

## Weather

No changes in the forecast vs late last week. The main feature for weather this week will be extreme heat in Argentina. We'll have 95+ highs today but the real heat gets kicked off tomorrow. From tomorrow through Saturday we'll see widespread 100+ highs with plenty of 105-110F readings. It is also worth noting southern Brazil will see some big heat at times this week as well. Consistent with forecasts from last week, we are then looking at a pattern change to develop this weekend. Northern Brazil will start to see less rainfall, which will be good for harvest progress. Southern Brazil and Argentina will see improved rainfall chances. For the Week 2 timeframe these areas should see above normal precipitation amounts. Along with the improved rainfall we should also see a sharp drop in temps. So, bottom line, we have some big relief on the way next week for southern Brazil and Argentina but a very tough week to get through first.

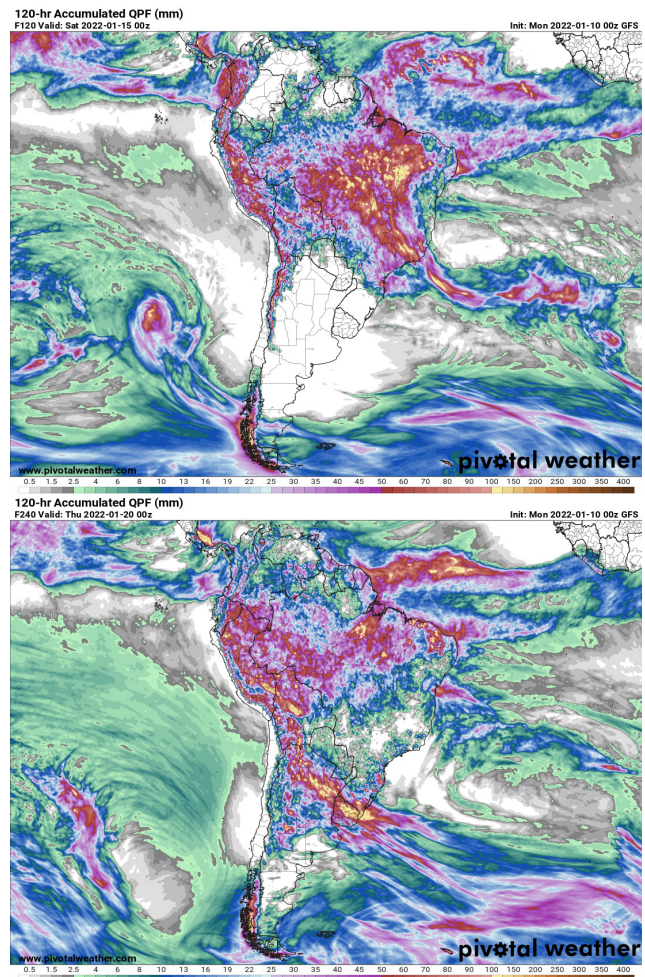
No changes for the US forecast either. Very limited precipitation chances over the next week. Temps in the southern US will remain above normal but we should see some sharp cold temps for the next ~24 hours in northern and northeastern portions of the country. This won't last long, with warmer weather (near to above normal temps) returning by mid-week.

## Crops

Today we'll quickly review prospects for US balance sheets. This won't take long because I don't expect many changes in demand figures. I went over my expectations for production and stocks last week...obviously those assumptions flow into my outlook on demand. If I'm wrong on any of those, and I'm never perfect, it could mean WASDE needs to tinker more on demand than what I've shown below.

## Wheat –

It is possible that NASS will adjust last year's wheat production figure, but I think it is unlikely any adjustment is market-moving. I'm going to assume no change in my balance sheet below. My expectation for wheat stocks would jive fairly well with the latest WASDE expectations for F&R, so unless I'm off by a lot I don't expect a change on that either. The only change that seems likely this month is another reduction in wheat exports. Export sales have simply been abysmal in recent weeks. WASDE cut their demand projection last month and yet we're further off the pace now than we were at that time. I look for another cut this month, resulting in another increase in carryout.



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 Dec	Possible? 21/22
Carryin (Sep 1)	976	1,181	1,099	1,080	1,028	845	845
Production	2,309	1,741	1,885	1,932	1,826	1,646	1,646
Imports	118	157	135	105	100	110	110
<b>Total Supply</b>	<b>3,402</b>	<b>3,079</b>	<b>3,119</b>	<b>3,117</b>	<b>2,954</b>	<b>2,601</b>	<b>2,601</b>
Food Use	949	964	955	962	960	962	962
Seed	61	63	59	60	61	66	66
Feed & Residual	156	51	90	102	98	135	135
Total Domestic	1,167	1,079	1,103	1,123	1,119	1,163	1,163
Exports	1,055	901	936	965	992	840	800
<b>Total Use</b>	<b>2,222</b>	<b>1,980</b>	<b>2,046</b>	<b>2,089</b>	<b>2,110</b>	<b>2,003</b>	<b>1,963</b>
<b>Carryout (May 31)</b>	<b>1,181</b>	<b>1,099</b>	<b>1,080</b>	<b>1,028</b>	<b>844</b>	<b>598</b>	<b>638</b>
<b>Stocks/Use</b>	<b>53.2%</b>	<b>55.5%</b>	<b>52.8%</b>	<b>49.2%</b>	<b>40.0%</b>	<b>29.9%</b>	<b>32.5%</b>

Soybeans-

As noted last week, I have slightly smaller production based on a slightly smaller yield...though I'll concede there isn't a ton of confidence on that call. In terms of demand...I'm really torn. You'll see in my baseline assumption below that I'm penciling in a reduction in the soybean export projection. I've been talking about this for months now, so my thought process should be no surprise. Some will push back citing looming reductions in South American production levels, but I am of the opinion that WASDE's projection is still too big even after accounting from some losses. The pace of sales has fallen off a cliff and in areas with early soybean harvest the yields should be fairly good. That should mean Brazil still takes over ownership of global soybean trade in the coming months, leaving the pace of US commitments likely sorely behind. That said, don't be surprised if they punt on this. I've had some lively debate with friends about this subject and I clearly am in the minority here. Most others seem to think with production cuts in South America, they'll leave it alone. Again, I think its still too big... but you know what they say about opinions...

US Soybean Supply and Demand (Million Bushels/Million Acres)

	USDA 15/16	USDA 16/17	USDA 17/18	USDA 18/19	USDA 19/20	USDA 20/21	USDA 21/22 Dec	Possible? 21/22
Planted Acres	82.7	83.4	90.2	89.2	76.1	83.4	87.2	87.2
Harvested Acres	81.7	82.7	89.5	87.6	74.9	82.6	86.4	86.4
Abandoned Acres	1.0	0.7	0.7	1.6	1.2	0.8	0.8	0.8
Yield	48.0	52.0	49.3	50.6	47.4	51.0	51.2	51.0
Carryin (Sep 1)	191	197	302	438	909	525	256	256
Production	3,926	4,296	4,412	4,428	3,552	4,216	4,425	4,408
Imports	24	22	22	14	15	20	15	15
<b>Total Supply</b>	<b>4,140</b>	<b>4,515</b>	<b>4,735</b>	<b>4,880</b>	<b>4,476</b>	<b>4,761</b>	<b>4,696</b>	<b>4,679</b>
Crush	1,886	1,899	2,055	2,092	2,165	2,141	2,190	2,190
Exports (Census)	1,936	2,174	2,134	1,748	1,679	2,265	2,050	2,025
Seed	97	105	104	88	97	101	102	104
Residual	24	36	5	43	11	(3)	15	15
<b>Total Use</b>	<b>3,943</b>	<b>4,213</b>	<b>4,297</b>	<b>3,971</b>	<b>3,952</b>	<b>4,505</b>	<b>4,356</b>	<b>4,334</b>
<b>Carryout (Aug 31)</b>	<b>197</b>	<b>302</b>	<b>438</b>	<b>909</b>	<b>525</b>	<b>256</b>	<b>340</b>	<b>345</b>
<b>Stocks/Use</b>	<b>5.0%</b>	<b>7.2%</b>	<b>10.2%</b>	<b>22.9%</b>	<b>13.3%</b>	<b>5.7%</b>	<b>7.8%</b>	<b>8.0%</b>

## Corn-

Its hard to have a great deal of confidence in a balance sheet for this month when I have zero confidence in what to expect on quarterly stocks. That quarterly stocks figure will feed directly into this month's F&R and could obviously impact the look of the balance sheet. However, based on my low-confidence assumptions from last week, I'm currently assuming that WASDE will have little reason to adjust their F&R projection by a meaningful amount. Assuming I'm correct about that, which is a big assumption, I see little reason for other adjustments this month. I still think WASDE will eventually be proven too big on exports, but for now the pace is good enough for them to maintain their figure. There is some debate on whether or not they will raise the ethanol grind. You can see below that I am in the camp that believes they will not raise the grind. In the end, I think the grind will be modestly higher but the pace of the grind so far this year is doesn't make an adjustment necessary at this time. I expect no change on ethanol, but I will concede a modest increase is possible.

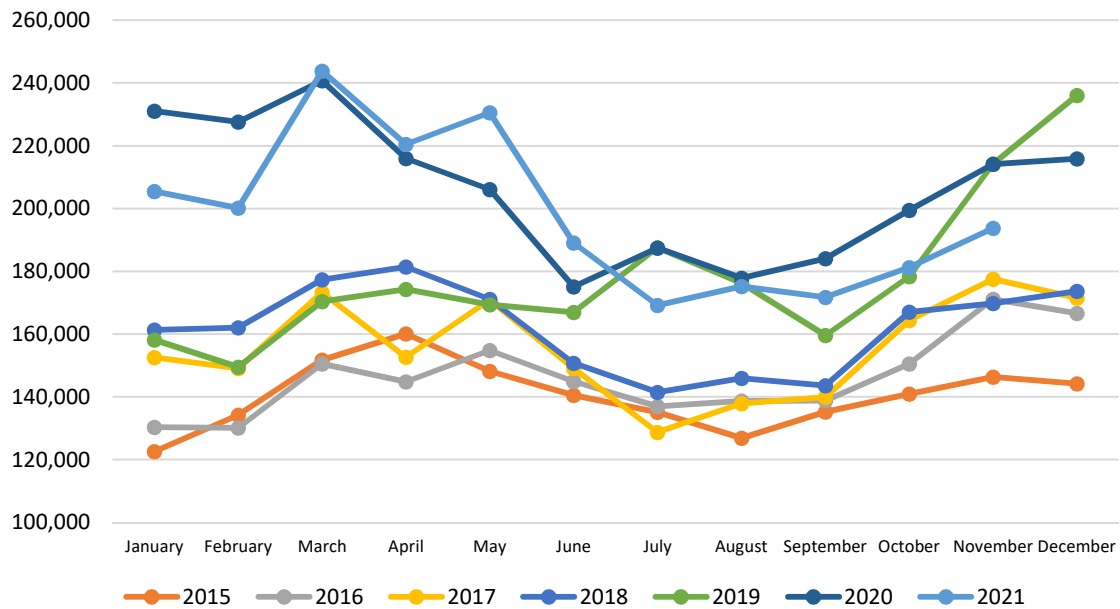
US Corn Supply and Demand (Million Bushels/Million Acres)

	USDA 16/17	USDA 17/18	USDA 18/19	USDA 19/20	USDA 20/21	USDA 21/22 Dec	Possible? 20/21
Planted Acres	94.0	90.2	88.9	89.7	90.7	93.3	93.3
Harvested Acres	86.7	82.7	81.3	81.3	82.3	85.1	85.1
Abandoned Acres	7.3	7.5	7.6	8.4	8.4	8.2	8.2
Yield	174.6	176.6	176.4	167.5	171.4	177.0	176.5
Carryin (Sep 1)	1,737	2,293	2,140	2,221	1,919	1,236	1,236
Production	15,148	14,609	14,340	13,620	14,111	15,062	15,020
Imports	57	36	28	42	24	25	25
<b>Total Supply</b>	<b>16,942</b>	<b>16,939</b>	<b>16,509</b>	<b>15,883</b>	<b>16,055</b>	<b>16,323</b>	<b>16,281</b>
Feed and Residual							
Total Feed and Residual	5,470	5,304	5,430	5,900	5,597	5,650	5,650
Food, Seed, and Industrial							
Corn for Ethanol Fuel	5,439	5,605	5,378	4,857	5,032	5,250	5,250
Other FSI	1,446	1,452	1,415	1,429	1,437	1,430	1,430
Total FSI	6,885	7,057	6,793	6,286	6,469	6,680	6,680
Total Domestic Use	12,355	12,361	12,223	12,186	12,066	12,330	12,330
Exports (Census)	2,294	2,438	2,065	1,777	2,753	2,500	2,500
<b>Total Use</b>	<b>14,649</b>	<b>14,798</b>	<b>14,288</b>	<b>13,963</b>	<b>14,819</b>	<b>14,830</b>	<b>14,830</b>
<b>Carryout (Aug 31)</b>	<b>2,293</b>	<b>2,140</b>	<b>2,221</b>	<b>1,919</b>	<b>1,236</b>	<b>1,493</b>	<b>1,451</b>
<b>Stocks/Use</b>	<b>15.7%</b>	<b>14.5%</b>	<b>15.5%</b>	<b>13.7%</b>	<b>8.3%</b>	<b>10.1%</b>	<b>9.8%</b>

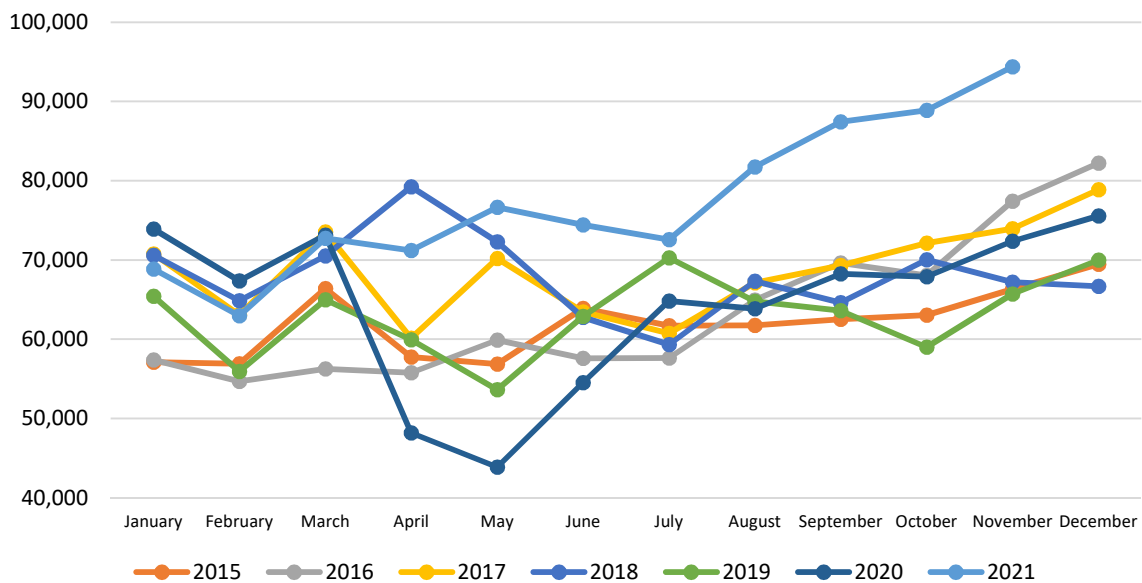
## Livestock

A quick look at Census pork trade numbers for November. As the first chart below shows, US pork exports are hanging in fairly well considering the "loss" of Chinese demand. While below the last two years, pork exports are still easily above pre-ASF levels. Chinese demand is not entirely lost, of course, but exports to China are only slightly above their pre-ASF norms. Instead it is our USMCA partners that have upped their import levels over the past several months. This is shown in the second chart below. Obviously it doesn't completely offset declines in Chinese shipments, but it is a solid increase of late.

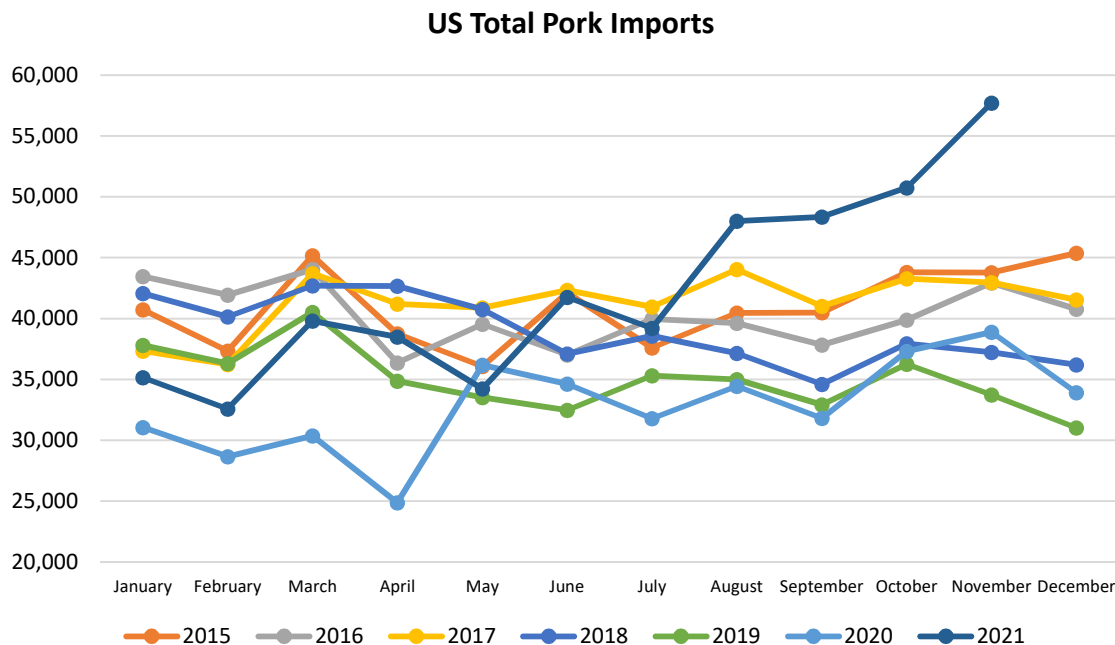
## US Total Pork Exports



## US Pork Exports to Canada + Mexico



On the other hand, we've seen a big surge in imports over the past several months. I don't have a really strong explanation for this, so any thoughts appreciated.

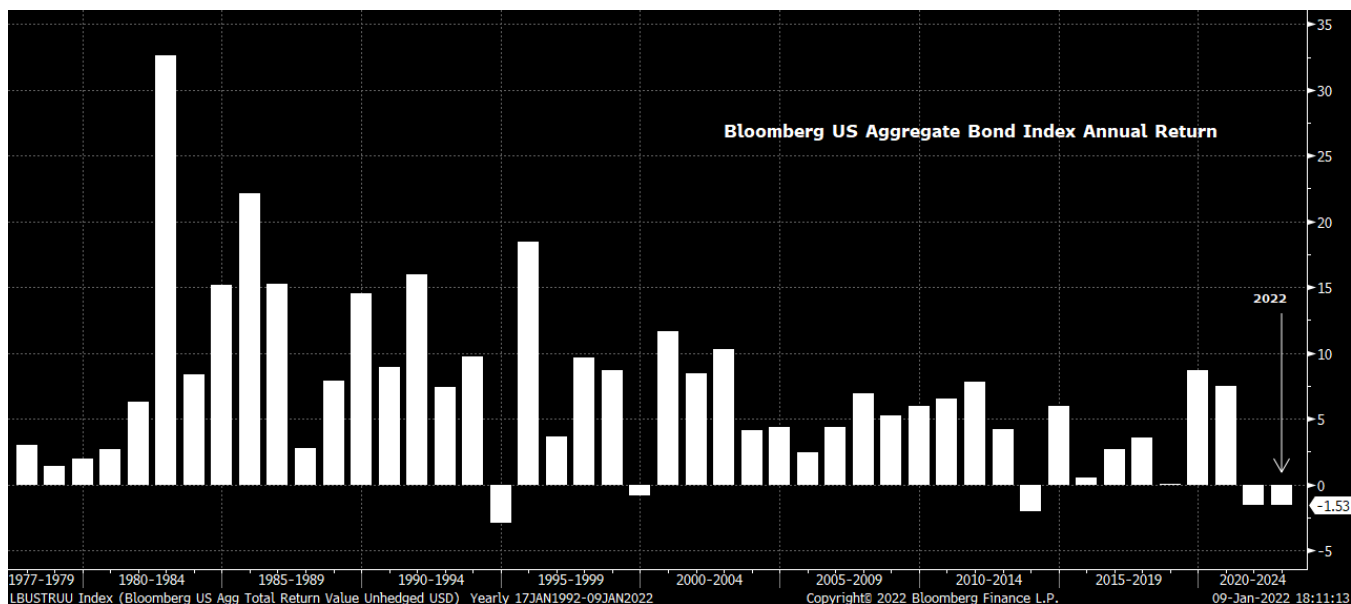


## Financials

Relatively quiet overnight price action so far. Equity futures are steady/mixed as well as Treasuries. The dollar is higher, but nothing dramatic. Not much economic data to chew on overnight or this morning. Eurozone unemployment was released, with the unemployment rate dropping to 7.2%. This is the lowest since March 2020, meaning Europe is almost back to where it started before the pandemic.

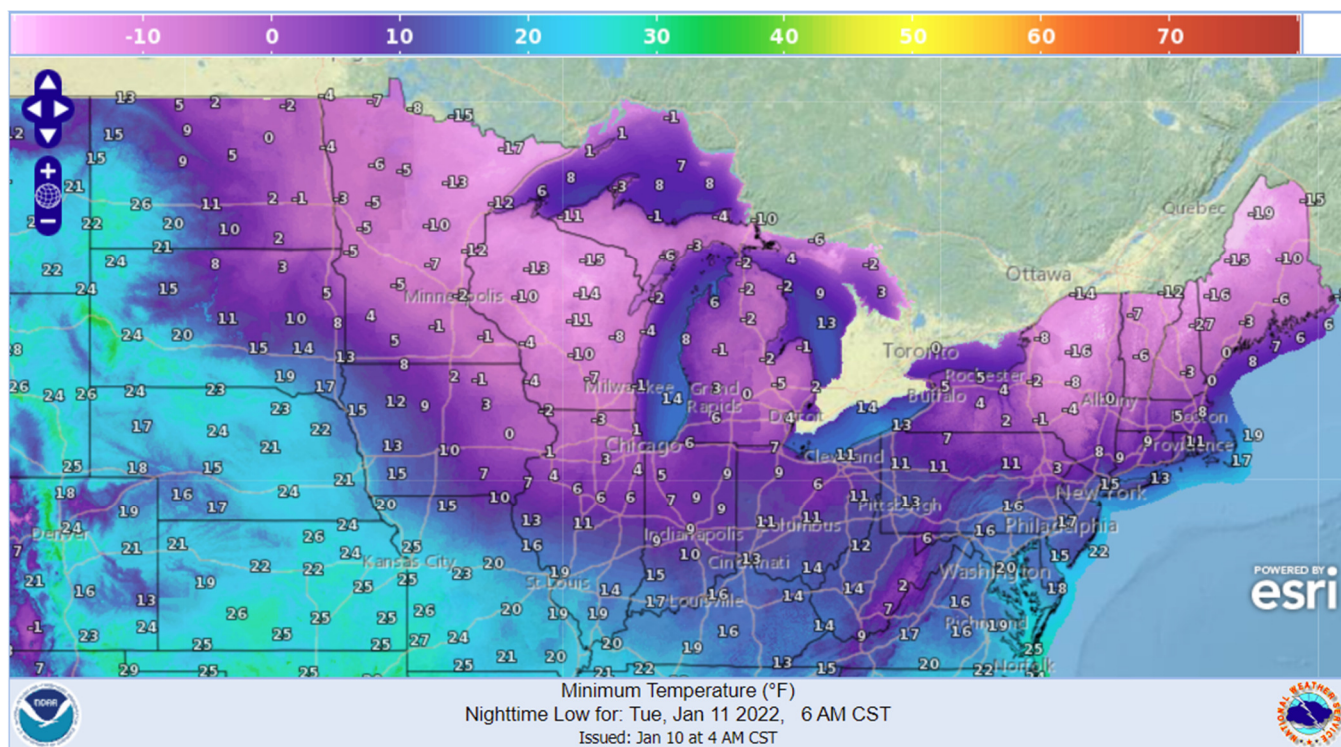
The chart on the following page looks at the annual rate of return for the Bloomberg aggregate bond index. This index tracks Treasuries, corporate securities, MBS, and several other acronyms that I don't know what they mean. The bottom line I want to point out is that 2021 posted a very rare negative total return for the US bond market. You can see only three other negative prints prior to last year. In the year following those prior negatives, we saw some pretty sizeable upside moves. So far this year the index is running negative, in large part due to the declines in Treasuries. We've never posted back-to-back negative years for the US total bond markets. It seems to me that the market is essentially betting that the Fed will continue to err on the dovish side of the market. I know the market is pricing in rate hikes, but the Treasury curve is telling me it doesn't believe the Fed will be as aggressive. If the Fed *does* prove to be as aggressive as they have hinted, I actually think the bond market will probably be in for a better year than it is posting so far. Thoughts greatly appreciated.





## Energy

Natural gas prices have perked up again. Some of this might be in response to a quick cold blast due to hit the US in the next ~24 hours. The map below looks at Tuesday low temp forecast for the northeastern US. A lot of lows in negative territory...but the good news is that this cold blast won't stick around too long. Within a few days we should be back averaging near to above normal on temps.



**Today's Calendar (all times Central)**

- Export Inspections – 10:00am

Thanks for reading.

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