



### News this week...

- 2 – Forecast signals hot, dry conditions through October.
- 3 – Food sector retail sales stay strong.
- 4 – Fed's inflation battle could lead to recession.

**Money flow trumps weather** – Corn faced heavy price pressure last week, despite extreme temperatures across western and southern areas of the Corn Belt, as fund liquidation and chart-based selling weighed on the market. While there are some definite areas with heat and drought stress, conditions stayed generally favorable in northern and eastern locations. Given mixed weather conditions and macroeconomic concerns, money flow may remain the primary price driver near-term. Big moves in soybeans (up) and wheat (down) on Friday resulted in little net price movement in those markets for the week. Cattle futures traded choppy to higher, despite more weakness in the cash market. Hog futures continue their late seasonal rally, supported by the strengthening cash hog index.

## Ukraine grain export deal signed... implementation critical to success

Ukraine operators will guide ships through mined waters to reach its ports, while Russia has agreed not to target vessels involved in grain shipment. Turkey will inspect the ships to allay any smuggling concerns. A parallel agreement will facilitate Russian grain and fertilizer exports. The agreements are in force for 120 days and are renewable. Key remaining issues:

- Even with the signed deal, logistical and geopolitical hurdles remain. Implementation will be critical. A signed deal and actual exports are two very different things.
- How much of the roughly 20 million metric tons of grain stuck at Ukraine's ports has already been sold by Russia?
- Russia pledged to not target vessels carrying Ukrainian grain, but will it attack export facilities?
- In the past, Russian President Vladimir Putin has said Ukraine will sell grain to buy weapons. We doubt his stance has changed and therefore, it's doubtful Russia will allow heavy exports of Ukrainian grain.
- Difficulty in getting this grain export deal means overall peace is nearly impossible.

Meanwhile, Western officials believe Russia will likely begin another major offensive in Ukraine early next year, including a possible attack on the strategic port city of Odesa, *Foreign Policy* reported. If Russian forces were to take Odesa, officials warn, it would give Moscow a greater stranglehold over critical global food supplies.

## Brief relief from extreme heat

Periodic rains are expected across the central U.S. this week and into early August. While most areas of the Plains, Corn Belt and Delta will likely receive some rains, amounts could be light, according to World Weather Inc., with the lightest amounts likely over southern areas.

The weather pattern change will be temporary. World Weather says, "If tropical cyclones pass frequently over the Southeast during August and September, a ridge of high pressure will prevail in the Plains with some expansion into the Midwest. If tropical cyclones come into the Gulf of Mexico they may help keep the ridge over the Plains and allow for more rain to come into the eastern Midwest or into southern Texas."

## Crop insurance has key backing

Billions in taxpayer dollars could be saved over the next decade if the next farm bill puts a cap on federal subsidies for farmers buying crop insurance, according to the National Sustainable Agriculture Coalition. But industry leaders warned a House Ag subcommittee means testing and caps to crop insurance would ultimately hurt small farmers because midsized and larger farmers would exit crop insurance or the risk pool, increasing overall risk and resulting in premium rate increases for those participating. Crop insurance will face more battles but it has key bipartisan support in Washington.

## Australia finds traces of FMD, ASF

Australia found viral fragments of foot-and-mouth disease (FMD) and African swine fever (ASF) on imported food products from China, officials said. Impacts could be huge if Australia is hit with FMD, as it accounts for 13% of world beef trade. And if the products were indeed from China, it could lead to even more Chinese imports of U.S. beef.

## Fed tightening cycle ending by fall?

The Fed will raise interest rates another 75 basis points this week, with a 100-point hike possible. Dr. Vince Malanga, president of LaSalle Economics, feels the Fed may soon feel it needs to reverse course. Malanga said, "Perhaps one more rate increase in September with cuts possibly coming in early 2023, depending on how energy supply/demand balance develops as the heating season starts in Europe. See *News page 4* for how Fed actions could impact the economic outlook.

## Mexico's energy policy under attack

Mexico could be hit with up to \$30 billion in tariffs if it loses a trade spat with the U.S. and Canada over its energy policy, according to *Bloomberg*. Washington and Ottawa requested dispute settlement talks under the U.S.-Mexico-Canada Agreement, arguing Mexico is prioritizing energy from its state utilities over private renewable energy companies.

## Corn, soybean CCI ratings slip

USDA rated 64% of the corn crop as “good” to “excellent” as of July 17, unchanged from the previous week, though there was a one-percentage-point increase in the top category. The “poor” to “very poor” rating increased one point to 11%.

USDA rated 61% of the soybean crop as “good” to “excellent,” down one point from the previous week. The portion of crop rated “poor” to “very poor” increased one point to 10%.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop dropped 1.8 points to its lowest level of the year at 363.4 and 5.1 points below the five-year average for mid-July. The soybean crop fell 3.0 points to 353.4, which was also its lowest rating of the year and 2.1 points below average.

### What mid-July crop ratings mean for final corn yield

There isn't a strong direct correlation between mid-July crop conditions and final yields, especially for soybeans. But as the corn crop pollinates, crop conditions matter more. Based on USDA's crop condition ratings as of mid-July, our analysis suggests a corn yield range from 177.7 bu. to 180.2 bu. per acre. But even with the Iowa and Illinois corn crops rated highly, our CCI rating is 1.4% under both year-ago and the five-year average, which would place the yield at 174.5 bu. per acre.

## Spring wheat conditions improve

USDA rated 71% of the U.S. spring wheat crop as “good” to “excellent,” up one percentage point from the previous week. The portion of crop rated “poor” to “very poor” also increased a point to 6%. In top producer North Dakota, 80% of the crop is rated in the top two categories. Crop development remains well behind normal, but after a slow start, the crop has really thrived.

On our CCI, the spring wheat crop improved 1.5 points to 377.0, which was 46.1 points above the five-year average for mid-July. Excluding last year's drought-ravaged crop, the spring wheat CCI rating was still 19 points above the average of the previous four years.

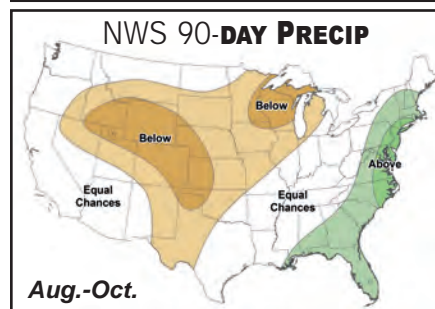
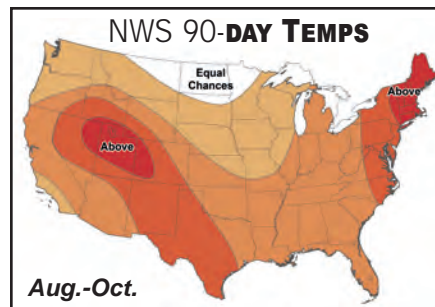
### What mid-July crop ratings mean for spring wheat yields

Spring wheat crop ratings as strong as this year are a rare occurrence, happening only nine other years since 1986. In five of those years, the spring wheat crop ended with a record yield, while two more years finished just shy of a new high for yields. For the nine years, the average yield was 99% of the previous record, which would correspond to 48.1 bu. per acre this year.

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## Hot, mostly dry through October

The National Weather Service (NWS) 90-day forecast calls for elevated odds of above-normal temps across virtually the entire country for August through October. The highest chances for above-normal temps are expected to stay west of the main U.S. summer crop regions. Below-normal rainfall is expected over most of the central and western Corn Belt, with



the greatest chances for lighter rainfall centered over the southwestern Corn Belt/Plains and a bubble over extreme northeastern Iowa, far eastern Minnesota and much of Wisconsin. NWS gives “equal chances” for normal, below- and above-normal precip over the far eastern/southeastern Corn Belt during the period.

If the forecast verifies, hotter-than-normal temps will necessitate timely late-season rainfall, especially in those areas that are expected to favor a drier bias. Based on this forecast, the key to the second half of the growing season will be whether there are enough extra bushels in the central and eastern Corn Belt to make up for likely yield losses in western and southwestern areas. The wildcard could be weather over the next three months in the Southern Corn Belt and Ohio River valley.

## Drought footprint shifts

As of July 19, 69% of the U.S. was experiencing abnormal dryness/drought, according to the U.S. Drought Monitor, unchanged from the previous week. But there was some movement of the drought footprint based on where rains fell. Across the Corn Belt, dryness/drought covers 36% of Illinois (down 17 points), 69% of Indiana (down 10 points), 47% of Iowa (up 2 points), 82% of Kansas (up 22 points), 41% of Michigan (up 1 point), 28% of Minnesota (up 17 points), 74% of Missouri (up 11 points), 87% of Nebraska (unchanged), 1% of North Dakota (up 1 point), 16% of Ohio (down 4 points), 59% of South Dakota (up 4 points) and 35% of Wisconsin (unchanged).

USDA estimates the drought footprint at 29% for corn (down 1 point from last week), 26% for soybeans (up 1 point), 16% for spring wheat (down 1 point) and 66% for cotton (down 5 points).

## Producer Crop Comments...

Please send crop comments to [editors@profarmer.com](mailto:editors@profarmer.com).

### **Black Hawk Co. (northeast) Iowa:**

*"Traveled along Highway 20 west and then up Highway 75 to Sioux County. On the way home, we drove down I-29 to I-80 and then east to Des Moines and up I-35 back to Highway 20. I could count on one hand the number of fair or poor fields I saw in 10 hours of road time. Both corn and soybeans looked really strong — even in the driest areas in the northwest corner of the state. Lawns were brown in those areas, but crops were holding up well and they received some rains July 16 ahead of the extreme heat."*

### **Story Co. (central) Iowa:**

*"Lots of planes flying, despite a lack of disease. Crops look amazing. Not a bad spot to be seen."*

### **McClellan Co. (central) Illinois:**

*"Our corn is moving right along — big ears and filled out to the tip. A timely rain the first week of August would help seal the deal."*

### **Tipton Co. (central) Indiana:**

*"About 2.5 inches of rain here. Crops are getting 'rain trained' to excessive amounts."*

### **Harrison Co. (south-central) Indiana:**

*"We received 2.8 inches of rain over the weekend (July 16-17). HUGE for our crops."*

### **Custer Co. (central) Nebraska:**

*"Corn is holding up, but dryland needs a rain. Irrigated corn is tasseling."*

### **Blue Earth Co. (south-central) Minnesota:**

*"Wettest drought I've ever seen. It's raining again (July 19)."*

### **Day Co. (northeast) South Dakota:**

*"Traveled through east-central South Dakota on highways 25 and 81 as far south as Parker on July 16-17. Crops generally looked good but gradually started to get a little worse as we went south, though some of those stressed areas picked up rain just in time for pollinating."*

### **North-central South Dakota:**

*"Despite tough planting conditions... corn looks excellent around here. It's around seven feet tall and about to tassel."*

### **St. Croix Co. (west-central) Wisconsin:**

*"Our corn very badly needs water. Looks like pineapple."*

### **Lubbock Co. (north-central) Texas:**

*"Corn is filled out to the tip. It didn't get tall but has handled the heat and dryness just fine."*

### **Lubbock Co. (north-central) Texas:**

*"I have never seen cotton just die from drought in my life but it is this year. I have seen it dry and bloom out the top and put one acorn-size boll on but not just die. Appears the extreme dryness and soil temps are cooking it."*

### **Yellowstone Co. (south-central) Montana:**

*"If you'd have told me in April our winter wheat would look this good in July I'd have thought you were crazy. We've come a long way from the D3 [extreme] drought. Timely rain is everything."*

## Food sector retail sales stay strong

Food sector retail sales rose 11.5% from last year in June. While that was the smallest year-over-year gain this year, the increase was impressive given last year's big jump during the month. Grocery store sales jumped 8.9% in June, up from 7.7% growth in May, though some of this was tied to higher prices (inflation). Food service and drinking place sales topped year-ago by 13.7%, down from a 17.0% increase in May.

## It's a ground beef economy

All uncooked retail beef prices rose 5.4% from year-ago during June to an average of \$6.317 per lb., according to the U.S. Bureau of Labor Statistics. The price increase was driven by ground beef, which surged 10.9%, while the all-steak price inched 0.9% higher and all-roast price slipped 0.6%.

All-pork prices (excluding canned ham and luncheon slices) rose 8.9%, driven by an 11.0% surge in bacon and 9.3% jump in boneless hams (excluding canned). All pork chop prices dropped 0.5% compared with last year, with boneless chops down 2.7%.

Boneless chicken breast prices surged 36.2% versus year-ago, while whole chickens jumped 23.9% and legs were up 16.8%.

The data suggests U.S. consumers have changed their buying patterns, buying more value cuts (ground beef, poultry, etc.). We expect ground beef prices to remain sticky, so lower steak and boneless pork chop prices could trigger more demand for higher-end cuts.

## USDA proposes lower pork checkoff

USDA formally proposed reducing the pork checkoff rate from 40¢ to 35¢ per \$100 value for live animals, in line with a vote by Pork Board delegates. Revenue from the checkoff is anticipated to fall \$13.5 million. The amount raised for promotion and marketing in 2021 was \$103.6 million, a 41% increase from the year before due to a 47% increase in live hog prices.

The proposed reduction is seen lowering the domestic assessment by \$12.3 million and the importer assessment by \$1.2 million. However, the notice said that even with the reduction, total program funds "will have increased significantly above 2020 levels owing to the ongoing increase in price levels, assuming general market conditions of 2021 persist."

## China's sow herd increases again

China's sow herd totaled 42.8 million head at the end of June, according to the country's ag ministry. While that was up 2% from May and the second straight monthly gain, it was still down 6.3% from last year. "Live hog and pork production will increase steadily in July and August... the supply of large hogs is guaranteed in the second half of the year," an ag ministry official noted.



# Fed's missteps have it playing catchup in inflation battle

By Editor Brian Grete and Washington Policy Analyst Jim Wiesemeyer

The Federal Reserve is in a battle against inflation that's extremely difficult to win. After sticking with its "transitory" stance on inflation significantly too long, the U.S. central bank is trying to play catch-up to get in front of the runaway inflation train. The only way to do that is with aggressive interest rate increases, a process which is underway. But by aggressively raising interest rates, an economic recession is almost guaranteed.

## ***This started with too much Covid stimulus***

Fiscal support enacted around the world to support households during the Covid-19 pandemic helped to boost spending without increasing production, widening the mismatch between supply and demand — worsening inflation, according to Fed research. Many economists predicted this would happen, but the Fed didn't act fast enough.

## ***Slow Fed reaction put it further behind***

The Fed should have started hiking interest rates before it was done tapering its bond purchases to avoid falling behind on the fight against inflation, Randal Quarles, the Fed's former vice chair for supervision, said. Policymakers were too focused on unwinding the central bank's massive asset purchases in a predictable manner to avoid disrupting markets, according to Quarles. That put the U.S. central bank even further behind.

## ***Labor market may flash false signals on inflation***

Labor market conditions are as important as evidence of easing inflation for the Fed to believe it is accomplishing its goals, according to Dr. Vince Malanga, president of LaSalle Economics. The long-time *Pro Farmer* Economic Consultant said, "In the Fed's models you cannot have one without the other. Thus, June's steady 3.6% jobless rate and strong headline payroll rise imply strength. This opens the door to another 75-basis-point rise."

Malanga notes, "Below the surface, though, labor markets are softening. The June report showed a third consecutive month of downward revision. The jobless rate was steady but household sector employment, which skews toward small business, fell and remained below its March peak. The late, great labor economist Ed Lazear always looked at payroll changes in conjunction with the workweek. In June, the workweek fell by enough to practically wipe out the rise in headline payrolls. Importantly, wage pressures eased again in June and the three-month annual

rise of 4.1% remained below the measured inflation rate. Finally, layoffs and hiring freezes have become more common since the surveys for the last report were conducted."

## ***Dollar surge adds to demand concerns***

Prices for oil, metals and agricultural products have tumbled since early June after shooting up following Russia's invasion of Ukraine. In part, the recent fall reflects investors' fears that a demand-busting recession is around the corner. Because most commodities are priced in U.S. dollars, the surging greenback makes commodities more expensive for global buyers, dragging on demand.

Malanga said, "Headline inflation hit a new cycle high of 9.1% as measured by consumer prices. But it only partially captured the effects of the late-month commodity price slide and the extensive price discounting that is occurring to rid shelves of unwanted inventory. Producer prices began picking up these developments. And with supply chains gradually clearing and wage pressures hopefully continuing to ease amid proliferating signs of economic slack, we expect July's reports to retreat in what we think may be the start of a jagged downtrend. Of course, part and parcel of such an easing is the recessionary forces beginning to act on demand."

## ***'Fed speak' on inflation will be monitored closely***

Malanga believes there will be sufficient evidence for Fed Chair Jerome Powell to signal tentative progress toward reaching the Fed's goals by the annual Jackson Hole, Wyoming, economic confab in late August. Markets may take this as a signal of forthcoming moderation in the monetary tightening cycle. Malanga says, "This would be important because while the Fed pays lip service to the money supply, money growth has been and is likely to continue to be very weak. This is one reason why the dollar exchange rate has been so strong. With lags, these signals are deflationary and negatively impact economic activity."

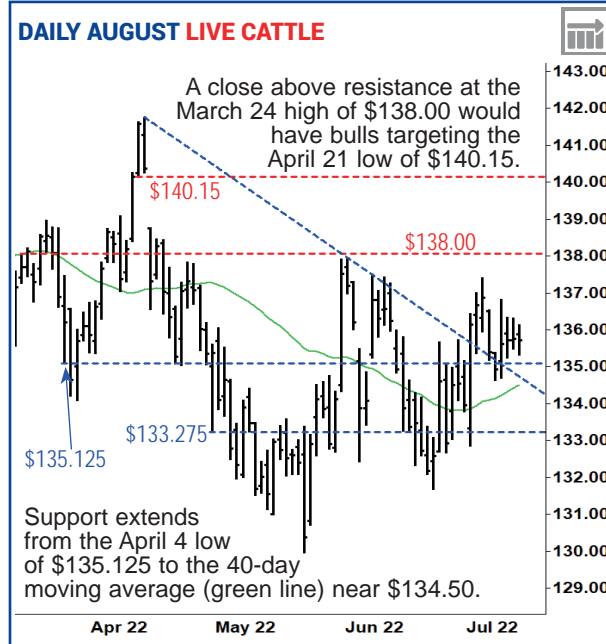
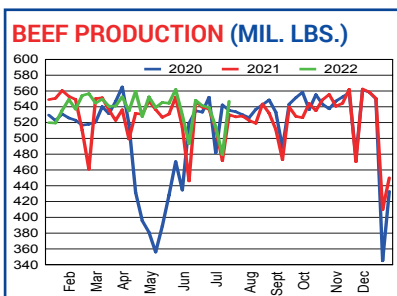
## ***The next potential pitfall... Russia's weaponizing energy***

Malanga warns, "From a purely economic vantage point it makes no sense for Russia to curtail gas supplies to Europe. But if it does, it would be a serious negative wild card affecting the global economy. We are hopeful weaponizing energy does not come to fruition. If that doesn't happen, we think by fall the U.S. could be mid-way through its current malaise."

**CATTLE - Fundamental Analysis**

Elevated cash prices for northern cattle have declined lately, whereas those in the Southern Plains have stabilized at lower levels, with the net effect being a modest drop in the national average. History suggests more of the same through midsummer, but strong demand, current feedlot marketings and the recent tendency for diminished August beef production suggest the downside is limited. Given strong futures incentives, cattle feeders traditionally tend to find yearlings for feedlots, even during liquidation phases of the cattle cycle. Thus, we are not anticipating a shortage of fed cattle in weeks and months ahead.

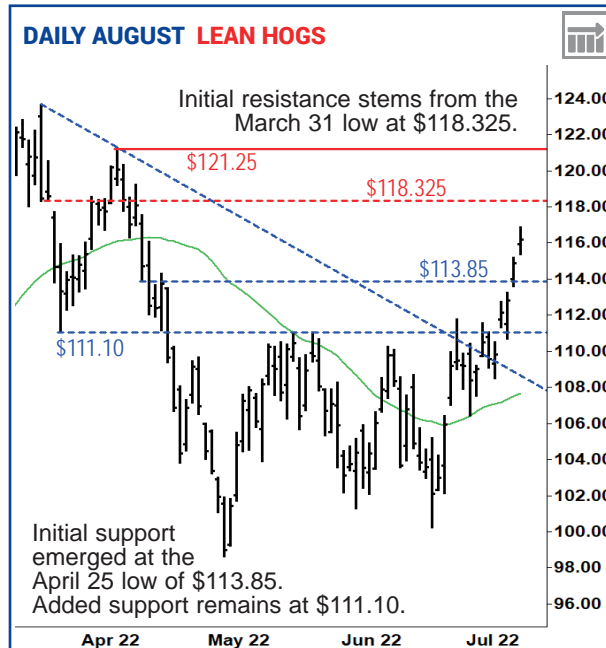
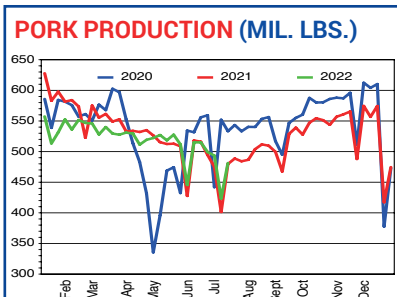
Position Monitor			
Game Plan:	Feds Feeders		
Live cattle futures remain at discounts to the cash market, which makes hedges risky. Be prepared to hedge an extended rally in December futures.	III'22	0%	0%
	IV'22	0%	0%
	I'23	0%	0%
	II'23	0%	0%



**HOGS - Fundamental Analysis**

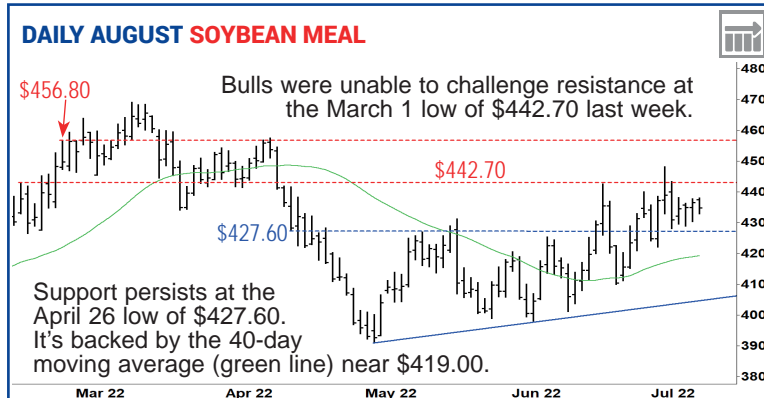
Cash hog rallies into late summer are not common. When they do occur, the advance is often powered by low pork belly stockpiles available to supplement summer bacon production at the height of BLT season. Near-normal belly stocks this summer, as well as elevated retail bacon prices, make the recent hog rally impressive. History implies seasonally increasing hog supplies cause an average cash price drop from mid-July to the second week of August of about \$4.00. The small discount built into August futures last week implies traders expect sustained short-term cash strength.

Position Monitor			
Game Plan:	Lean Hogs		
The extended seasonal rally is being fueled by a strengthening cash market. Be prepared to add late-year hedges when upward momentum stalls.	III'22	0%	0%
	IV'22	0%	0%
	I'23	0%	0%
	II'23	0%	0%



**FEED**

Feed Monitor			
<b>Corn</b>			
III'22	0%	<b>Corn Game Plan:</b> You are hand-to-mouth on corn-for-feed needs. Current price levels are attractive for extending coverage but we'll wait on signs the downside is exhausted first.	
IV'22	0%		
I'23	0%		
II'23	0%		
<b>Meal</b>			
III'22	0%	<b>Meal Game Plan:</b> You are hand-to-mouth on soybean meal needs. Unless there is a weather-fueled rally in soybeans, we'll wait on a corrective break to extend coverage.	
IV'22	0%		
I'23	0%		
II'23	0%		



### Position Monitor

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

**Game Plan:** Get current with advised new-crop hedges in December corn futures as there is more near-term downside risk, especially if rains develop across the central and eastern Corn Belt. We may extend hedge coverage if support at the early July lows is violated. Old-crop sales will be finished if there's an extended corrective recovery. Additional new-crop cash sales will wait for now.

### DAILY DECEMBER CORN



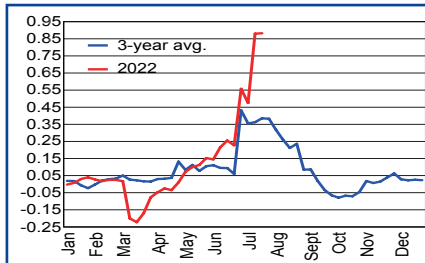
### DAILY MARCH CORN



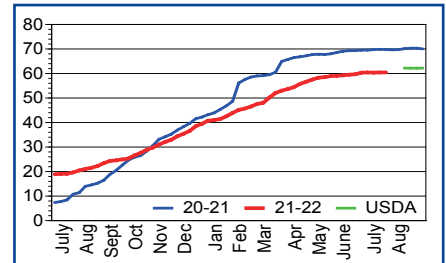
### CORN - Fundamental Analysis

Bearish forces strengthened last week as December futures sank to a six-month low. Rain and slightly milder weather in the Midwest the last week of July should boost chances the crop will pollinate with little damage, meaning traders may remove more weather premium from prices. Historical patterns suggest further downside risk (see "From the Bullpen" on *Analysis* page 4). Anecdotal reports from around the Midwest suggest a big crop is coming, though persistent drought in some areas may sustain uncertainty about record yield potential. A return of Ukraine supplies may weigh on prices. Recession-linked outside markets like crude oil also bear watching.

### AVERAGE CORN BASIS (SEPTEMBER)



### CORN EXPORT BOOKINGS (MMT)

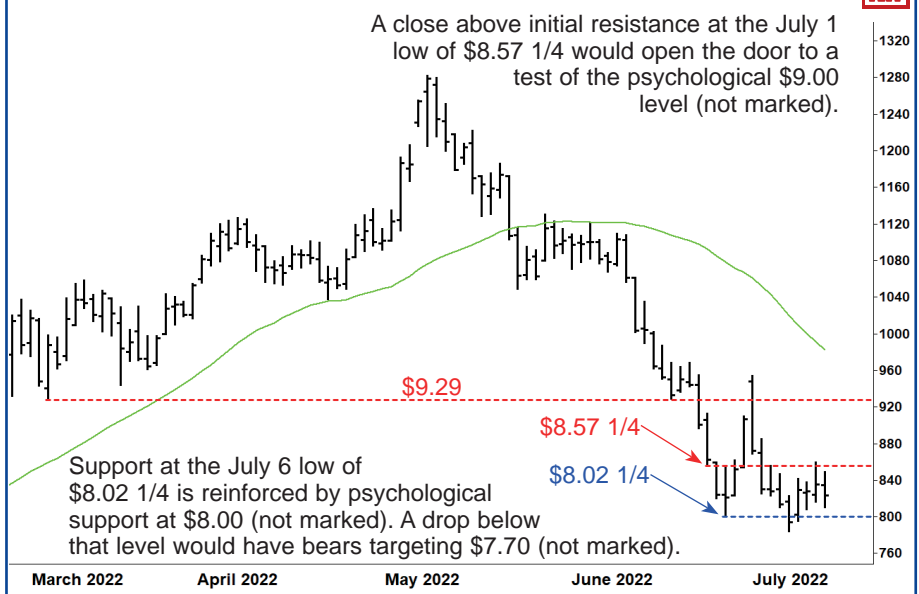


### Position Monitor

	'22 crop	'23 crop
Cash-only:	85%	30%
Hedgers (cash sales):	85%	30%
Futures/Options	0%	0%

**Game Plan:** On July 20, we advised claiming profits on the 15% 2022-crop hedges in December SRW futures. Our exit was \$8.32 for a \$1.90 profit. Be prepared to reestablish hedges if support at the recent lows is violated.

### DAILY DECEMBER SRW WHEAT



### WHEAT - Fundamental Analysis

**SRW** – An agreement to resume Ukrainian grain exports out of the Black Sea, if it holds, will limit rally attempts in SRW futures, even though the market may trade sideways near-term. Longer-term, we see more downside unless the corn market leads a price recovery.

### Position Monitor

	'21 crop	'22 crop
Cash-only:	90%	50%
Hedgers (cash sales):	95%	50%
Futures/Options	0%	10%

**Game Plan:** Get current with advised new-crop hedges in November soybean futures as there is more near-term downside risk. We'll carry remaining old-crop inventories into the critical August weather period for soybeans but will look to finish sales on an extended corrective recovery. With half of the 2022 crop forward-sold, we'll wait on an extended price rally to increase new-crop cash sales.

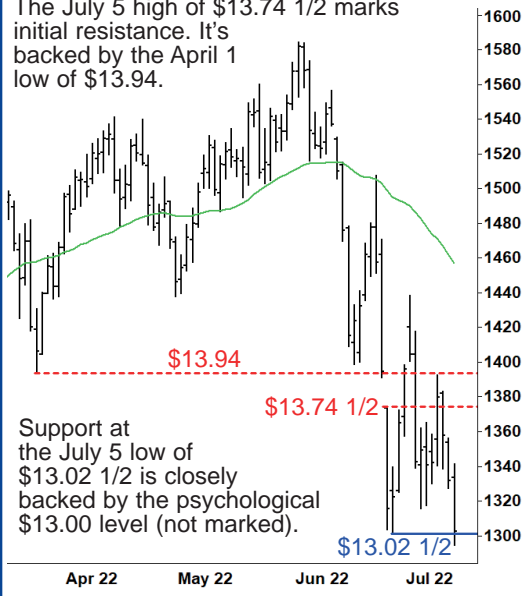
### DAILY AUGUST SOYBEANS

A rebound above initial resistance at the July 6 low of \$14.24 1/4 would open the door to a retest of the June 23 low at \$15.00.



### DAILY NOVEMBER SOYBEANS

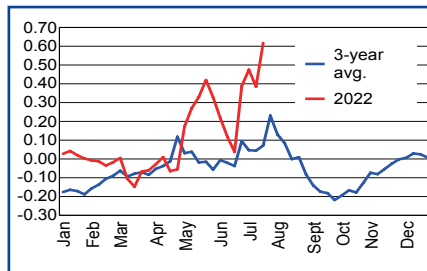
The July 5 high of \$13.74 1/2 marks initial resistance. It's backed by the April 1 low of \$13.94.



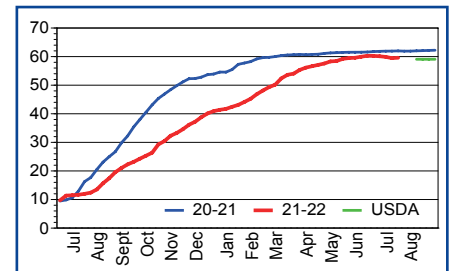
### SOYBEANS - Fundamental Analysis

November futures' tumble to six-month lows last week before recovering raises the prospect of further downside below \$13.00, especially with the export picture continuing to flash bearish signals. While weekly USDA export sales snapped a three-week string of net old-crop sales reductions, there was a third straight negative adjustment to a previous week (independent of the reported sales for the current week). Eroding demand and slumping crude oil could exert further pressure. But downside risk may be limited with the crop's development phase ahead and hot, mostly dry August weather forecast for the Midwest, which could trigger some short-term rallies.

#### AVERAGE SOYBEAN BASIS (AUGUST)



#### SOYBEAN EXPORT BOOKINGS (MMT)



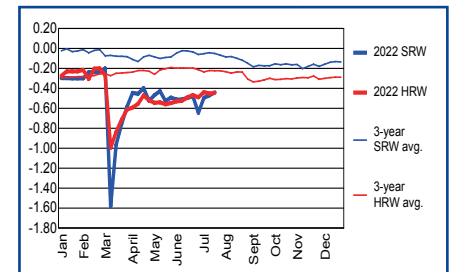
### DAILY DECEMBER HRW WHEAT



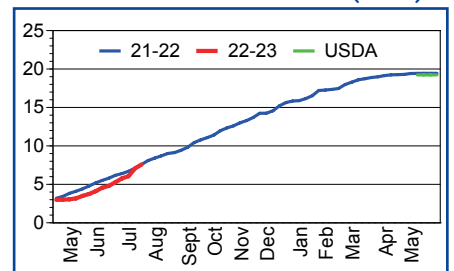
### DAILY SEPTEMBER HRS WHEAT



#### AVERAGE WHEAT BASIS (SEPTEMBER)



#### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — Like SRW, HRW futures could grind sideways for a bit with harvest mostly finished. But with 2022-23 HRW export sales commitments running 28% behind year-earlier levels, the market's next move is likely lower, barring a rally in corn or soybeans or a severe turn for the worse in the Ukrainian grain export situation.

**HRS** — Futures diverged from winter counterparts with a lower weekly performance, reflecting strong conditions for the Northern Plains crop. Early harvest may begin next month, and the market's strong carry structure (30¢-plus based on September versus July 2023 futures) suggest it may pay to store some bushels.

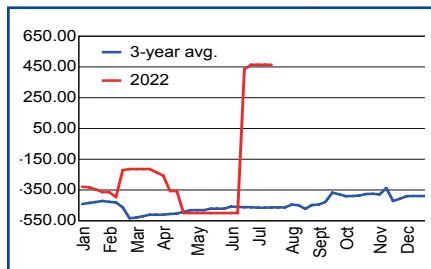


### Position Monitor

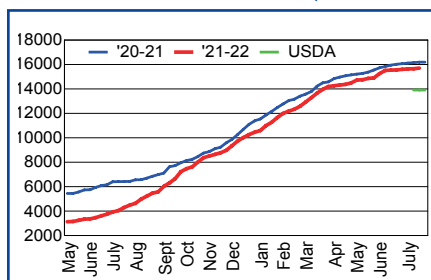
	'21 crop	'22 crop
Cash-only:	100%	60%
Hedgers (cash sales):	100%	60%
Futures/Options	0%	0%

**Game Plan:** Be prepared to increase sales on a strong corrective bounce. Hedgers may be added if support at the recent lows is violated.

### AVERAGE COTTON BASIS (OCTOBER)



### COTTON EXPORT BOOKINGS ('000 BALES)



## COTTON - Fundamental Analysis

Reduced recession fears and rebounding equity markets powered last week's cotton bounce. But the latest export data again disappointed traders, despite prices sharply below those seen last spring. Poor Texas weather and conditions haven't spurred strong buyer interest.

## GENERAL OUTLOOK

Copper. Many are debating the possibility of a forthcoming recession. White House Economic Advisor Jared Bernstein stated, "If you look at the strength of the current economy... you would conclude that where we are right now remains solidly within expansion." Conversely, the Atlanta Fed's economic tracking algorithm implies the U.S. economy is already in a recession.

The recent rebound by the equity

indexes has been encouraging, but we're more inclined to defer to "Dr. Copper." Copper prices surged to record highs in April 2021 and hit a fresh record in March this year. But prices recently plunged, retracing 62% of the 2020-21 advance over the past four months. While supplies have likely increased, it seems clear inflation-driven demand destruction and recession concerns are powering the dive.

## FROM THE BULLPEN By Market Analyst Bruce Blythe

Corn and soybean crops got off to a strong start, each posting a 70% or better good-to-excellent rating in USDA's initial ratings in early June. Futures' declines have closely tracked historical patterns for other years with similarly strong ratings, suggesting more downside risk for corn.

Since 1986, nine other years had an initial corn good/excellent rating of 70% or higher and a December futures decline of 10% to 20% from June 1 through mid-July. In seven of those years, corn futures fell an average of 22% from June 1 through the end of September.

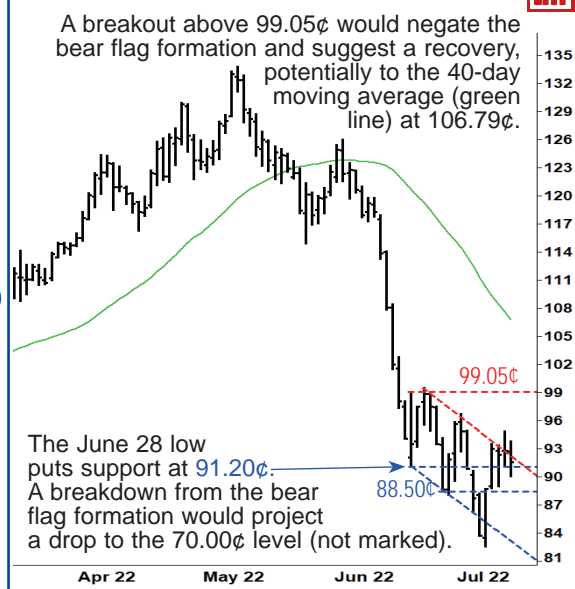
This year, since closing at \$6.91 1/2 on June 1, December corn futures dropped about 16% by late last week. If this year's market follows the historical average of

the seven lower trending years, December corn may have another 40¢ or so of downside risk.

For soybeans, five prior years had high initial ratings and futures declines of 10% to 20% from June 1 through mid-July. November futures' mid-July-through-end-September performance those five years diverged widely, climbing in 1991 in a weather-driven rally but dropping sharply in 2014. Overall, the average performance in those years was basically sideways.

November soybeans are down about 13% since closing June 1 at \$15.15 1/4. August and September weather will likely have more to do with late-summer price action than trade since June 1.

### DAILY DECEMBER COTTON



### MONTHLY COPPER FUTURES (\$/LB.)



## WATCH LIST

- 1 USDA Food Price Outlook** **MON 7/25**  
8:00 a.m. CT  
Another rise in food prices likely.
- 2 USDA Crop Progress Report** **MON 7/25**  
3:00 p.m. CT  
Will mid-July heat deteriorate crops?
- 3 FOMC Meeting Concludes** **WED 7/27**  
1:00 p.m. CT  
Talk of a 100-point rate hike.
- 4 USDA Export Sales Report** **THUR 7/28**  
7:30 a.m. CT  
Did end-users buy on price breaks?
- 5 U.S. Q2 Advance GDP** **THUR 7/28**  
7:30 a.m. CT  
GDP shrank 1.6% in Q1.

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