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August Market Update
Corn, Soybeans, Rice, and Cotton

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Prices at a Glance

Crop	2023/24 U.S. MYA Price Projection
Corn	$4.90 per bu.
Soybeans	$12.70 per bu.
Long Grain Rice	$15.50 per cwt.
Southern Medium Grain Rice	$16.00 per cwt.
Upland Cotton	$0.79 per lb.
Seed Cotton	$0.4294 per lb.

WASDE Summary

This month's 2023/24 U.S. corn outlook is for reduced supplies, lower domestic use, smaller exports, and tighter ending stocks. Projected beginning stocks for 2023/24 this month have been raised 55 million bushels higher based on a lower use forecast for 2022/23, reflecting reductions in corn used for exports, glucose and dextrose, and starch. Corn production for 2023/24 is forecast at 15.1 billion bushels, down 209 million from July estimates and, if realized, would be the second highest on record behind 2016/17. The season's first survey-based corn yield forecast, at 175.1 bushels per acre, is 2.4 bushels lower than last month's projection. Total U.S. corn use for 2023/24 is cut 95 million bushels to 14.4 billion. Feed and residual use is lowered 25 million bushels based on a smaller crop. Corn used for glucose and dextrose and starch is projected lower based on observed use during 2022/23. Exports for 2023/24 are cut 50 million bushels to 2.1 billion. With supply declining more than use, ending stocks are lowered 60 million bushels to 2.2 billion. The season-average corn price received by producers is raised 10 cents to $4.90 per bushel.

U.S. soybean supply and use changes for 2023/24 include higher beginning stocks and lower production and exports. Beginning stocks are raised on higher 2022/23 imports. Soybean production for 2023/24 is forecast at 4.2 billion bushels, down 95 million on lower yields. Harvested area is forecast at 82.7 million

acres, unchanged from July. The first survey-based soybean yield forecast of 50.9 bushels per acre is reduced 1.1 bushels from last month. Soybean supplies for 2023/24 are projected at 4.5 billion bushels, down 2 percent from last year. With soybean exports down 25 million bushels on lower supplies and crush unchanged, ending stocks are forecast at 245 million bushels, down 55 million from last month. The U.S. season-average soybean price for 2023/24 is forecast at $12.70 per bushel, up $0.30 from last month. The soybean meal price is forecast at $380 per short ton, up 5 dollars. The soybean oil price forecast is 62 cents per pound, up 2 cents.

The outlook for U.S. rice in 2023/24 calls for increased supplies and ending stocks compared with last month and no other changes. The initial survey-based production forecast for the 2023/24 crop increases production from the previous forecast by 2.6 million cwt to 203.6 million, all on higher yields. The average all rice yield is forecast at 7,699 pounds per acre, up 100 pounds. Long-grain production is forecast at 146.8 million cwt and combined medium- and short-grain production at 56.8 million cwt. Medium- and short-grain production is up 76 percent from a year earlier and the largest in four years. Projected all rice ending stocks are raised to 31.2 million cwt, up 1.6 million from last month. The 2023/24 long-grain season-average farm price (SAFP) forecast is increased $1.00 per cwt to $15.50 per cwt, which raises the all-rice SAFP by $0.70 to $17.70 per cwt. The medium- and short-grain SAFP forecast is unchanged at $24.80 per cwt.

In this month's 2023/24 U.S. cotton projections, beginning stocks are larger, and a 2.5million-bale decrease in production results in lower exports, domestic use, and ending stocks. Beginning stocks are larger as this month's 2022/23 ending stocks are increased 450,000 bales reflecting slightly lower exports and July 29 warehouse inventory levels in the AMS Bales Made Available for Shipment report. NASS's first survey-based estimate of production for 2023/24 is 14.0 million bales, down 2.5 million, with the crop reduced by higher projected abandonment and reduced yield in the Southwest. Exports are projected 1.3-million bales lower than in July due to reduced U.S. supply and increased competition from Brazil and Australia. Ending stocks are 700,000 bales lower, at 3.1 million bales. The U.S. season-average price for upland cotton is forecast 3 cents higher this month at 79 cents per pound.

Corn

Following recent reports, corn futures trended higher before breaking down in later trading. Bulls were looking for a yield below the average analyst and were obliged with a 175.1 bushel per acre yield, below the average forecast at 175.7 bushels in the Bloomberg survey. This compares to 177.5 bushel per acre in the July report and ultimately led to the USDA balance sheet contracting 60 million bushels from July to 2.202 billion bushels. Demand is also seen as falling, with exports falling 50 million bushels month over month, Food, Seed, and Industrial use falling 20 million bu., and the Feed and Residual estimate falling 25 million bushels. This is likely in part due to the reduced production forecast and the poor export pace maintained thus far.

The report overall was not overtly bearish in tone, but corn has been seasonally bearish throughout August and the report was not bullish enough to buck that trend.

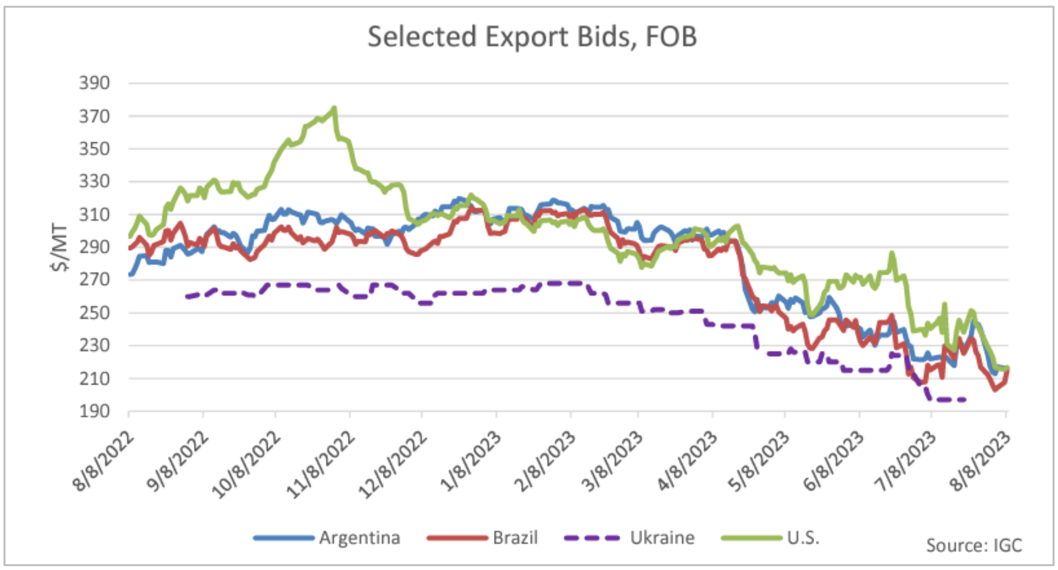
Condition ratings experienced a bump last week and are likely going to see another rise in Monday's report. Rain and moderate temperatures have reduced crop stress and have opened the door for favorable finishing. While top-end yield prospects have been taken out, a record yield is still on the table. World Weather Inc says, "Yield potentials in nearly all of the Midwest will be maintained or improved during the next week," though some heat is expected to come into the region late next week. Rising condition ratings over the month of August are against the seasonal bias, but when it does happen, the USDA has

always raised yield in the September Crop Production report. Favorable finishing weather will likely continue to weigh on prices over the next month.

Corn bulls will continue to fight an uphill battle as combines start to roll. Brazilian corn is hitting the world market and the U.S. faces logistical issues and more expensive prices than our South American counterpart. The U.S. continues to lose market share of the world export market and the Brazilian record crop will be no help in fixing that this crop year. Domestic demand is also seen as falling, evidenced in today's Supply and Demand reports. The lack of demand and the seemingly expanding balance sheet will weigh on prices over the next quarter, though demand, particularly export demand, can pick up at a moment's notice.

Global corn production for 2023/24 is lowered, falling from record high to second highest on record, with cuts to China, the European Union, Russia, and the United States more than offsetting production gains in Ukraine and Canada. Global exports are down, with cuts to the United States and the European Union more than offsetting stronger exports from Brazil. Global imports are also forecast to decrease, with cuts to Egypt and Algeria more than offsetting gains for Canada and Zimbabwe. U.S. season-average farm price for corn is up 10 cents to $4.90 per bushel.

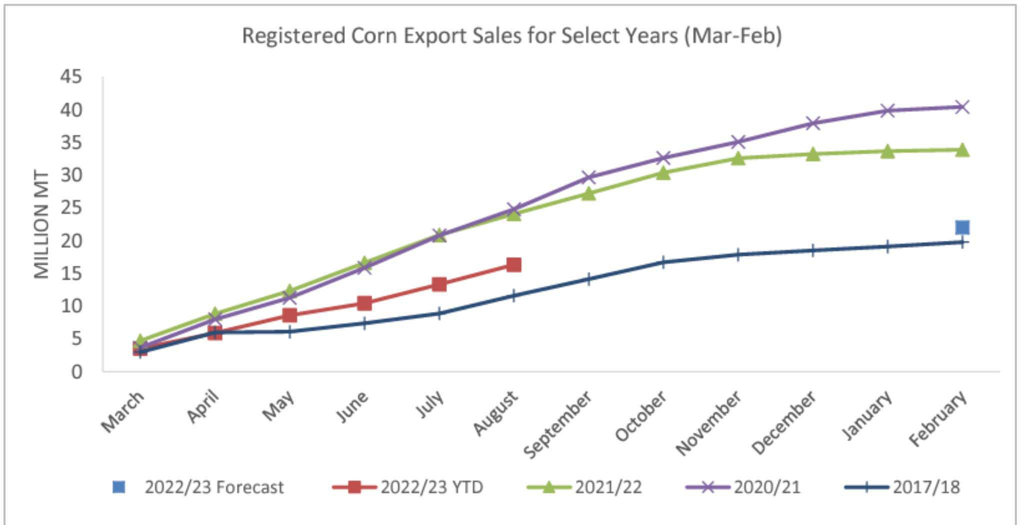
Since July's WASDE, bids for all major exporters have softened. U.S. bids were down $23 to $216/ton on favorable weather conditions during July for most corn producing areas and subjective assessments of crop conditions by NASS. Brazilian bids have remained relatively unchanged since July. Argentine bids were $216/ton, down $5 from last month. Competition with large crops in the United States and Brazil and a new preferential exchange rate are supporting lower prices. Ukrainian bids have not been published since July 21st.



On July 25, 2023, the Argentine Ministry of Agriculture, Livestock and Fishery (Spanish: Ministerio de Agricultura, Ganadería y Pesca; MAGyP) published resolution 295/2023, officially adding corn to the "Export Increase Program", a policy which sets a preferential exchange rate of 340 Argentinian pesos/USD for specific agricultural commodities through August 31, 2023. The rate is a 25-percent devaluation against the official exchange rate of 270-283 Argentinian pesos/USD and represents an effort by the Argentine government to support lagging corn sales. The Government of Argentina also raised the exportable limit for corn by 4.0 million tons to 26.0 million tons for 2022/23, though reporting from

FAS/Buenos Aires indicates that local traders are skeptical that exports will reach that level by February 2024.

Since the beginning of the 2022/2023 marketing year, Argentine corn exports have been exceptionally weak due to tight supplies, the lowest since 2017/2018. Exports are currently forecast at 22.0 million tons, the lowest volume since 2015/16. Prior to July 25, affidavits of foreign sales data on sales of corn indicate that total sales of the 2022/23 crop were at just 16.4 million tons, less than half the same period in 2021/22. Weaker demand in key markets such as Vietnam and Egypt have also weighed on Argentine trade.



Source: Argentina MAGyP DJVE[2], USDA PSD.

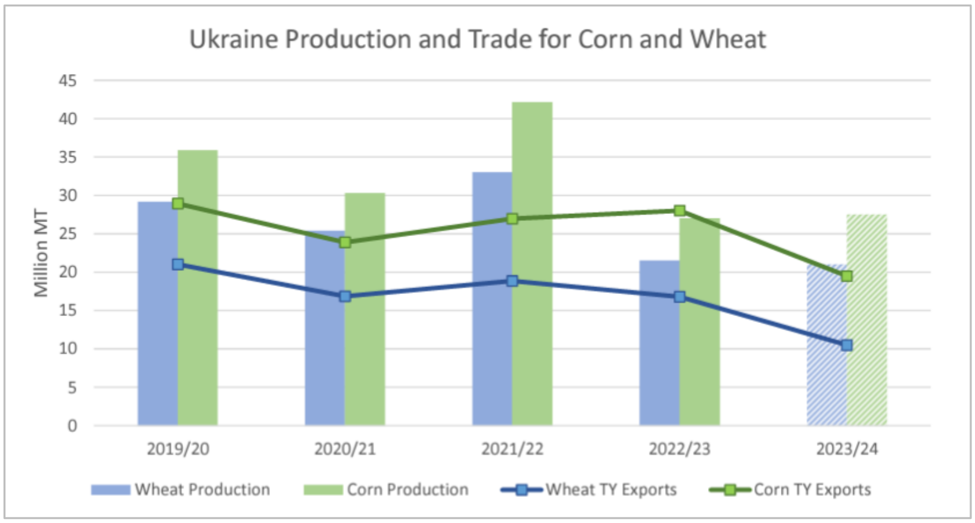
Argentina's official exchange rate has been kept artificially high by the government as a counter to soaring inflation, which reached nearly 114 percent for the year as of June. Requiring corn exporters to use the official rate discourages sales because farmers are aware that the peso is overvalued in the international exchange market. While the official exchange rate is 270 Argentinian pesos/USD, the "black market" rate can be as high as 500 pesos per U.S. dollar. By increasing the number of pesos received per each U.S. dollar denominated trade in corn, farmers can get desperately needed cash, which can be used to cover production costs. This need to cover production costs provides the impetus to sell supplies.

Since the implementation of the policy, the Rosario Board of Trade (Bolsa de Comercio de Rosario, BCR) reported that Argentine domestic corn sales reached 6.4 million tons in July 2023, a 10-percent increase from the 5.8 million tons in July 2022, and the highest volume in 7 years for the month. More than half of those sales occurred in the short period after the decree was implemented, and almost all purchases of domestic corn were made by export-oriented trading groups. Per BCR, most purchasers since the implementation of the decree stipulated that any domestic corn purchased must be delivered to the trading groups by August 31, reinforcing the notion that these purchases of domestic corn are intended for export.

Argentina will need these sales to meet their current forecast – as of August 9th, data indicates that the total volume of Argentine corn with a submitted export affidavit reached just 18.4 million tons, versus the 33.9 million for the same period in 2021/222. The current forecast for Argentina exports of corn from March-Feb of 2022/2023 is 22.0 million tons. Despite improved incentives for export, with fundamentally limited supplies, the 2022/2023 outlook for Argentina corn remains subdued.

Just under a year since its inception, on July 17, 2023, Russia withdrew its participation in the Black Sea Grain Initiative (BSGI) that had been brokered by Turkey and the United Nations allowing Ukraine to export nearly 33.0 million tons of grain and other agricultural products from its ports in Chornomorsk, Odesa, and Yuzhny. Grain was the primary commodity exported under the agreement, with 8.9 million tons of wheat and 16.9 million tons of corn comprising the bulk of the volume. Corn was primarily destined for China and the EU, whereas wheat was exported to a wider range of countries including Turkey, Bangladesh, Egypt, and the EU. For the entirety of MY 2022/23 across all transportation routes, USDA estimates that Ukraine exported 16.8 million tons of wheat (July-June) and forecasts corn exports at 28.0 million tons (October-September).

In MY 2023/24, combined wheat and corn production in Ukraine is forecast to be the same as the previous year, though beginning stocks are expected to fall considerably to more normal levels. As a result, exports are anticipated to fall to 10.5 million tons of wheat and 19.5 million tons of corn.



Ukrainian ports along the Danube River remain as operational export routes in addition to the EU Solidarity Lanes. However, in recent weeks, Russia has launched several attacks on Ukraine's Odesa and Danube River ports, destroying and damaging grain infrastructure. Russia has signaled intentions to blockade Black Sea ports, adding further uncertainty to the future of Ukraine's seaborne exports. In the absence of the BSGI, Ukraine is exploring options to ensure the continued flow of exports, including through improved Black Sea security, enhancements to overland trade routes, or expansions to Danube port capacity. USDA will continue to evaluate any apparent changes in Ukrainian export capacity.

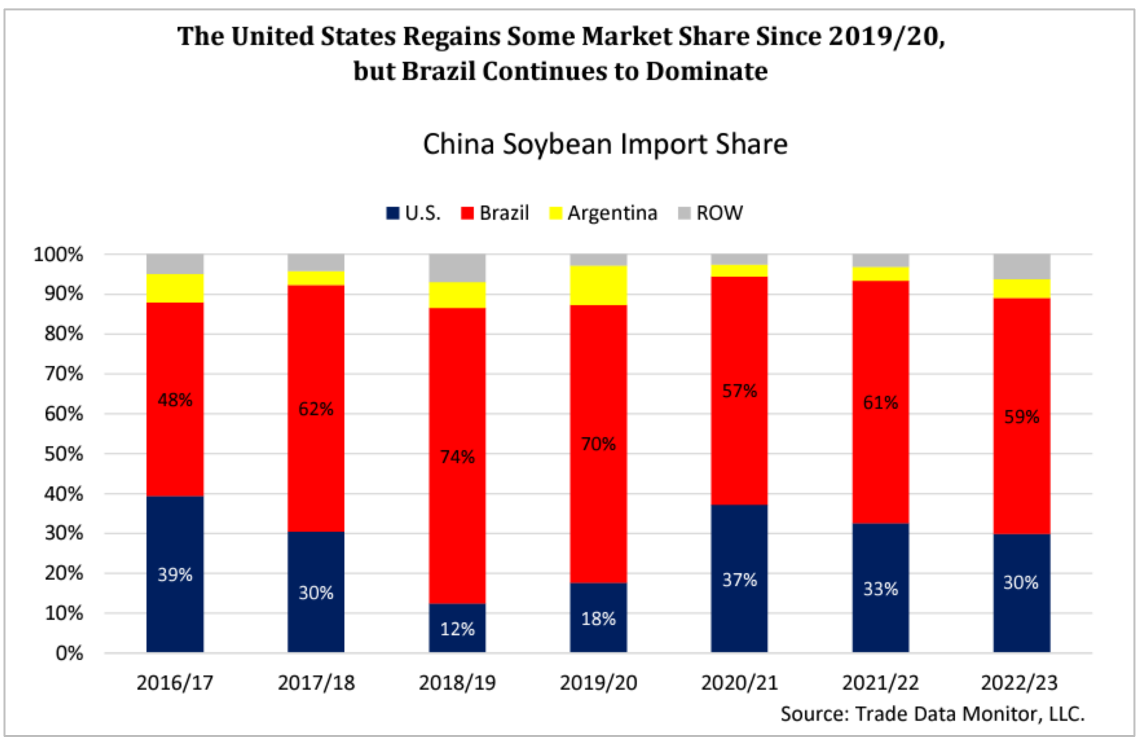
Soybeans

After facing pressure in morning trade, USDA's August reports helped breathe a bit of life into soybeans, sending the November contract to the highest level in over a week, though the push was ultimately thwarted. A 1.1 bushel per acre yield cut from July led to a 95 million bushel production decrease, though old-crop ending stocks were raised 5 million bushels along with a 10 million bushel increase in imports put total supply to 4,496 million bushels, down 79 million from July. On the demand side, exports were trimmed by 25 million bushels from July's estimate, leaving total use at 4,251 million bushels and 2023-24 ending stocks at 245 million bushels, down 55 million bu. from July and 22 million bushels below the average pre-report estimate.

Through virtually the middle of the most important months in the growing season for soybeans, mother nature has, overall, provided nearly ideal growing conditions through much of the Midwest. However, World Weather predicts a drier weather pattern will occur Tuesday through August 25th, while temps will begin to warm around August 20th. The change in weather pattern could affect some late-developing crops, which will need another round of timely rain later this month. Further, USDA's weekly drought monitor continues to show 100% of key growing state, Iowa in a drought category despite recent rains. Meanwhile, key grower, Illinois is considered 85.4% too dry, which reflected a 10% decrease from the previous week.

A recent uptick in daily new-crop export sales has failed to boost soybean futures much in the wake of mostly favorable U.S. weather and a surging dollar. However, as the current marketing-year winds down and harvest approaches, traders will increasingly gain a better grasp on the size of the U.S. crop in addition to South American weather as Brazil and Argentina begin to plant their soybean crops. Traders will continue to monitor weekly export data into the new marketing year in order to gain insight into global demand.

This month, USDA raised 2022/23 (October-September) Chinese soybean imports to a new record of 100.0 million tons. Imports are expected to remain high in the last quarter of the year as the world's top buyer sources competitively priced soybeans from South America as well as clears the customs backlog of cargoes that have already arrived. Through 10 months of the current marketing year, China has already imported nearly 84.5 million tons of soybeans, with almost 30.0 million sourced from the United States. Total arrivals to date are 10 percent higher compared to the same period last year, with the United States capturing about 40 percent of that growth.



U.S. shipments trailed off in April as Chinese buyers took advantage of a bumper Brazilian soybean crop and attractive prices. Smaller suppliers of soybeans to China have also increased their exports. The "soy dollar" program in Argentina contributed to recovery in shipments in the first half of 2022/23. Canada

and Russia also increased exports to China this year on higher soybean production and relatively flat crush.

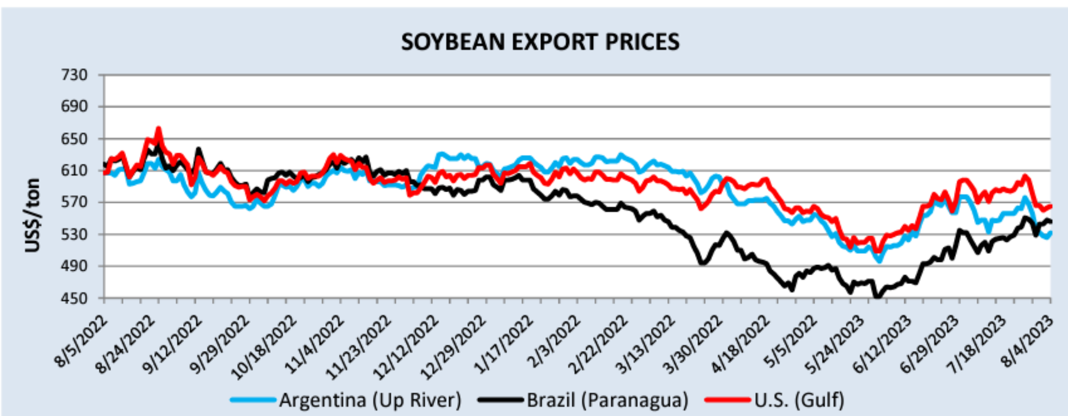
In 2023/24, China is projected to remain the world's largest soybean buyer with imports forecast at 99.0 million tons. China is likely to continue buying larger volumes of soybeans from Brazil and potentially less from the United States. Prices of the new U.S. crop have been rising on lower supply expectations, while prospects for Brazilian output remain robust.

Although fundamentals were mixed, prices for the global soybean complex finished higher, on average, in July compared to the previous month. U.S. soybean prices were trending higher in July following lower soybean crop expectations after the June 30, 2023, NASS Acreage report coupled with strong demand for crush. However, towards the end of the month, prices began to decline on reports of improving weather conditions in the Midwestern United States, with the most active Chicago soybean futures contract losing most of its monthly positive gains by the beginning of August. Although U.S. soybeans remained the most expensive offers, the price premium against South America soybeans narrowed in July. Argentina soybeans began trading lower than Brazil origin for the first time since 2022 at the start of August as Brazilian soybeans gained strength on seasonality and high disappearance.

July 2023 Soybean Export Prices

	U.S. Gulf FOB	Argentina Up River FOB	Brazil Paranagua FOB
July Avg Price	$ 586/ton	$ 557/ton	$ 528/ton
Change vs June	+ $ 32/ton	+ $ 14/ton	+ $ 41/ton

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



Rice

Rice, as a crop, continues to look good with 71% showing of the U.S. complex showing good to excellent, which is right on par with last year. Notably, Louisiana is showing 41% in fair condition, followed by Mississippi with 33% fair. Arkansas has only 8% in poor or very poor conditions. Crop heading is in good shaped at an average 74% being reported as 'headed', beating last year's rate by 3%. Arkansas is significantly ahead of last year, 74% compared to 54%, as is Missouri, which this year registers 70% compared to last year's 47%. California is significantly behind last year, 45% compared to 69%.

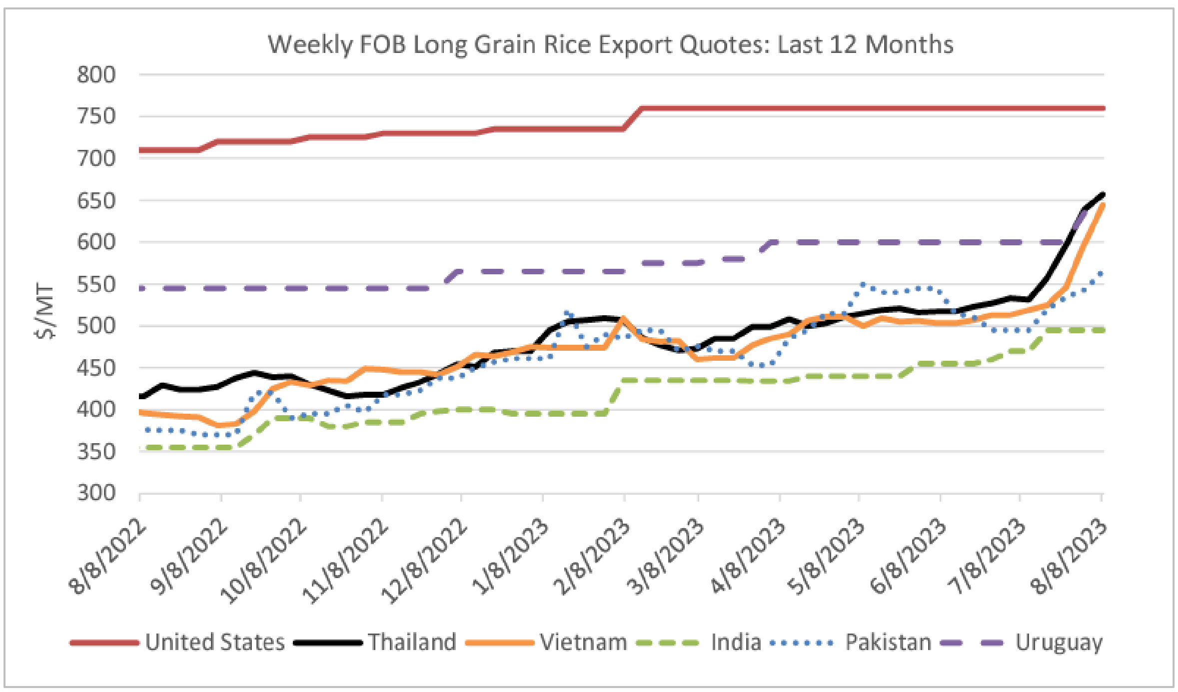
And turning now to harvest, Louisiana is racing ahead with 44% harvested as of August 6th, and Texas showing 23%. No other states have started yet, but the hot weather is quickly maturing the crop. Some Arkansas farmers have started draining fields even in the northern part of that state. Early test results out

of Texas and south Louisiana where the harvest is in full swing are showing a very inconsistent percentage of whole grains that most are blaming on the intense heat during the growing season. It's still early and to date, Texas' offices have yet to conduct any open public sales of farmer lots.

The USRPA reports that the saga continues in the international space, where new rumors are surfacing that India may now repeal their weeks-old white rice export ban. The market reaction to the ban has been severe, sending prices skyward and traders scrambling to fulfill booked contracts, and ink new ones, all while trying to price in the reality that this spike is still based on the potential loss from adverse weather conditions. The Indian government has received pressure from both the Food and Agriculture Organization (FAO) and the International Monetary Fund (IMF) to repeal the export ban because of the havoc it has wreaked on global rice prices. A news report this week emanating from on-the-ground sources also indicates that the adverse weather conditions that India cited as the cause for the ban have abated, offering more support to relax the ban. It is far too soon to offer concrete dates, but December is likely the soonest any change is to occur. It is unknown if the Indian government will retain a 20% export tariff on non-basmati and non-parboiled rice. Therefore, the next three months— the heart of the U.S. crop harvest —will be volatile.

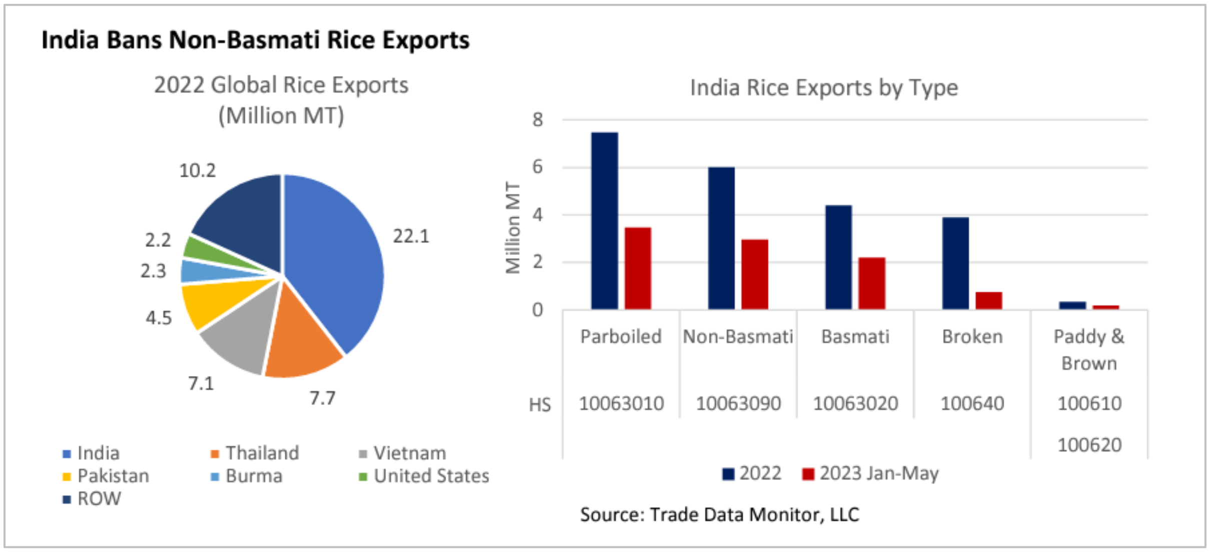
Global rice production is forecast slightly higher, with larger crops in Russia, Uganda, and the United States. Global consumption is forecast down as an increase for India is offset by lower consumption in several countries affected by India's recent export ban, particularly in Sub-Saharan Africa. Exports and imports are forecast lower due to the impact of India's export ban.

In the past month, U.S. export quotes remained at $760/ton, while Uruguayan quotes rose $35 to $635/ton. Both Thai and Vietnamese quotes skyrocketed by $125 to $657/ton and $644/ton respectively following India's ban, to the highest levels in 15 years. Pakistani quotes bounced back from last month's decrease, up $70 to $565/ton on limited supplies. Quotes were not available for India following India's export ban on July 20th but previously had been the lowest in the world at $485/ton.

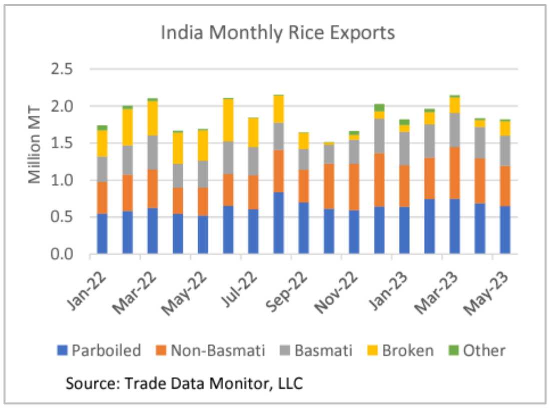


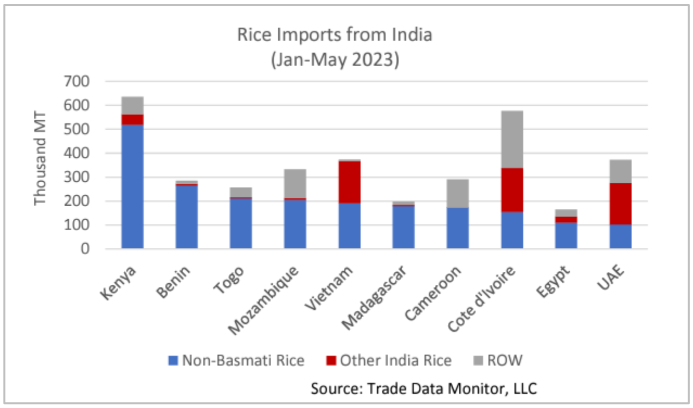
With harvest underway and prices from Thailand and Vietnam skyrocketing, the spread between U.S. rice and far-east competition is diminishing at an alarming rate. The assumption pre-India ban has been that convergence meant that U.S. long prices would drop; however, that is quickly changing as Thai prices are now approaching $650 per metric ton, and Viet prices at $625 per metric ton. The U.S. long grain price has held steady at $760 per metric ton for months because of no supply, meaning in the last three months, the spread has shrunk from 35% down to only 15%. To be clear, U.S. prices have not reacted to the Indian news and have been holding steady, as have those in South America. That could change in the near term as the crop comes off and supplies become available.

On July 20, 2023, India, the largest rice exporter, placed an immediate export ban on non-basmati white milled rice1. This is India's second-largest category of rice exports, accounting for a quarter of 2022 rice exports and 11 percent of global rice exports. India contributes roughly 40 percent of global rice exports, selling to more than 140 countries. As a result of this ban, the forecast for total rice exports is lowered to 20.5 million tons from 22.5 million for 2023 and 19.0 million tons from 23.0 million for 2024.



The Government of India clarified the reasoning for the ban was to ensure the domestic availability of non-basmati rice and prevent higher domestic prices. In September 2022, India attempted to slow exports by banning 100-percent broken rice and applying 20-percent tariffs on paddy (100610), brown (100620), and non-basmati rice (10063090). However, despite the tariff, exports of non-basmati rice have remained strong and rice prices in Asia rose roughly 20 percent so that Indian rice prices remained the cheapest globally.





January-May 2023, India exported 9.6 million tons of rice, with 3.0 million being non-basmati rice. For non-basmati, India's largest markets have been Kenya, Benin, and Togo. Many top buyers, especially in Africa, are not self-sufficient in domestic rice production and rely on low-cost and abundant supplies of Indian rice. To ensure food security, India has agreed to work with other governments and allow for diplomatic exceptions to the ban. Similarly, even after India's broken rice exports were banned, India continues to export broken rice, but at lower volumes.

Many countries are likely to switch to other major suppliers, including Vietnam and Thailand, to help fulfill domestic demand. However, exportable supplies from Vietnam and Thailand are limited as both countries produce far less rice than India and have lower stocks available. Thai and Vietnamese export quotes jumped $125/ton to $657/ton and $644/ton, respectively, following India's ban.

Along with non-basmati rice, India exports large amounts of basmati and parboiled rice which are not banned nor face any tariffs. Basmati rice is a fragrant rice that sells at a premium and is primarily exported to the Middle East, Europe, and North America. As a higher cost option, basmati exports are not expected to see any major shifts. On the other hand, it is possible that the new ban may encourage more shipments of parboiled, India's largest rice export category. Parboiled rice is produced by steaming regular paddy rice under pressure and then milling it, resulting in a more nutritious option. Numerous countries are impacted by the ban. The page below highlights the largest import changes for 2023 and 2024.

Heavy rain in China's grain-producing north-eastern region will reduce yields and put upward pressure on already high global rice prices, although the effects on corn prices should be limited due to strong global supply. The three provinces of Heilongjiang, Jilin, and Inner Mongolia, where China raised flooding alert levels on August 5th and 6th, accounts for 23% of China's grain output in 2021. Heilongjiang is China's largest rice producing province, constituting 13.7% of the country's rice production in 2021. Corn and soybean are also among the major grain crops grown in these provinces, and they collectively produced 37% and 58% of China's corn and soybeans, respectively, in 2021.

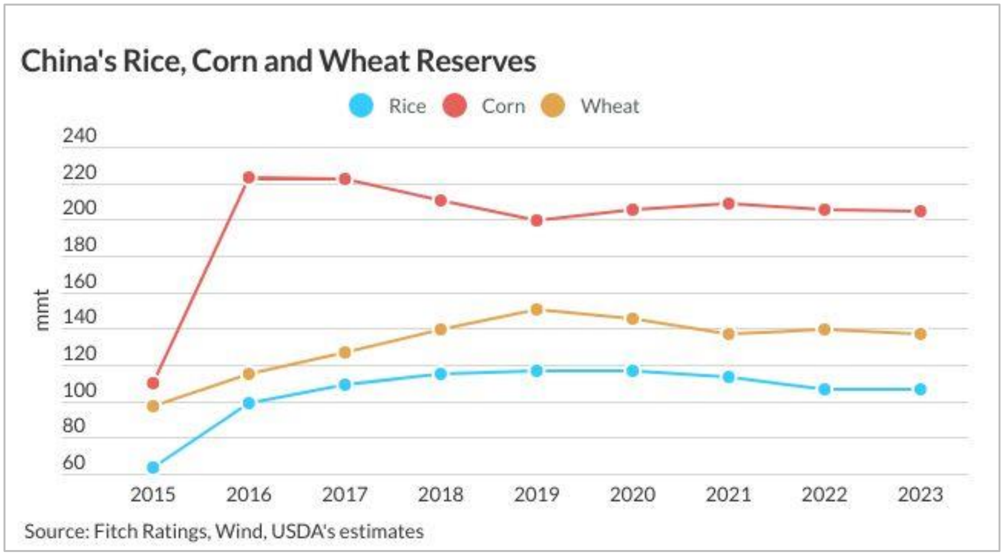
The hit to China's cereal crops - the full extent of which is not yet clear - comes as consumers worldwide face tightening food supplies amid an Indian ban on exports of non-basmati white rice last month and disruptions in Black Sea grain shipments caused by the on-going war in Ukraine.

Some market analysts believe many key grain production areas in these Chinese provinces have been affected by the heavy rain from the remnants of Typhoon Doksuri and face another deluge as Typhoon Khanun moves north. Soaked grain fields will reduce crop yields this year, although the extent of damage is yet unclear. This will exacerbate Chinese domestic grain prices and likely drive higher imports in the

second half of 2023 (2H23) to partially offset the potential yield loss. Chinese import quotas for rice and corn in 2023 are 7.2 million metric tonnes (mmt) and 5.32 mmt, respectively, but these thresholds are not set in stone and could be adjusted to tamper price volatility in the domestic rice market.

Floods will likely reduce rice output. "Flood will indeed affect rice production in the northeast, and it may reduce rice production by 3%-5% in flood-affected areas," a senior analyst at Beijing Orient Agribusiness Consultant, told Reuters. However, ample domestic rice inventories are expected prevent China from buying larger volumes from the international market, analysts said. Diminished rice production in China's northeast is unlikely to result in larger imports as the country is largely self-sufficient according to analysts at Shanghai-based JC Intelligence.

Chinese rice imports fell year-over-year in the first half of 2023, mostly due to a high base in 2022 when it increased broken rice imports to replace more expensive animal feed. Analysts expect a moderate increase in rice imports in 2H23, depending on the yield loss and impact on state grain reserves, but believe the government can tolerate moderate fluctuations given reserve levels are still high at about 70% of annual consumption, according to the USDA.



Cotton

December cotton futures rocketed to the highest level in nearly a year following USDA's August reports. While old-crop ending stocks were raised 450,000 bales to 3.7 million bales amid a cut in exports of 100,000 bales and a 350,000 bale cut to unaccounted use, 2023-24 ending stocks were lopped by 700,000 bales to 3.1 million bales. Total 2023-24 supplies were slashed 2.06 million bales from July, though larger beginning stocks were more than offset by a 2.51 million-bale reduction in the 2023 crop. On the demand side, USDA trimmed domestic use by 50,000 bales, while exports were cut by 1.25 million bales. Traders will continue to mull over USDA's August data into next week, with an increasing focus on weather as harvest nears.

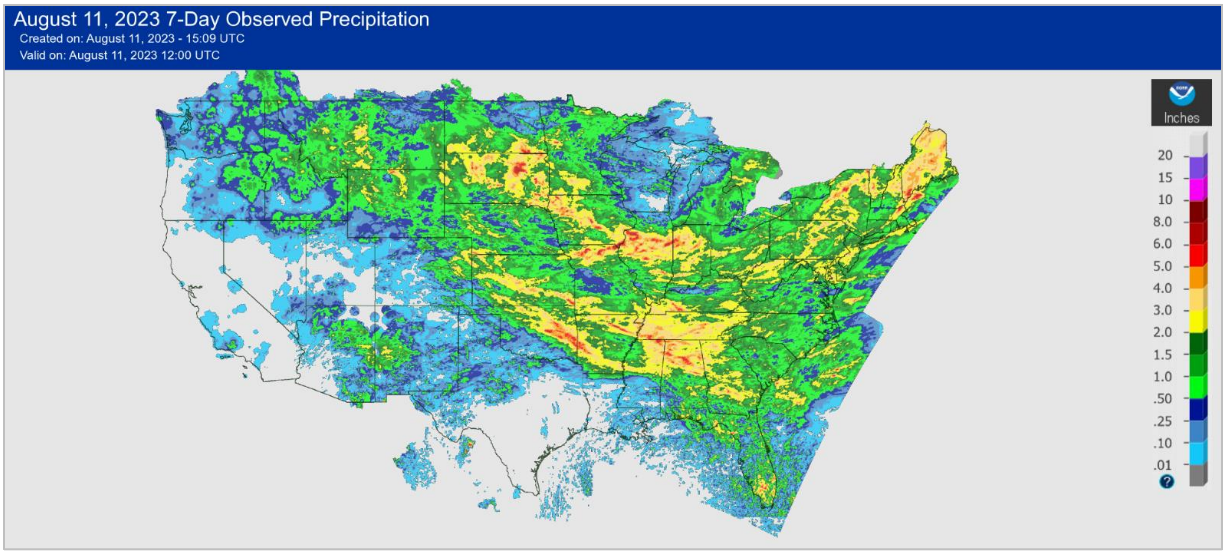
Weather over the near term will be increasingly important in the wake of today's USDA data. World Weather Inc. reports a few showers and thunderstorms will impact West Texas infrequently over the next couple of weeks, but they will have a minimal impact on crops. Overall, there is not much potential for relief from any of the dry and warm weather across cotton production regions in Texas. Forecasts continue to maintain that the Coastal Bend and South Texas production areas will continue to benefit

from dry conditions as early harvesting commences. Southern Texas will experience production drags, though, due to dry biased conditions during much of the growing season. Weather in the Delta and southeastern states is expected to be favorably mixed over the next ten days.

USDA's weekly export data will continue to prove important as the new marketing year, which began August 1st, progresses. Traders will continue to look to the data to gauge the world and top importer, China's economy as data continues to point to persisting deflationary issues, which could lead to reduced purchases of the natural fiber. In the week ended August 3rd, USDA reported net sales of 277,700 RB for 2023-24. Top purchasers included China, Pakistan, and Vietnam.

For the week ending Friday, August 11th, ICE cotton futures traded sideways into the August WASDE report, then reacted sharply higher. After coming down off Friday's highs, the December 2023 futures contract settled the week at 87.89 cents per pound.

Cotton-specific influences for the week included bullish supply/demand revisions by USDA. The eastern Cotton Belt was covered with what seems like regularly scheduled rainfall. Oklahoma received a lot of this rain, too, but Texas received only a small portion with hot and dry conditions dominating. Looking back, the excess moisture in April/May had mixed effects in northwestern Texas, followed as it was by wind and heat. The resulting production uncertainty is still clouding the U.S. cotton supply/demand and market outcomes.



The large cut to U.S. cotton production dominated the changes to the U.S. balance sheet (see the last column of the table above). Fewer exportable surpluses resulted in a reduction in U.S. exports, in addition to the greater competition implied from more production and more exports from Australia and Brazil. The bottom line was a 700,000-bale reduction in U.S. ending stocks to 3.1 million bales. This bullish both in the adjustment and in the resulting level.

Through August 4th, U.S. export sales started off the new marketing year strongly, while actual export shipments were below the needed weekly average pace (which is seasonally normal). Meanwhile, USDA's weekly summary of the U.S. regional markets continued to reflect mixed spot physical trading activity and very light to moderate demand, across the U.S. regions.

ICE cotton futures open interest modestly rose and fell across the week. The regular weekly snapshot of speculative positioning (through Tuesday, August 8 as reported by Dr. John Robinson of Texas A&M University) showed minor building of 607 new hedge fund longs outweighed by 3,134 additional hedge fund shorts, week over week. The index fund net long position decreased by 1,500 contracts, week over week. One contract is about 100 bales. The combined net speculative position has an apparent influence on price in the short run. Statistically, hedge fund position changes of 10,000 contracts (higher or lower) are associated with a little under a cent move by ICE futures in the same direction.

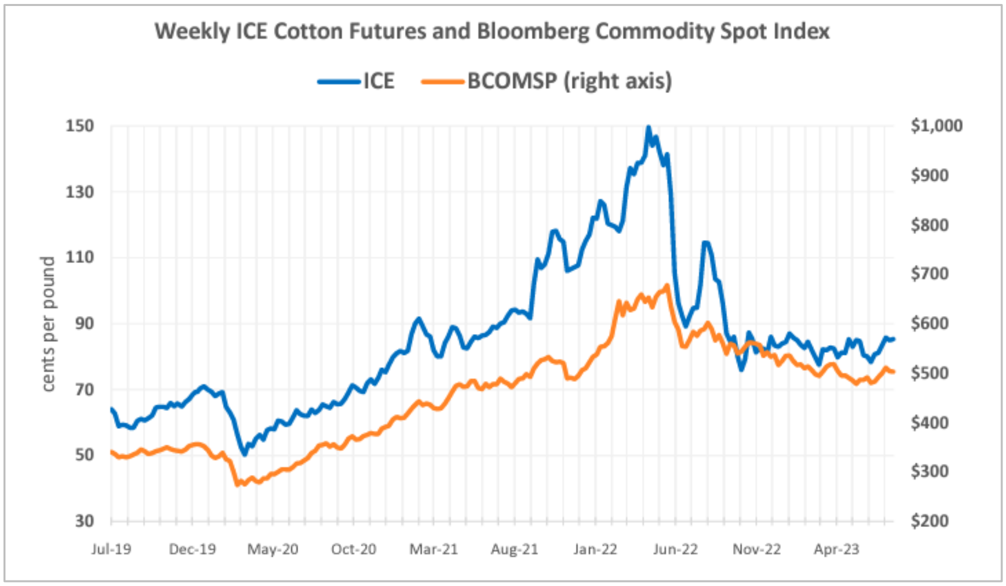
This week's Export Sales Report was the final report for the 2022/23 season also contained activity for the first few days of the 2023/24 marketing year. The outgoing marketing year ended without any major fireworks. The last week of the 2022/23 season showed a total of 195,800 Upland bales were exported. This was lower than what was needed to meet the export estimate of 12.9 million bales and a total of 2,152,500 Upland bales will be carried to the 2023/24 marketing year. Total accumulated exports for the 2022/23 crop year finished at 11,777,500 bales. The 2023/24 marketing year began August 1. A net total of 277,700 Upland bales were booked for the beginning of the crop year and a total of 129,000 bales were shipped. To no surprise, China was the biggest buyer this week, booking 154,100 bales. China was followed by Pakistan with 132,800 bales, Vietnam with 13,900 bales, and Honduras with 11,900 bales. Net sales of Pima for 2023/24 totaled 900 bales, with no sales reported for the 2022/23 crop year. A small 1,000 bales of the 2023/24 crop were exported. Exports for the last week of 2022/23 totaled 2,100 bales, meaning carryover from the 2022/23 crop totaled 31,400 bales.

In extraneous markets, the release of the Consumer Price Index (CPI) was the headline in broader markets. July CPI rose 3.2% year-over-year, which was slightly weaker than market expectations. The overall neutral report has analysts expecting an interest rate pause in September. The report helped push major indexes higher to finish the week. In addition to the neutral inflation news, an increase in weekly unemployment claims put pressure on the U.S. Dollar, which helped boost commodity prices in general. Crude oil prices continued to strengthen, and with cotton prices being correlated with oil prices, the increase has helped bolster prices this week.

Global cotton production is down more than 2.7 million bales this month to 114.1 million bales due to lower U.S. and Uzbekistan crops. For the second consecutive month, consumption is up, coming in at 116.9 million with increases being mostly led by stronger consumption prospects in China more than offsetting lower use in Uzbekistan. Consumption is now forecast 6.5 million bales higher compared with the previous year (5.8 percent growth rate) as mills are forecast to replenish low cotton yarn inventories. Global trade is forecast up 400,000 bales from the previous month to 43.9 million as higher exportable supplies in Brazil support stronger import demand in China. This more than offsets lower U.S. exports which are down 1.3 million bales to 12.5 million. Global ending stocks are down 2.9 million to 91.6 million bales and led by drastically lower projected stocks in Brazil. Stocks were also adjusted lower in the United States, China, and Mexico. The U.S. season-average farm price for 2023/24 is forecast up 3 cents to 79 cents per pound.

The southwest monsoon rains were relatively early in their complete coverage of India, albeit a bit below average in their early accumulation. July saw an intense flooding rains in northern India and Pakistan. Now the monsoon rainfall appears to be in a lull, with hopes for a return to normal later in August. This raises concerns about the agricultural impact of the uneven distribution of monsoon rains. Pakistan has also suffered crop damage from excessive monsoon rains. Meanwhile in China, the main cotton producing region of Xinjiang had to deal with damaging temperature extremes. Meanwhile, our two major export competitors in the southern hemisphere have been harvesting strong cotton crops.

Cotton futures were higher since last month’s WASDE with prices on the Intercontinental Exchange (ICE) settling at roughly 86 cents per pound, up more than 5 cents. Declining U.S. cotton crop conditions and slightly higher commodity prices (as exhibited by the Bloomberg Commodity Spot Index) helped support the rise. Furthermore, speculators are anticipating higher cotton prices as this is reflected by the net position for noncommercial participants going from negative to positive.

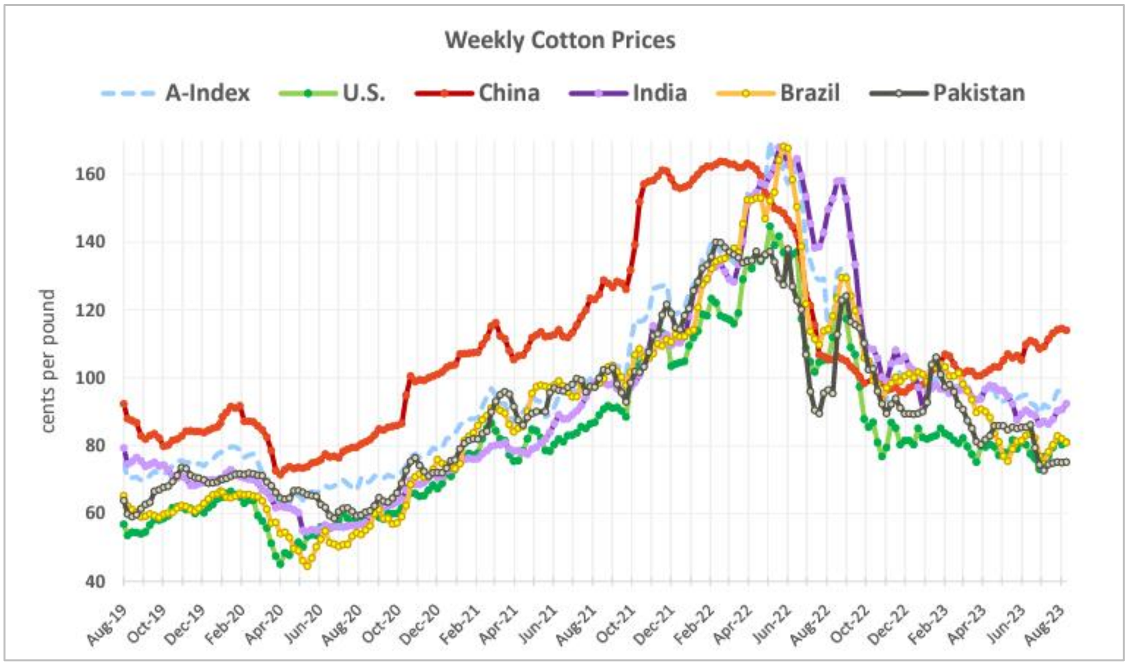


All spot prices were higher compared to prices last month and mostly reflect changes in the December 2023 futures contract. The United States witnessed the most significant increase, likely due to deteriorating crop conditions in Texas (largest producing state). China prices settled at nearly 115 cents per pound, more than 30 cents higher compared with the United States. Both origins were at the same level at this time last year.

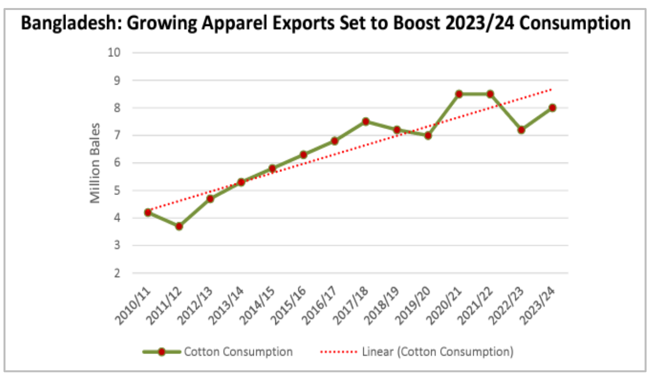
Significantly higher prices in China are expected to support higher import demand, with 2023/24 imports forecast up nearly 4.0 million bales to 10.0 million. China basis is significantly higher compared with last year due to a 4-million bale decline in forecast production and improved consumption prospects. Prices in India were higher this month at 92 cents but are nearly 60 cents lower compared with a year ago as last marketing year's production is estimated to have exceeded consumption.

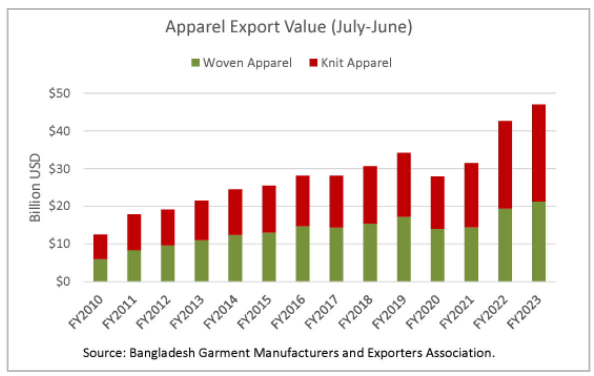
Changes Since July *WASDE* (cents per pound)

	A-Index	U.S.	China	India	Brazil	Pakistan
10-Jul	91.4	74.6	109.4	86.2	76.0	74.0
8-Aug	96.1	80.9	113.9	92.3	81.1	74.7
Change	**4.7**	**6.3**	**4.5**	**6.1**	**4.5**	**0.7**



Bangladeshi 2023/24 cotton consumption is forecast up 800,000 bales to 8.0 million mostly due to burgeoning apparel exports. Practically all cotton yarn (i.e., cotton consumption) is sold domestically to the country's robust fabric and apparel sectors. Bangladesh is close to overtaking China as the world's largest cotton apparel exporter with stronger demand prospects expected to drive cotton consumption even higher.





Apparel exports are pivotal to economic growth in Bangladesh and the stabilization of its domestic currency, specifically by obtaining U.S. dollars through foreign sales. The Bangladesh Garment Manufacturers and Exporters Association reported that apparel accounted for over 80 percent of the country's total exports in fiscal year (FY) 2023 (June 2022 – July 2023) at roughly $47.0 billion, more than double the value one decade ago. This value surpassed the previous year's record signaling global importers' increasing preference for Bangladesh cotton products.

Exports of knit apparel have been crucial to recent growth with a value that nearly tripled over the past decade. According to the Bangladesh Textile Mills Association, local textile mills meet 85 percent of the demand for knit fabrics and about 40 percent for woven fabric, which is mostly imported from China. Knitted cotton shirts and sweaters have been major products helping drive recent record high values.

Growing apparel exports to the world's largest importing markets, the United States and European Union, is particularly evident with record volumes of Bangladesh cotton apparel in 2022. The United States Fashion Industry Association's (USFIA) annual Fashion Industry Benchmarking Study listed factors supporting even stronger future apparel exports prospects.

According to the study, U.S. fashion companies have attempted to reduce their sourcing from China (the largest apparel exporter) by reallocating sourcing orders to markets including Bangladesh due to the following: the Uyghur Forced Labor Prevention Act (implemented in June 2022), China Section 301 tariffs on Chinese apparel exports (September 2019), and "near/friend shoring" to minimize logistical and political risks.1 Bangladesh, India, and Vietnam were the three suppliers that retailers plan to increase sourcing from over the next 2 years to divert orders away from China. The USFIA study also indicated that Bangladesh, from a cost structure point of view, is the most competitive apparel supplier scoring higher than any other country.

The Export Promotion Bureau of Bangladesh is targeting more than $50.0 billion of apparel exports in FY2024, slightly higher than the previous fiscal year and proof that the government foresees greater demand. Spinning mills' operating rates in 2023/24 are expected to rise as the textile supply chain replenishes depleted stocks of yarn, fabric, and apparel; this past marketing year witnessed textile manufactures destocking and maintaining low inventories across the supply chain.

PLC Farm Program Payment Projections – 2023/24 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	***2023/24 MYA Price****	*Effective Reference Price*	***2023/24 PLC Payment Rate***
Corn	$4.90	$3.70	--
Grain Sorghum	$4.90	$3.95	--
Long Grain Rice	$15.50	$14.00	--
Medium Grain Rice	$16.00	$14.00	--
Seed Cotton	$0.4294	$0.3670	--
Soybeans	$12.70	$8.40	--
Wheat	$7.50	$5.50	--

**national marketing year average (MYA) prices reflect the prices contained in the USDA WASDE report on August 11, 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, AEI, 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, Co-Bank, Cotbase.com, 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, NOAA, 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, Standard Grain, 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), and the Wall Street Journal.

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