

KFB Commodity Division Weekly Market Report

August 26, 2024

Macroeconomic

July's PCE index (inflation) will be released this Friday. The index is significant, especially, given some of the recent rhetoric heard from Federal Reserve Chair Jerome Powell in Jackson Hole, Wyoming last Friday. To quote from the speech, "...inflation and labor market data show an evolving situation. The upside risks to inflation have diminished. And the downside risks to employment have increased... The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks." What Powell is referencing are the trends in inflation and unemployment that we have been discussing in recent weeks. In short, the cooling inflation and uptick in employment has paved the way for interest rate cuts. We will likely see those begin in September of this year.

Grains and Oilseeds

Harvest time for corn and soybeans is rapidly approaching for producers across the Commonwealth of Kentucky. As harvest approaches, we continue to see pressure on prices for corn and soybeans to move lower. The continued pressure is due in large part to the fact that August has provided some data points that indicate another strong production year in 2024, see the chart below. Another factor impacting price to consider, perhaps most notably in corn, is the old crop that will be moving to market. Marketing strategies that involve holding grain until new crop harvest will likely be active in the coming weeks, impacting local basis.

Cattle

Feeder cattle futures have bounced a bit in recent days. The October 2024 contract traded higher today and is not too far off \$240/cwt. Something to consider when reviewing the price rebound is increased market confidence in the U.S. economy. As mentioned above, the Federal Reserve has indicated confidence in the broader market trajectory – potentially a soft landing. A soft-landing meaning that we are returning to 2% inflation without driving the unemployment rate to recessionary levels. What does a soft-landing mean for cattle markets? To oversimplify, an increased likelihood of beef demand remaining "elevated" in months to come.

Date	8/12/2024	8/23/2024	2023
Source	USDA NASS	Pro Farmer	USDA NASS
Report	August Crop Production	Crop Tour	August Crop Production
Corn Yield	183.1 Bushels/Acre	181.1 Bushels/Acre	177.3 Bushels/Acre
Corn Production	15.1 Billion Bushels	14.979 Billion Bushels	15.3 Billion Bushels
Soybean Yield	53.2 Bushels/Acre	54.9 Bushels/Acre	50.6 Bushels/Acre
Soybean Production	4.59 Billion Bushels	4.740 Billion Bushels	4.16 Billion Bushels

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