



### News this week...

- 2 – U.S. corn planting lags, Brazil crop shrinking.
- 3 – Big year-over-year changes in meat exports to China.
- 4 – Next farm bill talks start, but lots of uncertainties.

**Wheat strengthens, corn and soybeans slip** — *Wheat futures rallied last week, led by HRW contracts amid support from expectations USDA's first winter wheat crop estimate will show significant production declines and ongoing global supply concerns. Spring wheat futures were also supported by planting delays and talk of fewer acres due to cold, wet conditions in the Northern Plains. Corn futures rolled over as funds liquidated long positions and weather forecasts signaled the best conditions by far this spring for planting this week. Soybeans followed the soymeal and corn markets lower. Live cattle futures started the week with corrective gains but were unable to sustain that strength, despite firmer cash prices. Lean hog futures extended their recent, sharp declines amid chart-based selling and fund long liquidation.*

## Gear up your planters! — finally

Warmer, drier weather is forecast across much of the Corn Belt, Delta and Southeast this week. The exception will be far northern areas, where conditions won't be as dry. The window of opportunity may be short-lived, with the next wave of widespread rains to evolve May 14-16.

## Major uncertainties in May 12 data

USDA's May 12 Supply & Demand Report will be the first official release of balance sheets for 2022-23, which will incorporate March planting intentions. The big question with corn is whether USDA lowers its yield to reflect the slow planting pace as of May 1 — a rare occurrence in the past.

There are major uncertainties with harvested acres and yield in USDA's first U.S. winter wheat crop estimate.

Globally, focus will be on how much more "Ukraine factor" is added to the old-crop grain and oilseed balance sheets and the new-crop assumptions for both Ukraine and Russia.

## Global food prices ease, still high

The UN Food and Agriculture Organization (FAO) global food price index eased 0.8% in April from March's all-time high. Compared to year-ago, the global food price index was up 29.8% amid surges of 16.9% for meat, 23.5% for dairy, 34.3% for cereal grains, 46.4% for vegoils and 21.8% for sugar.

## Big grain stocks trapped in Ukraine

FAO says nearly 25 million metric tons (MMT) of grain is trapped in Ukraine, a "grotesque situation" given supply shortages in some areas. FAO and others warned Ukraine won't have enough storage for this year's crops if shipping corridors aren't opened. It also said there's "anecdotal evidence" Russia is stealing grain from Ukraine.

## 2 million acres accepted into CRP

Producers submitted offers on just over half of expiring CRP contracts for re-enrollment via the general sign-up and fewer than 400,000 acres were offered as new enrollments — less than USDA Secretary Tom Vilsack previously indicated.

## Markets doubt Fed rate stance

The Fed raised interest rates by 50 basis points last week, as widely expected. While Fed Chair Jerome Powell said more 50-basis-point increases are likely in the coming months, he squelched notions of even larger hikes. Investors don't believe the Fed was aggressive enough, prompting them to raise their bets for a 75-basis-point increase in June.

## Wage inflation a major Fed challenge

The U.S. economy added 428,000 non-farm payrolls in April, while the unemployment rate held at 3.6% and hourly earnings jumped 5.5% from year-ago. The strong labor market likely will encourage the Fed to be more aggressive in its fight against inflation. That's a concern for the U.S. stock market (see "General Outlook" on [Analysis](#) page 4).

## China's factory sector contracting

China's official manufacturing purchasing managers index (PMI) contracted in April at the steepest pace since February 2020. The Caixin/Markit manufacturing PMI fell to a 26-month low. The People's Bank of China is looking to increase economic stimulus as other global central banks raise rates and wind down bond purchases amid soaring inflation.

## Limited impact from Biden proposal

The Biden administration's proposal to extend commodity loan terms, increase marketing assistance loan rates and provide a \$10-per-acre payment under crop insurance to incentivize double-cropping of soybeans after winter wheat would not have a significant impact, according to analysis by the American Soybean Association (ASA). As proposed, the effort would have minimal impact on both production and payments to farmers. And that does not include any potential adjustments by Congress in any final package.

## Rest in Peace, Tim Hoskins

Tim Hoskins, who joined *Pro Farmer* as news editor in November 2021, sadly passed away from natural causes last week. Please pray for his family and the *Pro Farmer* staff.

## Corn planting falls farther behind

USDA reported 14% of the U.S. corn crop was planted as of May 1, an advance of seven percentage points from the previous week but 19 points behind the five-year average. That was the slowest planting pace for the end of April/beginning of May since 2013. In the top 12 production states, planting stood at 7% in Illinois (43% on average), 6% in Indiana (25%), 9% in Iowa (42%), 35% in Kansas (36%), 1% in Michigan (10%), 0% in Minnesota (28%), 27% in Missouri (52%), 28% in Nebraska (34%), 0% in North Dakota (5%), 3% in Ohio (16%) 3% in South Dakota (13%) and 1% in Wisconsin (14%).

Corn emergence was half of the normal rate at 3%.

## Soybean seeding also lagging

Soybean planting was 8% completed, five points behind the five-year average. As expected, soybean planting was well behind normal across most of the Corn Belt. USDA reported soybean planting at 5% in Illinois (19% on average), 3% in Indiana (13%), 4% in Iowa (17%), 0% in Minnesota (9%), 19% in Nebraska (15%), 0% in North Dakota (1%), 2% in Ohio (8%) and 1% in South Dakota (4%).

## Spring wheat remains slow

USDA reported 19% of the U.S. spring wheat crop was seeded, nine points behind the five-year average. Top producer North Dakota had seeded only 5% of its crop versus 18% on average. Only Montana (31% vs. 26%) and Washington (75% vs. 74%) were running ahead of average.

## Rains fail to improve winter wheat crop

USDA rated 27% of the U.S. winter wheat crop as "good" to "excellent," unchanged from the previous week and the lowest rating for the beginning of May since 1996. USDA rated 43% of the crop as "poor" to "very poor," up four points.

On the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the HRW crop dropped another 6.9 points to 253.9, which was 73.6 points below the five-year average for the beginning of May. The SRW crop inched 0.4 point higher to 351.0, though it was still 8.8 points below the five-year average for the date.

### Drought footprint remains large over HRW areas

As of May 3, USDA rated the U.S. winter wheat drought as 17% "moderate," 30% "severe," 19% "extreme" and 3% "exceptional." Across HRW areas, dryness/drought covered 91% of Texas, 77% of Oklahoma, 100% of Colorado, 75% of Kansas, 98% of Nebraska, 82% of South Dakota and 93% of Montana.

## Consultant slashes Brazil corn crop

The safrinha corn crop in central Brazil continues to be negatively impacted by the early onset of the annual dry season. Some of these areas have not received a significant rain for 30 to 50 days. Crop Consultant Dr. Michael Cordonnier estimates 35% to 50% of Brazil's safrinha corn crop is facing some level of moisture stress. As a result, he slashed his Brazilian corn crop forecast by 5 million metric tons (MMT) to 107 MMT. The cut assumes a 10% yield loss in Mato Grosso, Goias, Minas Gerais and the Federal District, which combined are projected to produce approximately 56.5 MMT of safrinha corn. Some crop watchers say Mato Grosso could lose 10 MMT of corn production due to dryness.

Cordonnier says corn in Parana, southern Mato Grosso do Sul and southern Sao Paulo is "generally doing fine except for recent storm damage in western Parana, but production in these states will not make up for the losses in central Brazil."

## India cuts wheat crop, may curb exports

India cut its 2021-22 wheat production forecast to 105 MMT from an earlier projection of 111.3 MMT as hot temps in mid-March reduced yields. Some believe the crop could end up below 100 MMT. Despite the cut to production, India's food secretary says, "there is no move to curb wheat exports, as the country has sufficient stocks of wheat." But other reports signal a plan to restrict exports is being discussed and Prime Minister Narendra Modi will make the final call.

## Record March soybean crush

U.S. soy processors crushed 192.9 million bu. of soybeans in March, according to USDA, up 18.5 million bu. (10.6%) from February and 4.7 million bu. (2.5%) more than March 2021. Through the first seven months of 2021-22, soy crush totaled 1.312 billion bu., 0.8% ahead of the same period last year. To hit USDA's forecast of a record 2.215 billion bu., the crush pace would need to total 903 million bu. over the final five months of the marketing year. Given strong processing margins through summer, the crush pace should not only hit USDA's forecast but exceed it, with our projection at 2.230 billion bushels.

Soyoil stocks declined from February as exports rose from last year and domestic use remained strong amid more biofuel use.

## Stronger corn ethanol use in March

U.S. processing plants used 454.9 million bu. of corn for ethanol production in March, according to USDA, up 48.9 million bu. (12.0%) versus February and 35.6 million bu. (8.2%) more than March 2021. For the first seven months of the 2021-22 marketing year, corn-for-ethanol use totaled 3.144 billion bu., up 9.5% from the same period last year. The pace needs to run 3.2% above year-ago over the final five months of 2021-22 to hit USDA's forecast of 5.375 billion bushels.



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## USDA report identifies hurdles, needs for higher ethanol blends

Biofuel and farm groups see E15 and other higher blends of corn-based ethanol as the strategy to increase sales, but the current structure of the Renewable Fuel Standard “does not serve to incentivize ethanol blends higher than E10,” according to a report from USDA’s Office of the Chief Economist. Without year-round E15 sales, the report says it would be difficult to increase ethanol consumption. It also says more investment in infrastructure would help. Increasing numbers of electric and hybrid vehicles pose headwinds/hurdles to greater ethanol consumption as they will reduce overall gasoline use.

The report says, “E15 is already a viable fuel option for most vehicles; about 93% of all light-duty vehicles can safely refuel with E15.” While an expansion of even higher ethanol blends is possible “there are technical, legal, and economic challenges (e.g., consumer acceptance, legal and contractual considerations for retail fueling stations, vehicle warranties, and investments in wholesale and retail distribution infrastructure) that need to be evaluated and addressed,” the report noted. Though most vehicles on the road are compatible with E15, flex-fuel vehicles (FFVs) that can use even higher blends like E85 were once seen as a catalyst for greater adoption of higher blends in the marketplace. However, the report noted that since 2014 the number of FFV models offered by automakers has declined. “Furthermore, actual consumption of E85 among flex-fuel vehicle owners remains limited.”

To view the full report, go to [www.usda.gov/sites/default/files/documents/e15-market-opportunities.pdf](http://www.usda.gov/sites/default/files/documents/e15-market-opportunities.pdf)

## China key to meat exports

The U.S. exported 303.7 million lbs. of beef in March – a record for the month and the highest volume since August of last year. Beef shipments increased 49.3 million lbs. (19.4%) from February and were up 3.7 million lbs. (1.2%) from March 2021. Through the first quarter of this year, the U.S. exported 845.8 million lbs. of beef, up 49.4 million lbs. (6.2%) from the same period last year, driven by a nearly 62% surge in shipments to China.

March pork exports totaled 544.2 million lbs., up 57.9 million lbs. (11.9%) from February’s weak performance, but down 184.7 million lbs. (25.3%) from the all-time high in March 2021. Through the first quarter, U.S. pork exports at 1.541 billion lbs. lagged last year’s pace for the same period by 386.1 million pounds (20.0%). Pork shipments to China during the first quarter plunged nearly 73%.

## Ag trade deficit in March

U.S. ag exports totaled \$17.7 billion in March against imports of \$17.8 billion for a trade deficit of \$118 million. Through the first half of fiscal year (FY) 2022, the ag trade surplus stood at \$9.0 billion. USDA’s export and import forecasts imply a surplus of \$11 billion, though that’s likely too optimistic – even with higher commodity prices. The traditionally strongest period for ag exports is the first half of the FY, while ag imports typically strengthen during spring.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	June	July-Sept.	Oct-Dec.
				(Monthly & quarterly avg.)		
<b>CORN</b>						
Central Illinois, bushel	7.11	7.79	7.74	8.00	7.75	7.25
Omaha, NE, bushel	7.22	8.18	8.11	8.05	7.80	7.30
Dried Distillers Grain, IA, \$/ton	229.18	289.83	289.55	--	--	--
<b>SOYBEANS</b>						
Central Illinois, bushel	15.56	16.88	16.31	16.75	16.25	15.00
Memphis, TN, bushel	15.86	17.29	16.66	17.25	16.75	15.50
Soymeal, 48% Decatur, ton	428.00	456.90	479.30	425	410	400
<b>WHEAT</b>						
Kansas City, HRW, bushel	7.39	11.70	10.98	11.50	11.25	11.50
Minneapolis, 14% DNS, bushel	8.81	13.88	13.38	14.00	13.50	13.75
St. Louis, SRW, bushel	7.49	10.93	10.50	11.00	10.75	11.00
Portland, Soft White, bushel	7.30	10.93	11.13	11.50	11.00	11.25
Durum, NE MT HAD, 13%, bu.	6.58	12.50	12.50	12.50	12.25	12.00
<b>SORGHUM</b> , Kansas City, cwt.	13.33	14.13	13.98	14.50	13.50	12.75
<b>COTTON</b> , 11/16 SLM, 7 area, ¢/lb.	82.99	130.68	145.08	155.00	150.00	130.00
<b>RICE</b> , nearby futures, cwt.	13.84	16.75	16.65	17.50	17.50	17.25
<b>BARLEY</b> , MT, G.T., malting, bu.	7.25	8.50	8.50	8.50	8.50	8.00
<b>OATS</b> , Minneapolis No. 2 heavy, bu.	4.01	7.08	7.35	7.50	7.00	6.50
<b>ALFALFA</b> , NW Iowa, lg. sq. prem., ton	200.00	--	--	205	205	205
<b>SUNFLOWERS</b> , Fargo, ND, cwt.	27.05	38.20	39.50	40.00	37.50	35.00
<b>HOGS</b> , Nat'l carcass 51%-52% cwt.	105.95	100.31	99.45	112.00	102.00	87.00
<b>FEEDER PIGS</b> , 40 lbs., Nat. avg. head	93.13	102.57	100.35	105.00	95.00	100.00
<b>CHOICE STEERS</b> , feedlots, cwt.	118.89	143.02	143.34	135.00	133.00	138.00
<b>FEEDER CATTLE</b> , Oklahoma City						
Steers, 700-800 pounds, cwt.	137.38	161.07	157.58	156.00	158.00	160.00
Steers, 500-550 pounds, cwt.	165.72	195.11	196.03	195.00	188.00	184.00
Heifers, 450-500 pounds, cwt.	148.24	172.96	171.54	176.00	173.00	168.00
<b>COWS</b> , utility, Sioux Falls, SD, cwt.	66.81	80.23	80.75	75.00	72.00	74.00
<b>MILK</b> , Class III, CME spot month, cwt.	19.04	24.70	24.21	24.00	23.00	24.50
<b>LAMBS</b> , Slg., San Angelo, TX, cwt.	163.00	195.00	224.00	--	--	--
<b>ENERGY</b>						
Ethanol, IA, gallon	2.28	2.75	2.76	--	--	--
Farm diesel, U.S., gallon	2.51	4.53	4.88	5.02	5.05	5.10

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



# Next farm bill timeline, details elusive

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

We are not putting a year on the next farm bill because more than a few sources in Washington think a one- or two-year extension of the current bill may be ahead — with Republicans likely taking over the House, and perhaps Senate, next year. There are other major unknowns on this topic as we discuss below.

## ***There has been new farm bill activity***

The Senate Ag Committee has already held its first field hearing in Michigan on a new omnibus package and another one will be held soon in Arkansas, with more states coming.

The House Ag panel has held several hearings on the 2018 Farm Bill.

## ***Farm bill process may be too slow for today's ag sector***

From the time of hearings to writing the farm bill to weaving the measure through a contentious Congress, getting the final package to the White House takes ample time. That is why we have seen Appropriations panels in Congress delve more into farm policy via amendments, hefty funding, and other farm program updates. That could continue. So, there could be some substantial changes despite concluding another farm bill. The WHIP+ program is one example of this process.

## ***Will there be enough funding for farm bill needs?***

Most observers will tell you “no,” but our conversations with several lawmakers and congressional staffers signal the Ag panels may be given more funding. Reasons: The current dramatic runups in ag commodity prices again show the importance of the sector. Some lawmakers and White House officials are saying funding should not be an albatross to an effective new bill. Food security and national security are in focus now. From a foreign policy perspective, some exporters are already tempering exports or other approaches on fears food availability and sky-high prices will lead to citizen protests. This is especially true in Mideast countries, as illustrated by the Arab Spring protests of the 2010s.

The U.N. Food and Agriculture Organization (FAO) reports that global food insecurity hit new highs in 2021. FAO analysts warn the war in Ukraine is likely to push many more people into hunger because of rising prices and shortages. An estimated 193 million people in 53

countries or territories experienced major food insecurity in 2021 and were classified as in “crisis or worse.” That was an increase of nearly 40 million people over 2020.

Naysayers to more funding note that if Washington suddenly gets worried about deficits and debt, the farm bill could again be in line for cuts. U.S. government debt has doubled since cuts of billions of dollars in funding for key programs in the 2014 Farm Bill.

## ***Will the next farm bill be evolutionary or revolutionary?***

Whenever the next bill comes, it will be evolutionary with two exceptions: Conservation and climate change provisions. During the first Senate Ag field hearing in Michigan, stakeholders made it clear conservation programs need a lot more funding and accelerated implementation. Recall the failed Build Back Better proposal contained around \$27 billion for conservation, including \$8 billion allocated to the Environmental Quality Incentives Program, and a new \$5 billion cover crop program. Farm-state lawmakers still hope that funding can be approved in other must-have legislation this year.

On climate change, we expect nearly every title in the coming farm bill to have some of those provisions. Odds of this would increase if Democrats by the end of this year can work out a major climate-change bill, a measure that has the backing of important centrist Sen. Joe Manchin (D-W.Va.). And if this package comes, it will include a \$1.25 per gallon incentive payment for Sustainable Aviation Fuel (SAF). That would be a major draw for more oilseed and corn ethanol utilization for such purposes. If a climate change bill comes, it will have major carbon mitigation requirements and airlines will tap SAF to offset their carbon footprint.

## ***USDA's CCC Charter Act is key for future programs***

Ever since former President Donald Trump tapped USDA's Commodity Credit Corporation (CCC) to help fund direct payments to farmers via the trade war with China and then Covid-related payouts, interest in using the “ag ATM machine” has exploded. Farm-state lawmakers will push for a major boost in maximum CCC spending, which currently stands at \$30 billion. That could be nearly doubled. Another change we expect in the next farm bill is expanded interest in areas outside the major crops and meat sectors.

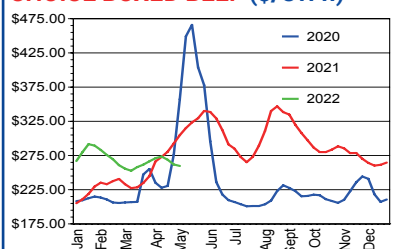
## CATTLE - Fundamental Analysis

Although the cash cattle market has performed well lately, Choice beef cutout recently fell significantly below year-ago levels for the first time since late 2020. Recent slaughter totals matching year-ago levels imply this is a demand issue. Ultimately, increased exports probably aren't offsetting the negative impact inflated retail prices and recession worries are exerting upon domestic beef demand. Having beef stocks rise during March for just the fifth time since 2000 also suggests demand is weak and likely to remain so. Seasonal strength may prevail in the short run, but summer price risk looks elevated.

### Position Monitor

Game Plan:	Feds Feeders		
Live cattle	II'22	0%	0%
futures have	III'22	0%	0%
likely put in a	IV'22	0%	0%
short-term top. Be prepared to hedge after the upside correction as slaughter numbers will build into summer.	I'23	0%	0%

### CHOICE BOXED BEEF (\$/CWT.)



### DAILY JUNE LIVE CATTLE



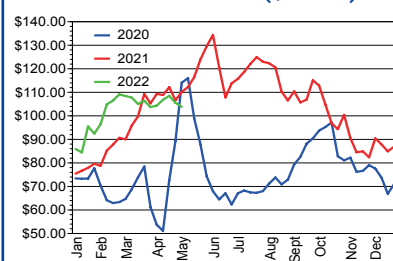
## HOGS - Fundamental Analysis

Spring hog slaughter has confirmed the cyclical supply reductions stated in USDA's March Hogs & Pigs Report, which implies late-spring hog numbers will run 2% to 4% under year-ago levels. But hog and pork prices have sagged lately, with targets for early-summer highs now falling far short of comparable 2021 levels. As with the cattle and beef complex, this reflects pessimism about the demand outlook, especially given diminished export sales. Nevertheless, the strong tendencies for declining supplies and surging grilling season demand seem likely to power a sharp seasonal advance into summer.

### Position Monitor

Game Plan:	Lean Hogs		
Seasonally, prices should strengthen into early to mid-summer as slaughter and pork production decline. Be prepared to hedge an extended price recovery.	II'22	0%	0%
	III'22	0%	0%
	IV'22	0%	0%
	I'23	0%	0%

### PORK CUTOUT VALUE (\$/CWT.)



### DAILY JUNE LEAN HOGS



## FEED

### Feed Monitor

#### Corn

II'22	0%
III'22	0%
IV'22	0%
I'23	0%

**Corn Game Plan:** Remain hand-to-mouth on corn-for-feed needs. We'll wait on a sharp pullback to extend coverage.

#### Meal

II'22	67%
III'22	0%
IV'22	0%
I'23	0%

**Meal Game Plan:** You have all soybean meal needs covered in the cash market through May. We are targeting a drop below the \$410.00 level in July soybean meal futures to further extend coverage in the cash market.

### DAILY JULY SOYBEAN MEAL



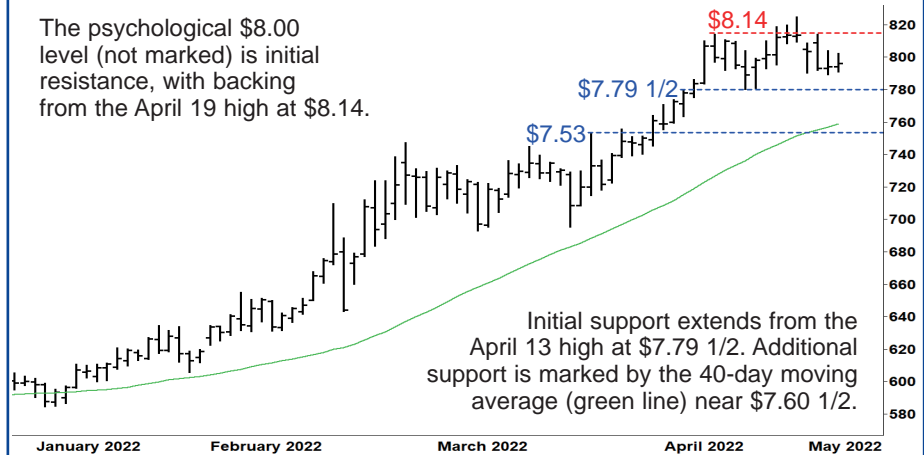
## Position Monitor

	'21 crop	'22 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

**Game Plan:** Get current with all advised sales. With old-crop down to gambling stocks, we'll hold remaining bushels until the market signals the upside is exhausted. We'll also wait to extend 2022-crop sales until the market signals upside potential is depleted. Nothing fundamentally or technically suggests the market has put in a top yet. In fact, the lack of extreme volatility suggests another upside push may be coming.

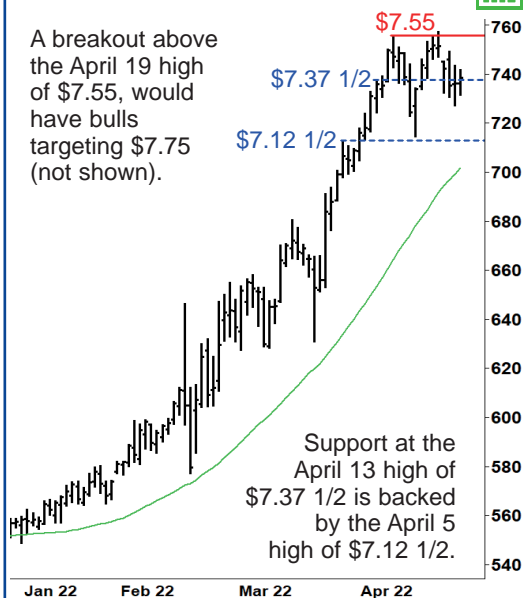
## DAILY JULY CORN

The psychological \$8.00 level (not marked) is initial resistance, with backing from the April 19 high at \$8.14.



## DAILY DECEMBER CORN

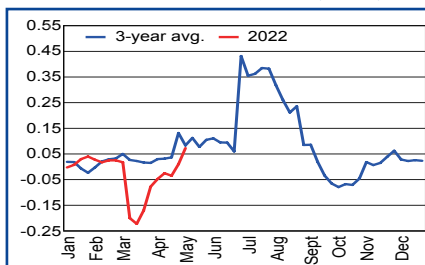
A breakout above the April 19 high of \$7.55, would have bulls targeting \$7.75 (not shown).



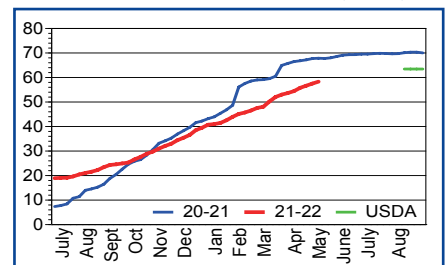
## CORN - Fundamental Analysis

Upside momentum stalled as July futures posted the first weekly decline in five. Weakness in part may reflect China's lack of early-May buying after it purchased more than 4.5 million metric tons of U.S. corn in April. But bullish fundamentals remain intact. Even with warmer, drier conditions expected across the Midwest this week, planting will remain behind schedule and the mid-May point after which yield prospects often decline is rapidly approaching. Dryness stressing Brazil's safrinha crop and potential USDA Supply and Demand cuts to the corn balance sheet could also help propel another surge toward record highs in nearby futures.

### AVERAGE CORN BASIS (JULY)



### CORN EXPORT BOOKINGS (MMT)



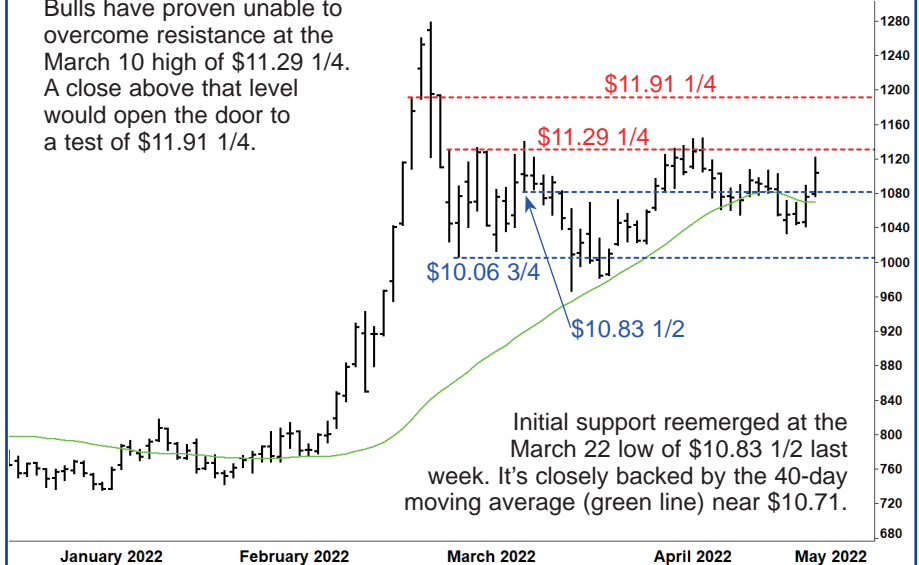
## Position Monitor

	'21 crop	'22 crop
Cash-only:	90%	50%
Hedgers (cash sales):	90%	50%
Futures/Options	10%	0%

**Game Plan:** Get current with advised sales. Be prepared to finish old-crop sales and make more new-crop sales if the April highs are challenged. While the market is well supported, seasonals favor bears through the winter wheat harvest.

## DAILY JULY SRW WHEAT

Bulls have proven unable to overcome resistance at the March 10 high of \$11.29 1/4. A close above that level would open the door to a test of \$11.91 1/4.



## WHEAT - Fundamental Analysis

**SRW** — India's reduced crop outlook sparked fresh gains across the wheat complex, helping SRW halt a two-week slide. Ukraine-driven cuts to USDA's global balance sheet May 12 could provoke further strength, but seasonal pressure from the impending U.S. harvest may limit the upside.

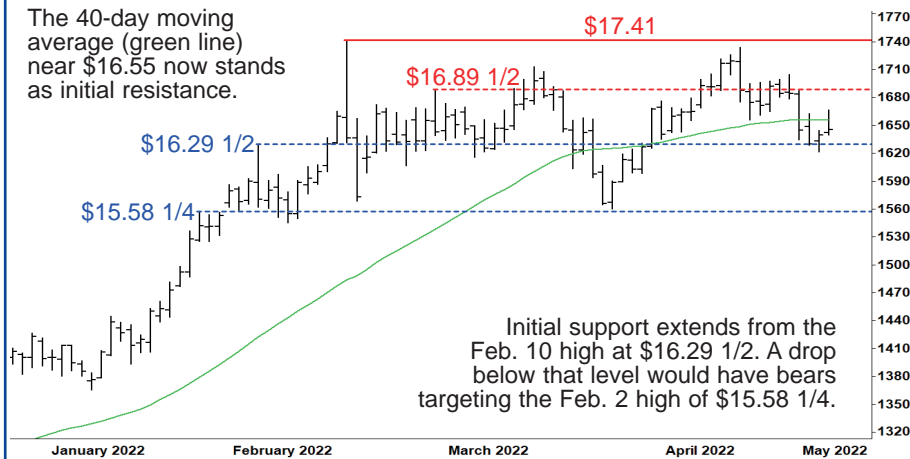
## Position Monitor

	'21 crop	'22 crop
Cash-only:	85%	40%
Hedgers (cash sales):	95%	40%
Futures/Options	0%	0%

**Game Plan:** Get current with advised old- and new-crop sales. You should be down to gambling stocks on 2021-crop production. Those stocks will be held until the market confirms the upside is exhausted. For new-crop, November futures have dropped below \$15.00, but the downside should be relatively limited unless there's a dramatic shift in fundamentals and/or traders' attitudes.

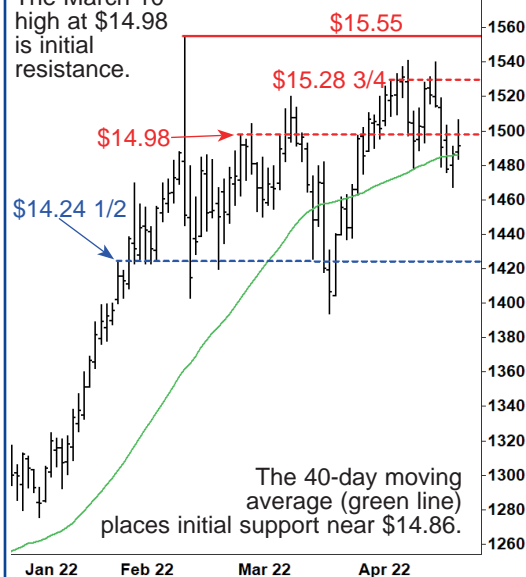
## DAILY JULY SOYBEANS

The 40-day moving average (green line) near \$16.55 now stands as initial resistance.



## DAILY NOVEMBER SOYBEANS

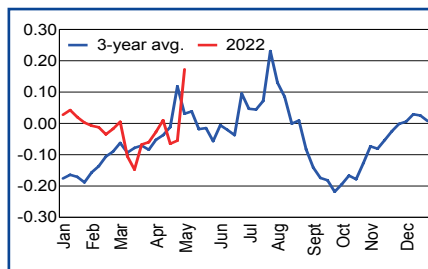
The March 10 high at \$14.98 is initial resistance.



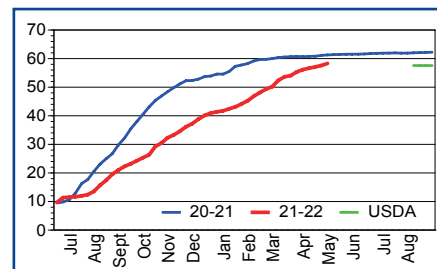
## SOYBEANS - Fundamental Analysis

Nearby futures fell for a second straight week as soymeal extended its slump and soyoil pulled back from record highs. But fundamentals remain largely bullish, which may limit or negate seasonal weakness often seen during this time of year. Recent China purchases helped narrow the gap in U.S. old-crop export commitments with last year's levels (to 5% from 6%), and record domestic crushing is expected to prompt USDA to tighten its 2021-22 ending stocks forecast in its May 12 Supply and Demand Report. Concerns over slow Midwest planting should limit declines in new-crop November futures, even amid talk some intended corn acres could shift to soybeans.

### AVERAGE SOYBEAN BASIS (JULY)



### SOYBEAN EXPORT BOOKINGS (MMT)



## DAILY JULY HRW WHEAT

Initial resistance is at \$11.74 1/4.

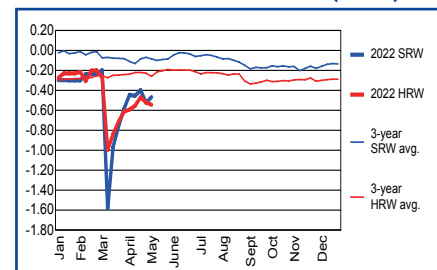


## DAILY JULY HRS WHEAT

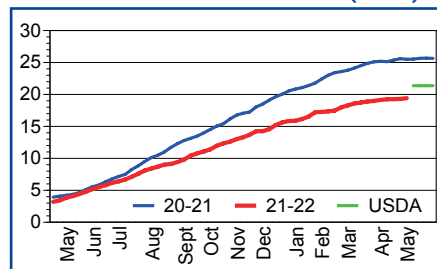
The continuation chart puts resistance at \$12.19 1/2 (not marked).



### AVERAGE WHEAT BASIS (JULY)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — The HRW market led the wheat complex higher last week as crop conditions worsened in much of the Plains, with recent rains having little discernible benefit so far. Much of the HRW Belt remains gripped by drought, which combined with concerns over tightening global supplies, could spur another test of the spring highs in nearby futures.

**HRS** — Nearby HRS futures posted the highest weekly close since June 2008 and deferred prices recorded contract highs on escalating concerns over delayed seeding in the Northern Plains. With more rain in the near-term forecast and Red River flooding likely to get worse, spring wheat futures could see more near-term strength.

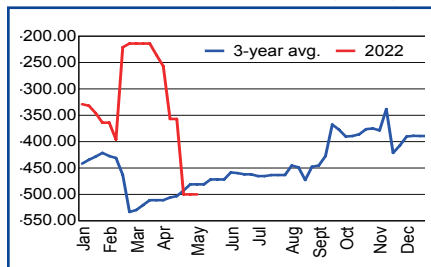


## Position Monitor

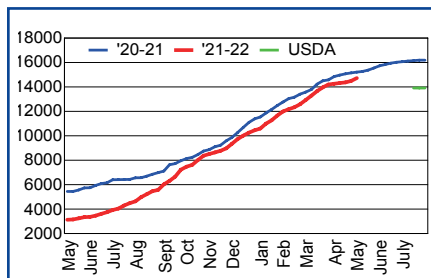
	'21 crop	'22 crop
Cash-only:	90%	50%
Hedgers (cash sales):	100%	50%
Futures/Options	0%	0%

**Game Plan:** Get current with advised sales. The market remains strong technically. Additional cash sales will wait for some signs of exhaustion.

## AVERAGE COTTON BASIS (JULY)



## COTTON EXPORT BOOKINGS ('000 BALES)



## COTTON - Fundamental Analysis

Large "on-call" cotton sales, which depend on futures action to set the actual transaction price, have persuaded many traders futures are headed higher. Heat and dryness are also likely to hurt the Indian, Pakistani and Texas crops. Plus, exports remain supportive.

## GENERAL OUTLOOK

**Equities:** The Federal Reserve last week raised the Fed funds rate by 50 basis points, as expected. That was the first rate increase of that magnitude in 22 years. Fed Chair Jerome Powell said inflation is "much too high" and is presently spreading in the economy, but likely to stabilize soon. Importantly, Powell added he does not see inflation declining any time soon either.

On the positive side, Powell said the

U.S. economy is strong and well positioned to handle the upcoming Fed interest rate increases.

If recent history proves correct, the stock market will struggle with higher inflation. The beneficiaries will be "hard assets" which will likely see further price appreciation, including raw commodities and real estate/farmland. The worry is that the rate increases will tip the economy into recession.

## DAILY JULY COTTON



## FROM THE BULLPEN By Market Analyst Bruce Blythe

There's little relief in sight for U.S. farmers, and consumers in general, who have been pinched by surging energy prices.

Nearby U.S. natural gas futures soared near 14-year highs above \$8.40 per million Btu last week, while front-month crude oil climbed toward \$110 per barrel following reports the European Union plans to phase out imports of Russian oil.

Prices for key crop inputs such as anhydrous ammonia, which is closely linked to the natural gas market, have already doubled over the past year, and futures indicate farmers will face elevated costs for fuels and fertilizers into next year. Last week January 2023 natural gas futures traded around \$8.70 per million Btu, over 3% above nearby prices.

The following are brief summaries of recent energy price trends and outlooks:

**Gasoline** – Retail pump prices are expected to average \$3.84 per gallon this summer, up 78¢ from last summer and the highest inflation-adjusted average since summer 2014, according to the Energy Information Administration.

**Diesel** – Summer retail diesel is projected to average \$4.57 per gallon, up \$1.29 from 2021 and also the highest summer average since 2014.

**Fertilizer** – Anhydrous ammonia in Iowa averaged \$1,569.25 per ton as of May 3, up from \$686.00 a year earlier, according to USDA. Liquid nitrogen (32%) averaged \$736.60, up from \$359 a year earlier.

## WEEKLY S&P 500 INDEX/10-YEAR T-NOTE YIELD



## WATCH LIST

1	<b>China Trade Data</b> Imports, exports for April	<b>SUN 5/8</b> 10:00 p.m. CT
2	<b>USDA Crop Progress Report</b> Corn planting progress in focus.	<b>MON 5/9</b> 3:00 p.m. CT
3	<b>U.S. Inflation Data</b> Prices likely rose more in April.	<b>WED 5/11</b> 7:30 a.m. CT
4	<b>USDA Export Sales Report</b> Chinese grain, soy buys are key.	<b>THUR 5/12</b> 7:30 a.m. CT
5	<b>USDA WASDE Report</b> First 2022-23 balance sheets.	<b>THUR 5/12</b> 11:00 a.m. CT

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