



### News this week...

- 2 – Drought grip tightens across upper Midwest.
- 3 – Commodity demand fueling global inflation.
- 4 – USDA cuts corn ending stocks more than expected.

**Volatility continues** – Corn and soybean futures gapped higher to start last week on hot, dry forecasts for many areas of the Corn Belt. By Friday morning, all but some of the new-crop corn contracts had filled those gaps. USDA's bigger-than-expected increases to old- and new-crop soybean ending stocks (see [News](#) page 4) pulled that market lower, while traders took profits out of the long side of the corn market ahead of the weekend. That's not uncommon in a weather market, especially this early in the growing season. Wheat futures were led lower by spring wheat contracts as needed rains arrived in areas of the Northern Plains and Canadian Prairies. Live cattle futures firmed but remained at a discount to the cash market, which traded about steady again last week. Hog futures posted new highs and then paused.

## Corn Belt to stay hot, mostly dry

Limited rainfall and normal to above-normal temps are expected across the Corn Belt the next two weeks, which will increase crop stress in the driest northern and western areas. The Northern Plains received needed rains last week, but they did not alleviate drought and drier weather will return. The Delta and Southeast will be drier this week after heavy rains and flooding in some locations.

### ENSO-neutral conditions likely through fall

There are 78% odds ENSO-neutral conditions will remain intact during the June-August timeframe, according to the U.S. Climate Prediction Center (CPC), with a 50% chance they will persist through fall. CPC says by late fall and winter, chances increase to near 50% that La Niña will return.

## Bigger winter wheat crop estimate

USDA raised its winter wheat crop estimate by 26 million bu. from May to 1.309 billion bushels. It increased the winter wheat yield by 1.1 bu. to 53.2 bu. per acre.

**HRW:** 771 million bu., up 40 million bu. from last month. Kansas accounted for nearly 28 million bu. of the increase.

**SRW:** 335 million bu., up 3 million bu. from May.

**White winter:** 202 million bu., down 19 million bu. from May.

USDA's all-wheat crop projection of 1.898 billion bu. implies combined other spring wheat and durum production of 589 million bu., unchanged from last month.

## Ethanol output hits 15-month high

U.S. ethanol production rose to 1.067 barrels per day (bpd) in the week ended June 4, the highest since the end of February 2020. The four-week average production is down just 0.4% from the same period between 2017 and 2019.

## China to monitor commodity prices

China will closely monitor commodity prices and market supervision after producer prices surged 9% in May (see [News](#) page 3). Beijing also will reportedly offer state reserves of copper, aluminum, zinc and other commodities directly to end-users.

## Administration mulling RFS relief

Reuters reports options being considered are a nationwide blending waiver, lowering the amount of renewable fuel refiners must blend, creating a price cap on compliance credits and an emergency declaration. Sources tell us National Economic Council Director Brian Deese is pushing to cut the Renewable Volume Obligations under 15 billion gallons.

## USDA: Resubmit CRP offers

USDA deleted offers previously submitted under the continuous and general CRP signups. Offers can be resubmitted starting June 14, with a deadline of July 23 for the general signup and Aug. 6 for the continuous signup. Those who already submitted offers will get a letter advising them of the details.

## Farmers anxious with WOTUS rewrite

EPA plans to redefine U.S. waters that can be federally regulated, saying the Trump administration's Navigable Waters Protection Rule "significantly reduced clean water protections." EPA wants to restore "protections prior to the 2015 WOTUS."

## Congress responds to livestock pricing

Senator Jon Tester (D-Mont.) introduced a bill, with sponsorship from Senators Mike Rounds (R-S.D.) and Chuck Grassley (R-Iowa), that would amend the Packers and Stockyards Act (P&S Act) to establish a USDA Office of the Special Investigator for Competition Matters. Meanwhile, the Senate ag panel will hold a hearing soon on cattle market pricing.

## USDA aims to beef up P&S Act

USDA will begin work on three proposed rules to support enforcement of the P&S Act. First, USDA wants to provide greater clarity to strengthen enforcement of unfair and deceptive practices, undue preferences and unjust prejudices. Second, it favors a new poultry grower tournament system rule, with the current inactive proposal to be withdrawn. Third, USDA will re-propose a rule to clarify that parties do not need to demonstrate harm to competition in order to bring an action under the P&S Act.

## Drought worsens in upper Midwest

Drought expanded and intensified across much of the Corn Belt during the week ended June 8, according to the Drought Monitor. Iowa is now 89% covered by abnormal dryness/drought, a 26.8-percentage-point surge from the previous week, and 56.7% of the state is dealing with moderate or severe drought. All of Minnesota is impacted by abnormal dryness/drought, with the main southern producing counties the hardest hit. The Drought Monitor showed some improvement in drought conditions in southwest North Dakota and northwest South Dakota after recent rains.

## Corn crop conditions decline

As of June 6, USDA rated 72% of the U.S. corn crop as “good” to “excellent,” down four points from the previous week. The portion of crop rated “poor” to “very poor” increased a point to 5%. When USDA’s weekly condition ratings are plugged into the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop dropped 6.2 points to 381.8 points. The CCI rating was still 4.7 points above the five-year average for the first week of June.

## Soybean crop starts below average

USDA’s initial soybean crop condition ratings pegged 67% of the crop as “good” to “excellent,” five points lower than the first week of June last year. USDA rated 6% of the crop as “poor” to “very poor.” Those ratings equated to a CCI reading of 366.8 points, which was 5.5 points lower than the five-year average for early June.

## Already low HRS ratings plunge

USDA rated 38% of the crop as “good” to “excellent,” down five points from the previous week. USDA put 25% of the crop in the “poor” to “very poor” categories, up five points from the previous week. In the top producing state of North Dakota, 32% of the crop was rated in the top two categories and 29% was placed in the bottom two.

On our CCI, the spring wheat crop plunged 14.7 points to just 309.4 points, 64.7 points below the five-year average.

## Cotton crop conditions improve

USDA rated 46% of the U.S. cotton crop as “good” to “excellent,” up three points from the previous week. The portion of crop rated “poor” to “very poor” dropped four points to 15%. On our CCI, the cotton crop rose 5.2 points to 354.0 points. That was 4.8 points above average for early June.

## Brazil slashes corn crop, still too high

Brazil slashed its official corn crop estimate by 10.0 MMT from last month to 96.4 MMT amid a sharply reduced safinha production outlook. Conab, the Brazilian equivalent of USDA, now expects this year’s Brazilian corn crop to fall 6.2 MMT from last year’s record. Conab slashed its 2020-21 corn export forecast by 5.5 MMT to 29.5 MMT.

USDA cut its Brazilian crop estimate by 3.5 MMT from last month to 98.5 MMT. Conab and USDA remain well above private crop forecasts.

South American Consultant Dr. Michael Cordonnier cut his Brazilian corn crop estimate by 3 MMT to 92 MMT. That still puts him on the top side of many private crop estimates, which are now in the 88 MMT to 91 MMT range.

## Record Brazil bean crop gets bigger

Conab raised its Brazilian soybean crop estimate by 452,000 metric tons (MT) from last month to a record 135.9 MMT. It now expects Brazil to export 86.65 MMT of soybeans in 2020-21, up 1.05 MMT from last month’s outlook.

USDA raised its Brazilian soybean crop peg to 137.0 MMT.

## Firm raises Russian wheat crop pegs

IKAR raised its 2021 Russian wheat crop estimate by 2 MMT to 82 MMT. Russia’s ag ministry forecasts the crop at 81 MMT. USDA increased its Russian wheat crop forecast to 86.0 MMT. The Russia-based consultancy says USDA’s projection is “very optimistic and doesn’t properly reflect challenging winter conditions and substantial winterkill.”

## Consultancy raises EU wheat crop

Strategie Grains now estimates the European Union’s 2021 soft wheat crop at 131.1 MMT, a 500,000-MT increase from its May forecast and well above last year’s 119.4 MMT crop. The consultancy expects the country to export 28.6 MMT of soft wheat in 2021-22, a 1.6-MMT hike from its forecast last month and well above last season’s 26.9 MMT in shipments.

USDA raised its all-wheat production forecast for the EU by 3.5 MMT to 137.5 MMT. That would be up 11.6 MMT from last year’s production. It expects the bloc to export 33.0 MMT of wheat this year, up 3.0 MMT from 2020-21.

## ABARES raises Aussie wheat crop

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) raised its official forecast for the 2021-22 Aussie wheat crop by 2.8 MMT to 27.8 MMT. It says key production areas in the country have received plentiful rains the past few months and the extended outlook is favorable. The new forecast would still be down 5.5 MMT (16.5%) from the record crop of 33.3 MMT in 2020-21, but around 15% above the 10-year average.



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## Chinese bean imports rise in May

China imported 9.6 MMT of soybeans in May, up 29.0% from April and 2.4% more than last year, as delayed shipments from Brazil arrived at Chinese ports. Through the first five months of this year, China imported 38.2 MMT of soybeans, up 12.8% from the same period last year.

Soybean arrivals in June and July are expected to exceed 10 MMT, with shipments primarily coming from Brazil.

## Chinese meat imports drop in May

China imported 790,000 MT of meat during May, down 14.4% from April and 3.3% less than May 2020. The preliminary data doesn't break down the individual category of meat imports. Through the first five months of the year, China brought in over 4.3 MMT of meat, up 12.6% from the same period last year.

## Chinese imports hit 10-plus year high

Chinese imports of all goods surged 51.1% versus the previous year in May to \$218.4 billion, the fastest growth since January 2011. Its exports rose 27.9% last month to \$263.9 billion, though that was down from 32.3% growth in April. That left China with a trade surplus of \$45.5 billion, up from \$42.9 billion in April. China's trade surplus with the U.S. rose to \$31.8 billion from \$28.1 billion in April.

## Commodities cause China PPI to surge

China's producer price index (PPI) surged 9.0% versus year-ago in May, the fastest year-over-year rise since September 2008. The rise in factory-gate prices was driven by significant increases in crude oil, iron ore and non-ferrous metals, according to China's National Bureau of Statistics (NBS). The price increases will be passed down the supply chain.

The PPI surge has yet to substantially feed through to consumer inflation. China's consumer price index (CPI) rose 1.3% in May. While that was the biggest year-over-year increase in eight months, consumer prices fell 0.2% from April, NBS reported. Non-food prices rose 1.6%, but food prices increased only 0.3% versus year-ago as pork fell for an eighth straight month and was 24% under last year.

## China plans stricter controls for pork

China plans to improve the way its pork reserves are handled to help stabilize hog production and pork prices. It will significantly increase its pork stocks but did not give further details. China will also set up an additional temporary reserve that will be more active in setting prices by buying from the domestic market when prices fall too low and releasing stocks when supplies become tight. Beijing also added two more indexes to monitor the number of breeding sows in stock and average wholesale pork prices in 36 cities.

## U.S. CPI hits nearly 13-year high

The U.S. consumer price index (CPI) rose 5.0% compared with year-ago in May, the biggest spike since August 2008. The annual rate of core consumer prices, which take out food and energy values, accelerated 3.8%, the biggest jump since June 1992. On a monthly basis, the CPI increased 0.6% versus April, which was the largest gain since June 2009.

Despite rising consumer prices, the bond market is signaling traders may be buying into the Fed's assertion that inflation is transitory.

## FAO: Record global food import costs

Global food import costs are expected to rise 12% in 2021 to a record due to surging commodity prices and robust demand. Food import costs, including freight, are projected to reach \$1.715 trillion this year, up from \$1.530 trillion in 2020, the Food and Agriculture Organization of the United Nations (FAO) forecasts. FAO's index of food import values reached a record in March, surpassing levels seen during previous food price spikes in 2006-2008 and 2010-2012.

China has been the driver of the surge in demand for ag goods and prices, led by aggressive corn purchases as it rebuilds its depleted reserves. FAO forecast Chinese corn imports will surge to 22 MMT in 2020-21 and rise to 24 MMT in 2021-22.

## Beef exports slow, but stay strong

The U.S. exported 287.1 million lbs. of beef during April, which was a record for the month and the third highest tally ever behind the March record and August 2018. Beef exports rose 51.9 million lbs. (22.1%) versus April 2020. A 1,076% surge in beef shipments to China compared with year-ago more than offset lower exports to Japan, Mexico and Canada.

During the first four months of this year, the U.S. shipped 1.084 billion lbs. of beef, up 79.1 million lbs. (7.9%) compared with the same period last year. USDA raised its 2021 beef export forecast by 115 million lbs. from last month to 3.342 billion lbs., which would be up 13.1% from last year.

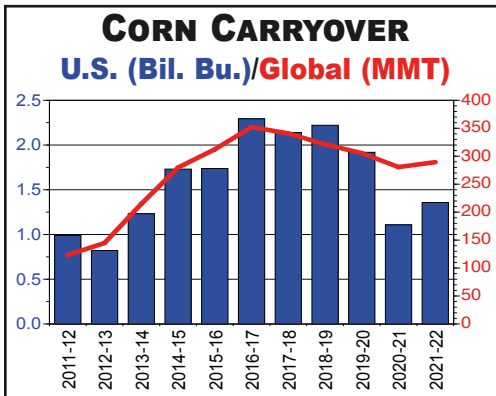
## Pork exports still lagging year-ago

U.S. pork exports totaled 655.0 million lbs. in April, down 73.9 million lbs. (10.1%) from the March record but up 13.7 million lbs. (2.1%) from last year and the fifth highest monthly total. Bigger shipments to Mexico, Canada and South Korea helped offset smaller exports to Japan and China. Shipments to China were down 35.3% compared with April 2020.

During the first four months of 2021, the U.S. exported 2.582 billion lbs. of pork, down 82.5 million lbs. (3.1%) compared with the same period last year. USDA raised this year's pork export forecast by 125 million lbs. from last month to 7.552 billion lbs., which would be up 3.7% from 2020.

# Corn carryover tightens, soybean ending stocks rise

by Editor Brian Grete and Market Analyst Bruce Blythe



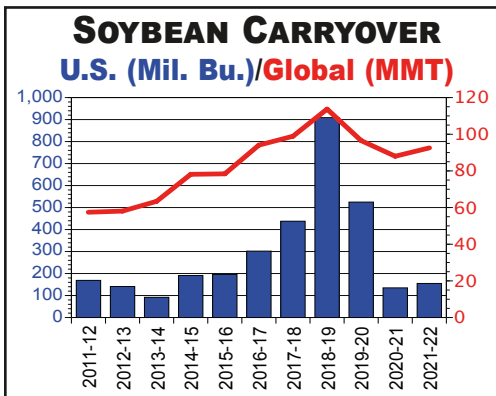
**CORN** — USDA cut its old-crop corn ending stocks figure by 150 million bu. from last month to 1.107 billion bushels. It raised food, seed and industrial use by 75 million bu. (to 6.47 billion bu.), with all of that going to corn-for-ethanol use, which is now estimated at 5.05 billion bushels. USDA also increased estimated old-crop corn exports another 75 million bushels (to a record 2.85 billion bu.).

USDA also lowered new-crop corn carryover by 150 million bu. to 1.357 billion bu., with the only change being smaller beginning stocks (old-crop carryover).

Our corn ending stocks forecasts are 1.065 billion bu. for 2020-21 and 1.375 billion bu. for 2021-22.

- **USDA 2020-21 price: \$4.35, unchanged from May; 2021-22: \$5.70, unchanged.**

Global corn carryover: 280.6 million metric tons (MMT) for 2020-21, down 2.9 MMT from May; 289.4 MMT for 2021-22, down 2.9 MMT.



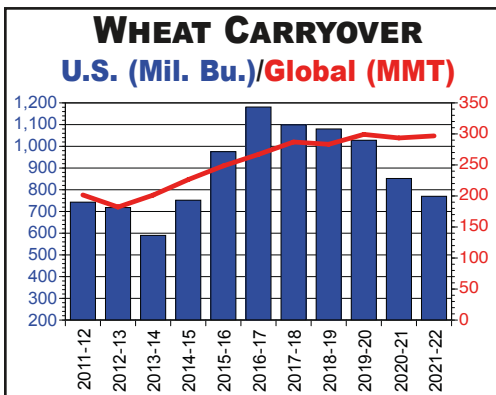
**SOYBEANS** — USDA raised old-crop soybean ending stocks by 15 million bu. from last month to 135 million bu. on a cut to crush (to 2.175 billion bu.).

For 2021-22, USDA also raised its ending stocks projection by 15 million bu. to 155 million bu., with the only change being the bigger beginning stocks.

Our soybean ending stocks forecasts are 120 million bu. for 2020-21 and 140 million bu. for 2021-22.

- **USDA 2020-21 price: \$11.25, unchanged from May; 2021-22: \$13.85, unchanged.**

Global soybean carryover: 88.0 MMT for 2020-21, up 1.5 MMT from last month; 92.6 MMT for 2021-22, up 1.5 MMT.



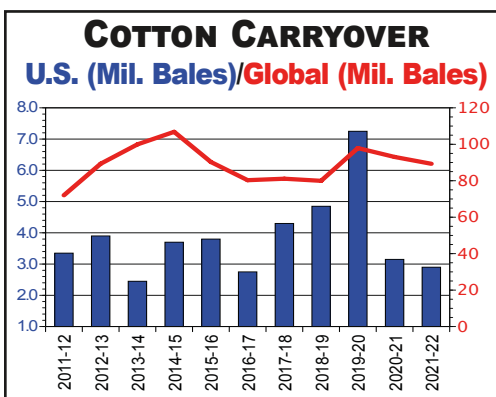
**WHEAT** — USDA lowered 2020-21 wheat ending stocks by 20 million bu. from last month to 852 million bu. on a bigger export forecast (of 985 million bu.).

For 2021-22, USDA trimmed its new-crop wheat carryover projection by 4 million bu. to 770 million bushels. Total supplies increased 6 million bu. as the bigger crop estimate was mostly offset by smaller beginning stocks. USDA increased projected feed and residual use by 10 million bushels (to 180 million bu.).

Our wheat ending stocks forecasts are 852 million bu. for 2020-21 and 759 million bu. for 2021-22.

- **USDA 2020-21 price: \$5.05, unchanged from May; 2021-22: \$6.50, unchanged.**

Global wheat carryover: 293.5 MMT for 2020-21, down 1.2 MMT from May; 296.8 MMT for 2021-22, up 1.8 MMT.



**COTTON** — USDA cut its old-crop cotton ending stocks estimate by 150,000 bales to 3.15 million bales on a bigger export forecast (to 16.4 million bales).

For 2021-22, USDA lowered its new-crop cotton ending stocks forecast by 200,000 bales from last month to 2.9 million bales. Besides the smaller beginning stocks, USDA raised projected exports by 100,000 bales (to 14.8 million bales) and lowered unaccounted use by 50,000 bales (to -50,000 bales).

Our cotton ending stocks forecasts are 3.05 million bales for 2020-21 and 2.7 million bales for 2021-22.

- **USDA 2020-21 price: 67¢, down 1¢ from last month; 2021-22: 85¢, unchanged.**

Global cotton carryover: 93.1 million bales for 2020-21, down 110,000 bales from May; 89.3 million bales for 2021-22, down 1.7 million bales.

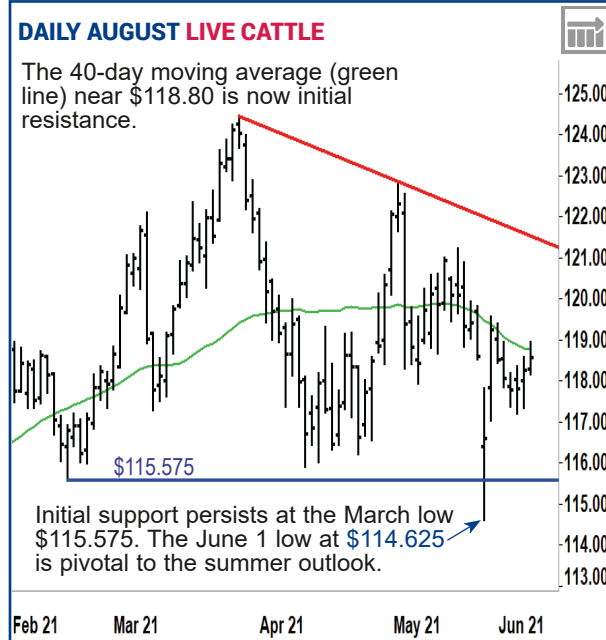
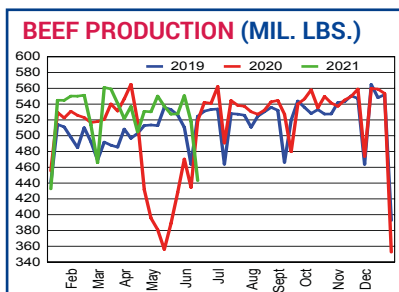
**CATTLE - Fundamental Analysis**

Despite the packing industry's quick recovery from the late-May cyberattack on JBS SA, wholesale beef values continued marching higher last week. The Choice cutout topped \$340 per hundredweight before pulling back, a level only previously surpassed amid last year's Covid-driven industry shutdown. Beef demand remains robust, as indicated by the latest export figures (see *News* page 3) and impressive domestic consumer buying. That strength should support prices, but the prospect of potential seasonal weakness during the summer doldrums could prove problematic in the coming weeks.

**Position Monitor**

<b>Game Plan:</b>	<b>Feds</b>	<b>Feeders</b>
Carry all risk in the cash market	II'21 0% III'21 0% IV'21 0% I'22 0%	0% 0% 0% 0%

as the downside is limited. Hedges will likely be needed if futures violate support at the June 1 lows.

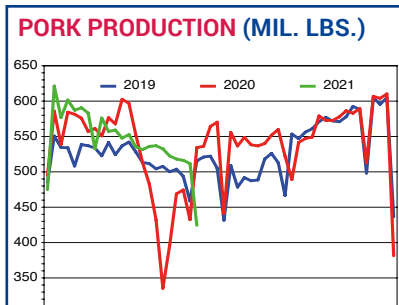


**HOGS - Fundamental Analysis**

As with beef exports, U.S. pork exports remain quite vigorous (see *News* page 3). When combined with diminished domestic pork belly and ham stocks (see "From the Bullpen," *Analysis* page 4), current seasonally and cyclically reduced hog and pork supplies are struggling to meet demand. The pork cutout seemed to stall at \$133.43 on June 9, but history suggests demand and prices will remain seasonally strong for much of June. The potential for extraordinary pork belly and ham price support is quite real, but the late summer/fall surge in hog supplies will also exert considerable pressure.

**Position Monitor**

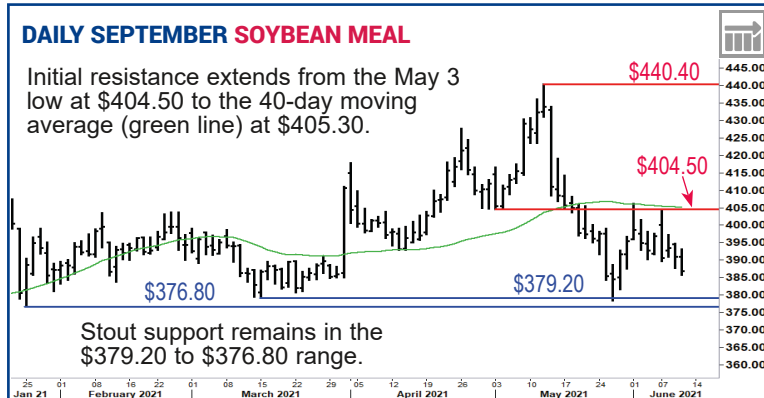
<b>Game Plan:</b> Hold third-quarter hedges in July futures. We want to add to third-quarter coverage and place fourth-quarter hedges on signs of a seasonal top.	<b>Lean Hogs</b>
	II'21 0% III'21 25% IV'21 0% I'22 0%



**FEED**

**Feed Monitor**

<b>Corn</b>	II'21 100% III'21 25% IV'21 0% I'22 0%	<b>Corn Game Plan:</b> Make catch-up cash purchases to cover 25% of third-quarter corn needs on weakness. Our targets to extend coverage are \$6.40 in July futures and \$5.40 in December futures.
<b>Meal</b>	II'21 100% III'21 58% IV'21 0% I'22 0%	<b>Meal Game Plan:</b> Cash purchases now cover 100% for July, 50% for August and 25% for September. We are targeting \$385.00 in September futures to extend coverage.

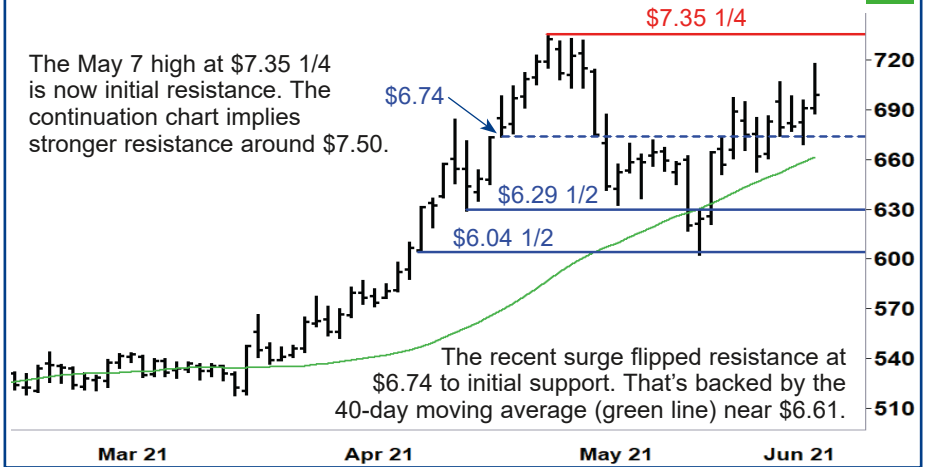


### Position Monitor

	'20 crop	'21 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	30%
Futures/Options	0%	0%

**Game Plan:** Use market strength to get current with advised sales. We plan to hold remaining old-crop gambling stocks through at least pollination of this year's crop. Old-crop basis is weakening in many areas, but remains historically strong and could firm again if end-users need supplies in late summer and/or there's a major weather threat to this year's crop. A rally into month-end may trigger advice for additional new-crop sales.

### DAILY JULY CORN



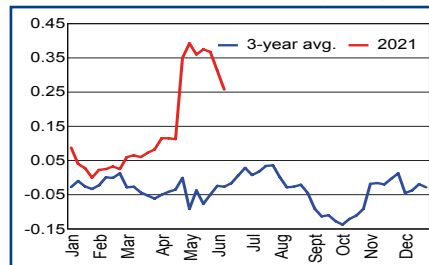
### DAILY DECEMBER CORN



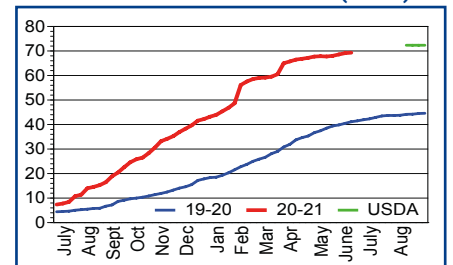
### CORN - Fundamental Analysis

December futures gained for the third straight week on escalating concerns that extreme heat and dryness is settling into the Midwest for the summer, shrinking harvest prospects at a time of tightening supplies, ongoing economic recovery and escalating demand from ethanol makers and major importers like China. USDA in its latest Supply and Demand Report slashed projected corn ending stocks for 2020-21 to 1.107 billion bu., an eight-year low, which pulled projected new-crop carryover lower. Expect whipsawing price moves in the weeks ahead as traders parse daily weather updates and crop ratings.

#### AVERAGE CORN BASIS (JULY)



#### CORN EXPORT BOOKINGS (MMT)

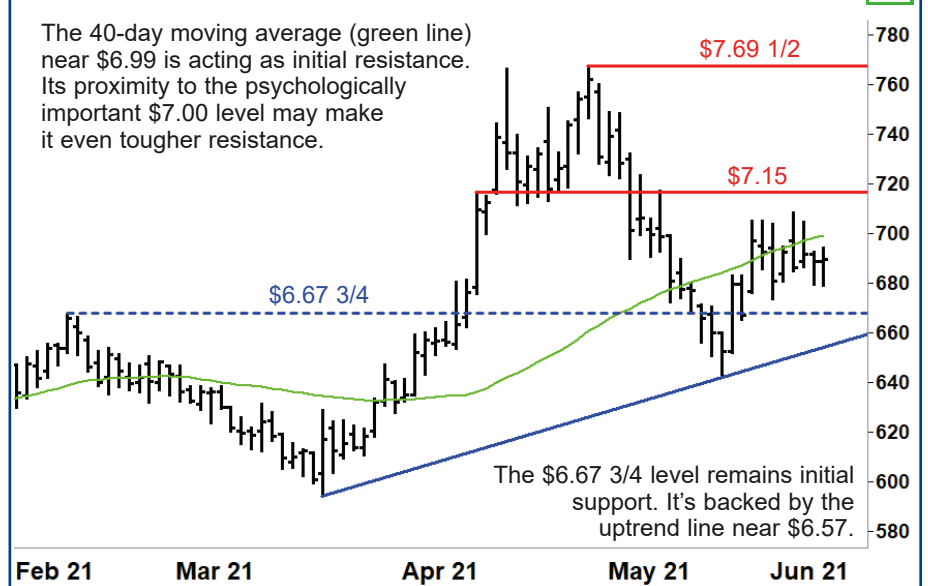


### Position Monitor

	'21 crop	'22 crop
Cash-only:	60%	10%
Hedgers (cash sales):	60%	10%
Futures/Options	0%	0%

**Game Plan:** You should get current with 2021- and 2022-crop sales on price strength. The upside is tied to corn and spring wheat concerns, with winter wheat harvest underway. We'll use rallies to increase 2021- and 2022-crop sales.

### DAILY SEPTEMBER SRW WHEAT



### WHEAT - Fundamental Analysis

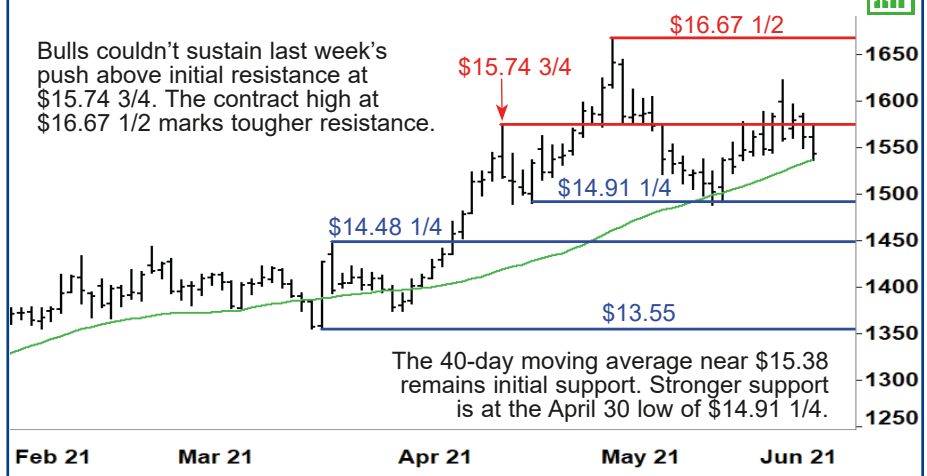
**SRW** — Futures ended lower on the week, as the accelerating harvest weighed on the market. The market will face seasonal selling through harvest and export demand isn't strong enough to encourage buying, meaning a rally in corn is likely needed to generate upside momentum.

### Position Monitor

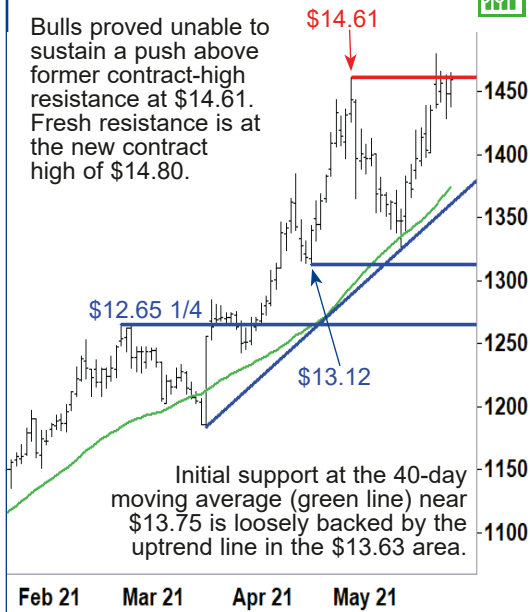
	'20 crop	'21 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	30%
Futures/Options	0%	0%

**Game Plan:** Get current with advised sales for both old- and new-crop. We'll hold remaining unpriced old-crop bushels as gambling stocks as inventories will be tight into new-crop harvest. Old-crop basis is weakening but remains historically strong. We'll hold off on additional new-crop sales for now given the big discount to old-crop and expectations supplies will remain tight through 2021-22.

### DAILY JULY SOYBEANS



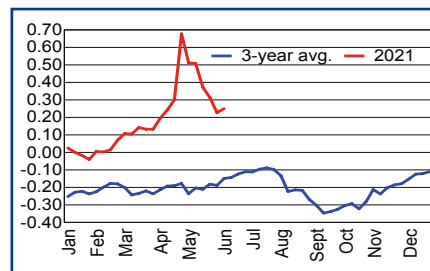
### DAILY NOVEMBER SOYBEANS



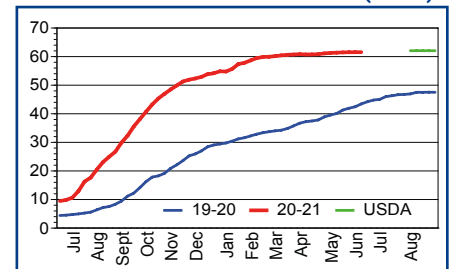
### SOYBEANS - Fundamental Analysis

Futures sold off to end the week just days after spiking above \$16.20 in the July contract and marking a new high in November beans. USDA raised its 2020-21 ending stocks figure to a higher-than-expected 135 million bu., up from 120 million bu. last month but still the lowest in seven years. USDA also hiked projected ending soybean stocks for 2021-22 by 15 million bu. to 155 million bushels. Soybeans will remain responsive to weather if conditions remain hot and dry across the Midwest, as forecast. But the key timeframe for weather in the soybean market isn't until late summer, so corn will likely need to pace gains on any weather rally ahead of August.

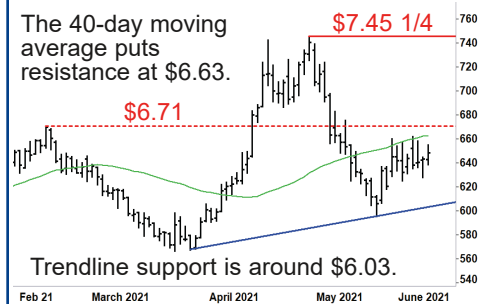
#### AVERAGE SOYBEAN BASIS (JULY)



#### SOYBEAN EXPORT BOOKINGS (MMT)



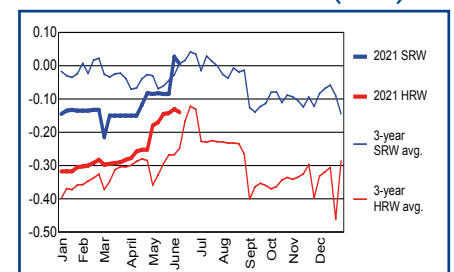
### DAILY SEPTEMBER HRW WHEAT



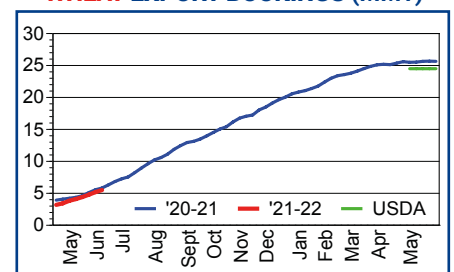
### DAILY SEPTEMBER HRS WHEAT



#### AVERAGE WHEAT BASIS (JULY)



#### WHEAT EXPORT BOOKINGS (MMT)



**HRW** – Winter wheat harvest is picking up in the Southern Plains but is behind schedule. Texas HRW wheat was 25% harvested as of June 10, compared with the five-year average of 40%. USDA hiked its U.S. HRW production estimate 6%, to 771 million bu., with the Kansas crop accounting for most of the increase.

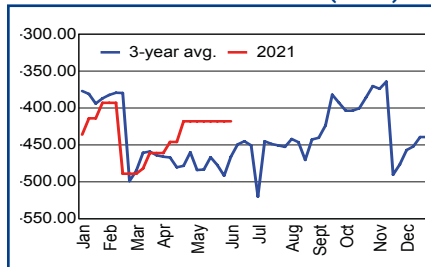
**HRS** – September HRS futures reached a contract high above \$8.45 on June 7 but tumbled to end the week lower. Dry conditions on the Northern Plains and historically low crop ratings remain supportive to prices, but rains in the Dakotas and nearby states last week temporarily deflated bullish sentiment.

### Position Monitor

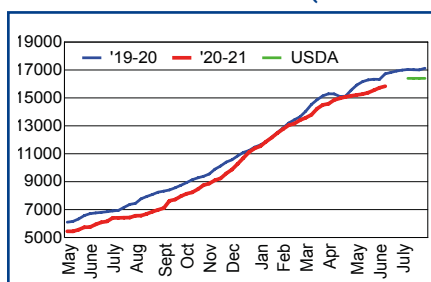
	'20 crop	'21 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

**Game Plan:** Get current with sales advice. We are targeting the 90.00¢ area to finish old-crop sales. Be patient on adding to new-crop forward sales.

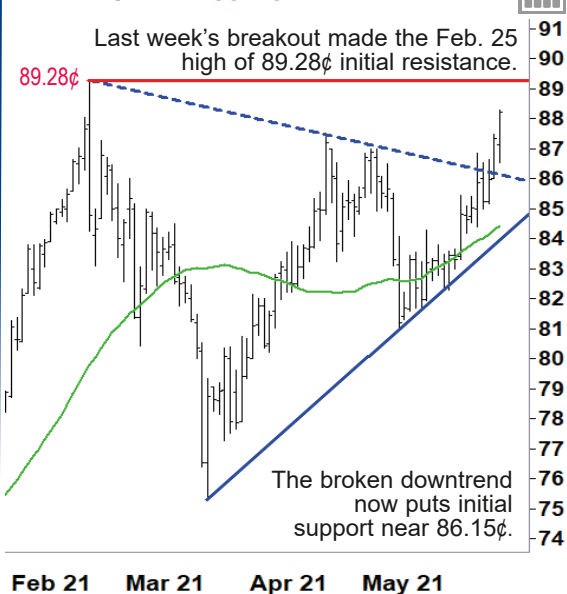
### AVERAGE COTTON BASIS (JULY)



### COTTON EXPORT BOOKINGS ('000 BALES)



### DAILY DECEMBER COTTON



## COTTON - Fundamental Analysis

There appears to be little threat to the fall cotton harvest outlook at this point, but new-crop futures broke out above trend-line resistance last week. Weekly cotton exports have topped 300,000 bales for 17 of the past 19 weeks, emphasizing export demand strength.

## GENERAL OUTLOOK

**ENERGIES:** Nymex crude oil futures extended the price uptrend and pushed to a 2.5-year high above \$70 per barrel.

Having major global economies breaking the more-than-year-long pandemic shackles and showing moderate to solid growth means more demand.

The peak U.S. summer driving season lies just ahead and American families are ready to get on the road somewhere after being cooped up by Covid-19 last summer.

Further supporting the market is OPEC's sluggish response to raising production quotas as oil prices climb.

There are also ideas sanctioned Iranian oil could come back onto the market this year as the U.S. and Iran may be inching closer to talks regarding the country's nuclear program.

Given crude oil's prominence, firmer prices could lift the whole commodity sector.

### MONTHLY CRUDE OIL FUTURES



## FROM THE BULLPEN By Market Economist Dan Vaught

Burgeoning demand is playing a big role in boosting the livestock markets, despite historical tendencies for them to decline during summer (cattle) and fall (hogs). But wholesale beef prices have surged to levels only previously seen during last year's Covid crisis. Thus, cattle futures imply only a minimal price decline into August, followed by a fall advance to a 30-month high by the end of the year. Current feedlot marketings would help that situation tremendously.

Seasonal forces and history suggest the hog market will reach its annual peak in late June or early July, decline into early August, then break down sharply as hog slaughter surges from that point to annual highs in December.

Pork demand may also prove surprisingly robust over the coming weeks. Having that demand, both foreign and domestic, substantially reduce pork stockpiles ahead of the active mid-year demand season may also point to sustained bacon and ham price strength.

USDA reported April 30 U.S. pork belly and ham stocks at 34.2 million and 81.3 million lbs., respectively. The belly total is only slightly above the scant April 2017 low of 33.5 million. Rampant belly prices provided major support for hogs that year. The latest ham total is 30 million lbs. below the 10-year average, so ham stocks are likely to remain low through fall and consistently supporting prices.

## WATCH LIST

- 1 USDA Grain Inspections** **MON 6/14**  
Corn exports to China are the focus. 10:00 a.m. CT
- 2 USDA Crop Progress Report** **MON 6/14**  
*Did the good areas offset the bad?* 3:00 p.m. CT
- 3 NOPA Soy Crush Report** **TUES 6/15**  
Slowdown vs. year-ago in May. 11:00 a.m. CT
- 4 Weekly Export Sales Report** **THURS 6/17**  
*Will rising corn prices slow demand?* 7:30 a.m. CT
- 5 NWS Extended Outlook** **THURS 6/17**  
Forecasts for July to September. 7:30 a.m. CT

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