



News this week...

- 2 – Corn, bean planting near average after slow start.
- 3 – Our updated monthly and quarterly price forecasts
- 4 – War, China relations impacting U.S. trade policy.

Market volatility increases – Price action turned more volatile after the Memorial Day weekend and as the calendar flipped to June. Soybean futures posted contract highs May 31 but failed to find sustained buying and pulled back. Corn futures posted sharp losses as concerns about a major loss of acreage dwindled as the planting pace nearly caught up to average. Wheat futures also posted sharp declines for the week amid heightened efforts to restart Ukrainian grain exports and seasonal pressure as U.S. winter wheat harvest started in the Southern Plains. Live cattle futures rebounded from sharp May 31 losses, as post-holiday beef movement was strong. Lean hog futures rebounded from a pullback immediately after Memorial Day and mildly extended their delayed seasonal rally from the May lows.

Efforts to restart Ukraine exports

Russian President Vladimir Putin said his country was ready to facilitate the unhindered and safe export of grain from Ukrainian ports in coordination with Turkey. Belarus says Ukrainian grain can flow through its borders with “compromises.” Meanwhile, Ukraine is working with international partners to create a UN-backed mission to restore Black Sea shipping routes. While talks are progressing on restarting Ukrainian grain exports, there are many hurdles and the UN warned unblocked shipments are “still a ways off.”

UN: ‘Constructive talks’ on Russian grain, fertilizer exports

Russia says it will find ways to supply global markets with Russian grain and fertilizer, despite Western sanctions. U.S. sanctions don’t apply to Russian grain and fertilizer shipments, but shippers are nervous. The U.S. is prepared to provide them “comfort letters” to help encourage more exports.

Weather stays mostly favorable

Drier weather is expected across the northwestern Corn Belt this week. Regular rains and mild temps are forecast for other areas of the Corn Belt, Delta and Southeast.

Watch corn yields on June 10

In May, USDA cut its corn yield projection by 4 bu. per acre from trendline due to planting delays. As of the end of May, the planting pace had nearly caught up to average. That could prompt USDA to raise its yield some, though it has no precedent of doing so in June. USDA’s decision on corn yields could heavily influence the post-report reaction.

Other points of interest will be USDA’s second winter wheat production estimate and any adjustments to U.S. and global usage forecasts due to the war in Ukraine.

Global food prices near record high

The UN Food and Agriculture Organization (FAO) global food price index eased for a second straight month after the March record but was still 22.8% above year-ago. Compared to last year, prices surged 13.6% for meat, 16.9% for dairy, 29.7% for cereal grains, 31.1% for vegoils and 12.6% for sugar.

Report card on Biden trade policy

Our sources gave the following assessment of trade policy:

- The administration has failed to renew Trade Promotion Authority, which allows Congress to consider new trade agreements on an up-or-down vote without amendment.
- It also failed to complete trade talks with the United Kingdom and traditional trade deals with other countries.
- A lack of new trade accords to increase U.S. ag exports does not bode well for an export-dependent economy.

We take a deeper dive into trade policy on [News page 4](#).

EPA’s RFS levels shift focus to 2023

Reuters reported EPA’s RFS mandates will be as follows:

- 2022 at 20.63 billion gallons, down slightly from EPA’s proposal (could still mean 15 billion gallons for ethanol).
- 2021 at 18.84 billion gallons, above the proposed level but not as high as gasoline consumption would imply.
- 2020 at 17.13 billion gallons, in line with the proposal.

EPA will reportedly reject all small refinery waivers but allow a longer compliance period. Check www.profarmer.com.

Gas, diesel prices hit another record

The average price of unleaded gasoline reached a record \$4.761 Friday, up \$1.72 (56.5%) from last year. Diesel hit a record \$5.581, up \$2.40 (75.2%) from last year. But demand isn’t slowing as much as supplies, signaling prices will continue to rise (see “General Outlook” on [Analysis page 4](#)).

ERP questions and answers

USDA has an Emergency Relief Program (ERP) “frequently asked questions” [website](#) and [fact sheet](#). Combest, Sell & Associates provided the following payment example:

- Estimated ERP Payment (Box 11 of FSA Form 520) = Target Revenue minus calculated revenue
- Target revenue is the “Expected Value of the Crop” (APH x Price Guarantee) multiplied by the relevant “ERP factor.”
- Calculated revenue is the sum of “Actual Value” (realized production x price) plus any “Crop Insurance Proceeds” less (minus) “Producer Premiums and Administration Fees.”
- The “Estimated ERP Payment” in Box 11 is the difference between this target revenue and calculated revenue.

Corn planting nearly back to average

Corn planting advanced 14 percentage points to 86% done as of May 29 — only one point behind the five-year average. The planting pace is in line with average or ahead in all of the top 12 production states except Minnesota (82% vs. 92% on average) and North Dakota (56% vs. 83%). There were still 1.4 million acres of corn left to plant in Minnesota and 1.6 million acres in North Dakota, though the market now assumes most of those acres will be planted.

Corn emergence jumped 22 points to 61%, though that was still seven points behind average for the end of May.

Soybean planting two-thirds done

Soybean planting reached 66% completed, an advance of 16 points on the week and just one point behind the five-year average. Of the top 13 production states, only four lagged their normal planting pace for the end of May — Minnesota (55% vs. 80% on average), North Dakota (23% vs. 70%), Ohio (56% vs. 57%) and South Dakota (61% vs. 64%). With corn planting catching up to average, the market no longer assumes any major acreage shift to soybeans.

Soybean emergence increased 17 points to 39%, though that was still four points behind the five-year average.

Spring wheat seeding still well behind

U.S. spring wheat planting advanced 24 percentage points to 73% completed, though that was still 19 points behind average for the end of May. Planting stood at 59% in North Dakota (91% on average) and 53% in Minnesota (96%), meaning there was still 2.1 million acres to seed in North Dakota and 592,000 acres in Minnesota.

Canadian planting/crop update

The crop situation in Canada ranges from dryness/drought in areas of the Western Prairies to excessive wetness/flooding in eastern growing regions. Mike Jubinville of Canada-based MarketsFarm provides the following assessment:

“A rough estimate... Western Canada is about 75% planted. Manitoba is extremely wet, with Winnipeg recording the second wettest spring on record, and is only about 40% planted. Eastern Saskatchewan is similar. Prairie-wide, upwards of 10% of total crop land is at risk of facing some acreage shifts or abandonment. The glass-half-empty crowd is supply-bullish. The glass-half-full crowd is focused on what has been seeded, knowing that a wide range of supply outcomes are still possible. June is usually a month to over-think supply vagaries, while plants kill time growing into July reproduction.”



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April soy crush as expected

U.S. soy processors crushed 180.9 million bu. of soybeans in April, just above traders' expectations for 180.5 million bu. and the second highest for the month. The April crush pace slowed 6.2% from March but increased 6.5% from last year.

For the first eight months of 2021-22, soybean crush totaled 1.492 billion bu., up 1.4% from the same period last year. The crush pace must average 180.8 million bu. per month over the final four months of 2021-22 to hit USDA's forecast of 2.215 billion bu., a pace that's achievable. While crush margins have tightened significantly, they remain strong through summer.

Soyoil stocks at the end of April totaled 2.424 billion lbs., down 10 million lbs. from March but up 246 million lbs. from last year. Domestic use benefited from more biofuel consumption. Still, implied use in the USDA data was surprisingly low compared to NOPA.

April ethanol grind lower than expected

Corn-for-ethanol consumption totaled 414.7 million bu. in April, below expectations for use of 427.4 million bushels. Corn-for-ethanol use fell 8.5% from March but increased 1.8% from April 2021. Through the first eight months of 2021-22, corn-for-ethanol use totaled 3.577 billion bu., up 9.1% from the same period last year. To reach USDA's forecast of 5.375 billion bu., corn-for-ethanol use must run 2.5% above year-ago during the final four months, a pace that was in question until big weekly increases the past two weeks.

India allowing small wheat exports

India has allowed wheat shipments of 469,202 metric tons since banning most exports in May. At least 1.7 million metric tons (MMT) is sitting at ports. Shipments thus far have been allowed to mainly Bangladesh, the Philippines, Tanzania and Malaysia on small government-to-government deals.

Another bumper Aussie wheat crop

Australia is poised for a third year of near-record wheat production in 2022 as high international prices and good weather boosted plantings. Australian farmers are wrapping up planting efforts on a record 14.45 million hectares (35.7 million acres), according to IKON Commodities. The country's wheat production is expected to range from 30 MMT to 35 MMT, well above the 10-year average of 24.8 MMT.

China provides more food security aid

Beijing allocated another 10 billion yuan (\$1.5 billion) to grain farmers to ensure food security, its top priority. The farmer aid is part of a broader 33-measure program by Beijing covering fiscal, financial, investment and industrial policies to revive its pandemic-ravaged economy. Other measures include policies to ensure energy security and stabilize supply chains.

USDA's plan to transform the U.S. food system, supply chain

USDA Secretary Tom Vilsack revealed the Biden administration's plan to transform the U.S. food system by improving supply chains and addressing issues exposed by the Covid-19 pandemic. The package includes previously announced funding to expand meat and poultry processing, but there is \$600 million in new aid to support food supply chain infrastructure outside meat processing. The plan also includes \$400 million for regional food business centers, up to \$300 million for a new organic transition initiative and \$75 million to support urban agriculture.

The package includes \$650 million in funding and loan assistance for meat and poultry processing projects, including \$275 million to help entrepreneurs who have had trouble getting credit. Another \$100 million would go toward training workers in meat processing. Another \$600 million is earmarked for improving food supply chain infrastructure, including cold storage and refrigerated trucks, outside of meat and processing. Other funding in the plan:

- \$200 million to help fruit and vegetable growers comply with food safety regulations.
- \$400 million to create regional food business centers that will provide coordination and technical assistance and other support to small and mid-size businesses involved in processing, distribution and aggregation.
- \$155 million to expand USDA's Healthy Food Financing Initiative, which is aimed at reducing food deserts.
- \$90 million to prevent and reduce food loss and waste.
- \$60 million for farm-to-school programs that increase markets for smaller-scale farmers through child nutrition programs.

Fed banks: Concerns persist

The Fed's Beige Book noted continued economic growth in all 12 districts, but labor and inflation remain headwinds. Specific to agriculture, the district banks noted widespread concerns with inflation (high inputs and labor costs) and weather, though many signaled improved farm income and credit conditions for farmers.

Euro zone inflation surges

Euro zone inflation accelerated 8.1% above year-ago in May from 7.4% in April, beating expectations for 7.7%. Excluding food and energy prices, core inflation jumped 4.4%.

Euro zone producer prices surged 37.2% versus year-ago in April, due mostly to soaring energy costs. But excluding energy, factory-gate prices still jumped 15.6% annually.

China's PMI improves, but factories still contracting

China's official manufacturing purchasing managers index (PMI) rose to 49.6 in May from a 26-month low of 47.4 in April. While factory activity fell at a slower pace, this marked the third straight month of contraction in factory activity. China's Caixin/Markit manufacturing PMI, which gauges smaller privately-owned factories, rose to 48.1 in May from 46.0 the previous month, though that still marked the second sharpest contraction in factory activity since February 2020.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	July	Aug.	Oct-Dec.
	(Monthly & quarterly avg.)					
CORN						
Central Illinois, bushel	6.99	7.71	7.59	7.00	6.75	6.50
Omaha, NE, bushel	7.16	7.98	7.86	7.05	6.80	6.55
Dried Distillers Grain, IA, \$/ton	218.85	267.59	264.06	--	--	--
SOYBEANS						
Central Illinois, bushel	15.62	17.22	17.09	16.75	16.25	14.50
Memphis, TN, bushel	15.89	17.32	17.21	17.25	16.75	15.00
Soymeal, 48% Decatur, ton	402.70	448.90	451.30	425	410	400
WHEAT						
Kansas City, HRW, bushel	6.68	12.43	11.71	11.25	11.25	11.50
Minneapolis, 14% DNS, bushel	8.92	14.52	13.98	13.00	13.00	13.25
St. Louis, SRW, bushel	7.07	11.63	10.80	10.25	10.25	10.50
Portland, Soft White, bushel	8.13	11.30	11.40	11.00	11.00	11.25
Durum, NE MT HAD, 13%, bu.	6.88	12.67	12.83	12.50	12.25	12.00
SORGHUM , Kansas City, cwt.	13.10	12.77	12.53	12.25	12.00	11.25
COTTON , 11/16 SLM, 7 area, ¢/lb.	80.07	136.54	133.98	130.00	125.00	115.00
RICE , nearby futures, cwt.	13.29	17.17	17.55	17.00	17.00	17.00
BARLEY , MT, G.T., malting, bu.	7.25	8.50	8.50	8.50	8.25	8.00
OATS , Minneapolis No. 2 heavy, bu.	3.91	--	7.25	6.75	6.50	6.25
ALFALFA , NW Iowa, lg. sq. prem., ton	--	205.76	215.13	215	215	215
SUNFLOWERS , Fargo, ND, cwt.	26.85	40.70	40.70	40.00	39.00	36.00
HOGS , Nat'l carcass 51%-52% cwt.	111.62	102.02	103.61	110.00	106.00	88.00
FEEDER PIGS , 40 lbs., Nat. avg. head	80.13	75.32	70.22	76.00	74.00	84.00
CHOICE STEERS , feedlots, cwt.	119.64	140.25	139.07	132.00	130.00	137.50
FEEDER CATTLE , Oklahoma City						
Steers, 700-800 pounds, cwt.	137.96	157.02	152.75	160.00	162.00	164.00
Steers, 500-550 pounds, cwt.	167.07	188.86	180.31	192.00	190.00	188.00
Heifers, 450-500 pounds, cwt.	156.50	164.52	163.80	168.00	170.00	168.00
COWS , utility, Sioux Falls, SD, cwt.	66.74	79.12	81.32	76.00	74.00	72.00
MILK , Class III, CME spot month, cwt.	17.28	24.15	24.15	24.00	24.00	25.50
LAMBS , Slg., San Angelo, TX, cwt.	176.00	210.00	210.00	--	--	--
ENERGY						
Ethanol, IA, gallon	2.31	2.74	2.64	--	--	--
Farm diesel, U.S., gallon	2.63	4.94	4.91	5.10	5.15	5.12

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

Russia/Ukraine war and China impacting U.S. trade policy

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete



Watching the slog-like pace of the Biden administration's trade policy is only amplified by volatility caused by the Russia/Ukraine war, and ongoing concerns of how to deal with China.

War has changed short- and long-term strategies

Russia's Feb. 24 invasion of Ukraine brought global disorder and a new world order because of changes that have to occur or that need to happen. This is amplified because of China's now close(r) relationship with Moscow.

Should China ever follow through on its long-time pledge to "deal with" Taiwan, the Russian war will be an exercise in getting ready for another major world event. This is leading to a realignment of procurement of needed imports and exports via long-term trade policy issues.

Is globalization dead?

Quick answer: No, but a lot of changes are already evident. The U.S., Europe and other countries have learned they no longer can count on the logistics and trading system they have utilized to help their countries' economies grow over the past few decades. Needed reforms will bring short-term pain as adjustments are made — but long-term gain. This is especially true relative to semiconductors and a host of precious minerals relative to battery production. Of course, this also means expanding production and sourcing of fertilizer needs. And also reforming the shipping and overall logistics sector.

Long-term opportunities for U.S. and other countries

The U.S. will not be able to source all of its needs and this means greater reliance on countries like Mexico, Canada, Latin America and other countries such as Vietnam. Investment flows to trade sectors in these and other countries will be critical.

Just as the Russian invasion of Crimea in 2014 prompted Western countries to put major sanctions on Russia, those were countered with Moscow barring entry of western food and ag goods for the most part. Russia built up its production capacity and emerged as the world's largest wheat exporter. This could do the same for the U.S., Europe and others and will challenge policymakers to put the focus back in areas that have been highly neglected like research and removing trade barriers with friendly countries.

Indo/Pacific Economic Framework (IPEF) new approach

The IPEF won't reduce tariffs or quotas, has no dispute-settlement mechanism, and doesn't regulate subsidies or state-owned enterprises. Its goal is cooperation on issues important to the Biden administration, such as decarbonization, money laundering and tax avoidance. It won't be a congressionally ratified treaty but an executive-level agreement the next U.S. president can abrogate.

Proponents say it could move Asian economies into the U.S. sphere of influence by addressing new arenas of competition such as supply-chain resilience, technology standards and export controls.

IPEF falls short of reducing dependence on China

The Biden administration wants to reduce world dependence on Chinese goods by shifting supply chains to friendlier countries. But the IPEF doesn't expand access to the U.S. market, a priority of poorer countries.

U.S. wants to boost economic ties with Taiwan

As tensions grow with China, a U.S. new trade pact announced with Taiwan promotes bilateral cooperation in digital trade, clean energy and labor rights. It does not require Congressional approval because it doesn't include tariff cuts and other traditional market-opening measures.

U.S. trade with Taiwan has expanded sharply in the wake of tariffs on Chinese imports imposed by the former Trump administration. The U.S. exported \$3.94 billion worth of ag commodities to Taiwan in 2021, an 18% jump from 2020, making it the sixth largest foreign market for U.S. ag goods.

Other key trade issues

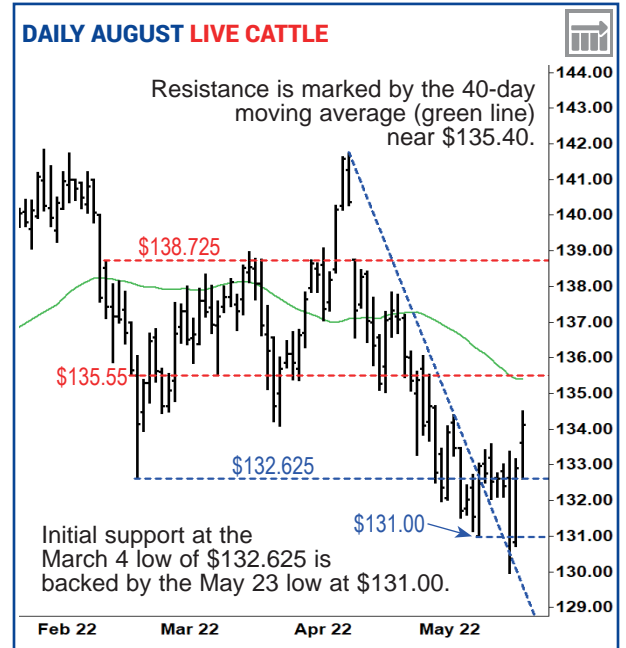
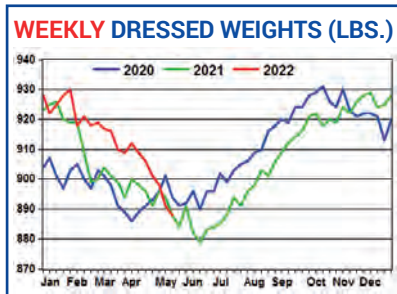
- The U.S. is replacing Trump-era tariffs on U.K. steel and aluminum exports with quotas. London is suspending extra taxes on U.S. products.
- The White House is considering easing tariffs on China thinking that will help temper inflation.
- Republicans want a fertilizer trade fix. They have asked U.S. Trade Representative Katherine Tai to establish a long-term plan for fertilizer trade. They want to enhance the U.S. trading relationship with Canada and work with others to reduce export restrictions.
- A lengthy U.S. dispute about Canada's dairy policy is still unsettled. Rather than retaliating, the U.S. filed a new complaint via the U.S.-Mexico-Canada Agreement.

CATTLE - Fundamental Analysis

Producers marketed cattle aggressively during spring, as indicated by the huge drop in steer weights and the spread between Choice-grade and Select-grade beef quotes near \$20.00. The supply of market-ready animals is relatively tight as a consequence. Concerns about weak consumer demand are still justified, but the currentness of feedlot supplies may offset the resulting negative price implications. The strong futures rebound to start June seemingly reflected an improved summer outlook. We now doubt cash prices will drop below \$130.00 and expect summer futures to trade sideways to higher.

Position Monitor		
Game Plan:	Feds	Feeders
Live cattle	II'22 0%	0%
futures have	III'22 0%	0%
seasonal	IV'22 0%	0%
	I'23 0%	0%

cash weakness built in. Be prepared to hedge a correction in December live cattle futures.

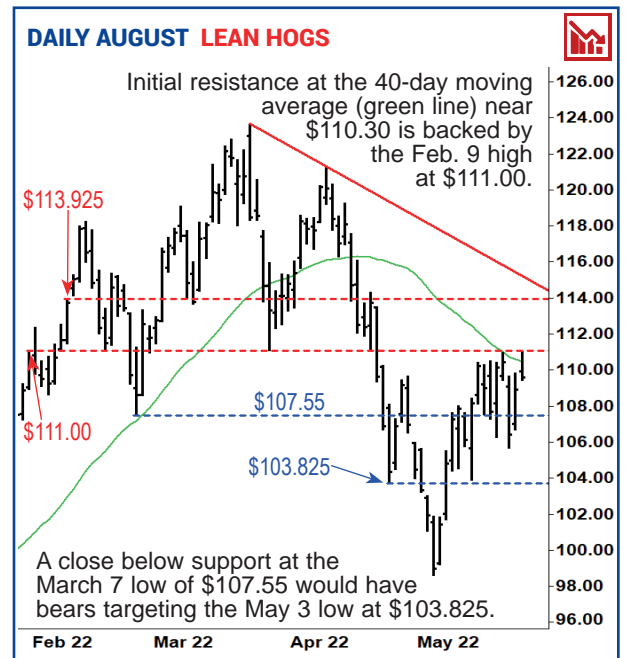
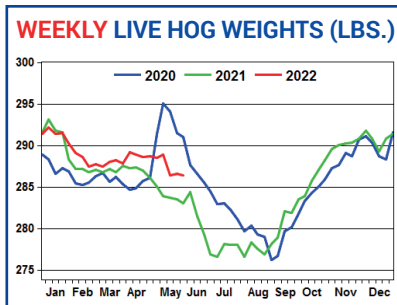


HOGS - Fundamental Analysis

Bears proved unable to force further declines following a May 31 futures dive, with the strong rebound to start June apparently reflecting renewed industry optimism about the summer hog outlook. May slaughter and pork production proved surprisingly large, but we have come to suspect that rise reflected gilts going to market rather than into the sow herd. Heavy weights maintained to supplement cyclically and seasonally low hog numbers amplified pork supplies. This suggests summer kills could prove comparatively small and would explain the sizeable premium now held by the July contract.

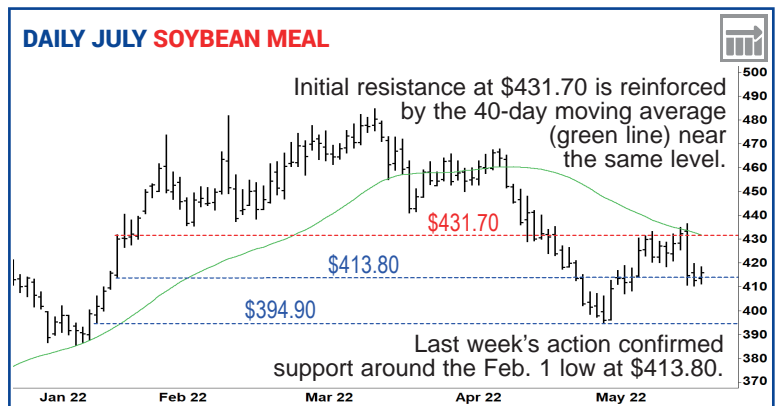
Position Monitor		
Game Plan:	Futures	Lean Hogs
should	II'22 0%	0%
strengthen	III'22 0%	0%
seasonally	IV'22 0%	0%
into mid-	I'23 0%	0%

summer. But futures already reflect some of that rally, so the upside may be limited. Wait to hedge.



FEED

Feed Monitor		
Corn		
II'22	25%	Corn Game Plan: You have all corn-for-feed needs covered in the cash market through mid-June. With corn futures breaking down technically, we'll wait for signs of a low before extending coverage.
III'22	0%	
IV'22	0%	
I'23	0%	
Meal		
II'22	67%	Meal Game Plan: You are now hand to mouth on soybean meal needs. We'll wait for signs of a significant low before extending coverage.
III'22	0%	
IV'22	0%	
I'23	0%	

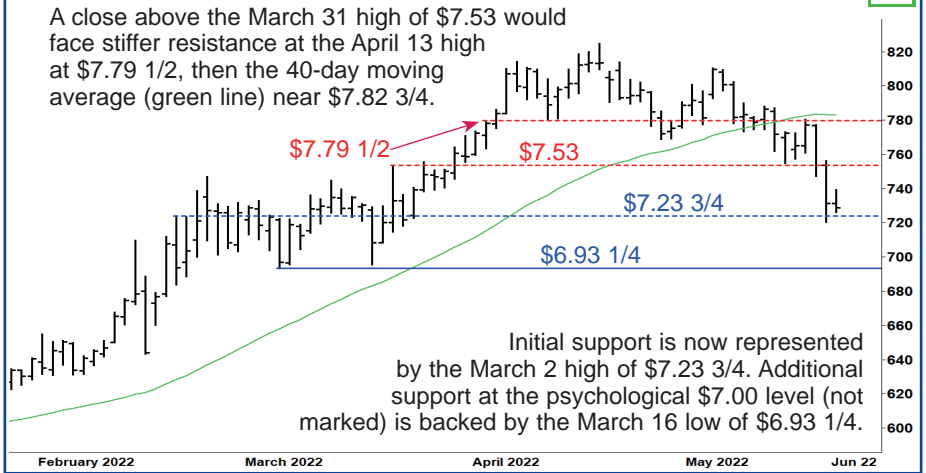


Position Monitor

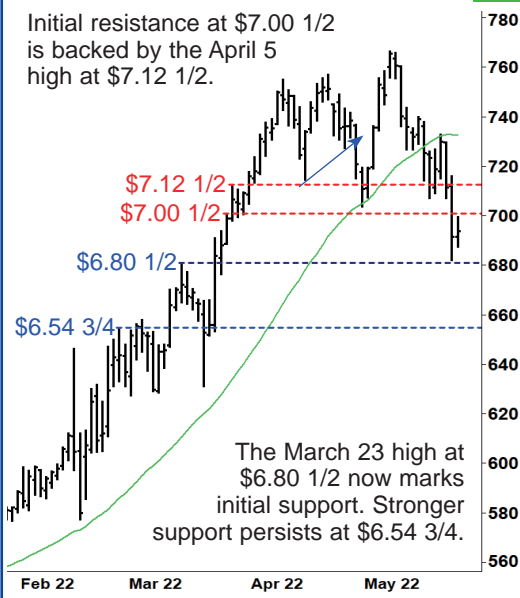
	'21 crop	'22 crop
Cash-only:	90%	50%
Hedgers (cash sales):	90%	50%
Futures/Options	0%	10%

Game Plan: On June 1, we advised hedgers and cash-only marketers to sell another 10% of expected 2022-crop production for harvest delivery as the market broke down technically. We also advised hedgers to hedge an additional 10% of 2022-crop in short December futures. Our fill on the hedge position was \$6.92. Get current with advised old- and new-crop cash sales and hedges.

DAILY JULY CORN



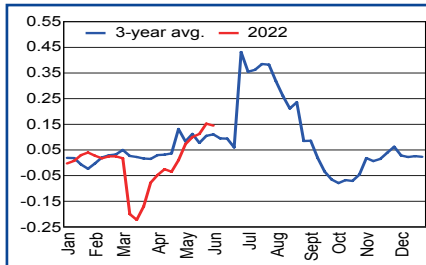
DAILY DECEMBER CORN



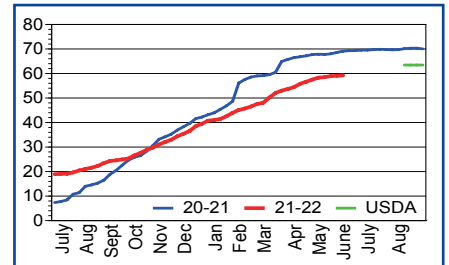
CORN - Fundamental Analysis

With planting largely finished across most of the Midwest, focus has shifted to June weather, which appears favorable for early crop development. That likely signals further downside price risk after July futures posted a fifth straight weekly decline and December dropped for a third week. Seasonal patterns also portend further price weakness (see "From the Bullpen" on *Analysis* page 4). USDA's first condition ratings for U.S. corn June 6 will be of keen interest; strong initial ratings the next few weeks could keep prices under pressure ahead of USDA's June 30 Acreage Report. Longer-term fundamentals appear solid but the near-term price trend looks sideways-to-lower.

AVERAGE CORN BASIS (JULY)



CORN EXPORT BOOKINGS (MMT)

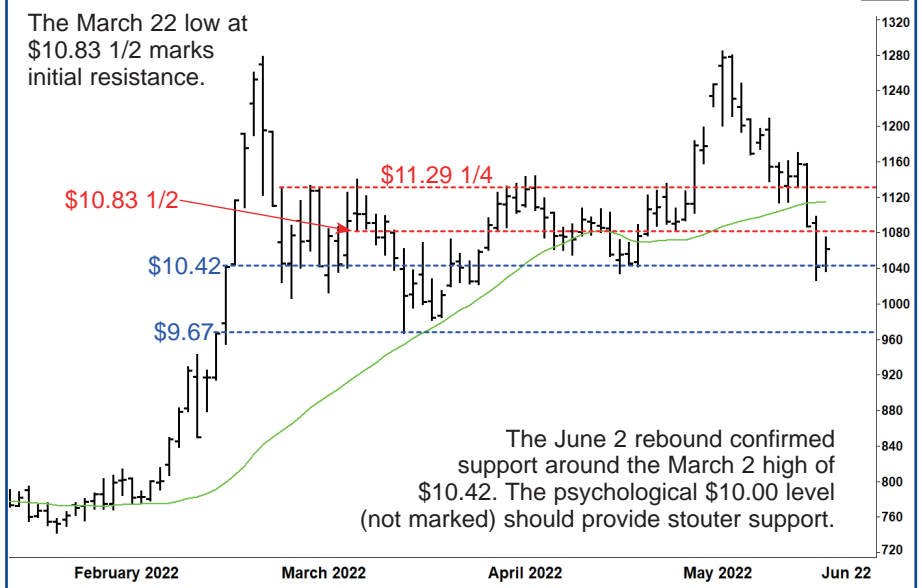


Position Monitor

	'22 crop	'23 crop
Cash-only:	65%	10%
Hedgers (cash sales):	65%	10%
Futures/Options	0%	0%

Game Plan: Last week's newsletter contained incorrect sales levels. The table above reflects our current sales positions for both 2022- and 2023-crop after our advice on May 24-25. Get current with advised sales.

DAILY JULY SRW WHEAT



WHEAT - Fundamental Analysis

SRW — The prospect of reopening of grain shipments from Ukraine was one of a few recent signs of a slight loosening of tight global supplies. SRW futures have dropped sharply for three weeks in a row and accelerating seasonal harvest pressure suggests further downside risk.

Position Monitor

	'21 crop	'22 crop
Cash-only:	85%	50%
Hedgers (cash sales):	95%	50%
Futures/Options	0%	0%

Game Plan: On June 1, we advised hedgers and cash-only marketers to sell another 10% of expected 2022-crop production after futures rolled over at the top of the broad range. Get current with advised old- and new-crop sales. Hedgers should be prepared to add new-crop hedges if futures post a downside breakout from the broad range. Old-crop bushels are down to gambling stocks.

DAILY JULY SOYBEANS

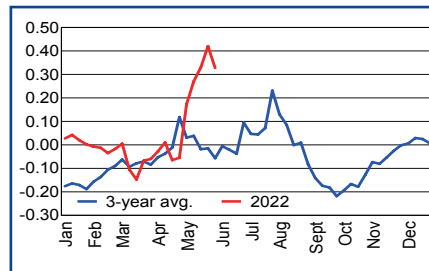
A move above the Feb. 24 high at \$17.41 would face tougher resistance at the contract high of \$17.49 1/4, which is reinforced by psychological resistance at \$17.50 (not marked).



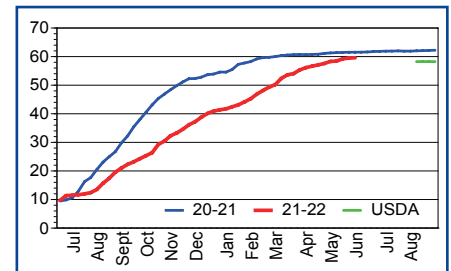
SOYBEANS - Fundamental Analysis

July futures scored a contract high last week before fading to post the first weekly loss in a month. Long-term demand underpinnings, including robust crushing activity and sharply higher export commitments for 2022-23 appear solid. However, the near-term picture looks less bullish, with most of the U.S. crop planted outside a few trouble spots in the northern Midwest and early-June weather friendly for crop development. Seasonal patterns favor bulls during June, but we see risk of sideways-to-lower futures trade if corn and wheat trend lower. But the potential for a summer weather problem should limit the downside in new-crop futures.

AVERAGE SOYBEAN BASIS (JULY)

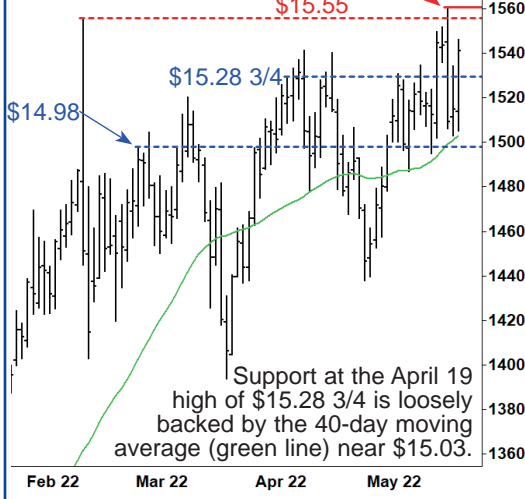


SOYBEAN EXPORT BOOKINGS (MMT)



DAILY NOVEMBER SOYBEANS

Stiff resistance at the Feb. 24 high of \$15.55 is closely backed by the contract high at \$15.60 1/2.



DAILY JULY HRW WHEAT

The 40-day moving average (green line) puts resistance near \$11.87.

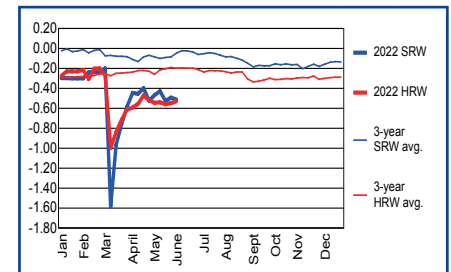


DAILY JULY HRS WHEAT

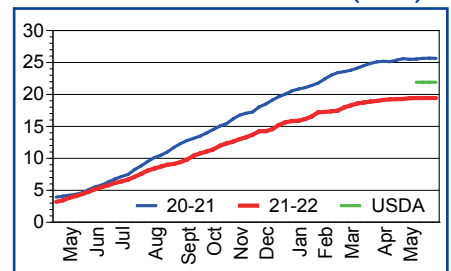
Resistance is marked by the 40-day moving average (green line) near \$12.20.



AVERAGE WHEAT BASIS (JULY)



WHEAT EXPORT BOOKINGS (MMT)



HRW — Last week's sharp futures drop came as crop conditions improved modestly; those may continue with the U.S. Plains in line for more rain. As with SRW, bullish news is largely factored in, harvest pressure is poised to increase and we see rising risk for near-term price pressure — but potential for increased volatility as well.

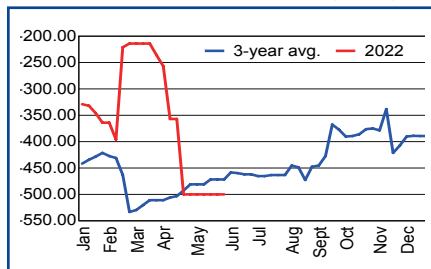
HRS — Spring wheat futures joined winter wheat in last week's selloff, a strong indication that concerns over delayed plantings have eased or are factored in. Seeding progress made a big jump and northeastern portions of the Northern Plains look drier in early June, which should allow farmers an opportunity to further catch up.

Position Monitor

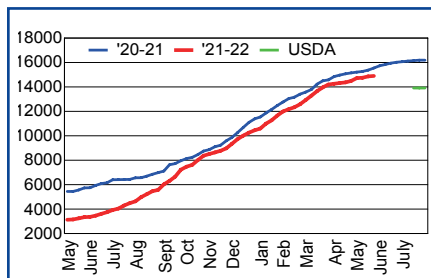
	'21 crop	'22 crop
Cash-only:	90%	50%
Hedgers (cash sales):	100%	50%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. Futures are hinting at a top, but additional cash sales will wait for stronger signs the upside is exhausted.

AVERAGE COTTON BASIS (JULY)



COTTON EXPORT BOOKINGS ('000 BALES)



COTTON - Fundamental Analysis

Although cotton export demand remains important, the industry focus is shifting to new-crop prospects. Last week's news that the 2022 crop is rated higher than in early 2021, along with recent rainfall over West Texas, undercut the market, with futures hinting at a top.

GENERAL OUTLOOK

Energy: News of sustained energy price gains is everywhere. Nearby crude oil futures have recently fallen short of the March highs reached as Russia invaded Ukraine, but the market remains extremely nervous about the summer outlook. Many in the transportation industry are worried about a diesel shortage.

Meanwhile, recent gasoline price gains have been breathtaking. RBOB gasoline futures have surged to record

highs, but that news has been totally overshadowed by the national retail gasoline average marching ever higher. It reached \$4.67 on June 1 after marking a new high 14 times during May.

The passage of Memorial Day may temporarily cut consumer demand, but the Russia/Ukraine war, China exiting lockdowns and reduced U.S. output point to continued pain at the pump during the summer driving season.

FROM THE BULLPEN By Editor Brian Grete

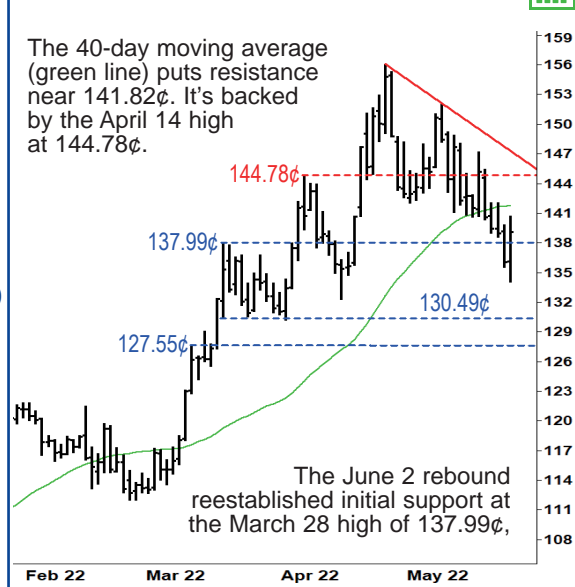
Corn futures broke down technically coming out of Memorial Day weekend and seasonals favor bears. Over the past 20 years, July corn futures declined 13 times and rose seven years during June. With funds still holding a hefty long position, there are risks of additional near-term price pressure — potentially heavy pressure. On June 1, we advised hedgers and cash-only marketers to sell another 10% of expected 2022-crop production for harvest delivery to get to 50% forward-sold. We also advised hedgers to add a 10% hedge in December corn futures, pushing their coverage to 60%. Our entry on the hedge position was \$6.92.

The seasonal pattern for soybean futures during June favors bulls by a two-

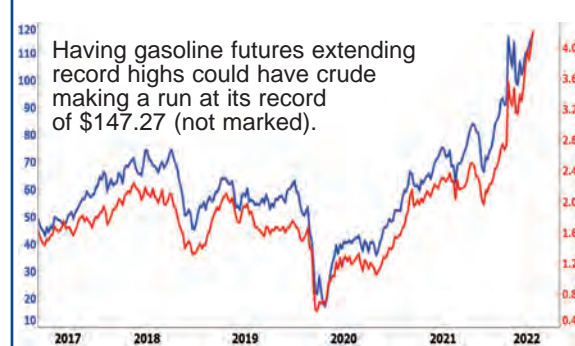
thirds/one-third margin. But with futures rolling over after testing the top of the broad range, the market suggests a challenge of the bottom of the range could be coming. As a result, we advised soybean hedgers and cash-only marketers to sell another 10% of expected 2022-crop production for harvest delivery to get to 50% forward-priced. We may add hedges for hedgers if futures violate the bottom of the broad range.

The seasonal pattern for wheat is neutral during June. After advising 2022- and 2023-crop sales on May 24-25, we are avoiding additional moves for now. But hedgers may need to add hedges if support at the March lows is violated, as that would open sharp downside price risk.

DAILY JULY COTTON



WEEKLY CRUDE OIL AND GASOLINE FUTURES



WATCH LIST

- 1 USDA Crop Progress Report** **MON 6/6**
Focus shifts to corn conditions. 3:00 p.m. CT
- 2 U.S. Ag Trade Data** **TUES 6/7**
Ag exports, imports for April. 3:00 p.m. CT
- 3 USDA Export Sales Report** **THUR 6/9**
Will export sales rebound? 7:30 a.m. CT
- 4 USDA Supply & Demand Rpt.** **FRI 6/10**
Updates to global crops, stocks. 7:30 a.m. CT
- 5 USDA Crop Production Report** **FRI 6/10**
Updated winter wheat crop peg. 11:00 a.m. CT

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