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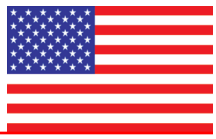

News this week...
2 – Cordonnier gives initial pegs for U.S. production.
3 – Russia, China strengthen ties following U.S. summit.
4 – K-shaped economy a concern for consumers and farmers.

Grains consolidate ahead of Memorial Day – *Grain futures popped higher to begin the week, with bulls cheered by a White House fact sheet that said China committed to $17 billion in ag purchases per year on top of previous soybean commitments. Beijing offered neither follow-through buying interest nor affirmation of the figures, leaving markets to consolidate amid a lack of fresh bullish news. Corn and soybean planting is in the final stretch but likely slowed due to rainfall in the southern Corn Belt. HRW wheat conditions showed further deterioration. Cattle futures came under pressure after Cargill locked out workers at a Colorado plant and traders braced for a Cattle on Feed report. Feeders fell the daily limit Thursday on a round of mass long liquidation, while hogs slumped to another multi-month low.*

Warsh era begins at the Fed

Kevin Warsh was scheduled to be sworn in as chair of the Federal Reserve on Friday morning, succeeding Jerome Powell at the helm of the world's most powerful central bank. Inflation is rising, and policymakers and markets are bracing for the possibility the Fed's next move will be a rate hike rather than a cut, in contrast to President Donald Trump's calls for more monetary easing (see *General Outlook, Analysis* Page 4). The Iran War is feeding inflation pressures and contributing to a sharp rise in U.S. and global bond yields, which threatens growth by tightening financial conditions. To keep long-term yields in check, the Fed will need to shift to a more hawkish tone on interest rates, which is likely to lend strength to the U.S. dollar.

Deere still sees 'bottom of ag cycle'

Deere & Co. shares fell over 5% on Thursday despite delivering a second-quarter earnings report that exceeded Wall Street expectations — a reflection of investor uncertainty about the farming cycle as producers deal with rising input costs. For its part, Deere management is sticking to its call that the worst will soon be behind the farm economy.

"In the near term, a lot has transpired over the past quarter in the global economy, most notably, the conflict in Iran and the associated impacts. However, our baseline view remains that 2026 will represent the bottom of the ag cycle," said chief financial officer Brent Norwood to analysts.

IGC expects global yield slip

The International Grains Council kept its 2026-27 global grains output forecast unchanged at 2.414 billion metric tons, down 3% from 2025-26 and the first decline in four years. Stocks are seen tightening 4% year over year as use remains robust. Smaller harvested area and lower yields due to high fertilizer costs and supply constraints are seen as limiting production. World wheat production was cut 1 MMT to 820 MMT, while its corn production forecast was unchanged at 1.3 billion metric tons.

Australia preps biofuel mandates

A government spokesperson said Australia plans to introduce biofuel blending mandates to boost local production and increase its energy security, Reuters reported. The official added that developing the policy was a priority after the Iran War imperiled fuel imports. Australia would be the latest in a string of countries that have adopted biofuel mandates in the wake of the Iran War, which has choked off crude shipments through the Strait of Hormuz and sent crude and fuel prices soaring (see *Bullpen, Analysis* Page 4).

Indonesia plans export controls

Indonesia said it will centralize commodity exports through a state-run agency, a move that will send ripples through global commodities markets given its role as the world's largest exporter of palm oil, thermal coal and nickel, the Financial Times reported.

"The sales of all our natural resources, starting with palm oil, coal and ferroalloys, must be through a state-owned enterprise appointed by the Indonesian government as the sole exporter," said President Prabowo Subianto.

'Robust' talks on E15 in Senate

Senate Majority Leader John Thune said he and his colleagues are working to pass House-approved year-round E15 legislation and a new farm bill, both of which face a 60-vote threshold in the Senate, American Ag Network reported. House Republicans separated year-round E15 from the farm bill in order to help it win House passage, but that created additional hurdles in the Senate. Thune said lawmakers are working out a strategy to advance the legislation despite the higher vote threshold for stand-alone bills.

"We're having a robust discussion about it," Thune said. "I'm hopeful and confident that, in the end, we'll be able to succeed and pick up what the House did, figure out how to pair it with the farm bill that they sent over here, and try and get a result for the American people and, more specifically, for the farmers all across this country."

Cordonnier updates U.S. crop pegs

Pro Farmer crop consultant Michael Cordonnier published his initial estimates for U.S. crops. He noted crops are off to a good start, just ahead of average, but dry conditions in the western Corn Belt and southeastern U.S. remain a concern. Cordonnier pegs corn production at 15.566 billion bushels with a yield of 181.0 bu. per acre on 93.8 million planted acres. He estimates soy production of 4.425 billion bushels with a yield of 52.0 bu. per acre on 86.2 million planted acres. Cordonnier anticipates 1.5 million acres will shift from corn to soybeans.

Abiove boosts Brazilian production

The Brazilian Association of Vegetable Oil Industries (Abiove) increased its Brazilian soy production forecast to 180 MMT and boosted its export forecast to 114.1 MMT. Meanwhile, its estimate for crushing in Brazil was raised to a record 62.5 MMT, up almost 4 MMT from 2025. The adoption of biodiesel in Brazil has led to higher crush use, helping offset higher production. Even with higher exports and crush, ending stocks are seen as rising as production hikes offset higher demand.

U.S., Brazil see ethanol boom

The U.S. and Brazil – the world's two largest ethanol producers – are on track for a jump in exports of the product this year due to strong demand from countries looking to expand their fuel sources following the closure of the Strait of Hormuz (see *From the Bullpen, Analysis* page 4). Reuters said the U.S. has seen a 20% increase in ethanol exports so far this year, on top of record shipments last year. And Brazil could more than double its foreign sales in the new trading season (2026-27) that started in April, representatives for the biofuels industry told Reuters. The war has urged countries to increase rates of biofuels, ultimately spurring more crush use.

Australian wheat acres crimped

Australia, the third-largest wheat exporting nation, may have as much as 10 million tons less to ship in the upcoming season, an amount equivalent to 5% of annual global exports, Reuters reported, noting the toll that dry weather alongside the surge in fertilizer and fuel costs is having on planting activity. Australia is the first major grain exporter to plant wheat since the beginning of the Iran War, which has seen the closure of the Strait of Hormuz choke off crude, fuel and fertilizer imports. The report noted other countries are also likely to grow less, shrinking food supply further. Australia typically ships a lot of wheat to China. A drop in production could lead to opportunities for U.S.-origin crops to China.

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U.S. to build fertilizer production

USDA will revive and expand a Biden administration program to boost U.S. fertilizer production, USDA Secretary Brooke Rollins said. She said USDA will shift the fertilizer program away from the prior administration's focus on reducing greenhouse gas emissions.

"Those projects that were stalled because of climate requirements are now coming back online," Rollins said.

She went on to say "every tool in the toolkit has to be reviewed and analyzed."

The permitting process for a new ammonia plant, the Blue Point Project being built in Louisiana, could be finalized within 45 days through the Army Corps of Engineers. It is scheduled to be operational in 2029.

Potential "super El Niño"

The National Weather Service's Climate Prediction Center forecasts El Niño will form as early as next month. U.S. farmers in the drought-stricken Southern Plains may get some relief later this year. The weather pattern shouldn't adversely affect the Corn Belt this summer but could make for tougher conditions in South America and elsewhere. With 60% of the U.S. in some stage of drought, the appearance of El Niño and the potential for more rain could be an "overall positive" for U.S. farmers, says Brad Rippey, meteorologist for USDA.

Cargill locks out plant workers

Cargill stopped paying about 1,700 employees at a beef plant in Fort Morgan, Colo. The plant has effectively been shut down since April 23, but headlines hit the newswires midweek. The plant closure could be longer-term as negotiations with workers have been slow to progress. The plant has a capacity of 4,700 head per day. That capacity has shifted to other Cargill plants. While headlines impacted markets this week, there is ultimately no fundamental change in the market with this plant closure.

Oil price premiums likely sticky

Oil market participants expect Brent crude oil to average $81 to $100 a barrel over the next 12 months due to demand slowing down to counter supply losses caused by the U.S.-Iran War, according to a Bloomberg survey. A majority of respondents see oil carrying a lasting risk premium of $5 to $15 a barrel for years to come, with a few expecting it to exceed $20. The survey identified "demand destruction" as the most likely mechanism to offset supply deficits over the next year, followed by rerouted trade flows, OPEC+ policy adjustments and releases from strategic reserves. U.S. shale is expected to add barrels, though few believe production growth will be enough to meaningfully rebalance the crude oil market.

Tariffs sink U.S. exports to China

North Dakota State University economists on Wednesday estimated China's retaliatory tariffs cut U.S. agricultural exports to the country by $14.9 billion on an annualized basis.

Soybeans accounted for the largest absolute decline, according to NDSU's monthly Agricultural Trade Monitor, falling from $12.6 billion in 2024 to $3.1 billion in 2025. Several other major commodity groups fell by 80% or more, including corn, wheat, coarse grains other than corn, tree nuts and cotton. Livestock and processed categories declined by smaller percentages but still saw meaningful drops, including beef, poultry, hides and skins, pork, hay and dairy. Of the major commodity groups, only seafood products posted a modest year-on-year increase between March 2025 and February, the report said. Total agricultural exports dropped from $24.5 billion in 2024 to $8.4 billion in 2025 as the U.S.-China trade war raged.

When it comes to what implementation could potentially look like, the report said the U.S.-China Phase One agreement reached in January 2020 following the 2018-19 trade war offers a precedent.

"Phase One was followed by a period of robust recovery in bilateral agricultural trade, with U.S. exports to China reaching a record near $38 billion by 2022, well above the at least $28 to $30 billion implied by the 2026 framework. That recovery was supported in part by strong Chinese feed demand tied to the rebuilding of China's hog sector after the 2018–2019 African Swine Fever epidemic, a tailwind that is not present in the current cycle. Phase One also fell short of its headline two-year targets in aggregate, although agricultural realization was meaningfully higher than for manufactured goods and energy: China reached approximately 83% of its covered agricultural commitment over 2020–21 on a U.S. export accounting basis, against roughly 58% for all covered goods and services (Bown, 2022). Realized 2026 outcomes will likewise depend on implementation, the pace of state-buyer execution and the broader macroeconomic and commodity-market environment over the commitment window," the economists wrote.

Russia, China discuss trade

Russian President Vladimir Putin had a two-day visit in Beijing with Chinese President Xi Jinping following President Trump's visit a few days prior. The countries released a joint declaration following the meeting promoting a "multipolar world" and a "new type of international relations" seeking a more-just global governance system while the pair reinforced their "no limits" strategic partnership. New agreements were signed across trade, technology, energy and more as the two countries work to increase trade, which has climbed to around $240 billion as the countries increase ties.

China U.S. soy imports double

China's soybean imports from the U.S. doubled from the prior year in April. China imported 3.33 MMT in April, up from 1.38 billion a year prior, customs data showed. Meanwhile, imports from Brazil rose 3.3% to 4.75 MMT. China's imports are typically dominated by Brazil this time of year, so the U.S. increasing market share is ultimately a positive sign.

EU business activity drops

Business activity in the eurozone shrank at the quickest pace in 2.5 years due to the Iran War and surge in energy costs. The composite purchasing managers index fell in May, with manufacturing growing due to precautionary stock-building, while the services sector slumped. Price pressures continued to build, with input costs and goods and services prices surging at the fastest rate in more than three years, hinting at inflation running close to 4% in the coming months. The composite purchasing managers index compiled by S&P Global fell to 47.5 in May from 48.8 in April, holding below the 50 threshold separating growth from contraction for a second month.

EU finalizes trade deal text with U.S.

The European Union finalized the text of its U.S. trade deal after months of negotiations, clearing a major hurdle to ratifying the pact before President Trump's threatened deadline. The deal would see the EU erase levies on U.S. industrial goods in exchange for a 15% tariff ceiling on the bloc's exports. The European Parliament and EU countries will now vote to ratify the finished text. The agreement includes fresh language to address EU concerns over U.S. metals tariffs and allows the Commission to suspend the trade deal if tariffs on products using steel and aluminum surpass 15% after 2026.

'Systemic agrifood shock' at risk

The U.N. Food and Agriculture Organization on Wednesday warned the closure of the Strait of Hormuz is the beginning of a "systemic agrifood shock" capable of triggering a severe global food-price crisis within 6 to 12 months. Avoiding such an outcome will require alternative trade routes, governments resisting the urge to impose export restrictions, the protection of humanitarian flows and buffers to absorb high transportation costs, the FAO said.

It's time to "start seriously thinking about how to increase the absorption capacity of countries, how to increase their resilience to this choke, so that we start to minimize the potential impacts," FAO chief economist Maximo Torero said.

We have noted from early on in the war that the long-term implications of the closure of the Strait of Hormuz will go longer than what is currently priced into the market, with some of the biggest risk coming from 2027 production, especially in wheat at the global scale.

Diverging economy getting put to the test

By Economist Lane Akre and Editor Bill Watts

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The K-shaped economy is a cause for concern both inside and outside of agriculture. The term emerged from the economic shutdown caused by the COVID-19 pandemic and was used to describe a situation in which upper-income households continued to thrive despite disruption while middle- and lower-income households struggled to hold their heads above water. The concept has endured beyond the pandemic as the highest-earning households represent a growing chunk of consumer spending.

The trend began in ag

The concept is also reflected at the farm level. In fact, the truth of the adage, "as agriculture goes, so goes the economy," is becoming more evident. Row-crop agriculture faces what is likely to be the third consecutive year of compressed margins, with many concerned about financing as credit conditions tighten, input costs continue to rise and margins leave little room for error. That has led to tightened spending across the agricultural marketplace, as is best demonstrated by the machinery sector where very little demand for new iron persists. Row-crop agriculture currently represents the lower arm of the K-shaped farm economy.

Meanwhile, livestock producers have been able to take advantage of record cattle prices as a result of a historically tight herd. Cattle ranchers represent the upper arm of the K-shaped farm economy, as high prices for fats and relatively low feed costs have boosted margins.

Land also offers a divide. Established operations with substantial land equity also reside on the upper arm of the K, able to use land to secure credit and counterbalance thin profit margins. Resilient farm real estate values have been a primary factor limiting the increase in debt-to-asset ratios, according to the Kansas City Fed. Tenant-heavy operations represent the lower arm, facing sticky cash rents even as commodity prices soften.

Growing disparities in the general market

The Iran War is serving to make those K-shaped disparities more apparent in both agriculture and the broader economy. While row-crop agriculture has been facing tight margins for the last couple of years, concerns over inflation and credit conditions are beginning to garner more attention in the general marketplace. St. Louis Fed data indicates credit card debt continues to climb to fresh record highs month after month, rising above $1.09 trillion in recent weeks. The war in Iran has sent fuel costs surging. Data from the New York Federal Reserve has noted a strong divergence in fuel spending between high- and low-income households in the past several weeks.

Alarm bells rang earlier this month when April data showed, for the first time in three years, inflation exceeded growth in worker paychecks, reflecting a hit to consumer purchasing power.

While one month's data doesn't make a trend, inflation appears more likely to accelerate in coming months as the Iran War continues. The U.S. consumer has remained resilient, as demonstrated by persistent strength in beef demand in the face of rising prices, but an erosion of purchasing power will represent an additional challenge.

Uneven exposure to the gas price shock from the Iran War is likely to widen the affordability gap across income groups, warned economists at BofA Global Research, in a note this month. Energy goods make up only about 1.5% of the top income decile's total outlays, while the bottom decile's share is roughly 4%. Looking ahead, they warned, a food price shock from higher fertilizer costs could further widen the K.

Key takeaways

Inflation is likely to accelerate the divergence seen in the economy. As highly capitalized and well-diversified farms have been able to manage tighter operating margins and stricter credit standards, well-positioned consumers are better equipped to handle higher inflation and tighter credit conditions in the general economy. Sovereign and corporate bonds are pricing in higher rates for longer and the world's largest central banks are seen weighing the potential for rate hikes, a stark contrast to the cuts expected at the start of the year.

There's a widening gap between those with the structural capacity to pivot in the face of systemic headwinds and those without. Planning and proactive management remain essential, but a K-shaped reality means even the most diligent planners can face vastly different outcomes depending on their access to equity and land ownership. An optimistic mindset, a willingness to look for opportunities and an alertness to the external forces that can shape farm-level viability are assets that will continue to pay dividends.

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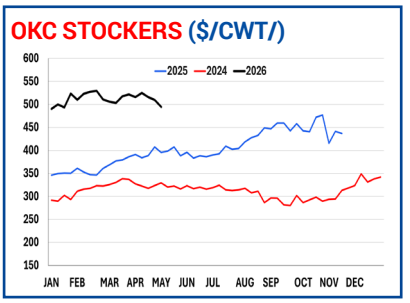
CATTLE

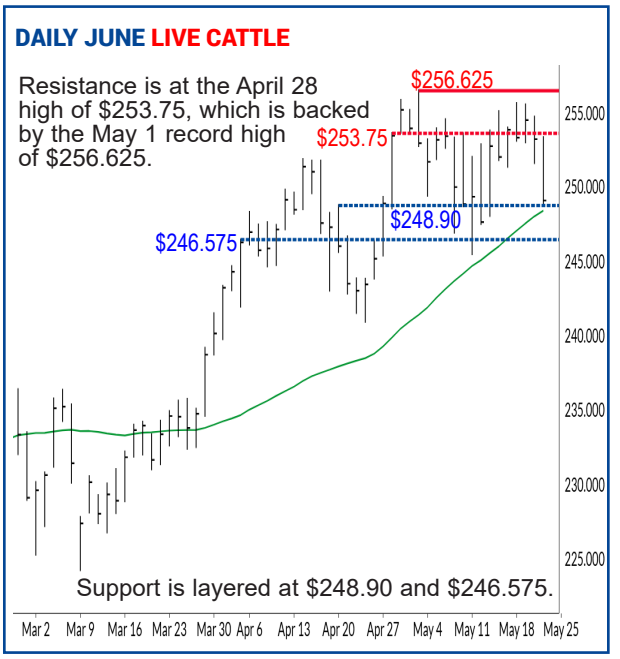
The recent cash cattle trade tear has built a hefty premium to nearby futures, though last week's action in live cattle futures lagged as traders paused around headlines reagrding increased beef imports from Mexico in 2027 and potential tariff reductions. Nonetheless, cattle inventories remain historically tight, supporting record cash trade despite any weakness in futures. Production is lower on the year, and grilling season demand is strong, with packers competing for limited supplies. We wouldn't be surprised to see futures eventually converge higher with cash, as it has multiple times since the beginning of the year.

Position Monitor

Game Plan: Live cattle have rebounded after recent selling, as supplies remain tight. Consider using LRP to establish price floors.

	Feds	Feeders
II'26	0%	0%
III'26	0%	0%
IV'26	0%	0%
I'27	0%	0%





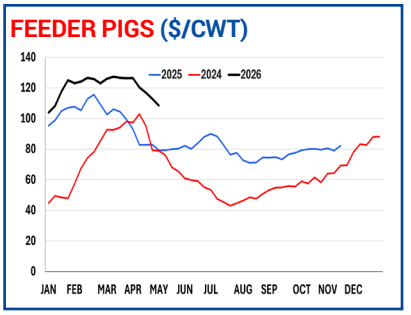
HOGS

June lean hogs continue to face relentless technical selling, recently pushing to a fresh multi-month low, or a near $15 decline from the early February high. Dull movement in the pork cutout value has certainly limited short-covering interest to date, though the Memorial Day holiday serves as the official start to the grilling season. A seasonal increase in cutout is likely as summer approaches, especially if consumers look to cheaper pork options versus beef at the grocery counter. However, it is certainly a possibility for cutout to carve a mostly sideways pattern throughout the year, as was the case in 2024.

Position Monitor

Game Plan: We advised liquidating the $104.00 July puts bought on Jan. 28 for Q2 production. Stay patient for now as we assess the next opportunity for hedges.

	Lean Hogs
II'26	0%
III'26	0%
IV'26	0%
I'27	0%



FEED

Feed Monitor

Corn

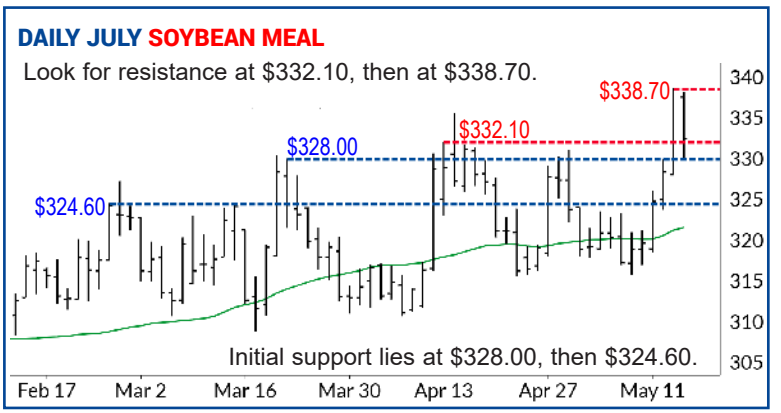
II'26	67%
III'26	0%
IV'26	0%
I'27	0%

Meal

II'26	67%
III'26	0%
IV'26	0%
I'27	0%

Corn Game Plan: You should have corn-for-feed need covered through the end of May. Be prepared to make purchases.

Meal Game Plan: You should have meal needs covered through the end of May. Be prepared to make additional purchases on an extended pullback.



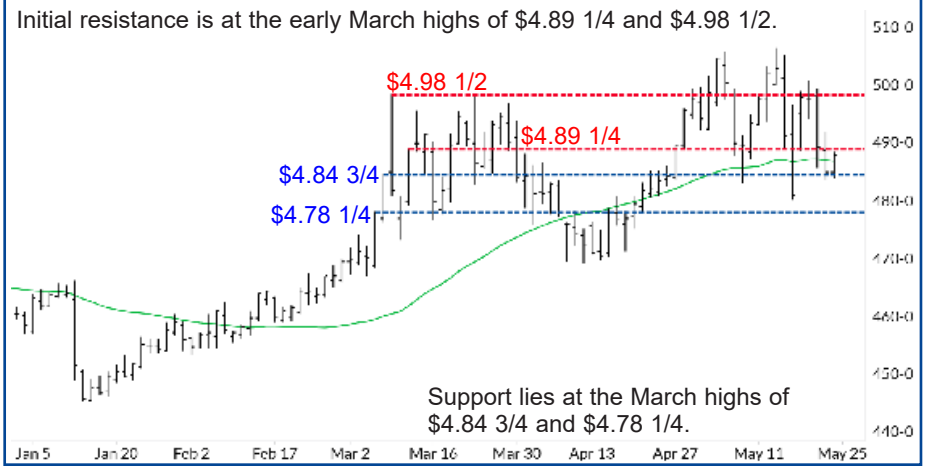
Position Monitor

	'25 crop	'26 crop
Cash-only:	70%	30%
Hedgers (cash sales):	70%	10%
Futures/Options	0%	40%

Game Plan: We advised advancing another 10% of old-crop sales for cash-only marketers and hedgers on May 20 following headwinds arising from lower oil prices and a lack of expected commitments from China stalled futures.You should be 70% sold for the 2025 crop in the cash market. Be prepared to make additional sales.

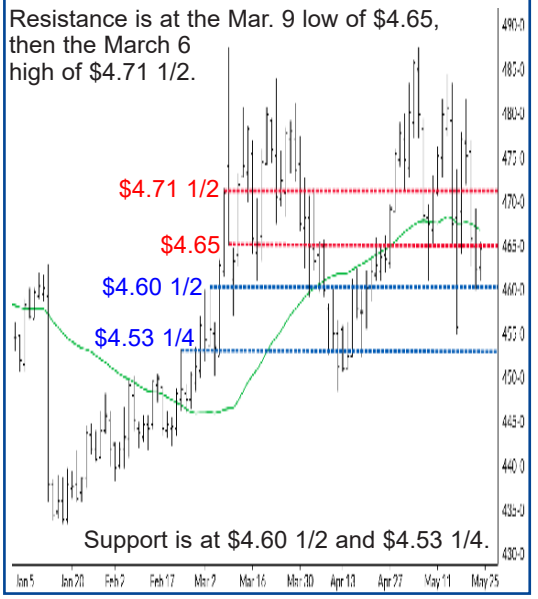
DAILY DECEMBER CORN

Initial resistance is at the early March highs of $4.89 1/4 and $4.98 1/2.



DAILY JULY CORN

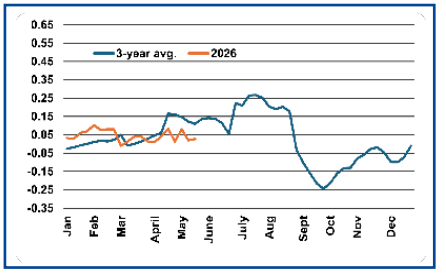
Resistance is at the Mar. 9 low of $4.65, then the March 6 high of $4.71 1/2.



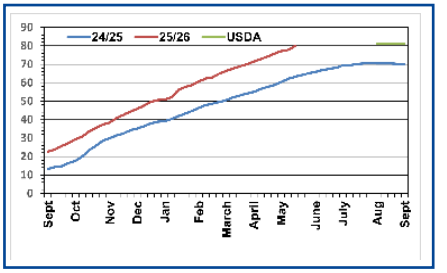
CORN

A lack of details surrounding potential purchases from China weighed on futures this week. A return to the U.S. corn market by China would undoubtedly stir bullish sentiments, but the lack of clarity has pushed traders into a "show me" mindset toward old-crop contracts particularly. Concerns remain around fertilizer applications leaving the downside open on yield, which offers some support to new-crop. Nitrogen shortages will work to impact worldwide production, not only U.S. farmers, which could quickly shift the mindset of a market that is currently filled with plentiful corn.

AVERAGE CORN BASIS (JULY)



CORN EXPORT BOOKINGS (MMT)



Position Monitor

	'25 crop	'26 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	30%
Futures/Options	0%	0%

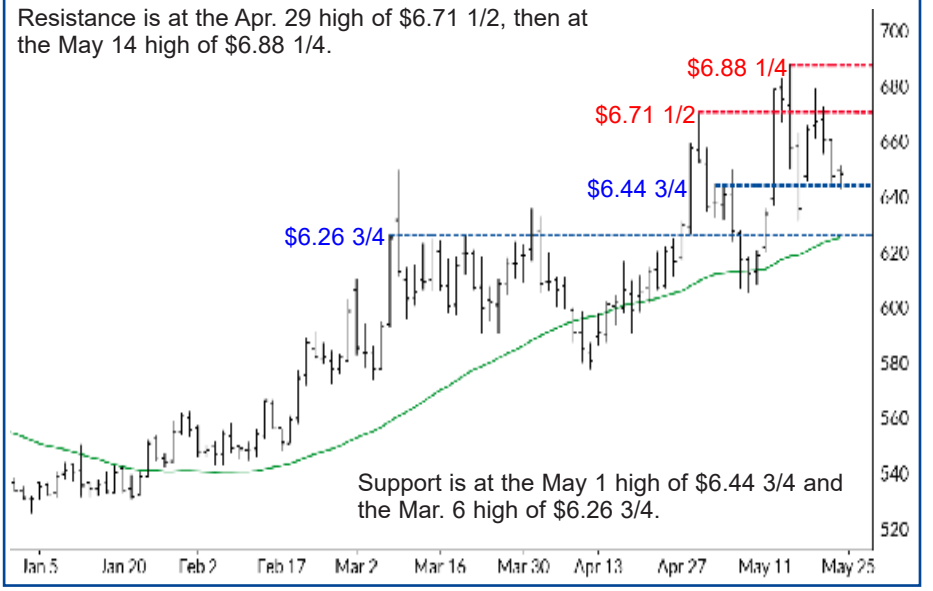
Game Plan: You should have 90% of the 2025 crop and 30% of 2026 crop sold in the cash market. Be prepared to make additional sales as the market reacts to early harvest results.

WHEAT

SRW — The SRW crop is coloring in the more southern growing regions, and is also likely to see an early harvest, though to a lesser degree than in the Plains. The end of the current marketing year is near, and typically sees export sales sag until new-crop harvest begins.

DAILY JULY SRW WHEAT

Resistance is at the Apr. 29 high of $6.71 1/2, then at the May 14 high of $6.88 1/4.



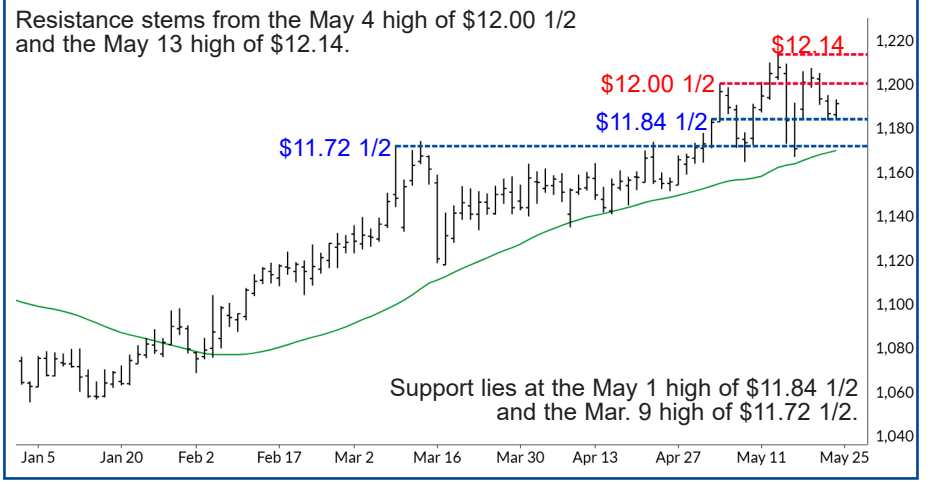
Position Monitor

	'25 crop	'26 crop
Cash-only:	90%	30%
Hedgers (cash sales):	90%	10%
Futures/Options	0%	40%

Game Plan: We advised cash only marketers and hedgers to sell another 20% of old-crop as futures were dragged down by a lack of additional Chinese purchases and early signs of weakness across the grains complex at that time. You should be 90% sold in the cash market for the 2025 crop. Be ready to make new sales.

DAILY NOVEMBER SOYBEANS

Resistance stems from the May 4 high of $12.00 1/2 and the May 13 high of $12.14.



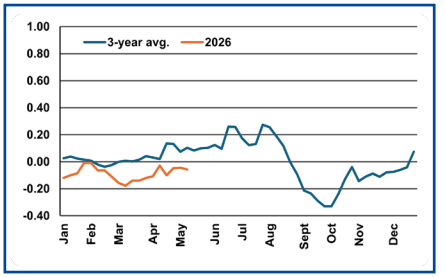
DAILY JULY SOYBEANS

Resistance stands at $12.15 1/4 and $12.50 3/4.

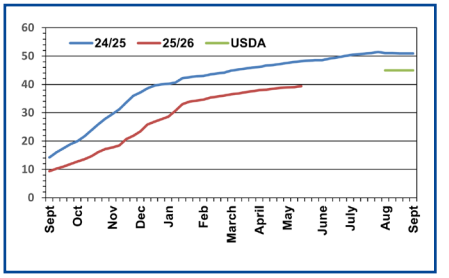
SOYBEANS

West Texas crude pushed back below the crucial $100 per barrel mark at midweek on hopes of peace with Iran, which in turn pressured price action in soy oil to turn lower as well. However, longer term demand for biodiesel remains firm as inflation impacts are likely to linger from the steep rise in oil prices relative to year-ago levels as governments around the globe look for ways to lower energy costs in hopes to limit the impacts. Soybean harvest in Brazil is now nearly complete, and cheaper supplies in South America are likely to limit any major purchases from China in the coming months.

AVERAGE SOYBEAN BASIS (JULY)



SOYBEAN EXPORT BOOKINGS (MMT)

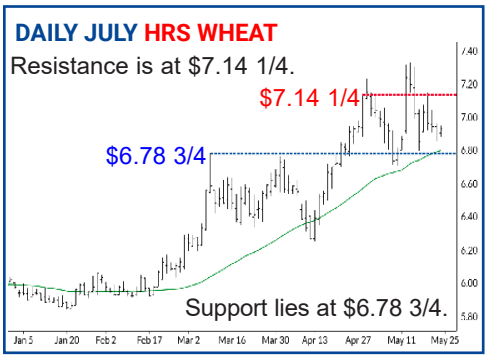


DAILY JULY HRW WHEAT

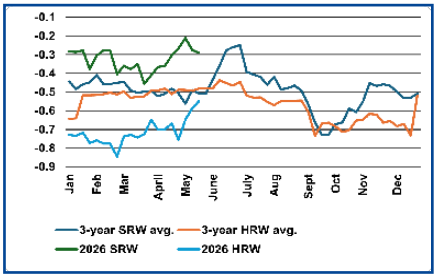
Resistance stands at $7.50.

DAILY JULY HRS WHEAT

Resistance is at $7.14 1/4.



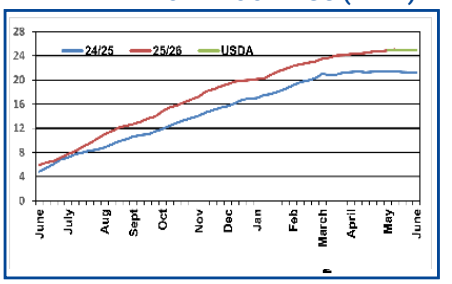
AVERAGE WHEAT BASIS (JULY)



HRW — The supply story in wheat has helped insulate it to a degree from the sharper losses elsewhere in the grains complex. With trade now teetering on both sides of the key $7.00 mark, continued closes above technical support at the 10- and 40-day moving averages will be key in keeping prices in the current range.

HRS — Drought has remained less of a concern in HRS country, though the northern portions have turned drier in recent weeks. Farmers have swiftly caught up on planting after freezing overnight lows had limited progress. USDA estimates the crop was 73% planted and 39% emerged as of May 17, ahead of the five-year averages.

WHEAT EXPORT BOOKINGS (MMT)



Position Monitor	'25 crop	'26 crop
Cash-only:	100%	40%
Hedgers (cash sales):	100%	40%
Futures/Options	0%	0%

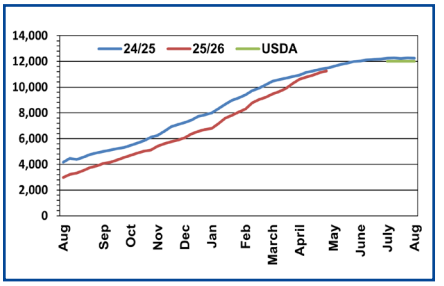
Game Plan: On May 20, we advised selling 10% of old-crop production to finish sales. Be prepared to make additional new-crop sales.

COTTON

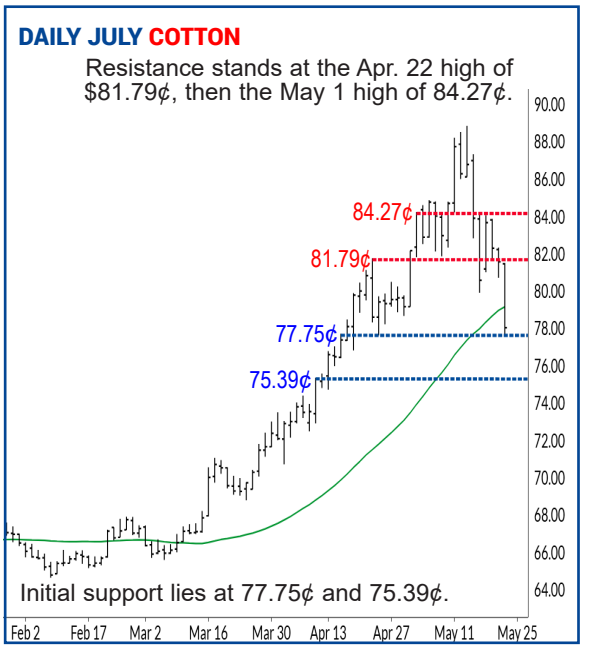
Cotton futures have broken down technically in recent sessions as traders pause in the wake of a 21-cent surge from the mid-December low. Recent inflationary markers have turned bulls on their heels amid concerns of a decline in demand for textiles.

AVERAGE COTTON BASIS (JULY)

COTTON EXPORT BOOKINGS ('000 BALES)



DAILY JULY COTTON



GENERAL OUTLOOK

MONETARY POLICY: New Fed Chairman Kevin Warsh has his work cut out.

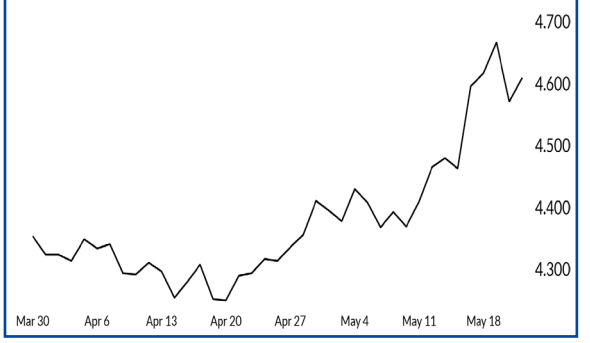
The minutes from the last FOMC meeting showed a majority of members warned the Fed would likely need to consider raising interest rates if inflation continued to run above their 2% annual target.

The minutes revealed many FOMC members want the Fed to drop its easing bias and signal its next move could be a rate increase.

Several policymakers said U.S. rate cuts would eventually be warranted but most stressed that "some policy firming would likely become appropriate if inflation remains elevated."

The hawkish FOMC minutes lean will make Warsh's job of lowering interest rates, which has been the mantra of President Trump during his two terms, a very challenging chore.

DAILY MAY 10-YEAR T-YIELD FUTURES



FROM THE BULLPEN By Market Analyst Hillari Mason

Ethanol production has been steady to strong, with production reaching an all-time weekly high in early January. This followed several weekly production records notched in November and December 2025.

However, seasonal plant maintenance and elevated inventories from strong production levels earlier in the year were factors in a production decline from April into early May as ethanol producers dialed back output strategically during this time to avoid oversupply and manage margins. A notable rebound in production in early May underscored that notion.

The Energy Information Administration forecasts 2026 ethanol production will average around 1.06-1.07 million barrels per day (bpd) for the first two quarters, with expectations of ramped up production later in the year.

Recent historically large crude drawdowns from the Strategic Petroleum Reserve amid global supply constraints may exacerbate domestic ethanol demand as the peak summer driving season nears.

Still, exports have been the primary growth engine of U.S. ethanol production, largely due to global demand for low-carbon fuels. Moreover, trade policies, blend mandates abroad and domestic infrastructure for higher blend rates reinforce more robust demand objectives.

WATCH LIST

1	**Memorial Day Holiday** Markets and gov't offices closed.	**MON 5/25**
2	**PCE Price Index** Fed's preferred inflation gauge.	**THUR 5/28** 7:30 a.m. CT
3	**Weekly Ethanol Production** Seasonal increase expected.	**THUR 5/28** 9:30 a.m. CT
4	**EIA Crude Oil Stocks** Domestic inventory.	**THUR 5/28** 9:30 a.m. CT
5	**Weekly Export Sales Report** Corn sales remain strong.	**FRI 5/29** 7:30 a.m. CT

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