Staff Report No. 2023-47 **July 14, 2023**

July Market Update
Corn, Soybeans, Rice, and Cotton

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Prices at a Glance

Crop	2023/24 U.S. MYA Price Projection
Corn	$4.80 per bu.
Soybeans	$12.40 per bu.
Long Grain Rice	$14.50 per cwt.
Southern Medium Grain Rice	$16.00 per cwt.
Upland Cotton	$0.76 per lb.

WASDE Summary

This month's 2023/24 U.S. corn outlook calls for fractionally higher supplies and ending stocks. Corn beginning stocks were lowered by 50 million bushels, as greater feed and residual use for 2022/23 more than offsets reductions in corn used for ethanol and exports. Corn production for 2023/24 is forecast up 55 million bushels as greater planted and harvested area from the June 30th Acreage report is partially offset by a 4.0-bushel reduction in yield to 177.5 bushels per acre. According to data from the National Centers for Environmental Information, harvested-area-weighted June precipitation data for the major Corn Belt states represented an extreme downward deviation from average. However, timely rainfall and cooler than normal temperatures for some of the driest parts of the Corn Belt during early July is expected to moderate the impact of extreme weather conditions experienced in June. For much of the crop the critical pollination period will be in the coming weeks. With supply rising fractionally and use unchanged, ending stocks are up 5 million bushels. The season-average farm price received by producers is unchanged at $4.80 per bushel.

This month's U.S. soybean supply and use projections for 2023/24 include production projected at 4.3 billion bushels, 210 million bushels down on lower harvested area. Harvested area, forecast at 83.5 million acres in the June 30th Acreage report, is down 4.0 million from last month. The soybean yield forecast remains unchanged at 52.0 bushels per acre. With lower production partly offset by higher

beginning stocks, soybean supplies for 2023/24 have been reduced by 185 million bushels. Soybean crush is reduced 10 million bushels reflecting a lower forecast for domestic soybean meal disappearance . Soybean exports have been reduced 125 million bushels to 1.85 billion on lower U.S. supplies and lower global imports. With lower supplies only partly offset by reduced use, ending stocks for 2023/24 are projected at 300 million bushels, down 50 million from last month. The U.S. season-average soybean price for 2023/24 is forecast at $12.40 per bushel, up $0.30 from last month. The soybean meal price is projected at $375.00 per short ton, up $10.00. The soybean oil price forecast of 60.0 cents per pound is up 2 cents.

The outlook for U.S. rice in 2023/24 calls for larger supplies, exports, and domestic use but slightly lower ending stocks. Supplies increase as higher production more than offsets reductions in both beginning stocks and imports. All rice production is projected at 201.0 million cwt, up primarily on higher harvested area as indicated in the NASS Acreage report, issued June 30. Most of the production increase is for medium- and short-grain rice with the recovery in California rice area following last year's severe drought. The projected all rice yield is 7,599 pounds per acre, up 12 pounds from last month with more of the relatively higher yielding medium- and short-grain harvested area than last month. Total 2023/24 imports are down only slightly from last year's record at 38.0 million cwt as Asian aromatic long-grain imports and medium-and short-grain imports from China are expected to remain substantial. Total domestic and residual use is projected higher at 155.0 million cwt with greater supplies and would be the highest on record. Total exports are projected higher at 80.0 million cwt on larger supplies and reduced U.S. prices. All rice 2023/24 ending stocks are projected lower at 29.6 million cwt but still up 16 percent from 2022/23. The 2023/24 long grain rice season-average farm price is projected at $14.50 per cwt, down $0.50 from last month. The 2023/24 southern medium grain rice season-average farm price is projected at $16.00 per cwt, also down $0.50 from last month.

The U.S. 2023/24 cotton projections show lower exports and higher beginning and ending stocks. Beginning stocks are 50,000 bales higher due to lower 2022/23 disappearance, and 2023/24 exports are reduced 250,000 bales due to reductions in projected world trade and U.S. market share. U.S. planted area is 169,000 acres lower this month, as indicated in the June 30 Acreage report. Harvested area is up 117,000 acres however as rainfall in West Texas remains above median levels, and projected U.S. output remains at 16.5 million bales. Ending stocks are forecast at 3.8 million bales, 300,000 bales higher than in June. The projected price received by U.S. upland cotton producers is 76 cents per pound this month, 1 cent lower than in June.

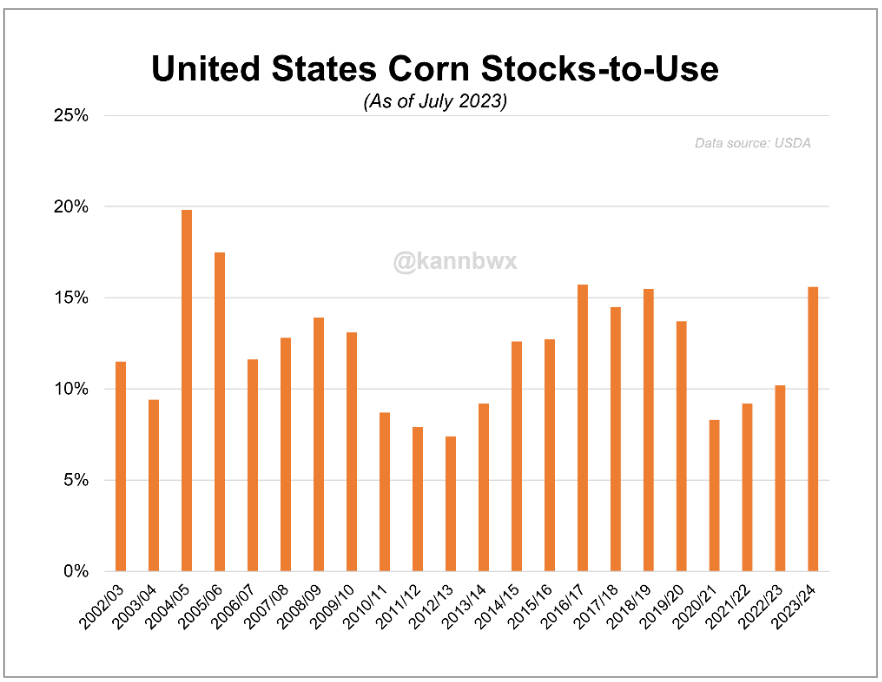
Corn

The U.S. corn acreage estimate of 94.1 million acres from the USDA NASS June Acreage report was bearish, translating to more than 2 million additional acres projected in March and 5.5 million more than 2022. One would quickly understand that unless there is a significant decrease in yield, this increased acreage projection for corn could be problematic for the market. With this acreage number and the absence of bad weather, a 2.6 billon bushel carryout is very possible. Even with a 5 bushel drop in yield, you could be looking at 2 billion bushels. December corn was down nearly 34 cents on Friday and closed below $5. However, the contract was down 93 cents for the week as it had started to tumble early on with rains falling in parts of the Midwest and more in the forecast. We saw a higher corn acreage number that went up to 94.1 from 92, even in March. So, it is no surprise to see a big divergence in the markets selling off corn on news of a higher acreage number and a sharp rally in soybeans on a drastically lower acreage number.

The national yield for corn was pegged at 177.5 bushels per acre, down from 181.5 bushels last month. This is the first time that the USDA has reduced the corn yield estimate in July since 2012. The estimate for total US corn production, however, was higher than last month by 55 million bushels due to a larger June acreage number. USDA left all its demand projections unchanged on the crop US balance sheet and increased demand by a total of 50 million bushels on the old crop US balance sheet.

The weekly ethanol output of 1.03 million barrels was down 2.6% compared to last week and -1.1% vs. the same week last year. Ethanol stocks were pegged at 22.658 million barrels. The print was +1.8% on the week but down 3.5% compared to the same week last year. Implied gasoline demand decreased 8.8% compared to last week and was -7% vs. the same week last year. On average, over the last four weeks, implied US gasoline demand is +3.1% vs. the same period last year. Implied US gasoline demand decreased 8.8% compared to last week and was -7% vs. the same week last year. On average, over the last 4 weeks, implied US gasoline demand is +3.1% vs. the same period last year. Ethanol production increased marginally week-over-week. The USDA projects ethanol production will decline by only 1.4% this year, yet weak production statistics continue to reflect a larger decline. USDA may need to trim 70-80mil bushels from its old crop corn demand estimate. Using spot prices of corn, ethanol, DDGs, etc., margins are positive by 35-60 cents per gallon across the Corn Belt. On average, margins have declined approximately 20 cents compared to last week.

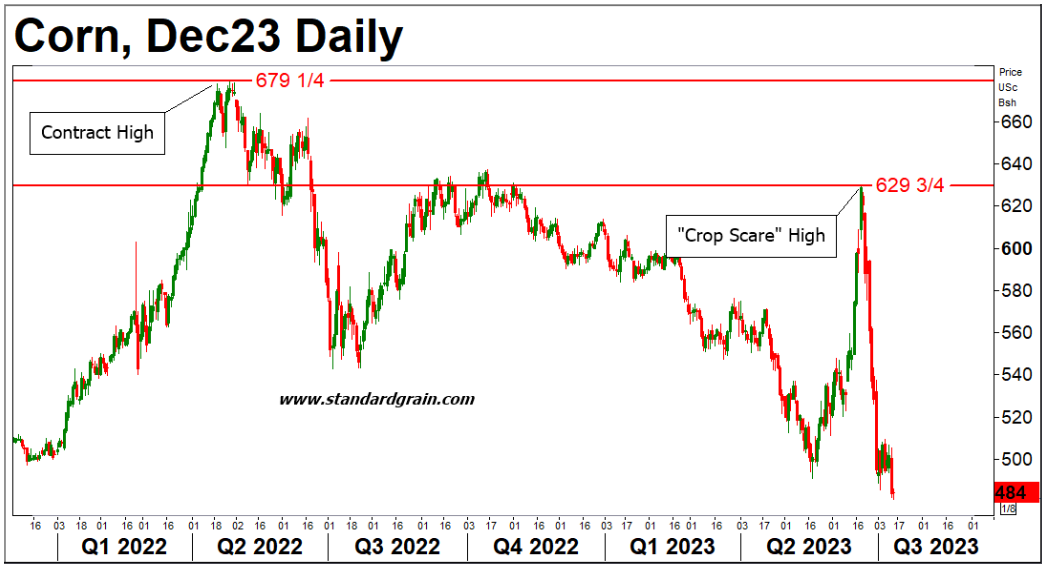
U.S. corn. 2023/24 stocks-to-use at 15.6% would be at their second highest since 2005/06 and well above levels for the past three years. There is room for some error in the crop (still estimated to achieve a record yield) and be comfortable in supplies.



New crop futures fell to fresh lows despite the WASDE's yield cut as U.S. production estimates were still larger than last month thanks to the larger June acreage number. This week's weather patterns probably don't help the bull's cause. Rain fell over parts of Iowa and Illinois as the report was released yesterday.

USDA regarding the 2023 US corn crop - "Corn production for 2023/24 is forecast up 55 million bushels as greater planted and harvested area from the June 30 Acreage report is partially offset by a 4.0-bushel

reduction in yield to 177.5 bushels per acre. According to data from the National Centers for Environmental Information, harvested-area-weighted June precipitation data for the major Corn Belt states represented an extreme downward deviation from average. However, timely rainfall and cooler than normal temperatures for some of the driest parts of the Corn Belt during early July is expected to moderate the impact of June weather." USDA's cut of 4 bu. per acre in its projected U.S. yield appears reasonable based on low June rainfall across much of the Midwest and low crop ratings. As we noted yesterday, though, this is still just a statistics-based projection and not a survey estimate. The August and September *Crop Production* reports will have a lot more to say about yields and total production.



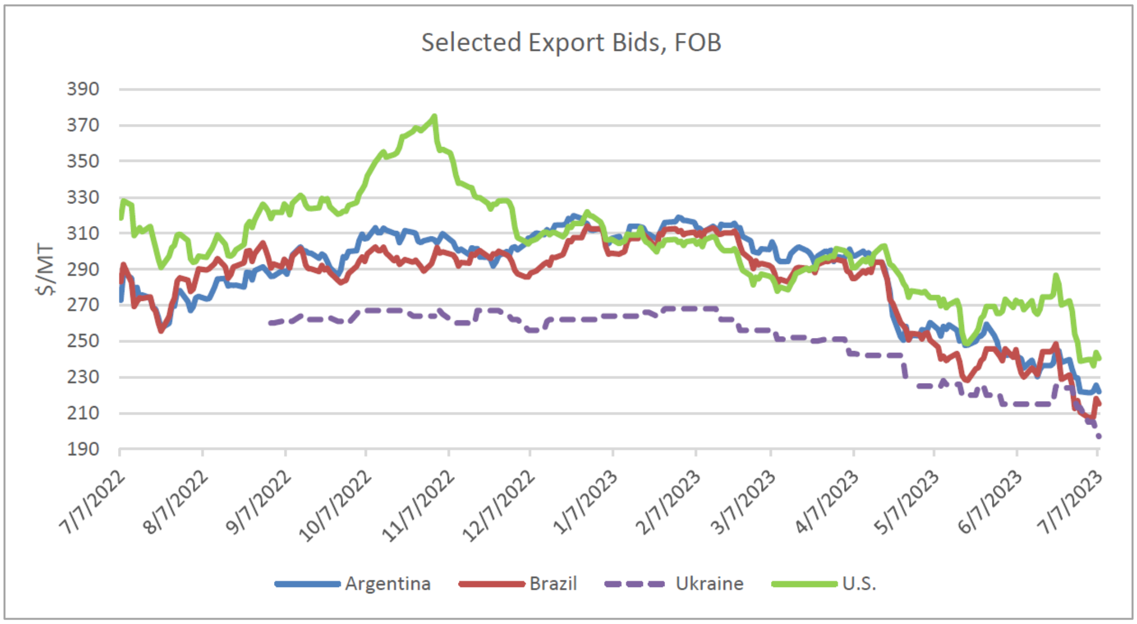
Most corn futures contracts plunged 9 1/4 to 18 1/4 cents after USDA's July WASDE report failed to provide any fresh supportive news for the market. Dec. futures posted their lowest close in 22 months after breaking out of the bottom of their recent consolidation range. Beneficial rains across from South Dakota across much of Iowa, northern Illinois and parts of southern Minnesota were a negative factor along forecasts calling for mostly favorable Midwest weather over the next two weeks, lower USDA demand estimates and technically driven selling. A sharply weaker dollar and further gains in crude oil futures provided limited price support. Sep. corn futures fell 18 1/4 cents to $4.76 1/4, while Dec. futures fell 17 3/4 cents to $4.83 3/4 and March futures fell 17 1/2 cents to $4.95 1/4.

Corn futures piggybacked overnight gains during the day session with improved demand prospects spurring buying back into the support zone of the past two weeks. So far, buying seems little more than a corrective bounce, although a close above $5.10 would point to additional strength. Bulls shrugged off the WASDE's bearish report as traders return focusing on the weather. As of July 11th, the U.S. drought monitor showed 49% of the U.S. as covered by abnormal dryness/drought, down 3 percentage points from the prior week.

Weather forecasts remain largely the same for the coming week. The northern Plains are expected to experience less precipitation than historically, which could pressure conditions in North Dakota, which are some of the highest rated crop conditions at this juncture. Warming temperatures are expected to accompany the reduced precipitation and accelerating drying, says World Weather Inc. The forecaster says most of the Midwest is expected to see rainfall as well as mild temperatures over the next week, favoring crop development as pollination takes place.

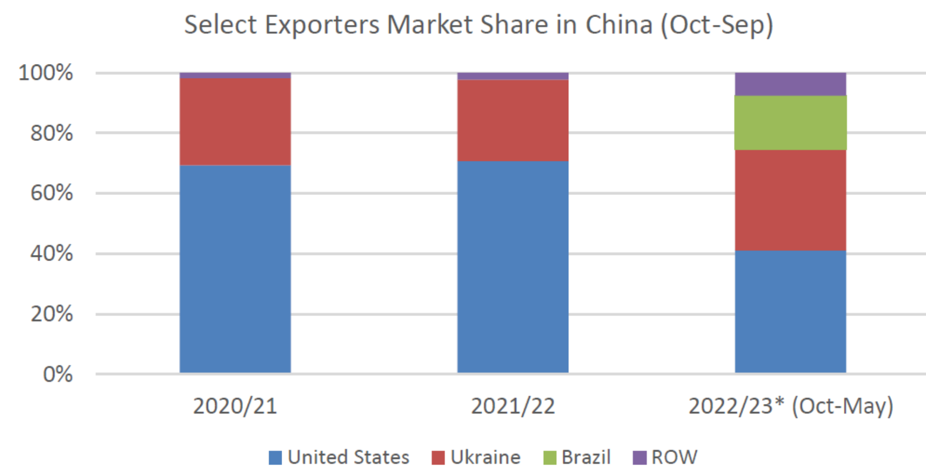
This morning's export sales for the week ended July 6th turned out better than expected, with the highest weekly sales number since the first week of April for the 22-23 marketing year. Export sales were 468,400 metric tons for 2022-23, above analysts' expectations and 86% above the prior week. Net sales of 470,800 metric tons were announced for the 2023-24 marketing year, above expectations and the highest weekly sale thus far for new crop.

Since the June WASDE, bids for all major exporters have weakened. U.S. bids were down $31 to $240/ton, a sharp decline from last month. Larger than expected acreage for corn in NASS's June 30 *Acreage* report and timely rainfall in the driest parts of the Corn Belt during early July have softened U.S. prices. Brazilian bids were pressured down $22 to $215/ton on expansive supplies of corn from Brazil's ongoing safrinha harvest. Argentine bids were also down, coming in at $221/ton, down $19 from last month. Expectations of large supplies in the upcoming U.S. crop and the ongoing *safrinha* harvest in Brazil are pressuring Argentine bids lower, despite tight supplies. Ukrainian bids were down $18 to $197/ton on uncertainty around extension of the Black Sea Grain Initiative and the ongoing war.

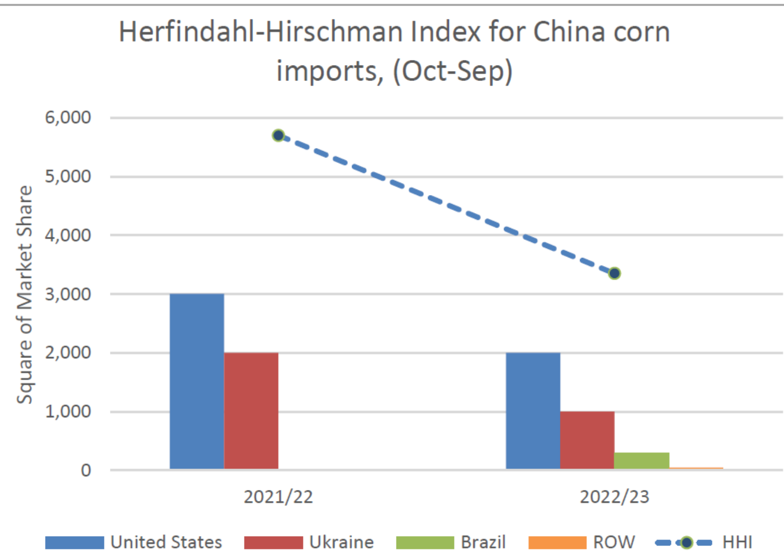


In 2021/2022, China purchased nearly all its 21.0 million tons of corn imports from the United States and Ukraine and 70 percent from the United States alone. However, since October 2022, China has increasingly diversified its corn import sourcing. An examination of China's corn imports by volume using the Herfindahl-Hirschman Index (HHI)*, a commonly accepted measure of market concentration, notes a significant year-over-year increase in competition within China – led by a large increase in Brazil market share.

China Moves to Further Diversify Corn Supplies



The chart below reflects heightened competition between exporters, but it is important to note that only two state-owned enterprises (COFCO and SinoGrain) handle most corn imports. China's diversification efforts are linked to a proactive diversification of suppliers for food security. The 2,200- point shift represents a 22-percent increase in competition among China suppliers. The key drivers of this shift are new market access for additional exporters and disruptions from traditional suppliers Ukraine and the United States.



*HHI: A market with an HHI below 1,500 is considered a competitive marketplace, an HHI of 1,500 to 2,500 is moderately concentrated, and an HHI of 2,500 or greater is highly concentrated. Source: Trade Data Monitor, LLC.

Brazil has experienced the biggest shift in market share. Brazilian exports to China surged in late 2022 after an agreement in May 2022 to allow imports of corn from Brazil. The more than 2.2 million tons of Brazil corn China has imported in 2022/23 have shifted the structure of the market – particularly impacting U.S. market share due to competitive prices. Other smaller exporters have also benefitted from China's efforts to diversify trade. In February of 2022, China signed a phytosanitary protocol with Burma

which cleared the way for cross-border trade. Subsequently, in 2022/2023, China has imported more than 300,000 tons of corn from Burma, a volume larger than the previous 3 years combined. China has also doubled imports from Russia, importing 200,000 tons in 2022/2023. And in May of 2023, China also imported a substantial volume of corn from South Africa for the first time, despite having removed most obstacles to trade through a protocol signed in 2014.

In previous years, China's largest supplier had been the United States. However, in 2022/2023, U.S. corn has faced significant headwinds in logistics and tighter supplies which have made U.S. price quotes uncompetitive. Data from FAS Beijing indicates that prices for U.S. corn to be delivered in June-November averaged $330/ton, more than $30 higher than chief competitor, Brazil. This can be partially attributed to market orientation in both countries. Brazil is harvesting a record safrinha crop, 40 percent of which is anticipated to be exported. In contrast, the United States exports around 15 percent of production, with most supplies headed to the domestic market. The other key supplier, Ukraine, has managed to maintain market share via the Black Sea Grain Initiative (BSGI) – exports in 2022/2023 (Oct-Jun) to China were 5.5 million tons, relative to 6.0 million tons for the same period in 2021/2022. As Ukraine supplies are forecast to tighten on lower stocks and production, this amount is likely to fall in 2023/2024.

China's move reflects a larger pattern among other large Asia buyers – such as South Korea, Japan, and Vietnam – to diversify sources of corn imports. The increasing frequency of trade disputes, the global COVID-19 pandemic, and the war in Ukraine highlighted the need for market participants to mitigate risks related to food security. By increasing the number of sources available from which to import, China faces less unpredictability in meeting the country's massive demand for feed grains.

Soybeans

Soybeans was the source of some surprise bullish news as projections regarding soybean acres had them down 4 million acres from the March's *Prospective Plantings* report to 83.5 million, 5% below last year. The soybean number was still a game changer and could result in ending stocks dropping to around 135 million bushels for the next marketing year. On Friday, soybean prices soared in response to the USDA reports by nearly 78 cents for November. The soybean market will be even more sensitive to weather and yield threats moving forward. Together, this revision suggests that there is very, very little room for error in regard to yield and production given this lower acreage number.

The NASS June *Acreage* report moved commodity markets and upended U.S. soybean export prospects upon its release on June 30. In a surprise to the market, the NASS survey results indicated that 2023/24 U.S. soybean planted area would be 83.5 million acres, 4.0 million below both the March *Prospective Plantings* report and last year's planted acreage number. In line with the 5.7-million-ton reduction in supplies, the U.S. soybean export forecast is lowered to 50.4 million this month.

Perhaps the USDA wants to wait another month before making any adjustments to their US yield estimate. Some might argue that a cut should have been made yesterday based on the weather and ratings. Others might say that the bean crop has more time to bounce back from a dry June. USDA now projects that the new crop US export program will be the worst since 2019. The projection was cut by 125 million bushes. Some might argue that this is a case of the USDA manipulating the balance sheet to avoid printing a "too tight" carryout estimate. Others would point to a new crop book of export sales that is the 3rd worst of the last 10 years, ahead of only 2019 and 2017.

Soybean futures gave back early gains and sold off 24 to 32 1/2 cents after this morning's USDA report disappointed market bulls, triggering speculative long liquidation. A smaller-than-expected cut to

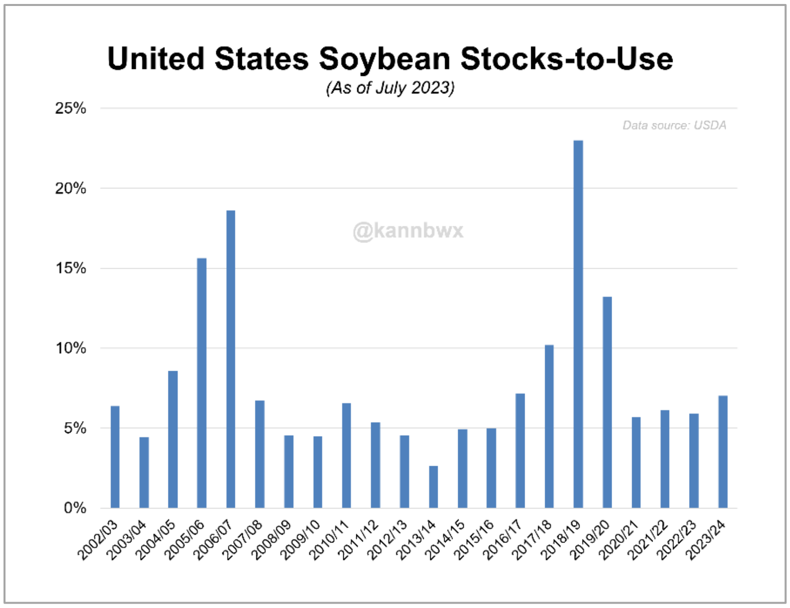
projected 2022-23 U.S. ending stocks and an increase in projected old-crop ending stocks due to slower-than-expected exports fueled the sell-off along with the beneficial rains in key Midwest growing areas and generally favorable weather forecasts. A sharply weaker dollar and further gains in crude oil futures limited soybean losses. The soybean futures chart picture took a big turn for the bearish today as futures charted large bearish outside trading days after falling below their July 3rd highs. November soybeans appear to have chart support now at $13.15 1/2 and $13.07 1/2.

Soybeans were able to make up midweek losses following USDA's bearish supply and demand data. Traders are seemingly shaking off the data and turning their focus toward late-July and August weather. A daily new-crop export sale of 315,704 MT to Mexico, along with a reduction in Brazilian production and outside market strength, were additional variables contributing to the post-report rally. Conab trimmed its Brazilian soybean crop by 1.2 million metric tons to 154.5 million metric tons and left the country's 2022-23 export forecast at 95.6 million metric tons. Crude oil futures took strength from easing inflationary concerns as the Consumer Price Index (CPI) marked its smallest year-on-year increase since March 2021, while the U.S. dollar continued its retreat following the report.

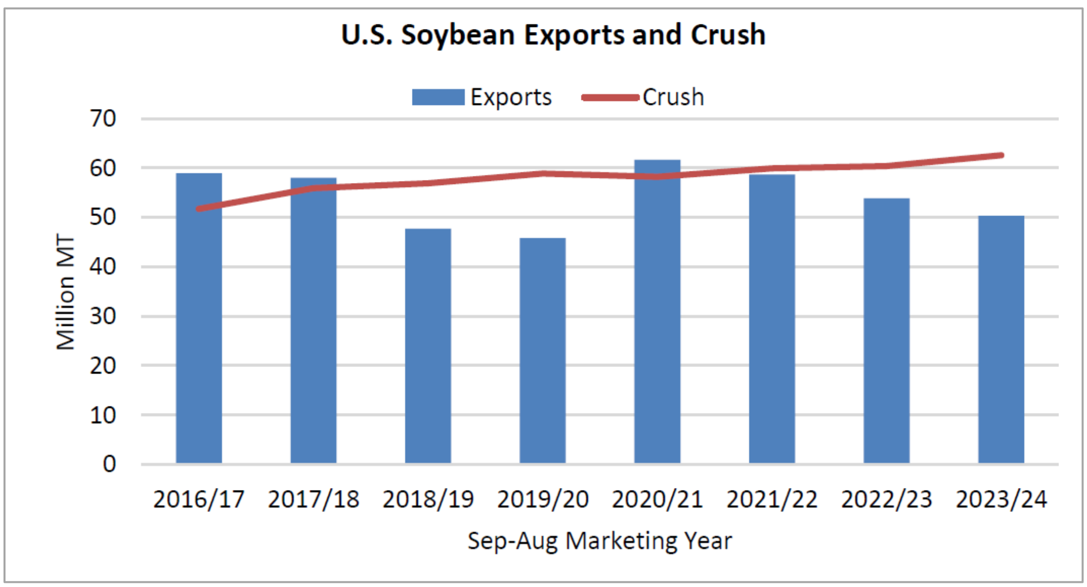
World Weather Inc. continues to forecast a transition to drier weather beginning July 21st through at least July 27th, leaving much of the region in need of a boost of rain, with rains expected through next Thursday not likely to leave a large part of the region with an abundance of soil moisture.

USDA reported weekly export sales of 80,600 metric tons for the week ended July 6th, which were down 57% from the previous week and 76% below the four-week average. Net sales of 209,200 metric tons were reported for 2023-24. Traders anticipated sales to range from 0 to 300,000 MT for 2022-23 and 100,000 to 600,0000 metric tons for 2023-24.

Stocks-to-use for U.S. soybeans in 2023/24 is estimated by USDA at 7%, a four-year high. This figure relies on a record 52 bushel per acre crop yield, but if that shrinks, so could demand. Not an overly comfortable situation but comfortable enough for now.



The 2022/23 U.S. soybean trade market has been characterized by vigorous domestic demand for crush and strong Brazil competition on the global market. The expected continuation of these conditions into the next marketing year coupled with the forecast decrease in supplies means that the deficit will largely be taken out of exports to meet domestic demand. The 2023/24 forecast for U.S. soybean exports is lowered by 3.4 million and stocks are reduced by 1.4 million. Crush is only lowered marginally on strong demand for soybean oil for biofuel feedstock.



Despite the lower production outlook for the United States, the global soybean output forecast remains at an all-time high, largely on a record Brazil crop and a rebounding crop in Argentina. Slowing demand growth in China, economic difficulties in other major importing countries such as Egypt and Pakistan, and record supplies are expected to result in moderated global soybean prices in 2023/24. The United States will likely remain less competitive than South America in the export market due to smaller supplies and biofuel policy incentives which will keep more soybeans on the domestic market for crushing.

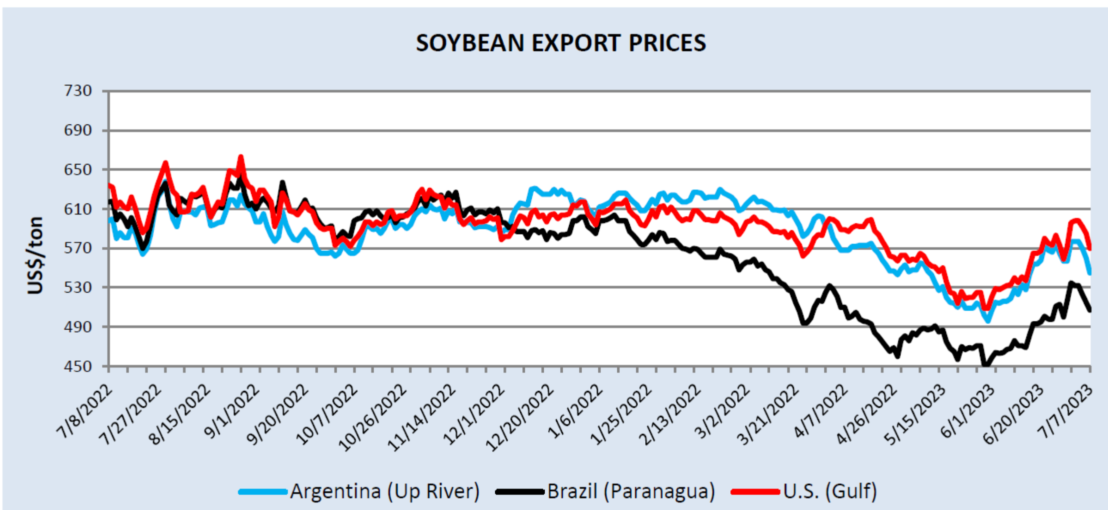
Smaller supplies and strong domestic disappearance in the United States will constrain export potential with trading partners, forcing importers to pay higher prices or increase purchases from Brazil. Offsetting changes to global soybean and product trade this month include larger soybean meal shipments from South America and lowered soybean import forecasts in major U.S. markets including Egypt and Mexico.

For the month of June, average soybean export prices increased slightly for all major exporters. Prices rose in the early part of the month on concerns about U.S. Midwest crop conditions. However, prices plunged after the announcement of the finalized EPA biofuel blending mandates on June 21st, which fell short of industry expectations. On the last day of the month, the release of the NASS June *Acreage* report caught the market by surprise and drove prices sharply upwards, rising 79 cents per bushel in one day for the most liquid contract on lower planted acreage.

June 2023 Soybean Export Prices

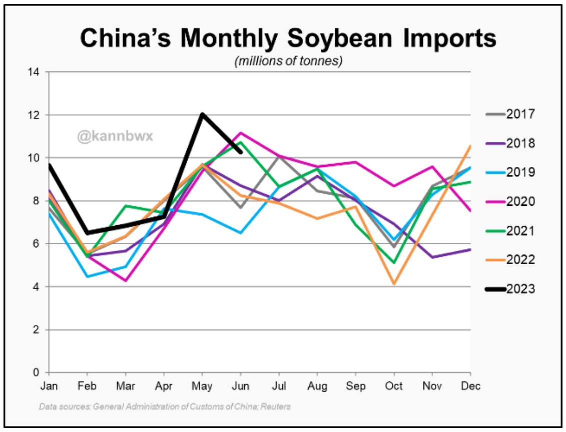
	U.S. Gulf FOB	Argentina Up River FOB	Brazil Paranagua FOB
June Avg Price	$554/ton	$543/ton	$487/ton
Change vs May	+ $16/ton	+ $16/ton	+ $12/ton

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



Soybean oil prices also moved higher at the end of the month, buoyed by the forecast reduction in U.S. supplies. This shift in dynamics further widened the premium for U.S. soybean oil over South America origins. U.S. soybean oil FOB prices are now nearly $400/ton more expensive than the largest exporter, Argentina. Notably, palm oil prices resumed trading at a normal discount to soybean oil this month in part due to higher Malaysia palm oil stocks. Soybean meal prices finished lower on higher crush and ample supplies of alternative protein meals.

China imported 10.3 million tonnes (377 million bushels) of soybeans in June, about 25% more than last June as cargoes from Brazil flowed in. 2022/23 imports so far (since Oct. 1) stand at 74.6 million metric tons, up 8% year-over-year but fractionally behind the same point in 2020/21. There's ideas China's soy demand could slow in the coming months if its hog herds shrink. Chinese hog producers have recently been losing money.



UPDATE 2-China June soy imports up 25% on year after big purchases from Brazil - Reuters

13 Jul 2023 12:00:44 AM

Adds analyst comment in paragraphs 7-8

BEIJING, July 13 (Reuters) - China imported 10.27 million metric tons of soybeans in June, up 24.5% from a year earlier, customs data showed on Thursday, as large purchases of cheap Brazilian beans reached the market.

The imports by the world's top soybean buyer were significantly lower than the record 12.02 million tons in May, when delayed cargoes from the prior month pushed up the number. The imports were still relatively high, though, and in line with expectations.

Large recent arrivals have as well pushed shipments for the first six months of the year to 52.58 million metric tons, up 13.6% year-on-year, the General Administration of Customs data showed. CNC-SOY-IMP

The surge comes after buyers in the world's top soybean consumer bought up cheap supplies from Brazil, which produced a record crop this year.

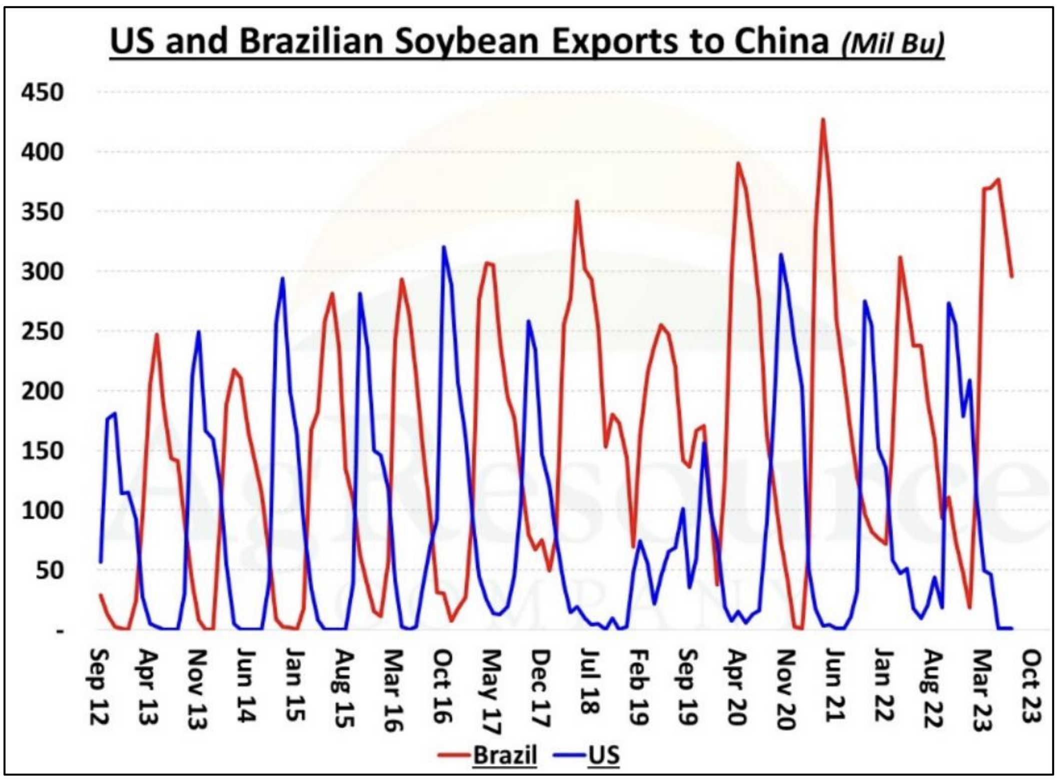
Buyers had expected rising demand from farmers this year after China reopened after abandoning its strict anti-COVID measures. Hog farmers have lost money since the start of the year, however.

Another 10 million to 11 million metric tons of soybeans are expected to arrive this month, traders said, but demand may slow in the second half of the year if hog herds start to shrink and less soymeal is needed, said Darin Friedrichs, co-founder of Shanghai-based Sitonia Consulting.

Soybeans are crushed into protein-rich meal to feed China's livestock herds and make oil for cooking.

"Hog farmers have basically been losing money for over six months now. It's hard to see how that continues indefinitely," Friedrichs said.

As reported by AgResource, U.S. soybean exports typically bottom in June or July and begin rising in August or September as old crop Brazilian supplies tighten. Following a record large Brazilian harvest and exports, some in the trade doubt that the U.S. export pace will begin expanding until October this year. One issue that has developed is that Chinese customs have artificially slowed the soybean import rate by restricting the inspections and release of foreign soybean imports.



Rice

The June Acreage report was a little bearish for rice. A total of 2.687 million acres of rice were planted this year, a 21% increase over last year's 2.222 million planted acres. This increase is largely on account of a return of the California crop on the west coast, and a significant increase of acres in Arkansas. Looking directly at the long grain plantings, the report shows 1.991 million acres, up 10% from last year's 1.802 million acres. Medium grain acres have the largest change, with a total of 663,000 acres, up a whopping 70%. Of the 663,000 acres of medium grain, 435,000 acres are in California (excluding short

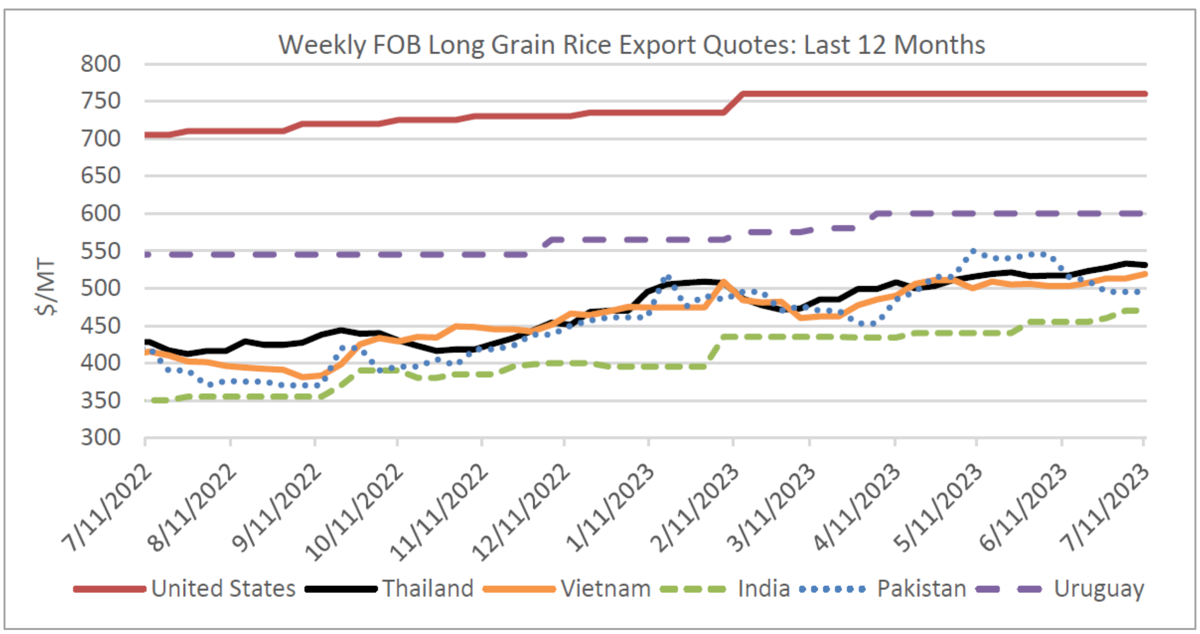
and long grain), while the balance of 228,000 acres comes from Arkansas (160,000), Louisiana (60,000), Missouri (5,000), and Texas (3,000).

The story here continues to be one of convergence; for medium grain, it's that the high-priced old crop must converge with lower new-crop pricing on account of increased supply. For long grain, it's that U.S. price must converge with South American suppliers like Brazil, Paraguay, and Uruguay to restore balance in the Western Hemisphere rice export complex. While convergence may be a nice way to say, "the price will drop this year," it is essentially restoring the balance after climate-driven production shocks to both U.S. medium and long-grain rice severely distorted typical supply chains. This inherent climate risk is increasingly becoming a factor in the Western Hemisphere rice trade, i.e.: climate impacts now extend beyond the monsoon rains in India or weather catastrophes in Indonesia. Water, and lack thereof, is having a significant impact on crop decisions, crop availability, farm bill measures, and ultimately the reliability of supply.

It is important to maintain perspective here and remember that the 1.9 million acres of long-grain rice, and the 663,000 acres of medium grain are simply a return to a normal U.S. crop. However, multi-year consecutive decreases in both long and medium grain supplies resulted in our export markets adjusting and finding supplies from our competitors. Having a full crop creates an opportunity to recapture these markets, but also a challenge to market at levels positive for the industry.

The USDA cut its projected 2023-24 U.S. all-rice ending stocks slightly to 29.6 mil. cwt. from 30.3 mil. in June, even though it raised expected U.S. production by 8.3 mil. cwt. USDA cut the old-crop carry-in and expected exports, while raising use by 7.0 mil. cwt. Rice futures ended slightly higher, settling 3 ½ cents in the July, September, and November contracts. July settled at $19.19 ½, and September settled at $14.81 after trading a range of $14.57 to $14.89. November rice settled up 3 ½ cents to $14.98.

In the past month, U.S. export quotes remained at $760/ton and Uruguayan quotes at $600/ton. Thai quotes rose by $14 to $531/ton due to continued high demand for Thai rice and currency strength. Vietnamese quotes rose $16 to $519/ton due to limited supply and high demand. Pakistani quotes decreased significantly, down $50 to $495/ton, on expectations of production recovery in 2023/24. Indian quotes were up $15 to $470/ton but remain among the lowest priced for major global exporters.



India, the world's biggest rice shipper, is considering banning exports of most varieties, a move that may send already lofty global prices higher as El Niño returns. Bloomberg reports that the government is discussing a plan to ban exports of all non-Basmati rice, according to people familiar with the matter.

This is due, in part, because of rising domestic prices and authorities want to avoid the risk of more inflation, said the people, who asked not to be identified as the information is not public. If implemented, a ban would affect about 80 percent of India's rice exports. Such a move may lower domestic prices, but it risks sending global costs even higher.

Rice is a staple for about half of the world's population, with Asia consuming about 90 percent of the global supply. Benchmark prices have already soared to a two-year high on fears that the return of El Niño will damage crops. India accounts for about 40 percent of the global rice trade and has sought to tighten exports of some varieties.

Last year, the South Asian nation banned broken rice exports and imposed a 20 percent duty on shipments of white and brown rice after Russia's invasion of Ukraine sent prices of food staples like wheat and corn soaring. The country has also restricted wheat and sugar exports. India supplies rice to more than 100 countries, with Benin, China, Senegal, Cote d'Ivoire, and Togo among its biggest customers.

Importers such as Indonesia, China and the Philippines have been aggressively stockpiling rice this year. El Niño conditions have developed in the tropical Pacific for the first time in seven years, according to the World Meteorological Organization, threatening to bring drought to many rice-growing regions. A potential ban by India will add to supply worries.

India's plan comes after its consumer price inflation quickened in June mainly due to higher food prices. Bloomberg Economics expects inflation to rebound further after the latest surge in tomato prices, a key ingredient in Indian cuisine, and an increase in the government's support price for monsoon-sown crops. Barclays Bank Plc and Yes Bank have raised their inflation forecasts.

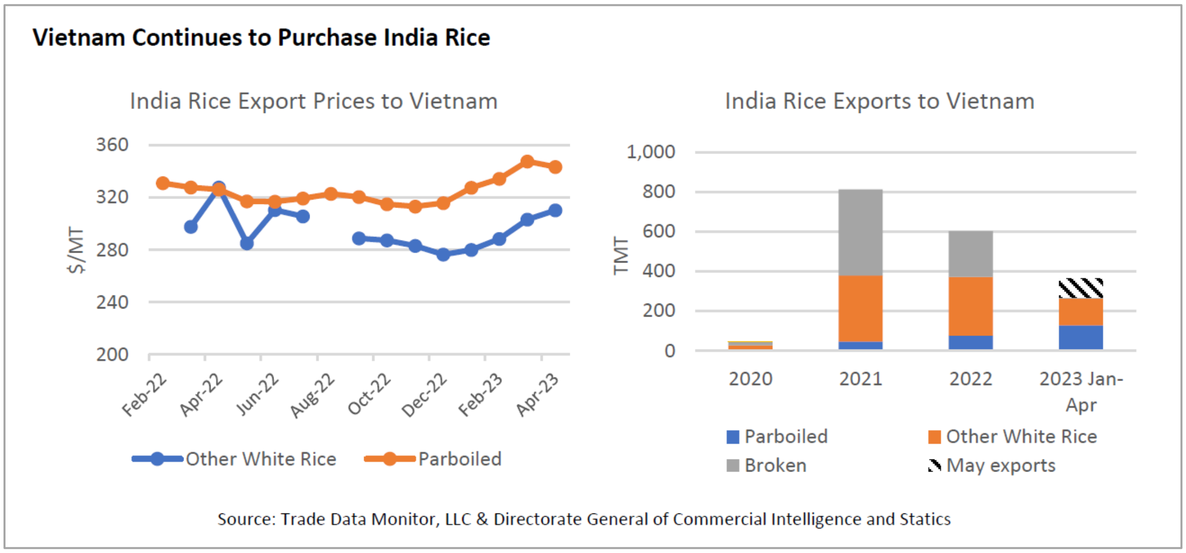
Retail rice prices in Delhi have climbed about 15 percent this year while the average price nationwide has gained 8 percent, according to data from the food ministry. Persistent high food costs could hurt popular sentiment ahead of several state polls later this year and national election in 2024.

Vietnam, the third-largest global rice exporter, continues to import large quantities of rice despite an improved crop. Imports are estimated to reach 1.7 million tons in 2023 and have grown sharply since 2021, enough for Vietnam to become the seventh- largest rice importer. During the first 5 months of 2023, Vietnam imported around 900,000 tons of rice, primarily from Cambodia and India.

Cambodia has long been a supplier of rice to Vietnam due to its lack of domestic milling capacity. Historically, about 500,000 tons of Cambodia rice has crossed the border each year to be milled and sold in Vietnam. However, this trade has doubled since 2021 due to tighter supplies in Vietnam. During the first 5 months of 2023, Vietnam imported roughly 650,000 tons from Cambodia.

Vietnam is also importing from the largest global rice exporter, India. Trade between the two countries has been minimal in the past, ranging from 5-50,000 tons/year. However, with abundant and low-cost India supplies, Vietnam began importing broken and milled rice in 2021, importing over 800,000 tons. In September 2022, India placed a ban on 100-percent broken rice and a 20-percent tariff on paddy, brown, and white rice that is neither basmati nor parboiled rice. Since the ban, virtually no broken rice has entered the market, but parboiled rice imports in the first 4 months of 2023 have reached nearly double the volume of parboiled imports for all of 2022. The shift to parboiled rice is likely because the rice does not face a 20-percent tariff and may be a lower-priced alternative[1] to domestically sold rice. Demand for

other white rice imports has remained stout as much of it is processed into noodles. Looking ahead, with limited domestic supply, Vietnam imports are forecast to remain high at 1.7 million tons in 2024.



Cotton

The June Acreage report provided some very modest support for the market, with USDA pegging plantings at 11.1 million acres, down from 11.256 million in the March planting intentions report and slightly below expectations. But acreage numbers were already down sharply from 13.763 million last year. The trade has had plenty of time to price that in. While crop ratings have improved, there are still threats to production, from intense heat in Texas as well a very soggy conditions recently in the southeastern U.S.

The supply side of the price equation is the driving force in price determination. Thus, price gains will be limited. Demand markets are the source of sustained higher prices, not supply markets. Yet, it is the demand side of the price equation that has limited a price movement above the 83-84 cent level in recent trading.

With fewer U.S. acres, weather through the remainder of the growing season will prove especially important. Volatility could increase amid varying weather patterns throughout key growing areas. World Weather Inc. notes Most Texas crop areas continue to get beat up by excessive dryness, a pattern that will linger for another day or two, before some cooling along with showers and thunderstorms occur. The forecaster states that while the rain will be welcome, it will be poorly distributed leaving many areas in need of moisture while others get a short-term period of crop improvement. West Texas will be included in some of the rain with Friday not Saturday the wettest.

Traders will continue to closely monitor U.S. exports as the 2022-23 marketing year inches closer to its end. Exports have recently proven stable despite concerns of a lackluster Chinese economy and demand in recent weeks. Export data will ultimately help paint the global demand picture and provide insight into the world economy.

Cotton futures ended slightly lower, pressured by a USDA report that was mildly negative. The December contract surged to a 7-week high of 83.10 before retreating, ending near the day's low. It settled down 47 points to 81.65. It did remain above its 100-day moving average, and it has an outside week higher in the

works. March cotton ended down 15 points to 81.73. Losses were limited by a plummeting dollar and rallying stock market, which responded to lower-than-expected inflation reported this morning.

Cotton futures fell under pressure early in the session following a decline in export sales, though outside market strength erased losses. Lingering bearish sentiment in the wake of Wednesday's supply and demand data continued to cast a shadow over the natural fiber. However, the marketplace in general is more positive for commodities as the June Consumer Price Index report came in lower-than-expected both on the headline and core reading, indicating the Fed's inflation battle is indeed effective.

Weather in key cotton growing regions of the U.S. continues to prove variable. World Weather Inc. notes Texas crops will continue stressed for another ten days except in the Panhandle and Red River Valley where timely rain is expected. Rain will fall favorably in southwestern Oklahoma, the Delta and southeastern states, while far western U.S. crops will be very dependent upon irrigation water due to moisture shortages and excessive heat.

USDA reported weekly export sales of 23,100 RB for 2022-23, which were down 79% from the previous week and 76% from the four-week average. Net sales of 51,000 RB were reported for 2023-24. Primary purchasers for the week were China (36,000 RB), Honduras (9,800 RB) and Pakistan (2,500 RB). Meanwhile, shipments totaled 208,300 RB during the week, which were down 20% from the previous week and 14% from the four-week average.

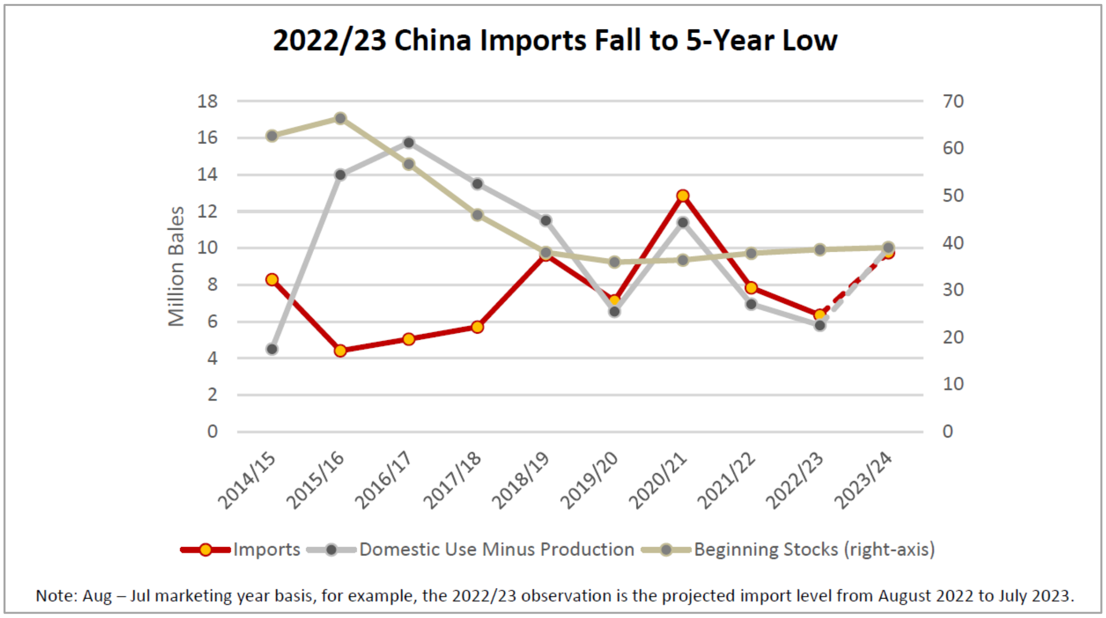
USDA's July WASDE report held slightly negative news for cotton as the agency raised its 2022-23 U.S. carryout to 3.25 mil. bales from 3.20 in June and raised its projected 2023-24 U.S. carryout to 3.80 mil. bales from 3.50 million. Next year's projected exports were cut by 250,000 bales to 13.75 mil. bales. USDA raised its 2023-24 world cotton carryout by 1.73 mil. bales to 94.52 million primarily due to a larger old-crop carry-in.

International cotton prices as measured by the Cotlook A Index displayed a distinct declining trend throughout June. Merchants continued to struggle to place cotton with spinners in a landscape characterized by low demand from every market except China, while buyers in that quarter were still extremely price conscious and securing business was often possible at the cost of further reductions in terms of basis. The A Index reached a high point of 96.65 cents per lb on June 2nd, and achieved its lowest position for seven months towards the end of the period: 88.70 cents per lb on June 28th.

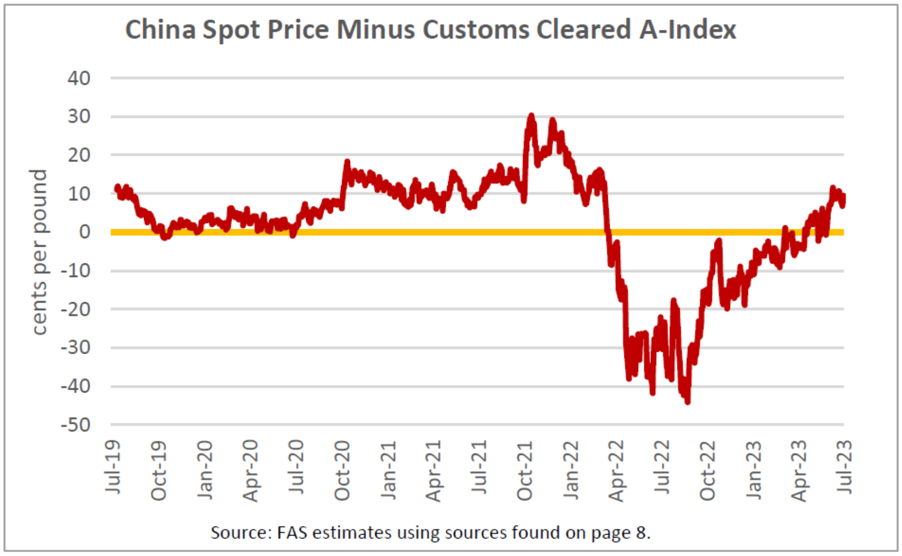
Yet again, however, there was little sign of any improvement in the margins generated on sales of yarn in the major consuming countries, since garment and textiles orders from the US and especially Europe were understood to be lower than usual for the time of year, with smaller quantities booked, short turnaround times and frequent reductions or cancellations by retailers and brands. Spinning activity was acknowledged to be slow especially in Bangladesh, Pakistan and Turkey, as each country continued to battle against its economic problems. On the other hand, the mood was definitely a little brighter in China. US export sales of upland cotton in the four weeks between June 2 and 29 amounted to 919,000 bales, of which 58 percent was destined for China. Shipments in the review month totalled 967,000 (20 percent for China).

The marked increase in business in China coincided with a significant readjustment in the relationship between the prices for domestic cotton and international growths. The price advantage for local supplies had been shrinking since early February, and two measures –the China Cotton Index and the A Index adjusted to comparable terms – achieved parity towards the end of April, thereafter tending to favor imports in terms of competitiveness. In June, the discount for international supplies grew from 240 yuan per tonne to around 2,000 yuan (over 12 percent) towards the end of the month.

The USDA estimates that 2022/23 China imports are forecast at the lowest level in 5 years at 6.4 million bales, less than half the volume witnessed 2 years earlier. Several factors have pressured demand: the highest domestic production in 9 years, lower domestic prices relative to foreign, and less demand for government reserves.

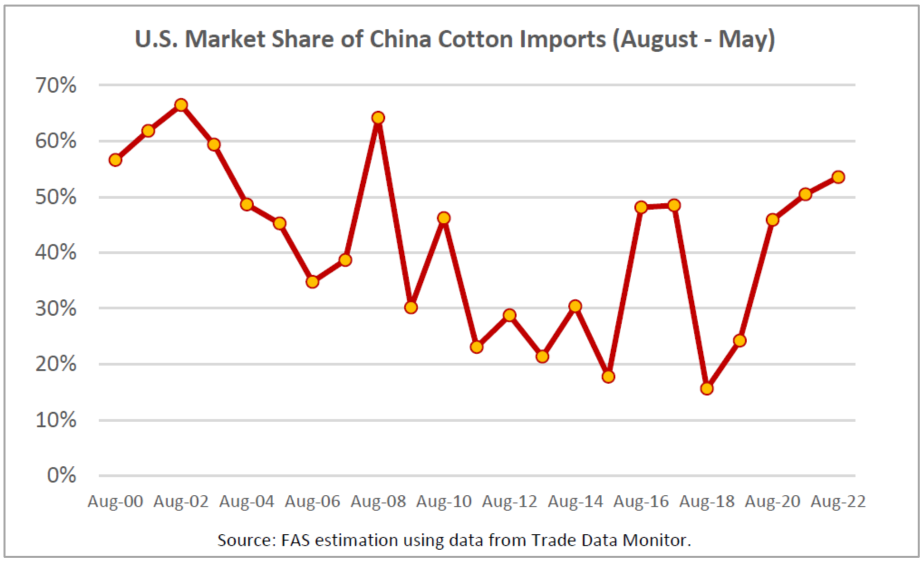


Chinese domestic cotton use relative to production has become a more important factor driving import demand. This is especially true as stocks have fallen from historic levels witnessed nearly a decade ago. The country's most recent crop surged nearly 4.0 million bales above the previous year to 30.7 million while domestic use is forecast slightly below the 5-year average at 36.5 million bales. Moreover, beginning stocks of domestic cotton in Xinjiang warehouses were more than 6.0 million bales above the previous year. This burdensome level of domestic cotton supplies put downward pressure on imports and spurred greater spinning of domestic lint.



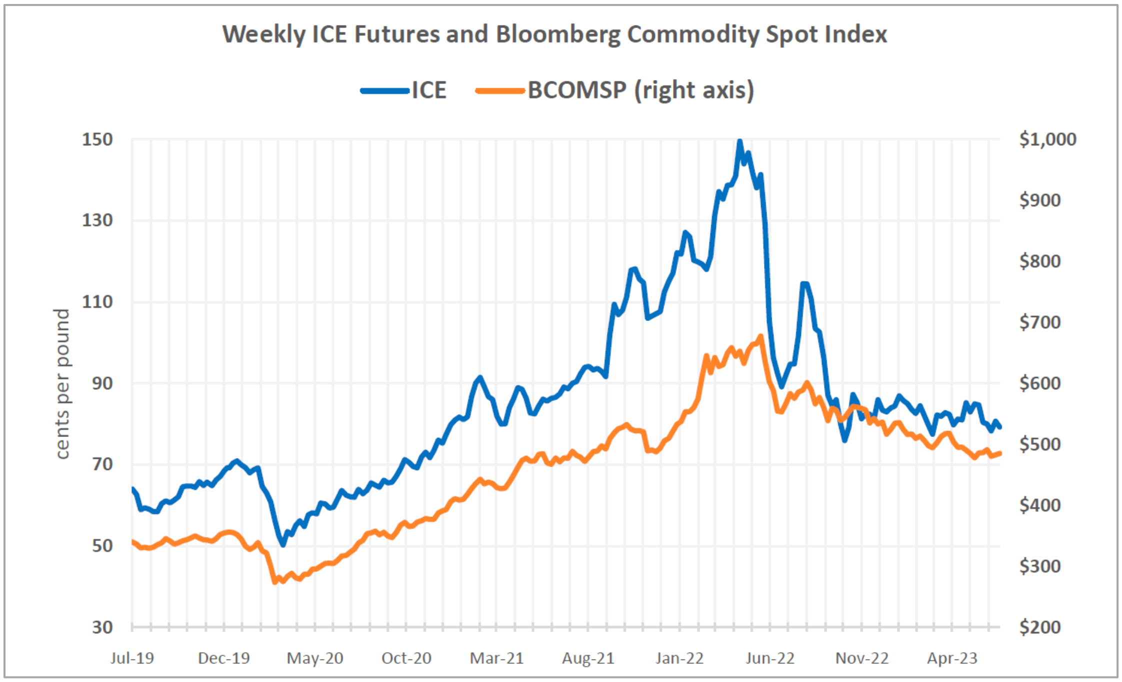
Significantly higher import prices (e.g., A-index) relative to domestic also suppressed demand.[1] To start the marketing year, the domestic cotton price (delivered to a Chinese mill) was roughly 40 cents lower compared with imports (including the customs cleared 1-percent import tariff and 9-percent Value Added Tax). This was a drastic change compared with a year earlier when China's domestic cotton price was over 10 cents *higher* compared with the customs cleared A-Index.

Chinese state reserves of foreign cotton are perceived to be at a high level after 3 consecutive years of large purchases. Most are of U.S. origin and attributed to the government's continuing efforts to replenish state reserves. Over half of China's U.S. cotton imports since the Phase One Agreement are likely still in state warehouses or in the government purview, contrary to imports channeled for domestic use. During the first 10 months of the marketing year, the United States supplied over half of China imports, reaching the highest market share in nearly 15 years.



Imports in MY 2023/24 are forecast to rise 3.4 million bales to 9.8 million. China production is projected to fall more than 3.7 million bales to 27.0 million and beginning stocks for commercial enterprises are expected down from the previous year's robust level. With potential for greater sales of imported cotton from government reserves, higher imports are expected to replenish state inventories.

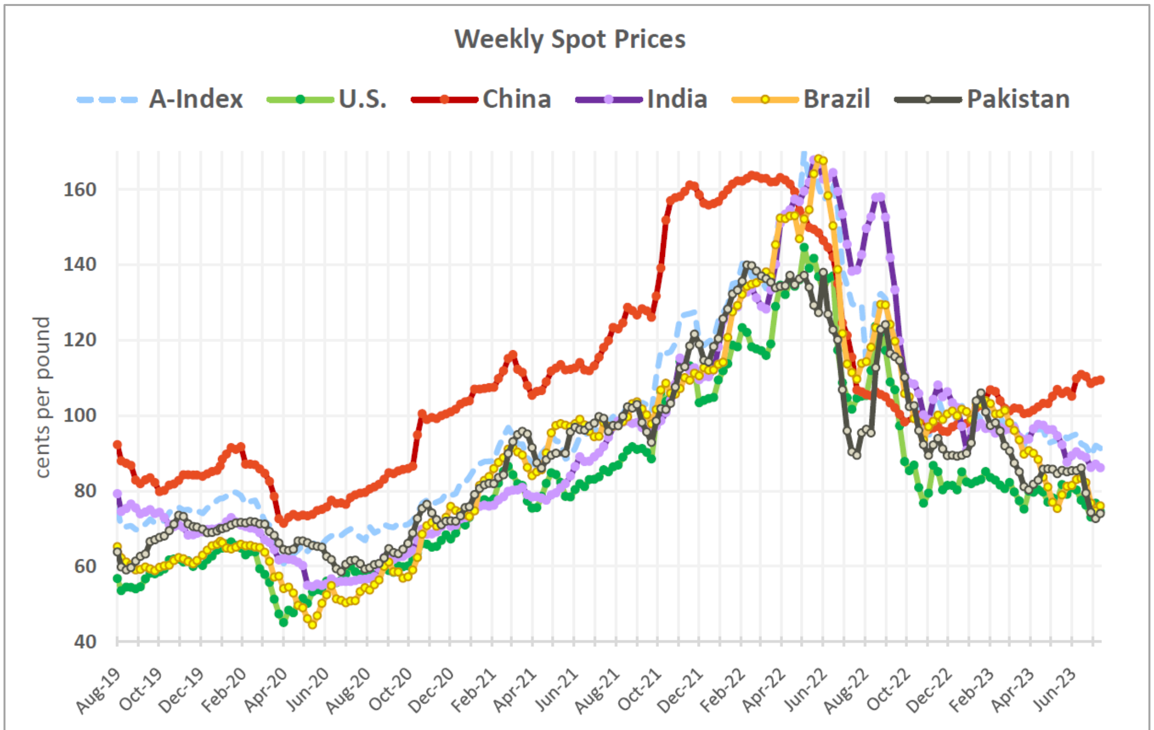
Cotton futures were mostly lower since last month's *WASDE* with prices on the Intercontinental Exchange (ICE) settling at roughly 80 cents per pound and U.S. spot prices now reflecting the lower priced new-crop contract (Dec-23). Last month, December futures were roughly 5 cents lower compared with the old-crop contract and have thus driven lower U.S. spot prices. Higher U.S. interest rate prospects and economic concerns in China continue to pressure many commodities including cotton. This outweighs recently strong U.S. export sales, especially from China, as buyers take advantage of a fall below 80 cents on the exchange.



All spot prices were lower compared with last month and mostly reflect the changes in new crop futures and uncertain consumption prospects for cotton. Pakistan witnessed the most dramatic downfall at over 10 cents and likely reflects a greater volume of transactions as new crop arrives in local gin yards. Pakistan production is forecast up more than 2.5 million bales relative to last year, and demand prospects are slowly recovering from the current year's lowest level in over 20 years. This is also reflected in the lower Pakistan basis compared with the previous year. China was the only origin mostly unchanged, and spot prices in local currency (yuan) were in fact higher compared with last month. Lower prospects for China production continue to support domestic prices.

Changes Since June *WASDE* (cents per pound)

	A-Index	U.S.	China	India	Brazil	Pakistan
7-Jun	95.3	80.6	110.1	90.2	82.4	84.8
10-Jul	91.4	74.6	109.4	86.2	76.0	74.0
Change	**-3.9**	**-6.0**	**-0.7**	**-4.0**	**-6.4**	**-10.8**



Note: Please reference page **8** for additional information regarding each price series.

PLC Farm Program Payment Projections – 2023/24 CY

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

Covered Commodity	***2023/24 MYA Price*****	*Effective Reference Price*	***2023/24 PLC Payment Rate***
Corn	$4.80	$3.70	--
Grain Sorghum	$4.80	$3.95	--
Long Grain Rice	$14.50	$14.00	--
Medium Grain Rice	$16.00	$14.00	--
Seed Cotton	$0.4021	$0.3670	--
Soybeans	$12.40	$8.40	--
Wheat	$7.50	$5.50	--

**national marketing year average (MYA) prices reflect the prices contained in the USDA WASDE report on July 12, 2023.

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

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