



### News this week...

- 2 – Private Brazil corn crop pegs below USDA, Conab.
- 3 – U.S. inflationary warning signs are building.
- 4 – U.S. ending stocks to remain tight through 2021-22.

**Soybeans take lead as corn pulls back** — Front-month soybean futures pushed above the 2013 high on the continuation chart before pulling back, but prices were still higher for the week Friday morning. Corn futures posted their first weekly decline since the last week of March as traders took profits out of the long side of the market after USDA's initial new-crop carryover projection came in higher than anticipated (see [News](#) page 4). Given the pressure on corn, the wheat market retreated. Wheat is likely to remain a follower to the upside but a leader when prices fall. Live cattle futures worked higher initially last week but were caught in a broad-based commodity selloff May 13. Lean hog futures faced fund liquidation, though the downside is limited as long as the cash market continues to firm.

## China actively buying new-crop corn

China bought 1.36 million metric tons (MMT; 54 million bu.) the week ended May 6 and USDA announced sales of 3.74 MMT (147 million bu.) of U.S. new-crop corn May 10-14. Export sources say China may have recently booked up to 12 MMT (473 million bu.) of U.S. corn for 2021-22 delivery.

China canceled 334,300 metric tons of U.S. old-crop corn in the week ended May 6 and had 11.174 MMT of unshipped purchases. With the \$1-plus discount in December corn, there's risk of China rolling some to new-crop delivery. But given its corn needs and Brazil's shrinking crop, big cancellations are unlikely.

## Actions speak louder than words

China-based private ag data provider Cofeed suspended operations without explanation and stopped updating its website with grain and soy data at the end of April. Its Beijing office is sealed by police. The head of China-based analyst Shanghai JC Intelligence Co. was also jailed recently for reportedly divulging too much information on China's corn needs. Beijing's crackdowns support ideas China's need for grains/oilseeds is greater than it has tried to portray.

## Troubled bridge over Memphis water

A crack in a bridge over the Mississippi River near Memphis closed a section of the river for several days last week and led to a backlog of more than 1,000 barges. The Coast Guard lifted river travel restrictions Friday morning but the temporary closure highlights how important the Mississippi River is to grain flow to the Gulf. Corn and soybean basis weakened in the Midwest given uncertainty about how long river traffic north of Memphis would be delayed.

### River closure highlights need for infrastructure upgrades

Senate Republicans will offer President Joe Biden a revised infrastructure plan this week that may go above their earlier \$568 billion proposal, but it will still be much smaller than Biden wants. The GOP proposal is likely to remain focused on "core" infrastructure — roads, bridges, water and broadband.

## Summer weather outlook improving

Recent warming of ocean surface temps off the West Coast minimize fears of a strongly negative Pacific Decadal Oscillation. Combined with ENSO-neutral conditions, World Weather says that "reduces the likelihood for a super ridge of high pressure in central North America."

The U.S. Climate Prediction Atmospheric says there is a 67% chance ENSO-neutral conditions will remain during the June-to-August timeframe and 57% odds they will remain that way through September.

## Fed up with Fed's stubbornness

Fed officials remain steadfast in their stance that inflationary pressures are "transitory," despite sharp price rises for many items. Some economists say the Fed is tone deaf to a mounting number of inflation warning sirens (see [News](#) page 3).

## Tai outlines U.S. trade initiatives

U.S. Trade Representative Katherine Tai says her initial review of the U.S./China Phase 1 trade deal is "mixed," without elaborating. At this week's initial assessment meeting under the U.S.-Canada-Mexico Agreement (USMCA), Tai says the U.S. will address Mexico's imports of glyphosate and GMO corn and Canada's access to U.S. dairy. Labor issues with Mexico will also be discussed. The U.S. is also reviewing trade relations with the EU and trying to negotiate deals with the U.K. and Kenya that the Trump administration started.

## China sow herd near pre-ASF levels

China's ag ministry reports its sow herd was up 23% from last year in April and 97.6% of levels prior to the African swine fever (ASF) outbreak. We have an assessment of China's hog/pork data from a non-government source on [News](#) page 3.

## Taiwan sets vote on U.S. pork

Taiwan will hold an Aug. 28 referendum on pork produced with ractopamine. Taiwan approved imports of such U.S. pork products last year but some firms won't sell those products.

## Brazil cuts corn crop; still too high

Brazil cut its official corn crop estimate by 2.6 million metric tons (MMT) from last month to 106.4 MMT. Conab reduced its safrinha corn crop forecast by 2.8 MMT amid a 4.2% month-over-month cut to expected yields given widespread drought conditions. Brazil is expected to export 35.0 MMT of corn in 2020-21, unchanged from last month.

USDA cut its Brazilian crop forecast by 7.0 MMT to 102.0 MMT. Conab's forecast is also still well above those from the private sector. Brazil-based AgRural slashed its Brazilian corn crop estimate by 7.9 MMT from last month to 95.5 MMT. South American Consultant Dr. Michael Cordonnier cut his Brazilian corn crop peg by 3.0 MMT to 97.0 MMT.

Conab raised its Brazilian soybean crop estimate by 130,000 metric tons (MT) to a record 135.4 MMT. It expects exports to total 85.6 MMT, unchanged from last month. USDA forecasts the Brazilian soybean crop at 136.0 MMT, unchanged from last month. Cordonnier raised his estimate by 1.0 MMT to 134.0 MMT.

### Record Brazilian crops expected next year

USDA's initial 2021-22 Brazilian production projections are 144.0 MMT for soybeans and 118.0 MMT for corn.

## Drought strains Brazil's power grid

Brazil is experiencing the worst water crisis in history and around three-quarters of the country's electricity is generated by plants driven by flowing water. Rainfall during the traditional rainy season from November to March was the lowest in the past 20 years. While reduced hydroelectric generation will keep power prices high, Brazilian officials do not expect power shortages or rationing.

However, this could impact Brazil's willingness to release water from the Itaipu Dam to boost low water levels on the Parana River in Argentina. As we mentioned in last week's newsletter, low water levels on the river are already reducing loadings for some shipments from Argentina.

## Consultant raises Argy corn crop peg

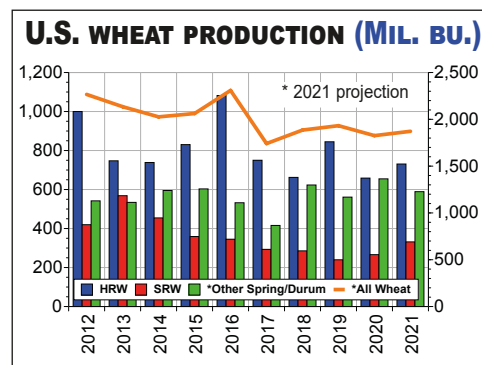
Cordonnier raised his Argentine corn crop estimate by 1.0 MMT to 46.5 MMT, citing beneficial weather for later-planted acres. USDA left its Argentine corn crop peg at 47.0 MMT.

Cordonnier kept his Argentine soybean production forecast at 45.0 MMT. USDA cut its estimate by 500,000 metric tons (MT) to 47.0 MMT.

USDA projects Argentina's production will increase to 52.0 MMT for soybeans and 51.0 MMT for corn next year.

## Bigger winter wheat crop expected

USDA's first U.S. winter wheat crop estimate at 1.283 billion bu. is 112 million bu. bigger than last year. The hard red winter (HRW) wheat crop is estimated 72 million bu. higher than last year at 731 million bushels. Soft red winter (SRW) wheat production is expected to rise 65 million bu. to 332 million bushels. The white winter wheat crop is forecast to drop 25



million bu. to 221 million bushels. USDA estimated harvested acreage at 24.6 million acres, up 1.6 million acres from last year. The first winter wheat yield estimate at

52.1 bu. per acre would be up 1.2 bu. from 2020.

USDA's all-wheat production projection of 1.872 billion bu. implies combined other spring wheat and durum production of 589 million bu., which would be down 66 million bu. from last year.

## CCI ratings: Two vastly different crops

USDA raised its U.S. winter wheat crop ratings to 49% "good" to "excellent," up one point as of May 9. The "poor" to "very poor" rating dropped a point to 18%. On the weighted *Pro Farmer Crop Condition Index* (0 to 500-point scale, with 500 being perfect), the HRW crop improved 1.4 points to 329.2 points, though that was 4.9 points below the five-year average. The SRW CCI rating slipped 1.4 points to 372.4 points but was still 13.5 points above the five-year average.

## Quick start... focus is on moisture

As of May 9, U.S. planting stood at 70% complete for spring wheat (51% on average), 67% for corn (52%) and 42% for soybeans (22%). Crop emergence wasn't as far ahead of the respective five-year averages, but it was still more advanced than normal. Planting pace isn't a concern and emergence shouldn't be a major issue in many areas after recent rains across areas of the Northern Plains and Midwest.

But a lack of soil moisture means timely rains will be needed during the growing season to support crop development.

As of May 11, USDA noted that 82% of U.S. spring wheat production areas were covered by some form of drought, making it the biggest concern. But 24% of corn production and 20% of soybean acres were saddled with drought conditions, primarily across northern and western areas of the Corn Belt. Cool temps this spring have limited early effects of the dryness, though moisture needs will increase as temps rise during the summer months.



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## **Jump in the cash hog price forecast**

USDA trimmed its 2021 U.S. pork production outlook by 53 million lbs. from last month on “slightly lighter carcass weights.” It now expects pork production to slip 0.3% from last year. USDA hiked its pork export forecast by 177 million lbs., with shipments now expected to be up 2.0% from last year. It did not reference China specifically, but most of the export growth is likely on expected increased shipments there.

Given the reduction in supply and increased exports, USDA boosted its average cash hog price forecast by \$1.70 to \$67.20. In the past two months, USDA has increased its cash hog outlook by \$11.20, and the average price is now expected to surge \$24.02 from last year.

USDA's initial outlook for 2022 is for pork production to rise 1.1% from this year, exports to hold about steady and the cash price to fall \$11.20 to an average of \$56.00.

## **China's hog herd rising, but...**

China's hog herd is projected to rise 18.7% this year, according to China-based Shanghai JC Intelligence (JCI), as the country recovers from African swine fever (ASF). But that would still leave China's hog herd 4.8% below the end of 2018, when ASF was just starting to take a bite out of its industry. Given rising inventories, JCI forecasts China's hog slaughter will jump 23.2% this year, but remain 6.8% below 2018.

Despite the rebuilding of hog inventories and slaughter numbers, China is expected to increase its pork imports this year. JCI forecasts total pork imports will increase another 2.5% in 2021 to roughly 2.5 times the level in 2018.

Through May 6, U.S. muscle-cut pork exports to China totaled 220,302 metric tons (MT), leaving only 57,117 MT of unshipped sales on the books out of total commitments of 277,419 MT. Shipments of U.S. pork to China remain strong, but sales have slowed and its outstanding pork sales are now 65.6% behind last year and 40.2% behind two years ago. That suggests Chinese imports of U.S. pork are likely to slow dramatically the second half of the year. If Chinese pork buys ramp up, it would signal the hog herd is recovering slower than anticipated.

## **Beef production, exports raised**

USDA raised its 2021 U.S. beef production forecast by 261 million lbs. given higher cow slaughter. Beef production is now expected to rise 2.7% from last year. USDA increased its beef export outlook by 82 million lbs. this month, with shipments now expected to top year-ago by 9.2% after recent trade data and expectations for “growth in a number of markets.”

USDA raised its average cash steer price forecast for this year by 30¢ to \$116.30, which would be up \$7.79 from 2020.

For next year, USDA projects beef production will decline 2.0%, beef exports will be nearly unchanged and the average cash steer price will jump another \$5.70 to \$122.00.

## **U.S. inflation data surged in April**

U.S. consumer prices surged the most in nearly 12 years in April as supply constraints were met with strong demand given huge government stimulus. The consumer price index (CPI) jumped 0.8% last month and 4.2% from year-ago, the biggest year-over-year gain since September 2008. A 10.0% surge in prices for used cars and trucks, the most since data started in 1953, accounted for over one-third of the increase in the CPI.

Core CPI, which excludes food and energy prices, soared 0.9% in April, the largest monthly gain since April 1982, and is up 3.0% over the past year.

The U.S. producer price index (PPI) rose 0.6% in April from the month prior for an annualized gain of 6.2%, the highest annual increase since the PPI-Final Demand index was reformulated in 2009. Minus food and energy, wholesale inflation rose 0.7% in April and the annual increase jumped to 4.1%.

## **Labor concerns drive 'glum' outlook**

The Small Business Optimism Index rose 1.6 points in April and was up 4.8 points over the past three months, reports the National Federation of Independent Businesses (NFIB). But a record 42% of businesses reported they had job openings that could not be filled and expectations for better conditions during the next six months fell seven points to a “surprisingly glum” net negative 15%.

Some 31% of businesses increased compensation while 20% said they plan to raise wages in the next three months. The number of businesses increasing average selling prices rose to 36%, the highest since April 1981, as higher compensation is “being passed on to customers through higher prices.” Labor quality was cited by 24% of businesses as their top problem, with another 8% saying labor costs were the major issue.

### ***States rejecting enhanced federal unemployment benefits***

A growing number of states plan to eliminate the extra \$300 per week federal unemployment benefits, saying they provide incentive for some to avoid work. The Bureau of Labor Statistics' Jolts survey showed a record 8.1 million job openings in March — roughly equal to the number that payrolls are down from the February 2020 pre-pandemic peak.

## **Chinese PPI hits three-plus year high**

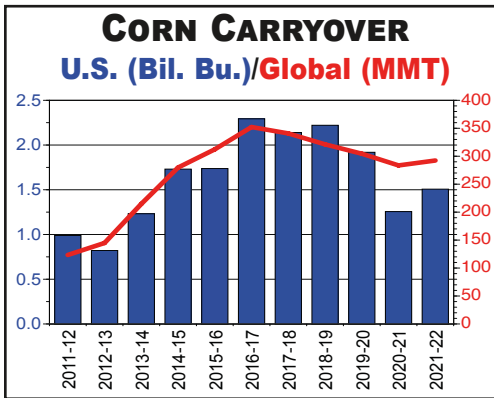
China's PPI surged 6.8% in April from a year earlier, the fastest acceleration since October 2017, fueling concerns Chinese manufacturers will pass on the inflation.

China's CPI rose 0.9% year-over-year during April, mostly on a gain in non-food prices. Chinese food prices dropped 0.7% in April compared with year-ago levels amid a 21.4% plunge in pork prices. Pork prices have been under year-earlier levels for seven straight months after a prolonged stretch of higher values.



# Thin supply cushion for U.S. crops in 2021-22

by Editor Brian Grete and Sr. Market Analyst Jeff Wilson

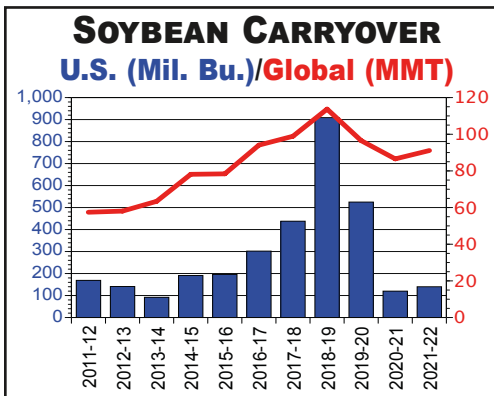


**CORN** — USDA cut old-crop corn carryover by 95 million bu. from last month to 1.257 billion bushels. It raised estimated exports by 100 million bu. to a record 2.775 billion bu. and trimmed food, seed and industrial use by 5 million bushels. Our 2020-21 corn ending stocks forecast is 1.200 billion bushels.

For 2021-22, USDA projects corn ending stocks will rise 250 million bu. to 1.507 billion bushels. It expects total supplies will rise just 145 million bu. and total use will drop 105 million bu. from this year amid an expected sharp rise in prices.

- **USDA 2020-21 price: \$4.35, up a nickel from April; 2021-22: \$5.70.**

Global corn carryover for 2020-21 is projected at 283.5 million metric tons (MMT), down 320,000 metric tons (MT) from last month. USDA projects world ending stocks will rise 8.8 MMT in 2021-22 on bigger production.

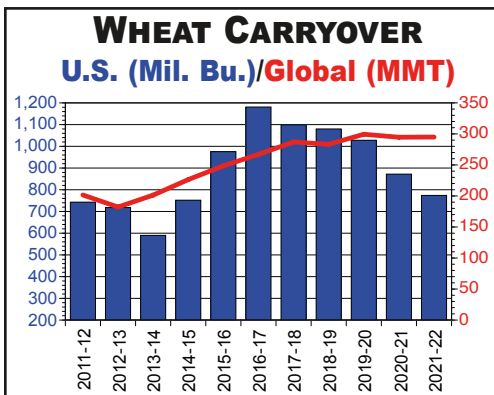


**SOYBEANS** — USDA kept old-crop carryover at 120 million bu. and made no changes to the supply or demand sides of the balance sheet. Our 2020-21 soybean ending stocks forecast is also 120 million bushels.

For 2021-22, USDA projects soybean ending stocks will rise 20 million bu. to 140 million bushels. It forecasts total supplies will decline 135 million bu. and total use will fall 155 million bu. amid a sharp rise in prices.

- **USDA 2020-21 price: \$11.25, unchanged from last month; 2021-22: \$13.85.**

Global soybean carryover for 2020-21 at 86.6 MMT is down 320,000 MT from last month. World reserves are expected to climb 4.6 MMT in 2021-22.

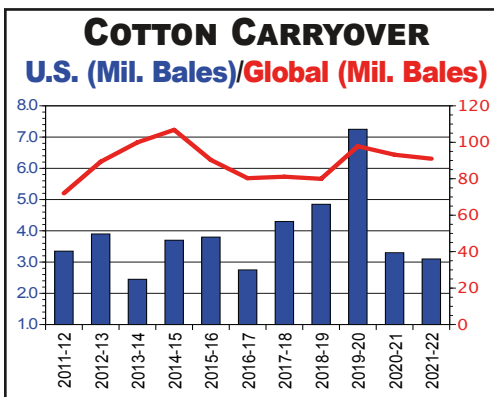


**WHEAT** — USDA raised its old-crop wheat ending stocks estimate by 20 million bu. from last month to 872 million bushels. It trimmed wheat imports by 5 million bu. from last month to 105 million bushels. USDA cut exports by 20 million bu. to 965 million bu. and food use by 5 million bu. to 960 million bushels. Our 2020-21 wheat ending stocks forecast is 846 million bushels.

USDA projects new-crop wheat ending stocks will fall 98 million bu. to 774 million bushels. It expects total supplies will drop 90 million bu. and total use will increase 7 million bu., despite a sharp increase in price.

- **USDA 2020-21 price: \$5.05, up a nickel from April; 2021-22: \$6.50.**

Global wheat carryover for 2020-21 at 294.7 MMT is down 850,000 MT from April. USDA projects world wheat ending stocks will rise 290,000 MT in 2021-22.



**COTTON** — USDA slashed its old-crop cotton ending stocks estimate by 600,000 bales from last month to 3.3 million bales. USDA cut the 2020 crop estimate by 90,000 bales to 14.610 million bales. On the demand side of the old-crop balance sheet, USDA raised exports by 500,000 bales to 16.25 million bales and adjusted unaccounted use to 10,000 bales from zero last month. Our 2020-21 cotton ending stocks forecast is also 3.3 million bales.

For 2021-22, USDA projects cotton ending stocks will fall 200,000 bales from this year to 3.1 million bales. It forecasts total supplies will fall 1.56 million bales and total use will drop 1.35 million bales on higher prices.

- **USDA 2020-21 price: 68.0¢, unchanged from last month; 2021-22: 75¢.**

Global cotton carryover for 2020-21 at 93.2 million bales is down 300,000 bales from April. World ending stocks are projected to drop 2.2 million bales in 2021-22.

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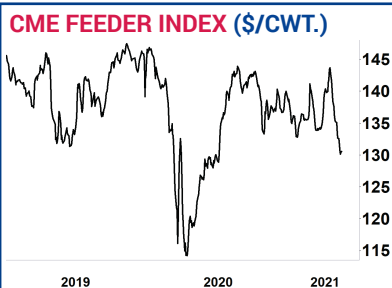
## CATTLE - Fundamental Analysis

Futures finally rebounded amid soaring wholesale beef prices and slightly firmer packer cattle bids. However, the cash cattle market lacked the strength to sustain the rally. Packers are having problems with labor shortages and plant maintenance. May and June are the biggest slaughter months and so far this month's kill has been lighter than expected, supporting the beef market. Choice beef surged above \$315 last week, up from less than \$220 two months ago. Post-pandemic restaurant demand is strong but exports slowed last week. After recent weakness, feeders rallied after corn prices slumped.

### Position Monitor

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

as the downside is limited. We want to wait for an extended price recovery to consider new hedges.



### JUNE DAILY LIVE CATTLE



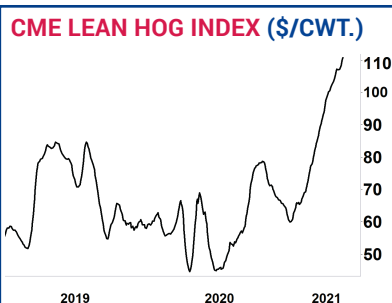
## HOGS - Fundamental Analysis

Futures retreated from contract highs as funds took profits on large long positions. The cash hog market's rally also showed signs of slowing after prices rose to the highest since 2014. USDA did raise its 2021 export projections to a new record and forecast 2022 pork production will rise 1.1% from this year. While the pork cutout value rebounded near its 2021 highs on the strength of loins and ribs, wholesale hams fell to a five-week low and bellies are 21% below the April high. Weekly USDA pork export sales fell 69% from a week earlier on big slowdown in sales to both Mexico and China.

### Position Monitor

Game Plan:		Lean Hogs
third-quarter	II'21	0%
hedges in July fu-	III'21	25%
tures. Be prepared	IV'21	0%
	I'22	0%

to add to coverage for third-quarter and place new fourth-quarter hedges if prices confirm early seasonal highs.



### JUNE DAILY LEAN HOGS



## FEED

### Feed Monitor

#### Corn

II'21	100%
III'21	0%
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

II'21	100%
III'21	33%
IV'21	0%
I'22	0%

**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

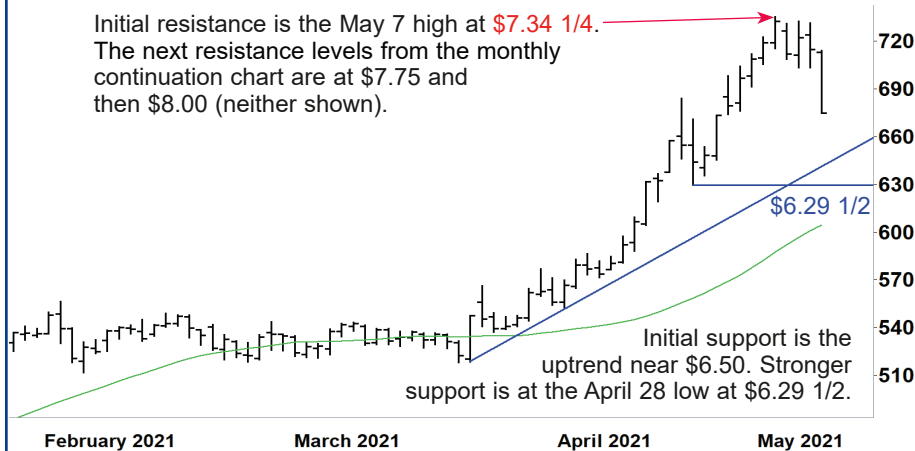


## Position Monitor

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

**Game Plan:** Both hedgers and cash-only marketers should be down to the last 10% of old-crop supplies left to sell. While the market hasn't given a signal of a top yet, the current strength in cash basis with futures near eight-year highs is a selling opportunity too good to pass up. However, we will stay patient on additional new-crop sales given the large discount to old-crop prices.

## DAILY JULY CORN



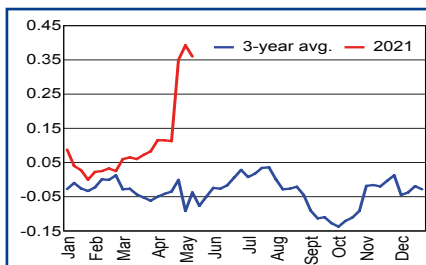
## DAILY DECEMBER CORN



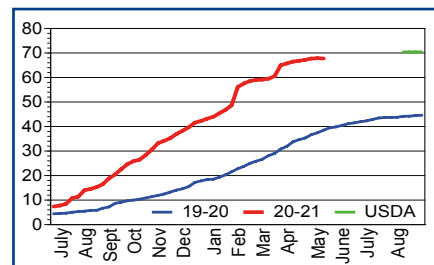
## CORN - Fundamental Analysis

Last week's retreat was overdue after prices soared to eight-year highs, with little correction the past two months. The selling and profit-taking came after USDA projected a bigger-than-expected increase in new-crop carryover after cutting its old-crop estimate. Prices also dropped as some rains fell in parts of the Midwest, aiding the rapidly planted 2021 crop potential. Prices stabilized by late week amid huge new-crop Chinese purchases, reinforcing speculation China's corn import demand is long-term and not just tied to the trade deal. Brazil's corn crop is shrinking almost daily amid the dry, warm weather, boosting the U.S. corn export outlook into 2022.

### 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:** Use price rebounds to get current with wrapping up old-crop sales and advance forward contracts on new-crop. We want to stay patient on additional sales until rains develop in dry areas of the northern U.S. and Canada.

## WHEAT - Fundamental Analysis

**SRW** — Futures tumbled amid neutral to bearish USDA supply and demand forecasts, favorable weather in many Northern Hemisphere winter wheat regions and chart selling. A technical correction was overdue. A price recovery will depend on the extent of any new end-user buying.

## DAILY JULY SRW WHEAT

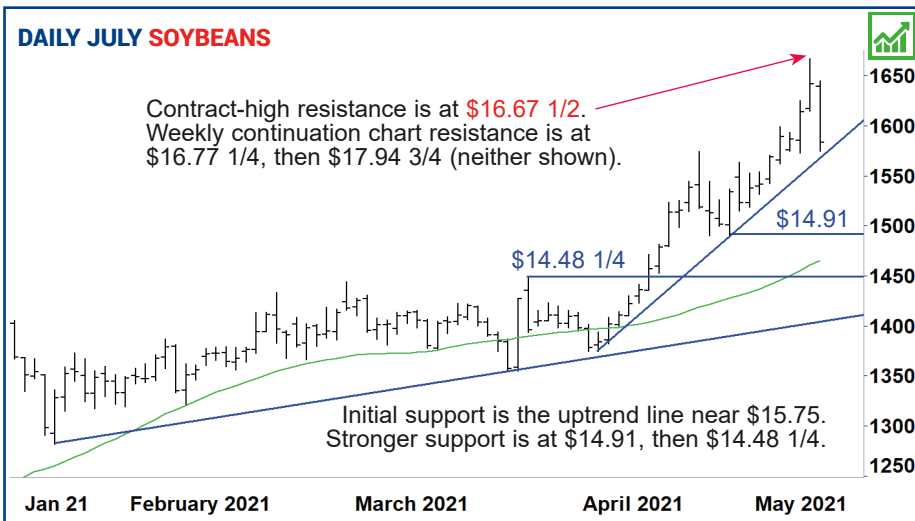


## Position Monitor

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

**Game Plan:** Use renewed market strength to make catch-up sales for both old- and new-crop supplies. After USDA projected U.S. inventories will remain tight through the 2021-22 season, prices should remain supported on breaks until the summer weather is clearer with 20% of U.S. soybean growing region currently in drought. Weather is now the focus and at current elevated prices, market volatility will be high.

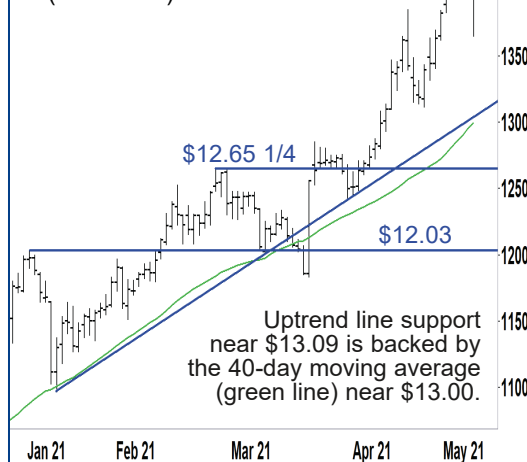
## DAILY JULY SOYBEANS



## DAILY NOVEMBER SOYBEANS



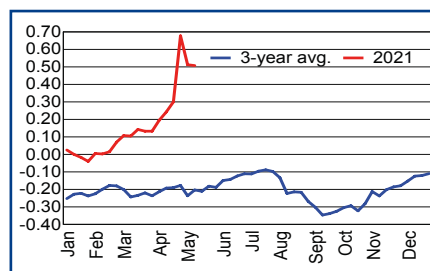
Closing above contract-high resistance at \$14.61 would target continuation chart resistance at \$15.00 (not shown).



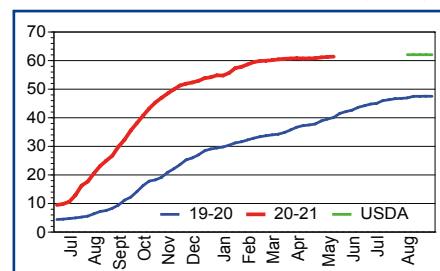
## SOYBEANS - Fundamental Analysis

Soybeans pulled back from nearly nine-year highs as the \$3 rally in prices since late March warranted some shake out of the weak speculative longs. While Brazil is actively shipping its record crop, USDA estimated 2021-22 U.S. ending stocks will rise just 20 million bu. to 140 million, the smallest initial May carryover projection ever. Corn appears to be winning the battle for more acres this spring, limiting the expansion of new-crop supply. Soybean futures rose to a new record on improving fuel and food demand. With 20% of the U.S. soybean growing region in drought, weather will remain at the forefront of price direction. Traders are waiting for increased Chinese new-crop purchases.

### AVERAGE SOYBEAN BASIS (JULY)



### SOYBEAN EXPORT BOOKINGS (MMT)



## DAILY JULY HRW WHEAT

Initial resistance is at \$6.67. Strong resistance is at \$7.41 1/4.

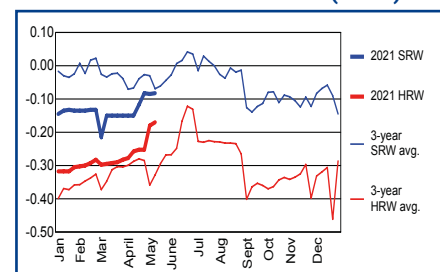


## DAILY JULY HRS WHEAT

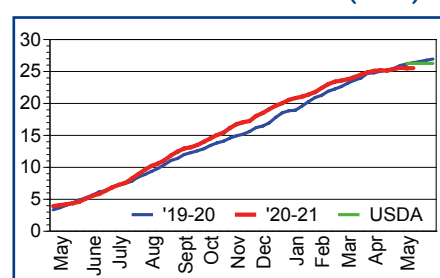
Closing above contract-high resistance at \$8.07 1/4 would target continuation chart resistance at \$8.25.



### AVERAGE WHEAT BASIS (JULY)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — Prices fell as rains spread across the HRW belt and more is forecast, boosting crop potential. The return of warmer, drier weather in Russia and Ukraine is gaining market attention but is not yet a threat to crops. Big global crops are needed to satisfy improving food and feed consumption. Wheat will follow corn's direction into summer.

**HRS** — Spring futures held firm against the winter wheat markets given dry, warm forecasts across the Northern U.S. Plains and Canadian Prairies. Drought already covers about 82% of the U.S. spring wheat area. After USDA projected record global production, weather remains the focus with U.S. export prices uncompetitive.

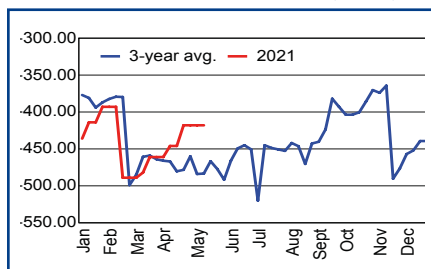


## Position Monitor

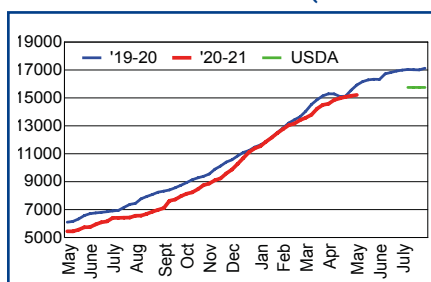
	'20 crop	'21 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

**Game Plan:** Get current with sales advice. Be patient on finishing old-crop sales and adding to new-crop forward sales until price strength returns.

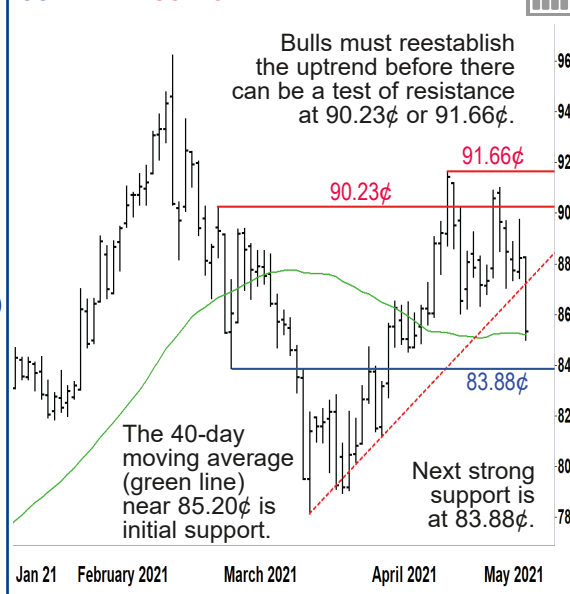
## AVERAGE COTTON BASIS (JULY)



## COTTON EXPORT BOOKINGS ('000 BALES)



## JULY DAILY COTTON



## COTTON - Fundamental Analysis

Futures fell back to support on rain forecasts for West Texas and accelerating planting in the Delta and Southeast. The negative price response to USDA's bullish Supply & Demand Report showing a sharp drop in old-crop carryover and a further tightening of 2021-22 ending stocks was disappointing.

## GENERAL OUTLOOK

**CURRENCIES:** After pushing below its 2021 uptrend, the U.S. dollar rebounded on April's jump in U.S. consumer prices, pushing U.S. interest rates higher. The dollar is now at an inflection point.

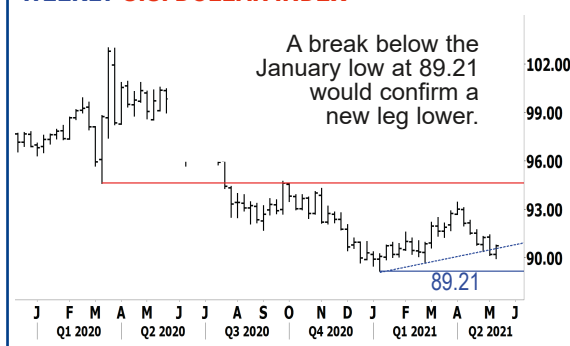
Rising inflation typically supports a stronger dollar because the market begins to anticipate the Federal Reserve will raise rates to quell inflation.

The dollar's role as the world's reserve currency still remains a question amid

improving sentiment toward economies outside of the U.S. and ongoing easy monetary policy promised by the Fed.

By clinging to its policies after the emergency has passed, the Fed may create asset bubbles and make dollar-denominated assets less attractive. If investor faith in the dollar erodes, selling those positions could create a downward spiral in the greenback's value and support new money flowing into commodities.

## WEEKLY U.S. DOLLAR INDEX



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

Chinese import demand for grain and soybeans remains a major key to price direction. USDA needs to do a better job forecasting both quantities and trends.

China's grain imports have been astonishing, reflecting the move away from feeding pigs food waste and rebuilding of the hog herd after African swine fever. It also signals China hid its shortages from the world market.

China's first quarter grain and soybean imports rose 62% to 37.6 million metric tons (MMT) from a year earlier.

USDA has been behind the curve on China's corn import forecasts since last year. On May 12, the agency raised its Chinese old-crop corn import forecast by 2 MMT to 26 MMT from a month earlier.

In August, USDA forecast China's imports at 7 MMT and by December it raised the forecast to 16.5 MMT, still far below realistic levels commercial traders were expecting. The official Chinese import forecast last week remained at 22 MMT. Shanghai JC Intelligence Co. (JCI) expects imports of 30 MMT this season.

Looking ahead to 2021-22, USDA projected China corn imports will remain at 26 MMT. China's Ag Ministry sees a 2-MMT drop to 20 MMT and JCI is looking for drop of 3 MMT. Even USDA's attaché in Beijing sees imports this year at 28 MMT falling to 15 MMT.

USDA's lack of credibility on Chinese imports has withheld critical price-sensitive information.

## WATCH LIST

- USDA Grain Inspections** **MON 5/17**  
Chinese corn shipments in focus. 10:00 a.m. CT
- USDA Crop Progress Report** **MON 5/17**  
Focus turns to emergence. 3:00 p.m. CT
- U.S. Extended Weather Outlook** **THUR 5/20**  
Critical summer period for crops. 7:30 a.m. CT
- Weekly Export Sales Report** **THUR 5/20**  
Big corn sales to China expected. 7:30 a.m. CT
- USDA Cattle on Feed Report** **FRI 5/21**  
Look for lighter April placements. 2:00 p.m. CT

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