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**Corn surge continues, beans pull back** — *Front-month corn futures topped $7 just a week after they cleared the $6 threshold on mounting concerns with Brazil's shrinking corn crop and tight U.S. supplies. Front-month soybean futures topped $16 just three days after they pushed above $15 but retreated and the market was lower for the week Friday morning. Old-crop soybean supplies are razor-thin, but U.S. soybean exports are slowing seasonally. Wheat is a follower of corn, and with winter wheat harvest approaching, needs spillover support since export demand is sluggish. Live cattle futures consolidated around recent lows last week as traders wait on the cash market to strengthen. All but June lean hog futures poked to new highs. Traders are hesitant to build too much premium into June and July hogs.*

## Dryness spreads across Midwest

The U.S. Drought Monitor showed 48.0% of the region was impacted by some form of abnormal dryness/drought as of April 27, a 15.9-point jump from the week prior. None of the Midwest falls in the "extreme" or "exceptional" drought categories, but dryness is expanding.

Forecasts signal much of the Corn Belt will receive some rains into mid-May that will improve topsoil moisture. Rains won't be heavy enough to reverse dryness in western areas.

## Concerns Brazil's wet season is done

Forecast models suggest hot, dry weather will continue across most of Brazil's safrinha corn areas the next two weeks — and possibly the whole month of May. The exception is far southern areas, which should be cooler and wetter.

## Split analysis of Biden's tax plan

USDA Secretary Tom Vilsack says President Joe Biden's plan would defer any tax liability "as long as the farm remains family-owned and operated." Vilsack estimates only 1.5% of farms would owe any tax, and that would be on non-farm assets. He also says assets above the $1 million-per-person ($2.5 million for a married couple with a house included) exemption would receive a step-up in basis when sold.

American Farm Bureau Federation (AFBF) says one-third of U.S. farms have assets that could trigger the "new capital gains tax imposed at death." Vilsack says the AFBF analysis may have been "done before the plan was announced" under "an assumption that stepped-up basis was going to be eliminated. With the exemptions, that is not the case. There's also a significant number of ways in which that tax can be avoided through a series of gifts over time. And Farm Bureau probably also thought estate tax changes were going to be made."

We have details of Biden's proposals on *News page 4*.

## Ag's latest worry: Loss of 1031s

Eliminating some 1031 exchanges is part of Biden's new tax plan. The proposal would abolish 1031 exchanges on real-estate profits of more than $500,000.

## China's economy may have peaked

China's official manufacturing purchasing managers index (PMI) fell to 51.1 in April from 51.9 in March. The official services PMI also slowed last month. The Caixin/Markit manufacturing PMI rose 1.3 points to 51.9 for April, signaling the pressures that slowed big manufacturers haven't reached smaller factories yet. Some economists say the data showed China's economic growth has peaked, as domestic and overseas demand are slowing, production momentum is weakening and inflation pressure continues.

## Euro-zone's double-dip recession

The euro-zone economy shrank for a second straight quarter. Across the 19 countries that use the euro as their currency, gross domestic product fell by 0.6% in the first quarter amid high rates of Covid-19 infections. Many economists expect economic activity to rebound amid vaccine rollouts and gradual relaxation of Covid restrictions. U.S. economic growth accelerated in the first quarter (see *News page 3*).

## Powell: No rush on digital dollars

Fed Chair Jerome Powell says China's approach to a digital currency would not work in the U.S. and the Fed will not rush into the use of digital dollars. He says the central bank wants to ensure a digital currency would benefit the U.S. and others who rely on the dollar as the world's reserve currency. The Boston Fed and the Massachusetts Institute of Technology are conducting research on digital currencies that is expected to last two or three years, suggesting digital dollars are at least that far into the future.

## China's hog rebound mid-year or later

China's hog numbers are not likely to rebound until at least the middle of this year, according to USDA's attaché in Beijing — even if it gets the latest outbreak of African swine fever (ASF) under control. Breeding sows have been culled and the use of commercial gilts is reducing pigs per litter. Also, some producers are not restocking herds due to concerns about new ASF outbreaks, high pig prices and record feed costs.

## Brazil corn crop peg slashed again

South American Consultant Dr. Michael Cordonnier estimates at least half of Brazil's safrinha corn crop is facing some degree of moisture stress and it appears the wet season may have ended early. As a result, he slashed another 3 million metric tons (MMT) off his Brazilian corn crop estimate this week and has cut it by a total of 5 MMT the past two weeks. His estimate now stands at 100 MMT. He says, "It's difficult to say where the bottom will be for the safrinha corn crop."

## HRW crop shows freeze impacts

The cold snap had a bigger immediate impact on winter wheat crop ratings than anticipated. As of April 25, USDA rated 49% of the crop "good" to "excellent," a four-point drop from the previous week. The amount of crop rated "poor" to "very poor" climbed two percentage points to 19%.

On the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the HRW crop dropped 5.6 points to 326.6 points and is now 6.7 points below the five-year average for late April. The SRW crop improved 2 points for the week to 374.3 points, which is 15.6 points above the norm for this point in the season.

## Russian wheat crop estimate cut

IKAR cut its Russian wheat crop forecast by 1.5 MMT to 79.5 MMT, citing the need for farmers in the country's central region to resow some acres. The Russian ag consultancy says about 18% of the country's central region needs to be replanted and not all of that area will be reseeded to wheat.

Russian consultancy SovEcon earlier in April estimated the country's wheat crop at 80.7 MMT, though it too noted some farmers in central regions report a high percentage of winter wheat is in poor condition after winter.

## Rise expected in Ukraine wheat crop

Ukraine's wheat crop is expected to rise 9.5% to 27.7 MMT this year, according to Ukrainian grain traders union UGA. It forecasts Ukraine's corn crop will climb to 35.5 MMT and exports will rise to 30 MMT in 2021-22. Ukraine's government forecasts this year's production at 29.5 MMT for wheat and 33.2 MMT for corn.

Amid the bigger production forecasts, UGA expects Ukraine to increase wheat exports to 21 MMT in 2021-22 from an estimated 17.5 MMT this year. It says the country's corn exports could expand to 30 MMT from 23 MMT this year, as 2021-22 beginning stocks may be record-large.



## Canola acres to rise less than expected

Canadian farmers plan to boost canola plantings 3.6% from last year to 21.53 million acres, Statistics Canada estimated. But that tally was roughly 1.1 million acres fewer than anticipated. MarketsFarm Editor Mike Jubinville says, "In our view the canola supply situation for this year and next is going to remain very tight no matter the acreage number printed ... a reflection of the extraordinary demand-pull nature of the oilseed market. Yield, soybean price direction and the crazy domestic vegoil shifts associated with renewable fuel are going to be far more important in setting price trends," Jubinville says.

Canadian total wheat plantings are expected to fall to 23.26 million acres, 440,000 acres lighter than anticipated and down 6.9% from 2020. Spring wheat plantings are expected to slide 8.8% in 2021 to 16.34 million acres. Jubinville says, "The recent increase in spring wheat pricing may ultimately change some minds on the wheat acreage, but this is likely minimal in the face of $16 per bu. canola bids for new-crop. I also suspect the lack of price premium in the durum market may yet see some shift of durum acres to spring wheat. However, the overall area dedicated to wheat may decrease further as some farmers anticipate planting more oilseeds."

Canadian barley planting intentions came in 613,000 acres higher than anticipated and would be up nearly 1.1 million acres from last year.

| Canadian March planting intentions | StatsCan 2021 estimate (mil. acres) | 2020 final (mil. acres) | Percent change vs. 2020 |
|---|---|---|---|
| **All wheat** | 23.260 | 24.982 | -6.9 |
| **Spring wheat** | 16.340 | 17.926 | -8.8 |
| **Durum** | 5.705 | 5.689 | 0.3 |
| **Canola** | 21.530 | 20.783 | 3.6 |
| **Barley** | 8.613 | 7.561 | 13.9 |

## Vegoil use fuels canola crush plans

Viterra Inc. will build the world's largest canola-crushing plant in Regina, Saskatchewan. It plans to open the plant with annual crush capacity of up to 2.5 MMT in late 2024.

Cargill also plans to build a canola processing facility in Regina with annual production capacity of 1 MMT per year. It will also update and modernize two other canola facilities over the next 12 months to increase volume.

Richardson International plans to double its canola crushing capacity at its Yorkton, Saskatchewan plant, to 2.2 MMT annually. Canadian canola stocks are expected to hit an eight-year low in 2020-21.

Jubinville says the increased crush capacity, strong global demand for oilseeds and high market prices signal even more of a boost in Canadian canola acreage could be needed this year — and in the future.

## Vilsack denies plans to slash beef use

USDA Secretary Tom Vilsack flatly denied there is any effort by President Joe Biden to reduce beef consumption to meet proposed 50% to 52% cuts in greenhouse gas emissions by 2030 versus 2005 levels. A story in the *Daily Mail*, a conservative British news site, suggested reaching the goal could require Americans to slash meat consumption by 90%. "There is no effort designed to limit people's intake of beef coming out of President Biden's White House or coming out of USDA," Vilsack said.

Vilsack is also upset about what some are saying about the president's goal of conserving 30% of U.S. land by 2030, reiterating his stance that there is no intent to take land away from farmers.

## Restaurant sales = meat demand

U.S. sales at bars and restaurants rose 13.4% in March compared with February, the biggest month-over-month increase since June. Sales were up 36.0% from year-ago when the country was locked down due to Covid-19.

As restaurant visits increase, so is meat demand. Daily Livestock Report (DLR) notes, "High prices for a number of products and limited supply availability prevented processors and end users from building [meat] inventories. It is important to note that beef freezer stocks are down despite higher beef exports. This suggests that freezer stocks for domestic use are down even more than what the headline data suggests."

Increased restaurant demand is also impacting belly (bacon) inventories and prices. DLR says, "Belly freezer stocks at the end of March were just 35.3 million lbs., 55% lower than a year ago and 37% lower than the five-year average. Inventory declined 6% from the previous month vs. an 11% average increase the previous five years. Usually users will build belly inventories in Q1 to offset the seasonal decline in supply during late spring and summer. Processors are stuck behind the eight ball right now and waiting for the high prices to take a bite out of demand."

## U.S. economy grew 6.4% in Q1

Gross domestic product (GDP) jumped 6.4% in the first quarter of the year, up from 4.3% growth in the final quarter of 2020. Besides the third quarter of last year when the U.S. economy boomed as Covid restrictions and lockdowns eased, this was the fastest three-month growth period for the U.S. economy since the third quarter of 2003.

Consumer spending, which accounts for roughly two-thirds of the U.S. economy, surged by 10.7%. Consumers increased expenditures on goods by 23.6% and services by 4.6%. While government stimulus checks boosted consumer spending, the savings rate soared 21%, signaling a larger portion was stored away.

## Placements not as big as expected

USDA in its Cattle on Feed Report estimates large feedlot (1,000-plus head) inventories increased 600,000 head (5.3%) from last year to 11.897 million head. That was 89,000 head less than the average pre-report estimate implied. Placements surged 28.3% from year-ago in March, though that was skewed by extremely light movement of calves into feedlots last year and was at the low end of traders' range of expectations. Compared with March 2019, placements contracted 0.8%. March marketings increased 1.5% from last year, which was near the top of the range of estimates.

| Cattle on Feed Report | USDA actual | Average estimate |
|---|---|---|
| | (% of year-ago) | |
| On Feed April 1 | 105.3 | 106.1 |
| Placed in March | 128.3 | 133.7 |
| Mkted in March | 101.5 | 101.1 |

DLR calculates the number of cattle on feed 120-plus days at 4.576 million head, 2.1% higher than last year but 1.1% lower than in 2019. The number of cattle on feed for an extended period remains high but is starting to decline. That should continue through summer as long as feedlots avoid a back up in cattle marketings.

As of April 1, the inventory of steers on feed was 7.407 million head, 4.6% higher than a year ago but 0.5% lower than on April 1, 2019. The inventory of heifers on feed on April 1 was 4.490 million head, 0.4% lower than in 2019. The industry remains in maintenance mode, though that could change if drought conditions worsen in the Plains, causing less heifer retention.

## Cattle industry misses 75% targets

The U.S. cattle industry missed the mark in the first quarter based on the National Cattlemen's Beef Association's (NCBA's) so-called "75% Plan." The plan is designed to provide negotiated trade and packer participation benchmarks in an attempt to boost price discovery.

Dr. Justin Benavidez of Texas AgriLife says there were multiple weeks in which negotiated trade volumes did not meet the minimums of the 75% plan during the 13 weeks of the first quarter. He reports the Texas-Oklahoma-New Mexico region failed four times, Kansas came up short six weeks and the Nebraska-Colorado region missed two times. The Iowa-Minnesota region did not fail to meet the 75% requirements in any of the weeks.

Benavidez says, "I think a lot of people take the top-line results and consider these voluntary efforts to be a failure. It is evident that by the measures of the 75% plan, a major trigger was tripped. However, I won't be quick to call the results of Q1 an outright failure."

NCBA President Jerry Bohn says, "The market fell short of the negotiated trade volumes outlined in our voluntary framework, but that should not overshadow the significant improvements made to price discovery."

# Biden's plan: No estate tax, stepped-up basis changes for now

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

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President Joe Biden unveiled a $1.8-trillion "American Families Plan" in his first address to a joint session of Congress. If enacted, it would bring a fundamental shift back to big government and a move far left for economic, tax and social policy.

### *Major provisions in 'American Families Plan'*

The plan would break down as $1 trillion of new spending and $800 billion in tax cuts. It would include:

• Free universal pre-school for all three- and four-year olds, including young immigrants (Dreamers) brought to the U.S. as children ($200 billion).

• Two years of free community college ($109 billion).

• Increased investment in childcare to ensure that those costs are low, and a $15 minimum wage for all early childhood staff ($225 billion).

• National paid family and medical leave program, providing workers up to $4,000 a month for 12 weeks of paid parental, family and personal leave ($225 billion).

• Expansion of summer lunch programs for low-income families and school meal programs ($42 billion).

• Extension of expanded tax credits for Affordable Care Act premiums from the American Rescue Plan ($200 billion).

• Extension of the expanded child tax credit from the American Rescue Plan through 2025.

### *Biden plans have huge price tag*

The $1.8-trillion plan follows a $1.9 trillion Covid-19 relief law and a $2.25 trillion infrastructure package proposal (paid for by raising corporate tax rates).

### *How Biden wants to pay for most of his plan*

The plan is partly funded by tax hikes on the wealthiest Americans. Private equity's "carried interest" tax break is among the targets. Pay-fors include raising the top income tax rate to 39.6% from 37.0% for individual filers earning more than $523,000 or joint filers over $628,000 — and on investments like stocks and real estate. For households making more than $1 million, Biden would also raise the top rate on capital gains and dividends to 39.6% from 20.0%. Including existing payroll and investment taxes (each at 3.8%) the top rates on wages and capital gains would reach 43.4%, up from 23.8%. Biden would expand that 3.8% tax to types of income it doesn't currently cover. The plan includes active income earned in businesses like partnerships and S corporations above $400,000.

There would be a change on how capital gains are taxed at death. Unrealized gains would be treated as sold and taxable, with a $1 million exemption per person, besides the existing exclusion of up to $500,000 for a married couple's primary residence. Under current laws, heirs owe taxes on gains after the original owner's death and only when they sell.

### *There's a key omission from the pay-fors*

The capital gains provision is separate from the estate tax, which the plan would not change — at least for now.

### *A lot of funding for the IRS to get revenue later*

The plan relies on $700 billion in revenue from the IRS that the administration says would come from an $80-billion expansion of the agency that would double its enforcement staffing over a decade.

### *SALT continues for spend- and tax-happy states*

The proposal omits repeal of the 2017 State and Local Tax (SALT) deduction cap of $10,000 per person, which hammered residents of higher-tax states by preventing them from deducting state tax payments on their federal tax returns. Some Democrats said they won't vote for the final package if it doesn't repeal the SALT cap.

### *Our assessment and what's ahead*

Biden's spending splurge would be the biggest federal investment in the middle and lower classes since President Lyndon B. Johnson's Great Society, with the potential to alter the country for generations. The two packages face GOP opposition, for both their costs and the proposed tax increases. Seeking buy-in from congressional Republicans, Biden stopped short of proposing to expand the estate tax.

The infrastructure and "families" plan can pass separately under budget reconciliation. But the tax hikes and specifics of spending are likely to be subject to protracted wrangling on Capitol Hill. Democrats hold a five-vote advantage in the House, meaning SALT deduction proponents and their allies have the power to stall the newest package if they hold firm. That means a likely compromise ahead on this issue.. and it's costly. But they need the votes. Some sources tell us the estate tax/stepped-up basis may still be offered as offsets.

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## CATTLE - Fundamental Analysis

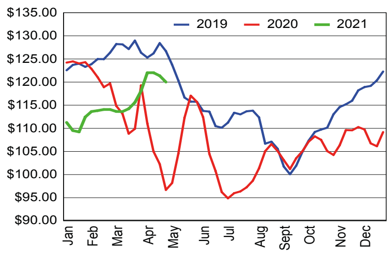
Disappointing negotiated cash cattle trade continues to pressure futures, despite beef prices surging to a record for late April. Many cash bids require delivery 15 to 30 days in the future as packers have plenty of committed cattle, leaving little leverage for feeders. USDA's Cattle On Feed Report showed there will not be a shortage of cattle this summer when beef demand is peaking. One major packer continues to struggle with production, supporting beef prices and packer margins approaching $600 per animal. Drought in the Plains and $7 corn prices risk increased cow slaughter and higher beef production.

**Position Monitor**

**Game Plan:** Carry all risk in the cash market as the downside is overdone. We want to wait on a price recovery to consider new hedges.

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

**CASH CATTLE ($/CWT.)**




**JUNE LIVE CATTLE**


## HOGS - Fundamental Analysis

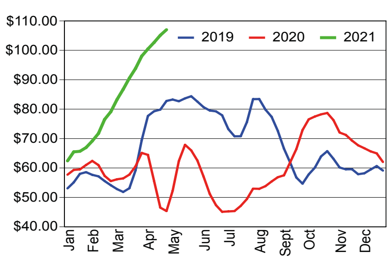
Nearby May futures topped $110 for first time since 2014 last week. The national cash market rose to where prices were on this date in the PEDV year of 2014 when prices eventually traded as high as $130 by July. That history continues to attract new fund buying. Slaughter should begin to slow in May. However, pork cutout values retreated last week, led by a steep drop in bellies, which fell to the lowest since mid-February and down about 25% from the early April high. That could be a sign that restaurant restocking has subsided. Exports remain strong but new sales to China slowed last week.

**Position Monitor**

**Game Plan:** Hold third-quarter hedges in July futures. Be prepared to add to coverage for third-quarter and place new fourth-quarter hedges on additional price strength.

| | Lean Hogs |
|---|---|
| II'21 | 0% |
| III'21 | 25% |
| IV'21 | 0% |
| I'22 | 0% |

**CASH HOGS ($/CWT.)**




**JUNE LEAN HOGS**


## FEED

**Feed Monitor**

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

| Meal | |
|---|---|
| II'21 | 100% |
| III'21 | 33% |
| IV'21 | 0% |
| I'22 | 0% |

**Corn Game Plan:** You should have all corn-for-feed needs covered in the cash market through June. Wait for weakness before making additional purchases.

**Meal Game Plan:** 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.

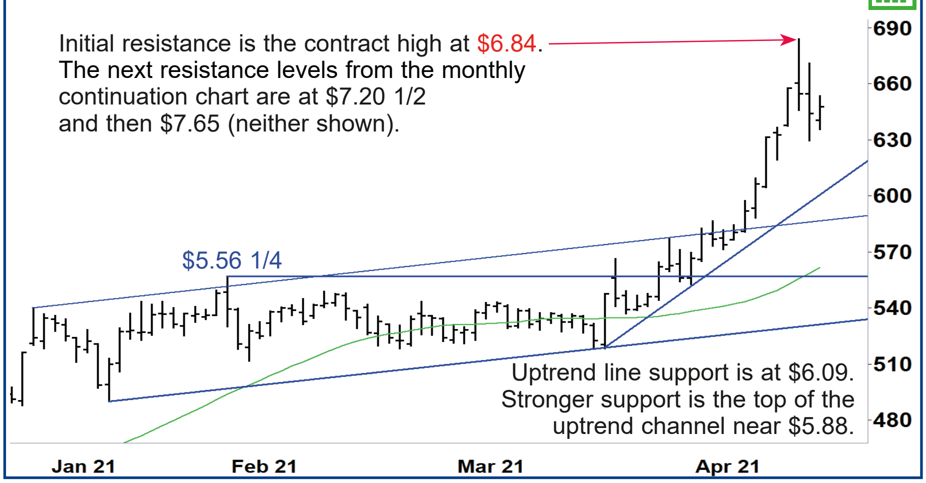
**JULY SOYMEAL**

## Position Monitor

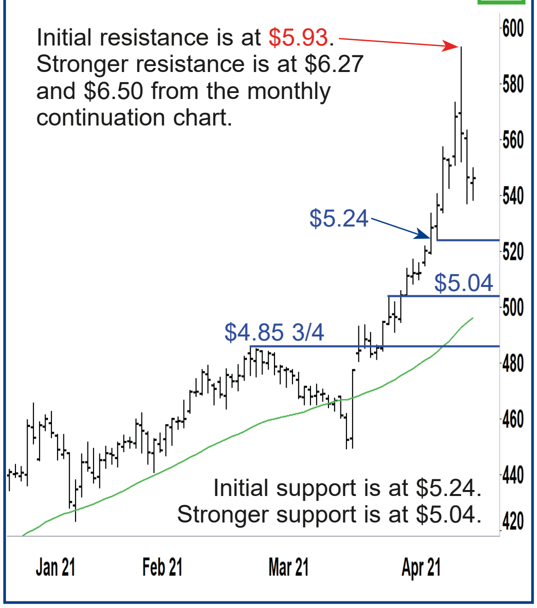
| | '20 crop | '21 crop |
|---|---|---|
| Cash-only: | 90% | 20% |
| Hedgers (cash sales): | 90% | 20% |
| Futures/Options | 0% | 0% |

**Game Plan:** On April 27, we advised corn hedgers and cash-only marketers to sell another 10% of 2020-crop production in the cash market to get to 90% sold. We'll hold the remaining 10% of old-crop inventories as gambling stocks. While the market hasn't given a signal of a top yet, this selling opportunity was too good to pass up. We plan to stay patient on additional new-crop sales given their large discount to old-crop prices.

### DAILY JULY CORN



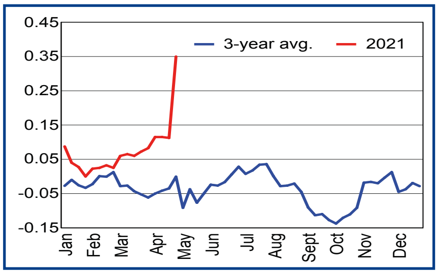

### DAILY DECEMBER CORN



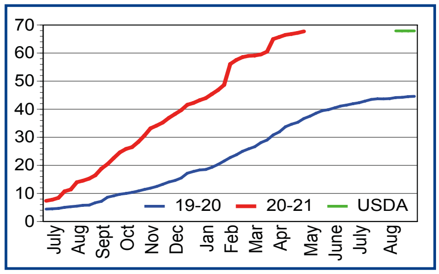

## CORN - Fundamental Analysis

Nearby May futures soared above $7.00 for the first time since 2013 amid tightening U.S. supplies and surging cash basis. U.S. corn export commitments now total 2.666 billion bu., nearly equal to USDA's 2020-21 forecast. There is a record 1.048 billion bu. of undelivered old-crop sales on the books, putting the focus on weekly export inspections. Shipments to China are expected to be huge this summer, but the pace of exports needs to remain elevated to reach USDA's projection this year. Farmers were active planting corn last week and that helped cap rallies. Brazil's crop continues to drift lower and supports U.S. exports. Big fund long positions are a risk until there is a new threat to U.S. yields.

### AVERAGE CORN BASIS (JULY)




### CORN EXPORT BOOKINGS (MMT)




## Position Monitor

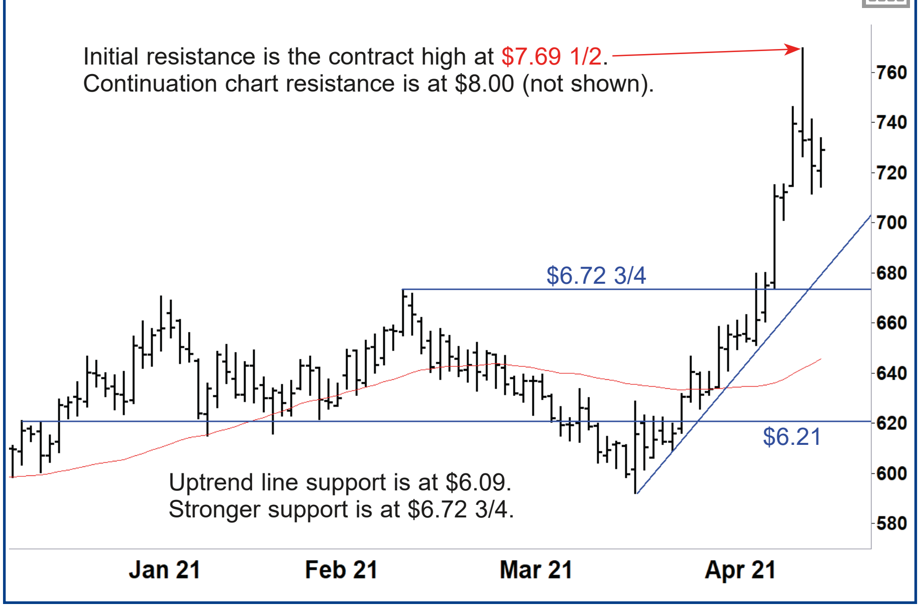
| | '20 crop | '21 crop |
|---|---|---|
| Cash-only: | 100% | 50% |
| Hedgers (cash sales): | 100% | 50% |
| Futures/Options | 0% | 0% |

**Game Plan:** On April 27, we advised finishing old-crop marketings with a 5% sale for hedgers and a 15% sale for cash-only marketers. We also advised everyone to sell 20% of 2021-crop for harvest delivery to get to 50% priced on new-crop.

## WHEAT - Fundamental Analysis

**SRW —** Soft red wheat futures jumped to the highest level since 2013, after U.S. crop conditions fell more than expected. Rain last week was beneficial for some areas, but more is needed and the spring wheat belt remains dry. The rally left U.S. wheat the most expensive on the world market.

### DAILY JULY SRW WHEAT

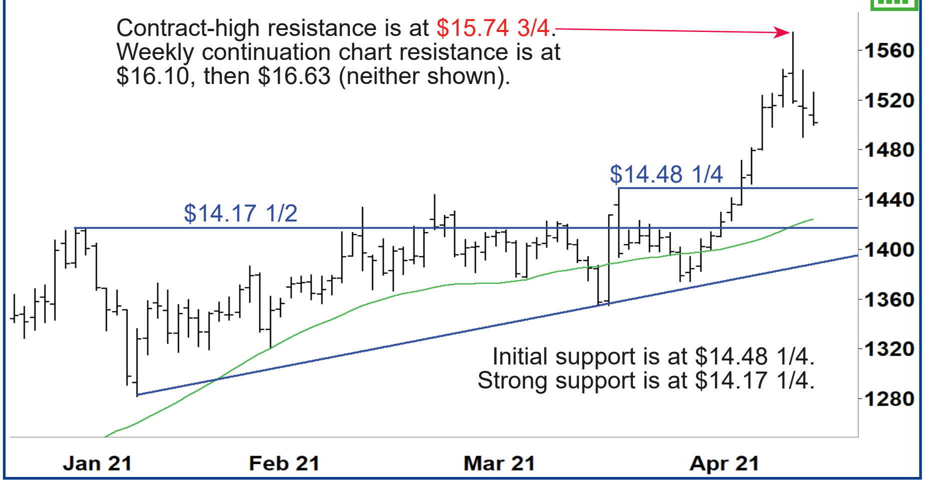


**Position Monitor**

| | '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 supplies should remain tight into 2022. U.S. weather is now the focus.

**DAILY JULY SOYBEANS**

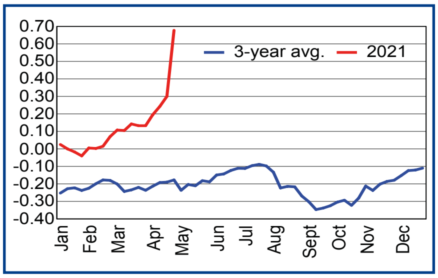



**DAILY NOVEMBER SOYBEANS**

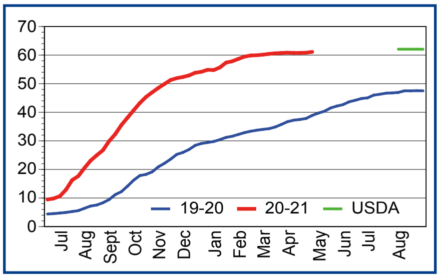

## SOYBEANS - Fundamental Analysis

Price volatility is rising after futures scored new eight-year highs and retreated into the end of the month on fund profit-taking. Brazil remains an active shipper of soybeans to China. But rumors of Chinese cancellation of several Brazilian cargoes raised concerns about Chinese demand into the end of the year amid increased African swine fever infections. There were 66 deliveries against May soybeans and 629 deliveries against May soyoil on first notice day, negative surprises. However, surging cash basis signals tightening old-crop supplies for both markets. New-crop futures also paused on active soybean planting progress and beneficial rains in parts of the Midwest.

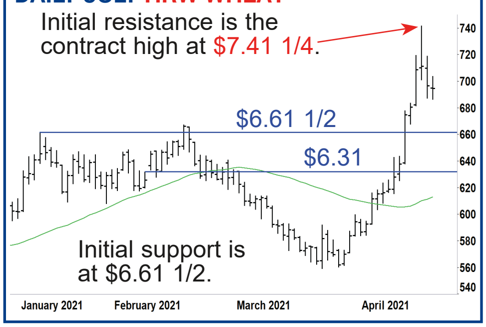
**AVERAGE SOYBEAN BASIS (JULY)**



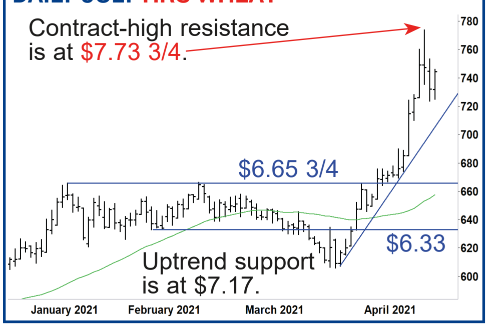

**SOYBEAN EXPORT BOOKINGS (MMT)**



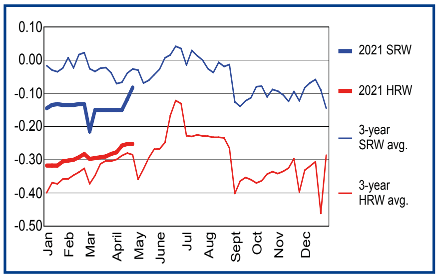

**DAILY JULY HRW WHEAT**



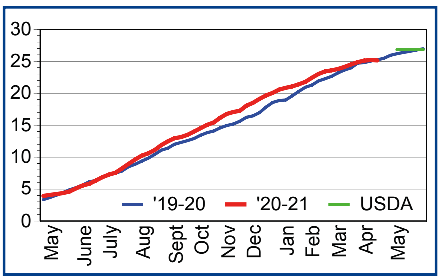

**DAILY JULY HRS WHEAT**




**AVERAGE WHEAT BASIS (JULY)**




**WHEAT EXPORT BOOKINGS (MMT)**




**HRW** — Prices marched higher with the surge in corn as wheat is moving into more feed rations around the world. But unlike corn, there is not a global shortage of wheat. Wetter forecasts for the Central Plains this week may help crops recover from freeze damage, if realized. Egypt passed on a tender, highlighting buyer sticker shock.

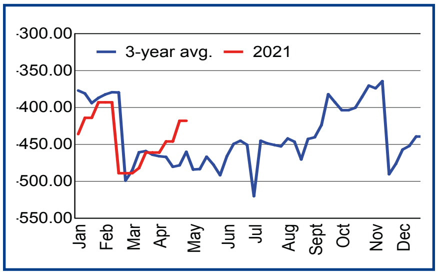
**HRS** — Spring wheat continues to lead higher on dry weather across the Northern Plains and Canadian Prairies. Canada reported total wheat planting intentions will fall 1.7 million acres from last year, of which spring wheat was down 1.6 million acres. Weather in May will be key, but slowing demand for U.S. wheat may limit market strength.

## Position Monitor

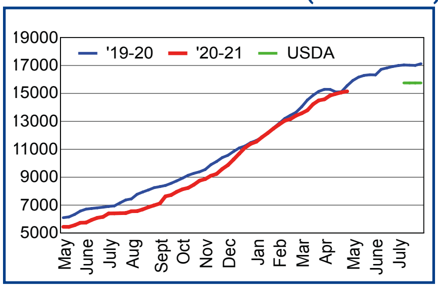
| | '20 crop | '21 crop |
|---|---|---|
| Cash-only: | 90% | 40% |
| Hedgers (cash sales): | 90% | 40% |
| Futures/Options | 0% | 0% |

**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.

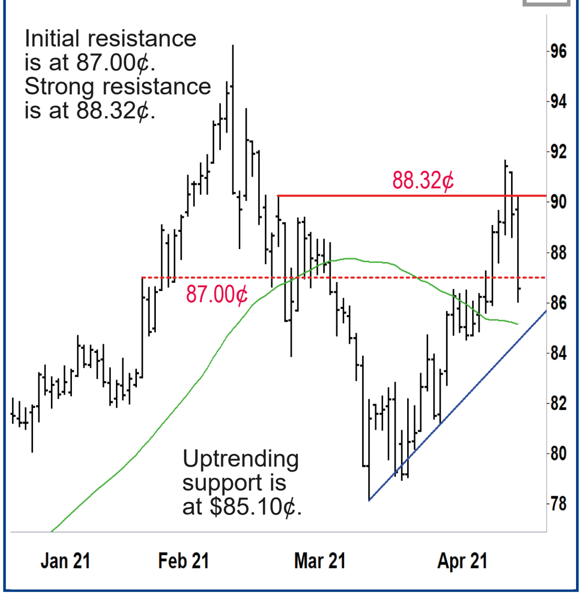
### AVERAGE COTTON BASIS (JULY)




### COTTON EXPORT BOOKINGS ('000 BALES)




### JULY COTTON




## COTTON - Fundamental Analysis

Cotton fell from eight-week highs as some rains in West Texas encouraged profit-taking. Prices initially rose on improved export shipments and rising world yarn prices. U.S. consumer spending in the first quarter surged an annualized 10.7%, the second-fastest since the 1960s.

# GENERAL OUTLOOK

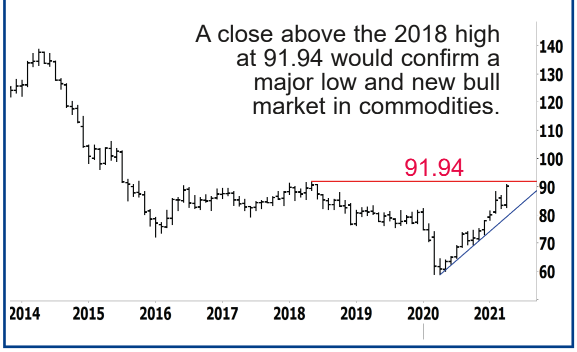
Commodities: Raw material prices are advancing toward the 2018 highs as the world's largest economies deploy stimulus programs and central banks use easy monetary policies to boost growth.

U.S. inflation may not be as "transitory" as Federal Reserve economists are trying to tell the markets. The Bloomberg commodity index of 23 commodity futures markets is up 53% from the April 2020 low and investors are eager to profit.

Lumber and copper, barometers of the global economy, are leading higher. Last week, Goldman Sachs and UBS both said the rallies have much further to run.

The number of times "inflation" was mentioned in company earnings rose to the highest since Bank of America started collecting data in 2004. Reopenings are boosting wages amid slow labor force growth. Rising wages usually lead to more spending and sustained inflation.

### MONTHLY BLOOMBERG COMMODITY INDEX




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

On April 27, we advised increasing old-crop corn sales 10% to get to 90% sold. We also recommended finishing old-crop wheat sales and selling another 20% of 2021-crop for harvest delivery to get to 50% forward contracted on new-crop.

Grain prices rose to the highest levels since 2013 before retreating on profit-taking. The price surge was followed by a lower close April 27 and high volume, a sign buying may be exhausted.

The reversal marks some type of top. We won't know if it is interim or long-term for months. Nonetheless, we want to reward the $1.40-per-bu. advance in corn and $1.20-per-bu. gain in wheat since the end of March. U.S. corn and wheat prices are now the world's most expensive.

Corn planting is set to accelerate and will likely reach 50% done by early May — a favorable start to the growing season. It is important to remember the markets have been trading the tightening supply story, strong Chinese import demand and dry weather threats to Brazil's safrinha crop for months.

Since wheat has become a feed grain, it will follow corn. Also, world wheat carryover supplies ahead of the new marketing year are a record and there are few Northern Hemisphere crop concerns outside of North America.

We want to be patient on new-crop corn sales with Brazil's crop estimates falling and the need for ideal Northern Hemisphere weather to rebuild stocks.

# WATCH LIST

1. **USDA Grain Inspections** — Watching Chinese corn shipments. — **MON 5/3** 10:00 a.m. CT
2. **USDA Soy, Corn Crush Rpts.** — Looking for rebounds in March. — **MON 5/3** 2:00 p.m. CT
3. **USDA Crop Progress Report** — Corn, soy planting accelerating. — **MON 5/3** 3:00 p.m. CT
4. **USDA Export Sales Report** — Watching for new-crop business. — **THUR 5/6** 7:30 a.m. CT
5. **U.S. April Employment Report** — Expecting rising jobs and wages. — **FRI 5/7** 7:30 a.m. CT