



News this week...

- 2 – Favorable early summer outlook for eastern Corn Belt.
- 3 – China's Q1 GDP stronger than expected.
- 4 – Our old- and new-crop balance sheets.

Grain markets lose steam – Corn, soybean and wheat futures posted gains the first two days last week, but buyer interest dried up and markets slumped. Funds liquidated long positions in both the corn and soybean markets amid disappointing weekly export sales figures. Wheat futures were pressured by forecasts for rains in HRW areas of the Plains. While these won't be "saving" rains for the driest areas, they zapped buyer interest. Cattle futures also faced fund selling, which pulled the cash market down from the all-time highs the previous week. But any weakness in cattle futures and the cash market should be short-lived as supplies remain tight. Hog futures continue to sink amid persistent pressure from the cash market as supplies remain stronger than packer demand.

Rainy pattern this week

Cool, wet weather will slow planting across much of the Corn Belt this week, especially northern areas that are dealing with flooding. The Delta and Southeast will also be too wet for any rapid advancement of planting. Forecasts indicate another wave of precip is likely over the northern states late this week, though warmer, drier weather is expected in early May.

Nearly all HRW areas of the Plains will receive some rainfall through the end of April. The rains will be lightest in the driest southwestern areas of the region.

Brazil soy premiums at historic lows

Brazilian soybean port prices plunged to around a \$2.00 discount for May delivery as exporters tried to find buyers for the record crop given tepid Chinese demand. Summer prices are nearly as low. The historically low premiums make U.S. soybeans far less attractive and will likely result in more Brazilian shipments into the Southeast. But Argentine crop woes could result in an even stronger crush pace offsetting any changes to soybean trade flows (see [News page 4](#)).

U.S. shipped the bulk of beans to China in March

China imported 4.83 million metric tons (MMT) of soybeans from the U.S. during March, up 43.3% from last year. Brazil shipped China only 1.67 MMT of soybeans last month.

EU to provide aid for Ukraine imports

The European Union will provide 100 million euros (\$109 million) in aid to farmers in Bulgaria, Hungary, Poland, Romania and Slovakia hurt by imports of Ukrainian grain. Through June, the EU will only allow transport of grains from Ukraine if they are scheduled for export to other countries. The "preventative measures" came after unilateral moves by the countries to restrict Ukrainian grain imports.

Russia's hard stance on grain deal

Russia continues to insist it won't extend the Black Sea grain deal beyond May 18 unless the West lifts restrictions Moscow contends limit Russian ag exports. Russia will continue to talk tough but it has more to lose than gain if the deal isn't extended.

Farm bill debate: planted vs. base acres

Some farmers and at least one farm-state lawmaker want to move back to payments based on planted acres. While some say that would be a way of getting more payments, others indicate that would not universally be the case. A move back to payments based off planted acres would resurrect ideas U.S. farm program payments distort plantings for some crops and likely lead to WTO challenges, which triggered the switch to base acres.

Calm before the storm or soft landing?

Equity markets signal traders sense a soft landing for the U.S. economy (see "General Outlook" on [Analysis page 4](#)). But the *Sevens Report* warned: "We are looking at the yield curve hovering just above its deepest inversion since the early 1980s while the VIX [the so-called fear index] is sitting on 52-week lows and nowhere near overbought levels on the weekly time frame – a development that preceded all three of the major market bottoms in the 'VIX era' [since 1993]. Until we see the VIX reach overbought territory on the weekly chart (via the RSI indicator), among multiple other developments, it will be hard to believe the market is poised to casually cruise towards new record highs from here (i.e. the bottom of this bear market is not in)."

Security the priority with China, but...

Treasury Secretary Janet Yellen said protecting national security would be the priority in the relationship with China even if it slows economic growth. But Yellen noted "a full separation of our economies would be disastrous." The comments were made ahead of a coming executive order by President Joe Biden that will limit investment in key parts of China's economy by American businesses.

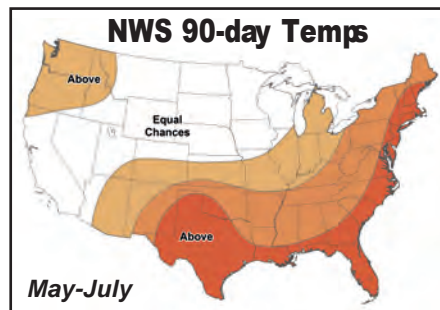
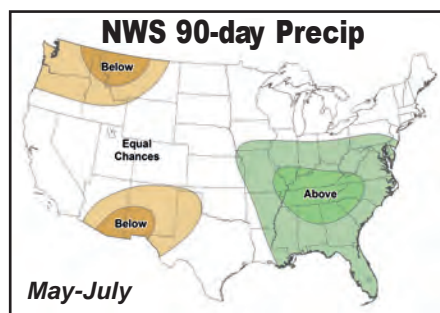
House GOP debt-limit deal proposal

The House GOP debt limit bill would repeal 24 tax incentives in the Inflation Reduction Act, including the sustainable aviation fuel credit and other biofuels incentives. The plan won't have enough votes to clear the Senate, but it illustrates GOP insistence any debt limit hike must be paired with spending cuts.

Warm, wet across eastern Corn Belt

The National Weather Service (NWS) extended forecast calls for increased chances of above-normal temperatures across the Southern Plains and nearly all the eastern half of the country during the May through July period. There are “equal chances” for average, below-average and above-average temps across the northern Corn Belt and Central/Northern Plains during the period. The 90-day forecast calls for above-normal precip over the southeastern quadrant of the country, including all but the far northern areas of the eastern Corn Belt. The remainder of the Corn Belt has “equal chances” for precip.

Above-normal temps are expected across the Southern Plains, while the area of below-normal precip shrinks to West Texas and much of the panhandles of Texas and Oklahoma. Kansas is expected to have “equal chances” for precip through the HRW harvest.



The Seasonal Drought Monitor calls for drought to persist across the western half of Texas and Oklahoma, and all but the northeastern portion of Kansas through July. Drought improvement or removal is expected across Nebraska, northwestern Iowa, southwestern Minnesota and pockets of the Northern Plains during the period.

HRW crop historically poor, SRW strong

USDA rated 27% of the U.S. winter wheat crop as “good” to “excellent” as of April 16, unchanged from the previous week. However, the “poor” to “very poor” rating increased two percentage points to 39%.

On the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the HRW crop dropped another 3.2 points to 248.0. The Kansas crop improved a little over the past week, but each of the other states declined. The SRW crop improved 12.5 points to 381.4, led by a 4.5-point increase in Illinois. The HRW crop is historically poor, while the SRW crop is rated higher than average for mid-April.

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Soybean crush surges in March

Members of the National Oilseed Processors Association (NOPA) crushed 185.8 million bu. of soybeans during March. That was the second largest ever behind the record 186.4 million bu. in December 2021. Soybean crush jumped 12.3% from February and was 1.8% above year-ago.

NOPA data implies a full soy crush of 198 million bu. for March. At that level, crush through the first seven months of 2022-23 would total 1.307 billion bu., down 0.3% from the same period last year. To reach USDA’s forecast of 2.220 billion bu., the crush pace would need to run basically the same as the final five months of 2021-22. Given the big jump in March and expected sharp drop in soy product exports from Argentina, we forecast soybean crush will hit 2.225 billion bu., 5 million bu. more than USDA.

Consultant cuts Argentine crop pegs

Early soybean yields in Argentina have been poor and highly variable, which prompted crop consultant Dr. Michael Cordonnier to cut his crop estimate 2 million metric tons (MMT) to 24 MMT. He notes corn has fared better than soybeans, but yields are still disappointing. He cut his Argentine corn crop estimate 1 MMT to 35 MMT.

Cordonnier left his Brazilian crop estimates at 153 MMT for soybeans and 123 MMT for corn but noted the soybean crop figure could be increased barring “unforeseen problems in Rio Grande do Sul.”

Attaché signals more cuts likely to Argy bean crop

The U.S. ag attaché in Argentina cut the country’s soybean production estimate to 23.9 MMT, below USDA’s official forecast, which was reduced to 27 MMT on April 11. That suggests another hefty cut is coming to USDA’s forecast.

The attaché expects Argentina to import a record 11 MMT of soybeans in 2022-23. It projected the country will export only 18.75 MMT of soy meal and 3.65 MMT of soy oil during the marketing year. USDA’s soy meal and soy oil export forecasts this month were 22.4 MMT and 4.1 MMT, respectively. In 2021-22, Argentina exported 26.6 MMT of soy meal and 4.9 MMT of soy oil.

Firm raises Russian wheat production

Black Sea consulting firm SovEcon raised its 2023 Russian wheat crop forecast by 1.5 MMT to 86.8 MMT due to favorable weather. Still, Russian wheat production will be down sharply from last year’s record 104.2 MMT crop.

Russia may permit quota sharing

Under a draft proposal, Russian exporters who have already used up their quotas will be able to claim unused quotas from others. They will not be allowed to top up their initial quota by more than 45%, however.

China's Q1 GDP higher than expected

China's economy grew 4.5% annually in the first quarter, accelerating from 2.9% GDP in the fourth quarter of 2022 and topping expectations for 4.0% growth. That was the strongest GDP reading in a year.

Separate data showed China's retail sales jumped 10.6% in March, near a two-year high. China's industrial production increased by 3.9% from year-ago in March, faster than a 2.4% rise in January-February combined and the fastest growth since last October. However, industrial production was a little lower than the 4.0% expansion economists expected.

China imported more pork in March

China imported 150,000 metric tons (MT) of pork in March, up 11.2% from last year. During the first three months of this year, China imported 530,000 MT of pork, up 27.7% from the same period last year.

China's Q1 pork output hits 5-year high

China's pork output in the first quarter rose 1.9% from year-ago to 15.9 MMT, the highest quarterly production since the fourth quarter of 2017. A spike in infections of African swine fever earlier this year forced many farms in the world's top pork producer to cull pigs, pushing up slaughter numbers.

China slaughtered 198.99 million hogs in the quarter, up 1.7% from the same period last year. China's pig herd, though still 2% higher than the same period a year earlier, contracted from the prior quarter's 452.56 million head to 430.94 million.

Eradicating HPAI, preventing ASF

USDA Undersecretary for Marketing and Regulatory Programs Jenny Lester Moffitt told lawmakers the agency remains focused on eradication to tackle the ongoing highly pathogenic avian influenza (HPAI) outbreak. She noted USDA's Agricultural Research Service continues to work on developing a vaccine effective against the currently circulating strains of the virus. But she warned it will "be a while before a vaccine could be commercially available and easily applied. Even then, there would be many factors we would weigh before authorizing its use, especially with respect to the likely trade impacts of a vaccination campaign." She noted regionalized agreements have been effective for mitigating trade impacts from the HPAI outbreak.

Regarding African swine fever (ASF), Moffitt said efforts by USDA and other federal agencies including Customs and Border Protection to prevent the disease from spreading to herds in the mainland U.S. have been successful. She assured the plan is to "do everything we can to keep this high-consequence disease out of the country."

Regan testifies on key EPA policies

EPA Administrator Michael Regan appeared last week before the House Ag Committee. Highlights:

Summer 2023 E15 sales. EPA is not yet ready to issue an emergency declaration to allow E15 fuel to be sold during the summer months as they did in 2022. While Regan said many of the conditions that prompted the 2022 emergency waiver are still in place, EPA staff has not yet brought him enough evidence to issue an emergency waiver. He cautioned that moves by the Trump administration to allow year-round E15 sales did not survive court challenges. But he said no options are off the table as of yet and that EPA was continuing to work with the Department of Energy and others on the situation.

Proposed RFS levels for 2023-2025. Asked why proposed 2023, 2024 and 2025 Renewable Fuel Standard volumes for biomass-based diesel and advanced volumes do not match the industry's current production, Regan said: "Let me just say that in 2022 we set the highest volumes ever in EPA's history. So we're proud of that and what we plan to do is continue that trajectory. As you know we proposed a rule and we're in that proposal phase and there aren't too many things that I can comment during this time of comment, but what I can say is that 2023, 2024, and 2025 will continue that positive trajectory. We're taking in a lot of comments on the role of biodiesel. We're taking a lot of comments on these amounts. And so we're taking a very close look at those, and I can assure you we've met with a number of stakeholders who have offered us a lot of new data and we believe that will be reflected in the final rule."

PERSPECTIVE: EPA has not yet sent its final volumes to the Office of Management and Budget for review with a deadline of finalizing the plan by June 14, according to a court agreement it reached with Growth Energy.

Role for biofuels in the future. EPA announced stricter emission standards for new cars. That led to concerns from the biofuels industry and farmers in regard to the administration's view on the role of biofuels. Regan said: "Well, I think we see a significant role... We see a tremendous market for biofuels that is complimentary to the EV fuels future. And so we think that we can do both — we see a balance here. And in both cases, we're trying to follow the markets, follow technology, and follow the science as well."

WOTUS. Regan said EPA issued its waters of the U.S. (WOTUS) rule last December in the face of "looming litigation" over not having a regulation. A Trump-era WOTUS rule was overturned by a federal judge in 2021. Courts have put on hold the recent Biden/EPA rule in 26 states. The Supreme Court is expected to rule soon on an Idaho case that would restrict federally recognized wetlands to territory with a direct surface connection to a waterway.

Fine tuning old-crop with a look ahead to 2023-24

By Editor Brian Grete, Chief Economist Bill Nelson and Economist Lane Akre

USDA punted when it came to the old-crop corn and soybean balance sheets this month, giving it more time to assess any changes in usage patterns. We anticipate some changes in May to both old-crop corn and soybean use. For wheat, we believe USDA lopped too much off old-crop use this month. USDA will issue its first official 2023-24 projections in May.

CORN: We have slightly greater total use plugged in for 2022-23 than USDA. Our views on feed/residual use and exports are each 25 million bu. greater than USDA, whereas our estimate for ethanol use is 50 million bu. lower (other food, seed and industrial use is 5 million bu. greater than USDA). There isn't enough of a difference to cause any change in price.

For 2023-24, there are a couple key questions as spring planting starts. 1) *Will all of the 92.0 million acres intended for corn get planted?* 2) *Is a trendline yield possible?* Under our current scenario, we use the same planted acres as USDA's March estimate, as it matched up nearly identically with our pre-planting survey. But we lopped 1.5 bu. from the yield to reflect dryness in the western Corn Belt. Under our current scenario, we expect total supply to increase 1.365 billion bu. and total use to rise 840 million bu., pushing ending stocks up to 1.860 billion bu. and triggering a \$1.20 drop in the average cash price.

SOYBEANS: We have a bigger estimate for both old-crop crush and exports than USDA's outlook, as Argentina's severely reduced crop size will impact both. But our smaller ending stocks forecast isn't likely to have any price impact this late in the marketing year.

For 2023-24, we project production swelling from last year amid a higher yield. That would push total supply up 144 million bu. against a projected 99-million-bu. increase in total use, which would raise ending stocks to 230 million bu. and trigger a \$1.30 decline in the average cash price.

WHEAT: We believe USDA lopped too much off its old-crop feed/residual use this month, though exports won't likely reach USDA's forecast. But there isn't enough time left in the marketing year to have a price impact even if ending stocks come in under USDA's current forecast.

For 2023-24, HRW wheat abandonment will be higher than normal due to the poor crop conditions. While yield will also be hurt, strong SRW conditions and a rebound in spring wheat yields should push the national average higher than last year. Under our current scenario, we expect total supply to increase 107 million bu. and total use to rise just 42 million bushels. That would increase ending stocks to 650 million bu., which would trigger a \$1.65 decline in the average price.

Corn Supply/Demand

	2021-22 USDA	2022-23 USDA	2022-23 PF	2023-24 PF
Planted (mil. acres)	93.3	88.6	88.6	92.0
Harvested (mil. acres)	85.3	79.2	79.2	84.2
Yield (bu./acre)	176.7	173.3	173.3	180.0
<i>million bushels</i>				
Beginning Stocks	1,235	1,377	1,377	1,335
Production	15,074	13,730	13,730	15,150
Imports	24	40	38	25
Total Supply	16,333	15,147	15,145	16,510
Feed and Residual	5,718	5,275	5,300	5,750
Food, Seed, Industrial	6,766	6,680	6,635	6,700
Ethanol for Fuel*	5,326	5,250	5,200	5,250
Total Domestic Use	12,484	11,955	11,935	12,450
Exports	2,471	1,850	1,875	2,200
Total Use	14,956	13,805	13,810	14,650
Carryover	1,377	1,342	1,335	1,860
Carryover, days' supply	33.6	35.5	35.3	46.3
Stocks-to-Use	9.2%	9.7%	9.7%	12.7%
Proj. avg. price/bu.	\$6.00	\$6.60	\$6.60	\$5.40

* "Ethanol for Fuel" is included in the Food, Seed & Industrial total.

Soybean Supply/Demand

	2021-22 USDA	2022-23 USDA	2022-23 PF	2023-24 PF
Planted (mil. acres)	87.2	87.5	87.5	87.5
Harvested (mil. acres)	86.3	86.3	86.3	86.7
Yield (bu./acre)	51.7	49.5	49.5	52.0
<i>million bushels</i>				
Beginning Stocks	257	274	274	185
Production	4,465	4,276	4,276	4,510
Imports	16	15	15	15
Total Supply	4,738	4,566	4,566	4,710
Crush	2,204	2,220	2,225	2,290
Exports	2,158	2,015	2,035	2,075
Seed	102	102	102	105
Residual	1	19	19	10
Total Use	4,464	4,355	4,381	4,480
Carryover	274	210	185	230
Carryover, days' supply	22.4	17.7	15.4	18.7
Stocks-to-Use	6.1%	4.8%	4.2%	5.1%
Proj. avg. price/bu.	\$13.30	\$14.30	\$14.30	\$13.00

Wheat Supply/Demand

	2021-22 USDA	2022-23 USDA	2022-23 PF	2023-24 PF
Planted (mil. acres)	46.7	45.7	45.7	49.9
Harvested (mil. acres)	37.1	35.5	35.5	39.7
Yield (bu./acre)	44.3	46.5	46.5	47.3
<i>million bushels</i>				
Beginning Stocks	845	698	698	585
Production	1,646	1,650	1,650	1,875
Imports	95	125	125	120
Total Supply	2,587	2,473	2,473	2,580
Food	972	975	975	978
Seed	58	70	70	65
Feed/Residual	59	55	70	72
Total Domestic Use	1,088	1,100	1,115	1,115
Exports	800	775	773	815
Total Use	1,888	1,875	1,888	1,930
Carryover	698	598	585	650
Carryover, days' supply	135.1	116.4	113.1	122.9
Stocks-to-Use	37.0%	31.9%	31.0%	33.7%
Proj. avg. price/bu.	\$7.63	\$8.90	\$8.90	\$7.25

CATTLE - Fundamental Analysis

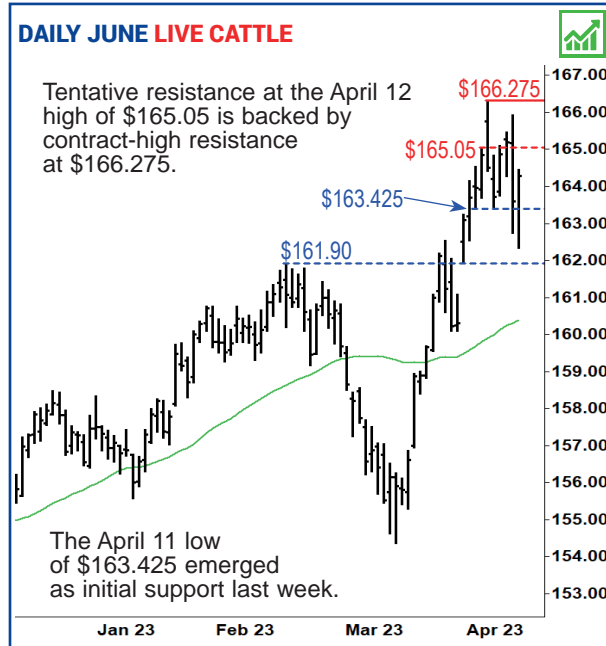
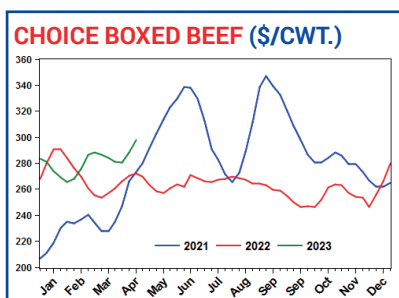
After declining during March, Choice beef cutout turned sharply higher in early April, with the move pushing above \$300.00 for just the fourth time (after the Covid-driven spike of spring 2020 and the double top of 2021). Wholesale beef may dip seasonally in late April, but a fresh May advance seems likely as grocers build inventories for Memorial Day features. Given the relative tightness of cattle and beef supplies, we can't rule out a rise similar to that of spring 2021, which could extend the cattle rally. A mid-April surge in the CME Feeder Index lent credence to huge premiums in deferred feeder futures.

Position Monitor

Game Plan: **Feds Feeders**

Traders are	II'23	0%	0%
being con-	III'23	0%	0%
servative	IV'23	0%	0%
	I'24	0%	0%

with futures despite all-time highs in the cash market. Hedges will only be advised after clear signs of a top.



HOGS - Fundamental Analysis

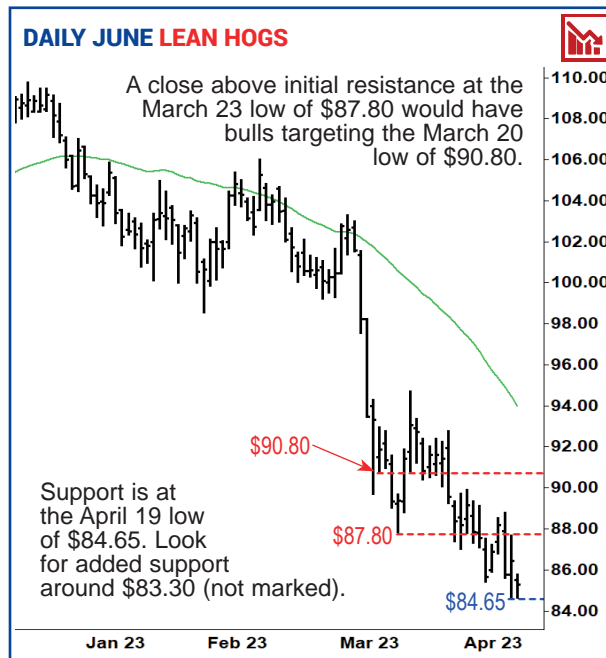
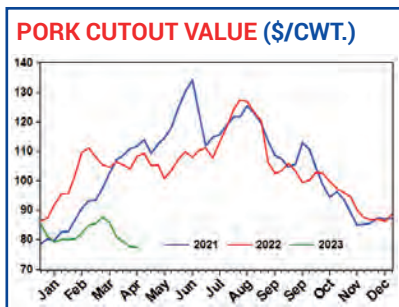
The chart below contrasts early-2023 pork cutout to the strength seen the past two years. First-quarter slaughter did exceed last year, but routinely fell below levels from 2021. This essentially proves poor demand has been a big problem this year. We still believe grocers are maintaining wide retail margins at the expense of hog producers and consumers, but we suspect soaring beef prices will soon cause them to price pork more aggressively to promote store traffic and sales. That should amplify the usual spring hog/pork rally, which could carry the market much higher than is now anticipated.

Position Monitor

Game Plan: **Lean Hogs**

seasonal recovery	II'23	0%
in the cash hog	III'23	0%
market has been	IV'23	0%
	I'24	0%

delayed. Once the market bottoms we expect an explosive rebound to the summertime high.



FEED

Feed Monitor

Corn

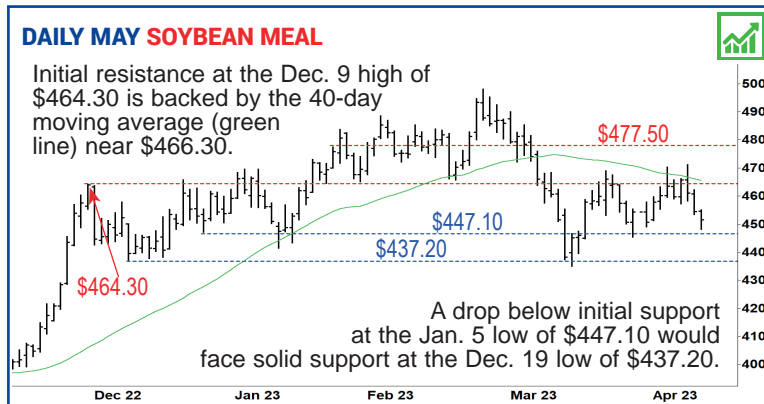
II'23	17%
III'23	0%
IV'23	0%
I'24	0%

Corn Game Plan: You are hand-to-mouth on corn-for-feed needs. Wait on an extended pullback to extend coverage. We are targeting the \$6.30 level or lower in May corn futures to extend coverage.

Meal

II'23	66%
III'22	0%
IV'23	0%
I'24	0%

Meal Game Plan: You have all soybean meal needs covered in the cash market through May. We will now wait on an extended price pullback to advance coverage.



Position Monitor

	'22 crop	'23 crop
Cash-only:	65%	15%
Hedgers (cash sales):	65%	15%
Futures/Options	0%	0%

Game Plan: Get current with advised sales. Be prepared to increase old-crop sales and make additional new-crop sales as the market is signaling it may have run out of steam before a full test of the winter highs. It would likely take fresh bullish news to push the market much above the winter highs. We would then hold remaining old-crop gambling stocks for a spring/summer weather scare.

DAILY MAY CORN



DAILY JULY CORN



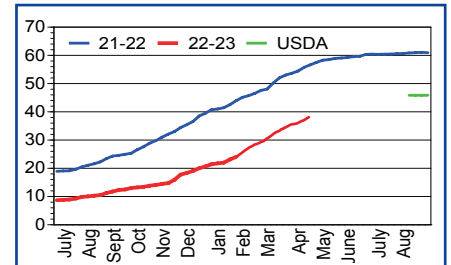
CORN - Fundamental Analysis

Last week's corn export data again proved disappointing, falling 79% below the four-week average. This highlighted the recent drop back below the five-year average pace despite the spate of daily sales in March. The resulting old-crop price pullback was amplified by favorable Corn Belt weather as planting gets underway. Having the May/December spread climb above \$1.00 since Easter shows expectations for a rebound in ending stocks in 2023-24. Thus, last week's reversal suggests continued short-term weakness. Conversely, talk of a rapid shift to El Niño conditions in the Pacific strongly suggests some sort of weather scare will emerge by early summer.

AVERAGE CORN BASIS (JULY)



CORN EXPORT BOOKINGS (MMT)

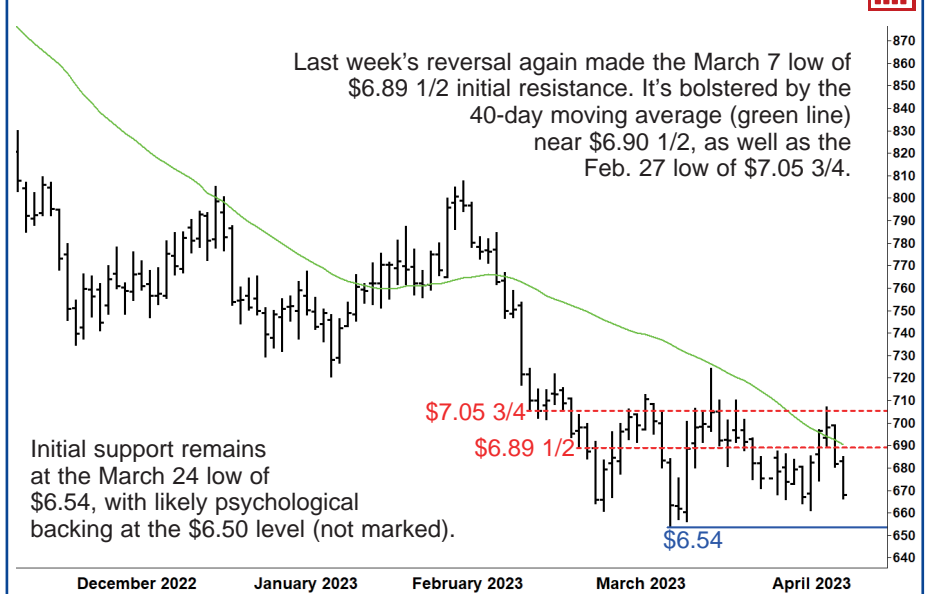


Position Monitor

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

Game Plan: Be prepared to advance sales on an extended corrective rebound. While there are HRW wheat crop concerns, it's difficult to find sustained buyer interest during spring – even during the poor crop years.

DAILY MAY SRW WHEAT



WHEAT - Fundamental Analysis

SRW – The contrast between SRW and HRW crop conditions remains stark, which largely explains the extreme spread between their prices. SRW prices are unlikely to improve, especially with the spring/summer harvest looming and export prospects remaining poor.

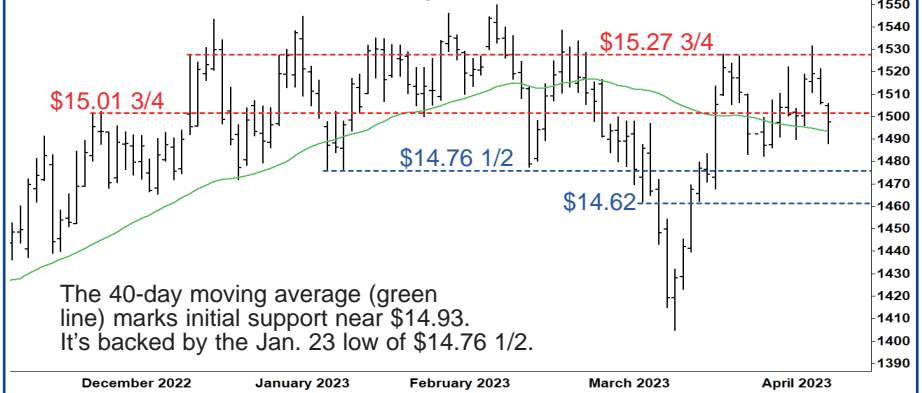
Position Monitor

	'22 crop	'23 crop
Cash-only:	70%	0%
Hedgers (cash sales):	70%	0%
Futures/Options	0%	0%

Game Plan: Get current with advised old-crop sales. Be prepared to make additional old-crop sales as the market is struggling to find sustained buying above \$15.00. We'll also make initial 2023-crop sales when we increase old-crop sales. The window for price strength may be limited as Brazilian soybeans are hitting the world market and U.S. demand is waning. A crop scare would be needed for additional support.

DAILY MAY SOYBEANS

Psychological resistance at the \$15.00 level (not marked) is reinforced by the Dec. 8 high of \$15.01 3/4. Stiffer resistance remains at the Dec. 27 high of \$15.27 3/4.



DAILY JULY SOYBEANS

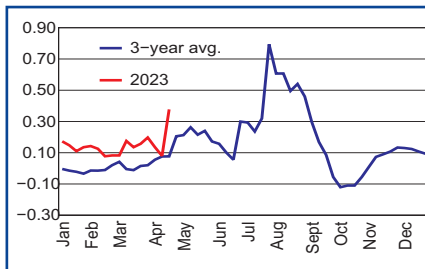
Initial resistance stems from the Jan. 23 low of \$14.69 1/2, with backing from the 40-day moving average (green line) near \$14.74.



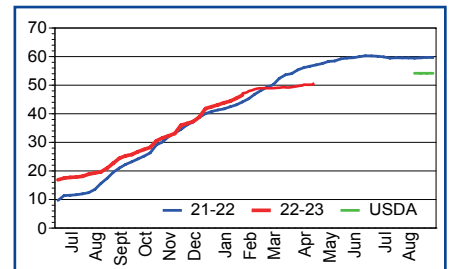
SOYBEANS - Fundamental Analysis

Poor mid-April export sales of soybeans and meal undermined futures late last week, with the prospect of accelerated shipments of Brazil's record crop hanging over the market. The new-crop price outlook is unclear, with potential weather-related disruptions to the planting season possibly pushing crop size in either direction. Forecasts for short-term wet, cold conditions could delay corn plantings and might eventually shift some acres to beans. Conversely, anticipated flooding in the Red River valley has the potential to slash bean plantings in the Dakotas, just as it did last year. Futures seem destined to remain within their recent range in the short run.

AVERAGE SOYBEAN BASIS (JULY)

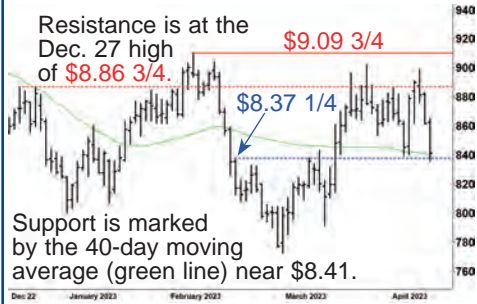


SOYBEAN EXPORT BOOKINGS (MMT)



DAILY MAY HRW WHEAT

Resistance is at the Dec. 27 high of \$8.86 3/4.

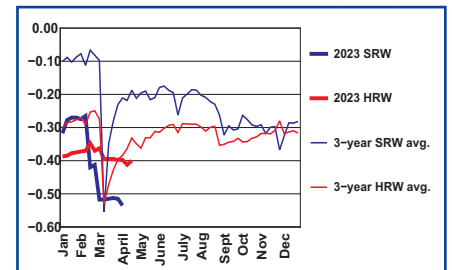


DAILY MAY HRS WHEAT

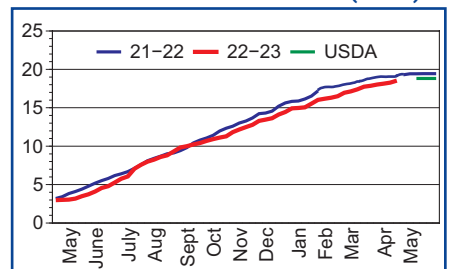
The March 1 low of \$8.60 1/4 is initial resistance.



AVERAGE WHEAT BASIS (JULY)



WHEAT EXPORT BOOKINGS (MMT)



HRW – Forecasts suggest HRW wheat in the Southern Plains will receive three significant rain events to close out April. This certainly won't hurt the crop, but continued drought in the major production areas exemplifies limited production prospects. Supply fundamentals remain supportive but the market looks vulnerable to seasonal pressure.

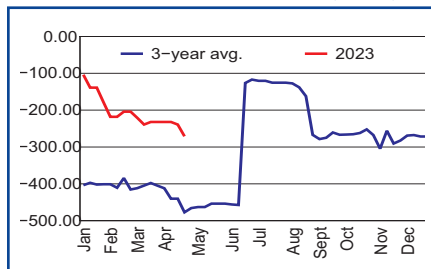
HRS – The HRS outlook is highly uncertain due to a potential repeat or even worse flooding in the north-central states than was experienced last year. Flooding is already occurring with more precip coming. This suggests HRS prices will remain well supported above their winter wheat counterparts in the coming weeks.

Position Monitor

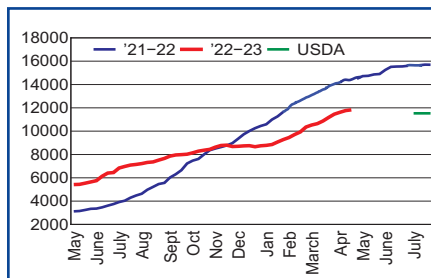
	'22 crop	'23 crop
Cash-only:	70%	20%
Hedgers (cash sales):	70%	20%
Futures/Options	0%	0%

Game Plan: Be prepared to increase old- and new-crop sales on a challenge of resistance near the upper end of the sideways range.

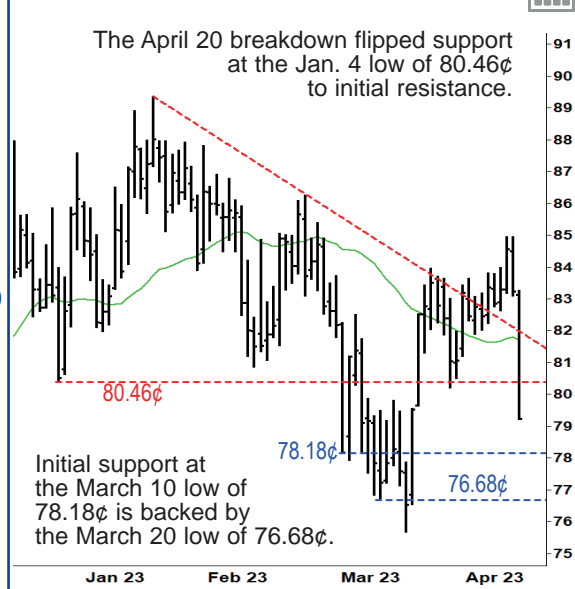
AVERAGE COTTON BASIS (JULY)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY MAY COTTON



COTTON - Fundamental Analysis

Firming prices and the Easter holiday may have hurt mid-April cotton export sales. Recent ginnings data also suggests the 2022 U.S. crop will be revised upward. As a result, we are actively seeking to boost sales of both old- and new-crop cotton.

GENERAL OUTLOOK

ECONOMY: A business news headline last week read: "The most highly anticipated economic recession never seen." The headline was fitting as recent U.S. economic data has come in generally upbeat, including the U.S. jobs market remaining strong. Meanwhile, consumer and producer price inflation have waned in recent months and are trending downward.

U.S. stock index prices are not far

below the 1.5-year highs and the recent rallies in several commodities certainly don't suggest a U.S./global economic slowdown in the short-run.

Barring fresh balance sheet problems in the banking sector or a major geopolitical shock occurring in the coming months, the market is pricing in a "soft landing" for the U.S. economy. The economy could then be set for more sustained growth in 2024.

WEEKLY NEARBY S&P 500 FUTURES



FROM THE BULLPEN By Market Consultant Dan Vaught

Each year undeniably presents a different set of challenges and opportunities, with bulls and bears backing their respective views on the outlook. But those count for less than in the past due to the elephants, in the form of funds, in the room. They clearly have the ability to affect price movements as they shift positions.

Their recent activity in the corn market has been particularly notable. After having remained net long since September 2020, funds shifted from net long almost 235,000 contracts in mid-February to over 50,000 net short one month later. They have subsequently shifted to a modest (27,112) net long position.

Funds also built a comparatively huge net long soybean position in late summer

2020 and have maintained that bias ever since. They did cut their net long holding from 189,000 lots to 99,500 from late February to early April this year, but have been net buyers since. We suspect they have joined us in anticipating better processing and export rates than indicated by the USDA this spring.

In contrast to corn and beans, funds have traded on both sides of SRW wheat over the past few years. But they have recently built net short holdings of almost 105,000 contracts, which is their most bearish position since early 2018. They have also slashed their net long holdings in HRW wheat. Funds don't seem terribly worried about the Black Sea grain deal or poor HRW crop conditions.

WATCH LIST

- 1 USDA Crop Progress Report** **MON 4/24**
Historically low HRW ratings. 3:00 p.m. CT
- 2 USDA Food Price Outlook** **TUE 4/25**
Food prices are gradually easing. 8:00 a.m. CT
- 3 USDA Cold Storage Report** **TUE 4/25**
Meat stocks data for March. 2:00 p.m. CT
- 4 USDA Export Sales Report** **THUR 4/27**
Soybean sales slowing seasonally. 7:30 a.m. CT
- 5 U.S. PCE Price Index** **FRI 4/28**
Fed's preferred inflation gauge. 7:30 a.m. CT

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