Friday, July 12, 2024

NTG Morning Comments

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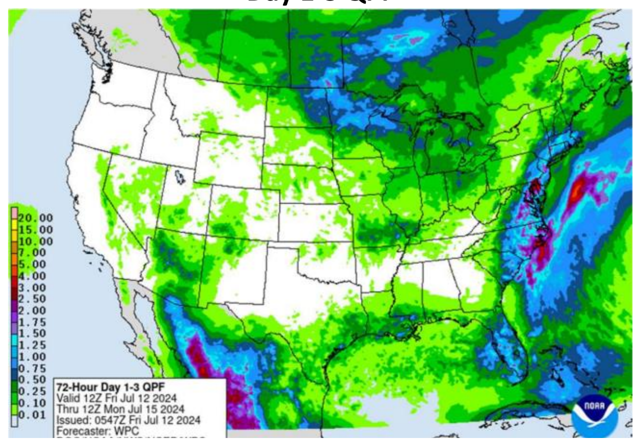
Weather

For today through the daytime hours Monday, look for the northeastern half of the Corn Belt to have better rain chances versus the southwest. In the southwest, much of the area can be dry for the period in question (any rain that does fall will be mainly for this morning). In the northeast, "some" rain can fall on most any day, but the better amounts/better coverage will likely be in the second half of the period in question. It is unlikely that the period will feature heavy rains but some areas in the northeast could record 0.50-1.50+" rainfall totals.

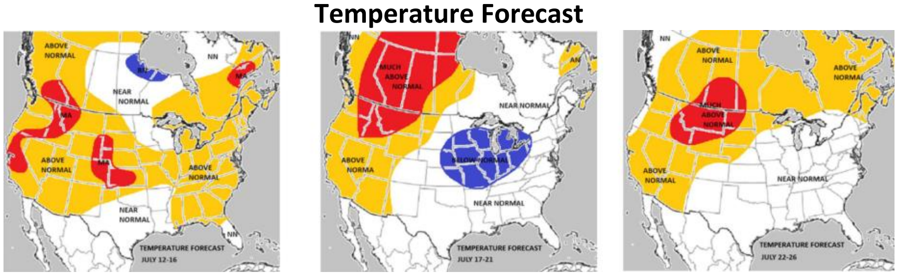
Day 1-3 QPF



Rainfall potential in the Corn Belt for July 19 and beyond is forecast to be poor (with today's forecast going through July 26). The jet stream is lifting northward and will be too far north for there to really be any potential for significant areas of "ridge-rider" thunderstorms in that time frame. The bottom line is that there will be areas of good rains to monitor through early Thursday, but the majority of the region will be drier-than-normal over the next 15 days.

Heat for tomorrow through Tuesday will be the most significant recorded in the Corn Belt so far this month; there will probably be just a few spots in far northern parts of the region that are not 90+ on at least one day in the period. Cooling still looks very notable though for July 17-22 (there will be several days in that period with temperatures running a solid distance below-normal; in general, maps continue to trend that period cooler than forecasts from a few days ago), then maps remain in agreement on the return of 90+ degree highs to the area starting about July 23.

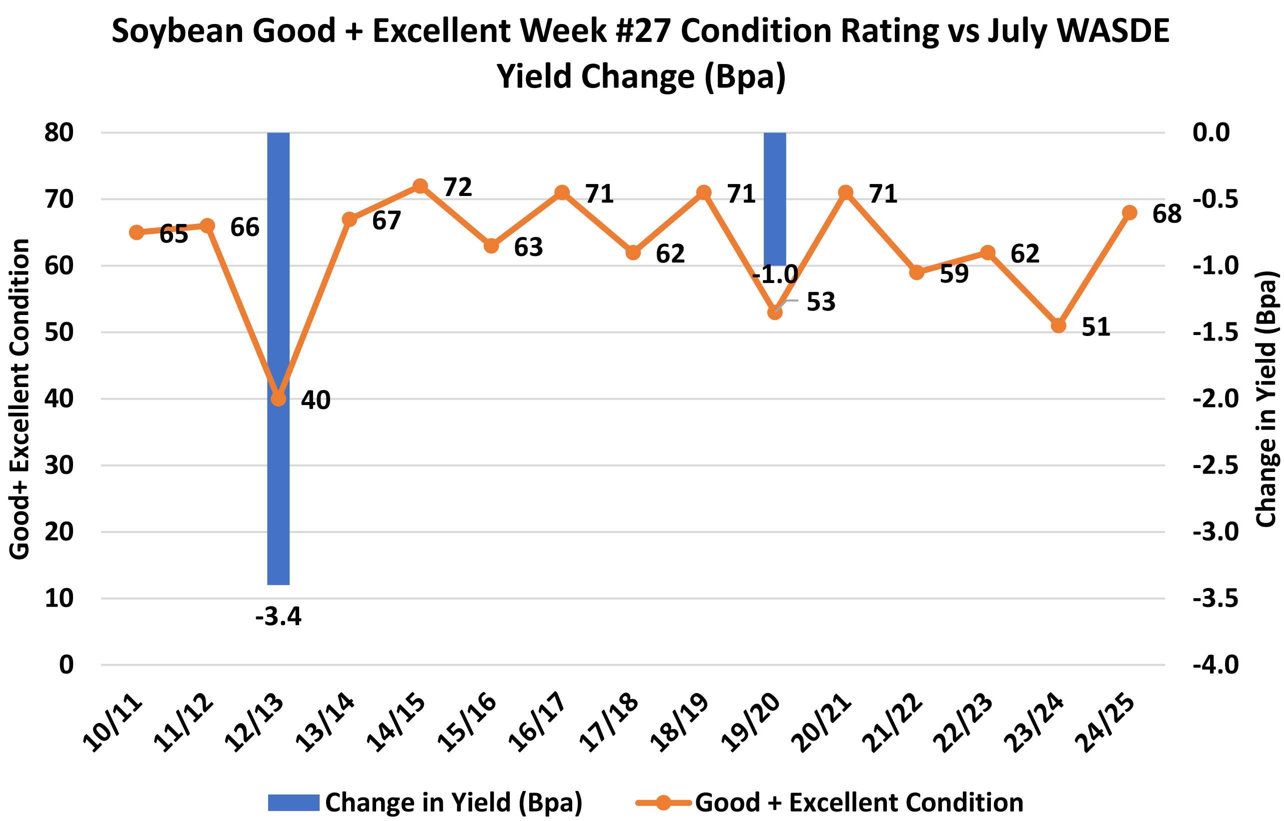
Temperature Forecast



Change in WASDE Soybean Yield June to July		
Crop Year	Jun	Jul
00/01	40.0	40.0
01/02	39.5	39.5
02/03	39.7	39.7
03/04	39.7	39.7
04/05	40.0	39.9
05/06	39.9	39.9
06/07	40.7	40.7
07/08	41.5	41.5
08/09	42.1	41.6
09/10	42.6	42.6
10/11	42.9	42.9
11/12	43.4	43.4
12/13	43.9	40.5
13/14	44.5	44.5
14/15	45.2	45.2
15/16	46.0	46.0
16/17	46.7	46.7
17/18	48.0	48.0
18/19	48.5	48.5
19/20	49.5	48.5
20/21	49.8	49.8
21/22	50.8	50.8
22/23	51.5	51.5
23/24	52.0	52.0
24/25	52.0	

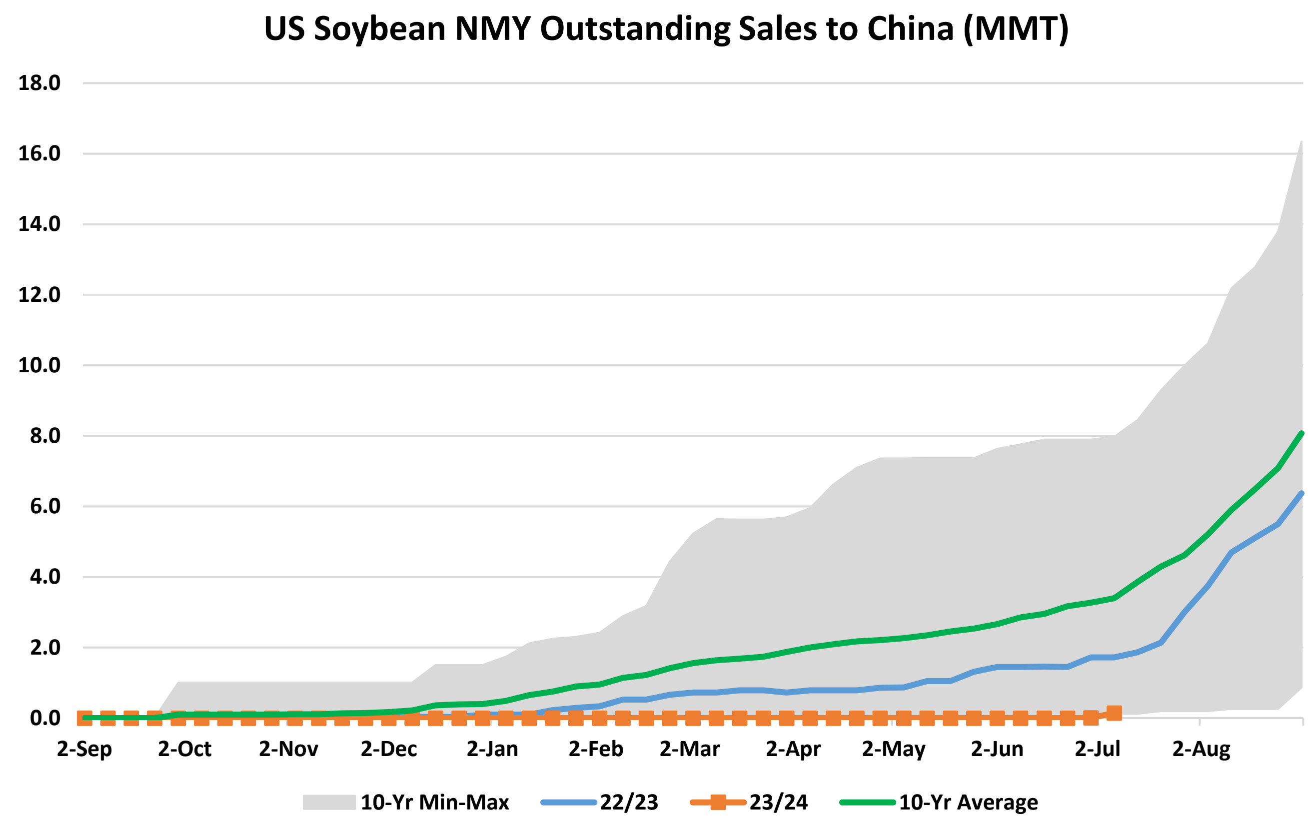
Grains

Yesterday we reviewed the likelihood of a corn yield adjustment in the July WASDE report. Today, we will do the same for soybeans. USDA has only made four yield revisions in July dating back to the 00/01 crop year. More recently, there has been only two revisions over the last fifteen years. USDA made adjustments in the 12/13 and the 19/20 crop years. In both years, conditions were materially below average. The 2024 soybean crop has a condition rating of 68% good + excellent as of week #27. There has been four years where the national soybean crop had a good + excellent rating above 70% for week #27 and USDA did not make any yield adjustments in those years. Like corn, it is very unlikely that USDA will make any yield adjustments in the July report unless conditions are exceptionally above or below average.



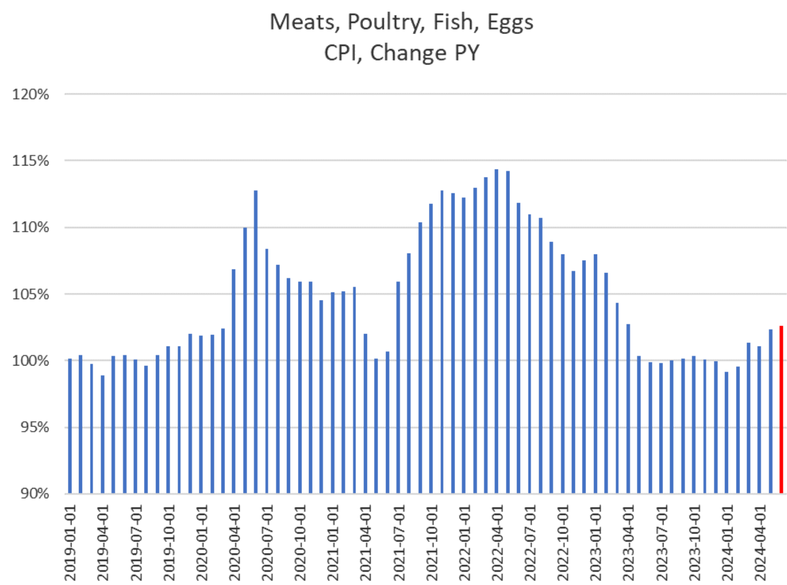
The USDA announced on Wednesday that China purchased 132,000 metric tons of soybeans for the 2024-25 marketing year. That marked the first known transaction of its kind for new crop soybeans. China historically begins to purchase new crop soybeans by the early winter (Nov-Jan) and it is very rare for them to make their first purchase after February. An exception to that was the 19/20 trade wars where China still booked its first purchase of new crop soybeans by March. This year it took until July for them to make their first purchase.

Total outstanding soybean sales for next marketing year are at a twenty-year low and the lack of export demand continues to weigh on soybean futures.

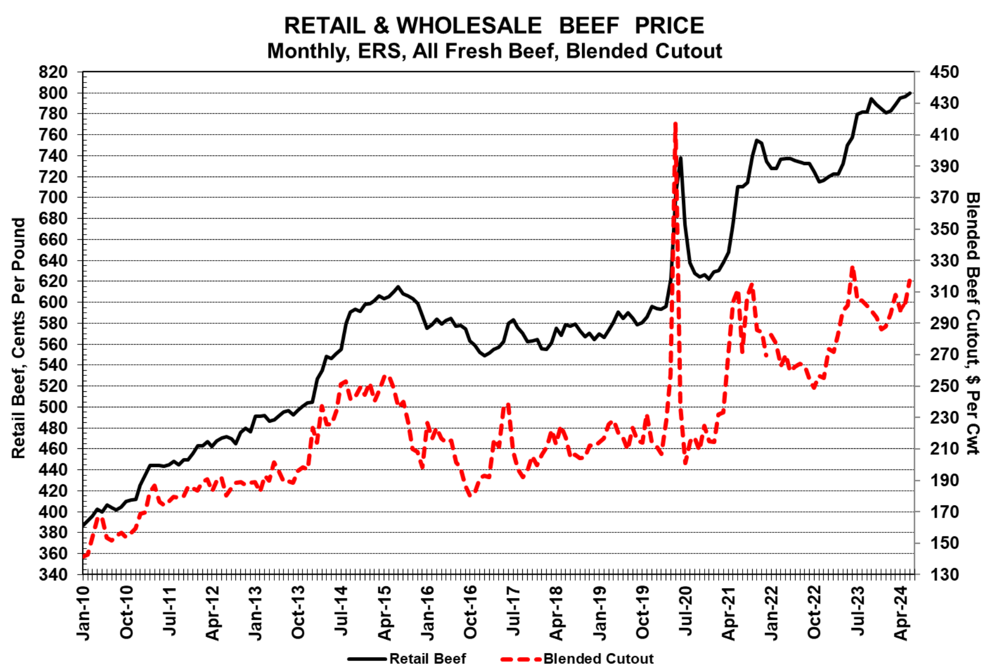


Livestock

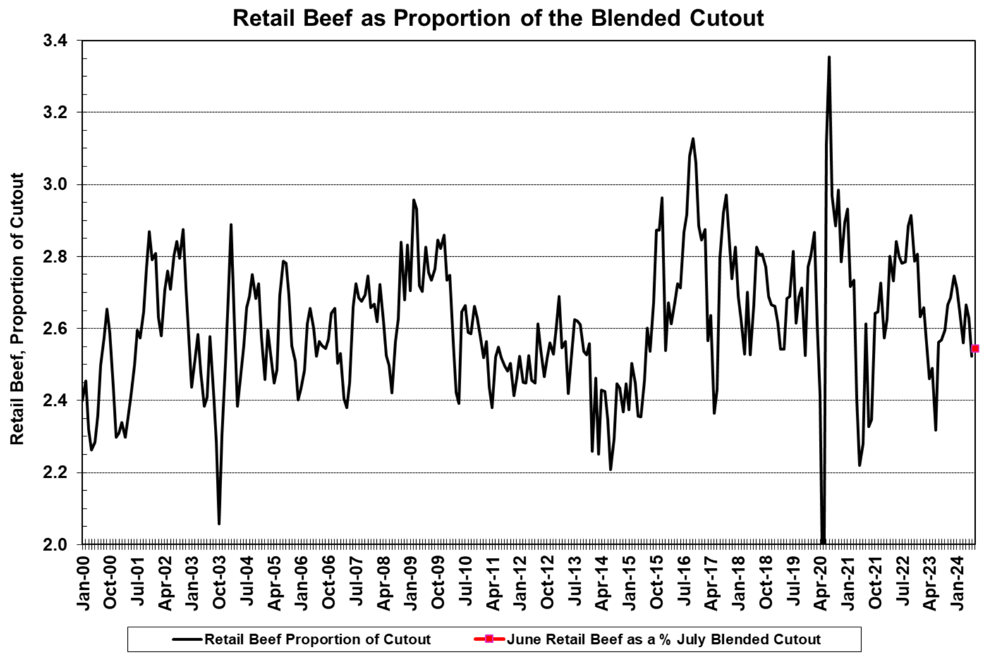
Measured by the headline CPI data, the rate of inflation in overall prices continued to slow during June, rising 3.1% from a year earlier and down from a 3.3% increase in May. The core CPI (ex. food and energy) remains above the headline data, rising 3.3% from a year earlier, but also slowed from a 3.4% increase in May. However, the overall rise in meat prices is escalating, with the June index up 2.6% from a year earlier, compared to a 2.4% rise in May and the most rapid monthly increase since April of 2023. While the following chart may convey the perception that meat prices have declined over the last two years; more accurately the rate of increase has slowed and the continuing price escalation likely will extend the perception of "high" meat prices with the attendant risk of dampening consumer off-take as prices rise.



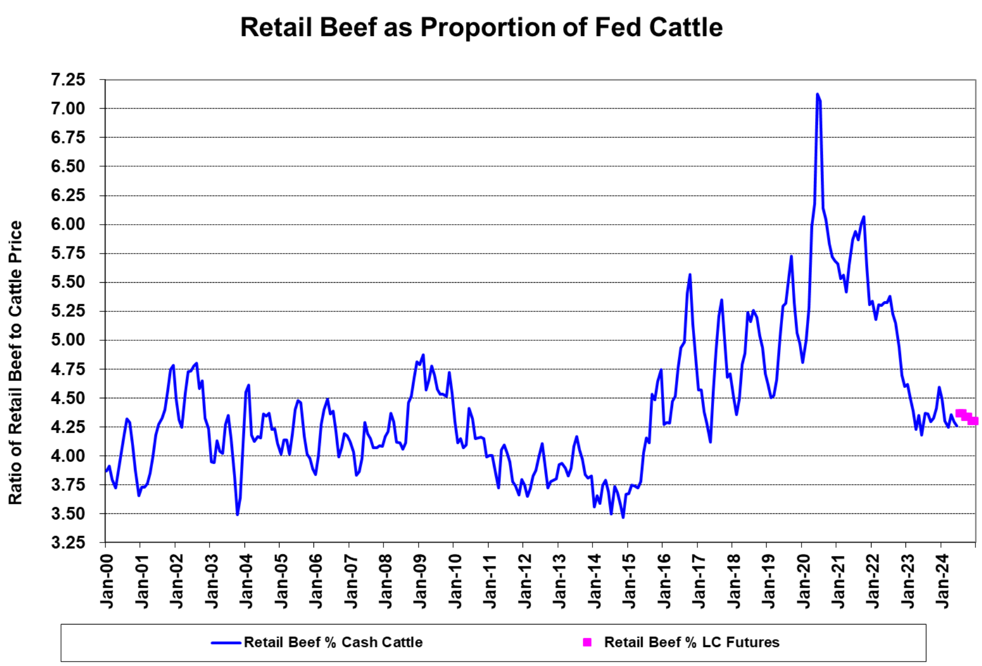
Retail beef prices contributed to rise in overall meat prices during June, reaching near $8.00 per pound, record high, but only slightly higher than a month earlier, while climbing 5.5% higher than the same month last year. However, the rate of increase has slowed from earlier in the year with the JFM increase averaging nearly 9%. Still, the continuing rise in cutout values during June likely will maintain upward pressure on retail beef prices during the summer months—a noteworthy period of seasonally weak consumer demand.



From a historical perspective retail beef prices during June were not “high” relative to the cutout and relatively little has changed so far in July. A number of retailers and food service entities in recent weeks have made headlines announcing retail price cuts in an effort to stimulate consumer traffic and boost sales. While that may translate into more aggressive spot feature and promotional efforts utilizing limited-time-only "value" specials, the generally upward pressures on cutout values and the inflated costs of merchandising (labor, transportation, packaging, shrink, etc.) likely will maintain upward pressure on retail beef prices.



Similar to the cutout argument, retail beef prices are not "high" relative to fed cattle prices and will reinforce the longer-term uptrend in rising retail prices, although market-share and leverage battles within the beef marketing chain may intensify.



Today's Calendar (all times Central)

- PPI – 7:30am
- U of M Inflation Expectations– 9:00am
- U of M Consumer Expectations / Sentiment – 9:00am
- WASDE – 11:00am

Thanks for reading.

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