



### News this week...

- 2 – Disease taking bite out of Argentine corn crop.
- 3 – China's reduced ag imports tied to U.S. policy?
- 4 – Breakdown of USDA's April S&D Report.

**Grains still seeking bullish catalyst** – USDA's April Supply & Demand Report failed to provide any bullish surprises (see [News](#) page 4 for details). While corn, soybeans and wheat drifted lower last week, they remained in their established sideways patterns as traders await a bullish catalyst to entice them to actively cover short positions. Barring bullish news, price action is likely to remain relatively sideways, as the downside should be limited by already-hefty fund short positions, while the upside will remain capped. Live cattle futures paused following the recent technical breakdown, while the cash market continued to retreat from the late-March high as packers continued to limit slaughter runs. Hog futures scored new contract highs amid seasonally rising cash fundamentals before facing profit-taking.

## Hot, then cold for HRW wheat areas

Hot temps will be seen across the Central and Southern Plains into early this week. That will be followed by much colder temps the second half of this week, including frosts/freezes in some areas. While damage from the cold may be limited, extreme temperature swings could impact the crop.

## ENSO transition underway

Sea surface temperatures continued to cool across most of the equatorial Pacific Ocean during March, reflecting a continued weakening of El Niño. The U.S. Climate Prediction Center (CDC) says there are 85% odds of a transition to ENSO-neutral (neither El Niño nor La Niña) during the April-June period, with a 60% chance of La Niña developing in the June-August timeframe and rising from there.

## China's soy imports at four-year low

China imported 5.54 million metric tons (MMT) of soybeans last month, down nearly 20% from last year and the lowest for the month in four years. During the first quarter, China imported 20.83 MMT of soybeans, down 10.8% from the same period last year and also a four-year low.

## Disappointing China trade data

China's imports fell 1.9% to \$221.15 billion in March, while exports dropped 7.5% to \$279.68 billion, resulting in a \$58.55 billion surplus, the smallest since last October. The unexpected drop in imports suggests Chinese consumers, affected by a prolonged real estate downturn, are reluctant to spend, highlighting ongoing economic challenges.

## BIAV spreads in dairy cattle

We will now refer to the H5N1 virus in dairy cattle as Bovine Influenza A Virus (BIAV). As of April 10, USDA had confirmed BIAV in dairy cattle in eight states – Texas (9), New Mexico (4), Kansas (3), Michigan (2), Ohio (1), Idaho (1), South Dakota (1) and North Carolina (1). Some 17 states are now enforcing bans on the entry of dairy cattle from states with BIAV.

## SAF hurdles remain for ethanol

Reuters reported the updated model used to assess feedstocks eligible for sustainable aviation fuel (SAF) credits won't automatically qualify corn-based ethanol. The preliminary model, expected by May 15, would require corn-based ethanol to be sourced from farmers using efficient tillage, cover crops or efficient fertilizer applications. The plan initially considered requiring all three practices to be eligible. The model could be expanded to include a broader range of options when the administration issues its final rule later in the year. This could cause the corn/ethanol industries to shift focus to the 45Z credit that will be available in 2025.

## Brazil to keep tax on U.S. ethanol

Brazil will maintain tariffs on imported U.S. ethanol despite "tough" complaints from the Biden administration. Brazil said one option may be for it to reduce tariffs in exchange for an increase in the domestic U.S. blending mandate. Brazilian ethanol already has duty-free access to the U.S. market and additional incentives via U.S. environmental standards.

## House farm bill: Steps forward, back

House Ag Chair Glenn "GT" Thompson (R-Pa.) says his panel will markup a farm bill by Memorial Day. Some details are surfacing but issues over additional funding in the House measure have Democrats flustered in coming up with alternatives. The Democrat-led Senate will follow the House, with some key differences expected. Bottom line: Significant hurdles remain for a farm bill yet this year.

## Sticky inflation may stall Fed cuts

The annual consumer inflation rate accelerated to 3.5% in March. The producer price index rose 2.1% annually. Sticky inflation pushed the U.S. dollar index to the highest level since November amid ideas the Fed will keep rates higher for longer. Fed fund futures now reflect the highest odds are for the first rate cut in September, with two reductions now expected this year instead of three. The Fed's desire for rate cuts and a soft landing is being challenged.

## Conab lowers soybean, corn crops

Conab trimmed its Brazilian soybean crop estimate by 336,000 metric tons (MT) from last month to 146.5 million metric tons (MMT). Brazil's 2023-24 soybean export forecast was unchanged at 92.3 MMT, well below last year's record of nearly 102 MMT.

Conab cut its Brazilian corn crop forecast by 1.8 MMT to 111.0 MMT, due mostly to expectations of smaller safrinha production. Conab noted smaller safrinha corn plantings and projected lower yields. Conab reduced its 2023-24 Brazilian corn export forecast by 1 MMT to 31 MMT, down sharply from 54.6 MMT in 2022-23.

South American crop consultant Dr. Michael Cordonnier left his Brazilian crop estimates at 145 MMT for soybeans and 112 MMT for corn.

USDA kept its Brazilian crop forecasts at 155 MMT for soybeans and 124 MMT for corn.

## Brazil's rainy season nearing its end

Recent rains improved soil moisture conditions across safrinha corn areas of center-west and south-central Brazil. Additional rains are expected over these areas through April 19. But World Weather Inc. says that could be the "last hurrah" for the traditional rainy season.

Topsoil moisture will be adequate to excessive from Mato Grosso and Goias to Maranhao, Piaui, western Bahia and portions of Tocantins and western Minas Gerais. Subsoil moisture in these areas will vary from marginally adequate to surplus. Mato Grosso do Sul and Parana will have adequate topsoil moisture, but subsoils will be drier.

World Weather says, "Without timely rain, many of the safrinha crops in these areas will struggle with dryness during pollination and grain fill." However, it notes conditions won't be nearly as poor as once feared if periodic rains occur in late April and May.

## Disease reduces Argy crop outlook

The Rosario Grain Exchange slashed its Argentine corn crop forecast by 6.5 MMT to 50.5 MMT, citing "unprecedented" damage from spiroplasma that causes corn stunt disease. The Buenos Aires Grain Exchange cut its Argentine production forecasts by 1.5 MMT to 51 MMT for soybeans and by 2.5 MMT to 52 MMT for corn amid disease pressure.

Cordonnier cut his Argentine corn crop estimate by 2 MMT to 53 MMT. He kept the soybean crop at 51 MMT.

USDA kept its Argentine soybean crop forecast at 50 MMT but cut the outlook for corn by 1 MMT to 55 MMT.

## Winter wheat ratings hold steady

USDA rated 56% of the winter wheat crop as "good" to "excellent," unchanged from the previous week, though there was a one-point increase in the top category. USDA rated 12% of the crop as "poor" to "very poor," up one point.

On the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the HRW crop slipped 0.1 point to 345.3 while the SRW crop improved 2.3 points to 373.8. CCI ratings are far above year-ago for HRW and slightly better for the SRW crop.

### Crop ratings suggest eight-year low in abandonment

Based on current crop condition ratings, this year's winter wheat abandonment rate is likely to be around 19%. That would be the lowest since 2016. Less abandonment and likely higher yields will more than offset the decline in planted acres to push production higher.

## Drought footprint expands in KS, OK

As of April 9, USDA estimated 18% of U.S. winter wheat areas were covered by drought, unchanged from the previous week but well below 49% on this date last year. General improvements in SRW areas were offset by increased dryness/drought in Kansas and Oklahoma.

In HRW areas, dryness/drought covered 81% of Kansas, 35% of Colorado (only a small area of D0 in wheat-heavy eastern areas of the state), 50% of Oklahoma, 45% of Texas, 28% of Nebraska (mostly in the eastern half of the state), 31% of South Dakota and 91% of Montana.

In SRW areas, dryness/drought covered 68% of Missouri, 19% of Illinois, 6% of Indiana, 0% of Ohio, 68% of Michigan, 25% of Kentucky and 25% of Tennessee.

## Study looks at acre impacts for SAF

Two UC-Davis analysts highlighted that satisfying sustainable aviation fuel (SAF) goals would require a significant increase in soybean plantings — by almost 50%. Conversely, relying solely on corn ethanol would necessitate a lesser increase in land area — around 9% — due to its higher yields per acre.

To reach the Biden administration's goal of producing 3 billion gallons of SAF by 2030, an estimated 8 million to 11 million acres of corn or 35 million to 50 million acres of soybeans would be required, depending on the rate of crop yield improvements over the next six years. Currently, SAF production stands at 16 million gallons annually.

The report warns a swift expansion into SAF could reignite debates over the food versus fuel dilemma, potentially prompting changes in land use for conservation and crop production akin to those seen during the implementation of Renewable Fuel Standard policies.



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## **China's reduced ag buys linked to U.S. policy?**

USDA Secretary Tom Vilsack suggests China's reduced purchases of American agricultural products, particularly corn and soybeans, may be linked to restrictions on foreign ownership of American farmland. In an interview with *Bloomberg*, Vilsack pointed out that China's ag minister mentioned Arkansas' enforcement of legislation forcing a Chinese-controlled company, Syngenta AG, to sell farmland. Vilsack highlighted that China's purchases of U.S. ag products have decreased by \$6 billion compared to the previous year. He questions whether this decline is solely due to increased purchases from Brazil or is part of a broader pattern of Chinese retaliation against U.S. policies.

## **Iowa signs law on foreign ownership of farmland**

Iowa limits foreign farmland purchases to 320 acres, with those who had farmland before 1980 allowed to retain their ownership. Under the new law, foreign landowners are required to provide detailed information about their landholdings in other states exceeding 250 acres. Failure to disclose leases or purchases of farmland by foreign entities could lead to fines of up to 25% of the property's value per violation. It also grants the state attorney general the ability to subpoena financial records and land purchase agreements from foreign landowners.

## **China raises corn, cotton import forecasts**

China's ag ministry raised its forecast for 2023-24 corn imports by 2.5 MMT to 20 MMT, which would be up 1.29 MMT (6.9%) from last year. The ag ministry raised its 2023-24 cotton import forecast by 300,000 MT to 2.3 MMT, which would be up 870,000 MT (60.8%) from last year.

## **China's plan to boost grain production**

China plans to boost grain production by more than 50 MMT by 2030. Corn and soybeans will be the major contributors to the grain output increase. For rice and wheat, the emphasis will be on improving crop quality. State media characterized China's grain situation a "tight balance" and said any production increase faces a "bottleneck."

## **Deflationary concerns rebuild in China**

China's consumer prices edged up 0.1% from year-ago in March, which was the second straight month of annual gains. But consumer prices gained notably less than the 0.7% rise in February, which was the first increase in six months. Food prices fell 2.7%, as costs of pork and fresh vegetables dropped following gains the previous month.

China's producer prices fell 2.8% from year-ago in March, the 18th straight month of contraction in factory-gate prices and the steepest decline since last November.

## **Pork exports stay strong in February**

The U.S. exported 593.4 million lbs. of pork in February, the second highest total ever for the month behind 2020. Pork shipments increased 5.7 million lbs. (1.0%) from January and were 89.2 million lbs. (17.7%) more than February 2023, fueled by a 22.0% surge in volume to Mexico. Shipments to Mexico accounted for 37% of all pork exports for the month. For the first two months of this year, the U.S. shipped 1.181 billion lbs. of pork, up 121.2 million lbs. (11.4%) from the same period last year. USDA raised its pork export forecast by 210 million lbs. to 7.34 billion lbs., which would be up 7.7% from last year.

Beef shipments totaled 244.1 million lbs. during February. While that was up 11.6 million lbs. (5.0%) from January, exports fell 6.6 million lbs. (2.6%) from last year. In the first two months of this year, beef shipments totaled 476.7 million lbs., down 16.7 million lbs. (3.4%) from the same period last year. USDA increased its beef export projection by 20 million lbs to 2.805 billion lbs., which would still be down 7.7% from last year.

## **USDA's makes changes for key data**

USDA's National Agricultural Statistics Service (NASS) will stop publishing the July Cattle Inventory Report. NASS will also discontinue the cotton objective yield survey, as well as all county estimates for crops and livestock beginning with this year. The decision to discontinue these surveys and reports was due to budgetary reasons. Other changes:

- The number of published states for the January Cattle Inventory Report will decline from 50 to 31, though it will publish all cattle and calves inventory, all cows inventory and calf crop for those 19 states. The 19 states will be Alaska, Connecticut, Delaware, Hawaii, Indiana, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Nevada, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, Utah, Vermont and West Virginia.

- NASS will reduce the number of published states for the December Hogs & Pigs Report from 50 to 16. The 16 published states will be Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Carolina, Ohio, Oklahoma, Pennsylvania, South Dakota and Texas. The 34 non-published states will be accounted for as "other states."

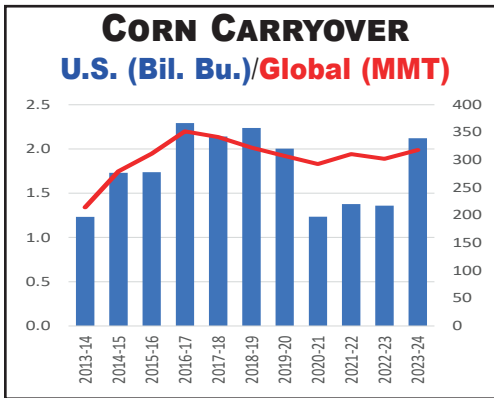
- Minnesota will move from a survey state for the monthly Cattle on Feed Report to a part of "other states."

- For the Milk Production Report, the number of published states will be 33. The 17 non-published states — Alabama, Alaska, Arkansas, Connecticut, Delaware, Hawaii, Louisiana, Massachusetts, Mississippi, Montana, New Hampshire, New Jersey, North Dakota, Rhode Island, South Carolina, West Virginia and Wyoming — will be included in "other states."



# USDA's modest changes fail to provide bullish spark

by Pro Farmer editors

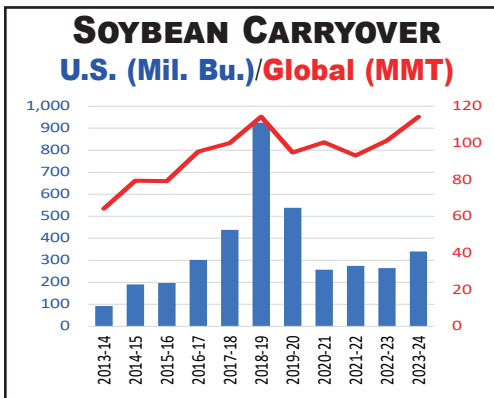


**CORN** — USDA cut 2023-24 ending stocks 50 million bu. from last month to 2.122 billion bushels. USDA made no change on the supply-side of the balance sheet. On the demand-side, USDA increased feed & residual use 25 million bu. (to 5.7 billion bu.), and food, seed & industrial use 25 million bu. (to 6.805 billion bu. with all the increase going to corn-for-ethanol production, which now stands at 5.4 billion bushels). Exports were unchanged from March at 2.100 billion bushels.

Our corn ending stocks forecast is 2.025 billion bu. for 2023-24. We continue to have a more optimistic outlook than USDA for feed use, corn-for-ethanol use and exports.

- **USDA 2023-24 price: \$4.70, down a nickel from March.**

Global corn carryover: 318.3 million metric tons (MMT) for 2023-24, down 1.4 MMT from March but still up 16.1 MMT from last year. USDA cut production by 1 MMT for Argentina (55 MMT) and 1.5 MMT for South Africa (14 MMT).

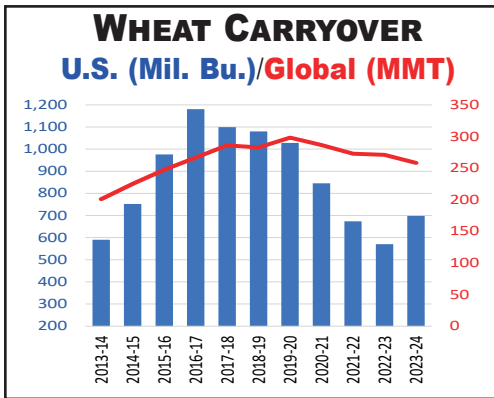


**SOYBEANS** — USDA raised carryover 25 million bu. from last month to 340 million bushels. USDA trimmed total supplies 5 million bu. to reflect a 5-million-bu. drop in soybean imports (to 25 million bushels). On the demand side, USDA left bean crush unchanged from last month at a record 2.300 billion bushels. It cut exports 20 million bu. to 1.700 billion bushels. Seed use was trimmed 2 million bu. (now at 100 million bu.) and residual use was cut 9 million bu. (to 13 million bushels).

Our soybean ending stocks forecast is 320 million bu. for 2023-24. We project higher crush and exports than USDA based on current usage rates.

- **USDA 2023-24 price: \$12.55, down a dime from March.**

Global soybean carryover: 114.2 MMT for 2023-24, down 50,000 metric tons (MT) from March but still up 12.9 MMT from last year.

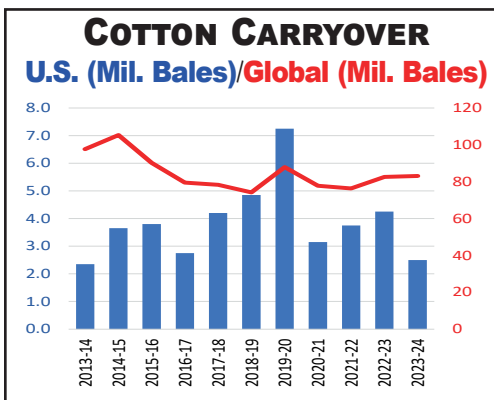


**WHEAT** — USDA raised ending stocks 25 million bu. from last month to 698 million bushels. USDA trimmed total supplies 5 million bu. to reflect a 5-million-bu. drop in wheat imports (to 140 million bushels). On the demand side of the balance sheet, USDA left exports at 710 million bu. and food use at 960 million bu. but cut 30 million bu. from feed & residual use (to 90 million bushels).

Our wheat ending stocks forecast is 710 million bu. for 2023-24. We forecast lower food use than USDA.

- **USDA 2023-24 price: \$7.10, down a nickel from last month.**

Global wheat carryover: 258.3 MMT for 2023-24, down 560,000 MT from last month and 12.7 MMT below last year.



**COTTON** — USDA kept projected ending stocks at 2.5 million bales. It made no changes to the supply or demand side of the old-crop balance sheet.

Our cotton ending stocks forecast is 2.6 million bales for 2023-24. We project reduced exports and less unaccounted use than USDA.

- **USDA 2023-24 price: 76¢, down a penny from last month.**

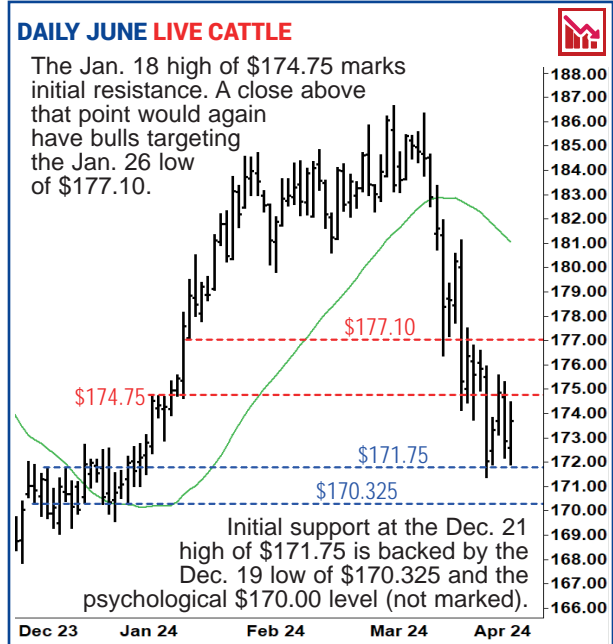
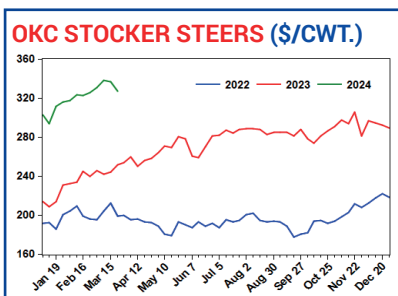
Global cotton carryover: 83.1 million bales for 2023-24, down 260,000 bales from last month but still up 470,000 bales from 2022-23.

**CATTLE - Fundamental Analysis**

In "From the Bullpen" on *Analysis* page 4, we discuss the negative impact severe reductions in packer operations have had on the cattle price outlook. The feedlot backlog created by those cutbacks, as reflected by contra-seasonal gains in steer weights and the greatly reduced Choice/Select beef price spread, seems likely to persist through spring, which in turn looks set to sustain downward pressure on fed cattle prices. But we also believe the market will find a bottom in summer or fall, then turn cyclically higher again. Elevated stocker prices indicate the probable tightness of future supplies.

Position Monitor			
Game Plan:		Feds	Feeders
Cattle	fu-	II'24 0%	0%
tures	could	III'24 0%	0%
face	more	IV'24 0%	0%
		I'25 0%	0%

near-term pressure. But hedges face increased risk given big discounts to the cash market.

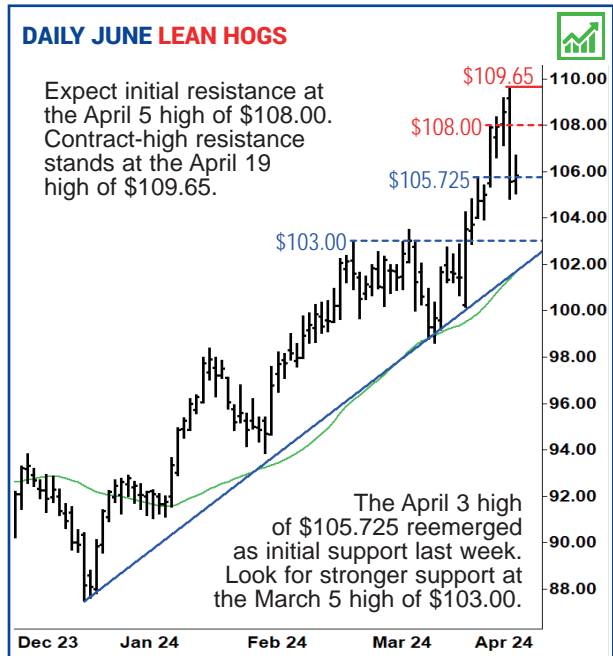
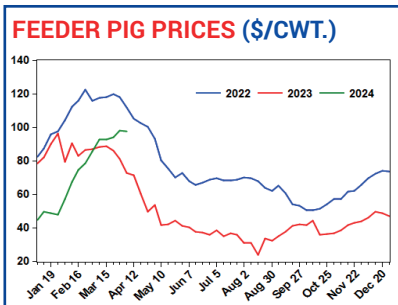


**HOGS - Fundamental Analysis**

Although hog slaughter rebounded above year-ago levels the past two weeks and USDA's Hogs & Pigs Report implied a slight annual increase in hog marketings during spring, we suspect the situation will remain tight. Hog slaughter typically falls sharply through spring, with totals regularly reaching annual lows in early summer. The first-quarter spike in feeder pig prices also points to a disparity between supply and demand forces. With the latest CPI data showing retail pork prices matching year-ago levels, consumer demand should continue powering the hog and pork complex higher.

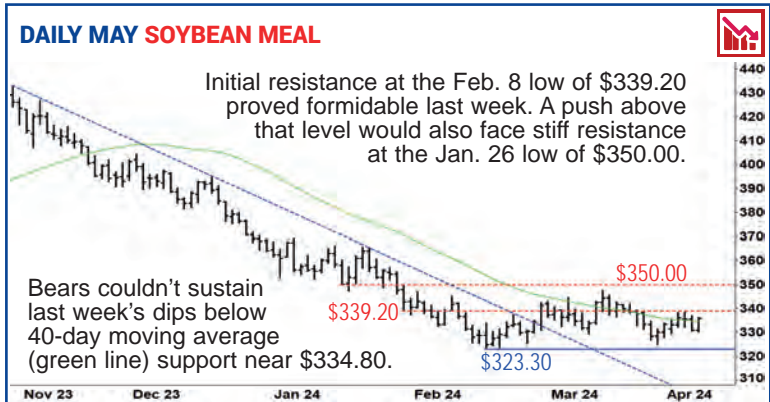
Position Monitor			
Game Plan:		Lean Hogs	
a short-term dip is possible, the cash market should		II'24 0%	0%
		III'24 0%	0%
		IV'24 0%	0%
		I'25 0%	0%

strengthen into summer. We don't feel summer premiums are excessive at this point.



**FEED**

Feed Monitor			
<b>Corn</b>		<b>Corn Game Plan:</b> You should have all corn-for-feed needs covered in the cash market through April. We don't want to get more aggressive in extending coverage until the market signals a major low.	
II'24	33%		
III'24	0%		
IV'24	0%		
I'25	0%		
<b>Meal</b>		<b>Meal Game Plan:</b> You should have all soybean meal needs covered in the cash market through April. Wait on signs of a major market low before extending coverage.	
II'24	33%		
III'24	0%		
IV'24	0%		
I'25	0%		

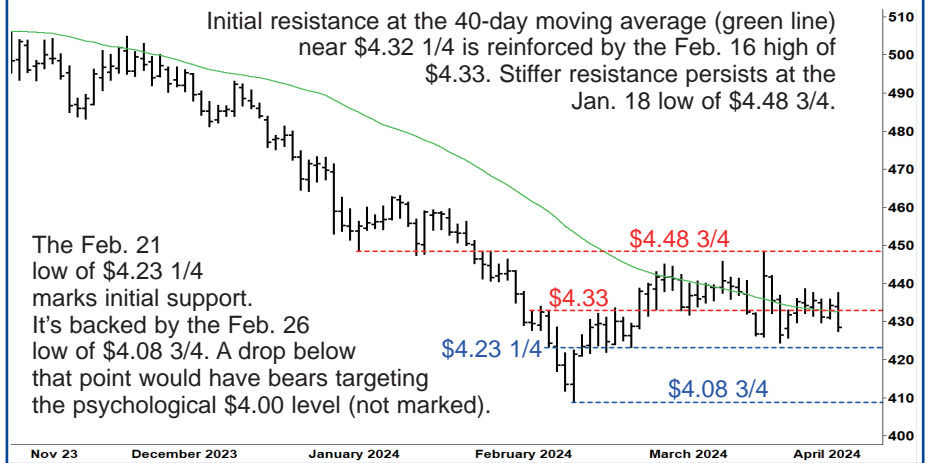


### Position Monitor

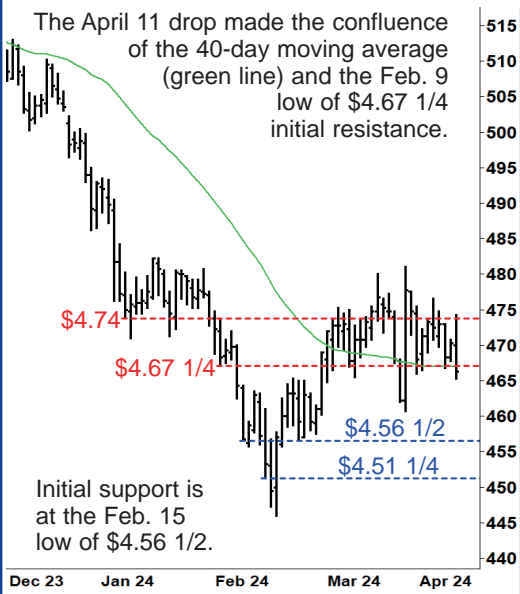
	'23 crop	'24 crop
Cash-only:	35%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	0%	0%

**Game Plan:** Futures are struggling to find sustained corrective buying. With funds heavily short, there is potential for an extended upside push. But given current fundamentals and heavy on-farm inventories, extended price rallies will be limited – and must be used as a selling opportunity. We are targeting a price rebound to \$4.50 or higher in May futures to extend 2023-crop sales and make initial 2024-crop sales.

### DAILY MAY CORN



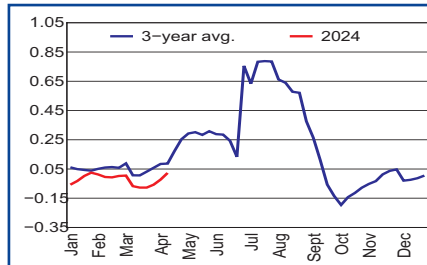
### DAILY DECEMBER CORN



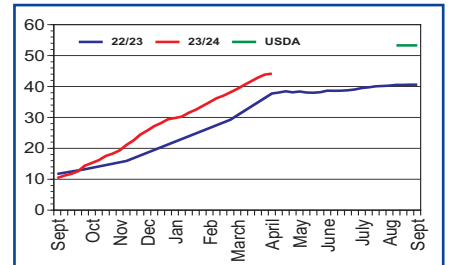
### CORN - Fundamental Analysis

Last week's price action served as a fresh reminder of bearish power over the corn situation and outlook. Not only did Conab and two Argentine grain exchanges reduce their estimates of Brazilian and Argentine corn production (see *News* page 2), USDA also trimmed its 2023-24 U.S. carryout forecast by 50 million bu. (see *News* page 4). But corn futures hit two-week lows, due in part to traders expecting a larger cut to ending stocks. Having the latest weekly export sales figure post a marketing-year low likely played a role in the selling as well. The export bookings chart illustrates the diminished prospects for the balance of the crop year. Be prepared to sell into rallies.

#### AVERAGE CORN BASIS (MAY)



#### CORN EXPORT BOOKINGS (MMT)

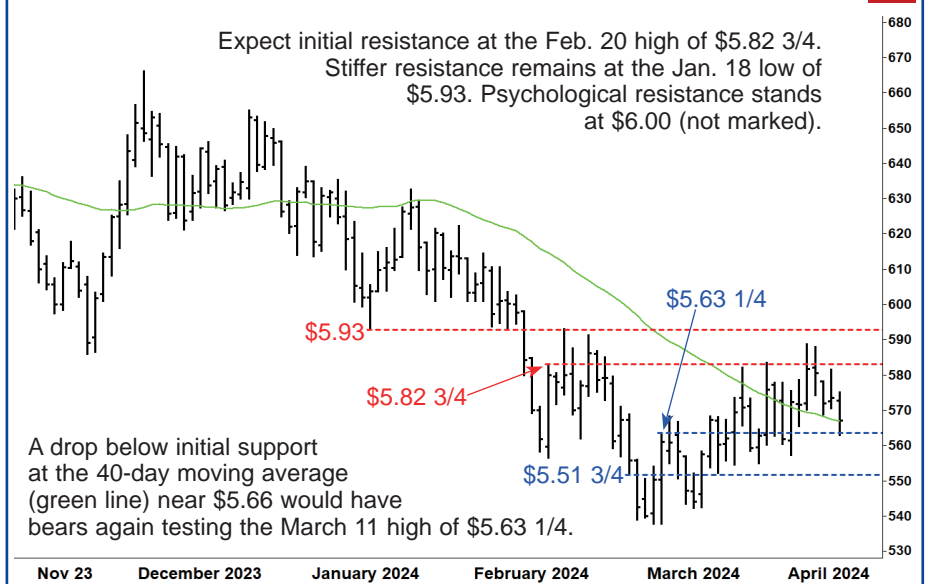


### Position Monitor

	'23 crop	'24 crop
Cash-only:	80%	20%
Hedgers (cash sales):	80%	20%
Futures/Options	0%	0%

**Game Plan:** Use periods of price strength to get current with advised sales, especially for old-crop. Be prepared to increase old- and new-crop sales on an extended price rally, as the upside is limited without help from corn.

### DAILY JULY SRW WHEAT



### WHEAT - Fundamental Analysis

**SRW** – Bulls couldn't sustain prior strength, with corn weakness weighing on prices. SRW conditions remain supportive of good harvest prospects, but sizeable new-crop premiums imply an improved price outlook as well. We doubt rallies will last if corn doesn't strengthen.

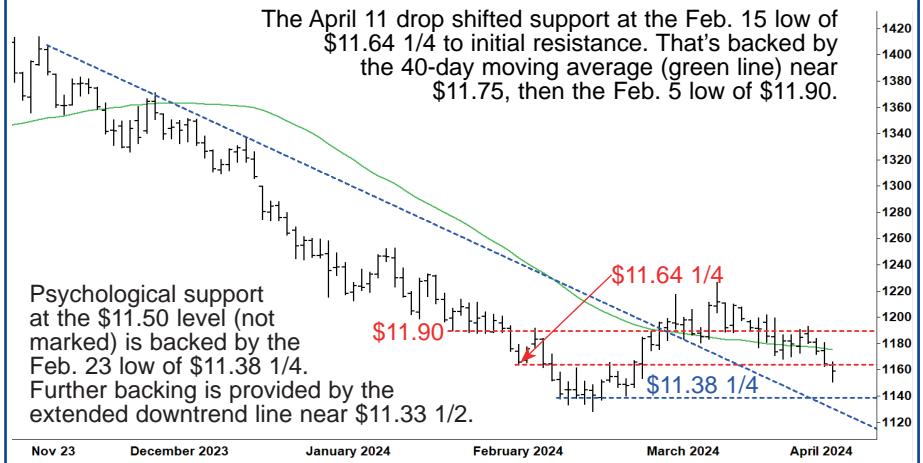


### Position Monitor

	'23 crop	'24 crop
Cash-only:	60%	10%
Hedgers (cash sales):	65%	10%
Futures/Options	0%	0%

**Game Plan:** Futures are rolling over from the March highs, suggesting there could be more near-term price pressure. You must be prepared to make additional sales on any notable corrective price gains as farmer selling is likely to be active and a sustained price rally seems unlikely barring a fresh bullish catalyst. Timing of new-crop sales will be based off the next move for old-crop.

### DAILY MAY SOYBEANS



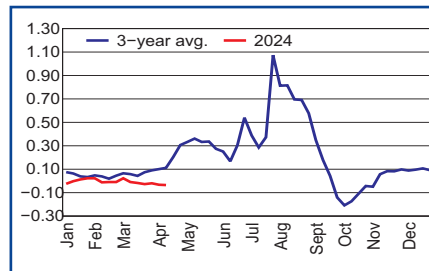
### DAILY NOVEMBER SOYBEANS



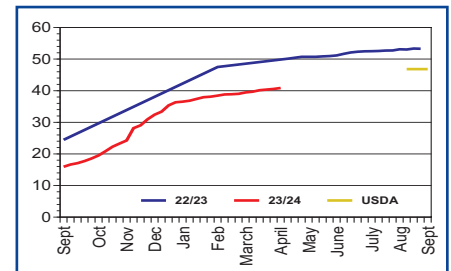
### SOYBEANS - Fundamental Analysis

The soy sector continues dealing with bifurcated demand, with torrid domestic usage failing to encourage traders focused on poor soybean exports. Funds remain heavily committed to the short side of the market and seem unlikely to abandon those positions in the absence of bullish news. That could eventually come in the form of approvals for sustainable aviation fuel (SAF), but that is a decidedly long-term factor. The market is more likely to be overtaken by other events, with weather or geopolitical developments having the greatest potential to change the situation. Still, with the South American crop essentially "made," the upside may remain limited short-term.

### AVERAGE SOYBEAN BASIS (MAY)



### SOYBEAN EXPORT BOOKINGS (MMT)



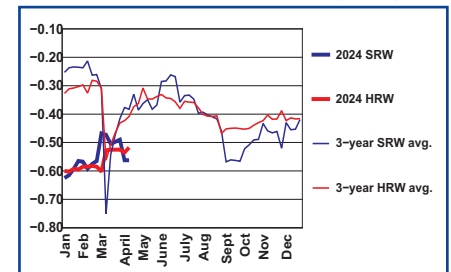
### DAILY JULY HRW WHEAT



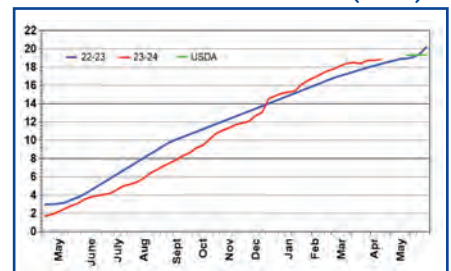
### DAILY SEPTEMBER HRS WHEAT



### AVERAGE WHEAT BASIS (MAY)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** — After climbing through winter, HRW crop ratings stabilized. Drought remains an issue for some areas of the HRW region (see *News page 2*). Still, it's much too early to sound any alarms about harvest prospects, although the late push above the 40-day moving average suggests the HRW price outlook has improved.

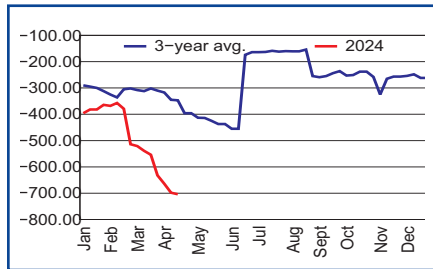
**HRS** — In contrast to winter wheat, last week's HRS price drop carried nearby futures below 40-day moving average support and left it resting on well-defined chart support. Increased acres and favorable conditions are weighting on HRS prices. Having December futures fall to a six-month low versus May also reflects this.

### Position Monitor

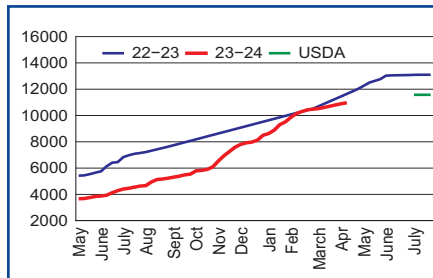
	'23 crop	'24 crop
Cash-only:	90%	25%
Hedgers (cash sales):	90%	25%
Futures/Options	0%	0%

**Game Plan:** The market has topped and there's more near-term downside risk. Old-crop inventories should be down to gambling stocks.

### AVERAGE COTTON BASIS (MAY)



### COTTON EXPORT BOOKINGS ('000 BALES)



### DAILY MAY COTTON

Last week's losses flipped former support at the Jan. 30 low of 84.97¢ to initial resistance. Stiffer resistance persists at the Jan. 25 high of \$87.03¢.



## COTTON - Fundamental Analysis

Cotton export sales remained depressed in early April. The weak demand response to sustained price declines over the past six weeks indicates other issues are impeding the market. Recent equity market declines and U.S. dollar strength have spurred long liquidation.

## GENERAL OUTLOOK

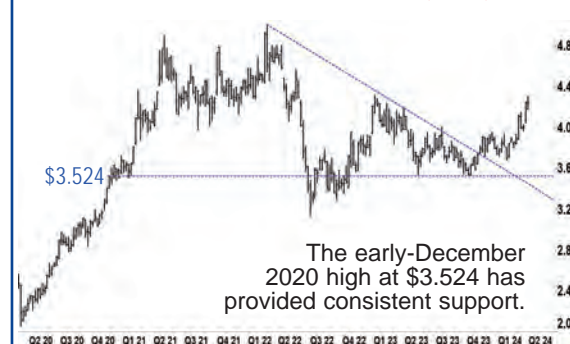
**METALS:** Copper futures scored a 15-month high last week, boosted in part by persistently upbeat U.S. economic data. This suggests better demand for the red metal. There have also been reports in China that some copper smelters there are reducing capacity due to poor margins.

Copper's nickname in the marketplace is "Dr. Copper," due to its importance to the global economy. It's not

only used heavily in worldwide construction, manufacturers depend on it.

Copper's recent rally is one more clue U.S. and global economic activity is on the upswing, and is another indicator of sticky raw commodity price inflation. That could make it more difficult for the Federal Reserve to lower interest rates this year. Sustained gains would support equity markets, but handicap construction and manufacturing.

### WEEKLY NEARBY COPPER FUTURES (\$/LB.)



## FROM THE BULLPEN By Economic Consultant Dan Vaught

One has to look back to the mid-1980s to find a first-quarter rise in steer dressed weights similar to the surge from 909 lbs. per head in early February to 924 lbs. in mid-March. Comparable 1985 and 1986 incidents likely reflected big grain, cattle and dairy industry disruptions, whereas recent gains mark a reaction to drastic packing industry cutbacks since last year. *What does this imply for the cattle outlook?*

The sharp tightening of the Choice/Select beef price spread from over \$30.00 at times this winter to under \$5.00 lately confirms the resulting surge in market-ready feedlot cattle and production of Choice-grade beef. Packer margins are still deep in the red, so we probably can't expect them to ramp up operational hours in the near

future. Thus, sustained cash market weakness into at least early summer seems probable.

But a bullish rebound seems likely to occur at some point later this year. The big discounts now built into futures will discourage feedlot placements and spur timely marketings. Cheaper feed will tend to encourage placements, but could be more than offset by persistent cyclical reductions of calf and yearling numbers. Feedlot supplies should tighten as a result. Conversely, renewed packer profitability should spur processing rates and stronger fed cattle demand.

Our research shows cattle prices tend to peak when herds hit their cyclical lows. We don't expect either before next year.

## WATCH LIST

- NOPA Soy Crush Report** **MON 4/15**  
Soybean crush for March. 11:00 a.m. CT
- USDA Crop Progress Report** **MON 4/15**  
Winter wheat cond. stay strong. 3:00 p.m. CT
- USDA Export Sales Report** **THUR 4/18**  
Will cotton sales remain poor? 7:30 a.m. CT
- NWS Extended Weather** **THUR 4/18**  
Will summer forecast reflect La Niña? 7:30 a.m. CT
- USDA Cattle on Feed Report** **FRI 4/19**  
Placements will be key data. 2:00 p.m. CT

## Farm Bill and Policy Updates

Read Jim Wiesemeyer's latest updates on the farm bill, USDA programs and much more in his daily Policy Updates report on [www.profarmer.com](http://www.profarmer.com).