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December Market Update
Corn, Soybeans, Rice, and Cotton

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Prices at a Glance

Crop	2023/24 U.S. MYA Price Projection
Corn	$4.85 per bu.
Soybeans	$12.90 per bu.
Long Grain Rice	$16.00 per cwt.
Southern Medium Grain Rice	$16.50 per cwt.
Upland Cotton Lint	$0.77 per lb.
Seed Cotton	$0.4022 per lb.

WASDE Summary

This month's 2023/24 U.S. corn outlook is for higher exports and lower ending stocks. The USDA has raised exports by 25 million bushels to 2.1 billion reflecting the pace of sales and shipments to date. Having made no revisions to corn use estimates, corn ending stocks were subsequently reduced 25 million bushels to 2.1 billion. The season-average corn price received by producers is unchanged at $4.85 per bushel.

Soybean supply and use projections for 2023/24 remain unchanged from last month. The U.S. season-average soybean price forecast remains unchanged at $12.90 per bushel. The soybean meal price forecast has been increased by $10.00 per short to $390.00. The soybean oil price is forecast at $0.57 cents per pound, down 4 cents.

The outlook for 2023/24 U.S. rice calls for increased supplies, unchanged use and exports, and larger ending stocks. Supply is raised on a larger import forecast for long grain rice, on the strong pace of jasmine and basmati imports. All rice exports are unchanged, with an increase in long-grain exports completely offset by a decrease in medium- and short-grain exports. With no other changes to the U.S. 2023/24 balance sheet, ending stocks were raised 1.0 million cwt to 41.9 million. The season average

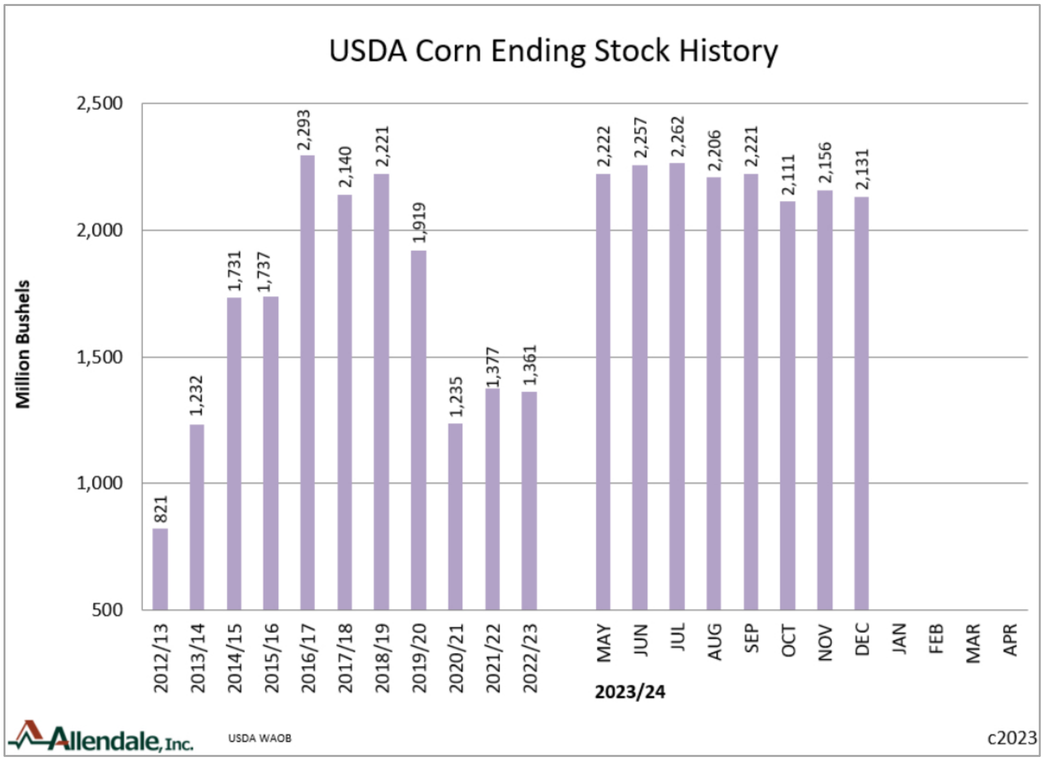
farm price for long-grain rice increased $0.50 per cwt to $16.00, based primarily on NASS August-October reported prices and recent strength in futures prices.

This month's 2023/24 U.S. cotton forecast includes lower production, mill use, and ending stocks. Production has been reduced 314,000 bales to 12.8 million largely due to a 500,000-bale decrease in Texas' crop. U.S. mill use is reduced 150,000 bales as spinning activity continues to lag, and at 1.9 million bales, is expected to be its lowest since 1884. Ending stocks are now projected 100,000 bales lower than in November at 3.1 million bales, or 22 percent of disappearance. The projected upland cotton season average farm price is unchanged at 77 cents per pound.

Corn

With traders expecting little change in the corn ending stocks number, the pace of corn exports encouraged USDA to raise U.S. corn exports by 25 million bushels to 2.1 billion bushels, with that increased demand coming right off the ending stocks. While the resulting ending stocks number of 2.131 billion bushels could hardly be considered bullish, as it is the highest carryout in six years, it probably also did not warrant the bearish reaction that resulted. That was the only change in the domestic balance sheet that can only be described as comfortable. Sitting at 15.2 billion bushels, this current projection is supported by stronger than expected yields provided by the USDA, National Statistics Service (NASS) in November. As farmers wrap-up this year's harvest and report final harvested acreage and yields, January estimates from NASS will provide much needed light as to the state of the 2023 U.S. corn crop. Nevertheless, the 2023/24 corn supply forecast remains unchanged at 16.6 billion bushels this month, as accumulated corn imports suggest that the United States is poised to hit the current forecast of 25 million bushels.

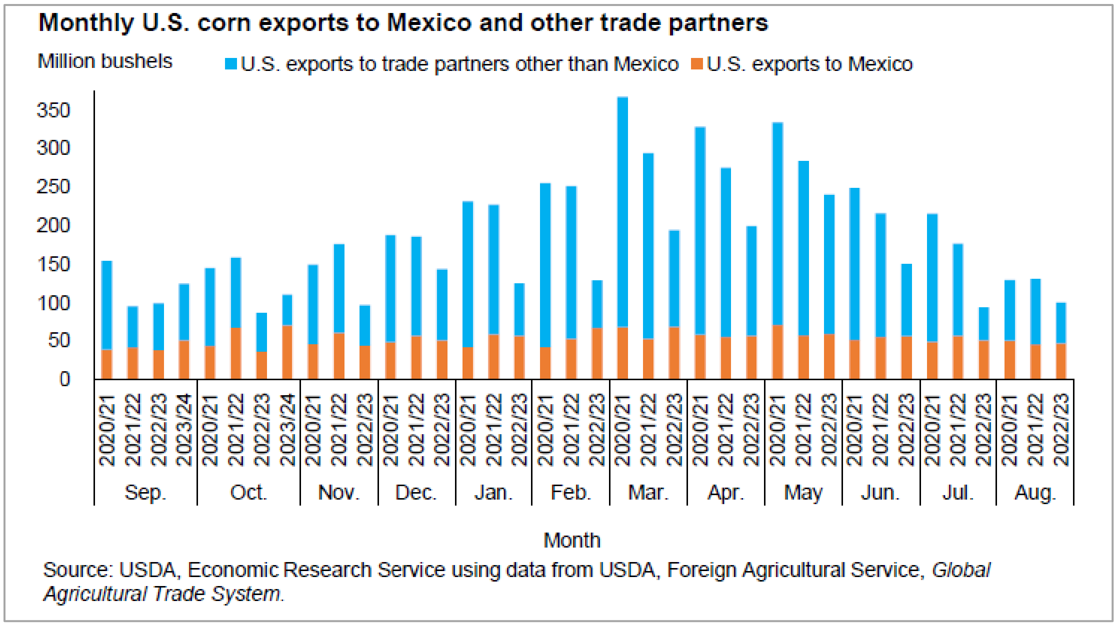
Corn was modestly lower on profit taking and technical selling, with contracts recently ending mixed. The USDA made a larger than anticipated cut to U.S. ending stocks on export expectations, but the figure remains above 2 billion bushels, and while most of the marketing year is ahead of us, that's a psychologically significant number. Year-end speculative position evening will likely be supportive for futures over the next 3 weeks.



The end of the harvest season alleviated the downward pressure on futures in late November, potentially setting the stage for a seasonal bottom. Bulls were encouraged by downward revisions to Brazilian crop forecasts in early December. Traders were expecting few domestic surprises on the December WASDE report, although international shifts could move the market.

USDA opted to leave Brazilian corn production unchanged in their December Supply and Demand reports, despite cutting their estimates regarding Brazilian beans. Some areas of Brazil are already harvesting first-crop beans, well ahead of normal. Dry conditions have accelerated the maturing of the stressed crop, leading to today's production cuts. While conditions have improved moderately in the past few weeks, concerns remain as topsoil moisture remains short and planting progress of soybeans has been so delayed that safrinha corn planting is likely to be pushed passed the ideal window, leading to concerns over seasonal precipitation ending before the corn crop is mature, leading to additional crop concerns. Meanwhile, cheap corn prices are discouraging Brazilian producers from even planting safrinha corn, switching to alternatives, such as cotton. Producers are looking to cut acres from 15% up to 50% in some areas, which could support the market once prospects become better realized.

The USDA, Foreign Agricultural Service (FAS) reported that, as of November 30, 2023, U.S. corn export commitments (accumulated exports plus outstanding sales) were just over 1 billion bushels. This number is nearly 300 million bushels higher than the same time last year and is largely driven by heavy corn purchasing from Mexico. The 2023/24 Mexican corn production forecast was lowered by 1 million metric tons on reports of lower planted corn area. Although higher beginning stocks help alleviate the cut to the overall Mexican corn supply, it is not enough to completely offset such a loss—particularly on the heels of growing Mexican red meat and poultry production. In response, Mexico has ramped up imports of U.S. corn. In fact, U.S. corn exports to Mexico jumped 20 million bushels in October from the previous month, accounting for nearly 64 percent of the October U.S. corn trade.



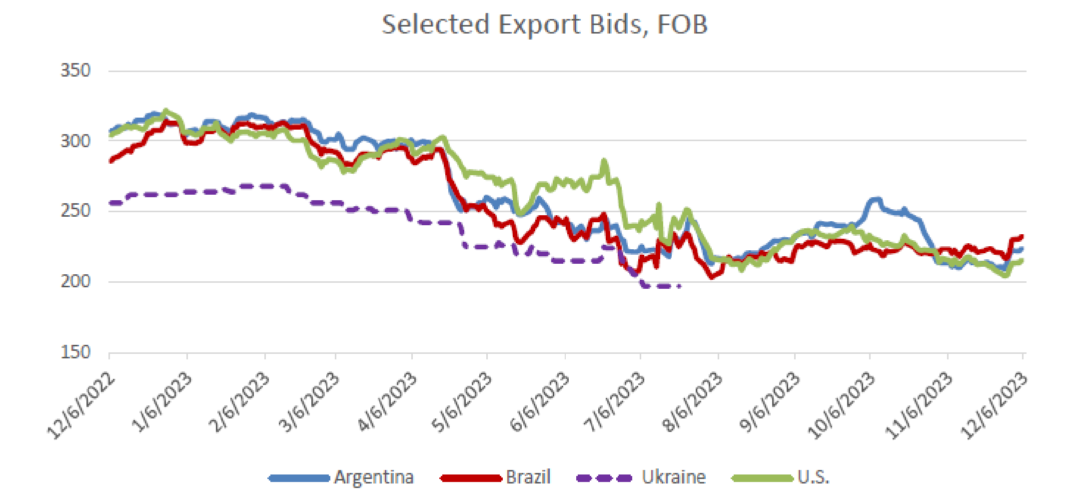
Monthly U.S. corn exports to Mexico and other trade partners

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, *Global Agricultural Trade System.*

Export inspection data provide insights to future U.S. export volumes ultimately reported by the U.S. Bureau of the Census. For November 2023, grain inspection data provided by the USDA, Agricultural Marketing Service (AMS) indicate that the United States shipped about 1.6 million metric tons of corn to Mexico. While this number is marginally higher than the October total, it is 900,000 metric tons higher than the November 2022 inspections number. Nevertheless, export inspections data are an indicator—not a fully representative value—of realized exports. This distinction is important, especially as it pertains to export inspections reporting requirements. That is, by law, truck and rail shipments to Canada or Mexico are not required to be inspected. For this reason, and the fact that much of the U.S. corn is shipped to Mexico via truck or rail, it is likely that reported U.S. Census data exports to Mexico for November will exceed 1.6 million metric tons.

Reported U.S. corn export sales and outstanding sales to Mexico further suggest that November shipments will exceed volumes for October. For perspective, U.S. corn export sales to Mexico were 55 percent higher in November than October. Moreover, FAS reported that outstanding sales of U.S. corn to Mexico grew by 9.4 percent over the last month (see figure 2). Thus, despite the growing corn demand by Mexico, November will represent the first month of the 2023/24 marketing year in which more than 50 percent of outstanding U.S. corn sales are not claimed by Mexico. In short, this number signals strong demand in the 2023/24 marketing year for U.S. corn exports. These factors support the 25-million-bushel increase in the 2023/24 corn export forecast to 2.1 billion bushels. This change is reflected in the ending stocks projection, which is lowered to 2.13 billion bushels.

Global corn production is forecast up slightly, with larger crops in Ukraine, Russia, the European Union, and Egypt more than offsetting cuts to Mexico and Canada. Global trade is forecast up, primarily on higher exports from Ukraine and the United States. Global imports are also forecast higher, led by an increase in Mexico, as well as several countries within Central America and North Africa. The U.S. season-average farm price is unchanged at $4.85 per bushel.



Source: International Grains Council

Export bids (fob, US$ per ton)	6-Dec-23	7-Nov-23	6-Dec-22	*% change, YoY*
Argentina, Up River	220	211	307	-28%
Brazil, Paranaguá	230	219	286	-19%
Ukraine	-	-	256	
U.S. #3 Yellow Corn, Gulf	213	212	304	-30%

Since November's WASDE, bids for all major exporters have increased. U.S. bids were $213/ton, up $1 from last month. Record production in the United States coupled with subsiding Mississippi river shipping costs are helping to moderate prices, despite a recent surge in sales to Mexico and Japan. Brazilian bids were $230/ton, up $11 from last month. Sustained demand for Brazil corn, particularly from China, and logistics challenges through northern export routes are keeping reported bids at a small premium. Argentine bids were $220/ton, up $9 from last month. Higher prices largely reflect movements in other export markets, with bids quiet ahead of the December 10th inauguration of Argentina's new president, and the potential impact of proposed economic policy changes on agricultural markets. Ukrainian bids have not been published since July 21.

Projected 2023/24 world coarse grain trade for the international trade year (October-September) is raised in December by 2.3 million tons to 238.5 million, with higher trade for corn and barley. Corn trade is projected up 1.7 million tons this month to reach 199.1 million. Ukraine corn exports are projected 1.0 million tons higher this month to reach 21 million, still the lowest export volume since 2017/18 (when corn output was 24 million tons). Corn supplies are projected higher this month in Ukraine, as improved corn yields expand production by 1 million tons to 30.5 million. Ukraine is a highly export-oriented country, such that it produces grain and oilseeds largely for export. Typically, domestic consumption of corn in Ukraine is less than 20 percent of its supplies, and given current wartime conditions, that percentage has fallen to 16.5 percent. Under normal circumstances, Ukraine also does not stock much grain. However, corn stocks increase when the country's ability to export grain is hindered. Given the level of current Ukrainian corn supplies, the country could have exported even more corn as its prices continue to be very competitive, if not for Russian military actions hindering exports out of the Black Sea.

The U.S corn export forecast for the 2023/24 October-September trade year is projected 0.5 million tons higher this month at 54.0 million tons. October U.S. Census data and November grain inspections (USDA AMS) confirmed the high volume of corn exports to Mexico, the major corn destination for the United

States. Outstanding sales at the end of November 2023 are 40 percent higher and November grain inspections are up more than 50 percent compared to a year ago, when the United States had a smaller corn crop (lower area and yield) and U.S. price-competitiveness plunged. See map D for the changes in this month's corn exports.

Soybeans

Soybeans were supported by Brazilian weather concerns as weekend rainfall was less than desired across many of the arid regions of central and northeastern Brazil during the weekend. Forecasts suggest erratic rains will continue for the next week to 10 days, meaning more crop stress is likely for the driest areas. As a result, traders are anticipating more reductions to Brazil's soybean crop by private crop forecasters.

With the December WASDE report now behind the market, we can expect trade over the next few weeks to be dominated by S. American weather, export demand and year-end speculative position evening. As noted in the corn comments, there is no compelling S. American weather story right now. While conditions in Brazil's key growing areas are not ideal, they are improving and are set to improve more over the next couple of weeks. The bottom line is that despite earlier weather issues during planting season, Brazil's crop is still expected to be record or near-record large and 2023-24 world soybean ending stocks are still expected to be record large, even with U.S. stocks expected to remain tight.

South American weather will be the key market driver into the new calendar year. World Weather Inc. reports Brazil rainfall will not be normal in center-west or northern parts of center-south, but there will be some timely showers and thunderstorms to support crops and improve soil moisture as time moves along, albeit slowly. Meanwhile, northeastern Brazil will remain too dry while southern Brazil continues wetter than desired in some areas. The forecaster notes that Argentina will continue to experience a mix of good weather, though the next ten days may be a little drier, proving ideal for summer crop planting and routine fieldwork. Forecasted rains in the following week should prove equally supportive for crop germination, emergence and establishment as producers continue to plant what could be larger-than-anticipated soybean crop.

The domestic soybean situation remains tight, as indicated by October's all-time crush record and projected ending stocks for 2023-24 at their lowest level since 2015-16. Meanwhile, the October drop in soyoil stocks and growth in hog and feedlot cattle numbers imply product demand is proving robust. The Nov. 29 thrust of the nearby bean versus corn ratio to 2.99 also illustrated the relative shortage and the soybean market bidding for 2024 acres. Brazil's record 2023 crop, forecasts for another big harvest and its global trade dominance are handicapping the market. But seasonal strength is likely in the cards.

Additional support came from daily soybean export sales totaling 132,000 metric tons to unknown destinations for 2023-24, which traders expect was China. With the Brazilian crop shrinking amid drought stress, foreign buyers are purchasing U.S. soybeans, which at a minimum serves as insurance in case of additional Brazilian crop losses.

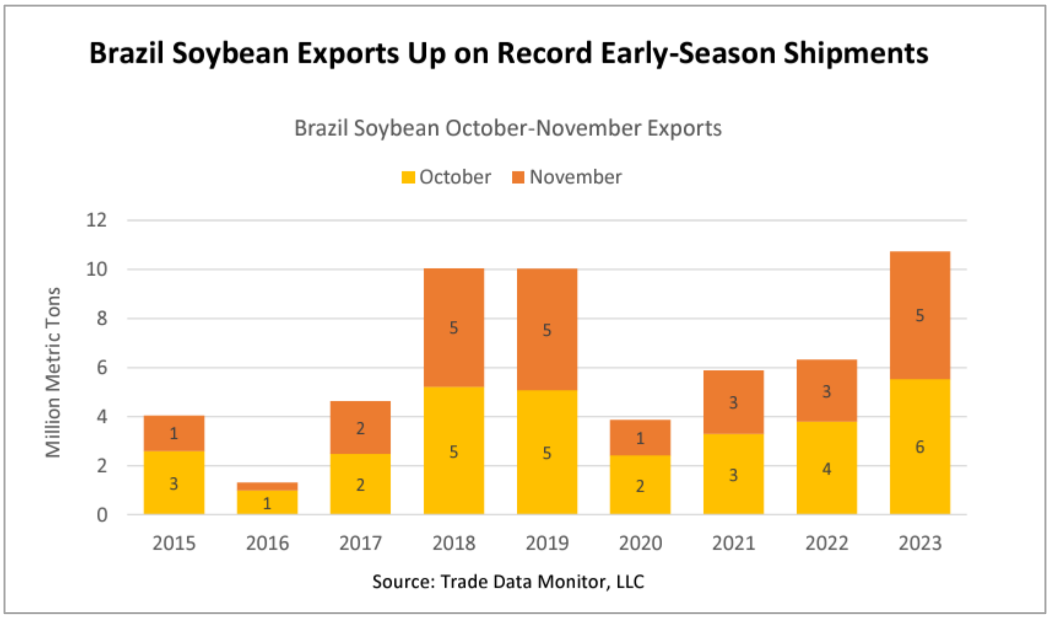
USDA reported weekly soybean export inspections of 984,410 metric tons (36.2 million bushels), which were down 188,847 metric tons from the previous week but within the pre-report range of 700,000 metric tons to 1.6 million metric tons. China took shipment of 503,684 metric tons of U.S. soybeans for the week, or 51.2% of the total.

The Brazil 2023/24 (October-September) export forecast is boosted 2.0 million tons to 99.5 million and reflects a similar change in the local year forecast (2022/23 February-January). Both changes come on the heels of record October-November shipments, combined at 10.7 million tons. The record volumes reflect

abundant carryin supplies from the previous record soybean crop and continued competitive export prices. As a result, Brazil is cutting into the traditional U.S. export season. Facing stiff competition from Brazil, U.S. export commitments remain sparse, even with support from China purchases prior to the Asia-Pacific Economic Cooperation leaders' summit in November 2023.

Most recent Brazil shipments look similar to 2018 and 2019, which were also significantly above the historical averages for the first 2 months of the marketing year. The high volume shipped in 2018 came during a period when U.S. producers faced retaliatory tariffs from China and Argentine supplies were tight. Strong Brazilian shipments in 2019 reflected abundant supplies and competitive pricing despite a rebound in U.S. sales to China and higher volumes being shipped from Argentina. Many factors are at play in late 2023, primarily abundant Brazil supplies coupled with the tail end of the severe drought in Argentina. As a result, U.S. exporters faced increased export competition, especially in China.

Following strong Brazilian exports, Chinese imports were raised by 2.0 million tons to a new record of 102.0 million. Based on major exporters' shipping data for September-November, Chinese arrivals during the first quarter of 2023/24 could be 15 percent larger than last year.



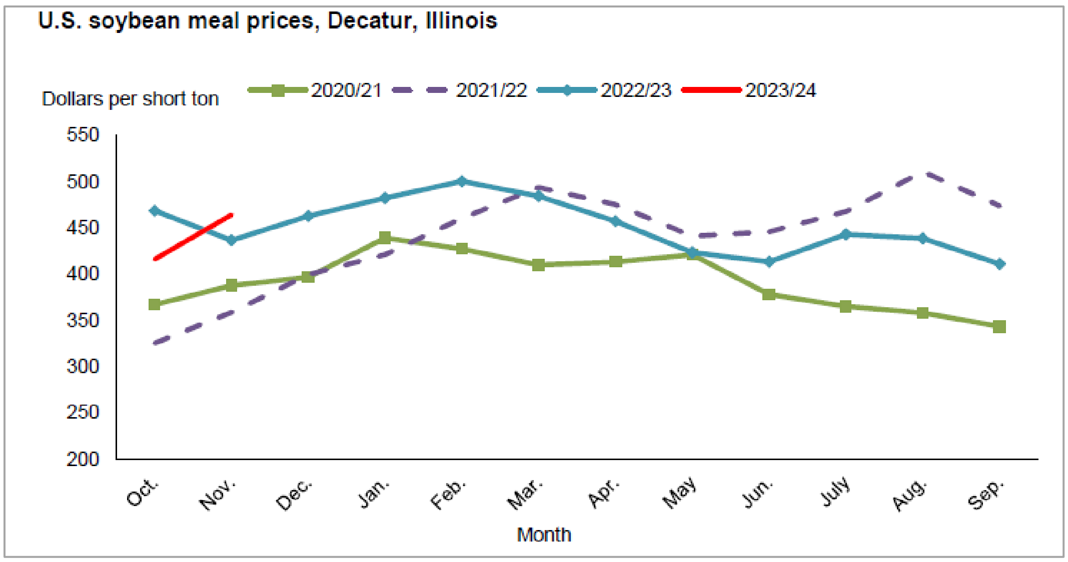
Soybean and soybean meal export prices were down, while vegetable oil prices increased since the November WASDE. Recently, price volatility has expanded in the soybean complex driven by weather concerns and crop prospects in South America, large China purchases of both Brazil and U.S. soybeans, and stronger-than-expected exports from other suppliers such as Paraguay, Canada, and Ukraine. Global demand has been strong, but the abundance of supplies in Brazil pressured soybean and meal prices lower in recent weeks.

Mid-November saw soybean meal prices from all origins skyrocket following strength in soybeans as well as plummeting Argentina crushing on slow farmer selling and a steep decline in soybean meal exports. However, soybean meal prices have fallen over $80/ton since the mid-November peak on continued strong crush in Brazil and the United States. Argentine prices also dropped compounded by uncertainty over potential devaluation of the Argentine peso following inauguration of the new president.

Vegetable oil prices traded largely flat over the past month. Soybean oil prices remain elevated on limited crush and soybean supplies in Argentina and drought concerns in Brazil. In addition, soybean oil supplies

are tight from other traditional suppliers such as the United States where domestic demand for soybean oil use in biofuels is high. Palm oil prices were slightly higher on seasonal supply declines and continuing uncertainty due to El Niño conditions.

The shrinking prospects for Brazil's soybean production has increased the value of U.S. soybeans. In November, soybean cash prices at country elevators in Central Illinois increased by $0.68 per bushel to $13.08 per bushel. Throughout the country, cash prices rallied above $13.00 per bushel by the middle of November and then prices declined to an average of $12.67 per bushel in the first week of December. Despite these gains, the forecast for average soybean price received by farmers for the MY 2023/24 is unchanged this month at $12.90 per bushel as prices have begun to decline in December. Aligning with the soybean price rallies in November, Central Illinois soybean meal prices rose to an average of $464.27 per short ton, up from $416.16 in October. As a result, the 2023/24 season-average soybean meal price is increased to $390.00 per short ton from $380.00 per short ton last month.



In contrast, soybean oil prices declined nearly 6 percent from 56.60 cents per pound in October to 53.39 cents per pound in November on the weaker Renewable Identification Numbers (RIN's) prices, lower energy prices and increased supply of alternative vegetable oils and fats in the biofuels market. As a result, the season-average soybean oil price is lowered 4.0 cents to 57.0 cents per pound.

Soybean meal prices were also well supported by the soybean meal export program. In October, the United States exported 1.3 million short tons of soybean meal, a record-high amount for the month of October. As of November 30, U.S. soybean meal commitments totaled 6.9 million short tons, 19 percent above the same week in MY 2022/23. Early bookings were largely driven by competitive U.S. soybean meal prices compared with Argentina where total soybean crush for MY 2022/23 was affected by drought. In September and October, soybean crushers in Argentina processed well below 2.0 million metric tons, which are the lowest monthly crush volumes since 2001. Alternatively, the United States has seen record-high monthly soybean crush volumes in September and October, which has boosted soybean meal production. U.S. soybean crush totaled 201.4 million bushels in October, up 27.0 million bushels from September and up 2.4 percent from October 2022. The new record daily crushing rate was established at 6.5 million bushels per day, 1.6 percent higher than the previous record observed in December 2021. The record daily crushing rate is partially attributed to the new soybean crushing plant in North Dakota. The Green Bison Soybean processing plant in Spiritwood is the first soybean crushing

plant and refinery in North Dakota with a capacity to process 150,000 bushels per day. Archer Daniels Midland owns 75 percent of the plant, and Marathon Petroleum owns 25 percent.

The U.S. Department of Energy's U.S. Energy Information Administration (EIA) published their monthly report of feedstocks consumed for production of biofuels in September, finalizing data for the MY 2022/23. This report suggests that over 30.0 billion pounds of vegetable oils, waste oils, fats, and greases were consumed for biofuel production. Soybean oil accounted for the largest portion of feedstocks consumed at 41 percent. EIA reported that 1.2 billion of soybean oil was used for biofuels production in September. This brings the total soybean oil use for production of biofuels to 12.5 billion pounds, 2.1 billion pounds higher than MY 2021/22. The increase is mainly due to the boost in soybean oil as a feedstock used in renewable diesel production, which grew from 3.1 billion pounds in MY 2021/22 to 5.3 billion pounds in MY2022/23. Furthermore, canola oil use for biofuel production reached a record-high level of 2.9 billion pounds, up 1.6 billion pounds from MY 2021/22 and it accounted for 10 percent of feedstocks. The strong demand for canola oil use in biofuels was a result of U.S. Environmental Protection Agency (EPA)'s ruling in December 2022 that approved the canola oil pathway for renewable diesel.

The latest EIA report from November 30 indicated that the U.S. renewable capacity reached 3.70 billion gallons, up 1.49 billion gallons from September 2022, whereas biodiesel capacity is slightly down at 2.07 billion gallons. This growth in U.S. renewable diesel capacity is attributable to increasing the targets for State and Federal renewable fuel programs and the renewal of biomass-based diesel tax credits. The soybean oil and canola oil forecasts for MY 2023/24 are unchanged this month.

Brazil's soybean production for MY 2023/24 is reduced by 2.0 million metric tons to 161.0 million metric tons, up 1.0 million metric tons from revised MY 2022/23. If realized, this would be a new record for Brazil's soybean crop. Soybean planting is underway in Brazil and CONAB (Companhia Nacional de Abastecimento) reported that, as of December 4, 2023, 83.1 percent of soybean acreage was seeded compared with 90.7 percent during the same period last year. Planting began in mid-September but was delayed by an erratic start to the rainy season in southern Brazil and very dry weather in central and northern Brazil. Delayed planting in Goiás, Bahia, and Rio Grande do Sul coupled with long dry and hot periods in Mato Grosso limited yield prospects for MY 2023/24. On the other hand, abundant rainfall in southern Brazil has created a good start for the soybean crop. With lower yield prospects in center-west and northeastern States, yields are lowered 1 percent to 3.53 metric tons per hectare. Despite the late planting, area harvested remains unchanged at a record-high of 45.6 million hectares.

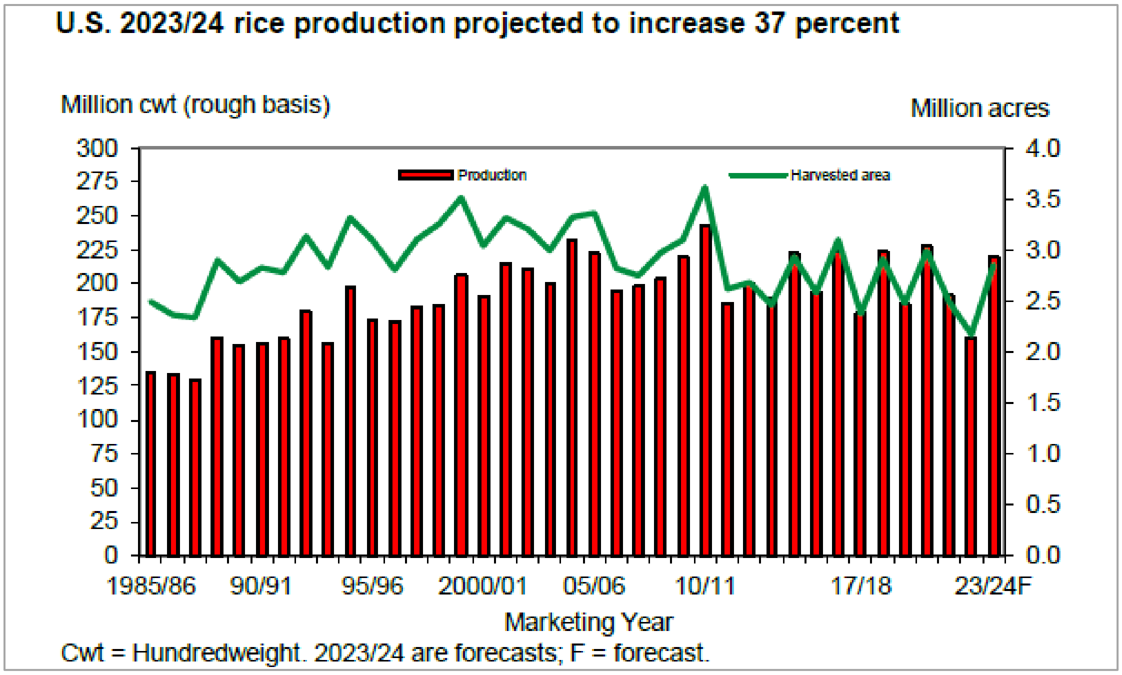
Brazil's soybean crop for MY 2022/23 is raised to 160.0 million metric tons, up 2.0 million metric tons from last month's forecast reflecting the robust export and crush this fall. The harvested acreage increased by 0.2 million hectares to 44.3 million hectares and yield is raised by 0.03 tons per hectare to 3.61 tons per hectare.

For the first 2 months (October and November) of MY 2023/24, Brazilian soybean exports totaled 10.8 million metric tons, 70 percent higher than a year earlier. China accounted for nearly 88 percent of the exports in this period. Strong Brazilian shipments prompted USDA to raise its export forecast for MY 2023/24 by 2 million metric tons to 99.5 million metric tons this month. Brazil's monthly soybean trade may wind down in December and January, but this could be a brief interlude before the brisk pace resumes with delivery of the new crop harvest. With stronger first quarter shipments to China from Brazil and the United States, China's soybean imports for MY 2023/24 are raised 2.0 million metric tons to 102.0 million metric tons. With unchanged domestic soybean consumption this month, China's soybean ending stocks are projected to increase to 35.7 million metric tons.

Rice

U.S. 2023/24 rice production remains forecast at 219.7 million cwt, 37 percent larger than a year earlier. Long-grain production remains forecast at 152.1 million cwt, up 19 percent from last year and the largest since 2020/21. Combined medium- and short-grain production remains forecast at 67.6 million cwt, the largest since the 1981/82 record of 72.3 million cwt. This year's substantial expansion in medium- and short-grain production is primarily due to drought recovery in California, as well as increased plantings in the South.

The higher import forecast raised total supplies 1.0 million cwt to 289.9 million, 21 percent larger than a year earlier. Long-grain accounted for all of the upward revision in supply, raised 1.0 million cwt to 206.2 million cwt, 12 percent above a year earlier.



Prices still hold firm as the U.S. is the only supplier of viable long grain quantities in the Western Hemisphere at the moment. A strong domestic market, which proved to be the savior last year when export sales were painfully slow, continues to be a help buoy the current market environment. The buyer that is noticeably absent at the moment — but not a cause for concern — is Iraq. Iraq has already procured much of what was expected from the U.S. They are busy making acquisitions in the East, so an entry from Iraq back into the U.S. market would only firm prices further. Prices on the ground remain firm, with adequate volumes transacting in recent weeks. The low levels of the Mississippi River are certainly a drag on logistics but do not seem to be slowing the purchase or acquisition of paddy prices. Prices have not moved significantly off of last week's levels, with Texas showing $18/cwt, Louisiana at $17.30-$18/cwt, and Mississippi, Arkansas, and Missouri in the $16.75-$17.25/cwt range.

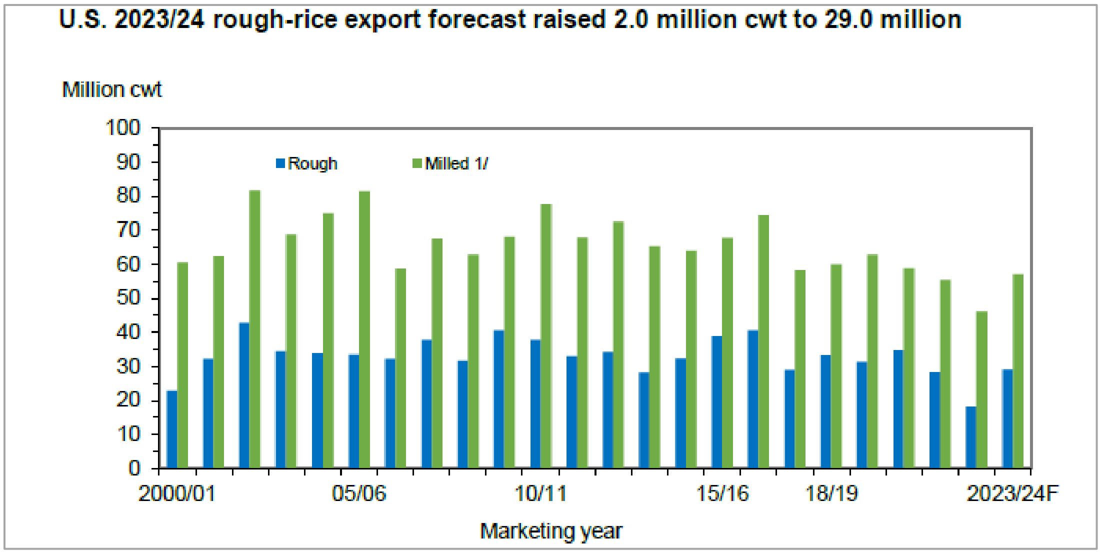
Total U.S. rice exports for 2023/24 remain forecast at 86.0 million hundredweight (cwt), 34 percent above a year earlier and the highest since 2020/21. However, there is a 2.0-million cwt shift to long-grain exports from medium- and short-grain exports and a 2.0-million cwt shift to rough-rice exports from milled-rice exports.

The current U.S. long-grain export forecast of 61.0 million cwt is 22 percent larger than a year earlier. This month's upward revision is based on stronger-than-expected sales and shipments through November, and expectations regarding sales and shipments for the remainder of the marketing year. Sales to Mexico—the largest market for U.S. long-grain rice—are up sharply from last year's abnormally low level, mostly due to larger supplies and more competitive prices. Long-grain sales to Iraq, Venezuela, Senegal, Haiti, El Salvador, the Dominican Republic, and Nicaragua are also well ahead of a year earlier. In early November, the United States sold 35,000 tons of long-grain milled rice to Senegal, the first significant sales since June 2017. For all U.S. markets, larger supplies and more competitive prices are behind this year's faster pace of U.S. long-grain exports.

The 2023/24 U.S. medium- and short-grain export forecast is lowered 2.0 million cwt to 25.0 million, still 73 percent larger than a year earlier but below the 2021/22 pre-California drought level of 28.5 million. The downward revision is based on weaker-than-expected sales and shipments through November to Northeast Asia, the largest export market for U.S. medium- and short-grain rice. Although sales and shipments to Japan—the largest buyer of U.S. medium- and short-grain rice—were slightly ahead of a year ago through November, they remain below pre-California drought levels. Sales to Northeast Asia were limited in 2022/23 by a second-consecutive drought-reduced harvest in California. In 2023/24, a recently completed bumper California harvest is expected to eventually boost U.S. exports, as prices for California milled rice have already dropped more than 40 percent since mid-September.

The U.S. rough-rice export forecast was raised 2.0 million cwt to 29.0 million, up 60 percent from a year earlier. The upward revision is based on stronger-than-expected sales and shipments through November, and expectations regarding sales and shipments for the remainder of the marketing year. Stronger-than-expected sales and shipments to Mexico account for most this month's upward revision in rough-rice exports. Mexico, Central America, and Venezuela account for nearly all of the expected year-to-year increase. In 2022/23, the United States lost much of its market share in Mexico to South American suppliers, mostly Brazil, due to their more competitive prices and also partly due to temporarily lower tariff rates for South American suppliers to Mexico.

The 2023/24 U.S. milled rice export forecast was lowered 2.0 million cwt to 57.0 million cwt, still 23 percent larger than a year earlier. The downward revision was based on weaker-than-expected sales through November to Northeast Asia, the largest market for U.S. milled-rice exports. The Middle East, Haiti, and Canada are the next three largest markets for U.S. milled rice. Larger supplies and more competitive prices are expected to boost U.S. milled-rice exports in 2023/24.



The U.S. all-rice season-average farm-price (SAFP) forecast for 2023/24 is raised 50 cents to $17.80 per cwt, 8 percent below the year-earlier record-high. The 2023/24 upward revision is based on a 50-cent increase in the long-grain SAFP to $16.00 per cwt and a $1.00 increase in the southern medium- and short-grain SAFP to $17.50 per cwt. The increases for both classes of rice are identical to the increases made last month. The higher southern medium- and short-grain SAFP raised the U.S. medium- and short-grain SAFP 30 cents to $23.30 per cwt.

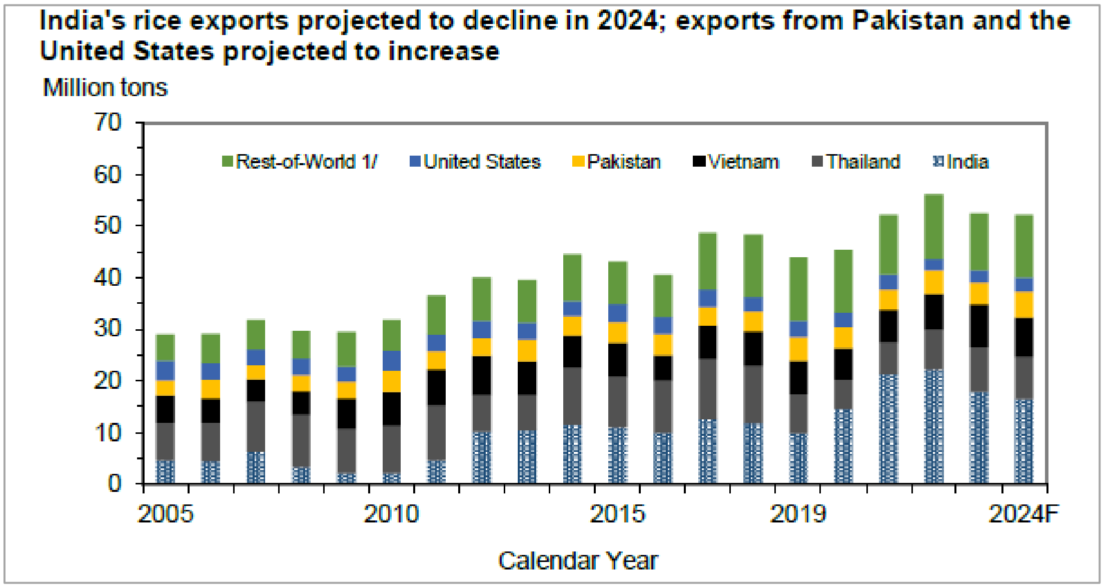
Over the past month, quotes for trading prices for most grades of regular (neither parboiled nor aromatic) whole-grain milled rice from Thailand increased 8–10 percent, mostly due to the strengthening of the Thai baht. For the week ending December 5, Thailand's 100-percent Grade B long-grain milled rice for export was quoted at $641 per ton, up $58 from the week ending November 7 and the highest since mid-August. Global rice trading prices continue to be supported by India's export bans and restrictions.

Price quotes for 5-percent brokens from Vietnam for the week ending December 5th were $665 per ton, up $5 from the week ending November 7th, their highest since July 2008. The increase is due to tight supplies, rising farm prices for rice in Vietnam, and a strong global demand for Vietnamese rice. Price quotes for rice from Pakistan were reported at $578 per ton for the week ending December 5, up $13 from the week ending November 7 due to strong demand. Price quotes for regular-milled white rice from India have been unavailable since its imposition of an export ban on July 20th. In South America, price quotes for 5-percent brokens from Argentina for the week ending December 5th were reported at $770 per ton, up $20 from the week ending November 14 due to a tightening of supplies. Price quotes from Brazil and Uruguay also rose over the past month and are higher than U.S. prices.

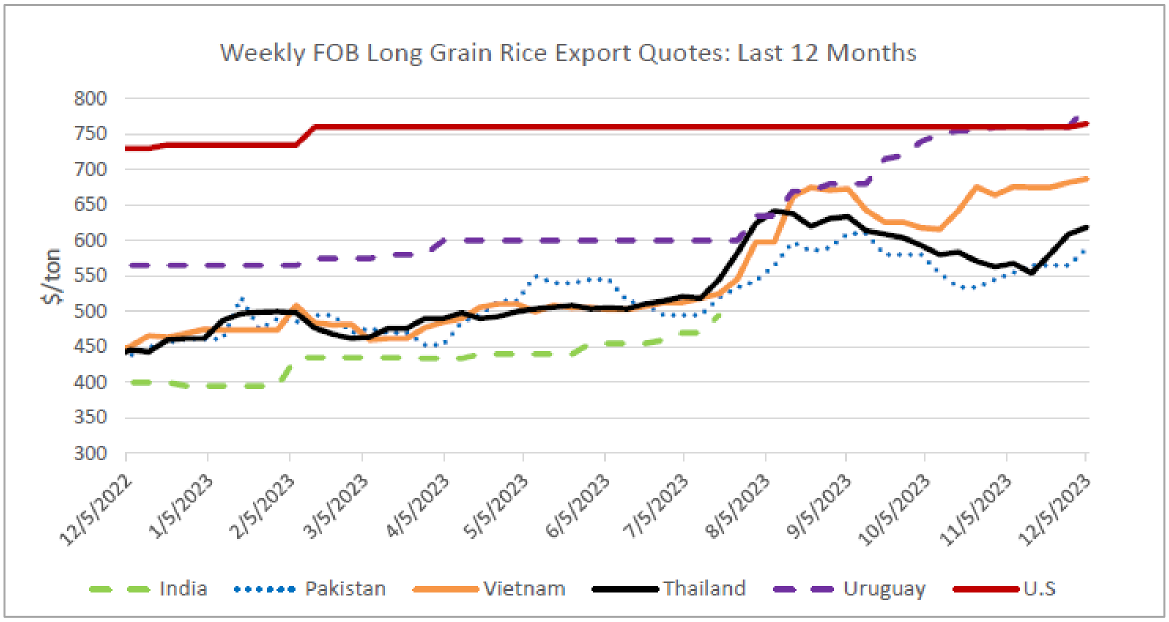
U.S. trading prices for long-grain milled rice rose slightly over the past month. Prices for U.S. long-grain milled rice, Number 2 Grade, 4-percent broken kernels (Iraqi specifications) were quoted at $765 per ton for the week ending December 5, up $5 from mid-November and the highest since early November 2008. U.S. price quotes for Latin American markets are also up $5 from a month earlier, quoted at $730 per ton for the week ending December 5. Price quotes for California medium-grain milled-rice, Number 1 Grade, 4-percent brokens, were quoted at $950 per ton (free on board at a domestic mill) for the week ending December 5, down $50 from the week ending November 7. The California price quote is down $700 per ton from mid-September and is the lowest since early May 2021.

Global rice trade in calendar year 2024 is projected somewhere around 52.1 million tons (milled basis), down 710,000 tons from the previous forecast and 270,000 tons smaller than the year-earlier revised forecast of 52.4 million tons. Global rice trade in 2023 is down 1.4 million tons from the November forecast and 3.7 million tons below a year earlier. The substantial decline in global rice trade in 2023 and lack of any increase in 2024 are largely based on export bans and other export restrictions by the Indian Government.

This month, export forecasts for 2024 were lowered for India but raised for Argentina, Paraguay, and Thailand. On an annual basis, in 2024, exports are projected to decline from a year earlier for India, Paraguay, Thailand, and Vietnam, but are projected to increase for Argentina, Brazil, Burma, Cambodia, China, Pakistan, the United States, and Uruguay.



In the past month, U.S. export quotes rose by $5 to $765/ton, while Uruguayan quotes jumped $30 to $790/ton due to strong demand and tight supplies. For the first time since 2019, Uruguayan quotes surpassed the United States. Vietnamese quotes showed a slight increase of $11 to $687/ton with continued demand from the Philippines and Indonesia. Thai rice quotes rose by $51 to $619/ton on increased demand particularly from countries previously supplied by India and a stronger currency. Fast rising Thai prices bring export quotes to within $68/ton of regional competitor Vietnam, a significant change from a month ago when Vietnamese export quotes were $121/ton more than Thai rice. Pakistani quotes were up by $39 to $589/ton as harvest pressure was offset by strong demand. Export quotes for India white rice have been unavailable since imposition of an export ban for milled white rice on July 20.

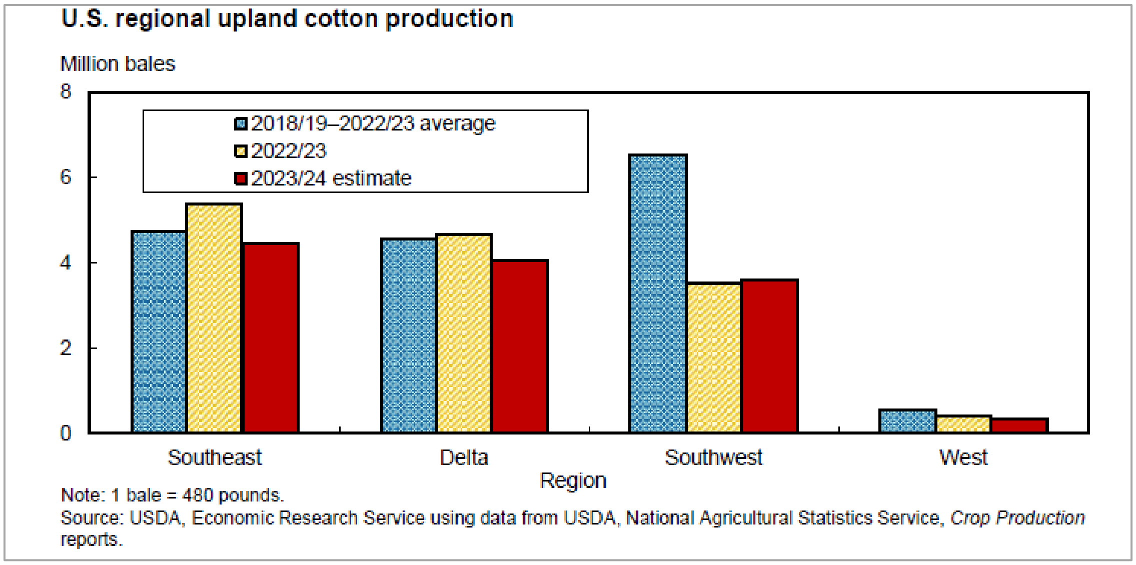


Cotton

USDA's December Crop Production report forecasts 2023/24 U.S. cotton production at 12.8 million bales, 314,000 bales (2.4 percent) below last month's forecast and nearly 1.7 million bales (11.7 percent) below the 2022/23 crop. Harvested area in 2023/24 is estimated at 8.0 million acres, slightly above last season's 7.3 million acres—the lowest since a similar area was harvested in 1983/84.

Dry conditions for consecutive seasons in the Southwest region contributed to the relatively low harvested acreage. The implied U.S. abandonment rate is estimated at approximately 22 percent, compared with last season's 47 percent. The 2023/24 national yield of 765 pounds per harvested acre is also lower and like that of 2015/16. Upland cotton production is estimated at 12.4 million bales, while the extra-long staple (ELS) crop is forecast at 331,000 bales. For current production estimates by State, see table 10 published separately with this report.

Upland cotton production this season is forecast lower in three of the Cotton Belt regions while slightly higher in the Southwest. In the Southeast, 2023/24 cotton production is projected at nearly 4.5 million bales—17 percent (915,000 bales) below 2022/23 and 6 percent lower than the 2018/19–2022/23 average. Cotton harvested area in 2023/24 is forecast below the 5-year average at 2.2 million acres. The Southeast yield is projected at 965 pounds per harvested acre this season, the third highest on record.



Cotton production in the Delta is estimated at approximately 4.1 million bales in 2023/24, 600,000 bales below last year and is also below the 2018/19–2022/23 average. In 2023/24, cotton harvested area is forecast at around 1.6 million acres—300,000 acres below the 5-year average—while the region's yield is projected at a record 1,211 pounds per harvested acre.

In the Southwest, the 2023/24 upland crop is projected at 3.6 million bales, slightly above 2022/23's drought-reduced crop that was the smallest since 1992/93. Although 2023/24 planted area (6.1 million acres) was 30 percent below the previous year, harvested area is forecast considerably higher than 2022/23. Harvested area in the Southwest is projected at 3.95 million acres, an abandonment rate of 35 percent or about half last season's record of 73 percent. The 2023/24 Southwest upland yield is forecast at 439 pounds per harvested acre, well below the 5-year average of 696 pounds and the lowest since 2000/01.

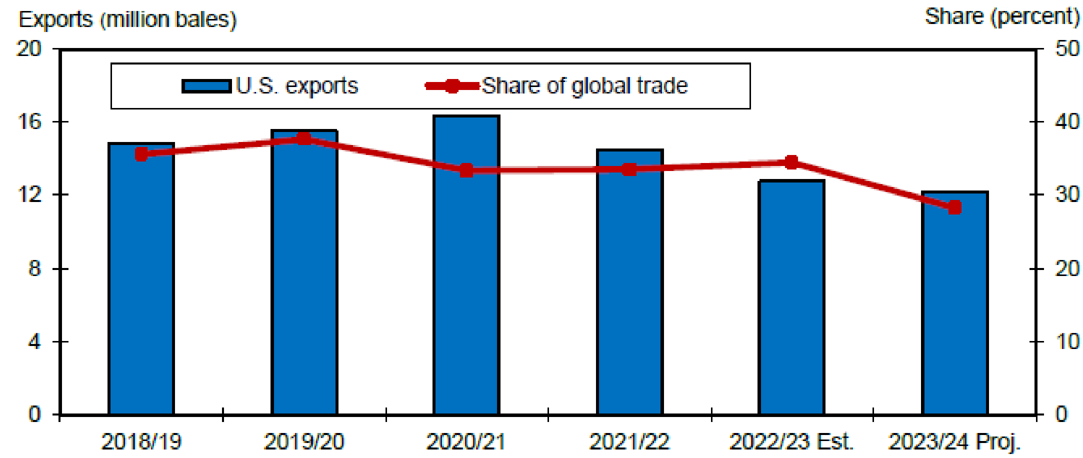
Net weekly U.S. cotton export sales yesterday came in at 116,400 running bales for 2023-24 delivery and 29,600 bales for 2024-25 delivery. Sales for 2023-24 were 63% below the prior 4-week average. Cotton export shipments remain lackluster, although the latest week's total of 139,200 bales is up 50% from the four-week average. Other than a four-week stretch of strong sales earlier in the fall, export demand has been weak, and concerns about China's economy hang over the market.

Talk of declining certificated stocks supported cotton last week. Export sales during the week after Thanksgiving proved weak, but prices surged December 7th, likely due to short-covering ahead of USDA's Dec. crop reports. Further, it is noted that the Chinese, U.S., Australian, Japanese, Indian, and European economies continue to experience a reduced level of economic activity. It is thought that world consumption could fall another 300,000 to 400,000 bales lower.

USDA's December supply demand report caused the market to back off more than 100 points in Friday's (Dec. 8) trading as it projected an increase in world ending stocks of some 900,000 bales, up to 82.4 million. The principal bearish tone in the report came in the form of a 1.6 million bale reduction in world consumption, now down to approximately 114 million bales. Major demand reductions were noted in China (down 1.0 million bales), Turkey (down 400,000 bales), and Mexico and the U.S. (down 100,000 bales each). Demand remains the major deterrent to increasing cotton prices.

U.S. cotton demand for 2023/24 is projected at 14.1 million bales in December, 5 percent (716,000 bales) below 2022/23 and the lowest level since 2015/16. U.S. cotton exports account for the largest share of demand and are forecast at 12.2 million bales in 2023/24. U.S. mill use is expected to account for an additional 1.9 million bales this season—the lowest in over a century. Despite a higher world trade projection this season and strong foreign import demand—particularly from China—U.S. cotton export prospects are constrained as supplies are forecast to be their lowest in 8 years. Based on the December projections, the 2023/24 U.S. share of global trade is forecast at 28 percent—6 percentage points below the previous 3-year average and the lowest since 2015/16.

U.S. cotton exports and share of global trade



Note: 1 bale = 480 pounds.
Source: USDA, Economic Research Service using data from USDA, *World Agricultural Supply and Demand Estimates* reports.

With the December decline in the U.S. cotton production estimate larger than the decrease in the cotton demand projection, 2023/24 U.S. ending stocks are forecast 100,000 bales lower this month, at 3.1 million bales. U.S. cotton stocks are nearly 1.2 million bales below 2022/23 and the lowest in 7 years. The stocks-to-use ratio is forecast at 22 percent at the end of 2023/24, compared with 29 percent in 2022/23, and the lowest in 3 years. Based on the U.S. and world cotton supply and demand estimates and recent prices, the 2023/24 average U.S. upland cotton farm price is forecast at 77 cents per pound, compared with the final 2022/23 price of 84.8 cents per pound and 2021/22's record of 91.4 cents.

Cotton futures etched narrow short-covering gains to start the week, driven largely by technical forces. Meanwhile, a strengthening U.S. dollar ahead of tomorrow's Consumer Price Index (CPI) Report and a two-day FOMC meeting, set to begin tomorrow, dampened upside potential for the natural fiber. Demand woes also resurfaced amid economic news from China, which reported a 0.5% annual drop in the country's consumer price index, indicating rising deflationary tension and concerns around an economic recovery. The drop in CPI marked the 14th straight month of producer price deflation and the steepest figure since August. An earlier report from Bloomberg Economics also cast a dour tone for demand, estimating the global economy will grow 2.7% in 2024, versus 3.1% this year. That would be the third-worst year since the burst of the dotcom bubble, only after 2009 and 2020.

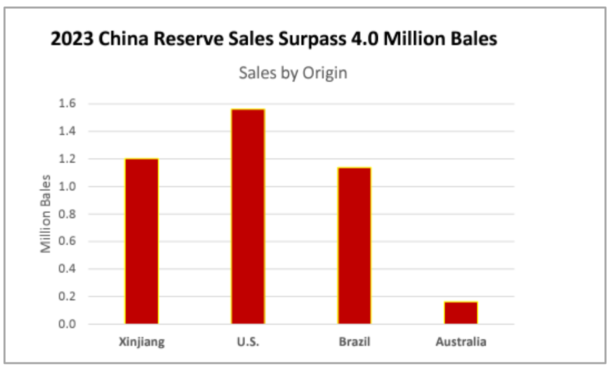
While the balance sheet is historically tight, the lack of use, which is forecast at its lowest level since 2015-16, is overshadowing the market. USDA cutting historically robust domestic use rather than exports is a bad omen. Cotton export sales have fallen for five straights weeks and are pacing well below the five-

year average, along with export shipments. That category is likely to be cut in the coming months as well barring any shift in export demand, which is likely to keep a lid on prices in the months ahead.

World Weather Inc. reports planting and development is continuing in a challenging environment for South Africa and Australia where drier weather is expected for a while, though recent rain in Australia did benefit some dryland cotton. Argentina crop conditions are improving, though there is still some concern over cotton development potential in Brazil during 2024. The forecaster indicates rain in West Texas this week will be ideal in bolstering topsoil moisture for improved cotton planting prospects in spring 2024.

China auctioned more than 4.0 million bales from government reserves since July with over 70 percent comprised of previously imported cotton and the remainder domestic Xinjiang cotton. Auctioned imports were of U.S., Brazil, and Australia origin that the government purchased and stored since 2018/19. China is forecast to replenish reserves and 2023/24 imports are raised 500,000 bales this month to 11.0 million, the second-highest level in a decade. Over one-third of total 2023/24 China imports (roughly the same quantity as 2023 sales) are projected to flow into government warehouses for future reserve sales.

China’s strategic reserve buys and sells both domestic and foreign cotton depending on potential market imbalances and price movements. China maintains reserve stocks at around 3 to 5 months of use, representing just over one-third of cotton stocks in China (total 2023/24 China ending stocks are projected at 38.8 million bales). Reserve stocks once exceeded 50 million bales, a level spurred by China’s domestic cotton purchases for price support before 2014.



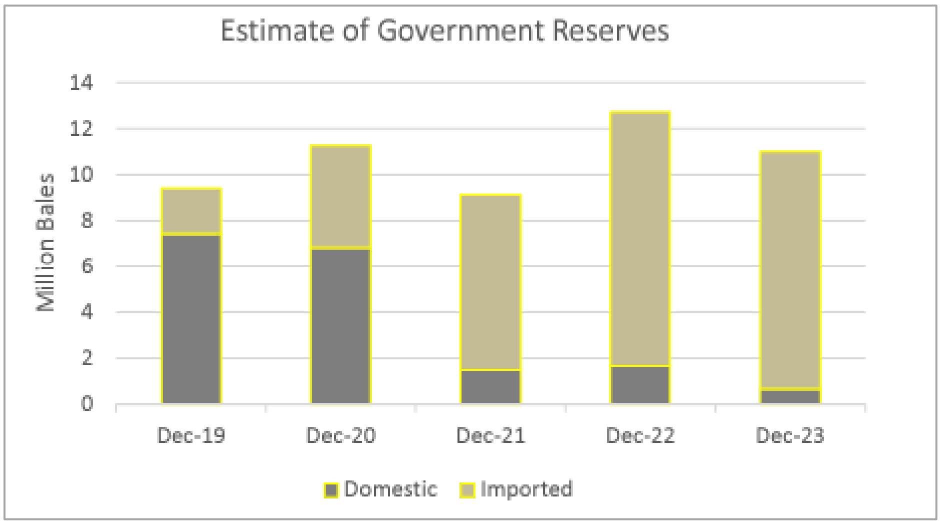
In addition to purchasing foreign cotton to replenish reserves, China purchases domestic cotton (from the Xinjiang autonomous region) to support producer prices, subject to certain purchasing constraints. China last purchased domestic cotton for government reserves during 2022/2023, totaling only 214,000 bales or less than 1 percent of domestic use. The previous marketing year witnessed only 182,000 bales of domestic purchases. The low level of recent domestic purchases further necessitates the demand for imports.

The strategic reserve sells domestic and foreign cotton to assure availability and stabilize prices for mills and traders, with sales historically starting sometime in late spring or early summer. Most importers have utilized their allocated import quota around early summer so conducting sales at this time of year is ideal, especially since reserve sales typically end at the onset or height of China’s cotton harvest. Managing a strategic reserve to sell during a seasonally low period of available supplies can temper pressures between supply and demand as well as lower the volatility or level of domestic prices.

Most Chinese mills and traders are subject to import-restrictive policies including a 4.1-million bale tariff-rate quota (TRQ) and a prohibitive most-favored-nation (MFN) tariff of 40 percent outside the quota. Quota supplementing the TRQ (e.g., sliding-scale and processing quota) is used in most years to

help bridge a persistent gap between consumption and production. In theory, reserve auctions of foreign cotton (imported by the government) allow buyers the opportunity to procure imported origins without quota or import tariffs. In several recent years, most reserve sales were comprised of domestic cotton, but beginning in 2023, sales of imported fiber exceeded domestic origin.

After this year's auction, less than 1.0 million bales of domestic cotton are estimated to remain in government warehouses, well below a decade ago when domestic cotton reserves approached 50.0 million. The current quantity of imported cotton held or recently imported into consignment is believed to exceed 10.5 million bales, with the expectation of another 3.0 million purchased between August and the end of the marketing year (July 2024). U.S. cotton is estimated to account for most of total government reserves, with U.S. origin having been the largest source since early 2020 when China granted exemptions on retaliatory tariffs.



The volume of future sales is difficult to estimate as it depends upon the level and volatility of domestic prices as well as potential pressures between domestic supply and demand. Nonetheless, future purchases for and sales of government reserves are likely to have significant impacts on the global cotton market given China's increasing use of foreign cotton for its state reserve.

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	$4.85	$3.70	--
Grain Sorghum	$4.85	$3.95	--
Long Grain Rice	$16.00	$14.00	--
Medium Grain Rice	$16.50	$14.00	--
Seed Cotton	$0.4022	$0.3670	--
Soybeans	$12.90	$8.40	--
Wheat	$7.20	$5.50	--

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

Sources: USDA Agriculture Market Service (AMS), USDA Foreign Agriculture Service (FAS), USDA Farm Service Agency (FSA), USDA National Agriculture Statistics Service (NASS), USDA Economic Research Service (ERS), USDA FAS GAIN Report, USDA Office of Communications, USDA World Supply Demand Estimates (WASDE), ADM Investor Services, AgDay, Ag Fax Media, 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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