Staff Report No. 2022-44 **August 15, 2022**

August Market Update
Corn, Soybeans, Rice, and Cotton

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WASDE Summary

The 2022/23 U.S. corn outlook for this month calls for lower supplies, reduced feed and residual use, slightly higher food, seed, and industrial use, smaller exports, and lower ending stocks. Projected beginning stocks for 2022/23 are 20 million bushels higher based on a lower use forecast for 2021/22, where a reduction in corn used for ethanol is partially offset by greater use for glucose and dextrose. Corn production for 2022/23 is forecast at 14.4 billion bushels, down 146 million from July projections. The season's first corn yield forecast that is survey-based projects yields at 175.4 bushels per acre, 1.6 bushels below last month's projection. Among the major producing states, today's Crop Production report indicates that yields are forecast above a year ago in Illinois, Minnesota, and South Dakota. Yields in Indiana, Missouri, Nebraska, and Ohio are forecast below a year ago. Iowa is unchanged. Total U.S. corn use for 2022/23 is reduced forty-five million bushels to 14.5 billion. Feed and residual use is lowered twenty-five million bushels based on a smaller crop. Corn used for glucose and dextrose is projected higher based on observed use during 2021/22. Exports for 2022/23 are cut twenty-five million bushels to 2.4 billion. With supply falling more than use, ending stocks are lowered eighty-two million bushels to 1.4 billion. The season-average corn price received by producers is unchanged at $6.65 per bushel.

The outlook for 2022/23 U.S. wheat this month is for increased supplies, higher domestic use and exports, and reduced stocks. Supplies are raised on higher production with all wheat production forecast at 1,783 million bushels, two million bushels up from last month. Reductions in winter wheat and Durum are more than offset by an increase in Other Spring Wheat. The all-wheat yield is 47.5 bushels per acre, up 0.2 bushels from last month. Food use is raised six million bushels to 970 million, primarily based on the NASS Flour Milling Products report, issued August 1st. The report indicated record wheat flour millings in the April-June quarter, which resulted in raising 2021/22 food use to a record 972 million bushels. Wheat exports for 2022/23 are increased twenty-five million bushels to 825 million with most of the upward adjustment for Soft Red Winter and White, based on competitive export prices. Projected

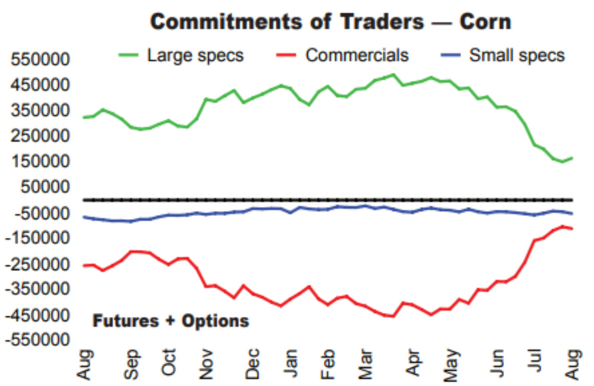
2022/23 ending stocks are lowered twenty-nine million bushels to 610 million. The projected 2022/23 season-average farm price (SAFP) is reduced $1.25 per bushel to $9.25. This is based on prices received for marketings to date, which are lower than previously expected. However, the SAFP is still projected at a record, surpassing $7.77 per bushel in 2012/13.

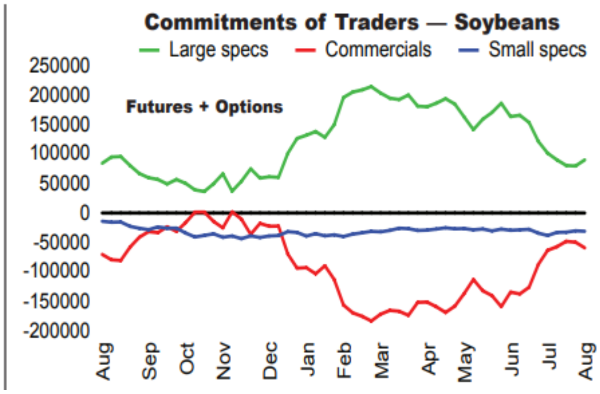
U.S. soybean supply and use changes for 2022/23 include higher beginning stocks, production, exports, and ending stocks. Beginning soybean stocks are raised on lower 2021/22 exports. Soybean production for 2022/23 is forecast at 4.53 billion bushels, up twenty-six million with higher yields more than offsetting lower harvested area. Harvested area is forecast at 87.2 million acres, down 0.3 million from July. The first survey-based soybean yield forecast of 51.9 bushels per acre is raised 0.4 bushels from last month. Soybean supplies for 2022/23 are projected at 4.8 billion bushels, up thirty-six million from last month. U.S. soybean exports are raised 20 million bushels to 2.16 billion on increased supplies. Soybean ending stocks are forecast at 245 million bushels, up fifteen million. The U.S. season-average soybean price for 2022/23 is forecast at $14.35 per bushel, down five cents from last month. Soybean meal and oil price forecasts are unchanged at $390 per short ton and 69.0 cents per pound, respectively.

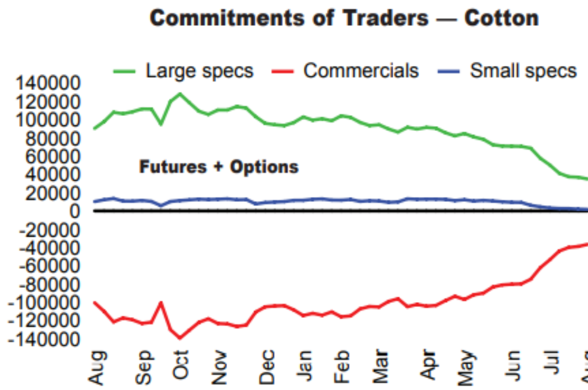
The outlook for U.S. rice in 2022/23 this month is for increased supplies, unchanged domestic and residual use and exports, and higher ending stocks. Supplies are raised on higher production that more than offsets a decrease in beginning stocks. The initial survey-based production forecast for the 2022/23 crop year increased production from the previous forecast by 1.5 million cwt to 176.0 million, all on higher yields. The average all rice yield is forecast at 7,627 pounds per acre, up 66 pounds from the prior forecast. Long-grain production is forecast at 140.3 million cwt and combined medium- and short-grain production is forecast at 35.7 million. Combined medium- and short-grain production is still down twenty-four percent from a year earlier and is at the lowest level since 1985/86. All rice exports for 2022/23 are unchanged, with an increase for milled rice exports offset by a decrease in rough rice. Projected all rice ending stocks are raised to 36.5 million cwt, up 1.0 million from last month but still 12 percent lower than last year. The 2022/23 all rice season-average farm price is increased $0.60 per cwt to a record $18.80, compared to last year's $15.80, with increases in both long-grain and medium- and short-grain.

In this month's 2022/23 U.S. cotton projections, beginning stocks are slightly larger, and a 3-million-bale decrease in production results in lower exports, mill use, and ending stocks. Beginning stocks are larger as estimated exports for 2021/22 are reduced 100,000 bales based on final Export Sales data and Census Bureau data through June. NASS's first survey-based estimate of production for 2022/23 is 12.6 million bales—the lowest since 2009/10—with the crop reduced by projected historically high abandonment in the Southwest. Exports are projected two million bales lower than in July and mill use is 200,000 lower. Ending stocks are 600,000 bales lower, equating to 12.6 percent of expected use, eight percentage points lower than in 2021/22, and the lowest stock/use ratio since 1924/25. The U.S. season-average price for upland cotton is forecast two cents higher this month at $0.97 cents/lb.

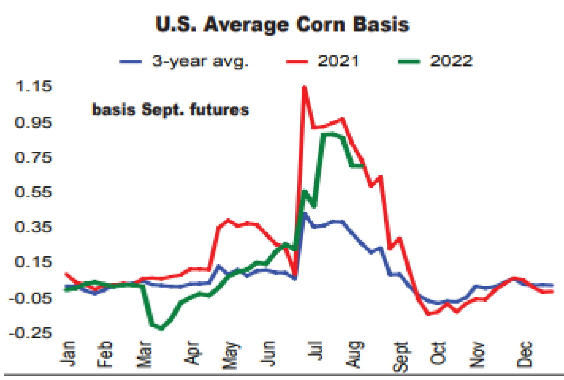
Commitment of Traders Report, Tuesday, August 9, 2022

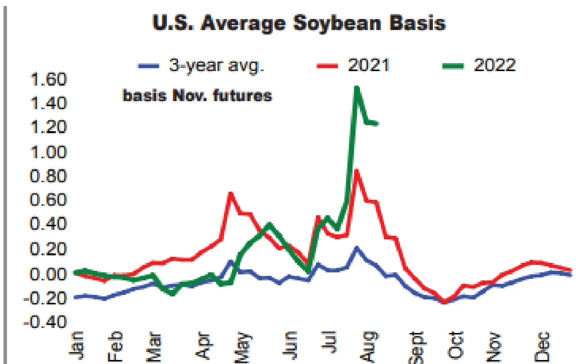


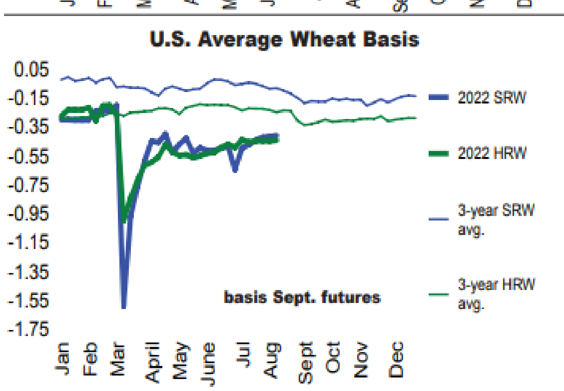


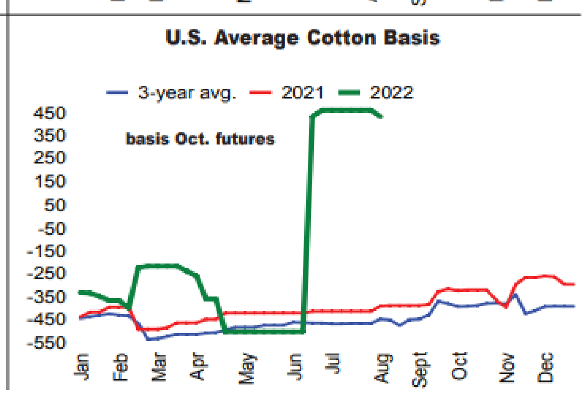


Cash Market Basis Charts, Wednesday, August 10, 2022









Corn

USDA's initial corn crop estimate 33 million bushels lower than the average pre-report trade estimate and down 146 million bushels from the July projection. USDA estimates the national average yield at 175.4 bushels per acre, down 1.6 bushels per acre from last year's record and 5.6 bushels (3.1%) below trend. USDA estimates harvested acres at 81.840 million acres, 100,000 acres less than previously forecast.

In the top twelve corn producing states, USDA estimates yields at 203 bushels per acre in Illinois, 189 bushels in Indiana, a record 205 bushels in Iowa, 123 bushels in Kansas, 170 bushels in Michigan, 193 bushels in Minnesota, 153 bushels in Missouri, 181 bushels in Nebraska, 145 bushels in North Dakota, 190 bushels in Ohio, 147 bushels in South Dakota and a record 185 bushels in Wisconsin. The only U.S. states where corn yield is doing notably better than last year are in the northwest (Dakotas, Minnesota). Otherwise, many states in worse shape, especially in the southeast. Iowa is set to tie last year's high. Wisconsin was the only other state producing a record.

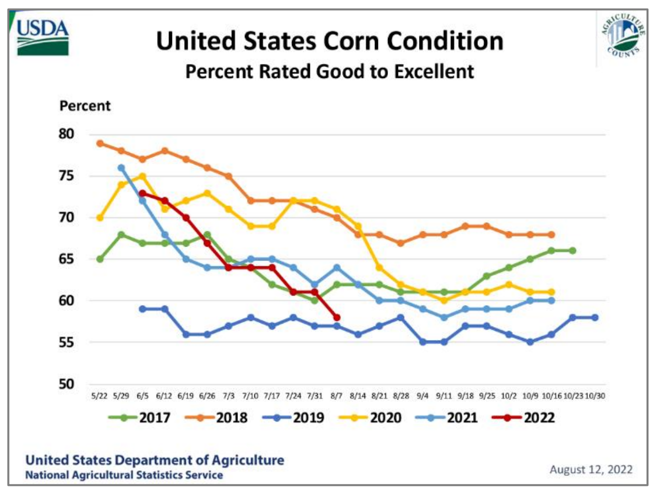
U.S. Corn Yield – USDA/NASS

(bushels per acre)

	2021	2022 Aug.	22/21 chg
Iowa	205	**205**	0.0% RT
Illinois	202	**203**	0.5%
Nebraska	194	**181**	-6.7%
Minnesota	178	**193**	8.4%
Indiana	195	**189**	-3.1%
South Dakota	135	**147**	8.9%
Kansas	139	**123**	-11.5%
Ohio	193	**190**	-1.6%
Wisconsin	180	**185**	2.8% R
Missouri	160	**153**	-4.4%
North Dakota	105	**145**	38.1%
Michigan	174	**170**	-2.3%
Kentucky	192	**147**	-23.4%
Texas	128	**120**	-6.3%
Colorado	129	**118**	-8.5%
Pennsylvania	169	**158**	-6.5%
Arkansas	184	**178**	-3.3%
Tennessee	170	**130**	-23.5%
North Carolina	149	**108**	-27.5%
Mississippi	181	**178**	-1.7%
U.S. TOTAL	177	**175.4**	-0.9%

Note: "R" denotes a new record, "RT" denotes tied record

Data source: USDA/NASS **@kannbwx**

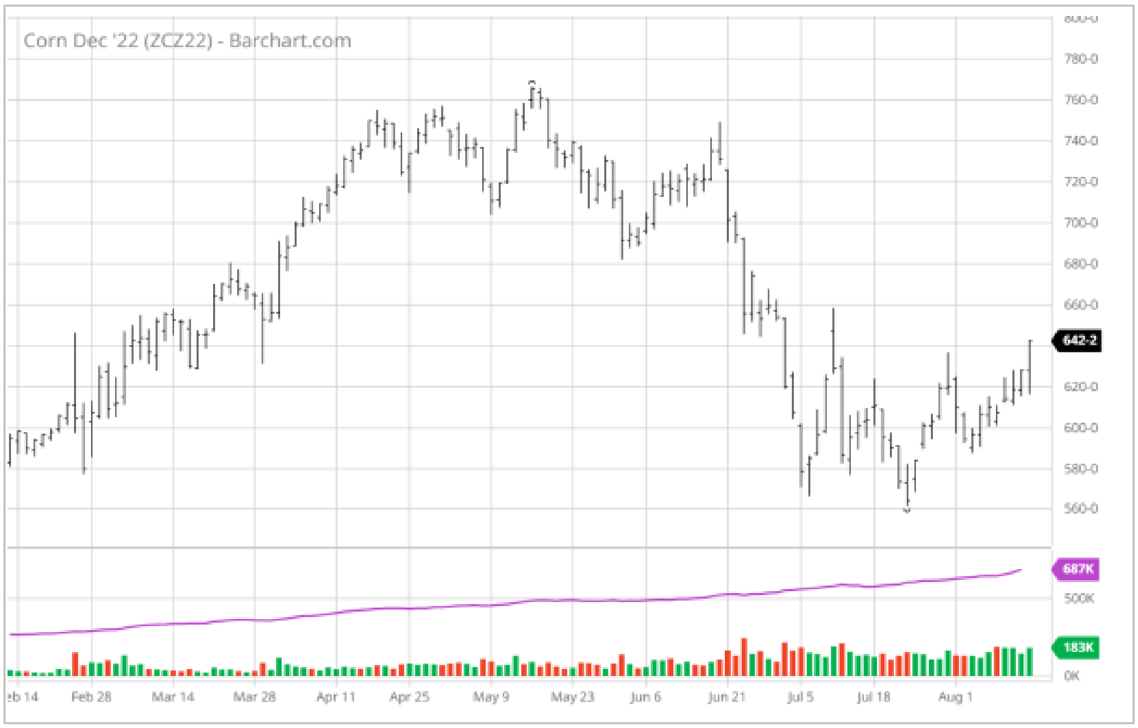


For corn, USDA cut yield from 177.0 bushels per acre to 175.4, this comes in below average analysts' estimates of 175.9. As many in the trade have noted, crop ratings and past crop history would indicate a yield in the neighborhood between 172-173 bushels per acre, but there is still a bit of time left before harvest and it is not surprising that USDA would be a little conservative in cutting the yield. Total production is seen at 14.359 billion bushels, down from 14.505 billion last month and the average analyst estimate of 14.392 billion.

The corn carryout for old crop was raised to 1.53 billion bushels, up from 1.510 billion last month, whereas the trade was expecting it to remain essentially steady. The increase was due in part to a 25-million-bushel cut to corn-use-for-ethanol, to 5.35 billion bushels. That increased carry-in for 2022-23 helps offset the smaller expected corn crop, leaving the projected new crop corn carryout at 1.388 billion

bushels, down from 1.470 billion last month and the average analyst estimate of 1.402 billion. USDA cut 22-23 corn exports by twenty-five million.

Corn futures closed on a firm note with September adding 10-1/2 and December 14-1/2. Both closed at their highest level in 6 weeks. September ended the session at 6.39-3/4, adding 29-3/4 cents for the week, while December closed at 6.42, up thirty-two from last Friday. The CFTC Commitment of Traders report showed spec funds increasing their net long in corn futures and options by 12,141 contracts in the week ending August 9. They took that net long position to 142,062 contracts as of Tuesday. CFTC Supplemental Commitments of Traders data shows large speculators (non-commercials), who had pared a once-large, long position in the corn market down to about 36,000 contracts as of August 2nd, were active buyers of more than 19,000 contracts of corn futures/options during the week ended Tuesday putting them net long of nearly 55,000 contracts. Commercial traders, meanwhile, were net sellers of about 14,000 contracts and were net short more than 377,000 contracts at Tuesday's close. Spec. buying and commercial selling continued over the past three days. The daily chart of December corn futures shows a potential breakout of a six-week trading range, with Friday's close above $6.25. That should be a positive sign for corn futures following an uneventful August WASDE.



Relatively neutral USDA data indicates that corn traders already expect USDA to make further cuts to its U.S. corn production and yield forecasts and the projected 2022/23 corn carryout, based on crop condition ratings and weather. Some believe that corn futures are already overbought on short-term momentum indicators and the market focus could quickly shift to the upcoming harvest if news regarding further crop deterioration and tighter supplies are not forthcoming and if the timeline has not moved beyond the point where major shifts in corn yields should occur.

Weather models remained highly divergent on the U.S. weather pattern this morning, but mild to cool temperatures are expected across the U.S. Midwest the next couple of weeks, which along with forecast rainfall will maintain soil moisture levels. Crop concerns will remain high in the Plains and far western Midwest, where limited rainfall is likely in already dry areas.

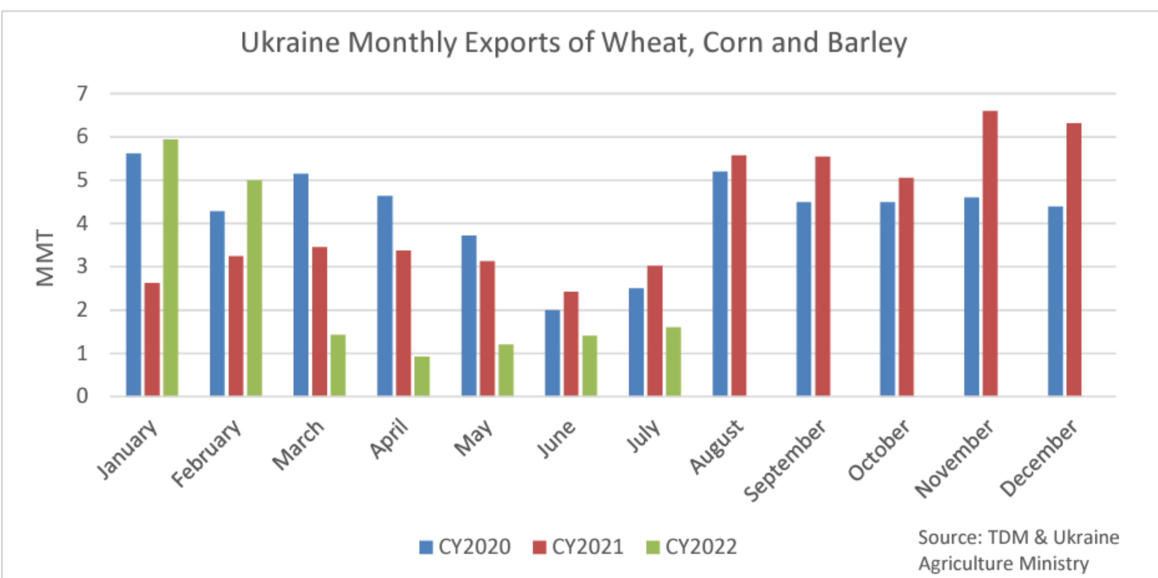
December corn settled near an eight-week high after USDA lowered its forecast for the U.S. corn crop more than expected, indicating extreme heat and arid conditions in the Midwest this summer crimped yield. USDA, in its Crop Production report, pegged the 2022 crop at 14.359 billion bushels, about thirty-three million bushels under expectations and down 146 million bushels from its July estimate. The estimated crop would be down 756 million bushels from 2021. This week's strong close may generate follow-through buying early next week, but traders will quickly shift attention back to Midwest weather and weekly crop ratings.

Midwest weather will continue to be the key influencer on price for at least a couple more weeks, with corn traders likely looking to the soybean market for direction ahead of USDA's next Crop Production update September 12th. Continued dryness in the western Corn Belt may keep prices elevated and could

spark a rally back toward the July high ($6.58) or even the $7.00 mark if traders sense yield prospects may further erode. USDA lowered its national average yield estimate to 175.4 bushels per acre, 1.6 bushels per acre down from last year's record and 5.6 bushels (3.1%) below trendline. But any widespread rain events would slow upside momentum.

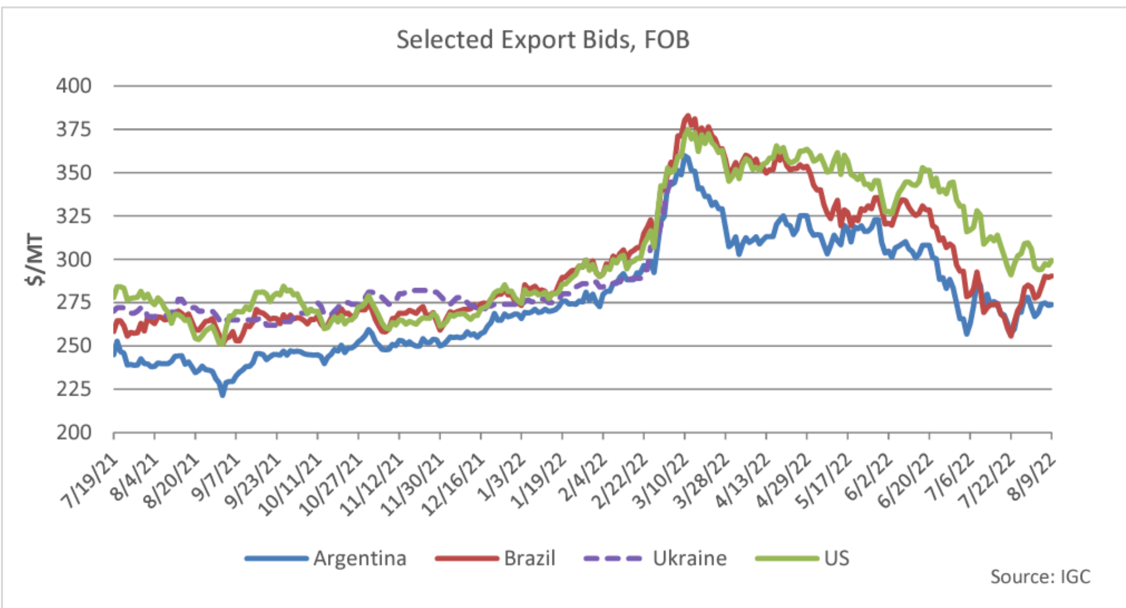
It is in the world numbers where most of the changes took place. Following a summer weather pattern that has been referred to as a "100-year drought," the European Union maize, or corn crop, was slashed by 8 million metric tons to 60 million metric tons (2.36 billion bushels). That is still 4.5 million metric tons above analysts' projections of 55.5 million metric tons - 2.18 billion bushels, with the drought and heat wave still ongoing. Other notable changes were a small 500,000-metric-ton increase in the Russian corn crop to fifteen million metric tons (590 million bushels), and a 5 million metric ton increase in that of Ukraine to 30 million metric tons (1.18 billion bushels). Ukrainian corn exports have also been increased by 3.5 million metric tons. One could surmise that the UN-brokered agreement for safe export passage from Ukraine continues without a hitch. The EU production problems could easily be a positive for U.S. corn farmers, on increased export potential. World ending stocks of corn for 2022-23 fell much further than the trade had anticipated -- from 312.9 million metric tons (12.3 billion bushels) to 306.7 million metric tons (12.07 billion bushels) due to combined EU and U.S. reductions.

On July 22, 2022, delegates from Ukraine, Turkey, Russia, and the United Nations signed an agreement to provide safe passage for grains from select Ukrainian ports (Odesa, Chornomorsk, Pyvdenny), offering a potential corridor for movement of Ukrainian grain through the Black Sea. This is welcome news for global importers as the expansion of Ukraine's export capacity for corn, barley, and wheat may ease the pressure of high global commodity prices. The benefits for Ukraine are numerous, not least of which is the stimulation of the economy and influx of funds. For Ukrainian producers and exporters, the ability to ship stored grain at the ports that would otherwise be sitting idle, based on the current pace of exports, is significant. Few grain silos in Ukraine are equipped with the aeration systems essential for long-term storage, putting farmers and exporters at risk of losing a significant share of their commodities, and in turn, the capital required for planting next season. While there is cautious optimism about the deal, several roadblocks exist, namely continuing conflict in and around port infrastructure (including transshipment silos), the demining of ports and routes, and persistent high logistical costs related to freight and insurance rates.



Ukrainian grain exports in the past have been highly seasonal with the largest volumes shipped just after harvest. Barley exports are robust between July and September, and wheat exports are largest between August and November. Corn volumes peak between November and May. Russia's invasion of Ukraine has constrained grain exports this year, leaving larger-than-normal supplies in storage. While exports via land have helped to alleviate the strain on storage capacity, production from the current wheat and barley crops and upcoming corn crop are expected to far exceed domestic consumption needs in a highly export-dependent country. Despite the roadblocks to the Black Sea grain corridor, this potential relief valve for Ukrainian grain supplies comes at an opportune moment, as exports, historically, pick up substantially over the next several months. As of this publication, about a dozen ships have left Ukrainian ports, primarily loaded with corn. USDA raised its 2022/23 forecasts for Ukraine corn exports 3.5 million tons to 12.5 million and Ukraine wheat exports 1.0 million tons to 11.0 million this month, in part reflecting expectations of improved export opportunities with the agreement.

Since the July WASDE, major exporters' bids have been mixed. U.S. bids were down $19 per ton to $299. Argentine bids were little changed, down just $1 per ton to $274. Brazilian bids were up by $7 per ton to $290. Demand for Brazilian corn appears strong and shipped volumes in August could be record or near-record high. Ukrainian bids remain unpublished. The opening of the grain corridor in the Black Sea is expected to infuse the world with some additional Ukrainian grain supplies, but uncertainty remains regarding potential volumes beyond the initial burst of shipments.



Wheat

Wheat futures sold off briskly immediately following the release of USDA's most recent reports, even though USDA unexpectedly lowered its 2022/23 U.S. wheat carryout forecast. However, futures rebounded significantly with HRW wheat contracts briefly turning higher on apparent support from the lower carryout and from renewed strength in corn futures. Ultimately, the market ended mostly lower. Large speculators raised their net short position in Chicago wheat by 3,432 contracts, leaving them net short 57,907 according to the CFTC. With corn and soybean growing seasons in late stages and harvest looming, look for wheat traders to look to the corn and soybean markets for price direction in coming weeks. Wheat traders in the coming weeks will continue to closely watch the U.S. dollar index, which this

week hit a four-week low. Further weakness in the dollar could help wheat futures establish a market floor after recent sideways and choppy trading at lower levels.

U.S. quotes declined from the previous month, reflecting a combination of sustained weakness in demand for U.S. wheat and harvest pressure. Hard Red Spring (HRS) declined $28/ton from last month to $387 per ton as NASS crop condition ratings in North Dakota and Minnesota improved. Hard Red Winter fell $20 per ton to $377 as the harvest reaches completion. Soft White Winter (SWW) slid $14 per ton to $374 as the building harvest pressured prices with a larger-than-expected crop. Soft Red Winter (SRW) dropped $14 per ton to $330 with favorable recent harvest results.

The situation between Ukraine and Russia has not calmed militarily, but the agreement to allow grain exports out of the Black Sea region appears to be moving. Reuters reports two more ships left Ukraine today, including the first shipment of wheat since the deal, a small amount headed to Turkey. There have been 14 ships carrying grain depart in the past two weeks since the deal went into effect.

Global wheat prices declined slightly since July's WASDE. EU quotes fell $18 per ton on the declining euro and the Ukrainian safe passage agreement. Russian quotes are the most competitive and have fallen $21 per ton as beneficial weather boosts record production. Canadian quotes slid $13 per ton as much of the crop rates good/excellent after drought conditions in the western portions of the Prairies were alleviated by much-needed rain. Australian quotes experienced the largest drop of $27 per ton as continued favorable weather conditions are anticipated to elevate production above the 10-year average. Argentine quotes dropped $20 per ton to be more in line with other countries but Argentina remains the most expensive origin on tight stocks, the result of a robust pace of exports earlier this year.

Soybeans

USDA's first soybean crop estimate would be a record and came in 50 million bushels higher than traders expected and up 26 million bushels from the July projection. The national average yield of 51.9 bushels per acre would match the 2016 record. USDA lowered its harvested acreage estimate by 300,000 from June to 87.211 million acres.

USDA estimates record soybean yields in seven states – Arkansas, Illinois, Indiana, Maryland, Mississippi, Ohio and Virginia. In the top thirteen production states, USDA estimates yields at 53 bushels per acre in Arkansas, 66 bushels in Illinois, 60 bushels in Indiana, 58 bushels in Iowa, 40 bushels in Kansas, 47 bushels in Michigan, 50 bushels in Minnesota, 49 bushels in Missouri, 55 bushels in Nebraska, 35 bushels in North Dakota, 57 bushels in Ohio, 43 bushels in South Dakota and 52 bushels in Wisconsin.

USDA's yield forecast for U.S. soybeans ties 2016's record 51.9 bu/acre, bolstered by new records in eastern states including the top grower, Illinois. It is likely dryness in Nebraska and Iowa has limited potential there, but North Dakota is seen bouncing back from last year's drought.

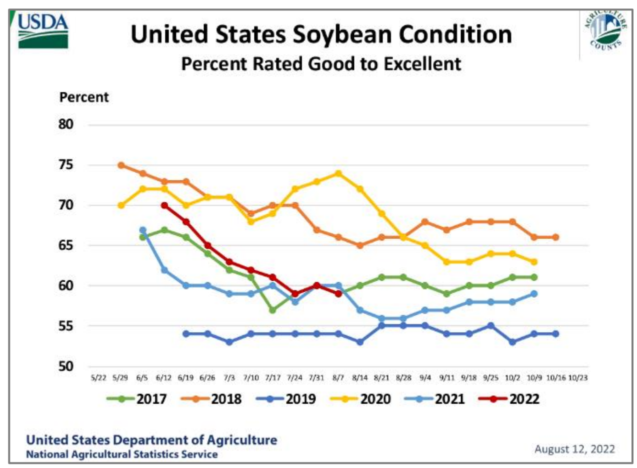
U.S. Soybean Yield – USDA/NASS

(bushels per acre)

	2021	2022 Aug.	22/21 chg	
Illinois	64	**66**	3.1%	R
Iowa	62	**58**	-6.5%	
Minnesota	47	**50**	6.4%	
Indiana	59.5	**60**	0.8%	R
Nebraska	63	**55**	-12.7%	
Ohio	56.5	**57**	0.9%	R
Missouri	49	**49**	0.0%	
South Dakota	40	**43**	7.5%	
North Dakota	25.5	**35**	37.3%	
Kansas	39.5	**40**	1.3%	
Arkansas	51	**53**	3.9%	R
Mississippi	54	**55**	1.9%	RT
Michigan	51	**47**	-7.8%	
Wisconsin	55	**52**	-5.5%	
Kentucky	56	**54**	-3.6%	
Tennessee	50	**44**	-12.0%	
Louisiana	52	**52**	0.0%	
North Carolina	40	**37**	-7.5%	
Pennsylvania	53	**50**	-5.7%	
Virginia	46	**47**	2.2%	R
U.S. TOTAL	51.4	**51.9**	1.0%	RT

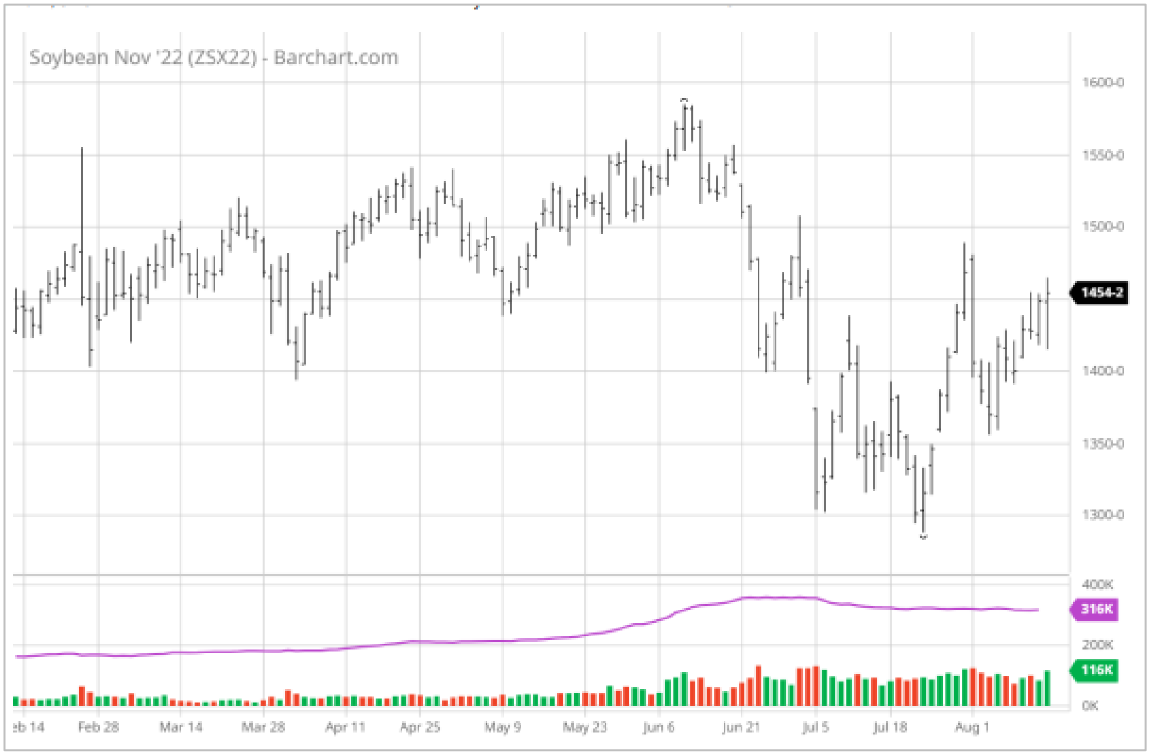
Note: "R" denotes a new record, "RT" denotes tied record

Data source: USDA/NASS **@kannbwx**

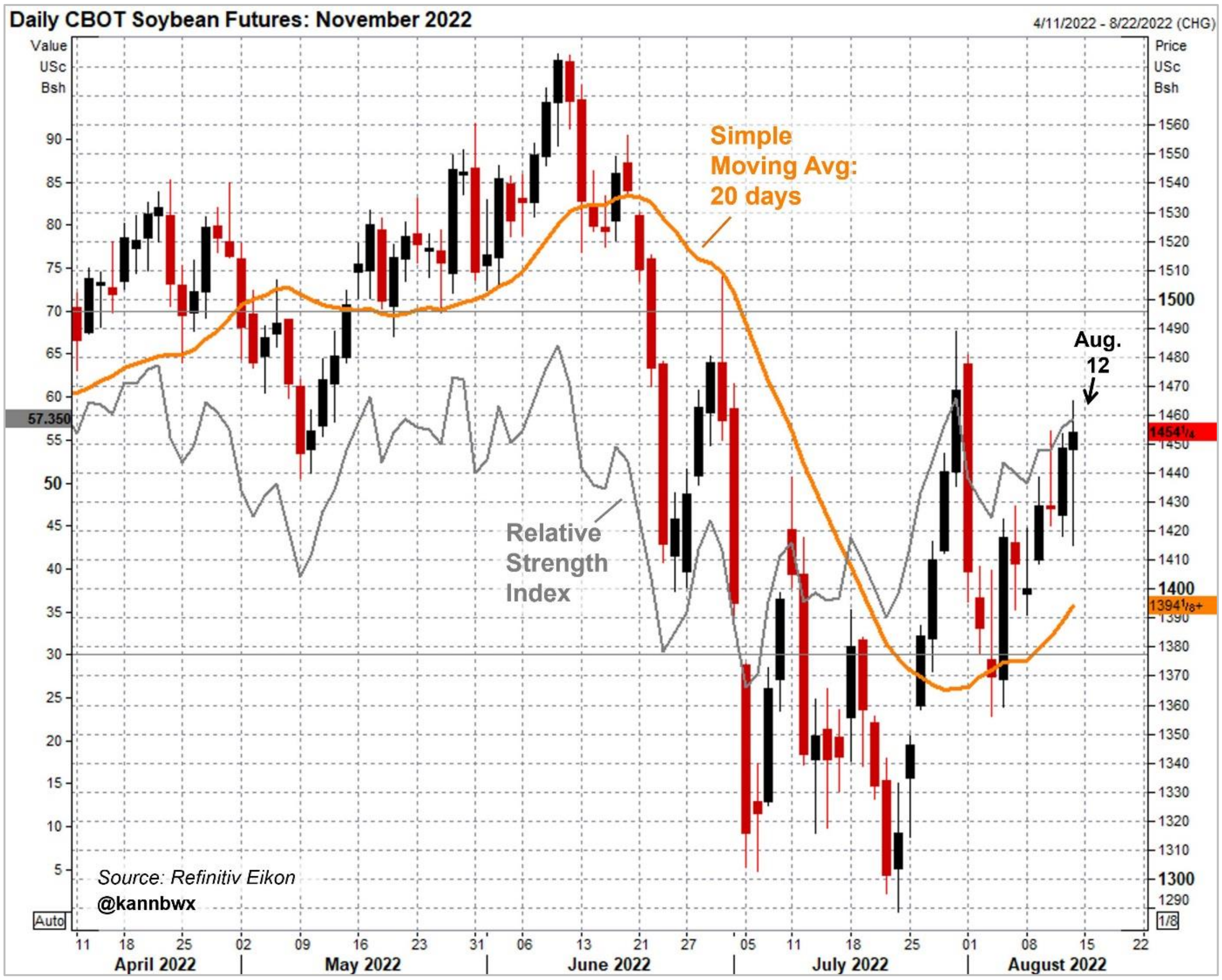


Soybean futures sold off in reaction to USDA's larger-than-expected U.S. crop production and ending stocks estimates but recovered to finish 2 to 14 cents higher amid skepticism over USDA's U.S. yield estimate and strength in corn futures. Recent hot weather in the Plains and far western Midwest remained supportive for prices. Crude oil futures weakness and a strong dollar were negative market factors.

Soybean futures ended up closing higher after a day of volatility following the USDA report. Prices fell after the report as it was bearish for beans, but eventually found buyers and recovered. September soybeans gained fourteen cents to end the session at 15.35, and Nov gained 5 cents to 14.54. The August contract went off the board today at 16.69. For the week, September beans gained seventy-one cents, and November gained forty-five cents. Commitment of Traders data showed managed money adding 2,038 contracts to their net long in soybean futures and options. They took that position to 101,509 contracts as of August 9th.



Just like the corn market, the soybean market already seems to be discounting the latest USDA soybean production and yield forecasts as being too high under the notion that hot weather in conditions in western growing areas have already cut yields there. Meanwhile, USDA partially offset its higher-than-expected crop forecast by raising next year's projected exports by twenty million bushels. USDA's U.S. soybean balance sheet still points to a tight supply/demand situation with little room for crop losses. USDA now forecasts a 2022/23 ending stocks/use ratio of 5.4% compared with the ratio of 5.1% that was forecast in July.



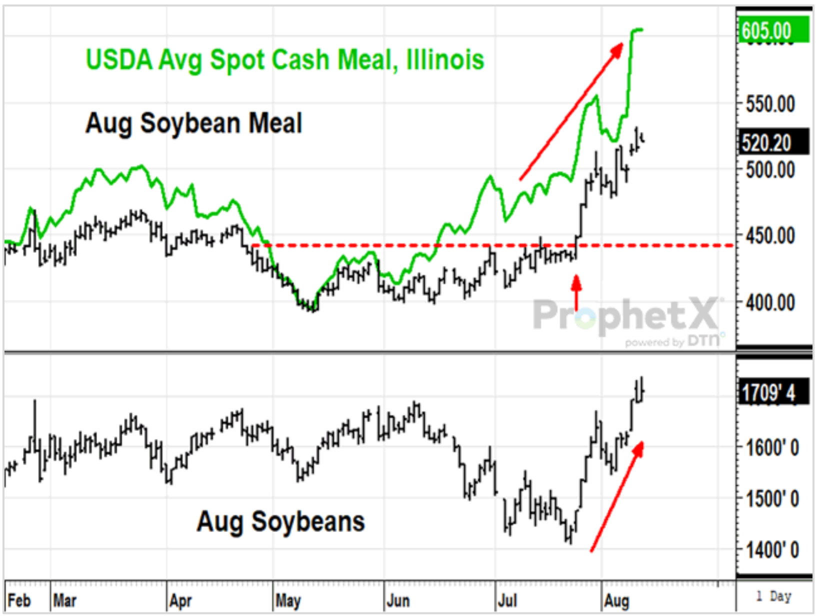
As with corn, if the crop picture stabilizes, the soybean market's focus may quickly turn to the upcoming harvest. Much of the crop will be moving out of its key growing period by late August. Although there is a higher chance for a frost scare in the Dakotas and Minnesota this year due to the late planting season there. Only 60% of Minnesota soybeans were setting pods as of this past Sunday versus the 5-year average of 77%. USDA did lower planted and harvested soybean acreage today by 300,000 after resurveying producers on plantings in the Dakotas and Minnesota during July.

In its first survey-based figures, USDA estimated the crop at a record 4.531 billion bushels, up from 4.505 billion bushels in a July forecast. Analysts on average expected USDA to lower its estimate by about fifty million bushels With USDA's crop estimate as a starting point, trade focus will quickly return to Midwest weather and weekly crop ratings Monday. This week's strong close could fuel follow-through buying interest early next week, with market bulls likely targeting the July high in November futures at $14.89.

Over the next month, weather during the second half of August and early September will be key to soy complex direction as the growing season winds down. Persistent dryness in the western Midwest, combined with continued strength in soymeal and soyoil, could drive continued upside, but a widespread rain event could quickly send prices tumbling. Market uncertainty will remain high, and the next few weeks may bring more choppy, volatile price action as traders monitor weekly crop ratings and weather forecasts and wait for USDA's Crop Production update September 12th.

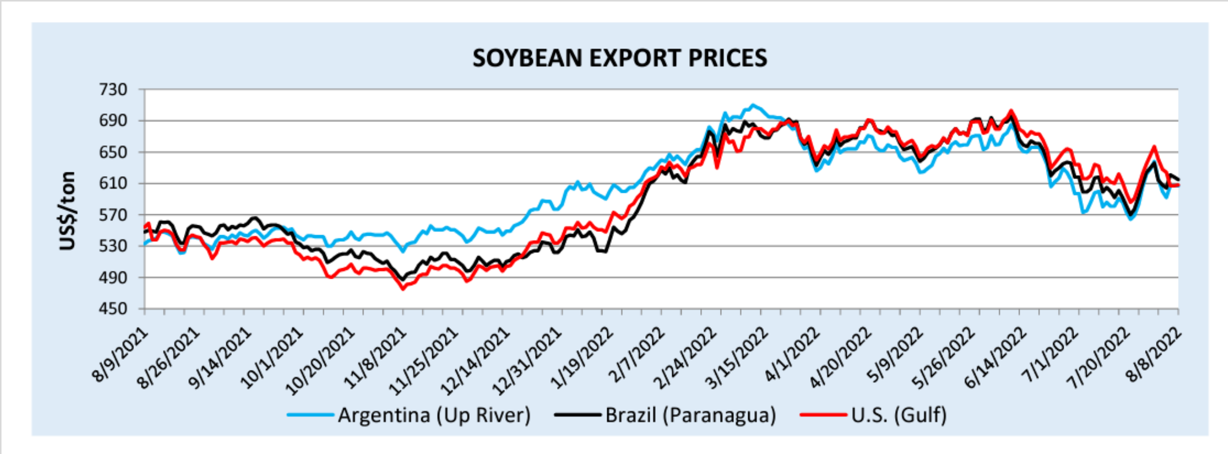
On Wednesday, August 10th, USDA's average spot price for soybean meal in Illinois closed at $605 per short ton, the highest close since records began in 2016 and has been the primary clue of just how bullish demand has become. Consider that the Illinois cash price is roughly $90 above the August futures price, a contract that expires Friday, August 12th, and still had 176 contracts open as of August 11th.

These charts show a highly unusual situation where cash soybean meal in Illinois is trading far above the expiring August contract. At the same time, August soybeans are trading well above the cash soybean price in Chicago and there have been no deliveries in August soybeans yet (DTN ProphetX chart).



As long as the September meal futures keep trending higher, the pressure remains on the short side of the market to come up with supplies. In mid-May, large speculators were short over 30,000 contracts of meal, but that number has now been squeezed to 9,566, the lowest total since the drought year of 2012. Strong demand for limited supplies of soybean meal at the same time the market needs soybean oil to extend diesel supplies has been quite a bullish combination, supporting soybean prices this year. Friday's report from USDA showed $20.65 worth of value came from crushing one bushel of soybeans in Illinois, 58% of which was from meal and 40% was from oil. The combined value in Iowa was even higher, at $21.41. With such strong demand for both products, soybean futures have their own bullish riddles to consider. August soybeans closed at $17.09 1/2 Thursday, nearly a dollar above the going price around Chicago, yet the contract expires Friday, August 12th, and no deliveries have yet been made.

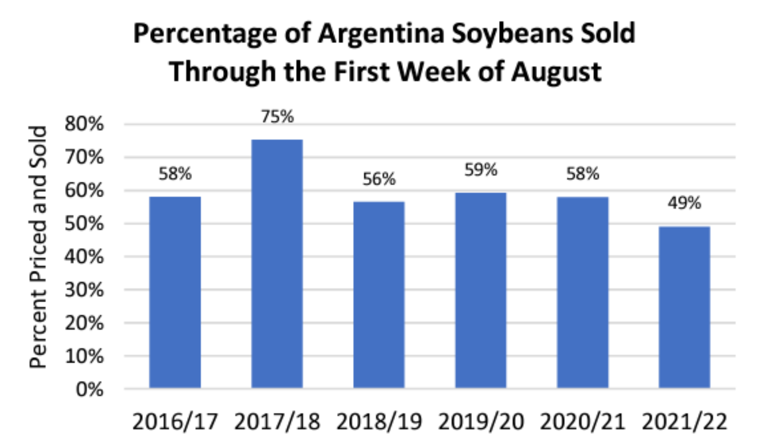
Average July soybean prices fell significantly for all major exporters. Subdued Chinese purchases and favorable weather in the Midwest applied downward pressure on prices from mid-June through late July. Additionally, the UN-backed agreement to reopen Ukraine exports through the port of Odessa pushed down global wheat, corn, and vegetable oil prices, which in turn led to further pressure on soybean prices. However, prices jumped in late July on hot, dry weather in the Midwest and tracking of gains in soybean meal. During the first week of August, soybean prices trended down again on favorable weather in the Midwest and improving crop conditions.



Monthly average soybean meal prices rose in July with premiums increasing for U.S. soybean meal vis-à-vis South America. Strong domestic demand for U.S. soybean meal is likely behind the rising premiums. U.S. meal demand is primarily driven by limited supply of other protein sources and feedstocks. Additionally, soybean meal is attractively priced compared to alternative feed ingredients. Argentine supplies have been tight for crushers as farmers hold soybeans as to mitigate inflation. This has forced processors to import soybeans from alternative markets to meet domestic crush demand, in turn, likely contributing to the strength in soybean meal prices.

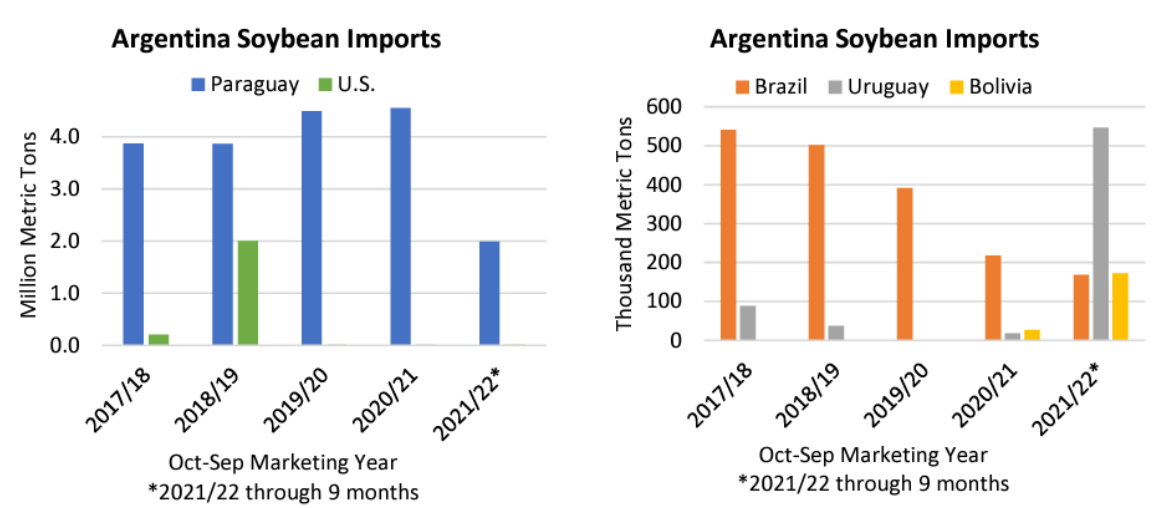
Vegetable oil prices plunged in July, reflecting greater exportable supplies of Indonesian palm oil. Palm oil prices have leveled off and are now lower than a year ago after a period of volatility caused by changes in Indonesian palm oil policies. Palm oil has returned to being at a discount to the other vegetable oils, whereas it was selling at an unusual premium just a few months ago. South American soybean oil prices stabilized over the past month after tracking lower with palm oil and have also returned to year-ago levels. Meanwhile, U.S. soybean oil remains at a premium compared to other exporters as demand for biodiesel feedstocks continues to buoy prices.

For the second consecutive month, Argentine soybean imports are raised 500,000 tons due to strong trade from non-traditional suppliers. Although imports are trending upward, they are still forecast well-below the previous 3-year average due to the South American drought that reduced soybean production in the region with lower crops in Paraguay (minus 58 percent) and Brazil (minus 9 percent) versus the previous year. These two countries traditionally account for about 90 percent of Argentina soybean imports but a combined 25-million-ton cut in total soybean supplies for these two largest exporters to Argentina boosted prices.



Source: Ministerio de Agricultura Compras y DJVE Total divided by USDA production forecast

Despite high prices, domestic crush in Argentina has remained strong on high crush margins. However, supplies for crushers have been tight at times as farmers have been more reluctant to sell soybeans in an effort to mitigate the risks of rising inflation, estimated at 90% for 2022 in a recent Argentina Central Bank poll. As a result, from the beginning of harvest in April through the first week of August, Argentina farmers have yet to sell half of the current USDA production estimate for the 2021/22 crop – the slowest pace in over a decade.



Source: Argentina National Institute of Statistics

With diminished Argentine soybean imports sourced from Paraguay and Brazil and reluctant farmer sales, processors have turned to importing from alternative markets to meet domestic demand. For example, imports sourced from Bolivia are already five times greater than last year's total through the first 9 months of 2021/22 (Oct-Sep). Over the past five years, Bolivia has not been a significant exporter of soybeans, only shipping nominal amounts to Peru. However, over the past 6 months (Jan-Jun), Bolivia has exported more than 250,000 tons of soybeans to Argentina. This recent surge in exports is mostly due

to increased interest in Bolivian soybeans from Argentina coupled with a strong 2021/22 Bolivia soybean crop. Likewise, imports sourced from Uruguay are nearly thirty times greater than last year. Typically, Uruguay sells soybeans predominantly to China, Europe, and North Africa, but Argentina has been the main destination in the first few months of 2021/22.

Tight soybean supplies throughout South America will make importing soybeans to Argentina more difficult as the marketing year progresses. In order to meet domestic demand, Argentina will need to continue to find alternative soybean suppliers or spur more farmer selling. In an effort to spark more domestic soybean sales, the Central Bank announced a program that will run through the end of August that allows farmers to fight off inflation by storing their earnings in U.S. dollars and deposits linked to U.S. dollars. This may incentivize more farmers to sell soybeans as the U.S. dollar has historically been more resistant to inflation than the Argentine peso.

Rice

Rice futures were higher for the week ending August 12th. September rice futures gained seven cents to $17.15, after trading a range of $16.96 to $17.19. November was up seven cents to $17.44 per cwt. Technically, the market spent this week trading within last week's range of $16.63 to $17.45 in the September contract. Price support was found at the $17.00-level and the 20-day moving average (green line in chart below). Since early July, the September contract has remained in an up-trending channel, establishing higher highs and higher lows. Trendline support currently sits at $17.00. A close below this trendline could be a bearish signal.

Domestic use and exports for 2022/23 were unchanged at 115 and 60 million, respectively. Projected ending stocks were increased to 23.7 million cwt, up 1.8 million from last month but still 6.7 percent lower than last year. The 2022/23 season-average farm price was increased $0.50 per cwt to a record $16.00, compared to last year’s $13.70 per cwt.

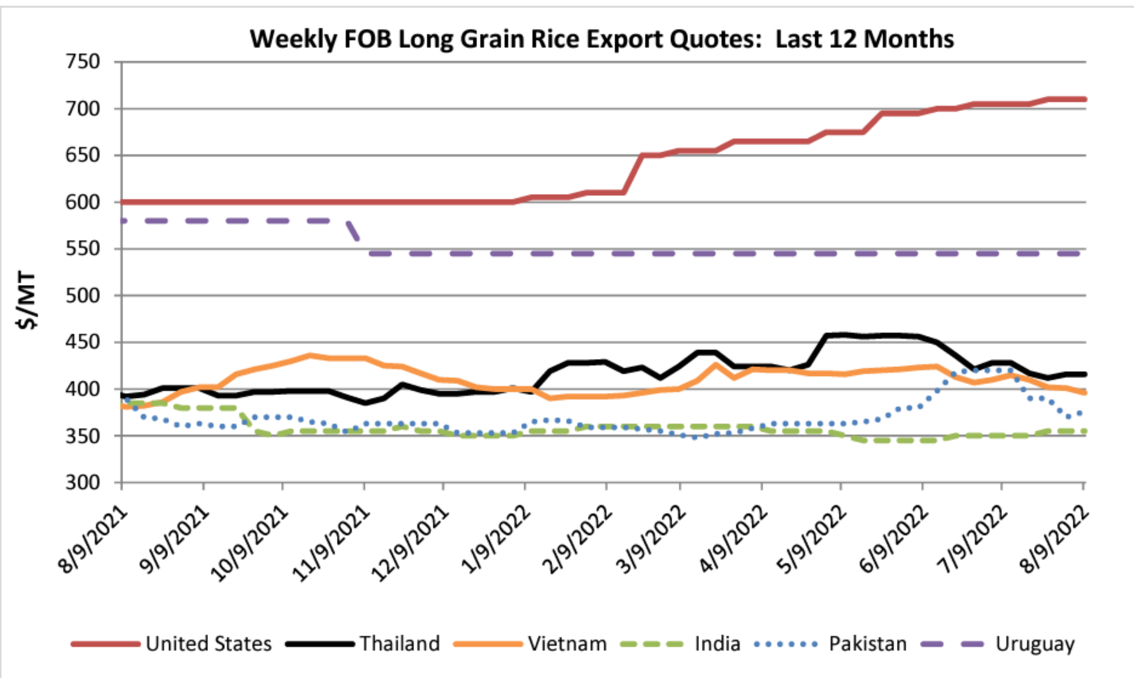
USDA raised its domestic crop estimate in August’s WASDE, somewhat surprising since this action was based on some of the anecdotal seasonal reports amidst hot, dry weather. But at the same time, USDA crop ratings have held up well, particularly in Arkansas. The report overall was not bearish, however. USDA cut global production due to crop issues in India and Bangladesh. And it raised the U.S. expected

average rice price to $18.80, up sixty cents from last month. This would be a record high. All-rice ending stocks are seen at 36.5 million cwt., up one million from last month, but down 12% from a year ago.

The U.S. new crop long-grain balance sheet included increased supply, unchanged domestic use and exports, and higher ending stocks. Total Supply was increased on higher beginning stocks and production. The increase in beginning stocks was the result of a .5 million cwt. increase in old crop (2021/22) ending stocks. Old crop imports were reduced by 0.5 to 31 million and exports were reduced one million to 62 million. The net result of these adjustments was a .5 increase in 21/22 ending stocks to 25.4 million. The initial survey-based production forecast for the 2022/23 crop year increased long-grain production from the previous forecast by 1.3 million cwt to 140.3 million, all on higher yields. The U.S. average long-grain yield is forecast at 7,471 pounds per acre, up sixty-nine pounds from the prior forecast.

In the 2022/23 global outlook, India's production was lowered 2.0 million tons to 128.5 million as dry weather in the northeast reduced planted area. World production for 22/23 is forecast to be slightly below the previous year's record high. World use is forecast at a record, up slightly this month to 518.7 million tons. Projected 2022/23 world ending stocks are lowered 4.2 million tons to 178.5 million, mostly due to smaller Indian stocks.

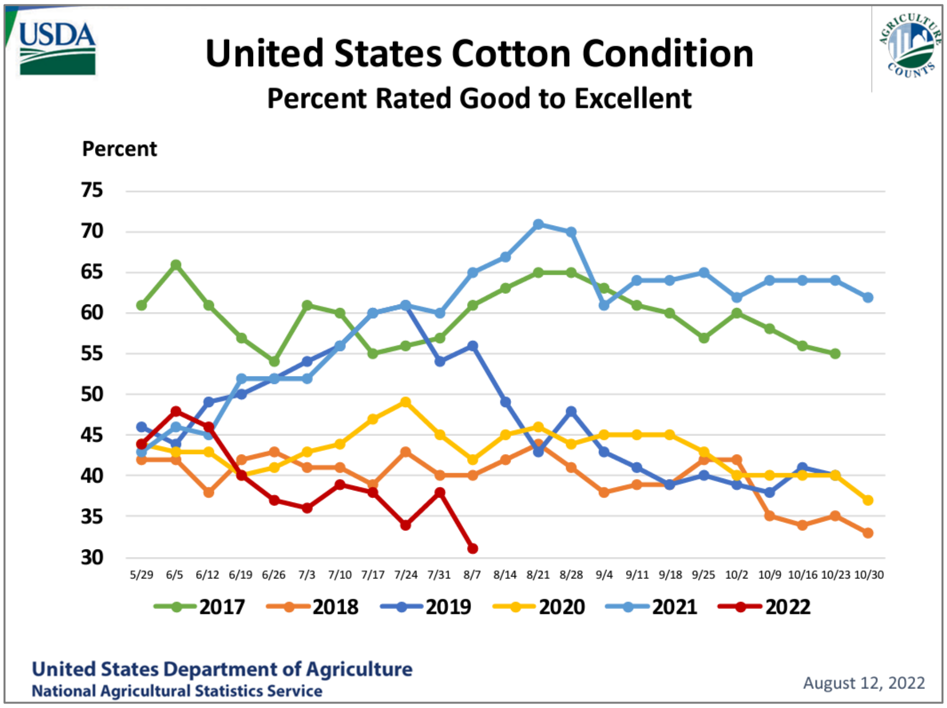
In the past month, U.S. quotes rose $5 to $710 per ton, their highest since 2008, amid tight supplies. Uruguayan prices remain steady at $545 per ton. Thai quotes fell $12 to $416 per ton due to the harvest of the second crop. Vietnamese prices fell by $14 to $396 per ton due to weaker demand from the Philippines. Pakistani quotes fell $44 to $376 per ton on weak demand. Indian quotes rose minimally by $5 to $355 per ton and remain the lowest globally.

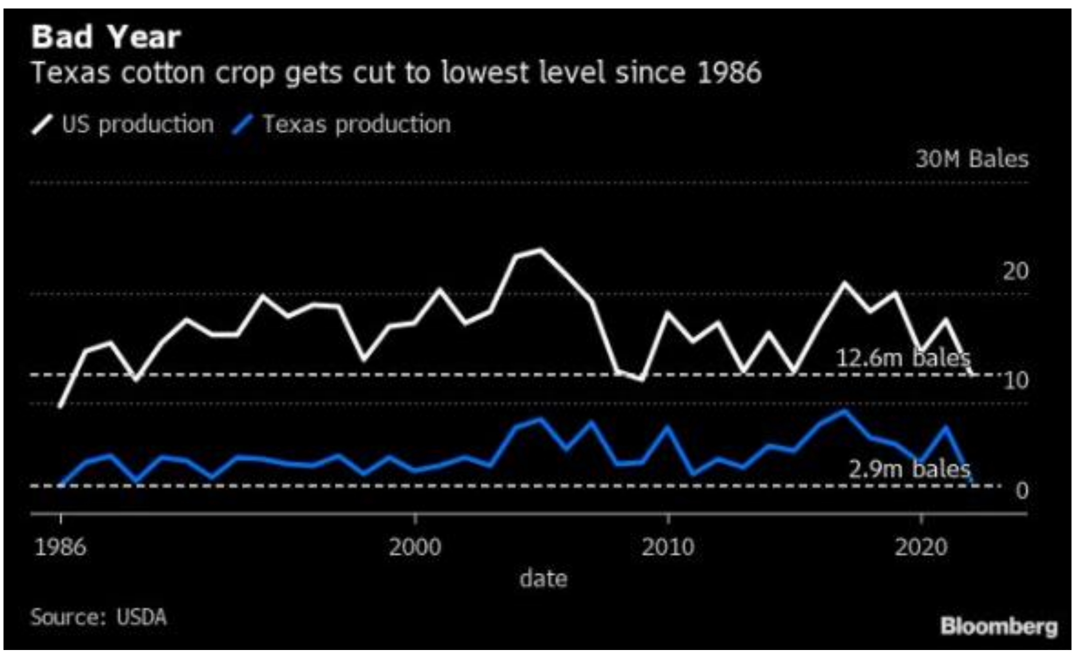


Cotton

USDA's initial cotton crop estimate came in 2.18 million bales lower than traders' expectations, 2.93 million bales down from July projections. The yield estimate at 846 lbs. per acre was cut 24 lbs. from USDA's July projection and harvested acres were slashed 1.42 million acres from June. USDA estimates

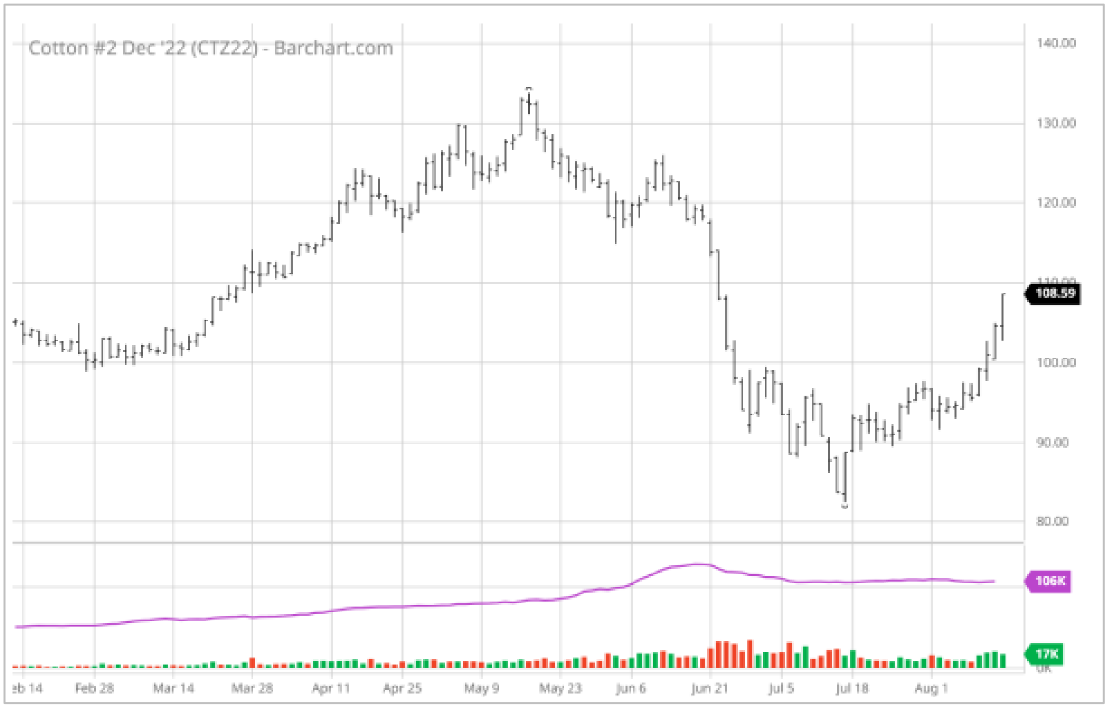
the cotton yield at 634 lbs. per acre in Texas, down 32 lbs. from last year. The Texas upland harvested acreage estimate at 2.2 million acres would be record-low, if realized.





Cotton futures have taken off sharply higher again after USDA pegged the 2022 U.S. cotton crop at just 12.57 million bales well below trade estimates that averaged 14.5 million in a range from 14.00-15.75 million. USDA slashed its estimate of harvested cotton acreage to 7.13 million acres from 8.55 million and lowered its projected yield to 846 lbs. from 870 lbs. USDA pegged the 2022-23 U.S. cotton carryout at only 1.80 million bales, down from 2.40 in July as it slashed projected exports by two million bales to

12.0 million due to tighter supplies. It raised the expected on-farm avg. cotton price by two cents to 97 cents per pound.



Cotton futures made their largest gain on Thursday, August 11th, when December futures rallied to limit up mid-day. The consistent movement higher left last Friday's low of 94.22 cents per pound as the week's low and Thursday's high at 104.94 cents as the week's high. December futures settled at 104.59, up 997 points for the week, which is the best five-day gain in the life of the December 2022 contract. Trading volumes were also their highest in a month as traders appear to feel more safe re-entering the futures market. Despite the higher volume and movement higher, aggregate open interest was down just eight contracts for the week at 188,078 (ending August 12th). Specs in cotton futures and options were adding 1,239 contracts to their net long position by Tuesday to 33,068 contracts per CFTC. The Cotlook A Index (old crop) was up 200 points at 119.20 cents on August 11th. USDA's AWP for cotton was down 1.29 cents on Thursday, to 88.15 cents/lb.

Prior to the release of the August WASDE report, December broke out of an ascending triangle pattern, breaking through several important resistance points along the way, with recent moves taking out the 50-day and 200-day moving averages. Since posting a low of 82.54 four weeks ago, December has advanced over twenty-two cents and seems poised for more gains based on the positive chart action. Volume has been increasing this week, which is constructive, although open interest is still limping behind, as December's open interest is the same as it was a months ago. This suggests that a lot of the buying has come from short covering so far, but the bulls will point out that new longs are yet to come in.

Another source of potential buying is the large amount of unfixed on-call sales. The latest report, which reflected positions as of last Friday, showed that there were still 8.82 million bales in on-call sales open between December and July, down just 0.08 million from the week before. Although some mills may have taken out upside protection via call options and/or OTC products, there is still a considerable amount that will ultimately have to chase after the market, like what we saw this spring with May and July

fixations. This, in addition to the spec tide shifting to the buy side, could provide additional fuel for the bulls.

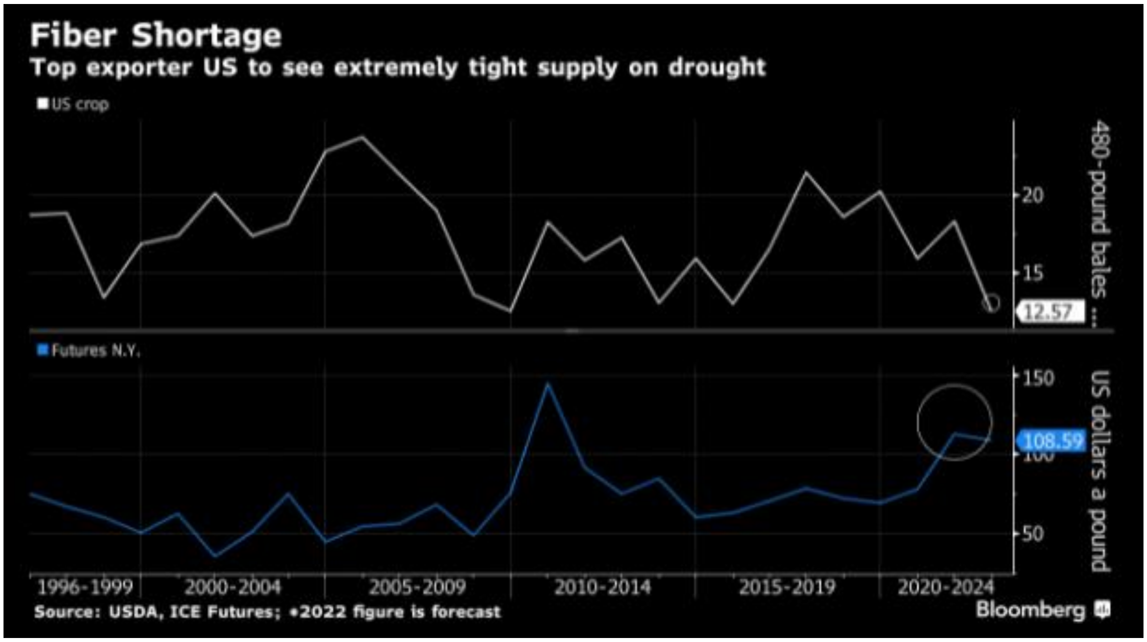
Traders will likely increase focus upon the U.S. crop outlook, especially if drought continues in the Southern Plains, or a major hurricane threatens the Southeast. The recent slowdown in U.S. cotton export sales and shipments could also exert increasing downward pressure on prices if it persists, as might a resumption of the first-half U.S. dollar rally. Signs of a U.S. recession could undercut prices as well since consumers often cut back on apparel purchases in tough times.

Late summer/fall weather and export news will remain key to the 90-day cotton price outlook, although economic news seems likely to exert inordinate influence over the market through the balance of the year. La Niña conditions are more conducive to Atlantic hurricanes, so the potential for a major storm making landfall on the U.S. coast seems high. Its impact on the U.S. crop will likely depend on the timing. That is, a late-summer storm that brings plentiful rains to a crop with unopened bolls could boost production prospects and undercut prices. Conversely, a later storm that drowns cotton in open bolls could send prices higher.

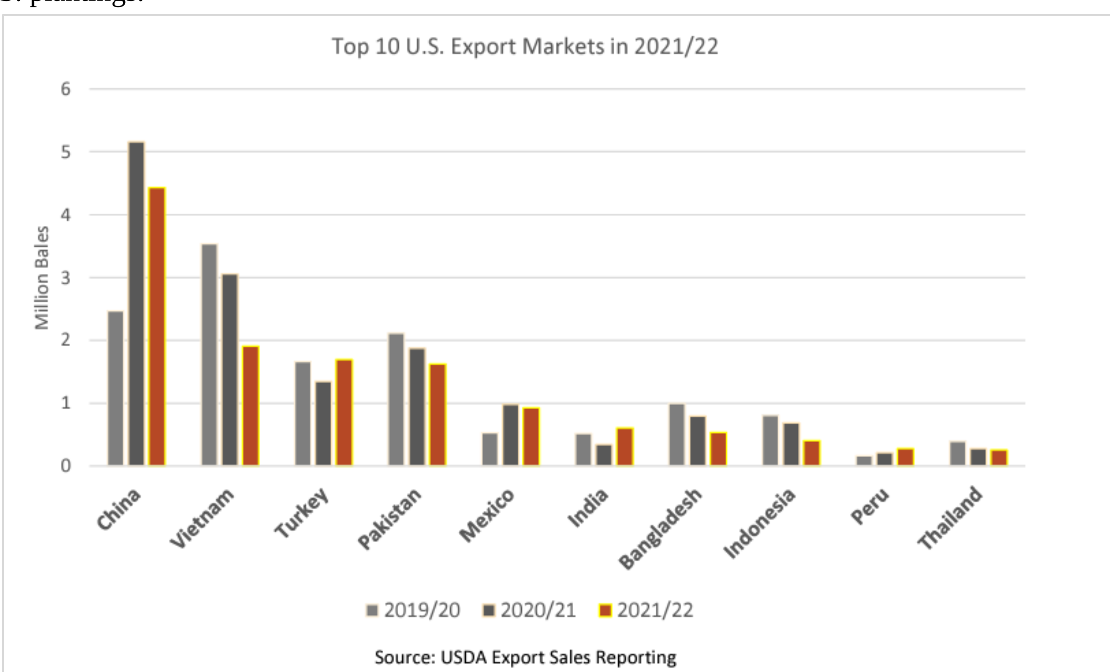
In outside markets, CPI data was the big news in the broader markets this week. With the stock market having recovered from its lows significantly, investors are looking for reasons to jump back into risk assets like stocks and commodities. For the most part, that means most investors are looking for any indication the Federal Reserve could alter its current hawkish intention to continue raising rates, which would require some indication price growth is cooling. The headline CPI figure did not disappoint, coming in at no change month-over-month. Markets rallied sharply on the news, but a closer look tempers the enthusiasm. While the CPI was flat month-over-month, year-over-year inflation was still up 8.5%. Even more alarming, most of the index's price decline was in energy costs as gasoline prices fell, but most other index components continued to rise. The All-Items-Less-Energy index was up 0.4% month-over-month, but the headline figures still have broader markets in more of a "Risk On" mood

Due to less exportable supplies, U.S. cotton exports for 2021/22 are estimated to be 14.7 million bales, 1.7 million fewer bales than the previous year. Despite higher production, beginning stocks in August 2021 were more than 4.0 million bales lower than a year earlier, and depressing export volumes in the first half of the marketing year. Higher domestic consumption and logistical constraints also constrained shipments.

According to USDA Export Sales Reporting (ESR), total 2021/22 shipments were 14.0 million bales, 700,000 bales lower compared with the USDA forecast. Since the 2017/18 marketing year, USDA computes official exports as the mid-point between ESR and U.S. Census Bureau shipments. From August through June, Census exports exceeded ESR by more than one million bales.



For the second consecutive year, China was the largest export market and accounted for roughly one-third of U.S. shipments according to ESR data. Most exports to China were intended for state reserves (see the June edition of Cotton: World Markets and Trade for more information). Of the top ten export markets in 2021/22, Turkey, India, and Peru witnessed higher exports relative to the previous year. 2022/23 U.S. exports are forecast to fall more than 2.5 million bales because of significantly less exportable supplies compared with the previous year. Production in 2022/23 is forecast to fall approximately 5.0 million bales to 12.6 million because of drought, particularly in Texas which normally accounts for more than one-half of U.S. plantings.



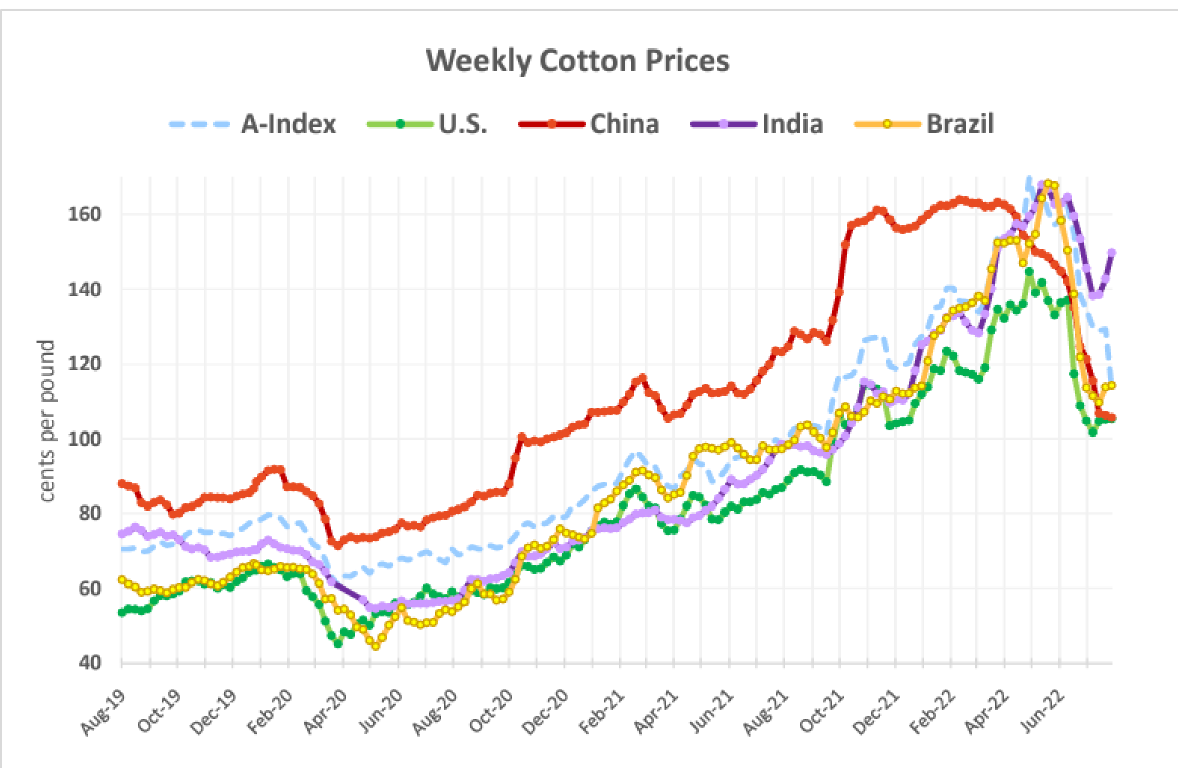
Recent Chinese reports are quite bearish, as export orders for garments and textiles have apparently dropped off dramatically primarily due to purchasing restrictions put in place by the stringent Uyghur Forced Labor Prevention Act (ULFPA), which went into effect on June 21st. This US law places the burden of proof on American brands, who need to make sure that their supply chains remain clear of Xinjiang cotton. Non-compliance carries the risk of a US$ 250,000 fine and the seizure of shipments.

Since about 87 percent of China's local cotton is from Xinjiang, it is difficult to ensure that no Xinjiang cotton fiber is present in Chinese textile products. Many US and European companies are therefore shying away from Chinese sourcing since they do not want to risk any legal and/or social media backlash.

This could lead to significant shifts away from China to other producers, like the Indian Subcontinent, Turkey or Latin America. Contacts in China tell us that they expect cotton imports to drop considerably this season, which might be seen as a bearish development, but if on the other hand we get increased demand for textiles in other markets, it could turn into a net positive.

Global production is lowered over 262,000 bales from last month due to a decline in Brazil. Global use is down 575,000 bales, and ending stocks are up over 685,000 bales. Global trade is down with a 342,000-bale-drop in imports and 642,000-bale drop in exports. Notable decreases in imports are observed in Bangladesh, China, and Pakistan; exports are down in Australia, Brazil, India, and the United States.

Global cotton prices were mixed compared with last month's WASDE. The A-Index fell because it now reflects the 2022/23 marketing year and new-crop deliveries. Prices on the Intercontinental Exchange (ICE) were up reflecting more than 60 percent of the U.S. crop in areas experiencing drought. Spot prices in China declined and are now below the U.S. spot price for the first time in well over a decade. Prices in India surged due to concerns regarding the new crop. The projected U.S. season-average farm price is unchanged at $0.92 cents per pound.



PLC Farm Program Payment Projections – 2021/22 CY and 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	***2021/22 MYA Price****	*Effective Reference Price*	***2021/22 CY PLC Payment Rate***
Corn	$5.95	$3.70	--
Grain Sorghum	$5.95	$3.95	--
Long Grain Rice	$13.70	$14.00	$0.30
Medium Grain Rice	$14.10	$14.00	--
Seed Cotton	$0.4699	$0.3670	--
Soybeans	$13.30	$8.40	--
Wheat	$7.63	$5.50	--

*national marketing year average (MYA) prices reflect the midpoint price level from the August 12, 2022 WASDE report.

Covered Commodity	***2022/23 MYA Price*****	*Effective Reference Price*	***2022/23 CY PLC Payment Rate***
Corn	$6.65	$3.70	--
Grain Sorghum	$6.55	$3.95	--
Long Grain Rice	$16.00	$14.00	--
Medium Grain Rice	$16.50	$14.00	--
Seed Cotton	$0.4711	$0.3670	--
Soybeans	$14.35	$8.40	--
Wheat	$9.25	$5.50	--

**national marketing year average (MYA) prices reflect the prices contained in the August 12, 2022 USDA 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, 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, 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), and the Wall Street Journal.

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