



### News this week...

- 2 – Corn, soybean crop ratings at 35-year low.
- 3 – Slightly bigger U.S. hog herd as of June 1.
- 4 – Breakdown of USDA's June Acreage Report.

**Acreage shocker from USDA** – USDA's planted acreage estimates came in well above market expectations for corn and far below for soybeans. December corn futures retraced three-quarters of the price rally from the May low to the June high; November soybeans rebounded sharply from a 50% pullback. The best rains of the growing season fell across the Corn Belt over the past week but not all areas received needed precip and some damaging winds accompanied the storms. With the calendar flipping to July, weather will be even more critical for crop development, especially for corn. Wheat followed corn to the downside. Cattle futures firmed despite pressure on cash price as traders narrowed the discount to the cash market. Lean hog futures paused as traders waited on the cash market to catch up.

## Needed rains, but damaging winds

A derecho ripped across far eastern Nebraska and far north-eastern Kansas to northern Missouri, southern Iowa and parts of Illinois and Indiana on June 29. Crop losses likely won't be as great as 2020, partly because of when it happened – late June vs. mid-August. Some areas also received more than an inch of rain. World Weather Inc. says waves of rain will continue across the Corn Belt for the next 10 days.

## Drought expands, intensifies

As of June 27, USDA estimated drought (D1 or worse) covered 70% of corn areas and 63% of soybean acres. The Drought Monitor noted much of the Midwest saw drought conditions maintain or worsen, with "widespread degradations" in Missouri and the southern two-thirds of Illinois.

## Wildfire smoke impacts on crops

Dr. Mark Jeschke, Agronomy Manager for Corteva's Pioneer, says wildfire smoke can both enhance and suppress photosynthesis. He says there are three primary factors associated with wildfire smoke with the capability to directly impact crops: reduced total solar radiation and elevated ozone, which are both negative, and increased diffusion of solar radiation, which could potentially be positive. Based on what is known about the effects of reduced solar radiation and ozone on crops, it's plausible wildfire smoke could cause reductions in crop yields.

## June 1 stocks lower than expected

**CORN:** June 1 stocks totaled 4.106 billion bu., down 243 million bu. from last year. Of the total, 2.221 billion bu. (54.1%) were held on-farm. Implied corn use in the third quarter of 2022-23 was 3.29 billion bu., down 3.5% from last year.

**SOYBEANS:** June 1 stocks of 796 million bu. fell 172 million bu. from last year. Of the total, 323 million bu. (40.6%) were stored on-farm. Indicated disappearance in the third quarter of 2022-23 was 891 billion bu., down 8% from last year.

**WHEAT:** June 1 stocks of 580 million bu. (old-crop carryover) fell 118 million bu. from last year. Implied use in the fourth quarter of 2022-23 was 366 million bu., up 11% from last year.

## Mexico taxes white corn imports

Mexico reinstated a 50% tariff on white corn imports after a six-month waiver. Mexico is in a trade dispute with the U.S. and Canada, who say the country's policies regarding GMO corn violate the U.S.-Mexico-Canada Agreement.

## Update on farm bill process

- Farm groups and some farm-state lawmakers prefer a farm bill extension versus a baseline farm bill that offers no extra funding to improve the Title I safety net.
- House Ag Chair Glenn "GT" Thompson (R-Pa.) told us he and his staff are looking at farm bill "efficiencies" that could garner more funding for Title 1 and other priority needs. But Dr. Bart Fischer of Texas A&M University said farm bills in the past have done the same review, "but not nearly enough funding can be found to truly improve the Title I safety net."
- Senate Minority Leader Mitch McConnell (R-Ky.) warned the tight spending atmosphere after the debt ceiling debate will limit any additional money for the next farm bill.
- Thompson has signaled he is working with House Budget Chair Jodey Arrington (R-Texas) regarding ag disaster funding and the crop insurance program.
- Sens. Amy Klobuchar and Tina Smith, both Minnesota Democrats, said the commitment to biofuels as a climate solution will continue in this year's farm bill.
- The farm bill's fate will be known by late Aug./early Sept.

**BOTTOM LINE:** Thompson and Senate Ag Chair Debbie Stabenow (D-Mich.) both want a new farm bill this year, but odds of at least a short-term extension are rising.

## Legal motion to strike down WOTUS

Texas, Idaho and a group of industry entities appealed to a federal judge to reject the new definition of the Waters of the U.S. (WOTUS) rule. They believe the rule should be invalidated due to a May decision from the Supreme Court that weakened federal authority to safeguard wetlands. Anticipating this court ruling might stimulate more state-level lawsuits against EPA's WOTUS rule, the Biden administration plans to amend the rule by Sept. 1.

## Corn, soybean crop ratings fall again

USDA rated 50% of the corn crop as “good” to “excellent” as of June 25, down five percentage points from the previous week. The portion of crop rated “poor” to “very poor” increased three points to 15%. USDA’s soybean ratings stood at 51% “good” to “excellent” and 14% “poor” to “very poor,” down three points and up two points, respectively. Those represented the lowest condition ratings for both crops for that date since 1988. Crop conditions are especially low in Illinois, with only 26% of corn and 25% of soybeans rated “good” to “excellent.”

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop dropped 8.7 points to 337.8, while the soybean crop fell 10.4 points to 329.5. Declines in corn and soybean ratings were driven by Illinois, Iowa, Indiana, Minnesota and Missouri. The CCI ratings are now 31.7 points below year-ago for corn and 31.1 points below for soybeans – both 8.6% below year-ago at this time.

## Consultant cuts corn, bean yields

Crop consultant Dr. Michael Cordonnier cut his U.S. corn yield forecast by 2 bu. to 175 bu. per acre and his soybean yield projection by 0.5 bu. to 50.5 bu. per acre amid falling crop conditions and drought impacts. He now estimates production at 14.61 billion bu. for corn and 4.39 billion bu. for beans.

In the top 18 corn production states, Cordonnier places 68.2% of corn acres in the below-trend yield category, with 17.7% at trend and 4.7% above trend. Of the Corn Belt states, he says only Ohio, Minnesota and North Dakota currently have trendline potential, with none above trendline.

In the top 19 soybean production states, Cordonnier places 54.5% in the below-trendline yield category, with 25.1% at trend and 15.0% above trend. Across the Corn Belt, he says only Kansas, Minnesota and North Dakota currently have trendline potential, with Ohio the only state listed as above trendline.

## Spring wheat conditions deteriorate

USDA rated 50% of the U.S. spring wheat crop as “good” to “excellent,” down one point from the previous week. The amount of crop rated “poor” to “very poor” held at 12%, though there was a one-point increase in the bottom category.

On our weighted CCI, the spring wheat crop dropped 2.5 points to 338.3 – 22.2 points (6.1%) below last year at this time. The rating dropped 5.6 points in North Dakota, more than offsetting improvements in Minnesota and Montana.

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## Canada plants more wheat, canola

Canadian farmers planted 26.9 million acres to wheat, including 19.5 million acres of spring wheat, according to Statistics Canada. That was 6.7% higher than last year and the highest wheat acreage since 2001. Spring wheat acres rose 8.0% from last year. Canadian canola plantings are estimated at 22.1 million acres, up 3.2% from last year.

Mike Jubinville with MarketsFarm said, “One must wonder if StatCan’s acreage report is all that important when the market is currently fixated on growing season weather? The main concern for western Canadian production is the dry area that stretches from southern Alberta into western Saskatchewan.”

Another source told us, “There’s a huge chunk of 0 to 5 mm topsoil moisture across western Canada. Anyone penciling in above-average yields will be disappointed.”

## IGC cuts global corn crop forecast

The International Grains Council (IGC) cut its 2023-24 global corn crop forecast, reflecting reduced production potential in the U.S. due to drought conditions. IGC forecasts global corn production at 1.211 billion metric tons, down 6 million metric tons (MMT) from its previous expectations but that would still be up 55 MMT (4.8%) from last year. IGC cut its U.S. corn production forecast 8.4 MMT to 373.4 MMT (14.712 billion bu.).

IGC raised its 2023-24 global wheat production estimate 3 MMT to 786 MMT, due mostly to an improved crop outlook in Ukraine. Wheat production is still expected to decline 17 MMT (2.1%) from last year.

## Ukraine wheat crop may be surprising

Ukraine’s 2023 wheat production may far exceed official expectations of around 17 MMT. Ukrainian grain traders union UGA said “expected yields are quite high” after surveying farmers. UGA said based on the ag ministry’s planted acreage figures, this year’s crop could reach 23.5 MMT to 24 MMT. That would be an increase from production of 20.9 MMT last year but still far below pre-war levels.

## Russia increases grain export quota

Russia’s ag ministry says 814,000 metric tons will be added to grain export quotas for 2023. While Russia’s grain production will be down sharply this year, there are surplus supplies remaining from last year’s record output.

## Morocco subsidizes wheat imports

Morocco will provide subsidies for the import of up to 2.5 MMT of milling wheat from Russia, Ukraine, France, Germany, Argentina and the U.S. between July 1 and Sept. 30. The scheme will pay importers the difference each month between the cost of imported wheat and a benchmark import price of 270 dirhams per quintal (\$271.60 per ton).

## Producer Crop Comments...

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

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

"I traveled to Omaha and back along Highway 20, Interstate 35 and Interstate 80 on June 25. It rained along much of this route on Saturday and Sunday, especially northern areas. I was pleasantly surprised by the look of the corn crop from the road — generally uniform and dark green, though you could see stress on hillsides. I was disappointed by the beans, which were short — not covering the corn stubble yet in many of the no-till fields."

### Macon Co. (central) Illinois:

"Heat lightning June 25 but no rain. My corn looks bad. Got my beans in early but they are starting to fade fast."

### Peoria Co. (central) Illinois:

"We got zero rain. Corn is hanging on, looks decent but short. Beans are stunted but starting to fill out. Very little chance of rains in the forecast. Crops need some soon!"

### Sangamon Co. (west-southwest) Illinois:

"Corn starting to tassel here. Yield reduction is going to be irreversible with the forecast. Wind is blowing 20 mph with 90 degrees and low humidity. Crops are really stressing."

### Will Co. (northeast) Illinois:

"We received 0.6 inch of rain... the most in over a month. This will buy us some time for stressed crops."

### Iroquois Co. (east-central) Illinois:

"Received between 0.3 and 0.6 inch of rain June 24-25. Dirt was dry on top again by early Sunday afternoon."

### Washington Co. (east-central) Nebraska:

"Got 0.4 inch of rain on June 24. We needed more again on Sunday but didn't get any. This is turning into the driest year in decades around here."

### Polk Co. (northwest) Minnesota:

"This is the best corn I recall seeing in June up here. But it seems like most fields are showing some sulfur deficiency. Wheat looks good too."

### Madison Co. (central) Ohio:

"We've got some good looking crops around here. We went from drought to flood in about five days. The rains came just in time to really give crops a boost."

### Putnam Co. (northwest) Ohio:

"Was really hoping for a bountiful weekend of moisture, but I'm thankful for the 0.15 inch we received."

### Jefferson Co. (south-central) Wisconsin:

"Only got 0.35 inch of rain but corn looks better than it did."

### Lyman Co. (south-central) South Dakota:

"The three inches of rain turned the corn around fast. It was about ready to give up."

### Logan Co. (southeast) North Dakota:

"Waited a long time for this one... 3.5 inches of rain! Some damage to wheat but corn and soybeans loved it."

### Livingston Co. (north-central) Missouri:

"There's a ton of five-foot tall corn tasseling here."

## Slightly bigger U.S. hog herd

USDA's Hogs & Pigs Report estimated the June 1 U.S. hog herd at 72.394 million head, up 80,000 head (0.1%) from year-ago and 586,000 head more than the average pre-report estimate implied. The breeding herd was 0.4% smaller than last year but market hog inventories increased 103,000 head (0.2%).

Hogs & Pigs Report	USDA actual (% of year-ago)	Trade expected
<b>Inventory —</b>		
All Hogs/Pigs	100.1	99.3
Breeding	99.6	99.4
Marketing	100.2	99.3
<b>Pig Crop —</b>		
March-May	100.3	99.3
Pigs/litter	103.3	100.5
<b>Farrowings —</b>		
March-May	97.6	98.8
June-Aug. Ints.	96.1	97.4
Sept.-Nov. Ints.	95.5	97.4
<b>Market Hog Inventory —</b>		
Under 50 lbs.	100.2	99.2
50-119 lbs.	100.3	99.2
120-179 lbs.	100.3	99.7
180 lbs. plus	99.8	99.1

The spring pig crop rose 111,000 head (0.3%) from last year, as a 3.3% jump in pigs per litter more than offset a 2.4% decline in sow farrowings. The spring pigs per litter number was an all-time record.

The smaller breeding herd and lower farrowing intentions for summer and fall suggest the increase in pig crop size is a short-term occurrence, not a change in pattern.

Hog slaughter should run about even with year-ago during the second half of the year, though it could inch slightly above last year's levels from mid-summer through year-end.

### Revisions to past data

The March 1 hog population was revised up 249,000 head (0.3%). The Dec. 1, 2022 hog herd was boosted by 450,000 head (0.6%) to 74.849 million head. The December revisions to the hog numbers reflected a 470,000-head (1.4%) upward revision to the Sept.-Nov. 2022 pig crop to 34.701 million head.

## Feedlot supplies continue to shrink

USDA estimated there were 11.522 million head of cattle in large feedlots (1,000-plus head) as of June 1, down 349,000 head (2.9%) from year-ago but 114,000 head more than the average pre-report estimate implied. May placements increased 4.6%, while marketings rose 1.7%.

Cattle on Feed Report	USDA actual (% of year-ago)	Average estimate
On Feed May 1	97.1	96.6
Placed in April	104.6	101.7
Mktd in April	101.7	101.6

Nebraska accounted for 55,000 head of the 86,000-head increase in placements, with Kansas up 15,000 head and Colorado up 10,000 head. Drought was a major factor in the placements increase.

This marked the 10th straight month of year-over-year declines in feedlot inventories. While the placements suggest second-half supplies won't be as tight as once expected, feedlot numbers will continue to decline relative to year-ago.

# Corn, bean plantings shift sharply from intentions

By Editor Brian Grete

Whoa! Farmers planted a lot more corn and far less soybeans than intended in March. Combined corn and soybean acres declined 1.9 million acres from March intentions to 177.6 million acres, whereas traders expected seedings to be virtually steady with March intentions.

USDA estimated total area planted to principal crops at 318.7 million acres, up 600,000 acres from March and 6.6 million acres more than producers seeded in 2022. Total crop acreage is the most since 319.3 million in 2018.

## Corn plantings rise sharply from March plans

USDA estimated corn plantings at 94.096 million acres, up 2.1 million acres from March intentions and 2.243 million

Corn acreage changes from March Prospective Plantings		
	Change	Mil. Ac.
Illinois	500,000	11.5
Indiana	0	5.5
Iowa	300,000	13.4
Kansas	-100,000	5.5
Michigan	0	2.4
Minnesota	50,000	8.4
Missouri	200,000	3.65
Nebraska	0	9.5
N. Dakota	150,000	3.9
Ohio	50,000	3.5
S. Dakota	300,000	6.2
Wisconsin	50,000	4.0

acres more than traders expected. That would be the third highest total since 1941. Corn plantings jumped 5.517 million acres from last year. USDA estimates harvested acres at 86.322 million — 91.7% of plantings.

Of the top 12 production states, only Kansas planted fewer acres to corn than

intended in March, with plantings unchanged in three states — Indiana, Michigan and Nebraska.

The sharp increase in planted acres compared with March intentions gives corn some “cushion” to offset any yield reductions due to drought.

## Soybean plantings plunge vs. March intentions

USDA estimated soybean plantings at 83.505 million acres, down 4 million acres from March intentions and

Soybean acreage changes from March Prospective Plantings		
	Change	Mil. Ac.
Arkansas	-150,000	2.9
Illinois	-800,000	10.0
Indiana	-100,000	5.5
Iowa	-400,000	9.7
Kansas	-350,000	4.25
Michigan	-50,000	2.05
Minnesota	-50,000	7.5
Missouri	-400,000	5.6
Nebraska	-250,000	5.5
N. Dakota	-900,000	5.65
Ohio	-200,000	4.9
S. Dakota	0	5.3
Wisconsin	-200,000	2.1

4.168 million acres less than traders expected. Soybean plantings dropped 3.945 million acres from last year. USDA estimates harvested acreage at 82.696 million acres — 99.0% of plantings.

None of the top 13 production states planted more soybeans than intended in March.

At this acreage level, there’s no “cushion” for soybeans.

## Spring wheat acres up sharply from March

USDA estimated other spring wheat plantings at 11.140 million, up 570,000 acres from March intentions and 632,000 acres more than traders expected. Spring wheat plantings increased 400,000 acres from March intentions in North Dakota (5.6 million acres) and 200,000 acres in Montana (2.8 million acres). Only Minnesota and Washington planted fewer other spring wheat acres than intended in March.

USDA estimated durum wheat plantings at 1.483 million acres, down 297,000 acres from March intentions and 291,000 acres less than traders expected.

## Cotton acres fall from March intentions

USDA estimated all cotton plantings at 11.087 million acres, down 169,000 acres from March intentions and 113,000 acres less than traders anticipated. Texas planted 118,000 fewer acres to cotton than intended in March.

USDA’s first harvested acreage estimate for cotton will be released in the August Crop Production Report. As is typically the case with cotton, acreage abandonment levels will be key to eventual crop size.

## Sorghum acres increase sharply from intentions

USDA estimated producers planted 6.805 million acres to sorghum, up 830,000 acres from March intentions. The switch to sorghum was likely triggered by drought in the Southern Plains. Kansas producers increased sorghum plantings by 150,000 acres, while Texas jumped seedings by 500,000 acres.

## Corn, soybean plantings left yet

USDA said acreage left to be planted at the time its June survey cut off was 2.49 million acres for corn and 8.22 million acres for soybeans. Those totals are down sharply from last year, which wasn’t surprising given the relatively favorable spring planting conditions in most areas.

## Major acreage swings put more focus on FSA data

The big shifts in acres from March intentions mean there will be increased attention on FSA certified acreage, which will start to be released in August. Because the June acreage figures were off so much from what farmers indicated in March, there could be larger-than-normal adjustments to acreage estimates once the certified acreage data is calculated.

**CATTLE - Fundamental Analysis**

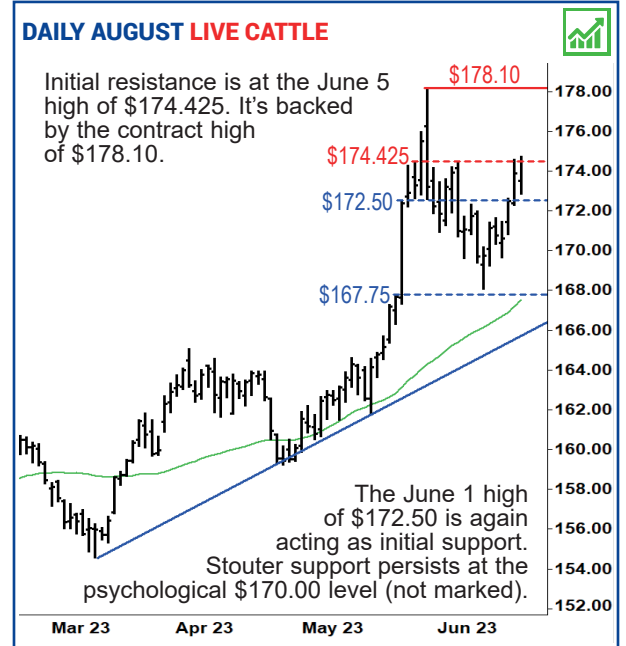
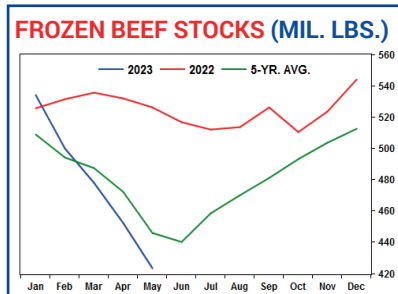
The beef stocks chart below illustrates the imbalance of U.S. production and usage during the first five months of 2023, showing domestic beef stockpiles plunged 120 million lbs. from Dec. 31, 2022 to May 31. The five-year average indicates a sizeable reduction is normal, but the divergence from 2022 levels reflects the changed situation. Production will likely increase as cattle weights rise during the second half of the year, whereas climbing consumer prices are likely to slow demand. But a late-summer surge in wholesale prices similar to that of 2021, along with a fresh cash cattle rally, can't be ruled out.

**Position Monitor**

**Game Plan:** Fed's Feeders

Hedges in	III'23	0%	0%
futures are	IV'23	0%	0%
risky given	I'24	0%	0%
	II'24	0%	0%

their discounts to cash. Downside risk should be limited by the discounts and the tight supply situation.



**HOGS - Fundamental Analysis**

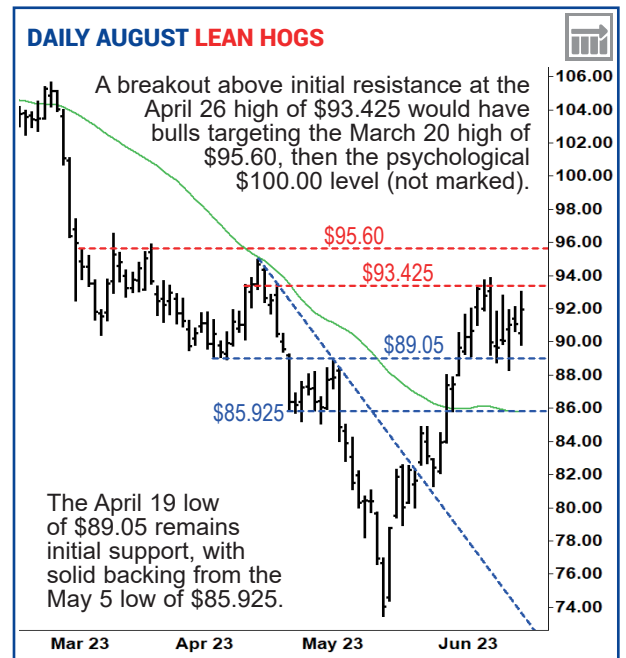
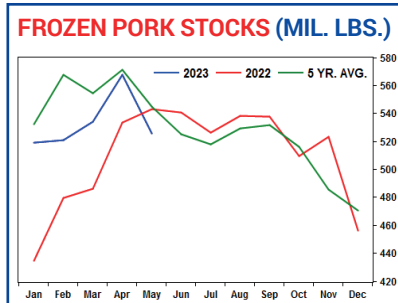
Low pig weights limited early-2023 U.S. pork production despite the modest rise in hog supplies. Thus, the damage done to domestic pork demand by inflated retail prices is illustrated by the February-April surge in domestic stockpiles. Conversely, having grocers become more aggressive in featuring pork during May sparked an inordinately sharp drop in inventories. We expect much more of the same this summer, which is one reason we remain optimistic about the hog market's upside potential. Much depends upon summer hog supplies. See *News page 3* for analysis of USDA's June 29 Hogs & Pigs Report.

**Position Monitor**

**Game Plan:** Carry all risk in the strengthening cash market unless the upside is overdone in futures. The seasonal rally should go deeper into the year than normal since it was delayed.

**Lean Hogs**

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



**FEED**

**Feed Monitor**

**Corn**

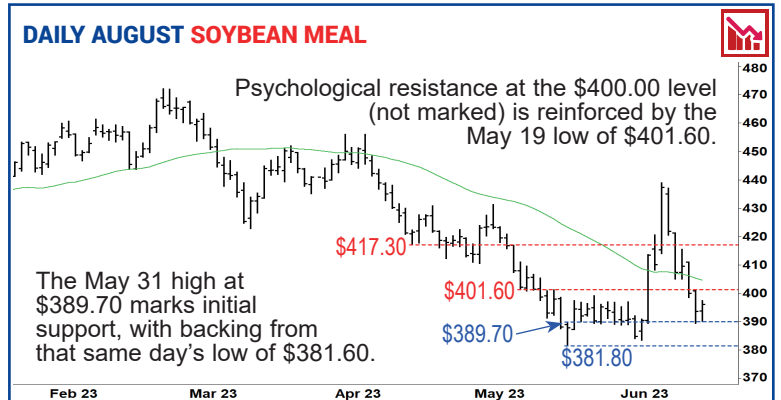
III'23	0%
IV'23	0%
I'24	0%
II'24	0%

**Corn Game Plan:** You are hand-to-mouth on corn-for-feed coverage. Wait on the market to signal a low is in place before extending cash coverage.

**Meal**

III'23	33%
IV'22	0%
I'24	0%
II'24	0%

**Meal Game Plan:** On June 23, we advised covering half of your needs for both July and August in the cash market. Wait on the market to signal lows are in place before extending cash coverage.



### Position Monitor

	'22 crop	'23 crop
Cash-only:	85%	35%
Hedgers (cash sales):	85%	50%
Futures/Options	0%	25%

**Game Plan:** Seasonals are bearish during July, signaling the market could face price pressure barring heightened crop concerns or another bullish catalyst. We believe there will be another rally at some point during the summer. Wait on a sharp move higher to advance sales, but we also believe you must use periods of strong or extended price strength as selling opportunities.

### DAILY DECEMBER CORN

Last week's dive flipped support at the May 5 high of \$5.37 to initial resistance. That's bolstered by the 40-day moving average (green line) near \$5.39, as well as the March 9 low of \$5.51 1/4.



Initial support is marked by the May 1 low of \$5.20, with backing from the May 12 low of \$5.04.

### DAILY SEPTEMBER 2023 CORN

The 40-day moving average (green line) puts initial resistance near \$5.35 1/2. It's closely backed by the May 5 high of \$5.38.

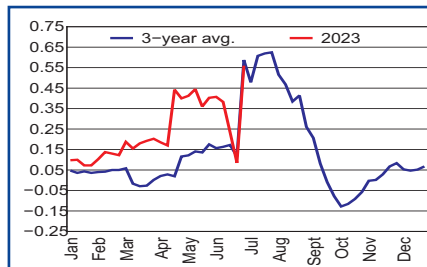


Look for initial support at the May 2 low of \$5.17 1/2.

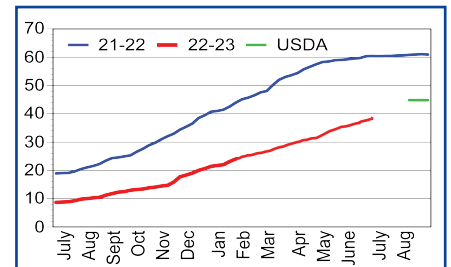
### CORN - Fundamental Analysis

The late-June shift in the weather pattern looks much more conducive to corn production than the flash drought that came before. Forecasts of changing conditions caused the price dive leading up to USDA's Acreage and Grain Stocks Reports. Thus, the first weather rally of 2023 ended. But another rally can't be ruled out. The industry focuses heavily on the "good" to "excellent" ratings on the weekly USDA Crop Progress Reports, whereas the most important readings may prove to be the "poor" to "very poor" levels this year. That 15% figure for late June was second worst (1988 at 28%) on records extending back to 1986. Weather and money flow will dictate price action.

#### AVERAGE CORN BASIS (SEPT.)



#### CORN EXPORT BOOKINGS (MMT)



### Position Monitor

	'23 crop	'24 crop
Cash-only:	50%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	0%	0%

**Game Plan:** Wheat futures are likely to face pressure through the winter wheat harvest unless corn and soybeans lead another rally or the markets get spooked by the Ukraine situation. Wait on a rally to extend sales.

### DAILY DECEMBER SRW WHEAT

Psychological resistance at the \$7.00 level (not marked) is buttressed by the March 9 low of \$7.04 1/4. Look for added resistance at the March 6 low of \$7.29 1/2.



Support emerged at the May 9 high of \$6.83 last week. Stronger support remains at the 40-day moving average (green line) near \$6.74 1/2.

### WHEAT - Fundamental Analysis

**SRW** – While eastern Corn Belt dryness didn't particularly help the SRW crop, it enabled Illinois farmers to harvest 49% of the state's crop in two weeks. It's unlikely that increased rains will greatly hamper progress, suggesting harvest pressure will become more prevalent.

### Position Monitor

	'22 crop	'23 crop
Cash-only:	80%	25%
Hedgers (cash sales):	80%	35%
Futures/Options	0%	25%

**Game Plan:** Seasonals are mildly negative during July, though soybeans usually follow the lead of corn over the next month. Be prepared to increase 2022- and 2023-crop sales if there's another extended push to the upside. While any serious weather threat would tighten the new-crop balance sheet, we believe extended rallies must be viewed as opportunities to extend sales.

### DAILY NOVEMBER SOYBEANS



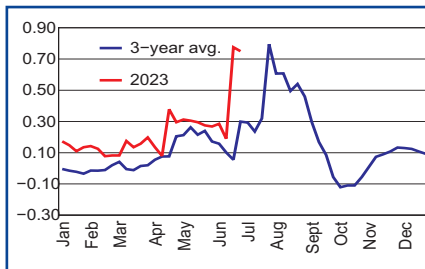
### DAILY AUGUST 2023 SOYBEANS



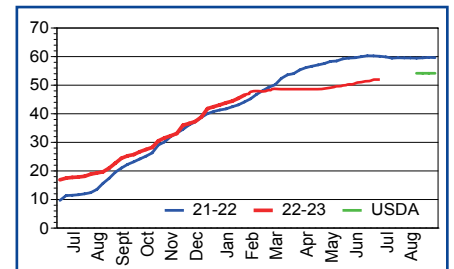
### SOYBEANS - Fundamental Analysis

This year's soybean harvest could prove extremely interesting since the push to plant beans early was quickly followed by May-June dryness, with early crop condition ratings falling well below historical norms. Whether significant damage was done is moot at this time, since late-summer weather is most critical for yield potential. November futures are reminding us of this point, since the contract stabilized near the 50% retracement level prior to Friday's USDA reports, whereas December corn gave back nearly three-quarters of its spring surge. Expect continued fluctuations as weather forecasts change and be ready to advance sales if the market posts a fresh rally.

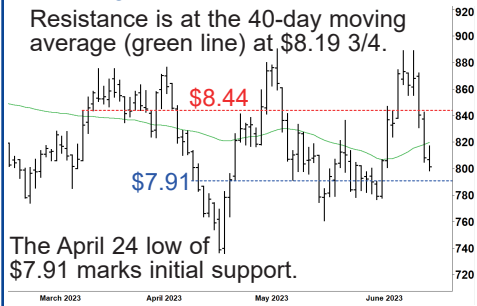
#### AVERAGE SOYBEAN BASIS (AUG.)



#### SOYBEAN EXPORT BOOKINGS (MMT)



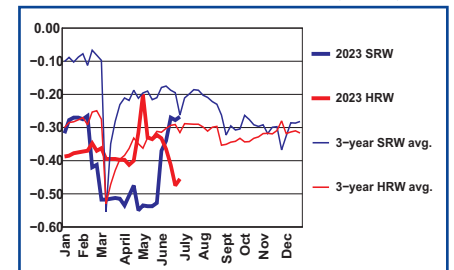
### DAILY DECEMBER HRW WHEAT



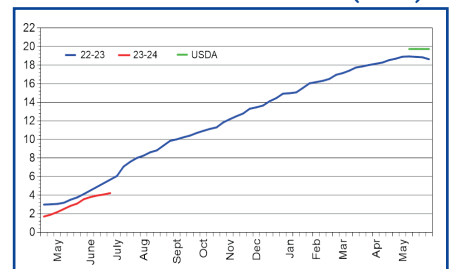
### DAILY SEPTEMBER HRS WHEAT



#### AVERAGE WHEAT BASIS (JULY)



#### WHEAT EXPORT BOOKINGS (MMT)



**HRW** – Recent rains have the HRW harvest lagging, as exemplified by Kansas progress at 21% being 17 percentage points behind the five-year norm. Still, the moisture likely did little damage to the grain, meaning summer harvest pressure on prices may be extended. Look for action in the corn market to continue affecting prices.

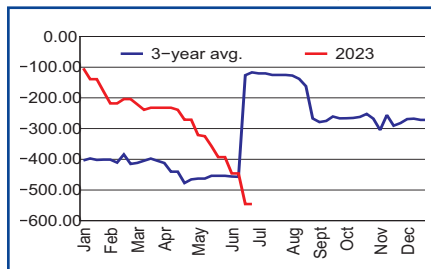
**HRS** – Recent rains across the Northern Plains have boosted the HRS crop, with prices falling in concert with winter wheat and corn. But the Canadian crop is suffering from drought over a significant portion of the Prairies. This may provide underlying support for the HRS market. Bid your time on sales.

### Position Monitor

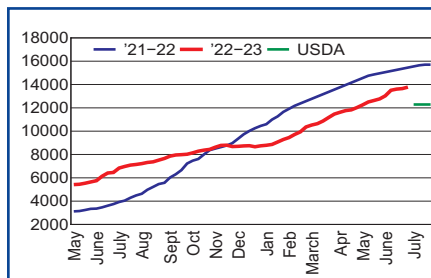
	'22 crop	'23 crop
Cash-only:	100%	50%
Hedgers (cash sales):	100%	50%
Futures/Options	0%	0%

**Game Plan:** Wait on a price rebound to get current with advised sales. Short-term defensive hedges may be needed on a confirmed downside breakout.

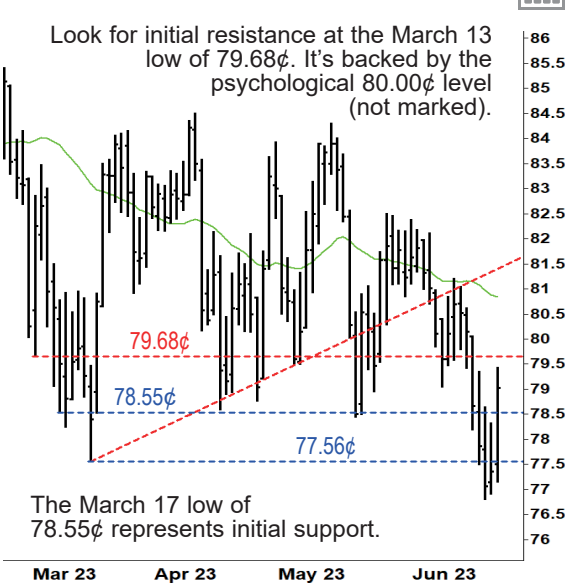
### AVERAGE COTTON BASIS (OCT.)



### COTTON EXPORT BOOKINGS ('000 BALES)



### DAILY DECEMBER COTTON



## COTTON - Fundamental Analysis

Cotton futures stabilized in the wake of early-week declines and in spite of big losses in the grain and soy markets, as well as prospects for a much larger 2023 crop. Bulls must defend last week's lows to avoid the onset of a fresh downtrend.

## GENERAL OUTLOOK

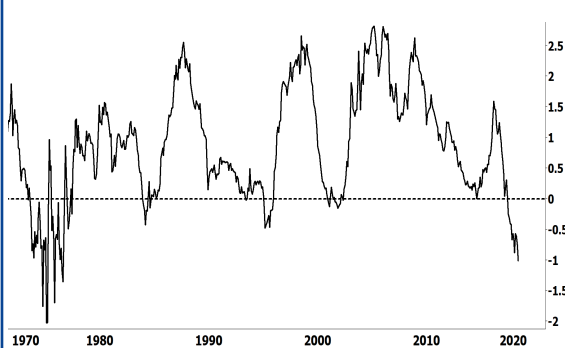
**ECONOMY:** After narrowing substantially during spring, the 10-year/2-year Treasury Note spread surged beyond -1.0% last week. Such inversions are unusual since long-term risk is generally greater than short-term dangers.

In contrast, an inverted yield curve reflecting active Fed interest rate increases to fight inflation results from Treasury buyers demanding higher short-term returns. They believe elevated interest

rates will slow the economy in the short run, with recession fears a big part of this scenario. They see more normal times bringing lower rates in the long run. The length and depth of the current inversion looks ominous in this regard.

And yet, no recession has arrived, causing many in the financial industry to doubt it will happen. We fear this could mark a return to the stagflationary times of the 1970s.

### MONTHLY 10-YEAR/2-YEAR T-NOTE SPREAD



## FROM THE BULLPEN By Economist Lane Akre

Corn futures have been extremely volatile with prices trading a dollar higher one week to a dollar lower the next. This makes it especially difficult to manage risk, especially in the midst of potential production issues that have seen crop ratings fall to the lowest in 35 years.

Looking at historical volatility helps understand where producer risk lies and ultimately make better marketing decisions. It's easy to take a "wait and see" approach, but historically that may not be the best approach. Volatility generally peaks around the June Quarterly Grain Stocks and Acreage Reports, rising through the early growing season and falling nearly immediately thereafter. That is exactly the case this year, although volatility has

reached historical extremes.

Volatility in the first quarter of the calendar year is relatively low, with small peaks around crop reports. Twenty years of historical data implies December futures around \$6.00 would see daily ranges around 6.5¢. Volatility climbs from there as risk associated with planting delays, weather problems, geopolitical tensions and other sources creeps into the market. Volatility peaks around the June Acreage Report, where one would expect daily ranges of over 13¢ for the two weeks on either side of the report and a daily range of 30¢ on the report day itself. Volatility then diminishes until it averages a near 9¢ range throughout September once production prospects are better realized.

## WATCH LIST

- 1 USDA Crop Progress Report** **MON 7/3**  
*Will crop ratings keep falling?* 3:00 p.m. CT
- 2 Independence Day** **TUES 7/4**  
Markets and gov't offices closed.
- 3 FOMC Minutes** **WED 7/5**  
*Clues to future Fed monetary policy?* 1:00 p.m. CT
- 4 U.S. Ag Trade Data** **THUR 7/6**  
Exports, imports for May. 9:30 a.m. CT
- 5 USDA Export Sales Report** **FRI 7/7**  
*Sluggish sales likely to continue.* 7:30 a.m. CT

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