Staff Report No. 2022-34 **June 13, 2022**

June Market Update
Corn, Soybeans, Rice, and Cotton

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WASDE Summary

The outlook for U.S. corn in 2022/23 is for larger beginning stocks, slightly higher use, and increased ending stocks. Corn area and yield forecasts remain unchanged. On the 30th of June, the USDA will release its Acreage report, which will provide their survey-based projections regarding planted and harvested area. Beginning stocks are up 45 million bushels mostly reflecting a forecast decline in exports for 2021/22. Exports were lowered by 50 million bushels, based on reported U.S. Census Bureau shipments through the month of April and export inspection data for the month of May. Food, seed, and industrial use (FSI) is raised 5 million bushels as projected increases in the amount of corn used for glucose and dextrose and starch is partially offset by a decline in high fructose corn syrup. These FSI use changes are carried through for 2022/23. With no other 2022/23 use changes, ending stocks are raised 40 million bushels. The season-average farm price received by producers is unchanged at $6.75 per bushel.

The outlook for 2022/23 U.S. wheat this month is for increased supplies, unchanged domestic use and exports, and higher stocks. Supplies are raised on higher production with all wheat production projected at 1,737 million bushels, up 8 million from last month. NASS raised winter wheat production to 1,182 million bushels as increases for Soft Red Winter and White Winter more than offset a reduction for Hard Red Winter. The all-wheat yield is 46.9 bushels per acre, up 0.3 bushels from last month. Projected 2022/23 ending stocks are raised 8 million bushels to 627 million, still down 4 percent from 2021/22. The projected 2022/23 season-average farm price is unchanged at $10.75 per bushel, compared to $7.70 for 2021/22.

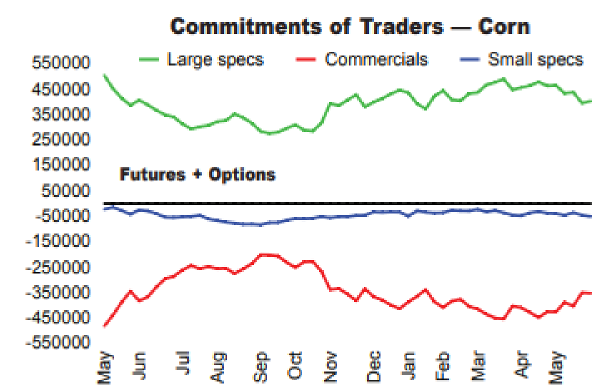
This month's U.S. soybean supply and use projections for 2022/23 include lower beginning and ending stocks and higher prices. Lower beginning stocks reflects increased exports for 2021/22. Soybean exports for 2021/22 are raised 30 million bushels to 2.17 billion reflecting strong export sales and a reduced export forecast for Brazil. With reduced supplies for 2022/23 and no use changes, soybean ending stocks

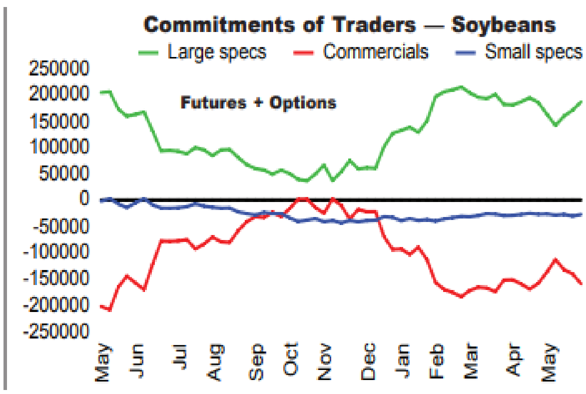
are projected at 280 million bushels, down 30 million. The soybean price is forecast at $14.70 per bushel, up 30 cents from last month.

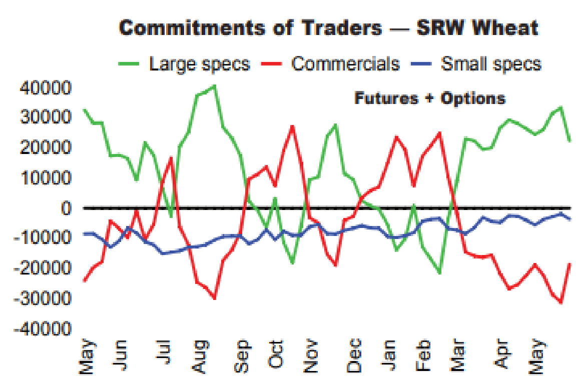
The outlook for 2022/23 U.S. rice this month is for higher beginning and ending stocks with no other changes to the 2022/23 balance sheet. The 2022/23 all rice beginning stocks are increased 1.0 million cwt to 38.5 million, due to a combination of higher imports and lower exports in 2021/22. For 2021/22, all-rice imports are raised 1.0 million cwt to a record 35.5 million on increased shipments from Asia in the first four months of 2022 as indicated by Census data. All rice 2021/22 domestic and residual use is increased by 1.0 million cwt to 148.5 million as the increase in imports is expected to raise consumption by an equivalent amount. All rice 2021/22 exports are lowered 1.0 million cwt to 84.0 million (all long-grain) on a recent extremely slow pace of sales as U.S. rice prices are increasingly uncompetitive. The 2022/23 all rice season average farm price (SAFP) is unchanged at $17.80 per cwt.

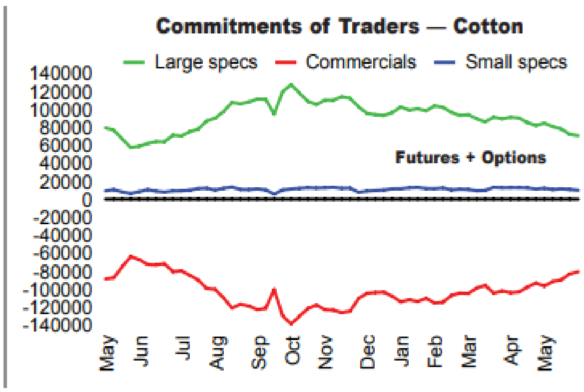
The 2022/23 U.S. cotton supply and demand projections are unchanged from last month, with the exception of a 5-cent increase in the season-average upland farm price to 95 cents per pound. A sharply higher percentage of U.S. upland area has been forward contracted for 2022/23 as of May 31st, and futures prices for the post-harvest months remain strong. There are no changes to the 2021/22 U.S. balance sheet, and the projected farm price remains at 92 cents.

Commitment of Traders Report, Tuesday, June 7, 2022

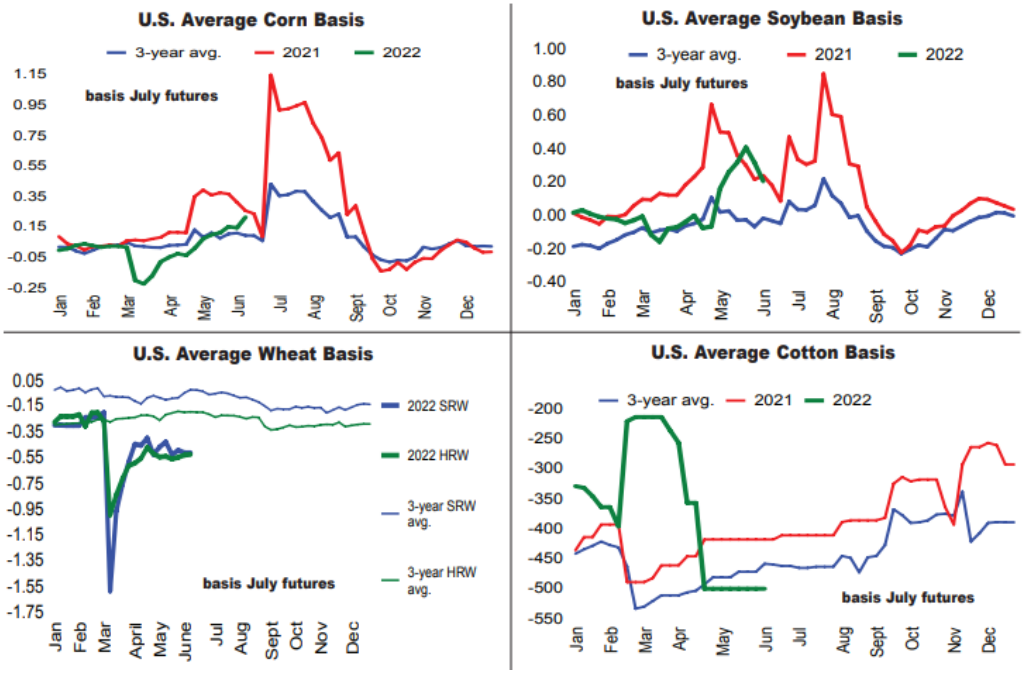








Cash Market Basis Charts, Wednesday, June 8, 2022

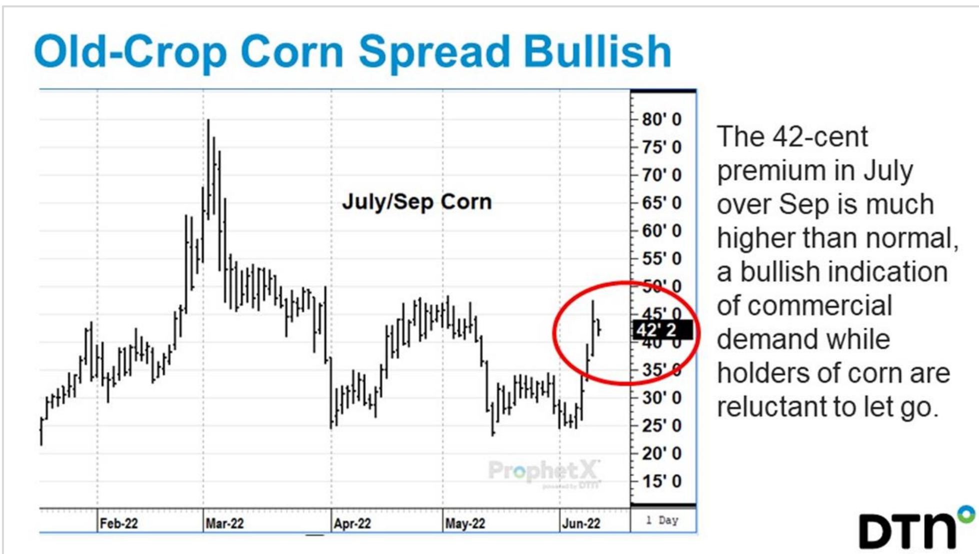


Corn

While fundamentals remain more bullish than bearish, the sharp plunge in corn values throughout much of May and the first week in June (DTN chart below) warrants additional explanation. The pace of U.S. corn planting picked up considerably in recent weeks and the follow-up rains likely have the current corn condition above average. July corn futures show some real bearish indicators. The most-active CBOT corn futures topped their 20-day moving average for the first time in three weeks but settled below at $7.64 per bushel on June 8. Although they came close, futures traded below the 50-day average.

July corn rose for the fourth straight day and posted a two-week high as the market extended a weeklong technical resurgence, with the help of forecasts for hot, dry weather in the Midwest and from the soybean market's rally near decade highs. High temperatures will reach the mid- to upper-90s in some southwestern and south-central areas of the Midwest next week, with a broader area of heat possible in the western Corn Belt late next week into the following weekend, World Weather Inc. said today. "Many areas will dry down significantly next week through June 23 and subsoil moisture will adequately support crop development, but greater rain will be needed soon to keep production potentials from declining," the forecaster said.

Technically, the corn bulls continued to strengthen a near-term technical advantage, likely breaking a five-week downtrend drawn from the contract high of $8.24 1/2 posted April 29. Bulls are likely targeting a close above the 40-day moving average, currently at $7.82, as well as the $8.00 level and the May high at $8.10 1/2. Initial support is seen at Wednesday's low of $7.56 and at the 10-day moving average at $7.52, with further support at last week's low of $7.20 1/2.

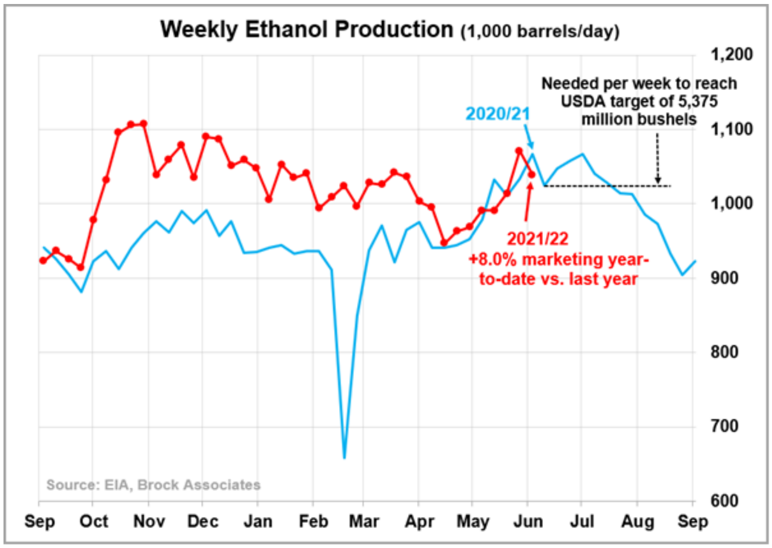


Weather conditions in the Midwest for the remainder of June and early July loom large over the near-term direction. Favorable weather conditions could act to limit price upside in new-crop futures but less favorable conditions such as hotter temps and the possibility of a summer weather scare could work to limit downside. Mild temperatures across the Midwest "will give way to warm to hot conditions and rapid drying starting Sunday in the southwest and expanding to most of the central and southern Midwest next week," World Weather Inc. said today. Rainfall will be "infrequent and light enough that most areas will have dried down significantly by June 24," the forecaster said, adding that temperatures "will be hot enough at times that some crops are stressed by the heat."

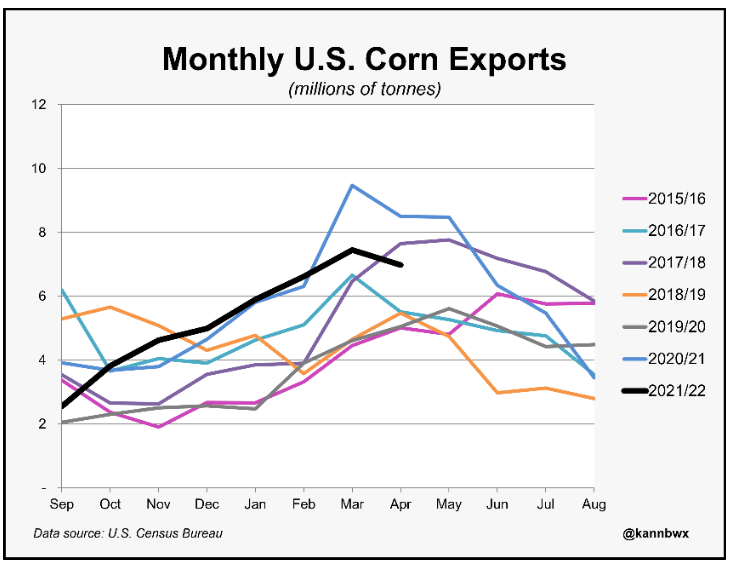
Long-term market direction hinges on summer weather and export demand, with ongoing disruptions from the Russia-Ukraine war likely to remain a trade concern. USDA's June WASDE report conveyed a slightly more abundant supply outlook for corn both globally and in the U.S., where analysts feel that longer-term price upside effects may be limited. USDA raised its 2021-22 U.S. corn carryover estimate by 45 million bushels from last month to 1.485 billion bushels and hiked projected 2022-23 carryover by 40 million bushels to 1.400 billion. Projected global corn stocks at the end of 2022-23 were forecast at roughly 311 million metric tons, a 1.7% increase over May's forecast.

July futures broke a five-week slide and new-crop December posted its first weekly gain in four weeks. The recent downtrend in nearby futures was broken, but possibilities still remain for additional contra-seasonal upside amid firm demand and tight supplies, especially if soybeans extend a rally to new all-time highs.

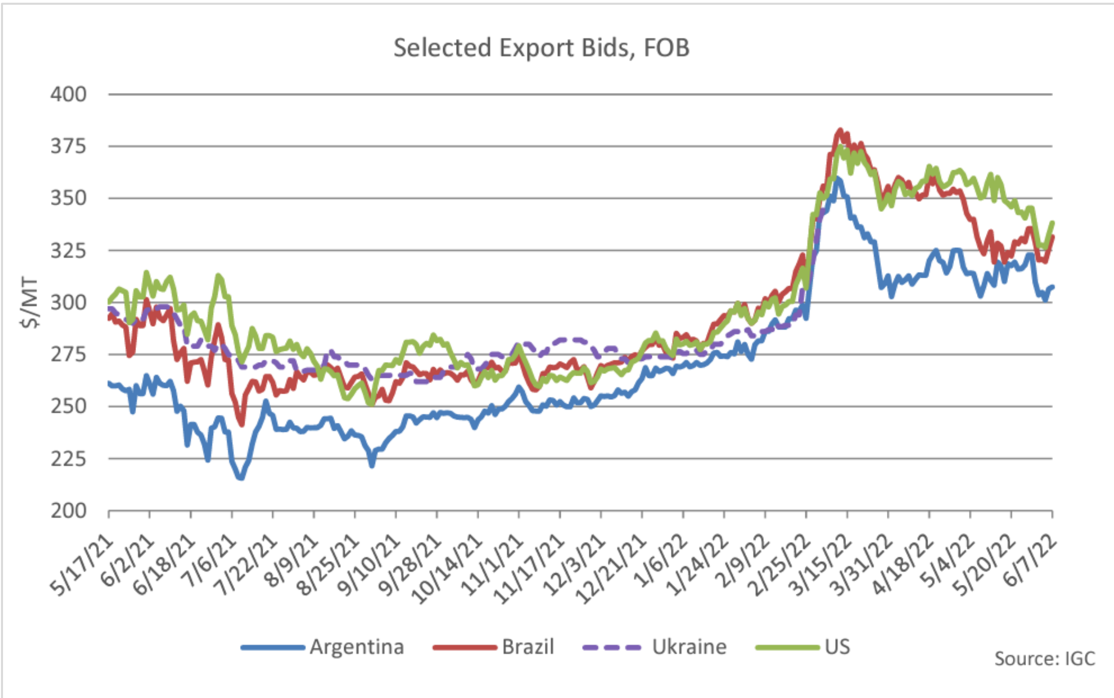
U.S. ethanol production for the week ended June 3rd fell to 1.039 million gallons per day from the previous week's 1.071 million and was near the low end of expectations but remained above the level needed to reach USDA's 2021-22 corn-for-ethanol use forecast. Despite the lower production, ethanol stocks rose by 2.9% from a week earlier to 23.636 million barrels and were 18.4% above a year earlier. Ethanol stocks rose despite higher weekly gasoline demand of 9.199 barrels per day, up 2.5% vs. a week earlier and slightly above a year earlier. There is clearly no evidence yet of demand destruction from higher prices. The 4-week average for gasoline demand was 0.9% below a year earlier.



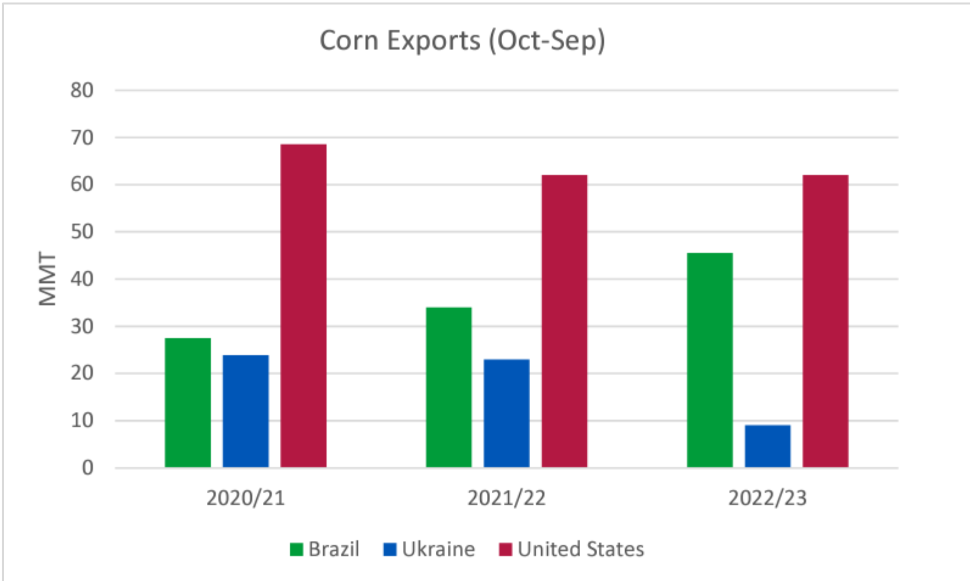
The U.S. exported nearly 7 million tonnes of corn in April, above the month's recent average by 8% but down from last year's record. Exports to China accounted for 24% of the total. At $327 per ton (or $8.31per bushel), the export price of U.S. corn in April was the third-highest for any month on record after September and December 2012.



Since the May WASDE, South American bids have changed relatively little while U.S. bids eased. In the United States, planting progress improved throughout the month of May and, as of the week ending June 5th, was higher than the average of the previous 5 years. U.S. bids were down $17/ton to $338. Brazilian bids were unchanged at $331/ton and Argentine bids were down just $1/ton to $307. Ukrainian bids remain unpublished. The possibility of opening a "grain corridor" out of Ukraine has injected some additional uncertainty into the market, but discussions remain ongoing.



On May 23rd, China and Brazil announced that they had signed a Protocol on Phytosanitary Requirements which would allow for the export of Brazilian corn to China. According to available information, before trade can begin, export establishments must first be registered with the Chinese government. However, should large scale trade commence, it could reshape global corn trade flows. In 2020/21 (Oct-Sep), China imported nearly 30 million tons of corn; of which, nearly 70 percent was imported from the United States with most of the remainder coming from Ukraine. In March 2022, the most recent month of published data, Ukraine exported just 1.1 million tons of corn, with about 400,000 tons going to China. In comparison, corn exports totaled 2.6 million tons a year ago, with nearly half of that volume going to China. Given that Ukrainian corn exports are currently curtailed by the ongoing war, China appears to be looking elsewhere for supplies.



Early indications are that Brazil would be a good alternative supplier of corn during the remainder of 2021/22 and 2022/23. Production for the current safrinha crop has recovered from the previous year and exportable supplies are expected to be ample through the end of the calendar year. Moreover, production and exports for the outyear are forecast at yet another record high.

China is forecast to be the world's largest corn importer both in 2021/22 and 2022/23, though year-to-year imports are down to 18.0 million tons mostly due to stalled Ukrainian exports. Chinese corn imports are highly concentrated. Though the timing and potential volume of Brazilian corn imports are uncertain, this agreement represents a Chinese attempt at diversifying their sources for corn as well as a potentially major market for Brazil.

Wheat

July KC wheat futures have seen price erode by $2.67 per bushel just since mid-May, even while world wheat fundamentals remain bullish. The weakness has come partly from the beneficial rains we have seen in the previously drought-impacted Western and Southern Plains, and the notion that Russia would cooperate in allowing a shipping corridor to open for Ukraine to export grains.

Traders are still mulling a potential re-opening of grain shipments from war-torn Ukraine, although many wheat market watchers do not expect any truthful agreement from Russia on the matter. Winter wheat futures bulls have the slight overall near-term technical advantage. SRW bulls' next upside price objective is closing July prices above solid technical resistance at $11.57 1/4. The bears' next downside objective is closing prices below solid technical support at last week's low of $10.27 1/4. First resistance is seen at $10.89 and then at $11.00. First support is seen at $10.50 and then at the June low of $10.27 1/4. The HRW bulls' next upside price objective is closing July prices above solid technical resistance at $12.50. The bears' next downside objective is closing prices below solid technical support at $10.86 3/4.

USDA reported weekly U.S. wheat sales totaled 451,000 metric tons for the 2022-23 marketing year, which began June 1st. Sales were at the high end of trade expectations. U.S. exports for the 2021-22 marketing year that ended May 31st totaled 18.7 metric tons, down 25% from the prior marketing year.

However, wheat futures remain under pressure from increasing U.S. winter wheat harvesting activity and improved weather in U.S. spring wheat areas. Weak export demand for U.S. wheat and improved weather

in European winter wheat areas have also weighed on prices. The continued halt to Ukraine's Black Sea exports is a supportive market factor, but traders are cautiously watching efforts to reopen those exports.

With no clear agreement between Russia and the U.N. regarding Ukrainian grain shipments, this uncertainty will continue to be the forefront issue weighing on wheat markets for the next coming weeks as many traders remain wary of any pledges made by Russia. Should the Russian blockade of Ukrainian ports remain unresolved, Ukrainian grain logistics will deteriorate with the start of harvest. "The harvesting campaign will start in Ukraine in 2-3 weeks, while last year's grain is still stored in the elevators," said one Ukrainian grain official.

Ukraine will only be able to export a maximum 2 million tonnes of grain a month should Russia refuse to lift its blockade of Ukrainian ports on the Black Sea. Before Russia invaded on February 24th, Ukraine was able to export up to 6 million tonnes of grain a month. With Russia's invasion, more than 20 million tonnes of grain are stuck in the country's silos. The U.N. is trying to broker a deal to get Ukrainian grain shipped from its ports, but Russia has indicated that for any deal to take place, it wants Western sanctions lifted. Russian has also leveled accusation at Ukraine, stating that Ukraine had mined its waters.

Russian shelling recently destroyed the warehouses of one of Ukraine's largest agricultural commodities terminals in the Black Sea port of Mykolaiv. The attack came at a time when Turkey is actively trying to develop a U.N.-backed plan to start grain exports from Ukraine's ports. Reports of attacks in Mykolaiv helped drive wheat prices up more than 5% on Monday, June 6th, and dampened expectations that a diplomatic deal could be reached to resume sea shipments of Ukrainian grain.

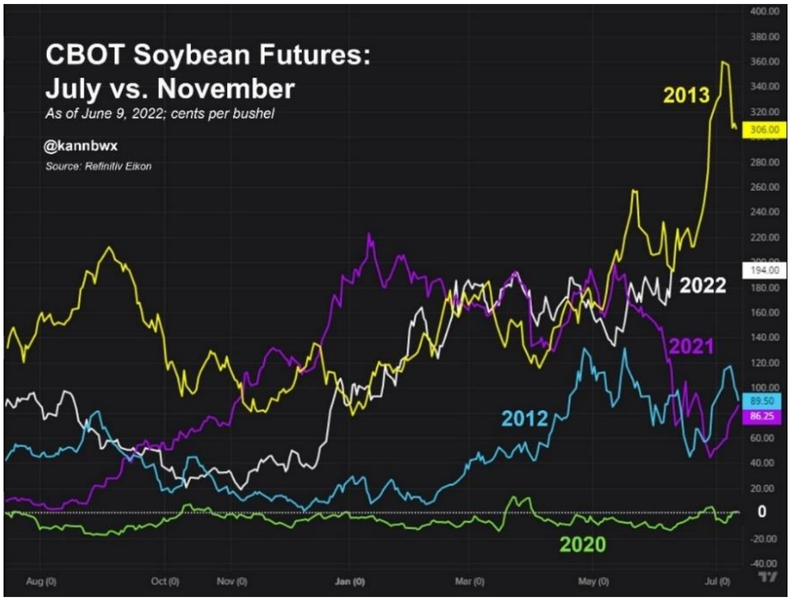
<u>Soybeans</u>

CBOT soybeans futures are running at all-time highs on June 9, reaching $17.71-1/2 per bushel early in the session. A higher price has been observed on only one other trading day in history: September 4, 2012, when most-active futures set their all-time high of $17.89 per bushel. During the June 9th session (one day before the WASDE report release) soybeans rose nearly 1.75% and reached their highest levels since September 2012. General export optimism kept traders in a pattern of technical buying.

Nearby soybeans rose for a fourth consecutive session on fresh export demand, delayed planting in the northern Midwest, and ongoing concern over tightening supplies. Soybean exports gathered 15.8 million bushels in old crop sales, plus another 21.9 million bushels in new crop sales for a total of 37.7 million bushels. That was on the higher end of analyst estimates, which ranged between 11.0 million and 44.1 million bushels. Cumulative totals for the 2021/22 marketing year were unable to gain any significant ground over last year's pace after reaching 1.840 billion bushels.

From a technical perspective, soybean bulls extended upside leadership with a strong breakout above the past three months' trading range, pushing July futures above resistance including $17.65 and to a high of $17.84, a contract high for the second straight day. The next upside target is the all-time high of $17.94 3/4, posted in September 2012, and beyond that level, the $18.00 mark. Initial support is seen at Wednesday's low at $17.26 1/2 and at the 10-day moving average at $17.19 1/2.

The July/November futures contract price spread finish around $1.87 per bushel on June 9th, similar to the same date in 2013. The run-up in old crop into expiry in 2013 pushed the old-new crop premium above $3.00 per bushel then. Recall that June 2021 saw a huge downward correction in old crop prices.



After spiking higher from the report, the soy market faded to red with soybean futures down between 9 to 14 cents. USDA lifted the old crop cash average price from $13.25 to $13.35/bu. The new crop cash average price is $14.70/bu, up from $14.40 seen in May.

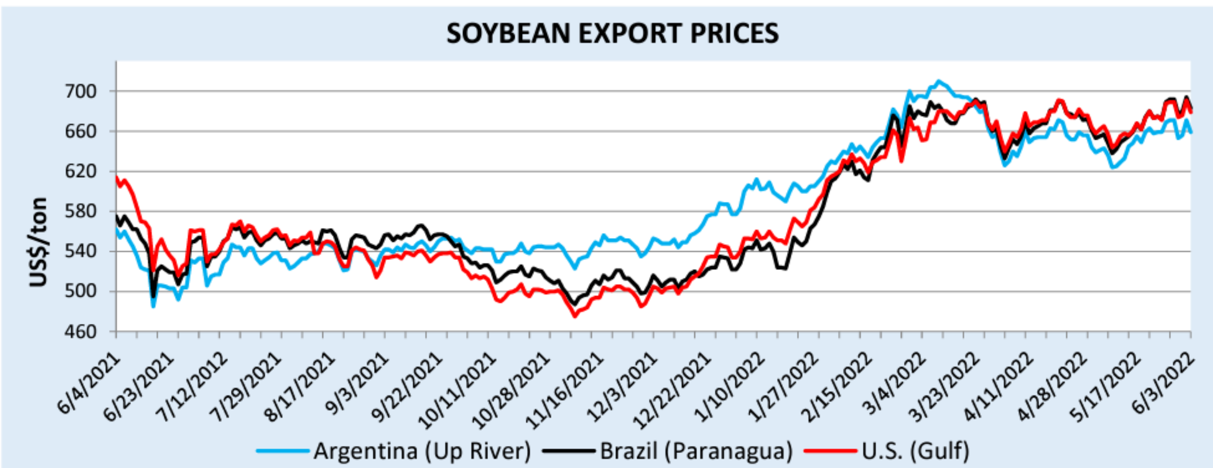
Along with USDA's June 30th Acreage report, weather from June into early July will be key to price direction. The Midwest outlook looks generally favorable for early crop development, with ample soil moisture and warmer temperatures expected over the next two weeks. Delayed planting in the northern Midwest and solid weekly export sales should keep prices underpinned. USDA Thursday reported net weekly U.S. soybean sales totaling 429,900 metric tons for 2021-22, nearly quadruple the previous week's 111,600 metric tons tally and up 41% from the prior four-week average. Top buyers included China (128,900 metric tons , including decreases of 10,900 metric tons). Traders will be closely watching for additional Chinese purchases in the coming weeks.

The potential for adverse summer weather conditions should limit the downside in new-crop futures, at least for the early part of summer. With sharply higher export commitments on the books for 2022-23,

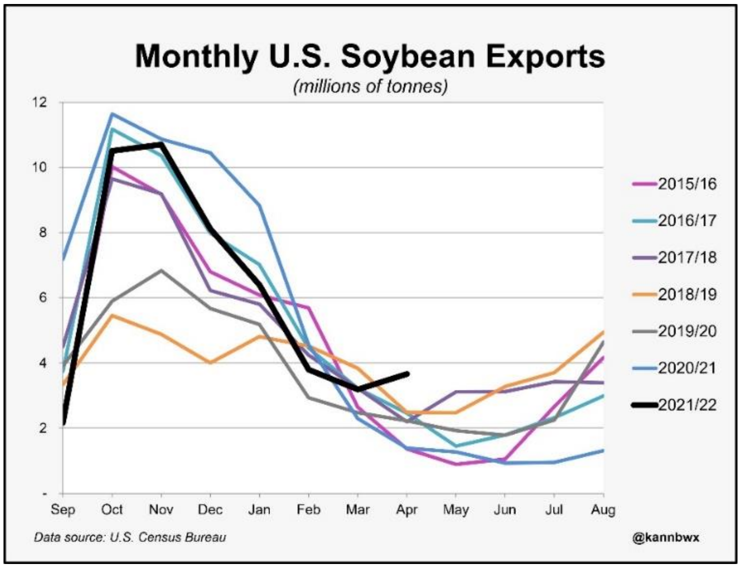
long-term supply/demand underpinnings for soybeans appear especially solid. Also, USDA's June WASDE report conveyed tightening domestic supplies. USDA cut its projection for U.S. soybean supplies at the end of the 2021-22 marketing year by a larger-than-expected 20 million bushels, to 205 million bushels, a six-year low. Estimated ending stocks for 2022-23 were also lower than expected at 280 million bushels, down from 310 million bushels in last month's estimate.

Short- and longer-term bullish fundamentals were evident last week, as nearby futures neared the all-time high posted in 2012 and new-crop November posted a fifth straight weekly gain. Concerns over delayed planting in the northern Midwest persist, however, weekly export sales have been solid, soymeal is showing fresh strength and China appears poised to extend its soybean purchases. Additionally, ongoing supply uncertainty in the global vegetable oil trade could further shake up a market already vulnerable to sharp price swings in either direction.

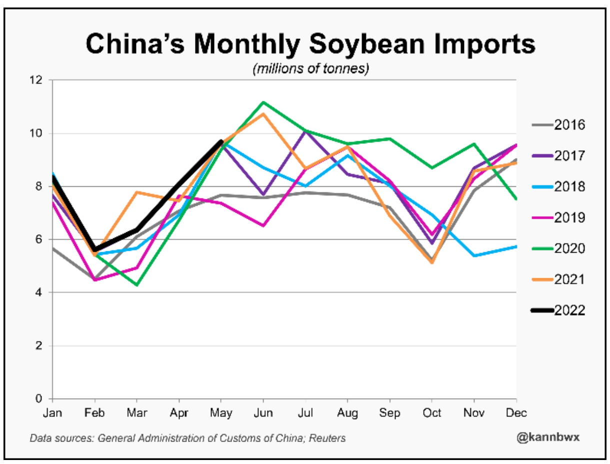
Prices were down marginally from last month but remain within a range of $650 to $670/ton. Prices have generally stayed in the range of $620 to $700/ton since late February, starting with the Russian invasion of Ukraine. Monthly average soybean meal prices declined in May, continuing a trend of declining monthly prices since peaking in March on high oil prices driving crush and leading to discounted meal prices. However, after reaching a low in mid-month, prices recovered to end-of-April levels on rising demand spurred by the lower price. U.S. prices continue to run at a $25/ton premium as rising South America crush increases exportable supplies.

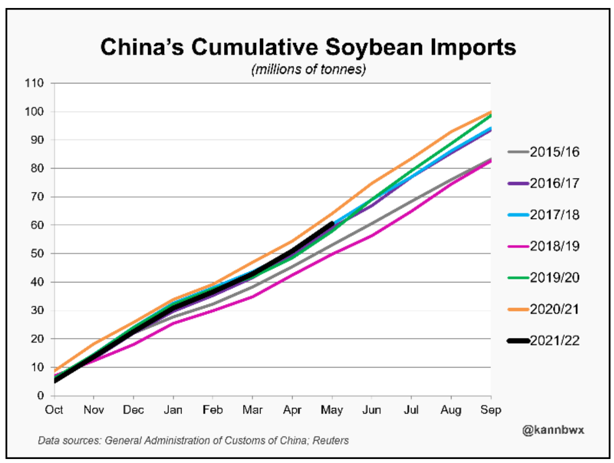


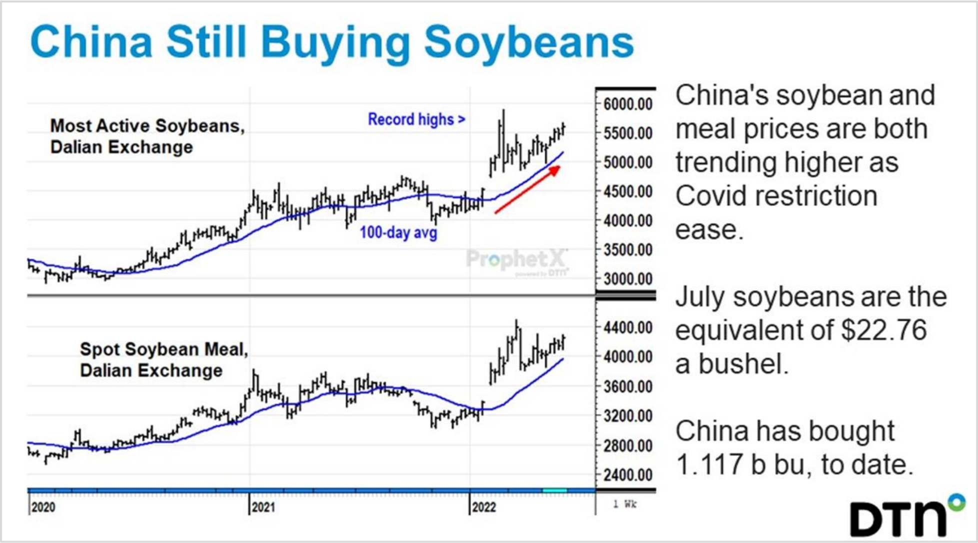
The U.S. exported 3.66 million tonnes of soybeans in April, smashing the month's record by nearly 50%. Of that total, 37% of those exports are destined for China, far above normal for April. That coincided with an average U.S. export price of $655 per tonne (or $17.84 per bushel), an all-time high for any month.



China imported 9.67 million tonnes of soybeans in May, on par with normal volumes for the month. With four months left in the 2021/22 marketing year, imports totaled 60.6 million metric tons, down 5% from last year's high but finishing at their second highest level ever. Shipments from Brazil have slowed, so analysts are keeping a keen eye on the pace of Chinese imports. China will sell another 500,000 metric tons of imported soybeans from its state reserves on June 17. Beijing has been releasing the oilseed from its reserves in weekly sales in an effort to boost supplies in the domestic market. However, demand for soybean reserves has been relatively low.



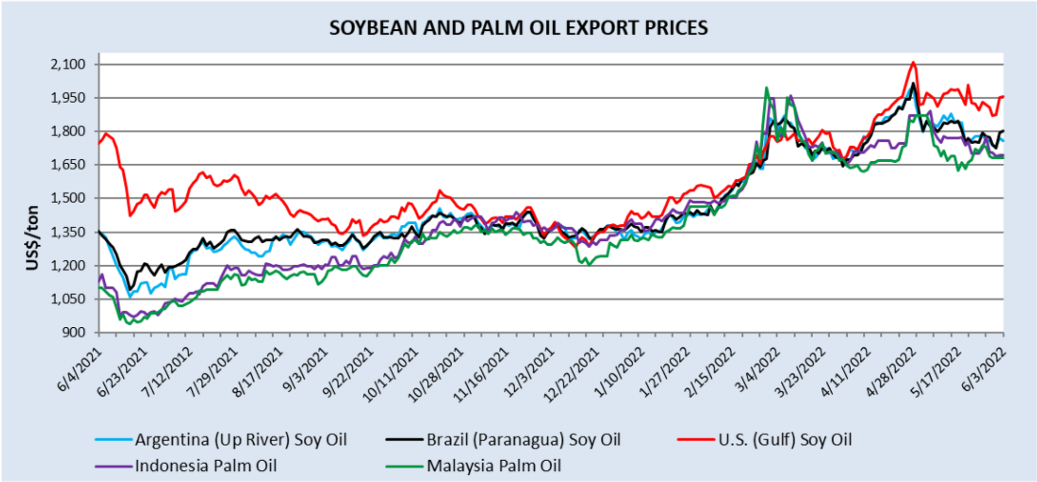




Malaysian palm oil futures fell sharply after top producer Indonesia began an effort to accelerate exports and key buyer China re-imposed Covid-19 lockdowns in Shanghai. Indonesia launched an export acceleration scheme effective immediately, aimed at shipping at least one million metric tons of crude palm oil and derivatives following a recent ban, according to a trade ministry regulation made public today. The world's biggest exporter is also lowering the maximum rate of export tax and levy for crude palm oil to $488 per metric ton from $575 per metric ton to encourage shipments.

Indonesia raised its maximum export tax for crude palm oil by 44% but reductions in another levy are expected to reduce overall fees to send palm oil products overseas and encourage export shipments. Indonesia, the world's biggest palm oil exporter, allowed palm shipments to resume from May 23rd following a three-week ban aimed at shoring up local supplies of cooking oil and keeping runaway prices in check. But it is making various changes to its export rules, including reducing the total export tax and levy.

Palm oil prices in May were higher, reflecting the uncertainty and confusion surrounding Indonesia's trade policies. In contrast, South America soybean oil prices were lower as rising crush increases export availability. The average U.S. soybean oil price was up as U.S soybean oil continues to run at a premium to South America origin reflecting strong domestic demand.



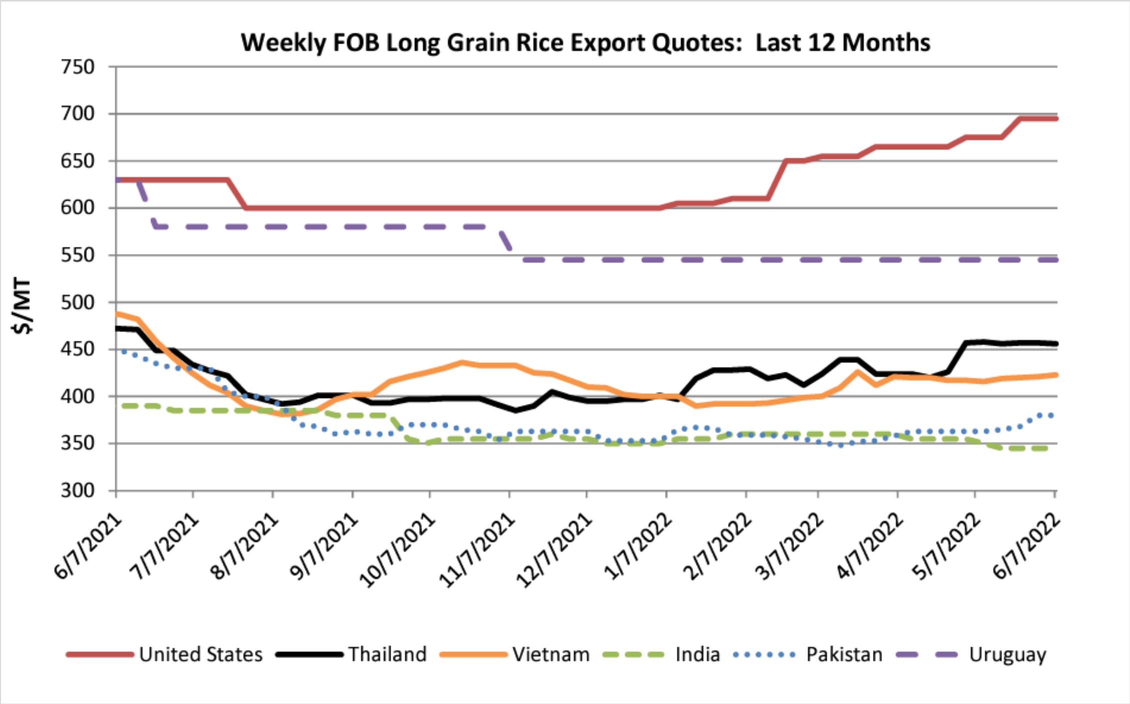
Rice

Rice futures stumbled heading into the June WASDE report, pressured by the soft wheat market. July rice lost 28 ½ cents to $16.63 ½, after trading in a range between $16.56 to $16.94 ½. September rice was down 28 cents to $16.96 ½, after trading in a range between $16.90 to $17.25. Analysts conclude that it continues to look like that trading may be sideways for the next week or two, as everyone continues to wait on the new crop, at the same time trying to figure just what business may be out there in the face of low demand and reduced long grain acres. Just like its grain and soybean counterparts, though, rice futures can get a bit wild. As harvest gets closer or if any substantial export business pops up, there could be substantial movement in prices.

Rice net export sales were virtually non-existent, at 7,600 metric tons for 2021-22, a marketing year low. For 2022-23 there was only sales of 700 metric tons. Shipments were not very good either, at just 24,600 metric tons, up 38% from the four-week average. Concern about global food security remains the supportive factor for rice prices. Asian prices have been firm in the past week, Reuters reported, bolstered by speculation that India could restrict rice exports, as it did with wheat.

As there has been relatively little news in the USDA's rice balance sheets, rice futures have come under considerable pressure, seemingly brought about by technically-driven selling. USDA raised its old-crop and new-crop U.S. rice forecasts by 1 million cwt. each and left its season-average price forecasts unchanged.

Over the past month, U.S. quotes rose $20 to $695/ton amid tighter domestic supplies, while Uruguayan prices remained at $545. Thai quotes decreased slightly $2 to $456/ton. Vietnamese prices jumped by $7 to $423/ton. Pakistani quotes rose $17 to $380/ton due to strong demand. Indian prices dropped by $5 to $345/ton.



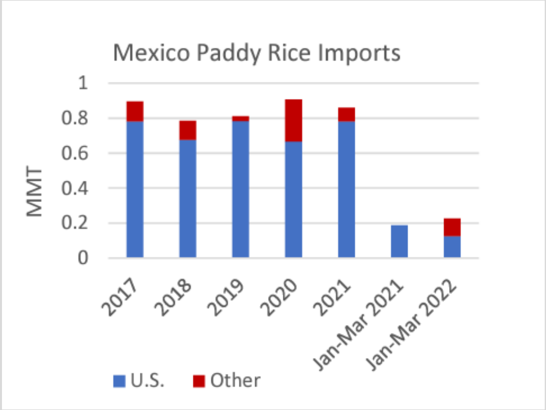
On May 16th, the Mexican government announced an effort to combat food price inflation with the elimination of import duties on a range of commodities for one year, including paddy rice.

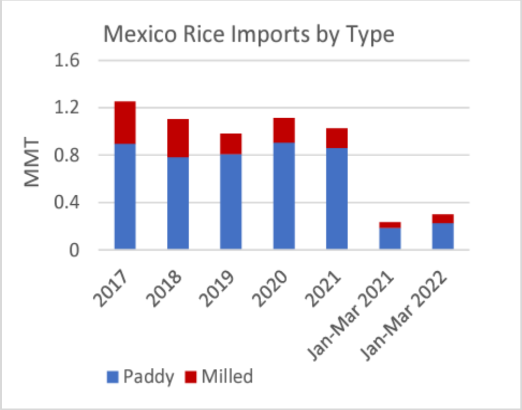
Unlike many other rice importing countries, Mexico has substantial milling capacity and imports mainly paddy rice. The United States is by far the largest supplier of paddy rice to Mexico and likewise it is the largest paddy market for the United States. In the past, the United States represented nearly 100 percent market share of paddy imports, especially after the implementation of the North American Free Trade Agreement. Over time, U.S. market share has declined with more competitively priced rice coming from other Western Hemisphere suppliers. Mexico paddy imports from January through March are roughly 300,000 tons, with U.S. rice accounting for 75 percent. According to U.S. export sales, outstanding sales to Mexico are 80 percent lower compared to last year. U.S. long grain prices have increased over $46 to $396/ton for the average of the first quarter 2022 compared to the first quarter in 2021, reflecting tighter supplies.

Rice entering Mexico duty-free is not an entirely new development. The United States and Uruguay both have free trade agreements allowing rice to enter the country duty-free. Between 2017 and 2020, Mexico also had duty-free tariff-rate quotas for all types of rice. Prior to this announcement, other paddy exporters faced a 9 percent tariff. To export paddy rice to Mexico, countries need to negotiate phytosanitary agreements. Countries that already have phytosanitary protocols will benefit the most due to the period needed for their establishment. Exporters such as Brazil, Argentina, and Guyana may see some gains from this new tariff elimination as they have shipped paddy before.

While the temporary removal of duties may provide some advantage to South American paddy exporters, high freight costs and longer transit times may limit demand for South American rice. Shipments from some South American exporters could take months due to congested ports. Paddy rice from the United States can arrive via rail or ship in a matter of weeks, helping the United States to remain a competitive and a steady supplier.

With the majority of Mexico rice already coming in duty-free from the United States and Uruguay, the removal of tariffs on paddy is not expected to result in a dramatic increase in overall imports nor a significant decline in prices. However, it is expected to cause more competition for U.S. exporters, particularly in light of the smaller U.S. crop expected in 2022/23 and the potential for sustained high prices.





The Haitian rice market depends heavily on imports. In MY 2022/23, rice imports are forecast at 515,000 metric tons, a 5 percent increase compared to MY 2021/22. The increase is due to population growth and the decline in rice production. The demand for rice has increased, and the only way to fill this gap is through imports.

In MY 2021/22, rice imports are expected to rise to 490,000 metric tons due to an increase in the Haitian population and stable local production. The pace of rice imports for the first half of MY 2021/22 slowed by nearly 15 percent, to 221,000 metric tons, over the same period in MY 2020/21. The pace for the second half of MY 2021/22 is expected to increase, assuming improvement in the food distribution channel as political and civil society actors advocate more for a political agreement on the instability issue and the good governance of Haiti.

Traditionally, U.S. rice is very competitive in the Haitian market, generally accounting for more than 90 percent of imports. However, in MY 2020/21, U.S. market share decreased to 89 percent of total imported rice. Rice imports from India and Pakistan increased significantly in MY 2020/21 to 15,000 MT and 9,000 MT, respectively, because of price. In addition, imports of broken rice reached 3,220 MT in MY 2020/21, which represents a decrease of 25 percent compared to the same period last year.

Countries of Origin for Imported Rice (MT) into Haiti, 2020/21

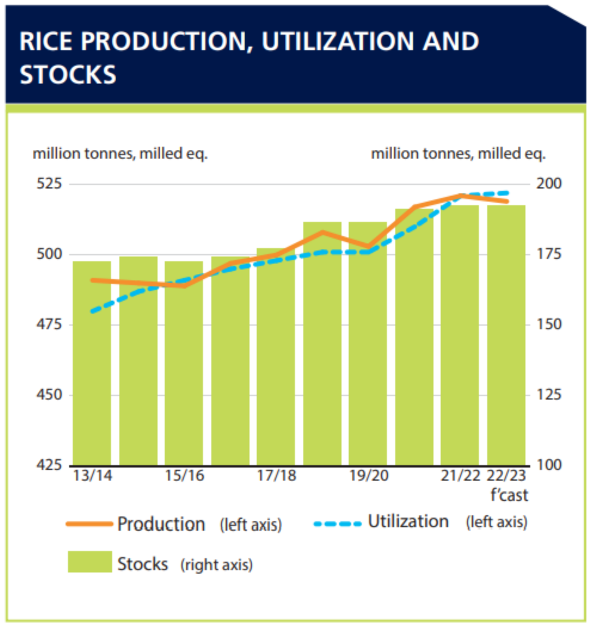
	Haitian Marketing Year July-June	Calendar Year January-December
United States	429,194	395,680
Guyana	7,420	3,216
Dominican Republic	2,461	3,245
Pakistan	8,658	6,963
China	642	707
Hong Kong	82	121
Mexico	3093	3,258
Taiwan	11,700	11,800
Japan	3,050	3,050
India	15,080	10,942
Other	54	164
Total	**481,434**	**439,146**

Although much will depend on weather conditions during the critical Northern Hemisphere summer months, The United Nation's Food and Agriculture Organization (FAO) preliminary forecast for world rice production in 2022 is pegged at 519.5 million tonnes, which is only 1.4 million tonnes below the 2021 record high. Another large Asian harvest is expected to sustain this positive production result. Nevertheless, early prospects also point to an upturn in African production, while a good outcome has also been registered in Australia. Expectations are subdued elsewhere, due to water constraints and/or diminishing returns caused by high input costs.

International trade in rice is anticipated to expand for the third successive year in 2022, with volumes exchanged across the world forecast at 53.1 million tonnes, 3 percent higher than the 2021 peak. On the import side, an intensification of demand from all regions, except for Asia, is predicted to sustain this expansion. This may benefit shipments from Brazil, China (mainland), Pakistan, Uruguay and especially Thailand. India is nevertheless predicted to remain the world's largest rice exporter.

Total rice utilization in 2022/23 is pegged at 522.0 million tonnes, only slightly above the 2021/22 high, as another sturdy expansion in food intake is forecast to be mostly outweighed by declines in non-food uses. To meet this forecast volume of use, global rice inventories would need to be drawn down, albeit by a small volume of 0.8 million tonnes. This would place world rice stocks at 191.6 million tonnes, their second highest level on record, largely due to accumulations in China (mainland) and India.

International rice prices have steadily risen since the beginning of 2022 amid strong import demand and supply constraints in the Japonica and fragrant segments. Nevertheless, as measured by the FAO All Rice Price Index, in May 2022, they remained 1.2 percent below their year-earlier levels, as abundant Asian availabilities of the most-widely traded Indica varieties have capped price increases.



RICE PRODUCTION, UTILIZATION AND STOCKS

Abundant exportable supplies – ensured by successive bumper harvests – have helped the rice market to defy much of the price increases dominating most other food commodity markets since mid-2020. Yet, international rice prices have been on the rise since the beginning of 2022. As measured by the FAO All Rice Price Index, although they remained 1.2 percent below their year-earlier levels in May 2022, they were up 11.1 percent from their levels at the close of 2021. Price increases have been most notable for Japonica and Aromatic rice since December 2021, whose quotation have risen by 14.0 and 20.3 percent.

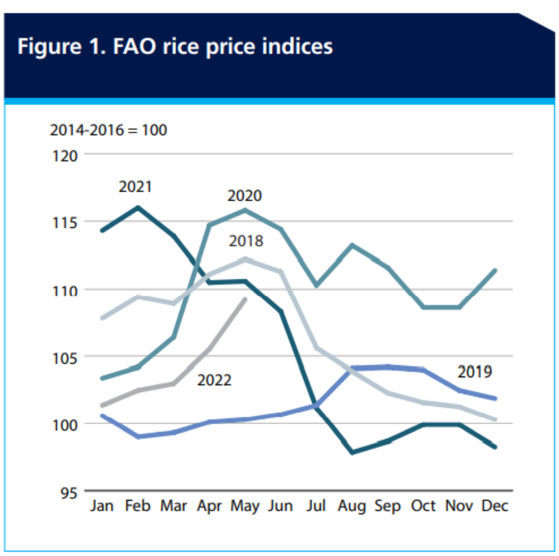


Figure 1. FAO rice price indices

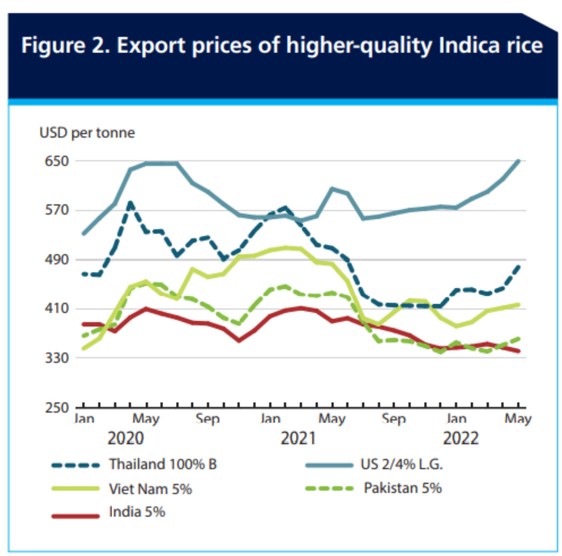


Figure 2. Export prices of higher-quality Indica rice

Prospects of protracted drought severely constraining medium-grain plantings in California have been behind the price gains registered in the Japonica segment, while revived Near Eastern demand in the context of output shortfalls in the Basmati origins have instigated those of fragrant prices. In the Indica segment, Thai and Vietnamese quotations have likewise risen, drawing support from a demand acceleration and signs of local quotations beginning to adjust to the higher production costs faced during the latest cropping cycle.

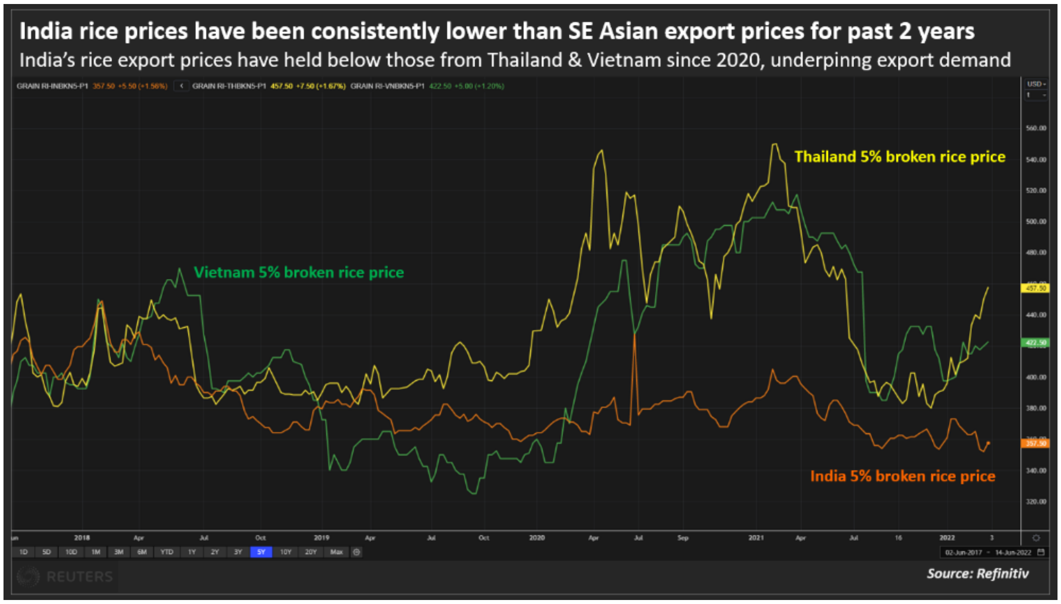
Expectations of consecutive output contractions in the U.S. and of drought-induced declines in competing Argentina and Brazil have also raised prices in the Americas. This bullishness has yet to be extended to all Indica origins, especially those in Southern Asia. Indeed, a currency depreciation in the wake of a large crop has kept Pakistani offers generally subdued. In India, the world's largest rice exporter, large availabilities have also continued to weigh on whole-grain quotations, despite sizeable government local purchases and strong exports. This has in turn kept prices of the most-widely traded Indica rice somewhat more resilient to upward pressure.

India's MY 21/22 government rice MSP procurement through May 19, 2022, is estimated at 53.2 million metric tons compared to 50.9 MMT in May 2021. Higher procurement numbers are coming out of the central/peninsular states of Chhattisgarh, Madhya Pradesh, Telangana, and Tamil Nadu. With additional procurement of summer planted rice likely to continue in the eastern and southern states, government rice procurement in MY 21/22 is likely to reach 62 million metric tons, about 2 million metric tons higher from last year's record 60.1 million metric tons.

Record production, government procurement and rice offtake under food security programs are keeping domestic market prices stable during MY 21/22. Average spot prices for common-grade coarse rice in May 2022 ranged from INR 25,380/MT ($334) to INR 29,370/MT ($386) in the major production states. Prices will remain steady this season on an expected good kharif rice harvest and higher offtake of subsidized government rice. However, international price movements and performance of the 2022 monsoon, and MY 22/23 plantings may affect prices in the last quarter of MY 21/22.

Indian rice exports have been robust since the beginning of calendar year (CY) 2020 (January-December) owing to strong demand and competitive prices of Indian non-basmati rice shipped to traditional markets. Preliminary official trade statistics indicate that rice exports during the first quarter of CY 2022 (TY 2021/2022) are at 5.9 million metric tons compared to 6.1 million metric tons seen last year. Sources report stronger export offtake of wheat during March/April slowing down rice exports due to port congestion. Rice exports will recover in the coming months as Indian rice remains more price competitive compared to other origins. Post continues to estimate MY 21/22 rice exports unchanged at 21 million metric tons, and MY 22/23 exports at 22 million metric tons on forecast MY 22/23 domestic supplies.

The world's largest rice exporter, India, has announced that it has no plans to restrict shipments since it has ample stockpiles of the grain. There were speculations that rice may be India's next target for food protectionism after it restricted wheat and sugar shipments. India exported 3.95 million tons of basmati rice and 17.26 million tons of non-basmati rice in 2021-22. India will consider wheat export requests from other countries on a case-by-case basis. Domestic prices in India for both wheat and flour have cooled down after shipment restrictions.



Cotton

USDA's weekly export sales today proved the strong results in last week's report were no fluke. While old-crop sales for the week ended June 2 fell 27% from the huge figure posted the week prior, the 259,200 running-bale total topped the four-week average (which included the previous week's result) by 96%. Again, old-crop sales made at this point are expected to ship by the end of July. Moreover, new-crop (2022-23) sales reached 102,900 bales, with China accounting for 66,100 of that new-crop sales total. The shipments figure at 335,900 bales does not seem terribly impressive until one remembers that one of the days last week was Memorial Day.

Much needed rain over much of the Texas cotton-growing region may have persuaded USDA to boost their forecasts for 2022-23 U.S. cotton production. The average industry estimate for tomorrow is 16.77 million bales, as opposed to the May forecast at 16.50 million. The most probable cause of such a shift would be a big reduction in USDA's initial acreage abandonment figure, which was quite large. Analysts expect a bump in new-crop exports to 14.59 million bales from 14.50 million last month. But they are also looking for carry-out to rise from last month's 2.90 million-bale projection to 3.11 million.

Bulls clearly own the technical advantage in the wake of today's price surge. July futures swamped resistance at the 40-day moving average near 142.67, thereby making it initial support. The contract closed very near its high of 146.82, so resistance at that level looks quite tentative. Look for bulls to be targeting the psychological 150.00 level, then the May 17 high of 151.95. A close above that point would have them targeting the May 4 contract high at 155.95. Look for additional support at the July contract's 10-day moving average near 139.29, with a drop below that level likely opening the door to a retest of the June 2 low at 134.12, then 130.00.

Cotton futures soared, propelled by mill buying, technical strength, and signs of rebounding Chinese demand. Cotton export sales, particularly to China, have picked up the past couple of weeks after demand was poor in the spring.

So far through Friday's midday, the front month cotton futures market is giving back 34 to 94 points, with the thin October contract the weakest. The new cash price estimates from USDA are 92c/lb for old crop, unchanged from May, and 95 cents for new crop compared to 90 cents in the May WASDE.

USDA made no changes to its U.S. old- and new-crop cotton fundamental forecasts in its monthly Supply and Demand report Friday. The only real change was a five-cent boost to its 2022-23 cotton price forecast from 90 to 95 cents per pound. Department analysts did trim their forecasts for global carryout this year and next, but those actions appeared to have little impact upon cotton futures. Given the strength of Thursday's bullish cotton futures breakout, it would certainly have been easy to look for more of the same.

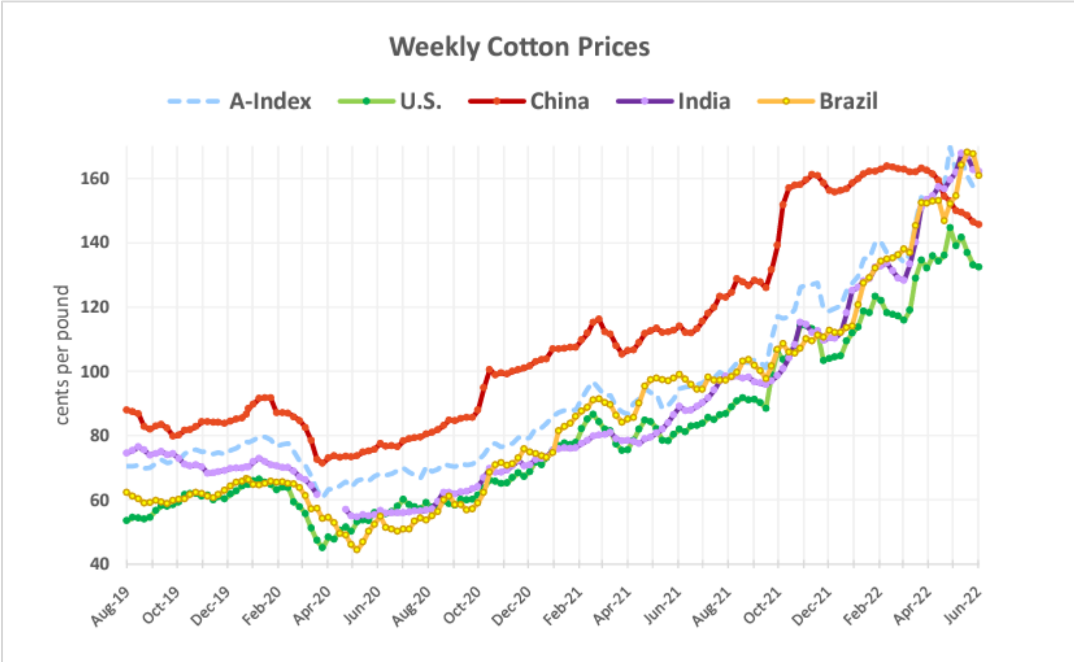
But today's elevated inflation data stoked recession fears among investors and traders; the results were a major drop in the equity indexes and a strong U.S. dollar advance. Given the bearish demand implications of those moves, on both the domestic and export fronts, it was not surprising to see cotton futures react poorly to the news. Next week's action may also depend upon the broader economic and commodity sector outlook. Continued equity losses reflecting rising recession fears would likely keep the cotton market under pressure.

The strong late May-early June demand response to the price decline suffered since nearby futures peaked on May 4th bodes well for the outlook regarding cotton. Strong late-May export sales for the 2021-22 crop year, which translates into demand for product before the July 31 end to the crop year, looks particularly supportive of the outlook. But consumers' strong tendency to curtail apparel purchases early in recessionary times, as well as widespread trader knowledge of that pattern, could greatly hamper cotton rally attempts during early summer. If the equity markets regain their footing and recession fears fade once again, futures may prove able to regain upward momentum.

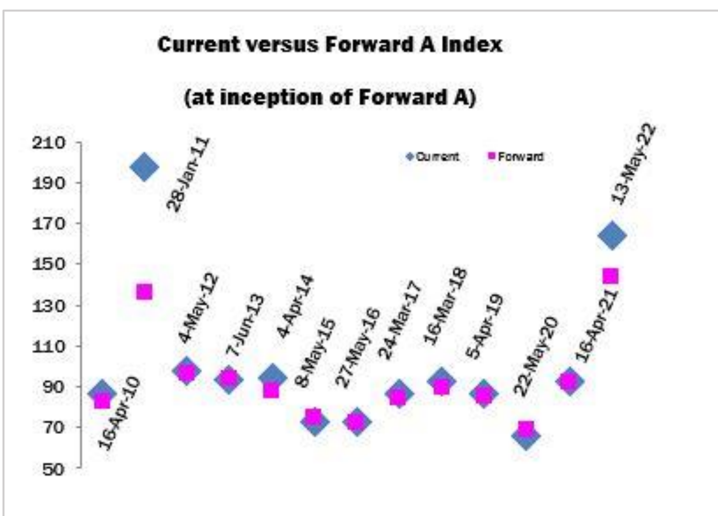
Concerns about the 2022 U.S. cotton crop have been alleviated by early June rains over the Southwest. That could render the new-crop contracts vulnerable to declines if the drought in that region has truly ended. Current weather forecasts tend toward heat and dryness, so such a development is not currently expected. Still, we tend to think the USDA will eventually be forced to lower its huge acreage abandonment forecast and revise its 2022 U.S. cotton crop forecast significantly higher. That suggests cotton futures will prove vulnerable to summer-fall losses. The other big danger to the intermediate-term outlook is a potential recession later this year or in 2023, since that would likely reduce cotton demand going forward.

Strong old- and new-crop cotton sales for the week of June 2 confirmed the midspring price drop spurred robust demand. Futures are threatening to make a fresh run at contract highs despite recession concerns and improved 2022 production prospects.

Global cotton prices were mixed compared with last month's WASDE, but all origins started trending lower. The A-Index dropped over 6 cents per pound to 156 cents, still over 60 cents above the same period last year. Prices on the Intercontinental Exchange (ICE) have witnessed another volatile month with the July and December contracts lower, in part due to scattered precipitation in West Texas which has improved crop prospects. Weaker cotton demand also pressured prices this month. Spot prices in China continue trending below other origins, contrary to prior history. Prices in India and Brazil were above the previous month but have started to decline.



International cotton prices registered new recent highs in early May, before falling back to end the period lower in tandem with a falling (though persistently volatile) New York futures market. Early in the month, the Cotlook A Index rose to 173.45 cents per lb but ended the period at its low point of 157.45 cents/lb. May 13th saw the introduction of the Forward (2022/23) Cotlook A Index, around a month later than last year. That price reflects cotton for shipment no earlier than October/November. The initial value, at 144 US cents per lb, represented a discount of over 20 cents in relation to the Current Index on the same date. The differential had narrowed only slightly by the end of the period, to 1,820 cent points. The inverted July/December spread in New York fluctuated erratically during May, ranging from 1,529 to 2,498 cent points (based on closing values).



A catalyst for the decline of the December contract late in the month was the receipt of rainfall over the United States' important West Texas growing region, following months of very dry conditions which

have called into question the potential for US output. Significant moisture was deposited towards the end of May, and while more precipitation will be required to ensure the successful development of the crop.

Mill import demand for the period was subdued mainly due to the failure of yarn selling rates keeping pace with very high raw cotton replacement costs. The major exception was India, where local prices soared to all-time highs before retreating modestly in the latter half of the month. The exemption of raw cotton imports from customs duty, introduced by India's Ministry of Finance in mid-April, gave way to an uptick of import demand from that quarter, but the volume of business concluded continued to be hindered by heavy freight premiums to the Indian subcontinent and an inability on the part of some shippers to guarantee arrival by September 30th, after which the import duty is due to be reinstated. Various textiles associations advocated an extension of the import duty waiver, with a date of December 31st mooted. The pleas received a sympathetic hearing in the Textiles Ministry. However, by the end of May no confirmation had been forthcoming.

Spinners in China, meanwhile, remained firmly on the sidelines as the premium of international prices over local offers continued to place import purchases well beyond the bounds of viability. Mill buying in China was in any case at a low ebb as spinners contended with poor yarn demand, exacerbated by the effects of Covid restrictions in major economic centers such as Beijing and Shanghai. The pace at which ginners could dispose of domestic production was also sluggish. As a result, 'commercial stocks' (excluding the State Reserve and spinners' inventories) at the end of April were the highest on record for that point of the season. China's imports during August/April were over a million tonnes below those in the corresponding period of the 2020/21 season. The outlook for imports in the next marketing year is also uncertain, in the context of poor consumption and the promising outlook for the domestic 2022/23 crop.

Indeed, China barely figured in reports of US export sales published during the month, which at any rate indicated fairly pedestrian increases to the commitment for the current season. By May 19th, upland sales were lagging by around four percent behind the same date a year ago, while shipments were trailing by more than 21 percent.

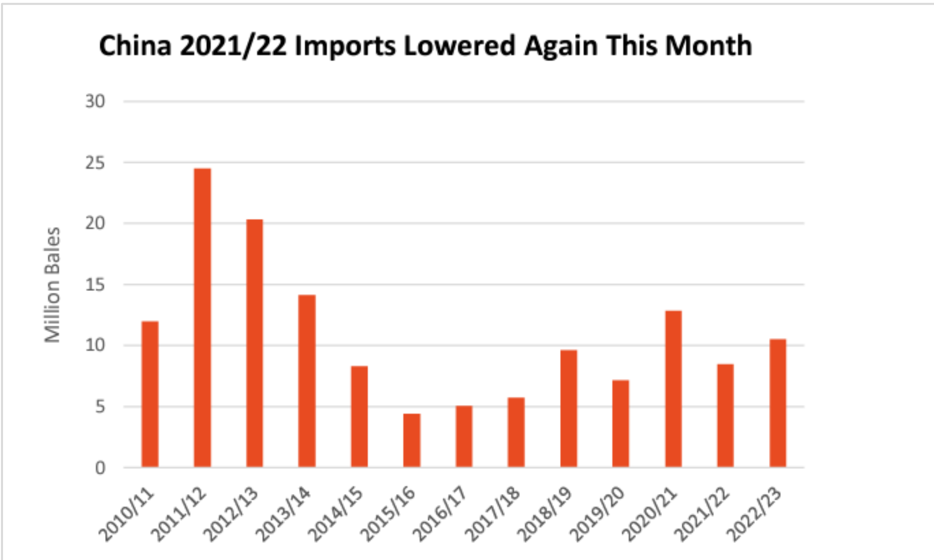
In terms of global production, the biggest adjustment was a decline of 340,000 tonnes for 2022/23 in Indian output, mainly due to slow progress in sowing and lower expected yields. The Southwest Monsoon made landfall in the final days of the month and is forecast to slightly exceed the long-period average rainfall, which may yet see an improvement of the crop's prospects. Reductions in the current season to Indian cotton production were also made as the impact of rains over open cotton last autumn came into sharper focus.

Chinese cotton imports for 2021/22 are forecast to fall more than 4.3 million bales from the previous year to 8.5 million, down 300,000 bales this month and significantly less than previous projections. This downturn can be attributed to four main factors: massive earlier imports that remained in bonded warehouses at the start of the year, lower-than-expected consumption in China, a sudden change in the price differential between imports and domestic cotton, and lower demand from State-Trading Enterprises (STEs) relative to the previous year.

A massive quantity of uncleared cotton in consignment at the start of marketing year 2021/22 suggested the previous year's import level, the highest in 7 years at nearly 12.9 million bales, was larger than the quantity clearing customs (i.e., entering the domestic market) because Chinese customs data includes imports that have not cleared. Ten million bales of foreign cotton are expected to clear in 2021/22, this is approximately 1.5 million bales less than the previous year but larger than projected imports of 8.5

million. Lower-than-expected consumption has also reduced imports. Chinese domestic use for 2021/22 is forecast to fall to 38.0 million bales, owing to higher costs and slowing economic growth.

A depreciating yuan relative to the U.S. dollar, record commercial stocks in China, and slowing demand for yarn continue to pressure China's prices. As a result, spot prices in China have recently plunged relative to foreign cotton, making imports less attractive. The A-index exceeded China's spot prices for the first time in 11 years last month. Just 3 months ago, the A-Index was roughly 30 cents lower than domestic prices in China, signaling the drastic change in the relationship between international and China's prices.



PLC Farm Program Payment Projections – 2021/22 CY and 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	***2021/22 MYA Price****	*Effective Reference Price*	***2021/22 CY PLC Payment Rate***
Corn	$5.95	$3.70	--
Grain Sorghum	$5.95	$3.95	--
Long Grain Rice	$13.80	$14.00	$0.20
Medium Grain Rice	$14.10	$14.00	--
Seed Cotton	$0.4608	$0.3670	--
Soybeans	$13.35	$8.40	--
Wheat	$7.70	$5.50	--

*national marketing year average (MYA) prices reflect the midpoint price level from the June 10, 2022 WASDE report.

Covered Commodity	***2022/23 MYA Price*****	*Effective Reference Price*	***2022/23 CY PLC Payment Rate***
Corn	$6.75	$3.70	--
Grain Sorghum	$6.65	$3.95	--
Long Grain Rice	$15.50	$14.00	--
Medium Grain Rice	$16.00	$14.00	--
Seed Cotton	$0.4047	$0.3670	--
Soybeans	$14.70	$8.40	--
Wheat	$10.75	$5.50	--

**national marketing year average (MYA) prices reflect the prices contained in the June 10, 2022 USDA WASDE report.

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, 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, Daniels Trading, Delta Farm Press, DTN Progressive Farmer, Farm Futures, Fiber 2 Fashion, Gro Intelligence, Hightower Report, Intercontinental Exchange, International Grains Council, Iowa State University, Lakefront Futures and Options, LSU AgCenter, Mississippi State University, National Cotton Council, Peterson Institute of International Economics, 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, USA Rice Federation, U.S. Soybean Export Council, United Nations Food and Agriculture Organization (FAO), and the Wall Street Journal.

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