



### News this week...

- 2 – Summer weather outlook is mostly favorable.
- 3 – CBO updates baseline for farm bill scoring.
- 4 – What's next after SCOTUS Prop 12 ruling.

**Grain selloff extended** – Grain and soy markets faced heavy fund-led selling pressure as the Black Sea grain deal was extended, export demand remained poor and the daily price charts turned even more bearish. With corn and soybean planting remaining ahead of average and a generally favorable extended weather forecast (see [News page 2](#)), the price slide could continue without a bullish catalyst to excite traders. But the lower prices go now, the greater the odds of a corrective rebound at some point during the growing season, especially if there aren't timely rains in the dry western Corn Belt. Live cattle futures firmed, suggesting a test of the contract highs could be coming, though futures will likely remain well below the cash market. Hog futures consolidated around the recent lows despite seasonally firming cash prices.

## Warm, dry outlook for Corn Belt

Above-normal temps and limited rainfall are forecast for the majority of the Corn Belt during the next 10 days. That will improve planting conditions in the wet areas and promote crop growth across the region. Notable rains fell across the Southern Plains on Friday and will continue this week. The rains are too late for most of the drought-damaged HRW crop, but will improve soil moisture for summer crops.

## Lowest KS wheat yield this century

The average yield from the Wheat Quality Council HRW tour through Kansas was 30 bu. per acre, the lowest since at least 2000 and 15.6 bu. per acre below the five-year tour average. Tour scouts guesstimated the Kansas wheat crop at 178 million bu., which would be down from USDA's initial estimate of 191 million bu. and less than half of a non-drought year.

### U.S. makes rare wheat imports from Europe

At least two cargoes of Polish wheat have arrived in Florida this year, with more expected, [Bloomberg](#) reported. "It's an unusual trade route, but it makes sense because U.S. wheat is expensive," said InfoGrain in Warsaw.

## Black Sea deal extended to mid-July

Russia agreed to extend the Black Sea grain deal for two months, though "various options" are still being worked out regarding easing restrictions on Russia's state agricultural bank, as part of the agreement. Russia warned it will terminate the deal after July 17 if that and other concessions for the shipment of its grains and fertilizers aren't met.

## G7 adds sanctions against Russia

The U.S. and other Group of Seven (G7) major economies unveiled new sanctions and export controls targeting Russia over its war against Ukraine. Existing measures against Russia would be broadened and any exports that could help Moscow in its war against Ukraine would be restricted across the G7 countries. The leaders also focused on how to deal with China's relationship with Russia.

## Farm bill could have Prop 12 override

House Ag Chairman Glenn "GT" Thompson (R-Pa.) told us the "farm bill legislatively would be the place to draw the lines" on issues such as California's Prop 12. He said, "I think we can expect that the Agriculture Trade Suppression Act, or effectively nicknamed the Eats Act, will be introduced again. That would prevent states and local jurisdictions from interfering with the production," calling it "a pretty good starting point for any legislative solution in the farm bill."

## Meat industry warns about Prop 12

The North American Meat Institute warned Proposition 12 and similar laws could result in a chaotic state-by-state trade barrier situation, disrupting interstate commerce. The National Pork Producers Council said impacts from the Supreme Court's ruling could extend far beyond the farming industry, potentially leading to "unthinkable, unscientific regulatory overreach against all producers." See [News page 4](#) for what could lie ahead for the U.S. pork industry and others in agriculture due to the Supreme Court's upholding of Prop 12.

### Can U.S. pork industry meet California's demand needs?

One pork industry source said, "There has already been sow barns built or renovated to meet the Prop 12 rules. Estimates range from 350,000 to 500,000 sow spaces. We don't know if this will meet California's pork demand."

## OMB reviewing final RFS levels

EPA last week sent its final levels for volume standards under the Renewable Fuel Standard for 2023 and beyond to the Office of Management and Budget (OMB) for review. Final levels must be set by June 14. One of the keys will be whether EPA upwardly adjusts the levels for biodiesel and renewable diesel from its proposed levels, which were lower than expected.

Reports signal EPA may separate its plan on Renewable Identification Numbers for fuel used for power generation for electric vehicles (e-RINS) from the RFS levels for 2023-2025. The administration expects legal challenges to e-RINS and does not want to delay the RFS levels.

## Corn planting two-thirds completed

As of May 14, USDA reported 65% of U.S. corn was planted, six points ahead of the five-year average.

Across the Corn Belt, corn planting stood at 84% in Illinois (63% average), 56% in Indiana (48%), 86% in Iowa (72%), 61% in Kansas (62%), 31% in Michigan (37%), 61% in Minnesota (58%), 96% in Missouri (73%), 76% in Nebraska (71%), 5% in North Dakota (26%), 26% in Ohio (34%), 49% in South Dakota (41%) and 33% in Wisconsin (45%).

Emergence was reported at 30%, up 18 points on the week and five points ahead of average.

## Soybean planting nearly half done

USDA pegged soybean planting at 49%, 13 percentage points ahead of average for mid-May.

Across the Corn Belt, soybean planting stood at 77% in Illinois (45% average), 52% in Indiana (36%), 69% in Iowa (48%), 42% in Kansas (29%), 33% in Michigan (31%), 30% in Minnesota (37%), 62% in Missouri (24%), 62% in Nebraska (49%), 2% in North Dakota (15%), 28% in Ohio (23%), 29% in South Dakota (22%) and 24% in Wisconsin (30%).

Emergence was reported at 20%, up 11 points on the week and 9 points ahead of the five-year average.

### North Dakota is the focal point

The focus on planting delays for corn and soybeans will be North Dakota. In March, North Dakota producers intended to plant 3.75 million acres of corn and 6.55 million acres of soybeans. As of mid-May, there were still 3.56 million acres of corn and 6.42 million acres of soybeans left to plant. The final crop insurance planting date is May 25 for corn and June 10 for soybeans.

Based on our research of past slow planting years in the state, the current planting pace suggests North Dakota corn acres could decline 500,000 to 1 million acres. It's still early to make a strong judgement on soybean acres, but last year final plantings fell by 1.3 million acres from March intentions, which was the largest decline in the "slow" years.

## Spring wheat seedings jump but lag

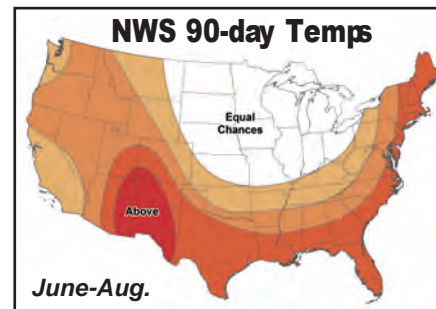
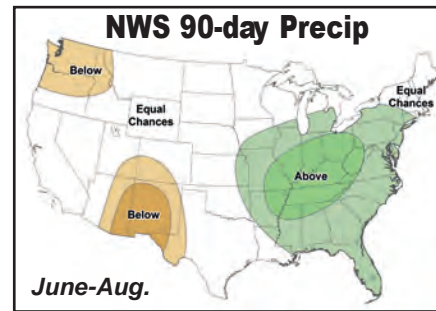
Spring wheat planting rose 16 points to 40%, but that was still 17 points behind average. North Dakota had only 20% of its crop sowed versus the five-year average of 46%. There were still 4.2 million acres of spring wheat to seed in North Dakota. May 31 is the final crop insurance planting date for the state.

Spring wheat emergence stood at 13%, 10 points behind normal for the date. North Dakota's crop was only 2% emerged.

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## Favorable extended weather outlook

The National Weather Service (NWS) extended forecast calls for increased chances of above-normal precipitation over the eastern two-thirds of the Corn Belt, along with the Delta and Southeast during the June through August timeframe. The



remainder of the Corn Belt and most of the Plains have "equal chances" for normal, above- or below-normal precipitation during the period. The temperature outlook calls for "equal chances" for the Corn Belt, along with the Central and Northern Plains.

The areas to watch would be the western Corn Belt and Central Plains. With dryness/drought

currently in place over these regions, they will need timely rains through the growing season or crops could underperform. The Seasonal Drought Outlook calls for drought to improve or dissipate over these areas during summer.

### Drought footprint shrinking

As of May 16, the Drought Monitor showed 41% of the U.S. was covered by abnormal dryness/drought. USDA estimated drought covered 25% of corn production areas, 19% of soybeans, 7% of spring wheat and 37% of cotton areas.

## Consultant raises Brazilian crop pegs

Crop consultant Dr. Michael Cordonnier raised his Brazilian soybean and corn crop estimates 1 million metric tons (MMT) each to 155 MMT and 125 MMT, respectively. Due to developing dryness in some central and southern areas of the country, Cordonnier's Brazilian corn crop estimate is conservative compared to others.

## IGC raises global corn crop, cuts wheat

The International Grains Council (IGC) raised its global corn production forecast for 2023-24 by 9 MMT to 1.217 billion metric tons. That would be up 64 MMT (5.6%) from last year, though slightly below the 2021-22 record. IGC cut its 2023-24 world wheat crop outlook by 4 MMT to 783 MMT and now expects world wheat production to fall 20 MMT (2.5%) from last year. IGC raised its 2023-24 global soybean production forecast by 2 MMT to 403 MMT, which would be up 34 MMT (9.2%).

## NOPA April crush drops; still a record

Members of the National Oilseed Processors Association (NOPA) crushed 173.2 million bu. of soybeans during April. Crush fell 12.6 million bu. (6.8%) from March but topped year-ago by 3.4 million bu. (2.0%) and was a record for the month.

NOPA data implies a full April crush of 184.5 million bushel. At that level, crush would need to outpace last year by 2.4% over the final four months of 2022-23 to hit USDA's forecast.

April soybean stocks totaled 1.957 million lbs., up 106 million lbs. from March, despite the slower crush pace.

## China's corn, pork imports slow in April

China imported 1 MMT of corn in April, down 54% from March. Through the first four months of 2023, China's corn imports at 8.52 MMT fell 8.4% from the same period last year.

China imported 140,000 MT of pork last month, down 6.7% from March. But China's pork imports through April at 670,000 MT increased 19.9% from the same period last year.

## USDA adjusts meat balance sheets

USDA raised its 2023 beef production forecast, though it is still expected to fall 4.8% from last year. USDA increased beef exports, but they are still projected to drop 8.8%. The 2023 average cash cattle price was increased 70¢ from last month to \$166.50, which would be up \$22.10 from last year.

USDA's initial projections for 2024 call for another 8.1% decline in beef production, while exports are expected to fall another 8.5%. USDA projects the average cash steer price will rise to \$172.00 next year.

USDA modestly raised its 2023 pork production forecast and now expects a 1.7% increase from last year. The pork export forecast increased sharply from last month and is now expected to climb 2.6%. USDA cut its average cash hog price by \$4.50 from last month to \$56.50. The cash hog price is now expected to fall \$14.71 from last year.

For 2024, USDA projects pork production will inch down 0.1%, but exports are expected to fall 2.8%. USDA projects the average cash hog price will rebound \$5.50 to \$62.00.

## More disappointing Chinese data

China's industrial production expanded 5.6% annually in April. While that was the 12th straight month of growth in industrial output and the fastest pace since last September, it came in well shy of expectations for 10.9% growth. China's retail sales increased 18.4% from year-ago in April. While that was the third straight month of growth and the strongest pace since March 2021, it fell shy of expectations for a 21% jump. These figures, along with trade data, factory gate deflation and worse-than-expected bank loans signaled weak domestic demand, raising pressures on policymakers to shore up the economic recovery.

## CBO releases baseline for farm bill

The Congressional Budget Office (CBO) updated its baseline forecasts that are widely expected to be used to score a new farm bill. Highlights:

- The May baseline confirms the 2023 Farm Bill, upon enactment, could potentially be the first trillion-dollar farm bill in U.S. history. Total spending is projected at \$1.51 trillion, \$31.5 billion higher than CBO's February baseline (this total includes outlays from the Inflation Reduction Act).

- SNAP outlays are now projected at \$1.223 trillion, nearly \$18 billion higher than CBO's February projection, and represent more than 80% of total farm bill spending.

- Livestock disaster aid payments total \$12.170 billion from fiscal year (FY) 2023 through FY 2033, nearly double the February figure of \$6.333 billion.

- Dairy Margin Coverage 10-year cost: \$3.849 billion, up from the February forecast of \$2.531 billion.

- Commodity program payouts show corn at \$24.755 billion, an increase of around \$600 million from February. Soybean payments are now seen totaling \$6.148 billion versus \$5.82 billion in February. Wheat payments are now seen at \$5.7 billion versus \$5.4 billion in February. Cotton growers are forecast to receive \$5.394 billion over the 10-year timeline, up from February's \$3.6 billion projection.

- Commodity Credit Corporation (CCC) Charter Act authority payments are pegged at \$1 billion annually, with no details on what the funding will be used for.

- Outlays for major commodity support program payments are projected higher due to lower seed cotton prices, lower dairy farm margins, and higher prices for some crops raising the income support level for both Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC).

### Key balance sheet shifts for corn, beans and wheat

**CORN:** CBO now pegs corn planted area for 2023 at 92.5 million acres versus 93 million in February. CBO puts the 2023 yield at 179.5 bu. per acre, up from 178.5 bu. per acre in February, with carryover now put at 1.945 billion bu. compared with 1.797 billion bu. in February. The season average corn price forecast is now \$5.25 versus \$4.80 in February. CBO forecasts no PLC or ARC payments in FY 2024.

**SOYBEANS:** CBO made minimal changes as it only adjusted the price forecast, now putting it at \$12.50 versus \$12.00 per bushel in February. The price adjustment kept ARC and PLC payments forecast at zero for FY 2024.

**WHEAT:** CBO trimmed forecast carryover for 2023 to 664 million bu. from 667 million bu. in February on a cut to beginning stocks. CBO's price outlook is now \$7.30 for 2023 wheat versus \$6.95 in February. The price outlook has CBO now expecting \$7.0 million in ARC payments in FY 2024 versus zero in February.

# What's next after SCOTUS Prop 12 ruling

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

The Supreme Court's split 5-4 decision to uphold California's higher animal welfare standards via Proposition 12 was landmark and could send shockwaves through the U.S. hog industry — and the ag sector.

## **NPPC still picking up the pieces**

The National Pork Producers Council (NPPC) CEO Bryan Humphreys said all options are on the table. "There are a number of conversations going on," he said. "And we received comments from members of Congress who are just as frustrated by this ruling as we are. And so at this point, we haven't ruled anything out."

## **Prop 12 can't go into effect until July 1**

Implementation of Prop 12 in California can't go into effect until July 1. Implementation of a similar measure in Massachusetts can't be enacted until 30 days after the Supreme Court decision. NPPC has opened talks with officials in both states as it plans the next moves.

## **California pledges to work with pork producers**

The California Department of Food and Agriculture (CDFA) said, "As we approach July 1, when a previous court order suspending Prop 12 enforcement expires, CDFA looks forward to engaging with industry representatives to further discuss what is needed to achieve a smooth transition to compliance." CDFA said it will "continue to focus on engaging with stakeholders to inform and educate. Enforcement actions could be taken by the attorney general's office or any county or city-level prosecutor in California."

CDFA's Animal Care Program will focus on implementation of distributor registration requirements, accreditation of third-party certifiers, and outreach and technical assistance to businesses throughout the supply chain.

## **A major concern for pork producers**

Prop 12 would allow private attorneys to enforce its provisions through lawsuits, meaning lawyers who think they see a violation of the measure could sue farmers, farmers markets, grocery stores or food stands. Similar "private rights of action" have allowed lawyers to shake down thousands of small businesses by filing drive-by lawsuits. These suits often force business owners either to pay a settlement or to incur devastating legal fees. On many occasions, businesses have simply closed rather than face either outcome.

## **'The Supreme Court's Pork Chops'**

In an editorial titled "The Supreme Court's Pork Chops," the *Wall Street Journal* (WSJ) wrote: "Who says the Supreme Court marches in ideological lockstep? A mixed majority upheld a California regulation that imposes enormous burdens on out-of-state pig farmers and carves up interstate commerce. The result will not be more constitutional clarity." It adds: "Justice Gorsuch is right that the dormant Commerce Clause is a judge-made doctrine and state laws shouldn't be struck down merely because they impose incidental costs on out-of-state business, as many do. But California's rules impose a substantial burden on interstate commerce by any measure, which was a key concern of the Constitution's Framers."

The WSJ editorial concludes: "Justice Gorsuch writes that Congress, under its Commerce Clause authority, can pass a law that overrules state regulation like California's. That's a good message to send to Capitol Hill. But until that happy day, and especially in this polarized era, the majority opinion will embolden more states to impose their social policies on the commerce of other states. The Court's majority also offers no clear guidance to lower-court judges who will have to decide challenges to those state laws. Don't be surprised if the policy preferences of judges replace the judge-made doctrine the Court has now thrown over the side."

## **Decision could 'catalyze wave of new animal welfare laws'**

David Favre, Professor of Law at Michigan State University said, "While the ruling was fractured and reflected complex legal questions, it is a major victory for those working to improve farm animal welfare. A number of states will undoubtedly take advantage of the power that the Supreme Court has recognized. As a specialist in animal law, I expect that this will result in a patchwork of laws that are likely to make national meat producers very uncomfortable. Ultimately, it could push Congress to set federal standards.

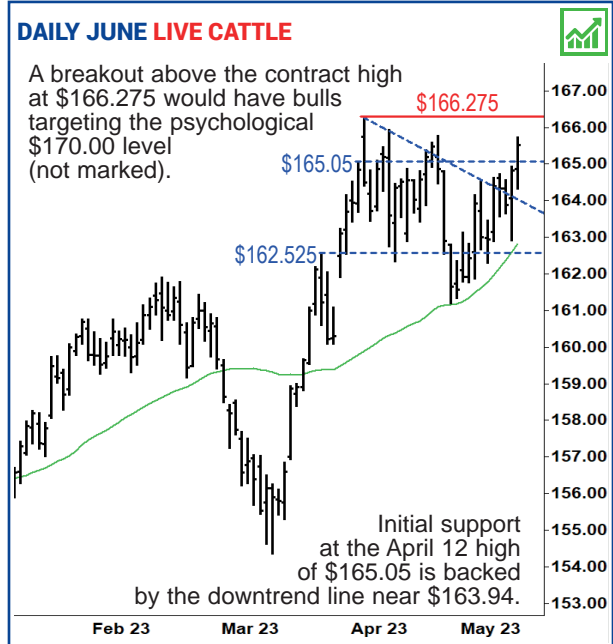
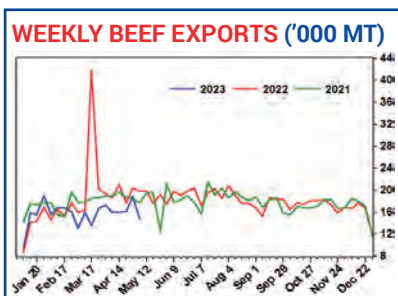
"Farmers and animal welfare advocates understand that with this win, states with the most progressive animal welfare policies — primarily West Coast and Northeast states — will be able to effectively set national standards for the well-being of many agricultural animals, including chickens, dairy cows and cattle. Conceivably, California might also be able to require basic conditions for human labor, such as minimum wage standards, associated with products sold in California."

**CATTLE - Fundamental Analysis**

June live cattle futures overcame the short-term downtrend, signaling the nearby contract was set to retest its April highs. That also suggested traders expect sustained cash market firmness. Tight market-ready supplies are the hallmark of the fundamental outlook, but domestic demand remains strong as grocers continue to avoid boosting retail costs to consumers. The following chart shows export demand is proving weak as elevated wholesale prices crimp international buying. That's no surprise. We still suspect seasonal cash weakness will prove moderate through spring/summer.

Position Monitor		
Game Plan:	Feds Feeders	
Futures and cash fundamentals have	II'23 0%	0%
	III'23 0%	0%
	IV'23 0%	0%
	I'24 0%	0%

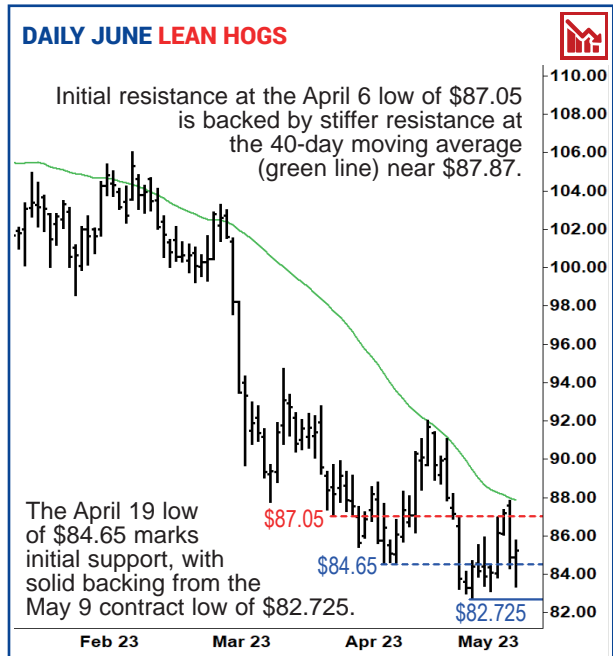
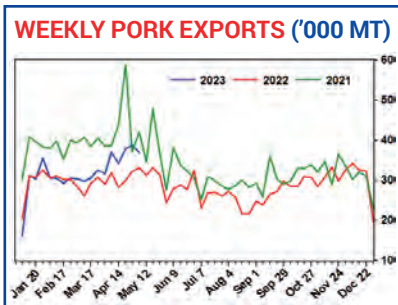
put in tops. But the downside should be limited. Given futures' big discounts to cash, hedges are risky.



**HOGS - Fundamental Analysis**

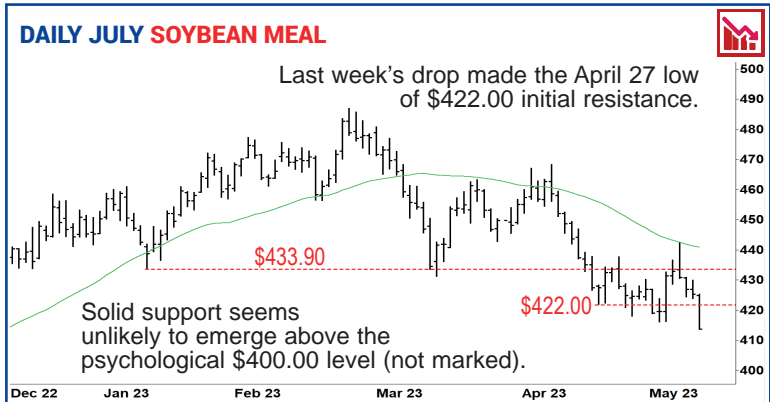
In contrast to the demand situation in the cattle/beef complex, depressed wholesale pork prices are attracting strong export demand. As the chart shows, recent shipments have reached levels comparable to those attained in spring 2021 when huge Chinese buying powered prices higher. Increased year-over-year hog and pork production are dampening the market's rally potential, but grocers' stubborn refusal to pass along depressed wholesale prices to consumers remains a big issue for the domestic market. We doubt this will change soon, but think the seasonal peak won't come until August.

Position Monitor		
Game Plan:	Lean Hogs	
seasonal recovery in the cash hog market is methodical, limiting buyer interest in futures. But the downside is limited unless there's a bearish event.	II'23 0%	0%
	III'23 0%	0%
	IV'23 0%	0%
	I'24 0%	0%



**FEED**

Feed Monitor		
<b>Corn</b>		
II'23	67%	<b>Corn Game Plan:</b> On May 17, we advised covering remaining corn-for-feed needs for May in the cash market. Wait on the market to signal a low before extending coverage.
III'23	0%	
IV'23	0%	
I'24	0%	
<b>Meal</b>		
II'23	83%	<b>Meal Game Plan:</b> You have all soy meal needs covered in the cash market through mid-June. We will wait until the market signals a low is in place before extending coverage.
III'22	0%	
IV'23	0%	
I'24	0%	



### Position Monitor

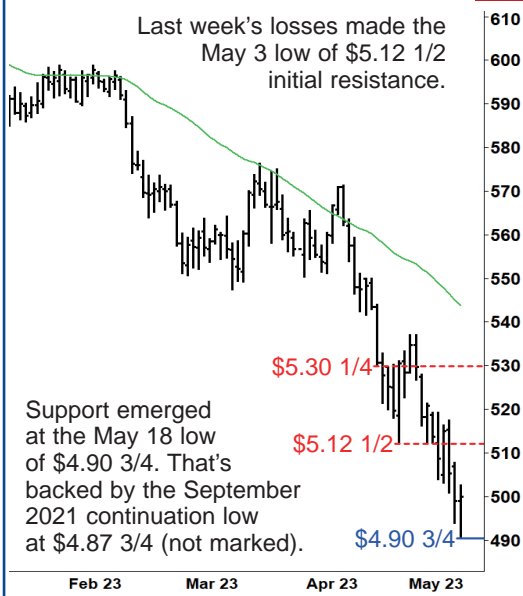
	'22 crop	'23 crop
Cash-only:	75%	25%
Hedgers (cash sales):	75%	25%
Futures/Options	0%	0%

**Game Plan:** Wait on an overdue corrective rebound to get current with advised sales, though there is risk of additional near-term price pressure. Be prepared to use any extended price recovery to advance old- and new-crop sales as the upside is limited barring a weather/crop scare. Given the less-supportive market structure, we must be more aggressive with sales on periods of price strength.

### DAILY JULY CORN



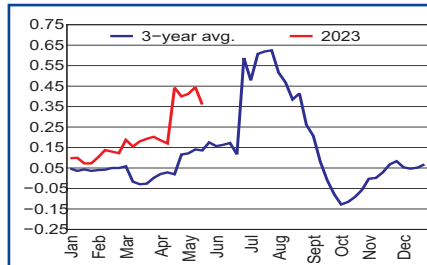
### DAILY DECEMBER CORN



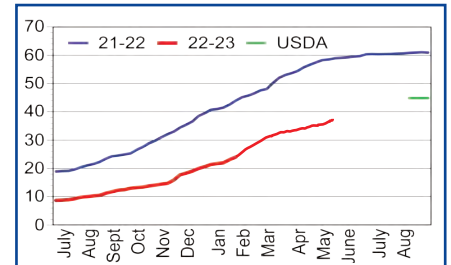
### CORN - Fundamental Analysis

The corn market seems to be caught in a cycle of falling prices prompting previous buyers to cancel orders, which in turn causes further losses and fresh cancellations. Last week's USDA Export Sales Report showed a net reduction of 339,000 metric tons (MT) of old-crop sales during the week prior, sparking a futures plunge before the market rebounded. New-crop prices are also under pressure from accelerated planting in most states and prospects for favorable short-term rainfall. North Dakota remains a wild card with corn plantings lagging badly and the final crop insurance planting date (May 25) looming. Extended rebounds should be sold.

#### AVERAGE CORN BASIS (JULY)



#### CORN EXPORT BOOKINGS (MMT)

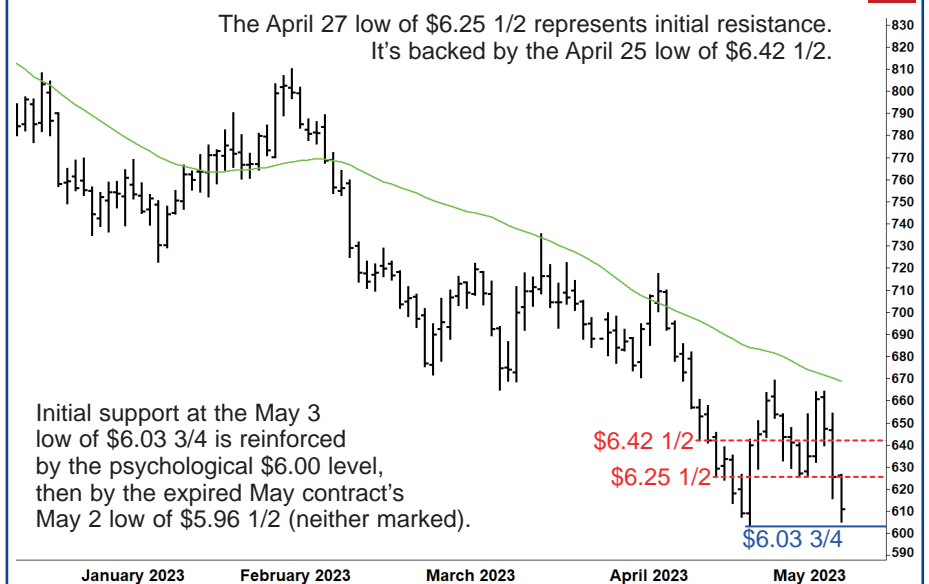


### Position Monitor

	'22 crop	'23 crop
Cash-only:	95%	40%
Hedgers (cash sales):	95%	40%
Futures/Options	0%	0%

**Game Plan:** Be prepared to finish old-crop sales ahead of the May 31 end of the marketing year. Seasonally, wheat futures typically face pressure through the winter wheat harvest – even in years when there are poor crops.

### DAILY JULY SRW WHEAT



### WHEAT - Fundamental Analysis

**SRW** – The comparative size of the SRW crop versus the HRW crop in particular is keeping prices for the former under pressure. Falling corn prices are also lowering the floor for wheat. Expect the HRW/SRW spread to remain historically wide through harvest.

### Position Monitor

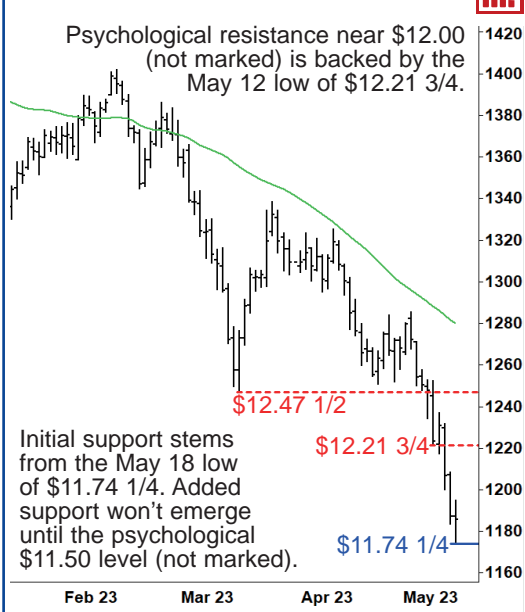
	'22 crop	'23 crop
Cash-only:	70%	0%
Hedgers (cash sales):	70%	0%
Futures/Options	0%	0%

**Game Plan:** Wait on a corrective rebound to get current with advised sales, though there could be more near-term price pressure. We would view a rebound back to the \$14.00 level in nearby futures as a selling opportunity. We'll also make initial 2023-crop sales when we increase old-crop sales. Extended price rallies should be used to advance old- and new-crop sales.

### DAILY JULY SOYBEANS



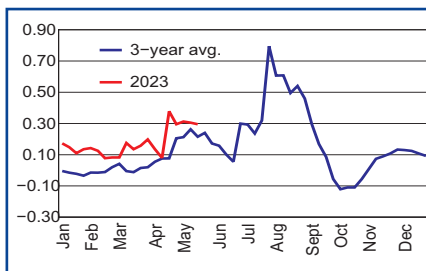
### DAILY NOVEMBER SOYBEANS



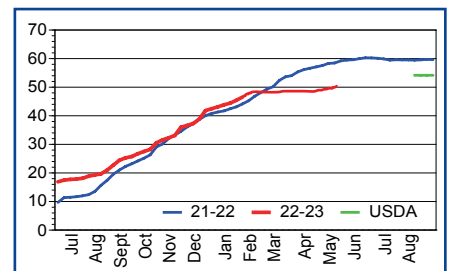
### SOYBEANS - Fundamental Analysis

The tight old-crop situation versus projections for a much larger 2023-24 crop powered the July/November soybean spread from the 43¢ area last October to an April peak of \$1.74. The spread recently narrowed, especially after last week's Export Sales Report indicated a huge contrast in old- and new-crop activity (17,000 MT vs. 663,800 MT, respectively). Ongoing marketing of the record Brazilian crop isn't helping the U.S. price outlook, nor are speedy domestic plantings. The North Dakota situation looks key to the U.S. planted acreage total, particularly with the crop insurance deadline of June 10 approaching. Sustained rallies seem unlikely without weather problems.

#### AVERAGE SOYBEAN BASIS (JULY)



#### SOYBEAN EXPORT BOOKINGS (MMT)



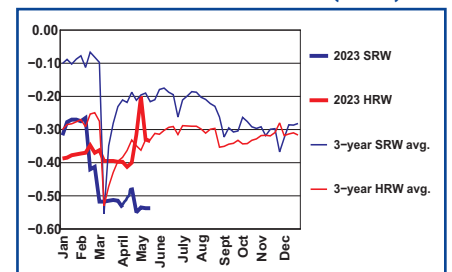
### DAILY JULY HRW WHEAT



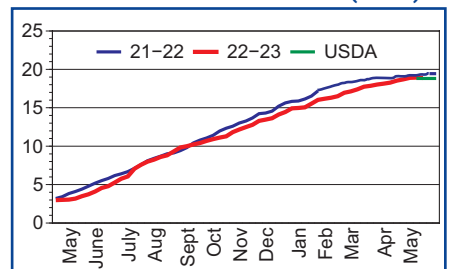
### DAILY JULY HRS WHEAT



#### AVERAGE WHEAT BASIS (JULY)



#### WHEAT EXPORT BOOKINGS (MMT)



**HRW** – HRW futures garnered little support from the Wheat Quality Council tour of Kansas HRW fields finding an average yield of 30 bu. per acre, because USDA's initial estimate was 29 bu. per acre. Late-season rains could stabilize yield prospects for some of the crop but came too late for many areas. Still, expect harvest pressure.

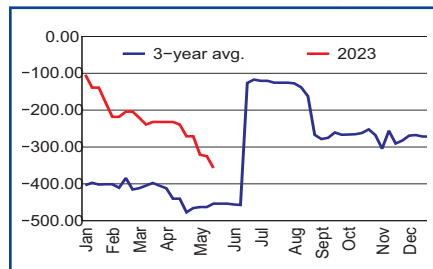
**HRS** – North Dakota HRS plantings are lagging badly with the insurance deadline looming on May 31. Seeding of increased Canadian acres lags as well, but late-May conditions seem conducive to a surge. Nearby HRS futures have moved premium to HRW as the winter wheat harvest looms. We expect more of the same.

### Position Monitor

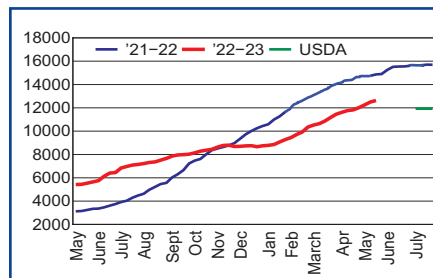
	'22 crop	'23 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

**Game Plan:** On May 17, we advised increasing old- and new-crop sales by 10% each. Hold remaining old-crop inventories as gambling stocks.

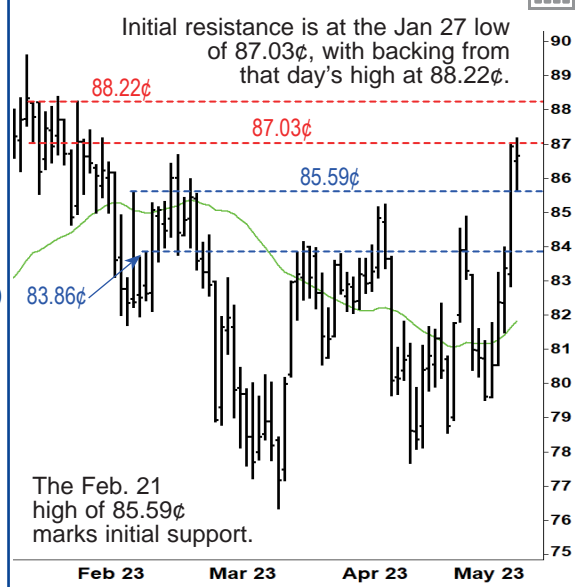
### AVERAGE COTTON BASIS (JULY)



### COTTON EXPORT BOOKINGS ('000 BALES)



### DAILY JULY COTTON



## COTTON - Fundamental Analysis

Last week's cotton market strength in the face of big grain/soy losses suggested traders were taking a pragmatic approach to the economic outlook. Outside markets suggest there are no major recession concerns and firm apparel demand going forward.

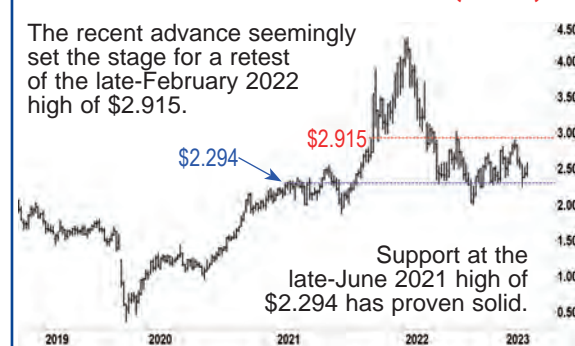
## GENERAL OUTLOOK

**ENERGY:** The peak summer driving season occurs between the Memorial Day and Labor Day holidays. Americans are driving more this year than in any other year on record, with the exception of 2019, as more workers are returning to their offices, post-pandemic. Meanwhile, air travel in the U.S. over the Memorial Day weekend is expected to rise to the highest level since 2005.

The decline in fuel prices from last

summer's highs is producing better demand at the pumps. Such also suggests increased ethanol consumption. Unleaded gasoline futures are surging higher after hitting a multi-month low in early May. All of the above elements contradict economists who are still forecasting a U.S. recession. Conversely, as peak driving season nears, don't expect any further, significant declines in retail fuel prices.

### WEEKLY NEARBY GASOLINE FUTURES (\$/GAL.)



## FROM THE BULLPEN By Editor Brian Grete

USDA's initial 2023-24 balance sheets projected big year-over-year increases in ending stocks and stocks-to-use for corn and soybeans. A lot can change from now until the end of the 2023-24 marketing year on Aug. 31, 2024, but funds use these projections as guidelines for their investing decisions.

**CORN:** USDA projected an 805-million-bu. rise in ending stocks in 2023-24 to a comfortable 2.222 billion bushels. That would equate to an above-average stocks-to-use ratio of 15.3%, up from a below-average level of 10.3% this year. That would be a major year-over-year change and have bearish price implications. In looking back at other years when the projected stocks-to-use ratio had a major increase in the May WASDE Report, it

basically took a weather scare to significantly rally the market. Barring that, prices have a tendency to drift lower, with heavy pressure in some of those years.

**SOYBEANS:** USDA projected a 120-million-bu. increase in soybean ending stocks for 2023-24, the largest year-over-year increase since 2015-16. That would equate to a 7.6% stocks-to-use ratio. While up sharply from this year's sub-5.0% level, that is far from burdensome. Looking back at past years with a jump in new-crop ending stocks of more than 100 million bu. in May, this year currently has the worst price performance. Soybeans appear overdone to the downside, though it may also take a summer weather scare to encourage active buyer interest.

## WATCH LIST

- 1 USDA Cold Storage Report** **MON 5/22**  
Frozen meat stocks for April. 2:00 p.m. CT
- 2 USDA Crop Progress Report** **MON 5/22**  
Planting, emergence data. 3:00 p.m. CT
- 3 USDA Export Sales Report** **THUR 5/25**  
Will grain/soy sales remain poor? 7:30 a.m. CT
- 4 PCE Price Index** **THUR 5/25**  
Fed's preferred inflation gauge. 7:30 a.m. CT
- 5 USDA Food Price Outlook** **FRI 5/26**  
Food prices continue to decline. 8:00 a.m. CT

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