of the corn crop looked weak but beans looked good."

Record U.S. trade deficit

The U.S. registered a record trade deficit of \$75.7 billion in June. Imports rose 2.1% to \$283.4 billion, which easily overshadowed a 0.6% increase in exports to \$207.7 billion. The trade deficit with China rose to \$27.8 billion in June, up 5.8% from the May level.

Ag trade deficit, too

The U.S. exported just shy of \$13.0 billion of ag goods in June against imports of nearly \$15.0 billion, resulting in a deficit of \$2.0 billion. That was down from an ag trade surplus of \$95.9 million in May.

The cumulative ag trade surplus for fiscal year (FY) 2021 totaled roughly \$13.8 billion through June. USDA's export and import forecasts imply an ag trade surplus of \$22.2 billion for FY 2021.

China's factories slow

China's official manufacturing purchasing manager's index (PMI) eased to 50.4 in July from 50.9 in June — the lowest reading since February 2020. The sub-index for new export orders has dropped three straight months and now signals contraction. The Caixin PMI, which gauges smaller, privately owned factories in China, dropped one point to 50.3 in July — the lowest reading in 16 months. Slowing factory activity amid reduced export orders could curb China's demand for some commodities.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	Sept.	Oct-Dec.	Jan-March
	(Monthly & quarterly avg.)					
CORN						
Central Illinois, bushel	2.88	6.29	6.14	5.25	5.00	5.25
Omaha, NE, bushel	3.00	6.26	6.31	5.30	5.05	5.30
Dried Distillers Grain, IA, \$/ton	115.14	161.67	170.77	--	--	--
SOYBEANS						
Central Illinois, bushel	8.61	14.17	13.97	13.50	12.75	13.25
Memphis, TN, bushel	9.06	13.87	13.36	13.90	13.15	13.65
Soymeal, 48% Decatur, ton	285.80	364.80	353.50	360	350	360
WHEAT						
Kansas City, HRW, bushel	4.63	6.70	7.39	7.30	7.40	7.50
Minneapolis, 14% DNS, bushel	6.04	10.16	10.60	10.50	10.75	10.50
St. Louis, SRW, bushel	5.49	6.57	7.08	7.00	7.10	7.20
Portland, Soft White, bushel	5.73	7.85	9.05	9.10	9.15	9.20
Durum, NE MT HAD, 13%, bu.	5.50	10.30	10.62	10.50	10.50	9.00
SORGHUM , Kansas City, cwt.	6.00	11.54	11.64	11.00	10.50	10.75
COTTON , 11/16 SLM, 7 area, ¢/lb.	58.01	86.63	86.19	85.00	86.00	86.00
RICE , nearby futures, cwt.	11.60	13.48	13.40	13.50	13.75	13.90
BARLEY , MT, G.T., malting, cwt.	7.50	6.12	6.12	6.50	6.50	6.50
OATS , Minneapolis No. 2 heavy, bu.	3.01	4.30	4.17	4.20	4.25	4.30
ALFALFA , NW Iowa, lg. sq. prem., ton	129.00	190.58	198.87	200	200	200
SUNFLOWERS , Fargo, ND, cwt.	18.05	28.30	29.50	28.00	28.00	28.00
HOGS , Nat'l carcass 51%-52% cwt.	51.57	110.08	109.38	104.00	89.00	84.00
FEEDER PIGS , 40 lbs., Nat. avg. head	16.28	63.07	61.90	60.00	68.00	72.00
CHOICE STEERS , feedlots, cwt.	98.66	120.77	121.68	121.00	125.00	128.00
FEEDER CATTLE , Oklahoma City						
Steers, 700-800 pounds, cwt.	134.78	152.98	153.66	148.00	150.00	147.00
Steers, 500-550 pounds, cwt.	160.68	178.13	180.14	173.00	175.00	172.00
Heifers, 450-500 pounds, cwt.	141.38	151.42	161.01	158.00	155.00	166.00
COWS , utility, Sioux Falls, SD, cwt.	74.46	69.04	69.92	69.00	67.00	65.00
MILK , Class III, CME spot month, cwt.	24.55	16.61	16.11	16.50	17.50	17.75
LAMBS , Slg., San Angelo, TX, cwt.	--	--	216.50	--	--	--
ENERGY						
Ethanol, IA, gallon	1.18	2.09	2.09	--	--	--
Farm diesel, U.S., gallon	1.67	2.71	2.74	2.74	2.68	2.62

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

Part 2: What's needed to improve USDA's data – USDA responds

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete



Several current and former USDA officials responded to our [“Special Report: What's needed to improve USDA data.”](#) Some of those responses follow:

Lance Honig, chief of Crops Branch at NASS

“Crop estimates are not based exclusively on producer-reported data. We utilize many additional sources of data, including objective yield, satellite data, administrative data, etcetera.” The quality of NASS crop acreage and production estimates depends on a high level of participation and truthful assessments by producers. As the number of respondents falls, some say the statistical reliability of estimates and forecasts declines and the value of NASS's estimates declines as well. But Honig says: “I'm not sure this is a fair statement. I agree that less data leads to increased variability of the resulting survey indications, but [that] doesn't necessarily make the data less valuable.” NASS uses “extensive editing processes to help identify inaccurate reporting.”

While some note variability of data as measured by market price reactions to NASS estimates appears to have increased, Honig notes: “Just because market reactions are more variable does not necessarily mean the NASS estimates are the cause. Market participants' reduced accuracy in predicting USDA estimates could be due to other factors.”

“Without NASS as the independent, unbiased source of data,” Honig says, “market volatility would increase dramatically due to the wide range of opinions of crop size from private entities.”

Dr. Seth Meyer, USDA chief economist

“As everyone in the industry knows, forecasting commodity markets and predicting the future is an imperfect science, made even more difficult in an ever-changing world. However, evidence overwhelmingly shows that the track records for providing accurate and timely information are strong for both NASS and the WAOB, extending over dozens of commodities and all regions of the world. Both NASS and the WAOB are the global gold standards for agricultural market information, and we'll continue to devote all necessary and available resources to maintaining that reputation.”

Regarding the ERS move to Kansas City, Meyer said: “ERS leadership support for the S&O (situation and outlook) work didn't suddenly fall off as portions of ERS moved to KC. The S&O work was consistently undervalued by previous administrators of ERS, particularly given the large impact those

researchers have and the readership their publications draw. Staff numbers have begun to rebound, with many good new analysts coming onboard. I believe the new administrator understands the importance of the S&O work.”

Dr. Joe Glauber, former USDA chief economist

“At the end of the day, the Board must take whatever NASS gives them and make sense of it in their balance sheets. There is no second-guessing the NASS estimates although some months (July, for example) the Board sometimes makes adjustment to acreage. I am not advocating that the Board second-guess NASS – that is exactly what the Board process was designed to prevent.

“I think it makes sense for USDA to commission a review panel to look at the commodity estimates process. The trick is getting people who are removed enough from the process to be unbiased but who are knowledgeable about what is involved and what is expected... Taxpayers spend a lot of money on agriculture. A small part of that goes to providing information on markets and yet I think it should be the easiest to justify since it provides an important public good... We should try to maintain NASS and WAOB as the gold standard for statistics and commodity analysis.”

Dr. Rob Johansson, former USDA chief economist

“Ultimately, having the support from other parts of USDA to assist with the WASDE, whether from ERS, FAS or another agency, is crucial to the ICEC [Interagency Commodity Estimates Committee] process. Not only does that improve the market intelligence needed for accurate WASDE estimates, but that also allows for development and incorporation of new tools (e.g., improved price uncertainty estimates) and research (e.g., improved animal feed ration estimates) that ultimately are necessary to continually improve the reports.

“At the moment, the WAOB has its hands full getting out the WASDE each month, planning the Ag Outlook Forum (which starts in June), and organizing the 10-year baseline process (which starts in the summer).

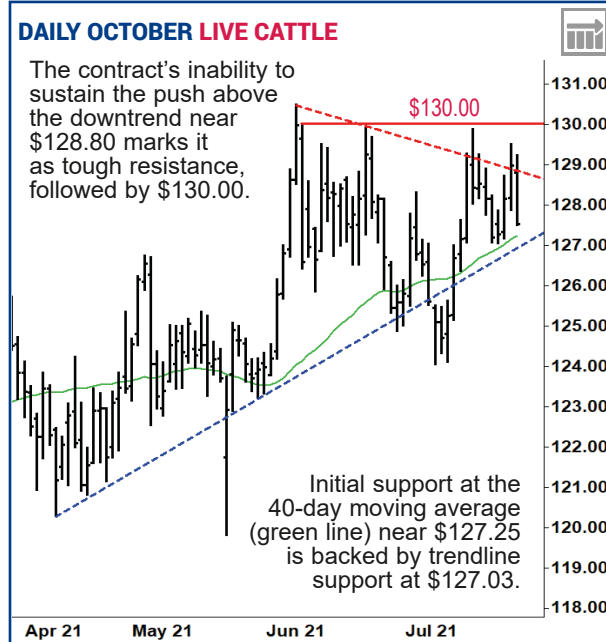
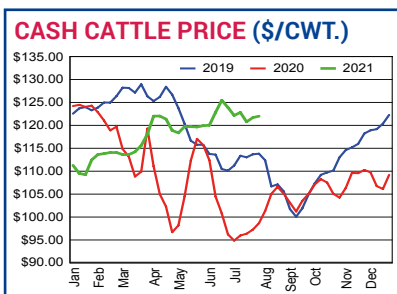
“Ultimately USDA needs to provide additional support to the WAOB, whether that is funding for more positions, or enhanced support and participation by the other agencies.”

Regarding NASS surveys, Johansson said, “I suggest using Farmers.gov and putting pre-populated surveys (with RMA or FSA data) in there. It would be easier for farmers to fill out the surveys online.”

CATTLE - Fundamental Analysis

After falling from its early-June peak at \$340.55 to \$274.16 on July 28, Choice beef values turned sharply higher, reaching \$292.02 on Aug. 5. Grocers apparently viewed the wholesale market much more favorably in the wake of the dive and were ready to start buying beef for Labor Day specials. Having fed cattle prices hold steady-firm throughout the wholesale breakdown was remarkable and seemingly set the stage for a strong response if/when beef prices move upward. Cash and futures prices responded well last week, with the latter poised to challenge contract highs in the near future.

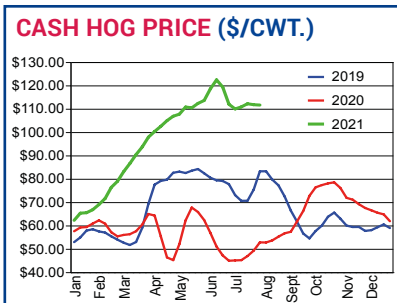
Position Monitor		
Game Plan:	Feds	Feeders
The outlook	III'21 0%	0%
is bullish,	IV'21 0%	0%
but fed cat-	I'22 0%	0%
tle producers should be prepared to add hedges if October futures can't find buyers around \$130.00.	II'22 0%	0%



HOGS - Fundamental Analysis

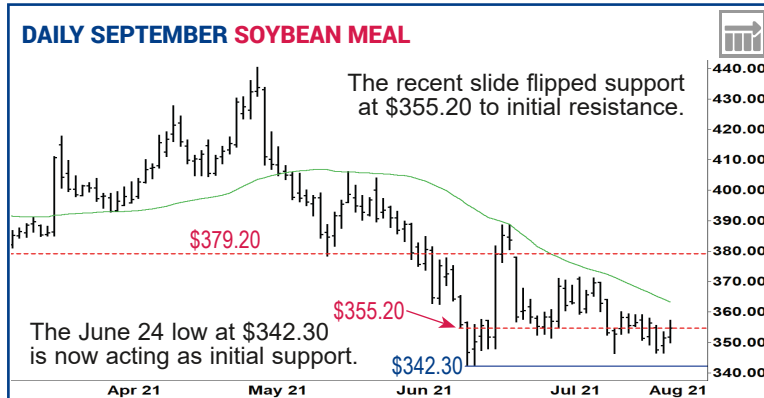
The ongoing rally in cattle and beef prices could have strong implications for the hog and pork outlook, since the complex has benefited greatly from substitution demand this summer. Conversely, USDA data implies fall hog slaughter will average 3% under comparable 2020 totals. The indicated combination of surging demand and reduced supply may indeed justify cash and futures quotes well above the depressed levels of the past few years, as does having ham stocks well below recent norms. Nevertheless, fourth quarter futures turned sharply lower last week. We won't chase the market lower.

Position Monitor		
Game Plan:	Lean Hogs	
Traders have already priced in a big seasonal downturn in	III'21 0%	0%
October hogs. But you should still be prepared to add hedge coverage on a portion of fourth-quarter marketings.	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 all corn-for-feed needs covered in the cash market through August and 50% for September. Get current with advised corn-for-feed coverage.
IV'21	0%	
I'22	0%	
II'22	0%	
Meal		
III'21	92%	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. Get current with advised cash meal coverage.
IV'21	25%	
I'22	0%	
II'22	0%	



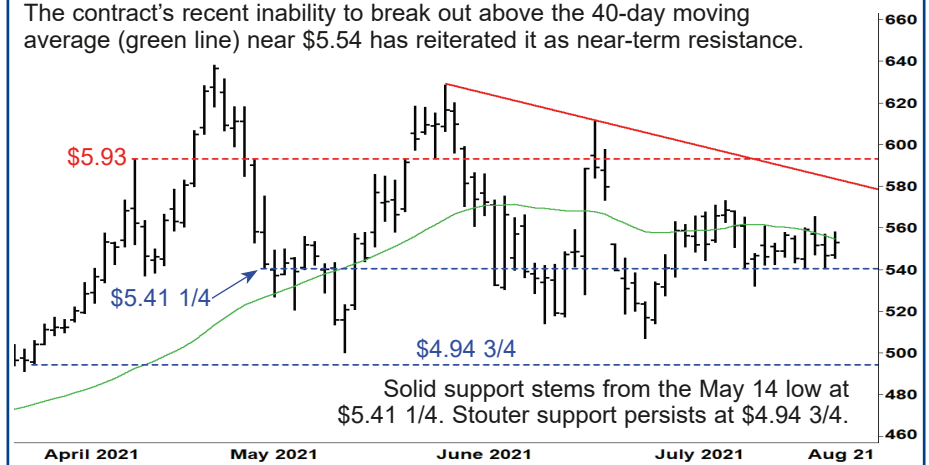
Position Monitor

	'20 crop	'21 crop
Cash-only:	95%	40%
Hedgers (cash sales):	95%	40%
Futures/Options	0%	0%

Game Plan: On Aug. 4, we advised selling another 5% of 2020-crop to trim gambling stocks. We also advised selling another 10% of expected 2021-crop production for harvest delivery with forecasts signaling generally favorable weather through at least mid-August and amid the seasonal tendency for prices to weaken. Be prepared to advance sales if futures rally to near the top of the broad trading range.

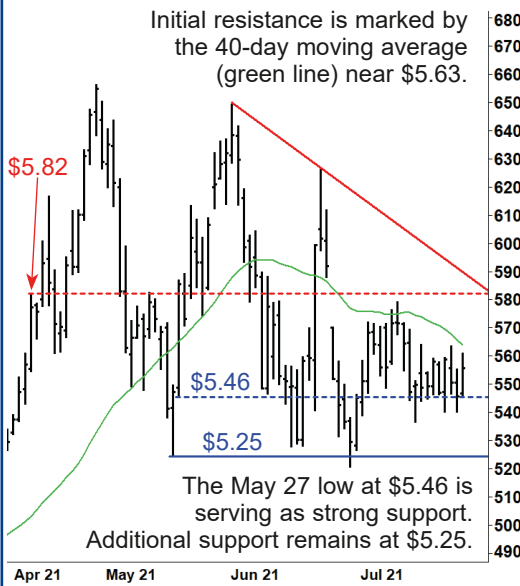
DAILY DECEMBER CORN

The contract's recent inability to break out above the 40-day moving average (green line) near \$5.54 has reiterated it as near-term resistance.



DAILY SEPTEMBER 2021 CORN

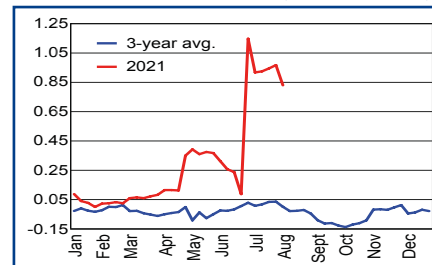
Initial resistance is marked by the 40-day moving average (green line) near \$5.63.



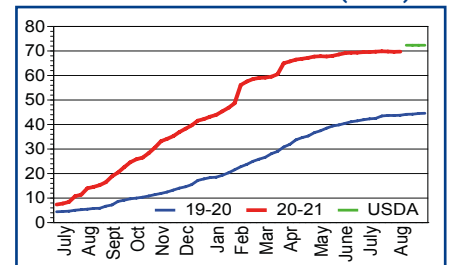
CORN - Fundamental Analysis

December futures extended a sideways grind, with traders seemingly content to wait until the Aug. 12 USDA Crop Production report to make any firm decisions on the market's next big move. Pollination is done and Midwest weather looks mostly favorable, so we see shrinking odds of climbing back toward the upper reaches of the recent range (one reason we just advised selling another 10% of expected 2021 crop). That said, the Aug. 12 report will be just one of several attempts to nail down the size of the harvest, and any move closer to \$5 tends to stir fresh buying. Other markets, such as wheat and crude oil, bear watching. But you should continue to consider rallies selling opportunities.

AVERAGE CORN BASIS (SEPTEMBER)



CORN EXPORT BOOKINGS (MMT)



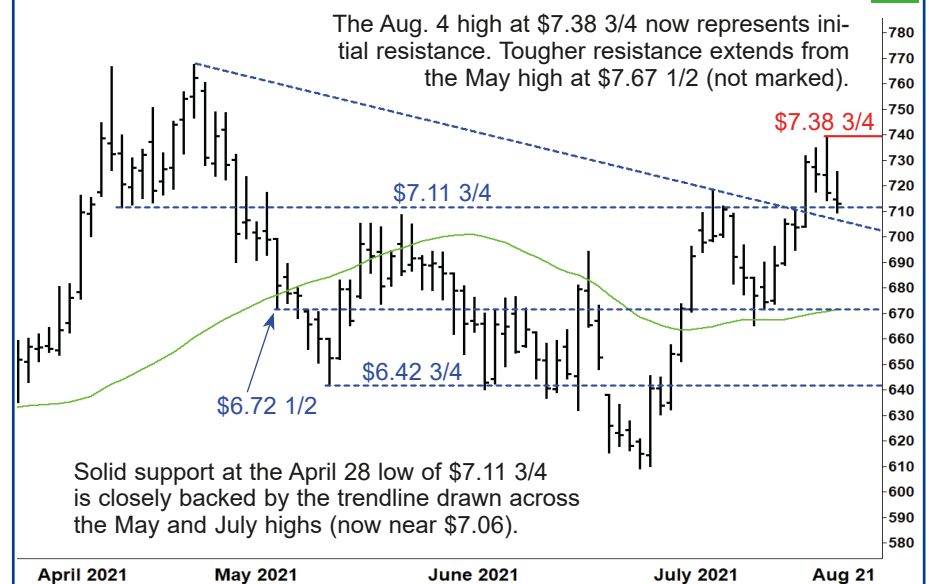
Position Monitor

	'21 crop	'22 crop
Cash-only:	60%	10%
Hedgers (cash sales):	60%	10%
Futures/Options	0%	0%

Game Plan: You should get current with advised sales. We are willing to give futures a chance to test the contract highs before advancing sales. But you should be prepared to increase sales if futures show exhaustion before reaching the highs.

DAILY SEPTEMBER SRW WHEAT

The Aug. 4 high at \$7.38 3/4 now represents initial resistance. Tougher resistance extends from the May high at \$7.67 1/2 (not marked).



WHEAT - Fundamental Analysis

SRW – September futures hit a three-month high as the winter wheat markets at least temporarily seized upside leadership from HRS. Early 2021-22 SRW exports are running 54% above year-ago levels, suggesting further upside is possible. See "From the Bullpen" on [Analysis page 4](#).

Position Monitor

	'20 crop	'21 crop
Cash-only:	95%	40%
Hedgers (cash sales):	95%	40%
Futures/Options	0%	0%

Game Plan: On Aug. 4, we advised selling another 5% of 2020-crop to trim gambling stocks. We also advised selling another 10% of expected 2021-crop production for harvest delivery with forecasts signaling generally favorable weather through at least mid-August and amid the seasonal tendency for prices to weaken. Be prepared to advance sales if USDA's Aug. 12 crop report triggers a bullish price response.

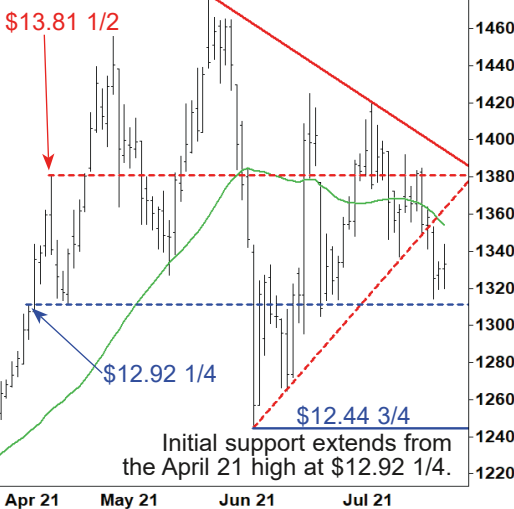
DAILY NOVEMBER SOYBEANS

Resistance is layered above the 40-day moving average (green line) at \$13.50.



DAILY JANUARY SOYBEANS

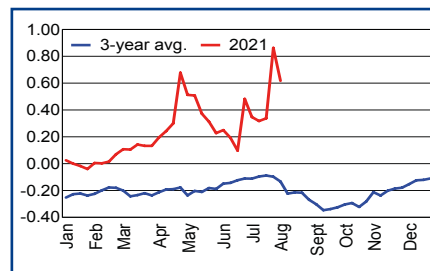
The 40-day moving average (green line) puts resistance near \$13.54.



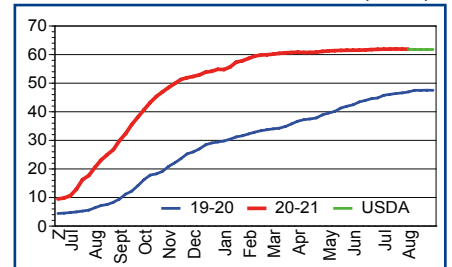
SOYBEANS - Fundamental Analysis

November soybeans posted a third consecutive weekly decline and ended last week testing support at its 100-day moving average, but we're tempering our pessimism ahead of USDA's Aug. 12 Crop Production Report. There are a few too many wild cards lurking for us to abandon all hope for another 2021 weather market in soybeans. Private estimates peg the harvest below USDA's current forecast, and parts of the Midwest continue to struggle with dry soils. USDA condition ratings the next couple weeks could prove price supportive (see [News](#) page 2). But we still view rallies as selling opportunities and are watching psychologically important price levels, such as \$13.00.

AVERAGE SOYBEAN BASIS (NOVEMBER)



SOYBEAN EXPORT BOOKINGS (MMT)



DAILY SEPTEMBER HRW WHEAT

The \$6.98 level is again initial resistance.

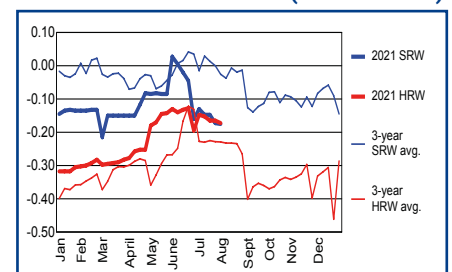


DAILY SEPTEMBER HRS WHEAT

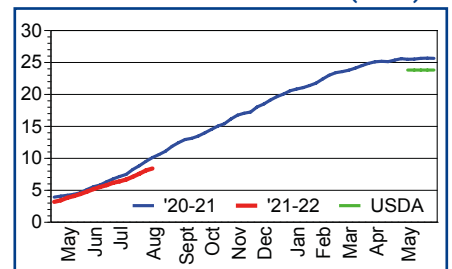
The contract high at \$9.44 1/2 is stiff resistance.



AVERAGE WHEAT BASIS (SEPTEMBER)



WHEAT EXPORT BOOKINGS (MMT)



HRW — Bullish longer-term fundamentals suggest HRW futures may have more upside beyond the three-month highs reached last week. For example: We see total U.S. wheat ending stocks for 2021-22 tightening to the lowest level in eight years. A bid for HRW acreage also seems likely by late summer. See "From the Bullpen" on [Analysis](#) page 4.

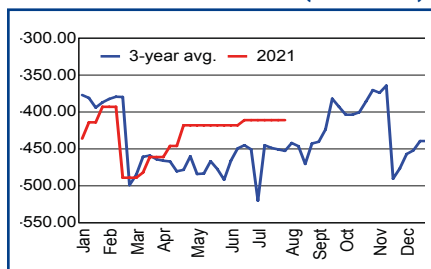
HRS — September and December HRS futures appear to be settling into a sideways pattern pivoting around \$9.00. Bullish momentum may be exhausted, with harvest losses from the Northern Plains drought factored in. But downside may be limited, especially given our expectations for farmer abandonment to reach nearly 1.8 million HRS acres.

Position Monitor

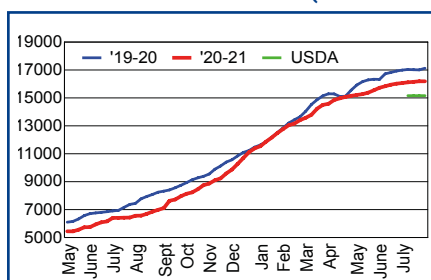
	'21 crop	'22 crop
Cash-only:	60%	0%
Hedgers (cash sales):	60%	0%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. Our target for more sales is 95.00¢ in December cotton but we may increase sales ahead of the Aug. 12 reports.

AVERAGE COTTON BASIS (OCTOBER)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON



COTTON - Fundamental Analysis

Cotton futures quickly shook off trader disappointment with the late-July export data from USDA. Considering futures are in the 90-cent area, sales were solid and exports were strong. This strength in the face of a what's expected to be a big fall harvest suggests burgeoning demand.

GENERAL OUTLOOK

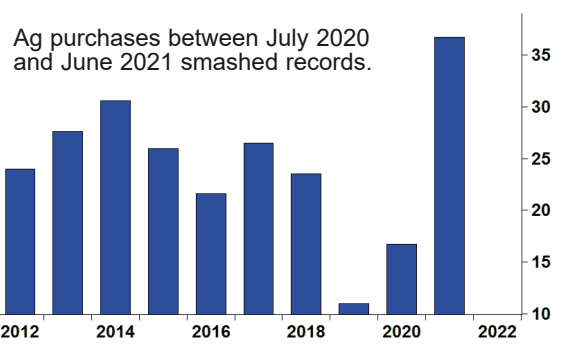
CHINA TRADE: China's appetite for U.S. agricultural products has reached record levels, but it's still not big enough to fulfill the terms of the U.S./China Phase 1 trade agreement.

China imported an estimated \$2.03 billion in grain, pork and other American ag products during June, which pushed Chinese ag imports during the year ended June 30 to \$36.7 billion, the highest ever for a 12-month period, which

means the country reached its calendar 2020 target six months late.

The usual fall surge in Chinese buying might enable the country to reach the \$43.5 billion target for calendar 2021, as required by the trade agreement. A pivotal issue is whether China's purchases of more expensive commodities will offset the anticipated decline in quantities bought. Still, strong Chinese buying is price-supportive.

JULY-JUNE CHINA IMPORTS OF U.S. AG GOODS



FROM THE BULLPEN By Market Economist Dan Vaught

Wheat futures have advanced this summer, due largely to drought scorching spring wheat in the Northern Plains and southern Canadian Prairies. HRS futures haven't moved to new highs, implying the bad news has been "priced in."

Thus, it was surprising to see winter wheat futures take the bullish lead in late July and early August. This may partially reflect the market starting an early bid for winter wheat acres, with fall planting set to begin next month. But it also marks a reaction to diminished global production prospects.

In particular, SRW and HRW futures opened last week with solid gains in response to news the ag research firm SovEcon had slashed its forecast of the

Russian wheat crop (see *News* page 2). Observers cited a disappointing winter wheat harvest, as well as drought-hit prospects for its spring wheat crop. In addition, France's farm ministry trimmed its fall harvest forecast.

Technical prospects for continued winter wheat gains also seem promising, especially if "measured move" analysis holds. For example, December SRW futures broke out above trendline resistance on July 14 and surged to \$7.26 3/4 on July 20. Measured move analysis implies December SRW futures will match that advance from its July 26 low of \$6.75, which in turn would imply a test of the contract high at \$7.70 1/2.

WATCH LIST

- 1 USDA Crop Progress Report** **MON 8/9**
Corn, bean ratings are the focus. 3:00 p.m. CT
- 2 Brazilian crop estimates** **TUES 8/10**
Conab likely to cut corn crop peg. 7:00 a.m. CT
- 3 USDA Weekly Export Sales** **THURS 8/12**
Sales likely to be seasonally slow. 7:30 a.m. CT
- 4 USDA Crop Production Report** **THURS 8/12**
First corn, bean crop estimates. 11:00 a.m. CT
- 5 USDA Supply & Demand Rpt.** **THURS 8/12**
Updated U.S., global balance sheets. 11:00 a.m. CT

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