



News this week...

- 2 – Poor start for spring wheat suggests subpar yields.
- 3 – Meat demand remains strong, food prices rise.
- 4 – Update on pandemic relief payments to producers.

Money flow drives volatility – Grain and soy markets made big daily price swings, led by corn, amid talk of Chinese cancellations and purchases, though net movement for the week was minimal. Given elevated prices and hefty speculative money flow, volatility will likely remain high. With the flip of the calendar to June this week, weather could add to the price volatility. The corn and soybean crops started quicker-than-normal, but some locations have moved from dry to too wet in a short period while other areas still need rain. Soggy conditions in the Southern Plains raised HRW quality concerns, while spring wheat started poorly. Cattle futures chopped sideways to lower amid steady cash prices, despite surging boxed beef values. Lean hog futures rallied to new highs on rising cash hog bids and pork cutouts.

China cracks down on corn imports

China is clamping down on feedmakers who set up blending facilities in free-trade zones to avoid paying tariffs for imported corn outside of government-issued quotas. But any U.S. corn cancellations that result are likely to be small – reportedly less than 1 million metric tons (MMT). As of May 20, there were 20.1 MMT of outstanding U.S. old- and new-crop corn sales to China on the books.

China needs corn, but Beijing wants to control the purchases. The sharp price break is an opportunity for it to book more.

Commodity crackdown extends beyond corn

Beijing has instructed lenders to stop selling investment products linked to commodity futures to small investors and completely unwind their existing books for such products. China also told the domestic industry it must maintain “orderly prices,” after metals recently hit new highs.

U.S./China ‘engagement period’ over

U.S. Trade Representative Katherine Tai called the U.S./China trade and economic relationship “very, very challenging” after meeting with her Chinese counterpart. Chinese officials described the call as “candid, pragmatic and constructive.” But Chinese media says the relationship has “serious difficulties, unprecedented since the establishment of diplomatic relations.” Tai says, “If China cannot or will not adapt to international rules and norms, we must be bold and creative in taking steps to level the playing field.”

The Senate is wrapping up an expansive bill to bolster U.S. economic competitiveness, especially domestic semiconductor manufacturing, that would directly target China on a host of issues, including human rights.

USDA hikes ag export, import outlooks

USDA expects U.S. ag exports at a record \$164 billion in fiscal year (FY) 2021, a \$7-billion increase from its prior forecast, with corn shipments accounting for \$3.2 billion of the jump. USDA expects China to import a record \$35.0 billion in U.S. ag goods in FY 2021. Fiscal year ag imports are now expected to rise to a record \$141.8 billion.

Biden releases huge budget wish list

President Joe Biden is proposing a \$6 trillion budget for FY 2022, rising to \$8.2 trillion by 2031. The plan projects a deficit of \$1.8 trillion next year, falling to \$1.6 trillion by 2031.

The budget is simply a request to Congress, but it shows the vast amount of money Biden wants to spend.

Infrastructure deal still far apart

The GOP infrastructure plan at roughly \$928 billion proposes more than \$500 billion for roads, \$98 billion for public transit, \$46 billion for passenger rail and more than \$70 billion for water infrastructure. Republicans recommended additional spending for ports, waterways, airports and broadband connectivity. But it is still well short of the \$1.7 trillion Biden wants. The president says he prefers a bipartisan solution, but Congressional Democrats want to go at it alone if Republicans don’t raise the spending level.

Turning up the heat on beef packers

USDA General Counsel-nominee Janie Simms Hipp promised the Senate ag panel she will enforce the Packers and Stockyards Act and work with the Justice Department on antitrust issues in the meat industry. At a minimum, congressional hearings will be held on livestock pricing issues.

Another key livestock issue is when and how USDA will release promised payments to contract producers. We have an update on Covid-relief payments on [News page 4](#).

WHIP+ decision being finalized

WHIP+ applications are being processed, a White House source tells us, with an announcement on the payment percentage “pending.” Payments should start in June.

Reminder: Fill out our acreage survey

Please take a couple minutes to fill out our acreage survey, which you should have received via e-mail.

Happy Memorial Day from Pro Farmer

Please remember those who died serving our great country.

Poor start for U.S. spring wheat crop

U.S. spring wheat was 94% planted as of May 23, according to USDA, nine points ahead of the five-year average. Two-thirds of the crop had emerged versus the normal 56% on this date. While the crop is off to a quicker-than-normal start, conditions are poor. USDA's first crop ratings of the season placed only 45% in the "good" to "excellent" categories, the worst initial conditions aside from the record low of 34% in 1988.

When USDA's initial crop condition ratings are plugged into the weighted *Pro Farmer* Crop Condition Index (0 to 500-point scale, with 500 being perfect), the spring wheat crop starts at 332.3 points, 42.3 points below the five-year average for the third week of May.

There have been six years since USDA started national crop ratings in 1986 in which the spring wheat crop was rated under 50% "good" to "excellent" at any point in the growing season. All six times, the final spring wheat yield was below trendline.

Wet finish a concern for HRW crop

Late-season rains have boosted crop conditions and yield potential across much of the Southern and Central Plains. The HRW crop improved 5.2 points during the week ended May 23 to 336.3 points. That was 3.4 points above the five-year average and 9.7 points above the spring low posted in the first week of May.

But the rains are stalling harvest efforts in far southern areas of the region. With heavy rains expected to continue through at least the first week of June, crop quality concerns are building, especially in areas where wheat is mature. Given strong demand from feedlots amid extremely limited corn supplies in the region, millers will likely pay bigger-than-normal premiums for high-protein HRW wheat. And there are already indications in the HRS cash market commercials anticipate a lower-quality HRW crop.

Corn, soybean emergence jumps

Corn planting is into the final stretch with 90% completed, and soybean seeding reached 75% as of May 23, both well ahead of the respective five-year averages. With recent rains and warmer temps, emergence jumped to 64% for corn and 41% for soybeans.

Of the top 18 producing states, only Colorado, Kansas and Tennessee are running behind the five-year average on corn emergence. Just the Louisiana soybean crop is off to a slower-than-normal start.

Brazil corn crop estimate cut again

Much-needed rains across safrinha corn areas of Brazil were "probably enough for the crop to avoid a worst-case scenario," according to South American Consultant Dr. Michael Cordonnier. But they came too late for much of crop that had not received a rain for 40 to 60 days. As a result, he lowered his Brazilian corn crop estimate by 2 million metric tons (MMT) to 95 MMT.

Brazil, Paraguay release dam water

Brazil and Paraguay began releasing water from the Itaipu reservoir on May 21 and will continue to do so through the end of the month to increase the flow of water into the Parana River. The water was released to help free seven ships loaded with soybeans that had become stranded due to low river levels. The Parana River basin is suffering from one of the most severe droughts in recent memory and this is the second time in two years that similar action was needed to increase the flow of the Parana River.

IGC: Use will outpace bigger crops

The International Grains Council (IGC) expects record global wheat and corn production in 2021-22 as higher prices encourage more acres. As a result, total grain production is now forecast up 5 MMT from last month and 72 MMT higher than last year. But IGC forecasts global use of both corn and wheat will also sharply increase. As a result, it projects global corn ending stocks will decline another 6 MMT in 2021-22 and 66 MMT (20.2%) from two years ago. World wheat ending stocks are expected to rise 3 MMT from the current marketing year but the forecast is still down 10 MMT from last month.

EU raises wheat crop forecast

The European Commission raised its European Union wheat crop estimate by 1.4 MMT to 126.2 MMT, which would be a 9.0-MMT (7.7%) increase from last year. Despite the bigger crop estimate, the commission left its 2021-22 EU wheat export forecast at 30 MMT, though that would be up 3.0 MMT (11.1%) from the current marketing year.

Another canola crush plant planned

Ceres Global Ag announced it will build a \$350 million canola crushing facility in Northgate, Saskatchewan, near the U.S. border. The Minneapolis-based company plans to crush 1.1 MMT of canola annually, yielding 500,000 metric tons of canola oil. The facility will open in 2024. The Ceres plant will source two-thirds of its canola from Canada and the remaining third from North Dakota. It will connect directly to the BNSF Railway, giving it a faster path to ship canola oil and meal to U.S. refiners and feed users.



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U.S. food prices continue to rise

All food prices rose 0.5% from the previous month in April and were up 2.4% from April 2020 levels, USDA's Economic Research Service (ERS) reported. Food-away-from-home (restaurant) prices increased 0.3% last month and were 3.8% higher than April 2020. Food-at-home (grocery store) prices rose 0.6% from March and were 1.2% higher than last year.

Through April, grocery store prices have climbed 1.2% and restaurant prices have risen 2.4%, for an average all food price rise of 1.7% compared with a year ago.

ERS expects grocery store prices to climb 1.5% to 2.5% in 2021, up from its forecast last month for prices to climb 1.0% to 2.0%. The agency maintained its forecast for restaurant prices to climb 2.5% to 3.5% this year. However, ERS says, "Inflation for most food categories is expected to be at or below their 20-year historical averages, with exceptions for nonalcoholic beverages and fresh fruit."

U.S. consumer confidence ticks down

The Conference Board's Consumer Confidence Index slipped to 117.2 in May from 117.5 the previous month, the first downtick this year. Consumers' assessment of current business and labor market conditions increased to a 14-month high last month, but their short-term outlook fell 8.8 points (8.2%) in April. Consumers' inflation expectations over the next 12 months rose to 6.5% from 6.2% last month.

"Consumers' short-term optimism retreated, prompted by expectations of decelerating growth and softening labor market conditions in the months ahead," the report stated.

No challenge of slower line speeds

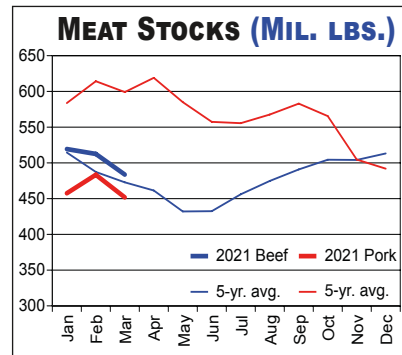
USDA's Food Safety and Inspection Service (FSIS) will not seek to overturn a court ruling ordering the nation's hog processing facilities to revert to a maximum line speed of 1,106 head per hour by June 30. FSIS says it will "work with the establishments to comply with the court's ruling and minimize disruptions to the supply chain."

Iowa State University Economist Dr. Dermot Hayes says, "Six pork processing plants are currently operating at higher line speeds allowed under the new USDA inspection system. Five of these plants have been operating at these speeds for more than 20 years under the pilot program introduced during the Clinton administration. Packers will likely use force majeure provisions to declare their pricing contracts with hog farmers null and void, forcing these farmers to sell their hogs on the spot market." He estimates the hog industry will lose 2.5% of slaughter capacity and it will cost producers \$83.2 million via lower prices in the spot market.

The National Pork Producers Council will "pursue all avenues to reverse a court decision that will lead to pork industry consolidation and increased packer market power."

Stocks confirm strong meat demand

Total red meat supplies in frozen storage continue to tighten on strong domestic demand as restaurants reopen and exports remain robust. USDA's Cold Storage Report showed total red meat stocks at the end of April at 940.6 million lbs., down 27.3 million lbs. (2.8%) from March and 196.3 million lbs. (17.3%) below April 2020 inventories.



There were 453.6 million lbs. of beef in frozen storage, a 29.4-million-lb. (6.1%) drop from March compared with an average decline of 11.4 million lbs. over the past five years. Beef stocks were 25.8 million lbs. (5.4%) lighter than last

year and 7.8 million lbs. (1.7%) under the five-year average.

Pork inventories climbed 4.2 million lbs. (0.9%) from March to 455.3 million lbs., which was far less than the average rise of 19.9 million lbs. over the past five years. Pork stocks were 156.0 million lbs. (25.5%) under year-ago levels and 163.8 million lbs. (26.5%) below the five-year average.

Chicken stocks dwindled to 723.8 million lbs. amid increased restaurant demand, down 209.7 million lbs. (22.5%) from year-ago levels. Chicken breast stocks at 244.9 million lbs. fell 45.4 million lbs. (18.6%) from the April 2020 record.

COF data not as bearish as it seems

USDA estimated in its Cattle on Feed (COF) Report the May 1 large feedlot (1,000-plus head) inventory at 11.725 million head, up 4.7% from year-ago and 88,000 head higher than the average pre-report estimate implied. But last year's numbers were skewed by the Covid pandemic. Compared with two years ago, May 1 feedlot supplies are down 82,000 head (0.7%). Feedlots placed 1.821 million head of cattle last month, up 27.2% from year-ago but down

Cattle on Feed Report	USDA actual (% of year-ago)	Average estimate
On Feed May 1	104.7	103.9
Placed in April	127.2	122.5
Mktd in April	132.8	133.0

1.1% from two years ago. Marketings were up 32.8% from last year's Covid-restricted levels and up 0.5% from April 2019.

Compared with April 2019, feedlots placed 6.0% fewer 7-weight and 2.8% fewer 8-weight calves during April. They increased placements by 4.8% for 9-weights. That makes sense given high feed costs and limited old-crop corn supplies, causing feedlots to limit the amount of time cattle need to be on feed. A 7.0% increase in lightweight (under 600 lbs.) and steady 6-weight placements compared with April 2019 were likely driven by expectations cash cattle prices will strengthen into next year.

Update on USDA's Pandemic Assistance for Producers Program

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete



We continue to get many e-mails and phone calls from Members regarding pandemic assistance payments. There are a lot of moving parts and everyone wants to receive all of the assistance they are eligible for, within the payment limitations. Here's the latest:

Crops and purchases provisions

Flat-rate and price-trigger crops: In late March, USDA authorized \$5 billion to \$6 billion to provide additional assistance to farmers, including payments of \$20 per acre to producers of price-trigger and flat-rate crops for the 2020 crop year. USDA has made payments of \$4.74 billion to 591,000 crop farmers and \$1.18 billion to livestock producers.

Eligible sales for CFAP 2 payment calculations: Indemnities received under crop insurance, Noninsured Crop Disaster Assistance Program and WHIP+ payments in 2019 sales must be factored into calculations.

Substitution of crops for CFAP 2 payments: The ag secretary may allow producers to substitute 2018 commodity sales for 2019 sales for purposes of determining eligible sales, though regulation is needed.

Payment limitations: Supplemental CFAP 1 and 2 payments in excess of current payment limits will be made to producers up to their gross calculated payment or 80% of loss, as determined by ag secretary and subject to the availability of funds. The definition of farm, ranch and forestry income expands to include ag sales (including gains), ag services, the sale of ag real estate and prior year new operating loss carry forward for payment calculations (regulations needed).

Food and procurement distribution: \$1.5 billion has been allocated to purchase food and ag products for distribution, and for grants and loans to small or midsized food processors or distributors, seafood processing facilities and processing vessels, farmers markets, producers, or other organizations to respond to Covid, including for measures to protect workers against the disease. Other elements of the program may require new grants or rule-making. Before issuing solicitations for contracts to implement this requirement, the ag secretary shall conduct a review of actions to improve Covid-related purchasing as outlined in the provision. A report/study is needed.

Price differentiation: USDA may consider price differentiation factors for each commodity based on specialized varieties, local market and farm practices (e.g., organic) as factors in direct support payments. This is to be determined (TBD).

Livestock and dairy provisions

Depopulation: Payments will be issued on 80% of fair market value of depopulated livestock/poultry and costs of such efforts due to insufficient processing access, other than costs compensated under EQIP. The ag secretary may consider whether a producer has been compensated for depopulation costs under any state program. Rulemaking or notice of funding availability (NOFA) is required.

Slaughter and feeder cattle: Supplement CFAP 1 payments by formula at a 50% rate to producers of fed slaughter and feeder cattle for April 16-May 14, 2020 will go out.

Mature and other cattle: Supplement CFAP 1 payments by formula at a 25% rate will be made to producers of mature slaughter and all other cattle for April 16-May 14, 2020.

USDA has made payments totaling \$1.18 billion to 416,000 cattle producers.

Contract growers: Up to \$1 billion is available for contract growers of livestock and poultry to cover up to 80% of calendar-year revenue losses, as determined by the ag secretary. Requires modified regulations to equitably implement.

Processors: Provides payments to processors for losses of crops due to insufficient processing access. This is TBD.

Supplemental Dairy Margin Coverage (DMC): Provides such sums to remain available until Dec. 31, 2023 for supplemental DMC based on the difference between 2019 actual production and DMC production history. Regulation is required.

Dairy Donation Program: Provides \$400 million, to remain available until expended, to reimburse an eligible dairy organization. Regulation is required.

Other agriculture provisions

Marketing assistance loan: Extends the term of marketing assistance loans to 12 months. The authority to extend the loans will expire Sept. 30, 2021.

Specialty Crop Block Grant Program: Provides \$100 million, to remain available until expended.

Biofuels: Makes payments to producers of advanced biofuel, biomass-based diesel, cellulosic biofuel, conventional biofuel or renewable fuel for unexpected market losses as a result of Covid-19. Talks are underway regarding the feasibility of NOFA as an implementation vehicle.

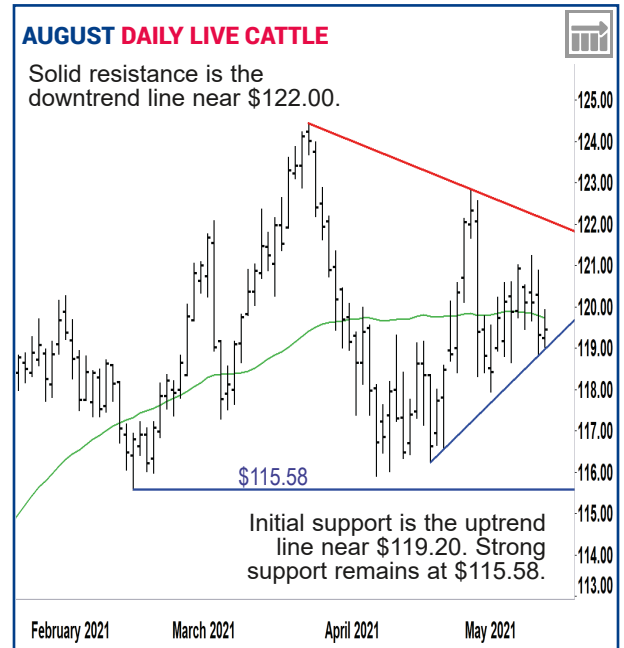
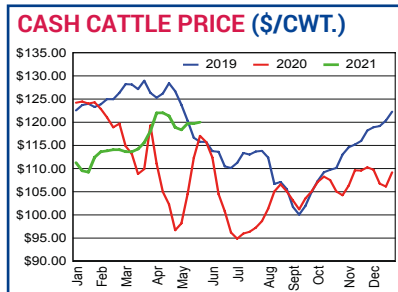
Animal disease prevention response: Provides \$20 million for APHIS to improve and maintain animal disease prevention and response capacity.

CATTLE - Fundamental Analysis

Futures and cash markets moved sideways despite the strong wholesale beef cutout values. Traders remain disappointed by the state of slaughter as packers continue to use captive supplies to fill most production needs, reducing the need to pay more for fed supplies. Export demand is good, including solid sales to China. Argentina announced a 30-day ban on beef exports to control inflation. That should support U.S. beef exports as global buyers look to replace supplies from the fifth-biggest exporter. Feeder cattle will mirror corn price moves, with underlying support from beneficial rains in parts of the Plains.

Position Monitor

Game Plan:	Feds	Feeders
Carry all risk in the cash market as the downside is limited. We want to wait for an extended price recovery before considering new hedges.	II'21 0% III'21 0% IV'21 0% I'22 0%	0% 0% 0% 0%

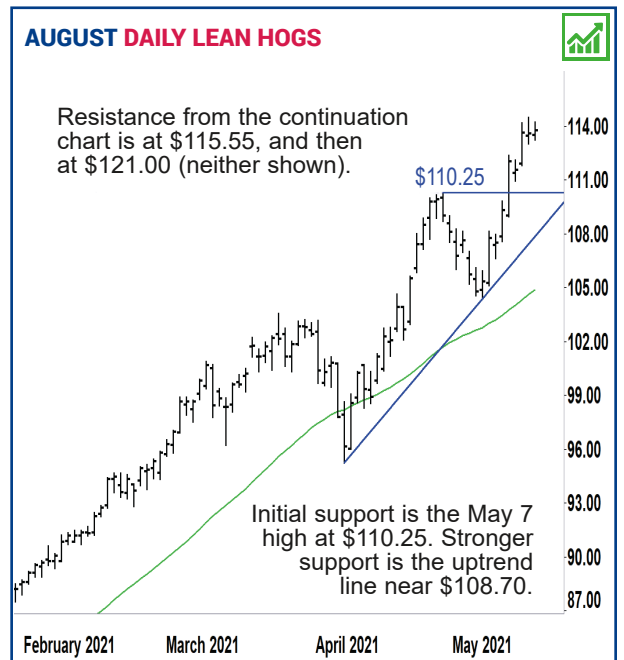
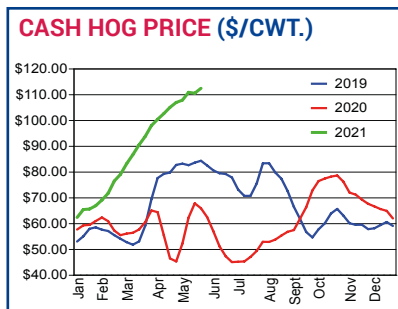


HOGS - Fundamental Analysis

Several contracts rallied to new highs, with nearby futures reaching the highest since 2014. Cash prices also rose to seven-year highs before stalling. Pork cutout values rose to the highest since October 2014, but daily sales have slowed at the higher prices. Record rib prices may have topped now that summer features are covered. Hams and bellies are lower this month. Weekly pork export sales were strong, with Mexico and China the top buyers. However, U.S. prices are the highest in the world. Chinese retail pork prices are in full retreat amid rising production, which may curb exports in the last half of the year.

Position Monitor

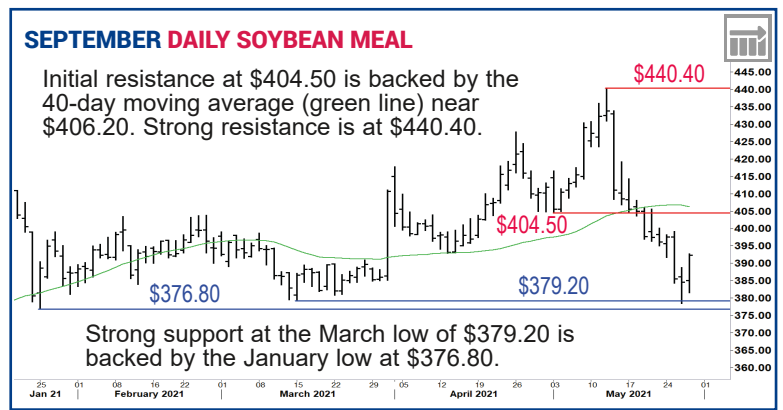
Game Plan: Hold third-quarter hedges in July futures. Be prepared to add to coverage for third-quarter and place new fourth-quarter hedges on signs of a seasonal top.	Lean Hogs
	II'21 0% III'21 25% IV'21 0% I'22 0%



FEED

Feed Monitor

Corn	II'21 100% III'21 25% IV'21 0% I'22 0%	Corn Game Plan: Make catch-up cash purchases to cover 25% of third-quarter corn needs. Our targets to extend coverage are \$6.00 in July futures and \$5.00 in December.
Meal	II'21 100% III'21 58% IV'21 0% I'22 0%	Meal Game Plan: On May 25, we advised buying the remaining 50% of July needs and an initial 25% of September needs in the cash market. Coverage now stands at 100% for July, 50% for August and 25% for September.

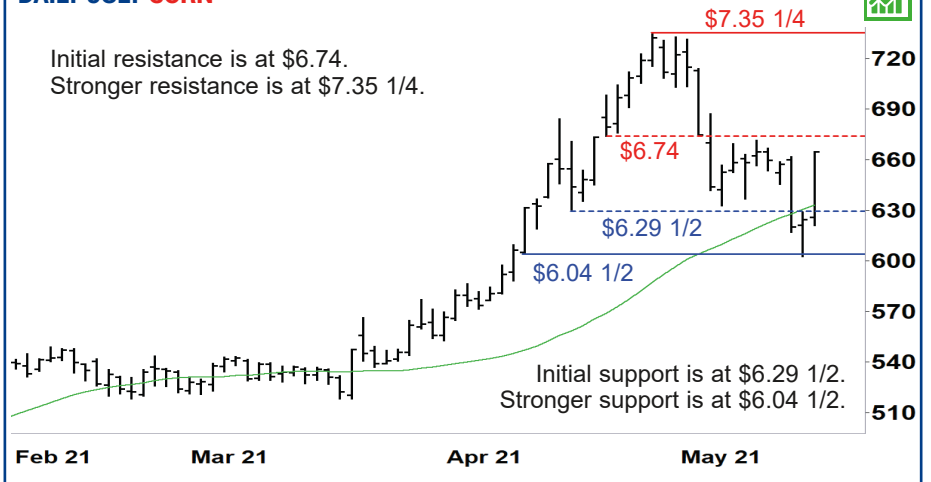


Position Monitor

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

Game Plan: On May 26, we advised hedgers and cash-only marketers to sell another 10% of expected 2021-crop for harvest delivery to get to 30% forward sold. 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 increasing volatile weather patterns and strong Chinese demand.

DAILY JULY CORN



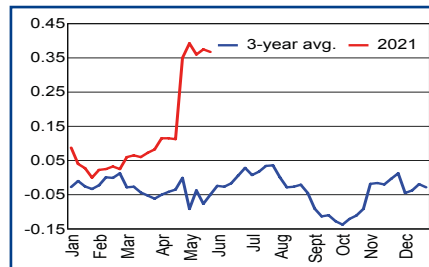
DAILY DECEMBER CORN



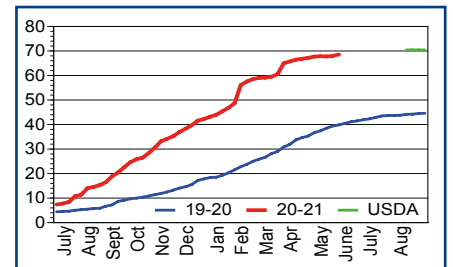
CORN - Fundamental Analysis

Volatile price swings last week reflected both rumors of Chinese cancellations of prior purchases and new U.S. sales. USDA's weekly report showed China bought a couple cargoes of old-crop corn and the agency announced daily new-crop sales to unknown. While China continues to talk down corn prices, its actions suggest buying will continue. With much of the crop planted ahead of average, the early odds favor strong production in 2021, but it's a long growing season to get to final yields. Traders expect initial USDA crop ratings on June 1 to be near or above average. Ethanol production is back to levels seen in 2019, as inventories dropped to the lowest in five years.

AVERAGE CORN BASIS (JULY)



CORN EXPORT BOOKINGS (MMT)

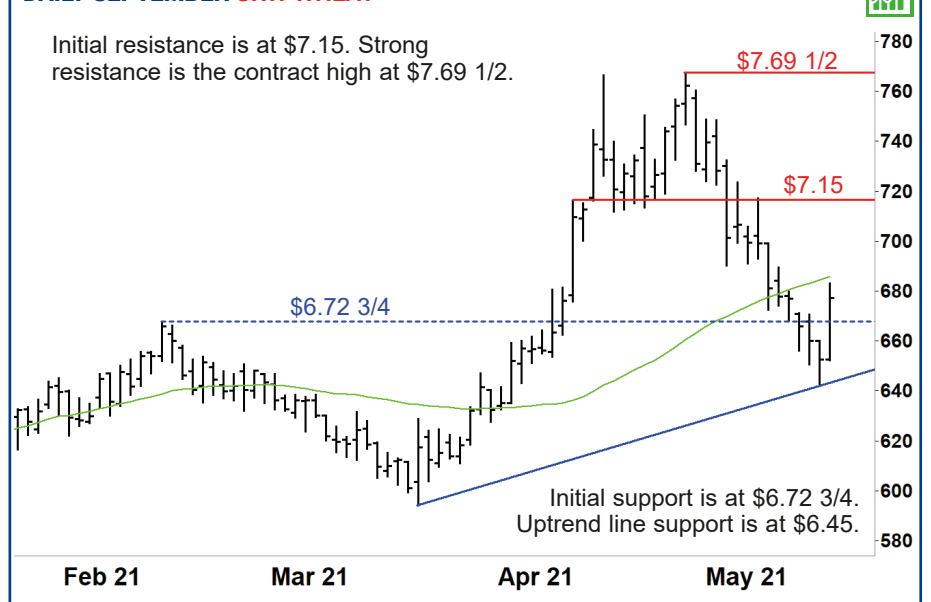


Position Monitor

	'20 crop	'21 crop
Cash-only:	100%	60%
Hedgers (cash sales):	100%	60%
Futures/Options	0%	0%

Game Plan: On May 26, we advised all wheat producers to sell another 10% of 2021-crop production for harvest delivery to get to 60% sold. A new weather threat to Northern Hemisphere crops or corn rally will be needed to sustain recoveries.

DAILY SEPTEMBER SRW WHEAT



WHEAT - Fundamental Analysis

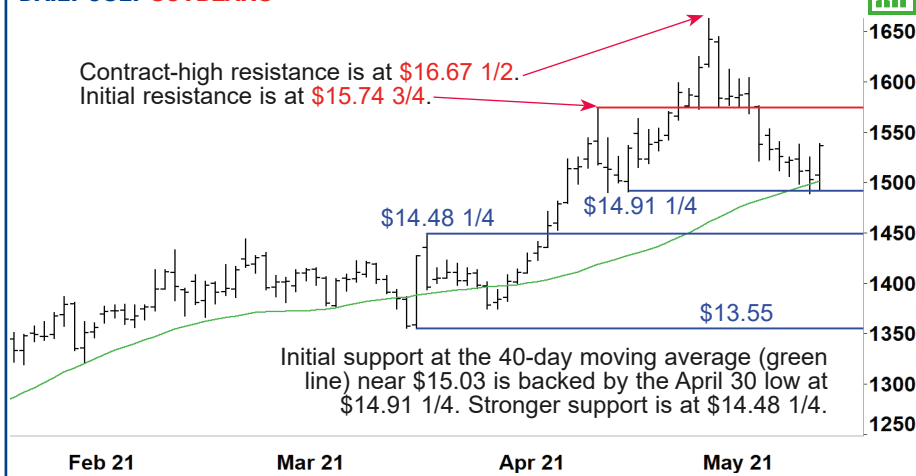
SRW — Futures traded sharply lower in May, following normal seasonal weakness as moisture boosted U.S. crop potential amid no major global weather threats. Price weakness has begun to spur importer interest. Wheat will follow corn on record global feed use. Chinese demand is a wildcard.

Position Monitor

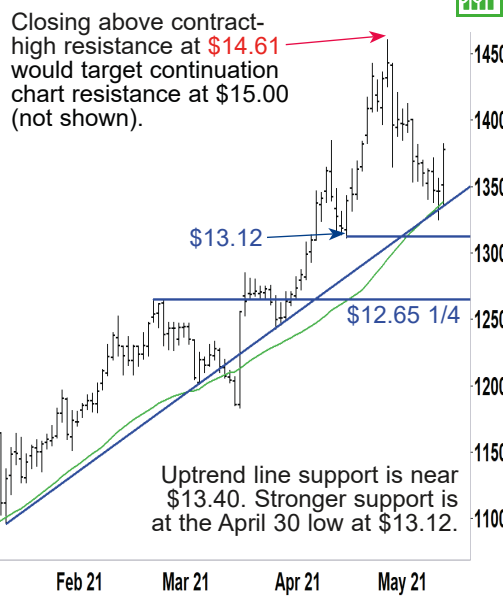
	'20 crop	'21 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	30%
Futures/Options	0%	0%

Game Plan: On May 26, we advised hedgers and cash marketers to sell another 10% of expected 2021-crop for harvest delivery to get to 30% forward-priced. 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 risk until summer weather is clearer. Market volatility will remain high.

DAILY JULY SOYBEANS



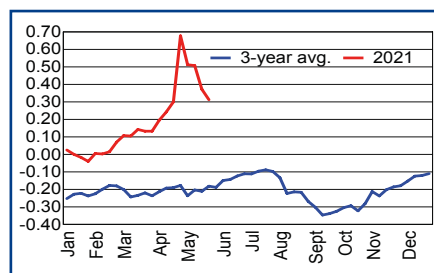
DAILY NOVEMBER SOYBEANS



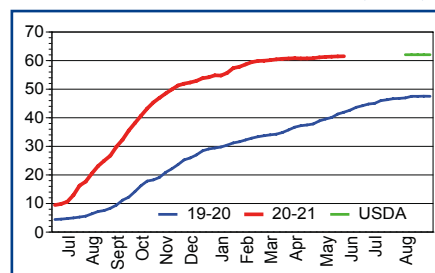
SOYBEANS - Fundamental Analysis

Soybeans rebounded from four-week lows amid ongoing worries about warm, dry weather expanding drought conditions, which already cover 23% of the U.S. growing region. Get used to the daily price volatility at these elevated prices amid the larger speculative position limits put in place in March. USDA's 2021-22 carryover estimate at 140 million bu. is the equivalent to 1.6 bu. of national yield and means there is little room for crop problems. Weather and weekly USDA crop ratings that begin June 7 are keys to price trends. Rising hog and chicken margins should support domestic meal demand. Look for soyoil to remain strong on rising fuel and food demand.

AVERAGE SOYBEAN BASIS (JULY)



SOYBEAN EXPORT BOOKINGS (MMT)



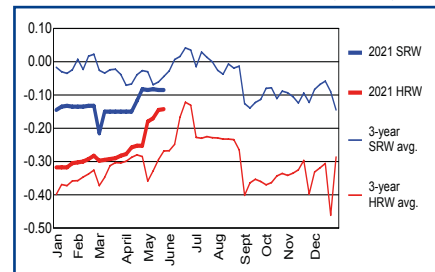
DAILY SEPTEMBER HRW WHEAT



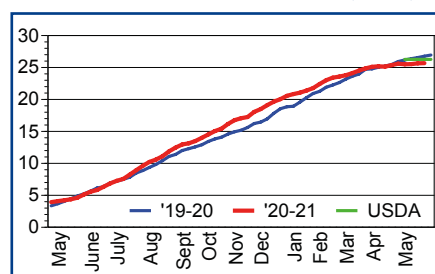
DAILY SEPTEMBER HRS WHEAT



AVERAGE WHEAT BASIS (JULY)



WHEAT EXPORT BOOKINGS (MMT)



HRW – While yields may be big, quality is a quickly developing issue for the HRW crop after heavy rains, wind and some hail. The wet forecast into the first week of June should provide a floor of support. While global prices have followed futures lower, U.S. wheat exports may struggle amid still uncompetitive values.

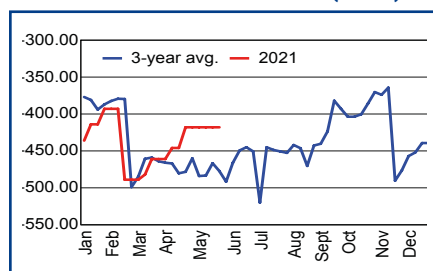
HRS – Spring wheat continues to outperform winter wheat after USDA's initial crop ratings fell to the second lowest since records began in 1986. Extremely low ratings early in the season have a strong correlation to subpar yields and about 82% of the spring wheat crop area is experiencing drought. Follow-up June rains are needed.

Position Monitor

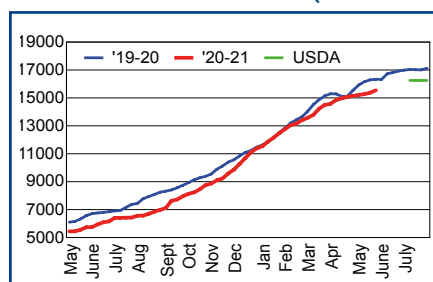
	'20 crop	'21 crop
Cash-only:	90%	40%
Hedgers (cash sales):	90%	40%
Futures/Options	0%	0%

Game Plan: Get current with sales advice. Be prepared to finish old-crop sales if support falters. 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 trended sideways amid better rains in West Texas. However, expanding dryness in the Southeast is a concern. July futures fell below December and that may help boost exports. Record April U.S. apparel sales and a 17.7% jump in Chinese retail sales bodes well for stronger demand.

GENERAL OUTLOOK

CURRENCIES: The dollar fell to a three-year low against the Chinese yuan as Beijing signaled that it's comfortable with the exchange rate after setting a stronger daily reference price.

The reference rate move dispelled concerns that Beijing would seek to slow a rally that might hurt exports. Also foreign buying of higher yielding bonds and the economic recovery boosting stocks supports the yuan rally.

A key tenet of President Xi Jinping's stronger currency policy is to help empower Chinese consumers, and also attract more foreign investment capital. The yuan rally will offset the rising cost of commodity imports and curb domestic price inflation, a top official with the People's Bank of China said last week.

A strengthening yuan against the dollar means Chinese demand for U.S. farm products will remain strong.

MONTHLY U.S. DOLLAR/CHINA YUAN RATE



FROM THE BULLPEN By Sr. Market Analyst Jeff Wilson

We advised small new-crop sales of corn, soybeans and wheat on May 26 as prices broke key price support levels, turning price trends lower.

History suggests strong spring rallies in corn and soybeans usually mark important annual price peaks without a real summer weather threat to crop yield potential. With planting of both crops off to the best start since 2012, the recent rains and more in the forecast signal the tight supply story may have already "played out" at the May peaks.

The other key to our sales advice was the outflow of speculative money from the markets during the last month as the deflation story for now appears to be over.

Speculative selling overwhelmed the

markets the past two weeks because there just weren't the physical buyers under futures. Buyers are trying to do their work in the cash market, pushing basis to secure physical inventory, not hedging upside risks in futures.

That strength in corn and soybean basis is another reason we advised making additional 10% forward sales to get to 30% contracted for fall delivery.

Wheat has entered the beginning of the harvest slump and big crops are coming. There are global crop concerns at this time and that means exporters will be fighting for market share. World buyers will also be willing to wait for cheaper prices later this summer when world harvests puts added pressure on prices.

WATCH LIST

- 1 Memorial Day** **MON 5/31**
Markets and gov't offices closed.
- 2 USDA Grain Inspections** **TUES 6/1**
Watching China's corn shipments. 10:00 a.m. CT
- 3 USDA Crop Progress Report** **TUES 6/1**
First 2021 corn conditions data. 3:00 p.m. CT
- 4 Weekly Export Sales Report** **FRI 6/4**
Watching new-crop sales totals. 7:30 a.m. CT
- 5 U.S. Jobs Report** **FRI 6/4**
Stronger job creation during May. 7:30 a.m. CT

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