



### News this week...

- 2 – Brazil corn crop, U.S. spring wheat suffering.
- 3 – Inflation the focal point amid economic recovery.
- 4 – U.S. corn and soybean crops off to quick starts.

**Weather the new volatility driver** – A frost/freeze over Memorial Day weekend hit a larger area than expected and then temperatures soared as the calendar flipped to June, enticing the first weather rally of the season. Spring wheat futures, which are nearly back to their early May highs, led the strong price recovery, with corn and soybeans not far behind. Winter wheat markets didn't perform as strongly with harvest starting. Cattle futures plunged on the JBS cyberattack, but rebounded sharply to post little net change for the week. Lean hog futures scored new highs as the cash index and pork cutout prices continue to rise. Besides weather, cyberattacks, geopolitics, trade policy and money flow could keep price volatility high through the summer, especially given elevated prices. Buckle up... and have your sales targets in place.

## Some rains likely, but not enough

There's divergence in the weather models on how much rain will fall on the Northern Plains and upper Midwest this week. World Weather Inc. expects scattered showers across these regions June 8-10, but says rains in most areas won't likely be enough to avoid net drying. The ridge of high pressure that brought hot temps to the upper tier of states last week is expected to return after the rains.

## Heightened focus on June 10 reports

USDA should significantly increase its old-crop corn-for-ethanol use and raise exports on June 10. For soybeans, we expect USDA to trim its 2020-21 soybean crush forecast. We don't expect an increase to the 2021-crop corn or soybean yield projections, despite the quick start to the growing season.

USDA is likely to increase the winter wheat crop estimate, though we doubt it will adjust implied spring wheat production, despite early crop struggles.

On the world balance sheets, the primary focus will be USDA's Brazilian corn crop estimate, though it will likely remain well above private crop estimates (see [News page 2](#)).

## Info about USDA's new PCCP

USDA's Pandemic Cover Crop Program (PCCP) provides up to \$5 per acre (no more than the premium owed) for the use of eligible cover crops for the 2021 crop year. In Illinois, Indiana and Iowa, which have existing premium benefits for planting cover crops, participating producers will receive an additional payment. No signup is necessary, but farmers have to report cover crops to FSA by June 15.

## Payrolls rise, but shy of expectations

The U.S. economy added 559,000 non-farm payrolls in May, which was up from an upwardly revised 278,000 the previous month but short of the expected 650,000-jobs increase. The unemployment rate dropped by 0.3 points to 5.8%. Average hourly earnings increased another 0.5% in May and will likely continue to rise. The data likely means the Fed will continue to pause before tapering its monthly bond purchases.

## JBS operating again after cyberattack

JBS said its plants were operating at normal capacity by June 4 after a cyberattack temporarily shuttered operations. The company estimated less than one day's worth of meat production was lost during the shutdowns and that it would make up the difference within a week. The ransomware attacks against JBS and previously Colonial Pipeline Co. show the vulnerability to even short-term supply disruptions.

Sen. Chuck Grassley (R-Iowa) said the JBS situation showed the risks of consolidation in the meat processing industry. USDA Secretary Tom Vilsack says his agency is planning to address concerns about lack of competitiveness in the cattle industry. He says USDA will look to ways to boost processing capacity and "take a look" at the Packers and Stockyards Act to "make sure that we are able to take action against unfair, deceptive practices."

## Antitrust focus for U.S. ag industry

Richard Powers, acting assistant attorney general for antitrust, says, "Agriculture is a priority for us." Sources tell us the initial focus will be on the meat processing and seed industries. The Department of Justice has already netted some "wins" against chicken companies on price fixing.

## Workers may strike at Smithfield plant

Union workers at the Sioux Falls, South Dakota Smithfield plant are threatening a work stoppage if their new contract requests aren't met. June 7, when a contract extension deadline expires, is the earliest workers could strike.

## Scott concerned about Biden tax plan

House Ag Committee Chair David Scott (D-Ga.) has "serious concerns" about the impact of President Joe Biden's proposed tax hikes on farmers and other small businesses. Scott noted changes to how taxes are levied on inheritances could make it more difficult for farmers to hold onto their family businesses.

## Last call for our acreage survey

You have until June 11 to fill out our e-mailed acreage survey.

## Brazil's corn crop continues to shrink

Dry weather paired with late planting of Brazil's safrinha corn crop sliced production potential, with recent rains arriving too late to help much of the crop. As a result, Brazil-based consultancy AgRural cut its Brazilian corn crop estimate by 4.6 million metric tons (MMT) to 90.0 MMT.

StoneX (formerly INTL FCStone) slashed its Brazilian corn crop estimate by 10.6 MMT to 89.7 MMT.

## Low HRS rating drops further

USDA lowered its spring wheat crop condition ratings to 43% "good" to "excellent," down two points from the previous week. The amount of crop rated "poor" to "very poor" shot six points higher to 20%.

When USDA's weekly crop condition ratings were plugged into the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the HRS crop fell 8.2 points to 324.2 points, led by a 4.5-point decline in the North Dakota crop. The spring wheat CCI rating is 53.6 points below its five-year average for the end of May.

## Initial cotton crop ratings near average

USDA's initial condition assessment rated 43% of the cotton crop as "good" to "excellent." But it rated a higher-than-normal 19% of the crop as "poor" to "very poor."

On our CCI, the cotton crop started the growing season at 349.8 points, up 1.0 point from the five-year average.

## Russia to grow and export less wheat

Private estimates of Russia's wheat crop range from 79.5 MMT to 80.9 MMT, while the country's ag ministry expects production to be around 81 MMT this year. That would be down from last year's crop of 85.4 MMT.

While the winter wheat crop is nearing harvest, questions remain about spring wheat production. Spring wheat planted area is likely to be higher than previously anticipated, but hot and dry conditions in some areas could trim yields.

### Russian wheat export tax drops to start June

As of June 2, Russia started applying its new weekly formula-based tax to wheat exports. In the first week, the wheat export tax dropped to \$28 per metric ton, far below the previous fixed rate of \$61 per metric ton. Because the government will reset the export tax each week, it presents challenges for exporters in forward pricing cargoes. Russia's deputy prime minister says the country plans to keep the formula-based taxes at least through this year.

## April soy crush slower than expected

U.S. processors crushed 169.8 million bu. of soybeans during April, which was below the 170.5 million bu. the NOPA data released in mid-May implied. The April crush dropped 18.4 million bu. (9.8%) from March and 13.6 million bu. (7.4%) from last year's record for the month. Through the first eight months of the 2020-21 marketing year, crush totaled 1.471 billion bu., down 1.5% from the same period last year. From May through August, crush needs to total 719.3 million bu., up 0.5% from the final four months last year. Given tight supplies, sharply reduced crush margins and South American competition, crush is unlikely to reach USDA's forecast.

Soyoil stocks at the end of April totaled 2.178 billion lbs., down 3.0% from March and 16.3% less than last year. The data implies strong domestic use, driven by biofuel production.

## Ethanol grind up on rising gas demand

The U.S. consumed 463.7 million bu. of corn during April, which was a 2.0% drop from March but a 55.6% surge from April 2020 when pandemic-related slowdowns slashed use. Corn consumed for ethanol made up 410.0 million bu. of that tally, which was a 2.3% drop from March but a 67.4% surge from April 2020.

During the first eight months of 2020-21, corn-for-ethanol use totaled 3.279 billion bu., meaning May through August use must total 1.696 billion bu. to reach USDA's forecast. Given the ethanol production pace during May, it would project 2020-21 corn-for-ethanol use at least 100 million bu. above USDA's May forecast of 4.975 billion bushels.

## Strong Brazil soybean exports in May

Brazil exported 16.4 MMT of soybeans during May, according to government data. While that was up 2.3 MMT (16.3%) from last year, it was down 1 MMT (5.7%) from the all-time record in April. Roughly 80% of the shipments went to China.

Brazil shipped just 13,919 metric tons (MT) of corn in May, down from 130,876 MT in April and 24,933 MT last year.

## Low waters will slow Brazil's exports

Efforts to save water and direct it to power generation will disrupt navigation on the Tiete-Parana waterway in Brazil, according to the country's infrastructure minister. Amid the worst water crisis in nearly a century, Brazil will reduce the draft of ships on the Parana River basin, which will disrupt and slow cargo movement to ports from states like Parana and Mato Grosso do Sul. This will force more goods to be moved via trucks, which will drive up transportation costs. From 2017 to 2019, Brazilian shipments of goods, including soybeans and corn, averaged around 5.6 MMT per year along the Parana River system. As we previously noted, low waters on the Parana River are also impacting Argentina's shipments.



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## Fed's Beige Book reports pickup in economic recovery, price pressures

U.S. economic conditions in April and May picked up a bit faster than previous months as consumer spending increased, according to the Fed's Beige Book that tracks economic conditions across the 12 federal districts. The report noted supply chain constraints are forcing price increases. The shortage of supplies is not likely to improve anytime soon and could prompt more price increases.

Amid the economic recovery and building inflation, an increasing number of Fed officials say discussions are needed on how quickly to start tapering the central bank's bond buying. In a likely precursor to such a move, but unrelated to monetary policy, the Fed is expected to sell \$13.7 billion of corporate bonds and exchange traded funds (ETFs) by year-end.

Vince Malanga, president of LaSalle Economics, says: "From our vantage point, bond investors are now equivocating over inflation's next direction. We would expect continued stability in the near term as inflation expectations remain tame. But if the inflation genie is let out of the bottle, it is hard to contain. Markets will not be happy if the Fed is forced into using its interest rate tools to counter spreading price pressure. Doing so would require more than just token adjustments."

## OECD raises world economic growth forecasts

The global economy is expected to grow 5.8% this year and 4.4% next year, the Organization for Economic Cooperation and Development (OECD) said, raising its estimates from 5.6% and 4.0%, respectively. OECD said central banks in advanced economies should keep financial conditions relaxed and tolerate inflation temporarily overshooting their targets.

## Inflationary pressures felt by Chinese factories

China's official purchasing managers index (PMI) inched down in May as costs of raw materials grew at their fastest pace in over a decade. A sub-index for new export orders fell sharply into contraction.

The Caixin/Markit manufacturing PMI that measures smaller and privately owned Chinese factories inched up in May. But the report noted, "Rapidly rising commodity prices began to disrupt the economy as some enterprises began to hoard goods, while some others suffered raw material shortages. Supply chains were also significantly affected." Manufacturers passed on some of the inflationary pressure to customers, with a gauge for output prices rising at the quickest pace in a decade. Prices for exported goods rose at the fastest rate in three years.

## World food prices surging

World food prices rose in May at their fastest monthly rate since October 2010 and were up nearly 40% from year-ago, according to the Food and Agriculture Organization of the United Nations (FAO). Global food prices have risen for 12 consecutive months and are at their highest level since September 2011. FAO's global food price index is now only 7.6% below the all-time high from February 2011.

	ACTUAL			DOANE FORECASTS*		
	Year Ago	Last Week	This Week	July	Aug.	Oct-Dec.
	(Monthly & quarterly avg.)					
<b>CORN</b>						
Central Illinois, bushel	3.09	6.33	6.99	7.25	6.75	5.50
Omaha, NE, bushel	3.14	6.55	7.16	7.30	6.80	5.55
Dried Distillers Grain, IA, \$/ton	132.50	229.93	218.85	--	--	--
<b>SOYBEANS</b>						
Central Illinois, bushel	8.27	15.26	15.62	16.25	15.50	13.75
Memphis, TN, bushel	8.66	15.52	15.89	16.70	15.90	14.15
Soymeal, 48% Decatur, ton	284.70	390.30	402.70	420.00	410.00	390.00
<b>WHEAT</b>						
Kansas City, HRW, bushel	4.83	6.50	6.68	7.00	7.10	7.20
Minneapolis, 14% DNS, bushel	6.65	8.13	8.92	9.50	9.50	9.60
St. Louis, SRW, bushel	5.40	6.70	7.07	7.25	7.35	7.45
Portland, Soft White, bushel	6.05	8.13	8.13	8.00	8.00	8.10
Durum, NE MT HAD, 13%, bu.	5.80	6.88	6.88	7.00	7.00	7.10
<b>SORGHUM</b> , Kansas City, cwt.	6.17	11.97	13.10	13.50	13.00	11.00
<b>COTTON</b> , 11/16 SLM, 7 area, ¢/lb.	54.84	78.53	80.07	85.00	85.00	82.00
<b>RICE</b> , nearby futures, cwt.	17.22	13.20	13.29	13.75	13.75	13.75
<b>BARLEY</b> , MT, G.T., malting, cwt.	7.50	7.25	7.25	7.40	7.40	7.50
<b>OATS</b> , Minneapolis No. 2 heavy, bu.	3.42	3.87	3.91	4.00	4.00	4.10
<b>ALFALFA</b> , NW Iowa, lg. sq. prem., ton	160.00	185.00	185.00	200.00	200.00	200.00
<b>SUNFLOWERS</b> , Fargo, ND, cwt.	19.45	26.85	26.85	27.25	27.35	27.50
<b>HOGS</b> , Nat'l carcass 51%-52% cwt.	59.31	110.25	111.62	106.00	101.00	85.00
<b>FEEDER PIGS</b> , 40 lbs., Nat. avg. head	17.47	79.78	80.13	76.00	72.00	78.00
<b>CHOICE STEERS</b> , feedlots, cwt.	115.71	119.72	119.64	116.00	115.00	122.00
<b>FEEDER CATTLE</b> , Oklahoma City						
Steers, 700-800 pounds, cwt.	133.90	137.24	137.96	134.00	133.00	137.00
Steers, 500-550 pounds, cwt.	160.89	165.84	167.07	157.00	158.00	162.00
Heifers, 450-500 pounds, cwt.	155.75	140.93	156.50	145.00	144.00	148.00
<b>COWS</b> , utility, Sioux Falls, SD, cwt.	58.77	67.95	66.74	64.00	66.00	60.00
<b>MILK</b> , Class III, CME spot month, cwt.	18.94	17.55	17.28	18.25	18.50	18.75
<b>LAMBS</b> , Slg., San Angelo, TX, cwt.	--	159.00	176.00	--	--	--
<b>ENERGY</b>						
Ethanol, IA, gallon	1.14	2.49	2.31	--	--	--
Farm diesel, U.S., gallon	1.39	2.62	2.63	2.72	2.69	2.65

\*Average prices expected for the indicated time periods based on available information. Forecasts will be revised as necessary to reflect changing market conditions. Diesel prices are from Inputs Monitor.

# Corn, soybean crops off to a quick, strong start

By Editor Brian Grete

The majority of the growing season lies ahead, but the corn and soybean crops finished May well ahead of their average development paces. As of May 30, U.S. corn planting was 95% completed and the crop was 81% emerged, eight and 11 points ahead of the respective five-year averages. The soybean crop was 84% planted and 62% emerged, 17 and 20 points ahead of average, respectively. Combined with the quicker-than-normal starts, soil moisture is generally favorable for crop development heading into summer aside from the northwestern and northern areas of the Midwest.

## Above-average initial corn crop condition rating

USDA in its initial assessment of corn crop conditions rated 76% of the crop "good" to "excellent," the fourth

highest rating to start the growing season. When USDA's ratings were plugged into the weighted *Pro Farmer* Crop Condition Index (CCI; 0 to 500-point scale, with 500 representing perfect), the corn crop starts the growing season at 387.9 points. That's 5.5 points above last year's CCI rating at the end of May and 4.7 points above the five-year average.

USDA's first national soybean crop condition rating will come the week ended June 6. Based on ratings from some individual states, it will also be relatively high.

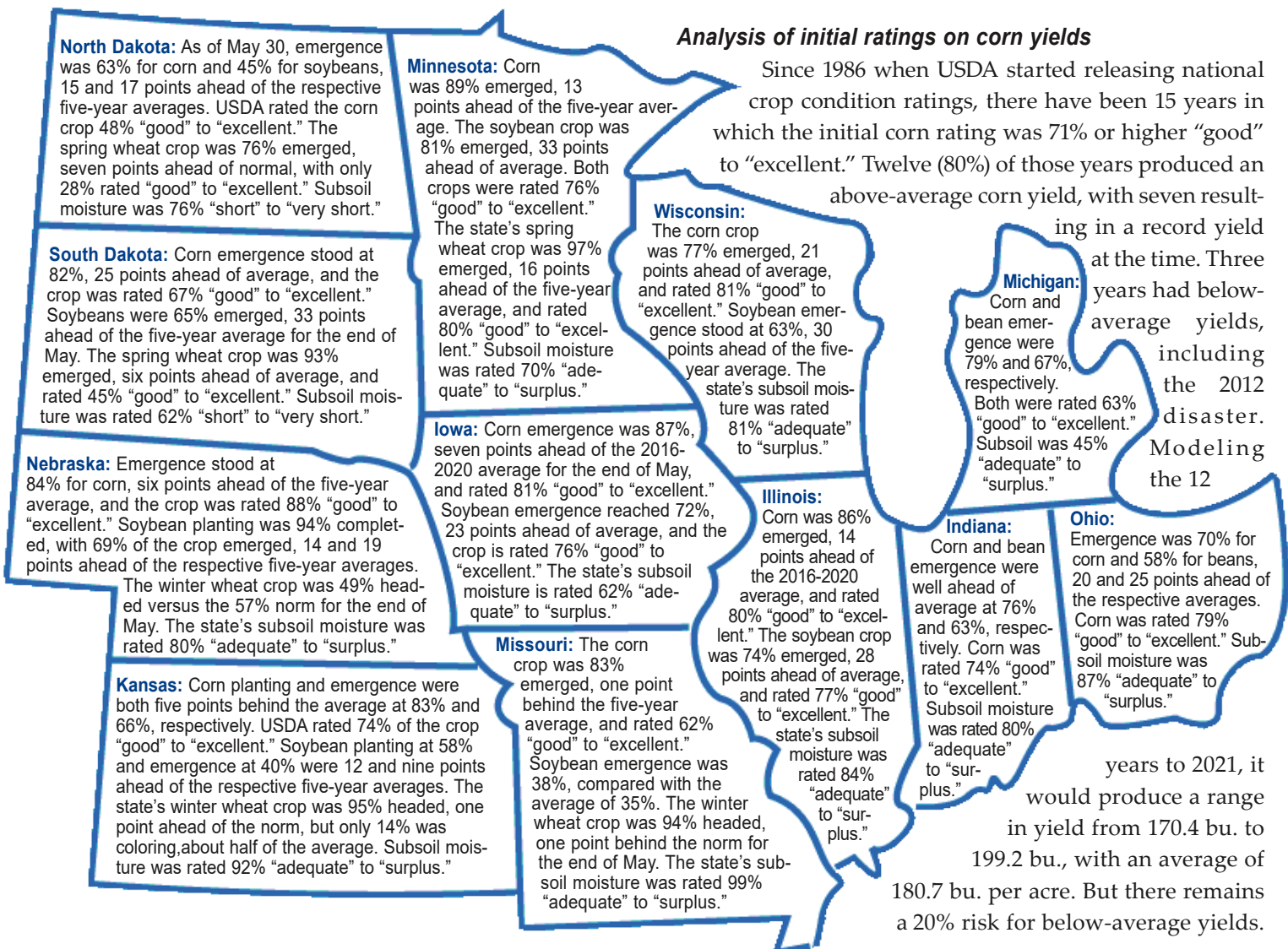
Interestingly, there was very little to no mention of the frost/freeze event that occurred during Memorial Day weekend in the individual state reports. Based on crop emergence in the northern states, there was a lot of corn and soybeans exposed to the frost/freeze. We suspect more of that damage will be noted in the June 6 report.

## Analysis of initial ratings on corn yields

Since 1986 when USDA started releasing national crop condition ratings, there have been 15 years in which the initial corn rating was 71% or higher "good" to "excellent." Twelve (80%) of those years produced an above-average corn yield, with seven result-

ing in a record yield at the time. Three years had below-average yields, including the 2012 disaster. Modeling the 12

years to 2021, it would produce a range in yield from 170.4 bu. to 199.2 bu., with an average of 180.7 bu. per acre. But there remains a 20% risk for below-average yields.



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**CATTLE - Fundamental Analysis**

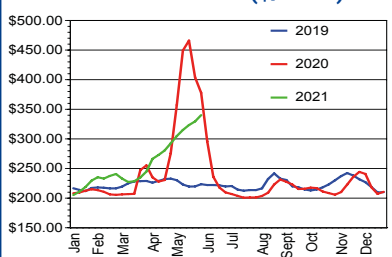
Futures plunged to start the week after the cyberattack on JBS SA temporarily shut plants, exposing America's woefully inadequate security defenses. Beef prices soared on restricted slaughter runs but eventually supported the turnaround in cattle futures and firmer cash bids in the face of record packer margins. Market-ready supplies will remain heavy and may slow recoveries. However, the price spike lower probably was a 43-week cycle low and may help ease supply concerns amid strong domestic and export demand. Feeder cattle continue to be pressured by the recovery in corn prices.

**Position Monitor**

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

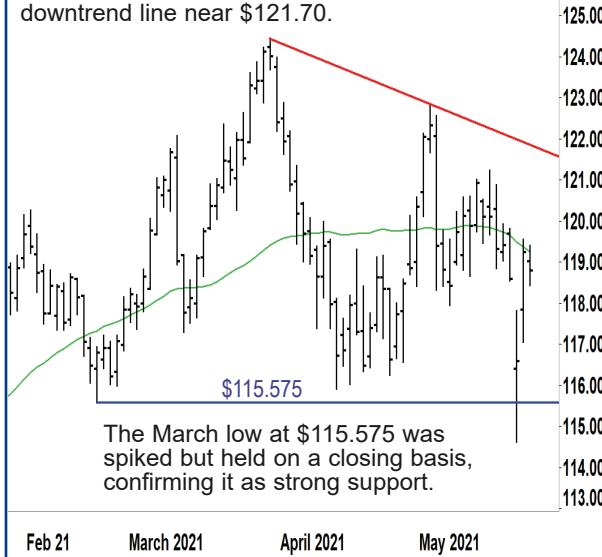
as the downside is limited. We want to wait for an extended price recovery before considering new hedges.

**BEEF CUTOUT PRICE (\$/CWT.)**



**AUGUST DAILY LIVE CATTLE**

Solid resistance is the downtrend line near \$121.70.



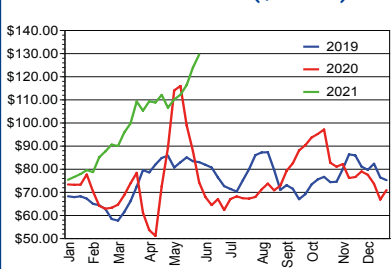
**HOGS - Fundamental Analysis**

Several contracts touched fresh highs with nearby futures at seven-year highs. Pork product prices remain very firm, further supported last week by the JBS interruption. The cutout rose near \$130 and is just \$8.00 below the all-time high from 2014. Carcass weight data continues to indicate very current market hog supplies. Chinese cash hogs, pork and futures markets continue to trade sharply lower. Its national cash hog market fell to two-year lows, down about 25% during the past month and down 50% since the start of the year. Hogs are due for a seasonal high and funds are holding the largest long since 2017.

**Position Monitor**

Game Plan:	Lean Hogs
Hold third-quarter hedges in July futures. Be prepared to add to coverage for third-quarter and place new fourth-quarter hedges on signs of a seasonal top.	II'21 0%
	III'21 25%
	IV'21 0%
	I'22 0%

**PORK CUTOUT PRICE (\$/CWT.)**



**AUGUST DAILY LEAN HOGS**

Resistance from the continuation chart is at \$119.50 and then at \$121.00 (neither shown).



**FEED**

**Feed Monitor**

Corn	
II'21	100%
III'21	25%
IV'21	0%
I'22	0%

Meal	
II'21	100%
III'21	58%
IV'21	0%
I'22	0%

**Corn Game Plan:** 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.

**Meal Game Plan:** 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.

**SEPTEMBER DAILY SOYBEAN MEAL**

Initial resistance at \$404.50 is backed by the 40-day moving average (green line) near \$405.80. Strong resistance is at \$440.40.

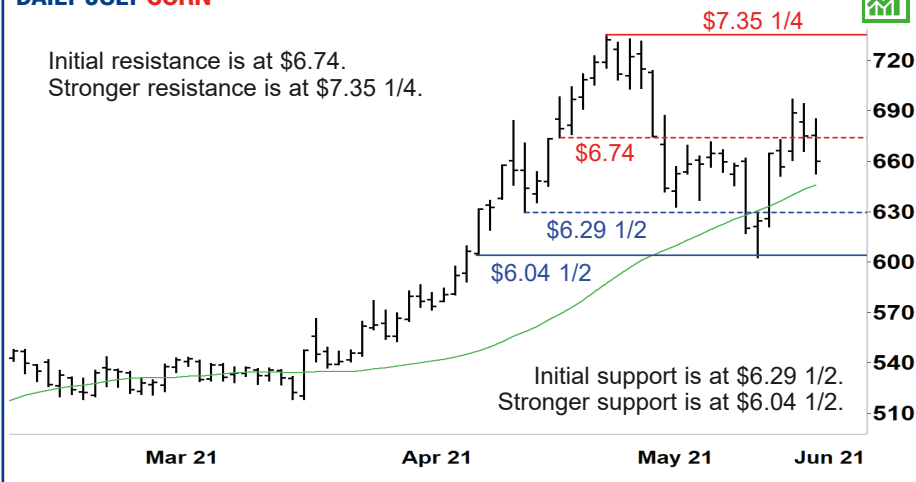


### Position Monitor

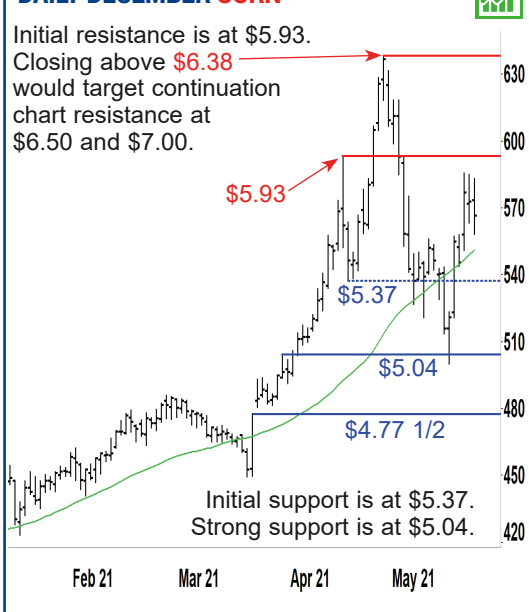
	'20 crop	'21 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	30%
Futures/Options	0%	0%

**Game Plan:** Use market strength to get current with advised sales. Everyone is down to the last 10% of old-crop supplies left to sell. We plan to wait on summer weather threats before making final old-crop sales and additional new-crop sales given the increasingly volatile weather patterns and strong Chinese demand. Daily price swings will remain large as speculative money flows and weather dominate price direction.

### DAILY JULY CORN



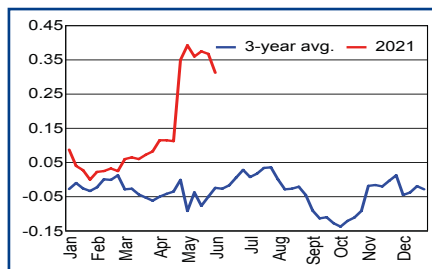
### DAILY DECEMBER CORN



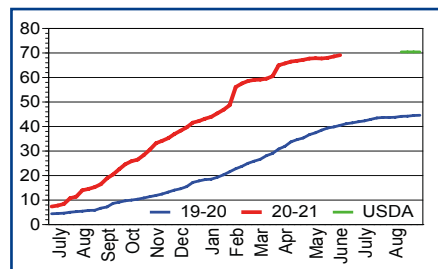
### CORN - Fundamental Analysis

Futures jumped to two-week highs with hot, dry forecasts that offset the strong initial USDA crop ratings. Timely rains are needed through pollination amid dry soil profiles from the Northern Plains to the Southeast. Expect volatile price swings on each new weather forecast. Export demand is strong with China ramping up its shipments of old-crop corn. Ethanol production rose to a 14-month high as blending increased to levels on par with the same week in 2019. The Supply & Demand Report June 10 will be focused on Brazil crop size and Chinese import forecasts. USDA's Acreage and June 1 Grains Stocks reports on June 30 are the next key supply and demand data points.

#### AVERAGE CORN BASIS (JULY)



#### CORN EXPORT BOOKINGS (MMT)

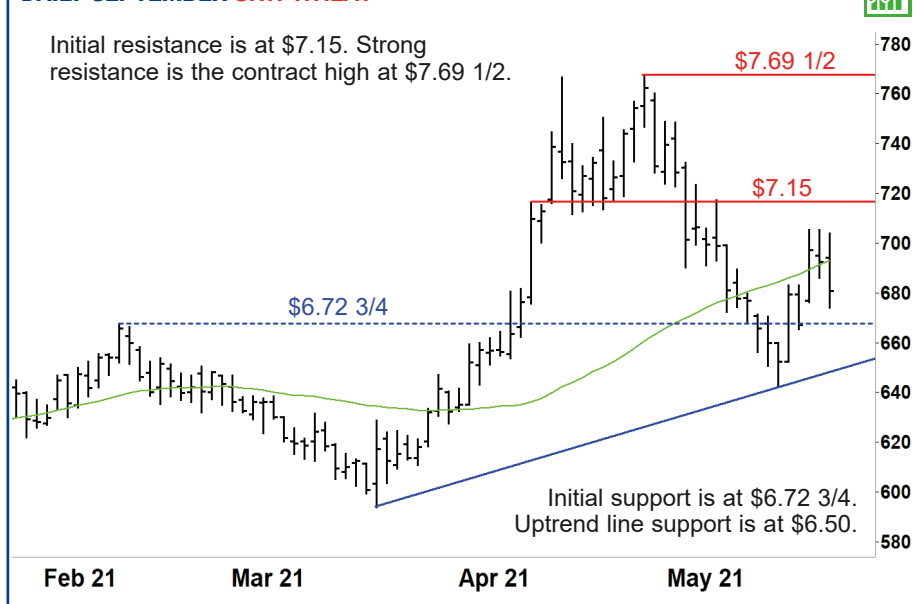


### Position Monitor

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

**Game Plan:** On June 2, we advised all wheat producers to sell an initial 10% of 2022-crop production for harvest delivery next year. You should get current with 2021- and 2022-crop sales on price strength.

### DAILY SEPTEMBER SRW WHEAT



### WHEAT - Fundamental Analysis

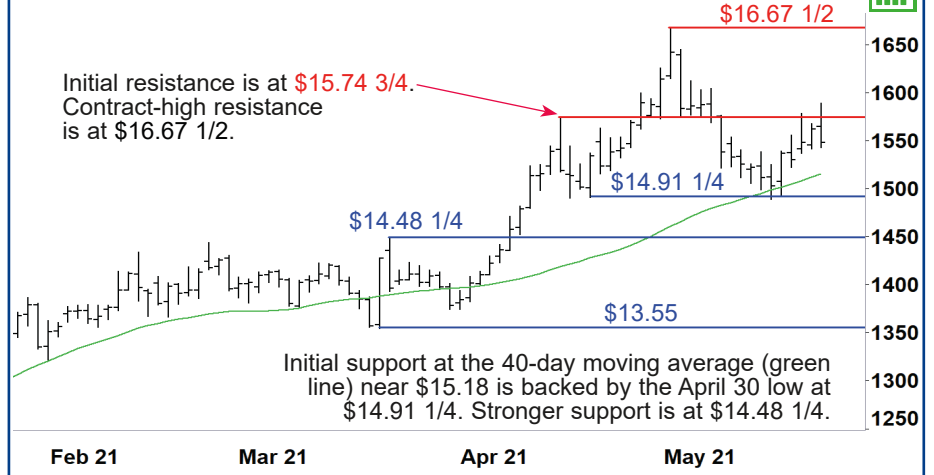
**SRW** – Futures posted the first weekly gain since mid-May as parched conditions for North American spring wheat crops offset favorable weather in Europe and the Black Sea region. Russia will keep export taxes in place to retain domestic supplies, which may boost demand for non-Russian wheat.

### Position Monitor

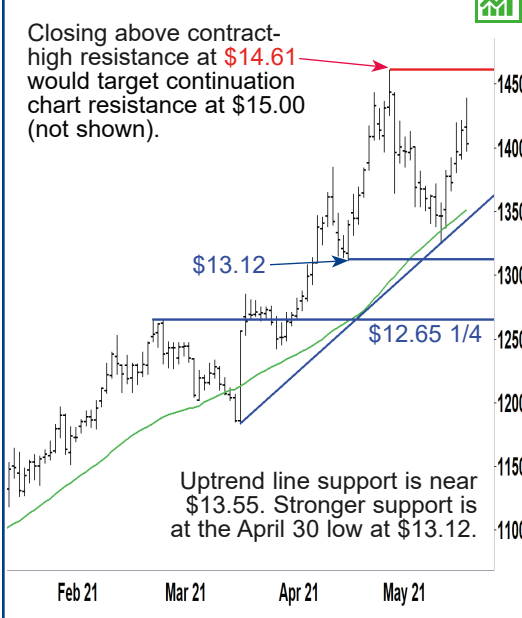
	'20 crop	'21 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	30%
Futures/Options	0%	0%

**Game Plan:** Use rallies to get current with advised sales for both old- and new-crop supplies. USDA projects U.S. inventories will remain tight through the 2021-22 season. That should limit downside risks until summer weather patterns are clearer. Market volatility will remain high and will swing with each new weather model run. Keep an eye on the bull spreads, which have narrowed with weaker cash basis bids.

### DAILY JULY SOYBEANS



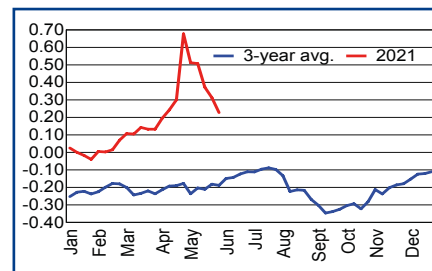
### DAILY NOVEMBER SOYBEANS



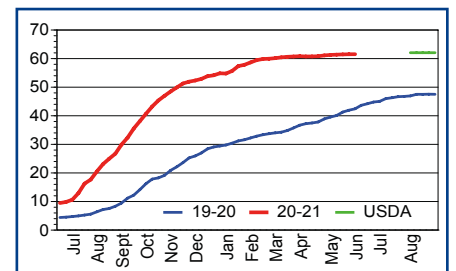
### SOYBEANS - Fundamental Analysis

Futures rose for a second week on increasing weather concerns in both the U.S. and Canada. There are also drier weather conditions developing in China. Export demand is quiet and traders will be watching for Chinese buying of new-crop U.S. supplies as they are completing purchases of Brazilian soybeans. Funds have trimmed bullish bets, which means there is money sidelined that will jump back in on confirmation hotter, drier weather will extend past this month. July soybean oil surged to a new contract high, just below the record reached last month on tightening global vegoil inventories and rising food and fuel demand. Soybean oil is going to lead rallies.

### AVERAGE SOYBEAN BASIS (JULY)



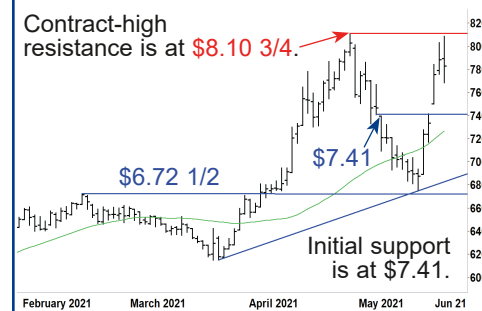
### SOYBEAN EXPORT BOOKINGS (MMT)



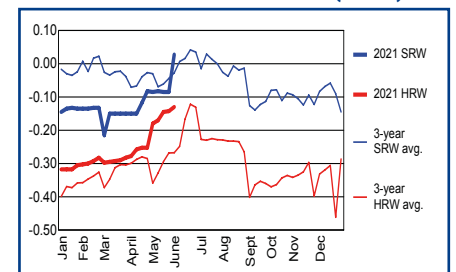
### DAILY SEPTEMBER HRW WHEAT



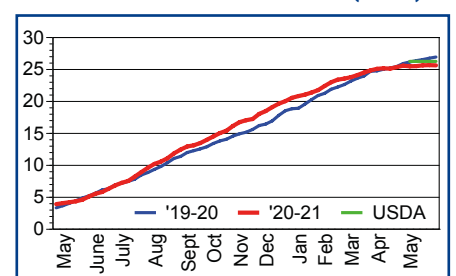
### DAILY SEPTEMBER HRS WHEAT



### AVERAGE WHEAT BASIS (JULY)



### WHEAT EXPORT BOOKINGS (MMT)



**HRW** – U.S. harvest will soon pick up and drier forecasts into mid-June may aid collections. Exports remain sluggish, with U.S. prices near the highest among global suppliers. World buyers are getting nervous, hoping for renewed weakness to grab supplies. HRW wheat will find support from miller demand to replace lost spring wheat supplies.

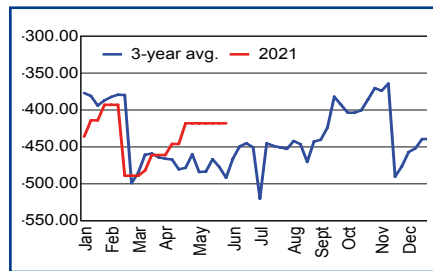
**HRS** – Spring wheat crop ratings fell to the lowest in more than 30 years. Extreme weather is the focus after record cold, including frosts Memorial Day weekend, were followed by record heat to end last week. Until widespread rains return to the Northern Plains and Canadian Prairies, spring wheat futures will continue to lead rallies.

## Position Monitor

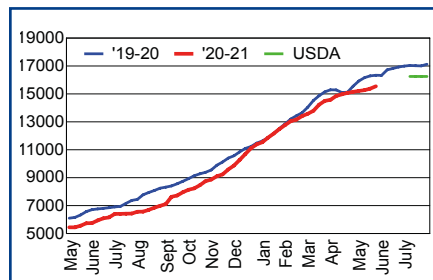
	'20 crop	'21 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

**Game Plan:** Get current with sales advice. Be prepared to finish old-crop sales on further strength. Be patient on adding to new-crop forward sales.

## AVERAGE COTTON BASIS (JULY)



## COTTON EXPORT BOOKINGS ('000 BALES)



## DECEMBER DAILY COTTON



## COTTON - Fundamental Analysis

Prices extended rebounds amid weather concerns, but some rains have reached West Texas and the Southeast may get timely moisture this week. Exports remain good after buyers used recent weakness to scoop up supplies. Talk of smaller crops in China, Pakistan and India added price support.

## GENERAL OUTLOOK

**ENERGY:** Crude oil's recent rally is taking several other commodities along for the ride, including gasoline and ethanol.

U.S. gasoline futures surpassed \$2.19 per gallon, the highest nearby price since June 2018. Optimism around rising fuel demand is growing as the U.S., China and Europe rebound strongly from the pandemic. The International Energy Agency expects a robust fuel consumption recovery in the next six months.

The summer travel season got off to a strong start Memorial Day weekend. AAA estimated 37 million Americans traveled for the holiday, including 34.4 million by car. U.S. gasoline demand reached the highest since the start of the pandemic, according to Descartes Labs.

Rising gasoline demand is boosting ethanol prices, which have also climbed to 2014 levels as inventories plunged to the lowest since December 2016.

## MONTHLY U.S. GASOLINE FUTURES



## FROM THE BULLPEN By Sr. Market Analyst Jeff Wilson

Summer rallies in corn and soybeans can vary greatly in duration and sometimes come in two or three spurts. With prices already elevated, it will require a serious weather threat to extend rallies with crops off to a strong start (see *News page 4*).

Summer rallies since 1981 in December corn futures can start as early as the first week of May or as late as the first week of August. The average duration is about 36 calendar days. The shortest was the June rally in 1983 that lasted three days but was followed by a 49-day rally in July and August. The longest continuous rally was 92 days in 2002 from June through early September.

On average, December futures in the summer rallied 63¢, or about 19%. Prices

soared more than 60% in 1988 and 2012, both major droughts. Prices did not have a summer rally in 1982, 1985, 1986, 2004 and 2014.

The average length of summer rallies in November soybeans has been 31 calendar days, and resulted in an average gain of \$1.15. The longest rally was 83 days in 2002, and the biggest gain was \$5.10 in 2012. The shortest rally was five days in 1996.

Key the next few weeks is whether the heat and dryness to start June is extended into July or redevelops later this summer. Traders, commercials and funds must see and feel ongoing drought expansion before adding new longs to challenge the May price peaks.

## WATCH LIST

- 1 USDA Grain Inspections** **MON 6/7**  
Strong Chinese corn shipments. 10:00 a.m. CT
- 2 USDA Crop Progress Report** **MON 6/7**  
First 2021 soy condition ratings. 3:00 p.m. CT
- 3 Weekly Export Sales Report** **THUR 6/10**  
Watching new-crop sales totals. 7:30 a.m. CT
- 4 USDA Crop Production Report** **THUR 6/10**  
Update on winter wheat output. 11:00 a.m. CT
- 5 USDA Supply & Demand** **THUR 6/10**  
Brazil corn crop cuts expected. 11:00 a.m. CT

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