Staff Report No. 2024-43 **June 14, 2024**

June Market Update
Corn, Soybeans, Rice, and Cotton

Dr. Michael Deliberto
Louisiana State University Agricultural Center
Department of Agricultural Economics & Agribusiness

Prices at a Glance

Crop	2023/24 U.S. MYA Price Projection	2024/25 U.S. MYA Price Projection
Corn	$4.65 per bu.	$4.40 per bu.
Soybeans	$12.55 per bu.	$11.20 per bu.
Long Grain Rice	$16.10 per cwt.	$14.50 per cwt.
South. Med. Grain Rice	$17.90 per cwt.	$15.00 per cwt.
Upland Cotton Lint	$0.76 per lb.	$0.70 per lb.
Seed Cotton	$0.3910 per lb.	$0.3565 per lb.

WASDE Summary

The **2024/25 U.S. corn outlook** is unchanged relative to last month. The season average price received by producers remains at $4.40 per bushel. USDA will release its *Acreage* report on June 28, which will provide survey-based indications of planted and harvested area.

The **2024/25 outlook for U.S. soybeans** includes higher beginning and ending stocks. Higher beginning stocks reflect reduced crush for 2023/24, down 10 million bushels on lower soybean meal domestic use that is partly offset by higher exports. Soybean oil domestic use is also lowered for 2023/24 and partly offset by higher exports. With increased supplies for 2024/25 and no use changes, soybean ending stocks are projected at 455 million bushels, up 10 million. The soybean price is forecast at $11.20 per bushel, unchanged from last month.

The **2024/25 outlook for U.S. rice** is for slightly reduced supplies, unchanged domestic use and exports, and slightly lower ending stocks. Supplies are reduced on lower beginning stocks with 2023/24 exports raised (all long-grain) by 1.0 million cwt to 95.0 million. U.S. rice exports continue to be competitive in the Western Hemisphere despite the recent harvests of South American exporters. With no changes to 2024/25 domestic use and exports, the reduction in supplies lowers ending stocks by an equivalent

amount to 44.5 million cwt, still up 12 percent from last year. The 2024/25 season average price for all rice is unchanged at $14.50 per cwt for long grain rice and $15.00 per cwt for southern medium grain rice.

The **U.S. cotton projections for 2024/25** show higher beginning and ending stocks compared to last month. Projected production, domestic use and exports are all unchanged. The 2024/25 season average upland farm price is down 4 cents from the May forecast to 70 cents per pound following a decline in new-crop cotton futures. Ending stocks are 400,000 bales higher at 4.1 million, or 28 percent of use. Revisions to the 2023/24 U.S. cotton balance sheet include a 500,000-bale reduction in exports to 11.8 million based on the slowing pace of export shipments, a 50,000-bale increase in domestic use, and a 450,000-bale gain in ending stocks.

Corn

The June 2 *Crop Progress* report from USDA showed 91% of the corn crop planted, 2 percentage points above the five-year average. As good as that sounds, the planting pace is also tied for the second slowest in 10 years with 2022, a year that had 6.4 million acres of prevented plantings. A better answer to the question of how many corn acres were planted in 2024 won't come until the June 28 *Acreage* report.

The Dow Jones' pre-report survey expects USDA will estimate 14.845 billion bushels (bb) of corn production for 2024, based on a slightly lower yield of 180.8 bushels per acre (bpa), ending with modest reductions in U.S. corn ending stocks. For 2023-24, ending stocks are expected to be lowered from 2.022 bb to 1.984 bb. For the new season, ending corn stocks are expected to be reduced from 2.102 bb to 2.048 bb. Old-crop demand for corn is doing well, and if USDA makes any changes, the amounts are apt to be small.

The US crop was rated 74% good-excellent, as expected. This item provides bearish undertones but does little to influence price action. Almost every "major" corn growing state is rated 70% good-excellent or better. Exceptions include Wisconsin, Missouri, Kentucky, Tennessee, Kansas, and Texas.

The June WASDE report pegged the 2024-25 "new crop" for corn at 14.86 billion bushels (bb) with a yield of 181 bushels per acre (bpa) on 90 million planted acres, holding steady on the numbers released in May. For demand, USDA projected total feed and residual use at 5.75 bb. Ethanol use is forecast at 5.45 bb. Total domestic use is forecast at 12.605 billion bushels. Exports for the 2024-25 crop are forecast at 2.2 billion bushels. Traders were expecting a small upward change in exports and corn for ethanol usage and got neither. It is likely the market could see some acreage and possible yield adjustments in the next report. Ending stocks for the new crop are projected at 2.102 billion bushels. The farm price for 2024-25 is projected at $4.40 a bushel.

Looking at the 2023-24 "old crop," corn ending stocks were pegged at 2.022 bb. The pre-trade report had expected some lowering of old-crop ending stocks. Ethanol use is forecast at 5.45 bb. Total domestic use is forecast at 12.55 bb. Exports for the 2023-24 corn crop are pegged at 2.15 bb.

Corn futures continued to face technical headwinds, though USDA’s supply and demand update cast an additional shadow over prices. However, while the June 12 WASDE data was mostly bearish, selling remained nominal as the session progressed, with sharp losses in the U.S. dollar following a weaker-than-expected May Consumer Price Index (CPI) reading lending general support, along with strength in crude oil futures.

July corn rose 4 3/4 cents to $4.54 1/4, closing near the session high and above the 100- and 20-day moving averages. While bears continue to hold the near-term technical advantage, July corn ended the session above the 100- and 20- moving averages of $4.51 1/4 and $4.53 3/4. Initial resistance will now

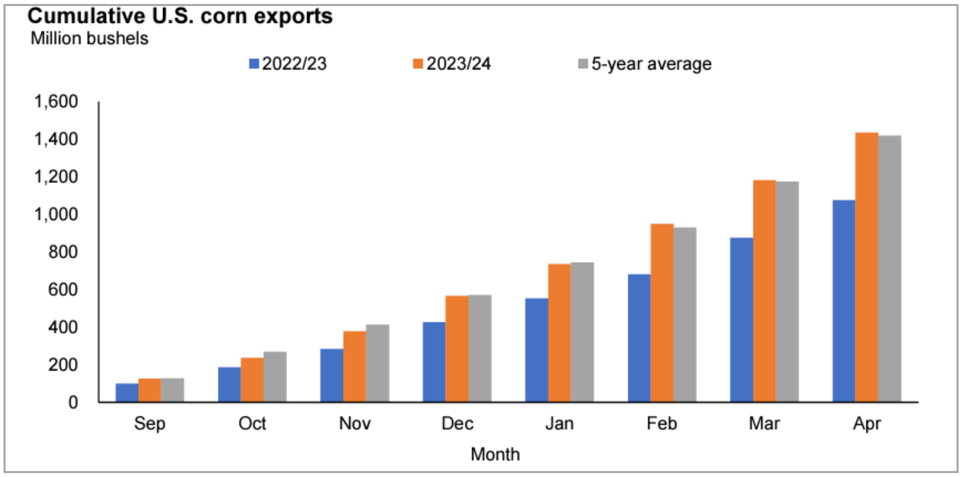
serve at the 40-day moving average of $4.54 1/2, then at $4.56 1/4 and $4.60, with bulls looking to hold a close above $4.65, which is backed by the May 13 high of $4.75 1/2 and the 200-day moving average of $4.84 1/2. Conversely, initial resistance will now serve at the 20-day moving average, which is backed by the 100-day moving average of $4.51 1/4. Additional support lies at $4.44 1/4, $4.39 1/2 and the May 18 low of $4.35 3/4. Some significant growing weather problems will need to be developed to support corn prices. Keep in mind that the key fundamental for the market is the current estimate for a 2.1-billion-bushel carryover which translates to a 14.2% stocks-to-usage ratio. No major bull market has ever happened until the stocks-to-usage ratio drops under 10%. That translates to increasing usage or decreasing supplies by 600+ million bushels.

Nearby corn futures continue to trade at a 20-cent discount compared to the harvest contract. December corn has consistently traded between $4.60 and $4.90 while July corn has traded mostly between $4.40 and $4.70. Abundant domestic carryover into the next marketing year and above average early crop condition ratings has kept prices trading in a tight range with a risk/time premium in the deferred contracts.

Alongside additional clarity on acres, weather will have an impact on price action throughout the remainder of the growing season. Much of the Corn Belt is experiencing extreme heat in the near-term, which will speed up evaporation rates and shorten soil moisture. The wet spring allowed much of the Corn Belt to exit the drought status experienced much of the last two years and build up soil moisture, but the upcoming forecast shows little rain, especially in the eastern Midwest. At this juncture, the upcoming heat and dryness are not expected to have any meaningful impact on production, but it is an example of how quickly the weather pattern can change and indicates a shift to a weather market. La Niña is expected to develop sometime between July and September, which may not impact this year’s crop as it did in the early 2020’s.

U.S. corn has become more competitive on the export market and is now "cheaper" than what Brazil can offer to most destinations. With that being said, an uptick in export business would not be surprising. However, U.S. corn shipments did decline last week. USDA reported that 1.3mmt (53mil bushels) of corn were inspected for export during the week ending June 6. That was down 5.4% from the previous week but up 4.5% compared to the same week last year.

The 2023/24 U.S. corn export estimate remains unchanged this month at 2,150 million bushels, supported by year-to-date exports and sales activity. U.S. corn exports totaled 1,435 million bushels through April, according to data from the U.S. Department of Commerce, Bureau of the Census. Cumulative corn exports continue to be well above last year, following two months of large exports, and support the current estimate. In addition, cumulative exports stand above the 5-year average. Providing further support, weekly corn export sales reported to USDA’s Foreign Agricultural Service (FAS) through May remain elevated. Thus, total commitments of corn exports (accumulated exports shipped, combined with remaining outstanding sales) for the week ending May 30 stand at 2,018 million bushels compared to 1,509 million bushels at the same time last year.

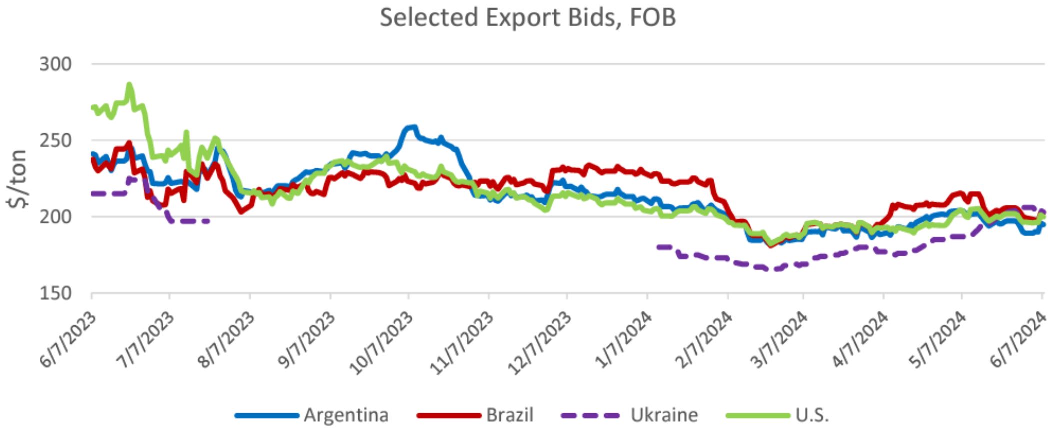


Brazil's second corn crop is being harvested at a record pace. According to well-followed private group AgRural, the crop was 10.4% harvested as of last week. This is the fastest-paced harvest since 2013. Harvest is up from 4.7% the prior week and up from 2.2% during the same week last year. The Brazilian state of Mato Grosso reported very good crop yields due to favorable growing conditions. Other states, such as Sao Paulo and Mato Grosso do Sul, reported poor yields due to hot and dry conditions. AgRural is forecasting Brazil's total corn production to reach 118.4mmt this season.

USDA's estimate of world ending corn stocks in 2023-24 is expected to be trimmed from 313.1 million metric tons (mmt) to 311.5 mmt, or 12.26 bb, largely due to small reductions in the corn production estimates for Brazil and Argentina. Dow Jones is looking for the estimate on Brazil's corn production to go from 122.0 mmt to 121.0 mmt, or 4.76 bb. Brazil's crop agency, CONAB, is estimating 111.6 mmt, or 4.39 bb, of production. USDA's estimate for Argentina is expected to move from 53.0 mmt to 51.2 mmt, or 2.02 bb, well above the 46.5 mmt estimate from the Buenos Aires Grain Exchange. So far, the theme of USDA being on the high end of South American estimates continues.

On the world front, traders expected more of a change to Argentine and Brazil corn production, but those were left unchanged from May at 122 million metric tons (mmt) (4.8 bb) for Brazil and 53 mmt (2.08 bb) for Argentina. There had been much talk about stunt disease dropping Argentina's crop dramatically, but no such change came. In Brazil, the ag company CONAB has Brazil's corn crop under 113 mmt (4.45 bb), but USDA was content to stay at 122 mmt. With Dow Jones traders expecting 2024-25 ending stocks to fall to 311.3 mmt, the USDA came out with 500,000 mt less at 310.8 mmt (12.23 bb).

Since the May WASDE reprot, export bids for all major exporters except Ukraine fell. Argentine bids were down $9/ton to $195. Amid no fresh news to corn fundamentals in Argentina, declines reflect downward pressures from other exporters. Brazilian bids were down $12/ton to $203. The onset of the safrinha harvest and supportive weather eased bids. U.S. bids were down $4/ton to $200. Price support from a counter-seasonal surge in exports were more than offset by prospects of strong supplies due to better-than-expected early season crop conditions. Ukrainian bids were up $16/ton to $203 as strong export demand and seasonally declining supplies pushed prices up.



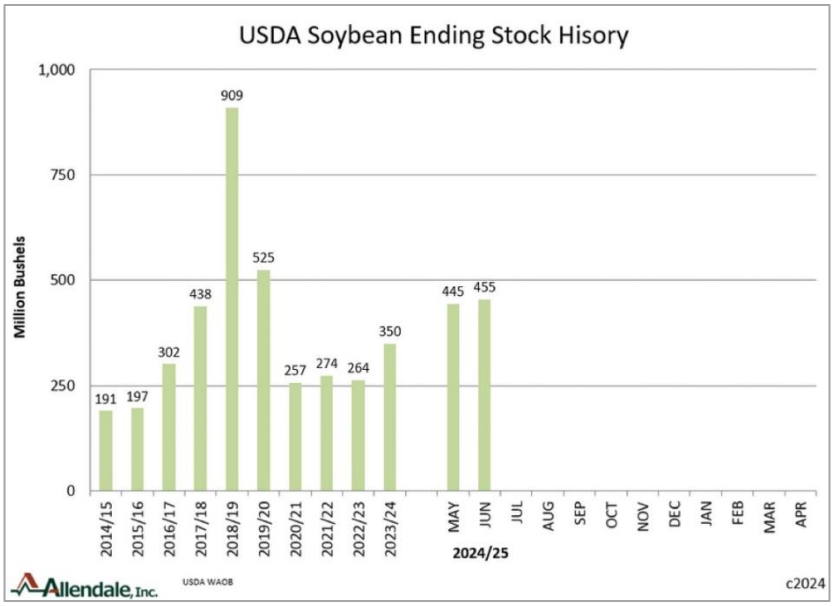
Source: International Grains Council

Export bids (fob, US$ per ton)	7-Jun-24	8-May-24	7-Jun-23	*% change, '23 - '24*
Argentina, Up River	195	204	297	-34%
Brazil, Paranaguá	203	215	285	-29%
Ukraine	203	187	243	-16%
U.S. #3 Yellow Corn, Gulf	200	204	291	-31%

Soybeans

As of June 2, USDA reports 78% of U.S. soybeans have been planted, comfortably ahead of their 5-year average and with more time to spare, not having the same yield threat corn crops do for being planted at a later date. The Dow Jones' survey is not expecting much change to the U.S. production estimate in June, 4.444 bb of soybean production versus a May estimate of 4.450 bb and a slightly lower yield estimate of 51.9 bpa. Dow Jones expects old-crop U.S. ending stocks to be increased from 340 million bushels (mb) to 348 mb and new-crop ending stocks to go up from 445 mb to 455 mb. There is a chance of a small reduction in the export estimate, as exports haven't quite kept pace this season.

USDA's June WASDE forecast new-crop, 2024-25 marketing year soybean production at 4.45 billion bushels with a national average yield of 52 bushels per acre. The production estimate was unchanged from pre-report estimates. On the new-crop domestic supply and demand balance sheet, USDA boosted ending stocks by 10 million bushels to 455 mb. The only change from last month's estimates was a 10-mb increase in beginning stocks, reflecting changes to old-crop ending stocks. The national average farm gate price was unchanged at $11.20 per bushel. A higher carryover raised the marketing year (MY) 2024/25 U.S. soybean ending stocks forecast. The increase in expected carryover stocks is due to a reduction of the soybean crush forecast for MY 2023/24, which is reduced by 10.0 million bushels to 2.29 billion bushels due to lower domestic meal demand. In the last two weeks, November soybeans have dropped 70 cents per bushel. That's a sizeable move for this time of the year. Technically, the trend is down. With planted acreage at 87 million acres, major weather problems need to happen for this market to move up.



For the 2023-24, old-crop marketing year, USDA pinned ending stocks at 350 million bushels, compared to May's 340 mb estimate. The adjustment was due to a 10-mb reduction in estimated crush demand. The national average farm gate price was unchanged at $12.55 per bushel.

July soybeans fell 3/4 cent to $11.77 1/4, near mid-range and hit a five-week low. July soybean meal rose 90 cents to $360.20 and nearer the session low. July soybean oil closed 12 points at 43.79 cents and nearer the session low. Soybean bulls were disappointed a big drop in the U.S. dollar index did little to support the soy complex futures. The soybean bears have the overall near-term technical advantage. Prices are trending lower on the daily bar chart. The next near-term upside technical objective for the soybean bulls is closing July prices above solid resistance at $12.00. The next downside price objective for the bears is closing prices below solid technical support at the February low of $11.40 1/2. First resistance is seen at today’s high of $11.86 1/2 and then at this week’s high of $11.93. First support is seen at today’s low of $11.71 and then at $11.60. November soybeans posted a new three-month contract low, falling to $11.41 after the USDA WASDE projected U.S. carryover stocks of 455 million bushels for the upcoming marketing year.

While USDA’s supply and demand update this week proved to be quite a nonevent, odds of the agency’s June 28 *Acreage* Report sparking early fireworks are certainly high. The report will provide traders with deeper insight into planted acres, with spring weather increasing the odds of acreage switches and prevent plant in some areas. However, shortly after the data is released, traders will quickly turn their focus back to weather as the most crucial growing phase for soybeans inches closer.

Strength in the U.S. dollar, combined with ample South American supplies has certainly hindered soybean exports throughout the current marketing year, though a string of daily sales has increased optimism for export business, despite an elevated dollar. The business could have largely stemmed from Brazil’s increased cost structure for its soybean exports, which lends optimism for exports in the coming months.

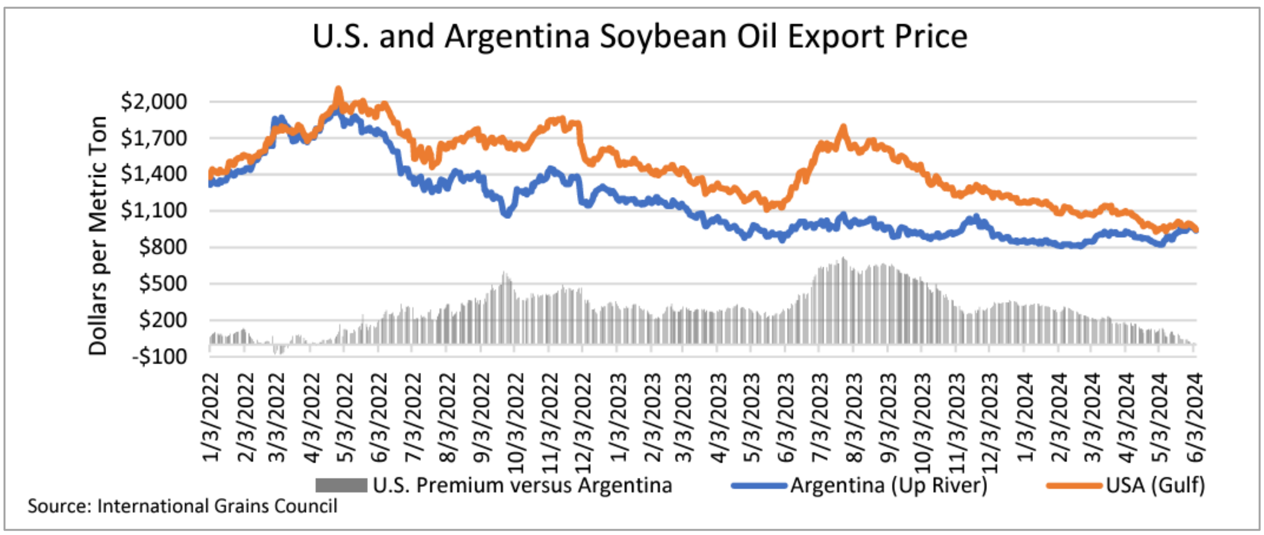
World Weather Inc. said drying in the eastern and southern portions of the U.S. Midwest, the Delta and southeastern states over the next 10 days will firm up the topsoil while allowing fieldwork to advance

with very little delay. “Rain in the upper Midwest and parts of the western Corn Belt will disrupt fieldwork periodically, but the impact is expected to be relatively low,” said the forecaster.

World carryover supplies are at an all-time new record high. High prices encouraged increased production worldwide, particularly in Brazil. Unfortunately, the U.S. has lost a large share of the world export market to Brazil- with the amount not being offset by a comparable increase in renewable diesel use. Earlier this year, soybean bulls were talking up crop losses in South America, particularly Brazil. But USDA has been very slow to reduce its crop size and while one would presume estimates out of South America are more reliable than USDA, that is not always necessarily the case. Even if the crop is smaller than what USDA estimates, the early expectations are for a very large crop in 2024/25.

Export demand has picked up recently for soybeans, with four out of the last five days (last week) seeing daily sales announcements for the 2023-24 marking year and three of those sales being to China. Recently, USDA announced sales of 120,000 MT of soybeans for delivery to unknown destinations, bringing the tally of the last week to 434,000 MT. These sales came on the back of Brazil changing their tax structure for exports, which has priced U.S. soybeans more competitively on the world market. USDA reported soybean export sales of 377,100 MT during the week ended June 6, up 99% from the previous week and 42% from the four-week average. Net sales were within the pre-reported range of expectation from 150,000 to 550,000 MT.

The U.S. soybean oil price premium compared to other major exporters has declined, and the U.S. is expected to be a net soybean oil exporter in 2024/25. The price premium in the past couple of years was driven by higher domestic demand for soybean oil in biofuel production, particularly for increased renewable diesel production on headed to the California market.



The premium U.S. soybean oil held over Argentine soybean oil peaked in the summer of 2023 as renewable diesel production ramped up. Since then, the share of soybean oil used in biofuels has decreased in part due to higher use of other feedstocks, such as tallow, yellow grease, and used cooking oil, which are incentivized under California policy. For comparison, soybean oil declined from near 45 percent of feedstock consumption in early 2022 to below 35 percent in early 2024. U.S. soybean oil production is forecasted at another record in 2024/25 driven by a 4% increase in domestic demand.

The United States is expected to be a net exporter of soybean oil, with lower imports and a modest recovery in soybean oil exports from the muldecade lows of the past 2 years. U.S. soybean oil ending stocks are forecast up 10 percent while prices are forecast to decline.

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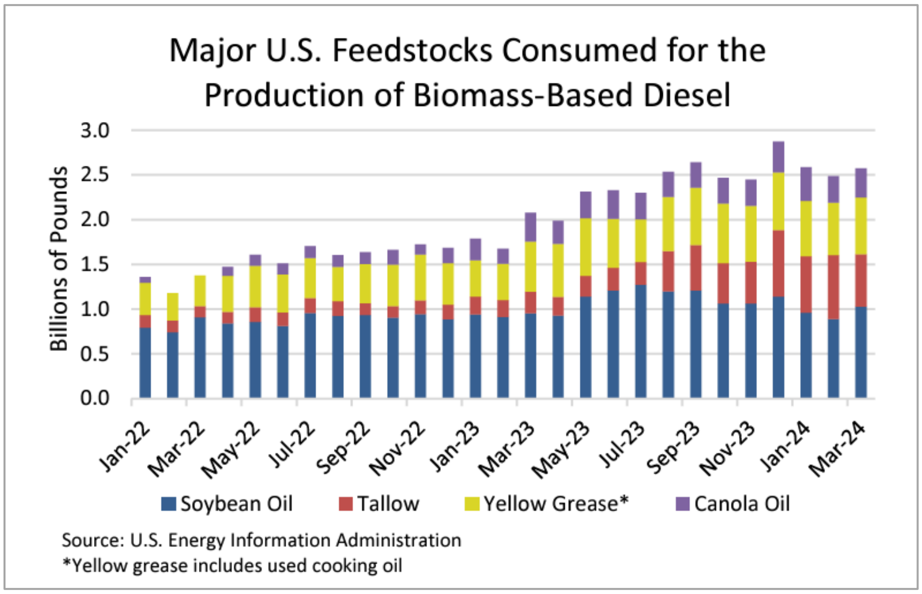
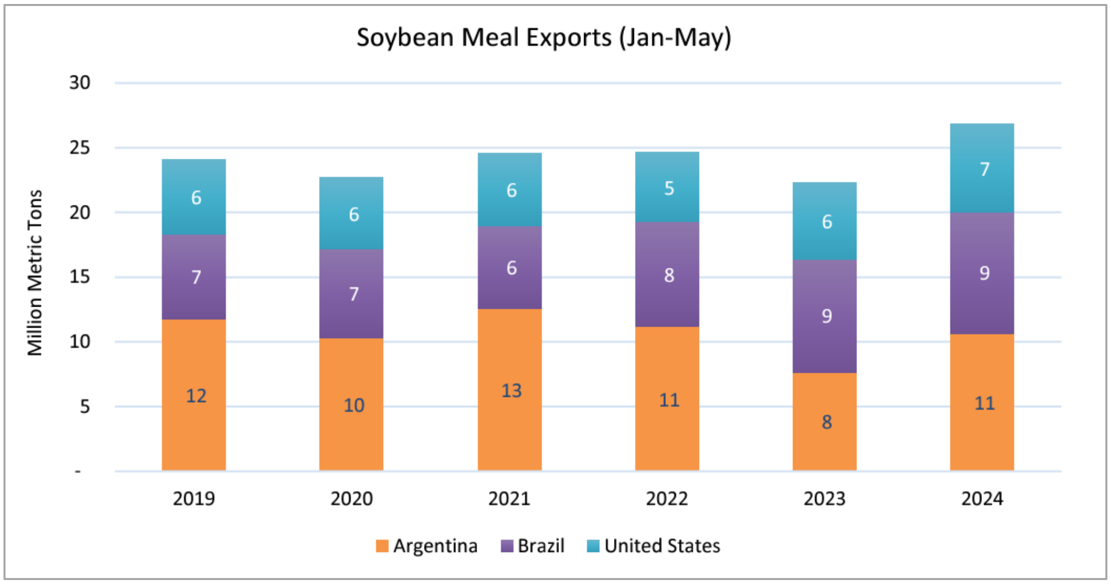
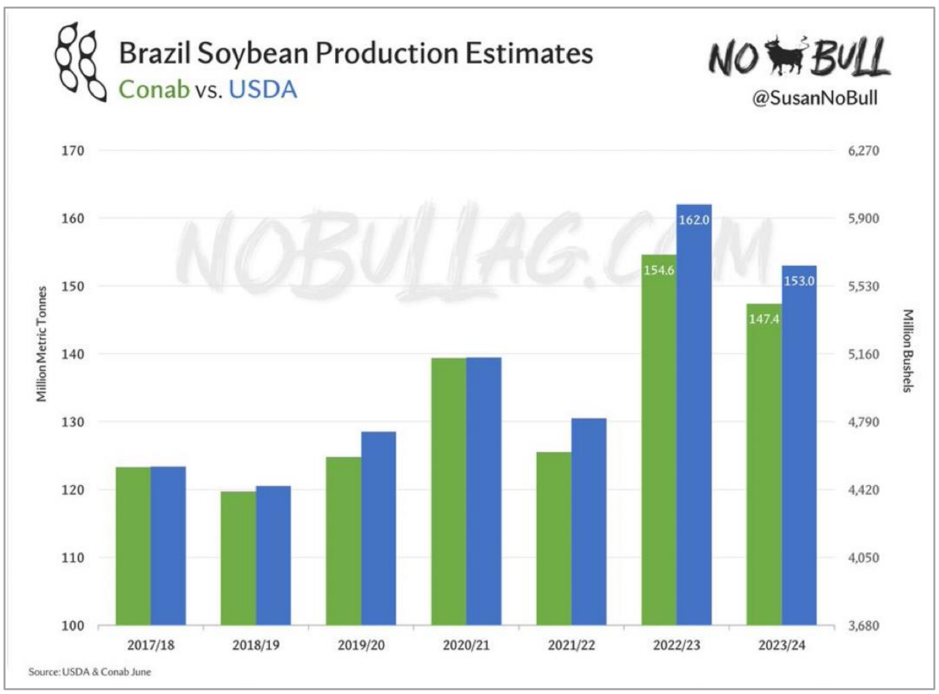


The 2024 soybean harvest in South America is coming to an end and soybean complex prices continue to be pressured. Global supplies are larger compared to last year when soybean production declined in Argentina due to drought. With soybean meal export prices down compared to the prior year, global protein meal demand has picked up and lifted exports.

Combined soybean meal exports between January and May 2024 for Argentina, Brazil, and the United States are estimated at nearly 27 million tons, over 20 percent higher compared to the same period last year. As expected, most of this growth was recorded for Argentina, where recovery from last year's drought has enabled higher soybean crush. In Brazil, despite headwinds of a smaller soybean crop, crush has been at a record high.



There continues to be wide disagreement between USDA's 154.0-mmt estimate of Brazil's soybean production and CONAB's 147.7-mmt estimate, with the International Grains Council splitting the difference at 150.0 mmt. The worst flooding in Rio Grande do Sul in 80 years should give USDA plenty of reason to reduce its high estimate.



USDA's 128.5-mmt estimate of world soybean stocks for 2024-25 is a new record by far and casts a bearish gloom over the long-term outlook for soybean prices. The catch, of course, is the season is just getting started in the Northern Hemisphere, and new crops are three months away from being planted in the Southern Hemisphere.

On the world side, while Brazil soybean production was dropped 1 mmt to 153 mmt (5.62 bb)- still higher than trade expectations of 151.8 mmt and far higher than the last CONAB estimate of 147.7 mmt (5.43

bb). CONAB will be out on Thursday morning with its updated estimate. Argentina's soy production, expected to be lowered modestly, stayed the same at 50 mmt (1.84 bb). The world ending stocks number for 2024-25 came in at 127.9 mmt (4.7 bb)- down from 128.5 mmt in May. The average farm price for soybeans was left unchanged at $11.20 per bushel, as were the averages for bean oil at 42 cents and soymeal at $330 per ton.

Blomberg News reports that with a proposed (and somewhat surprising) tax change in Brazil, there could be potential to make soybeans exported from Brazil less competitive with supplies from the US, according to a report from risk management firm Amius Ltd. The provisional measure, signed June 4th by President Luiz Inacio Lula da Silva, limits the ability of Brazil's commodity exporters and processors to monetize tax credits. To compensate, merchants will likely raise soy prices, making beans grown in Brazil less competitive with American soy, at least in the short term.

"In this scenario, there would be a shift in soybean demand to the US, removing Brazil as a competitive source between August and September, thus accelerating the US export program," mentioned in the Amius report. Two dozen industry groups have asked officials in the Lower House and Senate to reject the rule, which has an immediate effect for 120 days. The government will defend the measure, as it's needed to compensate for an unexpected loss in this year's budget. If the government prevails and the rule remains, it could lead to more Brazilian soy exports during the next crop season, because the measure would discourage domestic consumption.

Rice

The only supply-side revision this month to the 2024/25 U.S. rice balance sheet is a 1.0-million hundredweight (cwt) reduction in the carryin to 39.8 million cwt, still 32 percent above a year earlier. The downward revision is due to a stronger 2023/24 export forecast. Long-grain accounts for all of the reduction in the 2024/25 carryin. On an annual basis, medium- and short grain accounts for all of the expected increase in carryin. However, long-grain carryin is projected to decline almost 20 percent to 17.0 million cwt.

The 2024/25 U.S. rice crop remains projected at 220.2 million hundredweight (cwt), up 1.9 million cwt from a year earlier and the highest since 2020/21. The production increase is the result of a 1-percent expansion in harvested area more than offsetting a fractional decline in the projected yield. Long-grain accounts for all the projected production increase, medium- and short-grain production is projected to decline 21 percent in 2024/25.

Total U.S. rice supplies in 2024/25 are projected at a record 304.5 million hundredweight (cwt), down 1.0 million cwt from the previous forecast but more than 4 percent above a year earlier. The projected supply increase is mainly due to a more than 9.5-million cwt increase in carryin, as well as record imports and a slightly larger crop. Long-grain accounts for almost all the projected supply increase. Medium- and short-grain supplies are projected nearly unchanged from a year earlier.

U.S. rice exports in 2024/25 are projected to increase 5.0 million hundredweight (cwt) to 100.0 million, the highest since 2016/17. Exports of both long-grain and medium- and short-grain rice are projected to expand in 2024/25, with medium- and short-grain accounting for 80 percent of the expansion.

In 2024/25, U.S. long-grain exports are projected to increase 1.0 million cwt to 75.0 million, the highest since 2016/17. The small expansion is based on larger supplies and lower expected prices. Rough-rice shipments to Latin America are expected to account for nearly all the increase and the majority of U.S. long-grain sales, despite expected continued competition from South American exporters in these

markets. Mexico and Central America are expected to remain the top markets for U.S. long-grain rough rice, followed by northern South America. U.S. exports of milled rice to the Caribbean are expected to increase slightly in 2024/25, with long-grain accounting for nearly all these sales. Canada, Haiti, Iraq, and Saudi Arabia are the top markets for U.S. long-grain milled rice. The European Union (EU) and the Dominican Republic imports much smaller amounts.

Combined medium- and short-grain exports in 2024/25 remain projected at 25.0 million cwt, up 4.0 million from a year earlier. The increase is based on an expected substantial decline in U.S. medium-grain milled-rice trading prices, which have already dropped more than 50 percent from September record highs. Japan, South Korea, and Taiwan account for the bulk of U.S. medium- and short-grain exports.

U.S. season-average farm prices (SAFP) for both classes of rice are projected to decline in 2024/25 from a year earlier. The long-grain SAFP is projected to drop $1.60 per cwt to 14.50, the lowest since 2021/22. The expected decline is based on larger U.S. supplies. The 2024/25 California medium- and short-grain SAFP is projected to decline $7.00 per ton to $22.00, the lowest since 2019/20. California's prices had been elevated by drought that sharply reduced rice production in both 2021/22 and 2022/23. Prices for California milled rice have declined more than 50 percent from their September record highs. In the South, the 2024/25 medium- and short-grain SAFP is projected to decline $2.90 per cwt to $15.00, as demand for this type of rice remains weak. The U.S. medium- and short-grain SAFP remains projected at $19.80 per cwt, down $5.20 from this year.

Arkansas reports new crop rice coming along nicely, since such a large portion of the crop was planted quite early this year. The corresponding post-planting weather conditions have also boosted the progress of the new crop long grain, with a potentially earlier than ever seen before harvest. An earlier cutting would benefit the rice trade in general in at least a couple of ways, one of which would be to get the rice out of the fields and therefore out of the possibly negative effects of storms or increasingly hot daily temperatures. The earlier cut rice might also get a slightly higher price than the later cut fields, depending on just how much business there may be in Mexico and Central America. Another factor is the potential return to the growers on field and milling yields, both of which are important with milling outturns being very important.

Some new crop trading has taken place at even to 20 cents per cwt under futures levels, depending on the delivery date. The entire southern trade continues to keep as close an eye on the South American situation. There are comments being noted about potentially quite a substantial amount the long grain production down in South America being very short in the crop currently being harvested.

Comments out of south Louisiana continue to indicate the new crop is looking good and expected to see some cutting sometime between Independence Day and the 20th of July. The crop was tight as it was, but the extra buying as a result of South American problems could have squeezed the inventories down quite a bit more than had been anticipated. New crop bidding continues to be reported at $26.00 bbl fob farm basis a 55/70 per cwt milling outturn. Green buying interest is still in the market at $22.00 bbl delivered drying facility.

In California, the cash market turned lower against this week as 200,000 cwt reportedly traded at $8.50 over loan. Calrose is virtually trading at the same level as southern long grain, an incredibly rare and maybe even unprecedented occurrence. Most believe the Calrose cash market to now be at the bottom; at these prices, paying second year storage and carrying makes a lot of sense. There are still rumors that Turkey is in the market or already booked a sale. Outside of that, export business is in the summer doldrums and most eyes are now turning to new crop.

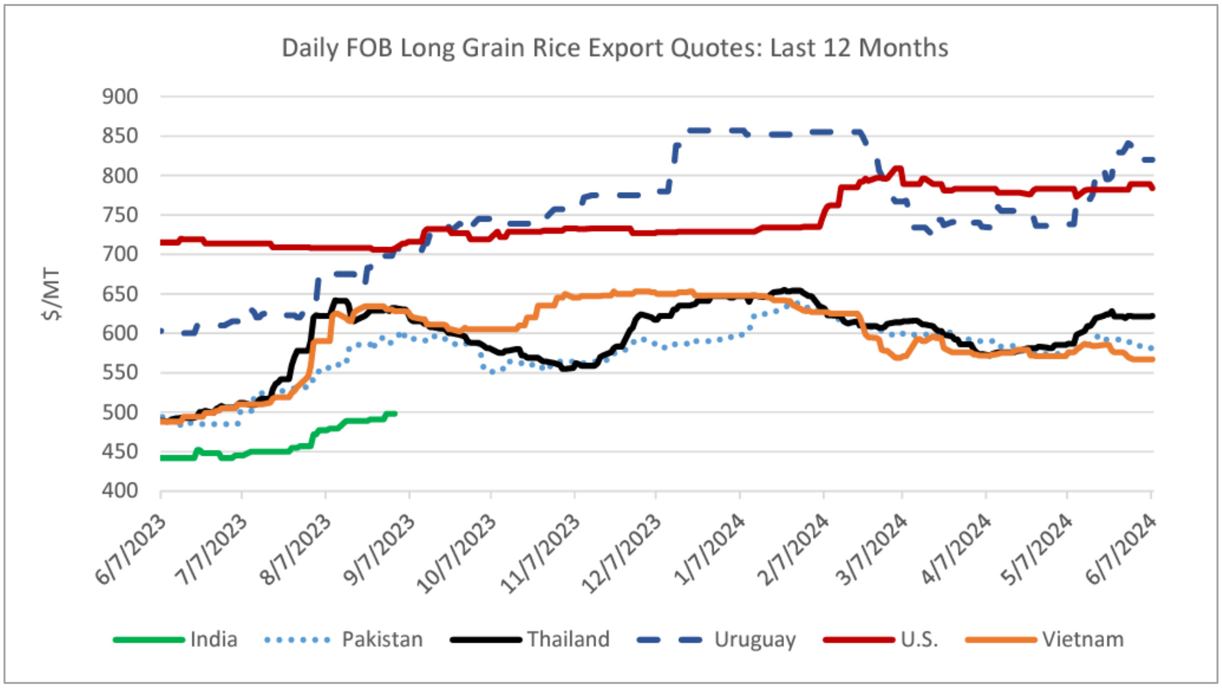
Last week, rough rice futures saw an ongoing drop in the July contract to new recent lows which could signal the coming final weakness in the 2023/24 crop year. Rice futures have managed to hold at some fairly high levels the second half of the crop year- both last year and this- with the past week finally showing us something of a giving up the higher priced remaining paddy. Futures have been chopping around, with nearby July gaining over the past two weeks while September rice has lost a little ground. However, the September contract hasn't drifted too far from the major high of $15.80 set last month, and in a vacuum looks like it is ready to make a run at that high.

Another problem for bulls is the strong start to the U.S. growing season. USDA said the crop was 82% good/excellent as of June 9, up a point from last week and up 15 points from the same time a year ago. Top producer Arkansas is rated 81% good/excellent and only Mississippi is struggling, at 50% good/excellent.

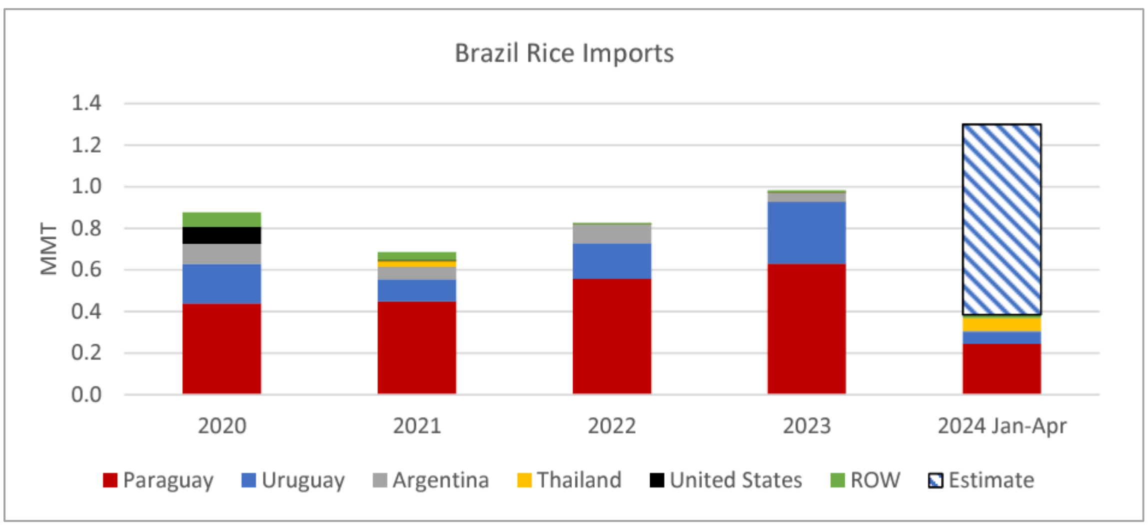
Once the July contract is off the board, we are visiting with several folks who are expecting higher prices in the new crop (a bit higher than their current levels that is). Although some in the trade expect good demand for exports in the new crop, the new long grain crop is going to be sizable. The new crop market looks strong at present, unless something substantial and unexpected happens in the next few months, the trade is expecting a fall to lower price levels, since there is not rally an indication of any 'large' cash business or large shorts in this market at present.

Regardless of what the rough rice futures do, producers must remain on watch for any additional large cash market purchases of both long grain rough and/or long grain milled. Prices appear to be good at present. Although the export business seems to have improved, the market still needs to see continuing confirmations of large sales to export buyers. Keep in mind that the market continues to have foreign competitors for our overseas and our domestic markets, and they want to sell their rice as badly or worse than we want and need to sell ours.

Since the May WASDE, Vietnam quotes are down, while other major exporter quotes are up. In the past month, U.S. prices increased $1 to $784/ton with continued strong demand from Latin America, primarily for long grain rough rice. Uruguayan quotes jumped to $820/ton with weather-related losses for the recent harvest in Brazil and Uruguay. Vietnamese quotes declined $9 to $567/ton, remaining the lowest-priced supplier. Thai rice quotes increased by $35 to $622/ton with strong sales to Indonesia and the Philippines along with a stronger currency. Pakistani quotes moved up $5 to $581/ton fueled by continued sales in Africa. Export quotes for India white rice have been unavailable since imposition of an export ban for milled white rice on July 20, 2023.



Brazil, the largest rice producer within the Western Hemisphere, is forecast to import 1.3 million tons of rice in 2024, the highest in over 2 decades. Brazil rice production for MY 2023/24 (April 2024-June 2025) is revised lower to 7.0 million tons due to the impacts of severe weather and regional flooding in the southern region of Rio Grande do Sul.

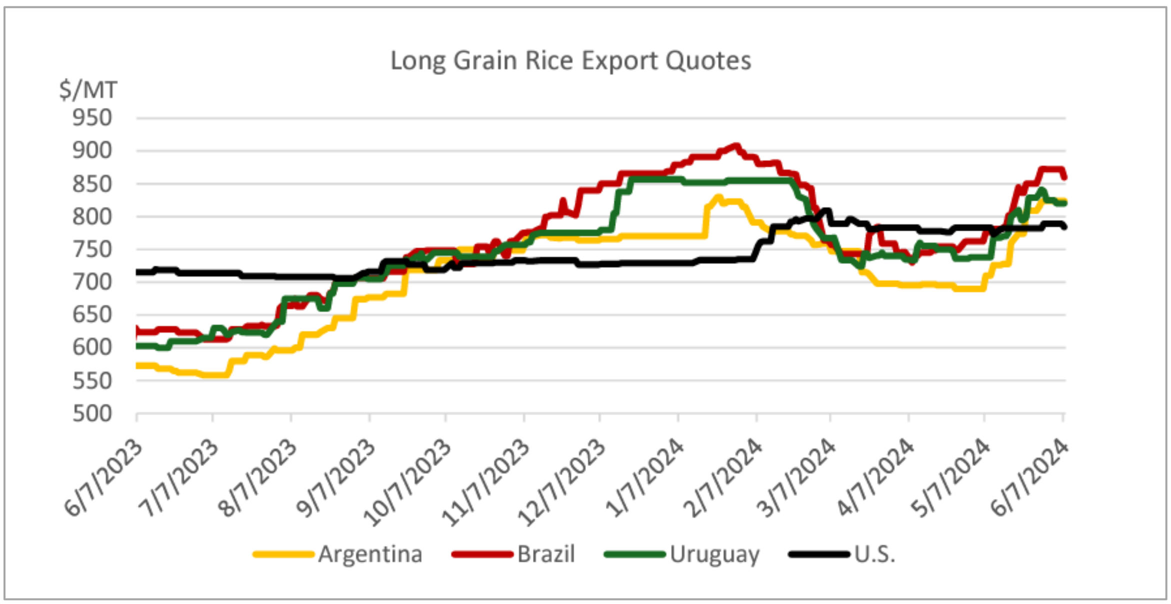


In response, the Brazil government issued a suspension of import tariffs on most rice effective May 21, 2024, through the end of 2024 (see table below). The government also announced intentions to import 1.0 million tons of rice by the end 2024. On June 6, Brazil held its first auction with successful bidding of roughly 260,000 of the allowed 300,000 tons. The origin of the rice is still unclear as CONAB, Brazil's national supply company, rules stipulate that imported rice should be delivered by September 8 and in 5-kilogram packages at a capped price of R$4 per kilogram (U.S. $0.76).

Tariff line	Product	Tariff reduction
100610.92	Rice in the husk, paddy or rough	10.8% to 0%
100620.20	Rice, Husked or brown rice	10.8% to 0%
100630.21	Rice, Semi--milled or wholly milled rice, whether polished or glazed	9% to 0%

The Brazilian government has sought to mitigate supply risks and curb price spikes, but domestic producers have expressed concern about the influx of additional supplies, particularly since the harvest only recently finished. Traditionally, only members of Mercosur are allowed duty-free access to Brazil. Paraguay and Uruguay are the largest suppliers, with Argentina supplying smaller quantities. This new policy enables equal access to non-Mercosur suppliers. The reduction in import tariffs is reminiscent of previous interventions in 2020 which resulted in higher imports from non-Mercosur rice suppliers. In 2020, the United States exported over 82,000 tons to Brazil on a milled-equivalent basis.

Along with imports, Brazil exports are also expected to be impacted. Since 2022, Brazil has exported large volumes, capturing market share in Latin America from the United States. Brazil also expanded into Africa due to India's export restrictions. However, in 2023/24, Brazil export quotes have risen, reflecting the damaged crop. While its export quotes remain high, nearby markets may shift to purchase from the United States—now the most competitively priced supplier within the Western Hemisphere.

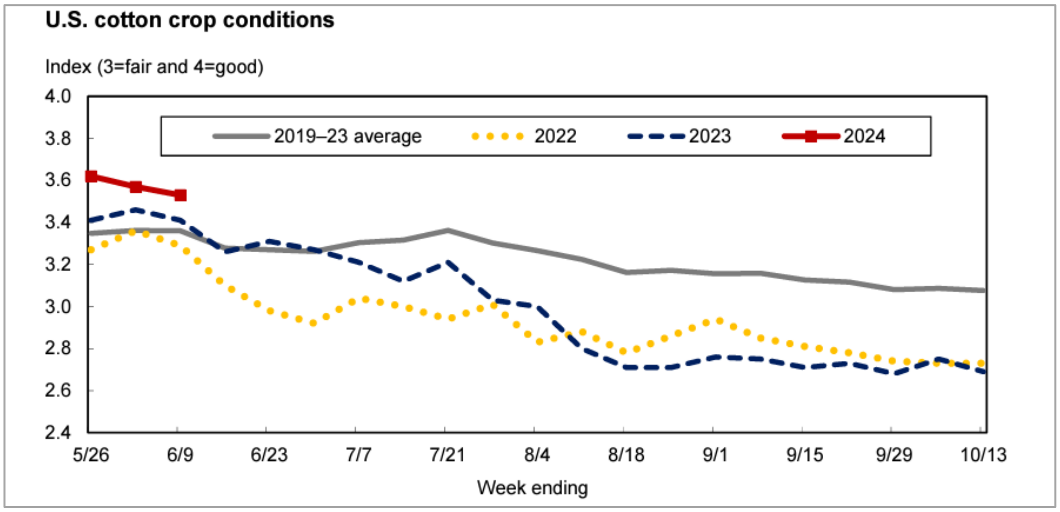


Cotton

USDA's 2024/25 U.S. cotton production projection remains estimated at 16.0 million bales, nearly 33 percent above the 2023/24 crop and 9 percent above the 2021/22–2023/24 average. Upland production is estimated at 15.5 million bales, compared with 11.8 million bales last season. The extra-long staple (ELS) crop is estimated at 530,000 bales, compared with 316,000 bales for the 2023/24 crop.

As of June 9, 80 percent of the forecast cotton acreage was planted, slightly above last season's 78 percent but equal to the 2019–23 average. Early cotton development was above both 2023 and the 5-year average. As of June 9, 14 percent of the 2024 area was squaring, compared with 10 percent in 2023 and

the 2019–23 average of 12 percent. U.S. cotton crop conditions reporting also began recently; as of June 9, conditions are slightly above recent years.



Cotton traders saw a bearish June WASDE report. USDA's 2024/25 U.S. cotton projections show higher beginning and ending stocks versus last month due to 2023/24 exports being reduced. In addition, world ending stocks increased marginally. Without a weather event or an improved world economy, cotton prices should continue to decline until consumption improves. To date, lower prices have triggered an underwhelming spinner response.

Cotton bulls got no traction from a sharp drop in the U.S. dollar index and the recent solid rally in crude oil prices. Also, U.S. stock indexes hit record highs this week, which implies upbeat consumer attitudes that should translate into better demand for apparel in the coming months.

World Weather Inc. said West Texas rainfall "will be restricted for a while, though recent rain was certainly welcome and good for many crops. Dryness remains a concern in southwestern parts of west Texas and in both the Texas Coastal Bend and south Texas." There is some potential for tropical moisture to reach these southern Texas and Mexico drier areas next week, said the forecaster. "Welcome drying and warming in the U.S. Delta should improve crop and field conditions during the next ten days."

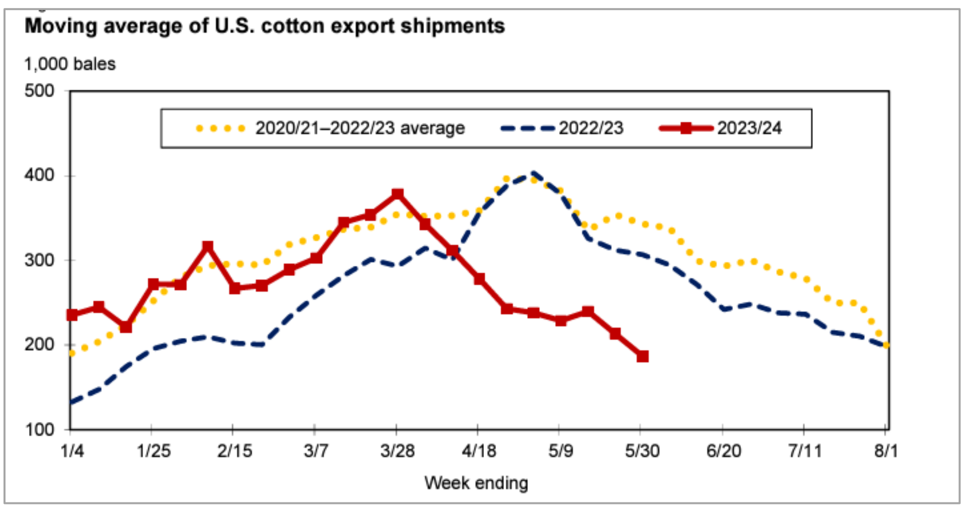
A mostly favorable start to the U.S. crop season is helping pressure the market, along with a surging U.S. dollar. Technically for both July and December futures, the near-term psychological support level is at 70 cents. July cotton fell 99 points to 71.74 cents and nearer the session low. The cotton futures bears have the solid overall near-term technical advantage. The next upside price objective for the cotton bulls is to produce a close in July futures above technical resistance at 77.50 cents. The next downside price objective for the cotton bears is to close prices below solid technical support at the October 2022 low of 70.21 cents, basis nearby futures. First resistance is seen at this week's high of 74.28 cents and then at 75.00 cents. First support is seen at this week's low of 71.28 cents and then at this week's low of 70.21 cents.

USDA's pessimistic view of exports, which they slashed by half a million bales for 2023/24 in yesterday's reports, was further justified by poor sales and shipments in this morning's USDA Export Sales Report. Sales for old crop rose from last week to 180,800 bales, which was average historically. Meanwhile, shipments totaled 195,600 bales, well below the historical average of 300,000+ bales for this time of year. As new crop futures have fallen in tandem with old crop. China, the world's top importer of

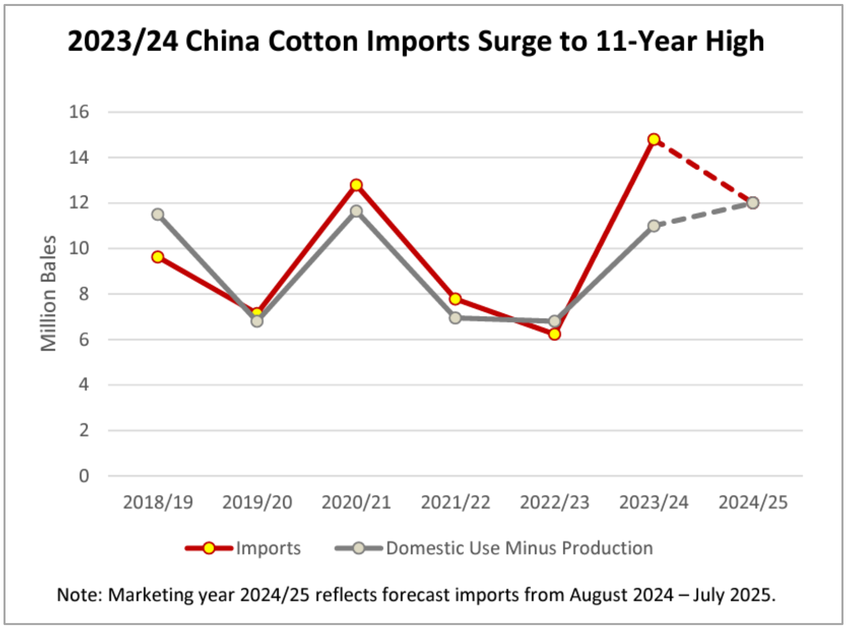
cotton, has very little purchases on the book for old crop and has yet to initiate new crop purchases. Considering the main demand driver for cotton is exports, concerns are rising that China will not show up as they usually do and exports will continue to suffer, weighing heavily on prices.

U.S. cotton demand (exports plus mill use) for 2024/25 remains projected at 14.9 million bales this month, about 1.3 million bales above the revised lower 2023/24 estimate. U.S. cotton exports, forecast at 13.0 million bales in 2024/25, are 10 percent above 2023/24, and the projected increase is partly attributable to a larger U.S. cotton supply expectation. However, other producers will continue to compete with the United States for global trade share. A slight rebound in the 2024/25 U.S. share to 29 percent is projected, but the share remains below recent previous years that averaged 33 percent. U.S. cotton exports are forecast to account for about 87 percent of U.S. cotton demand in 2024/25, slightly above the 2021/22–2023/24 average of nearly 86 percent. U.S. cotton mill use contributes the remaining share with the United States a key exporter of yarn and fabric for apparel production elsewhere. U.S. mill use is forecast at 1.9 million bales in 2024/25, 50,000 bales higher than 2023/24 but still one of the lowest levels on record.

U.S. cotton demand and stock estimates for 2023/24 were revised in June. U.S. mill use was increased 50,000 bales to 1.85 million based on recent mill activity. A larger change occurred in the U.S. export forecast which was reduced 500,000 bales (4 percent) this month to 11.8 million bales. U.S. cotton export shipments usually follow a seasonal pattern, with shipments, based on a 3-week moving average, peaking in late April before declining to the end of the marketing year in July. For 2023/24, however, U.S. cotton exports peaked a month earlier and weakened through the end of May, based on the most recent data available. Competition from other producers- primarily Brazil- is the major reason for the early decline in U.S. exports in 2023/24 and key to the reduction in this month’s U.S. export forecast. Based on the latest estimates, 2023/24 U.S. cotton ending stocks are forecast at a relatively low 2.85 million bales, 1.4 million below the beginning level and the lowest since 2016/17.



China imports for 2023/24 are forecast at the highest level in more than a decade at 14.8 million bales, more than double last year’s volume.1 Several factors have boosted demand: purchases for government reserves, lower domestic production, and lower foreign prices relative to domestic. China’s 2023/24 imports are projected to account for more than one-third of global cotton imports, the highest share in more than a decade.



Sales of foreign cotton from government reserves earlier in the marketing year has been the main factor driving China's rising imports. Imports for government reserves in 2023/24 are expected up roughly 3.0 million bales compared with last year and provide for one-third of China's total imports. These strategic imports are expected to exceed the level of 2023/24 sales from government auctions earlier in the marketing year. The total quantity of government reserves at the end of the marketing year is likely 4-5 months of consumption.

China's strategic reserve buys and sells both domestic and foreign cotton depending on potential market needs. The government has purchased less than 500,000 bales of domestic cotton in the past three years as imports have served to replenish inventories. Imported cotton is expected to comprise more than 90 percent of reserves in state-owned warehouses, and U.S. cotton is estimated to account for the majority.

Lower 2023/24 production and higher domestic use have also boosted import demand. China production is estimated to have fallen 3.0 million bales to 27.5 million while domestic use is the highest in three years at 38.5 million bales. Lower import prices (e.g., A-index) relative to domestic have also driven demand. The domestic cotton price (delivered to a Chinese mill) has been roughly 5 cents higher compared with imports (including the customs cleared 1-percent import tariff and 9-percent (Value Added Tax) since last August. In contrast, last year's domestic cotton price was 8 cents lower on average compared with a customs cleared A-Index.

With China's beginning stocks rising nearly 4.0 million bales to 41.0 million, 2024/25 imports are forecast to fall nearly 3.0 million bales to 12.0 million. With government reserves and cotton in consignment at relatively high levels, imports are expected to fall but remain above the 5-year average. Three factors will ultimately influence the final level of 2024/25 imports- final production, whether the government conducts sales of reserves and the level of potential sales, and the price differential between imported and domestic cotton during the marketing year.

U.S. prices are down significantly relative to other major origins to roughly 64 cents per pound. Basis is mostly unchanged with Southeast at -325 basis points and North Delta increasing to -375. West Texas-Kansas-Oklahoma rose to -1,000 from -1,200, and the average basis across U.S. regions is roughly -750 points compared with -825 last month. The USDA Agricultural Marketing Service (AMS) recorded roughly 17,000 bales of spot transactions since last month's WASDE, far below last year's level of nearly 90,000.

China prices are down 2 cents to 102 cents per pound with the nearby futures contract (September) on the Zhengzhou Commodity Exchange (ZCE) down 500 yuan to roughly 15,000, partly reflecting the significant decline in U.S. cotton futures. Basis (relative to ICE) rose for the third consecutive month to over 3,000 points and remains significantly higher compared with all other observed origins.

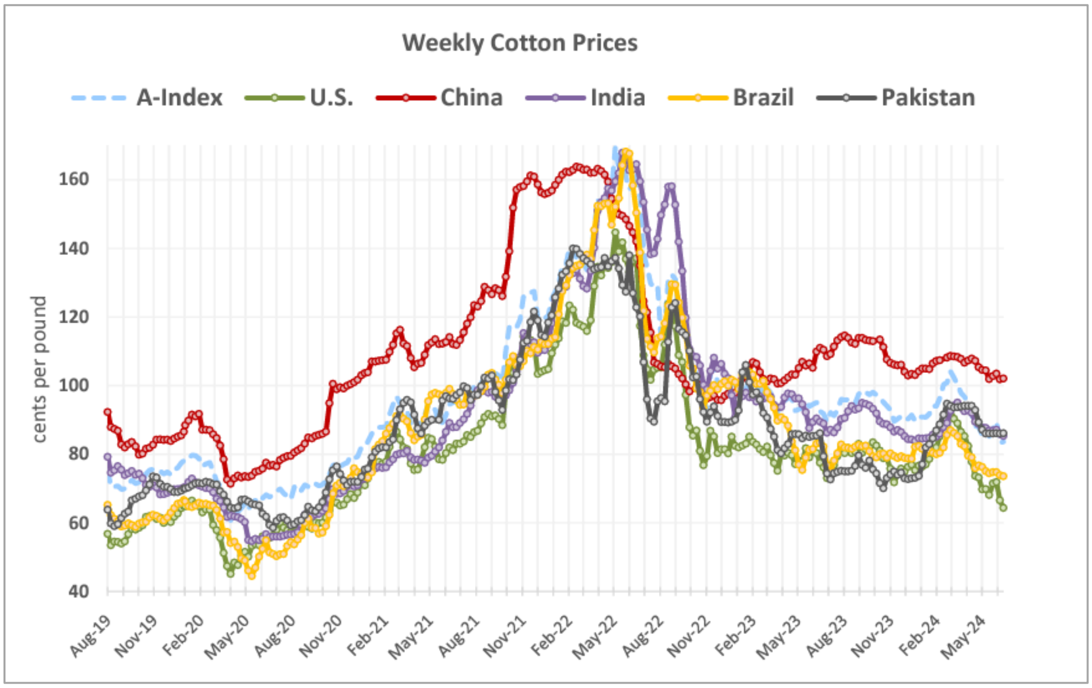
India prices are also down 2 cents, settling at roughly 86 cents per pound. Spinning mills continue to operate at elevated levels as 2023/24 consumption projections are raised this month to 24.8 million bales. Basis (to ICE) is up 400 points this month to around 1,350 points, above last year and significantly higher relative to 4 months prior when basis was -600.

Brazil prices are mostly unchanged at 74 cents despite the steep decline in ICE futures. The pace of 2023/24 Brazil exports are stronger-than-expected as the country is expected to surpass the United States as the largest exporter. The United States has been the largest exporter since the early 1990s.

Pakistan prices are unchanged at 86 cents per pound. Basis (to ICE) is up more than 600 points this month to around 1,400 points and nearly 1,000 points higher relative to last year.

The observed A-Index this month includes the simple average of the following 5 quotes: Brazil, Ivory Coast, Burkina Faso, Memphis/Orleans/Texas, and Memphis/Eastern. Brazil is once again the lowest

quoted origin at 79.25 cents per pound; Memphis/Eastern is the highest at 83.25 cents. The A-Index relative to ICE is around 12 cents higher and unchanged from the previous year.



PLC Farm Program Payment Projections – 2023/24 CY and 2024/25 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	$4.65	$3.70	--
Grain Sorghum	$4.90	$3.95	--
Long Grain Rice	$16.10	$14.00	--
Medium Grain Rice	$17.90	$14.00	--
Seed Cotton	$0.3910	$0.3670	--
Soybeans	$12.55	$8.40	--
Wheat	$7.00	$5.50	--

**national marketing year average (MYA) prices reflect the prices contained in the USDA WASDE report on June 12, 2024.

Covered Commodity	***2024/25 MYA Price****	*Effective Reference Price*	***2024/25 PLC Payment Rate***
Corn	$4.40	$4.01	--
Grain Sorghum	$4.40	$4.06	--
Long Grain Rice	$14.50	$14.00	--
Medium Grain Rice	$15.00	$14.00	--
Seed Cotton	$0.3565	$0.3670	$0.0105
Soybeans	$11.20	$9.26	--
Wheat	$6.50	$5.50	--

*The 2024/25 national marketing year average (MYA) prices reflect the prices contained in the USDA WASDE report on June 12, 2024.

<u>Sources</u>: 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, No Bull, 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), Total Farm Marketing, 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.

Contact Dr. Michael Deliberto at 225-567-7267 or by email mdeliberto@agcenter.lsu.edu
Department of Agricultural Economics and Agribusiness, 101 Martin D. Woodin Hall,
Louisiana State University Agricultural Center, Baton Rouge, LA, 70803