

## *KFB Commodity Division Weekly Market Report*

*June 24, 2024*

### **Macroeconomic**

The May Personal Consumption Expenditures (PCE) index will be released this Friday. The PCE index is the Fed's primary inflation indicator as it relates to interest rates. Currently inflation sits at 2.7%. According to MarketWatch, estimates are for inflation to slow to 2.6% year-over-year. In terms of sentiment, there seems to be a bit of optimism exiting the market, at least for the time being. Though still low, we have seen the unemployment rate pick up to 4%. Overall, it is data that will drive the Fed's decision making. Significant slowing in the economy will be reflected in interest rate cuts. We aren't there yet and even continued slowing, to 2.6% for instance, alongside 4% unemployment, isn't enough for the Feds to start cutting.

### **Grains and Oilseeds**

We have seen significant rainfall in the northern portion of the corn belt. Fields flooding have been reported in those areas. The crop progress report later today should provide some insight into potential condition declines in states like Minnesota. Additionally, intense heat is a key focus across the corn belt as we enter July. There are many areas where the crop is progressing quite well. Currently, December Corn and November Soybeans have pulled back from price spikes seen in May. Last week the USDA reported crop condition ratings of good/excellent, at 70% or greater, for both corn and soybeans. Markets as of late have traded as if there will be a solid crop, of corn especially, come harvest time.

### **Meats**

August Feeder Cattle futures traded under \$260/cwt to close the week last week. Futures have been trading sideways while cash prices have reached all time highs. As of now, the futures market is wrestling with which direction to go. While there is certainly exception of a herd rebuild at some point, we haven't seen it. Appetite for beef appears to be very resilient. There has been a long-held understanding that if beef prices get too high consumers will switch to pork or chicken. Perhaps a question to ask now is – are consumers purchasing different cuts at lower prices instead of moving out of the category all together?

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