



# October Market Update

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

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### **WASDE Summary**

This month's 2022/23 U.S. corn outlook is for reduced supplies, greater feed and residual use, lower exports and corn used for ethanol, and smaller ending stocks. Corn production is forecast at 13.895 billion bushels, down 49 million on a reduction in yield to 171.9 bushels per acre. Corn supplies are forecast at 15.322 billion bushels, a decline of 172 million bushels from last month, as lower production and beginning stocks are partially offset by higher imports. Exports are lowered 125 million bushels reflecting smaller supplies and slow early-season demand. Projected feed and residual use is raised 50 million bushels based on indicated disappearance during 2021/22. Corn used for ethanol is lowered 50 million bushels. With supply falling more than use, corn ending stocks for 2022/23 are cut 47 million bushels. The season-average corn price received by producers is raised 5 cents to \$6.80 per bushel.

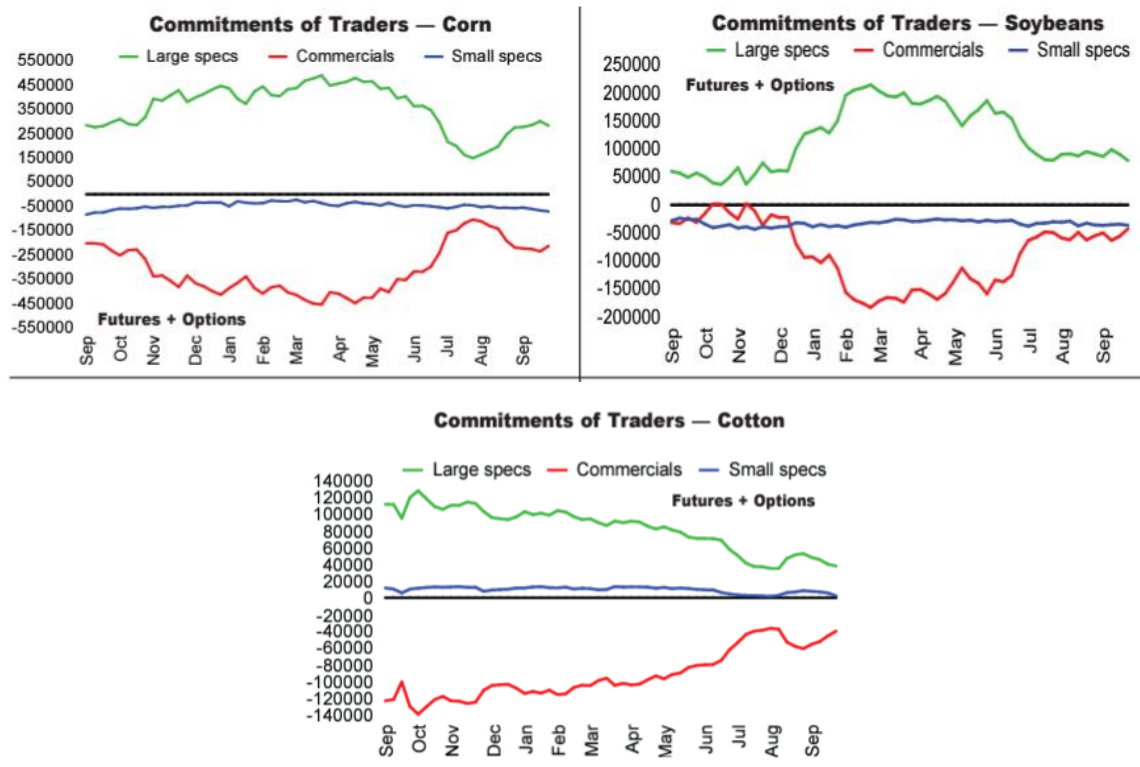
Soybean production is forecast at 4.3 billion bushels, down 65 million on lower yields. Harvested area is unchanged at 86.6 million acres. The soybean yield is projected at 49.8 bushels per acre, down 0.7 bushels from the September forecast. With lower production partly offset by higher beginning stocks, supplies are reduced 31 million bushels. Soybean exports are reduced 40 million bushels to 2.05 billion with increased competition from South America. With lower exports partly offset by increased crush, ending stocks are unchanged from last month at 200 million bushels. The U.S. season-average soybean price for 2022/23 is forecast at \$14.00 per bushel, down 35 cents. Soybean meal and oil prices are unchanged at \$390.00 per short ton and 69 cents per pound respectively.

The outlook for 2022/23 U.S. rice this month is for slightly increased supplies, unchanged domestic use, lower exports, and larger ending stocks. Supplies are raised slightly as the NASS October 12 Crop Production report increased the all-rice yield 13 pounds to 7,599 pounds per acre. The 2022/23 export forecast is lowered 2.0 million cwt to 75.0 million, all long-grain rice, as relatively higher U.S. prices contribute to a slow pace of sales this marketing year. If realized, this would be the lowest all rice export total since 1991/92. Ending stocks are raised 2.3 million cwt to 33.2 million, which would still be down

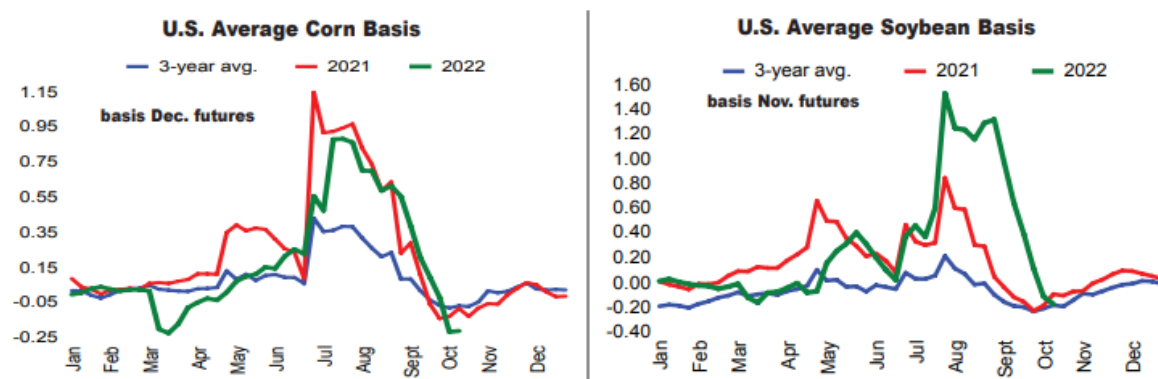
more than 16 percent from the prior year. The season-average farm price for long grain rice is unchanged at \$16.50 per cwt. Also unchanged is the season-average farm price for southern medium grain rice at \$17.00 per cwt.

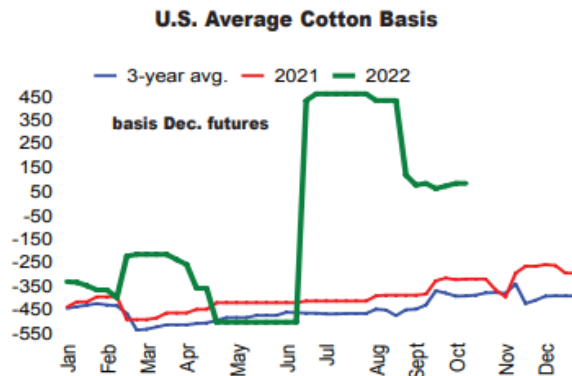
The 2022/23 U.S. cotton supply and demand estimates show slightly lower exports and higher ending stocks compared with last month. Production is virtually unchanged at 13.8 million bales, less than 1 percent lower than a month earlier. With world trade projected lower, the export forecast is 100,000 bales lower at 12.5 million bales, while ending stocks are 100,000 bales higher. The 2022/23 season-average price for upland cotton is forecast at 90.0 cents per pound, 6 cents lower than last month and slightly below the final 2021/22 record-high price of 91.4 cents.

### Commitment of Traders Report, Tuesday, October 4, 2022



### Cash Market Basis Charts, Wednesday, October 12, 2022





## Corn

With Dow Jones' pre-report survey looking for a corn yield of 171.9 bushels per acre, and production of 13.891 billion bushels, both of those came out almost right on the money. However, ending stocks were up just slightly higher than traders had expected due to some bearish demand changes. Yield was revealed to be 171.9 bushels per acre, down 0.6 bushels per acre from September, with production of 13.895 billion bushels, using unchanged planted and harvested acres, with the latter at 80.8 million acres.

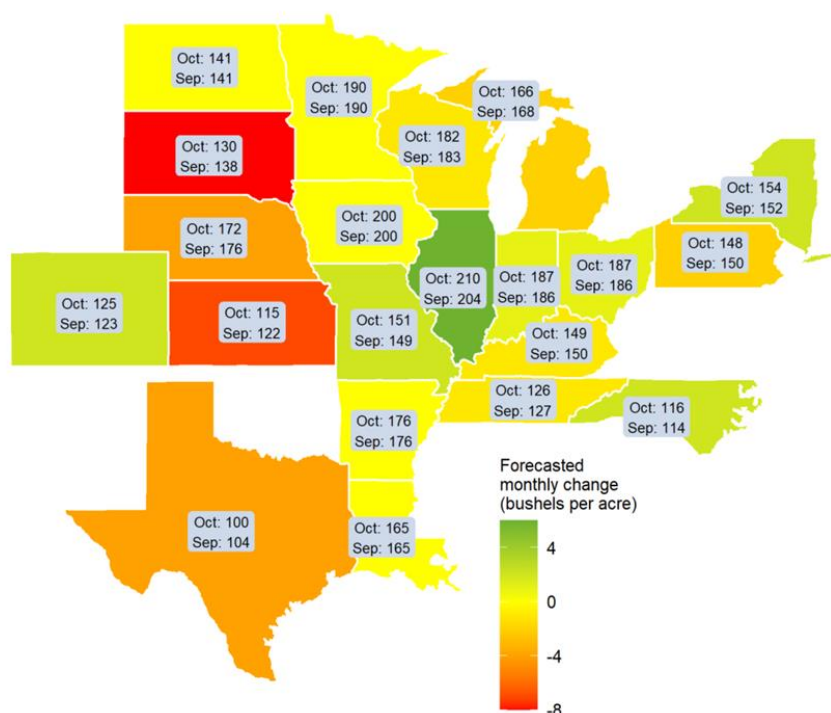
However, due to the brutally slow export pace of U.S. corn, with sales currently down 50% from last year and with the sluggish ethanol demand of late, USDA chose to drop both of those by 125 million bushels and 50 mb, respectively. Partly offsetting those reductions was a 50 mb increase in feed and residual. The net effect was a drop in ending stocks from 1.219 billion bushels to 1.172 billion bushels, a decline of 37 mb from last month. The ending stocks number figured 45 million bushels higher than trade expectations. The season average corn price was increased by a nickel to \$6.80.

The U.S. corn yield for 2022/23 is projected at 171.9 bushels per acre, based on NASS's October forecast. This month's projection is down 0.6 bushels from September and 4.8 bushels per acre lower than last year, as a widespread summer drought pressured yield potential across the western corn belt. Continued dryness late into the growing season (from the western Great Plains to the eastern Midwest) further pressured month-to-month yield forecasts, especially in Nebraska and Kansas.

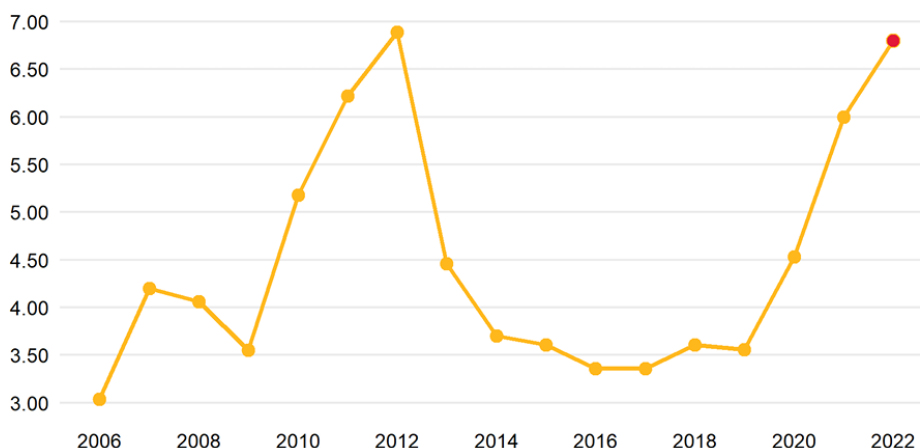
At the State level, the largest year-over-year decline in corn production in 2022/23 can be found in the High Plains—the largest reduction occurring in Nebraska, with a 255-million-bushel decline from 2021/22, due to lower harvested area and a forecasted 22-bushel yield drop from last year to 172 bushels per acre. This month's forecast reflects a 4-bushel-per-acre decline from NASS's September projection for Nebraska of 176 bushels. Similarly, Kansas (with a 158-million-bushel decline in production) saw a yield decline of 24 bushels from last year to 115 bushels per acre in 2022/23, coupled with a 250,000 acre decline from the year prior to 5.15 million acres.

The 2022/23 ending stocks forecast fell 47 million bushels in October to 1,172 million bushels, the lowest level since 2012/13- if realized- on lower carry in stocks from last year (1,377 million bushels) and decreased production. Much tighter supplies in 2022/23, paired with difficult inland logistics due to historically low water levels on the Mississippi River and strong global demand for feed grains, support the highest corn season average farm price since 2012/13- \$6.80 per bushel.

**U.S. corn yield by State,  
October 2022 forecast versus September forecast, bushels per acre**



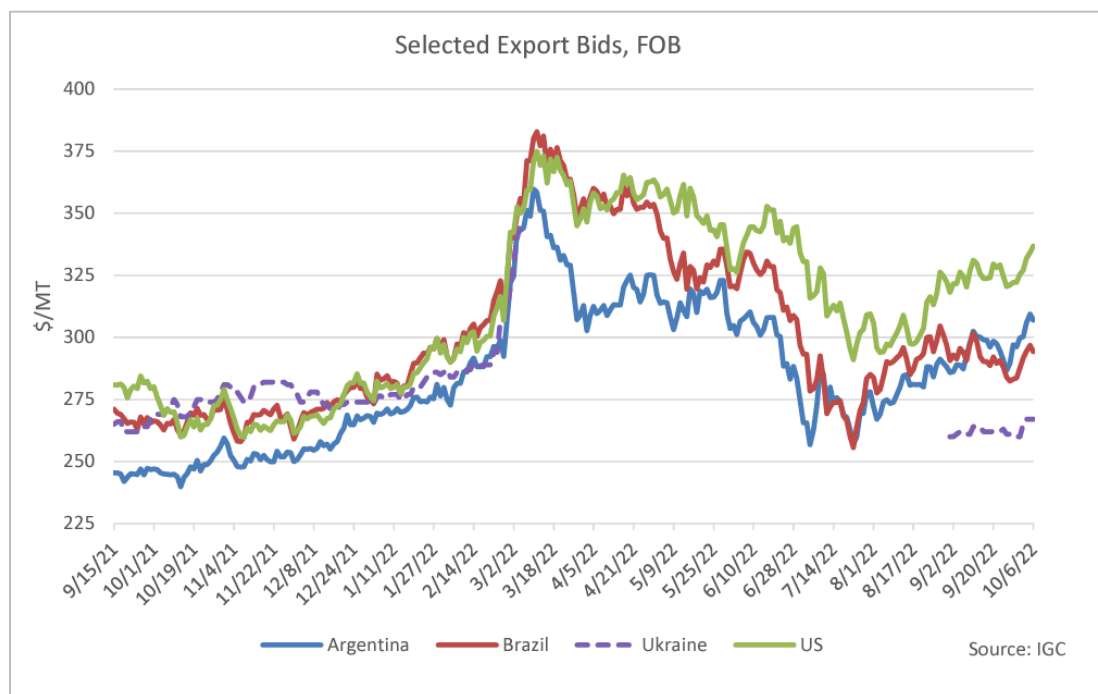
**Price received for corn, by marketing year**  
U.S. dollars per bushel



Harvest pressure seems likely to persist through Thanksgiving, which could limit the market's potential upside. Recent export data hasn't been terribly supportive either. But the probable end of the U.N./Russia export deal for Ukrainian grain should provide sustained support, especially if Russia again attacks export ships and/or Ukrainian facilities. Bulls may also be encouraged by persistent dryness across the Wheat Belt, especially if wheat futures resume their recent advance. Look for traders to slowly turn their focus to the next USDA Crop Production report on November 9<sup>th</sup>. The corn crop reductions seen in September and October suggest the crop will diminish slightly on coming reports.

Price prospects seem likely to improve as the U.S. harvest winds down, especially if dry weather continues dominating the Great Plains, whereas sustained U.S. dollar strength and concerns about a global recession could work against the market. The prospect of record South American crops may limit upside potential as well. Conversely, with domestic stocks projected at pipeline levels and fertilizer prices remaining elevated, bears may have little luck in trying to force the market lower. Surging fertilizer costs curbed U.S. corn plantings early this year. Greater expenses seem likely to limit nitrogen applications this fall and seem likely to support the market this winter.

Since the September WASDE, the major exporters' bids have generally risen. U.S. bids were up \$12/ton to \$337. In the Grain Stocks report released by NASS on September 30<sup>th</sup>, ending stocks of the previous season totaled 1.38 billion bushels, nearly 10 percent lower than forecast in the September WASDE. Low water levels in the Mississippi River have hampered grain deliveries and raised freight rates. Brazilian bids were unchanged at \$294/ton on firm demand. Brazil corn exports were record high in August and September volumes were the third largest on record. Argentine bids were up \$20/ton to \$307. Ukrainian bids continue to be published, having resumed at the beginning of September, and were up \$6/ton to \$267.



Under withering drought, the European Union (EU) is anticipating its smallest corn crop since 2007/08 with production forecast down 21 percent year-over-year. As a result, imports reached substantial volumes in the final weeks of 2021/22 and the EU is forecast to return as the world's largest corn importer in 2022/23 as China eases back its imports. As EU demand for imported corn has surged, it has boosted its imports not only from Brazil but also from Ukraine. The EU is also normally a nontrivial exporter of corn. With Romania, a major exporting member state, seeing a substantial decline in production, overall EU corn exports are forecast to drop sharply from 2021/22.

Global corn prices remain elevated and support the use of alternative grains for feed in the European Union. EU barley and wheat production are also down from the prior year, though not as dramatically as corn. These two grains are expected to modestly buffer the impact of lower domestic corn supplies for feed; however, overall grain feeding in the EU is forecast to contract by 4 percent or nearly 7 million tons.

Adding to the difficulties in grain supplies, the EU is facing a severe outbreak of highly pathogenic avian influenza (HPAI), which has already resulted in the culling of around 50 million birds. Beef and pork producers in the EU are also expected to scale back production in response to growing environmental restrictions and higher feed and energy costs which have tightened margins.

## Soybeans

Perhaps the biggest surprise in an otherwise dull October USDA WASDE was soybeans seeing a sharp gain. The 60-minute November soybean chart shows the immediate bullish reaction to the surprisingly low October soybean yield of 49.8 bushels per acre and the resulting lower-than-expected ending stocks (DTN chart below).



The soybean market provided the only excitement for the October WASDE, as yield was reported to be 0.7 bushels per acre under the September yield of 50.5 bushels per acre. That resulted in production, on unchanged harvested acres of 86.6 million, falling to 4.313 billion bushels from 4.378 billion bushels last month. It's apparent that the very hot and dry finish in parts of the western and southwestern Plains had a detrimental impact on yield. As in corn, soybean export demand was lowered, with a 40 million bushels cut, but that was partially offset by a rise in crush of 10 million bushels. The 49.8 bushels per acre yield was down nearly 2 bushels from last year's 51.7 bushels per acre. Record yields were recorded in Arkansas, Mississippi and South Carolina. Of the 11 key states measured on October 1<sup>st</sup>, in eight of those states, pod counts were lower than in 2021, with Nebraska having the largest decrease of 551 pods per 18 square feet. The tight 200 million bushels ending stocks number was 40 mb higher than the trade average estimate prior to the report.

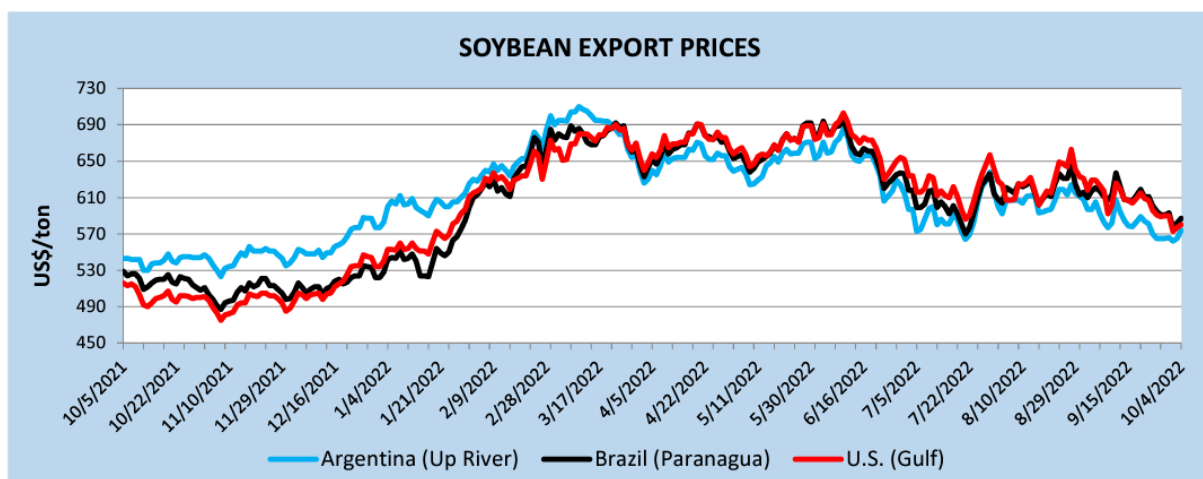
This month, USDA NASS lowered the 2022/23 national average soybean yield from the previous forecast of 50.5 to 49.8 bushels per acre in its Crop Production report, lowering the 2022/23 U.S. soybean production forecast. This is partially offset by the increased beginning stocks reported by USDA, NASS in the September Grain Stocks report, lowering total soybean supply. Despite the reduction in supply, soybean crush is increased this month with high product demand and favorable crush margins. Soybean exports are reduced on lower supplies and increased global competition, particularly with South America.



Midwest weather has proven favorable for harvest, with World Weather noting similar conditions through the next two weeks with light showers into Tuesday likely to cause only temporary interruptions to fieldwork, mainly from Michigan to central and northern Ohio. Traders will also continue to closely monitor low river levels which have slowed barge traffic enroute to the Gulf. South America has experienced advantageous planting conditions as rains have increased moisture levels in Brazil. World Weather forecasts regular rain through Thursday in much of southern Brazil and Paraguay, slowing fieldwork with drier weather to return October 21-28, allowing for quick improvements for conditions for fieldwork. The forecaster noted further that soil moisture should be high enough to support planting and establishment of summer crops through the end of the month with rain likely needed again in early November.

Traders will continue to keep a close eye on global economic conditions and supply, in addition to export stability over the coming months. Traders will remain intently focused on the size of the U.S. crop as well as South American prospects as supply has reached its tightest levels in seven years. To date, weekly soybean export sales continue to prove steady over last year as they outpace the 2021-22 marketing year by over 7%. Daily export sales were also reported earlier with large sales to China (198,00 metric tons), unknown destinations (198,000 metric tons), and Philippines (230,000 metric tons meal).

Average soybean prices for major exporters were down slightly in September compared to the previous month. Increased Argentina exports in response to the government's temporary 'soy dollar' preferential exchange rate export incentive put downward pressure on the entire soybean market. Additionally, continued strengthening of the U.S. dollar and larger-than-expected soybean stocks published by NASS in Stocks and Small Grains Report added further downward pressure on prices.

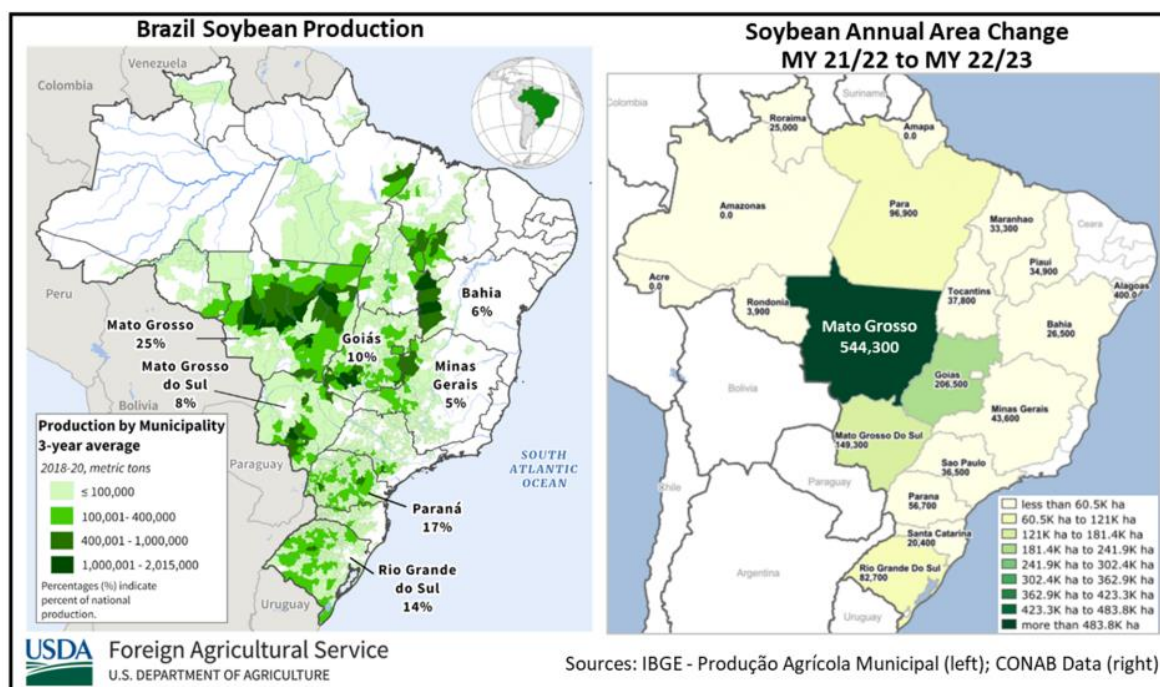


Brazil soybean production for marketing year (MY) 2022/23 is forecast at a record 152.0 million metric tons, raised higher by 3.0 million metric tons (2 percent) from last month, and higher by 25.0 million metric tons (20 percent) from last year. Harvested area is estimated at a record 42.9 million hectares, up 0.9 million hectares (2 percent) from last month and up 1.4 million hectares (3 percent) from last season. Yield is forecast at close to the 10-year trend yield at 3.54 tons per hectare, slightly below last month and 16 percent greater than last season. This would be the highest yield on record, with the prior record at 3.53 tons per hectare reached in MY 2020/21.

The new soybean season began with the end of the soybean moratoriums beginning in mid-September. Overall planting is currently at 4.6 percent according to Companhia Nacional de Abastecimento

(CONAB, an agency in the Brazilian Ministry of Agriculture). The pace is slightly ahead of the 5-year pace of roughly 3.5 percent. Soil moisture conditions improved after mid-September in the center-west region, although rainfall has been excessive in southern Brazil. The large amount of rainfall in Paraná impeded planting progress over the last few weeks. Meanwhile, planting in Mato Grosso is proceeding ahead of the 5-year pace. The largest annual acreage increases are reported in the center-west states of Mato Grosso (over 0.5 million hectares) and Goiás (over 0.2 million hectares) by CONAB. In Paraná, planted soybean area shows gains at the expense of first season corn acreage. Planting of the MY 2022/23 crop will intensify during the month of October and continue through December. Harvest begins in late December for the early planted crop.

### Brazil Soybeans: Record Production, 20 Percent Larger than Last Year



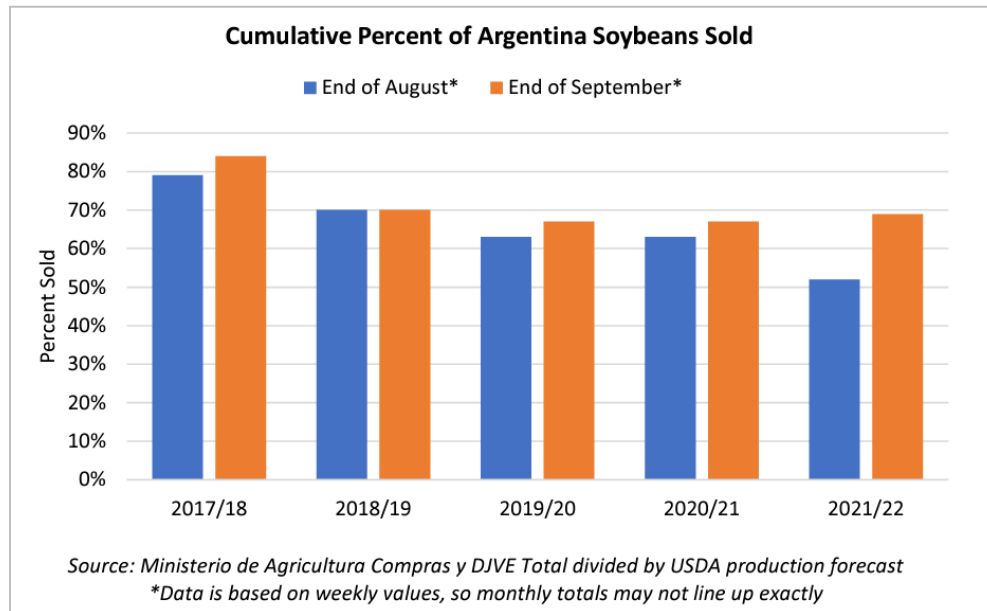
Driven by a large discrepancy in the official exchange rate and the market exchange rate and exacerbated by high inflation, farmers sold 2021/22 soybeans at the slowest pace in over a decade through the end of August. To enhance/increase farmer sales, boost exports, and replenish central bank reserves, the Argentine Government offered a more-favorable exchange rate during September of 200 pesos per U.S. dollar, up from the previous official exchange rate of 139 pesos per U.S. dollar.

As a result, Argentinian farmer soybean sales in September exploded. According to the Buenos Aires Grain Exchange, over 16 million tons of soybeans were sold by farmers in September, or 37 percent of the total estimated 2021/22 Argentine soybean crop. Some portion of this tonnage will cannibalize sales that would have occurred between October and January, as farmers who intended to sell later in the year took advantage of the favorable exchange rate.

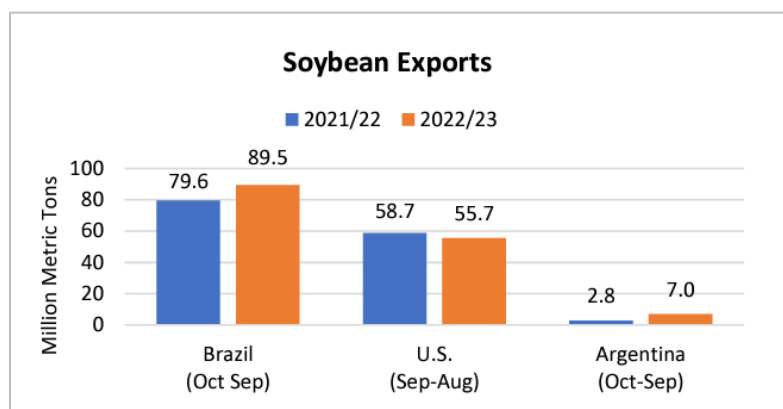
Argentina exports for 2022/23 (Oct-Sep) are raised 2.3 million tons this month to 7.0 million. If realized, Argentina will be the world's third-largest soybean exporter again after falling behind Canada, Uruguay, and Paraguay in recent years. Strong soybean exports are expected to dampen available supplies for crush and product exports in the October-September outyear. However, despite the downward revisions this



month, crush is still forecast to grow with the larger 2022/23 crop. Argentina soybean crush is likely to remain slow until harvesting the 2022/23 crop due to tight supplies and weaker crush margins as plummeting palm oil prices have dragged global vegetable oil prices down. Since peaking in late April, South American soybean oil export prices have dropped by more than one third. However, crush should recover with supplies and crush margins later into the marketing year and more than compensate for a slow start.



Higher Argentine soybean exports in the final months of 2022 are also expected to impact the global 2022/23 soybean outlook. This month, 2022/23 Brazil (October-September) soybean exports are raised just 500,000 tons due to competition from Argentina, despite a 3-million-ton production increase. Additionally, 2022/23 U.S. exports are lowered more than 1 million tons this month on increased competition from Argentina and Brazil and smaller U.S. supplies on lower production more than offsetting higher carry-in.

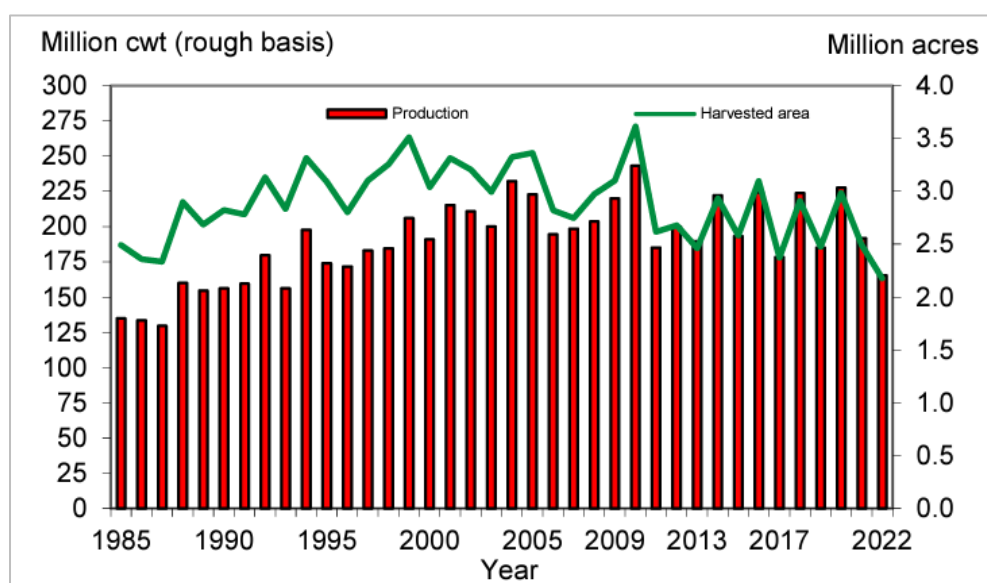


## Rice

The U.S. 2022/23 rice production forecast was raised 0.3 million cwt to 164.4 million based on a slightly higher yield reported by USDA NASS in its Crop Production report released on October 12<sup>th</sup>. Yield forecasts were raised slightly this month for California and Mississippi but were unchanged for the

remaining reported States. U.S. rice production is almost 14 percent below a year earlier and the smallest since 1993/94. The projected yield of 7,599 pounds per acre is 13 pounds above the previous forecast but more than 1 percent below the year-earlier record. Long-grain 2022/23 production was raised 0.2 million cwt to 132.5 million, more than 8 percent below a year earlier and the smallest since 2019/20. Medium- and short-grain production was raised less than 0.1 million cwt to 32.9 million cwt, 30 percent smaller than a year earlier and the lowest since at least 1972/73, when NASS first reported U.S. rice production by class.

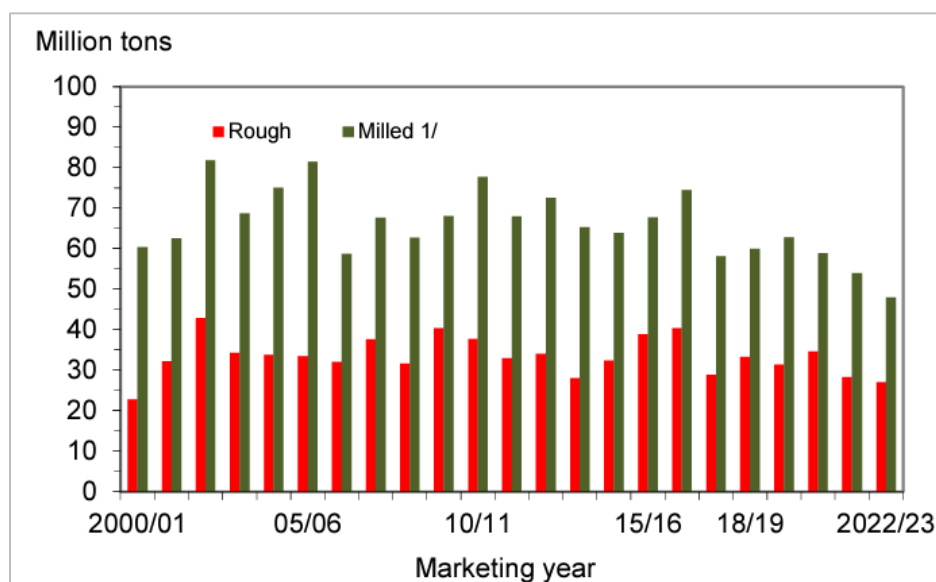
Total harvested area remains estimated at 2.177 million acres, 12.5 percent below a year earlier and the lowest since 1983/84. Harvested area is estimated to be less than a year earlier in all reported States except Louisiana and Texas, where harvested area is up slightly from 2021/22. California accounts for the largest annual decline in rice harvested area. At 255,000 acres, California's total 2022/23 rice harvested area is the smallest since 1958/59. This is the second consecutive year of a sharp decline in California rice acreage, a result of a severe and prolonged drought, low reservoir levels, and water restrictions. California grows mostly medium- and short-grain rice, typically accounting for around 75 percent of U.S. medium- and short-grain acreage. Much of the area decline in the Delta was due to extremely high corn and soybean prices just prior to planting and the historically high input costs for rice production this year. Early-season adverse weather in parts of the Delta further reduced plantings.



U.S. rice imports in 2022/23 remain forecast at a record 44.0 million cwt, more than 16 percent above a year earlier. Imports are expected to account for more than 30 percent of total domestic and residual use (excluding seed use) in 2022/23, the highest share on record. In August, the U.S. imported 91,226 tons (product weight) of rice, down 22 percent from July but up 44 percent from a year-earlier, with medium- and short-grain accounting for most of the month-to-month decline. Imports of Thailand's jasmine rice, the largest source and category of rice imported by the United States, were down from a month earlier and continue a steady decline from the March record high. Imports of basmati rice from India were up slightly from a month earlier. Both jasmine imports and basmati imports are classified as long-grain.

U.S. 2022/23 all-rice exports are forecast at 75.0 million cwt, 2.0 million below the previous forecast, almost 9 percent below a year earlier and the lowest since 1991/92. The U.S. rough rice export forecast was lowered 2.0 million cwt to 27.0 million cwt, based on higher prices and more competition from South American exporters. Rough-rice imports are projected to be 4.5 percent below a year earlier and the

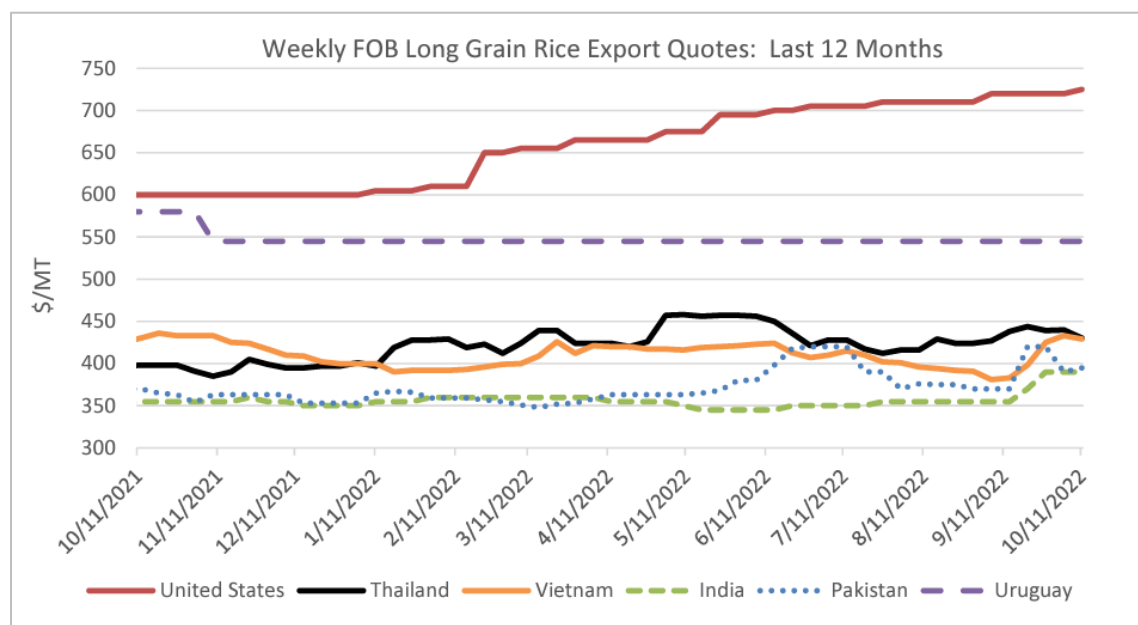
lowest since 2000/01. Long-grain shipments to Latin America are expected to again account for nearly all these exports. U.S. 2022/23 milled-rice exports remain forecast at 48.0 million, 11 percent below a year earlier and the smallest since 1970/71. U.S. milled rice exports in 2022/23 will again be limited by high prices compared with those of suppliers in both South America and Asia. Long-grain 2022/23 exports are forecast at 56.0 million cwt, 2.0 million below the previous forecast, nearly 8 percent smaller than a year earlier and the lowest since 1991/92. Latin America is the largest market for U.S. long-grain exports, followed by the Middle East and Canada. Medium- and short-grain exports remain forecast at 19.0 million cwt, 12 percent below a year earlier and the lowest since 2006/07. The United States is expected to make few sales of medium- and short-grain rice outside of its core markets in Northeast Asia and Canada due to record-high prices and very tight supplies.



Tighter U.S. rice supplies and high input prices are the major reasons for the expected higher—and typically record—U.S. rice prices in 2022/23. The 2022/23 SAFP forecast for long-grain rice remains at a record \$16.50 per cwt, more than 20 percent above a year earlier. In California, the 2022/23 medium- and short-grain SAFP remains forecast at a record \$33.00 per cwt, up 28 percent from a year earlier, with much of the rise due to a second consecutive year of a drought-affected California harvest. The 2022/23 southern medium- and short-grain SAFP remains forecast at \$17.00 per cwt, up 21 percent from a year earlier and the highest since the 2008/09 record. The U.S. medium- and short-grain SAFP remains forecast at a record \$27.90 per cwt, 27 percent above a year earlier. The U.S. 2022/23 all-rice SAFP remains forecast at a record \$19.40 per cwt, up almost 24 percent from a year earlier.

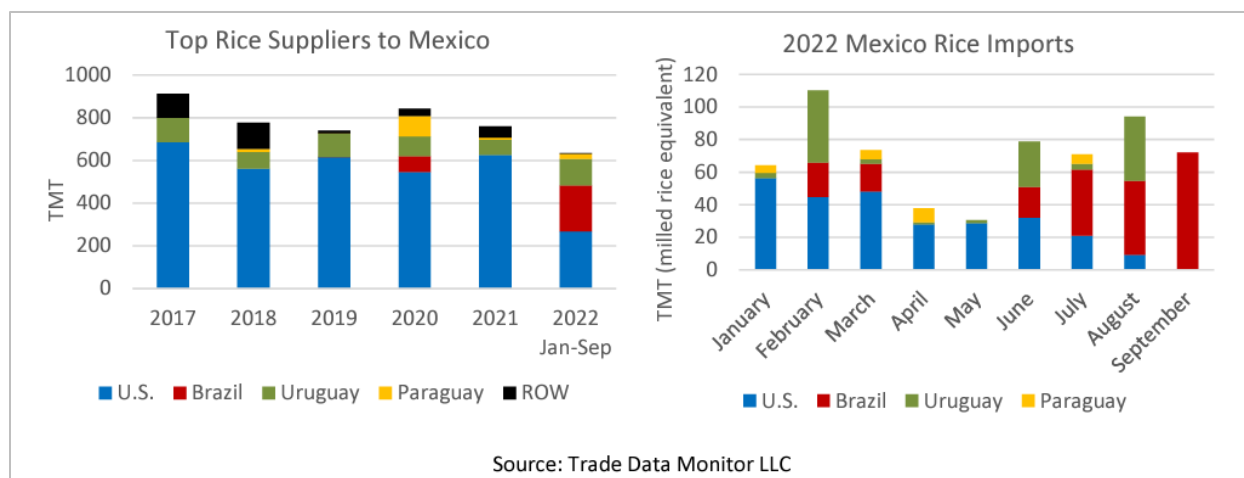
U.S. trading prices for long-grain milled rice continued to increase over the past month. Prices for U.S. long-grain milled rice, Number 2 Grade, 4-percent broken kernels (free on board a vessel at a Gulf port, Iraqi specifications) were quoted at \$725 per ton for the week ending October 11, up \$5 from a month earlier and the highest for U.S. milled long-grain rice since early October 2008. U.S. price quotes for Latin American markets also increased \$5 over the past month, to \$690 per ton. Milled-rice nominal price quotes (no actual offers or sales) in California increased over the past month. Nominal price quotes for California medium-grain Number 1 Grade, 4-percent broken kernels increased \$75 per ton to \$1,625 per ton (free on board at a domestic mill) for the week ending October 11, the highest on record for this specification.

In the past month, U.S. quotes jumped \$5 to \$725/ton on a strengthening dollar and continue to be the highest since 2008 amid tight supplies. Uruguayan prices are unchanged at \$545/ton. Thai quotes increased \$6 to \$430/ton due to strong demand, especially from Central and Western Asia. Vietnamese prices spiked \$38 to \$429/ton reflecting strong demand from Bangladesh and the recent ban on India broken rice exports. Pakistani quotes rose \$25 to \$395/ton on increased demand and constrained supplies on recent flooding. Indian quotes increased \$35 to \$390/ton but continue to be the lowest globally.



Mexico has diversified its rice suppliers in 2022, causing U.S. market share to plummet. The United States has accounted for less than half of rice exports to Mexico during the first 8 months of 2022 compared to nearly 90 percent for the same period in 2021. The United States has historically been Mexico's key rice supplier, traditionally supplying over 95 percent of rice imports. However, more South American rice has recently entered the country primarily due to the temporary tariff suspension and high U.S. prices.

In May 2022, the government of Mexico announced a one-year suspension of import tariffs for paddy rice in efforts to battle inflation. The import tariff for paddy rice had been 9 percent, but the United States and Uruguay both had preferential duty-free access. Since then, other exporters including Paraguay and Brazil have seen market share expand rapidly. U.S. rice faced a similar challenge between 2017 and 2020 when Mexico implemented duty-free tariff rate quotas for all types of rice. However, the 2022 policy does not limit the amount of paddy rice entering duty free.



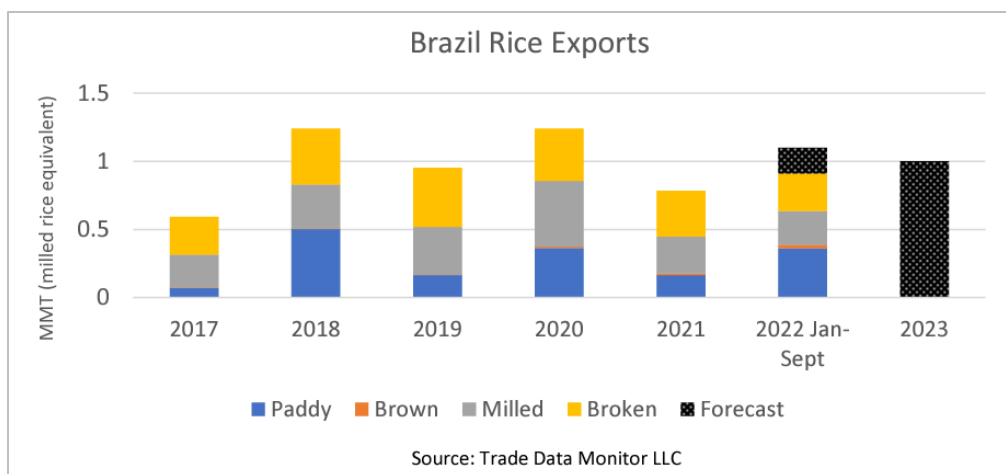
Paddy rice accounts for 80 percent of total Mexico rice imports. With substantial milling capacity, Mexican importers prefer to bring in paddy rice. The United States has been the largest supplier of paddy rice to Mexico and Mexico is the largest paddy market for the United States. So far this year, Mexico is buying more paddy rice from South American suppliers, primarily Brazil, Paraguay, and Uruguay than from the United States. Brazil accounts for almost two-thirds of South American exports to Mexico, which reached 364,000 tons in January-September 2022. Since the new policy was implemented, U.S. exports have declined significantly. In August and September, the United States exported less than 10,000 tons to Mexico each month. In contrast, Brazil's exports to Mexico in September surpassed 70,000 tons. Beyond the 9 percent tariff reduction, another primary cause of the loss of U.S. market share has been rising U.S. prices. U.S. paddy rice sold to Mexico averaged \$424/ton FOB compared to Brazil's average price of \$315/ton FOB.

Looking ahead, U.S. prices are remaining firm given the tighter supplies in 2022/23. As a result, it is not expected to regain competitiveness with South American rice anytime soon. Brazil and other South American suppliers are likely to continue shipping large quantities of rice to Mexico while paddy rice imports are duty free. At current prices, however, even if a paddy rice tariff is reintroduced in Mexico, U.S. rice prices remain uncompetitive at current prices.

In 2022, Brazil has become a formidable exporter of rice, primarily of paddy and broken, in the Western Hemisphere. Brazil is the top rice producer and consumer in the Western Hemisphere and the second largest rice exporter in the region after the United States. Despite a smaller crop earlier this year, Brazil rice exports are expected to increase. In the first 9 months of 2022, Brazilian exports have been strong, exceeding exports from the prior calendar year. Key factors supporting exports include competitive prices compared to U.S. paddy and increased opportunities to ship broken rice amid India's absence.

The primary driver of increased exports has been a surge in paddy rice shipments to the Western Hemisphere as Brazil's paddy prices have become more competitive compared to the United States. As described in the previous article, Brazil has benefited from duty-free access for its paddy rice into Mexico and has made significant gains there. Thus far in 2022, Brazil's exports of paddy rice to Mexico have surpassed its shipments to Venezuela, making Mexico the largest destination. Brazil's paddy exports to its key market Venezuela increased in 2022, despite increased competition from Uruguay. In addition, the United States has not exported rice to Venezuela in 2022, allowing Brazil to capitalize on the absence of the United States. Brazil also saw an increase in paddy exports to Central America, particularly El Salvador and Guatemala, despite slight reductions in exports to Costa Rica and Nicaragua.

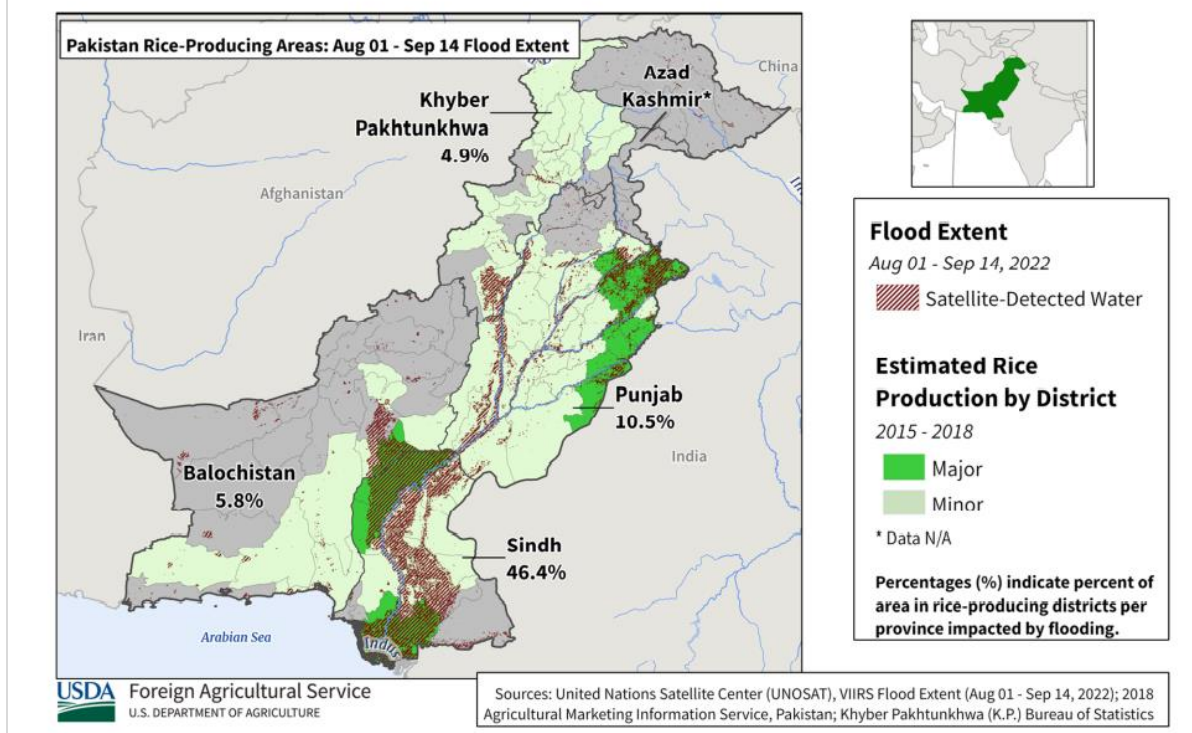




Brazil's second largest export category is broken rice, which has also witnessed growth. Already in the first 9 months of the year, Brazilian broken rice exports are up compared to the prior year and the outlook is favorable for further expansion. Brazilian exports are positioned to increase further, particularly to West Africa, following India's export ban on broken rice. Similarly, in 2022, Brazil has also exported 25 percent more milled rice than the same period last year. The biggest area of growth has been its tremendous increase in exports to Cuba, with the largest shipments since 2015. Brown rice exports are also up, mainly to the EU. Brazilian production is expected to drop slightly in 2022/23 (harvested mostly next April-May). Thus, with a second consecutive crop reduction, exports are projected to decline marginally in 2023.

Pakistan rice production for marketing year 2022/23 is estimated at 7.4 million metric tons (milled basis), down 1.0 million metric tons (12 percent) from last month, and down 1.7 million metric tons (19 percent) from last season's record crop. Harvested area is estimated at 3.0 million hectares, down 0.2 million hectares (6 percent) from last month. Yield (rough) is estimated at 3.70 tons per hectare, down 6 percent from last month. Production is revised down based on estimated lower area and reduced yield. The area estimate is reduced due to flooding in production areas of northwest Sindh and scattered areas of Punjab. If the flood waters recede quickly, some production in these areas may recover.

## Pakistan Rice: Production Reduced by Flooding



## Cotton

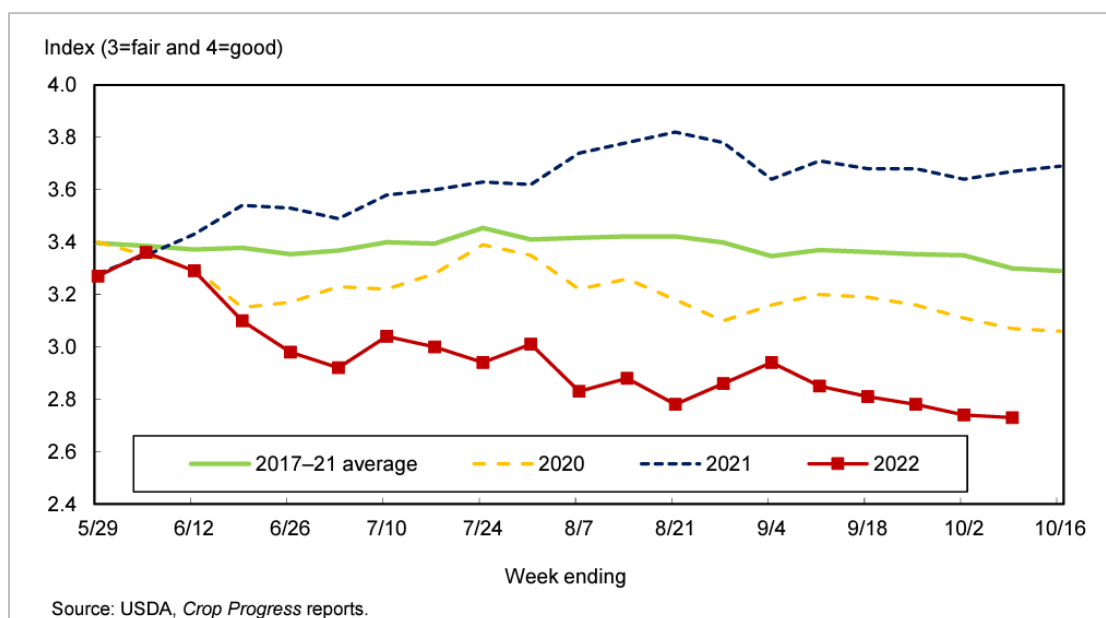
USDA's October Crop Production report forecasts 2022 U.S. cotton production at 13.8 million bales, nearly identical to last month's forecast but 21 percent (3.7 million bales) below 2021's crop. This season's lower forecast is attributable to reductions in harvested area, particularly in the Southwest region. If realized, the 2022 U.S. cotton crop would be the smallest in 7 years.

The 2022 U.S. upland cotton crop is forecast at 13.3 million bales, compared with last season's 17.2 million bales. During the previous 20 years, the October upland production estimate was above the final estimate 12 times and below it 7 times; no production forecast was published in 2013. Past differences between the October forecast and the final production estimates indicate a two-thirds chance for the 2022 upland crop to range between 12.4 million and 14.25 million bales.

This season, upland cotton production is forecast higher in two of the Cotton Belt regions while lower in the other two. In the Southeast, 2022 cotton production is projected at 4.8 million bales—10 percent above 2021 and 5 percent above the 2017–21 average—as the highest area in 3 years is partially offset by a lower yield. Cotton harvested area in 2022 is forecast at 2.6 million acres. Southeastern yield is projected at 886 pounds per harvested acre in 2022, compared with the 5-year average of 868 pounds.

Total 2022 U.S. cotton harvested area is estimated at 7.9 million acres, compared with last season's 10.3 million acres and the lowest since 2013. The national yield is projected at 842 pounds per harvested acre, compared with 2021's 819 pounds. As of October 9, 29 percent of the U.S. cotton crop was harvested, above last season's 19 percent and the 2017–21 average of 25 percent. As a result, more than 1.1 million bales were ginned as of October 1, compared with less than 750,000 bales a year earlier. Meanwhile, U.S. cotton crop conditions for most of the season were below the last several seasons. As of October 9<sup>th</sup>, only 30 percent of the cotton area was rated "good" or "excellent," compared with 64 percent last year, while

47 percent of the crop area was rated “poor” or “very poor,” compared with 6 percent a year ago. For current production estimates by State, see table 10 published separately with this report.



The U.S. cotton demand estimate for 2022/23 is projected at 14.8 million bales in October, 2.4 million bales (14 percent) below 2021/22 and nearly 3.1 million bales below the 3-year average. U.S. cotton exports account for the bulk of demand and are forecast at 12.5 million bales in 2022/23, with mill use expected to contribute the remaining 2.3 million bales. Despite a higher world trade forecast this season and a relatively strong foreign import demand, U.S. cotton supplies—expected to be their lowest in 7 years—are limiting export prospects. In addition, uncertainties about the world economy are weighing on the global cotton mill use outlook in 2022/23. Based on the October projections, the 2022/23 U.S. share of world trade is forecast near 29 percent—5 percentage points below 2021/22 and the lowest since 2015/16.

With the U.S. cotton demand projection marginally lower in October and the production estimate remaining essentially unchanged, the 2022/23 U.S. ending stocks estimate is slightly higher this month at 2.8 million bales; however, stocks are nearly 1 million bales below last season and the lowest since 2016/17 when a similar level was recorded. The stocks-to-use ratio is forecast at 19 percent at the end of 2022/23, slightly below last season and among the lowest of the previous 5 years. Based on the U.S. and global cotton supply and demand estimates and recent prices, the 2022/23 average U.S. upland cotton farm price is forecast at 90 cents per pound, compared with the final 2021/22 record price of 91.4 cents per pound.

Last week, the USDA reported U.S. cotton net sales of 144,800 running bales (RB) for 2022/2023, primarily for Pakistan (55,300 RB), Bangladesh (31,700 RB) and China (14,400 RB). Total net sales of 34,800 RB were reported for 2023/2024. Exports of 168,100 RB were primarily to China (39,700 RB), Vietnam (26,700 RB) and Pakistan (25,500 RB). These disappointing weekly numbers suggest the strong U.S. dollar is crimping world demand for U.S. cotton. If the greenback remains elevated in the coming weeks/months, U.S. cotton sales abroad are likely to continue to underperform.

World Weather Inc. today said West Texas rainfall recently did not seriously change the condition of cotton fiber and the same is expected late this weekend into early next week as additional rain falls. U.S.

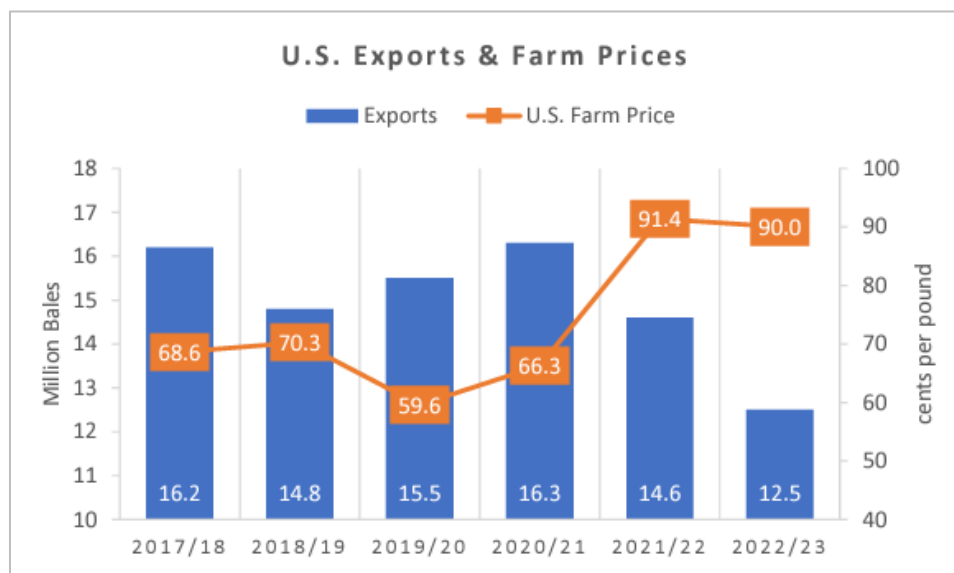
Delta weather and that in the southeastern states should be mixed with bouts of rain and sunshine in the next two weeks. Xinjiang, harvest weather in China should be favorable in the next couple of weeks. Central Asia harvest progress should go well, too, said the forecaster.

Dour global economic projections from the International Monetary Fund this week, as well as downbeat comments on the U.S./global economy suggest weakening world economic growth in the coming months is likely. That does not bode well for consumer demand for apparel or for the natural fiber and its price in the coming months.

2022/23 U.S. cotton exports are forecast at 12.5 million bales, down 100,000 bales from the previous month's forecast and 14 percent lower than the 2021/22 marketing year. Lower exports are attributed to 2022/23 U.S. production forecast to fall 3.7 million bales from the previous year to 13.8 million, the lowest production level in 7 years. High temperatures and drought in Texas, where 40 percent of U.S. cotton production occurs, have slashed production and exportable supplies.

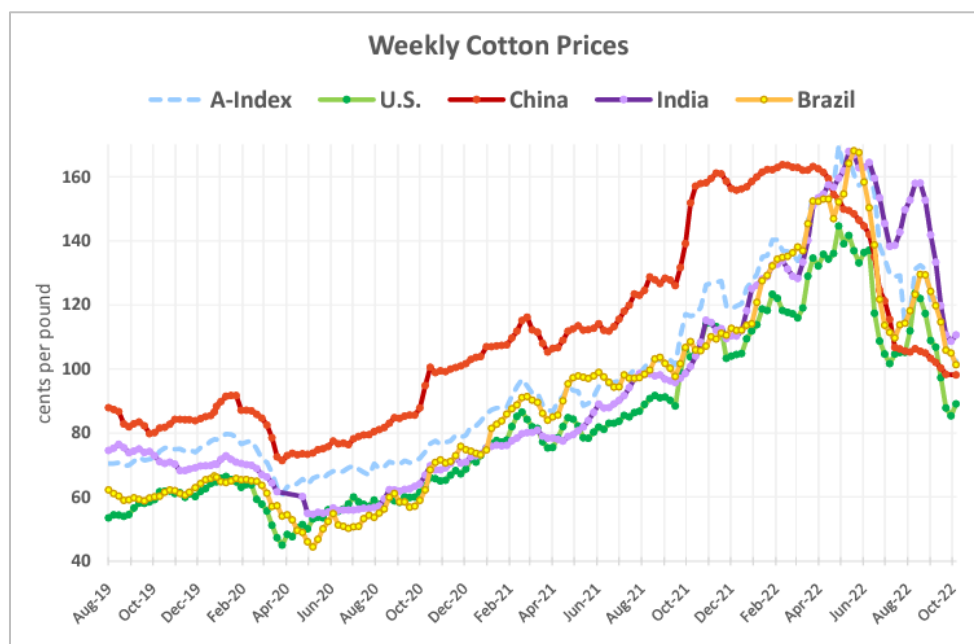
Global trade is down nearly 1.0 million bales from the previous month's forecast. Even so, the United States remains the leading global exporter of cotton. If realized, 2022/23 ending stocks would be at their lowest level since 2016/17 at 2.8 million bales, with the United States now exporting more than three-fourths of its crop.

2022/23 U.S. export sales reporting data indicates outstanding sales and shipments are more than one-half of projected production. This is in comparison to approximately one-third for the previous marketing year with China expected as the largest buyer for the third consecutive year. The ratio of shipments and sales to the projected U.S. crop is the highest level in over 10 years and has supported a strong projected U.S. farm price. Although the projected U.S. season-average farm price is forecast down 6 cents this month to 90 cents per pound, if realized, this would be the second highest level on record.





Global cotton prices fell significantly since last month's WASDE with India witnessing the largest fall. Both the A-Index and U.S. price dropped following movements on the Intercontinental Exchange (ICE) as higher interest rates and lower global growth portend economic headwinds. These macroeconomic concerns are expected to lower future consumer purchases for cotton products relative to the previous year and have pressured cotton lint prices. India spot prices fell 30 cents but remain the highest among the observed origins. This is contrary to last year when India prices were the lowest among major producers; far lower supplies in the country relative to the previous year are supporting the stronger basis.



Price decreases over the past month indicate that demand-related concerns have been winning the contest between the competing storylines involving a weaker downstream outlook and lower production expectations in a couple key cotton-growing countries. In addition, while the severe weather-driven



production challenges in the U.S. and Pakistan have garnered many headlines, related counterpoints concerning world production have gotten less attention.

Cotton is a global commodity. In any given crop year, when a country or a group of countries suffer adverse conditions, other countries tend to have better weather. In 2022/23, Brazil and Australia are forecast to collect record or near-record harvests. China and India are also projected to grow more cotton than in 2021/22. The net result is that global production is expected to increase year-over-year, despite the problems in the U.S. and Pakistan.

With this month's revisions to the demand side of the balance sheet, the increase in production is enough to result in a surplus of production beyond consumption. While stocks in the U.S. are forecast to be low by historical standards, an increase in warehoused supply is predicted at the world level (+2.6 million bales).

Another supply-related point that has relevance for price discussions is that low U.S. stocks do not always translate into high prices. While current projections for U.S. ending stocks and the U.S. stocks-to-use ratio (SURs, ending stocks divided by demand) rank among the lowest recorded in recent decades, values close to these levels have been observed relatively frequently in the recent past.

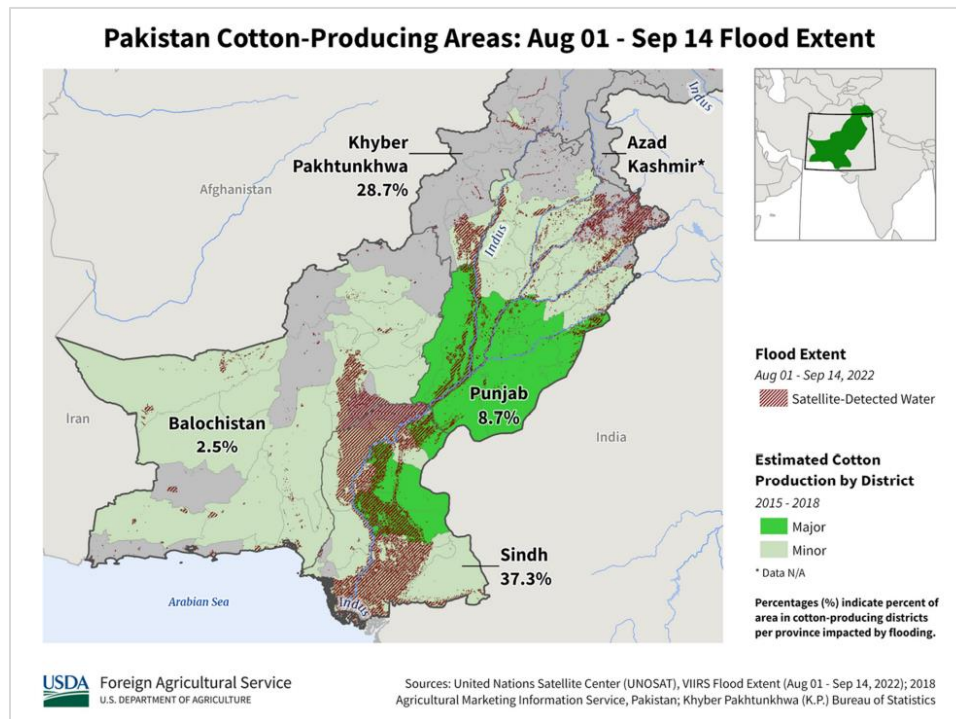
The current value for the U.S. SUR for 2022/23 is 19%. There were years when low U.S. SUR values coincided with high prices. For example, in 2010/11, when demand was resurfacing after the financial crisis and China was scrambling to secure supplies, the U.S. SUR was 14% and NY/ICE futures averaged 143 cents/lb. In other years when the U.S. SUR was low and demand was more stable, high prices were not a result. Examples include 2013/14 (SUR 17% and average NY/ICE prices of 84 cents/lb), 2016/17 (SUR 15% and average NY/ICE prices of 73 cents/lb), and 2020/21 (17% and average NY/ICE prices of 78 cents/lb).

For supplies to be truly tight, not only do inventories need to be low, but there needs to be a strong enough pull from the demand side to create urgency and motivate buyers to bid up prices. In the current market, U.S. stocks are low, and there has been additional import demand from Pakistan. A question for the market is whether that is enough to warrant prices above current levels when the global macroeconomic outlook is deteriorating.

Other important questions come from China. China represents one-third of global mill-use and has accounted for one-third of U.S. exports in recent crop years. The size of the Chinese market is large enough to create the demand pull necessary to move the market. However, China has a large volume of available stocks within the country and Chinese prices are near parity with the A Index. Traditionally, Chinese prices trade 15-20 cents higher than the A Index, so this is an indication that domestic prices are more competitive internationally than they usually are. Chinese government policy is always an important (unknowable) variable, but neither the volume inventories nor lower relative Chinese prices suggest robust Chinese import demand. If China does not emerge as an aggressive buyer, it is unclear where the volume of demand necessary to lift prices may come from in the current macroeconomic environment.

USDA estimates marketing year (MY) 2022/23 Pakistan cotton production at 5.2 million 480- pound bales, down 0.3 million bales (5 percent) from last month, and down 0.8 million bales (13 percent) from last year. Area is estimated at 2.0 million hectares, and unchanged from last year. The yield is estimated at 566 kilograms per hectare (kg/ha). This is 7 percent below the five-year average of 606 kg/ha. Production is revised down based on projected lower yield due to severe flooding in important production areas of Sindh and scattered areas along the Indus River in Punjab. Due to the flooding, MY 2022/23 yield is

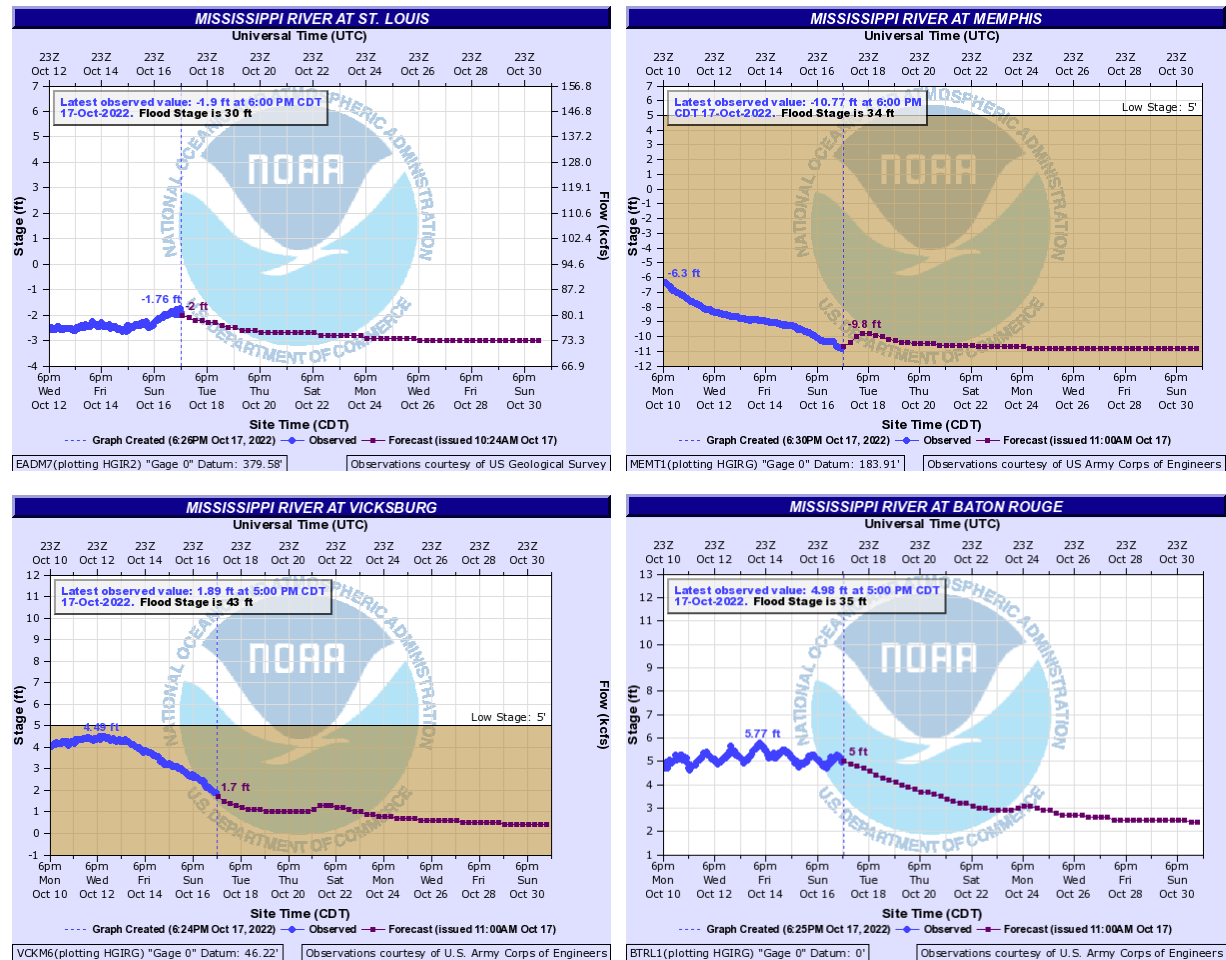
reduced 6 percent to 566 kg/ha. According to FAS/Islamabad, the most affected cotton producing districts in the province of Sindh – Sukkur, Khairpur, Naushahro Feroze, and Ghotki – have large crop areas inundated with flood waters. If the flood waters recede quickly, some production in these areas may recover, but substantial loss has already occurred.



## Mississippi River and Barge Traffic

Conditions on the Mississippi River continue to worsen as drought has wrought havoc on water levels on the nation's vital waterway. Wall Street Journal writer, Cameron McWhirter wrote “**Sections of the Mississippi River are approaching low water levels not seen in more than three decades**, disrupting a vital supply lane for **agriculture**, oil and building materials and threatening businesses including barge and towboat operators, **farmers** and factories.” McWhirter continues to write “The low water, caused by a lack of rain in the Ohio River Valley and the Upper Mississippi, has **halted commercial traffic** and river boat cruises at **numerous spots below Illinois**. Prices to ship goods have **more than doubled in a matter of weeks**. Barges are **grounding on sandbars** in unprecedented numbers and many ports and docks no longer have water deep enough for commercial boats to safely reach them.” Lisa Parker, spokeswoman for the Mississippi Valley Division of the U.S. Army Corps of Engineers, remarked to McWhirter that the Corps has started emergency dredging in spots along the Mississippi River in order to deepen the river in order for commercial traffic to resume again. Mr. McWhirter, noted that, typically, shipping on the Mississippi (or one of its many tributaries) had typically been the least expensive forms of transportation but with plummeting water levels and with fewer boats and barges available, prices have rocketed upwards, seeing quotes (October 11<sup>th</sup>) in the neighborhood of \$106/ton for corn, soybeans or other grains to be shipped downriver from St. Louis to ports on the Louisiana Gulf Coast. McWhirter compares the recent high of \$106/ton with rates on September 27<sup>th</sup> at \$50/ton or just \$28/ton a year ago. *Freightwaves* reports that what's even of more concern is that water levels are projected to plummet even further as rainfall across the region that feeds into the Mississippi River Basin has been scant, below

normal levels since late August. This poses as a serious challenge for U.S. U.S. agriculture as approximately 60 percent of grain and 54 percent of soybeans for U.S. export are moved by barge.



## 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	\$6.00	\$3.70	--
Grain Sorghum	\$5.94	\$3.95	--
Long Grain Rice	\$13.70	\$14.00	\$0.30
Medium Grain Rice	\$14.10	\$14.00	--
Seed Cotton	\$0.4675	\$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 October 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	\$6.80	\$3.70	--
Grain Sorghum	\$6.65	\$3.95	--
Long Grain Rice	\$16.50	\$14.00	--
Medium Grain Rice	\$17.00	\$14.00	--
Seed Cotton	\$0.4818	\$0.3670	--
Soybeans	\$14.00	\$8.40	--
Wheat	\$9.20	\$5.50	--

\*\*national marketing year average (MYA) prices reflect the prices contained in the October 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, AgRural, Ag Resource Company, Ag Web, Agricultural Market Information System (AMIS), Allendale, American Farm Bureau Federation, Bloomberg News, Brock Report, CME Group, Cotton Grower, Cotton Incorporated, Cotton Outlook, Creed Rice Report, Dr. O.A. Cleveland, Daniels Trading, Delta Farm Press, DTN Progressive Farmer, Farm Futures, Fiber 2 Fashion, Gro Intelligence, Hightower Report, Intercontinental Exchange, International Grains Council, Iowa State University, Lakefront Futures and Options, LSU AgCenter, Mississippi State University, National Cotton Council, NOAA, Peterson Institute of International Economics, Plains Cotton Cooperative Association, Plexus Cotton, Pro Farmer, Refinitiv, Reuters (Ms. Karen Braun), Rice Market Letter, Southeast Farm Press, Sovecon, StoneX, Successful Farming, Texas A&M University (Dr. John Robinson), University of Arkansas, University of Georgia, University of Illinois, University of Tennessee, U.S. Grains Council, U.S. Rice Producers Association, USA Rice Federation, U.S. Soybean Export Council, United Nations Food and Agriculture Organization (FAO), VanTrump Report, and the Wall Street Journal.



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