Staff Report No. 2023-24 **February 13, 2023**

February Market Update
Corn, Soybeans, Rice, and Cotton

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Prices at a Glance

Crop	2022/23 U.S. MYA Price Projection
Corn	$6.70 per bu.
Soybeans	$14.30 per bu.
Long Grain Rice	$16.90 per cwt.
Southern Medium Grain Rice	$17.60 per cwt.
Upland Cotton	$0.83 per lb.

WASDE Summary

This month's 2022/23 U.S. corn outlook is for lower corn used for ethanol and larger ending stocks. Corn used for ethanol is reduced 25 million bushels, based on data through December from the *Grain Crushings and Co-Products Production* report and weekly ethanol production data as reported by the Energy Information Administration for the month of January. With no other use changes, U.S. corn ending stocks are up 25 million bushels from last month. The season-average corn price received by producers is unchanged at $6.70 per bushel.

The 2022/23 U.S. soybean outlook is for lower soybean crush and higher ending stocks. Soybean crush is forecast at 2.23 billion bushels, down 15 million bushels from last month on lower domestic soybean meal disappearance and a higher soybean meal extraction rate. With soybean exports remaining unchanged, ending stocks are forecast at 225 million bushels, up 15 million. The U.S. season-average soybean price for 2022/23 is forecast at $14.30 per bushel, up 10 cents from last month. The soybean meal price is forecast at $450.00 per short ton, up 25 dollars. The soybean oil price forecast is unchanged at 68.0 cents per pound.

The outlook for 2022/23 U.S. rice is for lower supplies, unchanged domestic use, smaller exports, and slightly larger ending stocks. Total imports are lowered 3.0 million cwt to 42.0 million with reductions to the long-grain and medium- and short-grain import forecasts. Import forecasts for all rice and both classes

of rice remain record highs and total supplies are the lowest since 2003/04. In contrast, as high U.S. prices persist, total exports are forecast 4.0 million cwt down to 62.0 million, their lowest level since 1985/86. Long-grain exports are lowered 2.0 million cwt to 47.0 million, on weak sales and shipments to date, particularly rough rice to Mexico. Medium- and short-grain rice exports are lowered 2.0 million cwt to 15.0 million on tight supplies, weak sales to date, and expectations regarding shipments for the remainder of the year. Projected 2022/23 all rice ending stocks are increased 1.0 million cwt to 33.1 million, but still down 17 percent from last year. The season-average farm price (SAFP) for long-grain rice is raised 20 cents per cwt to $16.90, while the SAFP for both southern medium- and short-grain rice remain unchanged at $17.60 per cwt.

This month's U.S. 2022/23 cotton supply and demand forecasts show slightly lower mill use and higher ending stocks relative to last month, while production and exports are unchanged. The mill use forecast is lowered 100,000 bales to 2.1 million on recent lower rates of monthly utilization. The upland cotton marketing year average price received by producers is projected at $0.83 per pound, unchanged from January.

The U.S. Commodity Futures Trading Commission (CFTC) traders report was delayed by a ransomware attack on the data firm ION on February 2, 2023. These CFTC reports provide a snapshot of investor positioning on various assets. ION's system is used for clearing derivative trades around the world, particularly in the US, UK, and Europe. The technology allows banks and broker-dealer clients to trade in a semi-automated manner.

The following note was posted to the cftc.gov website: "The impact of the cyber-related incident at ION is being mitigated. However, multiple reporting firms continue to experience technical issues that prevent submission of timely and accurate data to the CFTC. As a result, the weekly CFTC Commitments of Traders report will continue to be delayed until the receipt and validation of all reportable data is completed."

Impacts from the cyber-attack has delayed the Commitments of Traders data for the past two weeks.

Corn

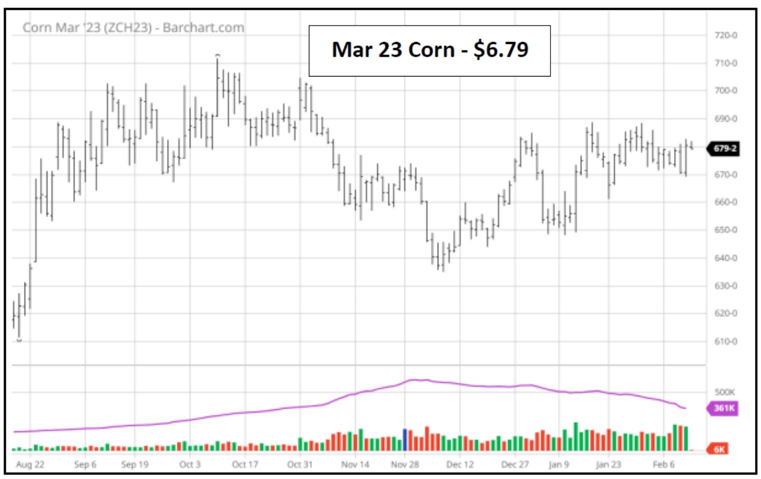
The corn market absorbed USDA's increase to projected 2022-23 U.S. ending stocks as it was in line with analysts' expectations. Corn seems likely to remain supported during the February crop insurance discovery process as it battles with other markets for new crop acreage. While rains across central Brazil continue to delay safrinha corn plantings past the ideal window, potentially cutting yields and the size of the crop, the upside is likely limited near-term unless there is a broad-based rally across the commodity sector. Export demand has improved recently, though there is still a lot of ground to make up on that front after a mediocre performance the five months of 2022-23.

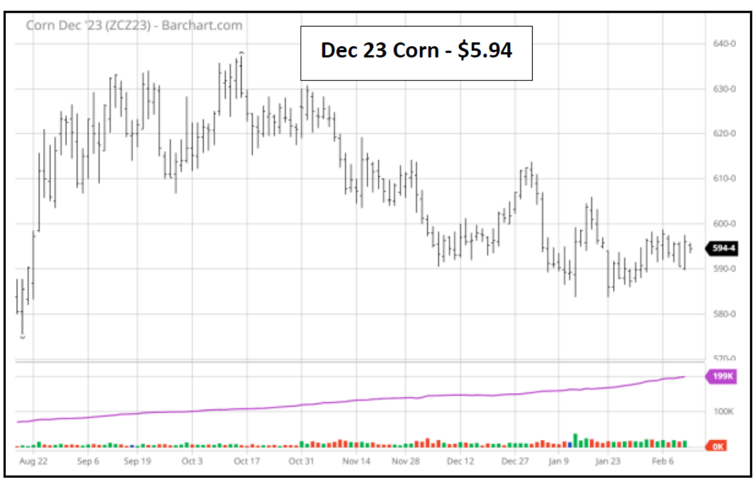
Tight supplies will keep traders closely tuned into South American weather as Brazil has received consistent rains which have slowed the harvest pace of soybeans and ultimately the planting of the second safrinha corn crop. Some in the industry have reports that nearly two-thirds of the crop will be planted

outside the ideal window of mid-February. Conversely, persisting hot, dry weather in Argentina has trimmed that nation's crop, with further cuts likely once the crop is harvested. Earlier in the week, USDA forecast Argentine corn production down to 47 million metric tons, which was a 5 million metric tons, or 10%, decrease from previous estimates. In a similar move, Argentina's Rosario grains exchange reduced its expected output to 42.5 million metric tons, down from 45 million metric tons previously.

USDA's prospective plantings report along with weather in the U.S. Corn Belt and U.S. exports will be the major focus over the next few months. USDA will release its first official, survey-based estimates for the 2023-24 crop on March 31st, though active acreage buying efforts are already occurring in the market and will continue through the spring months. USDA's acreage estimates are based on surveys from nearly 73,000 producers across the U.S. and are conducted during the first two weeks of March.

Concerns over U.S. corn exports persist, with the current pace of export sales trailing the previous year by 41.4%, largely due to a higher U.S. dollar and shrinking domestic supplies. However, USDA reported Thursday net sales totaling 1.16 million metric tons for week ended February 2nd, which was just shy of top-end pre-report estimates of 1.2 million metric tons and up from the previous 4-week average by nearly 20%. Exports of 394,900 metric tons were down 34 percent from the previous week and 40 percent from the prior 4-week average. The destinations were primarily to Mexico (283,900 metric tons), Costa Rica (33,200 metric tons), Canada (26,300 metric tons), Hong Kong (15,300 metric tons), and Nicaragua (12,200 metric tons).



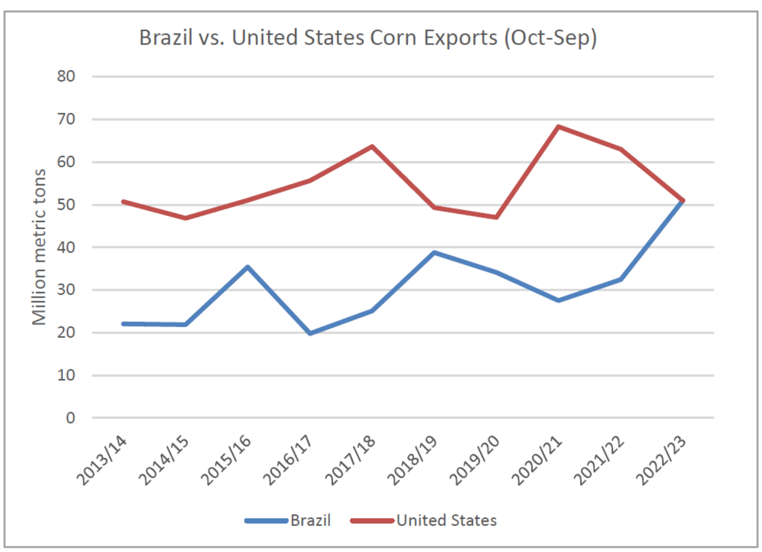


March CBOT corn futures added 3 cents this week to close at $6.79. New crop December CBOT corn futures were unchanged this week to close at $5.94.

Recent forecasts could pack a potential "boost" for corn prices with calls for mostly drier weather in Argentina and rain in parts of Brazil keeping harvest in check and consequently double crop corn planting. Market talk that China was buying U.S. soybeans and Canadian feed wheat has been noted as of late. By many accounts, prices are at a pivot point. Bulls will argue despite economic slowdowns and reduced livestock herds, demand is still strong, and prices have weathered a period where a lack of positive news could not drive prices lower. They may have a point; however, expectations for Argentina's crop to be reduced (perhaps significantly) and an escalation in the war are both variables that have existed for many weeks. The key is likely Brazil second crop prospects where planting is said to be delayed in areas and if end-users become more aggressive. Export sales the last two weeks were over 100 million bushels, a pace that suggests buyers are stepping up. The question now, is this short lived? On an interesting note, the USDA in their February *WASDE* report this week did not lower exports.

While total corn supplies remain unchanged from last month, total domestic use in 2022/23 is forecast at 11,965 million bushels—down from January—on a 25-million-bushel cut to FSI, led by weaker ethanol demand. According to the USDA, NASS, total U.S. corn consumed for fuel alcohol production in the first 4 months of 2022/23 (September through December)—of 1,708 million bushels—was down 9 percent from the same period in 2021/22. Lower gasoline demand and periods of tight ethanol processing margins have pressured ethanol production thus far in the marketing year. The February *WASDE* report projects corn used in the production of ethanol (and ethanol by-products) in 2022/23 at 5,250 million bushels, down 1 percent from last year but slightly ahead of the previous 5-year average.

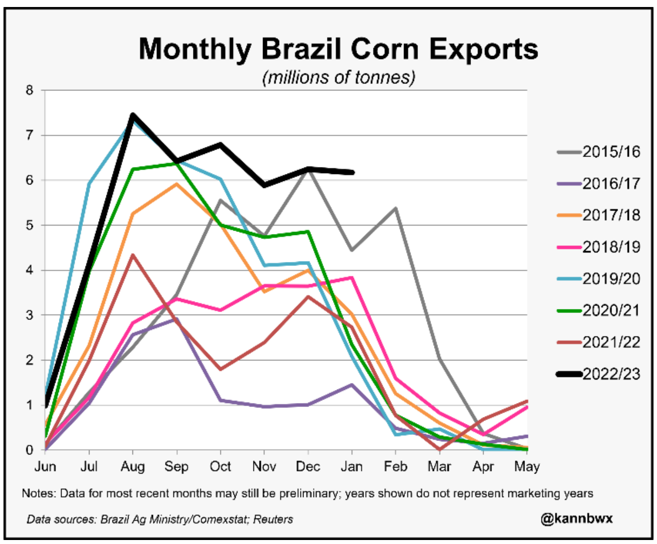
Brazilian 2022/23 corn exports (October-September) are forecast to equal those of the U.S. at 51 million tons on reports of expanding production and strong exports in the second half of its 2021/22 marketing year (March 2022-February 2023). Brazilian corn exports have exceeded those of the United States only one other time, in the drought year of 2012/13. Since October 2022, Brazil has exported about 25 million tons of corn, far exceeding the same period in any prior year. In contrast, U.S. corn exports have been off to a slow start. Production in 2022/23 was smaller than initially forecast and logistical concerns on the Mississippi River in the months after harvest kept U.S. prices elevated and volumes low, especially as U.S. corn competed with competitively priced supplies from other exporters.



This convergence in forecasts has also been driven by the level of trade from the two other major exporters: Argentina and Ukraine. Ukraine has been able to export an impressive amount of corn under the Black Sea Grain Initiative, but monthly volumes remain below pre-war capacities. Unlike Brazil, Argentine corn exports have flagged in the tail end of its 2021-22 marketing year (ending February 2023) and the country is facing significant production cuts for the 2022-23 year due to drought. In the last several months, Brazil has stepped in to help fill some of the gap left by Argentina and Ukraine in supplying the world with corn.

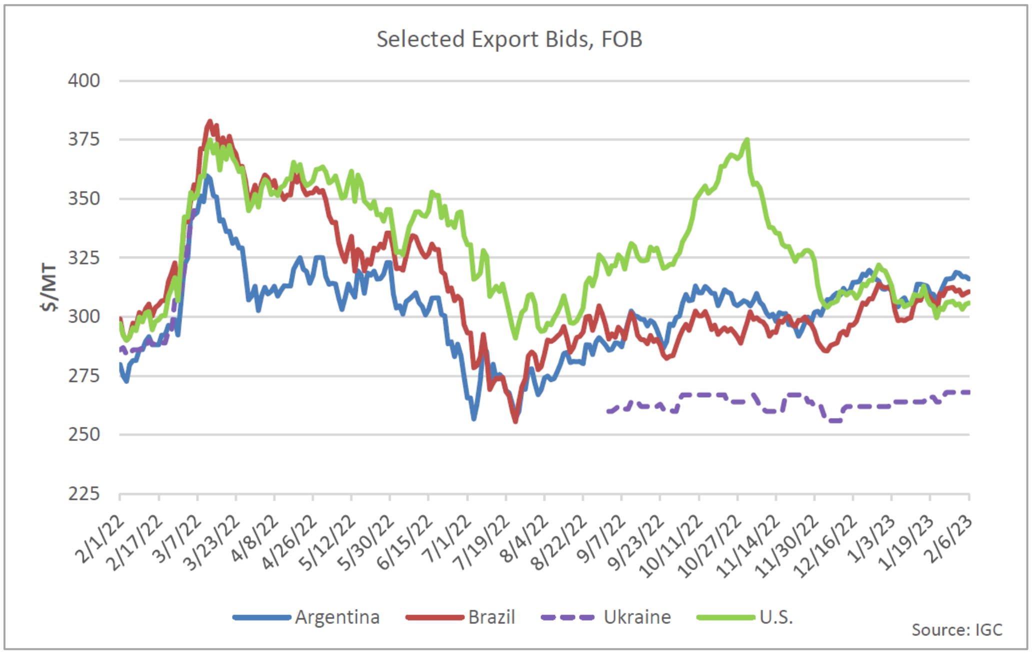
From February onwards, exports from Brazil are expected to seasonally decline until its *safrinha* harvest later in the year. In addition, U.S. prices have eased during the last few months and, as of last month, export bids are now lower than those from both Argentina and Brazil. If U.S. corn production returns to a more historically normal levels, the U.S. will likely return to being the world's top corn exporter. However, the continued and persistent expansion of Brazilian agriculture could mean that the U.S. will find itself fighting Brazil for the crown more often in the coming years.

Brazilian exports maintained their hot streak in January, as export shipments reached nearly 6.2 million metric tons or 243 million bushels. This was a record volume for January from the South American country. Breaking it down, China was the top destination at 16% of that total, followed by Japan and Vietnam. This was the first time China has been the top export destination for Brazilian corn, but those high shipment numbers are the product of the export agreement reached between the two countries this fall. The substantial number of bushels headed to China keeps the corn exports a concern in the U.S. Currently, U.S. exports are well behind target pace and the market was counting on seeing improved Chinese business. This may be missing this year with China sourcing more bushels from Brazil.



Since the January *WASDE*, U.S. and Ukrainian bids were up slightly, whereas Argentine and Brazilian bids rose more substantially. U.S. bids were nearly unchanged at $306, up $2/ton. Weak demand for U.S. corn is evidenced by lower export sales is maintaining lower prices relative to competitors. Brazilian bids were up $13/ton to $311. Persistent high demand for Brazilian corn among major importers, particularly China, is sustaining price growth as well as tapering supplies as Brazil's export season winds down. Argentine bids were up $8/ton to $316. Drought in key growing areas of Argentina has caused considerable damage to early planted corn and sharply curbed expectations for the upcoming harvest, supporting elevated prices. Ukrainian bids were up $4/ton to $268. Data from the Ministry of Agriculture

indicated that exports of corn were 2.6 million tons in January, down 700,000 tons from the previous month.



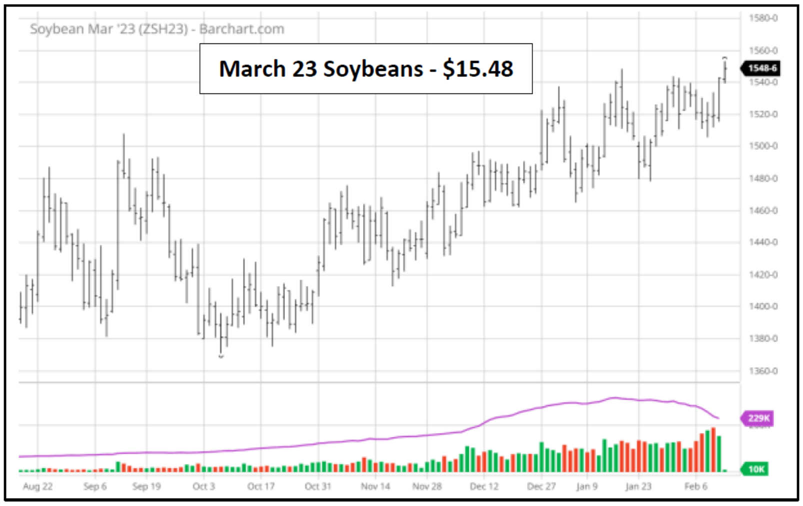
Soybeans

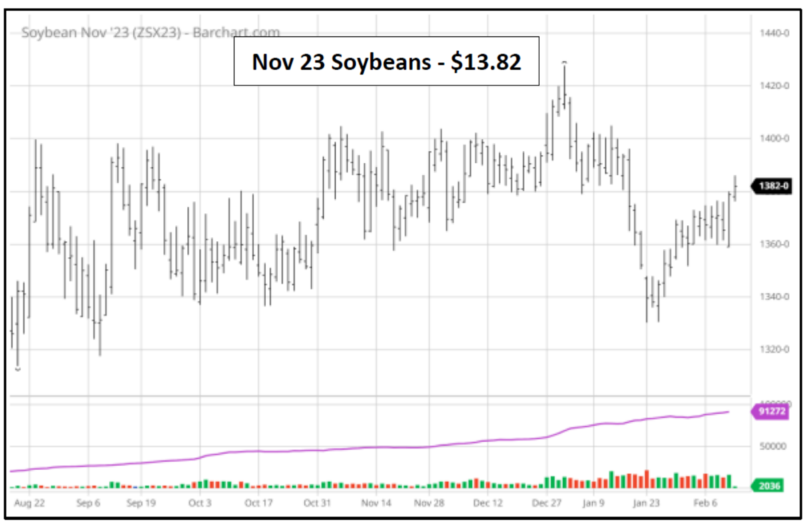
USDA boosted its 2022-23 soybean ending stocks forecast 15 million bushels to 225 million and Brazil is expected to reap a record crop, futures may still enjoy short-term upside. Competition for acreage during the February crop insurance month accounts for a portion of recent firmness, but soymeal strength has been the main bullish driver. Nearby meal futures challenging the $500.00 level reflect the tight domestic situation, whereas the recent Argentine drought has sharply reduced meal sales prospects for the world's largest exporter. Its problems may enable U.S. crushers to overcome the seasonal tendency for slower crushings during spring, thereby supporting soybean prices.

Soybean and meal futures finished off the trading week in strong fashion, including technically bullish weekly high closes in nearby futures. That sets the stage for follow-through technical buying early next week. Focus next week will remain on dry weather patterns in South American soybean-growing regions. Argentine production forecasts continue to be lowered. World Weather Inc. today reported Argentina soybean regions will get some relief from dryness in the coming week, and so will Brazil. "Even though drought- busting rain is not likely, there will be some improvement to crop conditions," said the forecaster, adding, "some relief from dryness is expected for a little while, but follow-up rain will be needed."

Bullish soybean traders brushed aside news regarding soybeans coming out of the USDA this week boosting its 2022-23 soybean carryout forecast by 15 million bushels and ongoing expectations that Brazil will produce a record soybean crop. One critical key for soybeans in the coming weeks will be the performance of the soybean meal futures market, which in recent months has shown keen resilience on any price setbacks that have been seen as buying opportunities. Nearby meal futures hovering around $500.00 reflects the tight domestic supply situation and the recent Argentine drought sharply reducing meal sales for that country, which is the world's largest meal exporter. There are no early technical clues to suggest the meal futures market is close to a market top.

USDA this week reported U.S. soybean export sales of 459,400 metric tons for week ending February 2nd, which were 38% below the previous week and down 49% from the prior four-week average. If U.S. soybean sales abroad start to sputter, the upside for soybean and meal futures, already at elevated price levels, will be limited. However, market watchers remain optimistic that China's reopening after a multi-year lockdown will in the coming months improve soybean demand prospects for the world's second-largest economy. Export commitments are running 2.1% ahead of a year-ago, versus 4.7% ahead last week. USDA projects exports in 2022-23 at 1.990 billion bushels, 8.0% down from the previous marketing year.





March CBOT soybean futures added 10 cents this week to close at $15.48. New crop November CBOT soybean futures added 9 cents this week to close at $13.82.

The soy complex moved higher due to a combination of higher crude oil as Russia announced that they would cut production as well as another decline in Argentina's estimated soybean production. Recently, Russia fired missiles over Moldova which violated NATO airspace and shortly after, the Moldovan prime minister announced the government's resignation. Russia also announced that they would cut their oil production by 500,000 barrels per day or about 5% next month which brought crude futures back to nearly 80 dollars per barrel. After the USDA reduced Argentine production in February's WASDE to 41

million metric tons, the Rosario Grain Exchange lowered expectations even more to just 34.5 million metric tons. This revision was bullish for bean meal while the Russia news was bullish for bean oil. The Buenos Aires Grain exchange increased their good to excellent rating for the bean crop by 1% to 13% with help from the recent rains. The bigger picture may end up being Brazil's bean production which could potentially end up higher than the record estimates of 5.62 billion bushels. Export sales were slow last week with the USDA reporting an increase of just 16.9 million bushels for 2022/23 and an increase of 6.8 million bushels for 2023/24 with shipments at 67.2 million bushels. March beans returned to the top of their range with resistance at $15.50.

Falling expectations for Argentine production have helped keep soybean prices at elevated levels this winter and have also been the main factor that pushed most active soybean meal futures to a nine-year high this winter. Argentina's crop issues have also helped support soybean oil prices as the country has traditionally been the world's largest exporter of both soymeal and soyoil. Argentina's short crop is also expected result in larger soybean imports as processors there struggle to find enough beans to meet soymeal and soyoil demand.

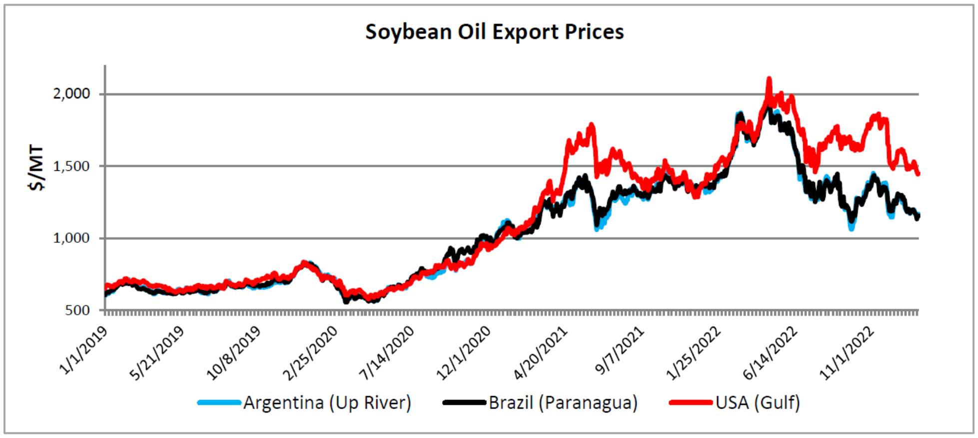
However, Argentine crop losses must be kept in perspective. Brazil's crop is the elephant in the room when it comes to South American production and all indications continue to be that Brazil will harvest a record large crop above 150 million metric tons this year. So, even after cutting its forecast for Argentina's crop two months in a row, USDA still forecasts combined production for Argentina/Brazil/Paraguay at a record high of 204.0 million metric tons, up 15.8% from last year when production was lowered in all three countries by drought. Even if Argentina's crop winds up at only 34.5 million metric tons, total Argentina/Brazil/Paraguay production will still be up 12.0% from last year, assuming no change to production in Brazil or Paraguay.

Despite a strong start to the marketing year, U.S. soybean crush volumes have fallen below expectations over the past couple months due to cold temperatures causing downtime. Reduced by 15 million bushels, the 2022/23 soybean crush forecast now sits at 2.23 billion bushels, lifting ending stocks to 225 million bushels. While the season average farm price averaged $13.85 per bushel through December, nearby cash prices are reported above $15.00 per bushel. This lifts the 2022-23 season average price forecast from $14.20 to $14.30 per bushel.

Expectations of lower soybean crush volumes imply reduced soybean meal and oil production; however, a slight bump in extraction rates are partly offsetting these forecasted reductions. The net result is a decrease of 0.2 million short tons for the 2022-23 soybean meal production forecast, which is now lifted to just over 52.6 million short tons and a 65-million-pound reduction in soybean oil production to 26.25 billion pounds. In response to declining domestic soybean meal use, the domestic disappearance forecast is lowered from 39.7 million short tons to 39.5 million. The prospect of a smaller than anticipated Argentine soybean crop supports the U.S. soybean meal export program during the second part of the marketing year. In the U.S., average soybean meal prices in Decatur, IL have risen by over $45.00 per short ton in the past 3 months. As a result, the 2022-23 U.S. soybean meal price forecast is lifted to $450.00 per short ton.

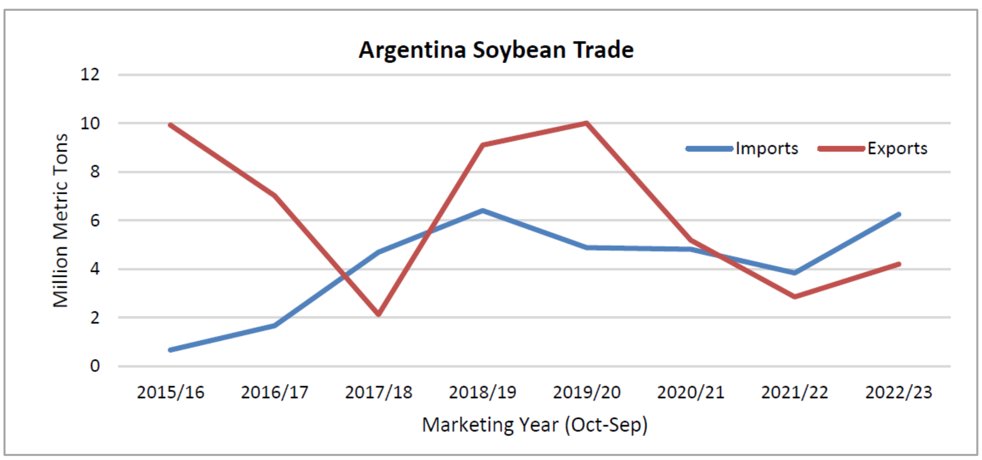
Contrary to soybean meal, the outlook for foreign demand of U.S. soybean oil remains bleak. High U.S. prices compared with competitors have led to low U.S. sales. As of January 26th, total soybean oil commitments were just shy of 91.3 million pounds. For context, this is 8.5 percent of soybean oil commitments during the same time last year. As a result, the soybean oil export forecast is lowered by 100 million pounds to 700 million pounds. The outlined changes to the 2022-23 soybean oil balance sheet are expected to lift ending stocks from 1.90 million pounds to nearly 1.94 million.

U.S. soybean oil exports were driven largely by the level of production and tracked closely with global trends. However, in recent years, the U.S. soybean oil market has experienced a redistribution among use categories. Strong federal and state policies have supported the increased use of soybean oil as a feedstock for biofuel production. The share of U.S. soybean oil production used for domestic industrial consumption is expected to reach 44 percent in MY 2022-23, compared to 25 percent a decade ago.

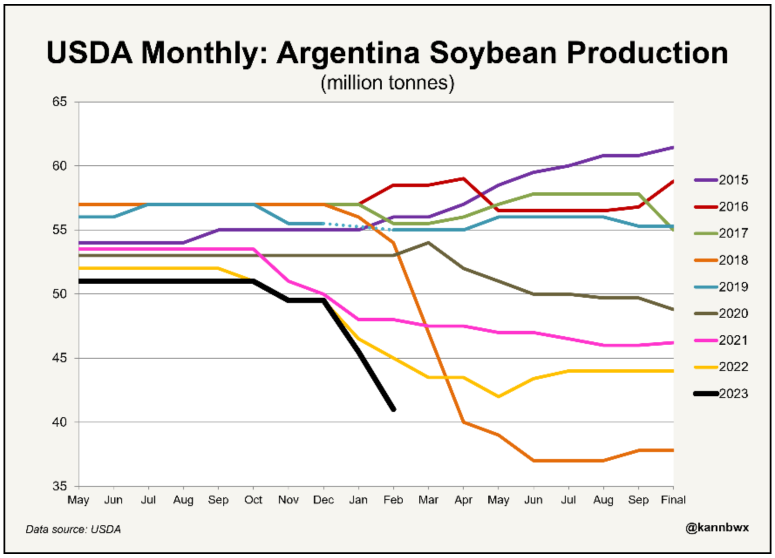


Strong domestic demand has extended the premium for U.S. soybean oil compared to South American exporters, reducing its competitiveness on the global market. U.S. soybean oil prices have come down since reaching record highs in MY 2021-22, but the spread against Argentina and Brazil remains prohibitive to the export market. For 2022-23, soybean oil prices are likely to continue to be buoyed by increasing biofuel production in both the U.S. and South America, as well as expected lower soybean production and crush in Argentina.

For the second consecutive month, Argentina soybean production has been cut due to drought and high temperatures in key growing regions. As a result, production and total supply are forecast at five-year lows. Tighter supplies are expected to pressure both exports and crush downward.



At 41 million tonnes, USDA's harvest estimate for Argentina's soybeans is down 10% from last month, 17% from December and 20% from the initial. That is unprecedented this early. Drought reduced the harvested area forecast 2.5% and yield dropped 7.6% from January.



In addition to falling production, exporters and crushers are likely to face additional challenges procuring soybeans due to slow farmer selling. Farmers are likely to hold onto 2022-23 soybeans, selling only out of necessity to pay bills and buy inputs, to hedge against inflation and uncertainties surrounding exchange rates and the October 2023 general election.

As a result, exports are lowered 1.5 million tons this month. While 2022-23 exports are forecast up year over year, 3.0 million tons have already shipped during the first 2 months (Oct-Nov) due to the 'soy dollar' exchange rate policy that temporarily boosted farmer selling and exports. Thus, exports during the final 10 months of the marketing year (December-September) are forecast at 1.2 million tons, which if realized, would be the lowest December-September total in nearly 3 decades.

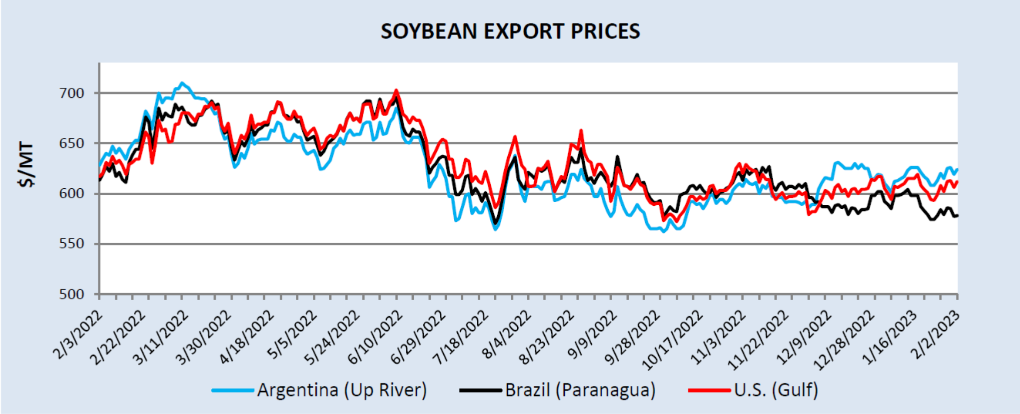
Similarly, soybean crush is down 700,000 tons this month to 37.3 million (October-September) on tighter supplies. However, crushers are expected to partially offset lower domestic supplies by importing more soybeans from Brazil and Paraguay. This month, imports are raised to 6.3 million tons, the second-highest level of Argentina soybean imports in the USDA database.

Soybean export prices in January were largely unchanged on average compared to December, though the market was not without movements. Concerns over South America weather conditions provided some price support for soybeans, while crude oil losses and uncertainty over Chinese demand were bearish influences in January. For the second month in a row, soybean meal prices continued to climb while soybean oil prices fell for all major exporters. This continues a trend of soybean meal regaining a larger share of the soybean value amidst ample global supplies of other vegetable oils and lower-than-expected biofuel targets in the United States. Soybean oil export prices continued a downward course, finishing about $60/ton lower on average in January than in December. Palm oil prices were roughly unchanged, slightly narrowing the premium between the two oils.

January 2023 Soybean Export Prices

	U.S. Gulf FOB	Argentina Up River FOB	Brazil Paranagua FOB
January Avg. Price	$607/ton	$616/ton	$590/ton
Change vs. December	+ $6/ton	$0/ton	+ $1/ton

Source: International Grains Council. All prices are FOB: U.S. Gulf, Argentina Up River, and Brazil Paranagua.



Rice

There were no revisions this month to the 2022-23 U.S. rice production estimates. However, the 2022-23 import forecast was lowered 3.0 million cwt to 42.0 million, still 11 percent above a year earlier and the highest on record. The downward revision was based on the delivery pace through December reported by the U.S. Census Bureau and expectations regarding purchases the remainder of the market year. In December, the United States imported 77,010 tons (product weight) of rice, down 4 percent from the previous month. Import forecasts were lowered for both classes of rice.

Long-grain rice imports were lowered 2.0 million cwt to 33.0 million, still 7.5 percent larger than a year earlier and the highest on record. The downward revision was largely based on weaker-than-expected shipments from Thailand since October. Thailand is the largest supplier of long-grain rice to the United States, with its premium jasmine rice accounting for the bulk of these imports. Despite the slower-than-expected pace of shipments this fall, Thailand's August–December total long-grain shipments to the United States were the highest on record, due to strong shipments in August and September.

With carry-in also unchanged from the previous estimate, total U.S. rice supplies in 2022-23 are now forecast at 242.1 million cwt, 3.0 million cwt below the previous forecast and 11 percent below a year earlier. These are the smallest total U.S. rice supplies since 2003-04. Long-grain supplies are projected at 185.8 million cwt, 2.0 million below the previous forecast and 9 percent below a year earlier and the smallest since 2017-18. Medium- and short-grain supplies are projected at 54.3 million cwt, 1.0 million cwt less than the previous forecast, 18 percent smaller than a year earlier and the lowest since 1988-89.

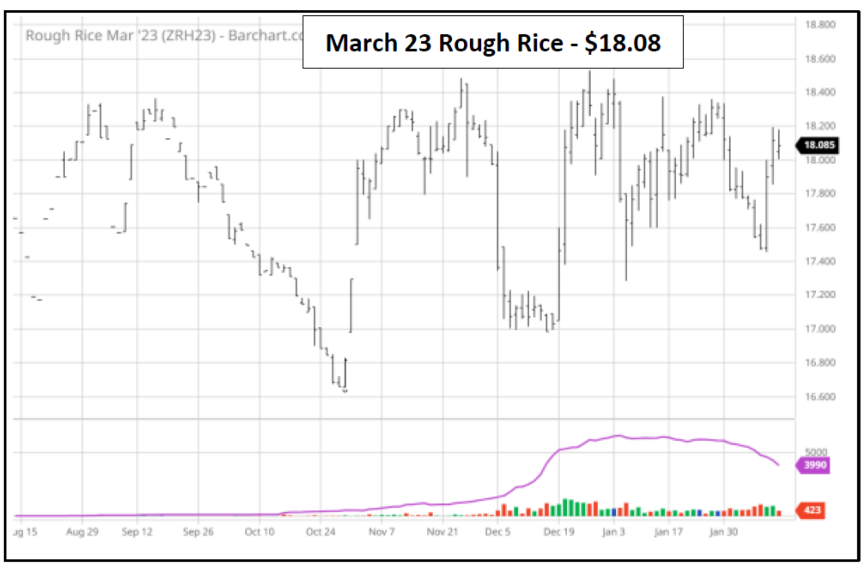
The U.S. 2022-23 all-rice export forecast was lowered 4.0 million cwt to 62.0 million cwt, down 24.5 percent from a year earlier and the lowest since 1985-86. The downward revision was largely based on sales and shipments through late January, expectations regarding sales and shipments for the remainder of the market year, and expectations of continued uncompetitive U.S. prices. The U.S. 2022-23 rough-rice export forecast was again lowered this month by 2.0 million cwt to 18.0 million cwt. Rough-rice exports are now projected to be 36 percent below a year earlier and are the lowest since 1996-97. Virtually all U.S. rough-rice exports are shipped to Latin America.

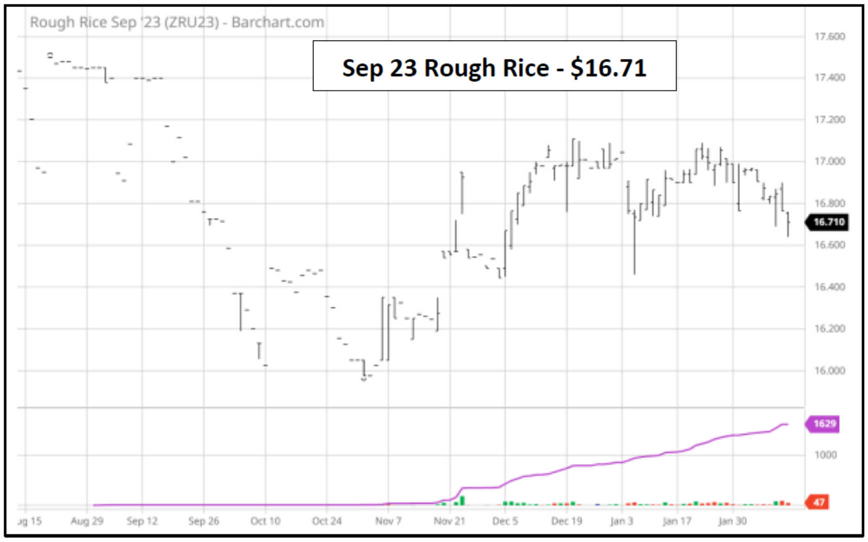
The expected substantial year-to-year decline in U.S. rough-rice exports is primarily due to strong price competition from several South American exporters—especially Brazil and Uruguay—that has sharply eroded the U.S. market share in Mexico and several Central American countries. Of these two South American exporters, Brazil is currently shipping the most rice to Mexico—the largest U.S. rough-rice single-country market—and to Central America. Brazil has currently replaced the United States as the top supplier of rice to Mexico and is also shipping substantial amounts of rice to Costa Rica, El Salvador, Honduras, and Guatemala.

The U.S. 2022-23 milled-rice export forecast was lowered 2.0 million cwt to 44.0 million cwt, 18 percent below a year earlier and the smallest since 1965-66. Northeast Asia, the Middle East, and Canada are the top markets for U.S. milled rice exports. U.S. long-grain milled-rice exports are limited by high prices compared with those of suppliers in both South America and Asia. U.S. medium- and short-grain milled-rice exports are further limited by extremely tight supplies of California rice stemming from another year of severe drought, which has boosted U.S. prices record high.

In late January, USDA's NASS revised monthly reported cash prices and marketings for 2021-22 that resulted in upward revisions for both the California medium- and short-grain season-average farm price (SAFP) and the U.S. medium- and short-grain SAFP. The California medium- and short-grain 2021-22 SAFP was raised $3.40 to $31.90 per cwt, up 41 percent from a year earlier. The U.S. 2021-22 medium- and short-grain SAFP was increased $1.60 to $26.40 per cwt, up 31 percent from a year earlier. The 2021-22 long-grain SAFP remains forecast at $13.60 per cwt and the 2021-22 all-rice SAFP remains forecast at $16.10 per cwt. NASS also revised August–December 2022 reported cash prices and marketings.

As reported by in the Rice Market Letter, "the market was holding in that area, the February *WASDE* report was released, and even though it held few negatives, they were not negative enough to break the market further. What happened instead was a buying frenzy, most of which believed to be short covering by the speculators". The nearby March contract moved from the low of $17.46 to a high of just over $18.00 before settling slightly lower.

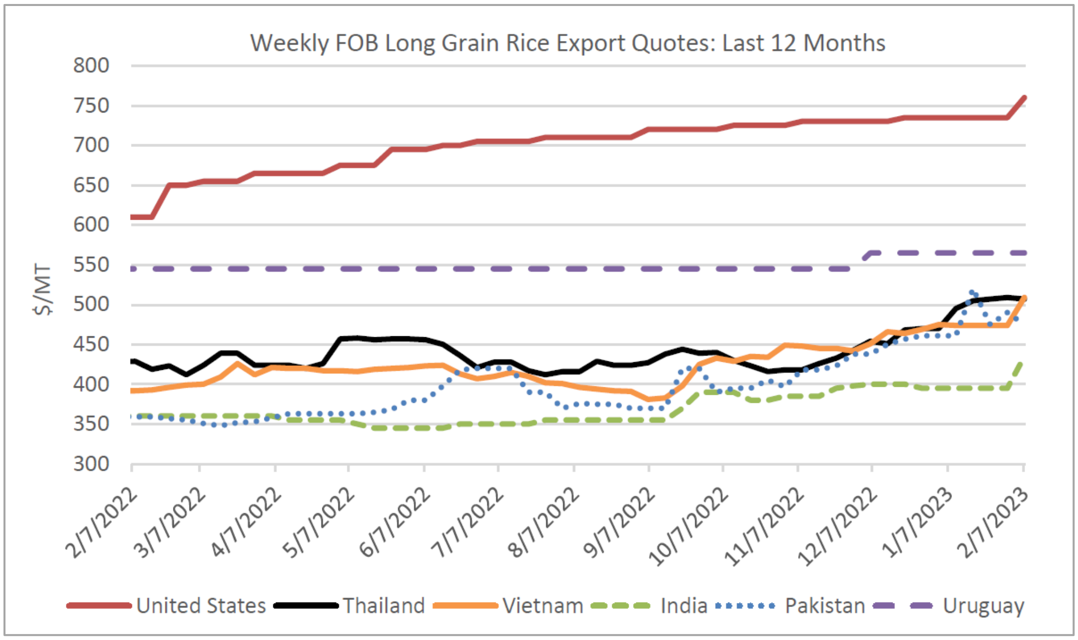




The U.S. Rice Producers Association (USRPA) reports that the Western Hemisphere, rice harvest continues to move forward in South America (Mercosur) where reports are beginning to roll in of crop conditions and yield expectations. There is muted optimism that the drought may not have had as severe of an impact as some were anticipating but will remain a factor as harvest continues. In the United States, planting intentions will become clear in the next few weeks. What is known, however, is that medium grain plantings will max out based on seed availability. Producers are still evaluating the cost of production for rice vs. alternative crops where available, and the decrease of fertilizer costs to a more "normal" level is encouraging for rice acres. In Texas, there looks to be a significant reduction in acreage because of a lack of water, but producers in Arkansas, Missouri, and Louisiana hope to make up the difference to result in a net gain this year.

The weekly USDA Export Sales report finally brings some good news with strong sales to Colombia and Nicaragua. Net sales of 112,800 metric tons -- a marketing-year high -- were up noticeably from the previous week and from the prior 4-week average. Increases were primarily for Colombia (61,200 metric tons), Nicaragua (25,000 metric tons), Japan (13,000 metric tons), Saudi Arabia (8,500 metric tons), and Mexico (1,500 metric tons). Exports of 33,800 metric tons were up 20% from the previous week, but down 7% from the prior 4-week average. The destinations were primarily Japan (13,000 metric tons), Saudi Arabia (8,900 metric tons), Jordan (4,700 metric tons), Mexico (4,200 metric tons), and Canada (2,200 metric tons).

In the past month, U.S. quotes shot $25 higher to $760/ton on tightness of this year's supplies, while Uruguayan prices remained at $565/ton. Vietnamese prices rose $35 to $509/ton on strong demand from the Philippines and Africa ahead of the spring crop. Thai quotes increased $12 to $507/ton with strong demand from Southeast Asia and the Middle East and continuing currency appreciation. Pakistani quotes were up $14 to $475/ton on tighter supplies. Indian quotes rose $40 higher to $435/ton and remain the lowest globally. U.S. prices continue to lead, while Indian prices are the cheapest. Prices have jumped up in the most recent weeks, partly on account of tightening supply, but largely because of India's export tariff and ban situation. Their announcement in October and subsequent enforcements since have put upward pressure on prices not only for India alone but for Thailand and Vietnam as well.



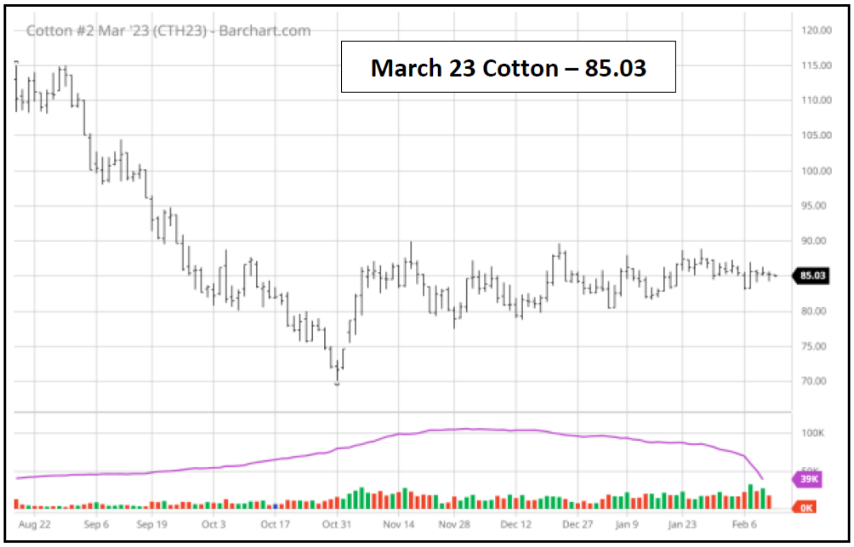
U.S. trading prices for long-grain milled rice continued to increase over the past month. Prices for U.S. long-grain milled rice, Number 2 Grade, 4-percent broken kernels (Iraqi specifications) were quoted at \$760 per ton for the week ending February 7th, up \$25 from the week ending January 10th and the highest since early October 2008. U.S. price quotes for Latin American markets also increased \$25 over the past month, quoted at \$725 per ton for the week ending February 7th. Milled-rice nominal price quotes (no actual offers or sales) for California medium-grain Number 1 Grade, 4-percent brokens, remain at \$1,650 per ton (free on board at a domestic mill) for the week ending February 7th, unchanged since late December and the highest on record for this specification.

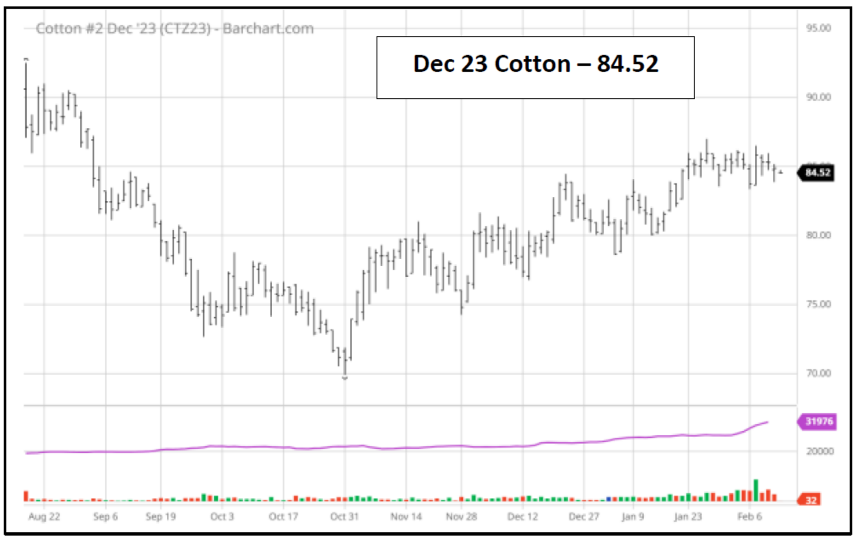
Cotton

The U.S. balance sheet shows production and exports unchanged at 14.6 and 12.0 million bales, respectively. Ending stocks are forecast slightly higher relative to the previous month at 4.3 million bales. The projected U.S. season-average farm price remains unchanged at 83 cents per pound.

Since mid-November, the cotton futures market has chopped in a sideways trading range. Look for more of the same for the near future as traders look for fresh fundamental developments that may push prices out of the trading range. Focus for cotton traders has been and likely will continue to be the key outside markets that include the U.S. dollar index, crude oil and the U.S. stock indexes. Those markets are presently a mixed bag for cotton, which are contributing to the choppy trading conditions. The recent strong rebound in crude oil futures will limit selling interest in cotton futures next week. However, on the negative side for the natural fiber is the stock market becoming wobbly late this week.

As springtime draws closer, cotton traders will pay closer attention to weather patterns in cotton country. World Weather Inc. today reported west and south Texas precipitation will be restricted over the next two weeks, although some moisture will occur briefly. Wet field conditions will remain in the U.S. Delta and southeastern states while conditions in the far western U.S. are expected to change very little. “Australia needs significant rain to improve dryland production conditions, especially in western Queensland’s crop region,” said the forecaster. Cotton planting in Brazil is still behind the usual pace, but progress is being made and it should accelerate over the coming week. Wednesday, February 22nd is first notice day for March cotton futures.





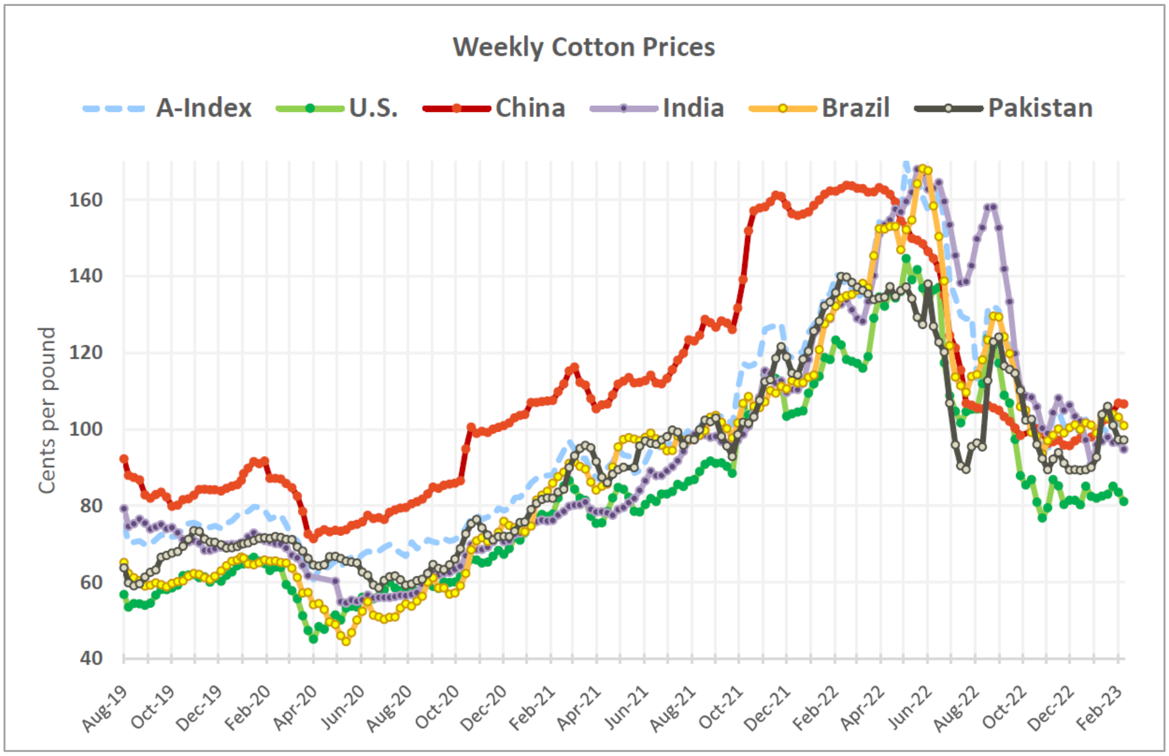
March cotton futures were down 23 points to 85.27 cents and nearer the session high. For the week, March cotton fell 16 points. December cotton closed at 84.52 cents.

This week's USDA monthly supply and demand report suggests U.S. cotton carryover will exceed previous forecasts. On the positive side, U.S. export sales at 262,800 bales this week reached a marketing year high. With China's economy expected to shift into a higher gear in 2023, better U.S. cotton demand abroad in the coming months to push prices above the recent trading range, does not seem out of the question.

Global production is projected down 1.0 million bales to 114.4 and largely attributable to lower yields in the CFA Franc Zone and India. Consumption is forecast down slightly from the previous month due to lower use in Pakistan, Indonesia, and Vietnam offsetting higher consumption in China. Global trade is forecast down 1.2 million bales from the previous month, attributable to lower global consumption, including Bangladesh, Egypt, Indonesia, and Pakistan. Ending stocks are down 850,000 bales.

Global cotton prices were mixed since last month's *WASDE*. Prices on the Intercontinental Exchange (ICE) were rangebound as both positive and negative factors influenced prices. Stronger U.S. export

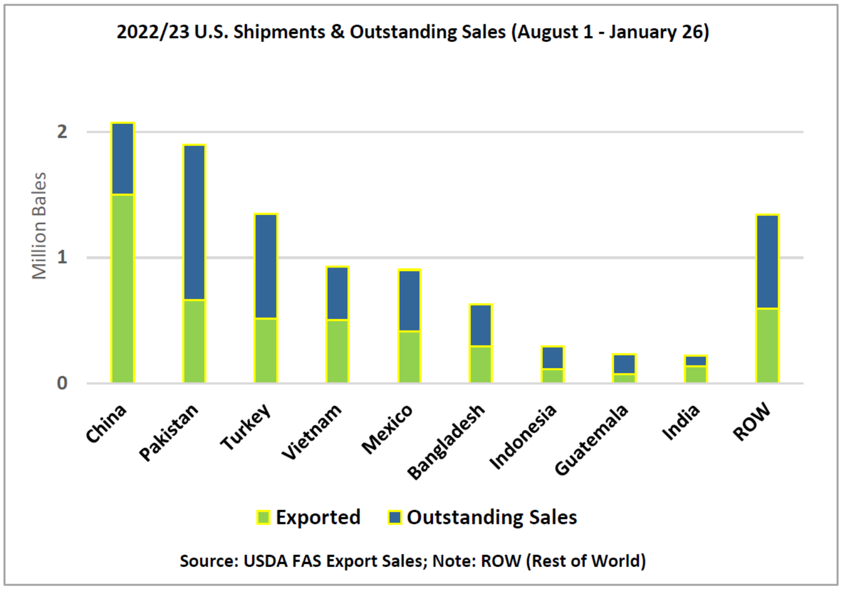
sales, higher commodity index funds, and a declining U.S. dollar index supported higher ICE prices through the end of January. The February 3 U.S. Nonfarm payroll report upended the recent support for commodity prices, induced a stronger U.S. dollar, and suppressed cotton futures. A tighter-then expected labor market report supported greater interest rate prospects by the U.S. Federal Reserve – higher expected rates shifted money out of commodities and commodity index funds. After returning from the Lunar New Year, Chinese spot prices rose compared with last month as demand for cotton lint strengthened amid low yarn stocks. Pakistan prices were also higher despite a weaker Pakistani rupee, with prices up 4 percent in U.S. dollars and over 25 percent in rupees. The lowest production in nearly 40 years is supporting higher prices in Pakistan.



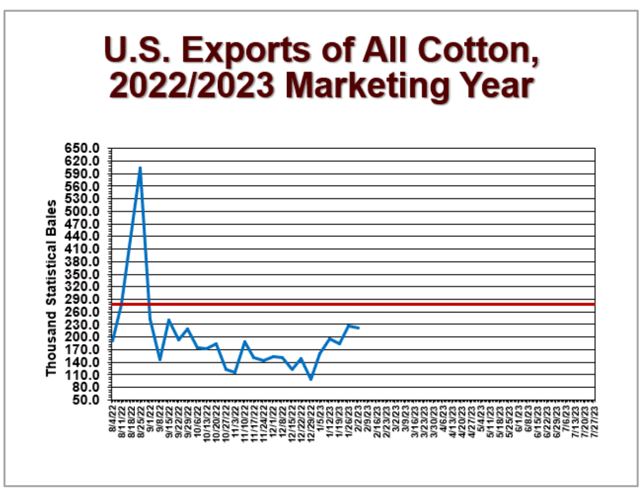
U.S. exports of 5,800 running bales (RB) were down 25 percent from the previous week, but up 4 percent from the prior 4-week average. The destinations were primarily to Vietnam (2,200 RB), India (1,300 RB), China (1,100 RB), South Korea (400 RB), and Turkey (300 RB). Export commitments are running % behind a year-ago, versus 21.2% behind last week. USDA forecasts total cotton exports will fall 17.9% from a year ago to 12.00 million bales in 2022-23.

Net sales of 262,800 RB for 2022/2023--a marketing-year high--were up 54 percent from the previous week and 58 percent from the prior 4-week average. Increases primarily for China (87,700 RB, including 200 RB switched from Vietnam), Turkey (72,600 RB, including decreases of 300 RB), Vietnam (45,300 RB, including 800 RB switched from South Korea), Indonesia (16,600 RB), and Pakistan (14,000 RB, including decreases of 4,200 RB), were offset by reductions for El Salvador (400 RB) and Mexico (300 RB). Net sales of 4,800 RB for 2023/2024 were primarily for Thailand (3,300 RB). Exports of 210,100 RB were down 1 percent from the previous week, but up 17 percent from the prior 4-week average. The destinations were primarily to Pakistan (45,200 RB), Vietnam (42,800 RB), China (40,300 RB), Turkey (18,900 RB), and Mexico (13,000 RB). Net sales of Pima totaling 1,300 RB for 2022/2023 were down noticeably from the previous week and down 50 percent from the prior 4-week average. Increases were primarily for Vietnam (700 RB) and Bangladesh (300 RB).

Exports of 5,800 RB were down 25 percent from the previous week, but up 4 percent from the prior 4-week average. The destinations were primarily to Vietnam (2,200 RB), India (1,300 RB), China (1,100 RB), South Korea (400 RB), and Turkey (300 RB). Export commitments are running % behind a year-ago, versus 21.2% behind last week. USDA forecasts total cotton exports will fall 17.9% from a year ago to 12.00 million bales in 2022-23.



Dr. John Robinson (TAMU) reports that the week ending February 2nd saw export shipments improving from previous weeks, but still below the needed average weekly pace needed to reach USDA's 12.0 million bale target. It should be noted, however, that weekly export shipments tend to be seasonally lower in the fall and higher in the spring/summer. Another indicator of export demand is the percent of U.S. export total commitments to USDA's forecast export target of 12.0 million bales. Total commitments of all cotton as of February 2, 2023 include 4,882,291 bales worth of accumulated exports of all cotton, i.e., pima and upland sold and actually shipped since August 1st. It also includes another 4,965,354 running bales of pima and upland sold but not yet shipped ("outstanding sales"). The total of accumulated exports and outstanding sales is 9,847,645 running bales of total commitments which, after converting to statistical bales, is 85% of USDA's 12.0 million bale target for 2022/23 U.S. exports. This is on par with the historical pace of export sales.



PLC Farm Program Payment Projections – 2022/23 CY

The table below projects the national marketing year average prices for purposes of the Price Loss Coverage (PLC) program. A PLC program payment is triggered when the national Marketing Year Average (MYA) price for a commodity falls below that commodity's effective reference price. The payment rate is then multiplied by the farm's program yield and made on 85% of base acres.

Covered Commodity	***2022/23 MYA Price****	*Effective Reference Price*	***2022/23 CY PLC Payment Rate***
Corn	$6.70	$3.70	--
Grain Sorghum	$6.90	$3.95	--
Long Grain Rice	$16.90	$14.00	--
Medium Grain Rice	$17.60	$14.00	--
Seed Cotton	$0.4638	$0.3670	--
Soybeans	$14.30	$8.40	--
Wheat	$9.00	$5.50	--

**national marketing year average (MYA) prices reflect the prices contained in the USDA WASDE report on February 8, 2023.

Sources: USDA Agriculture Market Service (AMS), USDA Foreign Agriculture Service (FAS), USDA Farm Service Agency (FSA), USDA National Agriculture Statistics Service (NASS), USDA Economic Research Service (ERS), USDA FAS GAIN Report, USDA Office of Communications, USDA World Supply Demand Estimates (WASDE), ADM Investor Services, AgDay, Ag Fax Media, Ag Market Network, Agri-Pulse, AgRural, Ag Resource Company, Ag Web, Agricultural Market Information System (AMIS), Allendale, American Farm Bureau Federation, Bloomberg News, Brock Report, CME Group, Cotton Grower, Cotton Incorporated, Cotton Outlook, Creed Rice Report, O.A. Cleveland, Daniels Trading, Delta Farm Press, DTN Progressive Farmer, Farm Futures, Fastmarkets, Fiber 2 Fashion, Gro Intelligence, Hightower Report, Intercontinental Exchange, International Grains Council, Iowa State University, INTER-RICE, Lakefront Futures and Options, LSU AgCenter, Mississippi State University, National Cotton Council, NOAA, Peterson Institute of International Economics, Plains Cotton Cooperative Association, Plexus Cotton, Pro Farmer, Refinitiv, Reuters (Karen Braun), Rice Market Letter, Southeast Farm Press, Sovecon, StoneX, Successful Farming, Texas A&M University (John Robinson), University of Arkansas, University of Georgia, University of Illinois, University of Tennessee, U.S. Grains Council, U.S. Rice Producers Association, USA Rice Federation, U.S. Soybean Export Council, United Nations Food and Agriculture Organization (FAO), VanTrump Report, and the Wall Street Journal.

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