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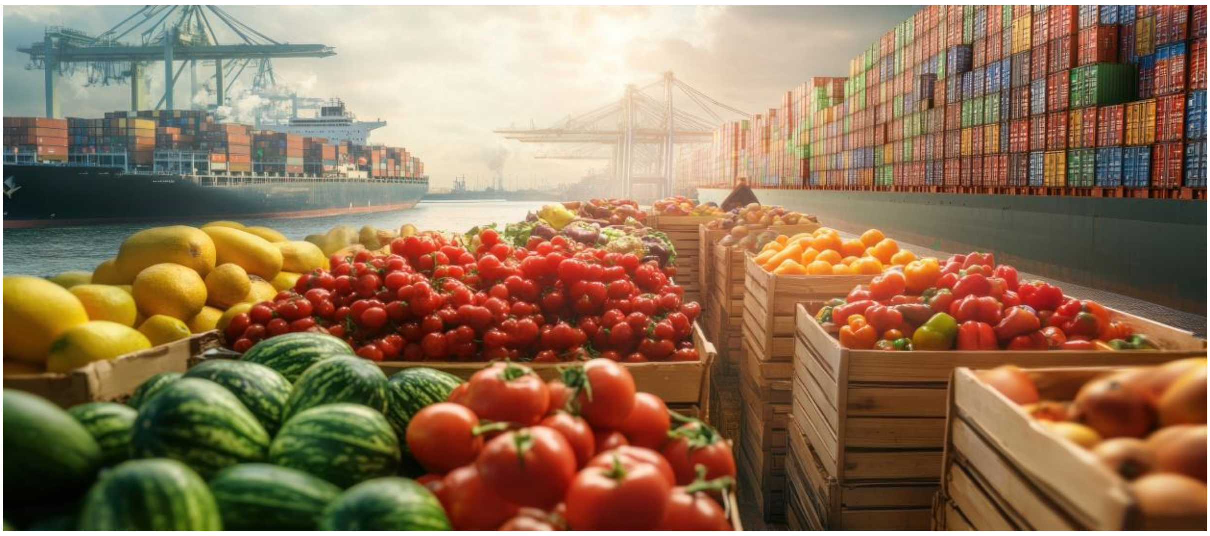

EXECUTIVE SUMMARY JUNE 2026 EDITION

Kottmeyer's Almanac *on*

UPSTREAM AG

The Boardroom Brief: What Global Upstream Food & Agribusiness C-Suite Needs to Know

THE BOARDROOM BRIEF

This month brought the **first concrete signs of trade de-escalation** after a year of conflict. Following the Trump–Xi summit, China committed to buying roughly **$17 billion in US farm goods** annually through 2028; stacked on the existing 25-million-tonne soybean commitment, total bilateral agricultural trade could reach $28–30 billion, still short of the 2022 peak near $38 billion. The news rallied the grain complex, with Chicago **corn up 3.2%, soybeans up 4.5% and wheat up 1.8%** on the day. Fertilizer remained the dominant cost story: all eight major retail products rose in early May, led by DAP at $914 per ton, with nitrogen up roughly 30% since late February and **urea spiking a further 46% month-on-month** on Strait of Hormuz disruption. Weather repriced supply as a historic Southern Plains drought cut winter wheat to 28% good-to-excellent and pushed the USDA to forecast the **smallest US wheat harvest since 1972**, while the May WASDE pulled global corn ending stocks to their lowest since 2013/14. Beneath the rally, farm financial stress deepened, with the Purdue/CME barometer easing to 119 and the sector entering its **twelfth consecutive quarter of downturn**, even as capital kept flowing and cattle held a supply-driven super-cycle**.**

These developments extend the trajectory that has defined the year: a sector moving from sustained trade escalation toward a fragile and still-incomplete easing. Where recent months were dominated by tariff conflict and climbing input costs, this month's signals, a tentative China thaw, a Farm Bill that has advanced but not resolved, and structurally elevated fertilizer prices, point to **stabilization at a lower floor rather than a return to boom conditions**. The variables that will decide the direction from here are the **cadence of Chinese buying against the $17 billion headline**, the Senate's **Farm Bill markup**, and whether fertilizer affordability and drought pressure ease or harden into the new-crop balance sheets.

For the upstream C-suite, the message is one of **cautious optimism**: there is enough demand visibility to support acreage and input planning, but not enough to underwrite aggressive expansion. The practical task is to **plan to the floor rather than the boom**, building structurally higher fertilizer costs, a corn-to-soybean acreage shift, tightening farm credit, and a permanent biosecurity and weather premium into demand models now, while watching Chinese follow-through and the emerging Farm Bill text as the signals that will confirm or break the easing.

THE 6 STRUCTURAL THEMES OF JUNE 2026

Theme 1

Trade Easing: The China Thaw Begins, Details Pending

THE FLOOR RISES, THE BOOM DOESN'T RETURN

Following the Trump–Xi meeting, China signaled tariff cuts on US agricultural goods and a return to large-scale buying reported near $17 billion a year through 2028, spanning corn, soybeans, pork, beef, cotton and ethanol. Grain futures rallied, with corn up 3.2%, soybeans 4.5% and wheat 1.8%, and equipment makers Deere and AGCO began framing earnings around tariff exposure, though firm specifics remain unconfirmed.

DEMAND VISIBILITY, NOT EXPANSION

China's commitment to purchase roughly $17 billion of US farm goods annually gives seed, fertilizer and crop-protection suppliers a more predictable demand base for planning. At well below the 2022 peak near $38 billion, however, it stabilizes demand at a lower level rather than reviving a boom, so plans should be sized to a durable floor rather than to renewed growth.

AN UNEVEN, COMMODITY-SPECIFIC SIGNAL

The commitment spans corn, soybeans, meat, cotton and ethanol, and the benefit is distributed unevenly across them. Elevated fertilizer prices are concurrently shifting acreage from corn toward soybeans, altering where that demand ultimately lands. The headline figure should therefore be assessed commodity by commodity rather than as a single number.

FOLLOW-THROUGH IS THE REAL TEST

With specifics still unconfirmed and political commitments subject to revision, the durable indicator is China's actual purchasing pace rather than the announced target. The figure should anchor planning as a directional floor, with monthly purchases monitored closely for any shortfall against it.

Theme 2

Farm Bill Endgame: Real Movement, No Resolution

WHAT CHANGED BETWEEN THE CHAMBERS MATTERS MORE THAN 'IT PASSED'

The 2026 Farm Bill cleared the House Agriculture Committee and passed the House with bipartisan support, its furthest progress in two years, while the Senate targeted a late-May/early-June markup. CropLife flagged the removal of a key pesticide-liability provision and fertilizer-affordability testimony pulled input costs into the debate, with Democrats preparing fights over pesticide rules and food-assistance funding.

THE BIGGEST POLICY LEVER

The farm bill governs commodity support, crop-insurance terms and conservation funding for years, shaping the sector's operating framework more than any single market move.

MOVEMENT, NOT RESOLUTION

A firm markup date advances the bill toward resolution, but contention over pesticide regulation and food assistance signals a difficult negotiation ahead, so it should be treated as progressing rather than settled.

THE MARKUP IS WHERE THE RULES GET WRITTEN

The markup is where the rules governing crop insurance and input regulation are actually determined, making it the critical window to monitor before committing to any multi-year policy assumptions.

Theme 3

Fertilizer Affordability: A Structural, Trans-Atlantic Crisis

A STRUCTURAL AFFORDABILITY PROBLEM, NOT A TRANSIENT SPIKE

Fertilizer affordability escalated on both sides of the Atlantic. The EU adopted a Fertiliser Action Plan and suspended urea and ammonia tariffs for a year, while in the US Secretary Rollins moved to expand domestic production and the Senate Ag Committee held a supply-chain hearing. DAP led prices higher to $914/ton, urea to $865 and anhydrous ammonia to $1,118, with Q1 results from Yara, Mosaic, CF and ICL confirming pricing power amid Hormuz risk.

PRICES ARE STEERING PLANTING

Elevated fertilizer costs are reshaping planting decisions. Because corn requires substantially more nitrogen than soybeans, rising fertilizer prices lower the relative cost of soybeans and draw acreage away from corn.

A BROAD MOVE, NOT ONE NUTRIENT

Because the entire fertilizer complex has risen rather than a single nutrient, the acreage shift is structural and reshapes demand for seed, inoculants and crop protection, carrying through into next season's balance sheets.

Theme 4

The Farm-Economy Squeeze: Income, Credit and Confidence

MARGIN COMPRESSION AND DEEPENING DEPENDENCE ON FEDERAL SUPPORT

Farm financial stress deepened: Purdue's barometer eased to 119 as input costs topped producer worries, and the AFBF flagged a twelfth straight quarter of downturn with crop prices 11% to nearly 40% below recent peaks. USDA's May lending data and Q1 results from Farm Credit and AgriBank pointed to a tighter credit environment, even as S2G, Rabobank and Bunge kept capital flowing into the sector.

CREDIT IS AN EARLY WARNING FOR DEMAND

Farm lending conditions are a leading indicator of input demand: as financing tightens, producers curtail input spending first, making credit a reliable early signal of order-book risk.

STRONG LOANS, WEAK SENTIMENT

Loan quality remains sound but depends on elevated farmland values, even as producer confidence stays weak; the principal risk is a decline in land prices that would convert soft sentiment into genuine credit stress.

Theme 5

Drought Tightens Supply: Markets Reprice

WEATHER SETS THE TONE FOR 2026 PRICE DIRECTION

A historic Southern Plains drought drove winter wheat to 28% good-to-excellent, pushing the USDA to forecast the smallest US wheat harvest since 1972 and trim the May WASDE. The IGC expects global grain output to fall for the first time in four years and the FAO Food Price Index rose a third straight month, even as fast corn and soybean planting and a record Brazilian crop near 358 million tonnes limited the broader price reaction.

A REGIONAL PROBLEM, NOT A NATIONAL SHORTAGE

The crop deterioration is concentrated in the hard-red-winter wheat Plains, and the rapid pace of corn and soybean planting elsewhere is why the market is not pricing a broad grain shortage.

THE SPLIT IS THE TRADE

The result is a divergence, with wheat fundamentals tightening while feed grains remain broadly balanced, so exposure should be managed by individual crop rather than across grains as a single block.

GLOBAL SUPPLY SETS THE FLOOR

A record Brazilian harvest and only modest EU downgrades offset the US drought, anchoring 2026 price direction and preserving a reasonable margin of safety in procurement.

Theme 6

Animal Disease and Policy: The Persistent Overhang

BIOSECURITY IS NOW A PERMANENT COST, NOT AN EPISODIC SHOCK

Bird flu surged again with no seasonal relief, New World screwworm prompted FDA emergency authorizations, and chronic wasting disease drew fresh APHIS funding. The WOAH 2026 animal-health report warned that crisis-response costs far exceed prevention, while the cattle super-cycle persisted with feedlot inventory at 11.6 million head, and tightening global grain balances and EU pesticide and CAP debates thickened the policy backdrop.

BIOSECURITY IS NOW A FUNDED PRIORITY

Governments are now funding disease preparedness across species, sustaining demand for diagnostics and biosecurity regardless of which specific disease dominates the headlines.

STRUCTURAL COST, NOT BACKGROUND NOISE

Combined with tighter global grain balances and an expanding regulatory agenda, disease and supply risk now function as standing cost considerations, occasionally accompanied by federal support, rather than episodic shocks.

STRATEGIC IMPERATIVES

Navigating the 2026 Repricing Window

The six structural themes of June describe a sector stabilizing at a lower floor: a fragile trade easing, a farm bill that has moved but not resolved, structurally elevated fertilizer costs, building farm-financial stress, a drought-driven supply repricing, and a permanent biosecurity overhang. Together they mark a shift from a year of escalation toward managing a repriced baseline rather than a return to boom conditions. To navigate this window, the C-suite must prioritize the following four strategic imperatives.

1. Plan to the Floor, Not the Boom

The $17 billion China commitment, set against the roughly $38 billion 2022 peak, stabilizes demand without restoring it. Size acreage and input plans for a stable floor rather than a renewed boom, and watch Chinese buying cadence against the headline target as the real follow-through signal.

2. Treat Fertilizer Affordability as Structural

With DAP at $914 per ton, urea at $865 and anhydrous ammonia at $1,118, and Hormuz-driven urea spikes of roughly 46% month-on-month, build the corn-to-soybean acreage shift and break-even inflation of about 5% into demand models now, rather than waiting for a price reversion that the supply side does not support.

3. Watch the Credit-Sentiment Gap, Not the Headline

Loan quality is still strong. Farm Credit System charge-offs fell to $28 million and AgriBank held 99.2% acceptable quality, but it rests on elevated farmland values, set against a twelfth consecutive quarter of downturn and a barometer at 121. The early-warning indicator to watch is a turn in land prices, which would convert sentiment weakness into a credit event.

4. Price the Permanent Biosecurity and Weather Premium

A supply-driven cattle super-cycle (beef-cow inventories down seven straight years, 2026 beef production cut to 25.5 billion pounds), the smallest US wheat crop since 1972, and persistent animal-disease costs mean regulation, disease control and weather risk are now standing line items, not episodic shocks. Fund prevention and diversify supply ahead of the next disruption rather than absorbing it reactively.

OUR TEAM

Meet our author and experts

As Group Chief Strategy Officer and Global Practice Lead for Food, Agriculture & Nutrition at FutureBridge, I have shaped my work over more than two decades of leadership across complex, regulated, and innovation-driven industries. The focus has consistently been on helping organizations navigate structural shifts in demand, regulation, and technology with greater clarity and confidence.

What defines this approach is a combination of strategic rigour, practical insight, and a strong focus on outcomes. Deep experience across food, agriculture, and nutrition continues to inform how clients assess change, unlock opportunities, and make critical decisions in evolving markets.

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ABOUT
FutureBridge

FutureBridge is a global innovation and strategy consulting firm that helps companies anticipate disruption, decode emerging markets and technologies, and convert future signals into growth decisions. The firm works with leadership teams across food and nutrition, life sciences, energy, chemicals, mobility and industrial sectors to support innovation strategy, market intelligence, technology scouting, portfolio prioritization and future ready growth planning.

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