Farm Journal

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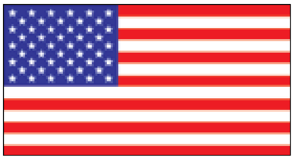

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News this week...

Hurricane Florence pounds Atlantic Coast. The storm caused temporary disruptions to hog slaughter in the region. Any crop damage will be reflected in the October crop report.

ASF found in Belgium. Belgium confirmed two cases of African swine fever (ASF) Sept. 13. This is the first time the deadly pig disease has been discovered in western Europe since 1985. With the disease spreading across Europe, there's concern among EU countries that importers could halt shipments of pork as a precaution. The ASF outbreak in China could also mean more export demand for U.S. pork (see *News page 3*).

Bird flu in California. H7N3 low pathogenic bird flu was discovered at a turkey farm in Stanisslaus Co., California. All of the 26,258 birds at the farm were destroyed.

Bearish USDA September crop reports — *USDA's Sept. 12 Crop Production and Supply & Demand Reports spurred losses in the corn, soybean and wheat markets last week. While corn and soybean futures were pressured by the higher crop and yield estimates, neither market uncovered active seller interest on their tests of the July lows. But with harvest activity picking up, both markets could face more near-term pressure on seasonal selling. Wheat futures were tripped up by the unexpected increase to USDA's global wheat carryover projection. The wheat market is badly in need of bullish export demand news for futures to put in a bottom. Cattle futures posted an upside breakout from the extended sideways pattern, which could fuel additional near-term buying. Lean hog futures rallied despite their premiums to the cash index as the number of African swine fever cases in China increased and the disease spread to western Europe.*

Record yields likely to get bigger

USDA raised its corn and soybean yield estimates for September (see *News page 4*). History says the odds are roughly two-thirds to three-quarters that USDA's corn and soybean yield estimates will rise again in October.

U.S./China trade deal on distant horizon

The White House extended an invitation for a new round of trade talks to China last week. But President Donald Trump quickly doused hopes of any near-term deal via Twitter. Both sides have dug in their heels. Next key is whether additional tariffs will be levied against each other before a trade deal is reached.

Trade two-step with Canada continues

Talks with Canada continue, but trade dispute settlement and dairy remain key sticking points. Expect a lot of drama on these trade talks over the next two weeks, though a deal by the U.S.'s Sept. 30 deadline seems likely. Mexico warned that if Canada isn't part of the deal, it would need to renegotiate some of the issues it originally agreed to with the U.S. Also, it would be more difficult to get the U.S. Congress to sign off on the trade pact without Canada.

Russia tightens grain export regs

Russia's food safety watchdog has increased quality controls for some grain exports. While Russian officials say this is not a means of limiting exports, the last time the country restricted grain sales abroad, it started with extra hurdles in obtaining export certificates.

Farm bill not near the finish line

Trump blames Senator Debbie Stabenow (D-Mich.) for stalled farm bill negotiations. Lingering issues have not been resolved and the odds are increasing for an extension of the 2014 Farm Bill that expires Sept. 30, unless conferees reach compromise.

USDA gives formula for MFP payments

USDA explained how it came up with payment rates for various commodities via the Market Facilitation Program (MFP).

It calculated "trade damage" by subtracting the trade value with tariffs (trade model used for an estimate) from the trade value without tariffs (2017 actual levels). Indirect or secondary effects from the tariff, such as cross-commodity effects, are not reflected in the gross trade damage estimate.

In determining the amount of assistance that USDA is making available to producers, it divided the estimated trade damage level by 2017 crop year production to calculate a per-unit rate. It used 2017 trade and production data because it will be months before 2018 data is complete. That rate is then multiplied by 2018 actual production for the individual payment amount.

If a second payment in December is necessary, USDA will account for other factors, such as new tariff levels, regional basis impacts or other market conditions that led to "trade damage."

Strategy for expediting MFP payments

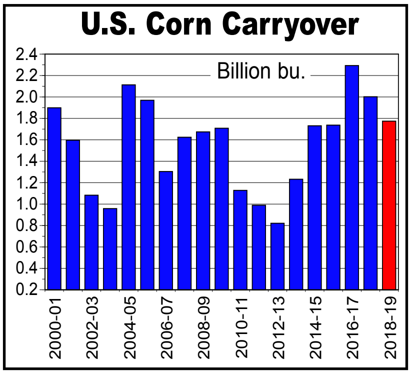
Steve Johnson, Iowa State University Extension specialist, recommends producers do the following to receive soybean MFP payments in a timely manner:

- Since soybeans get the biggest payment, submit that data when bean harvest is done. Don't wait to submit your soybean data until all crops are harvested.
- Submit your production evidence to your crop insurance agent and use this as your production evidence.
- Keep actual production separate by farms in a section or "optional units." This should reduce reporting errors since production evidence is subject to spot checks by FSA and RMA.

Old-crop corn carryover lowered; new-crop stocks raised

USDA trimmed estimated 2017-18 corn ending stocks by 25 million bu. from August to 2.002 billion bushels. The only change to the old-crop balance sheet was a 25-million-bu. increase to exports, which are now estimated at 2.425 billion bushels.

• The 2017-18 national average on-farm cash corn price at $3.40 was unchanged from August.



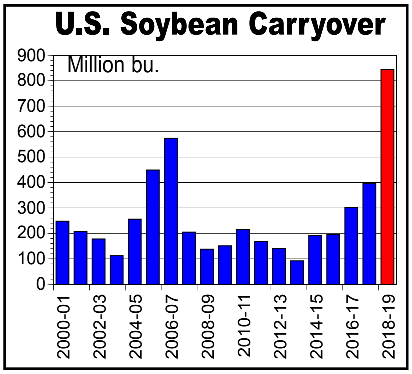
For 2018-19, USDA raised its ending stocks projection by 90 million bu. from last month to 1.774 billion bushels. Total supplies were increased 215 million bu. as a result of the bigger crop and smaller beginning stocks. On the demand side, USDA increased feed and residual use 50 million bu. (to 5.575 billion bu.), food seed and industrial use 25 million bu. (to 7.13 billion bu., with all of that going to ethanol grind, which is now estimated at 5.65 billion bu.) and exports 50 million bushels (to 2.4 billion bu.).

• The 2018-19 national average on-farm cash corn price at $3.00 to $4.00 was down a dime on both ends of the range from last month.

Old-crop bean carryover reduced; new-crop stocks hiked

USDA lowered its old-crop soybean ending stocks estimate by 35 million bu. from last month to 395 million bushels. Crush was increased 15 million bu. (to 2.055 billion bu.) and exports were raised 20 million bushels (to 2.130 billion bu.).

• The 2017-18 average on-farm cash soybean price forecast of $9.35 was unchanged from August.



On the new-crop soybean balance sheet, USDA increased projected carryover by 60 million bu. to 845 million bushels. USDA raised total supplies by 73 million bu. from last month. The bigger crop estimate was partially offset by lower beginning stocks. On the demand side, USDA's projected crush was increased 10 million bu. (to 2.07 billion bu.) and residual "use" was increased 1 million bushels (to 34 million bu.).

• The 2018-19 national average on-farm cash soybean price at $7.35 to $9.85 was down 30¢ on both ends of the range from August.

U.S. new-crop wheat carryover forecast unchanged

USDA made no changes to its 2018-19 wheat balance sheet this month, leaving its ending stocks forecast at 935 million bushels.

• The 2018-19 national on-farm cash wheat price is forecast at $4.70 to $5.50, up a dime on the bottom end and down a dime on the top end from August.

Old-crop cotton carry cut, new-crop stocks raised

USDA lowered its old-crop cotton ending stocks forecast 100,000 bales from last month to 4.3 million bales. USDA lowered domestic use by 20,000 bales from last month and increased unaccounted use 120,000 bales.

• The 2017-18 national average on-farm cash cotton price forecast at 68¢ was unchanged from August.

USDA raised its new-crop cotton carryover projection by 100,000 bales to 4.7 million bales. Total supplies are projected up 350,000 bales from last month. On the demand side, projected exports are up 200,000 bales (to 15.7 million bales) and unaccounted use is up 50,000 bales (to 190,000 bales).

• The 2018-19 national average on-farm cash cotton price forecast at 70¢ to 80¢ was unchanged from August.

Global S&D highlights

Corn: Global 2017-18 carryover was raised 820,000 metric tons (MT) to 194.15 million MT.

Global new-crop ending stocks were raised 1.54 million MT (MMT) to 157.03 MMT, but are still projected to decline 70.80 MMT from two years ago.

Soybeans: Global carryover for 2017-18 was lowered 870,000 MT from August to 94.74 MMT.

Global new-crop carryover was raised 2.32 MMT to a record 108.26 MMT and is now projected up 13.52 MMT year-over-year.

Wheat: World wheat ending stocks for 2017-18 were raised 1.29 MMT from last month to 274.36 MMT.

Global 2018-19 wheat carryover was increased 2.33 MMT from last month to 261.29 MMT, but is still projected to decline 13.07 MMT year-over-year. USDA raised its 2018-19 Russian wheat crop forecast by 3.0 MMT. It cut its Australian wheat crop projection by 2.0 MMT and its Canadian crop peg by 1.0 MMT from last month.

Cotton: Global old-crop carryover was lowered 720,000 bales to 83.79 million bales.

World 2018-19 ending stocks were increased 360,000 bales to 77.46 million bales. Global cotton carryover is projected to decline 6.33 million bales year-over-year.

Aussie wheat crop lowered

The Australian government slashed its 2018-19 Australian wheat crop estimate by 2.8 MMT to 19.1 MMT. That would be the smallest Aussie wheat crop since 2007-08.

Brazil lowers corn crop peg, raises soybean exports

Brazil trimmed its 2017-18 corn crop estimate by 800,000 MT to 81.4 MMT. It also cut its Brazilian corn export forecast by 1.5 MMT to 25.5 MMT.

Brazil is now expected to export 76 MMT of soybeans in 2017-18, which would leave the country with record-low ending stocks of 434,000 MT.

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Putnam Co., (WC) Indiana: *"Our double-crop beans look like first-crop beans after getting nine to 10 inches of rain in August between seven different rains. There will be 60-bu.-per-acre double-crop beans this year in my area. A few beans have been cut, mostly early group 2s that are yielding in the low 60s. When that happens around here it usually means the mid group 3s come in around 75 bu. per acre. Several farmers have yield checked some corn with numbers so high they are doubting the formula!"*

Delaware Co., (NE) Iowa: *"Some corn stalk quality issues are coming to light, along with sprouting butt kernels due our abundant rainfall in August."*

Fremont Co., (NE) Iowa: *"Soybeans are still laying flat in many spots from rains."*

Livingston Co., (EC) Illinois: *"Early corn is coming off at 220 bu. per acre and 22% moisture."*

Macon Co., (C) Illinois: *"Early corn readings are around 18% moisture with above-average yields."*

Chinese bean imports swell, but demand expected to wane

China imported 9.15 MMT of soybeans in August, up 14.4% from July and an 8.3% rise from last year. Chinese buyers are aggressively stockpiling Brazilian beans in anticipation of a lengthy trade battle with the United States. The cost of U.S. soybeans (including tariffs) isn't much different than that for Brazilian beans, and soymeal is still cheap compared with corn and other proteins, suggesting Chinese demand for U.S. soybeans will be stronger than anticipated through winter.

Still, China's ag ministry slashed its 2018-19 soybean import forecast to 83.7 MMT, which would be down 10.2 MMT (10.9%) from 2017-18 and the first annual decline in 15 years. Given the trade dispute with the U.S., China is promoting a lower protein diet for livestock and poultry, while the spread of Asian swine fever (ASF) is also expected to cut soymeal demand.

China's trade surplus with U.S. pushes to a record high

China's trade surplus with the U.S. swelled to a record $31.1 billion in August, up $3 billion from July, despite the first full month of U.S. tariffs on Chinese exports. China's overall trade surplus narrowed to $27.9 billion last month, down $200 million from July, as imports surged 20.0% and exports rose "only" 9.8%.

China's consumer inflation rises, producer prices fall

China's consumer price index (CPI) increased 2.3% from year-ago in August. Food prices rose 1.7%, despite pork prices being down 4.9% from last year. Nonfood prices increased 2.5%.

The producer price index (PPI) dropped 4.1% last month amid softening domestic demand, suggesting slowing growth in the world's second-largest economy.

China's government must balance growth and inflation during the trade battle with the U.S.

Why China's ASF situation could be a *really* big deal

China is home to around 55% of the world's hog herd. Its hog population nearly triples that of the European Union and is nearly six times larger than the U.S. herd. The recent outbreak of ASF in China is a threat to its hog supply that could have dramatic impacts for the U.S. hog market.

The number of Chinese pigs affected by ASF is extremely small at this point, but given the extreme dispersion of the country's hog population, as well as its reputation for poor sanitation and non-existent biosafety measures, the danger of a major outbreak is high. That means the potential for a drastic Chinese pork shortage, especially in the wake of the cutbacks to its pork industry over the past four years.

A worst-case scenario in China might have similar implications as the 2013-14 outbreak of PEDV in the U.S., which essentially cut U.S. hog production by 10% and caused the CME lean hog index to surge nearly 29% in one year. If we assume a similar percentage rise next year, that would put the 2019 peak for U.S. prices around $111.00. But that figure is likely overly optimistic.

Still, the potential for a surge in U.S. pork exports if/when the ASF outbreak reaches epidemic proportions could prove to be quite substantial.

USDA ups beef, pork exports

U.S. beef and pork export forecasts for 2018 and 2019 were raised to record levels in the September Supply & Demand Report. USDA now forecasts beef exports to be up 10.6% this year and another 2.6% next year. It projects U.S. pork shipments to rise 6.3% this year and another 2.1% next year. Data through July signals USDA may have to increase its export forecasts even more, especially for beef.

WRDA is coming, but WOTUS rule repeal is out

Appropriators unveiled a $44.6-billion Energy/Water bill for fiscal year (FY) 2019 last week — a $1.4-billion increase from FY 2018. It would fund the Energy Department at about $35.7 billion, up about $4.9 billion from FY 2018. The Army Corps of Engineers would see an estimated $7 billion, about $172 million more than FY 2018. The deal ensures full use of the estimated receipts for the Inland Waterways Trust Fund. The Interior Department's Bureau of Reclamation would receive $1.6 billion, $85 million more than FY 2018.

Left out of the bill was a provision that would have made it easier for the Trump administration to revoke the waters of the United States (WOTUS) regulation.

Groups continue push for year-round E15, SRE controls

A coalition of U.S. farm and biofuel groups sent a letter to President Donald Trump urging him to stick to his word that year-round sales of E15 would come soon. But the groups also called for small refinery exemptions (SREs) from Renewable Fuel Standard (RFS) blending requirements be reallocated to larger refiners, saying, "regulatory bailouts undercut the spirit and intent of the law."

The letter said while refiners continue to complain about Renewable Identification Number (RIN) prices, they have decreased nearly 80% since last fall. Citing the 2.25 billion gallons of "demand destruction" created by SREs, the groups said, "it is rural America's turn to get its end of the deal."

Groups say eRINs should count toward RFS mandates

More than 100 organizations signed onto a letter to Acting EPA Administrator Andrew Wheeler calling for renewable electricity to be included in the RFS. They contend that electric energy used for transportation should count toward RFS mandates.

Waubonsee Co., (NE) Kansas:
"Dryland corn is running 50 bu. to 125 bu. per acre at 13% to 15% moisture. Our normal dryland yields are 120 bu. to 155 bu. per acre."

Northwest Pennsylvania:
"A great year for growing crops here. Corn, soybeans and hay all have record yield potential."

Beaufort Co., (EC) N. Carolina:
"Got all of our corn harvested ahead of Florence."

DeKalb Co., (NE) Illinois:
"Started cutting soybeans Sept. 12 — the earliest ever. Our earliest start to harvest was previously Sept. 23."

LaSalle Co., (NE) Illinois:
"Our first field of corn averaged 290.2 bu. per acre!"

Lyon Co., (NW) Iowa:
"Can't believe how quickly the corn went from green to brown. The hot, windy weather really pushed it fast."

Cass Co., (SW) Iowa:
"Silage appraisals came in at 140 bu. and 193 bu. per acre on fields across the road from each other. Greensnap."

Gage Co., (SE) Nebraska:
"Corn is still holding 18% to 20% moisture. Short-season dryland corn is running 160 bu. to 165 bu. per acre, which is a little lower than expected."

Whoa! Another corn crop shocker

by Editor Brian Grete

USDA raised its corn and soybean crop estimates from August. For soybeans, that wasn't a surprise, as the crop is heavily podded and received late-season rains. But the bigger corn crop estimate was shocking, as traders anticipated a modest downward adjustment from August.

Corn crop driven by record ear counts, ear weights

USDA's September corn crop estimate of 14.827 billion bu. was 298 million bu. higher than the average pre-report trade estimate and 241 million bu. higher than the August forecast. The national average yield estimate increased 2.9 bu. from last month to a record 181.3 bu. per acre. That was 3.5 bu. higher than the average pre-report estimate.

Record corn yields are expected in 12 states — Alabama, Illinois, Indiana, Iowa, Maryland, Michigan, Nebraska, New York, Ohio, South Dakota, Tennessee and Wisconsin. USDA's objective yield data showed an increase in ears per acre and the implied ear weight from last month. Ear counts are record-large in the 10 objective sample states and the implied ear weight would also be the highest ever. The ear counts are not a surprise, as we confirmed high ear populations on Crop Tour. But a record ear weight of about 0.362 lbs. per ear caught the market off guard. *If* the corn yield is going to decline in subsequent months, it would be via a reduction in ear weights. But a major downward adjustment to ear weights isn't likely.

Corn yields are estimated higher than August in Illinois (up 7 bu. to 214 bu. per acre), Indiana (up 6 bu. to 192 bu. per acre), Iowa (up 4 bu. to 206 bu. per acre), Kansas (up 2 bu. to 131 bu. per acre), Michigan (up 7 bu. to 165 bu. per acre), Missouri (up 7 bu. to 138 bu. per acre), Nebraska (up 2 bu. to 198 bu. per acre), Ohio (up 8 bu. to 188 bu. per acre), South Dakota (up 3 bu. to 173 bu. per acre) and Wisconsin (up 2 bu. to 179 bu. per acre). USDA kept its yield estimate unchanged in Minnesota (191 bu. per acre). The only major production state where USDA estimates a lower yield than August is North Dakota (down 6 bu. to 142 bu. per acre).

Record pod weights drive soybean yield higher

USDA's soybean crop estimate of 4.693 billion bu. was 44 million bu. higher than the average pre-report trade estimate and up 107 million bu. from last month. The national average yield estimate of 52.8 bu. per acre is up 1.2 bu. from August and 0.6 bu. higher than anticipated.

Record yields are expected in 10 states — Illinois, Indiana, Iowa, Kentucky, Mississippi, Nebraska, New York, Ohio, Pennsylvania and Tennessee.

USDA's objective field data showed only the fourth highest pod count on record in the 11 sample states, but a record implied pod weight. On Crop Tour, we found a heavily podded crop and it received late-season moisture to fill, so we're not surprised by the record yield estimate.

In the major production states, soybean yields are estimated higher than last month in Illinois (up 2 bu. to 66 bu. per acre), Indiana (up 2 bu. to 60 bu. per acre), Iowa (up 1 bu. to 60 bu. per acre), Kansas (up 5 bu. to 41 bu. per acre), Michigan (up 3 bu. to 49 bu. per acre), Minnesota (up 1 bu. to 50 bu. per acre), Missouri (up 2 bu. to 47 bu. per acre), Nebraska (up 1 bu. to 62 bu. per acre) and Ohio (up 2 bu. to 58 bu. per acre). USDA held yields steady in Arkansas (50 bu. per acre), South Dakota (49 bu. per acre) and Wisconsin (50 bu. per acre). The only major production state with a lower yield estimate than last month is North Dakota (down 2 bu. to 36 bu. per acre).

Cotton yield trimmed, but harvested acres increased

USDA's cotton crop estimate of 19.682 million bales was 562,000 bales higher than anticipated and 447,000 bales higher than last month. The national average yield of 895 lbs. per acre was cut 16 lbs. from August. Estimated yields were lowered 32 lbs. per acre in Texas and 21 lbs. per acre in Georgia.

USDA increased harvested cotton acreage by 415,000 acres from last month, as it incorporated initial FSA acreage data.

No resurvey due to likely hurricane damage

USDA made no reference to Hurricane Florence and potential impacts to crops in the Southeast since the storm had not made landfall at the time of the report. Florence will cause reductions to harvested acres and/or yields in the region, but that impact won't be known until the Oct. 11 Crop Production Report. Because of the timing of the storm, there won't be resurvey work on acreage unless USDA deems it necessary after October.

September FSA data signals even less soybean acres

FSA's September certified acreage data showed only modest adjustments from August. Our analysis of the data suggests USDA will lower planted acreage from its June estimate for two of the major crops — soybeans and sorghum. USDA will incorporate FSA data into its estimates for soybeans, sorghum and corn in its Oct. 11 Crop Production Report.

FSA data points to soybean acreage being reduced 700,000 acres from June to 88.857 million acres. We assumed a reduction of 500,000 acres when we made our production forecast following Crop Tour.

FSA data points to sorghum plantings being reduced by 500,000 acres to 5.540 million acres.

The certified corn acreage numbers through September show no clear sign there will be any adjustment to planted corn acreage in the October report. The same is true for wheat and rice.

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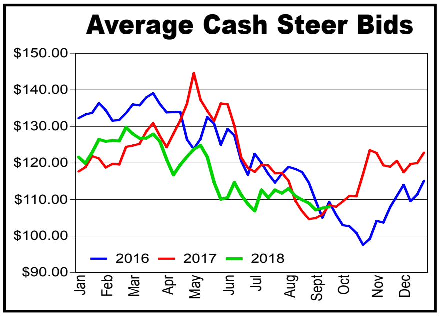
CATTLE

Position Monitor

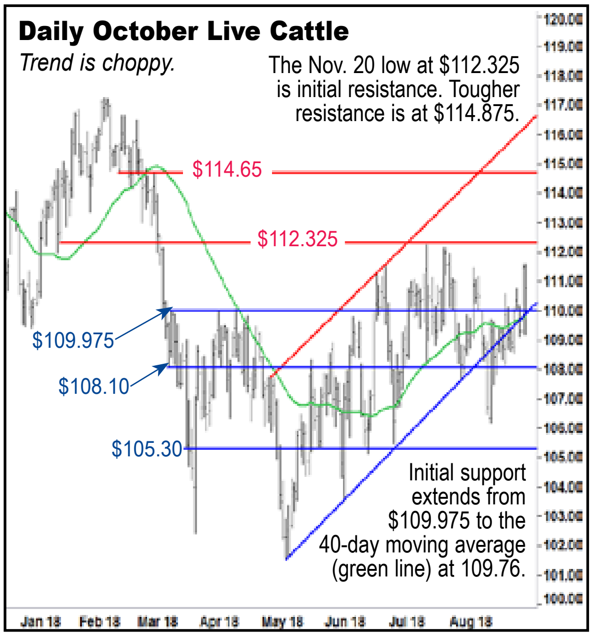
GAME PLAN: We are still targeting the $114.00 level in October live cattle or $117.50 in December live cattle for hedges. We may lower those targets if futures stall at the summer highs.

	Feds	Feeders
III'18	0%	0%
IV'18	0%	0%
I'19	0%	0%
II'19	0%	0%



Fundamental analysis

Cattle futures rallied last week, led by new contract highs in the February, April and June contracts. The market is focused on strong demand and seasonally tighter cattle supplies the next several months. USDA raised both its 2018 and 2019 beef export forecasts by 40 million lbs., which still looks a little light considering how surprisingly strong sales have already been this year. Grocers continue feature beef to increase store traffic. Rising employment and more meals eaten at home are increasing U.S. consumers' willingness to buy higher-priced beef relative to pork or chicken. Demand for feeder cattle is rising with the new highs in the deferred live cattle futures contracts and lower corn prices.

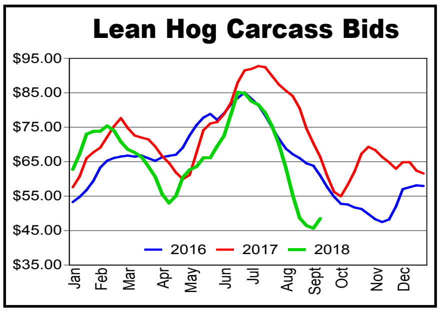


HOGS

Position Monitor

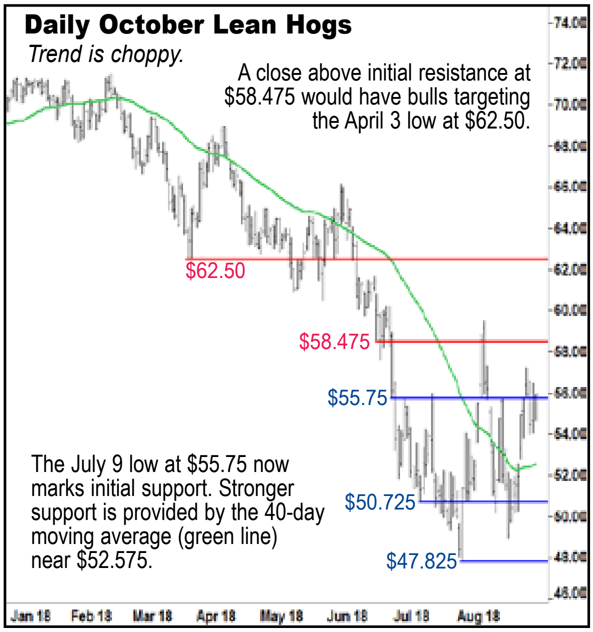
GAME PLAN: We will remain unhedged for now, but given the big premiums fall- and winter-month contracts hold to the cash index, you must be prepared to add hedge coverage on signs of a top.

	Lean Hogs
III'18	0%
IV'18	0%
I'19	0%
II'19	0%



Fundamental analysis

Hog futures continued their rally for a sixth week, led by deferred contracts. Pork prices gained last week and since the end of August are up more than $10. That encouraged more aggressive packer bids for live animals ahead of Hurricane Florence as it headed for North Carolina, home to more than 12% of the national slaughter capacity. USDA provided another lift when it cut this year's production forecast 35 million lbs. and lifted its projection for 2018 and 2019 exports by 20 million lbs. each. U.S. pork is competitively-priced on the world market and better sales are expected. The market also gained on news the U.S. invited China back to the negotiation table after three weeks of silence on the trade war front.



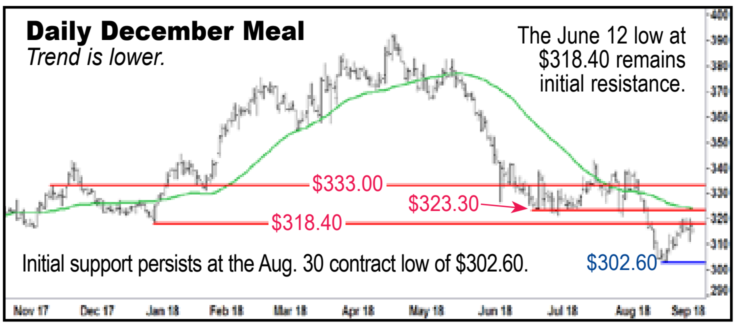
FEED

Feed Monitor

Corn	
III'18	0%
IV'18	0%
I'19	0%
II'19	0%
Meal	
III'18	0%
IV'18	25%
I'19	0%
II'19	0%

CORN GAME PLAN: We used the sharp price break Sept. 12 to extend corn-for-feed coverage another two weeks in the cash market through the end of October.

MEAL GAME PLAN: You should have all soymeal needs covered in the cash market through October. You also have 25% of November and December needs hedged. We will look to add coverage on a retest of the lows.

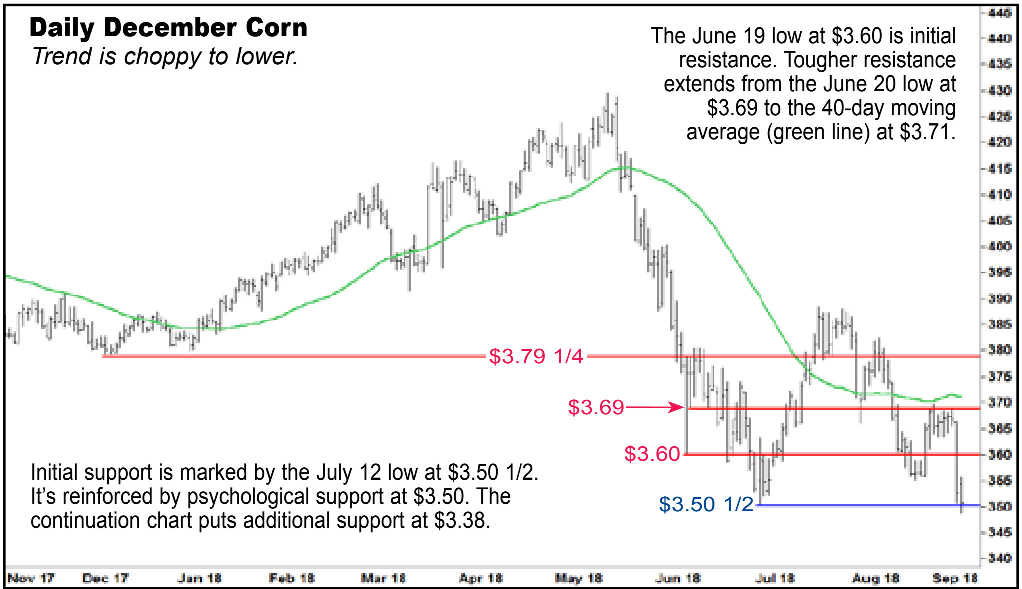


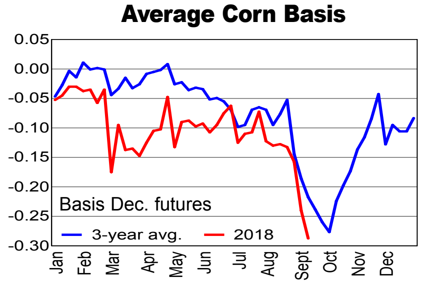
Corn

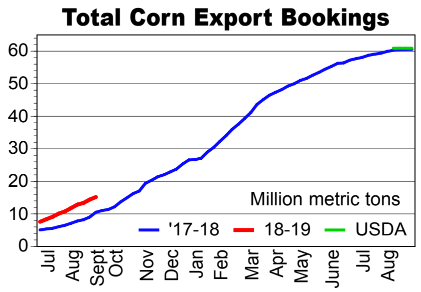
Position Monitor

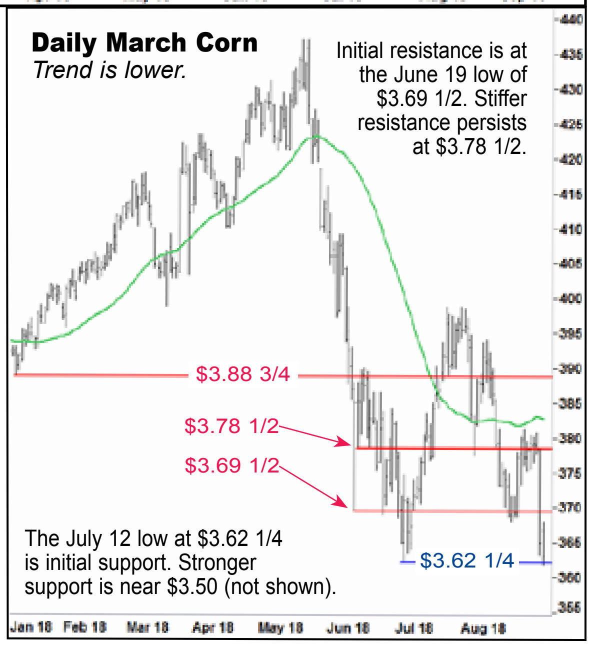
	'18 crop	'19 crop
Cash-only:	25%	0%
Hedgers (cash sales):	25%	0%
Futures/Options	0%	0%

Game plan: USDA's bigger-than-expected crop estimate Sept. 12 caused futures to test the July lows. Short-term defensive hedges may be needed if futures close below the July lows as it would threaten another leg lower on the charts. But with carryover still projected to decline significantly year-over-year, we'll wait on a price rebound to make additional sales.





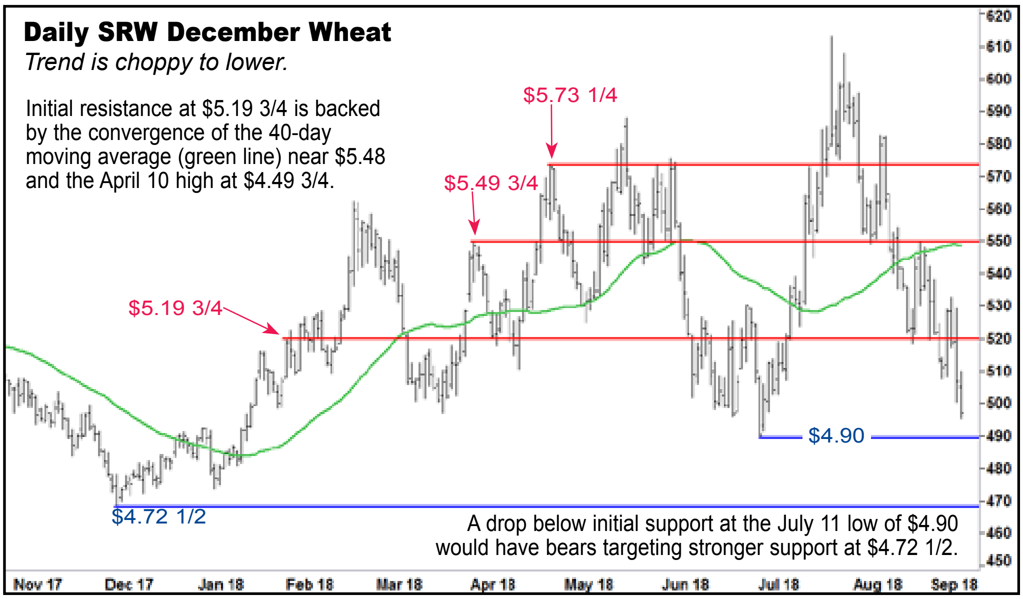




Fundamental analysis

Record U.S. yields projected by USDA surprised the trade and emboldened funds to aggressively add to short positions. Still, even with the second-largest crop, both U.S. and world inventories are headed lower for a second year. Stockpiles of all feed grains (including corn) as a percent of use will fall to the lowest in 45 years. Demand for U.S. corn will stay robust, supporting firming prices into the summer of 2019 once we pass the peak in harvest. U.S. export sales for the 2018-19 season are already 44% ahead of a year ago. Warm, dry weather helped to dry fields and ramp up the start of U.S. harvesting last week. Traders will focus on actual yields to confirm the record yield forecast. Look for firmer futures spreads and better basis to provide the first clues of a developing market low.

Wheat



Position Monitor

	'18 crop	'19 crop
Cash-only:	55%	15%
Hedgers (cash sales):	65%	15%
Futures/Options	0%	0%

Game plan: Wait to get current with sales. We are willing to wait on an extended corrective advance before making new sales.

Fundamental analysis

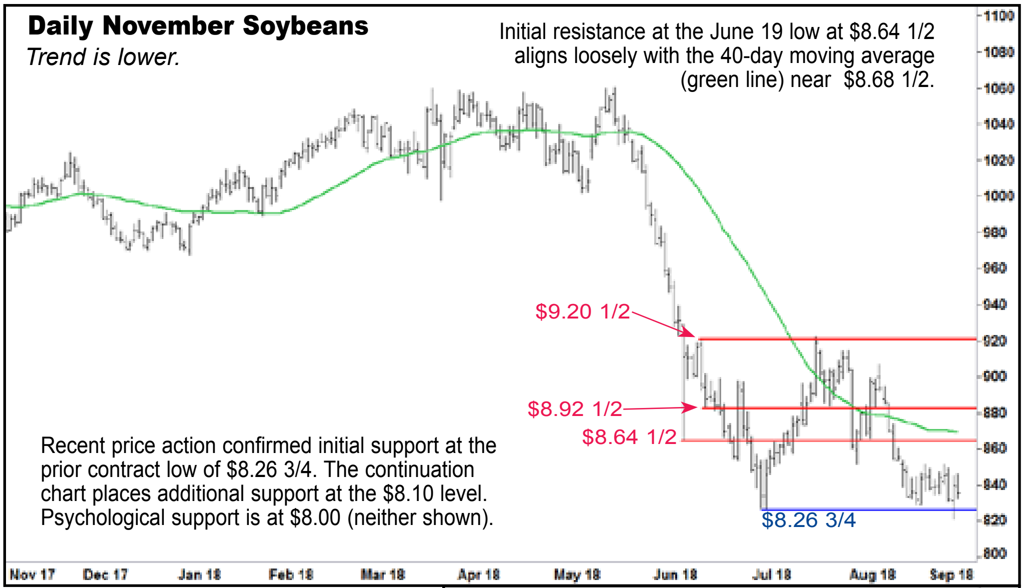
SRW: Prices fell to two-month lows on signs that Russia may continue to be an aggressive exporter longer than expected earlier this summer. Additional reductions in projected Canadian, European and Australian wheat export supplies are expected, and U.S. exports should benefit.

Soybeans

Position Monitor

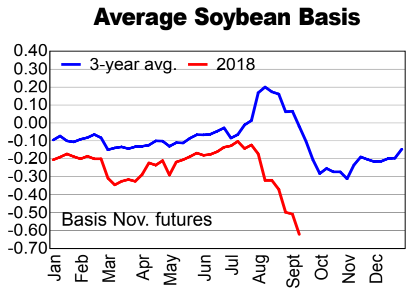
	'18 crop	'19 crop
Cash-only:	20%	0%
Hedgers (cash sales):	20%	0%
Futures/Options	0%	0%

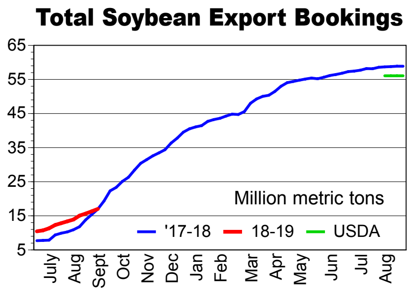
Game plan: The test of the July lows failed to find fresh sellers below that level. As long as that support remains intact, the market will try to form a seasonal low. If the Sept. 12 lows are violated, it would open fresh downside risk that could require short-term defensive hedges. We'll wait on an extended corrective bounce to advance new-crop cash sales.

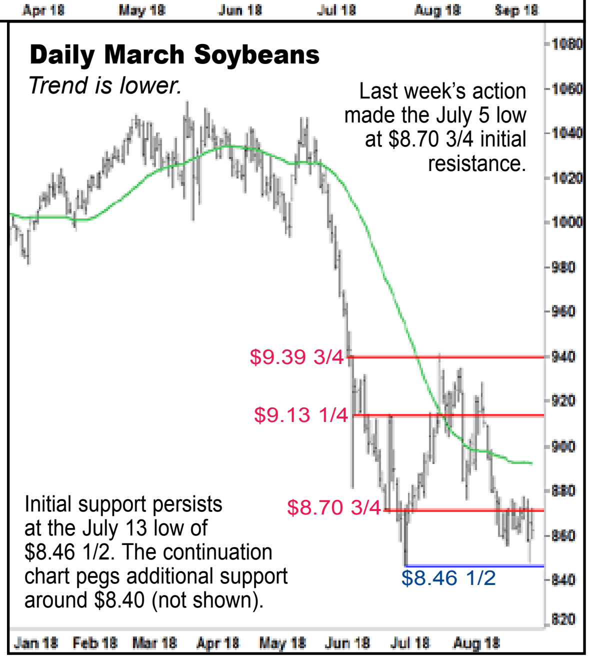


Fundamental analysis

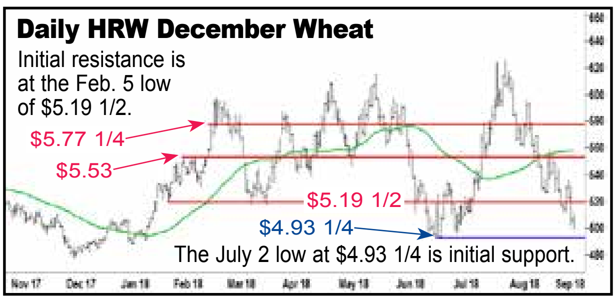
The market drifted to new lows on record projected U.S. and global supplies and then paused after the Chinese accepted the White House offer for trade talks, which have yet to be set. This is a slightly different U.S. negotiating stance than earlier, and there is optimism that some trade progress can be achieved. Demand continues to be good for U.S. soybeans, soymeal and soyoil from both domestic and foreign buyers other than China. Still, it was positive to see a cargo of U.S. beans inspected for export to China, a sign that the cost of U.S. beans including tariffs are competitive with Brazil. Brazil's exportable supplies are dwindling so China will need to substitute other sources or oilseeds soon. U.S. harvest results and South American planting weather will be the focus during the next month.

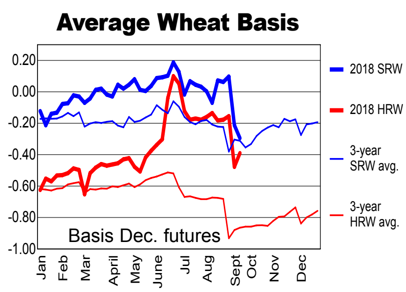




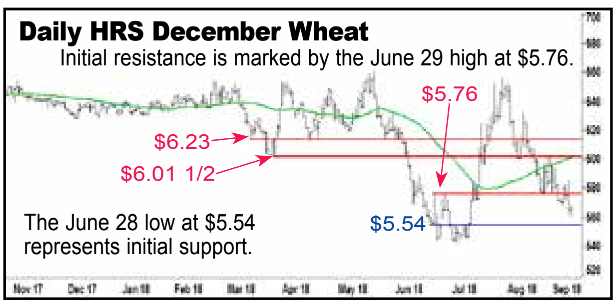


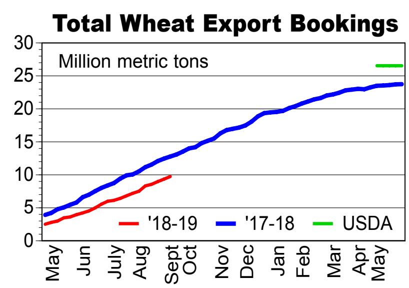
HRW: U.S. wheat exports remain anemic, despite global buyers stepping up to increase long-term coverage. The U.S. export story will develop in the second half of this season as other suppliers are taking advantage of their weak currencies to ship as much as possible. Markets will keep an eye out for any more talk of Russian export restrictions after quality problems were reported in recent shipments.





HRS: Spring wheat futures have been holding small premiums to the winter wheat contracts after adverse weather hurt Canadian crops. Watch for December futures to gain on the March contract as a clue to a price bottom developing.



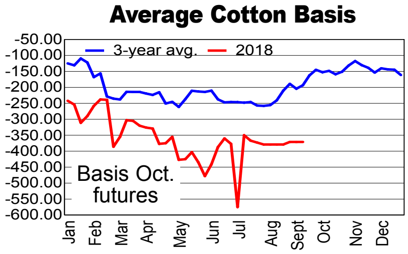


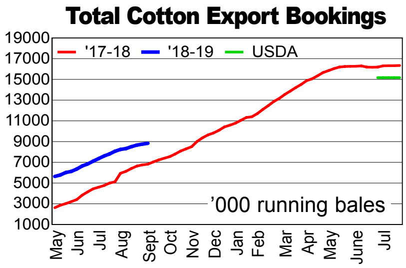
Cotton

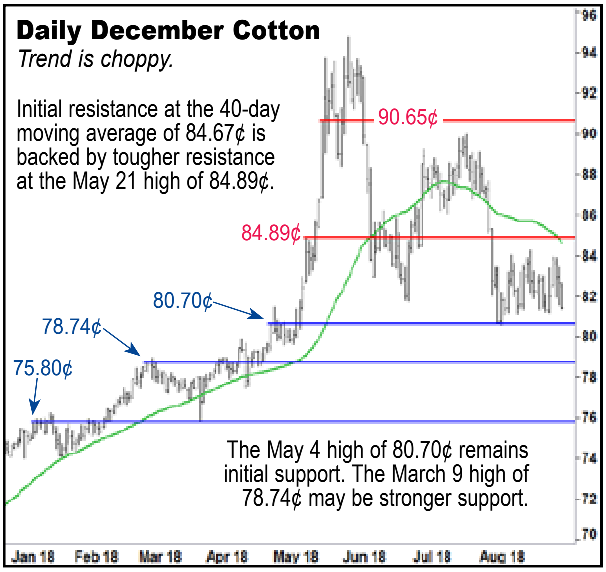
Position Monitor

	'18 crop	'19 crop
Cash-only:	40%	0%
Hedgers (cash sales):	40%	0%
Futures/Options	20%	0%

Game plan: Hold the 20% hedges in December cotton futures, but be prepared to exit. Wait on a price rally to make additional cash sales.







Fundamental analysis:
Prices fell after USDA raised its U.S. cotton crop estimate 447,000 bales to 19.68 million bales. Higher acreage offset a drop in yield, leading USDA to increase its carryover forecast. World inventories also were raised slightly, but they are still forecast to fall to the lowest level in seven years.

General Outlook

Stock Market: Backed by positive economic data, investors cast aside worries about trade to send U.S. stock values to record highs. China stocks have trended lower since February as U.S. tariffs and tight credit slowed growth.

Second quarter growth rose 4.2%, the most since the third quarter of 2014. The government said last week that it is the best time ever to be looking for a job. Combined with rising small business optimism, it points to further gains in sales and stock prices.

Talk is circulating among strategists and investors that this nine-year rally is getting long in the tooth. However, the three longest rallies of 1911 to 1929, 1950 to 1968 and 1982 to 2000 lasted twice as long.

Ray Dalio, billionaire founder of the world's largest hedge fund, Bridgewater Associates, said last week that this bull market has about "two years left" to run. Dalio accurately predicted the global financial crisis that hit over 10 years ago.

From the Bullpen

By Sr. Market Analyst Jeff Wilson

Widening cash basis levels and futures carrying charges for corn and soybeans signal the market does not want your grain at harvest.

Soybean basis is extremely weak because of expectations that the normal Chinese buying switch from Brazil to the U.S. the next six months will be limited by the 25% tariff. St. Louis basis last week was 63¢ under November futures for both September and October delivery, much weaker than the 8¢ premium paid for spot delivery last year and 28¢ average premium the prior three years. That weakness quickly spreads back across the Midwest since it is a central shipping point for exports.

Spot corn basis through October delivery to St. Louis is 13¢ under December futures, weaker than the three-year average of a 10¢ discount.

The November/March soybean spread is 26¢, about 78% of full commercial storage cost. December/March corn spread is 12.5¢, or 63% of full carrying cost. If spreads widen further, you may want to consider selling some bushels for March through May delivery with hedge-to-arrive contracts, which don't set your basis. Also, keep a close eye on basis improvement for delivery into year end. If basis improves before futures, you can lock it in and wait to price futures.

Corn is undervalued because even with a bigger U.S. crop, both world and U.S. carryover supplies are forecast lower. Soybeans showed last week that just talking about renewing trade negotiations with China put a bid in the market. Improving weekly export sales and shipments will be the keys to rallies.

Key Market Items on My 'To Watch' List

1) USDA Crop Progress Report — Monday, Sept. 17, 2:00 p.m. CT
First soybean harvest progress data.

2) USDA Milk Production Report — Wednesday, Sept. 19, 2:00 p.m. CT
Another month of rising production.

3) USDA Export Sales Report — Thursday, Sept. 20, 7:30 a.m. CT
Focus will be on corn, soybean and soybean meal sales after slowdown a week earlier.

4) USDA Cattle on Feed Report — Friday, Sept. 21, 2:00 p.m. CT
Look for active marketings and slower placements in August.