



News this week...

- 2 – U.S. wheat production higher than expected.
- 3 – Chinese economic data remains troubling.
- 4 – Breakdown of USDA's July WASDE Report.

Choppy week of trade – Grain markets reacted negatively to USDA's July crop reports, as ending stocks were generally higher than expected (see [News](#) page 4) and the wheat production estimate topped expectations (see [News](#) page 2). But corn, soybean and spring wheat futures bounced back to post gains for the week, while the winter wheat markets showed little net change. Weather forecasts and the outcome of 11th hour negotiations on the Black Sea grain deal will likely keep price action volatile in the week ahead. Live cattle futures posted contract highs last week, though traders remained content to keep contracts well below the cash market. Lean hog futures extended their seasonal price rally on support from the strengthening cash hog and wholesale pork markets.

Heat to build in late July

Forecasts call for rain chances across the lower two-thirds of the Corn Belt, along with the Delta and Southeast during the next 10 days. However, World Weather Inc. says warmer temps in the second week of the outlook will increase moisture needs in the Corn Belt. The Northern Plains and northern one-third of the Corn Belt will trend drier than normal.

Drought footprint modestly shrinks

As of July 11, USDA estimated drought (D1 or higher) covered 64% of corn production areas and 57% of soybeans, both down three points from the previous week.

USDA cuts corn yield projection

USDA cut its corn yield projection 4 bu. to 177.5 bu. per acre, noting "extreme dryness during June." Since 1993, there have been five prior times the World Board has cut yields in July. Only the disaster years of 1993 and 2012 resulted in the final yield being lower than the reduced July projection. There are five other years when the World Board cut yields in June. Only 1995 and 2002 resulted in the final yield being lower than the July projection.

That would suggest the final yield could end up higher. But of the eight years the World Board has cut yield in June or July, final production was higher than the July projection four years and lower four years. Harvested acreage percentage (abandonment) always plays a critical role in determining crop size – but even more so in years like this where weather impacts are exaggerated.

USDA left its soybean yield projection at 52 bu. per acre.

Black Sea deal at 11th hour – again

The UN proposed to connect a subsidiary of Russia's agricultural bank to the SWIFT international payment system if Moscow extends the Black Sea Grain deal beyond July 17. The European Commission backed the plan as long as it continues to restrict Russia's ability to extend the war. Even if the deal ends, Black Sea grain exports would continue, though there would just be more uncertainty with shipments.

U.S. inflation falls to multi-year low

The U.S. consumer price index (CPI) rose 3.0% annually during June, the smallest year-over-year gain since March 2021. The U.S. producer price index (PPI) eased to 0.1% above year-ago during June, the lowest reading since August 2020.

The U.S. dollar plunged on thoughts the Fed's tightening cycle is near an end (see "General Outlook" on [Analysis](#) page 4).

GOP attempt to speed up farm bill

House GOP leaders are rallying party members to streamline the legislative progression of the new farm bill. Rep. Garret Graves (R-La.) told *Politico* efforts are being made to ensure input from varying partisan factions within their caucus to preempt and address potential hurdles to ensure the bill's smooth passage when it reaches the House floor.

Farmland protection bill proposed

The bipartisan Protecting U.S. Farmland and Sensitive Sites from Foreign Adversaries Act would expand the scope of the Committee on Foreign Investment in the U.S. (CFIUS), enabling it to consider U.S. food security in reviews of land purchases by foreign entities. The bill would necessitate the Secretary of Agriculture to vote on any transactions involving farmland or agricultural tech. The issue of farmland purchases, especially by China, has bipartisan support in Congress, so some type of a security bill will eventually pass.

Brazil's record corn crop getting bigger

Brazil raised its corn production estimate 2 million metric tons (MMT) to a record 127.7 MMT. Conab left its 2022-23 Brazilian corn export forecast at 48 MMT. Conab trimmed its Brazilian soybean crop estimate by 1.2 MMT to 154.5 MMT but left the 2022-23 export forecast at 95.6 MMT.

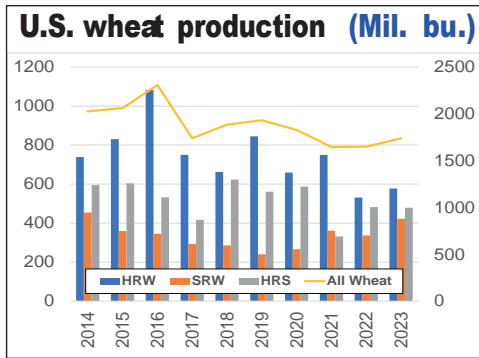
India considers rice export ban

India is considering banning exports of most varieties as El Niño builds. Rice prices are already at a two-year high.

The U.S. Climate Prediction Center says El Niño is expected to peak during winter with moderate-to-strong intensity.

Wheat crop bigger than expected

USDA's first all-wheat production estimate at 1.739 billion bu. came in 56 million bu. higher than traders expected. The winter wheat crop estimate increased 60 million bu. from last month to 1.206 billion bu., with HRW up 45 million bu. to 577 million bu., SRW up 15 million bu. to 422 million bu. and white wheat unchanged at 207 million bushels.



USDA's initial other spring wheat crop estimate at 479 million bu. was 2 million bu. higher than traders expected, while durum production came in 6

million bu. lower than anticipated at 54 million bushels.

USDA estimated the all-wheat yield at 46.1 bu. per acre. Harvested area increased 600,000 acres to 37.7 million acres.

Corn, soybean ratings improve

As of July 9, USDA rated the corn crop 55% "good" to "excellent," a four point increase from the previous week. The portion of crop rated "poor" to "very poor" decreased one point to 14%. Of the top 18 corn producing states Colorado, North Carolina, North Dakota, Tennessee and Texas were the five highest rated. The five lowest rated included Missouri, Illinois, Michigan, Pennsylvania and Wisconsin.

USDA rated the soybean crop 51% "good" to "excellent," up one point. The amount of crop rated "poor" to "very poor" held at 15%. Louisiana, Mississippi, North Carolina, Tennessee and Arkansas were the top five rated states for soybeans. The lowest rated states include Missouri, Michigan, Illinois, Wisconsin and North Dakota.

On the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop improved 5.1 points to 344.6, though 20.5 points (5.6%) below last year at this time. The soybean crop improved 3.3 points to 331.7, still 24.7 points (6.9%) below year-ago.

Spring wheat rating slides further

USDA's spring wheat condition rating dropped one point to 47% "good" to "excellent," while the "poor" to "very poor" rating increased four points to 16%. The spring wheat CCI rating fell another 5.1 points to 328.4 – 47.2 points (12.6%) below last year.



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Producer Crop Comments...

Please send crop comments to editors@profarmer.com.

Ontario Co. (northwest) New York:

"Spent two weeks driving across the country and saw most of the corn/soybean areas from New York to Idaho. In general, corn did a good job bouncing back with the recent rains. Beans look like they are struggling more. I'm not saying beans look horrible, but they don't look good either. They are short and uneven. Beans will need moisture... and some warm weather in August and September."

Story Co. (central) Iowa:

"Drove from central Iowa to Albert Lea, Minnesota. Crops in central Iowa look great... they got a little less exciting the farther north I went. I've also been from Omaha to DeWitt, Iowa, recently. The western two-thirds of Iowa looks solid; eastern third not so much."

Sioux Co. (northwest) Iowa:

"There is corn around here in full tassel and some that looks two to three weeks or more away. We were dry during spring and most acres were planted in the same two weeks. Just seems like a wider range of maturity this year."

Greene Co. (west-central) Iowa:

"Corn is uneven and tasseling is not uniform. My best yields have historically been when the corn is uniform."

Sangamon Co. (west-southwest) Illinois:

"I am so far pleasantly surprised with corn. There are good sized ears on healthy plants and water in the ditch. Our April planted soybeans are struggling to close rows."

Peoria Co. (central) Illinois:

"Our bean pod counts are going to be huge if they all get a chance to fill. There's uneven plant height and tasseling in our corn from the early season drought."

Gibson Co. (southwest) Indiana:

"It's hit or miss on what looks good and what looks bad after the June 29 storm. Dry conditions through June followed by 7-9 inches of rain in a day, baseball sized hail and 70 mph winds put a hurting on a lot of corn and beans."

Spencer Co. (southwest) Indiana:

"Received around 4 inches on most farms. There are a few spots of corn blown over and drowned out spots, but the moisture was much needed. Soybeans look very good, although they are shorter than normal and a few spots have died where water pooled."

Sherman Co. (northwest) Kansas:

"Every field from Goodland to St. Francis, Kansas, was shredded by hail and wind."

Seward Co. (southwest) Kansas:

"It was shaping up to be a record year with all of the rain. Hail took out a lot of corn and soybean fields."

Dane Co. (south-central) Wisconsin:

"Not ideal to have 6 foot (at best) corn tasseling, the rest of the field is 3-4 foot and two leaves away from tasseling. K deficiency still running rampant."

Ward Co. (northwest) North Dakota:

"Definitely didn't have a July 4 frost on my radar this year. Thankfully, not much damage."

Troubling Chinese trade data

China's exports fell 12.4% from year-ago levels to \$285.32 billion in June – the steepest drop since February 2020 amid slowing global demand. China's imports dropped 6.8% to \$214.70 billion, the fourth straight monthly decline due to deteriorating domestic demand. That left China with a \$70.62 billion trade surplus, down from \$97.41 billion the previous month. China's trade surplus with the U.S. widened slightly to \$28.72 billion from \$28.16 billion in May.

Chinese soybean imports stay strong

China imported 10.27 million metric tons (MMT) of soybeans during June. While that was down from the all-time record of 12.02 MMT in May it was up 24.5% from the 8.25 MMT imported in June 2022. Through the first half of 2023, China imported 52.58 MMT of soybeans, up 13.6% from the same period last year.

Chinese soybean imports are expected to be between 10 MMT and 11 MMT this month, but are likely to slow after that amid weakened feed demand from the hog industry.

China deflation concerns mount

China's producer price index dropped 5.4% annually in June. It was the ninth consecutive month of producer deflation and the fastest fall since December 2015 amid weakening demand and moderating commodity prices. China's consumer price index was unchanged from year-ago in June. Food prices rose for the first time in three months due to a rebound in the cost of both fresh vegetables and eggs despite a sharp fall in pork prices. China's deflation risks spur speculation about increased stimulus measures.

Chinese meat imports rise

China imported 670,000 metric tons of meat in June, up 12.1% from May and 11.1% more than last year. China doesn't break down the preliminary meat trade data by category, but the increase was driven by pork imports, which have been on the rise since late 2022. During the first half of 2023, China imported 3.81 MMT of meat, up 10.2% from the same period last year.

China cuts cotton import forecast

China's ag ministry cut its 2022-23 cotton import forecast amid weaker-than-expected demand from the textile industry. The ministry now expects China to import 1.45 MMT of cotton, down 400,000 metric tons (MT) from its prior forecast and 280,000 MT less than 2021-22. Chinese cotton imports are forecast by the ag ministry to rebound to 1.85 MMT in 2023-24.

USDA made similar adjustments, lowering China's 2022-23 import forecast and raising it for 2023-24.

Pork exports hit two-year high

The U.S. exported 618.1 million lbs. of pork during May, which was the highest for any month since May 2021. Pork shipments increased 37.5 million lbs. (6.5%) from April and 67.7 million lbs. (12.3%) from May 2022, driven by big monthly and yearly increases to Mexico. Through the first five months of this year, the U.S. shipped 2.867 billion lbs. of pork, up 250.7 million lbs. (9.6%) from the same period last year.

U.S. beef exports totaled 267.1 million lbs. in May, down 550,000 lbs. (0.2%) from April and 52.8 million lbs. (16.5%) less than last year. In the first five months of 2023, the U.S. shipped 1.314 billion lbs. of beef, down 158.3 million lbs. (10.8%) from the same period last year.

USDA raises pork export forecast

USDA raised its pork export outlook 110 million lbs. and now expects a 9.0% increase from last year. The 2024 pork export projection was increased 60 million lbs. and now reflects a 1.0% increase from this year.

USDA trimmed its pork production forecast 5 million lbs., though it is still anticipated to rise 1.4% from last year. For 2024, USDA forecasts a modest 0.1% increase in pork production.

USDA trims beef export outlook

USDA trimmed its 2023 beef export forecast 10 million lbs. from last month. Shipments are now expected to fall 9.3% from last year. USDA kept its 2024 beef export projection unchanged, though it still calls for another 8.2% decline.

USDA raised its 2023 beef production forecast 75 million lbs. from last month, though it is still expected to fall 4.0% from last year. USDA cut its beef production projection for next year and it is now expected to fall another 9.0%.

Vilsack touts climate change impacts

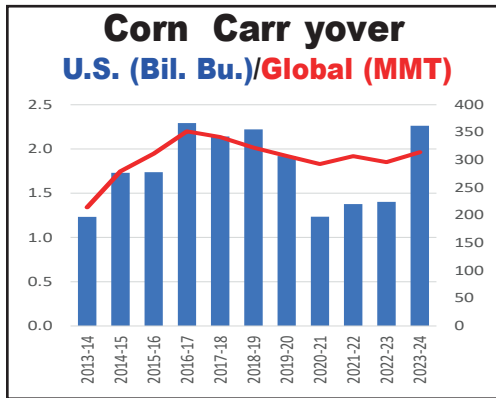
USDA Secretary Tom Vilsack said tackling climate change can boost farm revenue through the adoption of climate-smart practices. Under USDA, the climate-smart initiative has expanded to \$3.1 billion, having received around 1,000 project applications. Vilsack commented this isn't solely about climate change, but also farm income and safeguarding opportunities for smaller producers.

But Vilsack's use of a \$30-billion Commodity Credit Corp fund (for crop and conservation payments) to launch the Partnerships for Climate-Smart Commodities initiative has drawn opposition in Congress.

The Biden administration also will allocate \$300 million to enhance data on greenhouse gas emissions and carbon sequestration associated with climate-smart agriculture. This, according to Vilsack, will serve as a critical link between farming practices and markets willing to pay for demonstrated greenhouse gas and carbon reductions.

New-crop bean stocks not cut as much as expected

by Editor Brian Grete



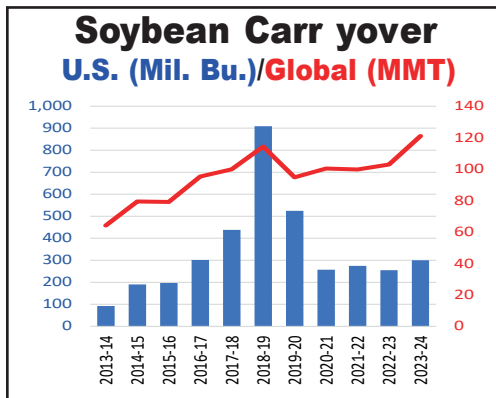
CORN — USDA cut old-crop ending stocks 50 million bu. to 1.402 billion bushels. USDA raised feed and residual use 150 million bu. but cut food, seed and industrial use 25 million bu. (all corn-for-ethanol use) and exports 75 million bushels.

For 2023-24, USDA raised its ending stocks forecast 5 million bu. to 2.262 billion bu. on an increase in total supply. USDA made no changes on the demand side.

Our corn ending stocks forecasts are 1.425 billion bu. for 2022-23 and 2.215 billion bu. for 2023-24.

- **USDA 2022-23 price: \$6.60, unchanged from June; 2023-24: \$4.80, unchanged.**

Global corn carryover: 296.3 million metric tons (MMT) for 2022-23, down 1.6 MMT from last month; 314.1 MMT for 2023-24, up 140,000 metric tons (MT).



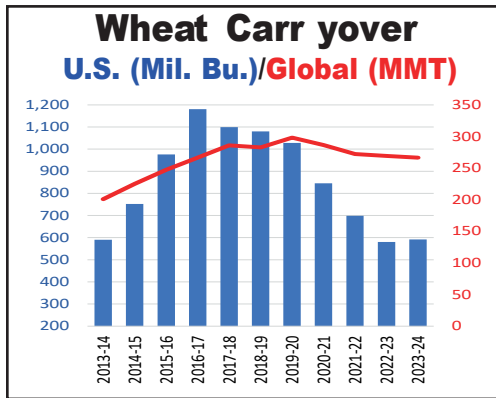
SOYBEANS — USDA raised old-crop ending stocks 25 million bu. to 255 million bushels. USDA increased total supply 5 million bu. on a bigger import estimate. It cut total use 20 million bu. amid a 20-million-bu. cut to exports, a 5-million-bu. reduction in seed use and a 4-million-bu. increase to residual “use.”

For 2023-24, USDA cut ending stocks 50 million bu. to 300 million bushels. Total supply was lowered 185 million bu. to reflect smaller acreage. USDA cut total use 135 million bu., with crush down 10 million bu. and exports down 125 million bushels.

Our soybean ending stocks forecasts are 240 million bu. for 2022-23 and 250 million bu. for 2023-24.

- **USDA 2022-23 price: \$14.20, unchanged from June; 2023-24: \$12.40, up 30¢.**

Global soybean carryover: 102.9 MMT for 2022-23, up 1.6 MMT from last month; 121.0 MMT for 2023-24, down 2.4 MMT from June.



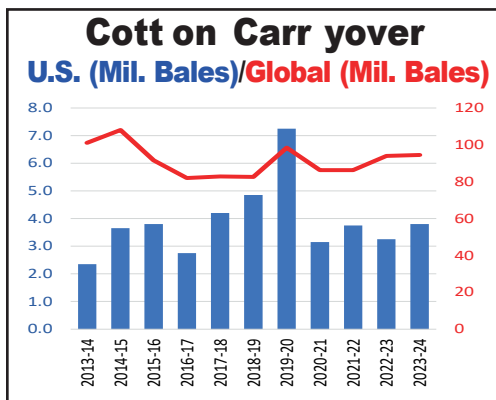
WHEAT — Old-crop carryover was set with June 1 stocks at 580 million bushels. USDA trimmed total supply 3 million bu. on smaller imports. Total use was raised 15 million bushels.

For 2023-24, USDA raised projected ending stocks 30 million bu. to 592 million bushels. Total supply was raised 50 million bu., which was only partially offset by 20-million-bu. increase to projected feed and residual use.

Our wheat ending stocks forecast is 570 million bu. for 2023-24.

- **USDA 2022-23 price: \$8.83, down 2¢ from June; 2023-24: \$7.50, down 20¢.**

Global wheat carryover: 269.3 MMT for 2022-23, up 2.7 MMT from last month; 266.5 MMT for 2023-24, down 4.2 MMT from last month.



COTTON — USDA raised its old-crop cotton ending stocks estimate 50,000 bales to 3.25 million bales. It cut exports 100,000 bales and only partially offset that with a 50,000-bale increase to domestic use.

For 2023-24, USDA increased ending stock 300,000 bales to 3.8 million bales. Total supply was increased 50,000 bales but total use declined 250,000 bales due to a smaller export projection.

Our cotton ending stocks forecasts are 3.25 million bales for 2022-23 and 3.85 million bales for 2023-24.

- **USDA 2022-23 price: 82.0¢, unchanged from June; 2023-24: 76.0¢, down a penny.**

Global cotton carryover: 94.0 million bales for 2022-23, up 1.1 million bales from June; 94.5 million bales for 2023-24, up 1.7 million bales from last month.

CATTLE - Fundamental Analysis

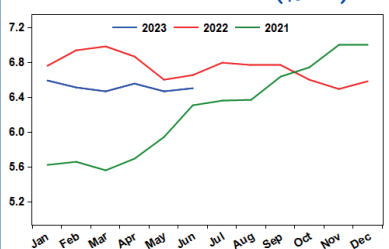
The spread between Choice- and Select-grade beef values continues to hover around \$30.00, highlighting the shortage of well-finished cattle and beef. Meanwhile, June retail prices remained below year-ago levels (see "From the Bullpen" on *Analysis* page 4), suggesting consumer demand will also remain robust. These are two reasons we anticipate a potential repeat of the midsummer 2021 wholesale market surge to its second highest level on record (with the first being the peak of the 2020 Covid crisis). If so, cash cattle and futures prices will likely set fresh records.

Position Monitor

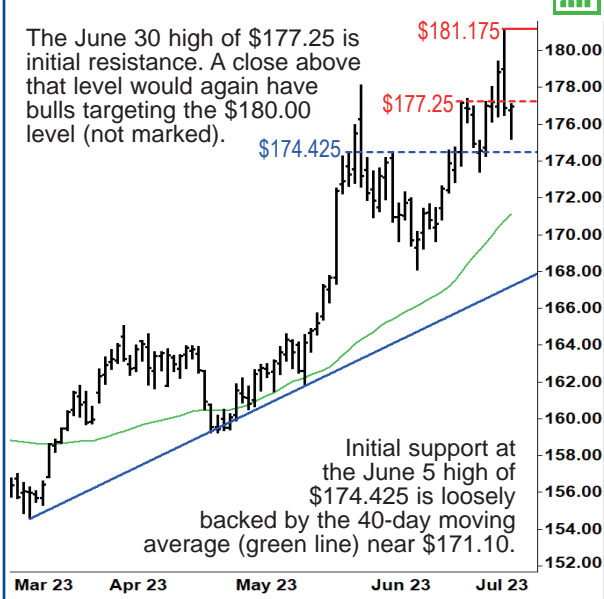
Game Plan:	Feds	Feeders
Hedges in	III'23 0%	0%
futures are	IV'23 0%	0%
risky given	I'24 0%	0%
	II'24 0%	0%

their discounts to cash. If you want downside coverage, purchase put options for hedges.

MONTHLY RETAIL BEEF (\$/LB.)



DAILY AUGUST LIVE CATTLE



HOGS - Fundamental Analysis

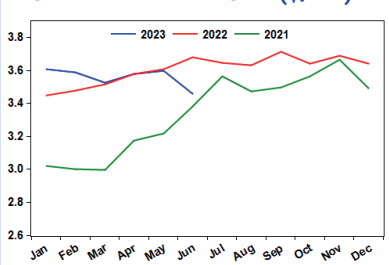
We believe the chart below largely explains the hog and pork complex's extremely weak spring, as well as the June reversal and the sustained strength seen since then. Grocers maintained retail pork prices at last year's high levels, causing consumers to look elsewhere for bargains. But they slashed prices last month and triggered a vigorous consumer response. We expect more of the same during the coming weeks, with lower bacon prices during BLT season enabling that market to lead the complex higher. The seasonal acceleration of slaughter in early August could signal the start of the usual second-half drop.

Position Monitor

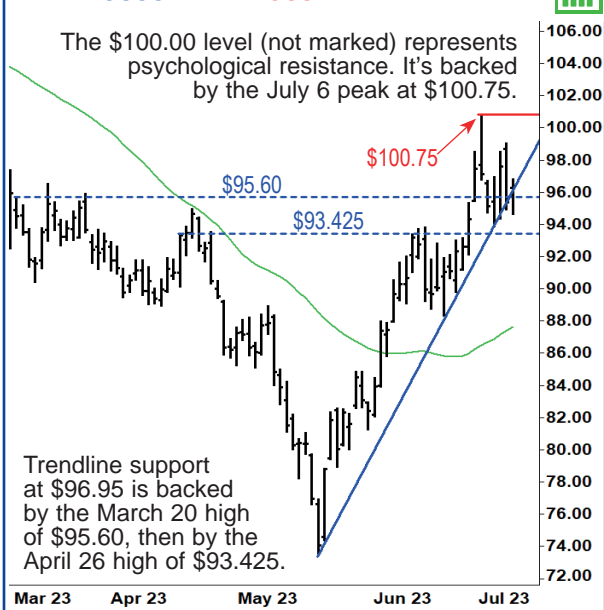
Game Plan:	Lean Hogs
Carry all risk in the	III'23 0%
strengthening	IV'23 0%
cash market. The	I'24 0%
seasonal rally in cash and futures	II'24 0%

has extended longer than normal, so watch for topping action.

MONTHLY RETAIL PORK (\$/LB.)



DAILY AUGUST LEAN HOGS



FEED

Feed Monitor

Corn

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

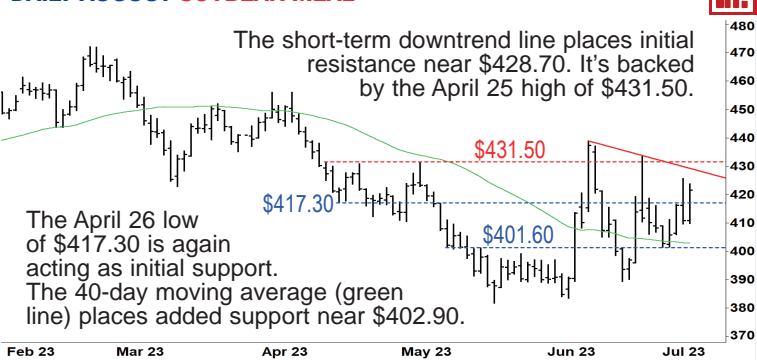
Corn Game Plan: On July 12, we advised covering remaining July corn-for-feed needs in the cash market. Be prepared to extend coverage on a deeper price pullback.

Meal

III'23	50%
IV'22	0%
I'24	0%
II'24	0%

Meal Game Plan: On July 12, we advised covering remaining July soy meal needs in the cash market. Half of your August meal needs were previously covered in cash. Use further weakness to extend coverage.

DAILY AUGUST SOYBEAN MEAL



Position Monitor

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

Game Plan: The December \$7.00 short-dated calls we purchased on 25% of 2023-crop will likely expire worthless on July 21. Weather/crop threats have been reduced by recent rains and the technical outlook has weakened. It's going to take a fresh bullish catalyst to encourage more than modest corrective buying. You must be prepared to use any extended price rallies to advance old- and new-crop sales.

DAILY DECEMBER CORN

Resistance is layered from the May 12 low of \$5.04 up to the 40-day moving average (green line) near \$5.33.



The May 17 low of \$4.94 represents initial support, with additional support standing at the July 12 low of \$4.81 3/4.

DAILY SEPTEMBER 2023 CORN

Psychological resistance at the \$5.00 level (not marked) is bolstered by the May 12 low of \$5.05 1/2.

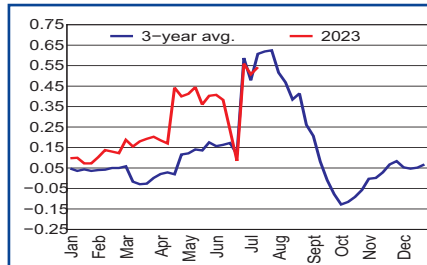


Initial support at the May 18 low of \$4.86 1/4 is backed by the July 12 low of \$4.74.

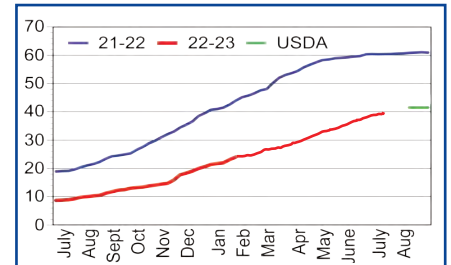
CORN - Fundamental Analysis

The corn market's negative reaction to the July 12 USDA Supply & Demand Report (see *News* page 4) may have marked the culmination of the early-summer breakdown. The subsequent rebound likely marked widespread short-covering, as well as a bullish response to the U.S. dollar's dive below par (see "General Outlook" on *Analysis* page 4). Whether a secondary weather rally is looming is open to question, although drought is a significant concern in areas of the Corn Belt. The weaker greenback could amplify the early-July export sales result, which reached a three-month high. Still, the situation virtually demands an aggressive sales posture.

AVERAGE CORN BASIS (SEPT.)



CORN EXPORT BOOKINGS (MMT)



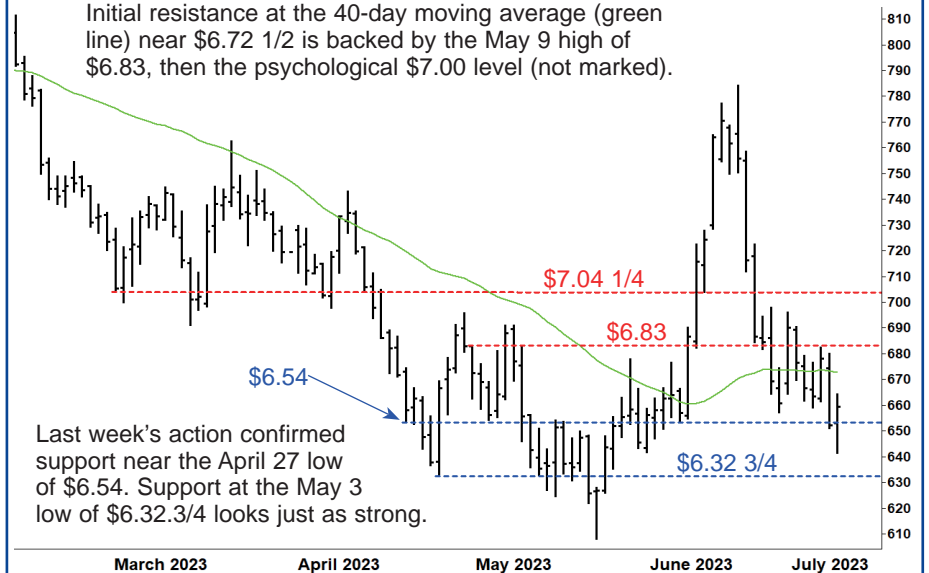
Position Monitor

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

Game Plan: Wheat is going to struggle to find any sustained buyer interest with corn falling — despite spring wheat concerns in the Northern Plains and Canadian Prairies. Wait on a corrective rebound to advance sales.

DAILY DECEMBER SRW WHEAT

Initial resistance at the 40-day moving average (green line) near \$6.72 1/2 is backed by the May 9 high of \$6.83, then the psychological \$7.00 level (not marked).



Last week's action confirmed support near the April 27 low of \$6.54. Support at the May 3 low of \$6.32 3/4 looks just as strong.

WHEAT - Fundamental Analysis

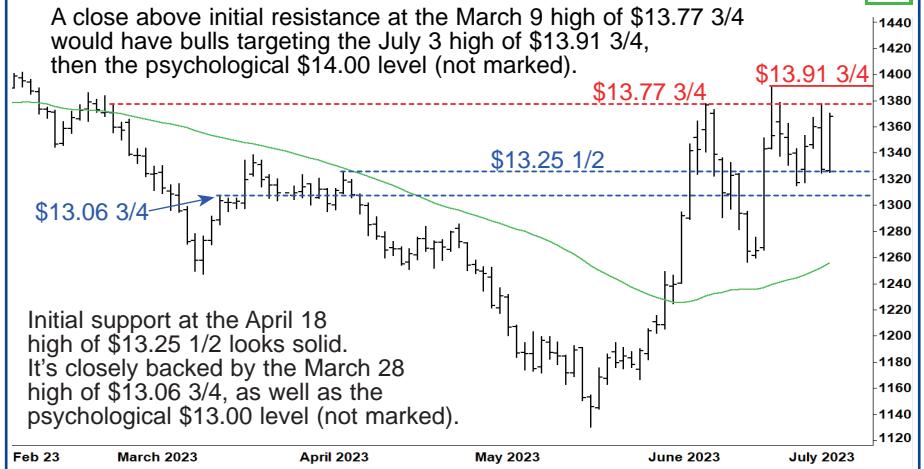
SRW — Last week's U.S. dollar drop may partially alleviate the disadvantages faced by U.S. wheat on the global market. Weather problems plaguing the spring wheat crop also look supportive. But harvest pressure and any corn weakness would be price-restrictive.

Position Monitor

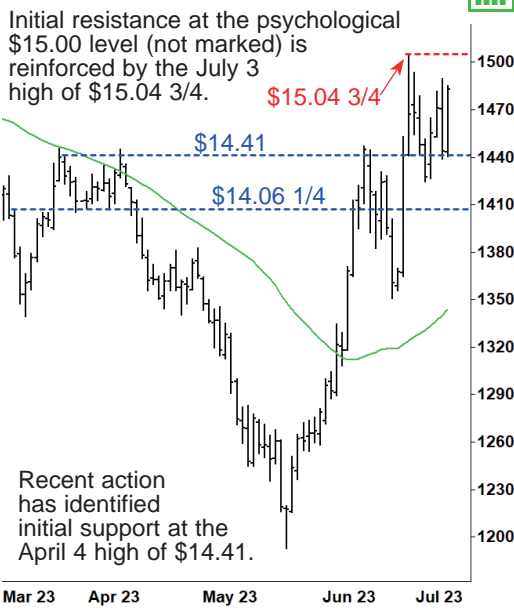
	'22 crop	'23 crop
Cash-only:	80%	25%
Hedgers (cash sales):	80%	35%
Futures/Options	0%	25%

Game Plan: USDA didn't tighten new-crop ending stocks as much as expected, which likely means a short-term top is in place. It will likely take another weather threat to recharge buyer interest. The premium on the November \$14.00 short-dated calls that expire July 21 dwindled following the July 12 reports. Be prepared to capture the remaining premium or roll to an August expiration call.

DAILY NOVEMBER SOYBEANS



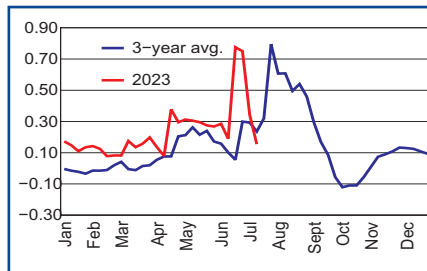
DAILY AUGUST 2023 SOYBEANS



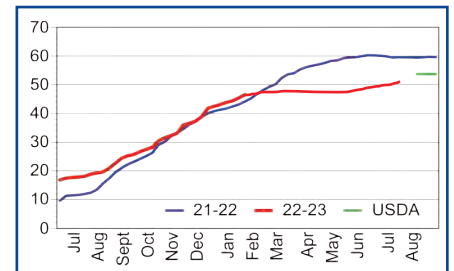
SOYBEANS - Fundamental Analysis

USDA reduced its 2023-24 soybean ending stocks projection 50 million bu. (14.3%) after slashing harvested acres. Numerous anecdotal reports also point to short soybeans due to the extended dryness. Conversely, 51% of the crop is still rated "good" to "excellent" and rainfall has improved in some locations. As noted previously, World Weather Inc. reports favorable late-summer Midwest weather in similar La Niña to El Niño transition years. Look for the corn market to continue influencing soybeans despite the big divergence in spring plantings. This is a big reason we remain committed to boosting sales on substantial rallies.

AVERAGE SOYBEAN BASIS (AUG.)



SOYBEAN EXPORT BOOKINGS (MMT)



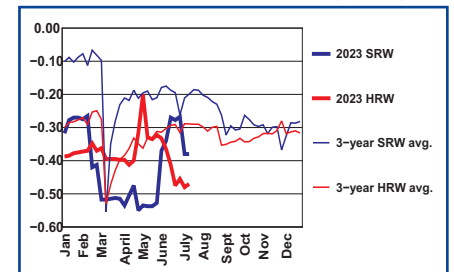
DAILY DECEMBER HRW WHEAT



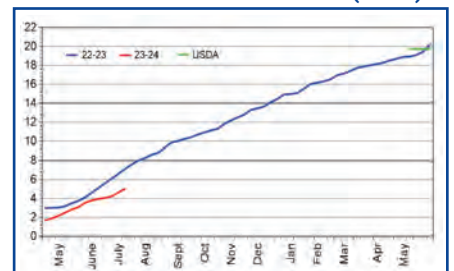
DAILY SEPTEMBER HRS WHEAT



AVERAGE WHEAT BASIS (SEPT.)



WHEAT EXPORT BOOKINGS (MMT)



HRW – The HRW harvest is lagging, best exemplified by the Kansas harvest at 59% complete versus the five-year average at 84% done. This may have resulted in some fields being damaged by recent storms. Nevertheless, having USDA boost its HRW crop estimate 45 million bu. (8.5%) will handicap short-term rally efforts.

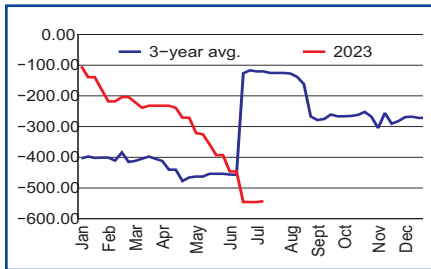
HRS – Alberta declared an "Agricultural Disaster" last week, with the HRS situation in Saskatchewan reportedly even worse. The North Dakota crop is also stressed. The worsening drought may power an HRS rally and lend support to winter wheat prices. Forthcoming U.S. dollar action could be a wild card for the market.

Position Monitor

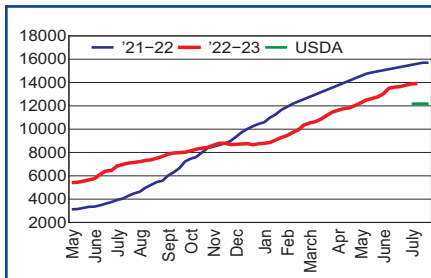
	'22 crop	'23 crop
Cash-only:	100%	50%
Hedgers (cash sales):	100%	50%
Futures/Options	0%	0%

Game Plan: You should be finished with 2022-crop sales. Wait on an extended rally to 84.00¢ or higher to advance new-crop sales.

AVERAGE COTTON BASIS (OCT.)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY DECEMBER COTTON

Initial resistance stems from the March 29 low of 82.13¢. It's backed by the same day's high of 83.58¢.



COTTON - Fundamental Analysis

USDA's cuts to its old- and new-crop export forecasts and the resulting increases in ending stocks at least temporarily halted the early-summer rally. The market may require supportive news to resume the push higher. We remain focused on selling a rally back to the winter highs.

GENERAL OUTLOOK

CURRENCIES: Last week's U.S. consumer price index (CPI) for June suggests the Federal Reserve likely will be able to back off on its monetary policy tightening sooner than previously expected. Still, the general consensus of the marketplace is the Fed will raise the Fed funds rate 25 basis points at its late-July monetary policy meeting, after keeping the rate unchanged in May.

However, the tamer June CPI reading

changes the calculus regarding the September FOMC meeting. There's a lot more U.S. economic data to examine before the September meeting, but the trajectory of inflation is lower, suggesting there is light at the end of the tunnel for the Fed's monetary-policy-tightening cycle. That would be bearish for the U.S. dollar, which could spur commodity demand, and also suggests Treasury yields have peaked.

WEEKLY U.S. DOLLAR INDEX

Last week's drop flipped former support at 100.85 to initial resistance.



FROM THE BULLPEN By Economist Consultant Dan Vaught

June retail meat prices largely met our expectations and look supportive of the outlook for the cattle and hog markets.

As expected, the spring surge to record cattle prices translated into rising steak costs, with the June steak average climbing 5.4% annually. Conversely, having "all other beef" remain 2.3% under year-ago looks quite supportive of the late-summer outlook, since it suggests grocers are unwilling to start actively boosting the price of other beef products. Having ground beef prices rise just 0.6% from June 2022 also looks supportive.

Prospects for improved pork demand also seem decidedly better at that point. After months of consistently matching or exceeding year-ago levels, "all other pork"

prices averaged 6.1% under year-ago levels during June. Elevated retail costs suppressed consumer demand and kept the hog market depressed through early spring. Conversely, the strong consumer response to the lower prices could power sustained hog and wholesale pork gains.

The short-term outlook seems quite promising since June retail bacon prices averaged 15.9% below year-ago. We suspect the consumer response during BLT season will surprise the market and pull the whole complex higher. On the other hand, having retailers maintain ham prices 9.6% over year-ago will likely boost ham stocks this summer, which in turn bodes ill for the fourth-quarter outlook as those supplies hit the market.

WATCH LIST

- 1 USDA Crop Progress Report** **MON 7/17**
Will rains improve crop ratings? 3:00 p.m. CT
- 2 USDA Export Sales Report** **THUR 7/20**
Sluggish sales likely to continue. 7:30 a.m. CT
- 3 NWS Extended Weather** **THUR 7/20**
Forecasts for August-October 7:30 a.m. CT
- 4 USDA Cattle Inventory Rpt.** **FRI 7/21**
Cattle herd continued to contract. 2:00 p.m. CT
- 5 USDA Cattle on Feed Report** **FRI 7/21**
Feedlot supplies continue to shrink. 2:00 p.m. CT

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