Staff Report No. 2023-33 **April 14, 2023**

April Market Update
Corn, Soybeans, Rice, and Cotton

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

Prices at a Glance

Crop	2022/23 U.S. MYA Price Projection
Corn	$6.60 per bu.
Soybeans	$14.30 per bu.
Long Grain Rice	$16.90 per cwt.
Southern Medium Grain Rice	$17.90 per cwt.
Upland Cotton	$0.82 per lb.

WASDE Summary

This month's 2022/23 U.S. corn outlook projects reductions in imports and food, seed, and industrial (FSI) use, with unchanged ending stocks. Estimated corn imports were lowered 10 million bushels based on observed trade to date. Feed and residual use remains unchanged at 5.275 billion based on indicated disappearance during the December-February quarter. FSI was lowered by 10 million bushels based on lower corn demand for use in glucose and dextrose and starch manufacturing. With supply and use falling by the same amount, ending stocks remain unchanged at 1.342 billion bushels. The season-average farm price is unchanged at $6.60 per bushel.

U.S. soybean supply and use forecasts for 2022/23 are unchanged relative to last month. Soybean and soybean meal prices are also unchanged. The soybean oil price is projected at 64.0 cents per pound, down 2 cents.

This month's supply and demand outlook for 2022/23 U.S. rice projects increased domestic and residual use, higher exports, smaller supplies, and reduced ending stocks. Supplies are reduced as the import forecast has been lowered 2.0 million cwt to 40.0 million on a lower-than-expected pace of long-grain imports. All rice imports continue to be at record highs, however. Based on the NASS March 31st Rice Stocks report, long-grain domestic use is raised 2.0 million cwt to 119.0 million and medium- and short-

grain use is raised 2.0 million cwt to 32.0 million. The 2022/23 rice export forecast is raised 2.0 million cwt to 61.0 million (all long-grain) on large February Census exports and additional sales to Iraq in late March under a 2022/23 Memorandum of Understanding. Despite this increase, U.S. exports would still be the lowest since 1985/86. In aggregate, these revisions to supply and use estimates resulted in an 8.0-million-cwt reduction in ending stocks to 28.1 million, their lowest since 2003/04. The long-grain season-average farm price (SAFP) remains unchanged at $16.90 per cwt. While the all medium- and short-grain SAFP price is also unchanged at $29.20 per cwt, the SAFP for Other States was raised $0.10 per cwt to $17.70.

The 2022/23 U.S. cotton supply and demand forecasts show higher exports and lower ending stocks relative to last month, with production and domestic mill use unchanged. The export forecast was raised by 200,000 bales, to 12.2 million, based on the pace of recent sales and shipments. Ending stocks are now forecast at 4.1 million bales, equivalent to 29 percent of total disappearance. The marketing year price received by upland cotton producers is projected to average 82 cents per pound, a decrease of 1 cent from last month.

Corn

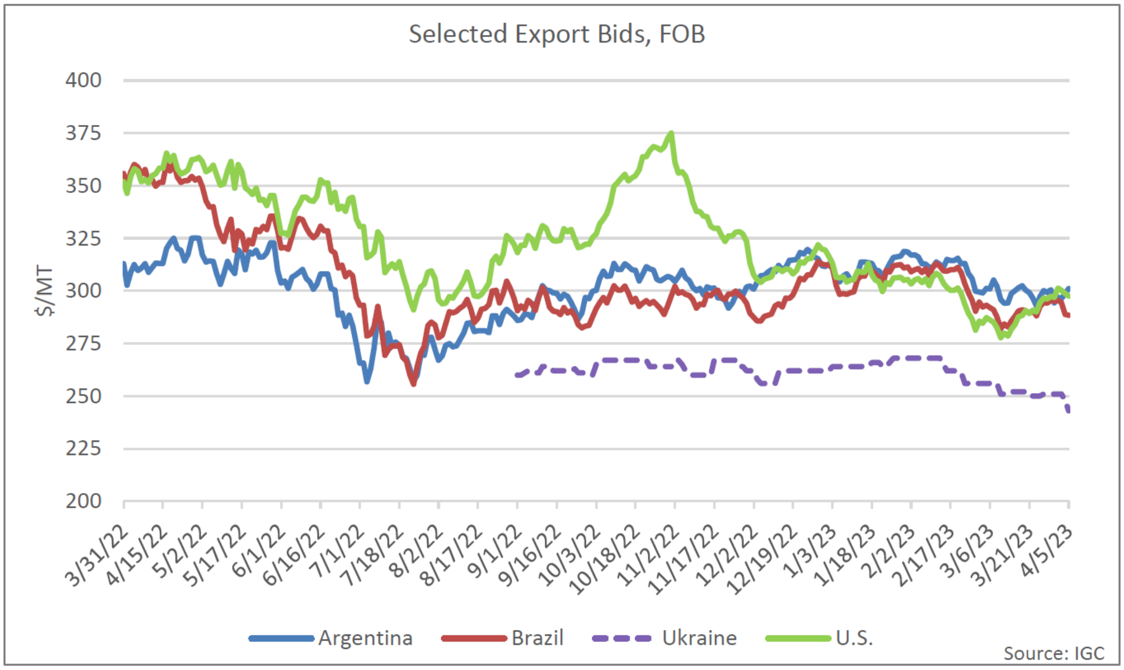
Corn traders got a mildly bearish April USDA monthly supply and demand report. Corn futures slipped 1 to 3 1/2 cents under pressure from favorable planting weather in the U.S. and on the disappointing news that USDA did not lower its old-crop carryout estimate as expected. USDA did not alter their U.S. corn carryover projections for 2022-23 from last month as trade sentiment was that USDA would lower ending stocks. Projected carryover is 23 million bushels above the average pre-report trade estimate. Lower carryover expectations were due to USDA's March 1st Quarterly Grains Stocks Report that showed corn stocks in all positions below trade expectations. USDA put the national average on-farm cash corn price at $6.60, unchanged from last month but up 60 cents from last year. Global carryover for corn was reported at 295.35 million metric tons for 2022-23- down from 296.46 million metric tons in March and compares with 306.91 million metric tons in 2021-22.

New-crop futures found little reason not to trade positively as much of the Midwest is expected to see mostly favorable weather over the next two weeks, likely increasing fieldwork and planting progress throughout the Corn Belt. Lingering uncertainty surrounding the Black Sea grain deal is capturing some trade attention as the Kremlin noted earlier today the outlook for the Black Sea grain deal was "not great" as promises to remove obstacles to Russian agricultural and fertilizer exports had not been fulfilled. This comes after Ukrainian grain inspections were halted as, according to a U.N. spokesperson, "more time to reach an agreement on operational priorities," was deemed necessary.

Favorable conditions for fieldwork in much of the U.S. Midwest during the next two weeks are projected as temperatures will be mostly warm, and precipitation will be too infrequent and light to prevent farming activity in much of the region outside of the snow-covered areas in the northwest. A large part of the southern Delta and the Southeast will remain too wet for fieldwork before drier weather conditions allow for an increase in planting efforts. However, the central and northern Delta will miss much of the rain other areas see Wednesday into Friday and fieldwork should advance well overall through the next two weeks. USDA Monday afternoon reported U.S. corn planting progress at 3% complete versus 5% expected and the 2% five-year average. Snowmelt across the upper Midwest and northeastern U.S. Plains will lead to flooding, according to World Weather. The forecaster notes a rain and snow event Thursday night and Friday will increase flooding problems.

Since the March WASDE, U.S. bids were up, while bids for Brazil and Ukraine declined slightly. Argentine bids were virtually unchanged. U.S. bids were $298/ton, up $11. Sales to China have surged

since the start of March, improving the outlook for U.S. exports and in part supporting higher prices. Brazilian bids were down $5/ton to $288. April will be a critical month for crop development in Brazil's Center-West, a key corn-growing region. Argentine bids were $301/ton, unchanged from last month. Elevated prices for Argentina corn reflect tight supplies due to widespread drought. Ukrainian bids were $243/ton, down $13. Large overland export volumes to partners in the European Union and sustained exports under the Black Sea Grain Initiative (BSGI), which was extended for at least 60 days on March 18th, are easing pressure on prices.

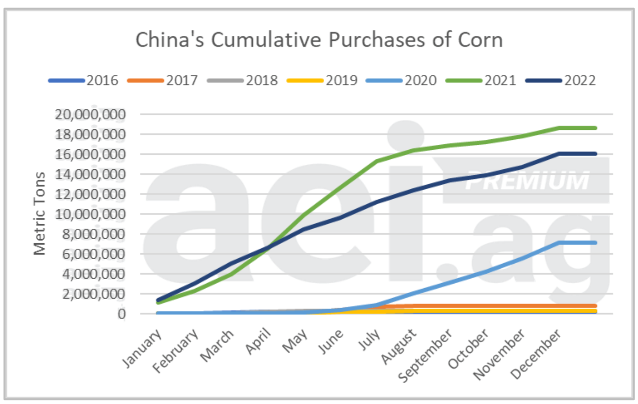


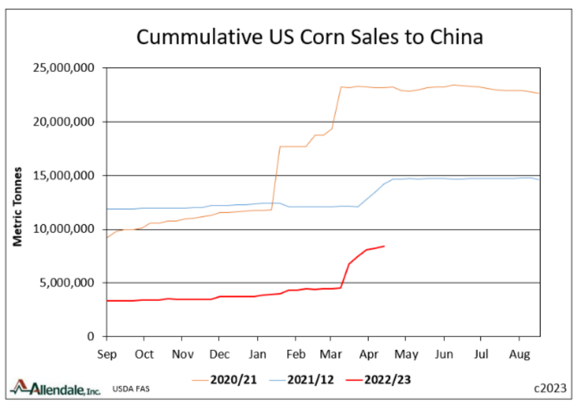
For the first 7 months of 2022/23 (September 2022-March 2023), combined shipments and sales of U.S. corn to Mexico reached 13.5 million tons. This is the third highest level on record, signaling robust Mexican demand for U.S. supplies. Mexico is the largest market for U.S. corn exports, comprising over one-quarter of all U.S. corn exports in 2021/22. Sustained Mexican demand for U.S. corn is attributed to increasing demand for livestock products. While white corn for food use encompasses the majority of Mexican corn production, 90-95 percent of the yellow corn demand is for animal feed use and some industrial applications and is imported from the United States. A lack of water in rain-fed areas (that constitute as much as two-thirds of Mexico corn area) constrains corn production, necessitating significant imports of yellow corn from the United States to meet growing feed demand. Moreover, per IGC data, U.S. supplies offer competitive prices with average prices for U.S. corn at $265/ton over the past year $10-$20/ton cheaper than prices from Argentina and Brazil, respectively.

Competitive pricing is aided by the United States-Mexico-Canada Agreement (USMCA) and low-cost logistics due to U.S.-Mexico rail infrastructure. The USMCA maintains duty- and quota-free trade between the United States and Mexico. Rail linkages are robust, with 60 percent of U.S. corn exports to Mexico traveling by rail in 2022 per AMS Mexico Transportation Cost indicator report. The availability of transit options allows exporters to partially offset the impact of transport disruptions, such as high costs due to logistics bottlenecks during the COVID-19 pandemic or increased barge costs due to lower water levels in the Mississippi. Per data from the IGC, average freight prices for shipments of U.S. corn to the

same destination in Mexico were as much as $20/ton to $40/ton cheaper than supplies from Brazil or Argentina in the September-March period over the past 4 years.

China has been making headlines as buyers continue to make large purchases of U.S. corn. The chart below illustrates the seasonality of Chinese corn purchases. In both 2021 and 2022, more than 50% of Chinese total corn purchases were made by the end of May. This is to say activity in the early months, as we've seen in 2023, is important for providing an idea of the overall pace for 2023. In 2022, China purchased 16 million metric tons of U.S. corn. On a year-over-year basis, Chinese trading activity related to U.S. corn was 14% lower than the year before. However, plotting several years of data show that activity in 2022, despite the dip from 2021, is still historically significant.





Soybeans

Soybeans mustered strength from corrective buying efforts following a mild selloff in the past four sessions. The government's monthly supply and demand updates seemed mostly bearish on the surface as U.S. ending stocks were left unchanged from March at 210 million bushels, while analysts were expecting a slight reduction. Also, global ending stocks of 100.29 million metric tons were well above the average estimate of 98.56 million metric tons. However, USDA made notable cuts to Argentine production, taking its soybean production estimate from 33.0 million metric tons down to 27.0 million metric tons, while traders were expecting a figure around 29.3 million metric tons. Brazil's soybean production was raised

by 1.0 million metric tons from the March figure to 154.0 million metric tons. For comparison, the 2021-22 Brazil crop was ultimately pegged at 130.5 million metric tons, while the Argentine crop totaled 43.9 million metric tons.

Soybean futures registered gains ranging from 1 to 10 cents with nearby May futures leading the way even though USDA failed to cut its 2022-23 U.S. carryout estimate as was expected. Lowered USDA estimates of Argentine production likely provided some support for futures along with slow cash soybean movement. Strength in soymeal and crude oil futures and a weaker dollar were also supportive for futures. Although March 1st soybean stocks were lower than expected, one could not automatically assume a tighter carryout, especially as U.S. soybean exports decrease precipitously as Brazil's huge crop floods into the global market. USDA may have to lower its U.S. export forecast again at some point based on the current pace of sales. The near-term chart picture for soybean futures improved slightly today, but while nearby May beans posted their highest close in 3 sessions, they settled near midrange for the day and failed to hold a push back above $15.00. The market has nearby chart resistance at $15.07 1/2 and nearby support at $14.82 1/2-$14.86 1/4 and at $14.68.

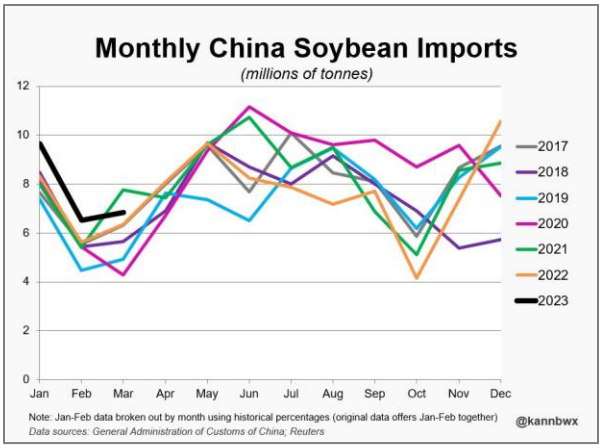
Soybeans and meal futures found recent support from the lingering after-effects of a friendly USDA supply and demand report. The agency reported that soybean output in Argentina will fall to a 23-year low due to drought. However, Brazilian production will reach a new record, partially offsetting the Argentine production losses. Key outside markets were bullish for the soybean market, as the U.S. dollar index slumped and closed at a 2.5-month-low close, while crude oil prices rallied to a four-month high. The combination of further Argentine crop cuts and improving outlooks for Chinese soybean demand lifted U.S. soymeal and soybean futures.

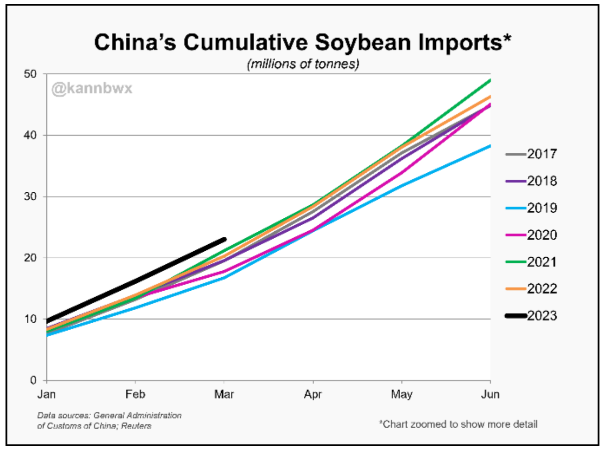
Weather throughout much of the Midwest continues to prove favorable for fieldwork as temperatures are expected to be mostly warm and precipitation infrequent and light, notes World Weather Inc. Though the forecaster states a close watch will be made on precipitation Thursday and Friday in the Red River Basin of the north, where there is some potential for significant rain which would quickly melt snow and rapidly increase flooding. Areas of the southern Delta and Southeast will also remain too wet for fieldwork through the next week before drier weather Monday through Thursday of next week allows for planting to increase.

Soybean exports (not sales) are the primary focus of the traders in the soybean market. The U.S. has picked up some additional late sales to add to the sale book for the marketing year, but the main export sales window is basically closed. Shipments are closely watched by the market to see if those soybean sales on the books can turn into delivered beans. Last week, shipments were 20.5 million bushels, bringing the total shipments for the year to 1.656 billion bushels. This was 2% above last year in this window. Last month, the USDA raised export projections for the marketing year to 2.015 billion bushels.

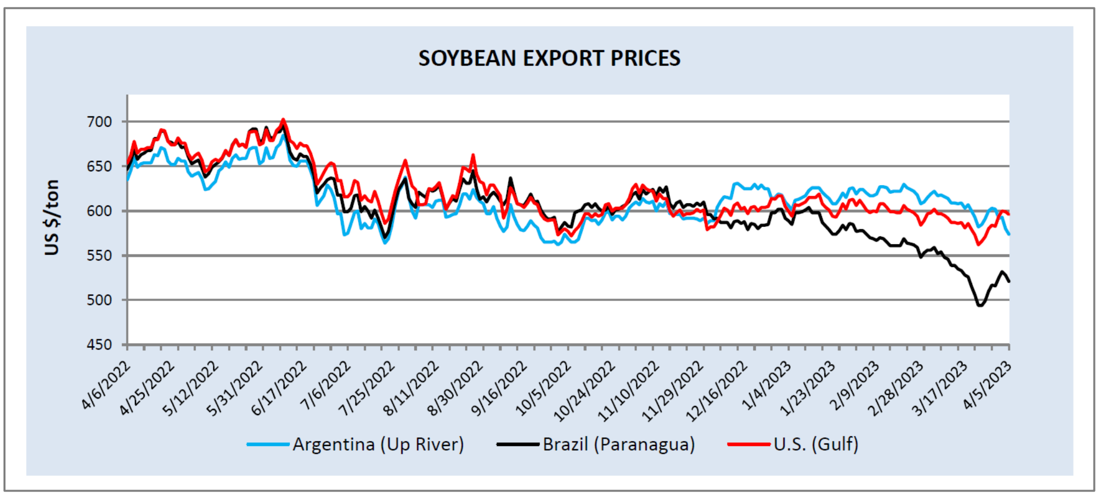
China’s March 2023 soybean import volumes rose nearly 8% from the same time a year ago, according to China’s General Administration of Customs, which released March 2023 import data. During March 2023, China imported 252 million bushels of soybeans. That figure is down almost 3% from February 2023 volumes, which is likely due to unusual clearing delays at customs checkpoints. Regardless, year-to-date Chinese soy imports are the highest on record at 845 million bushels (23 million metric tons). It also represents a 14% year-over-year increase in volumes, which signals that soy crushers in China are expecting an uptick in demand as the country emerges from COVID lockdown restrictions. But the short-term outlook remains murky, especially as China’s hog farmers continue to operate at a loss due to heavy supplies and slower than expected retail demand for pork. "China's pig farming is less profitable now,

which is not conducive to the short-term demand for soybean meal," an anonymous Chinese futures analyst told Reuters.





Average soybean prices were lower in March for all major exporters in anticipation of the impending record Brazilian harvest. Brazilian prices declined the most, increasing the discount versus other exporters. Following a recent trend, global soybean export prices were also pressured downward by soybean oil prices amidst ample supplies of other vegetable oils as crush margins were less attractive for processors. Soybean meal prices were also lower on average this month for the first time since December.



In 2022/23, soybean trade is forecast to be well-above last year, most likely due to record Brazil production and strong global demand. While import demand has plummeted in key export markets like Bangladesh, Pakistan, and Egypt, this is mostly offset by growth in both Argentina and China. Argentina is forecast to have the largest growth in 2022/23 as crushers look to supplement waning domestic production with imports from other South American producers, especially Brazil and Paraguay.

Conversely, global trade of soybean meal and oil is forecast lower. The drought in Argentina is the primary driver, constricting crush and production of soybean meal and oil in the world's largest exporting country of both. For soybean meal, global 2022/23 imports are forecast 4.2 million tons lower than the previous marketing year to the lowest level in 6 years. Soybean meal imports are down in most countries, but the biggest drops are in the Middle East, Southeast Asia, and the European Union. Meal exports are forecast up from Brazil and the United States; however, supplies will be insufficient to entirely offset the

losses in Argentine production. Importers are expected to increase purchases of soybeans and other substitutable protein meals like rapeseed and sunflowerseed meal.

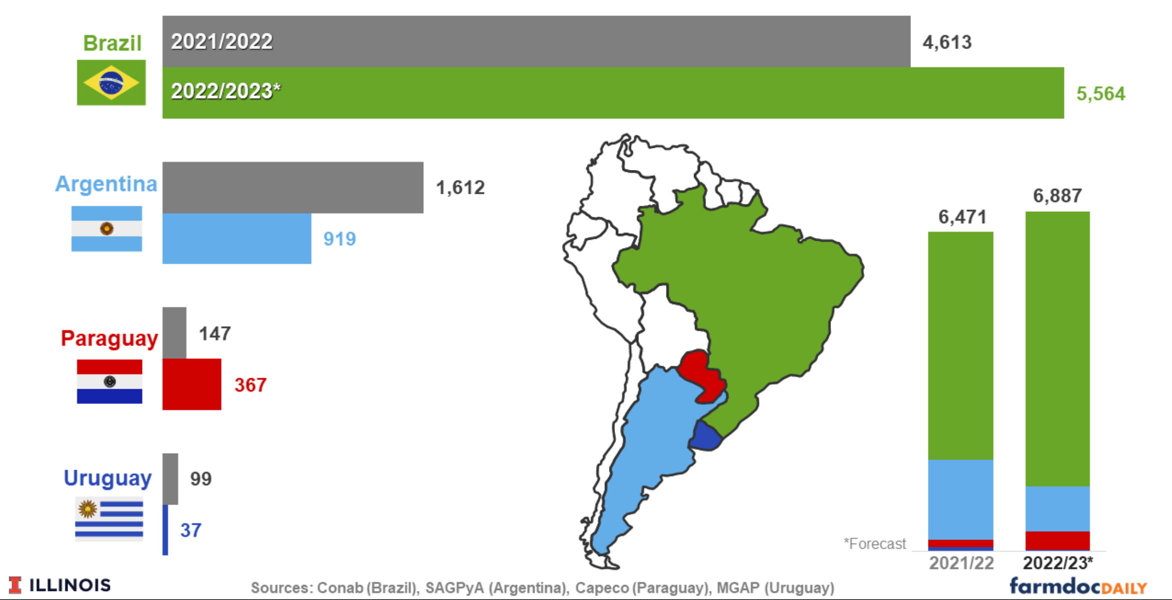
South American countries, constituting approximately 55% of world soybean supply, are experiencing varying harvest expectations this crop season. While Brazil is on the verge of breaking a record in soybean production, Argentina will have its worst harvest in more than two decades. The contrasts in yields result from the effects of La Niña.

Projections put the combined 2022-2023 output in Brazil, Argentina, Paraguay, and Uruguay at 6,887 million bushels, up 416 million bushels (6%) from last crop season (see figure below). The South American soybean harvest would have been higher were it not for the strong influence of La Niña. La Niña events favor increased rain across northern Brazil and decreased rainfall in extreme southern Brazil, Argentina, and Uruguay. Lower rainfall this year caused extreme South Brazil, Argentina, and Uruguay to experience a drought. The effects of La Niña this season were more concentrated in southern South America, affecting the extreme South of Brazil, Argentina, and Uruguay. Paraguay, the world's fourth-largest soybean exporter, was spared this season.

Brazil, the world's largest producer and exporter of soybeans, is forecast to produce a record 5,564 million bushels this season, a 21% increase compared to the previous cycle, when a drought affected the crop in southern states. The projections for the current cycle remain optimistic mainly because of the recovery in yield to historical trend (52 bushels per acre on average) and to the 5% expansion of the cultivated area in relation to last season, according to data from the National Supply Company (Conab).

Brazilian soybean exports in 2023 should be higher than initially projected with forecasts calling for a record 3,391 million bushels, 17% above the 2,892 million bushels in 2022, according to Brazilian Association of Vegetable Oil Industries data. The projection for domestic soybean processing is at the unprecedented level of 1,929 million bushels for 2023, a 3% increase from 2022. Soybean oil and soybean meal exports should also rise, because Argentina, the world's biggest supplier of both commodities, faces drought.

Figure 1. South America Soybean Production Increasing in 2022/2023
in million bushels

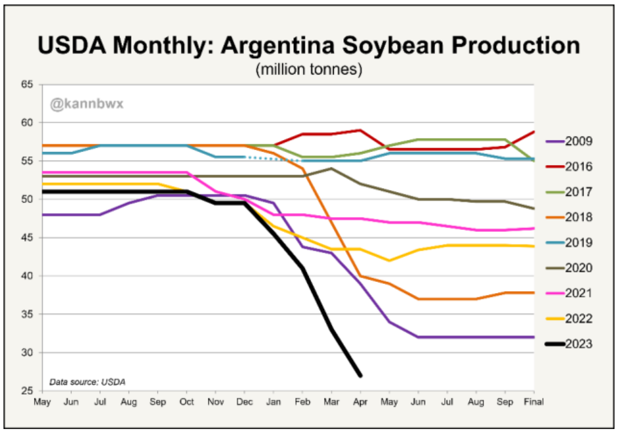


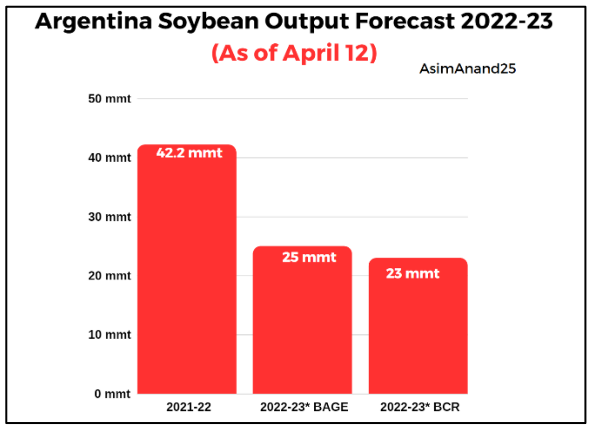
Sources: Conab (Brazil), SAGPyA (Argentina), Capeco (Paraguay), MGAP (Uruguay)

Global soybean stocks remain historically low, although Brazil's harvest is largely replenishing global supply. Soybean prices continue to fall in Brazil because of the expectation of a record harvest. The pace of Brazilian farmer sales has improved recently in response to the strength of the U.S. dollar against the Brazilian real and producers' need to make room in their silos for the coming months, when the second corn crop (safrinha) will be harvested.

Argentina, the third-largest global producer of soybeans, is expected to harvest 919 million bushels in the current crop season. In the last two decades, soybean production in Argentina has averaged about 1,600 million bushels, with no significant trend, with a maximum of 2,256 million bushels in the 2015 harvest. The expected production in the upcoming harvest would be the lowest in more than two decades and 40% lower than the previous harvest.

A truly unprecedented path for Argentina's 2023 harvest of soybeans, which has been decimated by severe drought. USDA's crop outlook has fallen 45% over the last four months. The soybean yield is expected to be the lowest since 1989, making the crop the smallest since 2000.





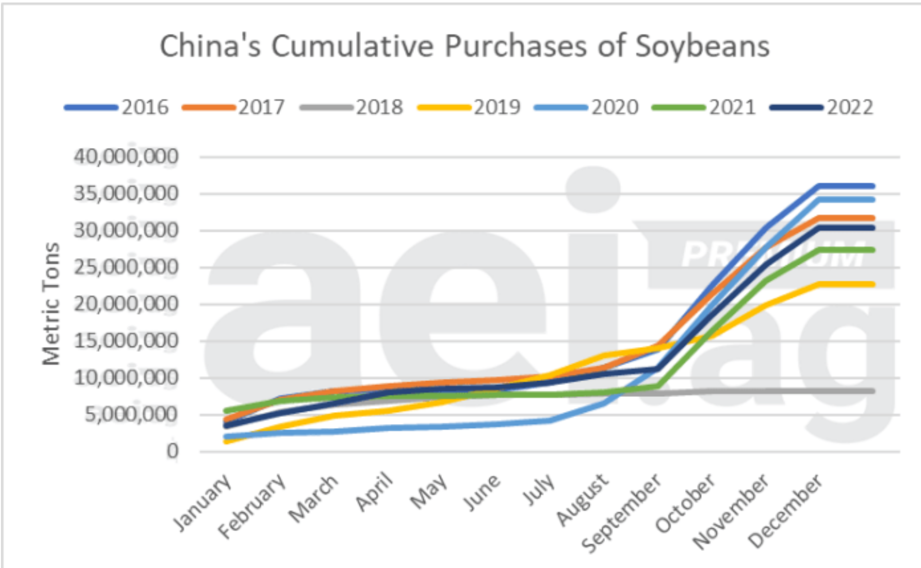
Argentina is a key player in the international soybean market: it is third in soybean grain exports and first in soybean oil and meal exports. Soybean products represent more than 30% of the value of the total exports in Argentina. China, India, and the European Union are the main buyers of Argentine soybean products. The importance of Argentina as an international supplier will drop abruptly, and demand will be meet by other exporting countries. Moreover, Argentina may have to import more than double the amount of soybeans compared with previous years, mainly from Paraguay and Brazil, to continue supplying regular external customers with soybean meal and oil.

Argentina announced a new foreign exchange rate at 300/USD for soybean exports. Argentina's government will implement a new fixed exchange rate of 300 pesos per dollar for soybean exports starting April 8 until May 31st, according to the country's Economy Minister. Argentina expects to see $5 billion of soy exports during this period, according to the Argentine Agriculture Secretary.

Argentina will publish three decrees to implement the new measures seeking to strengthen the agricultural export sector and national reserves. The first decree will ensure automatic implementation of the benefits to address the agricultural emergency for all producers. This aims to suspend fiscal and bank foreclosures and tax advances throughout the duration of the emergency. The second decree is aimed at the export increase program; whereby regional economies will be included in the incentive mechanism that was implemented for the oilseed complex linked to soybeans announced in 2022. A special exchange rate for regional economies will be valid from April 8th to August 30th. Regional economies will have three conditions to access this special exchange rate: participate in the price program, maintain employment,

and guarantee volume and supply of products. The third decree will suspend the CUIT tax key for companies that did not comply with the sale of dollars that they exported, which is estimated to be equivalent to more than $3.7 billion. Argentina will also then ban these companies' access to the exchange market and companies will have 30 days to sell their USD reserves.

When considering the monthly cumulative activity, Chinese soybean purchases are loaded to the end of the calendar year (see figure below). Typically, 50% of the total annual activity isn't reached until October. At 30 million metric tons of soybeans exported to China in 2022, activity was far from a record. To this point, China purchased 36mmt of soybeans back in 2016.



Rice

The March 31st USDA Prospective Plantings report still indicates total rice planted acreage to rise to 2.58 million acres, up from last year's 2.2 million. In February, USDA projected acreage for long-, medium- and short-grain rice to rise in response to last year's record-high farm price and California's substantially improved moisture conditions and snowpack. Medium-grain acreage alone is expected to jump 52% YoY, most of which is grown in California, while long-grain acreage is seen up 8.6% YoY at 1.96 million acres. According to the Prospective Plantings report, long-grain plantings were projected to be 1.96 million acres, up almost 9 percent from a year earlier but still slightly below the 1.97 million acres planted in 2021/22. The reported expansion is the result of record and near-record prices, generally lower input costs, and expectations of a return to normal weather this year in the South after above-normal rainfall last spring prevented plantings in some areas, mostly in Arkansas, Mississippi, and Missouri.

The only revision this month to the 2022/23 U.S. season-average farm price (SAFP) forecasts was a 10-cent per cwt increase in the southern medium- and short-grain SAFP to $17.70 per cwt, up 27 percent from a year earlier and the second highest on record. SAFP forecasts for all-rice, long-grain, California medium- and short-grain, and U.S. medium- and short-grain are all projected to be at record-highs in 2022/23.

The new U.S. rice balance sheet was bullish for rice prices as USDA cut its 2022-23 U.S. all-rice carryout by 8 million cwt to 28.1 million. This is the lowest ending stock projections since 2003/04. USDA cut the long-grain carryout by 6 million cwt and the medium/short grain carryout by 2 million cwt. USDA lowered its 2022-23 world rice carryout estimate by 1.95 million metric tons. Rice futures surged with

help from USDA. May rice settled up 54 ½ cents to $16.95 ½, after trading a range of $16.31 to $17.15 ½. July rice was up 52 cents to $17.05, and September rice was up 52 cents to $15.10.

Futures have surged, with May having found strong support at $16.25. For both May and July rice, the $18 area has been strong resistance. The May contract has swung to a premium this month - at the start of the month it was 27 cents discount to the July, now it is at a 22-cent premium, which in itself is a bullish sign for the market. Rice futures surged for the second straight day following bullish news contained within the USDA's April WASDE. May rice settled 59 ½ cents to $17.55. July was up 28 ½ cents to $17.33 ½, and September rice was up 5 cents to $15.15, with the upside limited by expectations of increased acreage this year and what looks to be a good planting environment in the Mid-South.

On the coattails of the new 80,000 metric tons Iraqi business, and the re-emergence of the Haitian shipments, the industry continues to find a way to perpetuate some semblance of stability. Milled rice values remain steady to firm, responding to both demand and tight supply fundamentals.

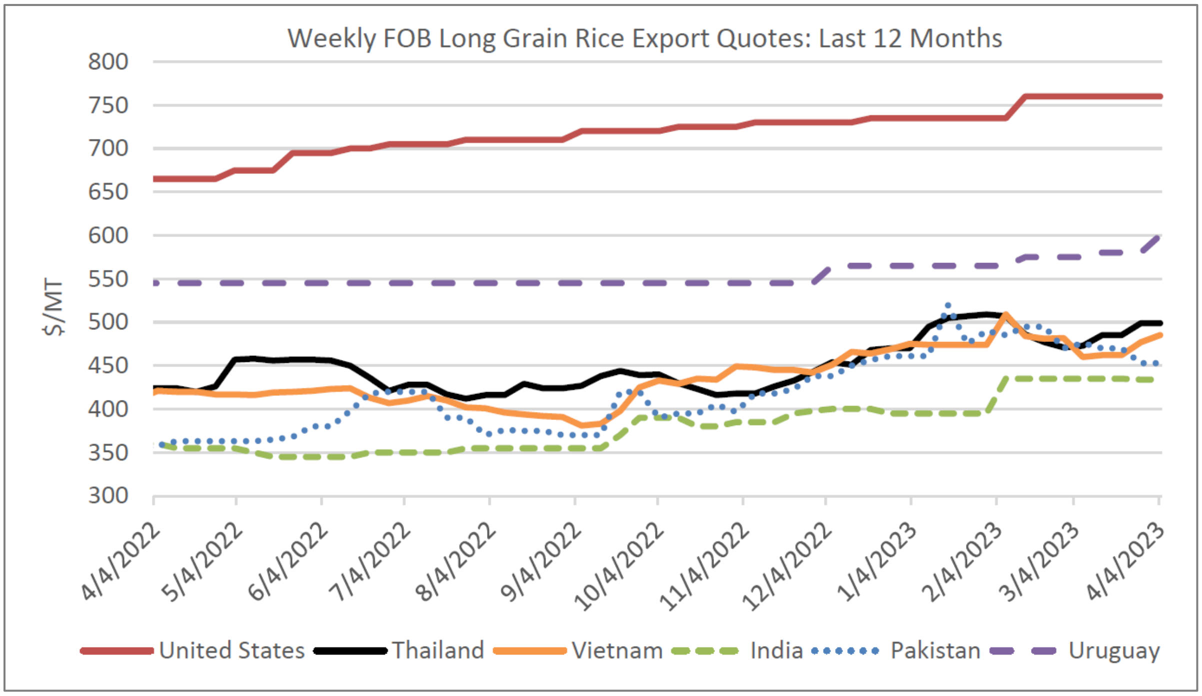
After several consecutive months of reductions, the U.S. 2022/23 all-rice export forecast was raised this month by 2.0 million cwt to 61.0 million cwt, still down 26 percent from a year earlier and the lowest since 1985/86. The upward revision was primarily based on larger-than-expected shipments reported for February by the U.S. Census Bureau and an additional sale of 80,000 tons of long-grain milled-rice to Iraq in late March.

U.S. long-grain exports are projected at 47.0 million cwt, up 2.0 million from the previous forecast but still more than 22 percent below a year earlier and the lowest since 1985/86. In February, U.S. long-grain shipments were larger-than-expected to Mexico, as well as strong export shipments to Colombia, Haiti, and Iraq. On an annual basis, U.S. long-grain exports are hampered by near-record U.S. trading prices, tighter U.S. supplies this year, and strong price competition from South American exporters in several key U.S. Latin American markets.

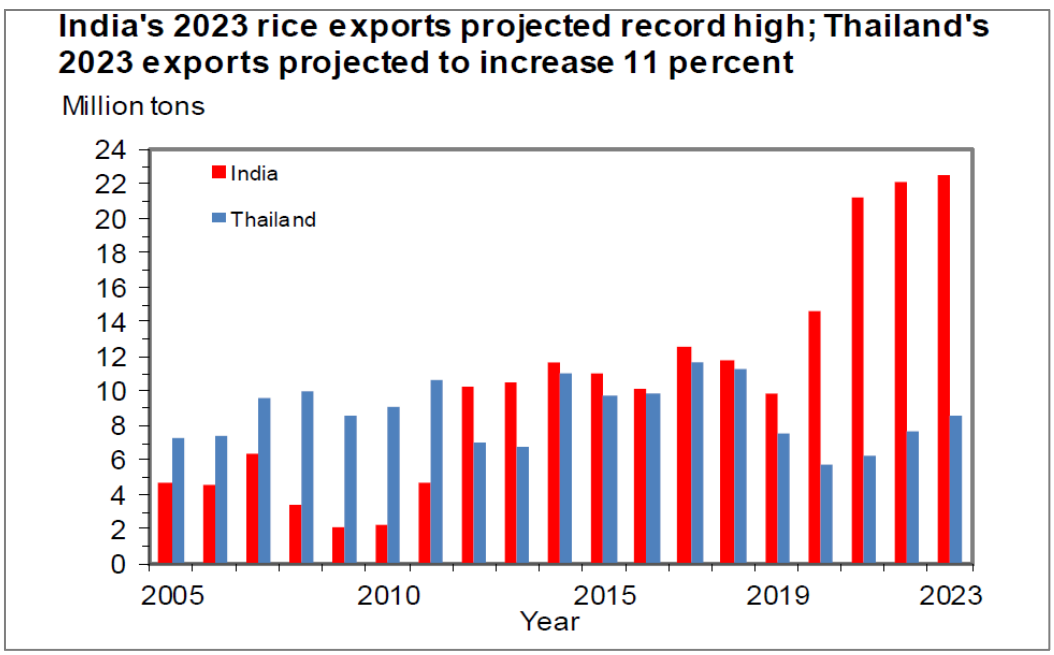
U.S. medium- and short-grain exports remain forecast at 14.0 million cwt, 35 percent below a year earlier and the smallest since 1992/93. The extremely weak medium- and short-grain export forecast is based on the big drop in California's rice production in 2022/23 due to drought and resulting record-high farm and trading prices.

U.S. rice exports continue to lag far behind last year's pace, with accumulated shipments for the current marketing year down 40% YoY. The strong dollar and India's increased exports remain headwinds for the U.S. Indian exports are forecast to climb to a new high as India's government has dramatically increased subsidies to rice farmers. Per USDA's recent GAIN report, the price paid by the Indian government to rice farmers will increase to $259/ton, up from $120/ton paid in 2010/11. The Indian government also subsidizes about 85% of farmers' input costs.

Over the past month, U.S. quotes remained high at $760/ton on this year's tighter supplies. Uruguayan prices increased $25 to $600/ton on large purchases from neighboring countries. Vietnamese prices jumped $25 to $485/ton and Thai prices rose $26 to $499/ton due to greater demand from principal markets, especially Indonesia. Pakistani quotes decreased $23 to $453/ton with limited buying interest, while Indian quotes remain steady at $435/ton.



Over the past month, quotes for Thai trading prices for most grades of regular (neither parboiled nor aromatic) whole-grain milled rice rose 4–5 percent from a month earlier, due mostly to appreciation in the Thai baht and inquiries from foreign buyers. For the week ending April 4th, Thai 100-percent Grade B long-grain milled rice for export was quoted at $499 per ton, up $26 from the week ending March 7th. Price quotes for Vietnam's winter–spring crop, currently being harvested, for the week ending April 4th were quoted at $475 per ton, up $30 from the week ending March 7th and the highest since May 2021. Vietnamese prices have risen on greater demand from traditional buyers such as the Philippines, Indonesia, and China.



Indian price quotes for 5-percent broken-kernel rice were reported at $434 (nominal price quote only, an indicative price) for the week ending April 4th, and are virtually unchanged since late January. India remains the most competitively priced source of Asian rice. Argentine 5-percent brokens were quoted at $540 per ton for the week ending April 4th, unchanged from early March.

U.S. trading prices for long-grain milled rice were unchanged over the past month. Prices for U.S. long-grain milled rice, Number 2 Grade, 4-percent broken kernels (Iraqi specifications) remain quoted at $760 per ton for the week ending April 4th, unchanged since late January and the highest since early October 2008. U.S. price quotes for Latin American markets were also unchanged since late January, quoted at $725 per ton for the week ending April 4th. Milled-rice nominal price quotes (no actual offers or sales) for California medium-grain Number 1 Grade, 4-percent brokens, remain at $1,650 per ton (free on board at a domestic mill) for the week ending February 7th, unchanged since late December and the highest on record for this specification.

In policy news, the Office of the U.S. Trade Representative (USTR) filed its second "counter notification" on Indian rice and wheat subsidies to the World Trade Organization's (WTO) Committee on Agriculture. The counter notification details the flaws in India's notification methodology, which obscures the true level of subsidies it provides. The submission was co-sponsored by Australia, Canada, Paraguay, Thailand, and Ukraine, demonstrating the global impact of India's trade-distorting subsidies (as reported by the USA Rice Federation on April 6, 2023).

The measure estimates that if India correctly calculated the level of support provided to rice farmers through domestic subsidies, the subsidization would be at 78.6 percent of the market value in 2014/15, and up to 93.9 percent in 2020/21, compared to the 10 percent limit India agreed to when it joined the WTO.

Cotton

On March 31st, USDA's Prospective Plantings report indicated an area of 11,256,000 acres, modestly lower than the 11,419,000 projected by the National Cotton Council in April. Washington's figure would mark a decrease of 18 percent from the previous season.

Cotton ended the session marking only slight gains despite notable crude oil strength and weakness in the U.S. dollar. USDA had some positive news for the cotton market. An unexpected cut to U.S. ending stocks put carryover at 4.1 million bales, or 200,000 bales below the average pre-report trade estimate. USDA made no changes to supply, with an increase in projected exports by 200,000 bales to 12.2 million bales. While the export projection is up from last month, it is still 2.42 million bales below last year's total cotton exports. The world cotton balance sheet was negative, however, as USDA raised its world carryout by another 860,000 bales. USDA raised China's crop by 1 million bales to 30.50 million. Strength in the crude oil market, if it continues, could help limit the downside for the cotton market. Severe drought in West Texas is also a supportive factor.

Weather through many key U.S. cotton-growing areas is unfavorable. World Weather Inc. states the outlook remains too dry in West Texas where planting usually beings in a few weeks. Some rain occurred over the weekend in eastern and southern Texas, the Delta and southeastern states, delaying fieldwork in some areas and raising soil moisture for better planting and emergence later.

Cotton continued a two-week pattern of sideways consolidation, despite largely supportive outside markets following a tamer-than-expected Consumer Price Index (CPI) Report, released first thing today. A plunging U.S. dollar gave crude oil futures reason to bounce to a near five-month high after CPI data

was released, though the natural fiber reacted mildly to the support throughout the session. Subpar weather in many key cotton-growing areas failed to lend further price strength.

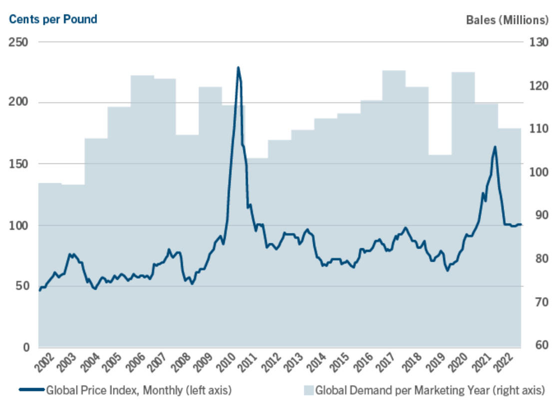
Cotton futures ended slightly higher, bolstered by friendly revisions to the balance sheet in the USDA report. May cotton ended up 30 points to 82.75, after trading a range of 81.90 to 83.07. July cotton was up 18 points to 82.91, and December cotton was down 27 points to 82.90. The modest gains don't do anything to change the trajectory of a market that has been sideways the past couple of weeks, trading between 80 and 84 cents in the May and 81 to 84 cents in the December contracts, respectively.

Eleven years ago, cotton prices spiked over 400% in one of the most astronomical (and still not completely understood) farm commodity price run-ups in history. As a result, textile and apparel makers shifted to cheaper and less volatile synthetic fibers, and world cotton consumption plummeted. It took nearly a decade for global cotton demand to recover to 2010 levels but then the 2020 COVID pandemic cratered the world economy and took cotton demand along with it. But in an incredibly positive sign, apparel purchases quickly rebounded and, moreover, the cotton share of fiber in clothing increased for the first time in 13 years in 2021.

Spurred by a combination of strong demand, tightening global supplies, and the invasion of Ukraine, cotton prices soared to over $1.50/lb in mid-2022 after spending the previous decade almost entirely within a trading range of 60 cents/lb – 80 cents/lb. And not surprisingly, global cotton consumption is forecast to drop 11% between marketing years 2020/2021 and 2022/2023. That would be the worst performance since MY 2011/2012 (excluding the 2020/2021 COVID year).

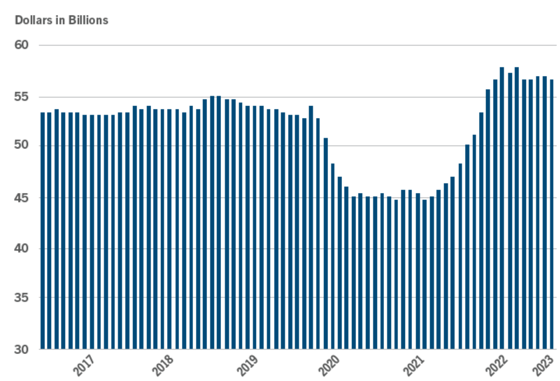
Today, it seems the global economic outlook for cotton is deteriorating. Clothing inventories are still too high for retailer preferences while real disposable income growth rates in developed economies continue to be anemic. Continued lackluster cotton demand through 2023 seems inevitable.

EXHIBIT 1: **Global Cotton Price Index and Demand**



Source: Federal Reserve Economic Data

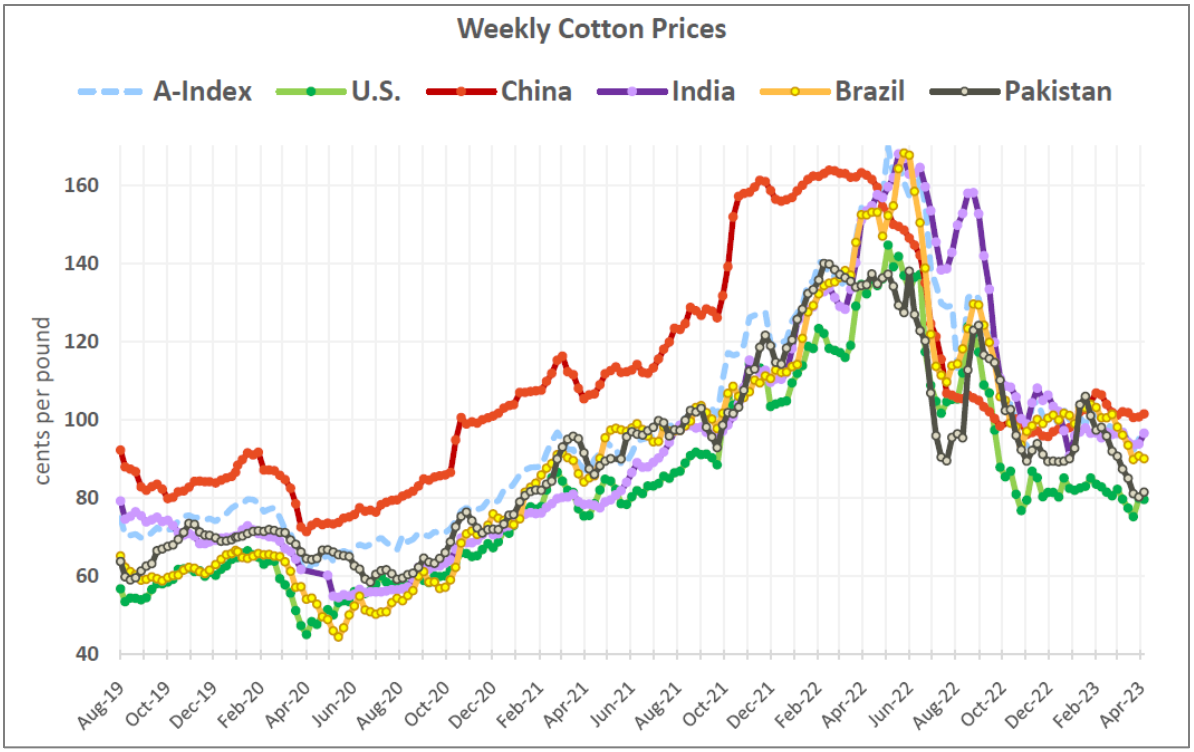
EXHIBIT 2: **U.S. Retail Clothing Inventories**



Source: U.S. Census Bureau

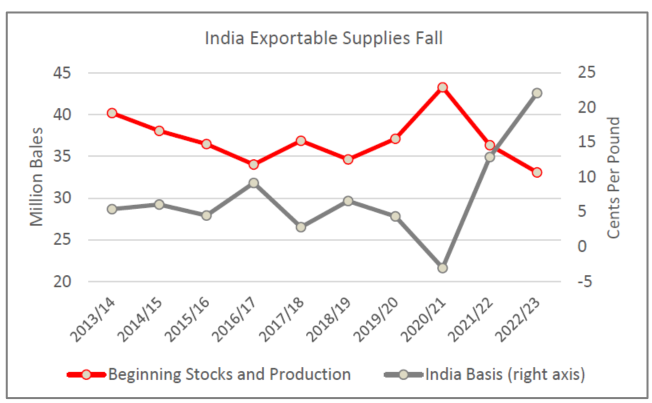
Global cotton prices were mostly down since last month's *WASDE* with prices on the Intercontinental Exchange (ICE) settling at roughly 83 cents per pound. Strong U.S. export sales and shipments were offset by global macroeconomic concerns due to the second-largest bank failure in U.S. history. Commodity exchange-traded funds and the Dow Jones Industrial Average were mostly unchanged after falling in late March, while the S&P Retail Index was lower compared with last month. Macroeconomic concerns raised speculators' short positions and pressured prices. Lower Brazil prices once again reflect slower-than-expected demand as witnessed by lower exports. Pakistani prices were down for the second

consecutive month on both a weaker exchange rate relative to the U.S. dollar and seasonally slow domestic use.



2022/23 Indian cotton exports are projected down 500,000 bales this month to 1.8 million, roughly equal to its import forecast. Exports have historically exceeded imports by a significant margin, and the last time that imports exceeded exports was nearly 20 years ago. Lower domestic supplies, increased demand for foreign long and extra-long staple grades, and the Australia-India Economic Cooperation and Trade Agreement (ECTA) have all supported this recent dynamic.

The sum of 2022/23 beginning stocks and production is projected at a 14-year low of 33.1 million bales, significantly pressuring exports. Moreover, Indian spot prices relative to global prices surged earlier in the year, in part due to lower cotton supplies, slowing shipments to major markets including China.



Higher imports are supported by lower domestic supplies and other factors including favorable import policies. Pleas from the domestic textile sector resulted in the temporary rescinding of the tariff on all cotton origins from April 2022 through September 2022, which supported strong early-season imports. [1] All origins are now subject to an 11-percent import duty. The Australia-India ECTA is also expected to strengthen import demand. The agreement took effect this calendar year and allows India to import approximately 230,000 bales of Australia cotton duty free. High quality and competitively priced Australian supplies are expected to support spinners' late summer demands when domestic cotton supply is seasonally low.

International cotton prices as measured by the Cotlook A Index moved lower to depart from their longstanding range in March, influenced by a collapse of New York futures mid-month, before reversing direction to end only modestly below their opening level. Uncertainty in the international banking system resulted in four consecutive days of decline for the lead May delivery, two of which recorded limit down settlements. However, prices staged a recovery in the subsequent sessions, as some confidence in the stability of the banking sector returned. The A Index registered its highest point for the period, of 100.10 US cents per lb, on March 2, while the value fell to a low of 91.05 on March 27, representing the weakest price since November 1st.

A flurry of import buying was witnessed as futures retreated below the 80-cent mark (allowing for landed prices well below one dollar). However, the volume of business concluded fell short of that which would normally be expected in the face of such an adjustment, and mills retreated to the sidelines as prices recovered ground. The major barrier to raw cotton purchases was the persistently weak state of demand in the cotton yarn market, and mill buyers in most countries lacked the confidence to make volume purchases beyond their nearby requirements.

Vietnam was one of the more active markets, with sales recorded for various origins including West African, Brazilian and US. Australian was also considered attractive, on quality and availability grounds. Meanwhile those countries which have for some time been experiencing issues associated with a lack of US currency reserves (most notably Pakistan and Bangladesh) continued to face difficulties in securing Letters of Credit and reports of new business were somewhat scarce during March. Mills with gaps in their nearby coverage bought modest volumes of various origins, including US and African Franc Zone styles, during dips in futures prices.

In China, the convergence of local and international values mid-month prompted some demand for imported lots. The bulk of inquiries was from state trading entities, but spinners also participated, albeit to a lesser degree.

US cotton captured the bulk of business during the downturn of the market, as reflected in reports of export sales registrations released during the month, predominantly on price considerations. The net increase in upland export sales registered during the first three weeks of March amounted to more than 800,000 running bales, of which China and Vietnam together account for nearly 65 percent. Shipments were also strong during the period, recording a seasonal high in the week ended March 23 and exceeding the average required to meet USDA's latest forecast for the season (12 million bales of 480 lbs) on more than one occasion. However, the shifting of almost 90,000 bales destined to Pakistan into the 2024/25 marketing year reflected the protracted difficulties present in that country, and some observers anticipate further cancellations or deferments in the reports to come, should the financial situation fail to improve.

USDA March 31, 2023, Prospective Planting Report- Louisiana and the U.S. Summary

Corn Acreage Up 13 Percent
Cotton Acreage Down 33 Percent
Rice Acreage Up 6 Percent
Soybean Acreage Down 7 Percent

Louisiana **corn** producers intend to plant 510,000 acres, up 13 percent from the 450,000 acres planted in 2022.

Upland cotton acreage intentions are at 130,000 acres, down 33 percent from the 195,000 acres planted last year.

All hay acres expected to be harvested in Louisiana are estimated at 410,000 acres, up 20,000 acres from 2022.

All rice intended planted acres for 2023 are estimated at 450,000 acres, up 6 percent from the 425,000 acres planted in 2022. Long grain rice acres are up 20,000 acres from last year, and medium grain acres are up 5,000 acres from a year ago.

Soybean producers intend to plant 1.17 million acres in 2023, down 7 percent from last year.

The first **sugarcane** harvested acreage estimate for 2023 will be available on **June 30, 2023**.

Principal Crops: Area Planted and Harvested - Louisiana and United States: 2022 and 2023

Crop	Louisiana			United States		
	2022	2023 [1]	Percent of previous year	2022	2023 [1]	Percent of previous year
	(1,000 acres)	(1,000 acres)	(percent)	(1,000 acres)	(1,000 acres)	(percent)
Corn	450.0	510.0	113	88,579.0	91,996.0	104
Cotton, upland	195.0	130.0	67	13,580.0	11,102.0	82
Hay, all [2]	390.0	410.0	105	49,546.0	50,645.0	102
Rice, all	425.0	450.0	106	2,222.0	2,583.0	116
Long Grain	370.0	390.0	105	1,802.0	1,957.0	109
Medium Grain	55.0	60.0	109	390.0	593.0	152
Soybeans	1,260.0	1,170.0	93	87,450.0	87,505.0	100

[1] Intended plantings in 2023 as indicated by reports from producers.
[2] Intended area for harvest in 2023 as indicated by reports from producers.

PLC Farm Program Payment Projections – 2022/23 CY

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

Covered Commodity	***2022/23 MYA Price****	*Effective Reference Price*	***2022/23 CY PLC Payment Rate***
Corn	$6.60	$3.70	--
Grain Sorghum	$6.90	$3.95	--
Long Grain Rice	$16.90	$14.00	--
Medium Grain Rice	$17.70	$14.00	--
Seed Cotton	$0.4547	$0.3670	--
Soybeans	$14.30	$8.40	--
Wheat	$8.90	$5.50	--

**national marketing year average (MYA) prices reflect the prices contained in the USDA WASDE report on April 11, 2023.

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

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