

M©RNING BULLS & BEARS

Friday, August 27, 2021

Upcoming Reports

Indices and Futures Last Change **Index**

Dow Fut 35,242 +0.24% S&P Fut 4,479 +0.28% Nasdaq Fut 15,325 +0.33% Nikkei 27,665 +0.04% 7,103 FTSE100 -0.11% DAX 15,779 -0.11% Shanghai 4,827 -0.53%

Macro News

Commitments of Traders – Friday, 2:30 pm Federal Reserve Chair Jerome Powell will signal the direction of U.S. monetary policy at a virtual speech at the Fed's annual Jackson Hole symposium at 9:00 a.m. CT today. The central bank continues to debate how and when to begin dialing back its stimulus, including \$120 billion in monthly asset purchases. Investors are looking for clues from Powell over whether the Delta variant has altered plans to begin scaling back those purchases in coming months. Ahead of symposium, three of its leading hawks came out in favor of accelerating the timeline for slowing asset purchases.

> The Supreme Court ruled for a group of Alabama landlords on Thursday and blocked President Joe Biden from extending for two more months a nationwide pandemic-related ban on evictions. After Congress failed to renew a federal evictions moratorium that expired on July 31, Democratic activists pressed Biden to reverse course. He did so Aug. 3, conceding he stood on shaky legal ground. The Centers for Disease Control and Prevention introduced a new extension unilaterally as an urgent measure to tackle the impact of a wave of Covid infections. The Supreme Court's majority ruled that the CDC had exceeded its authority in imposing the evictions ban without legislation. The high court's ruling is no surprise. In late June, four conservative justices voted to strike down the national eviction moratorium. The Supreme Court ruling did not invalidate local laws preventing evictions in many cities and states across the country.

Grain News

T-Storm Weather Summary: Pockets of rain and t-storms continue over the next 24 hours in the drought-stricken areas of the north (northern IA, MN, ND, SD). A cool front triggers t-storms within a wider area over Sat.-Mon. with best totals again in the north. Tropical Storm Ida likely makes landfall as a moderate hurricane Monday just west of New Orleans, after which its remnant probably shifts north and produces 1.00" to 3.00" in the mid-South and southern areas of IL, IN, MO, and possibly OH next week. Temperatures stay very warm away from the northwest through then, but a series of cool fronts immediately follow and trigger scattered t-storms in varying areas at varying times.

Over the past 18 hours, much of the Midwest received rain, with the heaviest showers centered over Minnesota and Iowa. More rain is expected today and flash flood watches are in effect for much of southern Minnesota and northern Iowa. Heat advisories are in effect for the southern half of Illinois and the southeastern two thirds of Missouri. The market is keeping an eye on Ida, which is expected to move into southeastern Louisiana as a hurricane Sunday, bringing significant rain and wind to the Delta early next week. "Severe crop and property damage is expected and losses to rice and sugarcane will be greatest with some concern over cotton as well," World Weather Inc. said in a report yesterday. But it adds that some of the heaviest rainfall is expected outside the main production areas.

The Buenos Aires Grains Exchange in its latest weekly update maintained its 19 MMT wheat crop estimate. "The lack of rain aggravates the water deficit situation and causes a decrease in crop growth and delays in plant development, delaying the transition to reproductive stages of later sown fields," the exchange said in its report. But it also noted light showers are expected by week's end. The exchange also said harvest of the country's 50.5-MMT corn crop had wrapped up over the past week.

French farmers pushed harvest another five percentage points ahead the week ended Aug. 23, with harvest now estimated to be 96% complete, according to the country's ag ministry. Rain continues to slow efforts. In the northern Haute-de-France region, a major producing area, harvest was only 89% complete as of Aug. 23. FranceAgriMer reports harvest is running 11 days behind the five-year average; last year, fieldwork was finished by this point.

China had around 490,000 square miles of arable land at the close of 2019, a 6% decline from a decade before, according to the country's survey of land use that's conducted once every decade. Arable land accounts for 13% of China's total area, which tops the state target to keep around 480,000 square miles of arable limits from urban encroachment by the end of 2020. But land dedicated to agriculture has fallen by roughly 29,000 square miles since 2009, with some arable land converted to forest and industrial and urban use. China expects that trend to continue. In fact, the country plans to plant nearly 14,000 square miles of new forest a year from 2021 through 2025, the country announced last week. China has drawn "red lines" to protect farmland from industrial encroachment and to shield its most vulnerable ecosystems.

China's state stockpiler Sinograin reports it sold 38,709 MT of imported genetically modified corn at its latest auction of reserves, representing 37% of the total offer. None of the 23,180 MT of non-GMO imported corn was sold.

While tensions between Australia and China have prompted the country to limit its imports of many commodities from Canberra, the Phase 1 trade deal gives China incentive to bring in more U.S. beef. Chinese customs data shows the U.S. has shipped more frozen beef to China than Australia since May, with the U.S. exporting \$107 million worth of frozen beef to China during July compared with \$35 million from its traditional supplier Australia. Australia is still China's primary supplier of chilled beef, but the gap is narrowing. China is the world's largest beef importer, but until the signing of the Phase 1 trade deal the U.S. was a minor player in the market.

China's hog and pork production will likely decline next year, according to a USDA attaché report from the country, as "government policies designed to limit price fluctuations inadvertently undermine [hog herd] expansion." The attaché forecasts China's hog production will fall 5% next year as "low prices and disease outbreaks in 2021 led to significant slaughter and delayed [herd] restocking." The post expects China's pork production to plunge 14% next year. As a result, it forecasts China's pork imports will rise to 5.1 MMT as "consumer demand for pork exceeds domestic production." The post forecasts beef imports will expand "at a slower rate to 3.3 MMT, as high beef prices are balanced by more diverse beef suppliers entering the market."

USDA on Thursday announced its intent to designate Puerto Rico and the U.S. Virgin Islands as a "protection zone," a World Organization for Animal Health (OIE) designation that allows the U.S. to maintain its current animal health status should there be a detection of African swine fever (ASF) or other foreign animal disease on the island territories. That designation would enable the U.S. to continue to export pork if animals in Puerto Rico or the U.S. Virgin Islands test positive for ASF. The National Pork Producers Council applauded USDA's efforts to gain OIE acceptance of this designation.

Private exporters reported to the U.S. Department of Agriculture the follow activity: Export sales of 129,000 metric tons of soybeans for delivery to China during the 2021/2022 marketing year; and Export sales of 150,000 metric tons of corn for delivery to Colombia during the 2021/2022 marketing year.

<u>-Hour Precipitation Map</u>

CANADA 24 Hour Accumulation Topographic

