



News this week...

- 2 – Corn, bean & cotton ratings drop as drought expands.
- 3 – Recession may be inevitable amid inflation battle.
- 4 – Biden's first major trade policy move nearing.

Volatile post-Fourth trade – Corn and soybean futures gapped lower coming out of the July 4th holiday weekend as rains rolled across the Corn Belt. Both markets filled the gaps amid bargain buying and corn was higher for the week Friday at presstime. Wheat futures were also supported by bargain buying and posted corrective gains. The negative price action in corn and soybeans on the first trading session after the holiday suggests price pressure is likely this month (see “From the Bullpen” on [Analysis](#) page 4), though weather and macroeconomics will greatly influence prices. Live cattle futures traded sideways, despite firming cash prices, which were pulled higher by the strong northern market. Lean hog futures posted strong gains, suggesting traders sense the cash market hasn't topped.

Dry conditions, mild temps after rains

Many areas of the Corn Belt received needed rains last week, though some of the drier southern locations were missed. Once the rains abate July 9, conditions will be mostly dry this week, though temps are expected to be mild across the Corn Belt. Hot and dry weather will stress crops in the Southern Plains and Delta. Forecast models suggest a weakening and westward shift of the high pressure ridge in the second week of the outlook, which could bring some rains to the Corn Belt July 16-18.

Ukraine grain saga continues

Russia continues to say it is ready to negotiate with Ukraine and Turkey about grain exports but there's been no real movement on that front. Western allies pressed for Russia to open up Ukrainian ports for grain shipments. Russian President Vladimir Putin warned prospects for negotiation would grow dimmer the longer the conflict drags on.

S&D, all-wheat estimate July 12

USDA's updated balance sheets in the July 12 Supply & Demand Report will reflect changes to old-crop demand forecasts based on June 1 stocks and its new-crop planted acreage estimates. USDA will also release its first all-wheat production estimate, including the first survey-based forecasts for other spring wheat and durum. Traders expect modest increases to old-crop ending stocks for corn and soybeans. Old-crop wheat ending stocks were set at 660 million bu. by June 1 stocks. Traders anticipate higher new-crop ending stocks for corn and wheat, while soybean carryover is expected to decline nearly 70 million bu. from last month.

Old-crop corn, bean sales reductions

For the week ended June 30, USDA reported net sales reductions of 160,000 metric tons (MT) of soybeans (including 59,200 MT by China) and 66,600 MT of corn. Given the sharp price break, more near-term cancellations are possible. Key will be whether any sales cancellations are replaced by new purchases at lower prices.

Failing grade for Biden trade policy

The extended indecision on tariffs on China (see [News](#) page 4) “underscores that President [Joe] Biden essentially has no trade policy while the rest of the world moves ahead with new trade deals,” the *Wall Street Journal* said in an editorial. “While Mr. Biden dithers, Pacific nations continue to strengthen trade with each other,” it adds. Biden met with his advisers on Chinese tariffs on Friday, but the meeting did not include Treasury Secretary Janet Yellen, Commerce Secretary Gina Raimondo or U.S. Trade Representative Katherine Tai.

U.S. ag trade deficit builds in May

The U.S. exported \$17.1 billion of ag goods against imports of \$17.8 billion for a deficit of \$656 million in May, up from \$19 million in April. Through the first eight months of fiscal year (FY) 2022, ag exports totaled \$136.5 billion against imports of \$128.2 billion for a surplus of \$8.3 billion. USDA forecasts FY 2022 ag exports at \$191 billion and imports at \$180.5 billion, which would leave a surplus of \$10.5 billion. To meet USDA's forecast, exports need to reach \$13.63 billion over the next four months and imports of \$13.08 billion.

Jobs growth = aggressive Fed

U.S. non-farm payrolls increased 372,000 in June and the unemployment rate held at 3.6%. Hourly earnings increased 5.1% over the past year. Fed Chair Jerome Powell has repeatedly made the case that slowing the jobs market is necessary to put it on a more sustainable longer-term path. The 2-year/10-year bond yield curve further inverted after the jobs data, signaling traders sense the Fed will remain aggressive in its fight against inflation, which could cause a recession.

Food price index eases but still high

The UN Food and Agriculture Organization global food price index dropped 2.3% in June – the third straight monthly decline after hitting a record high in March – but was still 23.1% above year-ago. Compared to year-ago, prices surged 12.6% for meat, 24.9% for dairy, 27.6% for cereal grains, 34.3% for vegoils and 8.9% for sugar.

Corn, soybean conditions drop again

USDA rated 64% of the corn crop as “good” to “excellent” as of July 3, down three percentage points from the previous week. The portion of crop rated “poor” to “very poor” increased a point to 9%. The “good” to “excellent” rating for soybeans dropped two points to 63%, while the “poor” to “very poor” rating increased a point to 9%.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop dropped 5.4 points to 364.1, which was 6.8 points below the five-year average for the beginning of July. The soybean crop dropped 5.7 points to 354.9, which was 2.5 points below average for the date and the first time the crop rating has been below average so far during the growing season.

Spring wheat sharply improves

USDA rated 66% of the U.S. spring wheat crop as “good” to “excellent,” up seven points from the previous week amid strong improvement in North Dakota, Minnesota and Montana. On the weighted CCI, the spring wheat crop improved 7.9 points to 368.3 and was 30.5 points above the five-year average for the beginning of July.

Cotton crop deteriorates again

USDA rated 36% of the U.S. cotton crop as “good” to “excellent” and 31% “poor” to “very poor.” That was down a point in the top two categories and up a point in the bottom two. On our CCI, the cotton crop dropped 1.4 points to 323.0, which was 25.5 points below average for the beginning of July.

Drought footprint expanding

As of July 5, 70% of the U.S. was saddled with abnormal dryness/drought, according to the U.S. Drought Monitor, up one percentage point from the previous week and now 13 points higher than this year’s low in mid-June. Across the Corn Belt, dryness/drought covers 68% of Illinois, 94% of Indiana, 50% of Iowa, 56% of Kansas, 40% of Michigan, 17% of Minnesota, 64% of Missouri, 87% of Nebraska, 0% of North Dakota, 36% of Ohio, 52% of South Dakota and 43% of Wisconsin. Aside from some pockets, especially in the western Corn Belt, most of the drought is classified as D0 (abnormally dry) or D1 (moderate drought).

USDA estimates the drought footprint at 29% for corn (up six points from last week), 22% for soybeans (up seven points), 19% for spring wheat (unchanged) and 68% for cotton (up seven points).

Canadian wheat acres increase

Canadian farmers planted 25.4 million acres to wheat this year, up from 25.0 million acres forecast in April and 2 million acres (8.7%) more than last year, according to Statistics Canada. Spring wheat area at 18.2 million acres rose 10.5% from last year. Canadian canola acreage totaled 21.2 million acres, according to Stats Canada, up 500,000 acres from spring intentions but down 1.1 million acres (4.7%) from last year.

MarketsFarm analyst Mike Jubinville said high spring prices contributed to farmers planting more wheat and canola than originally intended, though the price situation has changed since acres were seeded.

Jubinville noted, “Personally, I was looking for some loss to canola and wheat acres, shifting to shorter season barley and oats... but we did not see that. Aside from environmental conditions, high input prices, high crop prices resulting from low national and global supply, and the ongoing conflict in Ukraine likely impacted farmers’ final seeding decisions.”

Brazilian corn crop pegs raised

Conab raised its official Brazilian corn crop estimate by 440,000 metric tons (MT) from last month to a record 115.7 million metric tons (MMT). Given the larger production, Conab increased its 2021-22 Brazilian corn export forecast by 500,000 MT to 37.5 MMT.

Crop Consultant Dr. Michael Cordonnier raised his Brazilian corn crop estimate by 2 million metric tons (MMT) to 112 MMT. He says production “might move a little higher” by the time harvest is complete. Brokerage firm StoneX increased its Brazilian corn crop estimate by 2.5 MMT to 119.3 MMT.

Conab trimmed its Brazilian soybean crop estimate by 220,000 MT to 124.0 MMT. Cordonnier left his Brazilian bean crop peg at 123.0 MMT. StoneX also raised its Brazilian soybean crop estimate by 2.6 MMT to 127 MMT.

Brazil expects record wheat crop

Conab forecasts Brazil will produce a record 9 MMT wheat crop in 2022-23, which would be up 1.3 MMT (17.2%) from this year. Wheat planted area is expected to rise 200,000 hectares (7.4%) to 2.9 million hectares.

Brazil sharply raises farmer subsidies

Brazil’s “Plano Safra 2022-23” (Harvest Plan) will include \$63.9 billion in available funds, a 36% increase from 2021-22. The amount of money available for lower interest subsidized loans increased 18% to \$36.1 billion. The amount of money available for loans with market interest rates increased 69% to \$26.8 billion. Small and medium size producers are given a priority in this year’s farmer subsidy package, with most of the lower-interest subsidized loans going to these two groups.



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Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Black Hawk Co. (northeast) Iowa:

"Traveled to Louisville, Kentucky, ahead of July 4. Conditions were dry along I-74 and I-65, but most crops looked to be holding up relatively well. Crops looked better along I-64 in far southern Indiana and southern Illinois on the drive home. North of St. Louis to far southeastern Iowa, conditions were really dry, though earlier planted crops were holding on much better than late-planted fields. Crops from about Mount Pleasant through eastern and northeastern Iowa looked strong."

Sioux Co. (northwest) Iowa:

"Drove by miles and miles of corn fields that are lower than the brome grass in ditches after the July 5 wind storm. What a mess. Those fields have lost some yield."

Clay Co. (northwest) Iowa:

"No derecho here but our corn is leaning at 45 degrees."

Fillmore Co. (southeast) Nebraska:

"Corn was starting to tassel July 4. Crop is in great condition after recently receiving 1.85 inches of rain and more is expected. These fields have been fortunate to miss the wind and hail a lot of Nebraska has seen this season."

Cass Co. (east-central) Nebraska:

"Soybeans are starting to flower and generally look good but are in need of a rain. Corn also looks good but areas are starting to roll early in the morning."

Nebraska Panhandle:

"We had more rain in five days than we had the three previous months combined."

Minnehaha Co. (east-central) South Dakota:

"Our corn was flat after the wind storm but none was snapped. It's mostly standing back up 24 hours later."

Yankton Co. (southeast) South Dakota:

"Drove back from the Black Hills. First time I've ever seen corn look better in Wall and Kadoka than in Yankton County."

Sherman Co. (northwest) Kansas:

"Incredible protein in our hard red winter wheat this year – running around 16%."

Northeast Illinois:

"Drove through northern Illinois. Corn in the DeKalb/Rochelle area looks fantastic – deep green and tall."

Allen Co. (northeast) Indiana:

"Million dollar rain came through July 5. Really needed it as corn on hilltops and in heavy weed pressure was hurting badly. Plus, pastures and hay were spent."

Cass Co. (north-central) Indiana:

"Had a nice 0.7 inch of rain July 6 south of Logansport. We'll take it!"

Delaware Co. (central) Ohio:

"Received about 4.5 inches of rain. That should be enough for a fair bit."

FOMC minutes confirm hawkish Fed

Minutes from the Federal Reserve's June 14-15 Federal Open Market Committee (FOMC) meeting revealed growing anxiety over inflation and plans to adopt a restrictive policy stance in order to tame prices. The minutes stated the Fed is likely to raise rates at least another 50 basis points following the July 26-27 meeting. The minutes noted that risks to the outlook were skewed lower for GDP and higher for inflation as tighter policy could slow growth, but the committee prioritized fighting inflation. While the minutes were hawkish, the recent sharp drop in commodity prices may limit interest rate increases from levels the Fed discussed, especially if economic growth continues to slow.

Slowed growth may be 'necessary'

The head of the International Monetary Fund (IMF) said the outlook for the global economy had "darkened significantly" since April and she could not rule out a possible global recession given the elevated risks. IMF Managing Director Kristalina Georgieva said, "It's going to be a tough 2022, but maybe even a tougher 2023." A longer-lasting tightening of monetary policy would complicate the global economic outlook, but she added it was crucial to get surging prices under control. Georgieva warned that slower economic growth may be a "necessary price to pay" given the urgent and pressing need to restore price stability.

Record May soybean crush

U.S. processors crushed 180.9 million bu. of soybeans in May, according to USDA, which was a record for the month and virtually steady with April. The crush pace increased 7.4 million bu. (4.3%) versus May 2021. Through the first nine months of 2021-22, soy crush totaled 1.673 billion bu., meaning it must average 180.7 million bu. per month over the final three months to hit USDA's forecast of 2.215 billion bushels.

Soyoil stocks totaled 2.384 billion lbs., which was down 40 million lbs. from April but up 246 million lbs. from last year. Our preliminary estimate for May soybean use is up 6.7% from last year, but higher production pushed up soybean stocks.

Corn-for-ethanol use below year-ago

Corn-for-ethanol use totaled 446.1 million bu. in May, up 30.1 million bu. (7.2%) from April but down 1.9 million bu. (0.4%) from last year. Through the first nine months of 2021-22, corn-for-ethanol use at 3.736 billion bu. increased 7.5% from the same period last year. Over the final three months of the marketing year, the usage pace needs to run 4.8% above year-ago to reach USDA's forecast of 5.375 billion bushels. Based on weekly Energy Information Administration data, ethanol production ran 0.3% behind year-ago through June.

Biden's first major trade policy move coming re: China

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

President Joe Biden may lift some tariffs on Chinese goods, while opening a new exclusion process for firms to win additional relief. Any tariff lifting would cover only a small fraction of the duties that former President Donald Trump imposed on approximately \$370 billion worth of imports from China. Some in the White House think lifting the tariffs will help confront decades-high inflation readings while others discount such analysis.

Did tariffs on China raise U.S. prices for consumers?

Some economists have found Chinese exporters generally didn't lower prices to keep their goods competitive, meaning U.S. importers passed the duties on to American consumers. As of June 8, the U.S. had collected more than \$140 billion worth of duties on Chinese goods because of Trump's actions, raising costs for U.S. businesses and consumers.

Recall that Trump imposed the duties in four separate tranches over the span of about 18 months. He set a 25% tariff on an initial \$34 billion worth of Chinese goods (List 1) on July 6, 2018, and hit another \$16 billion (List 2) with the same duty on Aug. 23, 2018. In the following months, Trump responded to China's retaliation to his tariffs by imposing a 10% duty (later raised to 25%) on another \$200 billion worth of Chinese goods (List 3). As negotiations with China floundered, Trump lashed out again, hitting an additional \$120 billion worth of Chinese goods with a 7.5% tariff (List 4a). Threatened tariffs on another large clump of Chinese goods (List 4b) were never imposed.

What Biden may announce

Duties may be lowered on several categories of consumer goods, ranging from clothing to school supplies. The move would come as companies are preparing to bring in goods for the fall selling season. Tariffs on goods in strategic industries supported by Beijing would remain. A broad framework to allow importers to request tariff waivers will also be launched, as well as a fresh probe under Section 301 of the Trade Act focused on China's industrial subsidies. That would allow the U.S. Trade Representative (USTR) to adjust tariffs for the maximum impact, although such an investigation could take up to a year to complete.

Timing of tariff lifting

Any easing would coincide with the end of a comment period for businesses that have benefited from the levies. USTR, which is conducting a mandatory four-year review of

the Trump-era tariffs, collected industry feedback on the first batch of Chinese industrial imports valued at \$34 billion from May 7 until July 5, while a second round covering \$16 billion in imports will be compiled from June 24 to Aug. 22.

Any decision would come in the same month Biden speaks with Chinese President Xi Jinping. But an administration official stressed that call, which is still being planned, is not related to the tariff issue, and rather part of ongoing efforts to maintain open lines of communication.

Lifting tariffs not a universal administration decision

The Biden administration has been divided over the matter, with Treasury Secretary Janet Yellen calling for the reduction of "unnecessary burdens," and the USTR's Katherine Tai and National Security Administration's Jake Sullivan viewing tariffs as economic leverage against Beijing.

Claire Reade, former Chief Counsel for China Trade Enforcement, questioned: "How do you take all of these divergent concerns and harmonize them into one policy?"

WTO decision on Trump's steel tariffs delayed again

A long-awaited World Trade Organization ruling on the legality of the national security tariffs that Trump imposed on steel and aluminum imports in 2018 is expected "no earlier" than the last quarter of 2022, the chair of the panels reviewing complaints filed by China, India, Norway, Russia, Switzerland and Turkey informed the parties July 4. The EU, Canada and Mexico also challenged Trump's action, but dropped their cases after settling individually with the United States.

House lawmakers: Keep China out of U.S. agriculture

Soon after a House committee voted to prohibit China from purchasing U.S. agricultural land, Rep. Elise Stefanik (R-N.Y.), who ranks third in House GOP leadership, cited national security concerns in spearheading legislation to block China from acquiring U.S. agricultural companies.

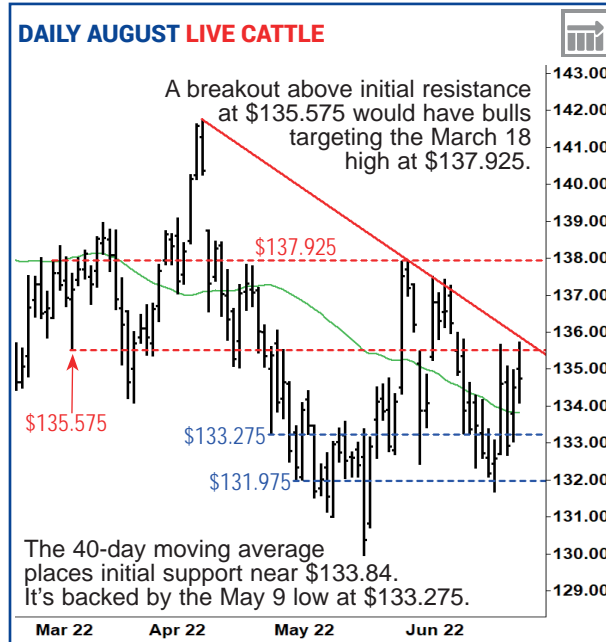
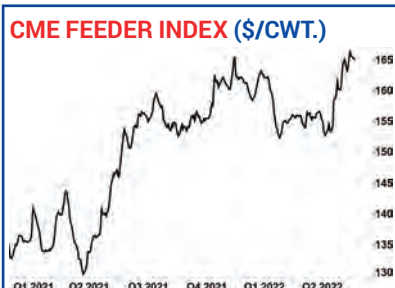
The Promoting Agriculture Safeguards and Security Act sponsored by Stefanik and Rep. Rick Crawford (R-Ark.) would ban Russia, Iran and North Korea, as well as China, from "any merger, acquisition or takeover that would result in foreign control of a U.S. agricultural company." It would designate agriculture and agricultural biotechnology as critical U.S. infrastructure and add USDA to the nine existing members of the interagency Committee on Foreign Investment in the United States.

CATTLE - Fundamental Analysis

Consumer beef demand usually sags during summer, but last week's early wholesale gains suggest grocery store clearance over the Fourth of July weekend was quite good. The spread between Choice and Select grade beef prices also topped \$25.00, confirming the tightness of market-ready cattle supplies. These conditions could pull the southern cash market up toward northern prices in the \$148.00 area, which would support the whole complex. Gains in feeder futures may be limited, since summer/fall quotes near \$173.00 and above are much higher than the current CME feeder index quote.

Position Monitor

| Game Plan: | Feds | Feeders |
|--|-----------|---------|
| Live cattle | III'22 0% | 0% |
| futures re- | IV'22 0% | 0% |
| main at dis- | I'23 0% | 0% |
| counts to the cash market, which makes hedges risky. Be prepared to hedge an extended rally. | II'23 0% | 0% |

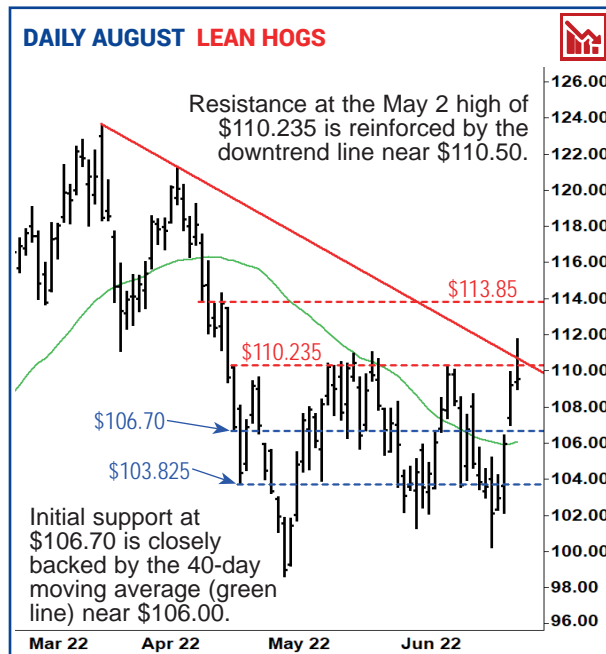
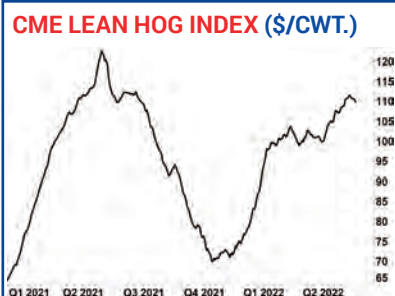


HOGS - Fundamental Analysis

It often takes a shortage of frozen pork bellies to power a summer hog rally, but hog futures surged in post-Independence Day trading without that happening. Hog supplies are currently at their lowest levels of the year, but that's normal. As with beef, pork clearance over the holiday weekend must have been robust. Meanwhile, the CME lean hog index has been slipping since reaching a 10-month high at \$111.65 on June 27. Expiring July futures at \$113.25 at the July 7 close and the August contract's roughly \$6.50 post-holiday jump imply greatly improved industry optimism about summer price prospects.

Position Monitor

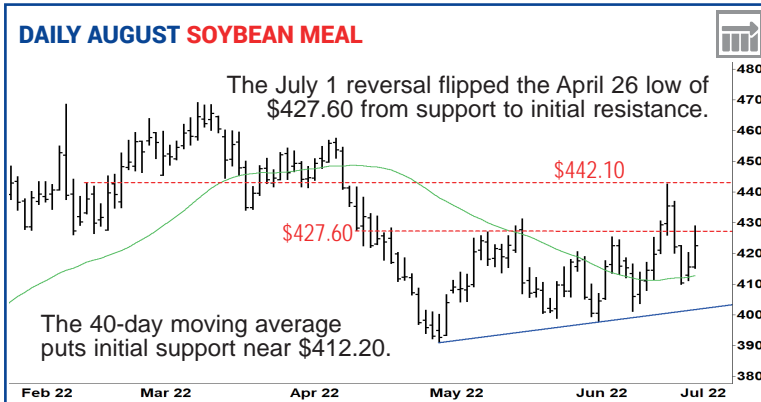
| Game Plan: | Lean Hogs |
|--|-----------|
| Be prepared to hedge an extended price rebound in fall-and/or winter-month hogs. Seasonally, the cash market should weaken as slaughter supplies rise. | III'22 0% |
| | IV'22 0% |
| | I'23 0% |
| | II'23 0% |



FEED

Feed Monitor

| Corn | | <p>Corn Game Plan: 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.</p> |
|--------|----|---|
| III'22 | 0% | |
| IV'22 | 0% | |
| I'23 | 0% | |
| II'23 | 0% | |
| Meal | | <p>Meal Game Plan: You are hand-to-mouth on soybean meal needs. A retest of the May low would be an opportunity to extend coverage.</p> |
| III'22 | 0% | |
| IV'22 | 0% | |
| I'23 | 0% | |
| II'23 | 0% | |



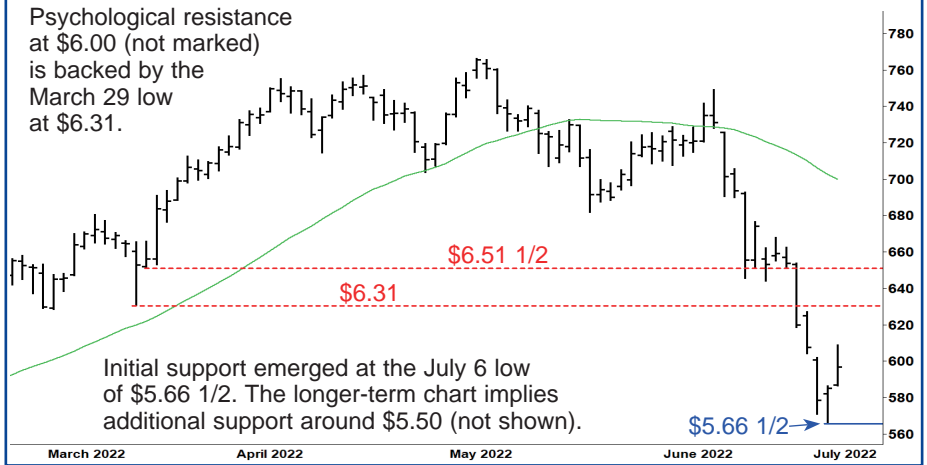
Position Monitor

| | '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 given the technical breakdown. Old-crop gambling stocks will be held through pollination in case a weather threat arises. Additional new-crop sales will wait for an extended price recovery. Traders have removed all war premium and are now taking out some of the inflation trade.

DAILY DECEMBER CORN

Psychological resistance at \$6.00 (not marked) is backed by the March 29 low at \$6.31.



DAILY MARCH CORN

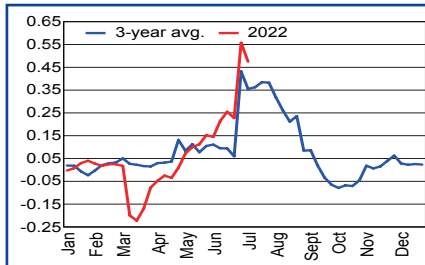
The March 10 low of \$6.25 1/2 marks initial resistance.



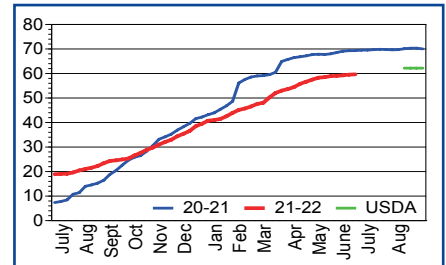
CORN - Fundamental Analysis

New-crop futures probably overdid the downside immediately after the holiday, even as widespread rains provided some much-needed relief. Speculators further slashed long exposure immediately before and after the July 4 weekend, but now the market looks to be rebuilding some weather premium with pollination just ahead and forecasts for drier weather by mid-July. Any further rallies likely will be limited, and the steep post-July 4 price drop historically presages additional declines (see "From the Bullpen" on [Analysis page 4](#)). USDA's July 12 Supply and Demand update could carry some impact, but weather and pollination will be the biggest price drivers near-term.

AVERAGE CORN BASIS (SEPTEMBER)



CORN EXPORT BOOKINGS (MMT)



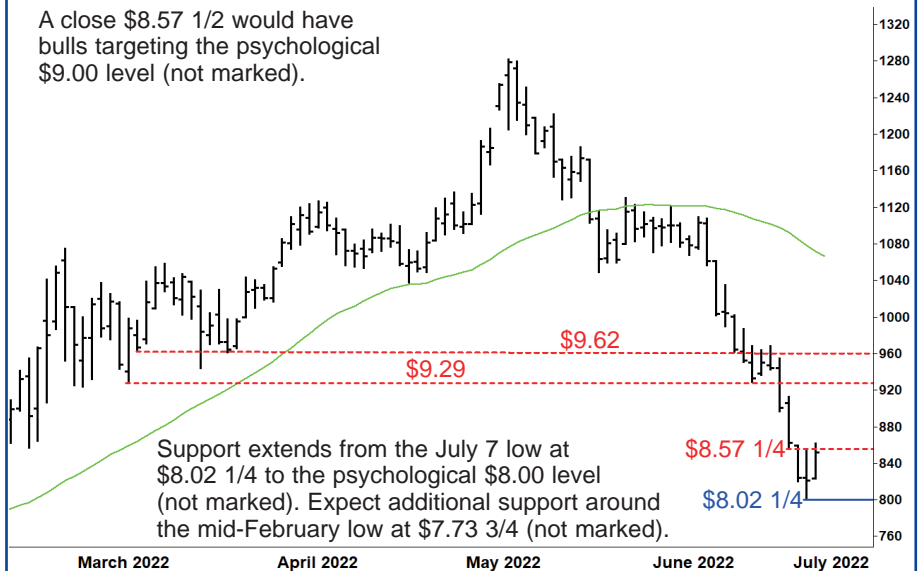
Position Monitor

| | '22 crop | '23 crop |
|-----------------------|----------|----------|
| Cash-only: | 85% | 30% |
| Hedgers (cash sales): | 85% | 30% |
| Futures/Options | 15% | 0% |

Game Plan: Get current with advised 2022-crop hedges in December SRW futures. Wait on an extended price rebound to advance sales. With harvest past half complete, seasonal pressure should start to ease, though technicals are bearish.

DAILY DECEMBER SRW WHEAT

A close \$8.57 1/2 would have bulls targeting the psychological \$9.00 level (not marked).



WHEAT - Fundamental Analysis

SRW – The market has fallen back to pre-Ukraine war price levels. Wheat could follow short-term corrective rallies in corn and soybeans, but harvest pressure, a surging U.S. dollar, sluggish export demand and a dissipating global inflation trade will be tough for bulls to overcome.

Position Monitor

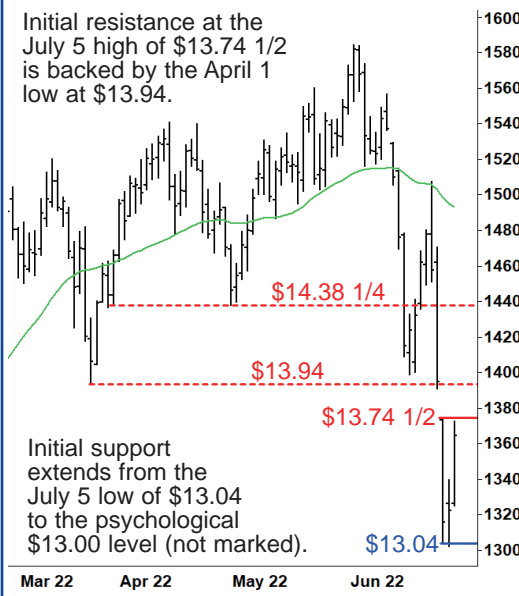
| | '21 crop | '22 crop |
|-----------------------|----------|----------|
| Cash-only: | 90% | 50% |
| Hedgers (cash sales): | 95% | 50% |
| Futures/Options | 0% | 10% |

Game Plan: On July 6, we advised cash-only marketers to sell another 5% of 2021-crop. We'll carry the final 10% of old-crop into the critical summer weather period for soybeans but will look to finish sales on an extended corrective recovery. Get current with advised new-crop hedges in November soybean futures as there is more near-term downside risk based on the recent technical breakdown.

DAILY AUGUST SOYBEANS



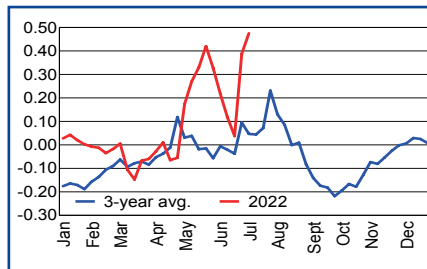
DAILY NOVEMBER SOYBEANS



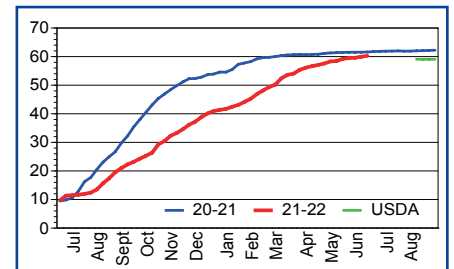
SOYBEANS - Fundamental Analysis

New-crop soybeans stabilized after the sharp post-holiday selloff that was probably overdone considering the crop is still weeks away from critical reproductive phases in August. USDA crop ratings slipped three straight weeks (from 70% "good" to "excellent" on June 12 to 63% on July 3), and an expected return of dry conditions to the Midwest justifies some weather premium. But near-term export demand remains uninspiring and the broader slump in crude oil and other commodities may become increasingly bearish for the soy complex. November soybeans posted a fourth straight weekly decline, putting sub-\$13 January lows in sight for market bears.

AVERAGE SOYBEAN BASIS (AUGUST)



SOYBEAN EXPORT BOOKINGS (MMT)



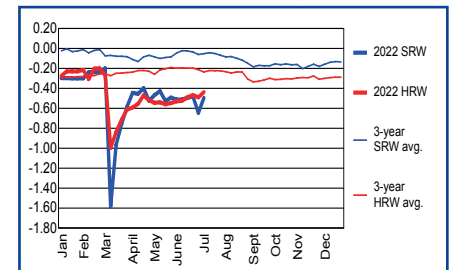
DAILY DECEMBER HRW WHEAT



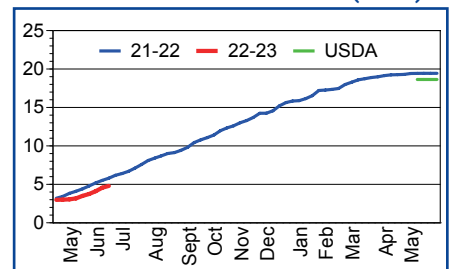
DAILY SEPTEMBER HRS WHEAT



AVERAGE WHEAT BASIS (SEPTEMBER)



WHEAT EXPORT BOOKINGS (MMT)



HRW – Winter wheat harvest is effectively finished in Central and Southern Plains states and overall continues to run ahead of average, though rains the past week may have slowed SRW progress. Harvest pressure should ease, but it likely would take a major bullish surprise in USDA's July 12 Crop Production Report to justify an extended price recovery.

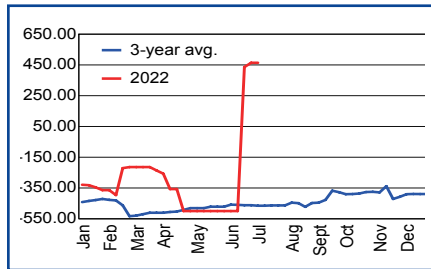
HRS – Spring wheat futures performed better than HRW and SRW markets last week, underscoring ongoing uncertainty over the crop's acreage and yield prospects. USDA's initial other spring wheat production estimate July 12 is expected to come in around 458 million bu., which we believe may be about 30 million bu. too low.

Position Monitor

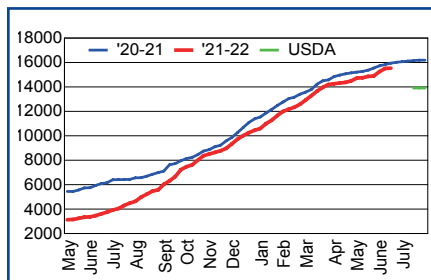
| | '21 crop | '22 crop |
|-----------------------|----------|----------|
| Cash-only: | 100% | 60% |
| Hedgers (cash sales): | 100% | 60% |
| Futures/Options | 0% | 0% |

Game Plan: On July 6, we advised all cotton producers to sell another 10% of expected 2022-crop for harvest delivery. Get current with advised sales.

AVERAGE COTTON BASIS (OCTOBER)



COTTON EXPORT BOOKINGS ('000 BALES)



COTTON - Fundamental Analysis

Recessionary fears are dominating cotton industry thinking at this point, while technical analysis suggests the potential for additional sharp near-term price pressure. Recent U.S. dollar strength also threatens to stifle export demand in the 2022-23 crop year.

GENERAL OUTLOOK

Currencies : The U.S. dollar index surged to a 20-year high last week, boosted by expectations for aggressive Federal Reserve rates hikes to curb inflation. As the chart shows, dollar readings above par (100.00) have recently been rare.

Although dollar strength increases the buying power of U.S. consumers, it's troubling for the ag sector, which relies heavily on export demand. Cotton is a prominent example, but U.S. wheat is

also suffering from a lack of competitiveness against other major exporters.

For example, the EU's many problems have been driving the euro lower, falling to a 20-year low around 1.016 dollars last week. The Ukraine hryvnia has stayed around 29.5 per dollar since the war started, whereas the Russian ruble has exhibited great strength around 60 per dollar after falling to 150 in early March.

FROM THE BULLPEN By Editor Brian Grete

Price action immediately following the July 4th holiday often sets the tone for summer price action in corn and soybeans.

December corn futures dropped 4.8% on July 5, the third largest percentage drop for post-Fourth trade since 1986. November soybean futures fell 5.7%, the second largest post-holiday decline since 1986.

This year marked the 22nd time since 1986 corn futures have dropped the first trading day after the Independence Day holiday. Of the 21 previous times, the price change for the balance of July was lower 15 times and higher only six times. The average decline in the 15 "down" years was another 7.7%. That would suggest downside risk to \$5.35 this year.

This year was the 24th time since 1986

November soybeans dropped in the first trading session after the Fourth. Of the 23 previous times, the price change for the balance of the month was lower 14 times and higher nine times. The average decline in the years with losses was another 6.6%. That would suggest there is downside risk to around \$12.29.

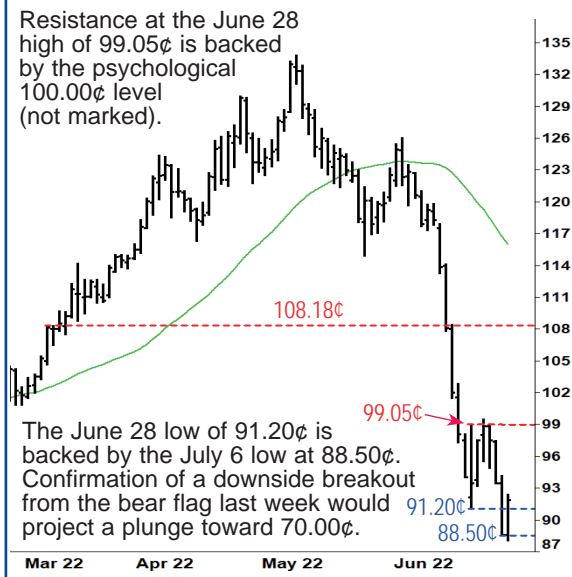
While there's no guarantee corn and soybeans will continue lower, recent price action and history favor that happening.

September SRW wheat futures dropped 4.6% on July 5 — the second largest decline since 1986. Of the previous 16 "down" years, prices continued lower only five times. Market action immediately following the Fourth isn't as important for wheat.

DAILY DECEMBER COTTON



Resistance at the June 28 high of 99.05¢ is backed by the psychological 100.00¢ level (not marked).



The June 28 low of 91.20¢ is backed by the July 6 low at 88.50¢. Confirmation of a downside breakout from the bear flag last week would project a plunge toward 70.00¢.

MONTHLY U.S. DOLLAR INDEX



The current rally seemingly has the potential to test the 2000-02 highs around 120.00.

WATCH LIST

- 1 USDA Crop Progress Report** **MON 7/11**
Corn ratings during pollination. 3:00 p.m. CT
- 2 USDA Crop Prod., S&D Rpts.** **TUE 7/12**
First spring wheat crop estimate. 11:00 a.m. CT
- 3 U.S. Inflation Data** **WED 7/13**
Consumer inflation for June. 7:30 a.m. CT
- 4 USDA Export Sales Report** **THUR 7/14**
Grain, soy exports slowing. 7:30 a.m. CT
- 5 NOPA Soy Crush** **FRI 7/15**
Record crush expected for June. 11:00 a.m. CT

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