Staff Report No. 2023-37 **May 15, 2023**

May Market Update
Corn, Soybeans, Rice, and Cotton

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Prices at a Glance

Crop	2023/24 U.S. MYA Price Projection
Corn	$4.80 per bu.
Soybeans	$12.10 per bu.
Long Grain Rice	$15.00 per cwt.
Southern Medium Grain Rice	$16.50 per cwt.
Upland Cotton	$0.78 per lb.

WASDE Summary

The 2023/24 U.S. corn outlook calls for larger production, greater domestic use and exports, and higher ending stocks. The corn crop is projected at a record 15.3 billion bushels, up more than 10 percent from last year on increases to both area and yield. The yield projection of 181.5 bushels per acre is based on a weather-adjusted trend assuming normal planting progress and summer growing season weather, estimated using the 1988-2022 period. With beginning stocks up slightly, total corn supplies are forecast at 16.7 billion bushels, the highest since 2017/18. Total U.S. corn use for 2023/24 is forecast to rise about 5 percent relative to a year ago on higher domestic use and exports. Food, seed, and industrial use is projected to rise 55 million bushels to 6.7 billion. Corn used for ethanol is projected to increase 1 percent, based on expectations of modest growth in motor gasoline consumption and ethanol's inclusion rate into gasoline. Feed and residual use is projected higher on a larger crop and lower expected prices. U.S. corn exports for 2023/24 are forecast to rise 325 million bushels to 2.1 billion, as lower prices support a sharp increase in global trade following the decline seen during 2022/23. U.S. market share is expected to increase slightly albeit remain below the average of the past 5 years. Exports are higher for Argentina and Brazil, with the former reflecting a return to normal weather conditions after a drought during 2022/23. Despite a rebound in U.S. exports, Brazil is forecast to be the world's largest exporter of corn for the second consecutive year. Exports for Ukraine are projected to decline based on lower production prospects. With total U.S. corn supply rising more than use, 2023/24 ending stocks are up 805 million

bushels from last year and if realized would be the highest in absolute terms since 2016/17. Stocks would represent 15.3 percent of use, the highest since 2018/19. The season-average farm price is projected at $4.80 per bushel, down $1.80 from 2022/23.

The 2023/24 outlook for U.S. soybeans projects higher supplies, crush, and ending stocks, and lower exports compared with 2022/23. The soybean crop is projected at 4.51 billion bushels, up 5 percent from last year's crop mainly on higher yields. With lower beginning stocks partly offsetting increased production, soybean supplies are forecast at 4.75 billion bushels, up 4 percent from 2022/23. Total U.S. oilseed production for 2023/24 is projected at 132.8 million tons, up 6.9 million from 2022/23 mainly on higher soybean production. Production forecasts are also higher for canola, peanuts, and cottonseed. The U.S. soybean crush for 2023/24 is projected at 2.31 billion bushels, up 90 million from the 2022/23 forecast on favorable crush margins and strong demand for soybean oil as a biofuel feedstock, which is projected to increase 900 million pounds to 12.5 billion. Domestic soybean meal disappearance is forecast to increase 2 percent from 2022/23 on lower soybean meal prices and modest growth primarily in poultry production. U.S. soybean meal exports are forecast at 14.8 million short tons, leaving the U.S share of global trade slightly above the prior 5-year average. U.S. soybean exports are forecast at 1.98 billion bushels, down 40 million from 2022/23 with strong competition from increasing South American production and limited gains in global import demand. U.S. ending stocks for 2023/24 are projected at 335 million bushels, up 120 million from the revised 2022/23 forecast. Soybean and product prices are all forecast lower for 2023/24. The 2023/24 U.S. season-average soybean price is forecast at $12.10 per bushel compared with $14.20 per bushel in 2022/23. Soybean meal prices are forecast at $365 per short ton, down $90. Soybean oil prices are forecast at 58 cents per pound, down 6 cents from 2022/23.

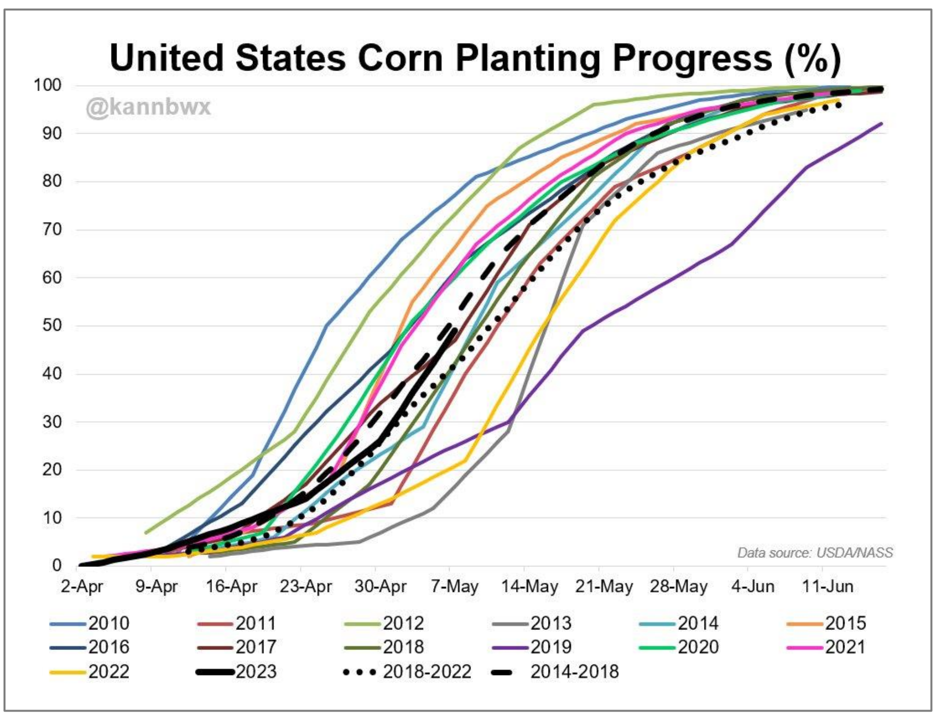
The 2023/24 outlook for U.S. rice is for larger supplies, exports, domestic use, and ending stocks. Total 2023/24 supplies are projected at 259.3 million cwt, up 8 percent from 2022/23 as higher production more than offsets lower beginning stocks and fractionally smaller imports. All rice production is projected at 192.7 million cwt, up 20 percent from the previous year on increased harvested area and higher expected yields. The 2023/24 projected all rice yield is 7,587 pounds per acre, up 204 pounds from last year. Total 2023/24 imports are down only slightly from last year's record at 39.0 million cwt. Total 2023/24 domestic and residual use is projected higher at 154.0 million cwt, reflecting greater supplies and would be the largest on record. Total exports are projected at 74.0 million cwt on larger supplies and reduced U.S. prices. However, continued South American competition is expected to limit the expansion of U.S. long-grain exports. All rice 2023/24 ending stocks are projected at 31.3 million cwt, up 13 percent from last year. The 2023/24 all rice season-average farm price (SAFP) is projected at $17.60 per cwt, down from the 2022/23 SAFP of $19.40, which is a record.

For 2023/24, despite an expected 2.5-million-acre year-to-year decrease in U.S. area planted to cotton, the crop is expected to rise with abandonment projected at about half of the 47 percent rate realized in 2022/23. Production is forecast at 15.5 million bales, based on 11.26 million planted acres as indicated in the March Prospective Plantings report, but harvested area is expected to rise 1.4 million acres to 8.71 million. While abandonment is projected lower than the year before, it is still expected to be above average due to limited precipitation to date in the Southwest, and the U.S. yield is expected to fall from the record high reached in 2022/23. With production forecast 1 million bales higher, total supplies are nearly 800,000 higher. Exports are also expected to rise, up 900,000 bales as world trade rebounds, and U.S. mill use is expected to rise 100,000 bales. At 3.3 million bales, 2023/24 U.S. ending stocks are projected 200,000 bales lower than the year before. The marketing year average upland farm price is projected at 78 cents per pound, down 5 percent from the previous year.

Corn

Many industry observers feel that the recent rally in the corn market is likely due to on-going discussions regarding the Ukrainian grain corridor and whether Russia will be renewing the deal. Russia's deadline for a decision is May 18th, so uncertainty as to the agreement's future persists but the common sentiment is that the agreement will continue to be in effect until the May 18th deadline and will most likely continue. Some financial analysts this past week were suggesting recent economic data shows a recession may be becoming less likely and a "soft landing" is possible. If so, funds may either stop selling, look to cover some of their short positions, or even go long again. But, with a third bank failure, funds may not want to be buyers of anything yet. There are also other reasons that could potentially cause corn prices to rally. From a technical standpoint, corn appears to be oversold and needs to bounce higher. While May corn is in delivery, it is gaining on the July contract. This suggests corn should not be delivered and it is worth more than the market is suggesting in futures. Basis values throughout the US have recently turned higher. This is likely because farmers have no interest in selling at these values. It is unlikely farmers will sell much until after July 4th, because they are unsure about summer weather conditions.

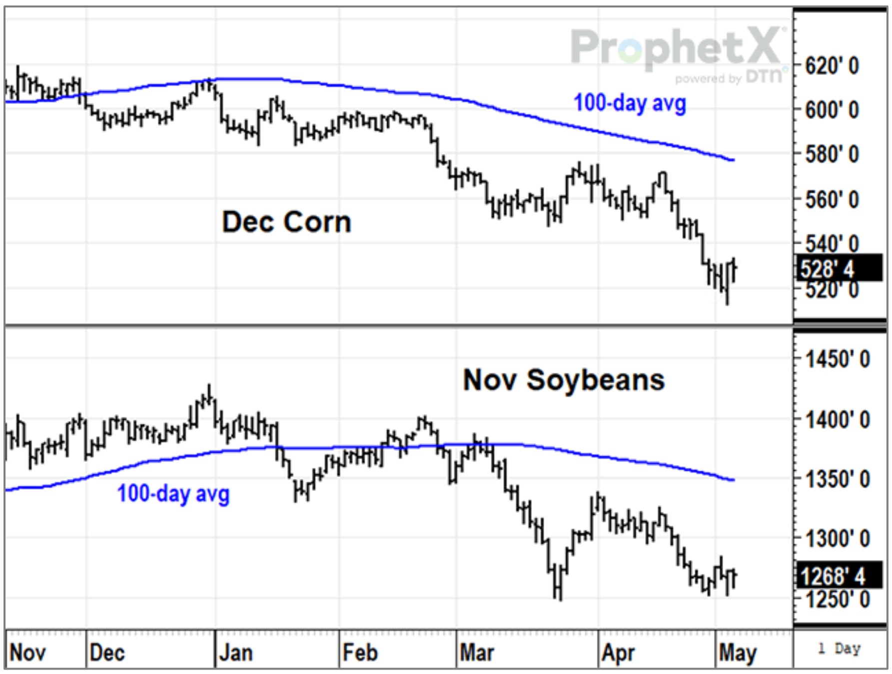
Corn planting sped up last week, moving ahead 23 percentage points to reach 49% as of Sunday, May 7. That is 28 percentage points ahead of last year's 21% and 7 points ahead of the five-year average of 42%. Notable states: Iowa corn was 70% planted, and Illinois was 73% planted, both well ahead of their respective averages of 53% and 46%, noted DTN. Northern states continued to struggle with North Dakota at just 1% planted, 10 points behind average, and Michigan at 6% planted versus an 18% average. Minnesota was about even with the average at 38% done. Missouri's corn was 92% planted.



If the U.S. Corn Belt experiences more favorable weather this year, as DTN meteorologists predict, at least 2 billion bushels of ending stocks in 2023-24 are highly likely. Current threats to watch include planting difficulties in the far Northern Plains and dry conditions in the southwestern U.S. Plains, including Nebraska, last year's fourth-largest corn producer, and Kansas, the ninth largest producer.

The possibility of a larger U.S. harvest is not the only influence weighing on corn prices in 2023. From the very start of the 2022-23 season, U.S. corn export sales lagged last year's pace as Brazil's record corn crop from the summer of 2022 crowded out U.S. corn sales for months. It was not until mid-March of 2023 when China started buying U.S. corn that sales got a small boost. After 22 million bushels of Chinese cancellations last week, corn sales on the books in 2022-23 are only two-thirds of last season's total at this time. With China, one never knows for certain, but the cancellations in corn may have had something to do with this year's good start for Brazil's safrinha corn crop, expected to hit a record-high 125.0 million metric tons or 4.92 billion bushels when harvest arrives in July.

A third source of bearish influence on 2023 corn prices is the level of anxiety traders are feeling over the economy. We saw significant selling for a while last summer when recession fears scared traders out of long positions in corn and soybeans. This year, recession concerns are still nagging after a series of bank failures in March raised concerns about the stability of the financial sector.

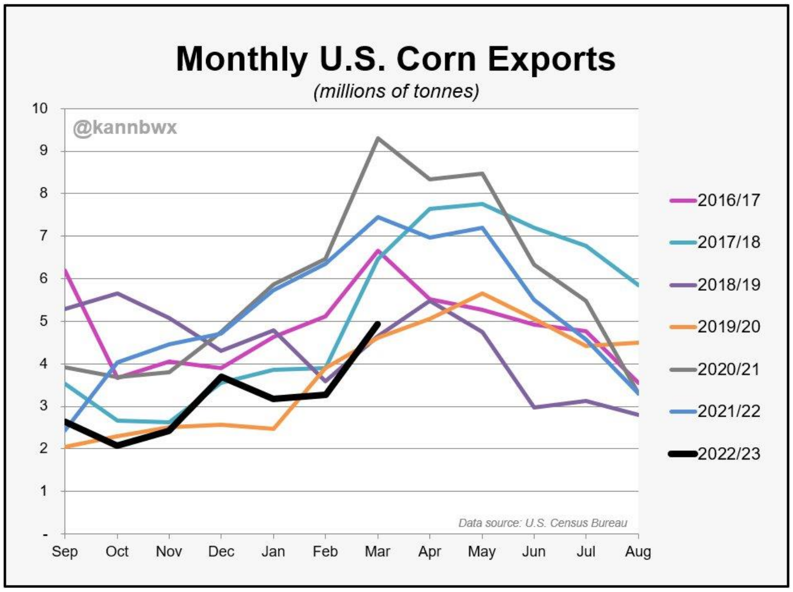


The wave of speculative selling that started in corn in late February took net longs down to 24,648 contracts as of April 25th. The current smaller position should help corn prices weather the storm of economic fears much better than a year ago when specs held nearly 500,000 corn contracts net long. There is no visible reason to believe December corn prices have bottomed yet.

For a contract that started the year above $6.00/bu, the 80-cent drop to Thursday's price, while not unreasonable, is also based on multiple assumptions for a crop that is just getting planted and still has a long way to go. Soybeans experienced panicked selling in March during a run of U.S. bank failures and a wave of speculative liquidation in April related to concerns about Chinese demand and the U.S. economy. Wheat prices recently jumped unexpectedly after Russia posited Ukrainian culpability in the recent drone attack on the Kremlin. There still remains a lot of uncertainty surrounding Ukraine and what will come to pass this summer and it is anyone’s guess if the Black Sea Grain Initiative will be extended but sentiments suggest that it will continue. The new row-crop season is just getting started. The first four months of 2023 have mostly been on a one-way trip down for December corn, but given the current

volatile environment, it would not be out of character for prices to mount at least one sizeable rally this summer.

The U.S. exported 4.9 million tonnes (194 million bushels) of corn in March, a nine-month high but down 34% from March 2022 and down 24% from the five-year average. Just 7% of the March 2023 volume was to China compared with 27% last year and 18% in March 2021.



Recent Chinese cancellations of corn purchases have tended to exacerbate price declines in corn as well. If export pace does not stay the course or increase, then it will be onerous for prices to rally. China received its first cargo of South African corn last week. The question many pose is: 'Why is China buying from them and what does it signal for the U.S. export market?' This is a reoccurring theme with China as they seem to have made the strategic decision to buy ag products from just about every global supplier except for the U.S. It is largely a result of the rising trade tensions between the two countries, which is not good news for U.S. exports to China. State-owned grain trader COFCO bought the 2.1-million-bushel shipment of South African corn, which will be sold to domestic feed manufacturers. Plus, between March 25th and April 14th more than 4.3 million bushels of corn left South African ports destined for China.

China has also made major investments in South American infrastructure whilst striking more than 20 trade deals with Brazil, from whom they are currently buying their record soybean crop, and for the first time their record corn crop. But it doesn't stop there." Aside from the massive increase in not just South American production, but their logistics in order to ship it out, is the relationship they have with China and the other allies we used to have strong relationships with."

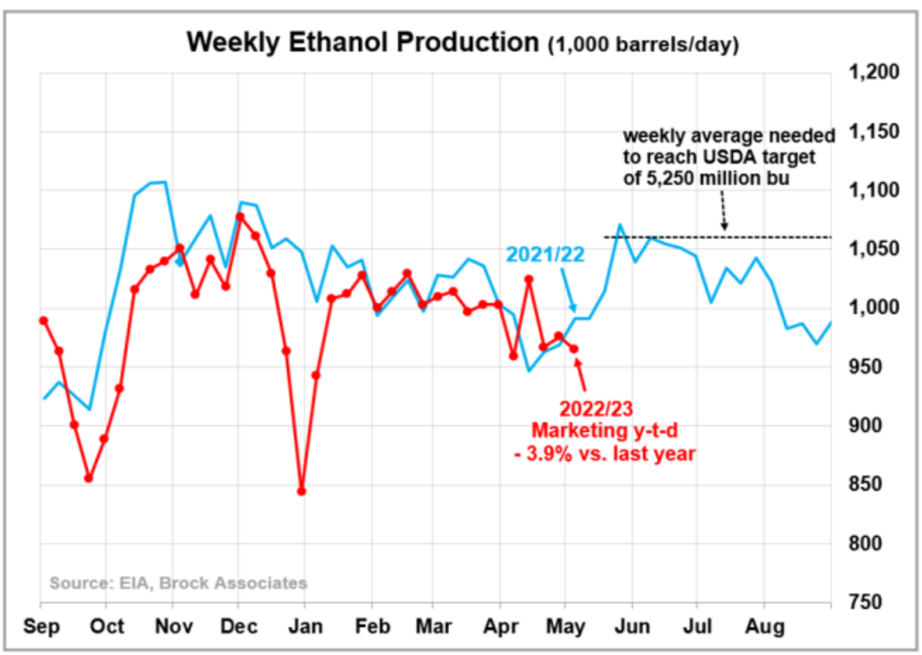
For grains, the dollar's strength, in cutting the trade competitiveness of dollar-denominated assets, touched a raw nerve, coming as data showed a soft week for US export sales. For corn, old crop sales, at 257,000 tons, were the lowest in six months, excluding last week's reading, which was dragged into negative territory by Chinese order cancellations.

USDA reported export sales of 257,300 metric tons for week ending May 4th, up from the previous week's net cancellations and 11% up from the prior four-week average. Net sales remain disappointing considering price destruction. Whether or not the USDA has reduced their export forecast yet is to be seen, but with cancellations happening recently, they may opt to kick the can down the road as they did in

the April report. April's WASDE saw a string of Chinese buying before the report and the USDA opted to leave their forecast as it was, despite the recent uptick in sales at the time.

Headed into May's WASDE, corn futures remain oversold technically in the short-term, making them candidates for at least a short-term bounce even if the report is bearish. Corn futures open interest rose by another 8,315 contracts on Wednesday's rally (May 10th) and has risen 11 straight sessions since the start of the May futures delivery period. Open interest remains historically low, somewhere 25% below levels a year ago. The trade looks for USDA to lower its forecast for old-crop corn exports in tomorrow's supply/demand report as export sales would appear to have limited chance of reaching USDA's current forecast with a record-large Brazilian crop set to hit the market this summer. Buyers already appear to have near-term corn needs well met and are set to wait for the Brazilian harvest. As of May 4, U.S. corn export sales equaled only 82% of USDA's export forecast, while last year at the same point, sales equaled 98% of final exports. The five-year avg. is for sales to be at 95% of final exports at the same point. Analysts on average expect the old-crop corn carryout to increase slightly to 1.366 billion bushels, up from 1.342 billion last month. The 2023-24 corn carryout is forecast at 2.094 billion bushels, though estimates vary widely anywhere from 1.70 to 2.46 billion.

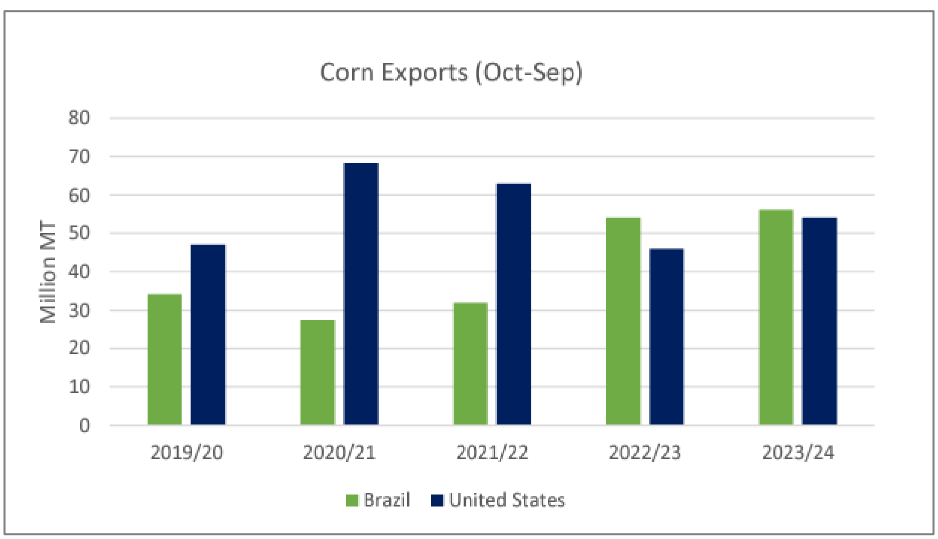
While USDA should be cutting its corn-use-for-ethanol estimate, industry trends are trending positive in the short-term. EIA reported ethanol output of 965,000 barrels per day in the week ended Friday. This is down from 976,000 the prior week, and by our estimates shy of the pace needed to meet USDA's current corn use projection for the 21st straight week. However, the four-week average is up 1.6% from a year ago. Other data is more encouraging, as EIA reported ethanol stockpiles at 23.3 million barrels, down from 23.4 million the prior week, and down 3.5% from a year ago. And gasoline demand jumped to 9.303 million barrels per day, up from 8.618 million the prior week, with the four-week average up 2.2% from a year ago. While none of this is bullish, the combination of tighter ethanol stocks and stronger gasoline demand should support ethanol in the near-term. EIA reported crude oil stocks unexpectedly expanded to 462.6 million barrels as of Friday, up from 459.6 million a week earlier, and up 9.0% from a year ago. Analysts had been expecting a drop of 900,000 barrels. However, the increase was due mainly to a release from the Strategic Petroleum Reserve, and the market was impervious in its response to the news.



Most recently, corn futures finished between 5 cents lower and 4 cents higher, with only the July contract higher on support from a lack of cash corn movement and its discount to the May contract, which expired. Deferred futures were pressured by USDA's big 2023 crop and 2023-24 carryout estimates, which topped most trade estimates. A lower USDA forecast for 2022-23 corn exports also stoked worries about demand. CFTC Supplemental Commitments of Traders data shows large speculators (non-commercials) were modest net buyers of about 9,000 contracts of corn future/options, leaving them net short about 144,000 contracts. Commercial traders were net sellers of more than 12,000 contracts, pushing their net short position to about 91,000 contracts. July CBOT corn futures shed 10-1/4 cents this week to close at 586-1/4. December CBOT corn futures shed 26 cents this week to close at 508-3/4.

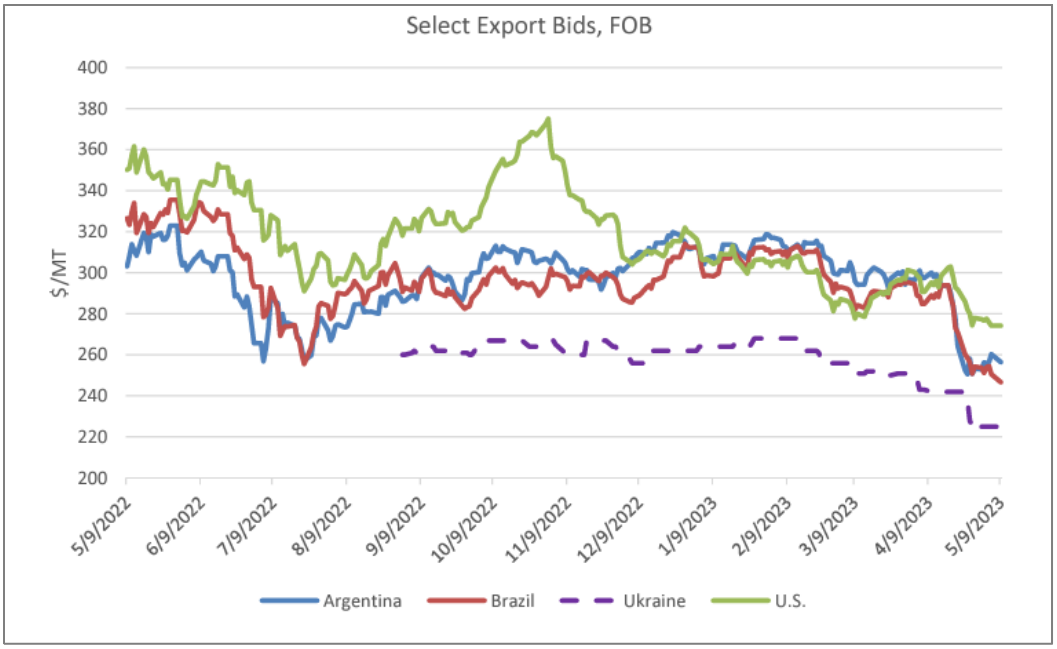
Over the next month, weather patterns in the corn belt will be a main market driver in the corn futures market for the next three months. It would not be surprising to see some form of a weather-market scare pop up quickly during this time—especially around early July. Corn futures traders will continue to closely monitor developments regarding and wheat futures price reaction to an extension or even cessation of the Black Sea grain-shipping deal that remains on very shaky ground and will likely continue to influence corn and wheat price action. Long-term, U.S. export sales have been disappointing considering the late-April drop in futures prices. With U.S. corn planting over half done the crop is off to a good start. A large Brazil safrinha crop adds to bearish price prospects. The U.S. dollar index Friday hit a five-week high, adding another negative element for the corn market. At this point it appears a serious weather scare this summer may be the only factor that would give corn prices a solid boost.

U.S. corn exports are up 8.0 million tons to 54.0 million on higher production, though competition from South America is expected to be strong. U.S. corn now competes with Brazilian corn in addition to Ukrainian supplies in China which is, incidentally, forecasted to be the world's largest importer. Sorghum is up 3.75 million tons to 6.0 million as production is expected to recover from the prior year's heavily drought-affected crop. Brazil corn is forecast 2.0 million tons higher from the revised 2022/23 estimate to 56.0 million on continued production expansion and competitive prices. Supplies from the 2023 and 2024 safrinha (if realized) are expected to contribute to strong exports at the beginning and end, respectively, of 2023/24. Brazil begins with an export forecast higher than that of the United States. Argentina corn is forecast up 8.0 million tons to 34.5 million on the expectation of normal weather and higher production for the 2023/24 marketing year (Mar 2024 – Feb 2025) improving export prospects after harvest.



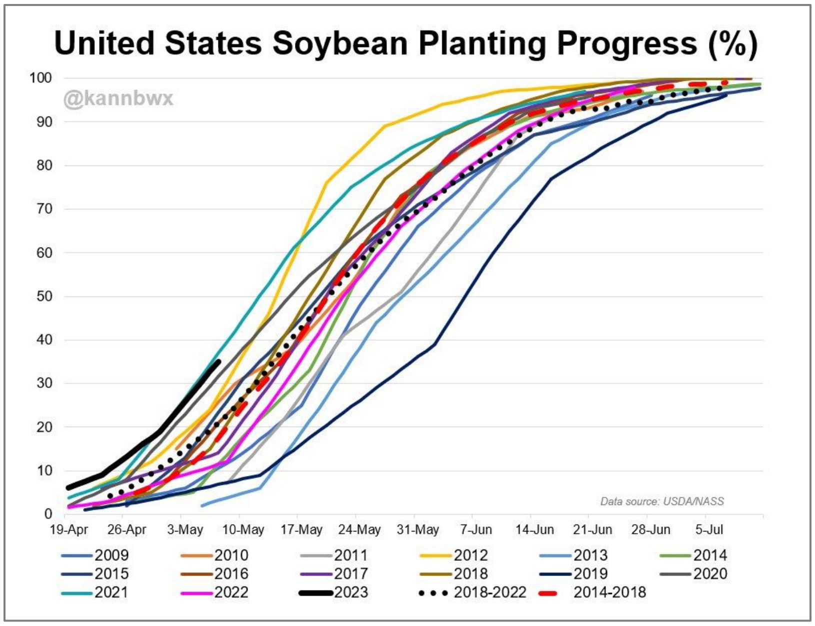
Ukrainian corn is down 9.0 million tons to 16.5 million. Production is forecast down on reduced area and yields. Signing of the Black Sea Grain Initiative (BSGI) in July 2022 greatly improved Ukraine's ability to export grain. As of this publication, the BSGI was extended two times, through at least May 19, 2023.

Since April's WASDE, all major exporters' bids have moved substantially lower. Expectations of a substantial safrinha in Brazil is pressuring prices globally. U.S. bids dropped $16/ton to $274; weak commitments to major trade partners and large cancellations of corn shipments to China show softening demand for U.S. corn. Brazilian bids were down $38/ton to $246 on pressure from a potential record harvest. Favorable conditions and a large expansion in area in Brazil's Center-West and South are raising expectations for the upcoming safrinha. Argentine bids decreased sharply by $40/ton to $256. Weak demand from major partners and downward pressure from the large Brazilian crop are sharply lowering prices, despite tight supplies. Ukrainian bids are down $18/ton to $255.

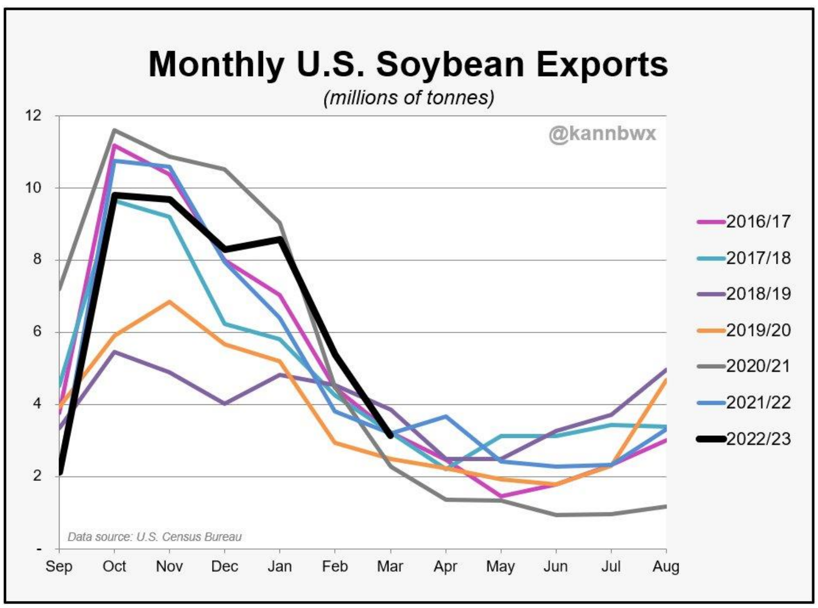


Soybeans

Soybean planting moved ahead 16 percentage points last week to reach 35% as of Sunday, 24 percentage points ahead of last year's 11% and 14 points ahead of the five-year average of 21%. Notable states: Illinois was 66% planted, and Iowa was at 49%, both well ahead of their average pace. Missouri was 50% planted, nearly 40 points ahead of average. North Dakota had zero soybeans planted versus a 4% average, and Minnesota was 13% planted, trailing its average of 21%.



The U.S. exported 3.1 million tonnes (115 million bushels) of soybeans in March, down 2% from last March but above the five-year average by 5%. China's share was a bit larger than normal at 43% versus 42% last March and 22% in March 2021.



To date, soybean export sales for 2022-23 are 13.2% below a year earlier. The negative weekly export data was offset somewhat by USDA's announcement that exporters sold 132,000 metric tons of U.S. soybeans to an unknown destination for 2023-24 delivery.

The USDA is expected to lower its forecast for old-crop soybean exports slightly in May’s WASDE. Export sales for 2022-23 to date through April 4th equaled only 82% of USDA's export forecast. Last year at the same point, sales equaled 98% of final exports. The 5-year average is for sales to be at 95% of final exports at the same point. Soybean export shipments are still running ahead of pace to reach USDA's export forecast, but outstanding U.S. export commitments have shrunk to just 120.7 million bushels.

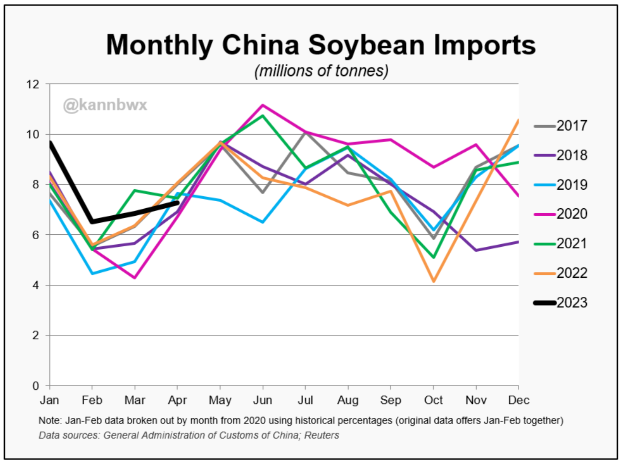
Soybean futures finished mostly 4 1/2 cents lower to 1 1/2 cents higher in choppy trade with price support coming from pre-USDA report position evening, soymeal market strength and slow cash soybean movement. New-crop futures were mostly lower under pressure from fast U.S. planting progress. Slow export demand for U.S. soybeans remained a negative market factor. Weakness in soyoil and crude oil futures and a strong dollar also weighed on prices.

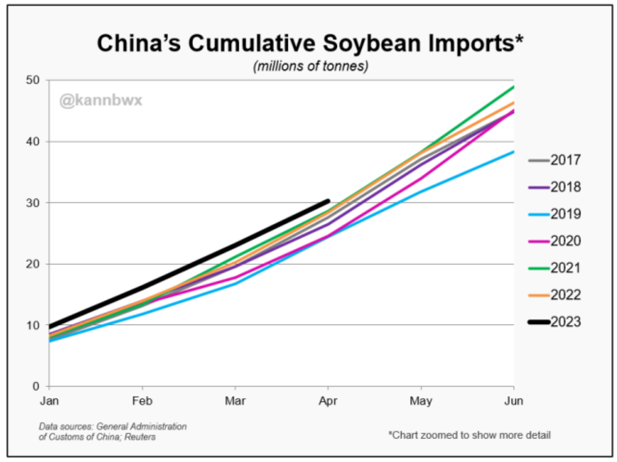
USDA also surprised many by not further lowering its estimate of the Argentine 2022-23 soybean crop while it raised Brazilian production a bit further, as expected. A strong dollar added some pressure on the soybean market. Soyoil futures collapsed further with soybeans while soymeal held firm. CFTC Supplemental data shows large speculators were net sellers of just under 10,000 contracts during the week ended Tuesday, paring their net long position to about 27,000 contracts. Commercial traders were net buyers of more than 8,000 contracts reducing their net short position to about 123,000 contracts. July CBOT soybean futures shed 46-1/2 cents this week to close at 1390. November CBOT soybean futures shed 56-1/4 cents this week to close at 1223-3/4.

While soybean plantings continue at a record pace, the 10-day forecast is indicative of persisting conditions conducive to aggressive planting efforts, World Weather Inc. notes less-than-usual spring rains in the Midwest will raise the need for greater rain late in May or early June. A record Brazilian soybean crop coupled with Chinese goals of reducing U.S. dependence for agricultural commodities has noticeably affected U.S. soybean export activity. Though the reduction in export sales and shipments is not completely out of ordinary for this time of year, China has been persistently stating it looks to reduce its reliance on imports. Traders will continue to closely monitor U.S. exports to gauge China's activity and the overall health of the global economy.

Chinese April 2023 soybean import volumes fell 10% lower than the same time a year ago, despite a robust harvest out of Brazil this spring. The slower paces and rapid planting progress in the U.S. sent soy futures down $0.07-$0.11/bushel this morning. But Chinese slowdowns were not due to external factors – more restrictive customs inspections policies slowed down unloading speeds at Chinese ports in April, contributing to the smaller soybean export volume. "The strengthened inspection at customs continued during the whole month of April and that resulted in lower imports than expected," a Shanghai JC Intelligence analyst told Reuters. "Chinese customs in April began a requirement for traders to wait for results of quarantine checks before taking delivery of their soybeans up to two weeks later." Crush plants now wait to take delivery of imported soybeans until after the shipments have been cleared by inspectors, a process that can take up to two weeks at the expense of buyers. "Waiting time for ships has gone up to 15 days versus no waiting at all in normal times. Importers are having to pay demurrage costs," a Singapore-based trader at a company with soybean processing plants in China also told the outlet.

China imported 7.26 million tonnes of soybeans in April, down 10% from last April and about 2 million metric tons less than expected as new, stricter customs checks delayed cargoes. January-April imports still totaled a record 30.3 million metric tons, up almost 7% from last year.



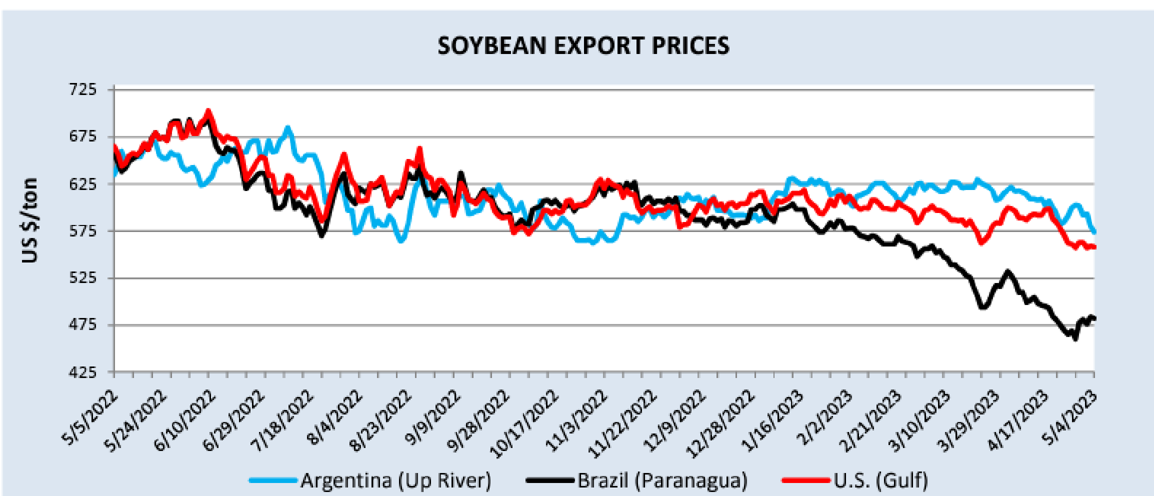


Soybean prices continued to fall since the release of the April WASDE as Brazil and Argentina harvested their 2023 crop. The average Argentine price fell the most, likely reflecting an influx of Brazilian soybeans in the global market and a muted response to the most recent iteration of the "soy dollar" program. The anticipation of high soybean supplies has driven prices global prices of soybean meal and soybean oil lower. Palm oil has reversed course in relation to soybean oil. Trading has commanded a mild premium compared to South America soybean oil, palm oil prices were buoyed by lower Malaysia production and slow Indonesian selling.

April 2023 Soybean Export Prices

	U.S. Gulf FOB	Argentina Up River FOB	Brazil Paranagua FOB
April Avg Price	$584/ton	$566/ton	$493/ton
Change vs March	- $1/ton	- $39/ton	- $37/ton

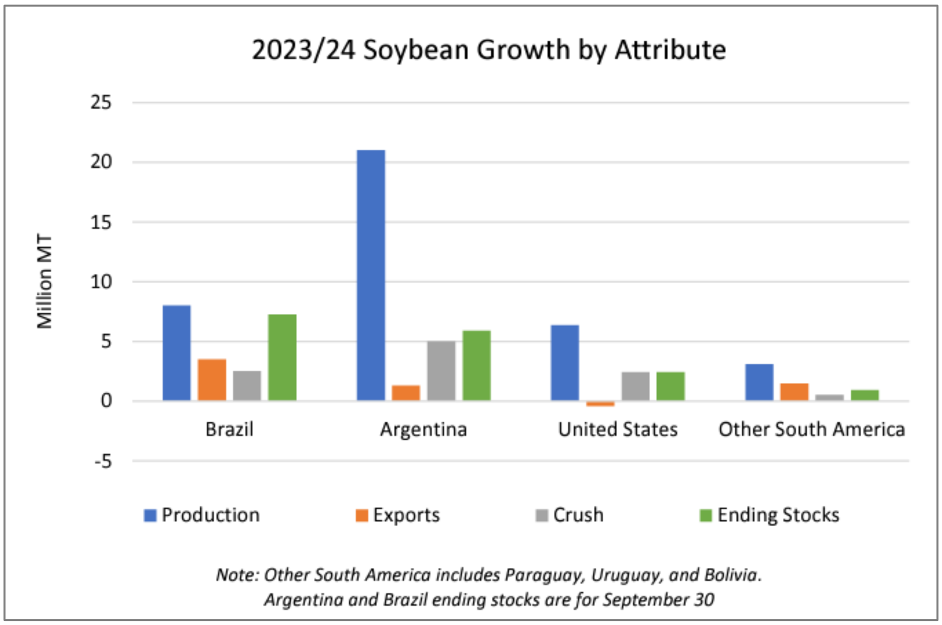
Source: International Grains Council. All prices are FOB: U.S. Gulf, Argentina Up River, and Brazil Paranagua.



Global soybean production in 2023/24 is forecast at a record 410.6 million tons, up 11 percent from 2022/23. If realized, year-over-year soybean production will expand by the largest amount in over a decade, predominantly on higher yields in Argentina following this year's historic drought. Argentina accounts for more than half of production gains, while Brazil, Uruguay, and Paraguay account for more

than a quarter of production gains on both expanded planted area and higher yields in all 3 countries. Planted area in Brazil is at a record high on strong returns and a favorable exchange rate despite anticipated lower prices in 2023/24. Plantings in the United States are forecast unchanged from the previous year with gains expected due to higher yields.

Driven by expanding production, global soybean supplies are forecast to reach record levels. Growth in import demand continues to be led by China, although at a diminishing rate as crush has slowed over the past 5 years. Almost three-quarters of the growth in global imports is expected to come from rebounding demand in Pakistan, Egypt, and Bangladesh, where economic difficulties and restrictive trade policies have reduced 2022/23 imports significantly. Additionally, Argentina will import fewer soybeans on a recovery in its domestic production; however, imports are expected to remain at elevated levels as farmers hold supplies to mitigate risks of inflation, exchange rate fluctuations, and upcoming elections in October. Soybean stocks in the top three exporter countries on September 30, 2024, are expected to rise by 27 percent versus the previous year. Stocks among the three major exporters will grow more than use (exports and crush combined) due to supply gains outpacing global demand. With global and exporter stocks rising, prices are expected to soften in 2023/24.



Global soybean meal consumption is projected to rise four percent in 2023/24 on ample supplies, up from one percent growth forecast for this year. China is expected to account for nearly one third of global consumption growth after several years of relatively flat soybean meal consumption. Exports are forecast to rise six percent on a rebound in Argentina crush following improved soybean production prospects and higher supplies in the United States and Brazil. Argentina's share of global trade is projected to rise in 2023/24 but remains well below the 5-year average on increased competition from Brazil and the United States.

Rice

The USDA announced details of the Rice Production Program (RPP), assistance provided to rice farmers who experienced stagnant rice prices and record-high input costs during the 2022 crop year. Information on the RPP from USDA FSA can be found at:

https://www.usarice.com/docs/default-source/government-affairs/2023-fsa-rpp-rice-production-program-230505.pdf

Funding for the $250 million rice farmer assistance program was championed by Senator John Boozman (R-AR) and included in the Consolidated Appropriations Act of 2023, the end of year Federal government spending measure.

Rice farmers who certified rice planted acres in the 2022 crop year will soon receive a pre-filled application (FSA-174, Rice Production Program Application) by mail from the USDA Farm Service Agency (FSA), including the farmer's FSA certified rice acres and either the farmer's actual production history (APH) yield or an area (county) FSA-determined yield. For those farmers with rice acres that were prevented from planting, a 60 percent factor will be applied.

Applications should be signed and returned to your local FSA office by close of business on Monday, July 10, 2023, and may be submitted in person or by mail, email, or facsimile.

Farmers who reported rice to FSA by the acreage reporting deadline but do not receive a pre-filled application may still apply by visiting their local FSA office and completing the application by the July 10, 2023, deadline. Farmers who filed late or modified 2022 rice acreage reports will not be eligible for RPP.

The RPP will offer relief through an initial payment to rice farmers at a reduced payment rate of 1-cent per pound. Payments should be received by farmers shortly after their applications are received by the FSA. If funds remain at the end of the application period, a second payment, not to exceed 1-cent per pound, will be made later, likely by early fall at the latest.

In addition to the pre-filled applications, producers must also submit the following forms, if not already on file with FSA, within 60 days of the RPP application deadline: AD-2047, CCC-901 (if applicable), CCC-902, and AD-1026.

Additionally, rice farmers should complete the FSA-510 form to apply for the higher payment limitation of $250,000 afforded by the program if they qualify and want to seek the higher payment limit; otherwise, a payment limitation of $125,000 is applicable.

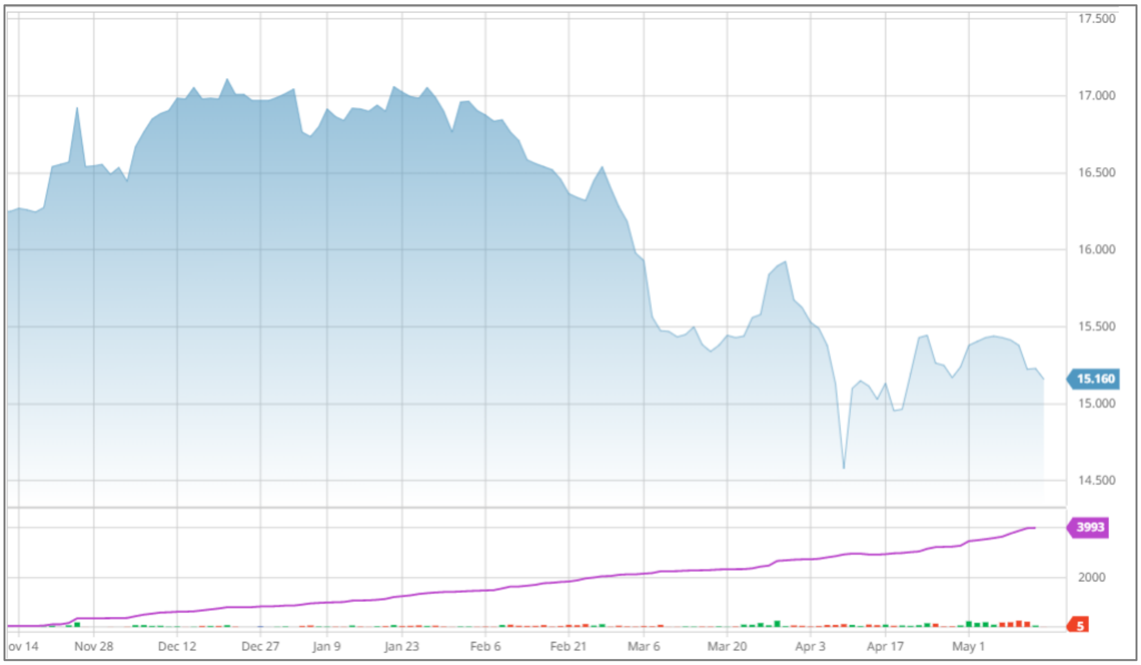
Rice futures were mostly higher. July rice settled up 5 1/2 cents to $18.31 1/2, after trading a range of $18.16 to $18.39 1/2. September rice was up 1/2 cent to $15.23 one-day ahead of the May WASDE report release. Rice weekly net export sales were lousy at 30,600 metric tons, while shipments totaled just 8,500 metric tons. Asian prices are mostly firm, with Thai rice hitting a four-month high this week and Vietnamese rice hitting a one-year high amid solid export demand. This is a market where the longs just refuse to give up for any expected period of time. The front month July contract pushed a good bit higher. It's interesting to see the open interest totals in the July and Sep contracts continue to be close. No doubt this is due to traders believing the spread between those two months will collapse. Of course, the weather and overall growing conditions have to cooperate, but unless something quite drastic occurs, the trade could be correct in this action.

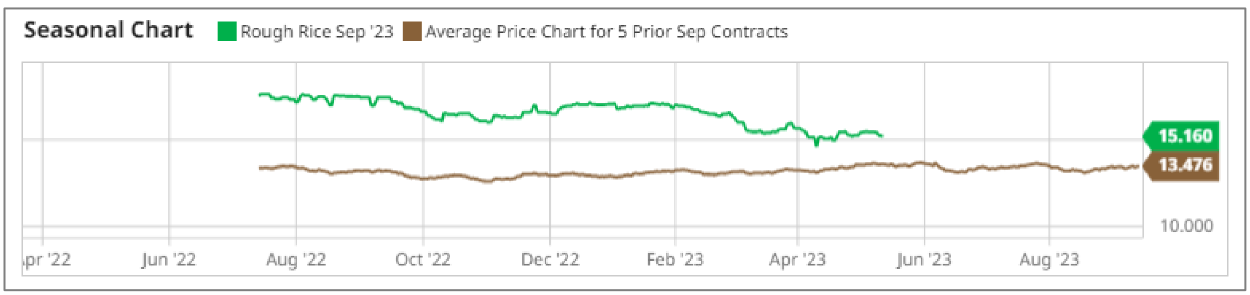
Rice futures trended higher following a bullish USDA report. July rice was up 17 cents to $18.48 ½, after trading a range of $18.24 to $18.50. September rice was up 24 ½ cents to $15.47 ½. Tight near-term supplies are underpinning this market, which was reaffirmed by Friday's Supply and Demand report. After slashing the U.S. long-grain carryout to 17.8 million hundredweight from 23.8 million the prior month, USDA cut another 1 million cwt off on Friday, to 16.8 million. Old-crop futures remain in an uptrend.

The picture for 2023/24 is much different, as are prices. USDA sees the long-grain carryout next year also at 16.8 million cwt, but its price projection is $15.00, compared to $16.90 for 2022/23. Exports are

expected to increase by 4.0 million cwt to 52.0 million. But long-grain production is seen at 142.0 million cwt in 2023/24, up from 128.2 million in 2022/23. This is should the weather cooperate, but thus far, it has been a mostly smooth start to the planting and growing season in the Mid-South.

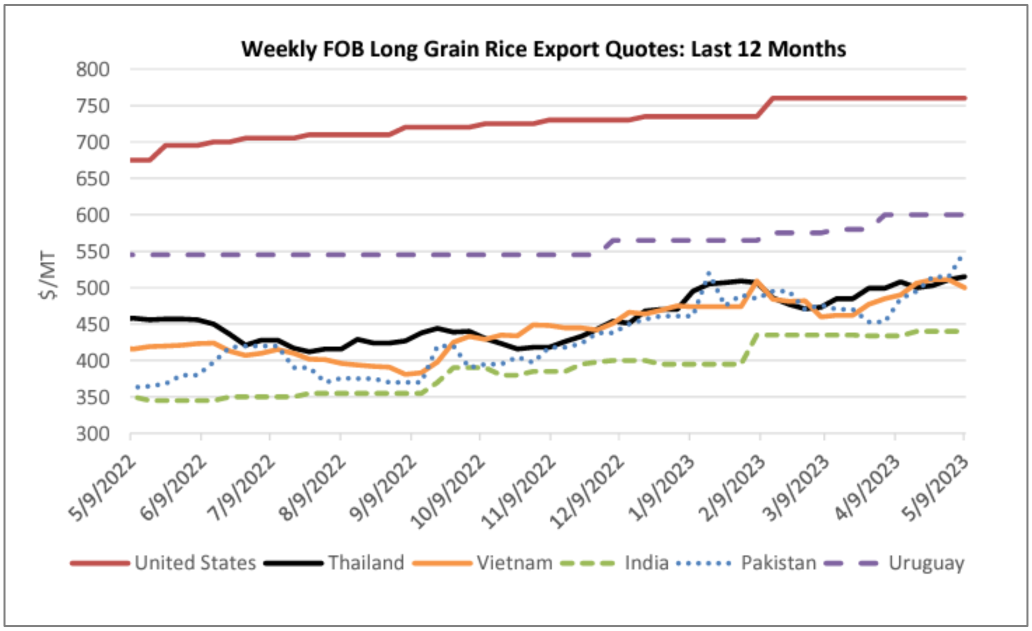
Sept 2023 RR futures





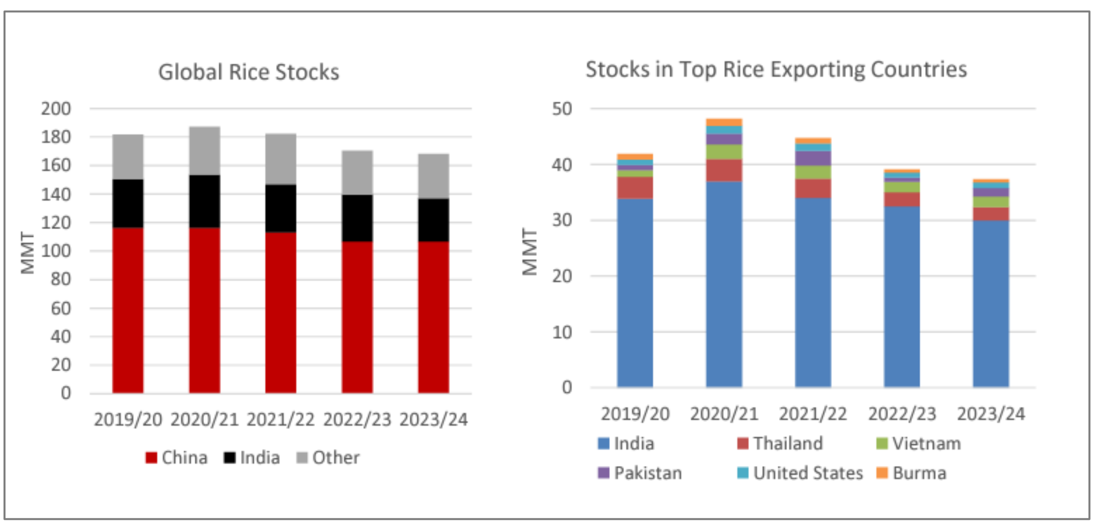
U.S. and Uruguayan export quotes remain unchanged at $760/ton and $600/ton, respectively, due to tight supplies. Thai and Vietnamese rice quotes tracked closely, with Thai prices rising $16/ton to $515/ton and Vietnamese prices up $15/ton to $500/ton amid stronger demand from Indonesia. India prices remain the lowest among major exporters and were up just $5 to $440/ton. Pakistan rice export prices rose $97/ton to $550 on tightening supplies.

Global rice production is up 12 million tons from the prior year to a new record of 521 million tons. The biggest year-to-year increase is for Pakistan, where rice production is expected to recover from the flood-reduced crop of 2022/23. China is forecast to see an increase of 3 million tons after experiencing a drought in its southern provinces during the prior year. India is forecast to have a record crop for the eighth consecutive year. Larger crops are also forecast in major rice-producing countries including Indonesia, Burma, Thailand, and Bangladesh.



World rice consumption is revised upward by 500,000 tons to a record 520 million tons. Food accounts for the bulk of rice consumption globally. Additionally, broken rice for feed has grown over the past few years spurred by high global feed prices. However, use of broken rice for feed is expected to decline in the largest consumer, China. China's largest broken rice supplier, India, banned broken rice exports in September 2022. China has offset this loss in part by turning to other suppliers but is importing smaller quantities overall. Going forward, prices for alternative feed grains (e.g., corn, sorghum, etc.) are expected to decline and China is expected to shift back to traditional feed grains. Consumption in the second-largest rice consuming country, India, is projected to be record high as the Government of India will continue to allocate rice in its public distribution programs.

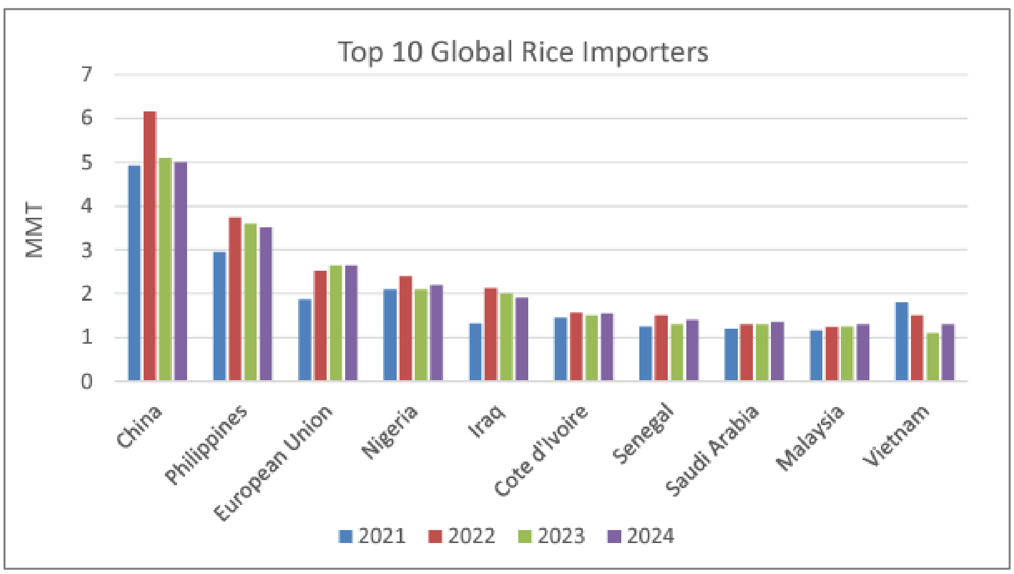
Global stocks are forecast down by 2.5 million tons to 167 million. China and India hold 81 percent of global stocks. China stocks are expected to be unchanged and account for a majority of global stocks. Stocks in India are forecast to decline with robust domestic use and stable exports. Ending stocks for the United States are forecast to rebound with a larger crop. Overall, stocks in major rice exporting countries are forecast to decline for the third consecutive year.



Global imports are virtually unchanged as lower imports in Southeast Asia offset increased demand from Sub-Saharan Africa and South Asia. The largest decline is in Indonesia where imports are forecast down 1.1 million tons to 700,000 tons. In March 2023, the Indonesian Government announced plans to import up to 2.0 million tons by the end of the year to help replenish stocks. In 2023/24, sufficient beginning stocks will lead to less rice imports. China is projected to import roughly the same quantity – 5.0 million tons – as in 2022/23 on competitive global prices for milled rice. Broken rice imports from India and Pakistan, which reportedly are imported outside of China's tariff rate quota, will not continue in large quantities as rice loses its price advantage compared to corn for feed use. Nevertheless, China is expected to remain the leading global rice importer. Philippines imports are forecast down slightly to 3.6 million tons with a larger forecast for production and continued growth in consumption. Consumption has been rising relative to wheat given somewhat less price inflation for rice.

In the Middle East, Iraq is projected to import 1.9 million tons, slightly less than the revised 2022/23 record high. The amount of rice entering Iraq has skyrocketed in recent months, particularly due to a smaller crop and increased consumption. With a rebound in the Iraq crop forecast for 2023/24, imports are forecast to decline modestly. In both the United Arab Emirates and Saudi Arabia, rice imports and consumption are forecast slightly higher with population growth, increased tourism, and more foreign workers.

EU imports are forecast at 2.7 million tons, unchanged from the record 2022/23 estimate. While the EU crop is expected higher, consumption is still anticipated to grow from the prior year. Sub-Saharan Africa continues to be the largest importing region and is forecast to import more than 17.0 million tons, up 600,000 tons compared to 2022/23. Imports continue to grow as consumption outpaces gains in regional production. Growth in rice consumption is driven by expanding populations, shifting diets, and a growing consumer preference for Asian varieties. In the region, the largest importers are Nigeria, Cote d'Ivoire, and Senegal, which are all forecast to increase imports.



Indian rice exports for 2023/24 are forecast unchanged at 22.5 million tons and India will continue as the largest rice exporter, accounting for 40 percent of global trade. Exports are expected to remain high despite the current export tax and the ban on broken rice exports. While exports to China have seen a major decline as broken rice shipments came to a halt, India remains a large supplier to markets in Africa, Asia, and the Middle East due to competitive prices. Vietnam rice exports are forecast at 6.7 million tons,

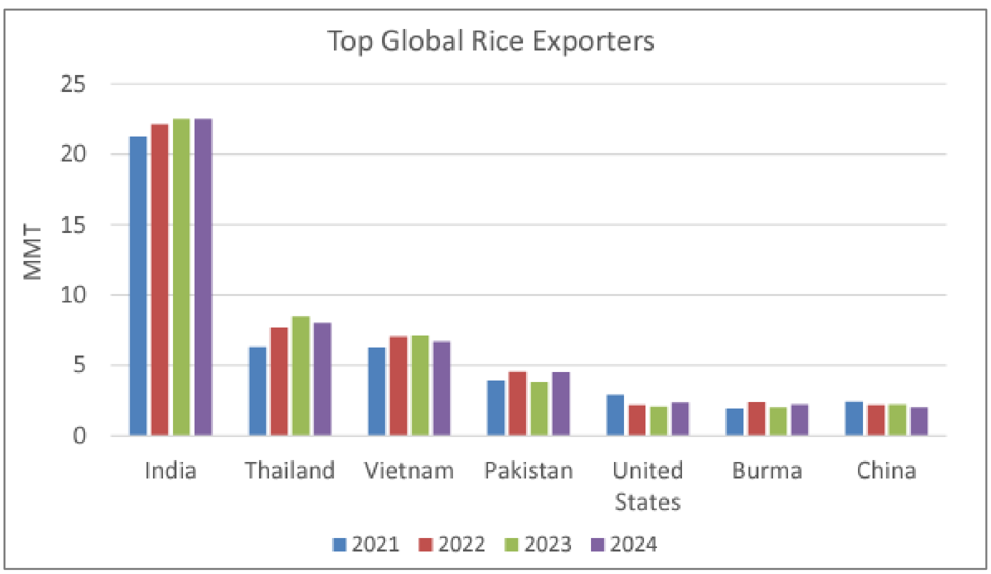
down 400,000 tons from the prior year, primarily due to sharply lower demand from Indonesia. The Philippines and China, together accounting for 60 percent of Vietnam exports, are expected to continue purchasing large amounts of rice. Demand in Sub Saharan Africa is also growing for Vietnamese rice. Thailand rice exports are forecast at 8.0 million tons, down 500,000 tons from the prior year. Lower demand is expected from Southeast Asia, particularly from Indonesia. However, large exportable supplies will keep Thai export prices competitive.

Pakistan exports are up 700,000 tons to 4.5 million tons mainly due to a rebounding crop. The 2022/23 crop was reduced by floods, limiting exportable supplies. 2023/24 production is forecast to increase by 60 percent, which will lead to lower prices and more exports. Burma exports are forecast at 2.2 million tons, up 200,000 tons as key markets including the EU continue to demand rice from Burma. Further, exports are expected to rebound after a smaller crop in 2022/23.

Brazil exports are forecast down to 900,000 tons as it experiences its smallest forecast rice crop in over 25 years after shipments exceeded 1.0 million tons during the previous 2 marketing years. However, the depreciating Brazilian currency will continue to encourage exports, largely to Latin America.

Argentine rice exports are forecast at 400,000 tons, up 50,000 from the prior drought-affected year. Argentina's top export destinations are forecast to remain the same, especially Brazil due to its forecast smaller crop. Paraguay rice exports are forecast at 730,000 tons on rebounding rice production. Brazil will remain Paraguay's top destination, followed by Chile and Mexico. Uruguay rice exports are forecast to remain steady at 950,000 tons. Brazil is expected to be the main destination of Uruguayan milled and brown rice to meet demand after a smaller crop. Mexico is also expected to be one of the top destinations for milled and paddy rice from Uruguay.

U.S. rice exports are forecast to rise with a larger crop and lower prices. Production is forecast to rebound for long grain and especially for medium- and short-grain rice which was affected by drought in California last year. With greater supplies and reduced competition from Brazil, U.S. exports are expected to regain some market share in the Western Hemisphere. Exports are projected to increase to East Asia due to crop recovery in California.



Considering the attention given the medium grain market this year, a USDA FAS recently released a GAIN report on Australia. Post estimates milled rice production at 500,000 metric tons for 2023/24, up 39% from the 2022/23 estimate. It is important to remember that this is talking about a crop that will be planted in October 2023, assuming good conditions persist, and ample water supplies remain. Australia has largely been out of the medium grain export game for the last five years, except for a few boats to California this year, and a return to 500,000 metric tons would be almost 40% more than the previous 10-year average and the largest crop since 2016/17. Perhaps the most significant news coming from the report is that 500,000 metric tons is expected to be on the top end of Australian rice production moving forward on account of increased competition by other crops and water resources in Australia. Post predicts that Australia will export just over half of their production at 280,000 metric tons next year.

Cotton

While the market made a valiant attempt to break the resistance, the 85-cent cap was just too high to scale. Thus, the 78-85 cent trading range remains dominant for July. New crop will continue within the same range as July, but Mother Nature's moisture decision awaits. The expanded range of 70 cents to 90 cents, depending on Mother Nature, is still on the board.

South Texas received ample moisture going into the all-important Cinco de Mayo period. Additionally, the high plains and rolling plains of Texas, Kansas, New Mexico, and Oklahoma enjoyed good moisture, although the all-important '1N' and '1S' regions remain in deficit. However, the so-termed rainy season for those regions does not begin for another week, and all know the regions are famous for Memorial Day weekend million-dollar rains.

Weather in West Texas, southwestern Oklahoma and the Texas Panhandle will see moderate to heavy rain and some flash flooding that will leave the region with significant improvements in soil moisture and conditions for cotton establishment, according to World Weather Inc. The forecaster indicates additional showers will occur into May 22 with most are seeing infrequent enough rain that overall improvements in conditions for fieldwork occur allowing planting to increase. Meanwhile, moderate to heavy rain in the Blacklands, Coastal Bend and south Texas will cause some flooding while leaving notable increases in soil moisture for establishment and cotton development while fieldwork will be interrupted by the rain.

Concern regarding new crop prices is based on expectations of an increase in both U.S. and world ending carryover. The 2023 U.S crop is pegged at 16.5-17.0 million bales and U.S. exports are placed at 13.5 million bales with domestic mill use at 1.8-2.0 million bales, leaving U.S. carryover facing a 1.0 to 1.3 million bale increase. Trivial improvement is expected in world consumption. Thus, world carryover – now at 92 million bales – could climb to 93-94 million bales. More importantly, the increase in carryover will be in countries that compete with the U.S. in the export market.

Thus, moisture conditions in the coming month will be critical to price development and set the stage for price discussions into August. The market's downside is limited by a loss of acreage in the Mid-South, where some growers have switched to corn.

Cotton export sales were supportive, coming in at 246,800 bales for the current marketing year, up 56% from the four-week average. China was the top buyer, with 106,000 bales. Shipments were robust at 331,000 bales.

Cotton futures ended higher, with support from a bullish USDA report. July cotton ended up 91 points to 80.53, after trading a range of 79.60 to 81.76. December cotton was up 55 points to 80.15. USDA slashed its 2022-23 carryout by 600,000 bales to 3.5 million, due to a cut to production and an increase in exports

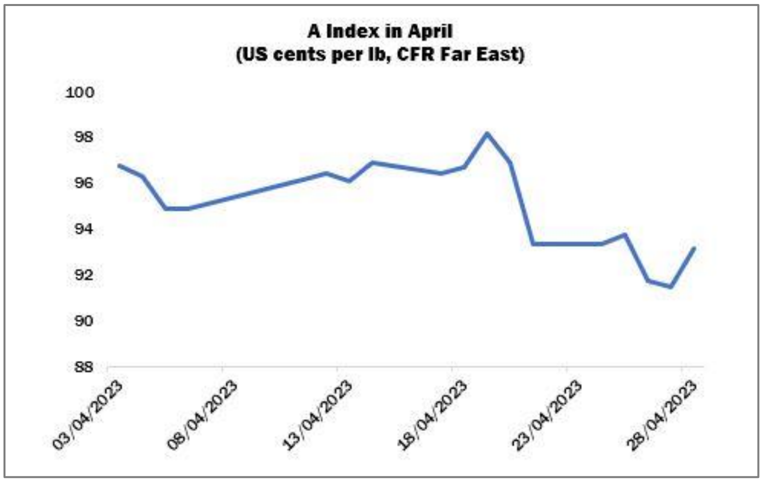
of 400,000 bales. USDA sees the 2023-24 carryout at 3.3 million bales in its first estimate of the season. Exports are expected to be up this year, but so is production, even with a 2.5-million-acre reduction in planted acres this year. That cut to planted acreage is more than offset by an abandonment rate expected to be less than half of last year's 47% rate.

May's WASDE gave traders the first glance at what the base case scenario will be for the 2023/24 marketing year and updated the 2022/23 balance sheet. For 2022/23, U.S. production was cut 210,000 bales to 14.47 million bales. This production cut was widely anticipated, as many have said that USDA had the crop in the U.S. too high all season. An upward revision to exports was also expected, but the 400,000-bale increase to 12.6 million bales came as a bullish surprise. In turn, these revisions decreased U.S. ending stocks to 3.5 million bales. The global side of the balance sheet showed a marginal decrease of 54,000 bales in consumption to 109.63 million bales. World ending stocks were raised 62,000 bales to 92.63 million bales.

The 2023/24 U.S. crop is expected to be 15.5 million bales and exports were set to 13.5 million bales. Ending stocks are expected to be 3.3 million bales, meaning the outlook for U.S. stocks remains tight. The world balance sheet showed that USDA expects global consumption to increase to 116.23 million bales. Production is expected to decline slightly to 115.69 million bales and ending stocks are also expected to decrease to 92.28.

With smaller-than-expected U.S. ending stocks, weather will be increasingly important over the next few weeks as planting efforts wrap up and crop development progresses. After a prolonged period of dry conditions, World Weather Inc. indicates West Texas, southwestern Oklahoma and the Texas Panhandle will see moderate to heavy rain and some flash flooding through Sunday. That will leave the region with significant improvements in soil moisture and conditions for establishment and development. Additional showers will occur into May 22nd, providing better conditions for planting, and will diminish May 23-26. The forecaster notes moderate to heavy rain through Monday in the Blacklands, Coastal Bend and south Texas will cause some flooding while leaving the region with notable improvements in soil moisture and conditions. While recent U.S. export strength has proven steady, traders will continue to closely monitor U.S. sales and shipments, particularly in the wake of USDA's 900,000-bale increase in exports for 2022-23.

International cotton prices, as measured by the Cotlook A Index, continued to experience overall declines during April, falling into the low 90s US cents per lb towards the end of the month, before an encouraging US export report stimulated a sharp upward move on the last day of the period in view. In general, cotton prices seemed to come under the influence of the worsening macro-economic picture. The International Monetary Fund's April forecast for global economic growth this year was downgraded to 2.8 percent overall, and 1.3 percent in advanced economies. However, the organization acknowledged a "plausible alternative scenario" in which instability in the financial sector (following several US bank failures this year) could create additional stress and reduce the headline figure to 2.5 percent and the measure for advanced economies to below one percent. The A Index registered its highest point for the period on April 19th (98.15 cents per lb) and fell to a low of 91.45 on April 27th.

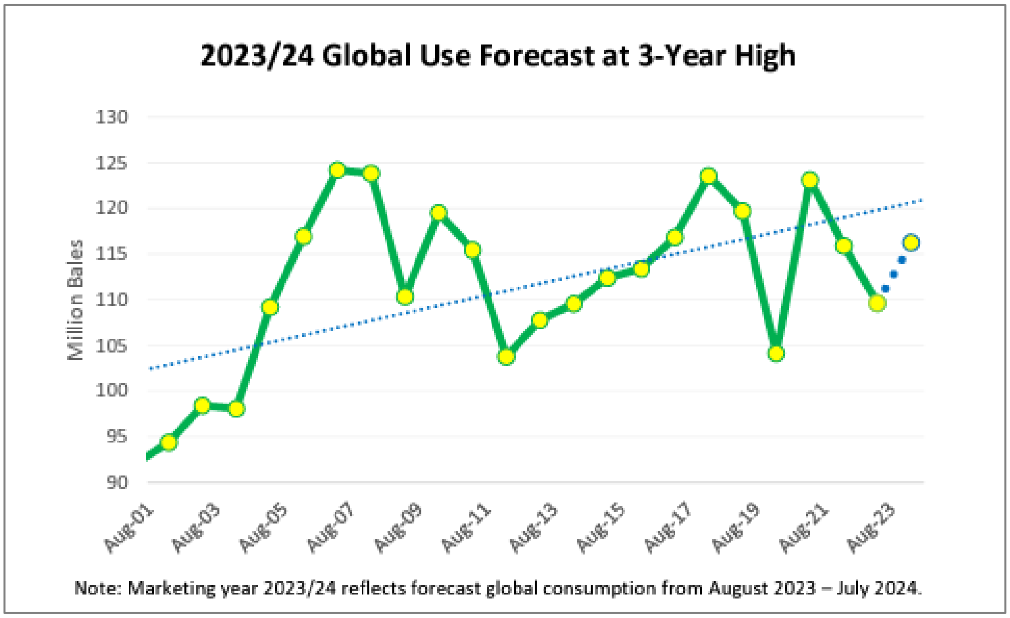


Mill purchases of raw cotton continued in the somewhat lackluster fashion seen for some time. An additional influence on spinners' buying decisions – on top of the general lack of downstream demand – was this year's sharply higher costs for finance, interest rates having been raised to rein in inflation. In general, mills were disinclined to build and carry large inventories of raw materials, especially given that yarn orders and the prices achievable were so low. Nevertheless, in the second half of the month, the decline in international offering rates once again saw the gap between prices for domestic and imported cotton in China converge and then the latter offered at a slight discount, which prompted a considerable increase in interest in overseas origins, most notably US and Brazil, from state-owned or private trading organizations.

Accordingly, US export registrations from China rose sharply late in the month, with upland sales to that market in the week to April 27th amounting to more than the previous three weeks put together. Overall, sales of US upland for the current season registered by the last week in April amounted to almost 631,500 running bales, and those of Pima to 98,819. Shipments were very strong: 1.44 million running bales of upland were dispatched in the four weeks covering April, and over 71,000 of Pima.

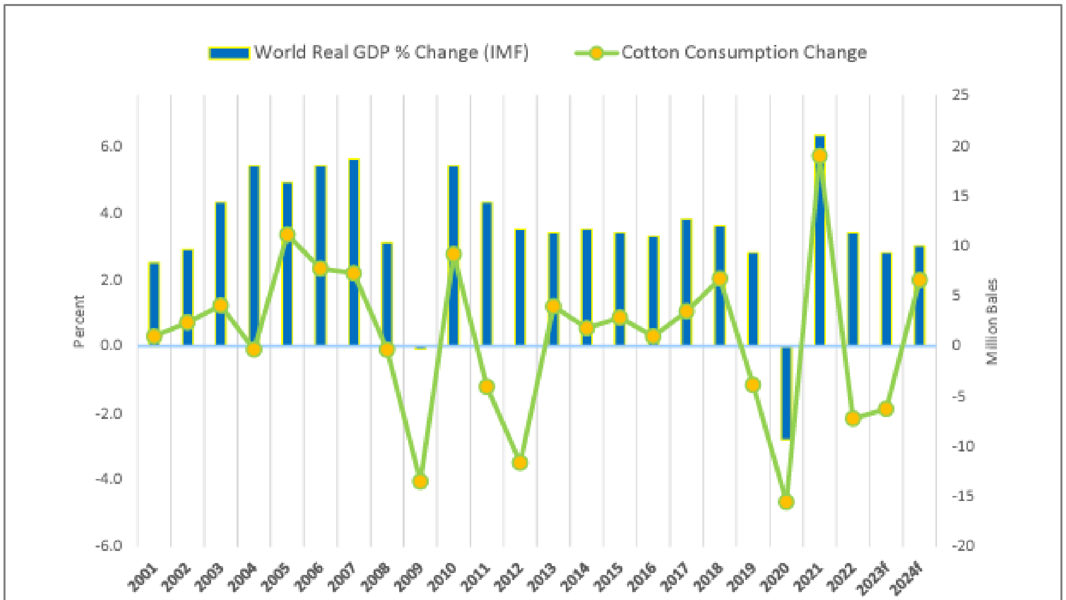
Meanwhile, the interest in Brazilian upland varieties arose in part from the competitive basis levels offered by merchants holding substantial long positions in that origin. Faced with a structure of the board in New York that was not conducive the carrying of cotton into the months ahead, traders were keen to lessen their exposure to a bumper crop (in the region of three million tonnes, according to most estimates) and were prepared to do business at what amounted to substantial discounts in comparison to earlier in the year.

Global cotton consumption is forecast at 116.2 million bales, this is up by more than 6.6 million bales from the previous year. Greater cotton supplies, lower producer price inflation, low global cotton yarn stocks, and greater margins for spinners are expected to boost future use. Consumption is forecast at the second highest level in 5 years and implies an annual growth rate of 6.0 percent, significantly higher than the long-term annual average of 1.5 percent since 1960/61. Still, consumption is projected below trend as macroeconomic headwinds and competition from chemical fibers continue to pressure global use.



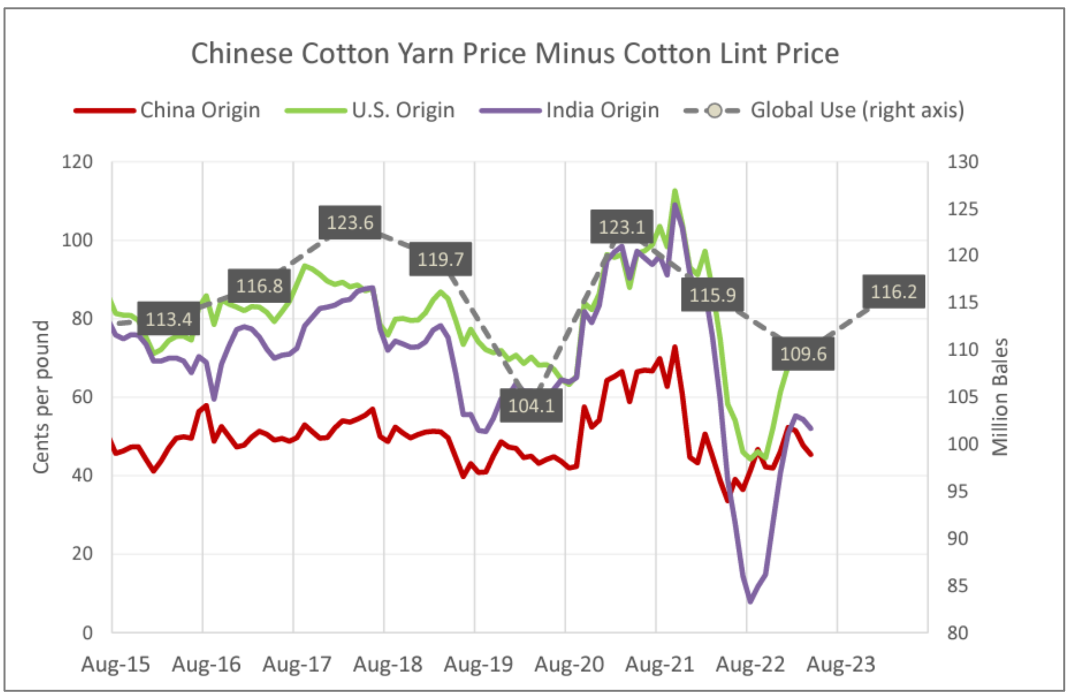
The world's three largest consumers – China, India, and Pakistan – are forecast to account for more than half of the global increase. Of the top ten consuming countries, all are expected to have higher use. After significant reductions for India, Pakistan, and Bangladesh in the previous year, a general easing of financial pressures and greater supplies are expected to support consumption. Prospects for a depreciating U.S. dollar, greater access to opening letters of credit, and lower energy costs are expected to boost growth (see page 8 for this year's articles highlighting challenges to 2022/23 consumption).

Higher cotton consumption is also supported by prospects for global economic growth. Cotton lint consumption and year-over-year changes in global Gross Domestic Product (GDP) are mostly correlated, however, cotton use and GDP do not always follow the same trend as illustrated in the chart below. The April 2023 World Economic Outlook published by the International Monetary Fund (IMF) projects global GD to grow 2.8 percent for calendar year 2023 and 3.0 percent for 2024. The IMF's outlook is uncertain and mentions concerns in the global banking sector, persistently high consumer inflation, and other factors that may inhibit global growth. Recent global cotton consumption relative to global gross GDP and population remains significantly below the level of record consumption witnessed more than 16 years prior. Since the 2006/07 consumption record of more than 124.0 million bales, competition with man-made fibers and macroeconomic challenges have pressured not only the level but the volatility of consumption.



Source: International Monetary Fund; USDA PSD. Note: World Real GDP Change is on a calendar year basis (Jan – Dec) and the change in cotton consumption is for the marketing year (Aug.-Jul.). For example, the 2024 observation represents the IMF's calendar year 2024 projection for the percentage change in World Real GDP compared with 2023; the change in cotton consumption (million bales) reflects the 2023/24 (Aug 2023 – Jul 2024) period compared with 2022/23.

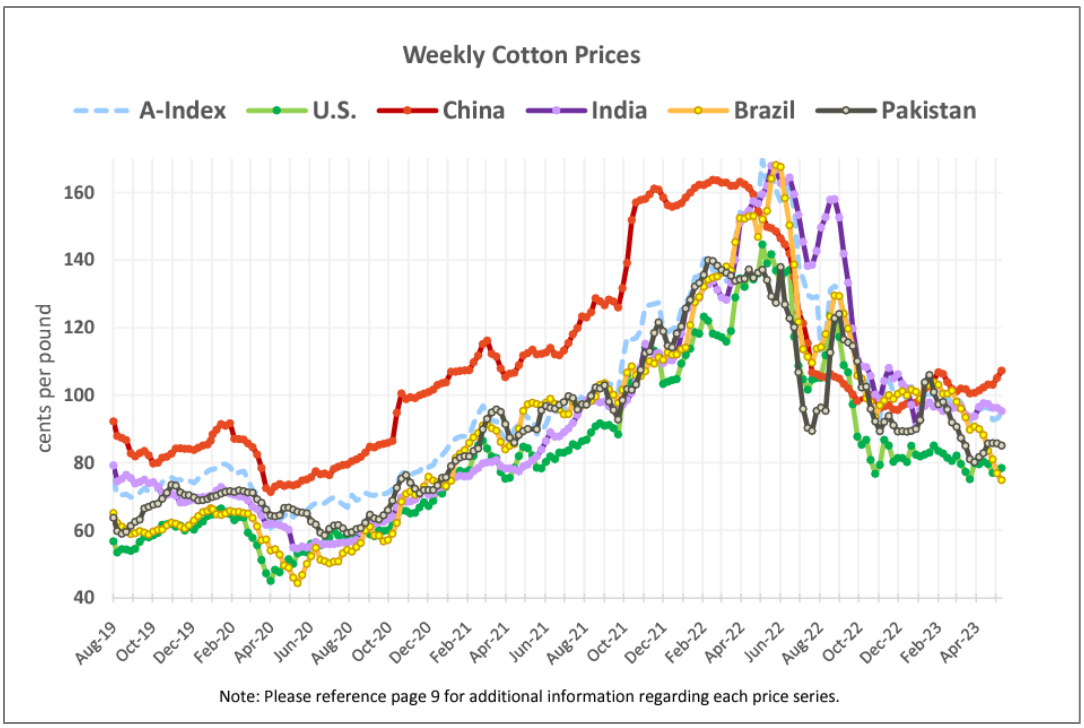
Higher cotton yarn prices compared with cotton lint (roughly half of input costs) supports greater profit margins. Year-to-year changes in this margin (cotton yarn minus lint) have trended closely with changes in global cotton consumption as seen below. A less volatile and average level going into 2023/24 is expected to support greater consumption compared with the previous year's low expected margins. China's yarn is used to represent a global yarn price as it is the largest cotton yarn producer, importer, and consumer. Comparing the yarn price across various origins of cotton lint is a general gauge for capturing spinner profitability both in and outside China.

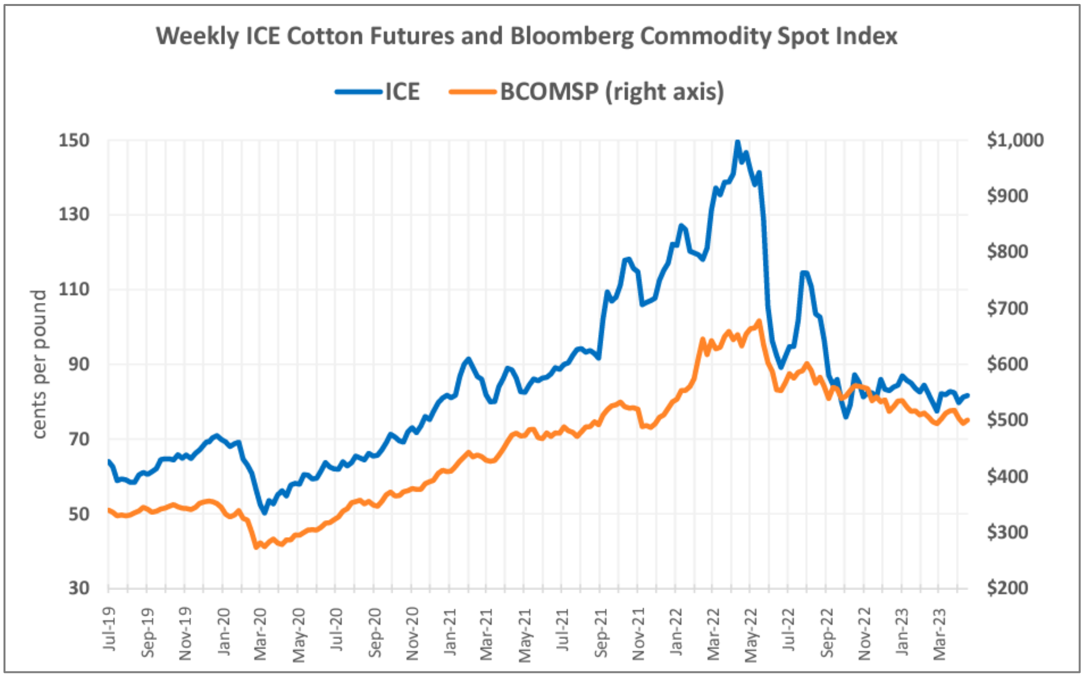


Another factor driving higher cotton consumption is expected as inventories across the cotton product supply chain begin to bleed down at the beginning of 2023/24. Disrupted and delayed shipments of consumer goods in calendar years 2021 and 2022 inflated global inventories and retailers responded with unusually large reductions in 2022/23 product orders. In addition, China's lockdown orders starting in early 2022 also slowed consumption to unusually low levels.

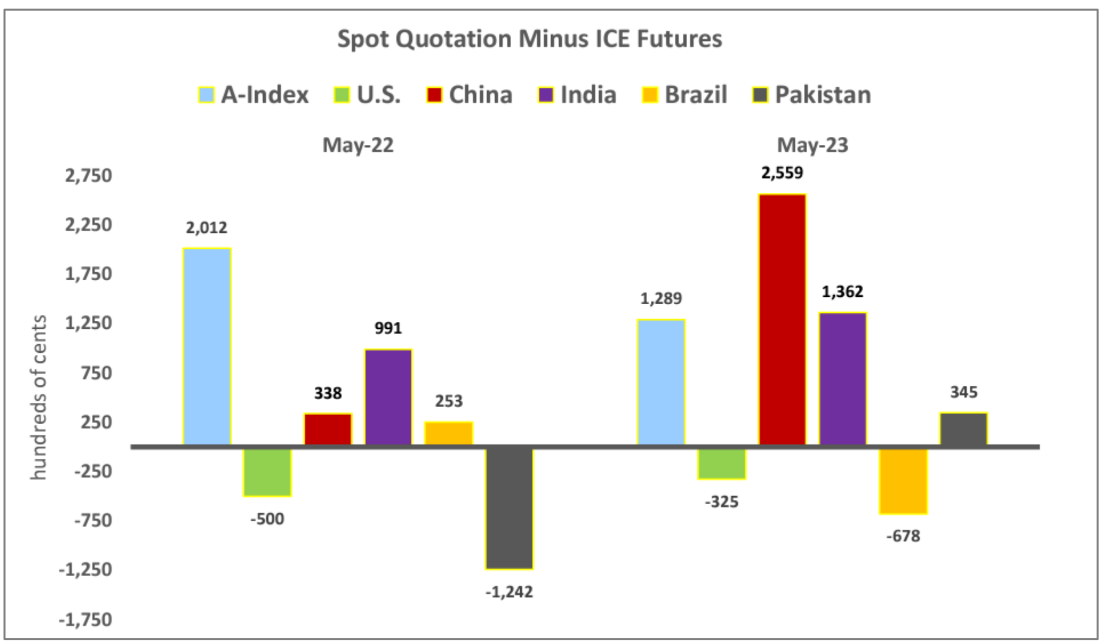
Global mills' operating rates have improved and are expected to continue into 2023/24 relative to the previous year. As the impacts of the pandemic further recede, inventory levels across the cotton product supply chain are expected to normalize and support higher use. Rising household savings accumulated during China's COVID lockdowns are also expected to support greater domestic purchases of cotton finished goods in one of the world's most populous countries.

Global cotton prices were mixed since last month's WASDE with futures prices on the Intercontinental Exchange (ICE) settling at roughly 80 cents per pound. This is the average level since last fall as volatility has dropped significantly compared with the previous year. Strong U.S. export sales and shipments continue to be offset by global macroeconomic concerns (especially concerning the financial status of U.S. regional banks), higher U.S. producer selling, and fixations as exhibited by the Commodity Futures Trading Commission's Cotton on Call report, and generally lower commodity prices (reflected by the Bloomberg Commodity Spot Index seen below). Prices in China have climbed on stronger cotton lint demand and concerns regarding the 2023 harvest. Cool temperatures in the Xinjiang province coupled with lower plantings have raised greater concerns about output. China's basis (i.e., spot minus futures) relative to ICE has surged compared with last year as a more positive cotton consumption outlook takes hold. Brazil prices plummeted despite a stronger domestic currency, attributed to slow exports and weak domestic spinning.





The chart visualizes a general value for basis (i.e., cash/spot price minus futures). Quality and location (gin, port, textile mill, etc.) are significant in determining the quotation's relative value and basis. ICE futures observed were 150 cents (May-2022) and 82 cents (May-2023) per pound.



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 PLC Payment Rate***
Corn	$6.80	$3.70	--
Grain Sorghum	$6.65	$3.95	--
Long Grain Rice	$16.50	$14.00	--
Medium Grain Rice	$17.40	$14.00	--
Seed Cotton	$0.4645	$0.3670	--
Soybeans	$14.00	$8.40	--
Wheat	$9.20	$5.50	--

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

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

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