



### News this week...

- 2 – Consultant again cuts corn, bean yield estimates.
- 3 – Our updated monthly and quarterly price forecasts.
- 4 – Divide widening between the ‘haves’ and have-nots.’

**Choppy, volatile trade continues** – *Weather conditions didn't turn out nearly as stressful as feared for crops across the central U.S. last week and forecasts indicated beneficial rains early this week. On the global front, Ukraine grain exports resumed and U.S./China tensions flared. That combination pressured corn and soybeans, keeping both markets within their recent, broad trading ranges. Weather and USDA's Aug. 12 crop reports will set the price trend for the end of the growing season. Wheat futures also weakened, though they continued to consolidate above recent lows. Cattle futures were supported by an unexpected firming of cash prices and the outlook for fewer market-ready supplies ahead. Lean hog futures were boosted by the continued climb in the cash index, which hit a new high for the year.*

## Rains followed by heat and dryness

A “significant” rain event is expected to bring temporary relief from crop stress in the western Corn Belt through the middle of this week. World Weather says amounts and coverage levels from this rain event will be critical for the driest areas as a period of hot and dry conditions will follow for a week to 10 days. Conditions are expected to remain favorable for much of the eastern Corn Belt.

## Still following 1956 weather pattern

World Weather says, “Just like 1956, timely rainfall continues to occur in the eastern two-thirds of the Midwest perpetuating good crop development. Perfect conditions are certainly not out there in a widespread manner, but many fields are looking good and expected to yield well — even some of those that have had below-normal precipitation.” The forecaster says crop stress could increase in late August/early September, depending on the tropics and the speed of the jet stream.

## First corn, bean crop estimates Aug. 12

USDA’s initial survey-based corn and soybean crop estimates will be released on Aug. 12. Those estimates are based mostly on farmer surveys and satellite imagery. The first cotton crop estimate will include objective yield data. Any changes to the U.S. wheat crop estimates this month are typically minor. Adjustments to U.S. and global balance sheets could be market-moving.

## Ukraine grain shipments begin

The first shipment of corn from Ukraine’s ports departed Aug. 1 and successfully cleared the new joint inspection center. Another three ships left Aug. 5 and the first incoming vessel was scheduled to be loaded with grain that day. While grain is flowing from Ukrainian ports again, movement is likely to remain slow and hurdles remain, including hefty insurance coverage needed on all shipments. Ukraine now wants the export deal expanded to include metals, though Russia said that would require sanctions against Russian metals firms to be lifted.

## Tensions flare between U.S., China

House Speaker Nancy Pelosi’s (D-Calif.) visit to Taiwan angered China, which then conducted aggressive military drills near the self-governed island. China sanctioned Pelosi and called her visit “vicious” and “provocative.” The U.S. accused Beijing of taking “dangerous acts to a new level,” though officials emphasized it would not provoke a crisis.

## Reconciliation bill deal reached

The Senate will work through the weekend to pass a revised version of Democrats’ health care, climate and deficit-reduction package. House Democrats will bring their members back this week for a vote. Democrats said they expect it will pass, which would send it to President Joe Biden for his signature.

## Food prices drop the most since 2008

The UN Food and Agriculture Organization (FAO) global food price index dropped 13.3% in July — the fourth straight monthly decline and the steepest drop since October 2008. FAO’s global food price index was still 13.1% above last year.

## Jobs data will keep Fed hawkish

The U.S. economy added 528,000 non-farm payrolls in July, far exceeding expectations. In addition, wage growth accelerated, the unemployment fell, average hours rose and the participation rate fell — every metric was stronger than expected. The jobs data signals the economy is not in recession and suggests the monetary tightening cycle will last into 2023.

## USDA unveils dashboard for ERP

Payments of approximately \$6.1 billion to date have been made via USDA’s new Emergency Relief Program (ERP) to commodity and specialty crop producers to help offset eligible losses from qualifying 2020 and 2021 natural disasters. A new [dashboard](#) has information on ERP payments that can be sorted by crop type — specialty or non-specialty, specific commodities and state. Some lawmakers are pushing ERP payments for 2022 disasters.

## Consultant again cuts corn, bean yields

Crop Consultant Dr. Michael Cordonnier now estimates yields at 174 bu. per acre for corn and 50.5 bu. per acre for soybeans, down 1 bu. and 0.5 bu., respectively. He estimates production at 14.25 billion bu. for corn and 4.41 billion bu. for soybeans. Cordonnier's forecasts are lower than USDA's July projections of 14.505 billion bu. on a yield of 177 bu. per acre for corn and 4.505 billion bu. on a yield of 51.5 bu. per acre for soybeans.

In the top 18 corn production states, which constitute roughly 91% of U.S. plantings, Cordonnier pegs 43.9% of corn acres as above-trend, 22.5% as trendline and 24.3% as below-trend. In the top 18 soybean states, which account for nearly 95% of U.S. plantings, he pegs 31.6% of soybean acres as above-trend, 54.4% as trendline and 8.9% as below-trend.

## Corn, bean drought footprint expands

As of Aug. 2, 66% of the U.S. was experiencing abnormal dryness/drought. Across the Corn Belt, dryness/drought covers 25% of Illinois (down 4 points from the previous week), 29% of Indiana (down 21 points), 60% of Iowa (up 4 points), 80% of Kansas (down 1 point), 48% of Michigan (up 2 points), 34% of Minnesota (up 4 points), 59% of Missouri (down 7 points), 90% of Nebraska (up 1 point), 2% of North Dakota (up 1 point), 9% of Ohio (down 7 points), 64% of South Dakota (up 4 points) and 48% of Wisconsin (up 2 points).

Based on Drought Monitor data, USDA estimates the drought footprint at 31% for corn acres and 28% for soybeans, up two percentage points each from the previous week.

## Spring wheat, cotton ratings improve

USDA rated 70% of the U.S. spring wheat crop "good" to "excellent" as of July 31, up two percentage points from last week. The amount of crop rated "poor" to "very poor" declined one point to 7%.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the spring wheat crop improved 2.9 points to 375.4, slightly below ratings for this point in the growing season for 2018, 2019 and 2020.

USDA rated 38% of the cotton crop "good" to "excellent," up four percentage points over the past week. The portion of crop rated "poor" to "very poor" declined two points to 28%. In Texas, 25% of the crop was rated in the top two categories and 36% was in the bottom two.

On our CCI, cotton improved 4.5 points to 324.0, though that was 29.4 points below the five-year average.



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## Ukraine wheat crop cut, corn raised

SovEcon lowered its 2022 Ukraine wheat crop estimate by 800,000 metric tons to 19.9 million metric tons (MMT), which would be down nearly 40% from last year, due to smaller harvested area amid the ongoing war. The Black Sea consulting firm raised its Ukrainian corn crop estimate by 1.5 MMT to 29.6 MMT amid a higher yield forecast due to improved weather conditions in northern and central Ukraine.

SovEcon says there is a "big question mark" with Ukraine's 2023 wheat crop, as "a large part of the Ukrainian wheat belt in the South is controlled by Russia" and seeding should start in a month.

## Rains impact Russian wheat areas

Recent rains in several regions of Russia have hurt the quality of winter wheat but improved yield prospects for spring wheat, SovEcon said. "There was too much rain for winter wheat at this stage which hits the quality – as farmers typically say, 'gluten and protein have been washed away.' However, it is improving the set-up for spring crops, including spring wheat," SovEcon said

## Soy crush a little lower than expected

U.S. processors crushed 174.1 million bu. of soybeans during June, down 6.8 million bu. (3.8%) from May but up 12.3 million bu. (7.6%) versus year-ago. Through the first 10 months of 2021-22, soybean crush totaled 1.847 billion bu., up 2.3% from the same period last year. Over the final two months of this marketing year, crush needs to total 358 million bu. to reach USDA's forecast, which seems achievable.

June soyoil stocks totaled 2.316 billion lbs., down 68 million lbs. from May but up 215 million lbs. versus last year.

## Corn ethanol use unexpectedly drops

USDA reported corn-for-ethanol use of 442.0 million bu. in June, down 4.6 million bu. (1.0%) from May, though 2.4 million bu. (0.6%) higher than June 2021. Through the first 10 months of 2021-22, corn-for-ethanol use totaled 4.447 billion bu., up 6.8% from the same period last year. To reach USDA's forecast of 5.375 billion bu., corn-for-ethanol use must run 7.0% above year-ago in July and August.

The yield per bushel has increased from early in the marketing year, meaning it is now taking less corn to produce a gallon of ethanol. At the current pace, we project corn-for-ethanol use at about 5.355 billion bu. for 2021-22.

## Brazil soy exports slow, corn picks up

Brazil exported 7.5 MMT of soybeans in July, down from 10.1 MMT in June and 8.7 MMT in July 2021. Brazilian corn exports totaled 4.1 MMT last month, up from 1.1 MMT in June and 2.0 MMT in July 2021.

## Producer Crop Comments...

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

### Linn Co., (east-central) Iowa:

"Traveled west from here to Ames and then north to Algona, Iowa. I couldn't be more optimistic about the crop based on what I saw. Uniform and clean fields everywhere. Tall, dark green corn. Beans were not real big or super full, but very clean fields. I traveled north from Algona to Baudette, Minnesota through New Ulm, St. Cloud, Brainerd, etc. I saw a speck of dryness north of St. Cloud – but all in all, still showing signs of a very good crop in the making. On the way back, traveled south of Algona thru Fort Dodge and then east to Cedar Rapids via Highway 20 (a little north of my previous route)...no stress, beautiful looking fields."

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

"I spent a week on my annual 'crop tour on two wheels – RAGBRAI.' The corn looks really good in Iowa. The exception is the Sioux City area. Soybeans are flowering and will need a rain to finish."

### LaSalle Co., (northeast) Illinois:

"Our corn crop might beat previous records by 20%. An absolute monster... if it comes out of the heat decently."

### Vermillion Co., (east-central) Illinois:

"Drove from Danville to Chicago on the back roads and the variance of the corn and soybeans was striking. There's been some serious haves and have nots with the rain this year – even within the worst drought area."

### Yankton Co., (southeast) South Dakota:

"I drove across most of South Dakota on Highway 18. Impressed by West River crops. They look better than Yankton County crops."

### Gray Co., (southwest) Kansas:

"Overall, we're pretty happy with our corn. Our sand spots are fried, but there's a lot of good corn here, too."

### Northern Alabama:

"Ear size variation from plant to plant due to short rainfall in northern Alabama. It will be hard to see high-yielding dryland corn this year."

## Farmer sentiment improves

The Purdue University/CME Group Ag Economy Barometer farmer sentiment index rose 6 points (6.2%) in July to a reading of 103. Producers were somewhat more optimistic about both current and future economic conditions on their farms compared with the previous month. Their top concerns for the upcoming year remain elevated input prices followed closely by crop values that have fallen from earlier highs, rising interest rates and availability of inputs.

## Record U.S. exports in June

The U.S. trade deficit decreased 6.2% to \$79.6 billion in June, down from May's revised deficit of \$84.9 billion. That marked the first time the deficit has been below \$80 billion since December 2021. Exports of goods and services rose 1.7% to an all-time high of \$260.8 billion, while imports slipped 0.3% to \$340.4 billion.

Trade was the economy's only bright spot in the second quarter, adding 1.43 percentage points to GDP after being a drag for seven straight quarters.

## China factory activity slows

China's official manufacturing purchasing managers index (PMI) unexpectedly fell to 49.0 in July, marking contraction in larger, state-owned factories. The Caixin/Markit manufacturing PMI declined to 50.4 in July from a 13-month high of 51.7 in June.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	Sept.	Oct.-Dec.	Jan.-March
	(Monthly & quarterly avg.)					
<b>CORN</b>						
Central Illinois, bushel	6.14	6.41	6.40	6.25	5.50	5.70
Omaha, NE, bushel	6.31	7.12	7.01	6.50	5.65	5.85
Dried Distillers Grain, IA, \$/ton	170.77	205.14	214.50	--	--	--
<b>SOYBEANS</b>						
Central Illinois, bushel	13.97	14.92	15.17	14.50	13.25	13.50
Memphis, TN, bushel	13.36	15.33	14.74	14.60	13.35	13.60
Soymeal, 48% Decatur, ton	353.50	439.50	502.30	440	425	430
<b>WHEAT</b>						
Kansas City, HRW, bushel	7.39	9.42	9.07	8.75	8.85	9.00
Minneapolis, 14% DNS, bushel	10.60	11.09	10.23	10.00	10.15	10.30
St. Louis, SRW, bushel	7.08	8.11	7.96	7.50	7.60	7.75
Portland, Soft White, bushel	9.05	9.13	9.08	9.00	9.00	9.05
Durum, NE MT HAD, 13%, bu.	10.62	9.78	9.87	9.50	9.65	9.75
<b>SORGHUM</b> , Kansas City, cwt.	11.64	10.55	10.43	10.00	9.00	9.25
<b>COTTON</b> , 11/16 SLM, 7 area, c/lb.	86.19	104.33	105.51	95.00	90.00	90.00
<b>RICE</b> , nearby futures, cwt.	13.40	17.10	16.78	17.00	17.05	17.10
<b>BARLEY</b> , MT, G.T., malting, bu.	6.12	7.25	6.75	6.25	6.25	6.35
<b>OATS</b> , Minneapolis No. 2 heavy, bu.	4.17	4.94	4.63	4.25	4.25	4.50
<b>ALFALFA</b> , NW Iowa, lg. sq. prem., ton	198.87	215.00	185.89	200	200	200
<b>SUNFLOWERS</b> , Fargo, ND, cwt.	29.50	27.15	26.90	27.00	27.50	28.00
<b>HOGS</b> , Nat'l carcass 51%-52% cwt.	109.38	117.29	118.94	105.00	92.00	96.00
<b>FEEDER PIGS</b> , 40 lbs., Nat. avg, head	61.90	68.00	68.87	78.00	88.00	105.00
<b>CHOICE STEERS</b> , feedlots, cwt.	121.68	141.12	139.83	142.00	145.00	150.00
<b>FEEDER CATTLE</b> , Oklahoma City						
Steers, 700-800 pounds, cwt.	153.66	169.95	173.86	175.00	172.00	170.00
Steers, 500-550 pounds, cwt.	180.14	187.11	195.10	192.00	195.00	192.00
Heifers, 450-500 pounds, cwt.	161.01	165.95	169.67	167.00	170.00	173.00
<b>COWS</b> , utility, Sioux Falls, SD, cwt.	69.92	85.71	85.10	82.00	80.00	77.00
<b>MILK</b> , Class III, CME spot month, cwt.	16.11	21.17	20.43	20.75	22.00	23.00
<b>LAMBS</b> , Slg., San Angelo, TX, cwt.	216.50	--	123.00	--	--	--
<b>ENERGY</b>						
Ethanol, IA, gallon	2.09	2.45	2.49	--	--	--
Farm diesel, U.S., gallon	2.74	4.74	4.61	4.75	4.60	4.65

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

# Divide widening between the 'haves' and have-nots'

By Editor Brian Grete



Trusted Analysis. Professional Insight.

Every year there's somewhat of a divide between the so-called "haves" and the "have-nots" — those areas that receive ample and timely rains and those where weather conditions are unfavorable. As August starts, the divide seems to be widening. The southwestern and southern Corn Belt is struggling, while northern, central and eastern areas are faring better. The outlier is Indiana, which has the third lowest rated corn and soybean crops behind Kansas and Kentucky of the 13 states on the map below.

## Corn conditions are below average as August starts

USDA rated 61% of the U.S. corn crop "good" to "excellent" as of July 31, unchanged from the previous week. The amount of crop rated "poor" to "very poor" held at 14%, though there was a one-point rise in the lowest category.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop dropped 1.3 points to 355.8, which was 11.2 points (3.0%) below the five-year average for the date.

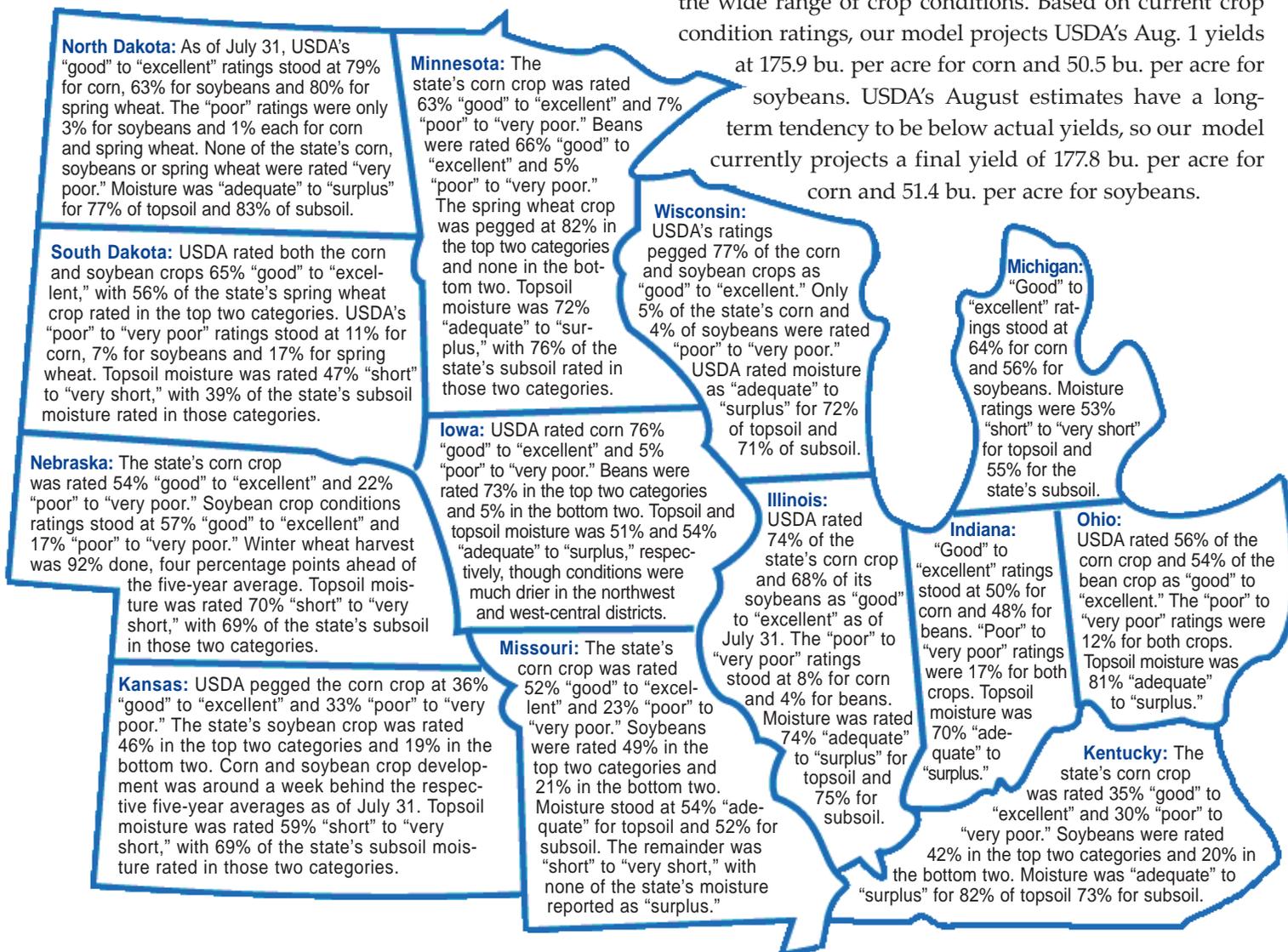
## Soybean ratings still below average despite uptick

USDA rated 60% of the soybean crop "good" to "excellent," up one point from the previous week. The portion of crop rated "poor" to "very poor" held at 11%.

On our weighted CCI, the soybean crop improved 3.1 points to 353.9, though that was still 2.7 points (0.7%) below the five-year average.

## USDA's August crop estimates won't be the final say

There's a growing level of uncertainty with yields given the wide range of crop conditions. Based on current crop condition ratings, our model projects USDA's Aug. 1 yields at 175.9 bu. per acre for corn and 50.5 bu. per acre for soybeans. USDA's August estimates have a long-term tendency to be below actual yields, so our model currently projects a final yield of 177.8 bu. per acre for corn and 51.4 bu. per acre for soybeans.

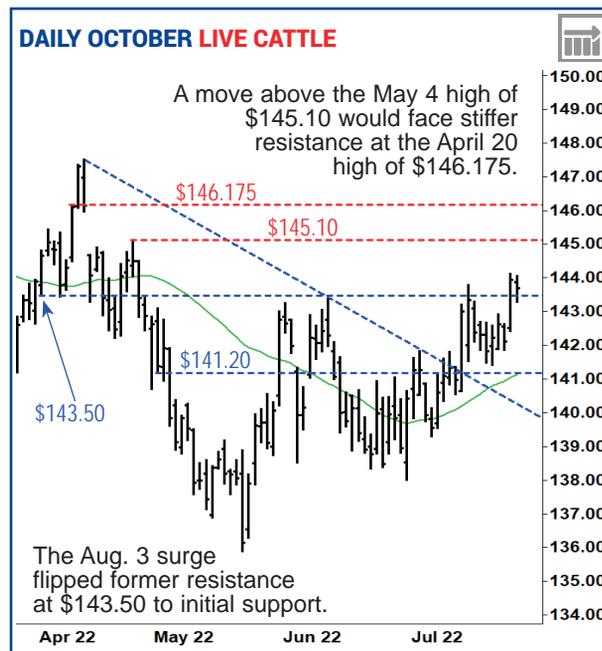
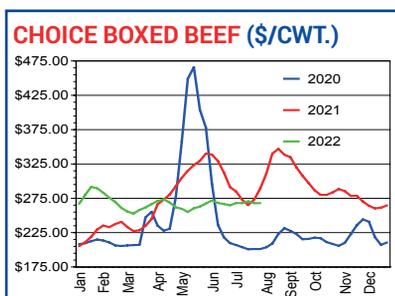


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**CATTLE - Fundamental Analysis**

Despite weekly cattle slaughter near annual highs and the tendency for consumer demand to fall into the “summer doldrums,” beef prices proved remarkably firm through early summer. Current beef values don’t seem particularly high when compared to the peaks posted the past two years, but they have generally remained above the former record high of \$263.19 from 2015. The Choice/Select spread over \$25.00 is also remarkable at a time when it typically averages around \$10.00. These point to a strong second-half cattle outlook and suggest significant risk to premature hedges.

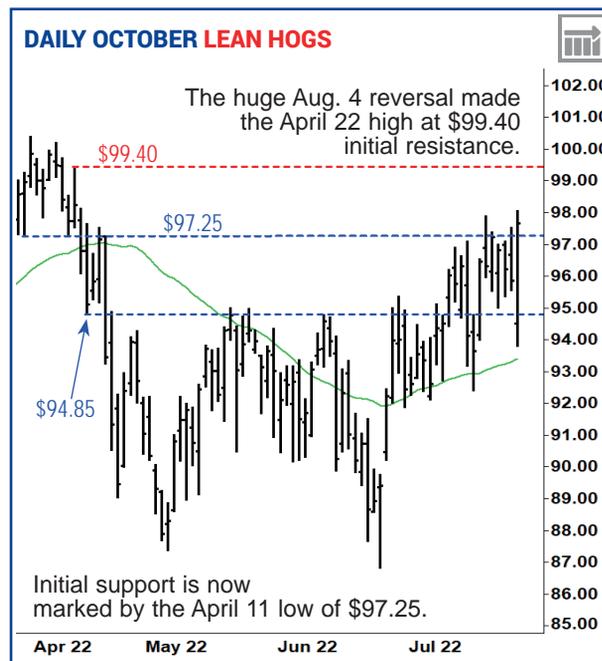
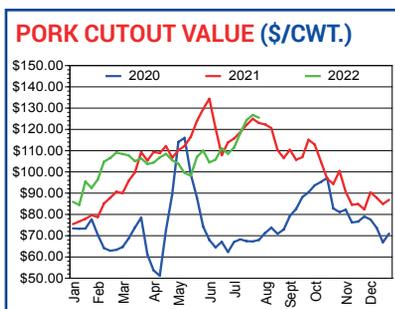
Position Monitor			
Game Plan:	Feds Feeders		
Live cattle	III'22	0%	0%
futures carry	IV'22	0%	0%
slight pre-	I'23	0%	0%
miums to cash values, which makes hedges risky. Be prepared to hedge an extended rally in December futures.	II'23	0%	0%



**HOGS - Fundamental Analysis**

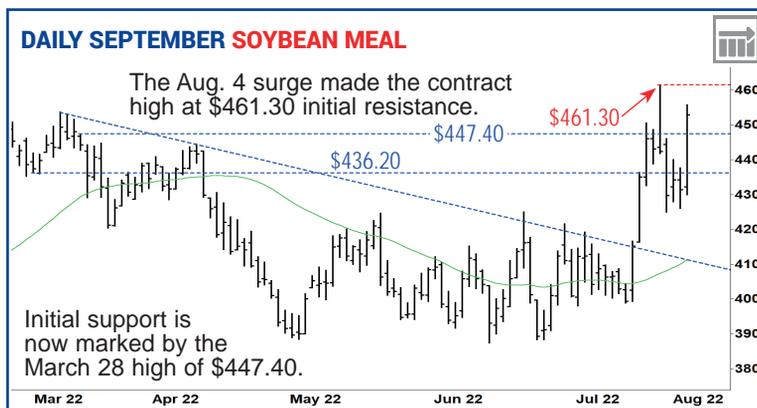
After having stunned the hog industry with their spring weakness, pork cutout values recently moved above year-ago levels and the CME lean hog index topped the \$120.00 level last week. However, hog slaughter is likely to surge seasonally during the coming weeks, with reduced fall/winter demand for most pork cuts likely to power a drop in hog and pork values into the end of the year. Hog futures are apparently anticipating a pork dive on the scale seen last year, but history implies a more moderate decline. We view those forecasts as being overly pessimistic and do not favor hedges in these circumstances.

Position Monitor			
Game Plan:	Lean Hogs		
Be prepared to add late-year hedges when upward momentum stalls. But wider-than-normal discounts to the cash index are reason to be cautious with hedges.	III'22	0%	0%
	IV'22	0%	0%
	I'23	0%	0%
	II'23	0%	0%



**FEED**

Feed Monitor			
<b>Corn</b>			
III'22	0%	<b>Corn Game Plan:</b> You are hand-to-mouth on corn-for-feed needs. A drop into the \$5.70 level or lower for December corn futures would be an opportunity to extend longer-term coverage.	
IV'22	0%		
I'23	0%		
II'23	0%		
<b>Meal</b>			
III'22	0%	<b>Meal Game Plan:</b> You are hand-to-mouth on soybean meal needs. We are targeting the sub-\$390.00 level in December meal futures to extend longer-term coverage.	
IV'22	0%		
I'23	0%		
II'23	0%		



### Position Monitor

	'21 crop	'22 crop
Cash-only:	90%	50%
Hedgers (cash sales):	90%	50%
Futures/Options	0%	0%

**Game Plan:** We'll likely hold remaining old-crop inventories into USDA's Aug. 12 reports unless there's a sharp price rally before then or basis sharply breaks. We will finish old-crop sales by Aug. 31 and basis will likely drop as harvest nears. Additional 2022-crop sales will wait for an extended price rally. We would likely reestablish new-crop hedges if December futures violate the July low.

### DAILY DECEMBER CORN



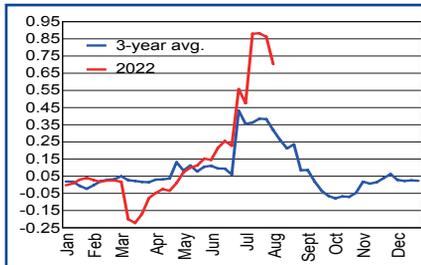
### DAILY MARCH CORN



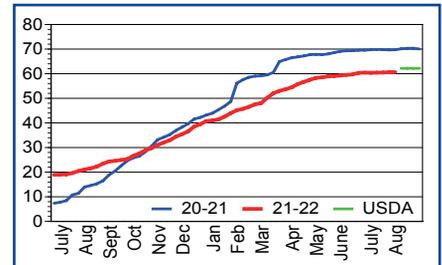
### CORN - Fundamental Analysis

December futures gave back some of the previous week's sharp gains but still ended around the midpoint of the past month's wide and choppy range. Prices may settle into a sideways trading range as traders wait for USDA's Aug. 12 Crop Production and Supply and Demand Reports, which will be key in setting the market's tone into the end of the growing season. Softening demand fundamentals and the resumption of Ukrainian grain exports may make it difficult to hold futures above recent lows barring bullish data Aug. 12, a significant weather threat the second half of August or continued strength in the soybean meal market.

### AVERAGE CORN BASIS (SEPTEMBER)



### CORN EXPORT BOOKINGS (MMT)



### Position Monitor

	'22 crop	'23 crop
Cash-only:	85%	30%
Hedgers (cash sales):	85%	30%
Futures/Options	15%	0%

**Game Plan:** Hold the 2022-crop hedges in December SRW futures as chart patterns are bearish and seasonals are negative (See "From the Bullpen" on *Analysis* page 4). Additional cash sales will wait on a price recovery.

### DAILY DECEMBER SRW WHEAT



### WHEAT - Fundamental Analysis

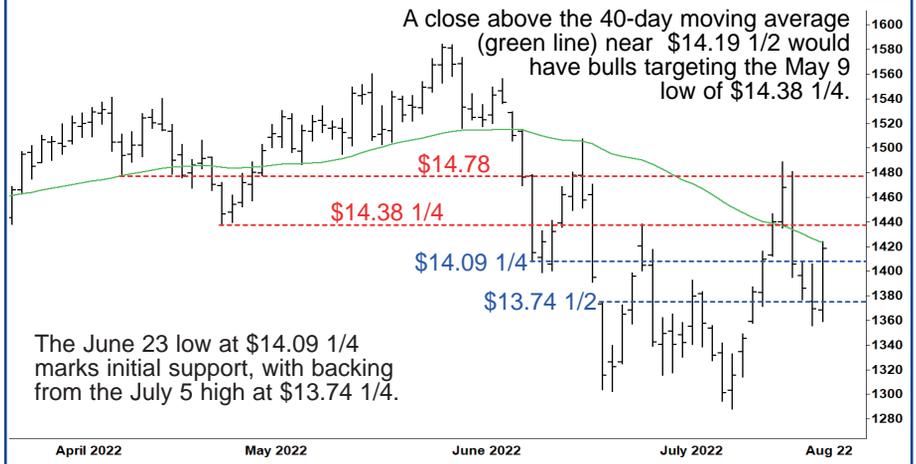
**SRW** – Absent support from a rally in corn and soybeans, SRW futures are poised to extend declines below six-month lows if Ukraine grain shipments accelerate. Seasonals are negative and funds have grown increasingly bearish, expanding net short holdings four straight weeks.

### Position Monitor

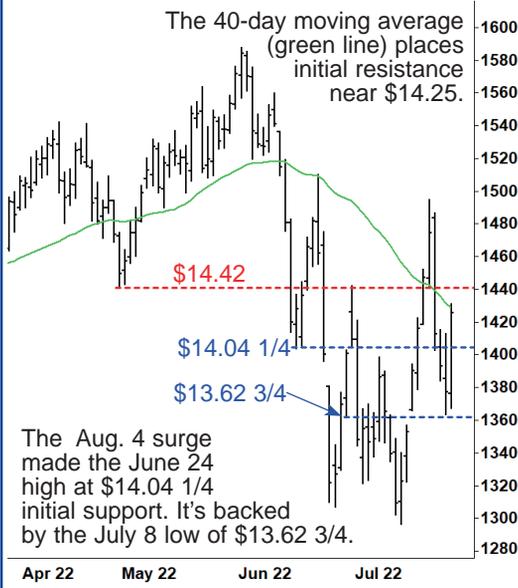
	'21 crop	'22 crop
Cash-only:	90%	60%
Hedgers (cash sales):	95%	60%
Futures/Options	0%	10%

**Game Plan:** We'll likely hold remaining old-crop stocks into the Aug. 12 crop reports unless prices rally sharply before then or basis breaks sharply. We'll finish old-crop sales by Aug. 31. Hold the 2022-crop hedges in November futures as downside protection. With half of expected 2022-crop production forward-sold, we can wait on an extended price rally to increase new-crop cash sales.

### DAILY NOVEMBER SOYBEANS



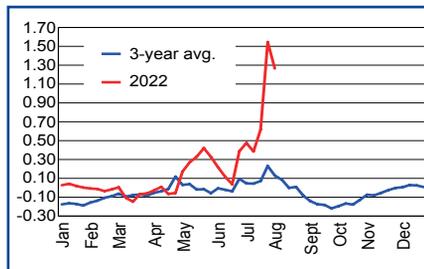
### DAILY JANUARY SOYBEANS



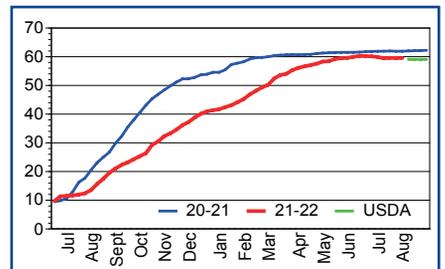
### SOYBEANS - Fundamental Analysis

November soybeans' third weekly decline in the past four suggests a market that's running out of bullish momentum. But uncertainties remain over weather and rallies are still possible if Midwest dryness extends into the second half of August or soymeal continues to surge. Sideways trade is likely ahead of USDA's Aug. 12 Crop Production Report. Demand fundamentals are growing increasingly bearish and crude oil's drop under \$90 for the first time since February should serve as a red flag for commodity sector bulls. China's bluster over the U.S./Taiwan relationship is clouding the outlook, with its actions holding the potential to send soybeans in either direction.

### AVERAGE SOYBEAN BASIS (NOVEMBER)



### SOYBEAN EXPORT BOOKINGS (MMT)



### DAILY DECEMBER HRW WHEAT



### DAILY SEPTEMBER HRS WHEAT



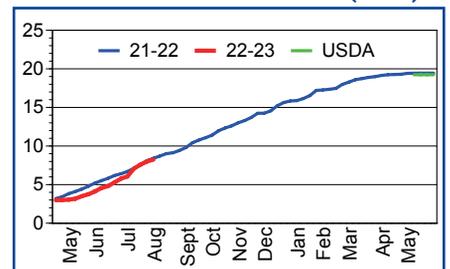
### AVERAGE WHEAT BASIS (SEPTEMBER)



**HRW** — Any surprises in USDA's winter wheat yield and production estimates Aug. 12 could cause nearby HRW futures to break out of the sideways range that's held since mid-July. July 2023 futures expanded their premium to nearby prices as the market tries to stay competitive with corn and soybeans in the bid for next year's acres.

**HRS** — Acreage uncertainty is helping HRS futures hold up better than winter wheat even as crop ratings remain strong. That means USDA's Aug. 12 Crop Production Report could break futures out of the recent consolidation range. We suspect USDA's resurveying in the Dakotas and Minnesota may find lower planted acreage.

### WHEAT EXPORT BOOKINGS (MMT)

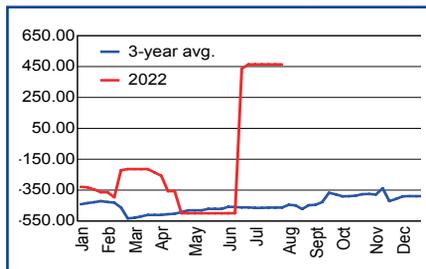


### Position Monitor

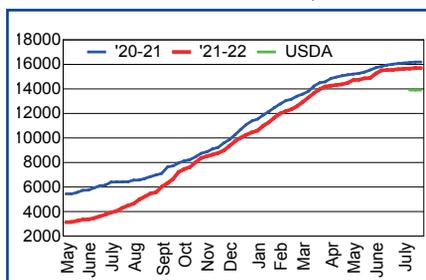
	'22 crop	'23 crop
Cash-only:	60%	0%
Hedgers (cash sales):	60%	0%
Futures/Options	0%	0%

**Game Plan:** We are targeting 100.00¢ or higher in December futures for more 2022-crop sales. But be prepared to sell if there's a bearish reaction on Aug. 12.

### AVERAGE COTTON BASIS (OCTOBER)



### COTTON EXPORT BOOKINGS ('000 BALES)



## COTTON - Fundamental Analysis

New-crop export sales and shipments have recently disappointed the cotton industry, implying recessionary demand fears are well-founded. Texas crop concerns still point to a small U.S. crop, but cotton seems to have little upside potential if demand remains weak.

## GENERAL OUTLOOK

**Commodities:** In June 2020 we serendipitously pointed out the ratio of commodity index values to the S&P 500 stock index had fallen to historic lows. The ratio subsequently strengthened from 0.0209 to 0.0313 in May 2022, but has slipped again lately. *Does that mean the ratio will continue its recent dip?*

There are reasons to think that might be the case, with healthy corporate earnings powering recent stock gains and the

drop in energy prices suggesting commodity inflation is diminishing. The Fed's aggressive interest rate increases are also aimed at taming inflation.

But we still doubt those efforts will succeed. This partially stems from the expected persistence of various shortages. Deglobalization and shortening of supply chains aren't going to happen quickly. The ongoing politicization of commodities won't help either.

## FROM THE BULLPEN By Market Analyst Bruce Blythe

Wheat's steep descent from multi-year highs in May has further room to the downside, based on historical patterns.

September SRW wheat futures dropped 76 1/4¢ during July and extended declines in early August to six-month lows.

Since 1980, during years when the September SRW contract fell more than 10¢ in July, December futures posted an average decline of about 6.0% from the beginning of August through the last days of November.

A similar pattern this year would see December SRW futures drop another 49¢ or so from the July closing level of \$8.25 3/4 to about \$7.76 3/4 by the end of November. Note: The contract already pushed below that level last week, reaching \$7.71 1/2,

before rebounding.

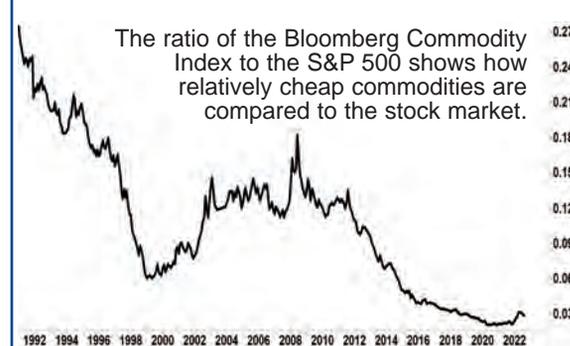
September HRW and spring wheat futures fell 77 1/4¢ and 84¢, respectively, during July. A 6.0% decline in December futures for each market would drop the HRW price to about \$8.28 and the spring wheat price to about \$8.63.

Specific price levels aside, bearish forces that pushed wheat futures lower in recent weeks likely will continue to weigh on the market. The soon-to-conclude U.S. winter wheat harvest is filling the supply pipeline, exports remain tepid and the U.S. dollar is still near 20-year highs. Additionally, spring wheat crop conditions are strong and harvest pressure from that crop will start hitting the market later this month or early September.

### DAILY DECEMBER COTTON



### MONTHLY BCOM/S&P 500 INDEX RATIO



## WATCH LIST

- 1 USDA Crop Progress Report** **MON 8/8**  
Will crop deterioration continue? 3:00 p.m. CT
- 2 U.S. Consumer Inflation** **WED 8/10**  
Prices easing, but still high. 7:30 a.m. CT
- 3 USDA Export Sales Report** **THUR 8/11**  
Did price breaks spur buying? 7:30 a.m. CT
- 4 USDA WASDE Report** **FRI 8/12**  
Updated U.S., global balance sheets. 11:00 a.m. CT
- 5 USDA Crop Production Report** **FRI 8/12**  
First corn, soybean crop estimates. 11:00 a.m. CT

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