



News this week...

- 2 – NWS: west will be hot, dry; east hot and wet.
- 3 – Fed mentions possible change in monetary policy.
- 4 – Our updated old- and new-crop balance sheets.

Bulls lose momentum – Corn futures paused after the sharp price break but failed to generate active buyer interest, despite aggressive Chinese new-crop purchases. Soybeans extended their sharp price break as export demand continues to slow seasonally. Wheat futures were pressured by rains in spring wheat areas and news of potential record yields in Kansas with winter wheat harvest approaching. Funds continued to liquidate long positions in the grain and soy complex. A new catalyst is needed to generate fresh buyer interest. That may be difficult to find unless there are summer weather concerns. Live cattle futures worked higher on firmer cash cattle prices, while feeder cattle continued to mirror corn action. Lean hog futures rebounded, with some contracts marking new highs.

China's new-crop corn buying spree

As of May 13, there were 5.10 million metric tons (MMT; 201 million bu.) of new-crop corn sales booked by China. USDA reported another 5.64 MMT (222 million bu.) of new-crop corn sales to China last week. There were also 10.1 MMT (397 million bu.) of unshipped old-crop U.S. corn sales to China on the books. China's aggressive purchases not only speak to its need for corn, but also signal it believes the Brazilian crop will be much smaller than USDA and Conab (Brazil's USDA) are forecasting.

In the first four months of this year, China imported 8.58 MMT of corn, a 301% surge from the same period last year.

Relief rains in Brazil, Northern Plains

Safrinha corn areas of Brazil are expected to see relief from heat and dryness through the end of the month, with south-central areas likely to see the highest rainfall totals. But the rains will be too late for a portion of the crop (see [News page 2](#)).

The Northern Plains will also receive needed rains, though they won't be enough to reverse moisture deficits. Heavier amounts are likely across areas of the Canadian Prairies.

Uncertainties with Argv ag exports

Argentine port workers staged a three-day strike over the lack of Covid vaccinations last week and are threatening another work stoppage this week. Low water levels on the Parana River are already slowing grain exports (see [News page 2](#)).

Meanwhile, the Argentine government halted beef exports to curb domestic inflation (see [News page 3](#)), prompting concerns a grain export ban could be next.

Tour finds record Kansas wheat yield

The Wheat Quality Council HRW tour found a record average yield of 58.1 bu. per acre in Kansas, well above USDA's May estimate of 48.0 bu. per acre. Tour participants guesstimated the Kansas crop at 365.0 million bu., 33.8 million bu. bigger than USDA's May estimate. Tour leaders believe there is more downside risk than upside potential for the crop from what was measured due to diseases from late-season wet weather.

EPA to keep RFS levels unchanged

EPA will keep its proposed 2021 biofuel (2022 biodiesel) and 2022 biofuel (2023 biodiesel) levels under the Renewable Fuel Standard (RFS) largely unchanged from the 2020 marks, according to *Reuters*. EPA has not yet sent the proposals to the Office of Management and Budget for review.

Court vacates three 11th-hour Trump SREs

The 10th Circuit Court of Appeals vacated three RFS exemptions granted on Jan. 19 by the Trump administration to two Sinclair Oil refineries. EPA must reassess the waivers.

Permanent ag disaster aid pushed

House Ag Chairman David Scott (D-Ga.) is working on legislation to create a permanent disaster aid fund at USDA. He says the "appropriations process takes too long." Experts say an effective standing disaster program should complement crop insurance and not encourage farmers to drop policies or reduce coverage. Instead, it should encourage those who rely on standing disaster aid to convert to new crop insurance policies that meet their unique risks.

Rural broadband reform disconnected

Republicans on the House ag committee proposed a three-year, \$7.35 billion bill for rural broadband access. Despite regular announcements from USDA on this matter, anemic internet speed remains a major concern for many farmers.

Active hurricane season expected

The Atlantic hurricane season has a 60% chance of being above average, the National Oceanic and Atmospheric Administration (NOAA) predicts, with 13 to 20 named storms likely, including three to five major hurricanes. But crop damage from tropical storms is rarely greater than the boost to yields from the additional rains.

PF/Doane acreage survey coming

You will receive an e-mail this week containing our June acreage survey. We'll have our analysis of the data in your June 19 newsletter, ahead of USDA's June 30 Acreage Report.

Quick starts for corn, soybean crops

Corn planting advanced 13 percentage points to 80% done as of May 16, while soybean seeding jumped 19 points to a record 61% completed for mid-May. That was 14 points and 24 points ahead of their respective five-year averages. Crop emergence jumped to 41% for corn and 20% for soybeans, six and eight points ahead of the respective five-year averages. Warmer temps and sunshine are needed to boost crop emergence after recent rains.

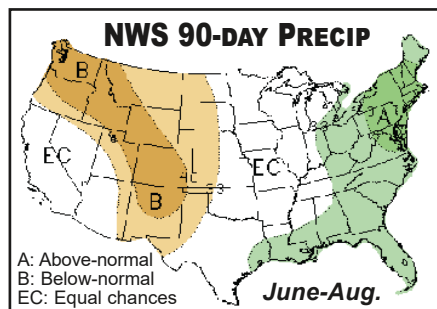
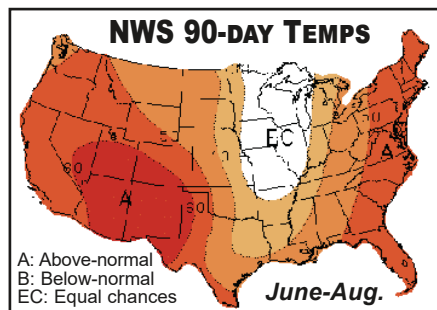
Rapid start for spring wheat, too

Spring wheat planting jumped 15 percentage points to 85% done, 14 points ahead of the average pace for mid-May. USDA reported crop emergence at 47%, 11 points ahead of the five-year average.

'Equal chances' for Central Corn Belt

The summer weather forecast is non-committal for the central Corn Belt, with the National Weather Service giving "equal chances" for above-, normal and below-normal temps and precip for June through August. All other areas of the country have increased chances for above-normal temps. The precip outlook is far more varied, with below-normal rainfall expected in the far western Corn Belt and across much of the Northern Plains, while the far eastern Corn Belt and Southeast have greater odds of being wet.

The forecast is most alarming for the northwestern Corn Belt and Northern Plains, where soil moisture is short and



drought is expected to persist. Dry areas of northern Iowa, southern Minnesota, southern Wisconsin and Michigan will need to see timely rains through summer given current abnormal dryness/moderate drought. The summer weather outlook is favorable for the eastern Corn Belt, where there are currently only small patches of dryness.

Brazil firm slashes corn crop estimate

Brazil-based Agroconsult now estimates the country's safrinha corn crop at 66.2 million metric tons (MMT), a 12.1-MMT (15%) drop from its forecast in March. It says the center-south states of Paraná, Mato Grosso do Sul and Goiás have been most affected by drought. The consultancy's overall Brazilian corn crop estimate plunged to 91.1 MMT. If realized, this would be the smallest Brazilian corn crop since 2017-18 when the safrinha crop was planted late after a delayed soybean harvest and La Niña hurt yields. *Sound familiar?*

Agroconsult now expects Brazil will export just 26 MMT of corn from this year's crop, 9 MMT less than both Brazil's official forecast and USDA's projection.

Safrinha corn stress may have peaked

Rains fell on some of Brazil's safrinha corn areas over the past week and are expected to be more frequent through month-end. As a result, World Weather Inc. believes crop stress may be "very near a peak." But rains will be too late to boost yield potential on the portion of crop that is already well into grain fill. Less mature crops will benefit. World Weather estimates rains could improve yields for 40% of Brazil's safrinha corn crop, while South American Consultant Dr. Michael Cordonnier says up to two-thirds of the crop could be aided by these rains.

Cordonnier kept his Brazilian corn crop estimate at 97 MMT. His "worst-case" crop estimate is down to 85 MMT.

Brazil facing ethanol supply crunch

Brazil's center-south region will likely produce 28.36 billion liters of ethanol during 2021-22, which would be a 7.4% drop from last year, according to the country's USDA-equivalent Conab. Brazilian plants will likely reduce sugar production near-term and boost ethanol production in response to rising demand and near-record prices for the biofuel. But this year's sugarcane crop was clipped by drought and a minimal amount of corn will be used in ethanol production.

Amid shortages, Brazilian fuel retailers are pushing for ethanol blends to be lowered from 27% to 18%, but Brazil's energy ministry says it does not yet see the need to cut the rate. Brazilian sources say a more likely scenario would be to temporarily lift the 20% tariff on U.S. ethanol imports. Given the tariff and devalued Brazilian real, U.S. ethanol shipments to Brazil are currently not economically viable.

Low waters altering Argy exports

The Rosario Grain Exchange estimates up to 10% of grains scheduled to be shipped in May from Rosario may have to be relocated to Atlantic ports. Low water levels on the Parana River mean vessels are currently having to reduce capacity by that amount due to lower draft levels.

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No change on inflation stance, but...

Minutes from the Fed's late-April Federal Open Market Committee (FOMC) meeting showed members still believe the recent rise in U.S. inflation is transitory. But the minutes noted, "A number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases."

While sharp drops in several raw commodity markets suggest the Fed may be correct with its "transitory" stance on inflation, some veteran market-watchers believe the inflation genie is already out of the bottle and likely to lift consumer and producer prices for some time to come. They believe inflation will likely become problematic.

New York Fed survey highlights inflationary pressures

The monthly New York Fed Empire State manufacturing survey noted record highs for the indices of prices paid and prices received this month. Firms remained optimistic about future conditions, but indices for future prices paid and future prices received remained elevated. Higher manufacturing costs will be passed onto consumers.

China's inflation dilemma

Amid the strong economic recovery and surging prices, China will work to balance supplies of commodities and protect businesses and consumers. *Xinhua* news reported the Chinese government says it "must take very seriously the adverse impact caused by the price hike, and take both holistic and focused measures in light of market dynamics to exercise precision regulation, so as to ensure the supply of commodities and curb unreasonable price increases and prevent transmission to consumer prices." Some of the measures mentioned include, "raising export tariffs on certain iron and steel products, temporarily exempting tariffs on pig iron and scrap steel, and canceling export tax rebates for some steel products... Opening-up will be pushed forward, to re-calibrate the import, export and buffer reserves of commodities." Market regulation will be strengthened and efforts will be made to keep monetary policy stable, according to the report.

IEA: Curb fossil fuel investment

The International Energy Agency (IEA) said the world can only hit its net-zero emissions target by 2050 by stopping all new oil and gas projects, rapidly accelerating wind and solar capacity and halting sales of all combustion-engine cars by 2035. If the world were to follow the IEA report's suggestions, oil prices would fall to a projected \$25 a barrel by mid-century. The key to IEA's goal of net-zero carbon emissions is Asia, where many countries disputed the IEA report.

Push for beef packer probe

The Iowa Cattlemen's Association (ICA) is urging an investigation into whether packers violated the Packers and Stockyards Act through price manipulation, collusion, restrictions of competition or other unfair practices. Tyson, JBS, National Beef and Cargill control 85% of the processing industry, which ICA says has "created a severe bottleneck in the beef supply chain during black swan events and has also opened the door for market manipulation." Beef demand has remained high through the pandemic, but while cattle producers are struggling to break even, ICA says "the gross packer margin exceeds \$1,000/head." It also points out that fed cattle delivery times have "consistently been pushed back several weeks following purchase." Sixteen lawmakers note that no public results or information have come from a Department of Justice investigation into the matter that began in May 2020.

Argentina halts meat exports

Argentina will stop exporting meat for 30 days amid concerns about soaring domestic inflation due to a "sustained increase in the price of beef." Officials say if other measures ease prices, the export ban could be lifted early.

The country's four main farmer associations will protest the decision by halting cattle sales for nine days from May 20-28, and warned additional actions could be coming.

Argentina is the world's fifth largest exporter of beef. It shipped nearly 900,000 metric tons (MT) of beef last year.

China still actively importing pork

China imported 430,000 MT of pork in April, up 8.7% from last year. During the first four months of 2021 pork imports totaled 1.59 MMT, up 18.1% from the same period last year.

China claims its sow herd is back to 98% of levels prior to its African swine fever (ASF) outbreak, and hog herd inventories are back to "normal levels." If that's the case, its pork imports will slow — perhaps dramatically. But its demand for corn, soybeans and other feedgrains would increase given the rising hog population.

Big China hog farm using less soymeal

Feed prices have soared over the past year, prompting China to issue guidelines last month for its livestock sector to reduce the content of both soymeal and corn in feed. Muyuan Foods, China's largest pig producer, says it reduced soymeal use in feed rations to just 9.8% last year, down from an industry average of 18%. The company says it saved 56 million yuan (\$8.7 million) last year by using less soymeal and increasing the use of amino acids in feed. If the whole country were to reduce soymeal consumption to 9.8%, it would lower China's annual soybean consumption by 20 MMT.

Zeroing in on old-crop, with focus shifting to new-crop

By Chief Economist Bill Nelson and Editor Brian Grete



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Much of the market's attention has shifted to the new-crop marketing year after USDA released its initial 2021-22 balance sheets. But there's still potential movement on old-crop stocks, which will impact new-crop supplies.

CORN: We continue to forecast more use and tighter ending stocks for 2020-21 than USDA. The current pace of ethanol production projects a figure above USDA's estimate. Old-crop exports are dependent on how much of the unshipped purchases China takes this year, cancels and/or rolls into 2021-22.

For 2021-22, we are using our March planting intentions figure and a slightly lower yield than USDA, as the additional acres will come from outside the high-yielding states. Our new-crop use forecast is higher than USDA's, with half of that difference being in exports given Brazil's shrinking crop and China's recent aggressive new-crop purchases.

SOYBEANS: Our old-crop usage estimate is the same as USDA's, though we expect more exports and less crush. The wildcard is exports, given tight supplies. If exports don't hit our target, old-crop ending stocks would likely creep a little higher.

For the new-crop marketing year, we are using our March planted acreage estimate and a slightly higher yield than USDA, resulting in a bigger total supply, though down from the current marketing year. We also have more use plugged into the new-crop balance sheet than USDA's initial forecast. Exports, specifically Chinese demand, are the wildcard given Brazil's record crop this year.

WHEAT: Old-crop exports are tracking stronger than USDA's estimate, making its 20-million-bu. cut to that category this month a head scratcher. We have lowered our export estimate by 5 million bu., but it's still 15 million bu. above USDA's figure, tightening old-crop ending stocks.

For 2021-22, we have a little more spring wheat and durum and slightly less winter wheat plugged into our planted acreage figure than USDA's forecast. But we are using a slightly lower all-wheat yield. Given our smaller beginning stocks forecast, we have slightly less total supplies plugged in than USDA.

On the usage side, exports and feed use are the wildcards. Given China's aggressive feeding of wheat, we plugged in a 20-million-bu. increase in exports over USDA's forecast. A bigger winter wheat crop and high corn prices argue for a big increase in domestic feed use. But there are many years when it seems feed use should be higher and it doesn't make the early forecast.

PRICE FORECASTS: We expect a significant increase in the average cash prices for corn, soybeans and wheat in 2021-22. But we believe USDA was too aggressive with its initial forecasts.

Corn Supply/Demand

	2020-21 USDA	2020-21 PF	2021-22 USDA	2021-22 PF
Planted (mil. acres)	90.8	90.8	91.1	93.4
Harvested (mil. acres)	82.5	82.5	83.5	85.8
Yield (bu./acre)	172.0	172.0	179.5	179.0
<i>million bushels</i>				
Beginning Stocks	1,919	1,919	1,257	1,165
Production	14,182	14,182	14,990	15,358
Imports	25	33	25	42
Total Supply	16,127	16,135	16,272	16,565
Feed and Residual	5,700	5,750	5,700	5,800
Food, Seed, Industrial	6,395	6,445	6,615	6,665
Ethanol for Fuel*	4,975	5,025	5,200	5,250
Total Domestic Use	12,095	12,195	12,315	12,465
Exports	2,775	2,775	2,450	2,600
Total Use	14,870	14,970	14,765	15,065
Carryover	1,257	1,165	1,507	1,500
Carryover, days' supply	30.9	28.4	37.3	36.3
Stocks-to-Use	8.5%	7.8%	10.2%	10.0%
Proj. avg. price/bu.	\$4.35	\$4.35	\$5.70	\$5.25

* "Ethanol for Fuel" is included in the Food, Seed & Industrial total.

Soybean Supply/Demand

	2020-21 USDA	2020-21 PF	2021-22 USDA	2021-22 PF
Planted (mil. acres)	83.1	83.1	87.6	88.9
Harvested (mil. acres)	82.3	82.3	86.7	88.0
Yield (bu./acre)	50.2	50.2	50.8	51.0
<i>million bushels</i>				
Beginning Stocks	525	525	120	120
Production	4,135	4,135	4,405	4,485
Imports	35	35	35	50
Total Supply	4,695	4,695	4,560	4,655
Crush	2,190	2,180	2,225	2,225
Exports	2,280	2,290	2,075	2,175
Seed	102	103	104	106
Residual	3	2	16	19
Total Use	4,575	4,575	4,420	4,515
Carryover	120	120	140	140
Carryover, days' supply	9.6	9.6	11.6	11.3
Stocks-to-Use	2.6%	2.6%	3.2%	3.1%
Proj. avg. price/bu.	\$11.25	\$11.40	\$13.85	\$13.25

Wheat Supply/Demand

	2020-21 USDA	2020-21 PF	2021-22 USDA	2021-22 PF
Planted (mil. acres)	44.3	44.3	46.4	46.5
Harvested (mil. acres)	36.7	36.7	37.4	37.6
Yield (bu./acre)	49.7	49.7	50.1	49.9
<i>million bushels</i>				
Beginning Stocks	1,028	1,028	872	856
Production	1,826	1,826	1,872	1,877
Imports	105	105	125	125
Total Supply	2,959	2,959	2,869	2,858
Food	960	960	963	961
Seed	63	63	62	62
Feed/Residual	100	100	170	150
Total Domestic Use	1,123	1,123	1,195	1,173
Exports	965	980	900	920
Total Use	2,088	2,103	2,095	2,093
Carryover	872	856	774	765
Carryover, days' supply	152.3	148.6	134.8	133.4
Stocks-to-Use	41.8%	40.7%	36.9%	36.6%
Proj. avg. price/bu.	\$5.05	\$5.05	\$6.50	\$6.25

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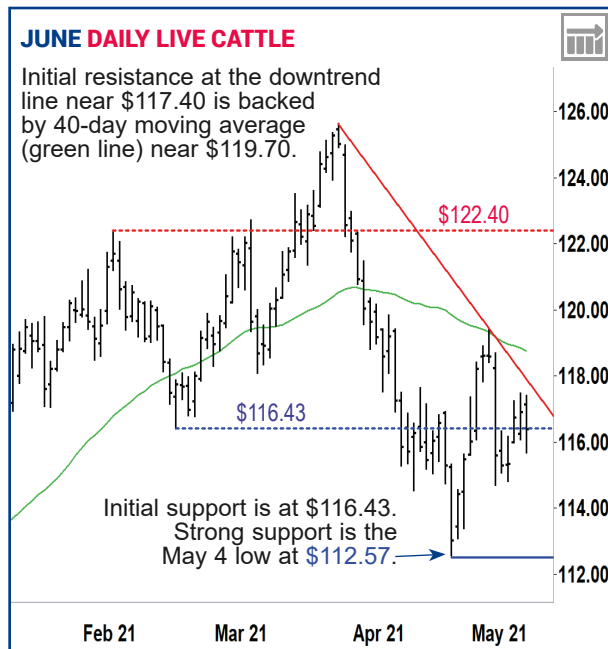
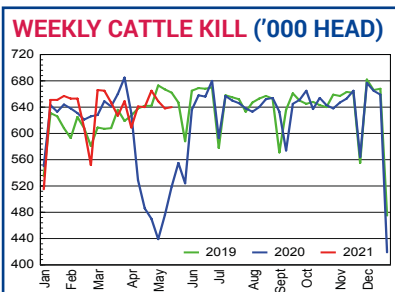
CATTLE - Fundamental Analysis

Futures struggled to follow surging beef prices and slightly firmer cash cattle bids. Market bears remain convinced that beef is nearing a seasonal peak and that will limit additional cash cattle strength. The problem remains slaughter capacity, which allows packers to utilize captive supplies and resist raising negotiated bids. Weekly beef export sales were corrected after USDA misreported a huge sale to the Netherlands. However, China continues to buy U.S. beef. Argentina's 30-day ban on beef exports to curb domestic inflation could lead to stronger U.S. beef sales. Feeder trends will remain tied to daily corn price changes.

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 before considering new hedges.

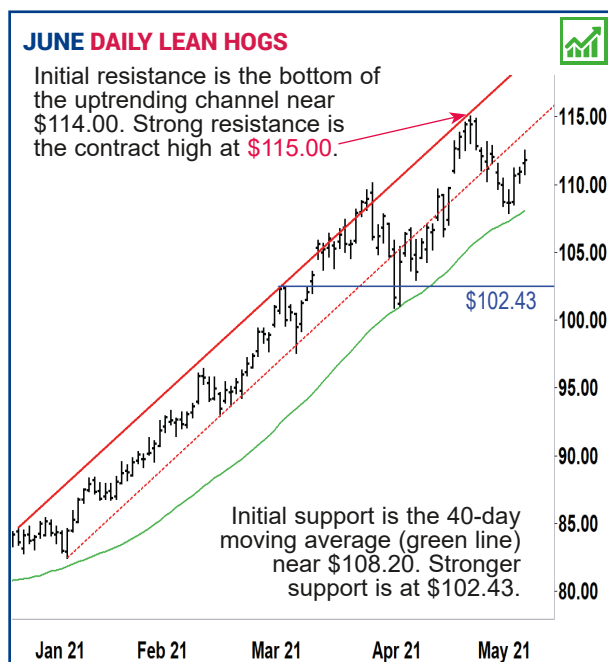
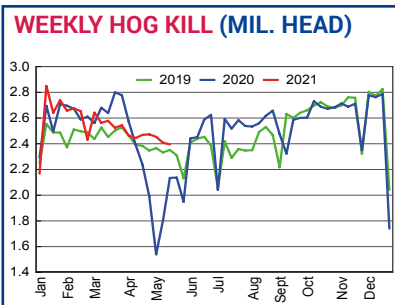


HOGS - Fundamental Analysis

Futures were caught between a stalled cash market rally and further strength in pork cutout values. Slaughter remains in a normal seasonal retreat, with lighter weights also helping to trim total U.S. pork production. Deferred futures also struggled to retrace recent losses amid reports of falling Chinese cash hog and pork prices. With Chinese corn at record prices, hog feeding margins are in full retreat, which may slow expansion without imports of cheaper U.S. corn. U.S. weekly pork export sales fell 1% and shipments dropped 24% from the prior four-week average with China business slowing.

Position Monitor

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



FEED

Feed Monitor

Corn		Corn Game Plan:
II'21	100%	On May 17, we advised covering 25% of third-quarter cash needs. Our targets for extending coverage are \$6.00 in July futures and \$5.00 in December.
III'21	25%	
IV'21	0%	
I'22	0%	

Meal		Meal Game Plan:
II'21	100%	You should have all meal needs covered in the cash market through June and also 50% of July and August meal needs in the cash market. We are targeting \$390 in July futures for new purchases.
III'21	33%	
IV'21	0%	
I'22	0%	

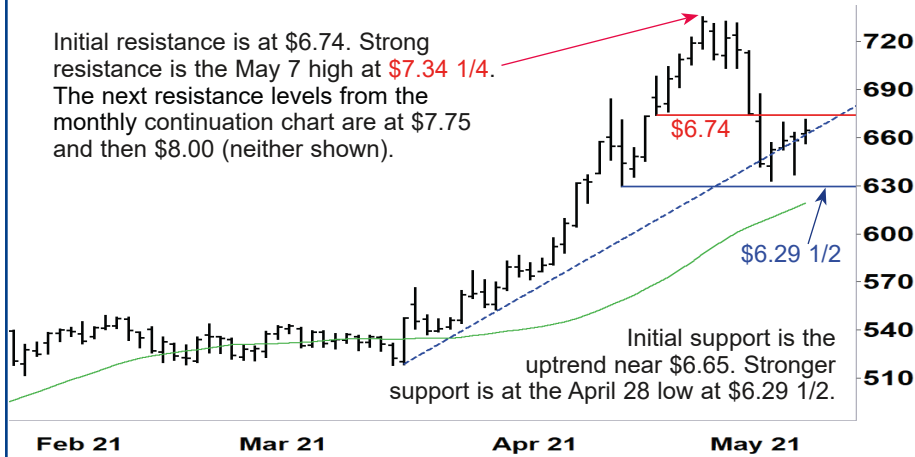


Position Monitor

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

Game Plan: Hedgers and cash-only marketers are down to the last 10% of old-crop supplies left to sell. Recent price weakness probably marks interim price highs. Strong basis amid improving ethanol and feed demand will limit weakness before pollination. We want to wait on summer weather before making additional new-crop sales given the large discount to old-crop prices and strong Chinese demand.

DAILY JULY CORN



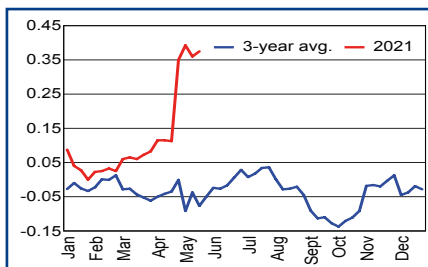
DAILY DECEMBER CORN



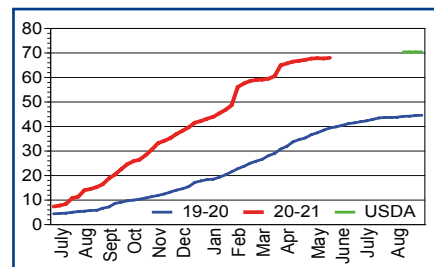
CORN - Fundamental Analysis

Large daily new-crop sales announcements to China (see *News* page 1) helped limit selling tied to warmer, wetter Midwest weather with more of the same expected in early June. Mexico also increased purchases of U.S. corn as drought conditions there worsen. Old-crop demand continues to improve with rising ethanol production, milk output and a record summer export shipping season expected. It is this demand tug and coming fight for tight old-crop supplies that should support futures and basis. Weather into mid-July in the U.S., China and the Black Sea region will establish market direction amid crop losses in Brazil. Until there is a fresh U.S. weather threat, expect volatile price swings.

AVERAGE CORN BASIS (JULY)



CORN EXPORT BOOKINGS (MMT)

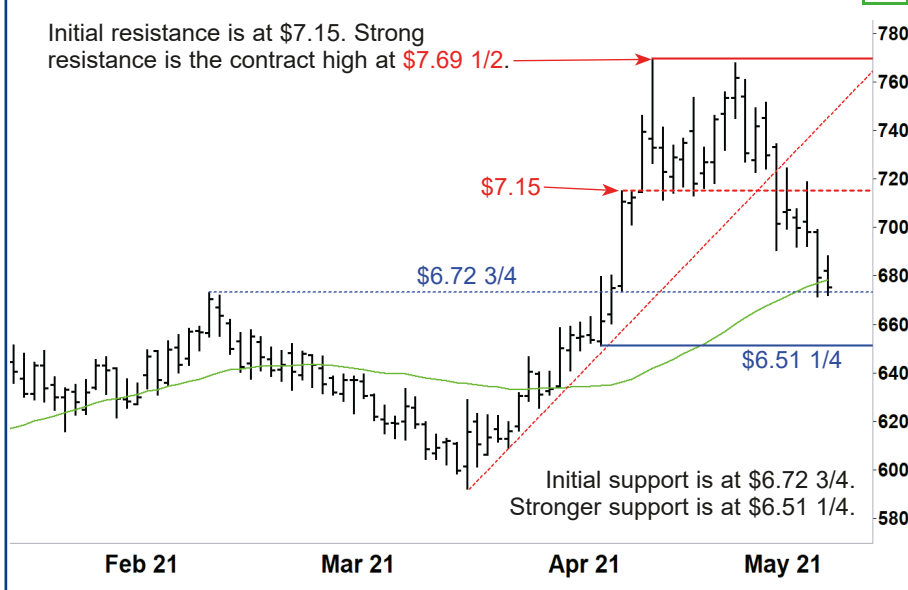


Position Monitor

	'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. Rallies will be tough to sustain without a new weather threat to the Northern Hemisphere crops.

DAILY JULY SRW WHEAT



WHEAT - Fundamental Analysis

SRW – Futures extended losses to four-week lows on improving global new-crop outlooks, highlighted by record yields projected in Kansas after the annual crop tour of the state. The other weight on futures is that current U.S. prices don't compete in many importing nations.

Position Monitor

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

Game Plan: Get current with advised sales for both old- and new-crop supplies. USDA projects U.S. inventories will remain tight through the 2021-22 season. That should limit downside risk from fund liquidation until the summer weather is clearer, with 22% of U.S. soybean growing region currently in drought. Weather is now the focus, and at current elevated prices, market volatility will remain high.

DAILY JULY SOYBEANS



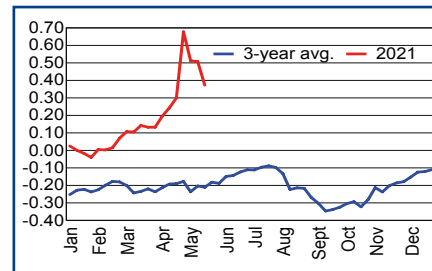
DAILY NOVEMBER SOYBEANS



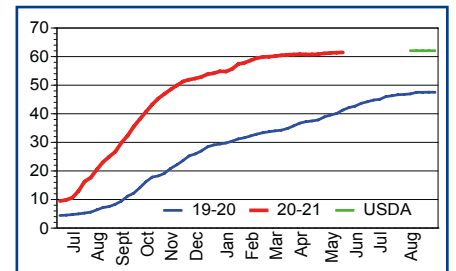
SOYBEANS - Fundamental Analysis

Futures fell toward support on improving weather for U.S. crops, talk that U.S. acreage may be larger than many are forecasting and a softening tone in Brazilian and U.S. basis levels. The U.S. export story has faded into the background amid the Chinese new-crop corn buying spree and strong Brazilian shipments of their record harvest. Some traders are disappointed Chinese crushers have not increased U.S. new-crop soybean purchases as prices fell. Soybeans also fell as world vegetable oil prices tumbled from records, led by an 11% plunge in palm oil. Rising labor unrest in Argentina and talk the government may raise export taxes may provide support to soymeal and soyoil.

AVERAGE SOYBEAN BASIS (JULY)



SOYBEAN EXPORT BOOKINGS (MMT)



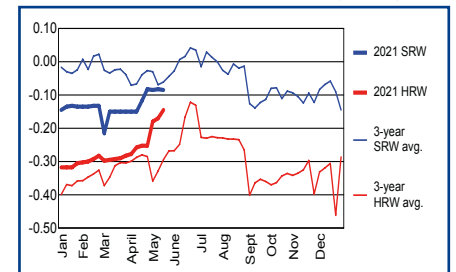
DAILY JULY HRW WHEAT



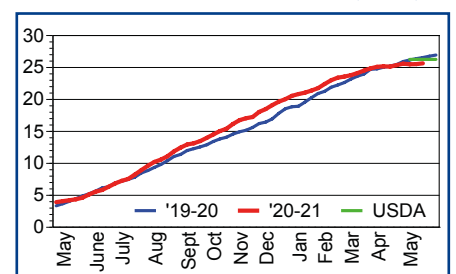
DAILY JULY HRS WHEAT



AVERAGE WHEAT BASIS (JULY)



WHEAT EXPORT BOOKINGS (MMT)



HRW – Prices fell after the Wheat Quality Council tour of Kansas found record yield potential. Drier weather will be welcome into June to boost protein levels and curb disease. World crops are in better shape than a year ago, but dryness in parts of the Black Sea region are a focus. Drought in the Pacific Northwest will shave white wheat harvests.

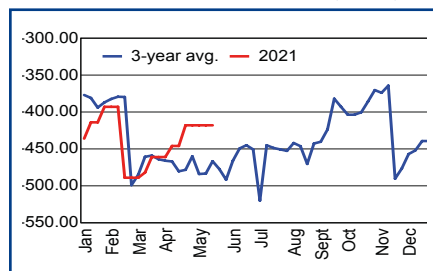
HRS – Producers and bearish traders are waiting to see rainfall amounts and coverage across the Northern Plains and Canadian Prairies from storms forecast into late May. If rains disappoint, spring wheat futures will resume upside leadership. Any protein problems in the HRW crop from too much rain will boost demand for spring wheat.

Position Monitor

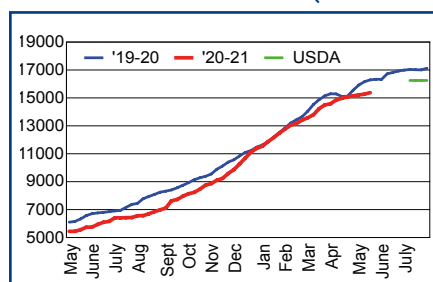
	'20 crop	'21 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

Game Plan: Get current with sales advice. Be prepared to finish old-crop sales if support falters. Be patient on adding to new-crop forward sales.

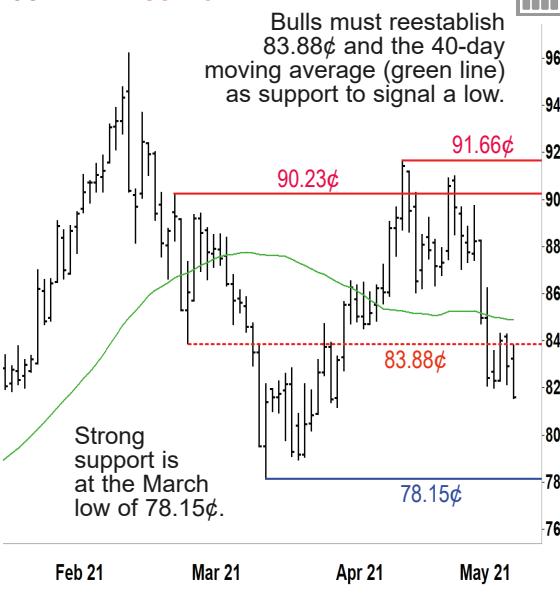
AVERAGE COTTON BASIS (JULY)



COTTON EXPORT BOOKINGS ('000 BALES)



JULY DAILY COTTON



COTTON - Fundamental Analysis

Futures weakened after failing to hold early-week gains. Rain in West Texas kept pressure on the market, but too much precip in the Delta has delayed planting. U.S. export sales and shipments are strong, keeping traders focused on drier summer forecasts for West Texas and the Southeast.

GENERAL OUTLOOK

COMMODITIES: While builders are still paying record-high cash prices for lumber, the futures market is signaling that the historic rally is likely over.

Futures extended their decline for seven straight sessions before rebounding May 19. While the drop indicates market weakness, builders who need to purchase wood for summer projects are paying top dollar due to tight supplies.

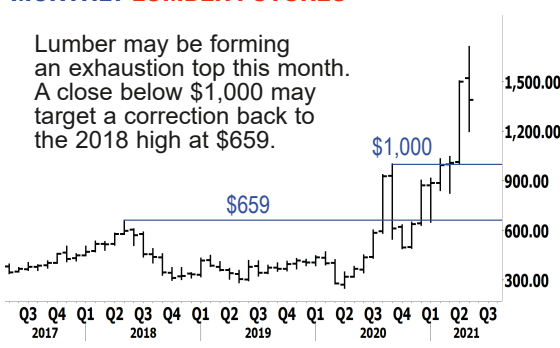
As much of the economy stumbled

during the pandemic, the housing market has been on fire amid home buyer exodus to the suburbs, fueled by a quest for home office space.

But ground breaking on new U.S. homes dropped 9.5% in April from March, when home starts plunged 19.8%.

Lumber's rally has a similar trajectory as corn and soybeans, a warning that overextended markets will correct and inflation may be transitory.

MONTHLY LUMBER FUTURES



FROM THE BULLPEN By Sr. Market Analyst Jeff Wilson

Commercial short-covering earlier this month drove corn prices to the highest since July 2013, despite funds liquidating net long positions.

That's the kind of market participation seen at similar speculative price peaks in 2008 and 2011, but not in 2012.

Corn probably has all the bullish news it is going to get at this time. The rumored Chinese purchases have been confirmed and Brazil's safrinha crop has shrunk, while U.S. planting is ahead of average and rains promote a good start.

In the week ended May 11, a day before USDA underwhelmed the market with its supply and demand forecasts, money managers slashed their net long position more than 56,000 futures and

options to a net long of 316,336 contracts. That was largest week of net selling by funds since August 2019, pushing their bullish bets to the lowest since December.

In the same week, commercials cut their net-short position by almost 37,000 futures and options to 723,411 contracts. That was the smallest short hedge since the first week of January.

The U.S. will still have a tight corn story even with final planted acres rising above March intentions and a near-trend yield. But unless yields are threatened, that won't be enough to sustain rallies. Warm summer forecasts for the U.S. and Black Sea area are concerning. Rallies will likely be sold and price breaks bought through July.

WATCH LIST

- 1 USDA Grain Inspections** **MON 5/24**
Corn shipments to China are key. 10:00 a.m. CT
- 2 USDA Cold Storage Report** **MON 5/24**
Stocks to provide demand clues. 2:00 p.m. CT
- 3 USDA Crop Progress Report** **MON 5/24**
Focus remains on emergence. 3:00 p.m. CT
- 4 Weekly Export Sales Report** **THUR 5/20**
Big corn sales to China expected. 7:30 a.m. CT
- 5 U.S. Income & Spending** **FRI 5/28**
Strong April consumer spending. 7:30 a.m. CT

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