**USDA plans to resurvey planted acreage**  
USDA plans to resurvey corn, soybean, sorghum and cotton planted acreage for its August Crop Production Report. The 14 resurvey states include the entire Corn Belt, along with Arkansas and New York. See report details on News page 4.

**Brief period of warmer, drier weather**  
A warmer, drier weather pattern across the Corn Belt early this week will aid crops that are severely behind in development. But there still will be multiple rain chances favoring northern areas, and cooler temps will return after July 4.

**‘Minimal’ MFP 2 payments for cover crops**  
USDA has decided it can make a “minimal” payment to farmers under the Market Facilitation Program (MFP 2) for cover crops that are planted on prevent-plant (PP) acres. However, USDA Secretary Sonny Perdue did not say how much the payment would be. He said USDA will also “top off” PP payments using money from the recently approved disaster aid package, but the amount of increased payments will depend on how many PP acres there are. See News page 2 for answers from USDA to questions about cover crops and PP payments.

**June 1 stocks lower than expected**  
**Corn:** June 1 stocks of 5.202 billion bu. were down 2% from year-ago and 130 million bu. below expectations. Of the total, 2.95 billion bu. (56.7%) were stored on farms and 2.25 billion bu. (43.3%) were stored off-farm. Implied third-quarter use was 3.41 billion bu., down from 3.59 billion bu. last year.

**Soybeans:** June 1 stocks of 1.790 billion bu. were up 47% from last year, but were 71 million bu. below the average pre-report trade estimate. Of the total, 730 million (40.8%) were stored on-farm and 1.06 billion bu. (59.2%) were stored off-farm. Indicated third-quarter use was 937 million bu., up 5% from the same quarter last year.

**Wheat:** June 1 stocks of 1.072 billion bu. were down 2% from year-ago and were 28 million bu. below the average pre-report trade estimate. USDA forecasts implied fourth-quarter disappearance at 521 million bu., up 31% from last year.

**High stakes heading into Trump/Xi meeting**  
Odds ahead of the June 29 meeting between President Donald Trump and China’s Xi Jinping were for some type of trade truce, possibly involving the U.S. delaying tariffs on an additional $300 billion of Chinese goods. But some in China want to keep dragging this out in hopes Trump will not win re-election, despite slowing economic growth from the trade war. As we’ve seen, the last 10% of the deal is the hardest. A possible timeline is by Oct. 1, which is the National Day holiday that will mark the 70th anniversary of the People’s Republic of China.

**Trade policy and so much more at LEC**  
Policy Analyst Jim Wiesemeyer will go into more detail on trade relations with China and other key trading partners at our Leading Edge Conference (LEC) July 15 in Cedar Falls, Iowa. LEC also will feature outlooks for interest rates, the U.S. and global economies, weather, land, inputs and commodity markets. Call 1-800-772-0023 or go to www.profarmer.com/leading-edge-conference to register.

**RFS proposals expected this week**  
EPA is expected to propose the Renewable Fuel Standard (RFS) blending targets for 2020 biofuels and 2021 biodiesel ahead of the July 4 recess. Renewable fuel groups have lobbied for a sizable boost in the amount ethanol refiners are required to blend to make up for previous small refinery exemptions (SREs) from EPA. The final rule on the reset of the RFS is now not expected until February 2020, suggesting EPA won’t likely keep it on the same timeline as next year’s blending mandates, as it previously indicated.

**Another SRE withdrawn/ineligible**  
EPA now shows there are 38 SRE requests pending for the 2018 compliance year, meaning two have either been declared ineligible or have been withdrawn from consideration.

**Largest East Coast refinery to close**  
Philadelphia Energy Solutions reportedly built a “significant” short position in blending credits ahead of its announced closure last week. RIN prices spiked to a six-month high.
Trip report: Illinois, Indiana and Ohio
Crop Consultant Dr. Michael Cordonnier recently traveled across part of the eastern Corn Belt. His observations:

**Illinois:** “The crops in northern Illinois were much worse than I expected, while the crops in central Illinois were very delayed, but about as I expected. It gets wetter and the crops get worse as you go further north in the state. There were only limited areas of Illinois that looked like they should at this time of the year. Many areas looked like what you would expect about the second week of May in a normal year.”

**Indiana and Ohio:** “In northeast Indiana and in northwest Ohio the situation is very bad. Virtually every field had standing water and there were many fields that had never been touched. It was worse than I expected and I cannot recall ever seeing it this bad in late June. In general, the crop development was about what you would expect in mid-May and not at the end of June! Some of the late planted corn will not pollinate until mid-August and then it is going to be a race to reach maturity before the first freeze.”

Corn crop ratings increase yield concerns
USDA’s corn crop condition ratings dropped three points to 56% “good” to “excellent” as of June 23. That matched 2012’s rating on this date and was the lowest since 1988.

Since 1986, there have been seven other years with a 60% or less “good” to “excellent” rating on this date. If you throw out 1988 and 2012 (drought years), as well as 1992 (when the crop was planted early but struggled until rains arrived), you’re left with four “wet” years. The corn yield averaged 86.5% of the previous record in those years. If you apply that percentage to the current record yield of 176.6 bu., it would project a yield of 152.8 bu. per acre this year.

First soybean rating raises yield concerns
USDA’s initial soybean crop condition rating of the season was 54% “good” to “excellent,” the poorest start since 1992. While the statistical correlation between USDA’s initial crop ratings and final yield is low, there is a clear distinction on yield performances in those years with an initial rating over 60% and those years at 60% or lower.

Since 1986, there have been eight other years with a 60% or lower “good” to “excellent” initial rating. Again, we threw out the dry years of 1988 and 1992. The average yield in the other six years was 91.6% of the previous record. Applying that percentage to the current record yield of 51.9 bu. would project a yield of 47.5 bu. per acre, which is our current estimate.

USDA addresses PP, cover crop questions
**Q:** Do my PP crop acres need to match what I reported to FSA?
**A:** FSA and RMA acres are not required to match. Crop insurance payments are based on the number of eligible acres of the crop. When “rolled acres” are applied for crop insurance, the RMA and FSA data will not match.

**Q:** If I plant a cover crop after the late-planting period and chop it for silage, will it impact my PP payment?
**A:** If the cover crop is hayed, grazed or cut for silage before Sept. 1, your PP payment will be reduced by 65%. If it is hayed, grazed or cut for silage on or after Sept. 1, your PP payment will not be affected. If the cover crop is harvested for grain or seed at any time, you will not receive a PP payment.

**Q:** If I plant a cover crop and cut it for hay after Sept. 1, can I sell it without affecting my PP payment?
**A:** Yes. If a cover crop is hayed on or after Sept. 1 the insured may receive a full PP payment, provided all other policy provisions have been met.

**Note:** This will likely impact the commercial hay market, especially in areas with heavy PP acres.

**Q:** Can I plant a cover crop of the same crop I was prevented from planting?
**A:** Yes. The cover crop may be the same crop prevented from planting and still retain eligibility for a PP payment, as long as it’s an acceptable cover crop. The cover crop planted cannot be harvested as seed or grain.

Spring wheat crop lags, ratings still strong
Just 7% of the U.S. spring wheat crop was headed as of June 23, well behind the five-year average of 29%. The spring wheat “good” to “excellent” ratings dropped two points to 75%. That led to a 2.8-point drop in the spring wheat CCI rating, though it’s still 13.6 points above the five-year average.

Canada wheat acres lower than expected
Canadian farmers planted 24.6 million acres to wheat, according to Statistics Canada, down 1.1 million acres from spring intentions and 140,000 acres (0.6%) less than in 2018. The lower all-wheat area was led by durum, which declined 20.9% from last year to 4.9 million acres, while spring wheat acreage rose 8.4% to 18.8 million acres.

Farmers planted 21 million acres to canola, down 315,000 acres from March intentions and 1.9 million acres (8.2%) less than last year. Lower prices and limited access to the Chinese market likely reduced canola seedings.
More signs of strong beef demand

USDA reported there were 403.6 million lbs. of beef in frozen storage on May 31. Beef stocks fell for a fourth consecutive month and were the lowest since November 2014. The 26.7-million-lb. drop in beef stocks during May was 8 million lbs. greater than the five-year average.

Pork stocks in storage at the end of May totaled 628.7 million lbs., which was up 7.2 million lbs. from April. The five-year average is a 17.6-million-lb. drop in pork stocks during May. But the data wasn’t all negative, as stocks of trimmings, unclassified cuts and variety meats were all down 9% or more.

H&P Report: Record herd got bigger

USDA’s Hogs & Pigs Report indicated the U.S. hog herd was record-large as of June 1. Market hog inventories, the spring pig crop and the number of pigs per litter were also record-large. USDA estimates the U.S. hog herd at 75.520 million head on June 1, up 2.65 million head (3.6%) from last year. The market hog inventory totaled 69.111 million head, up 3.9%.

The breeding herd was 6.410 million head, up 1.4% from last year. The market hog numbers suggest slaughter will ease to “only” around 3% above year-ago through summer and fall. But that may be optimistic as the winter pig crop was revised up 1.3% and the spring pig crop was bigger than anticipated at 3.7% above last year.

Summer farrowing intentions are projected down 0.5% from last year, while fall farrowings are expected to be about steady with year-ago levels. Given continued gains in the number of pigs per litter, however, that would still equate to slightly larger-than-year-ago pig crops for summer and fall. Plus, producers have continually expanded their herds by a greater factor than indicated by USDA’s data.

As we suspected, USDA made some rather meaningful revisions to its past data. The December hog herd was increased 365,000 head and the March 1 hog herd was revised up 730,000 head. USDA increased the fall and winter pig crop and the number of pigs per litter were also record-large as of June 1. Market hog inventories, the spring pig crop and the number of pigs per litter were also record-large.

China blocks Canada meat shipments

China blocked all imports of Canadian meat, effective June 26, citing forged export certificates. The U.S. is unlikely to directly benefit from the trade disruption given stiff Chinese tariffs on American pork. China is not a big buyer of Canadian beef.
June Acreage Report leaves many questions unanswered
by Editor Brian Grete and Sr. Market Analyst Jeff Wilson

USDA's corn and soybean planting estimates were shocking compared with pre-report expectations. Corn plantings came well above what traders anticipated, while soybean acres fell short of expectations. USDA plans to resurvey corn, soybean, sorghum and cotton planted acreage for its August Crop Production Report. When USDA's June acreage survey was conducted, there were still large portions of those four crops yet to be planted. As a result, the June acreage estimates leave as many questions as they provide answers.

Corn plantings shockingly big at 91.7 million acres

USDA’s estimate of corn plantings at 91.7 million acres dropped 1.092 million acres from March intentions but was more than 5 million acres higher than the average pre-report trade estimate. USDA estimates corn harvested acreage at 83.595 million, up 1.195 million acres from its June projection. Despite the record planting delays and many holes in this year’s crop, USDA is using a harvested percentage of 91.2%, which is close to normal.

Compared with March intentions, USDA lowered corn plantings in Illinois, Michigan, Missouri, North Dakota, Ohio, South Dakota and Wisconsin. USDA left corn planted acreage unchanged from March intentions in Indiana, Iowa and Minnesota. USDA raised its corn plantings compared with March intentions in Kansas and Nebraska.

Soybean plantings shockingly small at 80 million acres

USDA’s estimate of soybean plantings at 80.040 million acres dropped 4.577 million acres from March intentions and was more than 4.3 million acres below the average pre-report trade estimate. USDA lowered soybean plantings from March in all of the top 13 soybean planted acreage states.

Combined corn, bean acres down sharply from March

USDA’s combined corn and soybean planting acreage estimate at 171.7 million acres is down 5.7 million acres from March intentions. Many of those unplanted corn and soybean acres will likely be claimed as prevent-plant.

Spring wheat acres below March and trade expectations

USDA cut spring wheat plantings from March in North Dakota (down 50,000 acres to 6.5 million acres), Montana (down 300,000 to 2.6 million), Minnesota (down 80,000 to 1.53 million) and South Dakota (down 250,000 to 800,000 acres). USDA’s harvested acreage estimate of 12.125 million acres implies a harvested percentage of 97.5%, down fractionally from last year’s 97.7%.

USDA cut its durum wheat plantings estimate of 1.401 million acres by 19,000 acres from March intentions. Planted acres were 75,000 acres below the average pre-report estimate.

USDA’s all-wheat plantings estimate of 45.609 million acres is down 145,000 acres from March and 45,000 acres less than traders anticipated. USDA cut its spring wheat planted acreage estimate by 400,000 acres from March intentions to 12.430 million acres. That was 165,000 acres below trade expectations.

Cotton acres below March and trade expectations, too

USDA trimmed its cotton planted acreage estimate by 60,000 acres from March intentions to 13.720 million acres. Planted acreage came in 99,000 acres below trade expectations. USDA lowered cotton planted acreage by 147,000 acres in Texas to 7.17 million acres. It left Georgia’s cotton plantings unchanged at 1.35 million acres.

Sorghum acres virtually unchanged from March

USDA estimates 5.125 million acres were planted to sorghum this year, down just 10,000 acres from March intentions. Harvested acreage is estimated at 4.585 million. USDA is using a harvested acreage percentage of 89.5%, up slightly from last year’s 88.9%.

Principal crop acres drop sharply from March intentions

USDA’s estimate of principal crop acres plunged 6.04 million acres from March intentions to 309.3 million acres. The combined drop in corn and soybeans accounted for 94.4% of that decline. Principal crop acres are estimated to be the lowest in at least the past two decades.
CATTLE - Fundamental Analysis

Futures rebounded from new contract lows amid signs of better domestic beef demand ahead of the holiday. Packers remain reluctant to push cash bids higher, despite light market weights curbing production. The premium of Choice cutouts to Select rose to a new 2019 high, about three weeks past seasonal highs, another sign cash markets are nearing a low. Feeders led the recovery as corn prices moved sideways and cash markets were bid up $3 to $6. The spread between fats and feeders narrowed recently; that signal that fed cattle prices could be bottoming may have improved feeder demand.

HOGS - Fundamental Analysis

Futures continue to follow the downside lead of weakening cash hogs and fresh pork prices as slaughter is running more than 10% ahead of a year ago this month. The surprisingly large production and weaker prices have failed to generate much domestic demand. USDA’s June 1 Hogs & Pigs Report may help to clarify second-half production (see News page 3). Bellies are at the lowest level for this time of the year in more than seven years. The weekly export sales report showed improvement in both sales and shipments, with Mexico and China the top buyers again. That’s a trend that needs to continue.

FEED

Corn Game Plan: You should have all corn-for-feed needs covered in the cash market into mid-July. You should have remaining needs through August hedged in long December corn futures at $4.58.

Meal Game Plan: Soybean meal needs are covered in the cash market through mid-July. Our plan is to stay patient. We may go hand-to-mouth and wait for lower prices the remainder of the summer.
DAILY SEPTEMBER SRW WHEAT

A close above initial resistance at the Oct. 24 low of $5.48 1/2 would have bulls targeting stronger resistance at the Oct. 29 high of $5.62 3/4.

The Nov. 27 low at $5.26 3/4 is initial support. Additional support rests at the Feb. 15 low of $5.14 and the Feb. 20 low of $4.95.

CORN - Fundamental Analysis

Corn prices drifted lower on sluggish exports and warmer, drier forecasts into start of the second week of July. The market tumbled Friday after USDA estimated plantings would be only 1.1 million acres smaller than March intentions. But USDA will resurvey acres for the August production report and we expect planted area will be further reduced. Weather has to be near perfect and include an extended growing season to get the most yield potential out of this year’s late-seeded crop. June 1 inventories were smaller than expected, adding to the tightening supply risks. Continued improvement in cash corn basis underscores the rising commercial demand for old-crop supplies amid new-crop supply uncertainties.

DAILY MARCH CORN

The May 30 high at $4.59 1/2 now represents initial resistance. The June 17 contract high at $4.76 is key resistance.

The 40-day moving average (green line) marking initial support near $4.35 1/4 is closely backed by the May 28 low at $4.31 1/2.

Position Monitor

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Game Plan: On June 26, we rolled orders from July to September futures. You should have a standing order to sell 10% of 2019-crop in the cash market if September SRW futures hit $5.60. Finish old-crop sales if you haven’t already done so.

WHEAT - Fundamental Analysis

SRW - Futures reached a 10-month high after weekly export sales topped trade estimates and lent support at week’s end. Total accumulated sales are 25% ahead of last year despite talk U.S. wheat is overpriced on the world market. Rising SRW basis is supportive ahead of harvest.

Position Monitor

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Game Plan: Use rallies to get current on both old-crop and new-crop cash sales advice. Volatility is high and should remain elevated with each new weather forecast. We plan to be patient on additional old- and new-crop sales until the rally shows signs of stalling and/or weather forecasts signal pollination will be successful. Weather markets can change very quickly, so make sure you are current on sales.

CORN EXPORT BOOKINGS (MMT)

AVERAGE CORN BASIS (JULY)

DAILY DECEMBER CORN

Last week’s slide flipped former support at the May 31 high of $4.53 1/4 to initial resistance. The June 17 contract high at $4.73 is solid resistance. A bullish breakout would likely face psychological resistance at the $5.00 level.

Initial support is now marked by the 40-day moving average (green line) near $4.26 1/2. That is closely backed by key support at the May 22 low of $4.22 1/2.

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HRW - HRW futures are lagging SRW gains on spread trading and improving weather for harvest in the Southern Plains. Hot, dry weather in Europe moving into parts of the Black Sea region has yet to raise major concerns. Signs of bottoming Russian export prices need to continue to support U.S. prices.

HRS - Spring wheat futures found support from reduced Canadian planted acreage (see News page 2). USDA cut its spring wheat acreage estimate when most were looking for an increase. A mix of sun and rain the next two weeks will support U.S. and Canadian crop development.

DAILY AUGUST SOYBEANS

The June 27 drop flipped former support at $8.96 1/4 to initial resistance. Key resistance is at $9.25 3/4.

Initial support is marked by the convergence of the September 2018 low at $8.68 1/4 and the 40-day moving average (green line) near $8.68.

SOYBEANS - Fundamental Analysis

Prices slipped lower on improving crop weather until Friday when USDA cut its estimate of planted acreage 4.3 million acres more than traders expected and said June 1 stocks were smaller than expected (see News pages 1 and 4). The surprise 544,000-metric-ton sale of old-crop soybeans USDA reported to China on Friday also injected fresh optimism into the market about the weekend trade talks between Presidents Donald Trump and Xi Jinping in Japan. Still, soybean rallies will continue to fight headwinds from record global inventories. Soybean meal exports sales are slowing and that could curb soybean demand this summer. Weather forecasts will drive daily price changes well into August.

AVERAGE SOYBEAN BASIS (JULY)

SOYBEAN EXPORT BOOKINGS (MMT)

AVERAGE WHEAT BASIS (JULY)

WHEAT EXPORT BOOKINGS (MMT)

DAILY SEPTEMBER HRS WHEAT

The Dec. 27 low at $5.66 1/2 represents initial resistance.

Initial support is at the 40-day moving average (green line) near $5.52 1/2.

DAILY SEPTEMBER HRW WHEAT

Initial resistance is at the Feb. 19 low of $4.89 3/4.

The Feb. 26 low at $4.63 3/4 is initial support.

Position Monitor

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Game Plan: Make sure you get current with both old- and new-crop sales advice. On June 26, we rolled our orders to August futures. You should have a standing order to sell 15% of 2018-crop in the cash market if August futures hit $9.30. We want to take advantage of supply-driven rallies during the next several weeks to increase cash sales for both 2018- and expected 2019-crop soybean supplies.
COTTON - Fundamental Analysis

The market continues to meander sideways, watching crop conditions and China trade talks, while looking for clues regarding final acreage and production (see News page 4). Exports continue to slow and will cap rallies tied to threats to U.S. production. Crop condition ratings remain solid.

GENERAL OUTLOOK

U.S. Dollar: The greenback’s value against a basket of six currencies fell below a 16-month uptrend and the 200-day moving average, a long-term pattern change.

Increasing speculation the U.S. Federal Reserve will lower interest rates in July amid slowing U.S. growth has spurred investors to dump dollars.

The reason a major top in the dollar’s international value is forming is that U.S. debt to Gross Domestic Product is rising quickly, a sign of deteriorating prosperity. U.S. federal debt relative to GDP grew 54% the past 10 years to 104.7%, the highest since World War II. China’s is 23%.

The U.S. reliance on debt to fund public expenditures threatens to slow economic growth and increase dependence on foreign financing. The Russian ruble, Egyptian pound and Ukrainian hryvnia are the top performers against the dollar in 2019, a positive for U.S. grain exports.

FROM THE BULLPEN  By Sr. Market Analyst Jeff Wilson

Summer rallies in corn are usually triggered by hot, dry weather threatening the crop. Wet-weather crop losses are more difficult to estimate and may take until harvest to be factored into prices.

Since late April, funds have liquidated a record net-short corn position of more than 322,000 futures and options and moved to a net-long of more than 143,500 contracts on June 18, pushing prices $1.00 higher.

We estimate funds cut those longs to less than 120,000 contracts last week ahead of the USDA acreage and June inventory reports and improved weather forecasts. But the funds fail to realize that acreage and yield losses from this year’s wet, cold weather can’t be recovered or repaired.

The next catalysts for funds to add to bullish corn bets will be fresh weather problems or a further strengthening in the cash corn market. The current unusual strength reflects growing fears that U.S. supplies will be extremely tight into 2020. Funds could easily double their position.

Soybean crop ratings are also historically low and cash basis is starting to improve with U.S. supplies competitive on the world market outside of China. Funds are holding a net-short soybean position close to 70,000 contracts as more than 30% of the crop hadn’t emerged until after the longest day of the year.

Funds are net-long the most SRW futures and options since September and net-short an equal amount of combined HRW and spring wheat for a neutral position.

WATCH LIST

1 USDA Crop Progress Report
   Corn, soy conditions remain low.
   MON 7/1
   3:00 p.m. CT

2 USDA Oilseed Crush Report
   Soybean crush slows on flooding.
   MON 7/2
   2:00 p.m. CT

3 Fourth of July Holiday
   Markets are closed.
   THU 7/4

4 USDA Export Sales Report
   Grain sales slow with competition.
   FRI 7/5
   7:30 a.m. CT

5 U.S. Unemployment Report
   June payrolls rebounded from May.
   FRI 7/5
   7:30 a.m. CT

Leading Edge Conference

Position your farm for the policy and market impacts of this spring’s weather. Join us July 15 in Cedar Falls, IA. Call 1-800-772-0023.