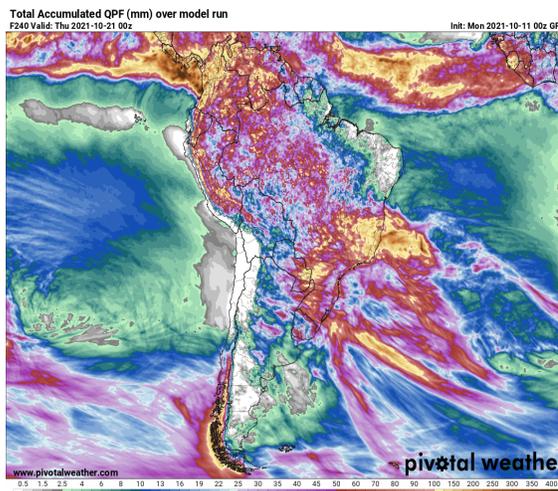


Weather

Enough rain will fall in northern Brazil over the next two weeks to ensure widespread soybean plantings take place. Wet weather in southern Brazil for Week 1, but rains should reduce during the 11-15 day period. Not a real wet pattern expected for Argentina over the next two weeks. 10-day GFS model rainfall projection shown to the right.



Crops

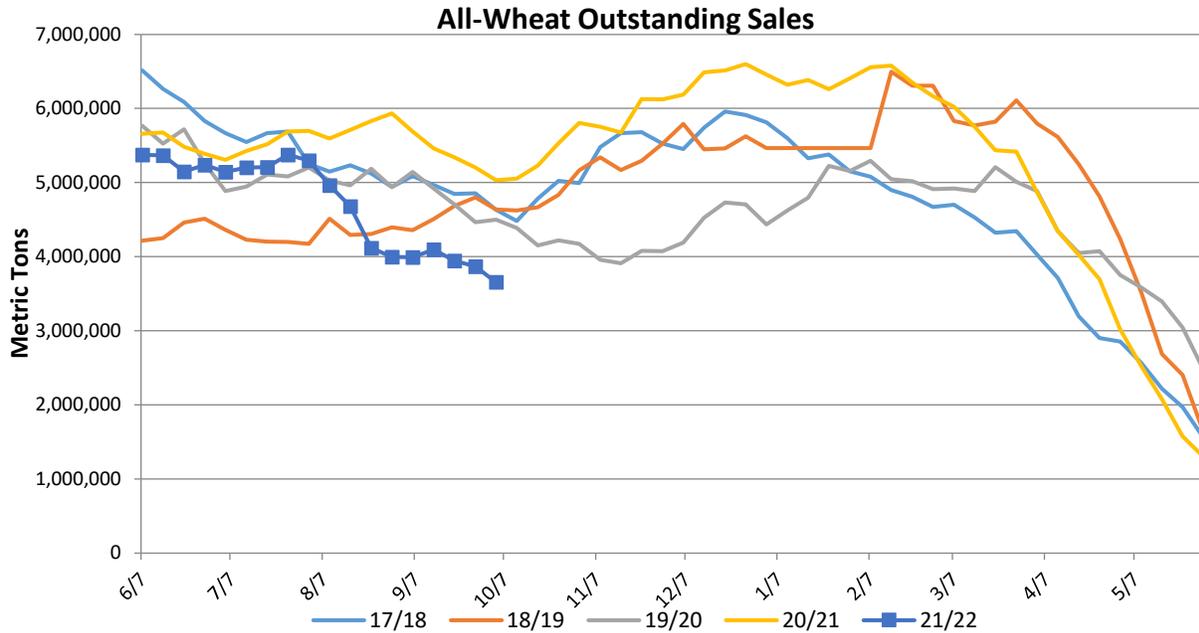
In our last look at balance sheets before the WASDE report, we're looking at wheat today. The Sep 30 reports had a few surprises for wheat, and in my opinion the biggest surprise was on wheat production. As shown in the balance sheet below, wheat production was cut by roughly 50 mb with most of that coming out of winter wheat.

Aside from the change in production, I don't think we should expect much from WASDE today. Despite Sep 1 stocks turning out smaller than anticipated, I don't think we should expect a change in the F&R figure. Obviously a big part of the miss was due to the smaller production, but even the "added" F&R consumption during the quarter doesn't necessarily mean WASDE's annual projection is out of whack at this point in time.

US All-Wheat Supply & Demand Estimates (Million Bushels/Million Acres)

	USDA 16/17	USDA 17/18	USDA 18/19	USDA 19/20	USDA 20/21	USDA 21/22 Sep	Possible? 21/22
Carryin (Sep 1)	976	1,181	1,099	1,080	1,028	844	844
Production	2,309	1,741	1,885	1,932	1,826	1,697	1,646
Imports	118	157	135	105	100	135	135
Total Supply	3,402	3,079	3,119	3,117	2,954	2,676	2,625
Food Use	949	964	955	962	960	964	964
Seed	61	63	59	60	61	62	62
Feed & Residual	156	51	90	102	98	160	160
Total Domestic	1,167	1,079	1,103	1,123	1,119	1,186	1,186
Exports	1,055	901	936	965	992	875	850
Total Use	2,222	1,980	2,046	2,089	2,110	2,061	2,036
Carryout (May 31)	1,181	1,099	1,080	1,028	844	615	589
Stocks/Use	53.2%	55.5%	52.8%	49.2%	40.0%	29.8%	28.9%

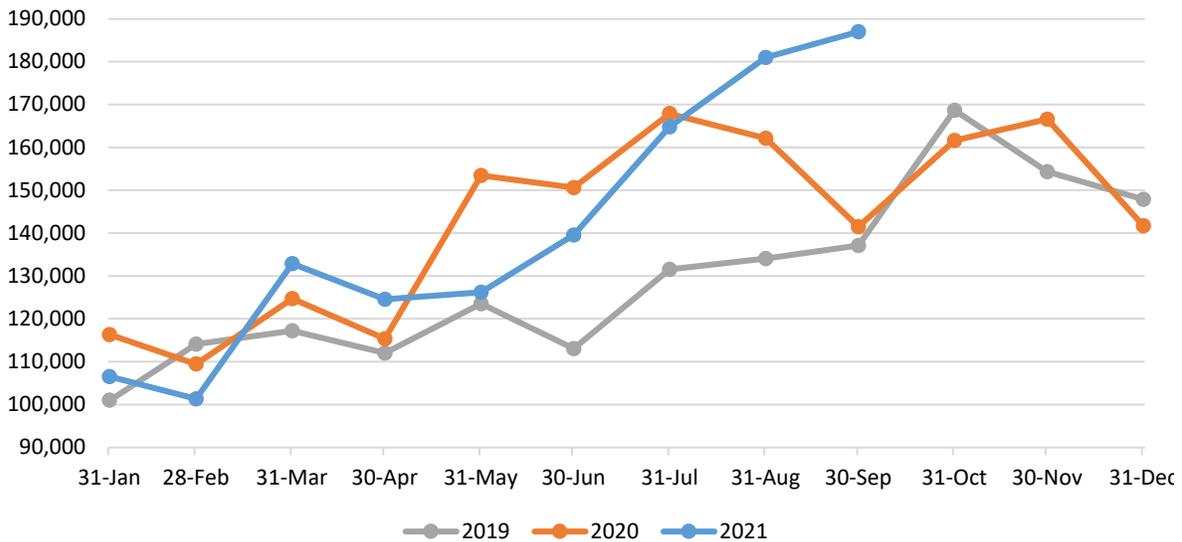
I am flagging the possibility that WASDE cuts their export projection this month. Some will vehemently argue with me on this noting the tight supplies out of Russia and other exporters. I understand that thought, but the bottom line is that US wheat sales have thus far been fairly disappointing. Note the chart on outstanding sales below. Seasonally we should expect an uptick in wheat business in the coming months, so we'll see how that works out. This isn't a call I have complete confidence in....again probably a 50-50 call going into the report.



Livestock

We discussed last week that US beef exports were very strong during the month of August. It is worth pointing out that other markets are seeing strong demand too. The chart below shows beef exports out of Brazil. The past two months have easily set new record highs. More than half of those exports in the past few months have been destined to China, a sign of their ongoing expansion in beef demand. With recent cases of BSE in Brazil, it remains to be seen whether this strong pace will keep up. If the Chinese stop getting as much beef from Brazil, there is only one logical place where they'd be likely to find a replacement.

Brazil Beef Monthly Exports (Metric Tonnes)



Financials

Obviously Friday's NFP headline print was a disappointment, but digging into the details of the data showed a much more mixed picture. Most industries posted impressive employment growth. Here is a quick rundown – Professional and business services +60k, retail trade +56k, manufacturing +26k, construction +22k, transportation and warehousing +47k. I could go on, but what I really want to point out is what caused the miss. Local government education was -144k and state government education was -17k. Here is what the BLS said on the subject – *Hiring this September was lower than usual, resulting in a decline after seasonal adjustment. Recent employment changes are challenging to interpret, as pandemic-related staffing fluctuations in public and private education have distorted the normal seasonal hiring and layoff patterns.*

Bottom line, the miss relative to expectations appears to be a lot of statistical noise surrounding the unknowns of public education this fall. Meanwhile, the unemployment rate continued to drop and average hourly earnings continue to scream higher (+4.6% YOY). The labor force was smaller, meaning more wage gains are likely as the number of job openings remains very high. I don't see anything in the report that would seem to take the November taper off the table. Thoughts appreciated.

Energy

Oil and natural gas futures are off to the races again this morning. I've said before that, once the \$80 hurdle is decisively cleared in WTI the next logical resistance point isn't seen until \$100. Note the chart to the right, showing the Dec-Dec spread. It is hitting new highs this morning as well, indicating of a tightening market structure.

Today's Calendar (all times Central)

- Basically nothing...

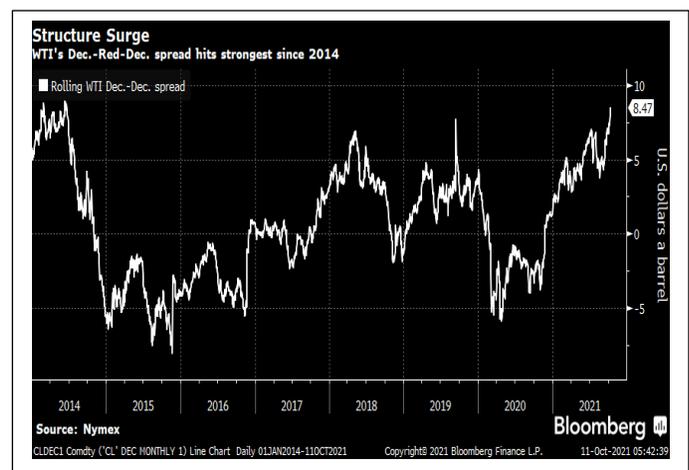
Thanks for reading.

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