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**Weather premium coming out of corn –** *Traders removed much if not all of the weather premium from December corn futures amid wet forecasts for a good portion of the Corn Belt ahead of pollination. Funds liquidated more long positions, a process that could continue if they view weather as price-negative. Soybeans paused as China showed up as a buyer of U.S. new-crop on the price break. HRS wheat futures found support from plunging crop condition ratings and appear poised to challenge their early June contract highs. Strength in spring wheat helped the winter wheat markets stave off much of the normal seasonal pressure during harvest. Cattle futures traded sideways to higher as the cash market continues to strengthen. Hogs continued to plunge and extended their steep discounts to the cash index.*

## Active weather over central U.S.

Widespread rains are expected across the central and eastern Corn Belt through at least the July 4 weekend. About two-thirds of the Corn Belt should have sufficient moisture ahead of corn pollination. Rains will be light and scattered across the western third of the Corn Belt and Northern Plains, where a high pressure ridge is expected to move in by midweek.

## SCOTUS rules in favor of refiners

The U.S. Supreme Court on Friday ruled in favor of small refineries in their attempt to get exemptions from biofuel blending requirements. The ruling overturned a lower court decision saying EPA could only grant small refinery exemptions (SREs) to those that had previously received them.

This puts the SRE situation in disarray and raises questions about prior-year and pending SREs for the 2019 and 2020 compliance years. We think the initial negative market reaction in corn and soyoil was overdone considering the administration will not likely approve many (if any) additional SREs.

## Acreage, Grain Stocks data this week

Analysts expect USDA's Acreage Report on June 30 to show corn plantings increased around 2.7 million acres from March intentions to 93.8 million acres and soybean acres rose 1.4 million to 89.0 million acres. Spring wheat plantings are expected to have declined around 300,000 acres from March intentions to 11.4 million acres and cotton seedings are anticipated to have dropped 200,000 acres to 11.8 million acres.

June 1 stocks are expected to be 4.13 billion bu. for corn, 773 million bu. for soybeans and 861 million bu. for wheat. June 1 wheat stocks will be final 2020-21 carryover.

## Consultant cuts Brazil corn crop more

South American Crop Consultant Dr. Michael Cordonnier cut his Brazilian corn crop peg by 2 million metric tons (MMT) to 90 MMT, citing generally lower-than-expected yields on early harvested safrinha acres. Cordonnier raised his Argentine corn crop estimate by 500,000 metric tons to 47 MMT.

## Infrastructure deal, but still big hurdles

President Joe Biden and a bipartisan group of lawmakers reached a deal that includes $579 billion in new spending on infrastructure and a total price tag of $1.2 trillion over eight years. The measure focuses on traditional infrastructure like roads, bridges, rail and broadband.

Biden says he won't sign the bipartisan deal on physical infrastructure if there isn't passage of more elements of his broader $4 trillion economic agenda. The "human infrastructure" portion, which faces strong GOP opposition, will come later via a budget reconciliation package that will be linked to the physical infrastructure compromise.

Bottom line: The infrastructure finish line is further away than most think.

## Later than sooner on livestock pricing

Senate Ag Chair Debbie Stabenow (D-Mich.) wants more time for the industry to reach agreement and for panel lawmakers to discuss livestock pricing. The issue is complex and will take a major effort and time. We have a look at both sides of the livestock pricing issue on *News page 4*.

## Senate clears ag climate measure

The broadly supported bipartisan measure would direct USDA to help farmers, ranchers and private forestland owners move into voluntary carbon credit markets. USDA would provide technical assistance on sustainable land management practices through vetted and certified third parties. USDA would also review and certify third-party verifiers who determine if a project meets required protocols and qualifies for credits. There is a companion bill in the House.

## Additional dairy aid coming

The Biden administration will likely announce another $750 million to $1 billion in direct payments to dairy producers. But the total of the coming direct payments has changed several times, as well as how it will be distributed. It is unclear if this will be part of an announcement on June 29 when Biden and USDA Secretary Tom Vilsack visit Wisconsin.

## Spring wheat conditions plunge

As of June 20, USDA rated just 27% of the U.S. spring wheat crop as "good" to "excellent," down 10 points for the week. The amount of crop rated "poor" to "very poor" jumped 10 points to 37%. This is the second worst "good" to "excellent" rating for the third week of June behind 1988 when only 5% of the crop was pegged in the top two categories. In top producing North Dakota, just 19% of the crop was rated "good" to "excellent," with 50% "poor" to "very poor."

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the spring wheat crop plunged 27.8 points to 277.0 points. That was 91.1 points below the five-year average for the date.

## Corn, bean CCI ratings keep sliding

USDA rated 65% of the corn crop and 60% of the soybean crop as "good" to "excellent," down three and two points, respectively. The "poor" to "very poor" ratings rose one point each to 6% for corn and 9% for soybeans.

On our weighted CCI, the corn crop dropped 5.6 points to 366.7 points and was 8.6 points below the five-year average for the third week of June. The soybean CCI rating declined 3.4 points to 354.6 points and was 9.1 points under the norm for this date. The corn CCI was 21.2 points below the initial rating in late May. The soybean CCI was 12.3 points below its first rating in early June.

### *Yield implications from current crop ratings surprising*

We looked at other years with corn crop ratings between 62% and 68% at this time of year. There wasn't a direct correlation to poor yields. Surprisingly, a couple of years with below-average crop ratings in the third week of June produced a record yield, most recently in 2017. The dry conditions to date in western and northern areas mean timely rains will be needed in these driest areas from pollination forward.

While the critical weather timeframe for soybeans isn't until August and September, there was more of a tendency for sub-trendline yields than there was for corn in years with soybean condition ratings were within three percentage points of 60% in the third week of June.

## Big improvement in cotton conditions

USDA rated 52% of the cotton crop as "good" to "excellent," a seven-point jump from the previous week. On our weighted CCI, that translated to a 7.8-point increase to 364.0 points. The cotton CCI rating was 18.0 points above the five-year average at 364.0 points, up 14.2 points from the initial rating in late May.

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## Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

**Vermillion Co. (east-central) Illinois:**
*"Our corn is a train wreck after we received a 4.5 to 5 inches of rain in a few hours along with 75-plus mph winds. Some of the corn is just laying flat, but some of the plants snapped."*

**Tazewell Co. (central) Illinois:**
*"Our corn was all 'good' to 'excellent' before the storm rolled through and flattened it. Even if it comes back up it's going to be a pain to pick. Route 9 from Pekin to Bloomington looks to be the worst area. Mostly because the corn was taller."*

**Macon Co. (central) Illinois:**
*"Drove from Decatur to St. Louis on June 20. Corn and soybeans look great."*

**Parke Co. (west-central) Indiana:**
*"Our corn that was laying flat after high winds and heavy rain stood back up in two days. I can't believe how quickly it recovered."*

**Jackson Co. (southwest) Minnesota:**
*"I'm amazed how much this corn has grown with basically zero water. But we're going to need rain soon to get through pollination."*

**Western South Dakota:**
*"Wheat is toast out west [of the Missouri] river. Corn still has a chance if we get some rains."*

**Davison Co. (east-central) South Dakota:**
*"This is the first time I've ever irrigated corn in June."*

**Northeast North Dakota:**
*"Received only 0.15 inch of rain. Corn still looks like pineapples. Took a drive and there is not a good crop of anything around here."*

**South-central North Dakota:**
*"Forecaster said we would get 0.25 to 0.5 inch of rain, but we only got a sprinkle. Corn is in tough shape."*

**Kossuth Co. (north-central) Iowa:**
*"Planted our corn in perfect conditions in April, but we've had less than two inches of rain since. My corn looks like pineapple fields."*

**North-central Iowa:**
*"Yards are 80% 'poor' to very poor.' Corn and beans are surprisingly decent looking considering moisture deficits over the past year are 10.8 inches for Fort Dodge and 11.5 inches for Mason City."*

**Lyon Co. (northwest) Iowa:**
*"My corn on 98.5 CSR2 ground is not looking good. Crops on the poor ground look way better than the good ground."*

**Montgomery Co. (southwest) Iowa:**
*"Storm north of Red Oak, Iowa, left hail damage for some. But the growing point wasn't harmed, so some new leaves are already poking through my corn."*

## U.S. hog herd contracts 2.2%

USDA in its Hogs & Pigs Report estimated the U.S. hog herd at 75.7 million head as of June 1, down 1.7 million head (2.2%) from last year. The market hog inventory at 69.4 million head declined 1.6 million head (2.3%), while the breeding herd at 6.2 million head dropped 96,000 head (1.5%).

| Hogs & Pigs Report | USDA actual | Trade expected |
|---|---|---|
| | *(% of year-ago)* | |
| ***Inventory —*** | | |
| All Hogs/Pigs | 97.8 | 97.7 |
| Breeding | 98.5 | 98.9 |
| Marketing | 97.7 | 97.6 |
| ***Pig Crop —*** | | |
| Mar.-May | 96.9 | 98.1 |
| Pigs/litter | 99.5 | 100.5 |
| ***Farrowings —*** | | |
| Mar.-May | 97.4 | 97.6 |
| June-Aug. Ints. | 95.6 | 96.7 |
| Sept.-Nov. Ints. | 98.2 | 99.2 |
| ***Market Hog Inventory —*** | | |
| Under 50 lbs. | 97.1 | 99.1 |
| 50-119 lbs. | 97.3 | 99.0 |
| 120-179 lbs. | 98.5 | 95.6 |
| 180 lbs. plus | 98.5 | 94.4 |

The spring pig crop came in smaller than anticipated, down 1.1 million head (3.1%) from last year at 33.6 million head. Farrowings in the March-May period fell 2.6%, which was basically in line with what USDA estimated in March. The number of pigs saved per litter slipped 0.5%, whereas traders expected the figure to be up that amount versus the March-May 2020 period.

Producers intend to reduce the number of sows farrowed by 4.4% during summer and 1.8% next fall. Both of those were slightly bigger-than-expected reductions.

Traders expected inventories for market hogs above 120 lbs. to be down roughly 4.5% to 5.5%. Instead, USDA reported them down 1.5%, suggesting the near-term market-ready supply will be bigger than anticipated, though slaughter will be below year-ago levels. USDA's data implies slaughter numbers will slide to around 3% under year-ago through fall and winter.

Though near-term slaughter numbers will be greater than anticipated based on the heavyweight market hog inventories, the sharp price slide into the report could attract some corrective buying given the huge discounts summer-month futures hold to the cash market.

### *Revisions to past data*

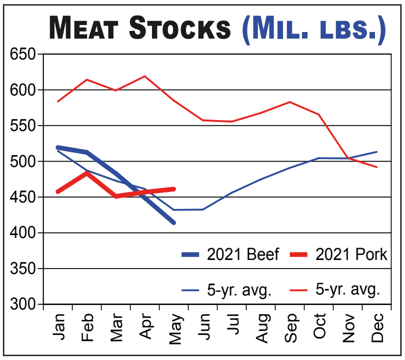
USDA reduced the Dec. 1, 2020 hog inventory by 300,000 head (0.6%) due to a smaller fall 2020 pig crop. USDA increased the March 2021 hog inventory by 140,000 head (0.2%).

## Mexico bans pork from Tar Heel plant

Mexico has temporarily blocked all shipments from the Tar Heel, North Carolina, Smithfield pork plant due to concerns about the quality of hog skins from that facility. The company can continue to ship pork to Mexico from its other U.S. facilities.

## Beef stocks continue to decline

There were 414.0 million lbs. of beef in frozen storage as of May 31, according to USDA's Cold Storage Report, a 34.8-million-lb. (7.8%) retreat from April versus the five-year average drawdown of 29.3 million lbs. for the month. Frozen beef stocks declined 3.3 million lbs. (0.8%) compared with last year but were 18.1 million lbs. (4.2%) under the five-year average for the end of May.




Frozen pork stocks at 461.1 million lbs. rose 4.2 million lbs. (0.9%) from April versus the usual 34-million-lb.-retreat for the month. Stocks declined just 6.8 million lbs. (1.5%) from year-ago but were 123.9 million lbs. (21.2%) below the five-year average. While the contra-seasonal build in pork stocks suggests demand didn't keep pace with supplies during May, inventories are far from burdensome.

Total chicken supplies at 730.3 million lbs. climbed 1.0% for the month but fell 14.9% from year-ago. Chicken breast meat inventories at 204.3 million lbs. fell 14.0 million lbs. (6.4%) from last year's record.

## Argentina partially lifts beef export ban

Argentina will re-establish shipment of some beef cuts through year-end. But exports will be allowed at only up to 50% of last year's average shipments through Aug. 31. After that, domestic supplies and prices will be reevaluated and the 50% quota could be altered.

The Argentine government will provide stimulus to cattle ranchers to increase beef production to adequately supply the domestic market and allow for growth in exports. The government wants to increase beef production from the current 3.2 million metric tons (MMT) per year to 5 MMT.

## Suit: Smithfield misled consumers

Consumer group Food & Water Watch filed suit against Smithfield Foods, charging the company with "fearmongering" about a meat shortage during the Covid-19 pandemic and misrepresenting worker safety measures. The group took issue with Smithfield stating the country was "perilously close to the edge in terms of our meat supply" while the company's meat exports were rising. The group said Smithfield's warnings on supply prompted consumers to stock up on meat. Smithfield said the allegations of price manipulation are "wrong," and it stressed its plant safety measures were comprehensive and guided by medical and worker safety experts.

# Wheels turning on changes to the U.S. meat industry

**By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete**

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The U.S. meatpacking industry faces stricter oversight following complaints about meat companies' alleged influence over markets and farmers. USDA is crafting new rules that would change how companies pay chicken farmers, while making it easier for farmers to pursue disputes against meatpackers, the agency said this month.

On Capitol Hill, Republican and Democratic lawmakers have proposed legislation that would require beef processors to buy more cattle on open markets and set minimum regional prices. Senators rolled out a separate bill that would appoint a special investigator to enforce meatpacking regulations and probe potential anticompetitive conduct, which USDA Secretary Tom Vilsack told us he supports.

The Senate Ag Committee held a hearing June 23 to examine meatpackers' cattle purchasing and how that affects livestock markets and meat prices for consumers. As expected, no consensus was reached... but at least they are talking about the cattle pricing issue.

### *USDA official points a finger*

Andy Green, USDA's senior adviser for fair and competitive markets, said some of farmers' troubles stem from a handful of companies controlling the bulk of U.S. meat processing. "America's food industry has a monopoly problem," said Green, a former senior fellow for economic policy at the think-tank Center for American Progress, who joined USDA earlier this year. "There's a lot that we want to do to bring competition back to the market."

### *USDA offers support for new and smaller meat-processors*

USDA announced that $55.2 million in competitive grant funding is being made available through the new Meat and Poultry Inspection Readiness Grant (MPIRG) program. The effort uses funds set aside under the fiscal year 2021 omnibus spending and Covid-19 relief package enacted in December and is part of a $4-billion program to strengthen the U.S. food system. "We are building capacity and increasing economic opportunity for small and midsized meat and poultry processors and producers across the country," Vilsack said. USDA said it encourages MPIRG applications that focus on "improving meat and poultry slaughter and processing capacity and efficiency; developing new and expanding existing markets; increasing capacity and better meeting consumer and producer demand; maintaining strong inspection and food safety standards; obtaining a larger commercial presence," and those that aim to increase access to slaughter or processing facilities "for smaller farms and ranches, new and beginning farmers and ranchers, socially disadvantaged producers, and veteran producers."

### *North American Meat Institute pushes back*

The North American Meat Institute, which represents meat companies, is pushing back against tighter regulations for the industry. Mark Dopp, the group's head of regulatory affairs, said USDA's planned rules would narrow farmers' options to sell livestock, enable frivolous lawsuits and potentially boost supermarket prices for burgers and chicken breasts. USDA under the Obama administration proposed similar rules that were later blocked by Congress and court challenges. He said, "They were a bad idea then and they're still a bad idea."

Calls for the government to make the food system more resilient by ensuring there is more packing capacity "ignore important considerations," Dopp said. "First, in the hog industry more capacity has been added over the last several years in response to market forces. Significant harvest facilities have been opened in the last few years in Michigan, Missouri and Iowa, with smaller plants also opening — before the pandemic and in response to market forces. And just last week Wholestone Farms announced plans to build a packing facility in South Dakota. In cattle, a plant recently opened and expansions and new facilities have been announced, all in response to market forces."

"These new entrants or company expansions were based on decisions to build or expand based on market conditions, not because of government intervention," Dopp stressed.

"The pandemic may be the ultimate black swan event," said Dopp, but its occurrence does not automatically mean the system needs to be torn down and rebuilt." He noted:

- "Americans spend less of their disposable personal income on food than any other country in the world."
- "Rhetoric about increasing concentration in the beef industry does not match reality. The United States has had four firms operating in the space for more than 25 years."
- "The factors with the greatest effect on markets are livestock inventory and the ability of packers to utilize their capacity."
- "Efforts to increase capacity through government intervention are shortsighted."

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Farm Journal CEO, Andrew Weber

## CATTLE - Fundamental Analysis

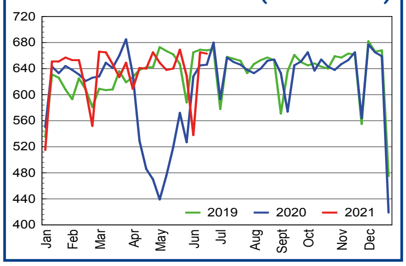
Beef cutout values have continued falling lately, reflecting reduced grocer buying for the post-Independence Day period and some of the largest cattle slaughter totals of the year in late May and early June. And yet, country cattle prices are rising and bringing the relationship between cattle and beef prices back toward more normal levels. The recent cash rally looks remarkably similar to the 2014 surge to record highs. Prices probably won't reach such elevated levels in the coming months, but the situation seems likely to justify the large premiums built into winter and spring cattle futures.

### Position Monitor

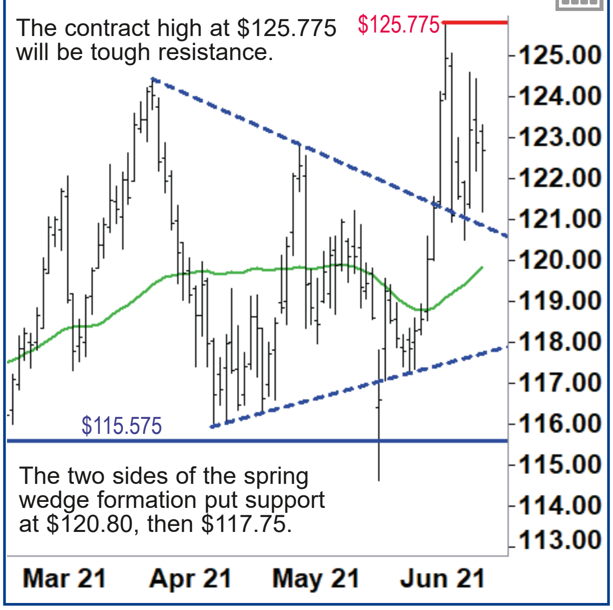
| Game Plan: | Feds | Feeders |
|---|---|---|
| II'21 | 0% | 0% |
| III'21 | 0% | 0% |
| IV'21 | 0% | 0% |
| I'22 | 0% | 0% |

The overall technical posture remains bullish for live cattle futures. Continue to carry risk in the cash market unless futures signal a top.

### WEEKLY CATTLE KILL ('000 HEAD)




### DAILY AUGUST LIVE CATTLE




## HOGS - Fundamental Analysis

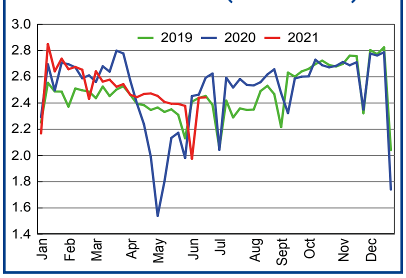
The CME hog index peaked at $122.68 on June 14 and has been falling seasonally since. As a result, futures traders have been selling aggressively, having taken the expiring July contract down to $100.025 and sending December futures falling to $74.125 on June 24. These implicit forecasts seem greatly overdone, possibly due to traders remembering the depressed prices that prevailed during the second half of 2020. Of course, much of that weakness stemmed from last year's Covid-19 disruptions. We expect a short-term futures rebound, especially if the rate of cash losses doesn't accelerate.

### Position Monitor

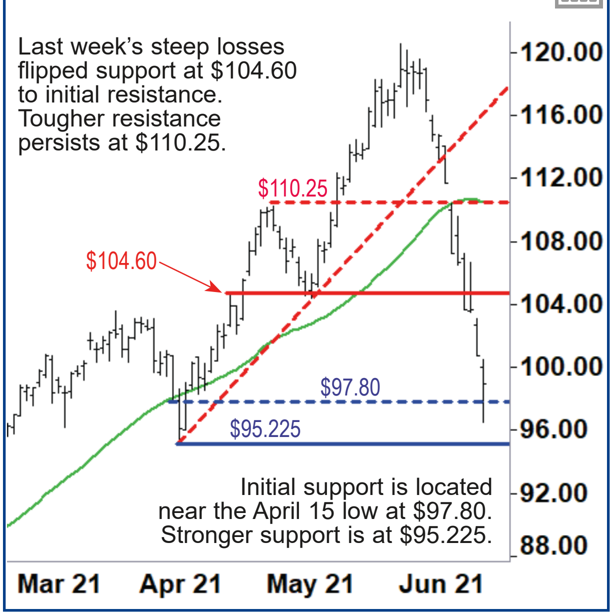
| Game Plan: Hold third-quarter hedges in July futures. | Lean Hogs |
|---|---|
| II'21 | 0% |
| III'21 | 25% |
| IV'21 | 0% |
| I'22 | 0% |

The sharp price break in futures is overdone. We'll wait on a price recovery to extend hedge coverage.

### WEEKLY HOG KILL (MIL. HEAD)




### DAILY AUGUST LEAN HOGS




## FEED

### Feed Monitor

| Corn | |
|---|---|
| II'21 | 100% |
| III'21 | 67% |
| IV'21 | 0% |
| I'22 | 0% |

| Meal | |
|---|---|
| II'21 | 100% |
| III'21 | 83% |
| IV'21 | 25% |
| I'22 | 0% |

**Corn Game Plan:** On June 23, we covered 50% of corn-for-feed needs for August and September in the cash market. See "From the Bullpen" on *Analysis page 4*.

**Meal Game Plan:** On June 23, we advised covering another 25% of August and September soymeal needs and 25% of fourth-quarter needs in the cash market. See "From the Bullpen" on *Analysis page 4*.

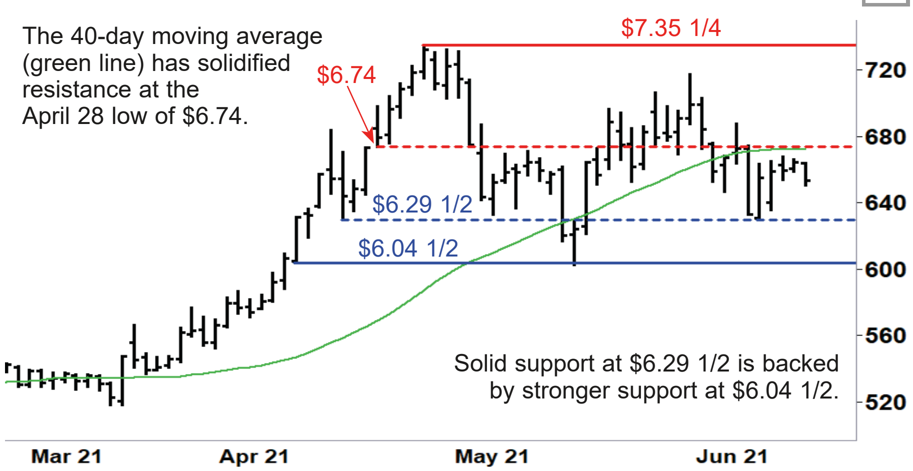
### DAILY SEPTEMBER SOYBEAN MEAL

**Position Monitor**

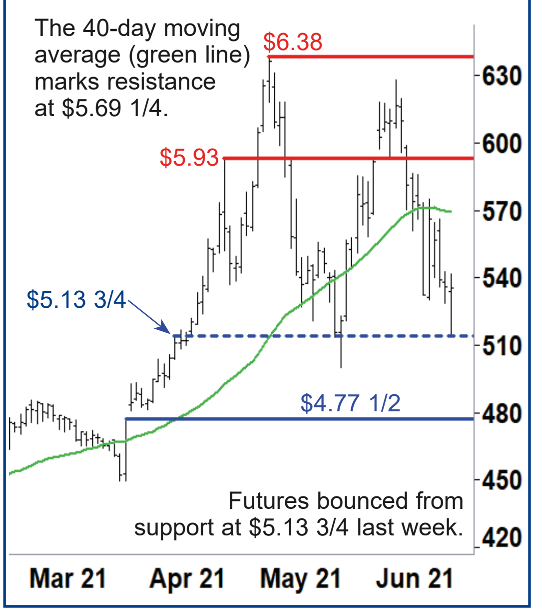
| | '20 crop | '21 crop |
|---|---|---|
| Cash-only: | 90% | 30% |
| Hedgers (cash sales): | 90% | 30% |
| Futures/Options | 0% | 0% |

**Game Plan:** Wait on a price rebound to get current with advised sales. We plan to hold remaining old-crop gambling stocks through at least pollination of this year's crop. Much of the weather premium has been removed from the market as weather looks favorable for about two-thirds of the Corn Belt into early July. A return of hot, dry weather would likely cause traders to rebuild some of that premium.

**DAILY JULY CORN**



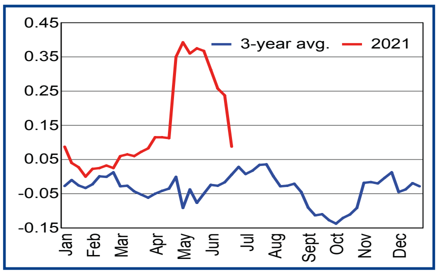

**DAILY DECEMBER CORN**



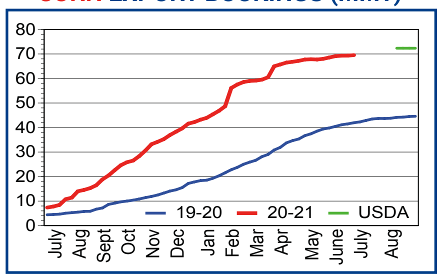

## CORN - Fundamental Analysis

Futures tumbled to the lowest levels in nearly a month, with $5 in sight for the December contract, amid growing confidence that late-June rainfall in much of the U.S. Midwest replenished dry soils. And USDA crop condition ratings at some point will need to reverse a month-long slide. But a few critical pockets of the region, including the northwest Corn Belt, keep missing out on rains. Longer-term forecasts are warmer for early July, when most of the crop pollinates, and there's always potential for surprises in the USDA's June 30 Acreage and Grain Stocks reports. A summer rally can't be ruled out, even if December's $6.38 contract high appears out of reach.

**AVERAGE CORN BASIS (JULY)**




**CORN EXPORT BOOKINGS (MMT)**




**Position Monitor**

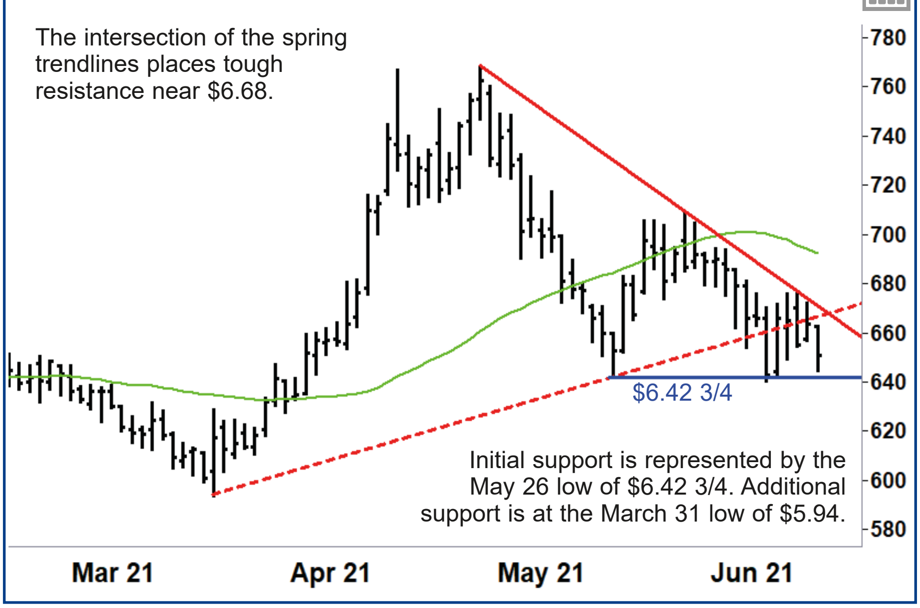
| | '21 crop | '22 crop |
|---|---|---|
| Cash-only: | 60% | 10% |
| Hedgers (cash sales): | 60% | 10% |
| Futures/Options | 0% | 0% |

**Game Plan:** You should get current with 2021- and 2022-crop sales on price strength. We'll use rallies to increase 2021- and 2022-crop sales. Price rallies led by spring wheat supply concerns can be explosive, but they're usually short-lived.

## WHEAT - Fundamental Analysis

**SRW —** Futures traded sideways, with pressure from the accelerating winter wheat harvest offset by sharp gains in spring wheat. The July contract's June low of $6.37 1/4 bears watching, with potential for more price downside if favorable crop weather drives corn futures even lower.

**DAILY SEPTEMBER SRW WHEAT**

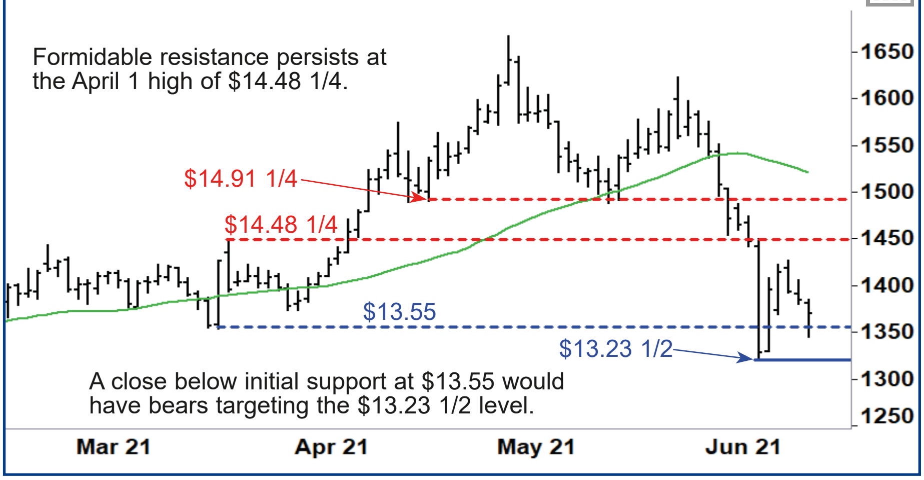


## Position Monitor

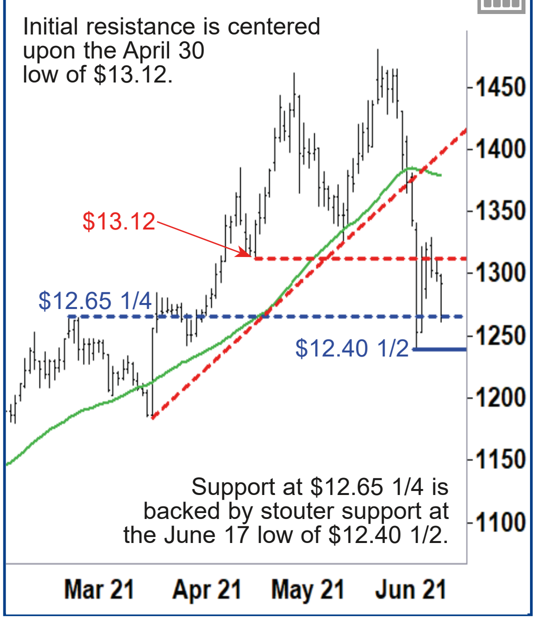
| | '20 crop | '21 crop |
|---|---|---|
| Cash-only: | 90% | 30% |
| Hedgers (cash sales): | 90% | 30% |
| Futures/Options | 0% | 0% |

**Game Plan:** Wait on a price recovery to get current with advised sales. We'll hold remaining unpriced old-crop bushels as gambling stocks as inventories will be tight into new-crop harvest. Traders have removed much of the premium from soybean futures. Given the improved weather heading into corn pollination, soybeans may have to lead a price recovery later this summer if there's a weather threat.

### DAILY JULY SOYBEANS



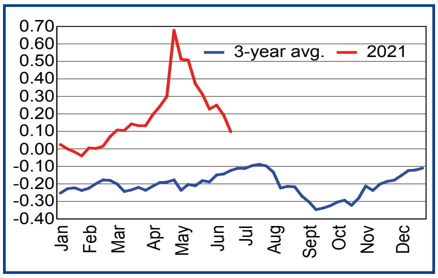

### DAILY NOVEMBER SOYBEANS



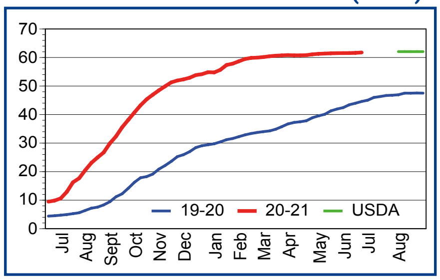

## SOYBEANS - Fundamental Analysis

Futures managed a modest bounce and consolidation after the steep declines the previous week, but the market otherwise did little to muster bullish enthusiasm or counter arguments price highs have been hit. Midwest weather remained largely favorable for crops and chart technicals look poor, with November futures some $2 below the $14.80 contract high hit June 7. USDA's June 30 Acreage and Grain Stocks report could set the stage for a price bounce or another leg lower. Additional Chinese soybean purchases could make things interesting, and the key flowering and pod-setting development phases, usually in August, mean crops could still be vulnerable to late-summer heat and dryness.

### AVERAGE SOYBEAN BASIS (JULY)

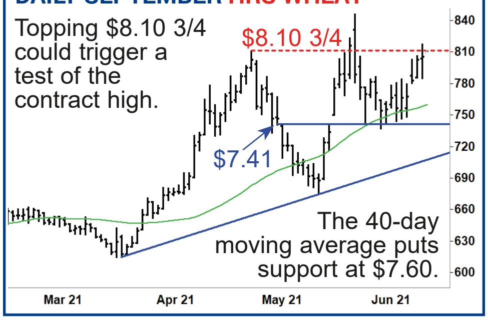



### SOYBEAN EXPORT BOOKINGS (MMT)

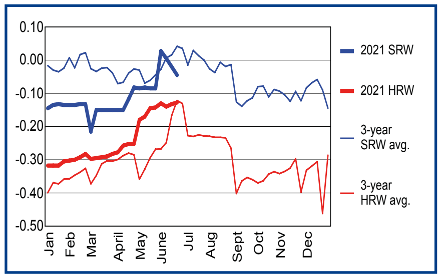



### DAILY SEPTEMBER HRW WHEAT

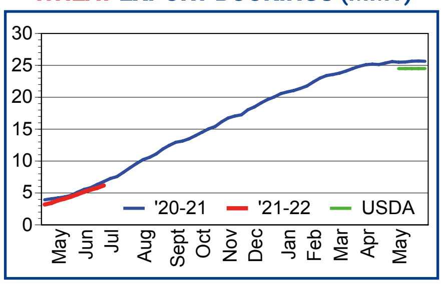

### DAILY SEPTEMBER HRS WHEAT




### AVERAGE WHEAT BASIS (JULY)




### WHEAT EXPORT BOOKINGS (MMT)




**HRW** — Sideways-to-firmer trade was the order of the week, with the winter harvest still lagging behind the typical pace. USDA reported winter wheat harvest was 17% complete as of June 20, compared to 26% for the five-year average. Any rallies would likely require leadership from HRS, with July HRW's $5.83 3/4 low for June worth watching.

**HRS** — September futures surged over 6% this week and appear poised for a run at the $8.45 3/4 contract high, hit June 7, as heat and dryness withers the Northern Plains crop. HRS retains explosive upside potential, though another stunning, 10-percentage point drop in USDA's "good" to "excellent" rating, as seen last week, seems improbable.

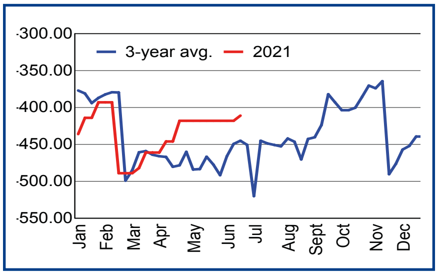
| Position Monitor | '20 crop | '21 crop |
|---|---|---|
| Cash-only: | 90% | 40% |
| Hedgers (cash sales): | 90% | 40% |
| Futures/Options | 0% | 0% |

**Game Plan:** Get current with sales advice. We are targeting a rebound to the 90.00¢ area to finish old-crop sales. Be patient on adding to new-crop sales.

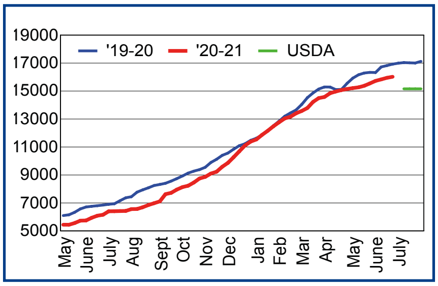
## COTTON - Fundamental Analysis

After surging above tough chart resistance on June 23, cotton futures set back to support at those levels in apparent response to weak results on USDA's Export Sales report the next day. Good new-crop prospects aren't helping bulls either, but stubborn futures strength implies industry optimism.

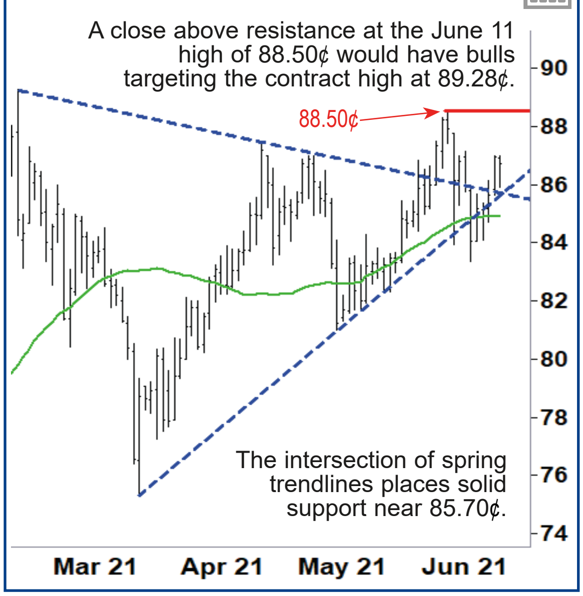
AVERAGE COTTON BASIS (OCT.)




COTTON EXPORT BOOKINGS ('000 BALES)




MAY COTTON




## GENERAL OUTLOOK

Vegetable oils: One of the markets that helped give rise to widespread talk of commodity inflation this spring was palm oil. As the chart shows, Malaysian oil had more than doubled from May 2020 to May 2021. But, as was the case with several other commodities, the subsequent breakdown has been dramatic. Inflation fears have diminished, taking the air out of numerous markets.

Given the palm oil market's influence over soybean oil values, it is rather remarkable that bean oil futures have recently avoided a much larger decline, especially with soybean prices also feeling considerable downward pressure.

That strength is being provided by the energy complex, since bean oil is a major feedstock for biodiesel. Heating oil futures hit their highest level since October 2018 last week, which seems likely to keep boosting bean oil.

WEEKLY MALAYSIAN PALM OIL


## FROM THE BULLPEN By Editor Brian Grete

Soymeal futures continue to fall and are at what we consider strong value levels in the mid-$300 range.

Therefore, we advised livestock producers on June 23 to cover another 25% of August and September soymeal needs in the cash market, pushing that coverage to 75% for both months. We also advised covering 25% of fourth-quarter meal needs in the cash market. Your cash meal coverage should now stand at 100% for July, 75% for August, 75% for September and 25% for the fourth quarter.

While we consider current price levels to be a strong value buy, there's additional near-term downside price potential given the market's weakening technical posture, which will keep us from further extending fourth-quarter coverage until there are signs the market has put in a low.

The drop in the corn market also provides an opportunity to extend corn-for-feed coverage. On June 23, we advised livestock producers to cover 50% of corn needs for August and September in the cash market. Your cash corn coverage now stands at 100% for July, 50% for August and 50% for September.

Ending stocks for corn and soybeans are projected to remain tight through the 2021-22 marketing year. Since traders have removed much of the weather premium from both markets, livestock producers must use the price weakness to extend coverage.

## WATCH LIST

| | | |
|---|---|---|
| 1 | **StatsCan Acreage Report**<br>Key will be spring wheat acres. | **TUES 6/29**<br>7:30 a.m. CT |
| 2 | **USDA Acreage Report**<br>Bigger corn, bean acres expected. | **WED 6/30**<br>11:00 a.m. CT |
| 3 | **USDA Grain Stocks Report**<br>June 1 corn stocks the focal point. | **WED 6/30**<br>11:00 a.m. CT |
| 4 | **USDA Export Sales Report**<br>*Did the price drop spur buying?* | **THURS 7/1**<br>7:30 a.m. CT |
| 5 | **USDA Soy, Grain Crush Rpts.**<br>U.S. crush data for May. | **THURS 7/1**<br>2:00 p.m. CT |