Another week of wet weather ahead
Forecasts call for more rains across the Corn Belt over the next week to 10 days. The heaviest rainfall of two-plus inches is expected from Missouri through the eastern Corn Belt — areas that are most severely waterlogged and furthest behind on planting. Rains are likely to be lighter across the northwestern Corn Belt.

USDA slashes corn crop projection
USDA made cuts in June to both its corn acreage and yield projections for only the third time ever. It also did so in 1995 and 2002. In both those years, final production was significantly below the initial May forecasts — down 9.7% in 2002 and down 14.0% in 1995. In 2002, final production was 90.3% of the May projection. In 1995, final production was 86.0% of the May forecast. Applying those percentages to this year produces a crop range of 12.9 billion bu. to 13.6 billion bushels.

The June cuts were from the World Board, not NASS, USDA's crop-estimating division. USDA's first survey-based crop estimate will come in August. FSA certified acreage won't be factored into the corn crop estimate until October.

No soybean crop adjustment, but one in July is likely
USDA Chief Economist Robert Johansson said he thinks there will be adjustments to the soybean crop projection in July. He added that “conventional wisdom is that some of the corn acres would translate into bean acres.” That sounds like the soybean crop projection may be bigger.

Does CCC have funds for MFP 2?
USDA eventually will have funds to execute the $16 billion second round of the Market Facilitation Program (MFP 2). But it won’t have enough for the entire program until Commodity Credit Corporation (CCC) funds are restored by fiscal year 2020 appropriations later this year. That’s why MFP 2 funding will come in three waves. Tentative plans are for the Trump administration to release around 50% ($8 billion) of the MFP 2 plan in August. Another 25% ($4 billion) is planned in both December and February — if needed.

Chinese bean imports tumble in May
China imported nearly 7.4 million metric tons (MMT) of soybeans in May, 24% below last year’s pace. For the first five months of 2019, China imported 31.8 MMT of soybeans, a 12.2% decline from the same period last year.

China wants to delay U.S. soybeans
China’s state-owned buyers reportedly are trying to delay shipment of around 2 MMT of U.S. soybean purchases from July to August. High costs involved in canceling the purchases are keeping the Chinese firms from taking that route — for now. But with over 6.3 MMT of outstanding soybean sales to China still on the books for 2018-19, there is risk some of those bushels will be rolled to the new-crop marketing year or cancelled.

China may start importing more corn
Chinese corn stockpiles likely will total less than 50 MMT when it completes auctions of old stocks this summer. That would be equivalent to only two months of consumption and the smallest stockpiles since at least 2012. With stockpiles at much smaller levels, China may allow more imports of corn, other feedgrains and dried distillers grains.

China factory output hits 17-year low
China’s May industrial output slumped to 5% above year ago, the weakest growth since early 2002. The unexpectedly low factory numbers, along with other weak data, prompted China’s central bank Friday to provide 300 billion yuan ($43 billion) in fresh support for smaller banks. Broader support, likely through a further reduction in banks’ reserve requirement ratios to boost tightening liquidity, is expected soon.

Tariffs on Mexico averted — for now
President Donald Trump reached a deal with Mexico late June 7 to avoid tariffs for at least 90 days after it agreed to beef up efforts to keep Central American migrants from crossing the U.S. southern border. Trump could impose tariffs if Mexico fails to enforce the migrant agreement.
Nearly 16 mil. acres of corn to plant
Corn planting advanced 16 percentage points to 83% complete as of June 9. But that was 16 percentage points behind the five-year average and implied there were still 15.8 million acres left to plant. Progress remained most severely behind in the eastern Corn Belt and South Dakota. USDA reported just 62% of the corn crop had emerged, 31 points behind the norm for this point in the season.

USDA in its first crop condition ratings of the spring pegged 59% of the crop as “good” to “excellent,” nearly 14 points below the five-year average and the lowest initial rating since 2002. When USDA’s crop 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 registered a 353.4-point reading. That’s 39.4 points below last year at this time and 30.2 points below the five-year average for this week.

Almost 34 mil. acres of beans to plant
Soybean planting jumped 21 points to 60% complete as of June 9, though that was still 28 points behind the five-year average. That implies there were still 33.8 million acres of soybeans left to plant. Emergence lags by an even wider margin, with 34% of the crop out of the ground, which was 39 points behind the norm. Like corn, planting progress is also severely behind in the eastern Corn Belt and South Dakota.

SRW, HRS wheat CCI ratings decline
USDA’s spring wheat crop condition ratings slipped two points to 81% “good” to “excellent.” On our weighted CCI, the spring wheat rating dropped nearly 4 points to 386.3, though that was still 8.9 points above the five-year average.

USDA’s winter wheat ratings held steady at 64%. On our weighted CCI, the HRW crop inched higher to 369.6 points. The SRW crop dropped to 313.3 points, the lowest rating for this point in the season since 2007.

Rains impacting cotton crop
Rains slowed cotton planting, with progress advancing just four points to 75% complete. That was 12 points behind the five-year average and the slowest on record for June 9. Texas has seeded just 67% of its crop compared to 82% on average. USDA reported 11% of the crop was squaring, which was in line with the average pace despite the delayed plantings.

Heavy rains also caused crop condition ratings to slip two points to 44% “good” to “excellent.”

Slightly bigger winter wheat crop
USDA raised its winter wheat crop estimate 6 million bu. from last month to 1.274 billion bu., which was 20 million bu. more than traders expected. USDA’s national average winter wheat yield estimate of 50.5 bu. per acre, was up 0.2 bu. from May. Harvested winter wheat acres were unchanged, despite flooding in areas of the Midwest and Southern Plains.

The bigger-than-expected winter wheat crop estimate was driven by the hard red winter wheat crop that came in 29 million bu. above the average pre-report trade estimate and up 14 million bu. from last month at 794 million bushels. The SRW wheat crop peg was about 3 million bu. below the average pre-report trade estimate and down about 7 million bu. from last month. The white winter wheat crop estimate was down about 2 million bu. from last month and pre-report trade expectations. USDA’s all-wheat projection of 1.903 billion bu. implies a spring wheat crop of about 629 million bushels.

Aussie wheat crop forecast slashed
The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) slashed its 2019-20 Aussie wheat crop forecast by 2.7 million metric tons (MMT) to 21.2 MMT. Due to persistent drought in the country’s eastern production states, wheat production is expected to be below the 10-year average for a third straight year. Drought conditions are expected to persist through at least September, with the Australian Bureau of Meteorology signaling above-normal temps and below-normal precip are likely across most of the country.

Brazil raises corn crop estimate
Conab increased its official Brazilian corn crop estimate by 1.8 MMT from last month to 97 MMT amid favorable conditions for the safrinha corn crop. South American Consultant Dr. Michael Cordonnier raised his Brazilian corn crop estimate by 1 MMT to 99 MMT amid reports of record yields from early harvested acres. USDA raised its 2018-19 Brazilian corn crop peg to 101 MMT. With its production increase, Conab raised the 2018-19 corn export forecast by 1 MMT to 32 MMT, which would be up 7.2 MMT (29.2%) from 2017-18.
**Producer Crop Comments...**

Please send your crop comments to editors@profarmer.com.

**Butler Co. (north-central) Iowa:**
“Crops are really looking good around here. The recent 80-degree temps really got the corn and beans growing, along with the weeds.”

**Buchanan Co. (northeast) Iowa:**
“Did a windshield tour from Minneapolis to Independence, Iowa. Corn has better color than I anticipated. But I would say 80% to 85% of fields have mild to severe blemishes due to planting in wet soils. Didn’t see much prevent-plant or replanting. Most clients think APH yield is the best hope for corn this year. There weren’t enough beans up to make a comment.”

**Nobles Co. (southwest) Minnesota:**
“Finished planting beans on June 8. Didn’t plant one acre of corn. Never had the opportunity before the PP date came and passed.”

**Tripp Co. (south-central) South Dakota:**
“I drove on I-90 from Reliance to the Minnesota state line on June 9. Almost zero corn was planted the entire way. I returned by going south of Sioux Falls and took Highway 44 back to Winner, South Dakota. Almost zero corn was planted. This is the prime corn growing area of South Dakota and guys are now planting soybeans.”

**Gage Co. (southeast) Nebraska:**
“It may be wet underneath, but fields could use a shower to soften up soils and allow for V4-V5 nodal root development. Rootless Corn Syndrome is starting to show up.”

**Macon Co. (central) Illinois:**
“Starting to see lawns crack. Kinda need a rain. Never would’ve thought it.”

**Coles Co. (southeast) Illinois:**
“After months of rain I finally got a chance to plant soybeans. Worked heavy ground. Low areas came up clods. It was supposed to rain and never did. Now I have chunky bare areas or beans trapped in concrete-like dry mud. My corn was planted in not the best conditions and now it is suffering from lack of rain. Looking awfully poor. I need a couple of inches of rain just to get the crops growing.”

**Stephenson Co. (southeast) Illinois:**
“It’s very wet and the corn is about four inches tall. That’s the stuff that got planted in April! We will be lucky if the crop that got planted in June will mature before our first frost on an average year.”

**DeKalb Co. (northeast) Indiana:**
“June 9 I called it quits on planting more corn due to rain. I have no beans planted yet. Everyone is trying to mud in corn and beans. I’ve never seen it this bad in 50 years of farming.”

**Allen Co. (northeast) Indiana:**
“I watched a man return every bag of corn seed he bought. He was almost in tears when he apologized to the dealer for not being able to plant. It’s depressing seeing all the fields around here not planted and alfalfa fields yet to be cut for the first time.”

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**Tariffs hurting U.S. beef, pork exports**

The U.S. exported 243.5 million lbs. of beef in April, which was a 10.1-million-lb. (4.0%) decline from last year. A 20.1% surge in shipments to South Korea failed to offset a 10.2% drop in exports to Japan and a 6.1% decline in sales to Mexico, the No. 1 and No. 3 markets for U.S. beef, respectively. As of April 1, Australia, Canada, New Zealand and Mexico had tariffs reduced on beef exports to Japan, whereas the tax on U.S. shipments remained at 38.5%.

U.S. pork exports totaled 524.5 million lbs. in April, down 23.4 million lbs. (4.3%) from last year. Exports to Mexico, the top market for U.S. pork, plunged 34.9% from April 2018. While Mexico has lifted its retaliatory tariffs on U.S. pork, the impacts won’t be seen until June forward. Hefty tariffs on U.S. pork are slowing sales to China. Due to dramatic reductions in pork production, China needs to import a lot of pork. But Vice President of Global Government Affairs for the National Pork Producers Council Nick Giordano says U.S. hog producers are at risk of seeing one of the biggest export opportunities spoiled if the U.S. and China can’t soon reach a trade deal.

**Beef, pork exports must accelerate**

Through the first four months of 2019, U.S. beef exports are running 4.5% behind year-ago at 939.4 million pounds. USDA lowered its beef export forecast by 10 million lbs., but it still calls for a 0.2% year-over-year increase in beef sales.

USDA raised its 2019 pork export forecast by 220 million lbs. in the June report, “largely reflecting the removal of Mexico’s tariffs.” It now calls for a 10.2% increase in pork exports this year, whereas the pace through April was 4.5% behind the same period last year.

USDA also increased its 2020 U.S. pork export forecast by 270 million lbs. and expects another 7.4% jump in shipments. Its pork export outlook would likely increase more if a trade deal is reached with China.

**Cattle, hog price forecasts lowered**

USDA cut its 2019 average cash steer price forecast by $1.50 from last month to $117.00. Cash cattle prices are now expected to be down 12¢ from last year’s average.

USDA’s average cash hog price for this year was lowered $1 from May to $53.50. But cash hog prices are still expected to rise $9.55 from last year.

**China’s hog herd continues to plunge**

China’s hog inventory plummeted 22.9% from year-ago levels in May, according to the ag ministry. The country’s sow herd plunged 23.9%. The sharp reduction in hog numbers has caused a major drop in pork production. China’s pork prices surged 18.2% in May, which helped push overall consumer prices up 2.7% from year-ago.
**Corn** — USDA increased its old-crop corn ending stocks forecast 100 million bu. from last month to 2.195 billion bu. on a cut to estimated exports. USDA slashed its new-crop corn ending stocks projection 810 million bu. from last month to 1.675 billion bushels. USDA slashed total supplies by 1.235 billion bu., the result of a 3-million-acre cut to planted acres and a 10-bu.-per-acre cut to projected yield. On the demand side of new-crop corn balance sheet, USDA cut total use by 425 million bu. from last month on reduced feed and residual use and exports. Corn carryover is now expected to decline 520 million bu. year-over-year and stocks/use is forecast to decline to 11.8%, the smallest since 2013-14.

- USDA 2018-19 price: $3.60, up a dime from last month; 2019-20: $3.80, up 50¢ from the May projection.

Old-crop global corn carryover without China at 115.5 million metric tons (MMT) was down 570,000 metric tons (MT) from last month. New-crop world corn ending stocks without China at 98.7 MMT were down a sharp 24.2 MMT from last month. Global corn stocks are forecast to decline 16.8 MMT year-over-year and global stocks/use is expected to tighten to 11.5%, the smallest in seven years.

**Soybeans** — USDA estimated old-crop ending stocks at a record 1.070 billion bu., up 75 million bu. from last month on a cut to exports. USDA's new-crop ending stocks projection at 1.045 billion bu. was also up 75 million bu. from May on the bigger beginning stocks forecast. USDA made no changes to the demand side of the new-crop balance sheet.

- USDA 2018-19 price: $8.50, down a nickel from last month; 2019-20: $8.25, up 15¢ from May.

Old-crop global bean carryover without China at 91.6 MMT was up 610,000 MT from May. New-crop world soybean ending stocks without China at 91.3 MMT were up 560,000 MT from last month.

**Wheat** — USDA’s old-crop wheat ending stocks estimate at 1.102 billion bu. was cut 25 million bu. from last month on an increase to estimated exports. USDA cut its new-crop wheat carryover projection 69 million bu. from May to 1.072 billion bu., a four-year low. The smaller beginning stocks were partially offset by the 6-million-bu. increase to production. That resulted in total supplies dropping 19 million bu. from last month. On the demand side of the balance sheet, USDA increased feed and residual use by 50 million bushels.

- USDA 2018-19 price: $5.20, unchanged from May; 2019-20: $5.10, up 40¢ from May.

Global old-crop bean carryover without China at 91.6 MMT was up 610,000 MT from May. New-crop world soybean ending stocks without China at 91.3 MMT were up 560,000 MT from last month.

**Cotton** — USDA made no changes to its U.S. old- or new-crop balance sheets.

- USDA 2018-19 price: 70¢, unchanged from last month; 2019-20: 64¢, down a penny from last month.

Global old-crop cotton carryover without China at 43.2 million bales was up 310,000 bales from last month. New-crop world cotton ending stocks without China rose 820,000 bales from May to 44.9 million bales.
**CATTLE - Fundamental Analysis**

Futures are trying to build an early seasonal low, but expanding supplies amid sluggish beef demand are preventing a cash-led market rebound. There was some fill-in domestic buying for the Father’s Day holiday last week, but worries that demand may slow into July curbed futures buying interest. While year-to-date beef shipments lag a year ago by 8.6%, cumulative sales are fractionally ahead of last year as improved sales to Hong Kong offset a slowdown to Japan. Sales to both Mexico and Canada lag last year. Cash feeder cattle prices rose $3 to $7 last week, but feeder futures were pressured by rising corn prices.

**Position Monitor**

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**BEEF CUTOUT VALUE ($/CWT)**

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**HOGS - Fundamental Analysis**

Futures slid to the lowest level since mid-March as rising slaughter supplies and sluggish pork demand limited buying interest. Pork cutout values fell to the lowest in two weeks, despite hams rising to the highest price since December 2014. Fund liquidation continued, but buying would quickly return on improved pork exports or if loin and belly prices improved to add to the ham strength. Last week’s export sales report showed sales were 36% below the four-week average but shipments rose 8% above the four-week average. New sales to China and South Korea were light. Australia is buying more U.S. pork.

**Position Monitor**

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**PORK CUTOUT VALUE ($/CWT)**

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**FEED**

**Corn Game Plan:** On June 12, we advised increasing cash purchases two weeks into mid-July and hedging remaining needs through August on a buy-stop order at $4.58 in December futures.

**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 for the remainder of the summer.

**Daily July Meal**

Initial resistance persists at the Oct. 15 high of $325.90.

Recent action confirmed initial support at $316.00, as well as stronger support at $308.40.
SRW - Fundamental Analysis

Heavy rain forecast from Texas to Ohio is price-supportive. Maturing crops are vulnerable to yield and quality declines. Output forecasts outside the U.S. are also beginning to retreat on dry weather stress. Prices will follow corn on rising demand for wheat in feed rations.

CORN - Fundamental Analysis

Corn futures rose to the highest level since June 2014 on the continuation chart after USDA projected U.S. production will fall to a four-year low, pulling world inventories outside of China to a six-year low (see News page 4). Speculators wasted little time building long positions as more rain and cool temperatures mean further developmental delays that may trim final planted acres and curb yield potential from the cuts USDA made last week. Maybe more impressive than the futures surge is the rising cash basis, which shows demand is strong, even at higher prices. Ethanol production in the latest week jumped to the highest since August, while stockpiles dropped to the lowest in more than 10 months.

DAILY JULY CORN

The June 13 breakout made the May 2018 high of $4.45 (not shown) initial resistance. Psychological resistance will likely emerge at $4.50. The weekly continuation chart puts additional resistance at $4.57 1/2.

Initial support is now at old resistance of $4.38. Stronger support persists at the May 28 low of $4.07 1/2. Key support remains at the Jan. 8 high of $3.99 1/2.

DAILY DECEMBER CORN

The weekly continuation chart puts initial resistance at $4.64 and then $4.75 (neither shown). The former high at $4.54 is now initial support. Stronger support should emerge at the top of the May 28 chart gap at $4.22 1/2.

Position Monitor

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Game Plan: Make sure you are current on both old-crop and new-crop cash sales advice. Volatility is increasing amid the record planting delays and should remain elevated, so use rallies to get caught up on sales. 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.

AVERAGE CORN BASIS (JULY)

CORN EXPORT BOOKINGS (MMT)

DAILY JULY SRW WHEAT

A close above initial resistance at the September low of $5.36 3/4 would have bulls targeting tougher resistance at the August low of $5.50 1/2.

Last week’s surge flipped prior resistance at the November low of $5.17 to initial support. Additional support is at $4.99 3/4, then $4.84 1/2.
SRW - Prices followed the corn rally but gains were restrained by reports of good yields and test weights from early-harvested fields. Summer and autumn importer demand will likely be funneled to both European and Black Sea supplies, slowing U.S. export demand.

HRS - Futures are rallying as dry soils develop in the Canadian Prairies, despite showers last week. Forecasts for improving conditions in the Northern Plains will be watched to see if better rains materialize. Projections for large world supplies of high-protein wheat may somewhat restrict rallies.

**SOYBEANS - Fundamental Analysis**

Futures bounced off support on forecasts for heavy rains into late June, increasing supply concerns with nearly 34 million acres left to plant as of June 9. With late planting dates fast approaching (or past) and prices below crop insurance guarantees, producers may choose prevent-plant options. Funds are covering their large short position as late plantings may lead to a yield drag. But the demand side of the market remains concerning. USDA trimmed 75 million bu. from its old-crop soybean export forecast and that may not be enough. Chinese buyers have asked U.S. exporters to delay cargoes set to be loaded for export in July until August — and may request even more delays.

**Position Monitor**

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**Game Plan:** Make sure you get current with both old- and new-crop sales advice. Record global inventories are going to cap rallies. You should have a standing order to sell 15% of 2018-crop in the cash market if July futures hit $9.25. We want to take advantage of rallies during the next several months to increase cash sales for both 2018- and expected 2019-crop soybean supplies.

**SOYBEAN EXPORT BOOKINGS (MMT)**

AVERAGE SOYBEAN BASIS (JULY)

The Oct. 31 low at $8.83 3/4 is now initial support. Stronger support at the September low of $8.63 1/4 is reinforced by the May 29 upside gap between $8.63 1/2 and $8.58 1/4.

**SOYBEAN EXPORT BOOKINGS (MMT)**

AVERAGE WHEAT BASIS (JULY)

Initial resistance is now at the psychological $9.00 level. Tougher resistance is at $9.20 1/2.

**WHEAT EXPORT BOOKINGS (MMT)**

Initial support is at $5.52. $5.30 1/2 is initial support. Stronger support is layered from $5.52 to $5.45.

**HRS -** Futures are rallying as dry soils develop in the Canadian Prairies, despite showers last week. Forecasts for improving conditions in the Northern Plains will be watched to see if better rains materialize. Projections for large world supplies of high-protein wheat may somewhat restrict rallies.
COTTON - Fundamental Analysis

After testing the May lows, futures caught a bid. U.S. planting delays may curb crop potential. Weekly exports fell 72% below the four-week average, but bulls focused on new business with India. The China Cotton Association requested a government waiver from 25% tariffs for U.S. cotton.

GENERAL OUTLOOK

SAFE HAVEN: The rally in gold gained momentum this month as the dollar dipped on speculation the U.S. central bank would cut interest rates this summer amid concerns about waning global growth.

Speculative gold buying is increasing amid growing signs the U.S. and China have limited interest in moving ahead on a trade deal. Adding to those concerns are falling consumer and producer price inflation, which increases pressure on the Federal Reserve to cut interest rates. Last week, the market indicated an 80% chance of a rate cut by July. The Fed will meet this week in Washington.

Central banks bought more gold last year than at any time since 1971 to expand the supply they hold as a currency hedge.

Gold recently touched its highest level since April 2018. A close above the 2016 high at $1,375 would suggest a rally toward $1,483 and then up to $1,550.

FROM THE BULLPEN  By Sr. Market Analyst Jeff Wilson

It’s time for buyers of corn to increase forward purchases after USDA projected world reserves will fall to the lowest level since the 2013-14 marketing year.

Most of the decline is from the adverse planting weather that threatens to cut U.S. production to a four-year low. USDA estimated planted acres will fall 3 million and slashed its national yield projection by 10 bu. per acre to 166 bu., both record cuts for the June report. Planted area may decline at least another 1.8 million acres as nearly 16 million were left to be planted on June 9.

USDA’s yield calculation uses a model that focuses on the area planted by mid-May, which was record-low this year. Based on USDA’s initial corn condition ratings released last week, the worst start since 2002, we believe yields could fall further with both pollination and grain fill still ahead.

Based on the smaller crop potential, we advised livestock producers to increase cash corn coverage into mid-July and use a buy-stop order in December futures at $4.58 to hedge their remaining corn-for-feed needs through August.

USDA left its 2019-20 soybean crop forecasts unchanged this month. While some 34 million acres remained unplanted as of last week, soybeans can handle a late start better than corn. With both U.S. and world inventories record-large, there is a buffer for U.S. crop losses. We will remain hand-to-mouth buyers of soymeal beyond current coverage if prices don’t retreat.