Rapid changes in structure of soybean market — Wild price action on May 23 in old-crop soybean futures tells us something. Exactly what that “something” is, however, is tough to decipher. The sharp rally and near-steady close may have simply been a preview of things to come this summer. But combined with a breakdown in soybean basis, it may signal the futures market is once again getting engaged in the effort to ration remaining old-crop soybean supplies. Or (in this day and uncertain age) it may have been errant activity in the electronically traded market. New-crop futures did post modest weekly gains, signaling the market is at least modestly concerned about late plantings. The U.S. dollar’s failure to confirm an upside breakout and a following move to the downside also helped support corn, soybean and wheat futures last week. Cattle’s struggles are discussed on News page 4. Lean hog futures gained on ideas pork will be favored on the grill this Memorial Day weekend.

Corn planting won’t wrap up until June
Corn planting in the U.S. reached 71% complete by May 19 and is expected to be just 85% to 90% done as of May 26. Areas most behind in the northern Corn Belt got very little planted last week and face a week ahead with several rain chances.

Many are now considering the options: Mud-in corn, switch to beans or claim Prevent-Plant. The Prevent-Plant claim isn’t as cut-and-dry as many believe. Final plant dates are coming up in the northern Corn Belt within the next 10 days. Leading up to that, the best advice we can give you is to visit with your crop insurance agent to fully understand your options.

90% planted is not ‘wrapping up’ —
Most traders view 90% corn planting progress as “close enough” to done that further planting delays aren’t a “significant” market factor. Normally, they’d be right.

But this year, it is significant. That’s because we’re expected to start the 2013-14 marketing year with just a 759-million-bu. supply-side cushion. Just 90% planted on Memorial Day 2013 would mean there are nearly 10 million acres of corn left to plant — and many of those acres have some of the shortest growing seasons in the northern Belt.

Nonetheless, the ultra-late plantings probably won’t do much to support new-crop corn futures. High yield risk on the final 10% of the crop won’t be considered “significant risk.”

Spring wheat planting delays also critical
Spring wheat farmers pushed seedings to two-thirds complete as of May 19. That was up from 43% done on May 12, but well behind the five-year average planting pace of 76% complete. North Dakota had planted only 50% of the spring wheat crop as of May 19. That was up from 26% done on May 12, but is behind the five-year average pace of 67% complete.

Gaining traction on ractopamine talks?
The wheels are turning on Russia’s ractopamine-free meat import requirement. U.S. and meat industry officials will meet with Russia June 17 on various issues, including a U.S. government protocol on ractopamine.

Meanwhile, a team of Russian veterinarians will arrive in Canada soon to review meat plants’ protocols for segregating animals fed ractopamine from those free of the additive, according to Canadian Agriculture Minister Gerry Ritz.

Deal or no deal? No deal on means test!
During the Senate Ag Panel’s markup of the farm bill, a deal was struck between opposing parties to link conservation compliance to crop insurance eligibility in exchange for no means testing for crop insurance subsidy levels. Well Monte... no deal. (See News page 3.)

Farm groups hope a similar provision will not be included in the coming House farm bill debate. If it’s not, farm group lobbyists will seek to have the Senate bow to the House version on this topic.

The Senate action also makes the linkage between conservation compliance and crop insurance an errant approach to thwart changes to the crop insurance sector — at least on the Senate floor.

June 3 deadline on your ACRE decision
If you are still working on getting your crops in, your county FSA office has been given the green light to use a register for ACRE signup, which gives you until June 28 to complete paperwork. But, you have to ask to be placed on the register.

We discuss some ACRE issues on News page 3. Regarding a potential 8.5% sequester-related cut to any potential ACRE payments: If budget sequester cuts are still in play in October 2014, it’s likely any ACRE payment would be cut by 8.5%.
La Niña creeping back onto the radar screen for summer ’13

Sea Surface Temps (SSTs) along the equator in the eastern Pacific Ocean (circled in red on map below) have cooled significantly in recent weeks, leading some weather watchers to up their odds that La Niña will return this summer. As a reminder, La Niña conditions are often associated with drier-than-normal Midwest weather and a moderate La Niña was in place during the 2012 Corn Belt drought.

Sea Surface Temperature Anomalies as of May 23, 2013

Taylor sees a 2013 growing season similar to 1947

This growing season is basically mirroring conditions seen in 1947, according to Iowa State University Extension Climatologist Elwynn Taylor. LandOwner Editor Mike Walsten heard Taylor’s latest perspectives at last week’s 86th Annual Soil Management and Land Valuation Conference in Ames, Iowa.

Taylor says early May snowfall in Iowa broke records set in 1947 and he sees other parallels to 1947’s weather pattern.

The Southern Oscillation Index (SOI, a key factor in determining ENSO-neutral, El Niño or La Niña conditions) is creeping into La Niña territory, as well, says Taylor, who believes the SOI will indicate a La Niña by mid-June. “If it does, Iowa weather will do what it did in 1947 when the weather switched from the snowiest, wettest winter into hot and dry in July and August,” says Taylor.

When La Niña exists during the growing season, Taylor says there is a 70% chance of below-trendline corn yields. His current yield expectations are 147 bu. to 150 bu. per acre.

And if you’re already tired of the weird weather we’ve seen in recent months, you won’t like this. Taylor says 2012 was “year-one” of a much more erratic weather pattern that will last for... (brace yourself)... 25 years. “Weather patterns cycle from 18 years of benign... to 25 years of erratic,” says Taylor. “It has been doing so for centuries.”

Record-breaking week of corn planting fails to pressure prices

Corn planting progress as of May 19 hit 71% complete, a record-tying one-week increase in planting progress. The 43-point increase matched the record one-week gain in 1992 when “just” 79.3 million acres were planted to corn. With 97.3 million intended corn plantings this year, the total number of acres planted smashed the old one-week record.

Last week started with renewed selling interest in new-crop corn futures. By midweek, traders seemed to suddenly realize that 71% planted meant there was still 29% to plant (about 28.2 million acres) with planters sitting idle after another round of Midwest rains. That erased selling interest, but did not encourage aggressive buying.

Many market watchers expect corn planting progress to hit 90% done as of May 26. That seems a bit aggressive, but if progress does hit 90%, there will still be nearly 10 million acres of corn to plant after Memorial Day. Odds of a late-planting yield drag increase dramatically after May 22 and are almost guaranteed on corn planted in the last week of May. Corn planted that late almost certainly will also be harvested wet and will be in need of a trip through the dryer before heading to storage. Now is when serious consideration of switching intended corn acres to soybeans begins.

Very little attention given to two key progress updates

Just 19% of the U.S. corn crop has emerged by May 19. That was a 14-point gain from the previous week, but is well behind the five-year average emergence pace of 46%.

Much of the corn planted in the week ended May 19 (the 43-point advance) will pollinate at about the same time. Right now, it looks like pollination on this crop will take place in the third week of July. That, historically, is one of the most stress-filled weeks of the year. That doesn’t guarantee a stressed pollination period, but odds are it will be hotter-than-ideal for pollination at that time.

Bean planting ‘quietly’ late —

U.S. bean growers had just 24% of the bean crop planted by May 19. That was an 18-point gain in the week, but plantings remain well behind the five-year average pace of 42% planted by May 19. Beans can be “more forgiving” when planted late, but late planting does have a yield drag on soybeans, as well.

Typically, about 85% of the bean crop is planted by June 10. That’s still possible, but the 2013 bean crop will also deal with a shortened growing season.

Perspective: Traders have paid very little (if any) attention to the slow bean-planting pace. If talk of corn acres switching to beans increases this week (likely), it will limit selling in new-crop corn. That will also put pressure on new-crop soybean futures, quickly reducing the economic incentive to switch to beans.

Despite the late season, many growers will likely opt to stick with initial planting intentions until the last “moment” possible. Strong crop insurance revenue protection on intended corn acres will also help keep corn in the planter longer than many anticipate. Most likely to begin switching some acres in the week ahead will be North Dakota corn/soybean growers.

Cheyenne Co., (Panhandle)
Nebraska: “Crop adjuster was here earlier in the week and released about 25% of my wheat after an estimate of 1.4 bu. per acre. The balance will go to harvest, barring hail. Wheat acres harvested in this area will be down considerably from the past two years. A lot of corn still needs to be planted.”

Mercer Co.,(NW) Illinois: “We have 120 acres of corn left to plant and haven’t planted a bean. Every time it gets close to getting dry enough, it rains again. Field conditions vary greatly in a quarter of a mile — one end of the field is dry and the other end is mud! I planted in less than optimal conditions last week (mudded it in), but it is emerging.”

Eau Claire, Wisconsin: “Corn planting is at 45% and 10% of beans. There is very little hay growing. It will be 10 to 15 days before we can plant on the lowlying ground.”

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Old-crop bean basis falls apart as bean futures rally
Recent strength gave way to a plunge in the national average bean basis as old-crop soybean futures worked higher in highly volatile trade. Basis weakness as futures rallied is strong evidence domestic soybean crushers have found a specific cash price that’s “good enough” to keep their plants supplied.

Strength in old-crop futures last week was the result of still strong export demand for U.S. beans and delayed shipments of Argentine soybeans. Early last week, more than 50 ships were delayed at Argentina’s main grain export hub at Rosario due to a three-day labor dispute.

The strike was ended May 23. Earlier in the day, word the dispute was not resolved helped fuel a 50¢ rally in July beans. By the time the dust settled and the strike was over, July bean futures ended nearly steady on the day. Still, it will take time to restart operations at Rosario, upping the odds for even more demand for old-crop U.S. beans.

Ethanol production surges
Ethanol production in the week ended May 17 hit 875,000 barrels per day (b/d), up 18,000 b/d from the previous week. That’s also the quickest production pace since June 2012. And despite the production increase, ethanol stocks declined 1.5%.

The four-week average production pace stands at 858,000 b/d, good for an annualized production pace of 13.15 billion gallons.

Bigger Canadian crops
Agriculture and Agri-Food Canada raised its 2013-14 Canadian grain and oilseed crop forecast to 74.465 million metric tons (MMT) from 73.710 MMT in May and 70.198 MMT in 2012-13. Its Canadian all wheat production forecast was raised to 29.4 MMT from 28.4 MMT last month, while the all-wheat export forecast was unchanged at 18.8 MMT.

Time to make your ACRE decision
Producers have until June 3 to decide whether to opt in or out of the Average Crop Revenue Election (ACRE) program as part of the 2008 Farm Bill extension.

Those who enroll in the ACRE program give up 20% of direct payments. This year, those payments will be cut an additional 8.5% due to sequester budget cuts. As for whether sequester cuts would apply to 2013-crop ACRE payments, the answer is no... so far. Budget contacts tell us that when the decisions were being made on sequester impacts earlier this year, USDA was not projecting any ACRE payments on 2013 crops (but CBO does). Therefore, no sequester reduction was made.

However, contacts warn the answer to the question could change if ACRE payments are generated for 2013 crops. So, it’s not clear whether they would be subject to a sequester-related cut in October 2014 when most of the 2013-crop ACRE payments would be issued.

Still deciding on ACRE?
The University of Illinois’ FarmDoc offers a handy ACRE Comparison Program tool that makes it easy for you to “pencil out” whether ACRE or traditional commodity program options of the 2008 farm bill is the better option for your operation. Here is a link to the spreadsheet at www.profarmer.com.

USDA issues final COOL rule; Canada, Mexico not happy
USDA issued its final rule for the U.S. Country of Origin Labeling (COOL) program to bring it into compliance with a WTO ruling that found the law violated U.S. trade law commitments. The final rule didn’t change the proposed rule except for the cost estimates, according to USDA. The final rule prevents commingling of meat from different origins and requires the labeling for “muscle cut covered commodities derived from animals slaughtered in the U.S.” must specify in what country the animal was born, raised and slaughtered.

Canadian government officials blasted the rule and said they have no intention of backing down on retaliation efforts if U.S. officials think “this is a game of chicken.”

Senate farm bill amendments target crop insurance
Floor debate and votes got underway on the Senate farm bill last week. Lawmakers filed nearly 200 amendments covering a wide range of topics, but many of these will never be debated.

The final vote on the bill is now expected when lawmakers return from the Memorial Day recess.

Senate moves to limit crop insurance subsidies —
If your annual adjusted gross income (AGI) is more than $750,000, you’ll pay more for crop insurance if an amendment by Senator Dick Durbin (D-III.) and Sen. Tom Coburn (R-Okla.) becomes law. The amendment passed the Senate floor May 23 and would reduce premium subsidies to 47% for farmers with AGI of more than $750,000. Crop insurance subsidies to farmers with less than $750,000 AGI would pay 62% of the crop insurance bill.

SNAP is still a debate point —
The White House has said that while it supports the Senate farm bill, it wants to see deeper cuts in crop insurance and commodity subsidies — and fewer cuts for food stamps. So far, attempts to decrease (and some to increase) the proposed $4.1 billion in cuts to food stamp funding have been soundly defeated.

Next Senate farm bill steps —
Senate leadership will select amendments yet to be debated and those will be taken up early in the week of June 3. There is talk of a June 3 vote on the full bill, but a midweek vote is most likely as Senators return from their Memorial Day recess.

Montgomery Co., (EC) Missouri: “We got 3.5 inches of rain May 19-21 on newly planted crops. Wheat is looking better in spots, but is yellow and thin where water is standing. Some corn trying to come up. Guys hit it very hard last week, about 60% to 70% of corn was planted in one week, but now we may have to replant some spots. If so, it’ll be a while before we get to do that.”

South-central Minnesota: “Our area is about 70% done planting corn. A few are done, but some are only a little over half done. It is very wet after five to nine inches of rain in the past week. There will have to be some replanting due to wash-outs and standing water. It is even worse a few miles south of us in northern Iowa. The corn that’s left to plant won’t go in for at least a week, if it gets planted at all. We are seriously late on what’s left to be planted and could end up switching to beans to avoid dealing with 40% (moisture) 40-lb. (test weight) corn this fall. I remember 1993 too well!”

Huntington Co., (NE) Indiana: “We stayed plant- ing corn and beans May 6 and finished 425 acres of corn May 13 and about 600 acres of beans May 17. Most in our area were finished by May 20. Early corn and beans are up and looking good. We could use a rain to help get the last of the beans up.”
Markets don’t always make sense. Right now, it’s difficult to decipher the cattle market.

Choice heavyweight boxed beef prices last week traded to a new all-time high on solid movement. Select boxed beef prices trailed the gains and the Choice-Select spread hit an ultra-wide $19-plus.

Despite the wide Choice-Select spread, beef values were still strong enough to generate packer profit margins of at least $90 per head. Normally, strong packer profits and tight feedlot supplies would support the cash market, but cash bids are trending steady to lower.

Despite bullish beef-market fundamentals, live cattle futures were anchored near contract lows.

You can summarize all the confusion of the cattle market quickly with this: Record-high boxed beef prices and contract-low live cattle futures just don’t make sense.

Let’s break it down —

**Boxed Beef** — Beef in frozen storage reached a seasonal peak in April at levels below year-ago, but well above the five-year average. (See Analysis page 1 for details.) That would normally weigh on boxed beef prices. But the threat of tightening beef supplies later this summer means retailers are still stocking the meat case with beef, despite the record price.

That’s a strong signal consumers have accepted another increase in beef prices and are still eating beef. And because the highest-priced cuts led last week’s move to all-time high boxed beef values, that seems to be the case.

Nonetheless, the still-sluggish economy and sickly jobs market means live cattle futures traders are ignoring the bullish beef demand signals in anticipation of slower beef demand later.

Futures traders are also disappointed by the slower-than-expected restart of U.S. beef exports to Japan. Sales in the week ended May 16 were much improved over previous weeks, but with the Japanese yen getting crushed against the U.S. dollar, sales to Japan will likely remain slow for the near-term. There normally isn’t a significant connection between live cattle prices and the value of the dollar, but the linkage seems to be strengthening.

**Cash Cattle** — Cattle supplies are far from “burdensome” and market-ready cattle supplies will continue to tighten this summer. With current packer profits, they should be bidding up to get as many cattle through their plants as possible. Instead, packers are relatively “cool” to pushing bids. One finisher summed it up this way: “The cattle buyer I called acted like he was doing me a favor by even offering a bid.”

Supplies are tight, but the cash market is performing like packers are having no problem buying cattle. The price performance in futures has something to do with that. Cattle buyers in feedlots and auction barns are using the futures market as an “excuse” not to push bids. Futures are leading cash, which normally doesn’t happen in a tightly supplied market.

USDA’s May 17 Cattle on Feed Report once again provided evidence of tight supplies with total feedlot inventories down 3% from year-ago levels. However, quicker-than-expected placings (up 15% from year-ago) and slower-than-expected marketings (up 2%) meant the 3% drop in total cattle on feed on May 1 was still more cattle than expected.

It’s becoming clear that traders are “numb” to declining feedlot inventories... they’ve heard it for too long. Because there are no supply-side issues that could “scare” the market, traders are completely focused on the demand side. And despite good demand, the fear of slower demand later is weighing on futures.

**We’ve seen this kind of action before —**

Okay... stick with this — forget about price levels and just think about price action.

Beef prices are trending higher; cash cattle bids are steady to lower; futures are trending lower.

We’ve seen this type of a disconnect before, but it’s happened near the end of an extended downtrend in boxed beef, cash cattle and futures prices.

This type of beef industry price action is normally reserved for times when beef prices are low enough to rebuild demand; when packers are making money and are having no problem buying cattle; and the entire industry is under pressure due to bulging cattle supplies.

**What’s it all mean?**

It could be the first signal the ag and general economies are entering a transition. General pressure on all commodities is weighing on feed and cattle prices, but consumers seem to have accepted another beef price increase. It could be an early warning that price inflation is leaving the ag industry and migrating to the general economy.
**CATTLE**

**Game plan:**
Live cattle futures are well undervalued compared to market fundamentals. Fed cattle producers should keep all risk in cash. We’re still waiting on signs of a low to advise hedges for feeder cattle buyers.

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**Fundamental analysis:**
Beef stocks in storage peaked seasonally just under year ago at 510 million lbs. at the end of April, but that was 18% above the five-year average for that date. Heading into the summer grilling season, there’s an abundance of beef in storage. Unfortunately, pork and chicken stocks are also abundant and both hold a competitive price advantage over beef given record boxed beef prices. That could curb consumers’ appetite for beef during the prime consumption period, especially with consumer spending being crimped by high gas prices and a tepid economic recovery. Fear of sluggish summer beef demand is a major reason there’s such a disconnect between cattle futures and market fundamentals.

**Daily June Live Cattle**
Trend is lower. It would take a strong, corrective rebound just to force a test of resistance at $124.00 and $124.50. Bulls need a close above $125.65 to signal a potential momentum shift.

A drop through contract-low support at $118.90 would open downside risk to $118.40 on the weekly continuation chart. Below that, next strong weekly chart support isn’t until $111.55.

**HOGS**

**Game plan:**
With summer-month futures gradually strengthening and market-ready hog supplies tightening, you should continue to carry all risk in the cash market. But we’ll eventually look to hedge an overdone price recovery.

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**Fundamental analysis:**
Pork stocks in storage as of April 30 were record-large for the month at 698.8 million pounds. In fact, that’s the largest pork stocks figure on record for any month. While pork supplies typically peak in April and then decline into mid-summer as grilling demand picks up, record stocks put added pressure on demand. With pork export demand slumping and projected by USDA to be down 6.6% for the year, there’s added pressure on domestic demand to chew through the excess supplies. Fortunately, pork holds a competitive price advantage over beef. Pork clearance through Memorial Day weekend and retailer buying coming out of the holiday will be the first good indication of how strong pork demand could be through summer.

**Daily June Lean Hogs**
Short-term trend is choppy to higher.

The push above $93.80 signals a potential momentum shift to bulls and opens upside potential to $96.15. Above that level, resistance is at $98.80.

**Frozen Beef Stocks**

**Frozen Pork Stocks**

**FEED**

**Feed Monitor**

**Corn**

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**Meal**

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**Corn game plan:**
Continue to carry all corn-for-feed risk in the cash market for now, but be prepared to extend coverage beyond hand-to-mouth on strong signs of a low or a sharp price break.

**Meal game plan:**
Continue to carry all protein risk in the cash market for now. While soymeal futures are firming, they are now at levels that have curbed buying interest in the past, suggesting a short-term top may be near.

**Daily August Meal**
Short-term trend is choppy to higher.

Futures are nearing tough resistance at $423.40. A push above that level would open the upside to $450.60.

If long-standing resistance holds, it would point futures back into the lower end of the extended, choppy trading range.
**Position Monitor**

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**Game plan:** Get current with advised old- and new-crop sales. Cash-only marketers should hold on to some old-crop inventory in case there’s a supply squeeze this summer, but be prepared to advance sales if basis sharply weakens or old-crop futures violate support at the April low. For 2013-crop, be prepared to aggressively advance new-crop sales on a strong price recovery.

**Fundamental analysis**

After a record week of planting the week ended May 19, traders’ concerns with the corn planting pace have eased. Unless there’s a sizable amount of acres left to be planted when the calendar flips to June, it will be hard to get traders overly concerned as they feel the spring rains will benefit the crop long-term. While traders anticipate a major rebound in new-crop supplies, there are some signs demand is rebuilding. On the test of the summer 2012 lows in December corn futures last week, China and “unknown” bought a total of 660,000 metric tons of U.S. new-crop corn. For now, that marks this key support area as a “value” level for new-crop futures. But additional demand on the modest price bounce is needed or traders will drive new-crop futures back to the summer 2012 lows to see if value buying again surfaces at that level.

**WHEAT**

**Daily Chicago July Wheat**

*Trend is choppy to lower.*

Bulls need closes above $7.40 1/2 and $7.52 1/4 to signal an extended price recovery is underway. A close above $7.81 is needed to signal a potential trend change.

Key support is at the April low at $6.64 3/4. A close below that level would have bears targeting the contract low at $6.47 1/2.

**Position Monitor**

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**Game plan:** Old-crop sales will be finished by May 31. We’ll wait for an overdue corrective rebound to make 2013-crop sales.

**Fundamental analysis**

SRW: Traders covered some short positions and unwound long corn/short wheat spreads last week, giving the market a break from recent pressure. A 180,000-metric-ton purchase of U.S. SRW wheat by China was also supportive, though consistent demand is needed to signal the market has found value.
SOYBEANS

**Position Monitor**

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<td>Futures/Options</td>
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**Game plan:** Cash-only marketers were advised to make a 15% 2012-crop sale to get to 90% sold on May 21. Hold remaining old-crop supplies for now. For 2013-crop, hedgers should stick with the 50% hedge in November soybean futures at $12.19 for now. But be prepared to exit and eventually make a new-crop cash forward contract sale. Get current with advised old- and new-crop sales.

**Fundamental analysis**

July soybean futures rallied to the highest level for a front-month contract since early November last week. But as futures rallied, basis dropped sharply and profit-taking surfaced, resulting in July beans ending the week well below the May 23 spike high. While tight old-crop supplies remain supportive, this price action suggests the market likely put in a top — for now. Meanwhile, new-crop futures were initially pulled higher by the surge in old-crop futures and then by bull spread unwinding to close out the week. The record week of corn planting the week ended May 19 also curbed ideas there would be a significant shift of intended corn acres into soybeans. But with a large portion of the corn crop still unseeded, there is risk the talk of corn shifting to soybeans could fire up again.

**HRW:** Areas of the Plains picked up some needed precip last week as part of the devastating storms that ripped through HRW country. While long-standing drought conditions are persisting through the region, the late-season rains and delayed maturity of the crop give traders some hope for a partial recovery, though crop condition ratings continue to fall.

**HRS:** Spring wheat planting is catching up, but the pace remains behind normal. In North Dakota, only half of the crop was seeded as of May 19. But traders have shown little interest in building weather premium into the market as there is some belief spring wheat could pick up acres if corn planting delays persist.

**Daily July Soybeans**

*Short-term trend is up.*

![Graph showing July soybean futures trend](image)

The surge above long-standing resistance at $14.80 1/2 triggered a flurry of chart-based buying. However, a quick drop below $14.80 1/2 would signal the breakout was a bull trap.

**Daily November Soybeans**

*Trend is choppy to lower.*

![Graph showing November soybean futures trend](image)

The close above the previous reaction high is a potential sign of a low. Bulls need a close above the pivotal $12.80 mark to signal a likely trend change.

**Average Soybean Basis**

![Average Soybean Basis graph](image)

**Total Soybean Export Bookings**

![Total Soybean Export Bookings graph](image)

**Daily Kansas City July Wheat**

*A close above the April high at $7.99 is needed to fuel an extended price correction.*

![Graph showing Kansas City July Wheat trend](image)

Key support is at the April low of $7.11 1/2. Below that, next support is at $6.97.

**Daily Minneapolis September Wheat**

*The contract is struggling to pull away from the long-term downtrend. A close above $8.35 3/4 is needed to fuel an extended correction.*

![Graph showing Minneapolis September Wheat trend](image)

Key support lies at the April low at $7.63.

**Average Wheat Basis**

![Average Wheat Basis graph](image)

**Total Wheat Export Bookings**

![Total Wheat Export Bookings graph](image)

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COTTON

**Position Monitor**

<table>
<thead>
<tr>
<th>'12 crop</th>
<th>'13 crop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashonly:</td>
<td>85% 50%</td>
</tr>
<tr>
<td>Hedgers (cash sales):</td>
<td>100% 50%</td>
</tr>
<tr>
<td>Futures/Options</td>
<td>0% 50%</td>
</tr>
</tbody>
</table>

**Game plan:** Get current with advised old- and new-crop sales. Maintain the hedge in December cotton at 83.87¢.

**Fundamental analysis**

Initial data suggests China’s vast manufacturing sector contracted in May amid reduced domestic and export orders. That raises more concerns about the health of the Chinese economy and its demand for commodities. If Chinese demand concerns build, it will be hard to generate sustained buying in cotton futures.

**GENERAL OUTLOOK**

**Economic stimulus:** Fed Chairman Ben Bernanke provided no clear indication in testimony before the congressional Joint Economic Committee last week of when the Fed may begin to unwind its quantitative easing. But minutes from the May 30-April 1 Federal Open Market Committee meeting gave a clearer picture of plans as “a number” of Fed officials are open to tapering asset purchases as early as the June meeting, though there’s still some disagreement on what economic conditions would warrant such action.

At this point, it’s not a matter of “if” the Fed will start to phase out its aggressive quantitative easing, but “when.” As a result, investors will more closely scrutinize economic data as they try to gauge the Fed’s plans.

**Weekly Dow Jones Industrial Average**

**Trend is up.**

Bulls’ next upside target is the psychological 16,000 level. The long-term uptrend doesn’t cross that level until November 2014. Bullish next upside target is the psychological 16,000 level. The long-term uptrend doesn’t cross that level until November 2014. Bullish next upside target is the psychological 16,000 level. The long-term uptrend doesn’t cross that level until November 2014. Bullish next upside target is the psychological 16,000 level. The long-term uptrend doesn’t cross that level until November 2014.

**From the Bullpen** by Sr. Market Analyst Brian Grete

July soybean futures moved into our target range for making additional old-crop sales at the top of the extended, choppy trading range last week. At the same time, basis came under heavy pressure. That was all the incentive we needed to trim old-crop inventories for cash-only marketers. On May 21, we advised cash-only marketers to make a 15% 2012-crop sale to get to 90% sold on old-crop.

We decided to hold onto the final 10% of the crop in case July futures pushed above the top of the choppy range, which has indeed happened. The upside breakout is potentially explosive as it comes after nearly eight months of choppy price action. But keep in mind, basis is falling as futures are rising, offsetting a majority of the futures rally since the breakout above the top of the choppy range. As a result, we’ll closely monitor the net cash selling price for indications old-crop beans are topping.

When there’s a clear signal of a top, we’ll advise selling the final 10% of old-crop inventory. Until there are signs of a top, however, hold onto this portion of 2012-crop as old-crop supplies are tight and demand (exports and crush) signal prices, while strong, aren’t actively deterring end-user demand. The strong rally in old-crop futures is pulling November soybean futures higher. We are maintaining the 50% hedge in November soybean futures for now. If we lift the hedge coverage at a small loss, hedgers should be prepared to make a cash sale against the previously hedged portion of new-crop production when the corrective rebound shows signs of stalling. Cash-only marketers should also be prepared to advance new-crop sales on this bounce.

**Key Market Items on My ‘To Watch’ List**

1) **Memorial Day holiday**
   — Monday, May 27

Markets and government offices are closed for the federal holiday.

2) **USDA Crop Progress/Condition Rpt.**
   — Tuesday, May 28, 3:00 p.m. CT

Planting progress was limited last week as heavy rains across much of the Corn Belt pushed producers to the sidelines after very active progress the previous week.

3) **USDA Weekly Export Sales Report**
   — Friday, May 31, 7:30 a.m. CT

Because of very tight old-crop supplies of corn and soybeans, weekly export sales remain relevant, though they are a secondary issue for traders.

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