



### News this week...

- 2 – China imported a lot of U.S. corn, ethanol in March.
- 3 – U.S. exports record volumes of beef, pork in March.
- 4 – Market remains keenly focused on interest rate clues.

**Corn continues to surge** – Corn extended its six-week surge to new highs, with front-month futures approaching the 2013 high of \$8.00 on the continuation chart. But in a change, December futures led gains as traders unwound bull spreads and China bought at least 1.36 million metric tons of U.S. new-crop corn. Given tight old-crop supplies, Brazil's shrinking crop and China's big appetite for corn, the market is making a late push to buy more acres. Soybeans followed corn higher, with front-month futures nearing the 2013 high at \$16.30 on the continuation chart. Wheat futures also continue to follow corn higher, with new highs in many contracts. Cattle futures rebounded from their recent lows but need the cash market to strengthen to extend the rally. Hogs rallied to new highs amid strengthening cash prices.

## Brazil's corn crop getting smaller

Some sources speculate Brazil's corn crop estimate could decline 2 million metric tons (MMT) per week into harvest if dryness persists. A Brazil-based analyst says the crop is "really ugly in some areas, but I don't think it is as bad here as 2012 in the U.S." South American Consultant Dr. Michael Cordonnier says his minimum crop estimate of 90 MMT could come into play if there are no widespread, soaking rains before harvest. Forecasts call for only scattered, light rains across safrinha corn areas of the country late this week.

## Bigger Chinese corn crop expected

China's 2021 corn output is forecast to rise 4.3% from last year to 272 MMT, says China National Grain and Oils Information Center (CNGOIC). The government think-tank expects corn acreage to rise 3.3% amid record domestic prices and increased farmer subsidies to grow corn. Despite higher subsidies for soybeans, CNGOIC forecasts production will fall 6.1%, though China's rapeseed crop is expected to be 2.8% bigger. It expects wheat and rice production to increase 1.6% and 1.5%, respectively.

## Strong Chinese trade data for April

China's exports jumped 32.3% versus year-ago levels in April, while its imports surged 43.1%. That pushed the country's trade surplus to \$42.9 billion. Beijing's trade surplus with the U.S. expanded to \$28.1 billion in April and stood at \$100.7 billion through the first four months of this year.

### Soybean imports drop versus March but up from year-ago

China imported 7.5 MMT of soybeans in April, down 4.1% from March but up 11.0% from last year. In the first four months of this year, Chinese imports of soybeans rose 16.8% from year-ago to 28.6 MMT.

### Meat imports stay strong but drop from March's record

China imported 922,000 metric tons of meat in April, down 9.6% from the March record but up 7.0% from last year. Through April, China imported nearly 3.6 MMT of meat, a 16.9% surge from the same period last year.

## New-crop focus builds this week

USDA will release updated balance sheets, including its first official look at the 2021-22 marketing year and its initial winter wheat crop estimates on May 12. Given tight old-crop stocks for corn and soybeans, USDA's monthly changes to usage estimates will draw heightened attention; more scrutiny will also be given to the new-crop supply/demand outlook.

USDA is likely to cut its Brazil corn crop projection from 109 MMT, but it won't be as low as many private estimates.

## Corn ethanol cuts carbon footprint

The carbon footprint of corn-based ethanol dropped 23% between 2005 and 2019 thanks to new technologies used by farmers and ethanol producers and advancements in efficiency, based on Department of Energy (DOE) analysis. DOE researchers also found corn ethanol reduces lifecycle greenhouse gas emissions by 44% to 52% compared with regular gasoline. This statistics-based report is valuable for the ethanol industry given the administration's whole-of-government climate change push with ag expected to be a leader.

## Global food price inflation building

Global food prices rose for an 11th straight month in April to the highest since May 2014. The UN's Food and Agriculture Organization food price index is up 31% from last year.

## Huge miss on April payrolls data

U.S. non-farm payrolls rose 266,000 in April, far below the 1 million jobs economists expected to be added, and March payrolls were revised down. Hourly earnings increased 0.7%, but the data should allow the Fed to wait for signs of full employment and higher inflation before raising interest rates. We have more on the rate debate on [News page 4](#).

## 'America the Beautiful' lacks details

The Biden administration's plan to conserve 30% of U.S. lands and waters by 2030 focuses on local, voluntary efforts instead of a national mandate. The plan is strong on vision and short on details — and won't quell farmers' concerns.

## HRW condition ratings below normal

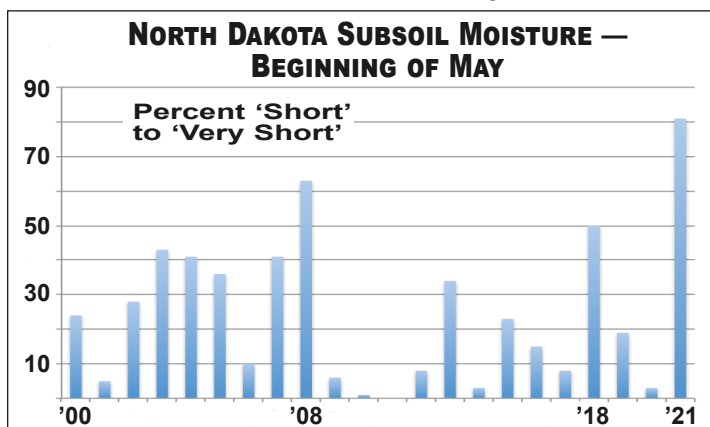
USDA's winter wheat crop condition ratings dropped one percentage point to 48% "good" to "excellent." It continues to rate 19% of the crop "poor" to "very poor." On the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the HRW crop improved 1.1 points to 327.7 points. The SRW crop slipped 0.4 point to 373.8 points. The HRW crop is rated 5.8 points below its five-year average, while the SRW crop is 14.1 points above the average for the beginning of May.

## Above-average Oklahoma wheat crop

Oklahoma is likely to produce a wheat crop of around 110 million bu. this year, according to crop watchers in the state, which would be around 10% above the 10-year average production. Mark Hodges, executive director of Plains Grains Inc., says Oklahoma's wheat crop fared better than other states, as it doesn't appear there was as much drought stress and freeze damage.

## Spring wheat planting accelerates

The U.S. spring wheat crop was 49% seeded and 14% emerged at the beginning of May; that's 17 and four points ahead of the respective five-year averages. Despite the quick start, there are severe moisture deficits in top producer North Dakota and other states. Since 2000, there have only been two years when at least 50% of North Dakota's subsoil moisture was "short" to "very short" at the beginning of May – 2018 and 2008. But the HRS final yield in both of those years ended up higher than initially estimated in July, with 2018 being a record and 2008 producing a trendline yield. This year's crop may be starting behind the proverbial eight-ball from a moisture standpoint, but history says the timing of rains during the growing season mean more to final yields than early season soil moisture. The lack of soil moisture reduces the margin for error.



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## Record corn exports in March

The U.S. exported 373 million bu. of corn in March, according to Census data, a record for any month and roughly 25 million bu. more than export inspections data signaled. Corn shipments to China were a record 69 million bu. in March. Through the first seven months of 2020-21, the U.S. exported 1.48 billion bu. of corn, an 83% surge from the same period last year.

Ethanol exports to China also soared to 48.3 million gallons during March, which was just below the April 2016 record. In the first seven months of 2020-21, the U.S. shipped 75.8 million gallons of ethanol to China.

## Brazil's soybean exports to slow

Brazil's soybean exports are likely to decline this month from a record 17.4 MMT in April as shipments to China are expected to slow. Brazilian grain export association ANEC projects Brazil will export just shy of 12 MMT of soybeans this month. Shipping agent Cargonave says there are around 180 vessels scheduled to load soybeans at Brazilian ports during May, a 70-vessel (28%) retreat from April.

Brazil exported 130,876 metric tons (MT) of corn in April. ANEC doesn't expect any Brazilian corn shipments this month.

## Low waters could slow Argy exports

Water levels along Argentina's Parana River are already a concern, and the annual dry season is just getting started. Some vessels are reportedly already reducing loadings between 5,500 MT and 7,000 MT. Brazil and Paraguay had to increase the discharge from the Itaipu Dam to boost water levels along the Parana River last year. But those negotiations could be impacted this year by the recent death of Argentina's transportation minister.

## Soy crush rebounds, but not a record

U.S. processors crushed 188.2 million bu. of soybeans during March. That was up 23.9 million bu. (14.5%) from February but 3.9 million bu. (2.0%) below the March 2020 record. Crush needs to average 177.8 million bu. per month over the final five months of 2020-21 to hit USDA's forecast.

Soyoil stocks were much lower than expected and down from February, implying strong biodiesel use.

## Corn ethanol grind up from year-ago

The U.S. consumed 473.4 million bu. of corn in March, including 420.0 million bu. for ethanol production. Ethanol grind was up 85.8 million bu. (25.7%) from February and 8.2 million bu. (2.0%) from March 2020. Given the data through March and the implied rate for April, corn-for-ethanol use would need to average 425 million bu. the final four months of the marketing year to hit USDA's forecast of 4.975 billion bushels.

## U.S. ag exports shot higher in March, but so did imports

The value of U.S. ag exports surged nearly \$1.5 billion in March to \$15.3 billion. Ag imports accelerated \$2.7 billion to a record \$14.6 billion. That resulted in an ag trade surplus of \$774 million for the month, a sharp decline from the \$2.0 billion surplus in February — and the first month under \$2.0 billion in the first half of fiscal year (FY) 2021. Cumulative FY 2021 ag exports stand at \$92.4 billion against imports of \$76.9 billion for a surplus of nearly \$15.6 billion. In February, USDA forecast both ag exports and imports to be record-large at \$157 billion and \$137.5 billion, respectively, implying a trade surplus of \$19.5 billion. Historically, U.S. ag exports slow in the second half of the fiscal year, while ag imports are strongest during spring.

## Record U.S. beef, pork exports during March driven by Chinese demand

The U.S. exported 300.1 million lbs. of beef in March, up 32.9 million lbs. (12.3%) from year-ago and the first time shipments have topped the 300-million-lb. mark. Exports were driven by a surge to China, which was the third largest destination behind traditional buyers Japan and South Korea. Beef exports during the first quarter of 2021 totaled 796.5 million lbs., up 27.2 million lbs. (3.5%) versus the same period last year. Beef exports to China in the first three months skyrocketed 1,476%.

Pork exports during March totaled 728.8 million lbs., up 27.3 million lbs. (3.9%) from versus the previous high in March 2020. China was the leading destination for U.S. pork both in March and during the first quarter. But first-quarter shipments of pork to China were down 128.6 million lbs. (22.2%) from the same period last year.

## EPA: Invalidate three SREs

EPA asked the 10th U.S. Circuit Court of Appeals to invalidate three small refinery exemptions (SREs) given to Sinclair Oil — two for the 2019 compliance year and one for 2018 — late in the Trump administration. The court filing argues the SREs were “outside the scope of EPA’s statutory authority,” and that there was “substantial uncertainty” the agency had conducted any analysis on the legal question of whether the refineries were eligible to receive the exemptions. The court filing also pointed out that Sinclair has already retired the Renewable Identification Numbers (RINs) relative to the two compliance years covered by the SREs.

## GAO examining RFS

EPA will disclose to the Government Accountability Office (GAO) “all documents, information, and data related to all small refinery exemption petitions received by EPA from the start of the RFS program through the present.” That suggests GAO is embarking on a major exam of the Renewable Fuel Standard and SREs, in particular, at the request of 12 bipartisan House members from key biofuels states. GAO will either return the information to EPA or destroy it when the study is completed, as there are rules preventing “any further disclosure” of such information.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	June	July-Sept.	Oct-Dec.
	(Monthly & quarterly avg.)					
<b>CORN</b>						
Central Illinois, bushel	2.97	6.72	7.11	7.00	6.50	5.50
Omaha, NE, bushel	2.97	6.66	7.22	7.05	6.55	5.55
Dried Distillers Grain, IA, \$/ton	166.25	206.47	229.18	--	--	--
<b>SOYBEANS</b>						
Central Illinois, bushel	8.32	15.46	15.56	15.50	14.50	13.00
Memphis, TN, bushel	8.66	15.87	15.86	15.90	14.90	13.40
Soymeal, 48% Decatur, ton	289.60	434.15	428.00	430	420	410
<b>WHEAT</b>						
Kansas City, HRW, bushel	4.92	7.19	7.39	7.50	7.25	7.40
Minneapolis, 14% DNS, bushel	5.96	8.52	8.81	9.00	8.75	9.00
St. Louis, SRW, bushel	5.44	7.50	7.49	7.75	7.50	7.65
Portland, Soft White, bushel	6.04	7.30	7.30	7.50	7.50	7.25
Durum, NE MT HAD, 13%, bu.	5.80	6.48	6.58	7.00	6.75	6.75
<b>SORGHUM</b> , Kansas City, cwt.	5.67	12.39	13.33	13.50	13.00	10.00
<b>COTTON</b> , 11/16 SLM, 7 area, ¢/lb.	50.68	85.34	82.99	84.00	84.00	80.00
<b>RICE</b> , nearby futures, cwt.	15.05	13.22	13.84	14.25	14.10	14.25
<b>BARLEY</b> , MT, G.T., malting, cwt.	7.50	7.25	7.25	7.50	7.50	7.50
<b>OATS</b> , Minneapolis No. 2 heavy, bu.	3.27	3.95	4.01	4.05	4.00	3.75
<b>ALFALFA</b> , NW Iowa, lg. sq. prem., ton	132.20	180.00	200.00	180	180	180
<b>SUNFLOWERS</b> , Fargo, ND, cwt.	18.95	26.55	27.05	27.00	26.00	24.00
<b>HOGS</b> , Nat'l carcass 51%-52% cwt.	56.52	105.65	105.95	101.00	80.00	75.00
<b>FEEDER PIGS</b> , 40 lbs., Nat. avg. head	16.06	99.70	93.13	74.00	64.00	77.00
<b>CHOICE STEERS</b> , feedlots, cwt.	97.61	121.36	118.89	117.00	115.00	120.00
<b>FEEDER CATTLE</b> , Oklahoma City						
Steers, 700-800 pounds, cwt.	124.94	141.86	137.38	135.00	134.00	137.00
Steers, 500-550 pounds, cwt.	152.86	169.96	165.72	158.00	159.00	162.00
Heifers, 450-500 pounds, cwt.	141.47	146.39	148.24	146.00	145.00	148.00
<b>COWS</b> , utility, Sioux Falls, SD, cwt.	55.52	67.31	66.81	65.00	62.00	60.00
<b>MILK</b> , Class III, CME spot month, cwt.	11.48	19.28	19.04	19.00	18.50	18.25
<b>LAMBS</b> , Slg., San Angelo, TX, cwt.	--	153.00	163.00	--	--	--
<b>ENERGY</b>						
Ethanol, IA, gallon	0.89	2.15	2.28	--	--	--
Farm diesel, U.S., gallon	1.60	2.49	2.51	2.58	2.65	2.62

\*Average prices expected for the indicated time periods based on available information. Forecasts will be revised as necessary to reflect changing market conditions. Diesel prices are from Inputs Monitor.



# Yellen enters interest rate, inflation debate

By Editor Brian Grete

The U.S. economy is growing and inflation is building. That prompted Treasury Secretary Janet Yellen, the former Fed chair, to say interest rates may need to rise sooner than the Fed anticipates to prevent the economy from overheating amid increased government stimulus and President Joe Biden's robust spending proposals. Markets took note of Yellen's comments, which caused her to backtrack, later stating she was neither predicting nor recommending the Fed raise interest rates.

## **Economy is strengthening... and poised to grow more**

U.S. real GDP rose at a 6.4% annualized rate in the first quarter while inflation gained 4.1%. Real GDP was 0.4% higher than the same quarter last year and only 0.87% below the cyclical high of late 2019. All sectors contributed to this latest advance except for trade, where import growth exceeded export growth. Personal consumption and residential construction rose at double-digit rates during the first quarter.

"Prospects remain intact for even stronger growth this spring and summer," says Dr. Vince Malanga, president of LaSalle Economics. "In the first quarter, final sales growth exceeded GDP, suggesting inventories must catch up. Also, the economy ended the first quarter with the saving rate at 27.6%. Further, the economy got stronger as the quarter progressed, leaving its level in March well above the quarter's average. Finally, preliminary data for April show that activity measures were even stronger than in March, while jobless claims fell measurably, and department store sales momentum gained further steam," he notes.

## **Fed likely to keep its 'transitory' mantra on inflation**

The Fed has acknowledged the strong economic recovery and says it's far from complete. Malanga says none of the current signals are likely to dissuade the Fed from maintaining its "continued aggressive easy monetary policy." Markets will key on the word "transitory," which Fed Chair Jerome Powell has repeatedly used to describe inflationary pressures.

After her market-moving comments on interest rates, Yellen told the *Wall Street Journal* she expects any near-term increases in inflation will be temporary, echoing Powell's "transitory" sentiment. She expects to see some price pressures, largely because of supply-chain bottlenecks, higher energy prices and near-term demand for workers, as nor-

mal economic activity resumes. But she added, "I don't think there's going to be an inflationary problem, but if there is, the Fed can be counted on to address it."

## **Wage inflation key to when rates need to rise**

Malanga says there are some encouraging signs on the inflation front. "Bottlenecks in some areas are beginning to ease and hopefully will be resolved within months. Moreover, surveys do not yet detect any upward pressure on the wage structure. Without wage acceleration, inflation will not get embedded into the economy. But it is questionable if this can continue in the face of rising prices for food and energy and as a jobs mismatch becomes more evident."

"The Fed continues to vow that it will not pull back on accommodation until the labor market is normalized. But the fact is that several million jobs that were lost to the pandemic are not likely to be recouped. Monetary policy is ill-equipped to address this and by trying, it could very well create an entirely new set of problems in financial markets. Fiscal policy initiatives should be focused on resolving the jobs mismatch, but the focus here seems to be on income support, unintentionally aggravating the jobs mismatch. The magnitude and duration of this mismatch will dictate whether inflation is in fact transient."

## **Fed missing the mark on wage inflation**

Powell insists wage pressures are limited. But there are warning signs the Fed may be missing the mark. Restaurants and other services jobs are offering signing bonuses and higher wages to attract workers. Some restaurants are unable to reopen at full capacity even as Covid restrictions are lifted given worker shortages. The ag industry is telling us the same thing. Instead of the normal abundance of applicants for every job opening, they are now getting just a couple of interested people — if any at all.

## **The bond market will tell us more than the Fed**

Malanga says, "The ever-watchful bond market's move toward a higher yield level and a more recent plateau was prescient in seeing the uptick in inflation and growth." Benchmark 10-year U.S. Treasury yields have eased a bit from the 14-month high in late March, but are trending higher. Malanga concludes, "One thing is certain, the bond market will provide the answer to whether inflation is indeed transitory before policymakers."

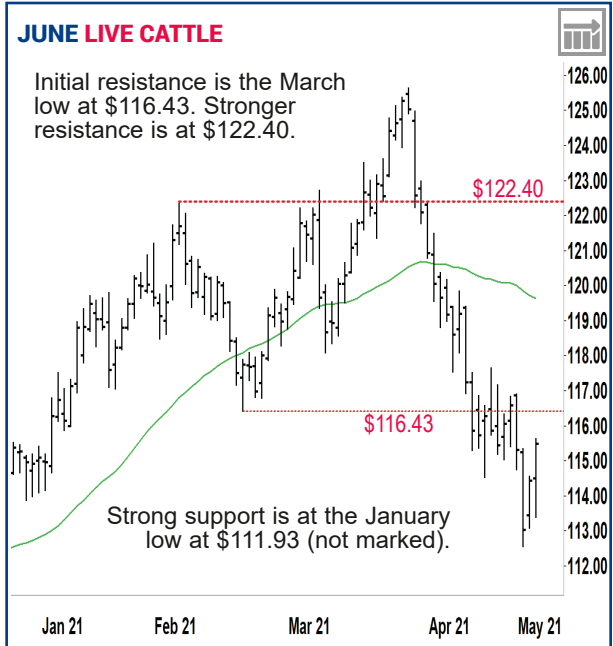
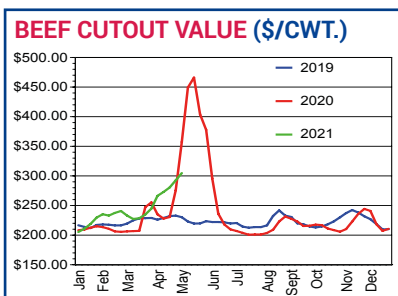
**CATTLE - Fundamental Analysis**

June cattle fell to the lowest since January before bouncing. Deferred futures held above recent lows and provide support to ideas the cash cattle market is bottoming. Cash bids held steady last week, which was better than most expected and a reflection of strong demand from domestic grocers and restaurants and overseas buyers. March beef export sales rose to a monthly record (see *News* page 3). China was the third biggest buyer, and some market bulls see China overtaking Japan and South Korea as the top buyer. Wholesale beef prices are surging, supporting a stronger outlook for cash and futures.

**Position Monitor**

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

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

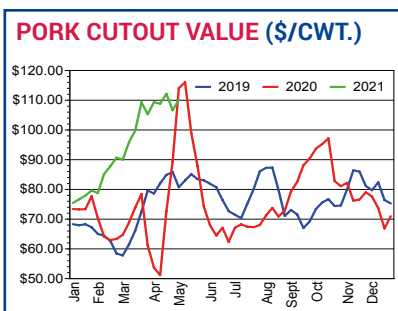


**HOGS - Fundamental Analysis**

Hog futures continue to build premiums to the firming cash market, reaching new contract highs last week. So far, there have been few signs of consumer resistance to soaring retail prices. But wholesale pork cutouts are reaching price levels that may curb both domestic and export demand. The latest pork export sales data for March and weekly sales showed little slowdown in overseas buying interest, however. Chinese demand will be key into summer, but sales and shipments to Mexico remain active and Japan, the Philippines and several Central American nations have been strong buyers.

**Position Monitor**

<b>Game Plan:</b> 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.	<b>Lean Hogs</b>
	II'21 0% III'21 25% IV'21 0% I'22 0%



**FEED**

**Feed Monitor**

<b>Corn</b>	II'21 100% III'21 0% IV'21 0% I'22 0%	<b>Corn Game Plan:</b> You should have all corn-for-feed needs covered in the cash market through June. Wait for weakness before making additional purchases.
<b>Meal</b>	II'21 100% III'21 33% IV'21 0% I'22 0%	<b>Meal Game Plan:</b> 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.



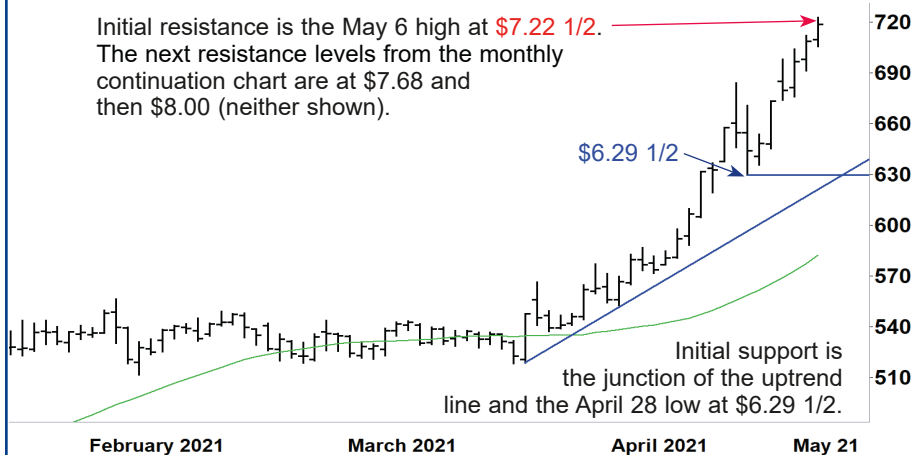
### Position Monitor

	'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 at eight-year highs is a selling opportunity too good to pass up. However, we want to stay patient on additional new-crop sales given their large discount to old-crop prices.

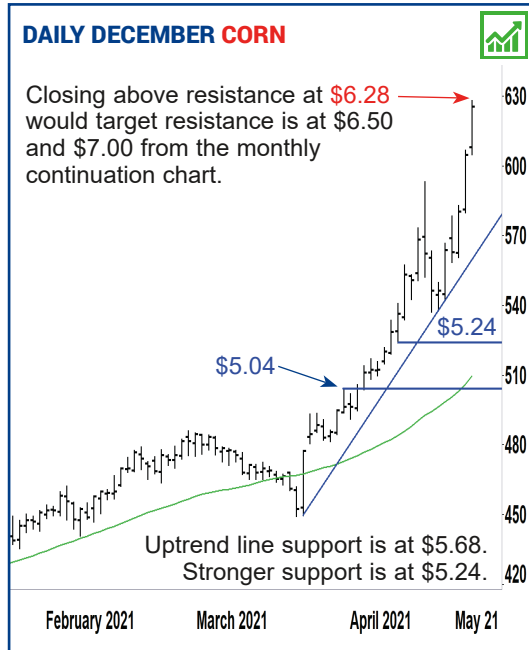
### DAILY JULY CORN

Initial resistance is the May 6 high at **\$7.22 1/2**.  
The next resistance levels from the monthly continuation chart are at \$7.68 and then \$8.00 (neither shown).



### DAILY DECEMBER CORN

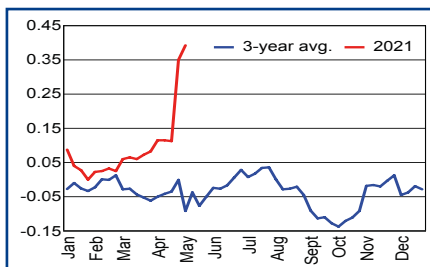
Closing above resistance at **\$6.28** would target resistance is at \$6.50 and \$7.00 from the monthly continuation chart.



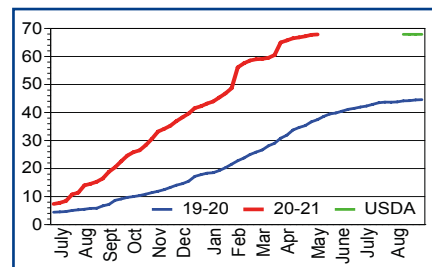
### CORN - Fundamental Analysis

Nearby futures rose to the highest since July 2013 amid firming cash basis and tightening domestic supplies. The market also continues to rally on drought conditions in Brazil, trimming private crop production forecasts. Smaller safrinha crop forecasts for Brazil should boost global demand for U.S. supplies into 2022. Brazil's problems also focused attention on dry soils and drought conditions in the Midwest and Plains. China cancelled two prior purchases of old-crop, but USDA reported exporters sold 1.36 million metric tons of new-crop corn to China. Funds that have not been trading in the grains for many years are back with food inflation a daily headline.

#### 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%

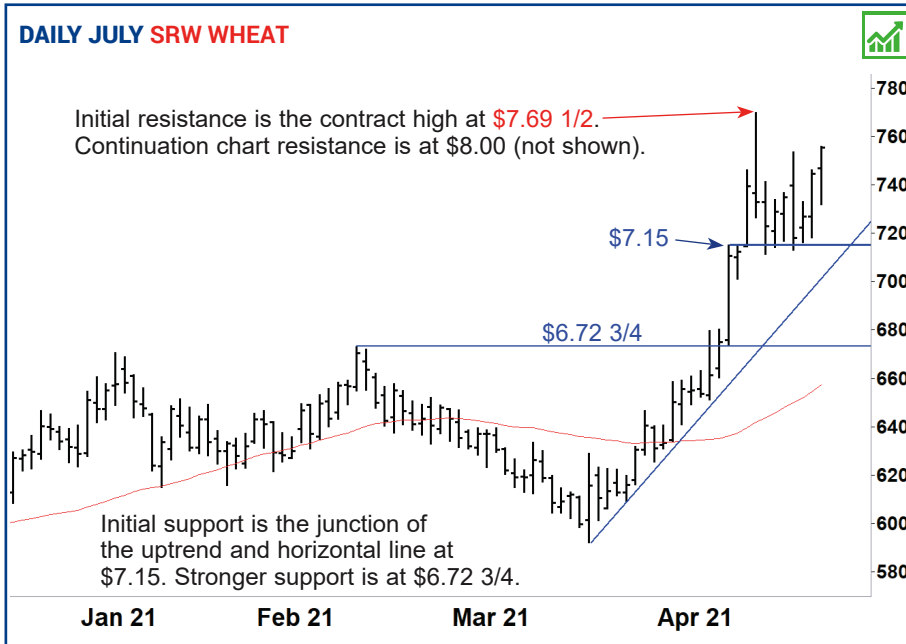
**Game Plan:** Use market strength to get current with wrapping up old-crop sales and advance forward contracts on new-crop. We want to stay patient on additional sales until rains develop in dry areas of the U.S. and Canada.

### WHEAT - Fundamental Analysis

**SRW** — Futures and basis are rising as more HRW wheat is moving into cattle feed rations and SRW wheat is working into the Southeast feed market to substitute for corn. Focus is the May 12 production and global supply and demand projections for 2021-22. Export demand remains quiet.

### DAILY JULY SRW WHEAT

Initial resistance is the contract high at **\$7.69 1/2**.  
Continuation chart resistance is at \$8.00 (not shown).

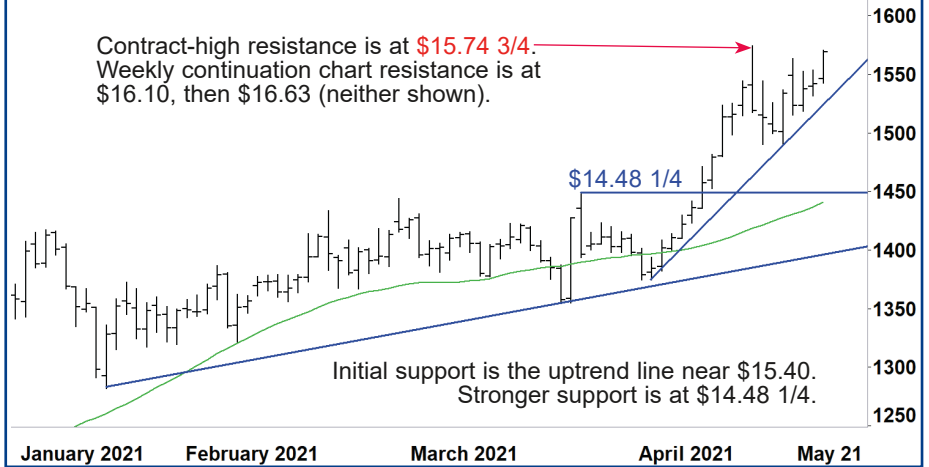


### Position Monitor

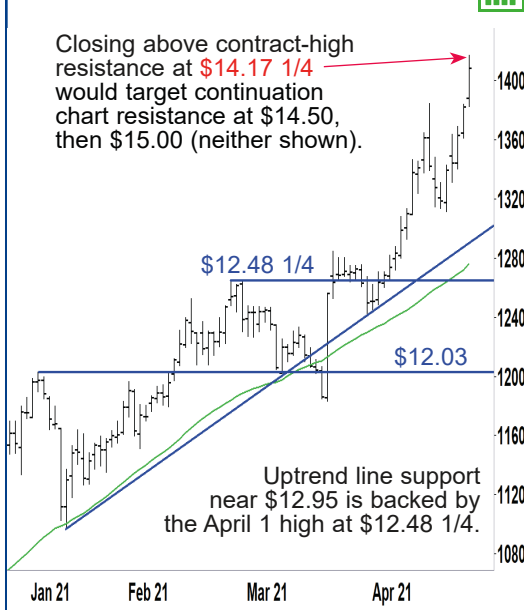
	'20 crop	'21 crop
Cash-only:	90%	20%
Hedgers (cash sales):	90%	20%
Futures/Options	0%	0%

**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



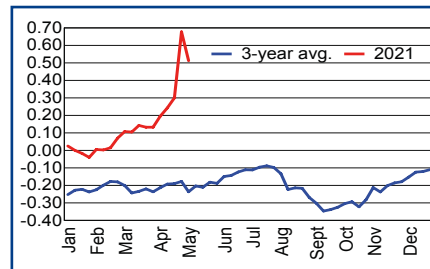
### DAILY NOVEMBER SOYBEANS



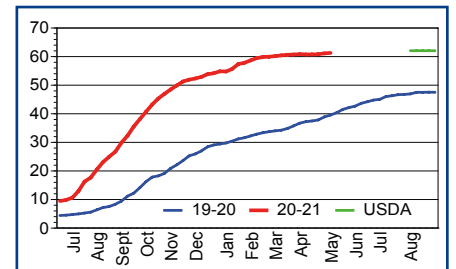
### SOYBEANS - Fundamental Analysis

Soybeans rallied to keep pace with corn and a sizzling rally in global vegetable oils. November futures have been losing to December corn futures since USDA's March 31 planting survey. Some analysts are now talking about a sizable swing away from beans to corn from earlier intentions. U.S. crusher demand is strong with margins rebounding last week. Exports are slowing seasonally but with commitments on the books already nearly equal to USDA's forecast, any new sales at these elevated prices tightens the old-crop supply situation. Most world vegetable oil prices rose to new records last week on strong biofuel production and rising world food demand.

### AVERAGE SOYBEAN BASIS (JULY)



### SOYBEAN EXPORT BOOKINGS (MMT)



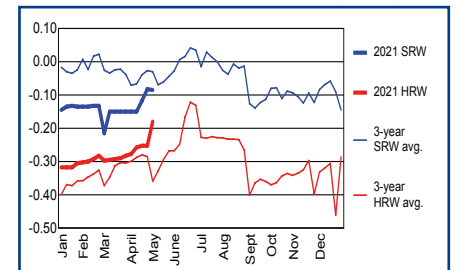
### DAILY JULY HRW WHEAT



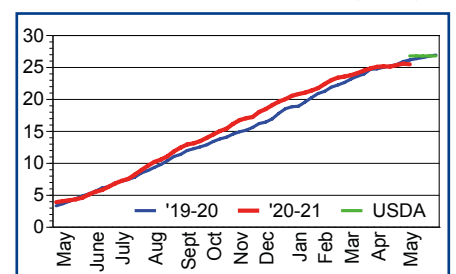
### DAILY JULY HRS WHEAT



### AVERAGE WHEAT BASIS (JULY)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — Prices retested contract highs, but forecast rains may improve conditions in parts of the Central Plains. More rain will be needed. Fund buying has returned to the wheat markets as world food prices rose to the highest since 2014, supporting the general inflation story. Traders are looking for USDA to forecast a bigger U.S. crop on May 12.

**HRS** — Spring wheat futures are leading higher as drought and dryness in Canada and the Northern Plains will remain a chronic condition without immediate and followup rains. U.S. spring wheat planting advanced to 49% done last week amid dry soils. Meanwhile, Canadian wheat stocks on March 31 fell 13.6% from a year ago.

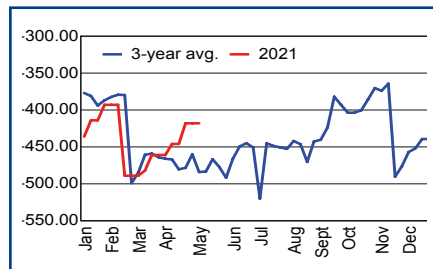


## Position Monitor

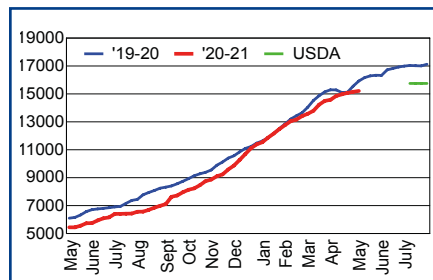
	'20 crop	'21 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

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

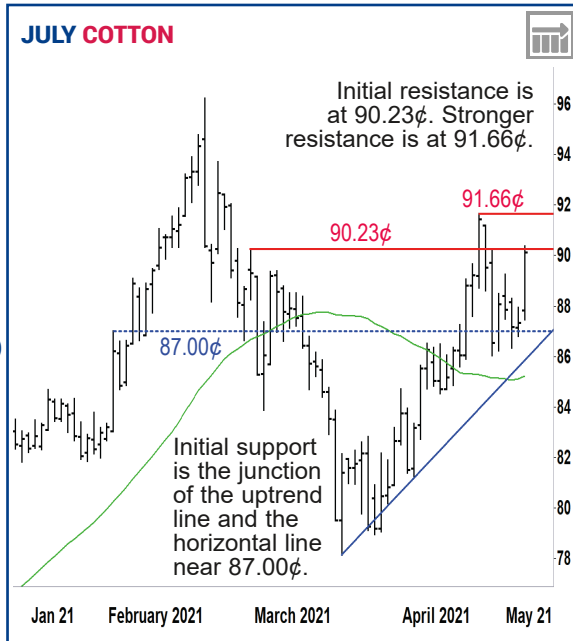
## AVERAGE COTTON BASIS (JULY)



## COTTON EXPORT BOOKINGS ('000 BALES)



## JULY COTTON



## COTTON - Fundamental Analysis

Cotton remains in an uptrend amid stepped-up U.S. cotton exports. Shipments surged to a marketing-year high of 456,600 bales in the latest reporting week. China was the top destination, with Vietnam, Pakistan and Turkey also taking delivery. Dryness in Texas remains a focus.

## GENERAL OUTLOOK

**BIOFUELS:** Ethanol is trading at the highest price since 2014, as personal vehicles make a comeback as the preferred mode of transportation in the post-Covid era.

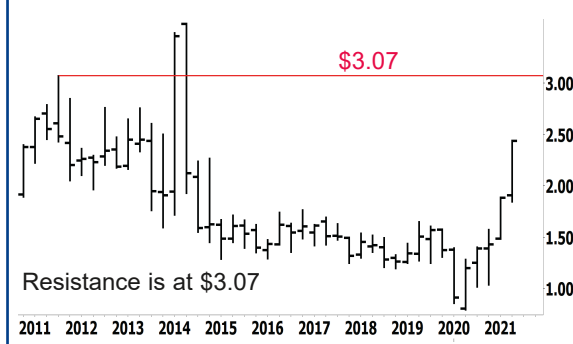
Weekly ethanol production increased 7,000 barrels per day (bpd) to 952,000 bpd. Since Sept. 1, production is running about 3.2% behind last year but on pace to reach USDA's 2020-21 forecast. Ethanol inventories are down 20% from last year heading into the summer driving season.

Spot production margins are strong.

U.S. exporters shipped a record 48 million gallons of ethanol to China in March, equal to all shipments from January 2019 to February 2021.

Blender demand for ethanol is likely to remain strong this summer as the cost of renewable identification numbers (RIN) touched a record last week, making it more profitable to blend ethanol than to buy RINs to meet compliance.

## QUARTERLY ETHANOL FUTURES



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

Agricultural spreads are popular trading vehicles for speculators but also provide clues to price direction and sentiment.

Several spreads have recently made unusual moves. June cattle traded at a discount to June hog futures for the first time since 2008. Nearby hog futures are trading above the cash market and cattle futures are below cash bids.

The rally in hogs may persist as packers continue to bid for hogs as market-ready supplies tighten. Beef packers are enjoying record margins, and with supplies rising there is little incentive to pay more even as beef sells near record prices. Nonetheless, the spread is warning that hogs are overvalued and cattle should be bottoming.

Bull spreads in corn and soybeans may be stalling, a reflection of speculators betting new-crop futures will narrow their wide discounts to old-crop. The rally in old-crop may have already factored in tight supplies, especially with soybean basis retreating from its peak.

Since April 1, July corn extended its premium to December futures from 61¢ to as much as at \$1.24 last week before retreating. July soybeans surged from a \$1.33 premium to November futures to as high as \$2.00 before falling back.

Nearby soyoil futures rose to a record 71.59¢ last week, boosting its share of the crush margin to nine-year high of 45.7%, a percentage that usually warns of a peak nearing in futures.

## WATCH LIST

- 1 USDA Grain Inspections** **MON 5/10**  
Chinese corn shipments rising. 10:00 a.m. CT
- 2 USDA Crop Progress Report** **MON 5/10**  
Focus turns to emergence. 3:00 p.m. CT
- 3 USDA Crop Production Report** **WED 5/12**  
First U.S. winter wheat estimate. 11:00 a.m. CT
- 4 USDA Supply & Demand** **WED 5/12**  
Initial 2021-22 projections. 11:00 a.m. CT
- 5 Weekly Export Sales Report** **THUR 5/13**  
Focus turns to new-crop sales. 7:30 a.m. CT

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