Staff Report No. 2022-56 **November 16, 2022**

November Market Update
Corn, Soybeans, Rice, and Cotton

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Prices at a Glance

Crop	2022/23 U.S. MYA Price Projection
Corn	$6.80 per bu.
Soybeans	$14.00 per bu.
Long Grain Rice	$16.50 per cwt.
Southern Medium Grain Rice	$17.40 per cwt.
Upland Cotton	$0.85 per lb.

WASDE Summary

This month's 2022/23 U.S. corn outlook is for higher production, larger feed and residual use, and greater ending stocks. Corn production is forecast at 13.930 billion bushels, up 35 million from last month on a 0.4-bushel increase in yield to 172.3 bushels per acre. Feed and residual use is higher based on a larger crop. With supply rising more than use, corn ending stocks are raised 10 million bushels. The season-average corn price received by producers is unchanged at $6.80 per bushel.

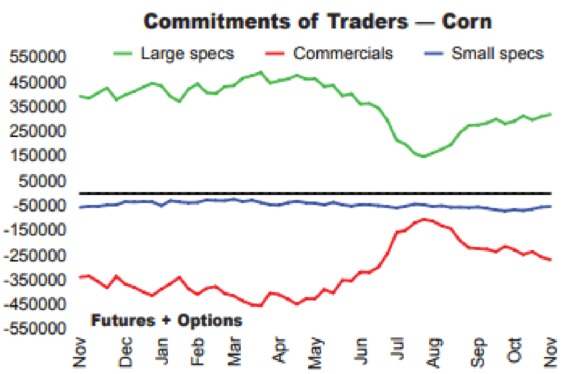
The U.S. soybean outlook for 2022/23 is for increased production, crush, and ending stocks. Soybean production is forecast at 4.35 billion bushels, up 33 million on higher yields. Higher yields in Iowa and Missouri account for most of the change in production. Soybean crush is raised 10 million bushels on an increased domestic soybean meal disappearance forecast. With exports unchanged, soybean ending stocks are raised 20 million bushels to 220 million. The U.S. season-average soybean price for 2022/23 is forecast at $14.00 per bushel, unchanged from last month. Soybean oil price is also unchanged at 69 cents per pound. The soybean meal price is forecast at $400.00 per short ton, up 10 dollars.

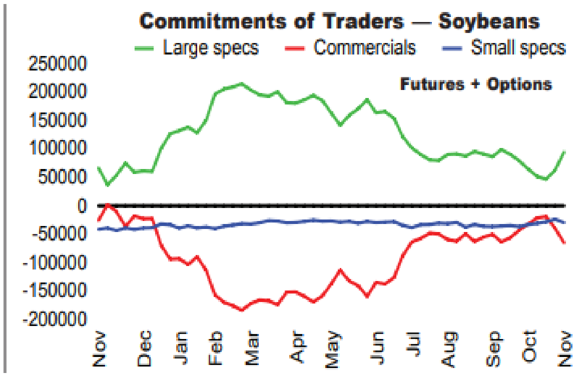
The outlook for 2022/23 U.S. rice this month is for nearly unchanged supplies, higher domestic use, reduced exports, and larger ending stocks. Supplies are fractionally lower as reduced production is not

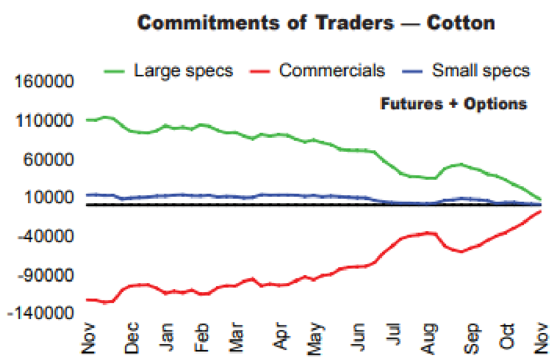
completely offset by higher imports. The NASS November Crop Production report reduced 2022/23 all rice production 1.1 million cwt to 164.3 million, all on lower yields. The average all rice yield is down 50 pounds per acre to 7,549 pounds. This is the lowest U.S. rice production since 1993/94. Imports are raised 1.0 million cwt (all long grain) to a record 45.0 million with strong demand for Thai and Indian rice. Total domestic and residual use is also raised 1.0 million cwt (all long-grain) to 142.0 million on higher consumption of imported fragrant rice. All rice exports are lowered 4.0 million to 71.0 million cwt with 3.0 million of the reduction for long-grain on lagging shipments to the leading U.S. markets of Mexico and Haiti. All rice exports would be the lowest since 1991/92 as the United States continues to be uncompetitive in several key markets. All rice ending stocks are raised 2.9 million cwt to 36.1 million but are still down 9 percent from last year. The U.S. season-average long grain price for 2022/23 is unchanged at $16.50 per cwt. The U.S. season-average farm price for southern medium grain rice is increased $0.40 per cwt to $17.40.

The 2022/23 U.S. cotton balance sheet shows slightly higher production and higher ending stocks this month. Production is 1.5 percent higher, at 14.0 million bales, as a decrease in the Southwest is more than offset by increases elsewhere. Domestic mill use and exports are unchanged, and ending stocks are 200,000 bales higher at 3.0 million bales or 20 percent of use. The 2022/23 season average price for upland cotton is reduced 5 cents this month to 85 cents per pound.

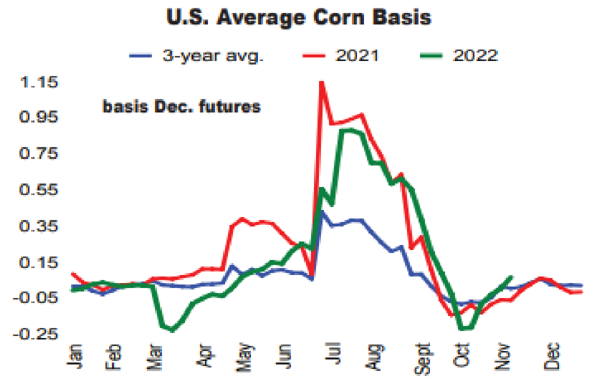
Commitment of Traders Report, Tuesday, November 8, 2022

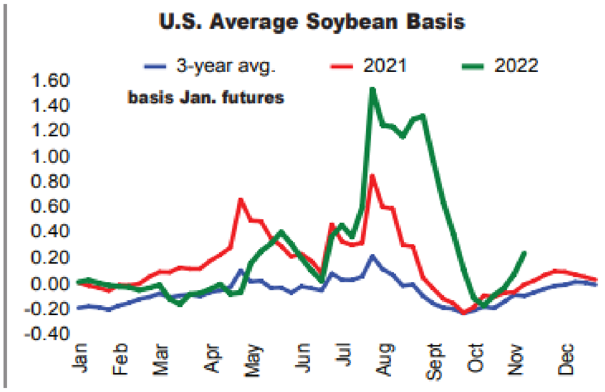


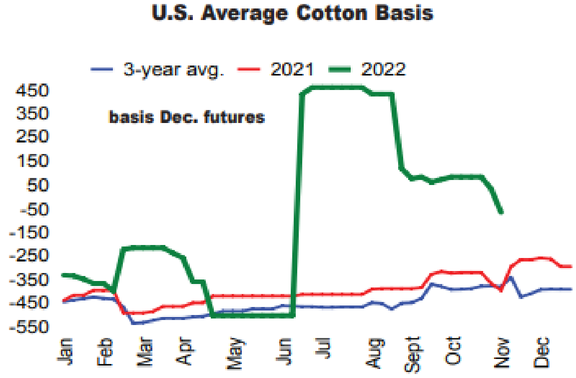




Cash Market Basis Charts, Wednesday, November 9, 2022







Corn

CBOT December 2022 Corn Futures settled $6.81/bu, Corn ended the day slightly higher as a sharply lower dollar along with stronger energy values added support. The week of corn trade saw strength out of the weekend on Russia pulling out of the grain export corridor, but quickly reversed midweek when Russia re-entered. Losses earlier in the week were limited by support from strong domestic feed and industrial uptake, subsequent gains were mainly fueled by Russia's announced suspension of its participation in the Black Sea Grain Initiative. However, following the later announcement that Russia would renew its involvement in the corridor, more volatility can be expected in the coming days. Grain markets will remain on edge as traders monitor the war in Ukraine, though if an export agreement extension ultimately happens, corn futures may resume a downward path on pressure from weak exports and an outlook for big crops in South America.

The market's sideways trade since mid-September may persist, with USDA's Nov. 9 reports looming as the next price influencer. Demand fundamentals have grown shakier, with the strong U.S. dollar, exports lagging and Brazil corn exporters winning Chinese customs approval. All could eat into U.S. demand. These factors suggest a near-term push above $7.00 will be difficult to achieve. A tight supply outlook should limit price downside, but it will likely take a bullish catalyst, such as a weather threat to South America's crop, to drive a strong, sustained rally. Uncertainty over the Ukraine export deal remains a major outside risk.

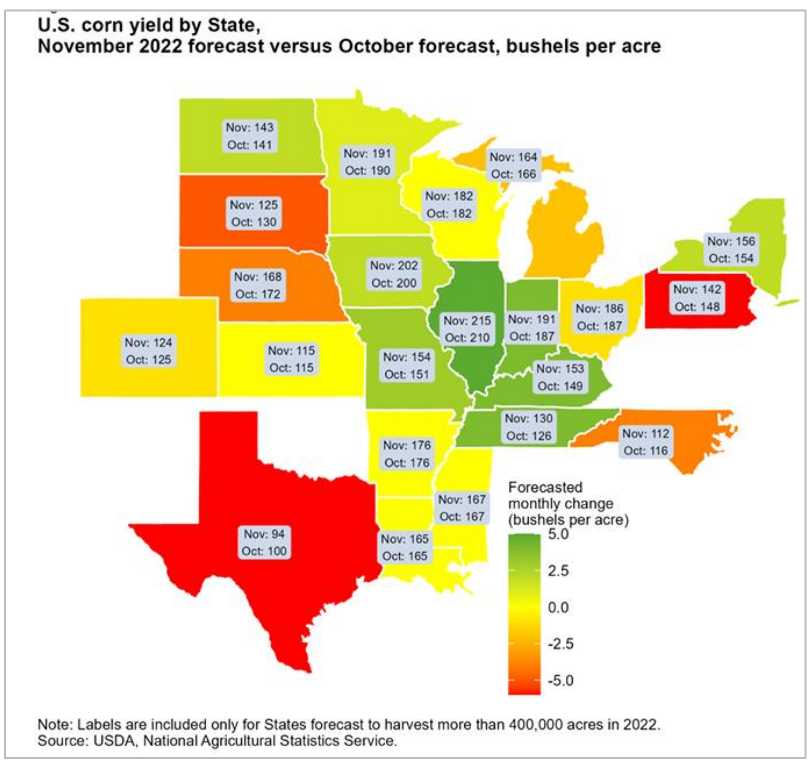
Markets are trying to digest the conflicting news on the future of the Black Sea Grain Initiative. Over the weekend, Russia said it was indefinitely suspending the deal, which led to a bullish gap higher opening in

the grains on Sunday night followed by buying Monday. However, by late Monday, Russian President Putin said in a news conference he was not exiting the deal just suspending it to work out key demands.

The grain markets will continue to trade headlines, and longer term, the key will be how much export business the U.S. picks up. Russia's suspension of the Black Sea export deal was expected by some in the trade. President Putin had made multiple threats because Ukraine grain was not being exported to the North African nation's that were dependent on it. Plus, Putin's goal was to hurt Europe by withholding grain and energy. There's no certainty the U.S. will pick up sales with Ukraine partially shut down, he adds, because U.S. grain prices aren't competitive, and exports are down from a year ago.

Nearby futures posted a fourth consecutive lower weekly close and appear to have more near-term downside risk as prices threaten to fall through the bottom of the two-month sideways range. Despite a slightly stronger demand outlook for corn in 2022- 23, USDA's higher-than-expected production and yield figures add to other bearish headwinds, including sluggish exports and a strong South American outlook. Still, downside risk should be limited by a tight supply outlook for 2022-23 and there's potential for short-term rallies, especially if the Ukraine export deal falls through as the country is a major corn exporter.

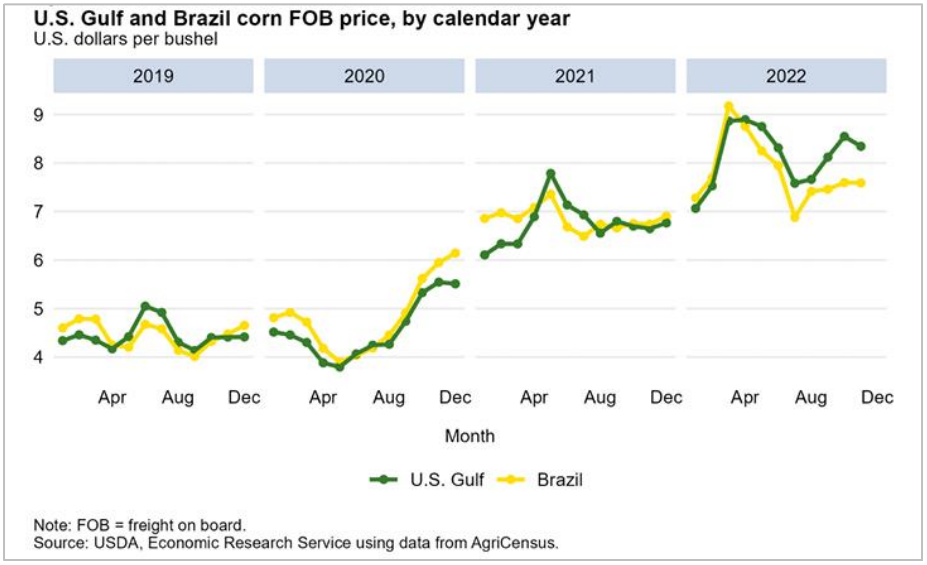
The USDA NASS projects U.S. corn production in 2022/23 to be 13,930 million bushels, up 35 million bushels from the previous forecast, though 1,144 million bushels lower than last year and 3 percent less than the 5-year average. Harvested area in 2022 is forecast at 80.8 million acres, down 5 percent from the year prior and 2 percent under the 5-year average.



In the top 12 production states, USDA raised its yield estimate in Illinois (up 5 bu. to 215 bu. per acre), Indiana (up 4 bu. to 191 bu.), Iowa (up 2 bu. to 202 bu.), Minnesota (up 1 bu. to 191 bu.), Missouri (up 3 bu. to 154 bu.) and North Dakota (up 2 bu. to 143 bu.). USDA left its yield unchanged in Kansas (115

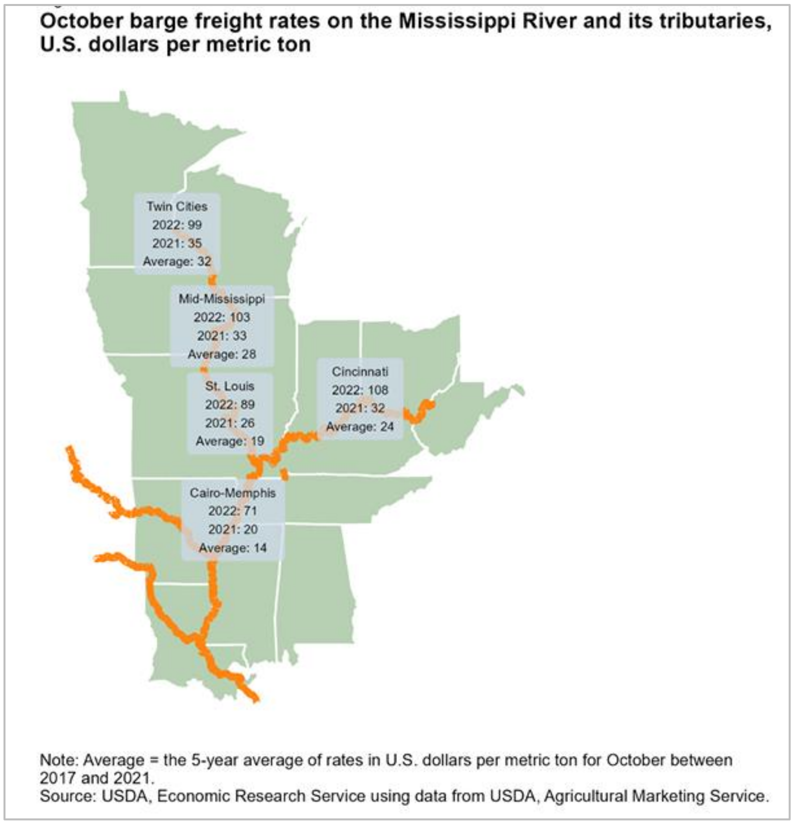
bu.) and Wisconsin (182 bu.). USDA cut its yield estimate in Michigan (down 2 bu. to 164 bu.), Nebraska (down 4 bu. to 168 bu.), Ohio (down 1 bu. to 186 bu.) and South Dakota (down 5 bu. to 130 bu.).

While the November WASDE corn export forecast of 2,150 million bushels is unchanged from last month, there are 10 months left in marketing year 2022/23 and factors currently impacting trade forecasts could change moving forward. The current projection, if realized, would come in 13 percent below last year and 7 percent under the 5year average — on a sluggish start to the new marketing year as international customers ration demand in a low trading environment. Much tighter supplies in 20 certainty, high price 22/23, paired with difficult inland logistics due to historically low water levels on the Mississippi River, support the highest U.S. Gulf corn export price for October on record — at $8.55 per bushel.



Mostly warm and dry conditions throughout much of th e Corn Belt have resulted in harvest progress of 87 percent as of November 6, faster than the 5 The h a U.S. year average of 76 percent. Harvest typically puts downward pressure on domestic market prices. However, U.S. export prices are generally seasonally uncompetitive during the September to November quarter given competition from other exporters such as Argentina, Brazil, and Ukraine because of foreign demand for U.S. soybeans. During September and October, U.S. corn freight on board (FOB)- and also- prices have been more uncompetitive (relative to other exporters) than in prior years due to a surge in transportation costs with low water levels on the Mississippi River and its tributaries.

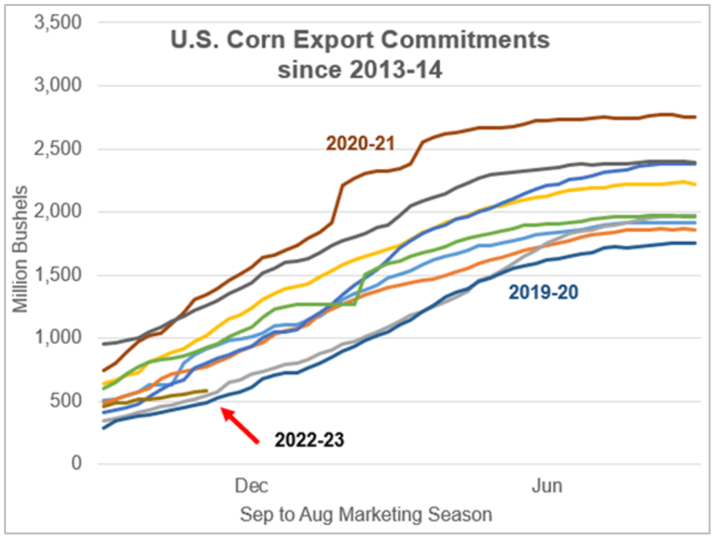
These disruptions are assumed to be temporary and current Gulf bids show a moderation in prices beginning in January. The ongoing drought impacting the western corn belt has not only limited corn yield potential across many States but has also significantly depleted critical water sources that feed into the Mississippi River. According to the U.S. National Weather Service, water levels on the Mississippi River (recorded at five points between northern Arkansas to central Mississippi) showed the lowest rea dings on record for the month of October since records began in 1927.



Critically low water levels on the Mississippi River and its tributaries are significantly impacting the ability move recently harvested corn to New Orleans, sending grain barge rates for nearby delivery to substantially new highs. According to the USDA, Agricultural Marketing Service, record south bound grain barge rates for October were reported in Winona, MN ($99 per metric ton, up 185 percent from last year), Davenport, IA ($103 pe r metric ton, up 212 percent from last year), St. Louis, MO ($89 per metric ton, up 242 percent from last year), Cincinnati, OH ($108 per metric ton, up 238 percent from last year), and Memphis, TN ($71 per metric ton, up 255 percent from last year).

The November WASDE report from USDA showed 580 million bushels (mb) of U.S. export commitments as of Nov. 3, down 54% from last year and the lowest total for this date in three years. Adding to the bearishness, there is no reason to expect a dramatic change anytime soon, as Brazil's FOB corn prices for December have been trading 12% to 14% below comparable U.S. prices and may have another two months of supply before prices balance out. It is understandable that many are wondering why USDA did not reduce its 2.150-billion-bushel (bb) corn export estimate in the November World Agricultural Supply and Demand Estimates (WASDE) report, but given the larger context, I say, what's the rush? The active part of the corn sale season hasn't even started yet, and the current USDA estimate is already down a substantial 13% from a year ago.

As of November 3, U.S. corn export commitments total 580 million bushels in 2022-23, the slowest start for this time of year in three years. As the nine previous year’s show, corn sales don't typically follow predictable lines, but often unfold in erratic spurts with December to June representing the more active period (DTN ProphetX chart).



Starting with the recent history of corn export sale commitments, the past nine years show the more active period of sales activity for corn tends to happen from roughly December to June, before Brazil's larger second corn crop becomes available in July. That same history also shows that corn sales don't necessarily unfold in a straight, predictable line. Corn sales often happen in spurts, punctuated by times of quieter activity.

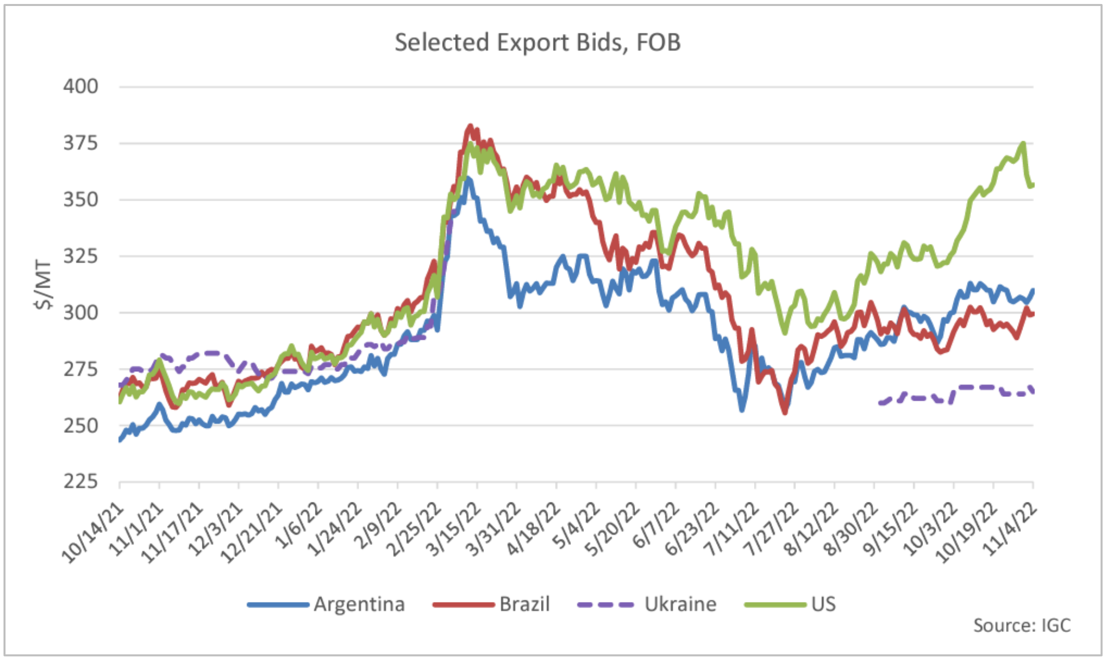
Much of this year's slow start can be explained by Brazil's record corn crop earlier in 2022, but we don't yet know what that second corn crop will look like in 2023. That future crop will have a lot to do with how U.S. corn sales go in the later months of the 2022-23 season.

Lest we forget, Ukraine, the fourth member of the world's top four corn exporters, is still at war, and USDA estimates 610 mb of corn exports for Ukraine in 2022-23, down 43% from the previous season. I cannot stress enough the level of uncertainty Russia's aggression creates, not just for corn, but most of the major markets.

Europe is not much of a corn exporter, but it does need a lot of corn to feed its pork production. Drought slashed European corn production by 23% in 2022, adding to its import needs.

As will often be the case in years to come, China remains a big question mark when it comes to U.S. demand for corn. It became apparent following the initial pandemic in 2020 that China has lost its ability to produce enough corn to meet its domestic needs. USDA currently estimates China's 2022 corn harvest will fall short of demand in 2022-23 by 21.0 million metric tons (mmt), or 827 mb. For political reasons, China prefers to buy corn from Brazil and Ukraine and is said to be getting close to approving purchases from Brazil. Whether China buys directly from the U.S. or not, it appears China still has plenty of corn to buy in 2022-23, a potentially bullish factor for all corn prices.

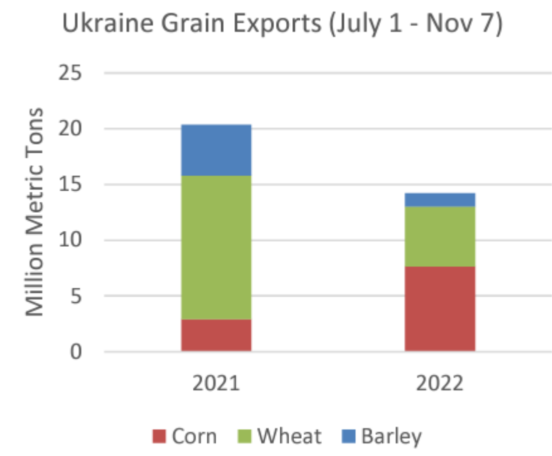
Since the October WASDE, the major exporters' bids have been overall little changed with the exception of the United States. U.S. bids were up $20/ton to $357. Low water levels in the Mississippi River have continued to negatively impact grain deliveries, though outstanding sales for the current marketing year are also weak. Brazilian bids were up $6/ton to $300. Brazil exported another near-record volume of 7.2 million tons in October. Both Argentine and Ukrainian bids were overall little changed, with Argentina up $3/ton to $307 and Ukraine down $2/ton to $265. The abrupt withdrawal and return of Russia to the Black Sea Grain Initiative injected further uncertainty about the continuation of the agreement past its current expiry of November 19.



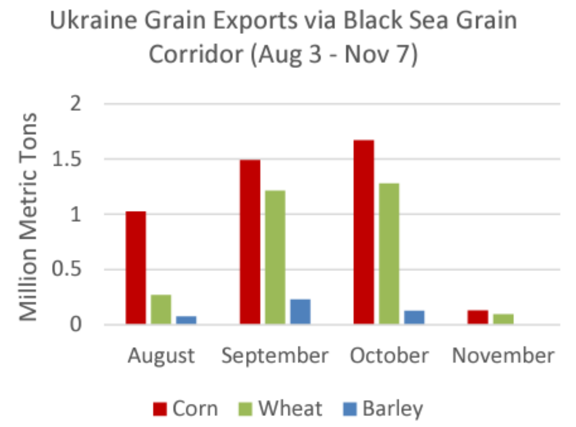
After the Russian invasion of Ukraine in late February, the major grain exporter's primary export routes via the Black Sea ports were blocked, forcing Ukraine exporters to shift to other modes of transportation such as truck, rail, and barge. Despite these efforts, Ukraine accumulated large stocks of corn, wheat, sunflowerseed, and barley. On July 22, a joint agreement involving Ukraine, Russia, Turkey, and United Nations created the Black Sea Grain Initiative which has enabled grain to resume flowing from three Ukrainian ports to foreign markets. The original agreement is for 120 days through November 19, subject to extension. The corridor has enabled Ukraine to export more than 10 million tons of grains and oilseeds through Black Sea ports, including 4.3 million tons of corn, 2.9 million tons of wheat, and 400,000 tons of barley.

Grain exports from Ukraine are highly seasonal. Exports peak shortly after wheat and barley are harvested in July and corn is harvested in September. Despite the typical seasonal pattern, corn has been the primary grain exported through the corridor. According to Ukrainian trade data, corn exports via all modes of transportation from July to November 8 have more than doubled compared to the prior year to 7.7 million tons, whereas wheat exports at 5.4 million are less than half the level of the prior year, while barley exports at 1.2 million are less than a third.

Ukraine's massive 2021 corn crop prompted exporters to immediately seek alternative routes via land, mainly toward the European Union (EU), after trade routes were disrupted earlier this year. With abundant stocks, corn exports surged at the outset of the newly reopened sea routes, especially to the EU, Turkey, and China. EU demand for corn imports remains strong via sea and land due to a drought induced smaller crop.



Source: Ukraine Ministry of Agriculture



Source: Black Sea Grain Initiative website

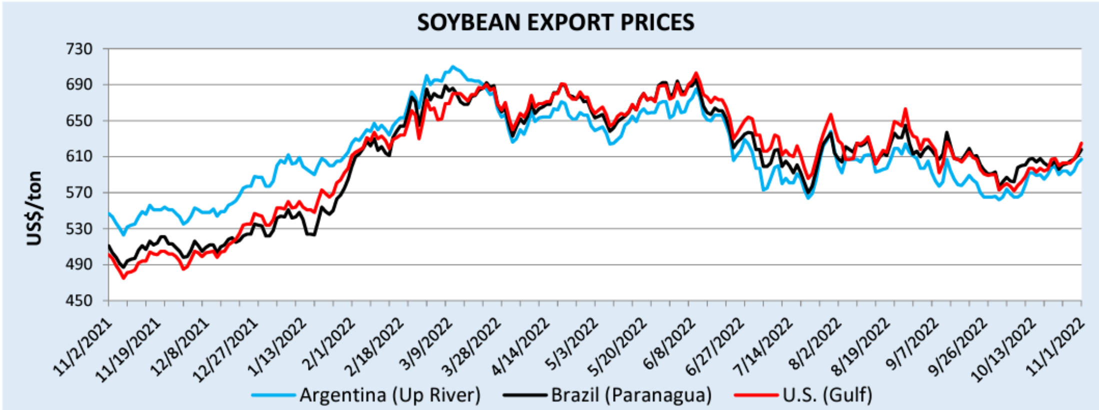
Brazil exported 7.2 MMTs of corn in October, official customs data showed late Tuesday, with shipments of both commodities overtaking market expectations. October corn exports landed at 7.2 MMTs, the highest level for the month since the customs office started its time series in 1997. Brazil's corn shipments were 322% higher when compared to October 2021 and landed above estimates set forth by the country's grains exporters association ANEC in the previous week that ranged from 5.5 to 6.4 MMTs. Brazil's accumulated corn exports since the beginning of the calendar year reached 31.9 MMTs, up 118% from 2021 when the country faced a historical crop loss.

Soybeans

Soybean futures rallied to their highest level in six weeks on support from surging soyoil and global vegoil prices. Crush margins also remain historically strong. La Niña-driven dryness in Argentina as planting progresses could emerge as a market factor, though Brazil is expected to produce a record crop. The export window for U.S. soybeans will be open until fresh South American supplies become available late in early 2023, but Brazilian soybeans are currently priced below U.S. supplies. A push beyond the recent six-week highs toward $15.00 is conceivable, presenting potential opportunities to lock in further sales.

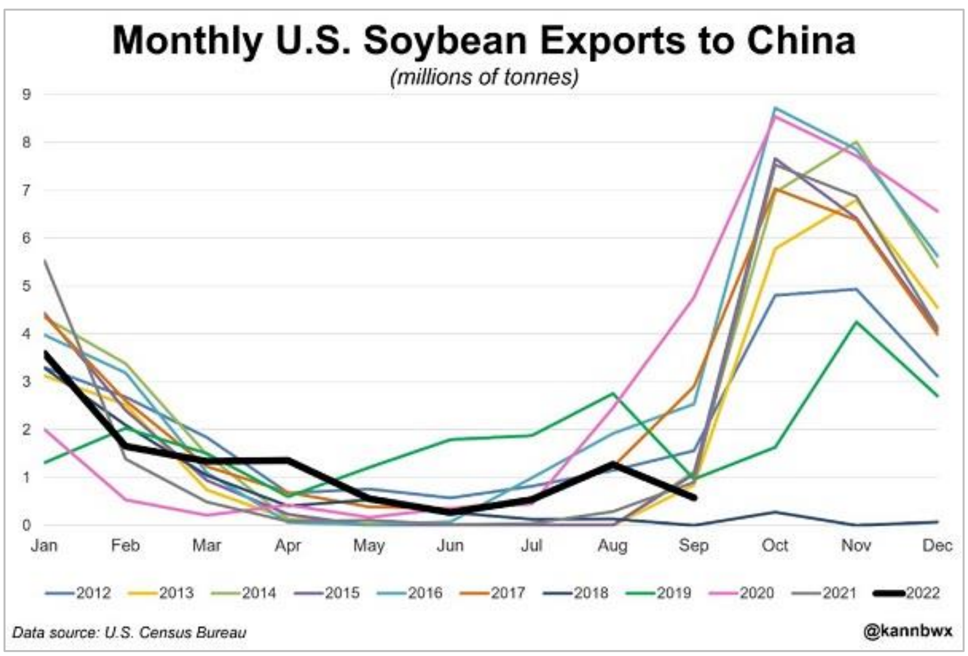
Soybean bulls lost at least some momentum last week after USDA hiked its U.S. production and ending stocks estimates more than expected and soymeal nosedived. A surprisingly low CPI reading could signal the global inflation trade that's lifted commodities this year is deflating a bit. With the U.S. crop size effectively known, focus shifts to South American weather and outside markets. Futures may be poised for sideways-to-lower trade near-term, with the Brazilian growing season off to a strong start. But downside risk seems likely to be limited by bullish longer-term supply and demand fundamentals.

Soybean prices in October were slightly lower on average compared to the previous month for the top two exporters but demonstrated an upward trend as the month progressed. The later recovery was motivated by geopolitical events and strengthening demand for crush, with soy oil for biodiesel driving most of the increase. In Argentina, the expiration of the 'soybean dollar' incentive at the end of September resulted in comparatively slower selling this month.



South America soy meal saw marginally higher average prices in October. The premium for U.S. soy meal compared to South America narrowed significantly this month compared to the last, with all three exporters trading within $10/ton of each other. The United States continues to see strong crush margins compared to other countries, owing to robust demand for soy oil for biodiesel production.

September soybean export numbers to China were very disappointing for the month. Aside from the trade war year in 2018, the September soybean shipments to Brazil in September were the worst since 2008 with only 8-9 cargoes being shipped. A couple reason were in play causing this reduced shipment pace this fall. First, logistic issues and transportation issue limited movement of soybeans to key export areas. Secondly, the overall tight supply picture limited the number of soybeans available to be shipped. Export shipments have surged in recent weeks as fresh supplies have hit the pipeline with soybean harvest this fall. The past couple of weeks, export shipments have been nearing or exceeding 2 MMT each week, as export numbers in October will likely jump.



Soybean export sales were 30.5 mb, but total sales commitments are 1% higher than last year, compared to 5% higher a few weeks ago. Export demand may slow as China is reluctant to buy any more soybeans from the US than necessary and looks to Brazil for the majority of their needs. ANEC has reported that

Brazil's soy exports for Oct were 3.57 MMT, down from last year's 2.98 MMT. In more bullish news, China is rumored to be relaxing their zero-Covid policy, which should pump up demand.

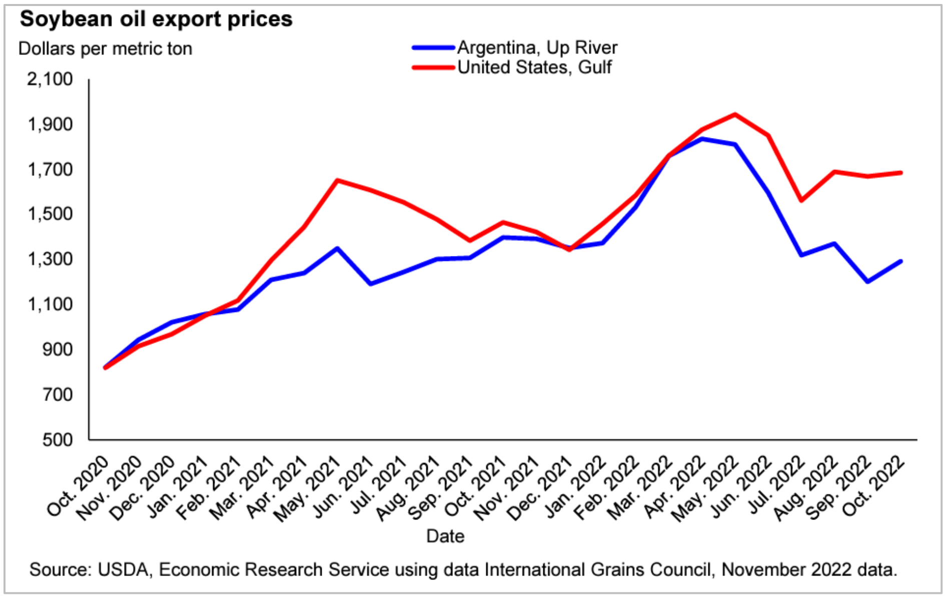
Chinese buyers were heard to have switched a number of optional origin soybean cargoes from the US to Brazil this week due to uncertainties around transportation disruptions in the Mississippi river that may limit soybean availability at Gulf ports, Brazilian sources have indicated. Optional origin cargoes are deals in which the buyer can switch origins without paying a penalty fee as happens when buyers cancel purchases to substitute them for volumes from other origins – a process colloquially known as a "washout". There was no confirmation as for how many cargoes have been switched out of the US, but loading months were said to range from October to February.

Despite the wide range of delivery months, the optional origin cargoes that have been shifted to Brazil are thought to be for nearby deliveries considering the Mississippi issues in the US and spot soybean demand in China. Earlier this week there was a lack of offers for nearby soybean deliveries at US Gulf ports as farmers and traders do not feel confident they will be able to deliver agreed volumes as barge freight down the Mississippi river continue to face severe headwinds on low water levels. The period from September to early-January is typically the main export window for US soybeans as the North American country's oilseed crop is harvested in September through October and is typically more competitive during these months than its main competitors in South America.

Reports indicate Chinese buyers had snapped up one Brazilian soybean cargo for November/December loading on Thursday while the bulk of Chinese buying interest seems to have turned towards South America's new crop due to be harvested from late-January onwards. Some reports indicate between nine and 13 new crop Brazilian and Argentine cargoes have been booked this week alone. The rumors heard on Friday of soybean cargoes being switched to Brazil could not be confirmed by US-based sources at the time of press, but most agreed that it both made sense and fitted a recent pattern.

Any optional origin switches to Brazil could represent another blow to US soybean exporters during their main export window this marketing year. The US has faced fierce competition from Argentine soybeans in September when the South American country had a preferential export exchange rate policy in place- referred to as the "soy dollar"- and is now struggling with low Mississippi water levels. Analysts and traders expect the Mississippi will take another month or two to fully recover.

With more soybeans available, 2022/23 U.S. crush volumes are expected to grow by 10 million bushels to 2.25 billion bushels. Soybean meal and oil generated from higher crush volumes will offset lower beginning stocks and satisfy anticipated increases in domestic demand. More specifically, the 2022/23 soybean meal domestic disappearance forecast is raised by 0.25 million short tons to 39.7 million short tons this month, aligning with back year changes. Strong domestic demand is seen supporting high domestic prices, lifting the 2022/23 price forecast by $10 this month to $400 per short ton.



Similarly, strong domestic demand for U.S. soybean oil continues to elevate prices. While the 2022/23 domestic price forecast remains unchanged this month at $0.69 per pound, U.S. soybean oil export prices remain above world prices. Throughout the last 6 months, monthly U.S. soybean oil export prices have been, on average, $300 per metric ton higher than in Argentina—the largest U.S. competitor in the soybean oil export market. Consequently, foreign demand for U.S. soybean oil is seen waning. As of October 27, total commitments for the 2022/23 campaign are 78 percent lower than the same time last year at 29,600 metric tons. For these reasons, the 2022/23 soybean oil export forecast is lowered by 100 million pounds to 1.3 billion pounds.

Global vegoil markets continued provide support on expectations for disruptions to palm oil supplies from tropical storms in Indonesia and Malaysia. However, the Malaysian Palm Oil Board notes the prospect of a tough year in 2023 as global weather, geopolitical, and economic uncertainties persist. Strong demand also supported prices. Earlier today, the National Oilseed Processors Association (NOPA) reported soybean crushing totaled 184.464 million bu. during October, up 17% from 158.109 million bu. in September and up 0.3% from October 2021. NOPA's crush figure of 184.464 million bushels exactly matched the average estimate from nine analysts in a Reuters survey. Soyoil supplies among NOPA members as of Oct. 31 rose to 1.528 billion lbs, up from 1.459 billion lbs at the end of September but down from 1.834 billion lbs a year ago.

Rice

Very little has changed in the domestic rice market, with exports still slower than needed. Part of this is a demand problem, and a lesser problem is logistics. Barge traffic on the Mississippi and other rivers is being severely affected by the very low water conditions caused by the lack of rain in the Midwest and South this year

Rice futures were lower. Nearby January rice settled down 18 cents to $17.78, near the day's low of $17.76, after trading as high as $17.94. March rice settled down 18 cents to $18.04. Barring some fresh bullish fundamental news, this is not a market that seems to have much upside beyond $18. That could change if the war in Ukraine spreads and ignites broader concerns over food security.

The U.S. 2022/23 rice production forecast was lowered 1.1 million cwt to 164.3 million based on a slightly lower yield reported by USDA's NASS in its Crop Production report released on November 9. Long-grain 2022/23 production was lowered 0.9 million cwt to 131.7 million, 9 percent below a year earlier and the smallest since 2019/20. Medium- and short-grain production was lowered 0.2 million cwt to 32.7 million cwt, 31 percent smaller than a year earlier and the lowest since at least 1972/73, when NASS first reported U.S. rice production by class.

Total rice harvested area remains estimated at 2.18 million acres, 12.5 percent below a year earlier and the lowest since 1983/84. Harvested area is estimated to be less than a year earlier in all reported States except Louisiana and Texas, where harvested area is up slightly from 2021/22. California accounts for the largest annual decline in rice harvested area; at 255,000 acres, its total 2022/23 rice harvested area is the smallest since 1958/59. This is the second consecutive year of a sharp decline in California rice acreage, a result of a severe and prolonged drought, low reservoir levels, and water restrictions. California grows almost exclusively medium- and short-grain rice, typically accounting for around 75 percent of U.S. medium- and short-grain acreage. Much of the area decline in the Delta this year was due to extremely high corn and soybean prices just prior to planting that encouraged farmers to shift acreage out of rice, and the historically high input costs for rice production this year. Early season adverse weather in parts of the Delta further reduced plantings.

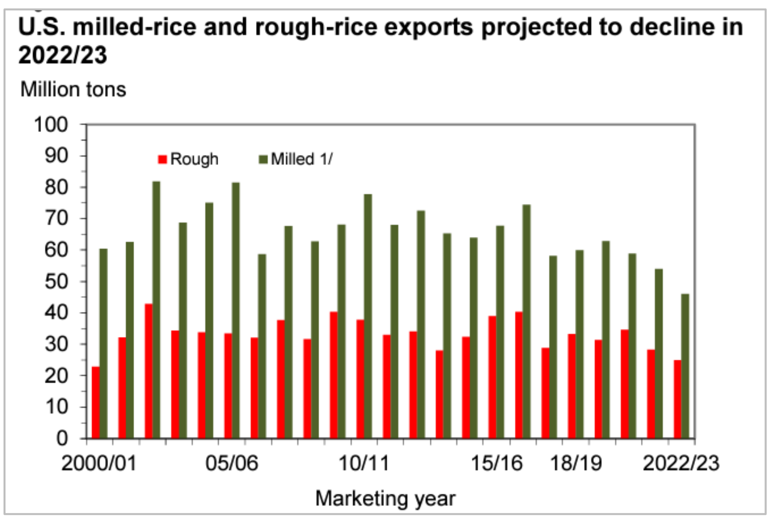
U.S. rice imports in 2022/23 are forecast at a record 45.0 million cwt, up 1.0 million from the previous forecast and 19 percent above a year earlier. Imports are expected to account for more than 30 percent of total domestic and residual use (excluding seed use) in 2022/23, the highest share on record. In September, the United States imported a near-record 168,510 tons (product weight) of rice, up almost 85 percent from both August and a year earlier. Imports of Thailand's jasmine rice, the largest source and category of rice imported by the United States, were up more than 40 percent from a month earlier. Imports of basmati rice from India were down slightly from a month earlier but were still well above the 2021/22 monthly average. Both jasmine and basmati imports are classified as long-grain.

U.S. 2022/23 all-rice exports are forecast at 71.0 million cwt, 4.0 million below the previous forecast, almost 14 percent below a year earlier and the lowest since 1991/92. The downward revision was largely based on sales and shipments through late October and expectations regarding shipments for the

remainder of the market year. The U.S. rough-rice export forecast was again lowered 2.0 million cwt and is now projected at 25.0 million cwt. Rough-rice imports are projected to be 11.5 percent below a year earlier and are the lowest since 2000/01. Long grain shipments to Latin America are expected to again account for nearly all of these exports, with the United States facing increasing competition from South American suppliers in the region, especially in Mexico, the top U.S. rough-rice export market.

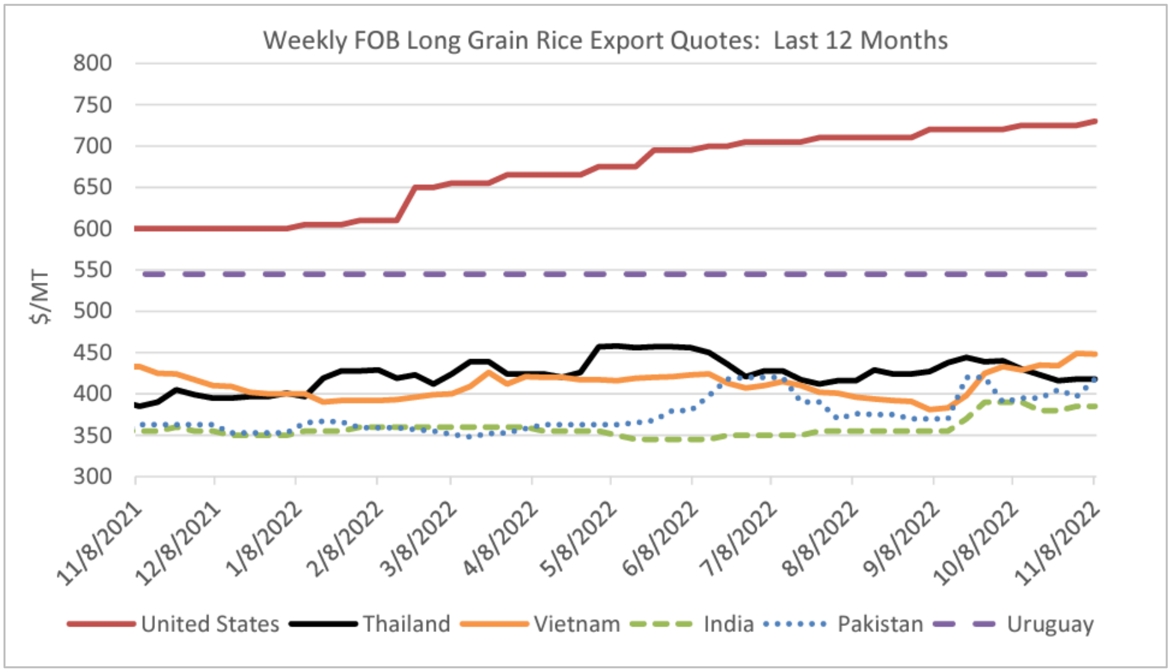
U.S. 2022/23 milled-rice exports are forecast at 42.0 million, down 2.0 million cwt from the previous forecast, nearly 15 percent below a year earlier and the smallest since 1965/66. United States sales through late October to both Haiti—the largest market for U.S. long-grain milled rice—and Japan—the largest market for U.S. medium- and short-grain milled rice—were well below a year earlier. U.S. milled rice exports in 2022/23 are limited by high prices compared with those of suppliers in both South America and Asia.

Long-grain 2022/23 exports are forecast at 53.0 million cwt, 3.0 million below the previous forecast, nearly 13 percent smaller than a year earlier, and the lowest since 1987/88. Latin America is the largest market for U.S. long-grain exports, followed by the Middle East and Canada. The United States is facing increasing competition from several South American exporters in key Latin American markets. Medium- and short-grain exports are forecast at 18.0 million cwt, down 1.0 million from the previous forecast, 16.5 percent below a year earlier and the lowest since 2000/01. The United States is expected to make few sales of medium- and short-grain rice outside of its core markets in Northeast Asia, Jordan, and Canada due to record-high prices and very tight supplies. Through late October, U.S. sales and shipments to both Japan and South Korea were well behind a year earlier, a result of tight supplies in California and record-high U.S. prices.



The 2022/23 SAFP forecast for long-grain rice remains at a record $16.50 per cwt, more than 21 percent above the year-earlier revised estimate. The 2021/22 long-grain SAFP was lowered 10 cents to $13.60 per cwt. The U.S. 2022/23 all-rice SAFP is forecast at a record $19.90 per cwt, up 50 cents from a month earlier and almost 24 percent above the year-earlier revised estimate. The 2021/22 all-rice SAFP was raised 40 cents to $16.10 per cwt. Tighter U.S. rice supplies and high input prices are the major reasons for the expected higher—and typically record—U.S. rice prices in 2022/23. The 2022/23 southern medium- and short-grain SAFP is forecast at $17.40 per cwt, up 40 cents from the previous forecast and 25 percent above the year-earlier revised estimate of $13.90 and the highest since the 2008/09 record. The 2021/22 southern medium- and short-grain SAFP was lowered 20 cents per cwt but is still 7 percent above a year earlier.

In the past month, U.S. quotes went up by $5 despite the recent harvest and remains the highest among the major exporters at $730/ton. Uruguayan prices are unchanged at $545/ton. Vietnamese prices rose $19 to $448/ton amid tighter supplies and increased demand. Thai quotes declined $12 to $418/ton as a result of increased rice supplies from the new crop. Pakistani prices were up $23 to $418/ton with smaller supplies from the recent flooding. Indian quotes decreased $5 to $385/ton and remain the lowest globally.



Cotton

Cotton sharply rebounded from two-year lows last week, with traders apparently anticipating improved export activity. Export sales jumped to 191,800 bales during the week of Oct. 27, the best since August. Chinese buying reached 122,000 bales, spurring optimism as well. The recent cotton rally stalled ahead of the Nov. 9 USDA reports. The market reacted only modestly to USDA's unexpected boost to U.S. crop size. Recent equity and cotton market gains reflect reduced concerns about a 2023 recession, but such optimism may be premature.

Trader and investor risk appetite appeared to pick up, as the S&P 500 index climbed to a two-month high and crude oil strengthened. Positive news on China also supported cotton, as China has lifted some of its Covid restrictions, while at the same time U.S. President Biden and China President Xi Jinping met face-to-face this week to try to become less adversarial. All the above may work to increase domestic and export demand for U.S. cotton.

Since posting a low of 70.21 cents on October 31, the December contract has rallied an impressive 19 cents in just seven sessions, posting a high of 89.31 cents on November 8, before finally cooling off a bit. Trading volume has been massive, averaging 63.5k contracts over the last nine sessions. What's remarkable is that the market moved into the high 80s without losing any open interest, as it took this week's GSCI roll to finally bring down these open bets. As of this morning, there were still 230.8k contracts open, which is just 25k below the recent peak.

Spreading dominated a lot of the action, as the Dec/July spread went from 25 points carry on October 28 to a 304-point inversion today, while the Dec'22/Dec'23 inversion widened by 703 points, going from 95

points to 798 points. In other words, December has been the locomotive that pulled the rest of the board along.

The latest WASDE report gave both camps something to gripe about, as the bulls didn't seem to agree with the 14.03 million US crop number, while the bears were scratching their heads about the still too optimistic mill use number, which at 114.95 million bales is simply not rooted in reality.

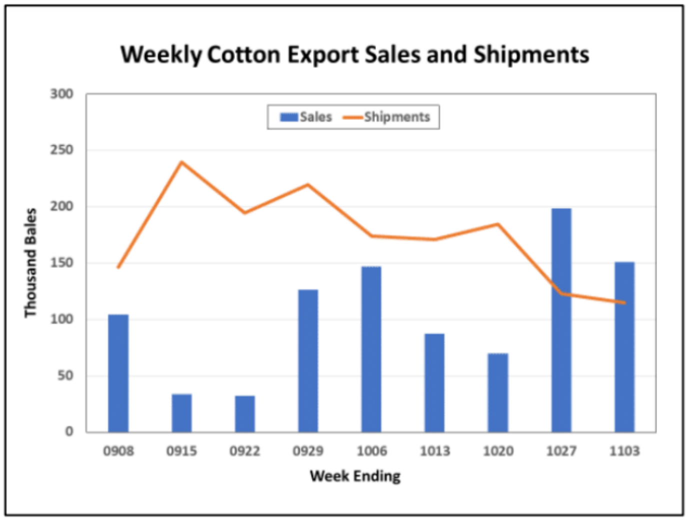
The USDA has global mill use just 2.4% down from last season's 117.4 million bales, but many mills in key consuming market keep telling us that they have been running 20% or more below their usual output since June, with no immediate improvement in sight. A back-of-the-envelope calculation gives us at least an 8-10 million bale drop in mill use compared to last season, but if economic conditions won't improve anytime soon, the contraction will get a lot worse.

US export sales were decent last week, as net new sales amounted to 157,800 running bales of Upland and Pima cotton, with China being the main buyer with 57,300 RB. In total there were 13 markets buying, while shipments of 111,500 RB went to 19 destinations. The fly in the ointment was a cancellation of 13,200 RB by Turkey, which is a market that has been struggling greatly this season. Total commitments are now at 9.1 million statistical bales, whereof 2.85 million have so far been exported. The numbers were similar last season, when we had 9.15 million in sales and 2.3 million bales shipped.

Recent US CPI data was good news for financial markets, as the year-on-year inflation number dropped to 7.7%, which was below expectations and compared to 8.2% last month. The Core CPI was at 6.3% annualized, also lower than expectations and the 6.6% of a month ago. With inflation starting to trend lower, the 10-year yield dropped 0.32% to 3.82%, which prompted a selloff in the US dollar and a massive rally in the US stock market. The Dow (up 3.7%) and the S&P500 (up 5.5%) were having their best showing in two years. Although inflation seems to have peaked and will probably decline further, the market is soon going to realize that this is happening because we are now in a recession, which is no reason to celebrate. In other words, this is not the end of the bear market in financial assets, but a powerful bear-market rally that might carry on for a while longer.

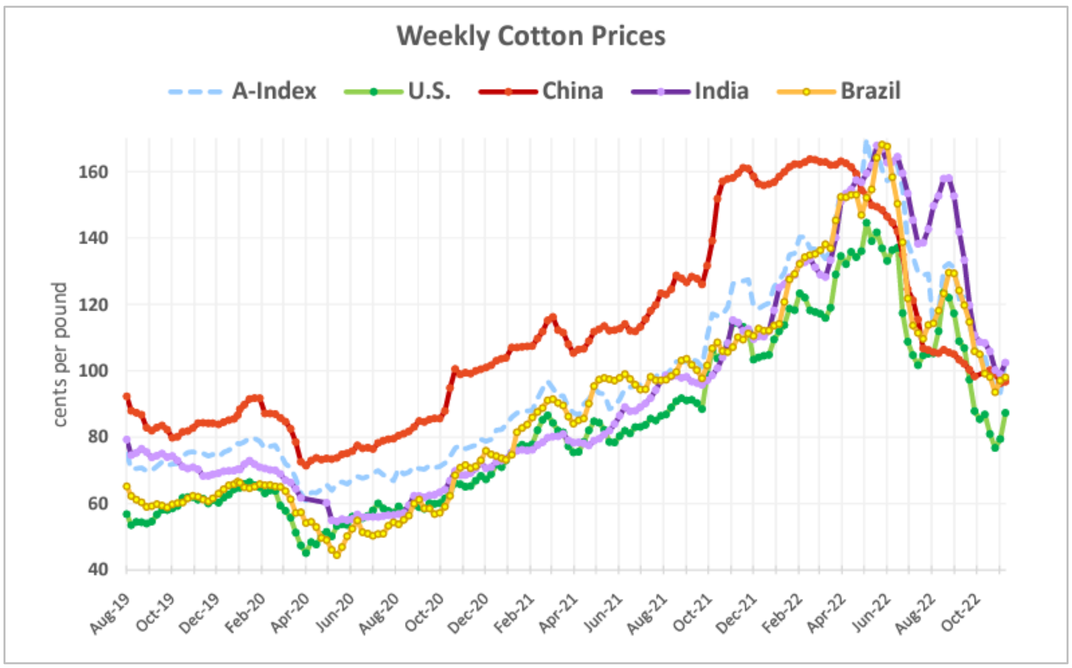
Considering that the US dollar dropped, and the stock market rallied, cotton underperformed today, which could be sign that this impressive two-week rally might be running out of steam. With December now basically liquidated, there is no reason for March to push higher at this point, considering that cash prices have hardly followed the lead of the futures market and demand remains depressed. The weaker dollar might extend the futures rally for a few more sessions, but without an improvement in demand the market will sooner or later revert down again.

Any further price improvement will increasingly depend on demand and factors/other signals related to economic stability and growth such as the value of the dollar, inflation rate, interest rates, US stock market performance, etc. Price will also depend on what is happening in foreign markets as this will impact demand for US exports. Shipments have trended down for most of the 2022 crop marketing year so far. Sales have improved but still at a relatively weak level. It's early, but good weekly sales and shipments are one important barometer that will help guide and confirm price direction, according to Dr. Don Shirley.



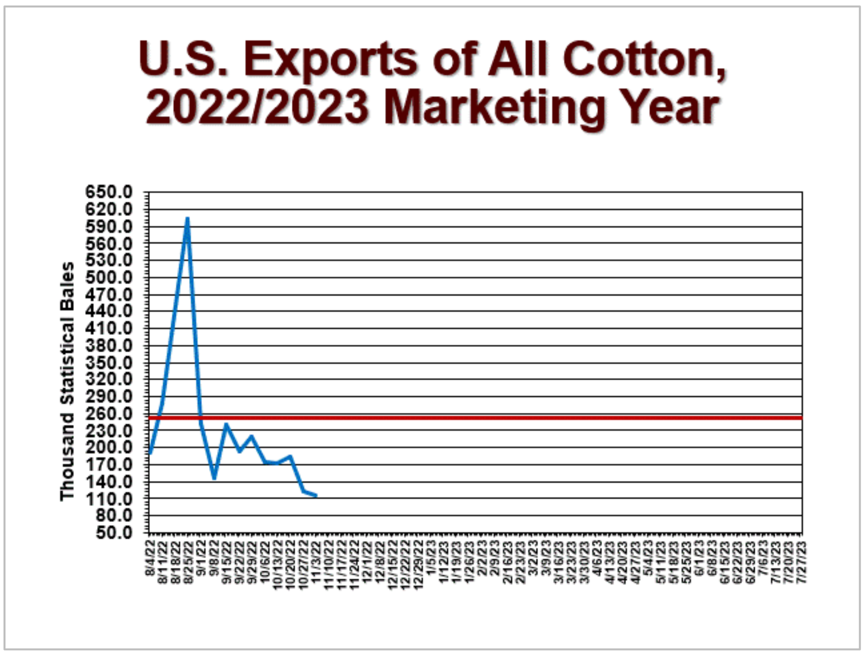
Global production is down 1.6 million bales from the previous month to 116.4 million, largely owed to production falling 700,000 bales in Pakistan. This is the third consecutive month Pakistan production has fallen and is supported by weak arrivals data. Global stocks are forecast down slightly this month but higher than the previous year. Consumption is down 650,000 bales with lower projected use in major consuming countries including Pakistan and Bangladesh and is the sixth consecutive global decline. Global trade is down slightly, led by a decline in Bangladesh, but still remains higher from the previous year.

The U.S. balance sheet shows slightly higher production and ending stocks relative to the previous month. Production is projected at 14.0 million bales, up over 200,000 compared with last month but 3.5 million bales lower compared with the previous year. The projected U.S. season-average farm price is forecast down 5 cents to 85 cents per pound.

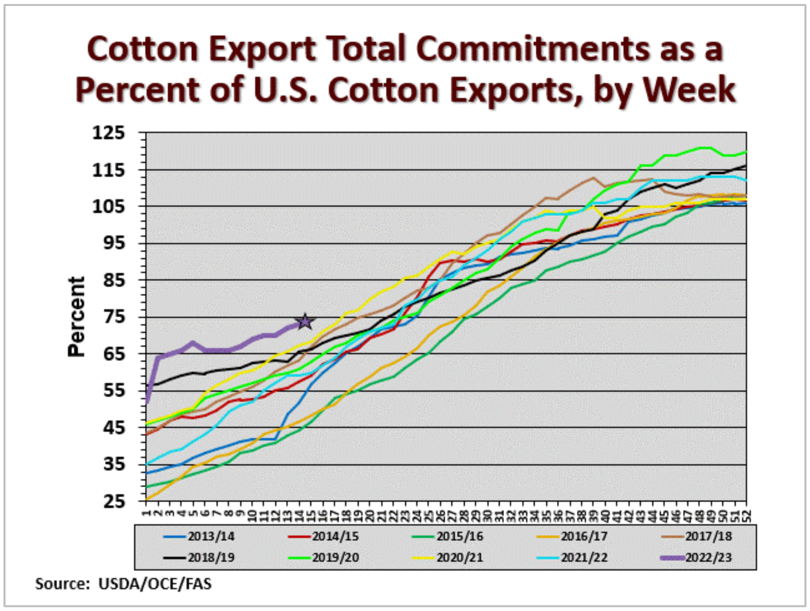


Global cotton prices were mostly unchanged compared with last month's WASDE but experienced significant volatility. The nearby December 2022 contract on the Intercontinental Exchange (ICE) fell over 15 cents to 72 cents but surged back to a level above 85 cents. In the most recent Commodity Futures Trading Commission report for November 1, non-commercial traders held a significant number of short positions on the futures exchange before prices went limit up for 3 consecutive days. The potential "short squeeze" likely induced greater buying in the futures market and boosted prices. Moreover, the prospective convergence of spot and futures prices has also supported prices, i.e., as the nearby contract moves towards its last day of options trading (November 11) and First Notice Day (November 23).

The blue line in the chart above shows actual weekly export shipments through the past week of the 2022/23 marketing year (converted from running bales into 480 lb. statistical bales, using USDA's conversion factor of 1.03). The week ending November 3 saw export shipments below the needed pace to reach USDA's 12.5 million bale target (Dr. John Robinson, TAMU).



Another indicator of export demand is the percent of U.S. export total commitments to USDA's forecast export target of 12.5 million bales. Total commitments of all cotton as of November 3, 2022 include 2,797,725 bales worth of accumulated exports of all cotton, i.e., pima and upland sold and actually shipped since August 1. It also includes another 6,082,688 running bales of pima and upland sold but not yet shipped ("outstanding sales"). The total of accumulated exports and outstanding sales is 8,880,413 running bales of total commitments which, after converting to statistical bales, is 73% of USDA's 12.5 million bale target for 2022/23 U.S. exports. This is above the historical pace of export sales, reflecting the generally tight situation that this year is shaping up to be (Dr. John Robinson, TAMU).



International cotton prices continued their downward trajectory in October, under the lead of a falling New York futures market. The Cotlook A Index reached its high point for the period, of 106.65 US cents per lb, on October 12, and fell to a low of 89.50 by the end of the month. That represents a level not seen since August last year, and a decline of over 48 percent from the Index's recent high point in early May.

The gloomy macro-economic outlook continued to weigh on price sentiment, as impending recession and runaway inflation further impacted consumer confidence in many of the world's major economies. Reports from spinners lamented the persistently slow pace of downstream orders and rising yarn inventories, at the same time that mills were receiving delayed deliveries of high-priced cotton bought much earlier. In general, mill demand was therefore at a low ebb for much of the period in view.

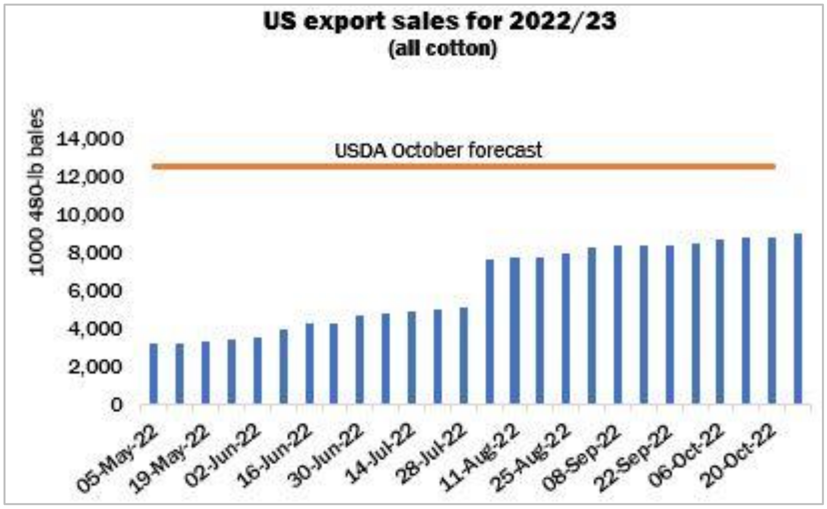
The major exception to the lack of import buying during October continued to be the Indian subcontinent, where mills in Pakistan and (to a lesser extent) those in Bangladesh showed a fairly consistent demand for lots available nearby, as well as more sporadic purchases of cotton further forward. However, as the month progressed it became clear that mills were buying largely in an attempt to reduce the average cost of their inventories, rather than in response to any noteworthy improvement in the business climate.

So far, downstream trade data have largely failed to convey the stagnation reported from all levels of the mill sector – for example, Bangladesh's earnings from ready-made garment exports during October were robust at US$3.7 billion. However, the rate of growth is slowing month-on-month, and anecdotal reports of very weak apparel orders do not bode well for the numbers in the remainder of the year.

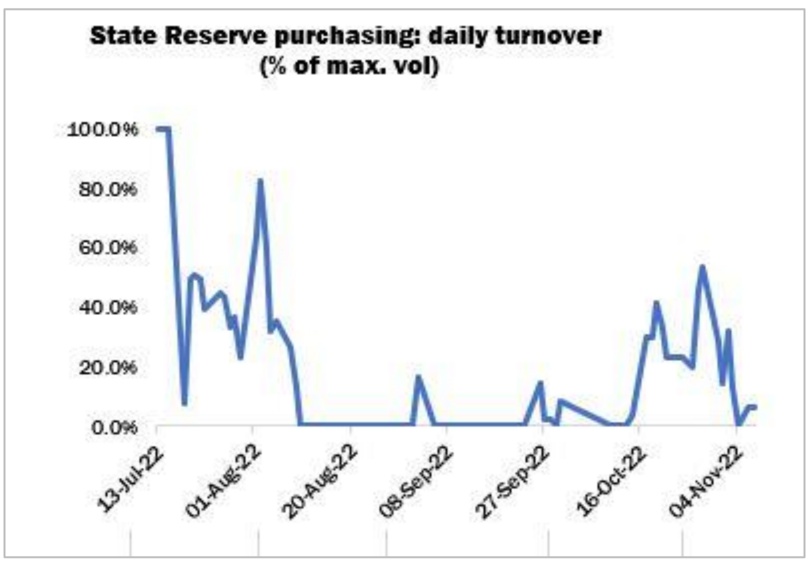
One bright spot in the trade landscape during October concerned the last US export sales report of the month, in which China was named as the major destination, with a net increase to upland commitments of 122,000 running bales (500 lbs). Much of that business was attributed to the utilisation of import quota before such time had passed as to make arrival before the relevant deadline untenable. Chinese buyers were prompted not only by the threat of losing out when quota is allocated next year (for Beijing operates on something of a 'use it or lose it' system), but also by the fact that the discrepancy between global and Chinese prices was at its narrowest for many months.

The country remains the major destination in terms of market share, accounting for 22 percent of total US upland commitments, but still largely as a result of the sizeable volume of unshipped sales that were

carried over from last season, rather than a fresh bout of purchasing in recent months. In fact, during the seven weeks prior to the October 27 export report, China had actually recorded a net reduction to its overall upland commitment, of around 32,000 running bales. Overall, the outlook for Chinese import demand this season is not viewed with any great optimism, as the domestic textile economy continues to be affected by Covid related measures, and local supplies are abundant. There remains a sizeable carryover from the domestic 2021/22 crop and forecasts of the new crop, ginning of which is in full swing, have been tending higher.



Meanwhile, sales of domestic cotton to China's State Reserve during the month were rather more active, at 21,200 tonnes (versus less than 3,000 tonnes in September). The total volume purchased by the Reserve by the end of October was more than 80,000 tonnes, but not of a magnitude to alter the overall dynamics of supply and demand on the local market



<u>PLC Farm Program Payment Projections – 2022/23 CY</u>

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	$6.80	$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 November 9, 2022 WASDE report.

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, 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, Cotton Grower, Cotton Incorporated, Cotton Outlook, Creed Rice Report, Dr. O.A. Cleveland, Daniels Trading, Delta Farm Press, DTN Progressive Farmer, Farm Futures, Fiber 2 Fashion, Gro Intelligence, Hightower Report, Intercontinental Exchange, International Grains Council, Iowa State University, Lakefront Futures and Options, LSU AgCenter, Mississippi State University, National Cotton Council, NOAA, Peterson Institute of International Economics, Plains Cotton Cooperative Association, Plexus Cotton, Pro Farmer, Refinitiv, Reuters (Ms. Karen Braun), Rice Market Letter, Southeast Farm Press, Sovecon, StoneX, Successful Farming, Texas A&M University (Dr. 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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