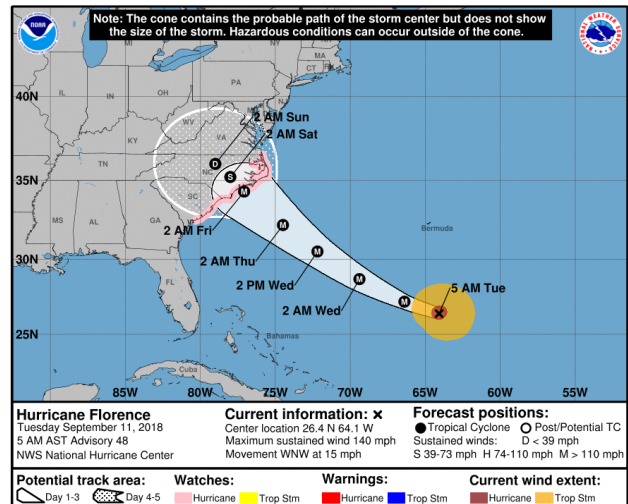


Weather

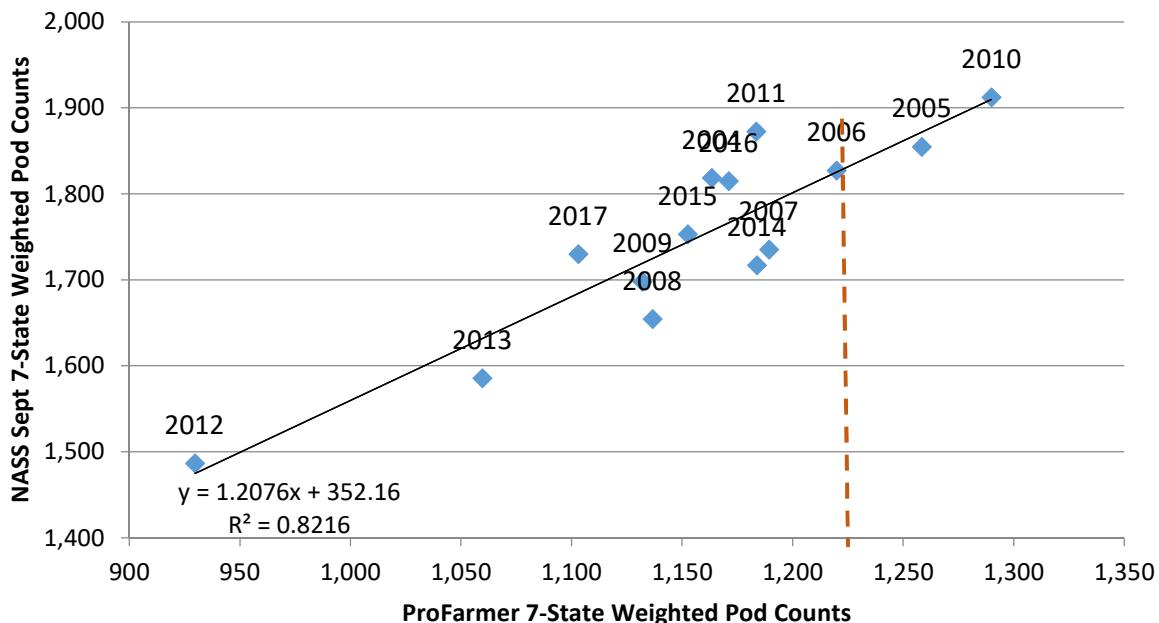
No change in the near term weather outlook. Mostly dry conditions through a majority of the Corn Belt over the next 7 days. We should see some rains work back into northern/western areas in the early stages of the 6-10 day period, however, and during the 6-10 day period there will be daily chances for showers that can eventually add up to some decent totals. Hurricane Florence is still on track to slam NC and surrounding areas later this week, and there are several other systems to keep an eye on in the Atlantic right now.

Crops

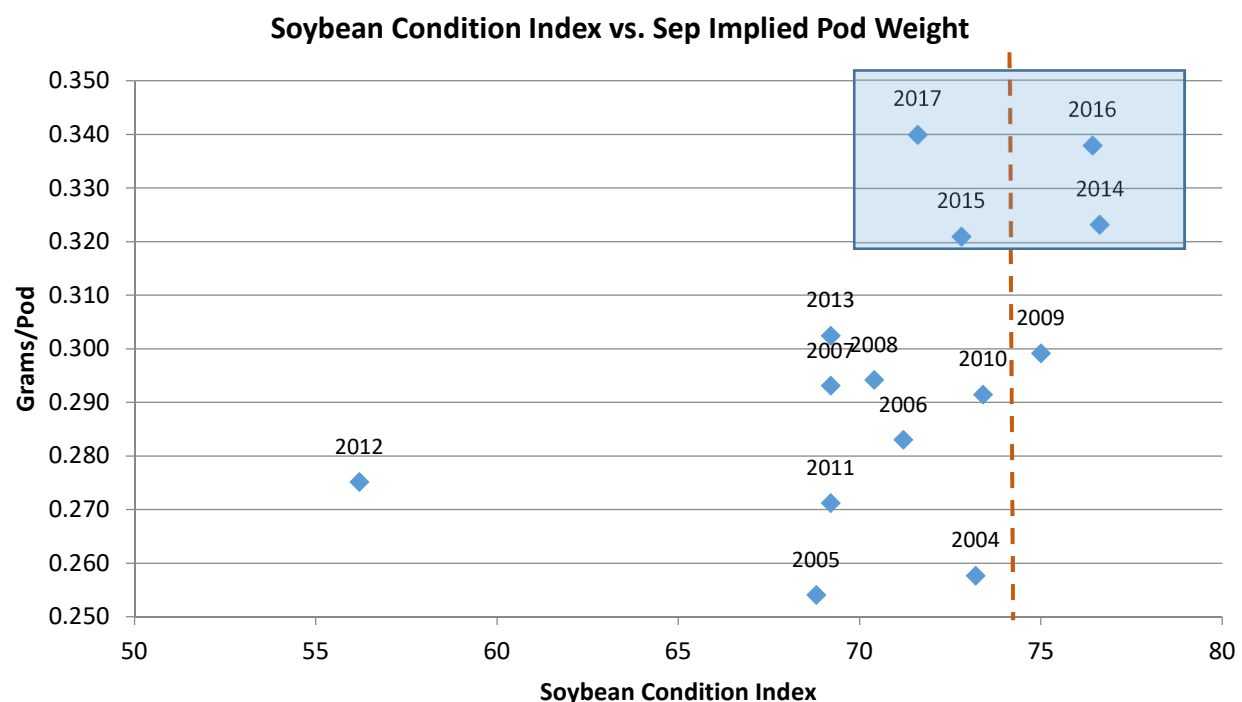
Today we'll take a quick glance at objective yield data on soybeans and try to see if it will tell us anything going into Wednesday's report. As noted yesterday, we really didn't have much to work with on corn at this point and we have even less to work with on soybeans. NASS doesn't provide any data framework on their August report on soybean yields, so we've got a lot of guesswork here in soybeans. That said, when it comes to trying to determine pod counts the ProFarmer tour gives us a pretty good handle on what to expect. The chart showing the relationship between the ProFarmer pod counts and NASS's Sep pod counts is shown below, and you can see the relationship is pretty good. This year's count is indicated by the dashed line. You can see that this year ProFarmer found one of their highest pod counts on record. In the past three years, the NASS pod count figure has come in slightly higher than the trendline-implied figure on the chart below.



ProFarmer Pod Counts vs. NASS Sept Pod Counts

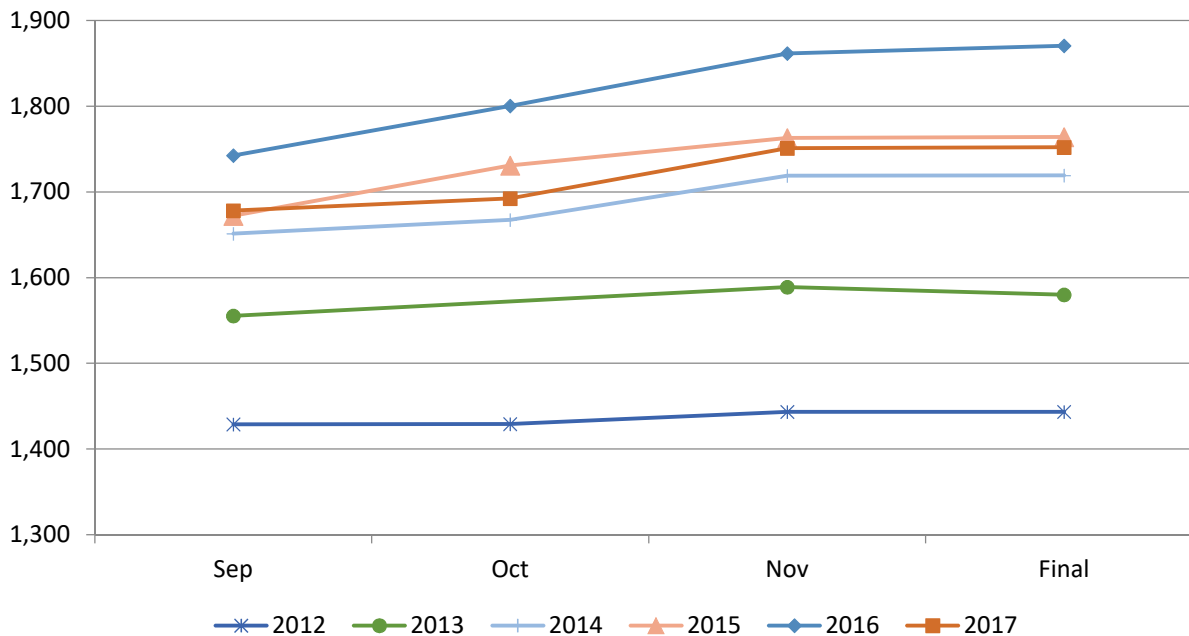


So it seems like a very reasonable expectation to look for pod counts to be a solid amount larger than last year and even larger than noted in 2016. Keep in mind, however, that the real big boost in soybean yields in the past few years has been largely led by increases in pod weights. Trying to make a determination on pod weights is a complete guessing game at this point, but a chart showing the recent history of pod weights vs. condition ratings is shown below. No, there is no clearly defined relationship between condition ratings and pod weights, but note here that we've seen a huge jump in pod weights in the past four years. Given similar condition ratings this year, I'd expect pod weights to come in somewhere in this area again this year.

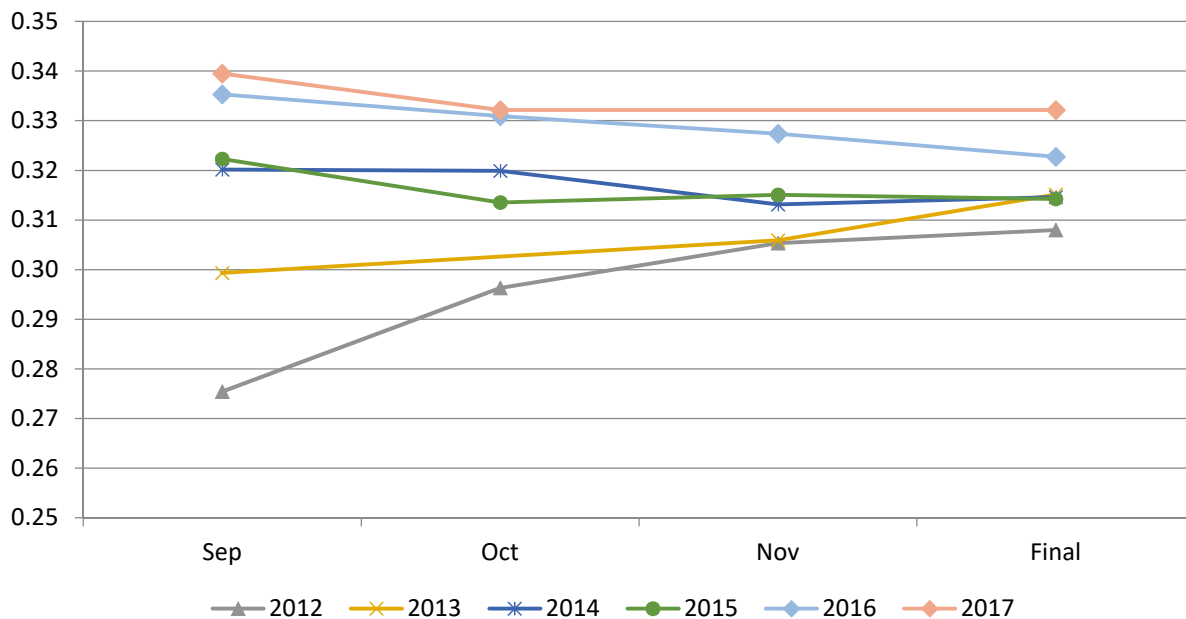


Based on some very rough back-of-the-envelope math...if we make an assumption on pod counts based on ProFarmer's figures it would appear to me that the Sep pod weight would need to score a new Sep record high in order to reach the average guess on the national average yield of 52.3. Obviously it would appear NASS's bias is to go large with the pod weight estimate at this point in the year, so that isn't necessarily an unreasonable thing to expect. Still, it does potentially open the door to some disappointment if NASS isn't big on weight this month. Keep in mind that there is a tendency for NASS to increase their pod count estimates as the season progresses. This is shown in the first chart below. The second chart below shows the tendency for pod weights to decline slightly in the months that follow.

NASS 11-State Soybean Pod Count Progression

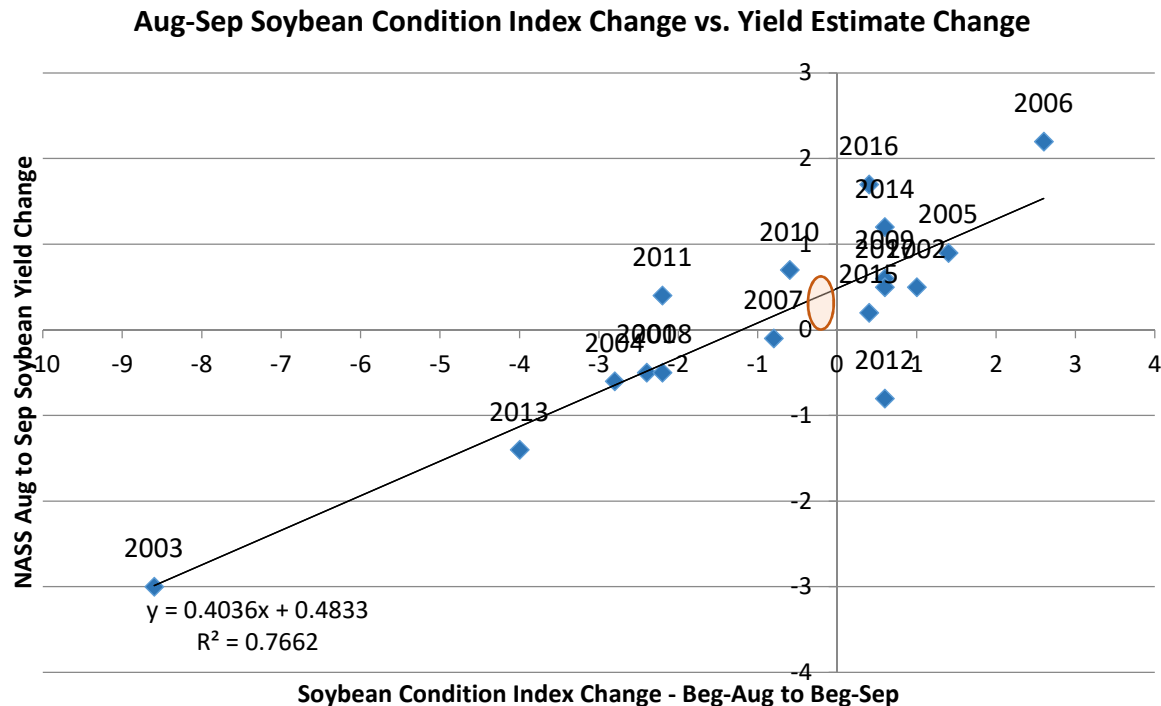


NASS 11-State Pod Weight Progression



One final comment...we noted yesterday there was no strong signal sent from condition rating changes from Aug-Sep on corn yields but, as shown below, there does appear to be a decent tendency for soybean yields to

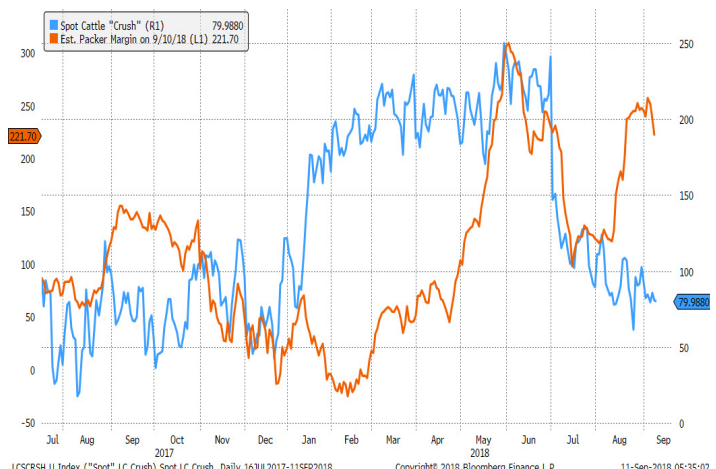
follow ratings in Sep. As shown below, the only modest decline in ratings would still allow for an increase in the yield estimate this week.



Livestock

Official MPR cash cattle volume last week was nothing impressive, though it still came in larger than expected. I would have thought that in order to pick up the sort of volume that apparently took place, they might have had to get more aggressive with their bids...but I guess not. Packer margins remain very strong while the LC board "crush" is near its lows of 2018.

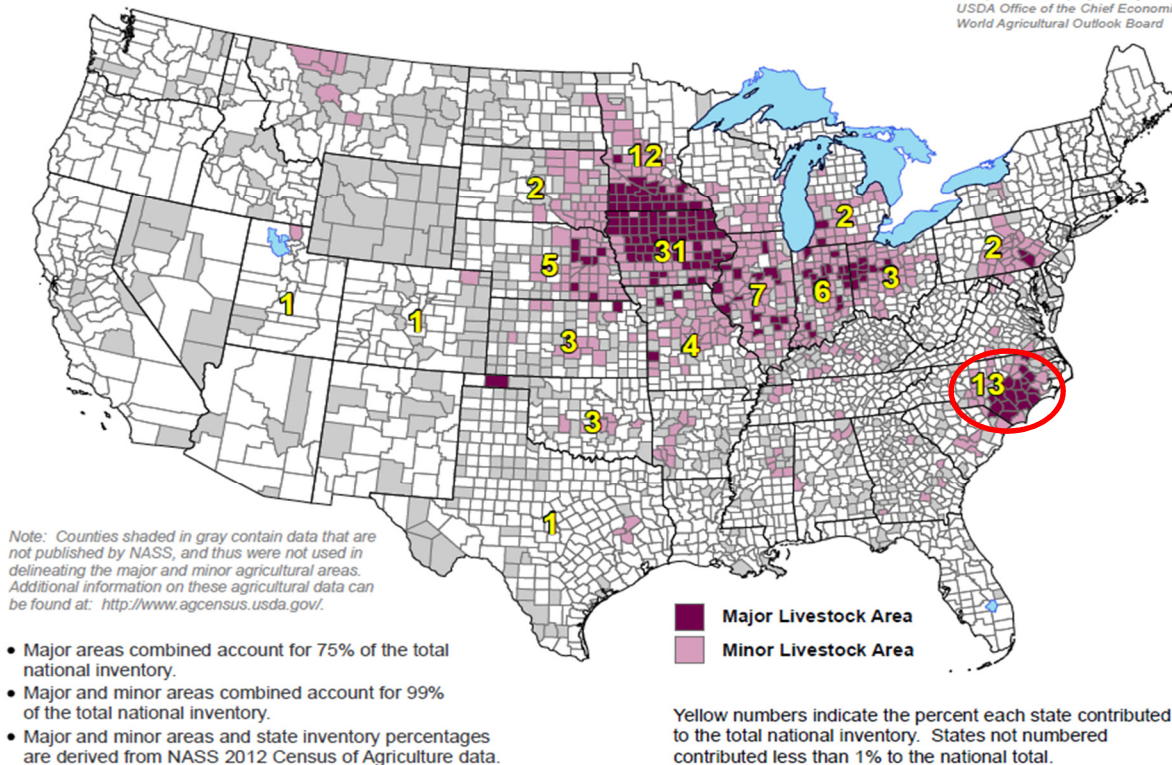
Spot hog futures posted another strong performance yesterday before fading into the close. This was likely due to Hurricane Florence starting to take direct aim on a big hog & pig production area of the US. The storm is already rated as a Category 4 and as shown above will likely affect a big portion of the NC hog area shown on the map below. Obviously the storm can still change direction, but it seems most models are in agreement on a NC direct hit right now.



United States: Hogs & Pigs (All)



This product was prepared by the
USDA Office of the Chief Economist
World Agricultural Outlook Board



In addition to the actual hogs in the area, this could have a significant impact on hog slaughter as well. There are three big hog slaughter facilities to keep our eyes on and a few smaller plants as well. The breakdown of per-day slaughter capacity is shown using fall 2017 estimates. Additionally, another possible problem would be if the storm turns northeast after making landfall (or even if projected landfall shifts further north?) and starts to create some havoc in the US northeast. Power outages or just bad weather could back up both pork and beef demand in that region potentially.

Hog Slaughter Capacity by Plant (head per day) 2017 Estimate

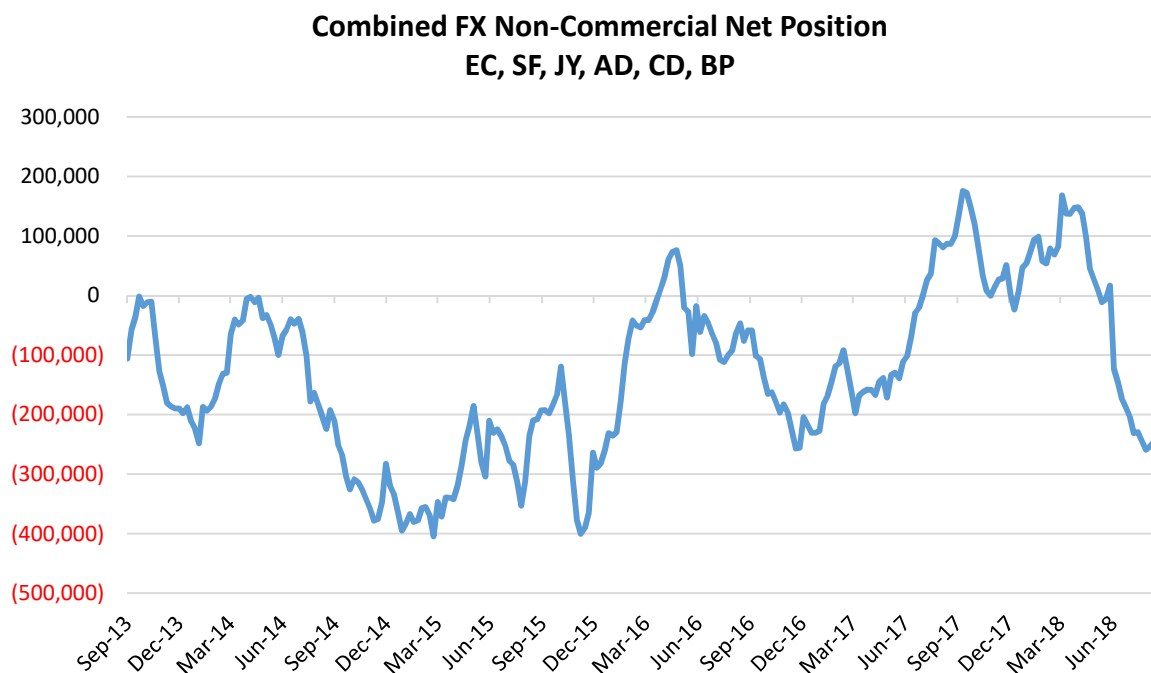
Smithfield	Tar Heel , North Carolina	32,500
Smithfield	Gwaltney, Virginia	10,200
Smithfield	Clinton, North Carolina	10,600
The Pork Company	Warsaw, North Carolina	1,500
Martin's Pork Products	Falcon, North Carolina	1,300
Parks Family Meats	Warsaw, North Carolina	350
Total Impact??		56,450

There is obviously a lot of poultry production/slaughter in the region as well. Just thinking outloud here...thoughts appreciated.

There is a report of a swine fever case in Japan, but reports indicate that this is “classical” swine fever and unrelated to ASF in China. This would be Japan’s first case of swine fever in roughly 26 years. I’m no swine health expert, but Japan’s first case of “classical” swine fever in 26 years coming at the same time as a big outbreak of ASF in China seems like more than a coincidence to me.

Financials

One more look at COT data this morning, pulling the combined non-commercial net positioning in FX contracts to get a feel for the overall bias vs. the dollar. The chart shows this info below, and note that as the chart moves lower that means the market’s implied position towards the dollar is more and more bullish. You can see that recently the positioning has shown a fairly bullish posture towards the dollar, but over the past few weeks we’ve seen a modest unwind.



Interestingly, the DX has been stuck in a range +/- the 95.00 level now since late May. Typically these sorts of consolidations can often times precede big moves. Looking at the net positioning above, one might make the argument that a big move could happen due to an unwind of the dollar-bull positioning. I can see that logic, but looking at the overall market *fundamentals* I still see a wide host of dollar-friendly developments:

- The market continues to price in a hawkish Fed with the probability of two more rate hikes in 2018 seen at just under 70% based on Fed Funds futures.
- Oil prices show no signs of retreat. The higher the price of oil, the more dollars oil importers need to have on hand to “fund” their import requirements.
- US 10-year yields are near 3% compared to, for example, German 10-year yields of 0.40%. Also, US equities continue to outperform virtually all other assets. This should maintain interest in US dollars.

There are probably several other things I just can't think of right now. The point is, I don't see any fundamental rationale for a weaker dollar right now. Perhaps there is something I'm missing. Please let me know if so...

In overnight news, Europe posted very strong employment figures, but the euro still isn't bouncing. That is likely because EM currencies are getting rinsed again overnight, propping up the dollar. House Republicans are hyping ideas to make 2017 tax cuts permanent in a deal to refresh memories ahead of midterms.

Energy

Interesting to see newswire articles noting US Energy Sec met with the Saudi oil minister yesterday and will meet with Russia's energy minister in Moscow on Thursday. We've seen the Trump administration openly call for other OPEC producers to pump more oil in response to the sanctions on Iran, and these meetings almost certainly will involve some discussion on that matter. It is unclear what the US might offer to either party in order to achieve their goal of more oil production. The sanctions placed on Russia at the moment certainly don't help to achieve cooperation from them.

Today's Calendar (all times Central)

- JOLTS Job Openings – 9:00am
- EIA STEO – 11:00am

Thanks for reading.

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