



# May Market Update

## *Corn, Soybeans, Rice, and Cotton*

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### WASDE Summary

**The 2022/23 U.S. corn outlook** is for lower production, domestic use, exports, ending stocks, and higher prices. The corn crop is projected at 14.5 billion bushels, 4.3 percent down from last year. An average corn yield of 177.0 bushels per acre is projected, this comes in at 4.0 bushels below the weather adjusted trend previously projected by the USDA at February's Agricultural Outlook Forum. Planting got off to a slow start in the corn belt with analysts projecting that progress by mid-May will be behind average years, thus possibly influencing normal yield prospects. Despite beginning stocks that are up relative to last year, total corn supplies are forecast to decline by 2.7 percent to 15.9 billion bushels.

Total U.S. corn use in 2022/23 is forecast to fall 2.5 percent on declines in domestic use and exports. Food, seed, and industrial (FSI) use remain virtually unchanged at 6.8 billion bushels. Corn for ethanol production is left unchanged relative to a year ago on expectations of flat U.S. motor gasoline consumption. A smaller crop, higher than expected season-average farm prices received by producers, and a decline in grain consuming animal units pushed corn feed and residual use 4.9 percent below where it was a year ago.

Even with record exports projected for Argentina and Brazil, a 550-million-bushel drop in exports for Ukraine is the primary catalyst for a decline in world trade.

With expectations of robust global demand in the face of high prices, the U.S. share of global corn trade is up slightly relative to a year ago. With total U.S. corn supply falling more than use, 2022/23 U.S. ending stocks are down 80 million bushels from last year. Stocks relative to use at 9.3 percent would be below a year ago and lower than the 14.4 percent average seen during 2015/16 to 2019/20. **The season-average corn price received by producers is projected at \$6.75 per bushel, up 85 cents from a year ago** and if realized the highest since \$6.89 reached during 2012/13.

**The outlook for 2022/23 U.S. wheat** is for reduced supplies, exports, domestic use stocks, and higher prices. U.S. 2022/23 wheat supplies are projected down 3 percent, as lower beginning stocks more than offset a larger harvest. All wheat production for 2022/23 is projected at 1,729 million bushels, up 83 million from last year, as higher yields more than offset a slight decrease in harvested area. The all-wheat yield, projected at 46.6 bushels per acre, is up 2.3 bushels from last year. The first survey-based forecast for 2022/23 winter wheat production is down 8 percent from last year as lower Hard Red Winter and Soft Red Winter production more than offset an increase in White Wheat production. Abandonment for Winter Wheat is the highest since 2002 with the highest levels in Texas and Oklahoma. Spring Wheat production for 2022/23 is projected to significantly rebound from last year's drought-reduced Hard Red Spring and Durum crops primarily on return-to-trend yields.

**The 2022/23 outlook for U.S. soybeans** is for higher supplies, crush, exports, and ending stocks compared with 2021/22. The soybean crop is projected at 4.64 billion bushels, up 5 percent from last year's crop mainly on higher harvested area. With slightly lower beginning stocks, soybean supplies are projected at 4.89 billion bushels, up 4 percent from 2021/22. Total U.S. oilseed production for 2022/23 is projected at 136.6 million tons, up 6.1 million from 2021/22 due to higher soybean production. Production forecasts are also higher for canola and sunflowerseed.

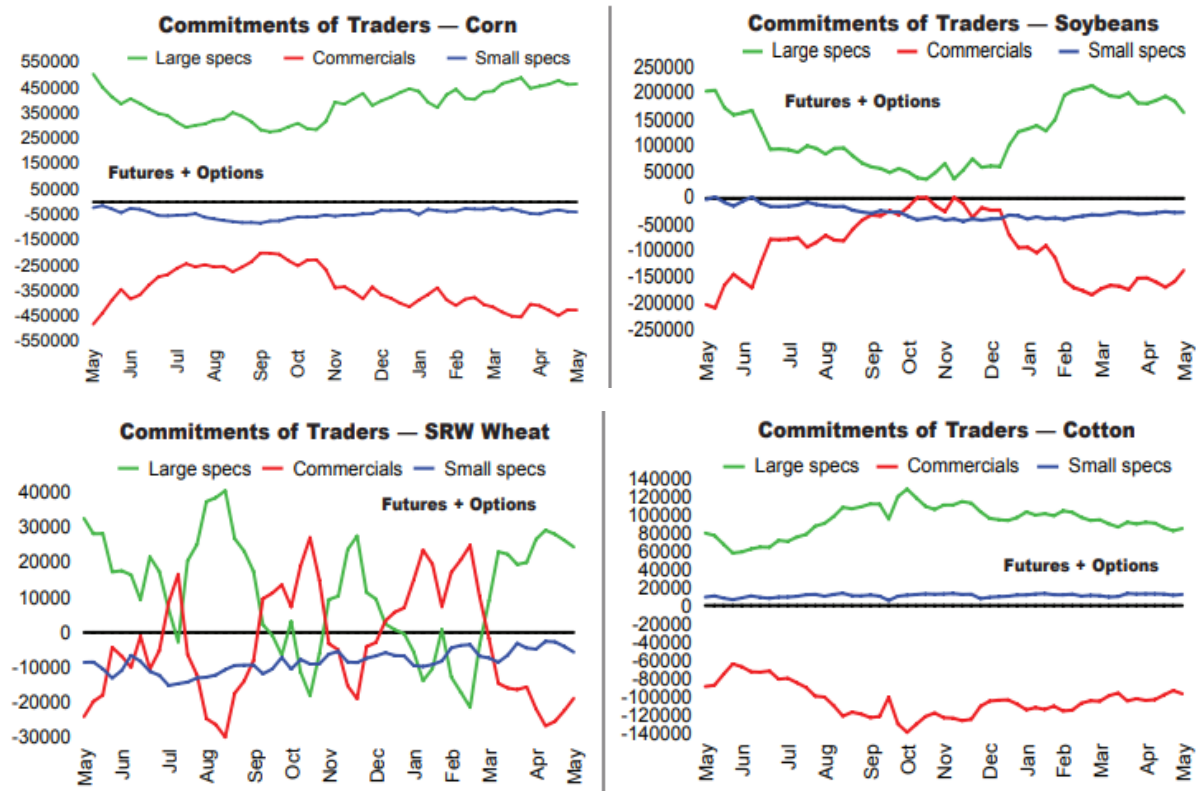
The U.S. soybean crush for 2022/23 is projected at 2.26 billion bushels, up 40 million from the 2021/22 forecast. Domestic soybean meal disappearance is forecast to increase 2 percent from 2021/22 with low soybean meal prices relative to corn. U.S. soybean meal exports are forecast at 14.4 million short tons, leaving the U.S. share of global trade near the prior 5-year average. With increased supplies, U.S. soybean exports are forecast at 2.2 billion bushels, up 60 million from the revised 2021/22 projection. Despite reduced soybean supplies available for export from South America for the first half of the 2022/23 marketing year, an anticipated record harvest and sharply higher exports beginning in early 2023 is expected to leave the U.S. with a lower share of global trade in 2022/23. U.S. ending stocks for 2022/23 are projected at 310 million bushels, up 75 million from the revised 2021/22 forecast.

**The 2022/23 U.S. season-average soybean price is forecast at \$14.40 per bushel compared with \$13.25 per bushel in 2021/22.** Soybean meal prices are forecast down \$20 per short ton from 2021/22 to \$400 per short ton and soybean oil prices are forecast down 5 cents to average 70 cents per pound, as oilseed and product supplies rebound in foreign markets.

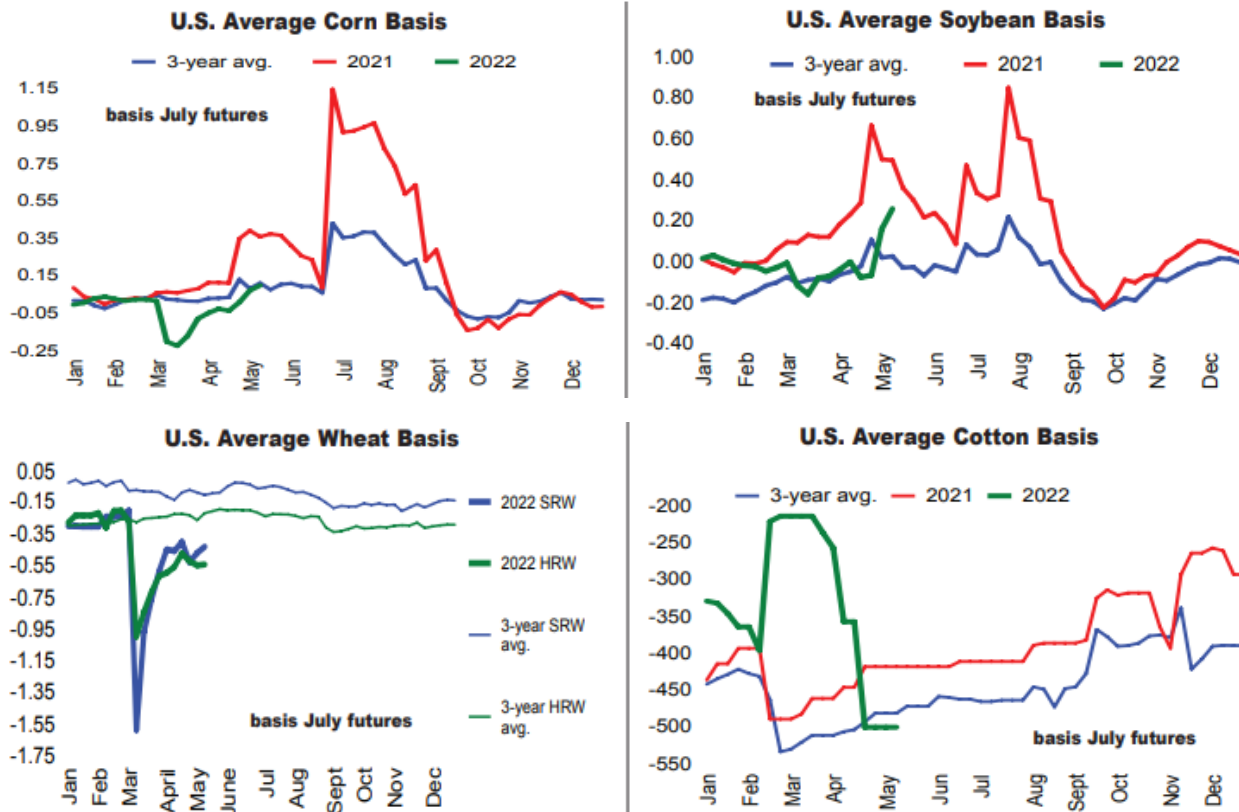
**The 2022/23 outlook for U.S. rice** is for reduced supplies, exports, domestic use, and ending stocks. Total 2022/23 supplies are projected at 258.2 million cwt, down 4 percent from a year earlier on lower production and beginning stocks more than offsetting record imports. All rice production is projected at 182.7 million cwt, down 5 percent from 2021/22 on reduced harvested area and yield. The projected all rice yield is 7,596 pounds per acre, down 113 pounds from last year's record with a reduction in relatively higher-yielding California acreage, as indicated in the NASS Prospective Plantings report. Projected all rice imports are 38.0 million cwt, up from the revised 34.5 million for 2021/22. Continued strong demand for Asian aromatic varieties and reduced domestic supplies are factors behind the increase. Domestic and residual use for 2022/23 is projected lower at 143.0 Exports are projected at 82.0 million cwt, down from the revised 85.0 million for 2021/22 with U.S. rice increasingly uncompetitive due to higher prices. All rice 2022/23 ending stocks are projected at 33.2 million cwt, down 11 percent from last year. **The 2022/23 long grain rice season-average farm price (SAFP) is projected at \$15.30 per cwt, up \$1.50 from the 2021/22 revised SAFP.** The Southern medium grain rice season-average farm price is projected at \$16.00 per cwt, up \$2.00 from the 2021/22 revised SAFP.

Despite an expected 1-million-acre year-to-year increase in U.S. area planted to cotton, **U.S. cotton projections for 2022/23** include a smaller crop as abandonment is projected to more than double. Production is forecast at 16.5 million bales, based on 12.2 million planted acres as indicated in the March Prospective Plantings, but harvested area is expected to fall 1.1 million acres to 9.1 million as limited precipitation in the Southwest suggests more abandonment compared with 2021/22's below-average level. With a higher national yield, production is forecast about 1 million bales lower. With a larger carryin, supplies are projected slightly lower. Exports are also expected to fall slightly, to 14.5 million bales, as the U.S. share of world trade declines. At 2.9 million bales, 2022/23 U.S. ending stocks are projected 500,000 bales lower than the year before, and equivalent to 17 percent of total use. **The marketing year average upland farm price is projected at 90 cents per pound, down slightly from the previous year's record high.**

#### **Commitment of Traders Report, Tuesday, May 9, 2022**



## Cash Market Basis Charts, Wednesday, May 10, 2022

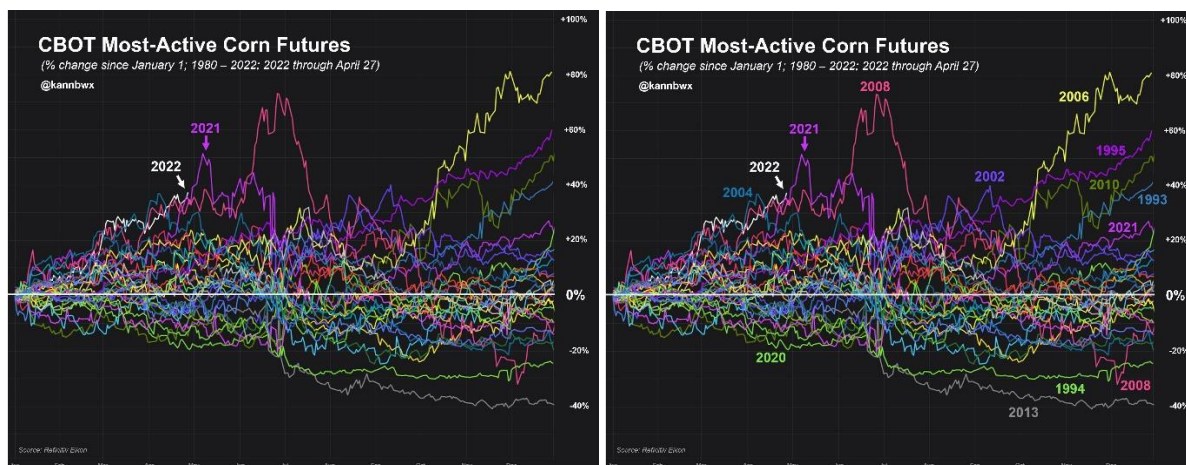


### Corn

With bullish near-term underpinnings in corn remaining mostly intact, weather will be very closely followed along with close monitoring of dry weather conditions that could stress Brazil's second corn (safrinha) crop. Even with warmer, drier conditions expected across the Midwest next week, planting will remain behind schedule and the mid-May point after which yield prospects often decline is rapidly approaching. Further planting delays may prompt some farmers to switch acres to soybeans.

As U.S. planting wraps up, trade focus will shift to late-spring and summer weather in the Midwest. Ongoing concern over tight global grain supplies stemming in part from the Russia/Ukraine war may help keep prices elevated. Sustained export and domestic ethanol demand will be key to keeping nearby corn futures around the \$8.00 level. USDA's weekly export numbers this week indicated a recent slowdown in global demand, but strong buying in April, led by China, helped narrow a gap with last year's sales. USDA reported net U.S. corn sales for the week ended April 28 at 782,500 metric tons for 2021-22, down 19% from the average for the previous four weeks. China has been largely absent from the U.S. market so far in May after purchasing around 4.54 million metric tons in April.

CBOT corn futures had amassed record yearly gains by the end of April 2021, but as of Wednesday, 2022 gains were HIGHER, up 37% so far vs 35% a year ago. 2021 gains maxed out at +51% on May 7. +43% in 2022 would yield record prices. Too many labels make the chart too messy, but some will wonder about those extreme years. Here you go. The gains seen for corn in 2021 were unprecedented, but here we are in 2022 under the exact same scenario.



From a fundamental analysis of new-crop futures, the corn market went higher after USDA lowered its yield projection more than expected, fueling concern that weather-delayed U.S. plantings will further tighten global grain supplies in the midst of weather woes in South America and conflict in Ukraine disrupting markets. Continued Chinese demand for U.S. corn and tight supply projections for next season, alongside a deterioration of Brazilian safrinha yields and the ongoing war in Ukraine continued to be the bullish corn market's principal driving factors this week. Following the May WASDE, corn futures posted their third straight daily gain and remain firmly bullish, though the July contract pulled back from an initial post-USDA upturn and ended somewhere near the middle of the day's range. New-crop December, by contrast, closed near its high. July futures are poised to post a fifth consecutive weekly gain over a six-week period and could further strengthen the market's technical standing with a close above the 20-day moving average at \$7.96 and/or \$8.00.

Trading volume jumped significantly with a preliminary total of 363,000 contracts. This volume was at its strongest since April 22. Spread trading was not bullish, though, with Dec. futures recently gaining 15 cents on the July contract. The July futures premium to Dec. has narrowed from 64 cents to 38 1/2 cents this week and is the smallest since April 1<sup>st</sup>, not typical of a bull market.

In the latest WASDE, U.S. old-crop (2021-22) ending stocks were left untouched at 1.440 billion bushels, while the trade was expecting 40 million bushels less than that. USDA made a historic move with its May report, because just prior to May's WASDE, USDA had only lowered the national average corn yield from trendline in its May report five times, with 2013 being the most recent. For 2022, USDA is projecting a national average corn yield of 177 bushels per acre. That is 4 bushels below the weather-adjusted trend presented at USDA's Agricultural Outlook Forum in February. USDA says this revision is due to the slow start corn planting got off to in major corn producing states with slim hopes that progress will have caught up by mid-May to historical averages. Corn production came out at 14.460 billion bushels, down 655 million bushels from a year ago, with a yield of 177 bushels per acre, assuming planted acreage of 89.5 million. Due to late planting in the Corn Belt, especially in the northwestern and Northern Plains, yield was lowered to match last year's record 177 bushels per acre, down from previous projections of 181 bushels per acre. New-crop corn feed and residual was lowered by 275 million bushels, and exports were dropped 100 million bushels to 2.4 billion bushels due to the smaller crop. New crop ending stocks for 2022-23 were lowered to 1.360 billion bushels, slightly above trader expectations of 1.335 billion bushels. The average farmgate price for corn was reported to be \$6.75 per bushel.

The carryout forecast and USDA's usage estimates point to a 2022-23 stocks/use ratio of just 9.3%. USDA's U.S. average on-farm price forecast of \$6.75 per bushel looks a bit high based on that ratio, but

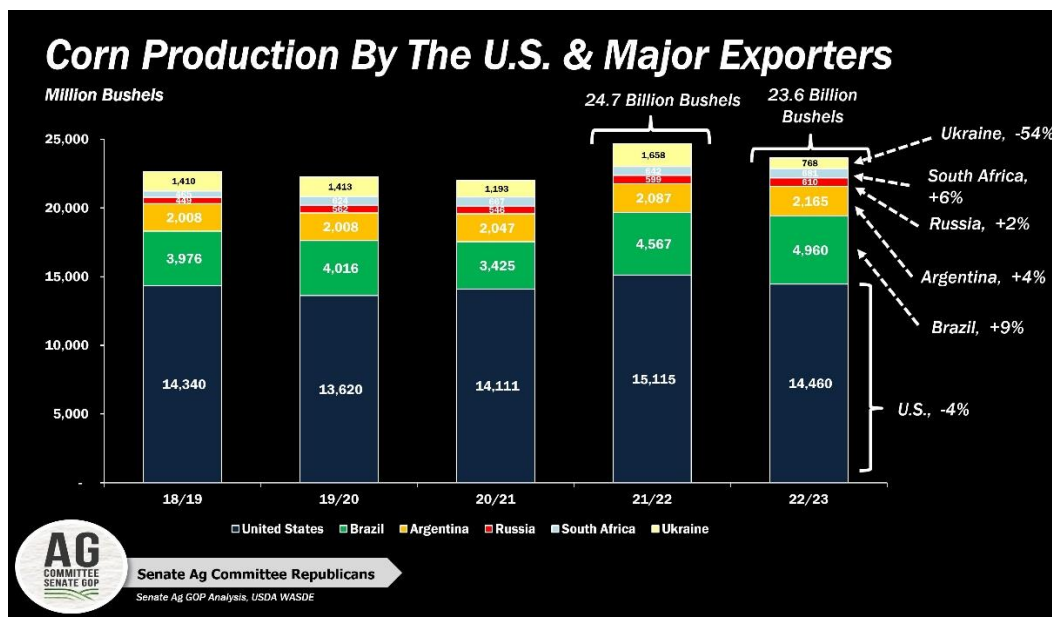


anytime the corn stocks/use ratio drops below 10%, supplies must be considered very tight, and that price forecast is by no means outlandish. Corn-for-ethanol use remains steady at 2.375 billion bushels in 2022-23. High prices are seen curtailing feed use significantly, with USDA forecasting a drop of 275 million bushels or 4.9% in feed/residual use. Exports are also expected to slip by 100 million bushels due to high prices and increased competition from South America, with the absence of significant exports from Ukraine limiting the decline.

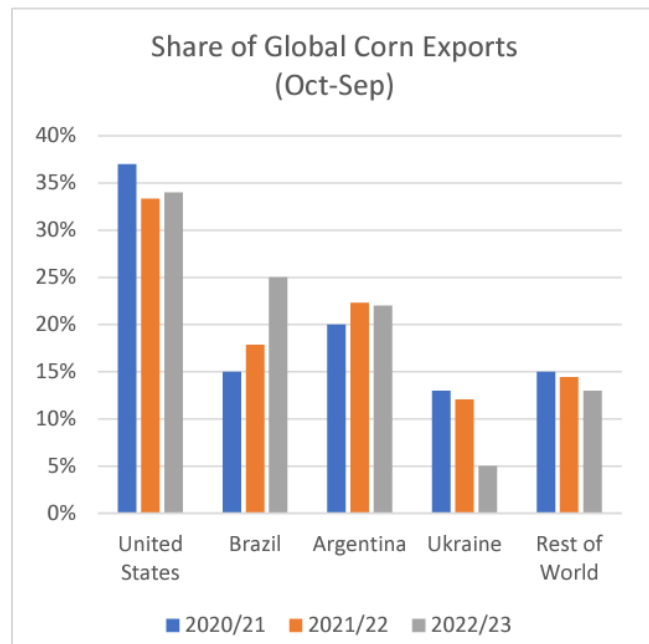
On the world front, old crop ending stocks came out higher than expected at 309.4 million metric tons (12.2 billion bushels), about 4 million metric tons higher than the last WASDE and 3.7 million metric tons above trade estimates. South American corn production, despite the ongoing drought in central Brazil, were left unchanged at 116 million metric tons (4.52 billion bushels) for Brazil and 53 million metric tons (2.08 billion bushels) for Argentina. Traders had looked for a corn number of 113.9 million metric tons for Brazil and 51.7 million metric tons for Argentina. Argentina has 50% of its harvest left, with Brazil yet to harvest, so both could be overstated. Ukraine exports were dropped by a hefty 550 million bushels due to the war and port blockages, with production at 19.5 million metric tons (767 million bushels) compared to 42.13 million metric tons (1.66 billion bushels) last year. China's corn imports were dropped by 5 million metric tons to 18 million metric tons, while China's corn production was also lowered by 1.5 million metric tons to 271 million metric tons (10.67 billion bushels). New crop ending world stocks were reported to be 305.1 million metric tons (12 billion bushels), much higher than the 296 million metric tons traders had expected, but down 4.3 million metric tons from 2021-22.

The world numbers on corn should have been bearish, but the market closed higher on other issues, including the horribly slow seeding pace in the U.S., the ongoing drought threat to Brazil's safrinha crop, and of course, the ongoing slow pace of Ukraine exports. New-crop December finished the day with strong gains on ideas that both yield and acreage could fall further on delayed planting and possible prevented planting and/or switches to soybeans in the North.

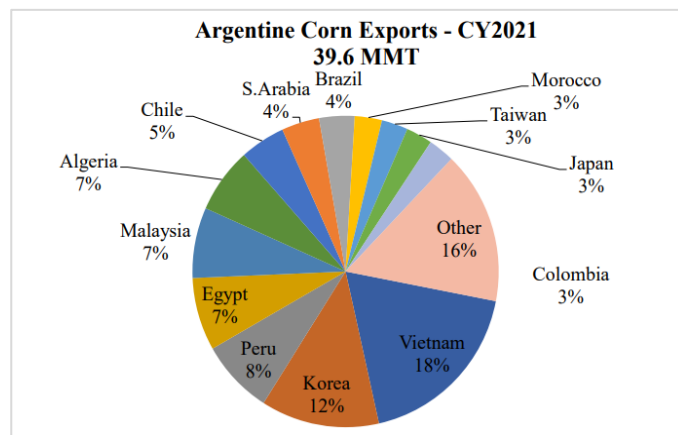
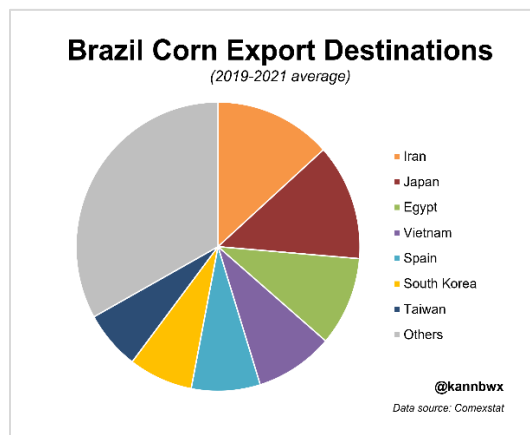
Corn production in the U.S. is seen declining 4% for 2022/23 compared to a year earlier. Ukrainian production is expected to be down 54%. Major exporting countries, including the U.S., are projected to be down 1 billion bushels in production year-over-year.



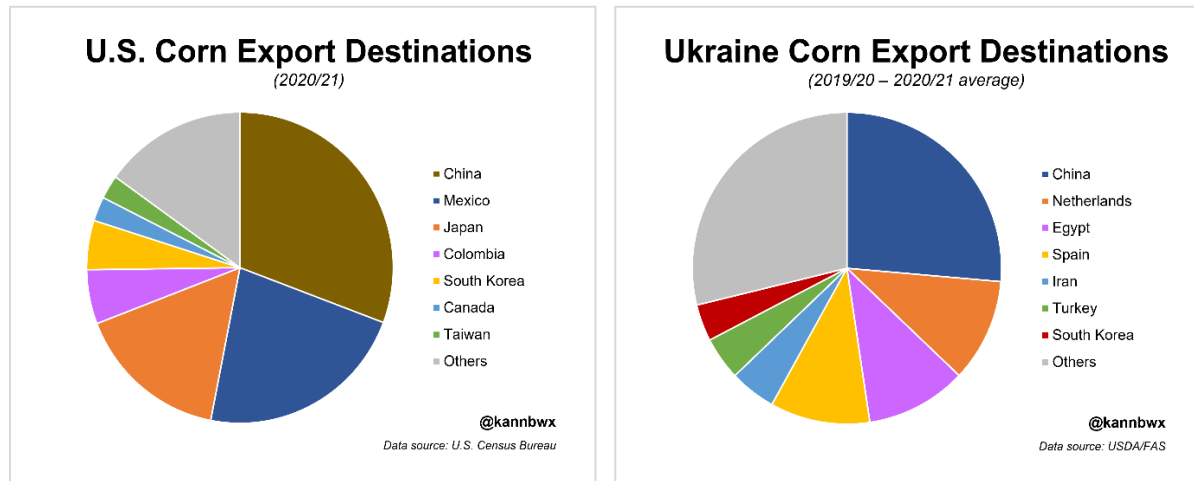
Global outlook for corn is for lower production, trade, consumption, and ending stocks. Production is projected to decline with smaller crops in Ukraine, the United States, and the European Union, more than offsetting forecast record production in Argentina and Brazil. Global trade will decline as exportable supplies from Ukraine are expected to be limited because of the on-going conflict with Russia. Exports for both Argentina and the United States remain high, and Brazil is up sharply as the other major exporters attempt to fill the gap left by Ukraine. Global consumption and ending stocks are forecast down, both modestly, but there remains uncertainty for these attributes in Ukraine. The U.S. season-average farm price is forecast at \$6.75 per bushel, the highest since the record set in 2012/13.



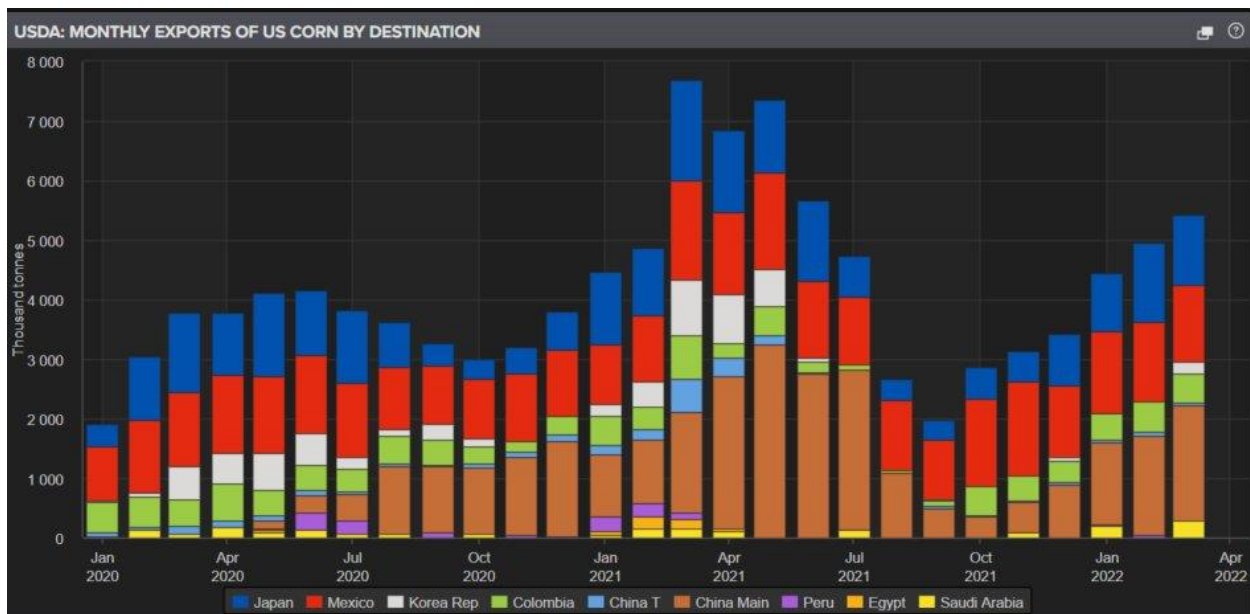
Two-thirds of Brazilian corn shipments ended up in these seven countries: Iran, Japan, Egypt, Vietnam, Spain, South Korea & Taiwan. That has been true the past three years despite annual export volumes varying drastically based on the harvest outcomes. CONAB increased Brazil's corn crop based on a bump in second crop production, despite some recent dry conditions in key states. That increased export expectations. Moving on to the third leading corn-exporter, Argentina; Vietnam and South Korea are the top destinations for Argentina corn last year, accounting for 30% of exports. North African nations accounted for at least 17%, same for other South American countries.



The U.S., Brazil, Argentina, and Ukraine account for 85% of the world's corn exports. China, Mexico, and Japan were the destinations for 69% of all U.S. shipments last year. The U.S. only started shipping heavily to China again in the last two years. Ukraine forward export potential is unknown due to the ongoing war, but China has been the leading buyer of its corn in the last two years. Approximately 21% of Ukraine's exports enter Europe via Netherlands or Spain, and Ukraine and Brazil share top customers in Egypt and Iran.



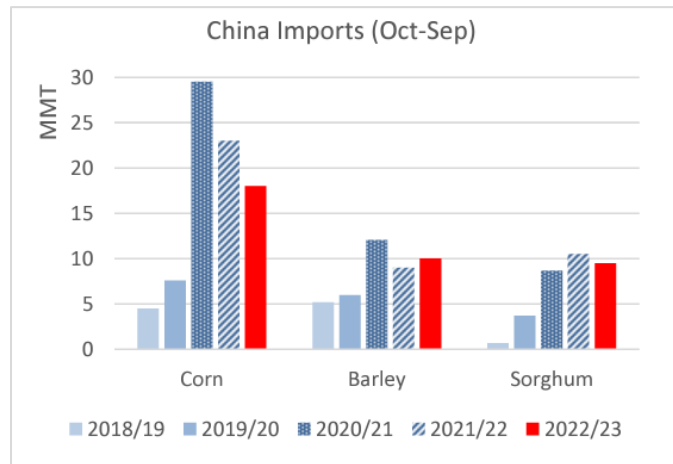
Some key observations: China is not a top destination for corn exports from either Brazil or Argentina. Also, consideration should be taken as to who actually constitutes Brazil's top customers for corn and potential alternate suppliers for those customers in case dry weather hampers Brazilian sales/exports, in this scenario Ukraine would have a tough time making up depleted Brazilian supply in those markets.



Chinese imports of corn, barley, and sorghum are projected to total 37.5 million tons, 12 percent down from revised 2021/22 estimates. Corn imports are projected to fall due to limited exports from the United States and Ukraine. U.S. supplies available for export are projected to be smaller than 2021/22, while



Ukraine remains effectively blocked from shipping corn and barley from its Black Sea ports. Ukraine had been a major supplier of corn along with the United States.



The global outlook for corn supplies has taken a hit as Russia's invasion of Ukraine disrupts farming and trade flows in a region responsible for about a fifth of exports. Not only that, but spring planting is also a worry now. That comes on top of a surge in fertilizer costs that is dimming planting prospects in the U.S., the world's top shipper. Demand is increasing as well. USDA reported multiple sales this month of American corn to China exceeding 1 million tons. Ukraine's next corn crop could fall almost 40% from last year, a local grain association said earlier this month. U.S. farmers are poised to plant more soybeans than corn for just the third time ever as record fertilizer prices prompt growers to turn away from the cost-intensive grain.

Ukrainian corn production for the 2022/23 marketing year is forecast at 19.5 million metric tons, 54 percent down from last year, and 42 percent down from the 5-year average. Yield is forecast at 5.57 tons per hectare, 27 percent down from last year, and 17 percent down from the 5-year average. Harvested area is forecast at 3.5 million hectares, down 36 percent from last year, and down 30 percent from the 5-year average.



According to operational planting progress data obtained from the Ukrainian Ministry of Agriculture, planting is ongoing and as of May 9<sup>th</sup>, 2.63 million hectares have been planted. Planting will continue throughout May. For area forecasting, the country can be divided into zones mired in the conflict and those that are not. Based on Ukrainian governmental sources and corroborated with local contacts, farmers will not plant about 30 percent of the area in conflict zones. Corn yield had been increasing over the last decade due to an increase in the use of improved seeds and fertilizer with an exception occurring in 2020 where, even with favorable weather conditions, yields dropped due to input supply issues (seed, etc.) that arose due to constraints associated with COVID-19. A similar drop in yield is expected for the current year due to the invasion and the blockage of major ports in the Black Sea, which has disrupted supply chains.

## Wheat

While the heat and dryness will be welcomed across the Corn Belt, forecast triple digit temperatures will not be welcome for those in the Plains that are still in a moisture deficit. Up into spring wheat country, the next five days look wet, which will not be helpful in the already drenched Red River valley. Looking at the bigger picture, continued strength in the US dollar is expected to continue slowing poor wheat export sales. Wheat prices showed strength this week, even as corn and soybean prices were under pressure, this is seen as supportive.

The highlight of May's WASDE turned out to be wheat, featuring a greater-than-expected drop in both U.S. and world stocks, sending all three wheat futures markets briefly up the daily limit, before setting back. The daily chart of September Kansas City wheat (below), which, along with Chicago and Minneapolis wheat, soared to touch the daily limit. The tone of the USDA's latest WASDE report was construed as one that was bullish for wheat, with world and U.S. wheat supplies on a downward slide.



Wheat prices could remain elevated into 2023 if this forecast holds true. USDA pegs world wheat stocks-to-use (excluding China) at 14.9% in 2022/23, the fourth lowest ever and the lowest since 2007/08 (14.3%; all-time low). That would be down from 16.4% in 2021/22. That's not to say prices must stay at/rise from today's levels, but relatively elevated is likely. China is often excluded from the wheat analysis because of its huge stockpiles (pegged to have a record 53% of world supply by mid-2023).

Ukraine hopes to grow export capacity by 50% in the next few months by expanding facilities on its western border, but it will still be far short of pre-war levels, the deputy infrastructure minister said on Friday. More than ten seaports carried 75% of Ukraine's foreign trade, but they were closed after the Russian invasion and the country was forced to trade through small Danube River ports and use railway terminals on its western border. Western borders and Danube ports today is the only way to export and import. Exporters already quadrupled the volume of trade through the Danube ports. Approximately 3.5 million tonnes of cargo were transported across the western borders by rail alone last month and the national railway operators are developing border terminals for general and liquid cargoes, as well as for reloading from wide to narrow gauge and vice versa. Ukraine, a major global grain grower and exporter, has sharply reduced its grain exports since start of the Russian invasion to around 1 million tonnes in April from up to 6 million tonnes before the war.

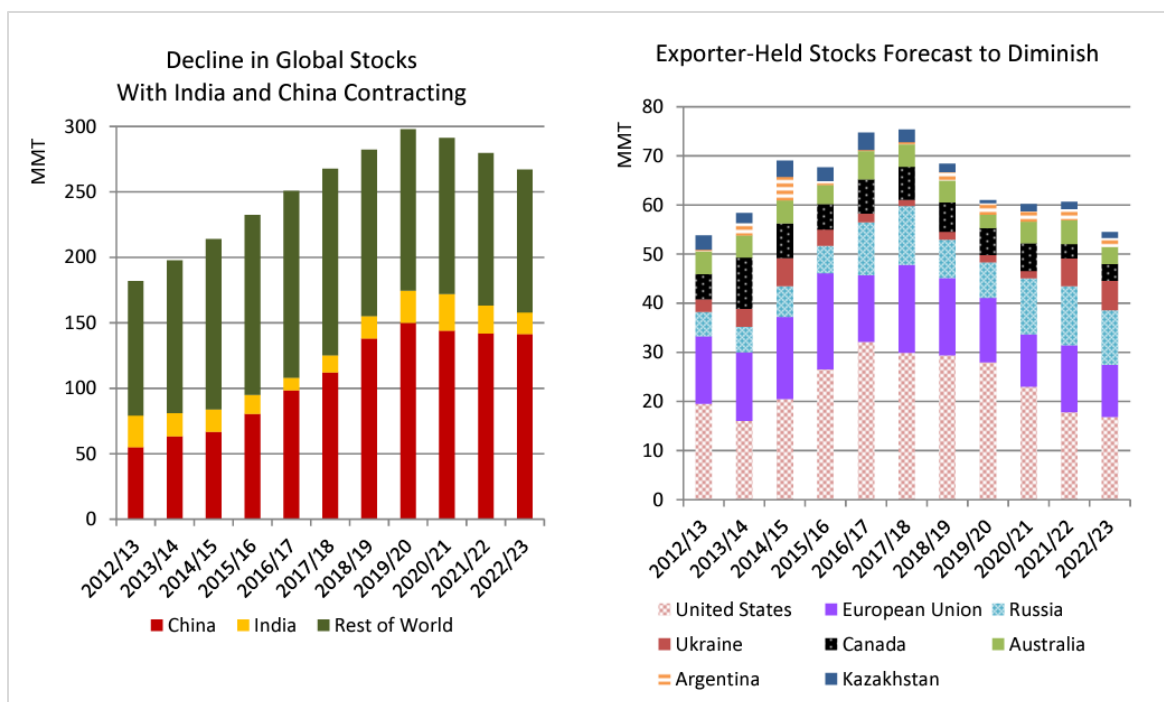
The Russia-Ukraine war, which shows no signs of ending anytime soon, will continue to be closely followed and further disruptions to global grain trader are possible. An FAO official said nearly 25 million metric tons of grain is trapped in Ukraine, unable to leave the country due to infrastructure damage and blocked ports in the Black Sea. The war will very likely keep wheat futures prices elevated the next few months.

Ukraine wheat production for the 2022/23 marketing year is forecast at 21.5 million metric tons, 35 percent down from last year, and 23 percent down from the 5-year average. The year-to-year decrease in production is due to the conflict in Ukraine. Yield is forecast at 3.68 tons per hectare, 18 percent down from last year, and 9 percent down from the 5-year average. Harvested area is forecast down 21 percent at 5.85 million hectares (mha) from last year and 16 percent down from the 5-year average.



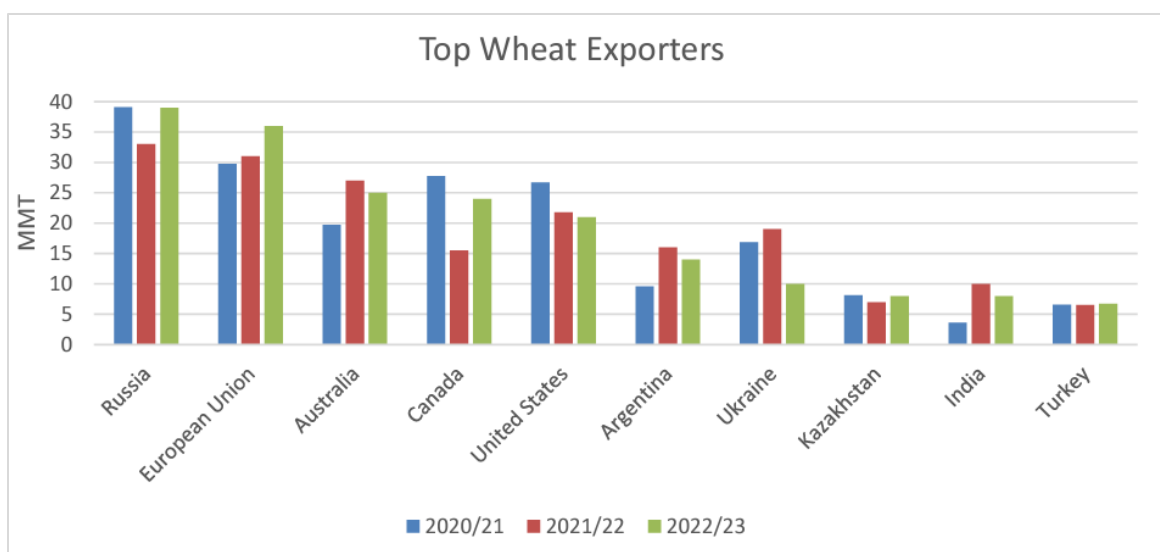
Winter wheat is typically planted from early September to mid-November and accounts for approximately 97 percent of total Ukraine wheat production. For the current season, Ukraine has cultivated several winter crops, including wheat, barley, rye, and rapeseed, but the most prevalent of these is wheat, which dominates the winter crop landscape and accounts for about 72 percent of total winter crop area for the 2022/23 marketing year. In general, yield for wheat has been increasing over the last decade, driven in part by increased fertilizer application. A drop in yield is expected for the current year because of ongoing issues sourcing inputs due to the invasion and the blockage of major ports in the Black Sea, which has disrupted supply chains. Winter wheat harvest generally occurs from the end of June until mid-August.

China is the largest holder of wheat stocks globally, although they are largely not available to world markets. China's stocks rose sharply between 2012/13 to 2019/20 due to government procurement for temporary reserves. Sales from government auctions for both feed and food use beginning in 2020/21 have resulted in a decline in stocks, which is expected to continue in 2022/23. Stocks in India, the second largest holder of global stocks, are forecast to decline as market rates offered by exporters are largely above government procurement prices. Despite reduced consumption, a smaller crop and strong exports are expected to lead to lower stocks, though still above the government's desired buffer level.



Global exports are forecast at a record 205 million tons as robust import demand and high prices are expected to lead major exporters to prioritize ample supplies for export. Russia is forecast to be the largest exporter for the third year in a row on a larger crop and strong global demand for affordable Black Sea wheat as exports from Ukraine are curtailed. Currently, Ukraine is unable to export via seaports because of the ongoing war but is seeking to use alternative routes, primarily by rail and export through neighboring European countries. The EU is projected to be the second largest exporter, reflecting a larger crop from France, Romania, and Germany, as well as growing demand from Sub-Saharan Africa and Middle East markets. Australia is expected to have a significant decline in exports; however, if realized, this would still mark the second largest exports on record, reflecting strong demand from Southeast Asia markets. U.S. exports are forecast to be lower, as several major exporters are projected to have larger supplies in 2022/23 and relatively high U.S. prices are expected to reduce U.S. competitiveness. Canada is projected to have the largest increase in exports year over year, as a much larger crop and strong global demand for durum wheat spur strong growth. Argentina exports are forecast down on a smaller crop and stronger competition from North America. Kazakhstan is forecast to see a surge in exports on strong demand from Central Asia for wheat and wheat flour. India is forecast to have another strong year of exports with continued competitiveness in the region and ample sufficient supplies.





## Soybeans

Like the case for corn, soybean plantings are behind schedule. Should corn delays persist past mid-May, the trade anticipates some corn acres shifting to soybeans, possibly a bearish bit of news for new-crop November futures. As the growing season accelerates in spring and summer, weather in the Midwest will be followed closely. Late-planted soybeans could be vulnerable to late-summer heat during critical flowering and pod-setting phases. Keeping nearby soybeans at elevated levels will require continued solid export demand, with smaller South American crops keeping the U.S. export window open longer than normal.

In the May WASDE, USDA reported that old-crop soybean exports were raised by 25 million bushels on the stronger pace that USDA had estimated, sending ending stocks for 2021-22 to 235 million bushels -- down by 25 million bushels and the lowest ending stocks in six years. Traders had expected an even further fall to 222 million bushels.

New-crop production was estimated to be a record-large 4.640 billion bushels with a yield of 51.5 bushels per acre, and using the same 91-million-acre planted area from the USDA intentions. For new-crop 2022-23, crush was increased by 40 million bushels on strong crush margins, to 2.26 billion bushels, and exports were moved higher to 2.2 billion bushels, sending ending stocks up to 310 million bushels -- exactly what the trade had estimated. The season average farmgate price was increased to \$14.40 per bushel from \$13.25 per bushel previously. Soybean meal and oil season average prices were lowered by \$20 per short ton to \$400, and 5 cents per pound, to 70 cents on bean oil.

Old crop US soybean stocks have come under pressure as old crop export sales growth remains at an unseasonable rate. Combined old crop exports and outstanding commitments are only second to last season's exceptional demand. With a fast export sales pace, the USDA had to react in the May supply and demand estimates, and old crop stocks were revised downward. The drought impacted Brazilian soybean crop has also continued to present a longer-term supply risk with harvest nearly complete, yields have disappointed. While the USDA maintained their outlook for production this month, a trim to production estimates remains likely. Nearby soybean futures rose as a tightening global grain supply outlook overshadowed USDA's projection for a record soybean crop and higher supplies. Soybean technical analysis leans bullish longer-term but nearby futures remain in a three-week downtrend. The July contract failed to generate buying interest at a high of \$16.27 1/4, which coincides with the 10-day moving



average, and is poised for a third consecutive weekly decline. Failure to hold above last week's low at \$15.78 could have bears targeting the 100-day moving average at \$15.63 1/2 and the April low at \$15.60 1/2. Further upside resistance includes the 20-day moving average at \$16.58 1/4. A prolonged soy meal slump remains a bearish factor for soybeans. Soybean futures open interest rose by 7,726 contracts on Wednesday's price strength, indicating fresh buying activity, but while trading volume improved it remained lackluster at about 144,000 contracts. Futures trading volume rose a bit further today, but only moderately and was likely below 200,000 contracts for an 11<sup>th</sup> straight session. This year's elevated risks and overall tenuous supply and geopolitical outlook likely will limit price downside. As with corn, focus is shifting to new-crop futures and delayed plantings, meaning Midwest weather will become a greater market factor in coming weeks. A key question is how many corn acres if any may get shifted to soybeans if planting delays persist.

USDA's 2021-22 U.S. soybean balance sheet is now looking quite tight with the projected ending stocks/use ratio at only 5.3%, down from 5.8% in April after USDA raised projected 2021-22 exports by another 25 million bushels. This would be the tightest stocks/use ratio since 2015-16's 5.0%. The difference is that the on-farm average price of soybeans averaged \$8.95 per bushel in 2015-16, while USDA is forecasting a record-tying average per bushel price of \$14.40 for 2022-23, matching the 2012-13 high. The stocks/use ratio in 2012-13 was 4.5%.

USDA forecasts U.S. soybean use will rise another 2.4% in 2022-23 despite the record high prices. It sees an increase of 40 million bushels in the U.S. crush to 2.255 billion bushels and projects exports will rise to 2.200 billion bushels from 2.140 million this year.

U.S. exports are expected to rise by 2.8% in 2022/23 despite a sharp 22.7% rise in South American production to 210 million metric tons versus this year's drought-reduced level of 171.2 million metric tons. USDA projects Brazil's next crop at 149 million metric tons, up from 125 million metric tons this year. USDA has forecast China's soybean imports will rebound to 99.0 million metric tons in 2022-23 from only 92 million metric tons this year. Casting some doubt on that demand projection is the 2022-23 import forecast from China's agriculture ministry of 95.5 million metric tons, up from a revised 2021-22 forecast of 93.0 million metric tons.

Globally, the old-crop soybean ending stocks fell more than expected, to 85.2 million metric tons (3.13 billion bushels) compared to 89.6 million metric tons (3.29 billion bushels), with new-crop soybean ending stocks a larger-than-expected 99.6 million metric tons (3.66 billion bushels) on the heels of higher production. Old-crop Brazilian bean production had no change, at 125 million metric tons (4.54 billion bushels), with Argentina down 1.5 million metric tons to 42 million metric tons (1.54 billion bushels). New-crop Brazil production is estimated to move 24 million metric tons higher to a record-large 149 million metric tons (5.47 billion bushels) on the crop that has not even been planted. China soy imports are predicted to rise to 99 million metric tons (3.63 billion bushels) from the old-crop level of 92 million metric tons, and China crush is set to expand to 95 million metric tons (3.49 billion bushels) from 89 million metric tons in 2021-22.

Driven by expanding production, global soybean supplies will likely reach record levels. Export demand will continue to be led by China, which is projected to account for more than 50 percent of global trade growth while rebounding from this year's slowing imports. Export growth is forecast to outpace crush in the top three exporter countries in 2022/23 for the first time in 3 years on larger supplies and demand from China. More ample supplies are expected in exporter countries in 2022/23 and are responsible for the stronger growth in disappearance. Soybean stocks in the top three exporter countries on September 30,

2023 are expected to rise by 30 percent versus the previous year but remain well-below the 5-year average. China ending stocks are expected to grow much more modestly but remain at record levels.

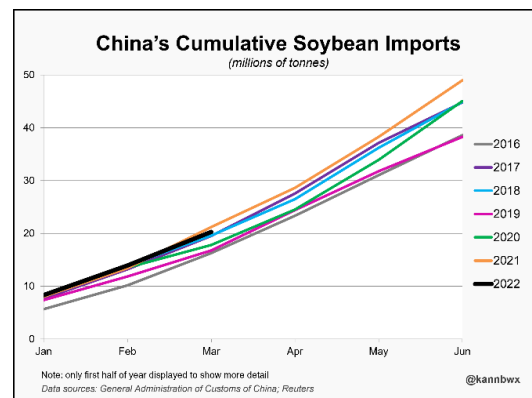
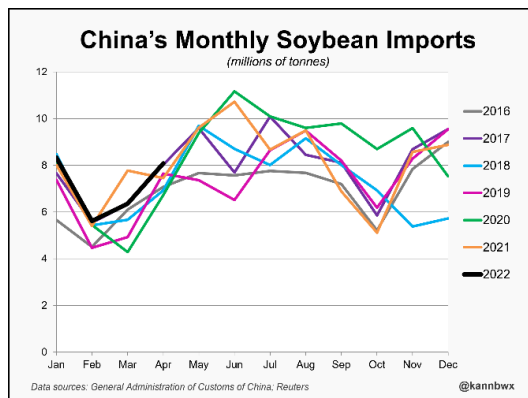
United States soybean exports are projected to increase by 1.6 million tons to 59.9 million on larger supplies and expected reduced export competition from Brazil at the start of the U.S. harvest. Soybean supplies in 2022/23 are up on both higher carryin and a larger crop, driven primarily by increased plantings. Soybean crush is forecast to rise at a slower pace than the previous year. Soybean meal exports are forecast to be a record, but strong domestic demand for soybean oil for renewable biodiesel will tighten exportable supplies and boost prices.

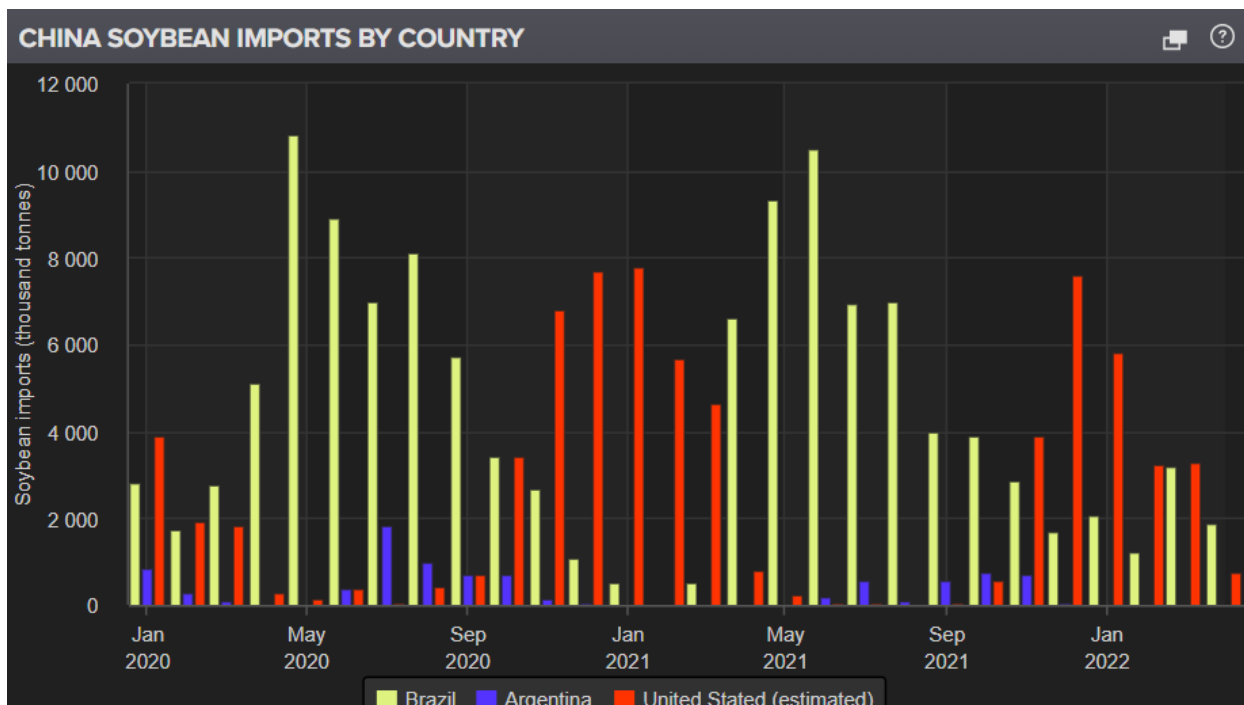
Soybean production in Argentina is projected to rise to 51.0 million tons on better weather and increased plantings. Trade is expected to recover from the current year with exports, mostly to China, at 4.7 million tons and imports, primarily from Paraguay, at 4.8 million. Strong demand for products and larger supplies will boost crush; however, increased competition from Paraguay, Brazil, and the United States will dampen meal and oil export growth. Soybean meal exports are forecast to rebound to 28.5 million tons, and soybean oil is projected to rise to 5.9 million tons.

Brazilian soybean production is forecast to rise 24.0 million tons to 149.0 million on expected higher yields due to more favorable weather coupled with expanded planting in 2022/23. This would be the 17th straight year of expanded soybean plantings driven by strong export demand and excellent grower returns. Exports are projected to rise to 88.5 million tons, 5.8 million above the 2021/22 forecast. Crush is forecast to rise 1.3 million tons driven by strong crush margins and growing domestic meal and oil demand, leaving exports of soybean meal marginally higher and oil flat.

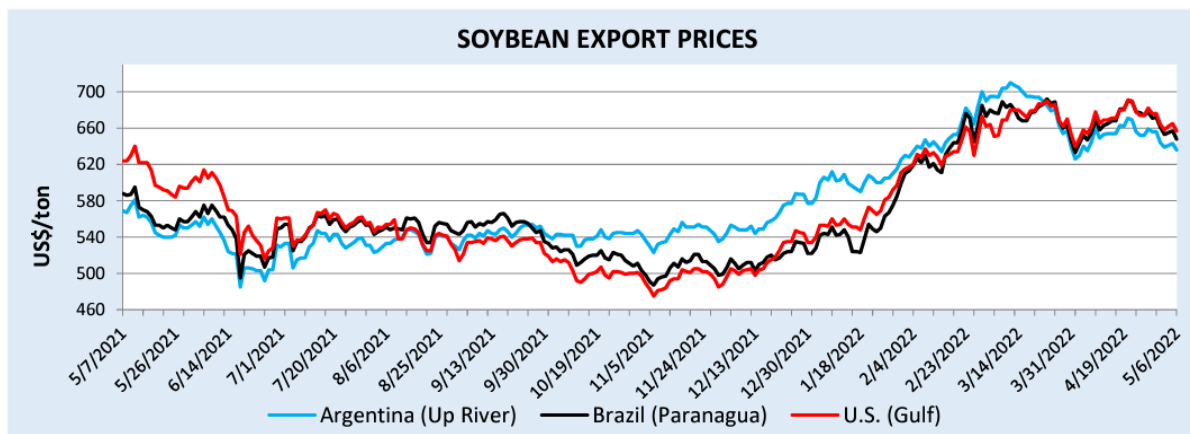
Chinese soybean imports are projected up 7.0 million tons to 99.0 million in response to rebounding crush volume. Import growth is expected to be the strongest since 2019/20, when the swine industry was recovering from African swine fever. Crush growth is forecast to rebound while stocks are projected to grow to 31.6 million tons. Soybean meal exports are expected to bounce back after the weakest volume in over a decade on slow crush and limited exportable supplies.

China imported 6.35 million metric tons of soybeans in March, down 18% on the year as poor crush margins curbed demand. However, January to March imports of 20.3 million metric tons are down just 4% from the same period in 2021 and are the second-best on record. China imported 8.08 million tonnes of soybeans in April, a record for the month on increased arrivals from Brazil. Jan-Apr imports of 28.4 million metric tons are down just 0.9% from last year's high. May arrivals are expected to remain relatively strong.





Soybean prices continued to decline in April from peak values reached in mid-March. Day-to-day volatility remains high as prices react to various supply and demand factors including harvest progress in Brazil and COVID lockdowns in China. Cool, wet conditions in the U.S. mid-west Corn Belt pushed corn prices higher, dragging soybean prices with them into mid-April. However, weather models showing a stretch of warm, dry conditions, ideal for early May plantings, sent soybean and corn prices lower. This decline has continued into the second week of May.



April's average soybean oil prices reached a 20-year record for the second consecutive month driven by a robust shortage of sunflowerseed oil and the palm oil export ban in Indonesia. Palm oil prices remained steady somewhat and actually rose after the announcement of Indonesia's ban on palm oil exports. However, prices for all oils peaked during the third week of April and have been in decline through the second week of May. After peaking in March, soybean meal prices continued to decline in April on lower soybean prices and higher soybean oil prices. Rising soybean values helped stabilize meal prices in the

first half of the month. However, declining bean prices coupled with rising oil prices pushed meal prices significantly lower. The decline in soybean and meal prices has continued into the second week of May.

This spring, the U.S. is expected to plant a record high 91.0 million acres of soybeans and may only have about 200 million bushels or less on hand when the new harvest arrives. China is now the world's second largest economy and is expected to consume 3.99 billion bushels or 30% of the world's soybean in 2021-22. Cash soybeans that were less than \$6 per bushel in 2006 are now trading well above \$16 across the Midwest.

As big an elephant as China has been in changing the landscape for U.S. soybean demand the past two decades, another bullish wave is now carrying that demand to even higher peaks. The relatively new creation of renewable diesel, a superior version of traditional biodiesel that is said to be chemically identical to petroleum diesel, is attracting large investments from both traditional soybean processors and the petroleum industry. The rising difference between soybean crush values and the price of soybeans shows just how strong demand for soybean oil has risen in the past year, thanks largely to new investment in renewable diesel (DTN ProphetX chart).



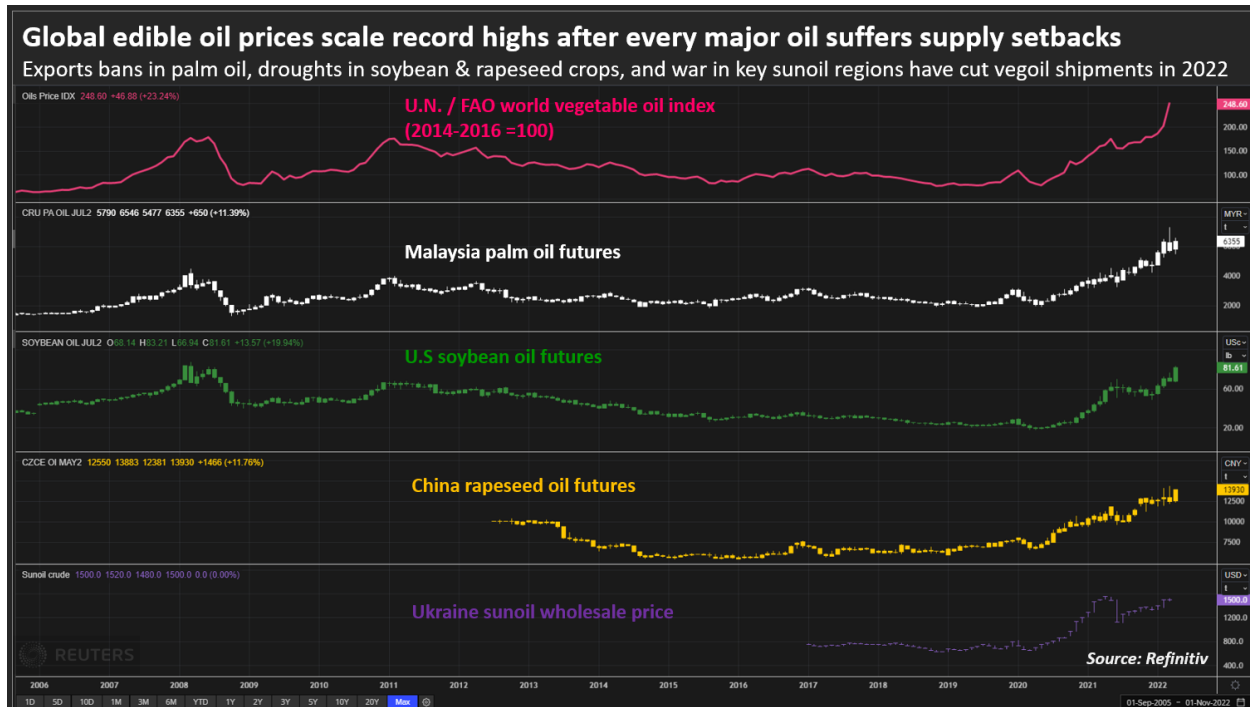
According to the Department of Energy's report dated April 29<sup>th</sup>, renewable diesel plant capacity remained at 1.468 billion gallons per year in February, up 86% from a year ago, and is gaining on traditional biodiesel capacity of 2.232 billion gallons per year. The DOE also said 741 million pounds of soybean oil were used in biofuels production in February, down from 791 million pounds in January but up 34% from a year ago.

In the U.S., soybean oil is the main ingredient of interest for making biofuel. But around the world, the enthusiasm for going green has the entire world vegetable oil supply in a historically tight situation. There was some initial confusion this week, but Dow Jones reported that Indonesia, the world's largest producer of palm oil, banned palm oil exports Thursday to protect supplies at home. This is also a time when Ukrainian farmers will probably not be able to provide the world with its leading supply of sunflower oil exports.

With world crude oil supplies in a tight situation and many countries joining the effort to ban Russian oil, the push to make biofuel from soybean oil is on and, frankly, things might get a little crazy, especially after Brazil's soybean crop was hit by drought earlier this year.

Indonesia's palm oil export ban leaves global buyers with no "plan B." Global edible oil consumers have no other option but to pay top dollar for supplies after Indonesia's surprise palm oil export ban forced

buyers to seek alternatives, already in short supply due to adverse weather and Russia's invasion of Ukraine. The move by the world's biggest palm oil producer to ban exports from Thursday will lift prices of all major edible oils including palm oil, soyoil, sunflower oil and rapeseed oil, industry watchers predict.



Marketing year 2021/22 (October to September) Indonesia palm oil exports are lowered 3.0 million tons this month, down to a 12-year low of 25.0 million tons. The forecast is reduced on Indonesia's slow export pace through the first 6 months of MY 2021/22 and various palm oil export policies in effect since November 2021. Although the Government of Indonesia implemented a palm oil export ban on April 28, 2022, industry sources expect it to be short-lived and therefore have a limited impact on trade.

## Rice

The trade must keep in mind how tricky this market is, considering especially that there are genuine concerns regarding tight U.S. long grain rice supplies on the horizon. Even though some demand and price dips could be seen over the next several months and into the new crop, in the near term we could be in for a bit of a slow market situation. Resistance to higher prices has been noted and may continue, unless the "tightness" in South America turns into a real shortage suddenly. The trade suspects that prices will remain "historically strong" into the new year, but light export sales, both long grain milled and (more recently) rough export sales are lacking just now. South America continues to claim rice production is short or at least less than had been hoped, but this does not seem to have slowed sellers from that hemisphere on long grain paddy sales to Central America and Mexico, including many of our traditional markets, at prices likely somewhat more competitive than U.S. prices.

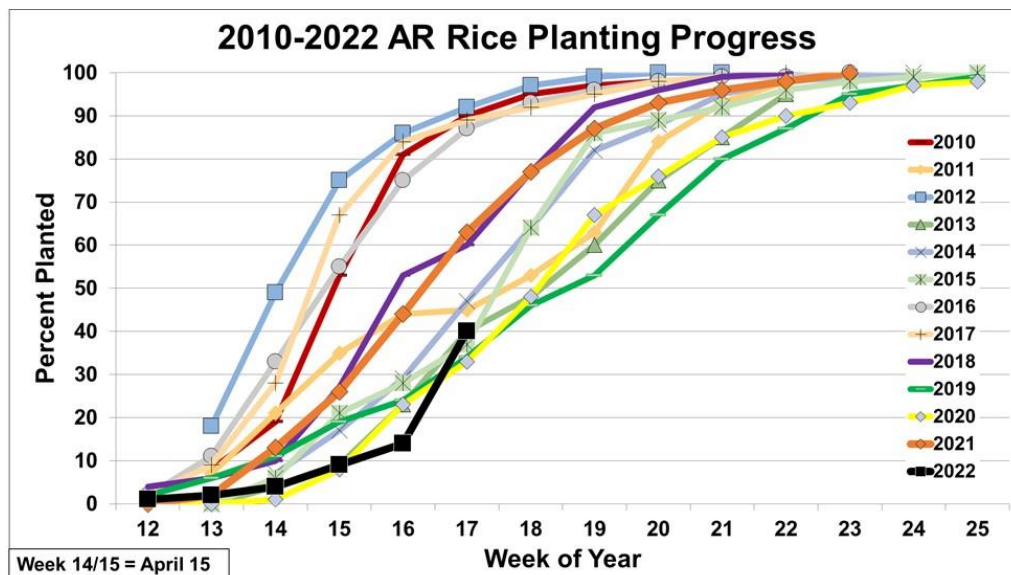
Even though there has not been significant milled rice demand, the strong domestic market coupled with the paddy market and shorter supplies have kept prices strong, and futures prices trending up. April of 2021 had futures at \$13.385, and six months later in October, prices dropped slightly to \$13.28. But that that point, futures started increasing and as of April 22 are at \$17.48, which is 32% higher than the October futures price six months ago. The drought in South America has made the supply in the western

hemisphere a significant question mark, and futures prices are a reflection of that. After making a new contract high at \$17.51 1/2 on April 29, the September contract turned lower heading into the WASDE-report release week.

The May WASDE is a significant report, as this particular report contains the first 2022 balance sheet estimates for the 2022/23 year. Planted acres for new crop will reflect those acreage intentions contained in the from the USDA NASS March 31<sup>st</sup> planting report, which still point to a bullish price outlook.

Water system/districts on the western side of California's Sacramento Valley simply do not have sufficient water supplies for agriculture this year. Rice growers will not be able to plant a rice crop and will be looking to crop insurance in hopes of making it to next year. The eastern side of the valley is in better shape but not by much. Rice farmers are planting with the water allocations they have. The net result for overall acreage being planted is that we may see total rice acreage reduced by as much as half (i.e., perhaps 200,000 - 250,000 acres). Prices are strong and will continue to be that way, most likely until the CA rice harvest of 2023. Also, there has not been any new trading for export of any significant volume from which to glean new pricing data.

In Arkansas, statewide rains on May 5<sup>th</sup>, further delayed grower from getting into their fields. So, while Arkansas growers reached 40% planted as of May 2<sup>nd</sup>, it looks as though they are probably now around the 50% planted mark. One concern that will be upcoming is that so much rice that has been planted has emerged or will be emerging now, and it will be more difficult to get remaining fields off to a clean start. Meaning that fields remaining to be planted may still need burndown herbicide applications and may be in close proximity to emerged rice.



Planting in Arkansas seems to be coming along fairly well now. The weekly USDA figures show planting as of Monday 57% complete, still behind both last year's figure and the five-year numbers of 75% and 72% respectively, but starting to catch up rather nicely. Planting in south Louisiana continues to move along, now noted as 92% complete as of this past Monday, ahead of last year's 87% number at this same time and the five-year average of 91% at this date.

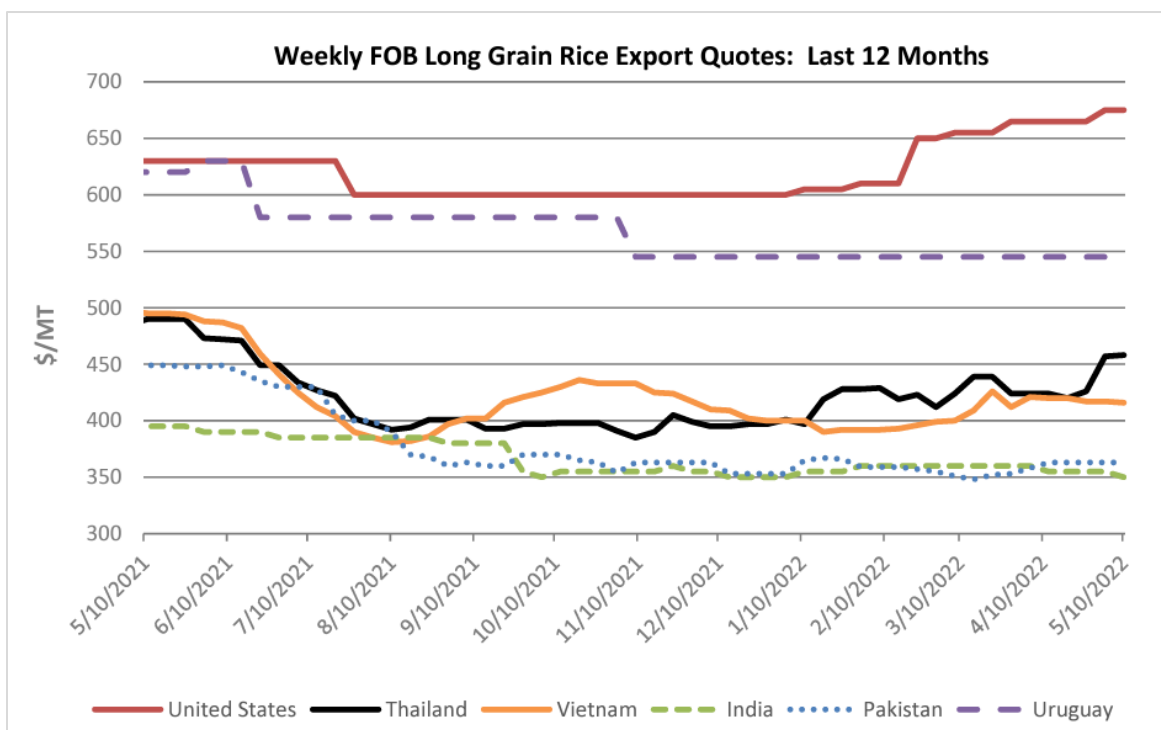
After hitting the 17.495 high several days ago, the nearby July contract backed down a bit.



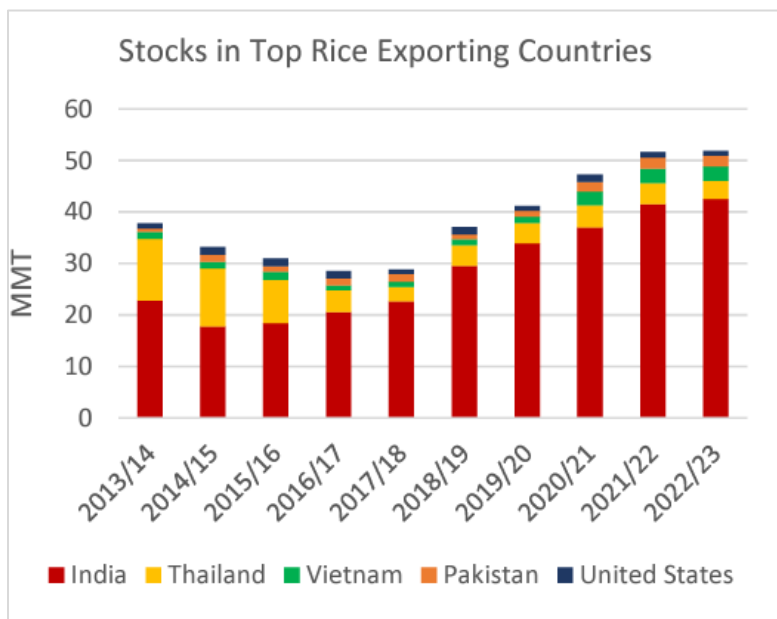


California growers are fixated on planting, and have turned their attention away from marketing for now. Although some mills have begun to pull their \$30 offers until the demand picture is better understood, there still remains a few willing to pay up to \$30 over loan to secure cash rice (old and new crop). The crop is reported to be 70% planted, but cooler temperatures have slowed the crop's growth which may change this weekend as the temperatures are forecast to spike into the 90's. The May WASDE report included a lower revision for export demand by 1 million cwts, ultimately leading the USDA to increase the ending stocks forecast to 13.6 million cwts. Rice futures rallied along with the rest of the grains complex, with wheat's surge adding to fears about global food security. July rice settled up 17 1/2 cents to \$17.17 1/2, and September rice was up 10 1/2 cents to \$17.23 1/2. Rice futures are rallying along with other grain markets and are finding support from USDA's forecast for 2022-23 U.S. all-rice ending stocks of 33.2 million cwt. compared with a revised projection of 2021-22 stocks at 37.5 million cwt, up from 34.5 million in April.

Over the past month, U.S. rice export quotes rose by \$10, now reaching \$675/ton amid tight stocks and a smaller crop. U.S. prices remain persistently higher than other origins. Uruguayan prices remain steady at \$545/ton. Previously tracking closely with Vietnam, Thai quotes rose \$34 to \$458/ton as demand for fragrant and parboiled rice from key markets strengthened. Vietnamese prices dipped \$5 to \$416/ton amid the spring crop harvest. South Asian prices remain the lowest on export markets, with Indian quotes falling by \$10/ton to \$350 and Pakistani prices rising by \$5/ton to \$363. Both countries had large harvests and retain ample stocks.

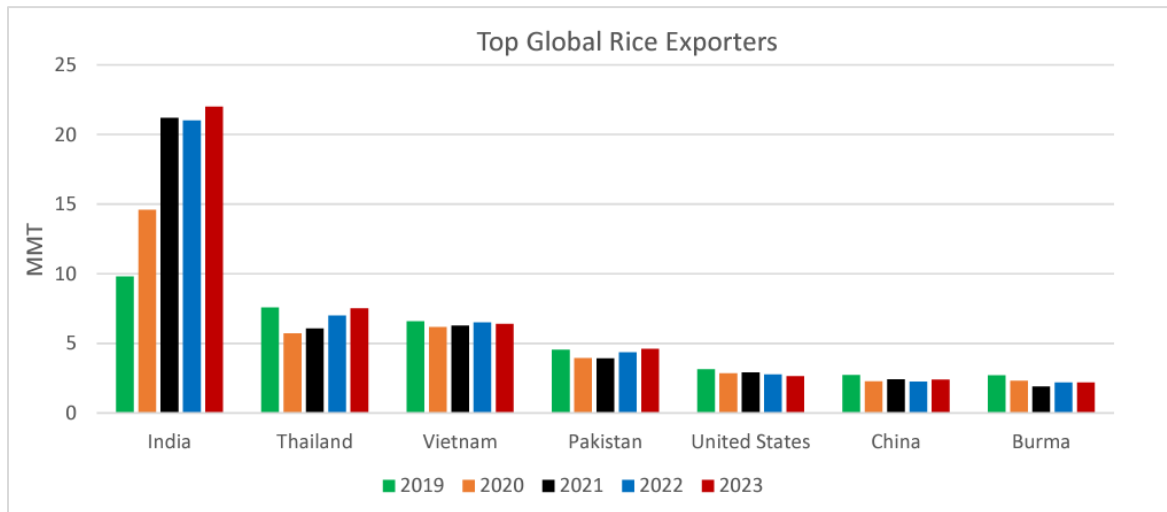


Global stocks are forecast 2 percent lower as consumption is expected to rise more than production. China and India, the world's largest stockholders of rice, hold 82 percent of total global stocks. China continues to auction its government stocks. In contrast, stocks in India are forecast to rise following several consecutive years of high production and government procurement. Ending stocks for the United States are forecast down 11 percent on a smaller crop.



Global exports are forecast up 3 percent to 54 million tons, with India remaining the top exporter due to another massive crop and abundant supplies. Other major suppliers are also projected to export more in 2022/23, including Thailand, Pakistan, and China. Vietnamese exports are expected to decline slightly,

faced with more competition from Thailand and India. Major Western Hemisphere suppliers Brazil and the United States are forecast to export less on smaller crops.



## Cotton

The domestic cotton situation, in which the price of a large number of *on-call* July cotton transactions will be determined by futures in coming weeks, suggests the potential for sustained price strength. The strong export situation also looks supportive, as does the inflationary trend seen lately in numerous commodities. But the tide may turn if traders and investors come to believe a U.S. and/or global recession is looming. This is especially true of the cotton market since apparel is often one of the first consumer items to suffer in recessionary times.

The new-crop situation is likely to come to the fore with the end of the 2021-22 cotton crop year July 31<sup>st</sup>. That could prove true if heat and dryness persist across West Texas through spring and early summer. The potential for reduced Indian and Pakistani production would also favor bulls. But the outlook becomes much less promising if a recession occurs. That could prove particularly true if the U.S. dollar continues marching high and stifling U.S. cotton export demand in the process.

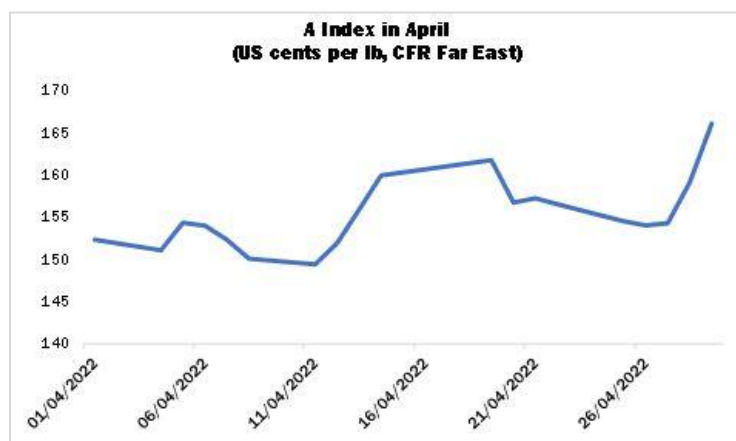
May's WASDE report encouraged market bulls regarding cotton. While USDA projects U.S. plantings to increase 1.01 million acres, estimated production came in 1.02 million bales below the latest old-crop estimate (at 16.50 million and 17.52 million bales, respectively). This reflects a major abandonment forecast for 2022-23 at 3.09 million acres, due to the ongoing Southwest drought. The elimination of a huge swath of poor cotton boosted the forecast national yield to 867 pounds per acre versus 819 pounds last fall. U.S. exports are seen dropping by just 250,000 bales to 14.50 million from this year's 14.75 million figure (unchanged from April). The net of the various forecasts was a projected 500,000-bale drop in the U.S. cotton carryout for 2022-23 to just 2.90 million bales.

Bulls still own the technical advantage in July cotton futures, despite their inability to force a move above initial resistance at the contract's 10-day moving average near 147.00. A breakout above that level would again open the door to a test of the 150.00 level, then the contract high at 155.95. Support at the contract's 20-day moving average of 143.15 held well, but a close below that point would have bears targeting the 40-day moving average at 137.15, then 135.00 and 130.00.

Cotton futures were boosted by lower-than-expected USDA estimates for both 2022-23 U.S. production and ending stocks. USDA pegged U.S. ending stocks for next marketing year at 2.9 million bales,

670,000 below average trade expectations. The 2022 U.S. cotton crop was pegged at 16.50 million bales, down 1.02 million bales from last year and 390,000 below average trade expectations. The market also has support from the drought in West Texas for which there is no meaningful relief in sight. One negative factor for cotton prices has been lackluster export sales.

International cotton prices rose to new heights during April, under the lead of a strong and volatile New York futures market. By the end of the month, the Cotlook A Index had risen to 166.05 cents per lb, an increase of 950 cent points. A number of factors contributed to the upward trajectory of New York. At a macro-economic level, inflationary pressures, exacerbated by the continuing war in Ukraine, sustained buying interest in most commodities. Elements specific to cotton included the persistence of drought conditions in the important US growing region of West Texas and the substantial volume of spinners' on-call purchases yet to be fixed. Sell-side liquidity was lacking as hedging against physical cotton was limited and funds remained committed to the long side of the market.



The bullish dynamics at work in the futures market provided a marked contrast to the waning confidence discernible amongst most cotton spinners. Yarn selling rates signally failed to keep pace with the rise in raw cotton replacement costs during April, and mill buyers became ever more wary of committing themselves to new purchases at prices that were far above the level at which yarn could be spun profitably.

NY futures had a mixed performance this week, as July gave back 323 points to close at 145.53 cents, while December added 123 points to close at 127.67 cents. The July/Dec inversion therefore narrowed by 446 to 1786 points.

After falling nearly 14 cents from a high of 155.95 cents on May 4 to a low of 142.10 cents on May 10, the July contract has found some support and was able to put in higher lows in the last two sessions.

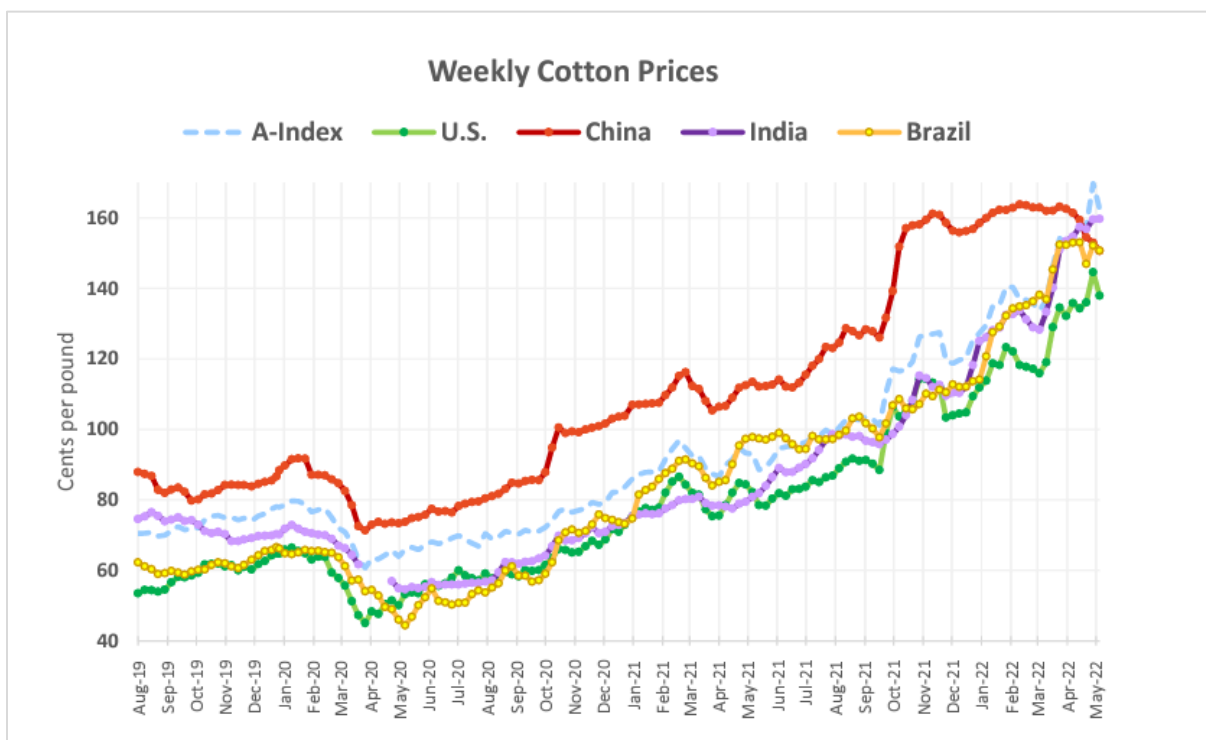
December has fared a lot better, as it corrected only about half as much as July and closed today just a little over two cents below its record close of May 4.

The CFTC on-call report showed a slight improvement last week, as unfixed July on-call sales dropped 0.69 million to 5.57 million bales as of last Friday. However, that's still a massive amount that needs to get squared away, with only about four weeks remaining until July options expire on June 10. At that time liquidity will dry up and it is not advisable to hold shorts past that date.

Assuming that we are down to about 5 million bales by now, mills would have to fix an average of around 2,400 contracts a day over the next 21 sessions. That adds up to a lot of support and remains the main reason why the market is holding up relatively well amidst all this financial carnage.

Unfixed on-call sales for the 2022/23-season continued to rise, up 0.36 million to 7.45 million bales. Mills still don't seem to understand that they are causing the exact opposite of what they are trying to achieve by amassing such large amounts of on-call sales. The bigger this number grows, the more unlikely it becomes for prices to drop significantly

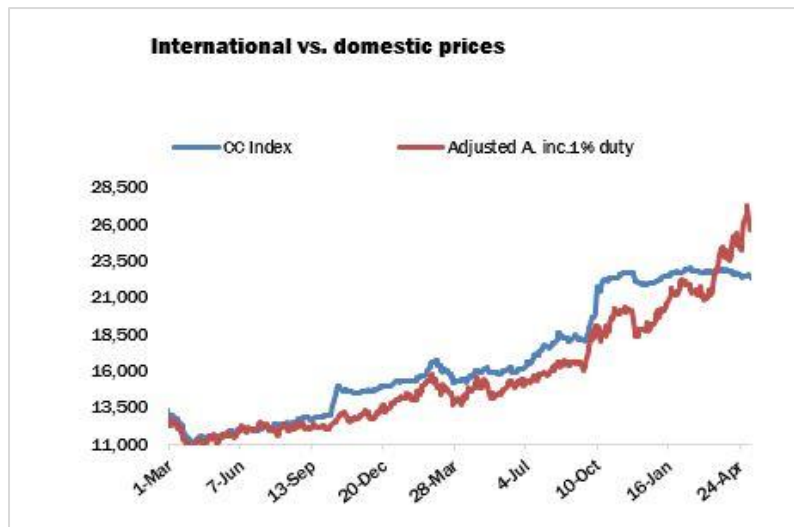
Global cotton prices climbed once again since last month's WASDE, with the A-Index rising over 8 cents per pound to over 162 cents and nearly 70 cents above the same period last year. Prices on the Intercontinental Exchange (ICE) have witnessed another volatile month with significant swings in price but ended only about 5 cents higher. Large quantities of unfixed sales on the July contract coupled with low certificated stocks both supported the rise. Spot prices in the United States are roughly 140 cents per pound, up more than 50 cents compared to last year and up over 85 cents compared with 2 years ago. Contrary to price movements across the world, spot prices in China plunged. High lint prices and large cotton yarn/fabric stocks continue to suppress cotton lint demand. A depreciating yuan relative to the U.S. dollar, large commercial stocks, and slowing demand for yarn continue to pressure prices. The A-Index now exceeds China's spot prices for the first time in 11 years. Just 2 months ago, the A-Index was roughly 30 cents lower than domestic prices in China, signaling the drastic change between international and China prices.



Downstream demand for yarn was much less robust than was the case in 2021, and reports of accumulating stocks became more frequent. The same inflationary expectations that encouraged institutional investors to buy commodity futures casting doubt on the outlook for consumer spending on discretionary items such as textiles. Commentary from numerous analysts, as well as the behavior of stock markets, imply that economic recession is a strong probability this year or next.

As a result of the foregoing, demand for raw cotton in the physical market presented a cautious appearance, though mills with pressing requirements to cover were obliged to enter the market as lots became available. Short-term demand was stimulated whenever prices retreated in response to a bout of profit-taking in New York. Some spinners continued to test forward prices, usually *on-call* futures, but most merchants adopted a cautious approach to such sales opportunities, given the multiple sources of uncertainty and risk that surround the forward trading outlook.

Chinese spinners were encountering adverse market conditions long before the malaise described above took hold amongst their counterparts elsewhere in the world. During April, their situation deteriorated further. Business confidence received a further blow from the resurgence of Covid in many manufacturing and commercial cities including Shanghai and Beijing. In late March, the continued rally in New York had raised import offering rates above local spot values, and that disparity widened further during the course of April. The incentive for spinners to enter the international market was thus greatly reduced and import quotas rendered virtually redundant for the time being. In March, Beijing had announced a discretionary 400,000-tonne Sliding-Scale quota (to supplement the 894,000 tonnes of Tariff-Rated quota available each year), a move that would normally be viewed bullishly by the international market.



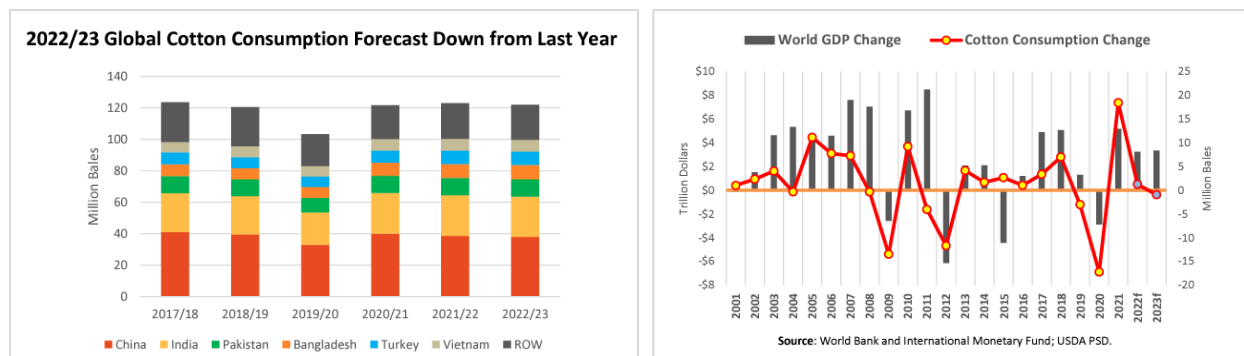
On April 13<sup>th</sup>, the Indian Ministry of Finance issued a notice that raw cotton was to be removed from the list of goods attracting customs duty and other associated levies with effect from April 14<sup>th</sup> until September 30<sup>th</sup> (the eve of the new domestic cotton season). The decision came in the context of escalating local raw cotton and yarn prices, a reaction both to global market conditions and to the significant decrease of estimates of domestic output from the 2021/22 crop. The measure initially raised expectations of a surge in import buying to make good the shortfall, and a flurry of enquiry for a range of foreign growths duly emerged. However, thoughts that buying interest from India might offset the lack of demand from China soon faded, as it became apparent that the scale of import business would probably be relatively modest. Many Indian spinners balked at the level of import offers that were inflated by the heavy freight premiums quoted by shipping lines for sailings to the subcontinent. For their part, international merchants struggled to identify supplies that could be offered with confidence that arrival would take place before the end of September.

Global cotton consumption is forecast at 122.0 million bales, 1.0 million bales down from the previous year. The highest cotton prices in 11 years and concerns regarding the global macroeconomic

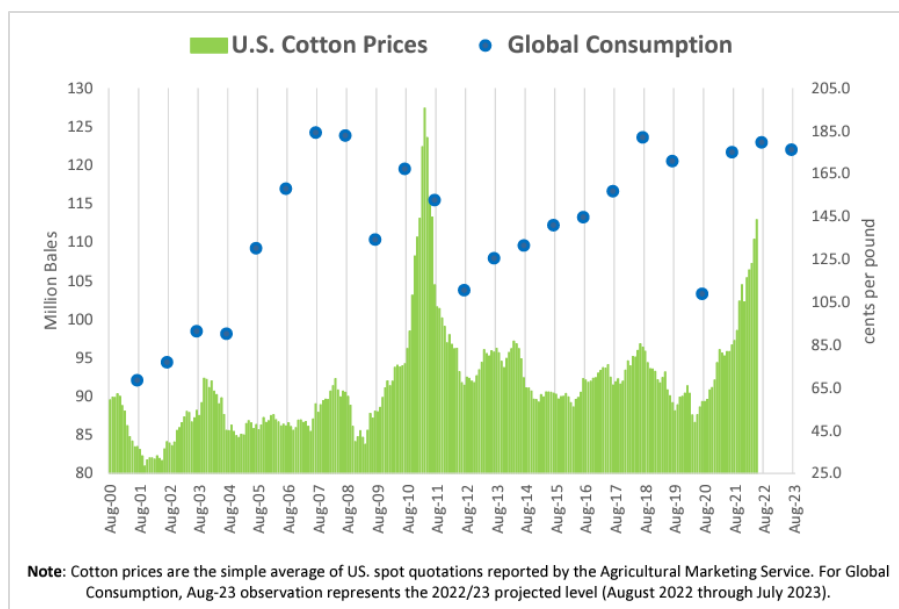


environment are expected to cap consumption growth. This is the first May outyear cotton forecast with lower consumption in 36 years, despite higher projected outyear production. Although consumption is projected to decline, this would still be the second highest level within the last 5 years.

Higher cotton lint, consumer, and producer prices coupled with expected shifts in consumer spending are expected to hinder cotton lint consumption. The International Monetary Fund currently projects global Gross Domestic Product (GDP) to grow 3.6 percent for calendar years 2022 and 2023 in its April 2022 outlook, down from an estimated 6.1 in 2021. Year-over-year changes in global GDP and cotton lint consumption are strongly and positively correlated; however, they do not always follow the same trend as seen below. Inflation, the ongoing shipping crisis, supply chain disruptions presented by the war in Ukraine, COVID-related lockdowns in China, as well as the withdrawal of stimulus in the U.S. and other economies are all macroeconomic headwinds the market faces. There are also issues specific to cotton associated with weakening demand. There have been consistent reports of slow downstream order placement in China for months. In the U.S., weekly export sales turned definitively lower since NY/ICE futures ventured above 120 cents/lb in the second half of March. Higher food and energy costs can be expected to pinch consumers' disposable income around the world, and this can impact global demand for apparel and home textiles.



Rising global Producer Price Index levels could be indicative of slowing growth in cotton consumption as mills combat rising costs, mostly notably for cotton lint. In addition, higher transportation, energy, and other input costs as well as lower cotton yarn prices relative to lint (i.e., cotton yarn minus cotton lint price) are expected to pressure profit margins. This is especially true as downstream entities such as fabric mills have difficulty operating at significantly higher prices relative to the previous year, and ultimately passing on costs to cut-and-sew/garment manufacturers.



Global ending stocks for most major producing and consuming countries are slightly lower compared with the previous year. Despite higher global production and lower consumption, drastically lower carryin compared with the previous year is projected to cap any significant rise in stock levels. This is especially relevant to China and India, where 2022/23 carryin levels are significantly below the previous year. Lower government and/or state trading enterprise stocks in both countries show the most significant difference compared with the previous year's beginning stocks.

Since 2016/17, negative changes in cotton lint and cotton yarn prices have trended closely with downfalls in global cotton consumption. The U.S. season-average farm price for 2022/23 is forecast at 90 cents, down 2 cents from the previous year but the second highest on record.<sup>1</sup> Still, forecast 2022/23 global cotton consumption relative to global GDP and population remains significantly below the record level of cotton consumption witnessed 16 years ago.

### **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.

<i>Covered Commodity</i>	<i>2021/22 MYA Price*</i>	<i>Effective Reference Price</i>	<i>2021/22 CY PLC Payment Rate</i>
Corn	\$5.90	\$3.70	--
Grain Sorghum	\$5.95	\$3.95	--
Long Grain Rice	\$13.80	\$14.00	\$0.20
Medium Grain Rice	\$14.00	\$14.00	--
Seed Cotton	\$0.4608	\$0.3670	--
Soybeans	\$13.25	\$8.40	--
Wheat	\$7.70	\$5.50	--

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

<i>Covered Commodity</i>	<i>2022/23 MYA Price**</i>	<i>Effective Reference Price</i>	<i>2022/23 CY PLC Payment Rate</i>
Corn	\$6.75	\$3.70	--
Grain Sorghum	\$6.65	\$3.95	--
Long Grain Rice	\$15.50	\$14.00	--
Medium Grain Rice	\$16.00	\$14.00	--
Seed Cotton	\$0.4047	\$0.3670	--
Soybeans	\$14.40	\$8.40	--
Wheat	\$10.75	\$5.50	--

\*\*national marketing year average (MYA) prices reflect the prices contained in the May 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), 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, 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, Plexus Cotton, Pro Farmer, Refinitiv, Reuters (Karen Braun), Rice Market Letter, Southeast Farm Press, Sovecon, StoneX, Successful Farming, Texas A&M University (John Robinson), University of Arkansas, University of Georgia, University of Illinois, University of Tennessee, U.S. Grains Council, USA Rice Federation, U.S. Soybean Export Council, and the Wall Street Journal.



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