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May 16, 2026
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News this week...
2 – Wheat production expected to hit 54-year low.
3 – USDA gives first look at 2026-27 estimates.
4 – Poll finds farmers fed up with status quo ahead of midterms.

Grains give back WASDE-inspired gains– *Wheat led the way higher, with HRW and SRW futures posting limit-up gains after USDA projected the smallest U.S. crop since 1972. Corn and soybeans followed to score for-the-move highs as anticipation built for the Trump-Xi summit in Beijing. Soybeans led a sharp pullback late-week after the summit failed to produce concrete commitments on ag purchases. The Strait of Hormuz remains closed, keeping oil prices elevated and maintaining biofuel-related interest in corn and soy markets. Live cattle saw choppy price action as the Trump administration considered a cut to tariffs on beef imports, while record cash trade limited selling interest in futures. Lean hog futures continued to struggle, despite glimmers of improvement in the cash market.*

Trump-Xi summit disappoints

President Donald Trump's summit meeting with Chinese leader Xi Jinping in Beijing left grain and soybean markets disappointed after it produced no concrete commitments by China on additional purchases of agricultural goods. Treasury Secretary Scott Bessent on Thursday said that the soybean issue had effectively been settled when Trump and Xi met last October. Traders went into this week's summit clamoring for signs that China might step up purchases beyond the 25 million metric tons per calendar year for the next three years that the administration says Beijing has already committed to. Talk ahead of the summit had also highlighted the potential for purchases of other row crops outside of soybeans.

On Friday, U.S. Trade Representative Jamieson Greer said he expects a large commitment to agricultural purchases to result from the summit.

"We expect to also see an agreement for double-digit billion purchases of ags over the next three years, per year, coming out of this visit, and that's more general. That's aggregate, that's not just soybeans. That's everything else," Greer told Bloomberg Television.

Speaking to reporters on Air Force One as he returned to the U.S. from Beijing, Trump said: "The farmers are going to be very happy. They're going to be buying billions of dollars of soybeans."

El Nino probability on the rise

A shift toward an El Niño weather pattern is picking up speed. The Climate Prediction Center on Thursday put an 82% probability it will occur during May to July 2026 and continue through Northern Hemisphere winter 2026-27.

"In the United States, an El Niño pattern typically brings more rain to the Midwest and parts of the West during the summer," said AccuWeather senior meteorologist Chad Merrill. "It will likely produce extended periods of dry weather from the Gulf Coast to the East Coast but mixed in will be some heavy pockets of rain."

Year-round E15 clears the House

In a 218-203 vote on Wednesday, the House of Representatives passed legislation that allows year-round sales of E15. It now faces a tough battle in the Senate. The American Soybean Association, meanwhile, has expressed reservations about the effect of permanent small-refinery exemptions included in the bill. While reaffirming its support of year-round E15, ASA pointed to a study by the Food and Agricultural Policy Research Institute at the University of Missouri.

The findings show the House version of the bill would result in "reduced net farm income and negative economic impacts for soybean growers and the broader agricultural economy," ASA said.

Inflationary pressures build

Economic policy makers and financial markets received unwelcome news on inflation this week as the effects of the Iran War and the closure of the Strait of Hormuz took a toll. Energy led prices higher as the consumer price index rose 0.6% month over month and 3.8% year over year in April. At the wholesale level, producer price inflation surged 1.4% month-over-month, led by fuel costs. PPI rose 6% on the year, the largest rise since December 2022. Of particular concern, the Labor Department said April marked the first time inflation surpassed year-over-year growth in average hourly earnings since April 2023. Hourly wages were up 3.6% year over year, while the headline inflation rate rose 3.8%. Inflation ticking higher has led to increased fund buying in ag commodities, but the higher rate hamstrings the Fed's ability to ease rates (see News page 2).

Kansas wheat crop in tough shape

The final estimate from the Wheat Quality Council's annual crop tour put the average for Kansas at 38.9 bushels per acre after 394 field stops, according to Bloomberg. That's well below last year's forecast of 53 bushels per acre. A survey of the tour's participants pegged Kansas wheat production at 218 million bushels, the second-lowest going back to 1972.

Winter wheat conditions sharply lower

Last week's rains in the western Plains didn't help overall conditions when it comes to the long-suffering winter wheat crop. USDA said the percentage of the crop rated good to excellent fell to 28% from 31% a week prior. Of the 790 crop progress reports that have contained winter wheat condition ratings since 1986, only 20 weeks have seen a good-to-excellent rating less than the current standing. On the weighted *Pro Farmer* Crop Condition Index (0- to 500-point scale, with 500 being perfect), the HRW crop declined 10.90 points to 253.00. The SRW crop notched a very minor increase of 1.07 points to 364.66. Weather in SRW country has helped the crop from deteriorating much further given the milder temperatures and relatively more widespread rains compared to those in the Plains.

USDA cuts wheat production estimate

With drought taking a toll in the Plains, USDA pegged all wheat production at 1.561 billion bushels, down from 1.985 billion bushels last year. Wheat production is seen at the lowest mark since 1972. USDA pegged winter wheat production at 1.048 billion bushels, down from 1.402 billion in 2025.

Rising input costs were already seen curtailing planting of wheat in Australia and elsewhere. And that has appeared to lend support to inflows into agricultural commodities by hedge funds and other speculative players. The fundamental outlook remains supportive for U.S. wheat as a player on the world market.

Argentine exchange boosts estimates

Argentina's Rosario Grains Exchange raised its Argentine corn production estimate to 68 MMT from 67 MMT previously. The exchange raised its soy production estimate to 50 MMT from 48 MMT. Meanwhile, it made its initial forecast for 2026-27 wheat production, anticipating production of 18 MMT to 19 MMT, sharply lower than the 29.5 MMT harvested this year. The exchange attributes the drop to the sharp increase in production costs.

Conab boosts soy estimate

Brazilian crop agency Conab anticipates Brazil's soy production will reach a record 180.1 MMT, raising its estimate from 179.15 MMT. It anticipates the bulk of the increase in production will be exported, raising its soy export forecast by 630,000 MT to 116 MMT.

Pro Farmer crop consultant Michael Cordonnier left his South American production estimates unchanged this week, noting his forecasts are substantially above USDA's figures.

U.S., India trade talks pick back up

A U.S. trade delegation is likely to visit India for talks, according to a Bloomberg report citing a New Delhi official, as the two sides continue negotiations toward a bilateral agreement.

"The visit dates have not yet been decided, the official told reporters, asking not to be identified as the discussions are not public. Last month, a team of Indian trade officials visited Washington to conclude the first phase of a trade pact agreed in February. The two countries reached that understanding before the U.S. Supreme Court struck down President Trump's sweeping reciprocal tariffs," said the report.

Trump flip-flops on beef tariffs

The Trump administration is delaying a makeshift plan to suspend tariffs on imported beef, according to The Wall Street Journal. The plan had aimed to address short-term supply issues in the U.S. beef market by expanding imports and supporting a rebuilding of the country's domestic cattle herd. However, the delay followed an outcry from U.S. cattle ranchers and some congressional Republicans, as increasing imports comes with political risks, including undercutting American farmers' business, said the Journal.

China expects fewer soy imports

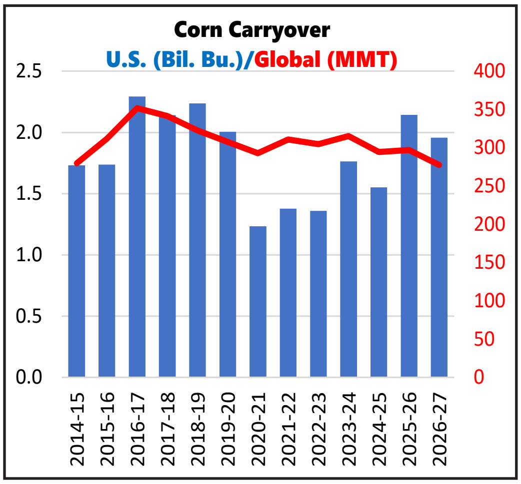
China expects purchases to slump in the coming season as its hog herd declines, heightening competition for market share just as the U.S. seeks to ramp up sales. The country's purchases in the season that starts in October are seen dropping 7.6% from the prior year to 95.5 MMT, the agriculture ministry said. That would be at least a second straight annual decline in a market global farmers have historically counted on for steady growth.

Warsh confirmed as Fed chair

Kevin Warsh won Senate confirmation Wednesday to become the next chair of the Federal Reserve two days before Jerome Powell's term at the helm ends. The 55-45 vote was the slimmest margin in the history of Fed chair confirmation votes, according to Bloomberg. Warsh will be presiding over a Fed wrestling with a significant pickup in inflation resulting from the oil supply shock created by the war with Iran. That's served to squelch market expectations that Warsh will lead the central bank on the sort of aggressive rate-cutting plan President Trump has repeatedly insisted upon.

Hedge funds betting on ags

The war in Iran has led to hedge funds buying agricultural commodities, says a Financial Times report. The combination of food security concerns and biofuels bets (see *From the Bullpen*) has led to record fund length across the complex, with one analyst calling corn "a proxy bet on gasoline."

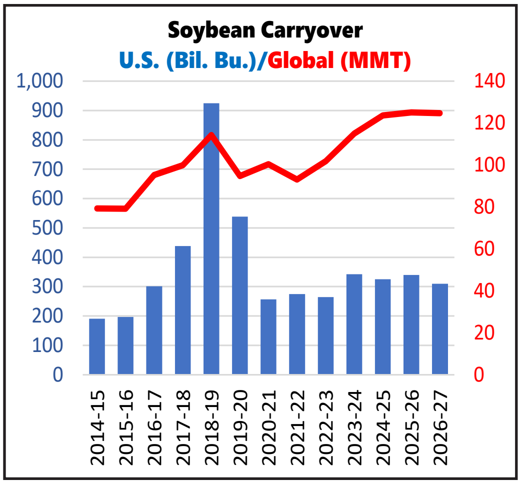


CORN — USDA added 15 million bushels to old-crop ending stocks last month amid a cut to "other" food, seed and industrial use, bringing total stocks to 2.142 billion bushels.

For 2026-27, USDA projects carryover of 1.957 billion bushels. Total 2026-27 supplies are projected at 18.162 billion bushels (down 435 million from 2025-26). On the demand side, USDA has feed and residual use at 6.1 billion bushels (down 100 million), food, seed and industrial use at 6.955 billion (unchanged from the last year [corn for ethanol use is 5.6 billion bushels, unchanged]) and exports are projected at 3.15 billion bushels (down 150 million).

<u>Our ending stocks forecasts are 2.155 billion bushels for 2025-26 and 1.938 billion bushels for 2026-27.</u>

- USDA 2025-26 price: $4.15, steady from April; $4.40 for 2026-27.
- Global carryover: 296.95 MMT for 2025-26; 277.54 MMT for 2026-27.

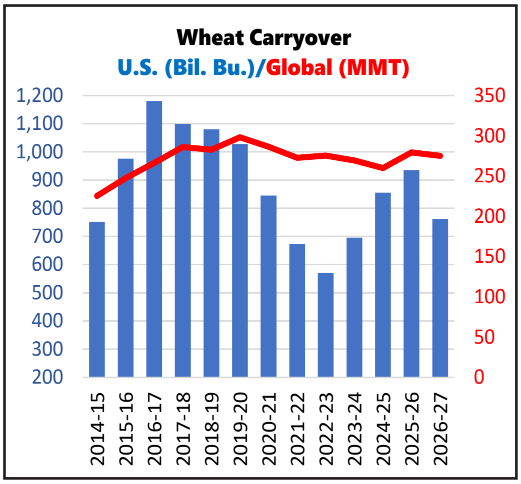


SOYBEANS — USDA increased its old-crop crush estimate 20 million bushels to 2.63 billion while cutting exports by 10 million bushels to 1.53 billion. That brought old-crop ending stocks 10 million bushels lower to 340 million.

For 2026-27, USDA projects carryover of 310 million bushels. Total supplies are projected at 4.8 billion bushels (up 188 million from this year). USDA projects bean crush of 2.75 billion bushels (up 120 million), exports of 1.63 billion bushels (up 100 million) and total use at 4.49 billion bushels (up 218 million).

<u>Our ending stocks forecasts are 320 million bushels for 2025-26 and 310 million bushels for 2026-27.</u>

- USDA 2025-26 price: $10.40, up a dime; $11.40 for 2026-27.
- Global carryover: 125.13 MMT for 2025-26, 124.78 MMT for 2026-27.

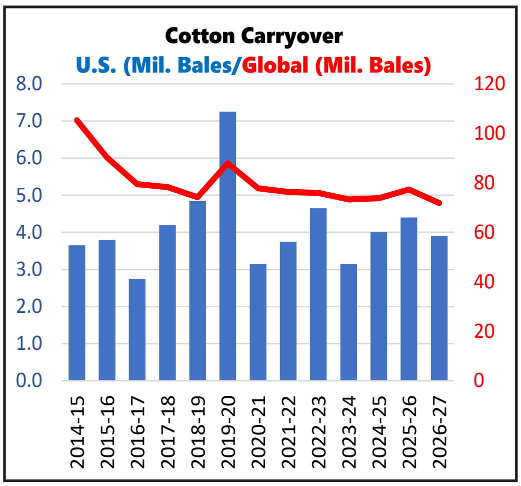


WHEAT — USDA trimmed 3 million bushels from its old-crop wheat carryover estimate to 935 million bushels amid a 7-million-bushel cut to food use and 10-million-bushel increase to exports.

USDA estimates new-crop carryover at 762 million bushels, down 173 million from this year. USDA puts total new-crop supplies at 2.636 billion bushels, down 328 million from year-ago; harvested acres of 32.9 million and a national average wheat yield of 47.5 bushels per acre. Total demand is projected at 1.874 billion bushels, down 156 million from 2025-26. USDA puts food use at 960 million bushels (unchanged from this year), seed at 59 million bushels (down 1 million), feed and residual at 80 million bushels (down 20 million) and exports at 775 million bushels (down 135 million).

<u>Our ending stocks forecasts are 930 million bushels for 2025-26 and 770 million bushels for 2026-27.</u>

- USDA 2025-26 price: $5.00, unchanged from April; $6.50 for 2026-27.
- Global carryover: 279.21 MMT for 2025-26; 275.04 MMT for 2026-27.



COTTON —USDA left old-crop cotton carryover unchanged at 4.4 billion bales.

For 2026-27, USDA projects carryover of 3.9 million bales (down 500,000 bales from this year). Total supplies are projected at 17.71 million bales (down 190,000 bales). Total new-crop cotton use is projected at 13.9 million bales (up 300,000 bales). Domestic use is projected at 1.6 million bales (unchanged). Exports are projected at 12.3 million bales (up 300,000 bales).

<u>Our ending stocks forecasts are 4.424 million bales for 2025-26 and 4.282 million bales for 2026-27.</u>

- USDA 2025-26 price: 63¢, up 2¢ from April; 73¢ for 2026-27.
- Global carryover: 77.27 mil. bales for 2025-26, 71.84 mil. for 2026-27.

Farm voters fed up with status quo ahead of midterms, survey finds

By Katie Humphreys and Clinton Griffiths

In less than six months, Americans will go to the polls for midterm elections. At stake this November are all 435 House seats and about one-third of the 100 Senate seats. Democrats would need to flip three seats in the House and four seats in the Senate to take control of both chambers.

Historically, midterm elections are hardest on the incumbent's party, but add in wildcards around redistricting, the conflict in Iran and surging fuel and fertilizer prices, and this vote is likely to be difficult to predict.

"Rural voters may absolutely blame incumbents for rising input costs or economic stress, but that does not necessarily mean they view the opposition party as a credible alternative," says Nicholas Jacobs with the Bram Public Policy Lab at Colby College. "In some cases, they instead become less enthusiastic, more open to third parties or simply more skeptical overall."

To find out what's on agricultural producers' minds, Amato Advisors commissioned Farm Journal to complete a Farmer and Rancher Policy Sentiment Survey in April. It asked 974 producers across 44 states, of which 308 live in 57 targeted swing districts, about their thoughts on the political landscape ahead of the midterms.

Alarm bells

This exclusive poll provides unique insights into the current political mood of the American agricultural community, and as Mike Amato with Amato Advisors puts it, the results are concerning.

"There are real alarm bells going off across the countryside," Amato describes. "Given current fuel and fertilizer prices and how commodity markets are reacting, we had a sense there would be some concerns. However, it was shocking to me that 95% of farmers feel the conflict in Iran is driving up their costs for both fuel and fertilizer."

What also stood out to Amato, who served in senior positions during both the Biden and Obama administrations, is that the survey results show farmers feel unheard in Washington, D.C.

"That is not a political statement; it applies to both parties," Amato says. "[The results show] a strong signal of disconnect between what is happening on the land and what is happening in D.C."

40% of ag vote possibly up for grabs

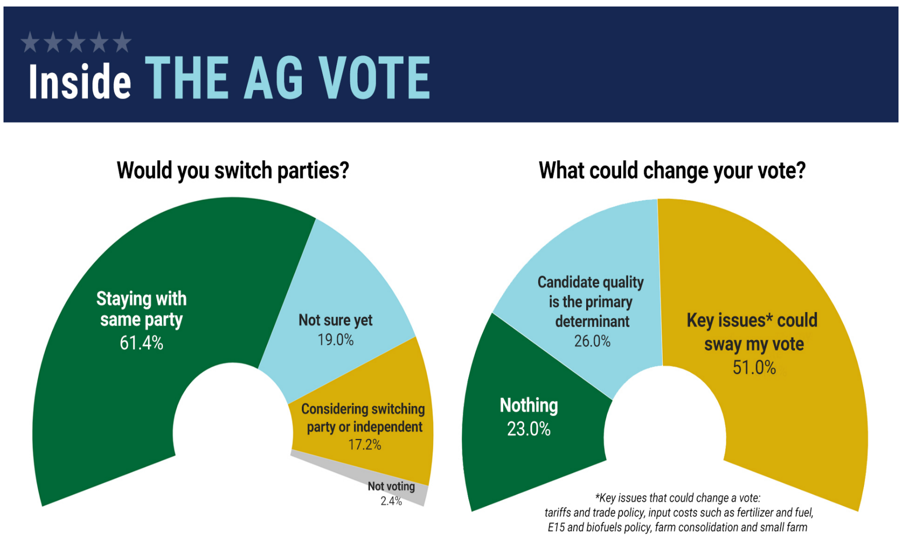
The farm vote leans heavily Republican. Six in 10 farmers surveyed say they "always" (30%) or "usually" (29%) vote Republican, and just 6% say they typically vote for a Democratic candidate. Heading into the midterms, the majority of nationwide respondents, 61.4%, say they plan to vote for the same party as usual. However, nearly one in five said they weren't sure yet, and 17.2% are actively considering either voting for a different party or an independent/third-party candidate.

Jessica Schulken with the Russell Group, a Washington lobbyist, says it's clear from the poll that a number of rural voters will choose to stay on the current policy path or simply won't vote.

"From another perspective, only 61.4% know they will vote for the same party," she says. "That leaves a lot of rural America potentially up for grabs."

Jacobs looks at it as roughly 40% of respondents express either uncertainty, openness to independents or willingness to consider another option.

"That does not mean Democrats are suddenly competitive everywhere," Jacobs says. "It does mean this block of rural voters – who tend to be even more conservative than their neighbors – is feeling downright frustrated with the status quo."



Source: Farm Journal Survey, 974 producers

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Farm Journal CEO, Prescott Shibles

CATTLE

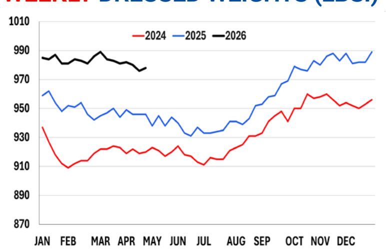
Strength in cash cattle trade forged a new record, though headlines of reduced tariffs on beef imports made traders hesitant buyers live cattle and feeder futures as technical challenges simultaneously lurked overhead. Meanwhile, hotter-than-expected inflation data cast an additional shadow over cattle, as it pushed demand back into the spotlight. The Bureau of Labor Statistics reported t beef and veal rose 14.8% annually through the end of April. One could assume that persistently weak packer margins would continue to crimp cattle slaughter, thus supplies, which could exacerbate retail prices.

Position Monitor

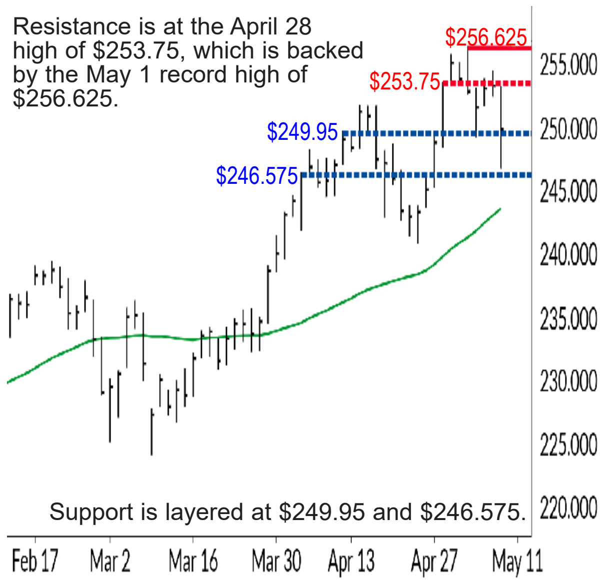
Game Plan: Live cattle have re-bounded after recent selling, as supplies remain tight. Consider using LRP to establish price floors.

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

WEEKLY DRESSED WEIGHTS (LBS.)



DAILY JUNE LIVE CATTLE



HOGS

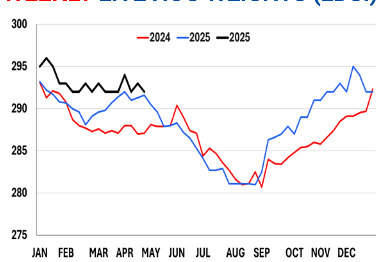
Nearby lean hog futures carved a fresh mid-May low amid technical selling. However, minor fluctuations in the lean hog index have been slow to spark short-covering interest as it has failed to pinpoint a trend. This indicates pork supplies remain adequate, while demand advances at an average pace. However, an increase in grilling demand could serve as a catalyst in the near future. Retail pork prices sit at a notable discount to pricier beef, making it a much more affordable source of protein as the U.S. consumer maneuvers through an intensifying inflationary environment.

Position Monitor

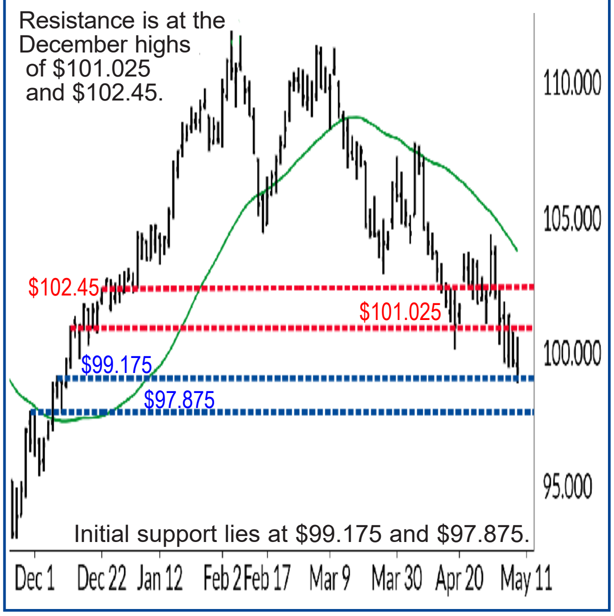
Game Plan: We advised liquidating the $104.00 July puts bought on Jan. 28 for Q2 production. Stay patient for now as we assess the next opportunity for hedges.

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

WEEKLY LIVE HOG WEIGHTS (LBS.)



DAILY JUNE LEAN HOGS



FEED

Feed Monitor

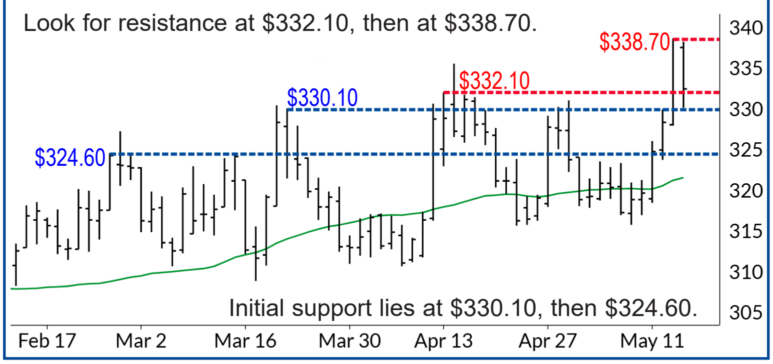
Corn	
II'26	33%
III'26	0%
IV'26	0%
I'27	0%

Meal	
II'26	33%
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.

DAILY JULY SOYBEAN MEAL

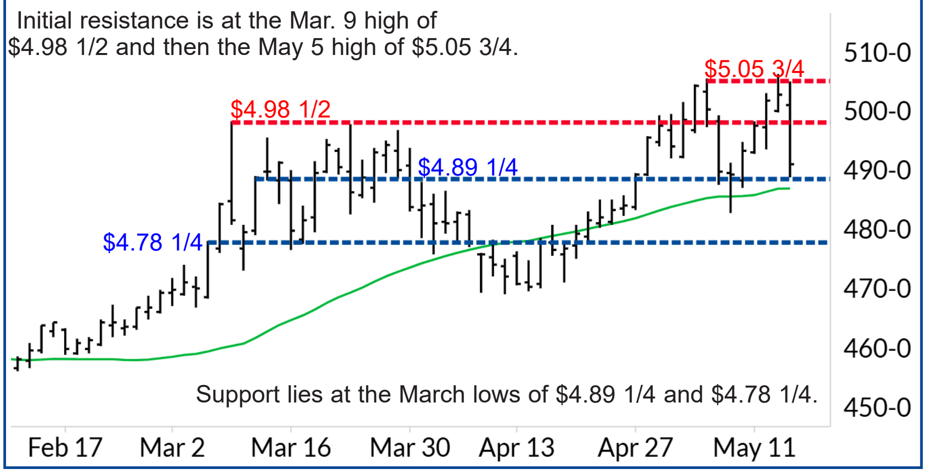


Position Monitor

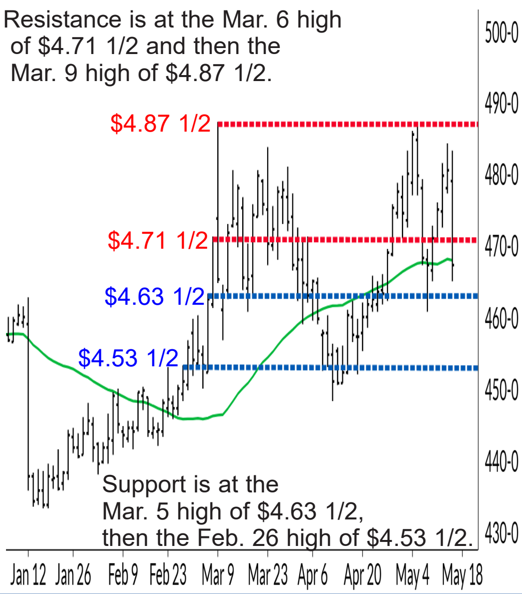
	'25 crop	'26 crop
Cash-only:	60%	30%
Hedgers (cash sales):	60%	10%
Futures/Options	0%	40%

Game Plan: We advised hedgers to purchase $4.80 December puts on 40% of expected 2026 production to establish a $4.48 floor price. We also advised cash-only marketers to forward sell another 20% of expected production at that time. You should be 60% sold for the 2025 crop in the cash market. Be prepared to make additional sales.

DAILY DECEMBER CORN



DAILY JULY CORN

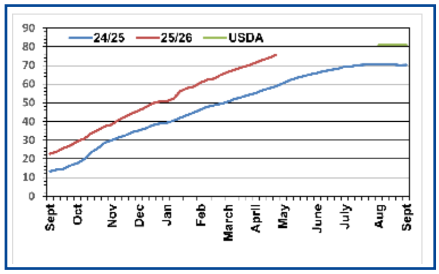


CORN

Corn futures faced hefty selling after carving a series of gains into the May WASDE, however fund liquidation ensued in late-week trade as spillover weakness stemmed from the soy complex. USDA made few changes to the old-crop corn balance sheet, though the 100-million-bushel cut to new-crop feed and residual use and an additional 150-million-bushel slash to exports, were noteworthy. These changes point to continued growth challenges in the U.S. cattle herd and a potential decline in exports due to a smaller crop and tighter balance sheet. On the global level, ending stocks are projected to tighten to the lowest level since 2013-14.

AVERAGE CORN BASIS (JULY)

CORN EXPORT BOOKINGS (MMT)



Position Monitor

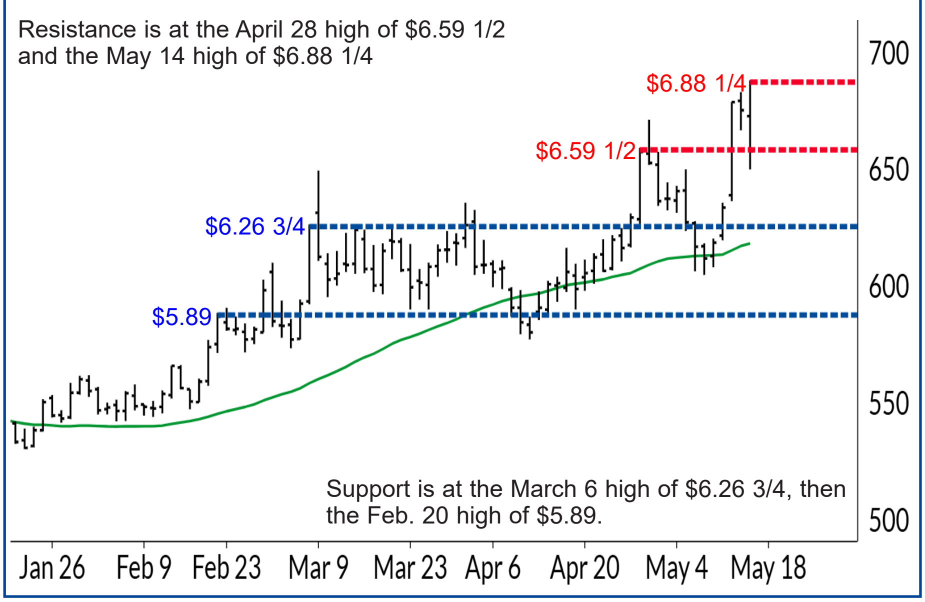
	'25 crop	'26 crop
Cash-only:	70%	30%
Hedgers (cash sales):	70%	30%
Futures/Options	0%	0%

Game Plan: You should have 70% of the 2025 crop and 30% of 2026 crop sold in the cash market. Be prepared to make additional sales on an extended weather rally.

WHEAT

SRW — USDA's slash to the winter wheat crop sent nearby futures surging, though profit-taking efforts erased the biggest portion of early-week gains, but not before scoring a fresh two-year high. Strong technical support should continue to curb additional selling.

DAILY JULY SRW WHEAT

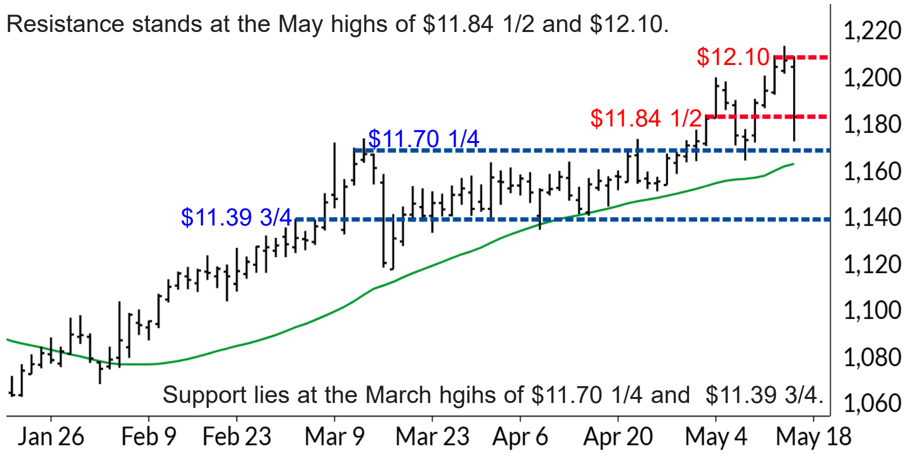


Position Monitor

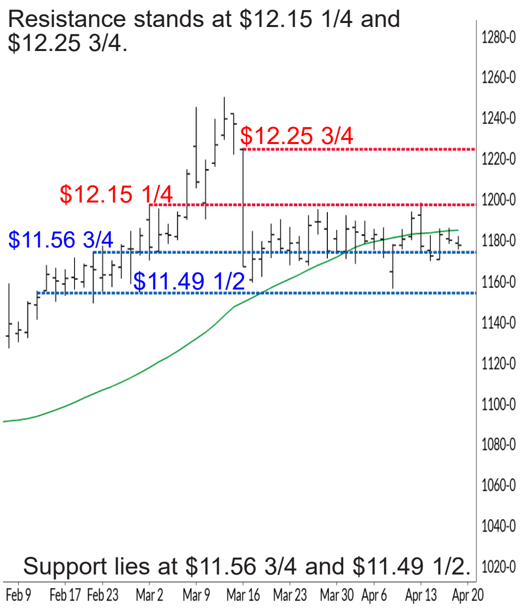
	'25 crop	'26 crop
Cash-only:	70%	30%
Hedgers (cash sales):	70%	10%
Futures/Options	0%	40%

Game Plan: We advised hedgers to buy $11.60 November puts on Mar. 31 on 40% of expected production, establishing an $11.00 price floor. We also advised cash-only marketers to forward-sell 20% of expected production on Mar. 31. You should be 70% sold in the cash market for the 2025 crop. Be ready to make new sales.

DAILY NOVEMBER SOYBEANS



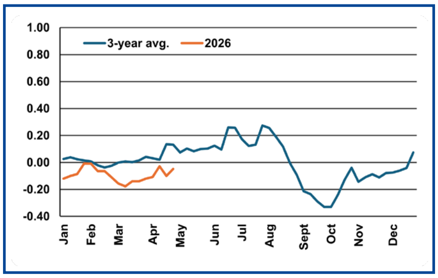
DAILY JULY SOYBEANS



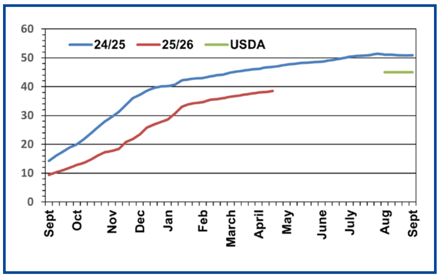
SOYBEANS

Prospects of a fresh bout of U.S. soybean exports to China faded as discussions around agriculture leaned mostly superficial, with Treasury Secretary Bessent iterating soybeans were "all taken care of". As such, traders quickly lost hope of additional soybean purchases outside of the previously agreed upon commitments. This followed an early-week rally spurred by USDA's tighter-than-expected new-crop balance sheet, where crush demand was increased by 120 milion bu. from the current marketing year and exports 100 million bu. at 1.63 billion bu. While a likely increase in biofuel demand is likely, the recent interaction with China stirs question around the export figure.

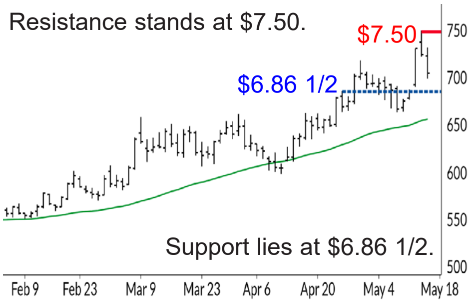
AVERAGE SOYBEAN BASIS (JULY)



SOYBEAN EXPORT BOOKINGS (MMT)



DAILY JULY HRW WHEAT

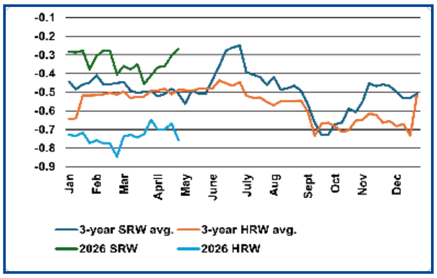


HRW – USDA confirmed tightening domestic supplies in its May Production Report, amid massive abandonement in the Southern Plains. Recent crop tours in Oklahoma and Kansas have validated USDA's data. The Wheat Quality Council Tour projected at 218 million bu. HRW crop, down 26% from 2025.

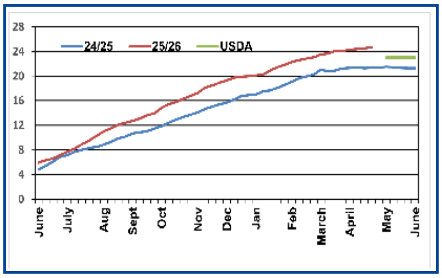
DAILY JULY HRS WHEAT

HRS – September futures notched a contract high following USDA's production, supply & demand data release, which was followed by light fund liquidation in late-week trade. All wheat production in the U.S. is expected to decline sharply, which could elevate volatility in the event of potential challenges during the growing season.

AVERAGE WHEAT BASIS (JULY)



WHEAT EXPORT BOOKINGS (MMT)



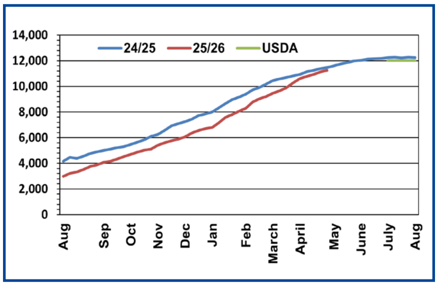
Position Monitor

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

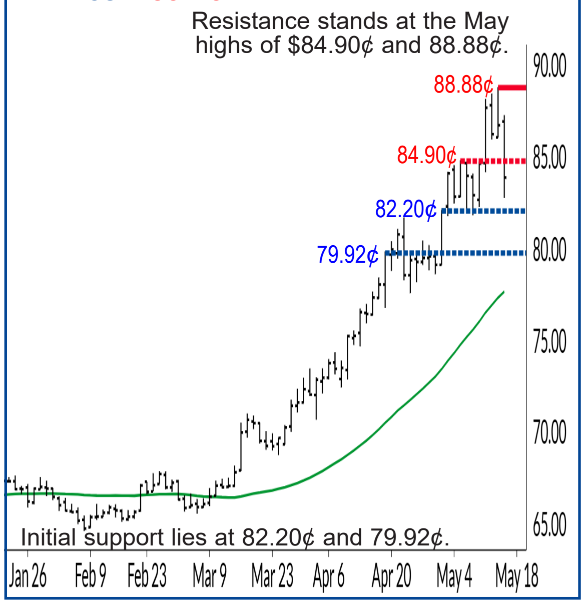
Game Plan: On April 16, we advised selling 15% of old- and new-crop production. Be prepared to make additional sales.

AVERAGE COTTON BASIS (JULY)

COTTON EXPORT BOOKINGS ('000 BALES)



DAILY JULY COTTON



COTTON

December futures posted fresh contract highs on May 13, which was followed by notable downside correction. While the move was profound, the overall chart structure remains bullish. U.S. planting efforts continue to advance at a slightly above average pace.

GENERAL OUTLOOK

U.S. DOLLAR: The U.S. dollar index (a basket of six major world currencies weighted against the greenback) has been trending sideways and choppy for the past year. However, Goldman Sachs is forecasting U.S. dollar strength will build over the near term as the energy-price shock will work to keep U.S. Treasury bond and note yields elevated as U.S. economic growth remains overall resilient.

The greenback has also found support from safe-haven demand amid the U.S.-Iran war.

With the U.S. being the world's top crude oil producer, the dollar has further benefited as elevated oil prices threaten to keep inflation at near-problematic levels that could push the Federal Reserve to hike interest rates in the coming months. The recent hotter U.S. CPI and PPI inflation reports bolster that notion.

WEEKLY ICE U.S. DOLLAR INDEX

FROM THE BULLPEN By Editor Bill Watts

Food inflation fears were reinforced on Wall Street after USDA this week slashed its U.S. wheat production estimate to the lowest since 1972 shortly after the April consumer price index showed inflation running at a three-year high.

Wheat, like rice, gets the world's attention given its role as a food staple. The April consumer price index, meanwhile, showed retail inflation running at a 3.8% pace year over year, the hottest in three years. The April producer price index on Wednesday showed wholesale prices running the hottest since December 2022, signaling more inflation remains in the pipeline.

Money managers have already piled into corn and soy complex futures on bets that surging prices for oil and fuel will continue to stoke demand for biofuels.

The broader financial market focus is increasingly on the intersection of food and fuel. As long as the Strait of Hormuz remains effectively closed, grain futures will likely enjoy a tailwind. At the same time, keep an eye out for stretched positioning. The total net long position by money managers across major ag contracts now exceeds one million for the first time in four years, according to Saxo Bank. Taken together, producers should be prepared for a volatile market that reflects a combination of food security fears and energy inflation proxies alongside traditional fundamental drivers.

WATCH LIST

1. **USDA Crop Progress** — Will wheat conditions stabilize? — **MON 5/18** 3:00 p.m. CT
2. **EIA Crude Oil Stocks** — Drawdowns in focus. — **WED 5/20** 9:30 a.m. CT
3. **Weekly Ethanol Production** — Will production rebound? — **WED 5/20** 9:30 a.m. CT
4. **FOMC Minutes** — April meeting minutes. — **WED 5/20** 1:00 p.m. CT
5. **Weekly Export Sales Report** — Corn sales remain strong. — **THUR 5/21** 7:30 a.m. CT