



### News this week...

- 2 – U.S. winter wheat damaged by mid-April freeze.
- 3 – China's hog/pork data doesn't add up.
- 4 – Brazil's shrinking corn crop would have broad impacts.

**Price surge continues** – Front-month corn futures pushed above \$6.50 for the first time since July 2013 last week, while new-crop December futures topped \$5.50. Mounting concerns with Brazil's safrinha corn crop are maintaining strong demand for U.S. corn despite surging prices and keeping funds pumping money into long positions. Front-month soybeans poked above the 2014 high, while new-crop November futures approached \$13.50. Wheat rallied after cold temps blasted the U.S. winter wheat crop and corn prices surged. Hot, dry weather this week is not what the crop needs to recover from the freeze damage. Cattle futures extended their sharp price drop as funds liquidated more long positions. Hog futures rebounded from their corrective selloff the previous week on rising cash hog and pork cutout prices.

## Brazil halts tax on corn, soy imports

Brazil will allow duty-free imports of corn, soybean and soy products from outside the Mercosur trade bloc through the end of 2021. Brazil's meat lobby wants the government to permit imports of U.S. GMO corn not approved in the country. There's also speculation corn exports could be limited if Brazil's corn crop continues to shrink (see *News page 4*).

South American Consultant Dr. Michael Cordonnier puts an export cap at "less than 50% odds," saying "the Brazilian government does not have a history of that."

## Attaché ups China's corn import peg

The U.S. ag attaché in Beijing estimates China will import a record 28 million metric tons (MMT) of corn in 2020-21, above USDA's official forecast of 24 MMT. China's commercial corn stocks are at 15-year lows. The attaché expects China's corn imports to decline in 2021-22 but remain strong at 15 MMT, as the tight supply/demand situation is unlikely to change "until late calendar year 2021 or 2022 at the earliest."

## China cuts corn, meal use in feed

China's ag ministry wants to cut corn use "at least 15%" in the North and Northeast and eliminate it in other areas due to tight supplies. Soymeal recommendations vary from a 5% to 10% cut to eliminating meal use in feed rations altogether. Some say the new guidelines only apply to feed makers who haven't already cut corn and soymeal use.

### China buys U.S. new-crop corn, French wheat

Export sources tell us Chinese buyers recently purchased up to 4 MMT of new-crop U.S. corn and at least 500,000 metric tons of French wheat for July to September shipment.

## Unusual global grain developments

Ukraine sold two shipments of rapeseed to Canadian buyers this month, a highly unusual development since Canada is the world's largest producer. France is importing a cargo of wheat from Romania, which is also unusual, possibly for delivery against Euronext May futures. And the price of corn is higher than wheat in many countries.

## Volatility alert! CME regs changing

CME Group will expand daily price limits for grain and soy futures, effective May 2. The new daily price limits will be 40¢ for corn (currently 25¢), \$1 for soybeans (70¢), \$30 for soymeal (\$25), 3.5¢ for soyoil (2.5¢) and 45¢ for SRW and HRW wheat (40¢). The exchange also raised maintenance margins for corn (13%), soybeans (14%), soymeal (10%), soyoil (15%) as of the close of business April 23. The Minneapolis Grain Exchange raised maintenance margins on May and July hard red spring wheat futures by 35.7%.

## Higher CRP rates, other incentives

USDA wants to enroll another 4 million acres in CRP by raising rental payments. This and other likely moves are seen as end-arounds to prohibitive government set-aside programs. USDA Secretary Tom Vilsack says adding CRP acres is in line with President Joe Biden's 30x30 goal but disputes that it's a "land grab" because participation would be "voluntary." The higher rental rates USDA wants will likely raise concerns in Congress since lawmakers put rate caps in place at the urging of farmers who said CRP was too competitive for land.

## Farmers' concerns with 30x30 plan

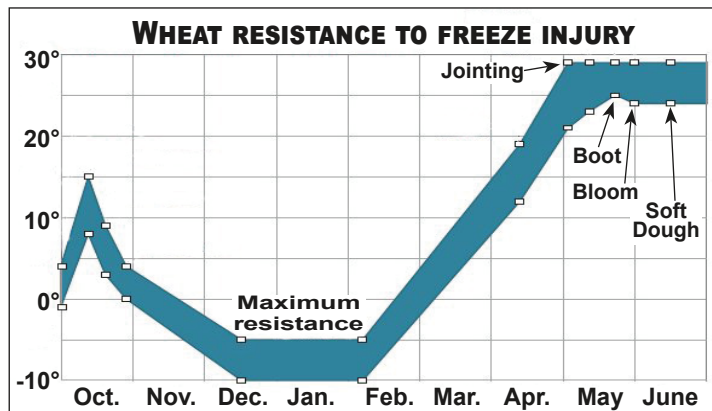
Farmers think Vilsack is using "voluntary" as an escape. American Farm Bureau Federation says concerns are "escalating regarding the intent of the 30x30 goal, the definition of conservation and the metrics for defining success." National Grain and Feed Association says programs that "drastically" idle U.S. acres "send market signals to competitors to plant more acres, resulting in negative climate and environmental impacts."

## Biden's tax plan coming this week

The plan would have a top marginal income tax rate of 39.6% and a capital gains rate of 43.4%. It's not clear whether the capital gains rate would apply this year or in 2022. Biden also wants to impose stepped-up basis and value assets when they are passed on to an heir, not at their original cost. Sen. Chuck Grassley (R-Iowa) says Biden's capital gains tax plan would "cut down on investment and cause unemployment."

## Winter wheat clipped by cold blast

Frosts and freezes hit U.S. winter wheat areas last week, with many areas of the Plains and Midwest recording low temps for multiple days. Damage assessments will take weeks and won't likely be fully known until harvest. Based on maturity of the crop and temperature readings, Oklahoma's crop was likely hit hardest. Temps there broadly dropped into the 27 to 29-degree range, with pockets of 23 to 26 degrees noted, while much of the state's crop was in the boot stage or starting to head. Temps weren't as low further south into Texas, though some pockets could have sustained crop damage. Crop maturity wasn't as far along from Kansas northward, but isolated damage from the freeze was likely. Damage to the soft red winter wheat crop in the Midwest, Mid-South and Southeast was likely limited.



## Steady crop ratings ahead of freeze

USDA's winter wheat crop ratings held steady at 53% "good" to "excellent" and 17% "poor" to "very poor" in the week ended April 18 — ahead of the latest cold blast. When USDA's weekly crop condition ratings are plugged into the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the HRW crop improved 0.1 point to 332.2 points, while the SRW crop slipped 0.2 point to 372.2 points. The HRW CCI rating is 0.2 point below the five-year average and the SRW rating is 12.6 above its norm for mid-April.

## Rapid spring wheat seeding

Spring wheat planting jumped eight points to 19% complete as of April 18, seven points ahead of the five-year average. Given dry soils, the crop should go in the ground quickly, but emergence may be an issue. The area of greatest concern is North Dakota, which produces around half of U.S. spring wheat. Moisture ratings are "short" to "very short" for 78% of the state's topsoil and 77% of its subsoil.

## Grains, currencies monitoring Russia

Russia recently increased the number of troops on the border with Ukraine to the largest since 2014, though troops have reportedly been told to vacate by May 1. But Russian President Vladimir Putin warned Moscow would deliver a swift and harsh response to any foreign threat or an increase in domestic protests. Russia-based consultancy SovEcon believes a "substantial escalation of the conflict is unlikely. However, if tensions rise to 2014 levels, the grain market could become concerned about potential restrictions for vessels carrying Ukrainian grain from Azov terminals and, more importantly, Turkey could restrict access to Bosphorus for Russian vessels, putting 90%-plus of its grain exports at risk." There was similar speculation in 2014, but it never came to fruition.

Meanwhile, sparring between Washington and Moscow is also increasing, with the White House threatening to cut Russia's ties to the global financial system. Some western strategists are concerned that Moscow and Beijing may coordinate their actions on digital currencies to challenge the U.S. dollar and maximize pressure on President Joe Biden.

Vince Malanga, president of LaSalle Economics, told us, "Russia is too small of an economy on its own to be a currency threat. China is a different story and it seems to be moving ahead digitally at a faster rate than the U.S. This is not a near-term threat but it could be down the road unless the U.S. gets moving [on a digital currency plan]."

## Rains slow Argy harvest, boost crops

Rains in Argentina aren't as heavy as Brazilian farmers faced, but they have slowed corn and soybean harvest efforts, which are running well behind their respective five-year averages. Yields on early harvested soybeans and corn are highly variable due to hit-and-miss rainfall through the growing season. The rains, however, stabilized later-maturing crops across the country. That should increase yields and may add to final production.

South American Consultant Dr. Michael Cordonnier estimates the country's soybean crop at 45.0 million metric tons (MMT) and corn production at 45.5 MMT. The Buenos Aires Grain Exchange forecasts the soybean crop at 43.0 MMT and corn production at 46.0 MMT. The Rosario Grain Exchange raised its corn production forecast by 1.5 MMT to 50.0 MMT. It continues to project the country's soybean crop at 45.0 MMT.

## Argy wheat acres likely unchanged

Argentine farmers are expected to plant 6.5 million hectares to wheat for 2021-22, unchanged from the previous season, the Buenos Aires Grain Exchange forecasts. Despite rising international prices, "a prolonged water deficit in some key areas, a rise in the cost of fertilizers and the loss of competitiveness with other crops" will limit expansion of wheat plantings.



Follow us on Twitter:

@ProFarmer @ChipFlory @DavisMichaelson  
@BGrete @JWilson29 @MeghanVick

## Chinese hog/pork data doesn't jive

*Dim Sums: Rural China Economics* says, "All indications are that [Chinese] sow productivity has gone down, not up," as reported by Beijing. It lists the following factors for the decline:

- Many breeding farms stopped reporting performance data to the national genetic improvement program.
- No foundational breeding stock was imported to replenish breeding operations during 2018-19.
- Farms used female pigs meant for commercial herds as breeding sows, which are less productive and culled earlier.
- Some of these gilts brought diseases into sow barns.
- Illegal African swine fever (ASF) vaccines and naturally occurring variants of the virus led to its resurgence.
- Extremely cold weather last winter increased mortality rates and vulnerability to diseases.

*Dim Sums* says: "The productivity and nearly full recovery of swine numbers, including a sow inventory of 43.2 million head at the end of Q1 2021, is inconsistent with the sustained high price of piglets." Chinese data showed average pig prices were down nearly 16% in March from the peak in August 2020, but still more than four-fold higher than early 2019.

Meanwhile, hog carcass prices dropped 24% from January to April. *Dim Sums* asks, "Why are piglet prices and slaughtered hog prices moving in opposite directions? If pork supplies are really recovering so well, why have imports risen?" China's customs data showed pork imports rose 22% from year ago in the first quarter.

*Dim Sums* also questions, "If pork supplies have been growing since last year, why is the government continuing to dump frozen meat into the market to boost supplies?" The Chinese government sold 200,000 metric tons of frozen pork reserves into the market during the first quarter.

*Dim Sums* concludes, "These numbers appear to have some fat baked into them somewhere."

## Chinese hog producers' earnings drop

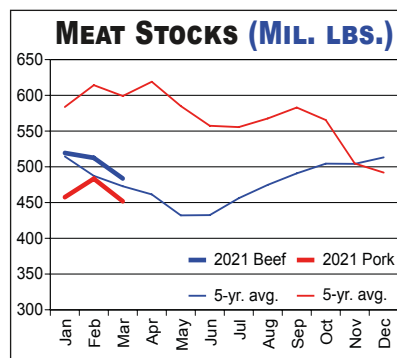
Top Chinese hog producer Wens Foodstuff Group reported a 71% dive in first-quarter earnings, despite gains from its poultry division. The country's No. 2 hog producer Jiangxi Zhengbang says quarterly profits will likely slide 77% from year-ago and its No. 4 producer New Hope Liuhe expects a 93% plunge in first-quarter profits versus year-ago. All three cited a resurgence of ASF, low sow productivity and rising feed costs for the huge earnings drops.

## China tries regionalized ASF control

China is establishing a five-region plan to control ASF and other animal diseases. Each region must report disease outbreaks in a timely manner, assess risks and issue control policies. There will also be disease-free zones to ensure no pigs aside from breeding pigs and piglets are moved in or out.

## Big drops in beef, pork stocks

USDA in its Cold Storage Report estimated there were 451.8 million lbs. of pork in freezers as of March 31, down 32.0 million lbs. (6.5%) from February and 147.3 million lbs. (24.6%) under the five-year average. The sharp monthly drawdown in pork stocks last month was more than double the five-year average of 15.2 million pounds. Pork production rose 12.5% versus February and was down 0.7% from year-ago during March, signaling pork demand outpaced supplies. Bone-in ham supplies were record-low at the end of March.



Beef stocks totaled 483.7 million lbs., down 28.9 million lbs. (5.6%) from February but up 10.9 million lbs. (2.3%) compared with the five-year average. Over the previous five years, beef stocks have dropped

14.5 million lbs. on average during March. Beef production rose 17.8% versus the previous month in March and was up 2.9% from year-ago, signaling beef demand also outpaced supplies.

Total chicken stocks at 740.3 million lbs. dropped 28.9 million lbs. (3.8%) from February and were 179.9 million lbs. (19.5%) under last year's record. Chicken breast meat stocks that will compete with beef and pork during grilling season dropped 22.7 million lbs. (10.0%) versus last year's record.

## Argy re-issues meat export registry

Argentina has reestablished an export registration system for meat to help avoid "possible imbalances in the domestic meat market in terms of supply, price and quality" as the country works to tame food price inflation. Argentina's farmers and ranchers are worried the registration system may foreshadow limits on meat exports like they did from 2008 to 2015 when current Vice President Cristina Fernández de Kirchner was president.

## Commodity prices to stay elevated

The World Bank expects global commodity prices to remain supported thanks to strong economic growth. Ag markets are expected to rise nearly 14% this year, with energy prices projected to climb more than 33% and metal values likely to jump 30%. But World Bank's outlook hinges on containment of Covid-19 and continued policy support measures for advanced economies, with the recovery deemed "highly uncertain." Also, World Bank says food inflation in Latin America, the Middle East and Africa averaged nearly 9% in January and February, and even stronger upward pressure is a risk if world price spikes "transmit into domestic markets."

# Brazil may not grow a record corn crop... and why it matters

By Editor Brian Grete

Coming into Brazil's 2020-21 growing season it was a foregone conclusion the soybean crop would be record-large and corn production would increase rather significantly from the previous year. High and rising prices gave Brazilian producers incentive to plant more acres, which they did. Weather was an uncertainty, with La Niña influencing rainfall patterns, though those years typically have a greater impact on Argentina's production than Brazil.

## **Brazil's soybean crop lived up to lofty expectations**

Brazil's soybean harvest is into the home stretch with less than 10% of the crop left in fields — mostly in the far southern state of Rio Grande do Sul. South American Crop Consultant Dr. Michael Cordonnier estimates production at a record 133 million metric tons (MMT), up 2 MMT from his initial projection last September and just 500,000 metric tons (MT) under the first forecast last September from Conab, Brazil's official crop-estimating agency.

Excessive rains across central and northern Brazil from February into early March robbed the crop of some yield potential, but quality issues and export delays were the biggest impacts. Brazil's soybean crop could have been a couple MMT bigger this year with cooperative late-season weather in central and northern production areas, but for all intents and purposes, the soybean crop performed as expected.

## **It could be a different story for Brazil's corn crop**

Conab initially projected Brazil's corn crop at a record 112.9 MMT for this year, which would have been up 10.9 MMT (10.7%) from last year's record. Earlier this month, Conab forecast the crop at 109.0 MMT. A *Reuters* survey of 11 analysts, including Conab, USDA and private crop forecasters in the U.S. and Brazil, projects the crop at 107.3 MMT, with a range of 103.4 MMT to 112.8 MMT.

Cordonnier cut his Brazilian corn crop estimate by 2 MMT to 103 MMT, which would still be record production, but he warned his forecast could continue to decline if weather stays drier. Some front-running analysts are mentioning a sub-100-MMT Brazilian corn crop and Cordonnier puts his minimum forecast at 95 MMT.

## **Safrinha production remains an extreme uncertainty**

Brazil's second (safrinha) corn crop is expected to account for around three-quarters of the country's total corn production. Due to excessive rains and soybean har-

vest delays, nearly all of Brazil's safrinha crop was planted later than normal. An estimated 30% to 50% was planted after the optimal yield window had closed. A later-planted crop doesn't guarantee lower yields, but it means Brazil's wet season likely needs to be extended to maximize yields. That's not happening. Cordonnier estimates 45% to 50% of the country's safrinha corn crop is currently facing some degree of moisture stress. As a result, Cordonnier cut his safrinha corn production expectations to 76.5 MMT versus the 82.6 MMT Conab estimated earlier this month.

## **'Brazil monsoon ending soon; safrinha crop at risk'**

World Weather Inc. warns that "evidence is rising the [Brazil's] monsoon season is about to end." If Brazil's dry season starts earlier than normal, the safrinha corn crop will need to rely on subsoil moisture to develop normally as topsoil moisture is dry in many areas.

Therein is the issue. World Weather says, "Subsoil moisture in the 45% of the safrinha corn produced outside of Mato Grosso was rated marginally adequate to slightly short. In northern Minas Gerais, southern and central Bahia, and an area near the Mato Grosso, Sao Paulo, Goias and Minas Gerais common borders subsoil moisture was rated very short."

World Weather warns, "The lack of moisture present in interior southern and portions of center-south Brazil combined with drier-biased conditions that will occur in some areas into the end of this month will likely lead to deteriorating crop and field conditions."

## **Why Brazil's corn production is so crucial**

USDA projects global corn stocks-to-use at 24.7% for 2020-21, which would be the lowest in seven years. That incorporates a Brazilian crop of 109 MMT. If that estimate is cut, it would further tighten the stocks-to-use ratio. It would also likely push more export demand to the United States. But the U.S. doesn't "need" more export demand. In fact, the market is trying to slow use via higher prices to keep ending stocks from getting too low. We already project U.S. old-crop ending stocks at 1.2 billion bu., 152 million bu. below USDA's forecast earlier this month.

The lower this year's Brazilian production falls, the tighter the global supply situation becomes. Barring a dramatic slowdown in global corn consumption via price rationing, global stocks-to-use will likely tighten even further in 2021-22.

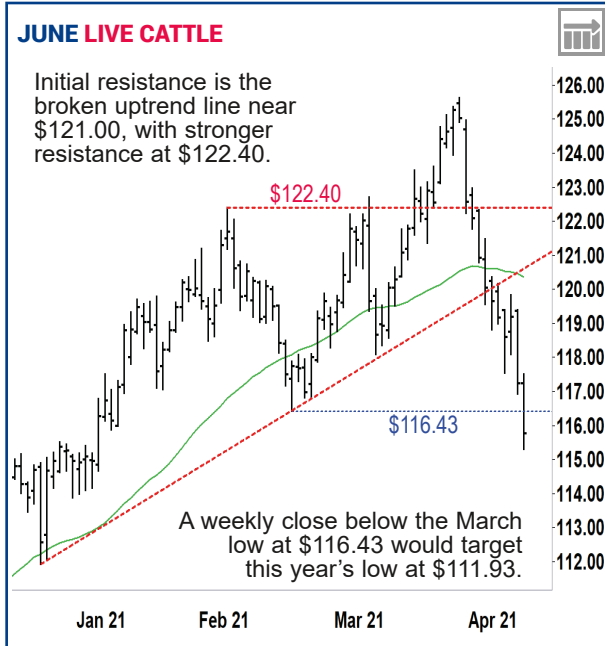
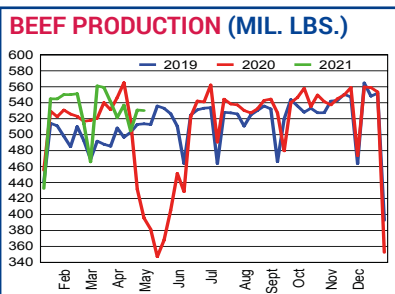
**CATTLE - Fundamental Analysis**

Cattle fell to the lowest price in seven weeks on active fund long liquidation as prices broke support. Packers have been buying cattle ahead for several weeks and the futures drop below the cash market encouraged more willing feedlot selling. That's in sharp contrast to the strong performance of the beef market. Consumers have not blinked at rising retail prices, with retailers still using beef features to attract shoppers. As restaurant dining was cut during the pandemic, consumers were willing to spend more to upgrade at-home dining. Feeders fell as corn prices surged to the highest since July 2013.

**Position Monitor**

Game Plan:	Feds	Feeders
Carry all risk in the cash market	II'21 0% III'21 0% IV'21 0% I'22 0%	0% 0% 0% 0%

as the downside is overdone. We want to wait on a price recovery to consider new hedges.

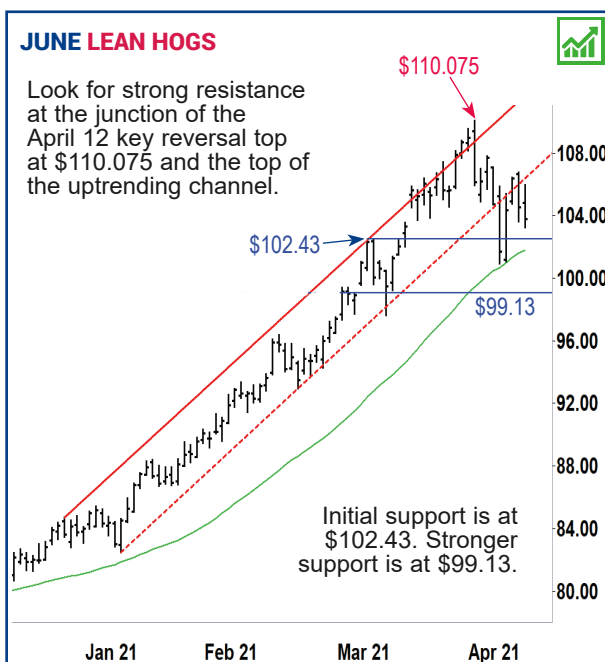
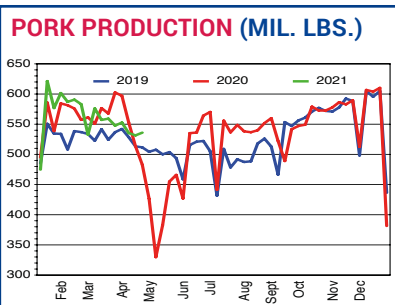


**HOGS - Fundamental Analysis**

Futures are near the 2014 high, and the CME Lean Hog Index is approaching its 2011 high. A continued rally will depend on further strength in domestic pork prices and the size of the seasonal decline in slaughter numbers into summer. Restaurant restocking is beginning to slow, which has caused the futures rally to stall. Unemployment bonuses and government payments lifted consumer incomes to record levels in 2020 and early 2021, supporting soaring pork demand and prices. Weekly pork export shipments rose to a new high for 2021, with Mexico and China the leading destinations.

**Position Monitor**

Game Plan:	Lean Hogs
Hold third-quarter hedges in July futures. Be prepared to add to coverage for third-quarter and place new fourth-quarter hedges on rallies near recent highs.	II'21 0% III'21 25% IV'21 0% I'22 0%



**FEED**

**Feed Monitor**

Corn	Corn Game Plan:
II'21 100%	You should have all corn-for-feed needs covered in the cash market through June. Wait for weakness before making additional purchases.
III'21 0%	
IV'21 0%	
I'22 0%	
Meal	Meal Game Plan:
II'21 100%	Soybean meal buyers should have all feed needs covered in the cash market through June. They should also have 50% of July through August meal bought in the cash market.
III'21 33%	
IV'21 0%	
I'22 0%	



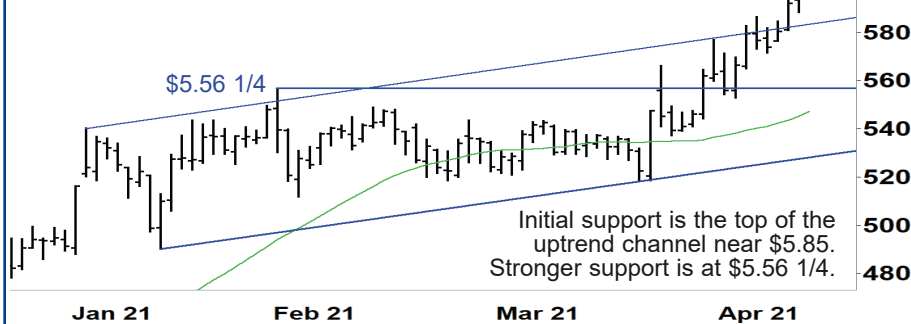
### Position Monitor

	'20 crop	'21 crop
Cash-only:	80%	20%
Hedgers (cash sales):	80%	20%
Futures/Options	0%	0%

**Game Plan:** All producers should get current with old- and new-crop sales advice. New highs last week should be rewarded. Be prepared to finish old-crop sales and make additional new-crop sales. Markets should remain supported by tight old-crop supplies and strengthening demand. While final planted acreage may rise from March intentions, that won't be known until the June 30 USDA update.

### JULY CORN

Prices soared above weekly resistance at \$6.00 and \$6.25. The next resistance levels from the monthly continuation chart are at \$6.80 and then \$7.65 (neither shown).



### DAILY DECEMBER CORN

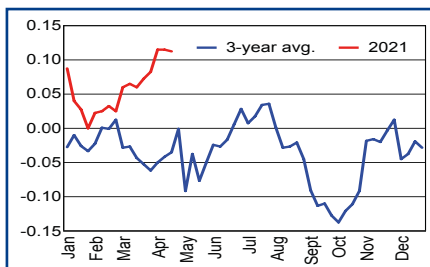
Rising above \$5.50 last week targets weekly chart resistance at \$6.00.



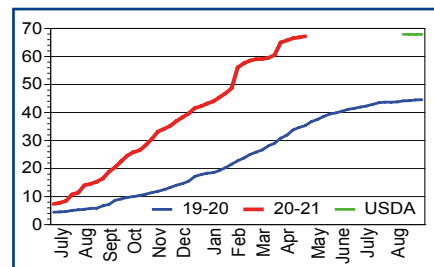
### CORN - Fundamental Analysis

Surging fund buying supported the explosive rally to eight-year highs. The fear of missing out on the rally among fund managers contributed to the limit-up move April 22 and likely pushed their long position to a record. CFTC raised speculative limits by 75% in March, so there is room for more buying. Old-crop futures are leading higher on strengthening cash basis as commercials scramble for supplies to cover record exports to China this summer as ethanol production returns to 2019 levels. New-crop is not far behind, with 17% of the U.S. corn area in drought and dry weather in Brazil cutting private crop forecasts and raising U.S. export potential into 2021-22.

#### AVERAGE CORN BASIS (MAY)



#### CORN EXPORT BOOKINGS (MMT)



### Position Monitor

	'20 crop	'21 crop
Cash-only:	85%	30%
Hedgers (cash sales):	95%	30%
Futures/Options	0%	0%

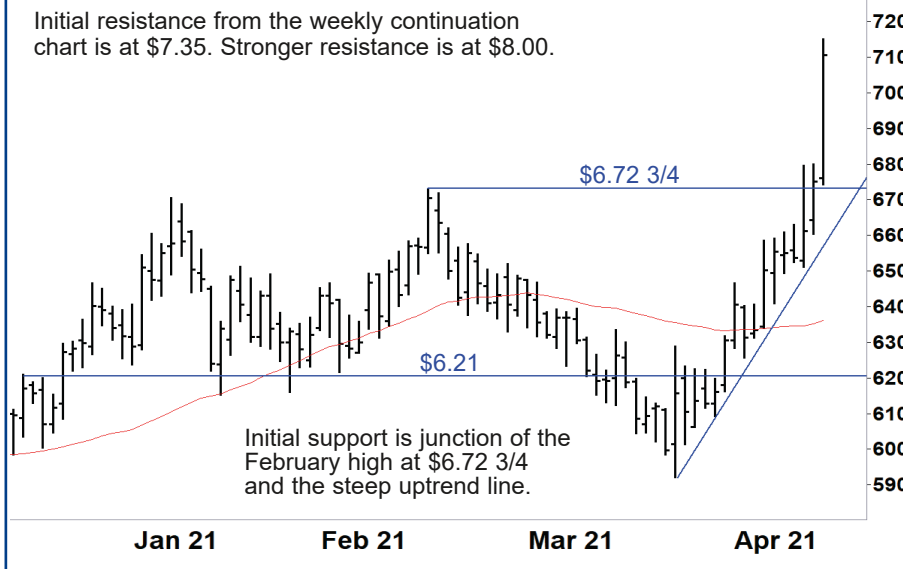
**Game Plan:** Get current with advised sales recommendations. Be prepared to finish old-crop sales and possibly add new-crop sales. Look for more volatility as the market sorts out weather risks versus high prices slowing demand.

### WHEAT - Fundamental Analysis

**SRW** – Prices soared to the highest on the weekly charts since 2014 as freezing temperatures hurt U.S. crops and dry weather risks are rising in Europe. Wheat followed surging corn prices on rising feed demand. Reports China bought French wheat added to active fund buying interest.

### JULY SRW WHEAT

Initial resistance from the weekly continuation chart is at \$7.35. Stronger resistance is at \$8.00.



### Position Monitor

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

**Game Plan:** Use market strength to make catch up sales for both old- and new-crop supplies. After USDA estimated a smaller-than-expected increase in U.S. planted acreage this year, the market will remain supported amid the warm, drier summer forecasts. On May 12, USDA will release its first 2021-22 supply and demand projections that will signal tight supplies will continue into 2022.

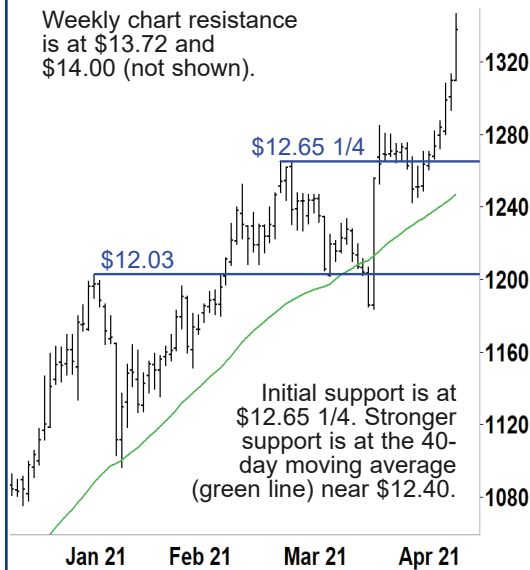
### JULY SOYBEANS

Weekly continuation chart resistance is at \$16.30, then \$16.63 (neither shown).



### DAILY NOVEMBER SOYBEANS

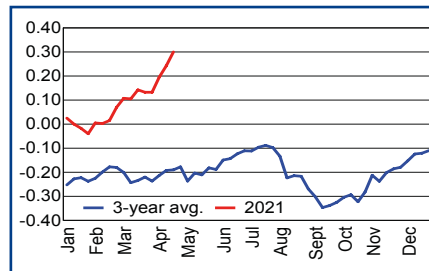
Weekly chart resistance is at \$13.72 and \$14.00 (not shown).



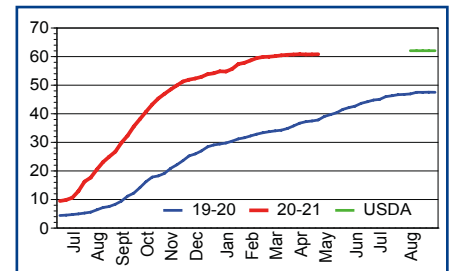
### SOYBEANS - Fundamental Analysis

Soybean prices surged above \$15 for the first time since August 2014 on aggressive fund buying amid a lack of farmer selling. Market volatility and cash basis levels should remain elevated. Old-crop soybean supplies are quickly tightening on record exports in the first half of the season and a strong crush. Chinese import demand has made its normal shift to Brazilian supplies. Chinese crush margins have improved amid strong soymeal prices and crushing operations are rising, easing recent concerns rising cases of African swine fever would hurt hog feed demand. Surging world vegetable oil prices are tightening global oilseed supplies, providing further support to the soy complex.

#### AVERAGE SOYBEAN BASIS (MAY)

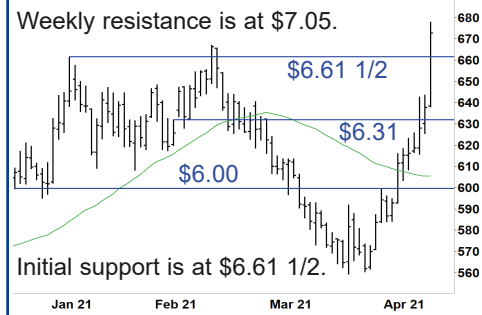


#### SOYBEAN EXPORT BOOKINGS (MMT)



### JULY HRW WHEAT

Weekly resistance is at \$7.05.

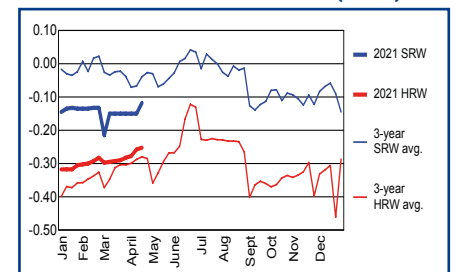


### MAY HRS WHEAT

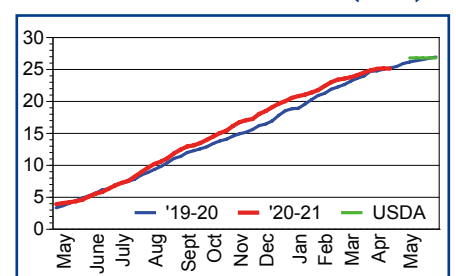
Weekly chart resistance is at \$7.81 (not shown).



#### AVERAGE WHEAT BASIS (MAY)



#### WHEAT EXPORT BOOKINGS (MMT)



**HRW** – Prices rose on cold weather and soaring corn prices. U.S. damage assessments will take weeks. Cattle feeders are saying wheat feeding is going to be higher than the market expects. This, of course, is mirrored worldwide. Russian wheat prices are rising amid concerns about escalating tensions with Ukraine and sliding crop outlooks.

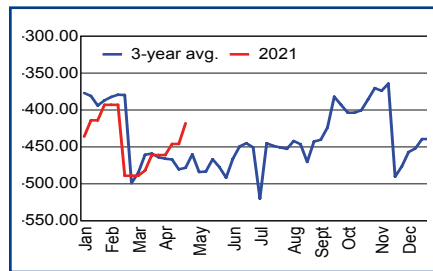
**HRS** – Spring wheat extended gains, but the market was following rather than leading higher. Dry forecasts and drought conditions in the Northern Plains and Canadian Prairies supported gains. StatsCan will issue planting intentions for Canadian crops this week and most look for a steep drop in wheat acres as farmers plan more canola, barley and corn.

## Position Monitor

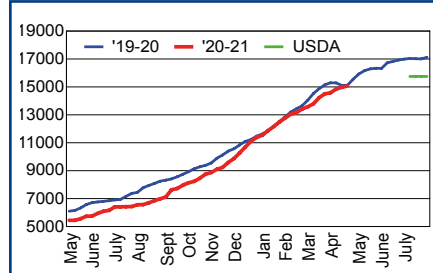
	'20 crop	'21 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

**Game Plan:** Get current with sales advice. Be prepared to finish old-crop sales and add to new-crop forward sales on further price rebounds.

## AVERAGE COTTON BASIS (JULY)



## COTTON EXPORT BOOKINGS ('000 BALES)



## COTTON - Fundamental Analysis

Cotton has followed rising grain and stock prices. Reopening of the U.S. economy remains supportive. Export demand is on pace for USDA to raise its forecast again on May 12. Texas remains too dry and this week will be too wet in the Southeast and Delta for planting.

## GENERAL OUTLOOK

**INFLATION:** The question is when a rare combination of massive fiscal stimulus and easy monetary policy will jolt inflation in the U.S. and the rest of the world.

Agricultural markets have rallied in part on anticipation of inflation's return, but that can take a long time.

Inflation occurs because there is too much money available to buy the same amount of goods and services produced in the economy. If for some reason the

money velocity declines rapidly during an expansionary monetary policy period, it can offset the increase in money supply. But velocity may be poised to rebound as more consumers feel safe to go out and spend — and there is pent-up demand.

The Fed believes inflation is transitory. But economists expect upward pressure on wages — a Fed warning flag. Americans think inflation will rise the most since 2014 over the next one to three years.

## JULY COTTON



## FROM THE BULLPEN By Sr. Market Analyst Jeff Wilson

Concerns about global food inflation are now focused on soaring vegetable oils after meat and dairy drove prices higher during the past year.

A new biofuel revolution is hitting the United States and the world just as the world recovery boosts food demand.

The push toward green energy by the Biden administration and other governments sent palm oil and rapeseed oil soaring this year to records as soybean oil is surging toward its 2008 record.

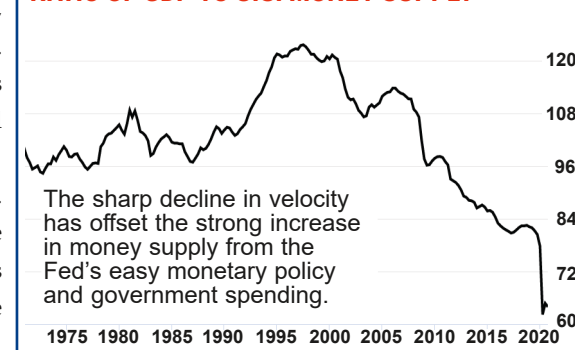
The most notable of the new fuels is renewable diesel. It doesn't have the regulatory blending requirements that capped ethanol, and it is highly sought after by truckers and airlines to improve their environmental footprints.

New processing plants are planned or already being built across the country and around the world. That could see demand far outpace the supply of soyoil and other feedstocks in the next five years. Biodiesel enthusiasm is similar to the ethanol boom 15 years ago.

Soyoil is the leading feedstock, but that also drives up demand for alternative vegoils. Domestic U.S. soyoil cash prices are above export values for the first time. That could push the industry closer to the point of crushing soybeans for oil rather than for meal.

Commodity traders caught the ethanol fever in 2007 and 2008 as plants began popping up and now that buying fervor has turned to soyoil and soybeans.

## RATIO OF GDP TO U.S. MONEY SUPPLY



## WATCH LIST

- 1 USDA Grain Inspections** **MON 4/26**  
Focus is on China corn shipments. 10:00 a.m. CT
- 2 USDA Crop Progress Report** **MON 4/26**  
Watch for wheat freeze damage. 3:00 p.m. CT
- 3 Canadian Acreage Intentions** **TUES 4/27**  
Expect smaller wheat acres. 7:30 a.m. CT
- 4 Fed Policy Announcement** **WED 4/28**  
No changes expected in U.S. rates. 1:00 p.m. CT
- 5 USDA Export Sales Report** **THUR 4/29**  
Watching for new-crop business. 7:30 a.m. CT

## Pro Farmer on the Go

Download the Pro Farmer mobile app for easy access to daily news and reports while you're on the go. Contact us if you need assistance at 1-800-772-0023.