Staff Report No. 2021-22 **March 10, 2021**

March Market Update
Corn, Soybeans, Rice, and Cotton

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WASDE Summary

This month's 2020/21 U.S. corn supply and use outlook is unchanged from last month. The projected season-average farm price is unchanged at $4.30 per bushel. Global coarse grain production for 2020/21 is forecast higher to 1,444.8 million. The 2020/21 foreign coarse grain outlook is for larger production, increased trade, and greater ending stocks relative to last month.

U.S. soybean supply and use projections for 2020/21 are mostly unchanged this month. With soybean crush and exports projected at 2.20 billion bushels and 2.25 billion bushels, respectively, ending stocks remain at 120 million bushels, down 405 million from last year's record. The U.S. season-average soybean price is projected at $11.15 per bushel, unchanged from last month. Although current cash prices are significantly higher, prices received through January have averaged just over $10.00 per bushel, reflecting forward pricing at lower prices. Global 2020/21 oilseed supply and demand forecasts include higher production, exports, and ending stocks.

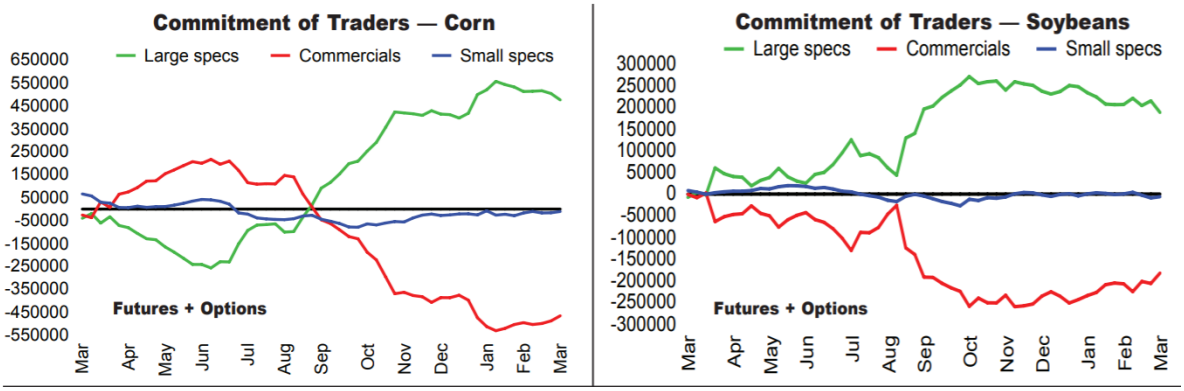
The supply and demand outlook is unchanged for 2020/21 U.S. rice this month. The projected 2020/21 all rice season-average farm price is raised $0.20 per cwt to $13.60 with increases in the NASS prices reported to date and price expectations for the remainder of the marketing year. The long grain season average farm price is projected $0.20 higher this month at $12.40 per hundredweight. The southern medium grain price is raised $0.30 to $12.80 per hundredweight. The 2020/21 global outlook is for slightly larger supplies, higher consumption, nearly unchanged trade, and reduced stocks.

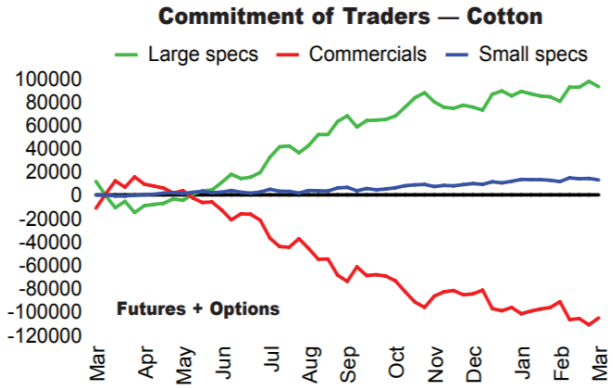
This month's 2020/21 U.S. cotton forecasts show lower production, consumption, and ending stocks relative to last month. Production is reduced 250,000 bales to 14.7 million, based on the March 9th Cotton Ginnings report. The final estimates for this season's U.S. area, yield, and production will be published in the May 2021 Crop Production report. Consumption is reduced 100,000 bales due to the industry's

lagging recovery from the previous year's sharp losses. Ending stocks are 100,000 bales lower this month at 4.2 million bales. The projected marketing year average price received by upland producers of 69.0 cents per pound is up 1 cent from last month. The global 2020/21 cotton supply and demand estimates show lower production and ending stocks compared with last month, but higher mill use and trade.

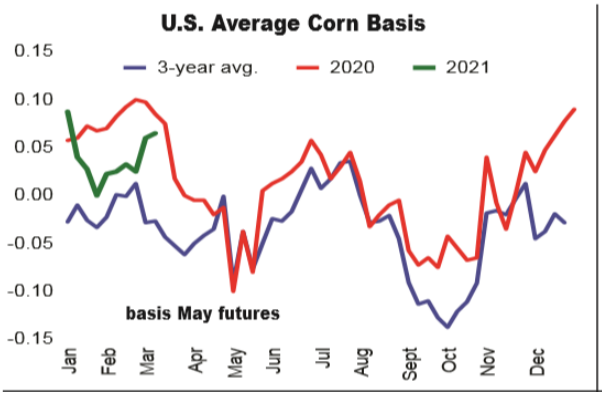
Commitment of Traders Report (COT) March 9, 2021

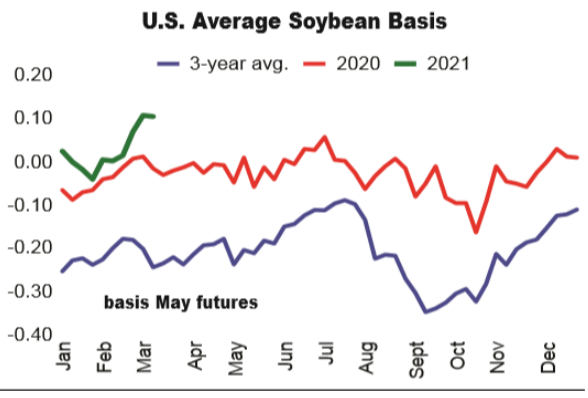
Money managers opted to reduce net long positions in corn futures and options by 12,605 contracts to 348,546 futures and options while the soybean position was reduced by 16,803 to 155,561 contracts. Speculators' bullish bets in corn and soybeans have been oscillating at near record levels this year as global supplies are seen falling to multi-year lows.

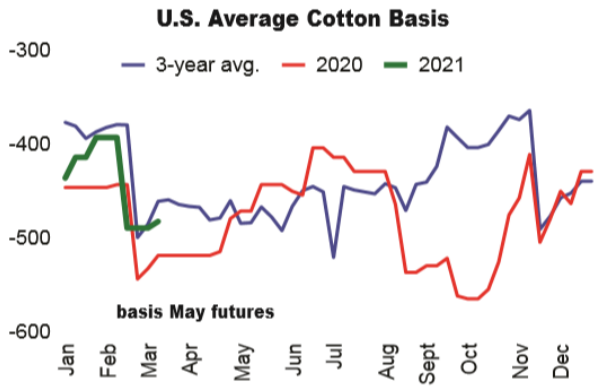




Cash Market Basis Charts March 10, 2021





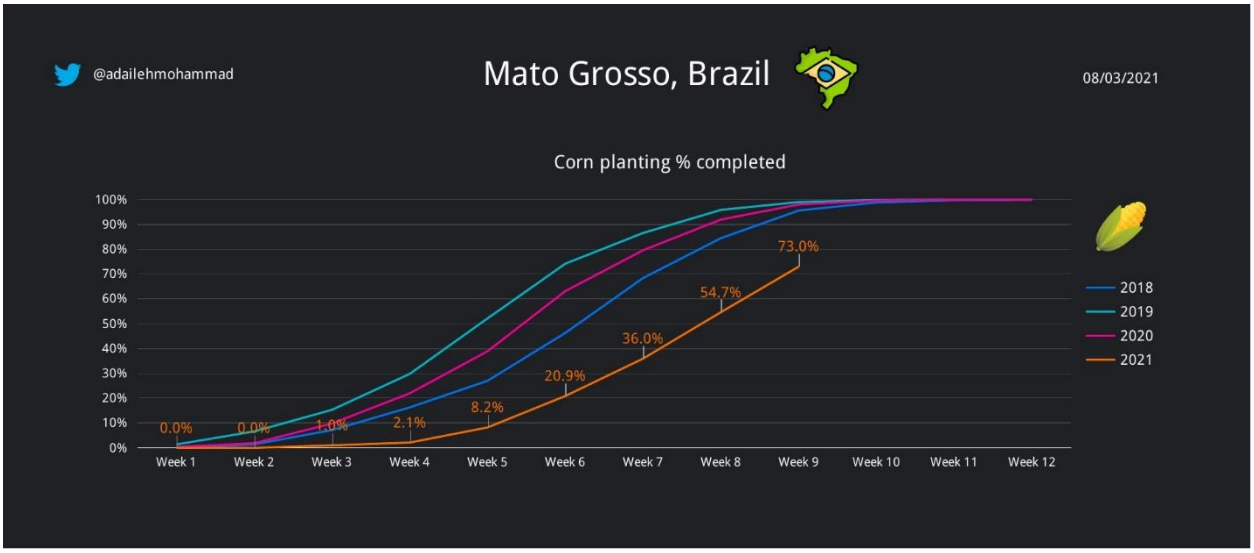


Corn

December 2021 corn has had an impressive run. New-crop corn futures have risen 3.6% during the last week of February. This rally ranks among the best three-day streaks for the contract, including a new high on February 24th of $4.77 ½ per bushel. The November soybean futures to December corn futures (SX/CZ) ratio remains is at 2.6.

The market's immediate response to the report was that corn futures traded from between 7 ½ to 9 ¾ cents down from previous levels. New crop prices are down 3 cents after the USDA made no carryover adjustments to old crop and kept Brazilian corn production at the previous reported level. From the report, the USDA left domestic corn supply and demand forecasts unchanged from February. The cash price is still $4.30 per bushel with a 10.3% stocks-to-use ratio. The market quickly stabilized and the market is now working higher. Buyers likely viewed this setback as a buying opportunity. Corn futures mostly finished 1 ¼ cents lower to 3 ½ cents higher with new-crop contracts boosted by bull spread unwinding and technical buying. Futures charted session lows at about 11:15 a.m. CST after the USDA disappointed traders by leaving its U.S. corn carryout unchanged but rebounded as fresh buying/short covering emerged. Corn futures price action remains extremely choppy. New-crop corn futures remain a different market than old-crop. December futures charted a new high close today and have given no signals they are at a major high, although old-crop/new-crop spread unwinding may be playing a significant role in their continued strength. December corn still has a valid bull flag objective of $5.08. The market has nearby chart support at $4.75, with more important support remaining at $4.63 ¾.

Initial market reaction was one of severe disappointment. Despite unchanged production levels in South America, some analysts see both countries' final production possibly falling still quite a bit due to excess rain in Brazil, interfering with the optimal planting of safrinha corn, and in persistent drought conditions in Argentina. The USDA chose, instead, to allow for more time in assessing the status of both of those crops. Soon after the report was released, the trade's focus reverted to focusing on the solid pace of exports and concerns regarding weather in South America.



While the USDA did not cut old-crop U.S. corn carryout, the expectation is that ending stocks will wind up lower due to the brisk pace in export sales to date and rising weekly export inspections and shipments. The USDA slightly raised world carryout due to higher estimated production but did also raise projected world demand. The new-crop market will now increasingly focus on U.S. acreage prospects. The relatively strong soybean/corn ratio will keep the market nervous about the state of U.S. acreage heading into the March 31st Prospective Plantings report.

Another week of low ethanol production, combined with an absence of fresh export news and a strong dollar weighed on futures. Losses in old-crop contracts were extended by technically driven selling, while 2021-crop and more deferred futures were supported by spread trade. Old-crop corn futures price action remains volatile.

Despite all the recent bullish news for corn, the May 2021 futures contract remains relatively unchanged on the month while new crop corn for December has scored practically daily new contract highs as markets are now starting to shift away from concerns about tightness of supply towards how difficult a task it will be to replenish inventory.

This matrix showing prospective 2021/22 U.S. corn ending stocks in million bushels with various combinations of planted area and yields. Numbers in cells are beginning stocks which is the February 2021 WASDE figure of 1.502 billion bushels and to that we add this year production which is planted acreage going across the top on the *x*-axis the 2021 the USDA harvested/planted ratio of 91.74% times prospective yields going down on the *y*-axis in bushels per acre.

Prospective 2021/22 U.S corn ending stocks to use ratio with planted acreage-yield matrix

	91.0	91.2	91.4	91.6	91.8	92.0	92.2	92.4	92.6	92.8	93.0	93.2	93.4	93.6	93.8	94.0
160	-241	-211	-182	-153	-123	-94	-65	-35	-6	24	53	82	112	141	170	200
161	-157	-128	-98	-69	-39	-9	20	50	79	109	138	168	197	227	256	286
162	-74	-44	-14	15	45	75	105	134	164	194	224	253	283	313	342	372
163	10	40	70	100	129	159	189	219	249	279	309	339	369	399	428	458
164	93	123	153	184	214	244	274	304	334	364	394	424	454	484	515	545
165	177	207	237	268	298	328	358	389	419	449	480	510	540	570	601	631
166	260	291	321	352	382	413	443	473	504	534	565	595	626	656	687	717
167	344	374	405	436	466	497	528	558	589	619	650	681	711	742	773	803
168	427	458	489	520	551	581	612	643	674	705	735	766	797	828	859	890
169	511	542	573	604	635	666	697	728	759	790	821	852	883	914	945	976
170	594	625	657	688	719	750	781	813	844	875	906	937	968	1,000	1,031	1,062
171	678	709	740	772	803	835	866	897	929	960	991	1,023	1,054	1,086	1,117	1,148
172	761	793	824	856	887	919	950	982	1,014	1,045	1,077	1,108	1,140	1,171	1,203	1,235
173	845	876	908	940	972	1,003	1,035	1,067	1,099	1,130	1,162	1,194	1,226	1,257	1,289	1,321
174	928	960	992	1,024	1,056	1,088	1,120	1,152	1,184	1,215	1,247	1,279	1,311	1,343	1,375	1,407
175	1,012	1,044	1,076	1,108	1,140	1,172	1,204	1,236	1,268	1,301	1,333	1,365	1,397	1,429	1,461	1,493
176	1,095	1,127	1,160	1,192	1,224	1,257	1,289	1,321	1,353	1,386	1,418	1,450	1,483	1,515	1,547	1,579
177	1,179	1,211	1,244	1,276	1,308	1,341	1,373	1,406	1,438	1,471	1,503	1,536	1,568	1,601	1,633	1,666
178	1,262	1,295	1,327	1,360	1,393	1,425	1,458	1,491	1,523	1,556	1,589	1,621	1,654	1,687	1,719	1,752
179	1,346	1,378	1,411	1,444	1,477	1,510	1,543	1,575	1,608	1,641	1,674	1,707	1,740	1,772	1,805	1,838
180	1,429	1,462	1,495	1,528	1,561	1,594	1,627	1,660	1,693	1,726	1,759	1,792	1,825	1,858	1,891	1,924
181	1,512	1,546	1,579	1,612	1,645	1,679	1,712	1,745	1,778	1,811	1,845	1,878	1,911	1,944	1,977	2,011
182	1,596	1,629	1,663	1,696	1,730	1,763	1,796	1,830	1,863	1,897	1,930	1,963	1,997	2,030	2,063	2,097
183	1,679	1,713	1,747	1,780	1,814	1,847	1,881	1,915	1,948	1,982	2,015	2,049	2,082	2,116	2,150	2,183
184	1,763	1,797	1,830	1,864	1,898	1,932	1,966	1,999	2,033	2,067	2,101	2,134	2,168	2,202	2,236	2,269
185	1,846	1,880	1,914	1,948	1,982	2,016	2,050	2,084	2,118	2,152	2,186	2,220	2,254	2,288	2,322	2,356

Assumptions: Beginning stocks is February 2021 WASDE of 120 million bushels, estimated 2021/22 demand of 15.125 billion bushels which is USDA's projection as given at their February 2021 Ag Outlook Forum as is their import projection of 25 million bushels. We assume a 91.7% harvested to planted ratio. Cells shaded in grey are ending stocks that are less than 500 mln, those in blue 500 to 1.0 bln, cells in red 1.00-1.50 bln, in green 1.50-2.00 bln and cells in yellow over 2.0 bln bushels

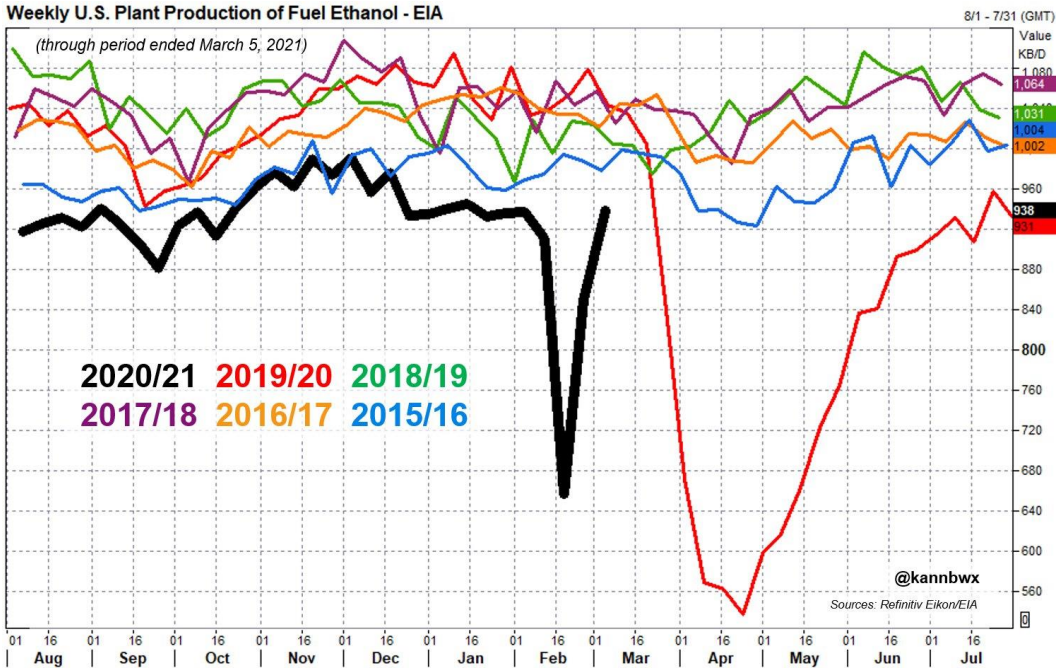
To that we add the 25 million bushels of imports the USDA projected as per their updated 2021/22 corn balance sheet and from that total supply the updated USDA Ag Outlook Forum demand figure of 15.125 billion bushels is subtracted. The USDA projects that corn area will expand by 1 million acres to 92 million, corn's highest acreage since 2016, which if this holds, and when combined with a USDA calculated yield of 179.5 bushels per acre would set a new record exceeding the prior high of 176.6 bushels per acre and a hefty 7.5 gain on last year's result. Even with this the carryout for the 2021/22 season is seen increasing by a mere 50 million bushels to 1.552 billion bushels with the still same tight 10.3% stock to use ratio as this year, the tightest since the 2013/14 season.

As you can see from the graphic, there would need to be quite a combination of both high acreage and high yields to build stocks up above 1.50 billion bushels. Some feel that the USDA may be too conservative in their acreage estimates with trade guesses ranging anywhere from 93 to 94 million especially with a faster start to spring seedings than seen the past two years anticipated.

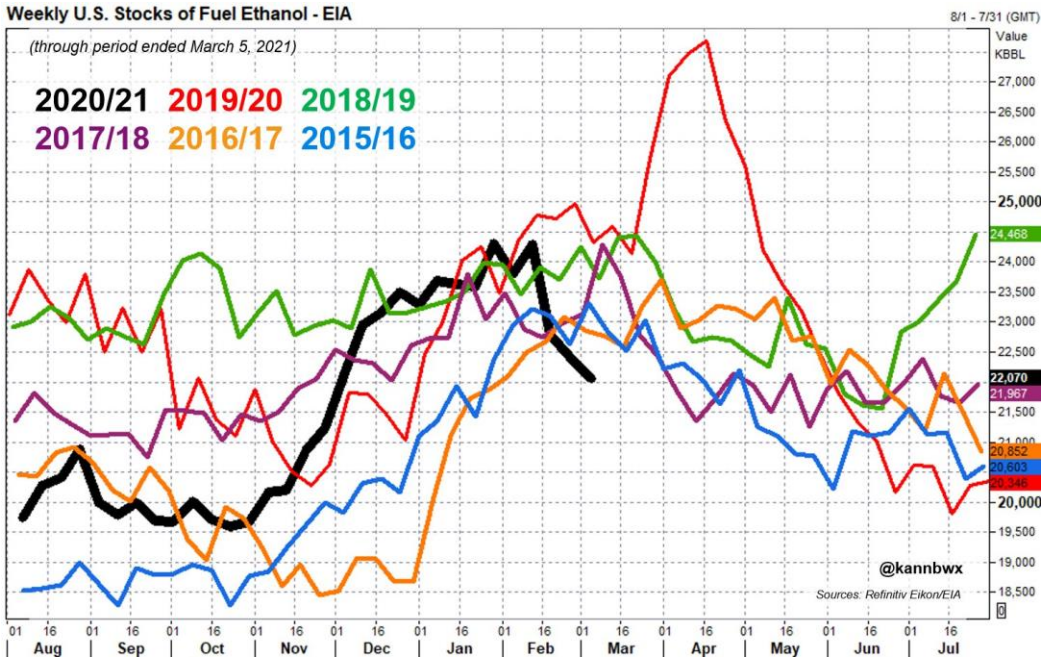
Counter-balancing that, however, are widespread thoughts that the USDA's export projections for both this year and next look to be understated by anywhere from 100-200 million bushels meaning lower beginning stocks and higher demand figures than used in our calculations.

Weekly ethanol production rebounded last week following industry-wide slowdowns as the cold snap depleted natural gas supplies essential for plant operations. After falling 28% the prior week, ethanol output for the week ending February 26 reversed course and rose 28% as production came back online. U.S. ethanol output last week returned to the pre-winter storm levels at 938,000 barrel per day, about 10%

below normal. Implied usage was among the best weeks since the pandemic began, driving stocks to a 14-week low of 22 million barrels. That's easily a six-year low for the time of year.

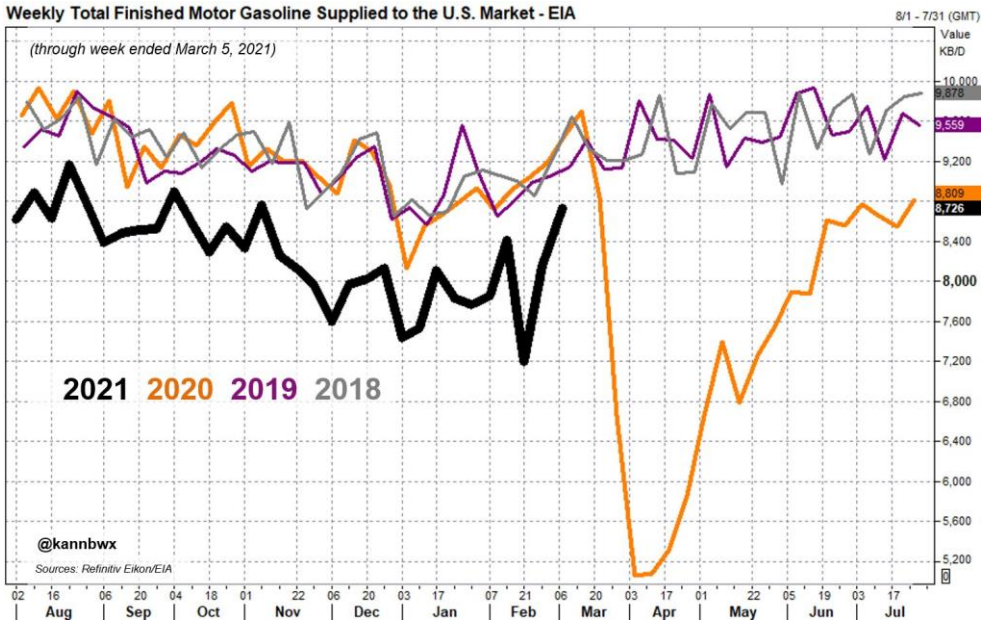


Ethanol stocks tightened nearly 2% to 941.9 million gallons on rising consumer demand for gasoline while the ethanol industry restarted following the cold snap.

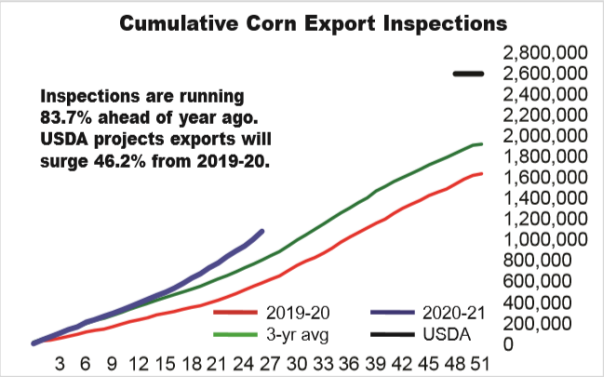


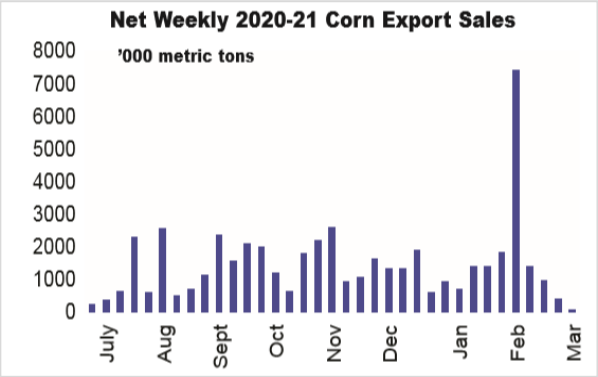
At the end of February, refiner demand for ethanol surged 12% higher to 34.2 million gallons/day – the highest volume of ethanol added by blenders since the last week of 2020. While the numbers may not have appeared bullish at first glance in yesterday's report, they were indicative of improving production

conditions in the ethanol sector in the weeks to come. Gasoline demand jumped to a 17-week high as measured by supplied motor gasoline. Gasoline demand of 8.726 million barrels per day was up from 8.148 million the prior week. The four-week average is down 11.2% from a year ago. Crude oil stocks swelled to 498.4 million barrels, up from 484.6 million the prior day. Stocks are up 10.3% from a year ago. Analysts had been expecting an increase of less than one million barrels.

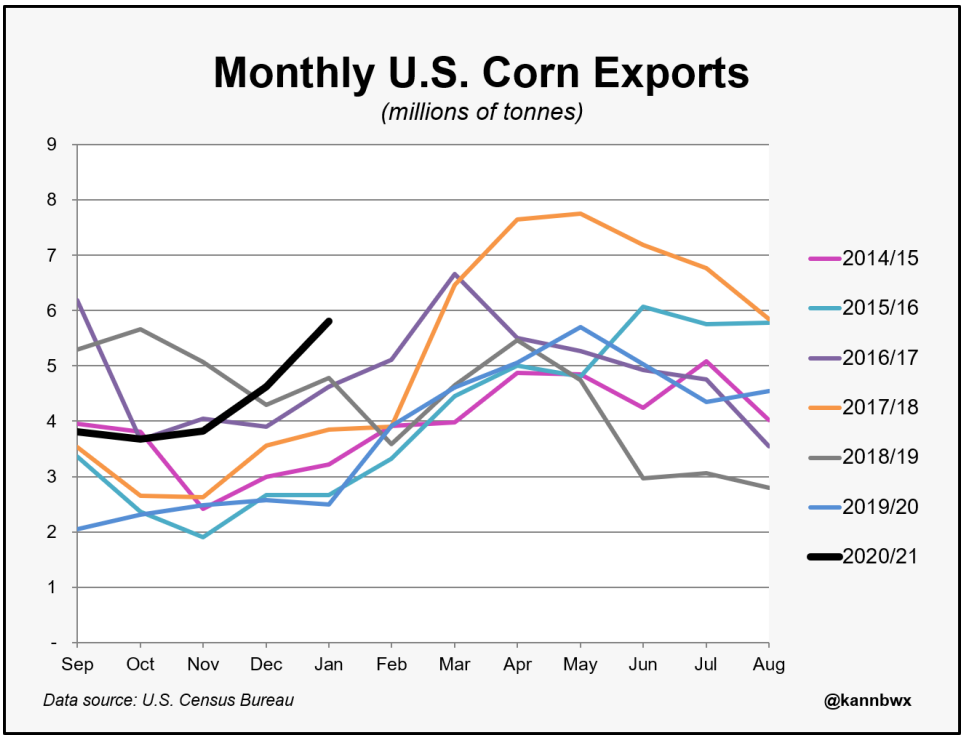


The corn market must be concerned that U.S. export sales have basically dried up over the past couple of months. Still, sales remain far ahead of the seasonal pace needed to reach the USDA's export forecast as they have already reached 90% of the forecast. Meanwhile, actual shipments have moved slightly ahead of the needed pace. Marketing YTD corn exports are now at 26.17 million metric tons (1.03 billion bushels). That is 39.6% of the USDA's February forecast, and commitments sit at 89.5% of the full year corn export forecast

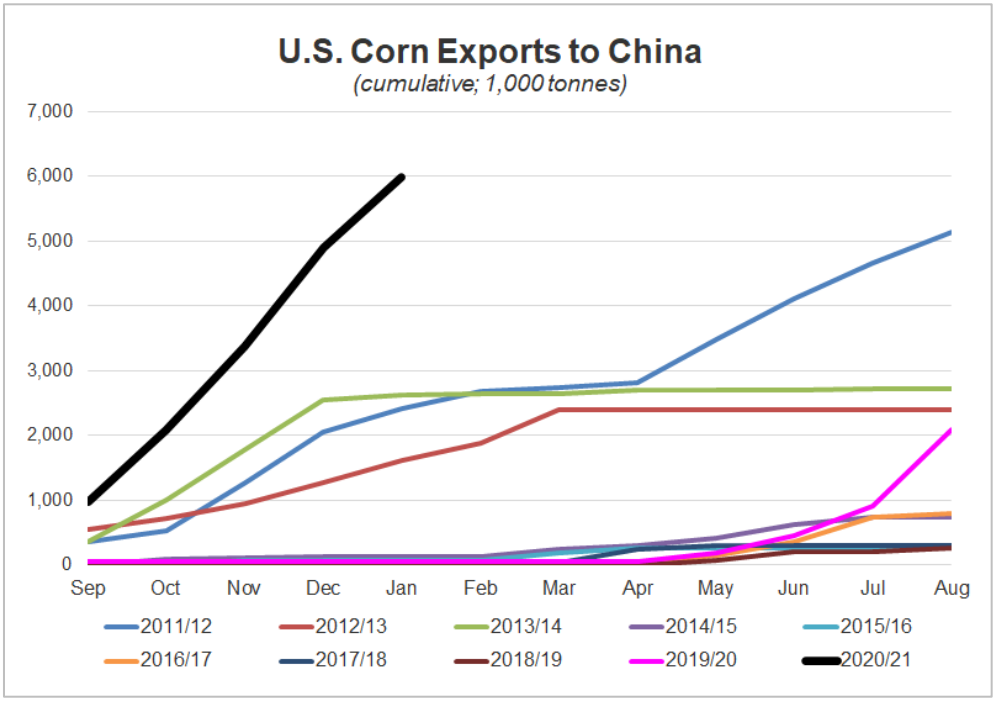




Monthly U.S. corn exports are estimated at 5.8 million metric tons (229 million bushels) +58% on five-year January average with a 19% share to China.



U.S. corn exports to China in 2020/21 have officially broken the full marketing year record of 5.15 million metric tons set in 2011/12. January exports marked the fourth consecutive volume above 1 million metric tons, bringing the September to January total to 5.99 million metric tons (236 million bushels).



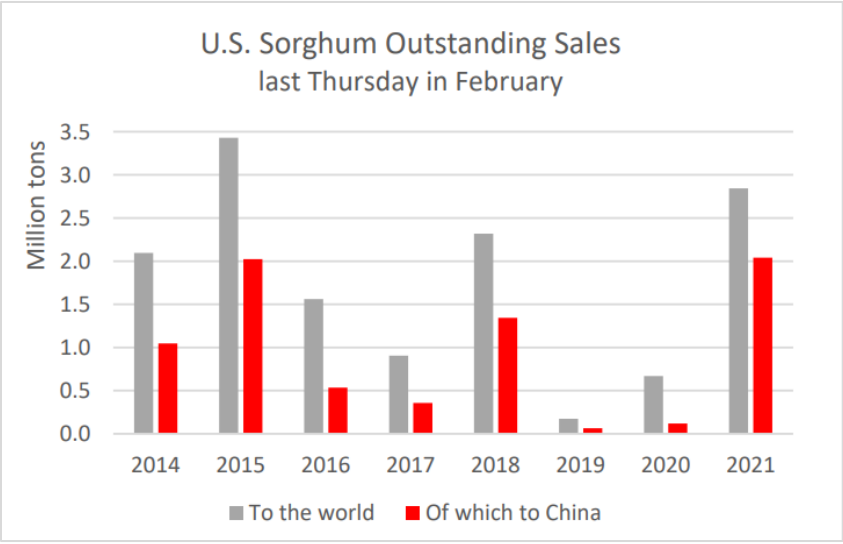
Most recently, big U.S. corn sales shifted from unknown destinations to China. Even as sales of U.S. corn to all destinations was at a marketing year low of 115,900 tons for 2020-21, there were big sales of corn shifted from unknown destinations to China for the week ended February 25. The reason that the amount

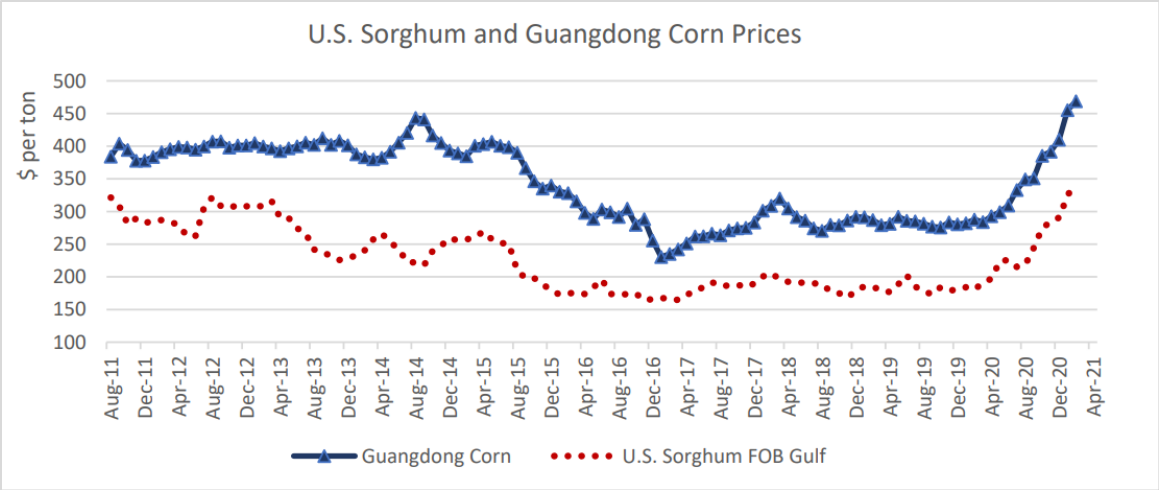
of more than 1 million tons did not result in big sales overall is that the USDA's figures only reflect sales activity that results in a net increase (or decrease) in total sales of a commodity to foreign buyers. Activity specifically for China in the week ended February 25 for 2020-21 included net sales of 65,931 tons of wheat (65,000 was switched from unknown destinations), 1,054,700 tons of corn (1,046,000 switched from unknown destinations), net reductions of 52,193 tons of sorghum, net reductions of 61,736 tons of soybeans, and net sales of 24,147 running bales of Upland Cotton.

Ever since the USDA reported large corn sales to China in late January, May corn prices have held roughly steady at some of highest spot prices that has been seen in the past seven years. The question of whether China will purchase more U.S. corn in 2020/21 has been looming on traders' minds and will be a key deciding factor in where prices go from here. In the February WASDE, the USDA increased its estimate of Chinese corn imports from 17.50 million metric tons to 24.0 million metric tons and its estimate of Chinese corn demand from 287.0 million metric tons to 289.0 million metric tons. Whatever the USDA decides regarding corn stocks, any change in March is likely to be small and will probably not tarnish the market's bullish position on corn. There have been no March corn deliveries yet, and March is priced 16 ½ cents above the May contract- a bullish sign of commercial demand for limited supplies that corn's narrow basis also hints at.

At the end of February, U.S. sorghum outstanding sales for delivery by August 2021 stand at 2.8 million tons, the second-largest volume in history. Almost three-quarters of these sales are slated to go to China, while the rest is mostly reported for unknown destinations. Sales to traditional markets, Japan and Mexico, have been insignificant. Reflecting robust sales, sorghum prices at Gulf ports have steadily moved up and currently hover around $350 per ton, the highest over the past decade. Most U.S. sorghum is destined for southern China, where animal production is concentrated and demand for feedstuffs runs strong. Imported sorghum has been commonly used as a substitute for corn in feed rations. U.S. sorghum continues to be price competitive relative to domestic corn in the Guangdong area.

Typically, corn prices in Guangdong are modestly higher than northern China. Strong prices are expected to boost 2021/22 U.S. sorghum planting in the spring, leading to larger production. Exports are projected to reach a record, reflecting larger available supplies and strong foreign demand. There are already 703,000 tons of sales on the books for delivery in 2021/22, an unprecedented volume of sales this early in the year.





Soybeans

As with the market performance of December corn, November soybeans have climbed higher. New-crop November 21 beans have risen 3.5% during the last week in February, reaching a contract high of $12.40 per bushel on February 24th. This marks the contract's second-best four-day run ever.

The corn and soy complexes are all starting higher for the week beginning March 8th, with ongoing weather issues in South America continuing to push money into new long positions. Soybeans gapped higher to new contract highs and the highest on the weekly continuation chart since the summer of 2014, and corn jumped to a two-week high overnight before paring gains into the break. Expectations for world soybean supplies to remain tight in 2021-22 amid strong demand have been a supportive market force as well.

The USDA made zero changes in its U.S. soybean supply/balance sheet. The USDA did raise its world soybean ending stocks forecast for 2020/21 slightly, contrary to trade expectations, as it raised its Brazilian crop estimate by 1 million metric tons to 134 million metric tons. Brazil's substantial crop is not coming without some quality problems, though, and harvest delays are also spurring major logistical problems. Nearby Brazilian export premiums have gone negative to futures amid the disruptions. At Brazil's top soy export port of Santos, the export premium for April and May shipment was $3 per metric ton below May futures this afternoon. The market's immediate reaction to the news regarding soy futures was mixed but mostly red. The market has since quickly stabilized and is now working higher. Buyers likely viewed this setback as a buying opportunity.

Soybean futures mostly rose another 5 ½ to 7 ¾ cents higher on support from tight U.S. supplies and S. American supply concerns as the USDA's monthly supply/demand report held little news for the market. Further strong gains in soyoil futures also boosted the soybean market. Trading was choppy ahead of the USDA report amid speculative position evening and futures initially reacted negatively in the wake of the report as the USDA raised its Brazilian crop estimate slightly, but fresh buying/short covering quickly emerged. Gains were limited by a weak Brazilian real against the dollar. Most-active May soybean futures rose 6 ¼ cents to $14.40, while Nov. beans rose 7 ¾ cents to $12.62.

There continue to be no technical signals that the soybean market has topped out, although they are overbought again on technical momentum indicators. Most-active May soybean futures today charted a new high close as did Nov. soybeans. Odds seem good that May soybeans will at least test the $15.00 level. Nearby resistance on the weekly soybean continuation chart is up at $15.36 ¾. May beans now have nearby chart support at $14.23. November soybeans are closing in on a possible upside objective at $12.78, but we can make a technical argument for the market to head all the way to $13.60. November beans have nearby support at $12.44.

March 2021 soybeans have moved to their highest levels in over a month, although are still not back to their contract high, but November and other new crop months are at new highs. It appears that soybeans have quite a bit of work to do in order to shift acreage away from corn and even attain last week's USDA 2021 planted projection of 90 million acres.

It seems that the USDA's estimate of corn planted area at 92 million acres looks a little low with trade estimates coming in closer to 93 million. Given ideas of any early start to plantings, a lot of fieldwork done last fall and corn looking better than soybeans on a net return per acre basis, 94 million acres may be closer to the mark and this may work against the predicted large increase in bean acreage.

The USDA argues that with 2019 and 2020 seeing above normal prevented plantings, simply going back to normal planting weather would increase total planted acres by several million acres. This matrix showing prospective 2021/22 U.S. soybean ending stocks in million bushels with various combinations of planted area and yields illustrates what a dilemma we are in.

Prospective 2021/22 U.S. soybean ending stocks in million bushels with planted acreage-yield matrix

	88.0	88.3	88.6	88.9	89.2	89.5	89.8	90.1	90.4	90.7	91.0	91.3	91.6	91.9	92.2	92.5	92.8
47.0	-284	-270	-256	-242	-229	-215	-201	-187	-173	-159	-145	-131	-117	-103	-89	-75	-61
47.3	-258	-244	-230	-216	-202	-188	-174	-160	-146	-132	-118	-104	-90	-76	-62	-48	-33
47.6	-232	-218	-204	-190	-176	-161	-147	-133	-119	-105	-91	-77	-62	-48	-34	-20	-6
47.9	-206	-192	-177	-163	-149	-135	-121	-106	-92	-78	-64	-49	-35	-21	-7	7	22
48.2	-180	-166	-151	-137	-123	-108	-94	-80	-65	-51	-37	-22	-8	6	21	35	49
48.5	-154	-139	-125	-110	-96	-82	-67	-53	-38	-24	-10	5	19	34	48	62	77
48.8	-128	-113	-99	-84	-70	-55	-41	-26	-12	3	17	32	46	61	75	90	104
49.1	-101	-87	-72	-58	-43	-28	-14	1	15	30	44	59	74	88	103	117	132
49.4	-75	-61	-46	-31	-17	-2	13	27	42	57	71	86	101	115	130	145	159
49.7	-49	-34	-20	-5	10	25	39	54	69	84	98	113	128	143	158	172	187
50.0	-23	-8	7	22	36	51	66	81	96	111	126	140	155	170	185	200	215
50.3	3	18	33	48	63	78	93	108	123	138	153	167	182	197	212	227	242
50.6	29	44	59	74	89	104	119	134	149	165	180	195	210	225	240	255	270
50.9	55	71	86	101	116	131	146	161	176	191	207	222	237	252	267	282	297
51.2	82	97	112	127	142	158	173	188	203	218	234	249	264	279	294	310	325
51.5	108	123	138	154	169	184	199	215	230	245	261	276	291	307	322	337	352
51.8	134	149	165	180	195	211	226	242	257	272	288	303	318	334	349	365	380
52.1	160	175	191	206	222	237	253	268	284	299	315	330	346	361	377	392	408
52.4	186	202	217	233	248	264	279	295	311	326	342	357	373	388	404	420	435
52.7	212	228	244	259	275	290	306	322	337	353	369	384	400	416	431	447	463
53.0	238	254	270	286	301	317	333	349	364	380	396	412	427	443	459	474	490
53.3	264	280	296	312	328	344	359	375	391	407	423	439	454	470	486	502	518
53.6	291	307	322	338	354	370	386	402	418	434	450	466	482	498	514	529	545
53.9	317	333	349	365	381	397	413	429	445	461	477	493	509	525	541	557	573
54.2	343	359	375	391	407	423	439	456	472	488	504	520	536	552	568	584	600
54.5	369	385	401	418	434	450	466	482	499	515	531	547	563	579	596	612	628
54.8	395	411	428	444	460	477	493	509	525	542	558	574	590	607	623	639	656
55.1	421	438	454	470	487	503	520	536	552	569	585	601	618	634	650	667	683
55.4	447	464	480	497	513	530	546	563	579	596	612	628	645	661	678	694	711

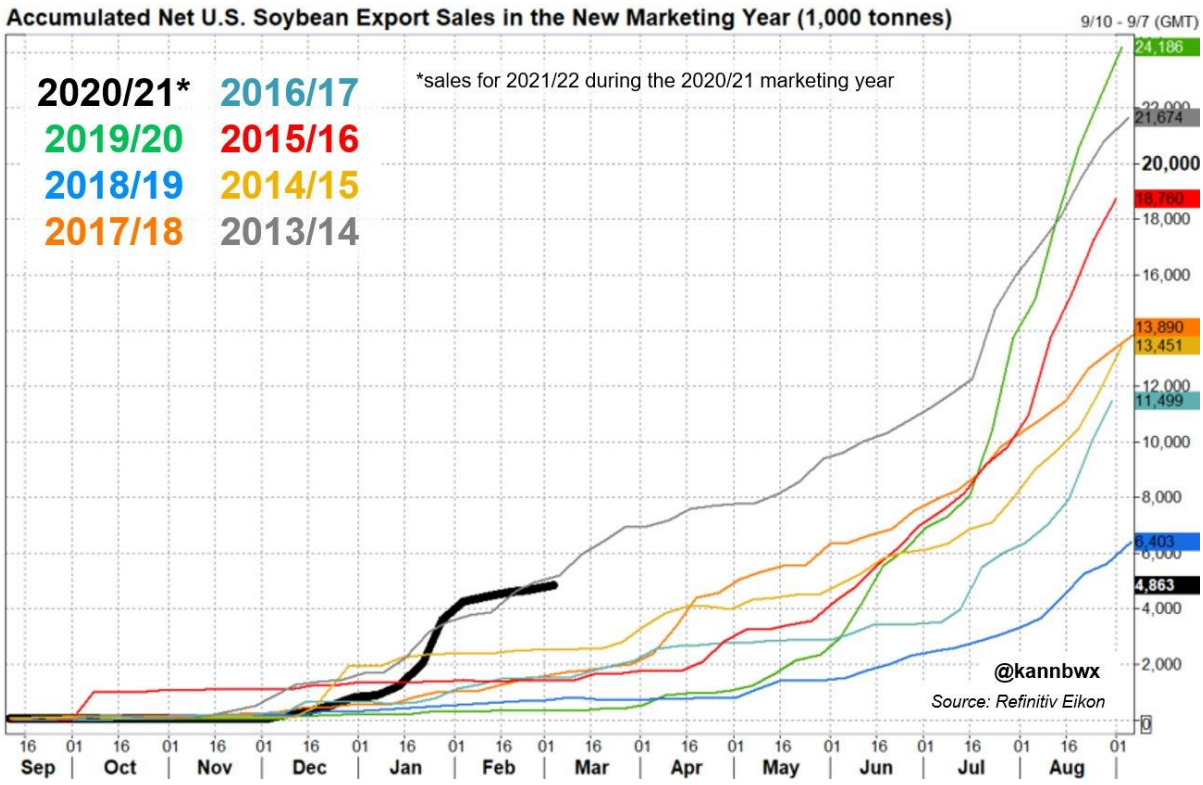
Assumptions: Beginning stocks is February 2021 WASDE of 120 million bushels, estimated 2021/22 demand of 4.534 billion bushels which is USDA's projection as given at their February 2021 Ag Outlook Forum as is their import projection of 35 million bushels. We assume a 99% harvested to planted ratio. Cells shaded in yellow are ending stocks that are less than zero, those in grey between 0 and 100 mln, cells in orange at 100 to 200 mln, cells in purple 200-300 mln, cell in green at 300-400 mln and brown over 400 mln

Numbers in cells are beginning stocks equivalent to the February 2021 WASDE figure of 120 million bushels, to that we add this year's production (planted acreage) going across the top on the *x*-axis and the normal harvested/planted ratio of 99% times prospective yields going down on the *y*-axis in bushels per acre. To that we add the 35 million bushels of imports that the USDA projected as per their updated 2021/22 soybean balance sheet and from that total supply estimate the updated USDA demand figure of 4.534 billion bushels is subsequently subtracted.

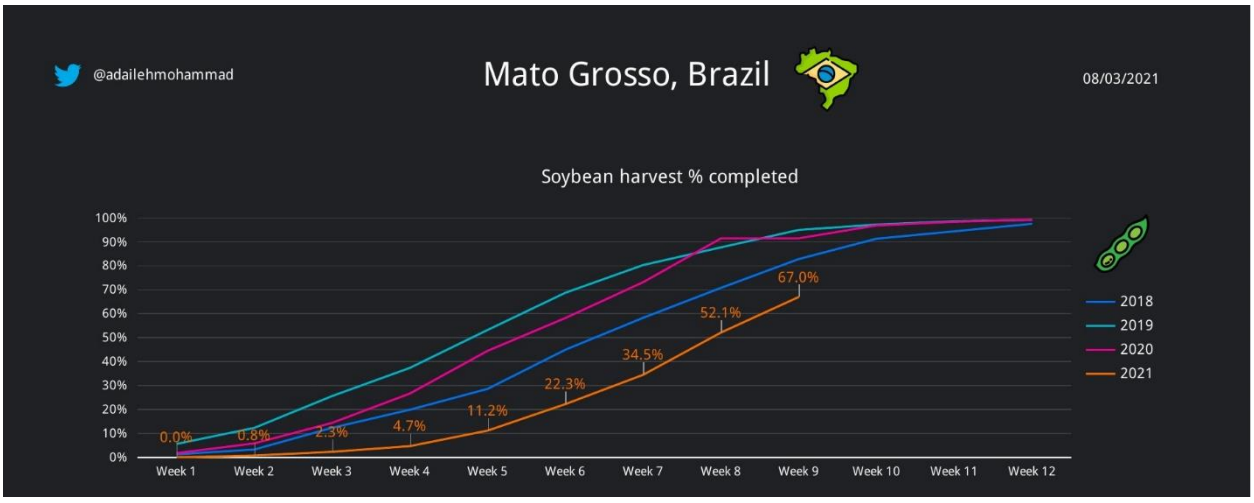
The USDA projects that soybean area will expand by 7 million acres to 90 million and, if this assumption holds, a per acre yield close to the record 51.9 bushels would still be needed just to pull ending stocks closer to 200 million bushels. An area of 89 million acres would need a yield somewhere in the neighborhood of 52.5 bushels per acre, while a yield of 50.0 bushels per acre would require an area of 93 million acres just to get carryout close to the 200 million bushel mark.

Adding support to bullish sentiment for both coarse grains and oilseeds were reports that Brazil's soybean harvest continues to languish at the slowest pace in 10 years, at somewhere around 15% complete. A greater concern was the implications for the country's safrinha corn forecast yield, with Mato Gross planting some 26 points behind the long-term average.

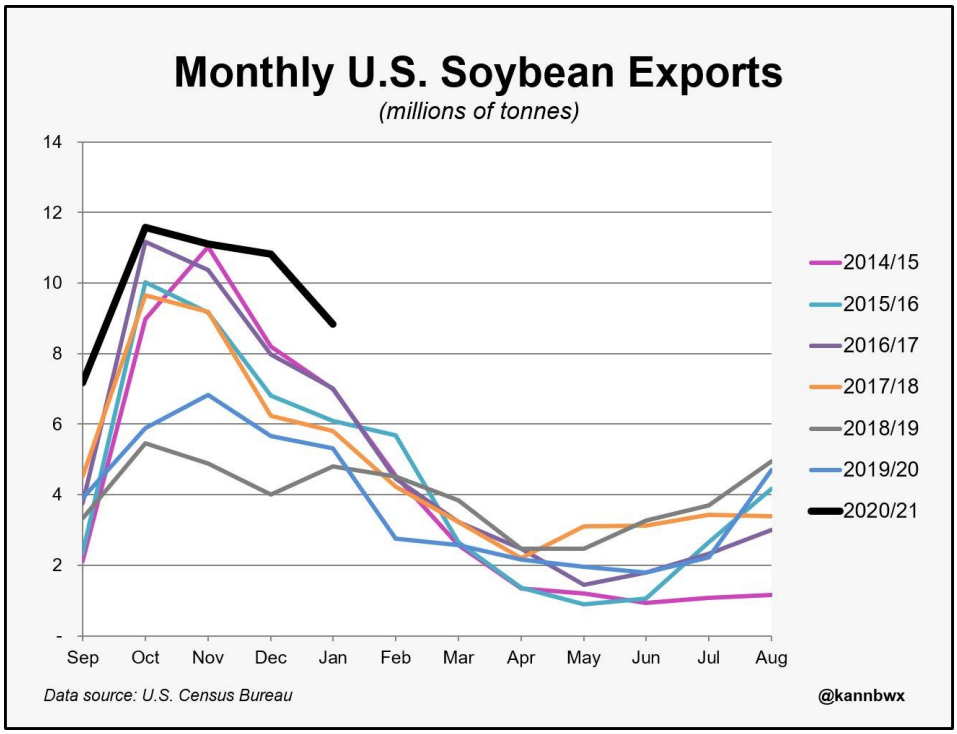
As reported on March 4th, U.S. export sales of soybeans for 2021/22 sit at a seven-year high and are progressing at a solid pace. Total sales are 4.86 million metric tons (179 million bushels) with China accounting for 47% and unknown destinations for 40%. A guess is that most of that unknown is actually China since it is the one most concerned with securing supply so far in advance.



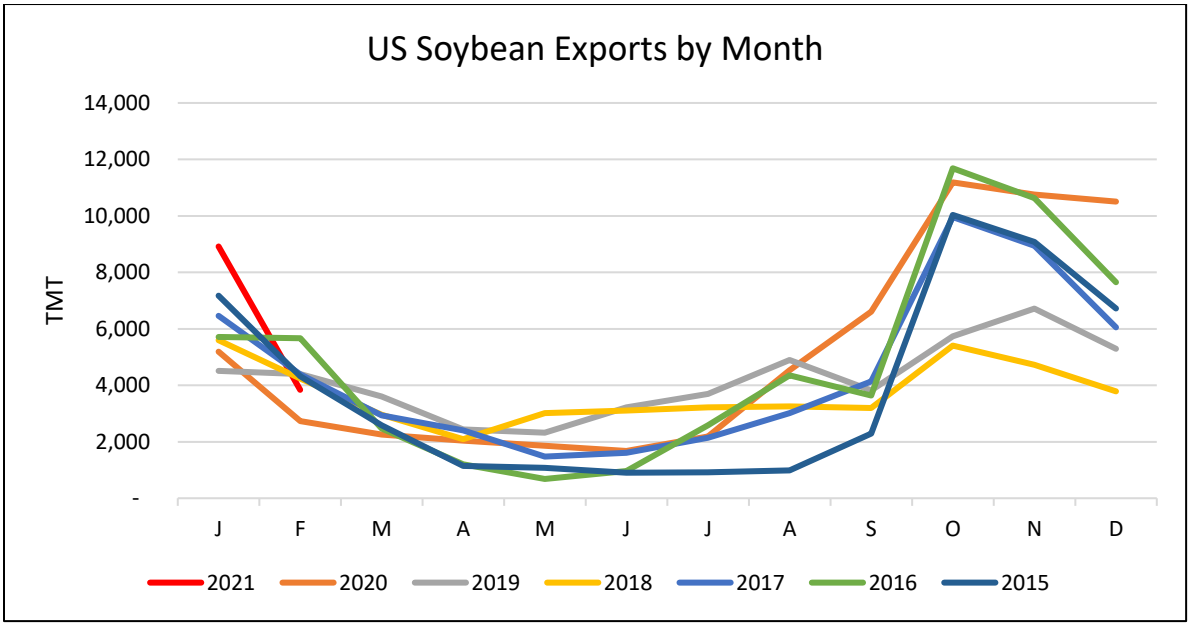
While U.S. soybean export sales are slowing seasonally despite Brazilian harvest delays, sales are only about 40 million bushels below the USDA's marketing year export forecast and actual soybean export shipments have already reached 86% of the USDA's forecast. On average over the previous five years, sales were just 68% of final exports at the same point.



Monthly U.S. soybean exports are estimated at 8.8 million metric tons (324 million bushels). That ranks January 2021 as the top all-time January (monthly) record by 25%, +52% on the five-year January average with a 62% share to China.



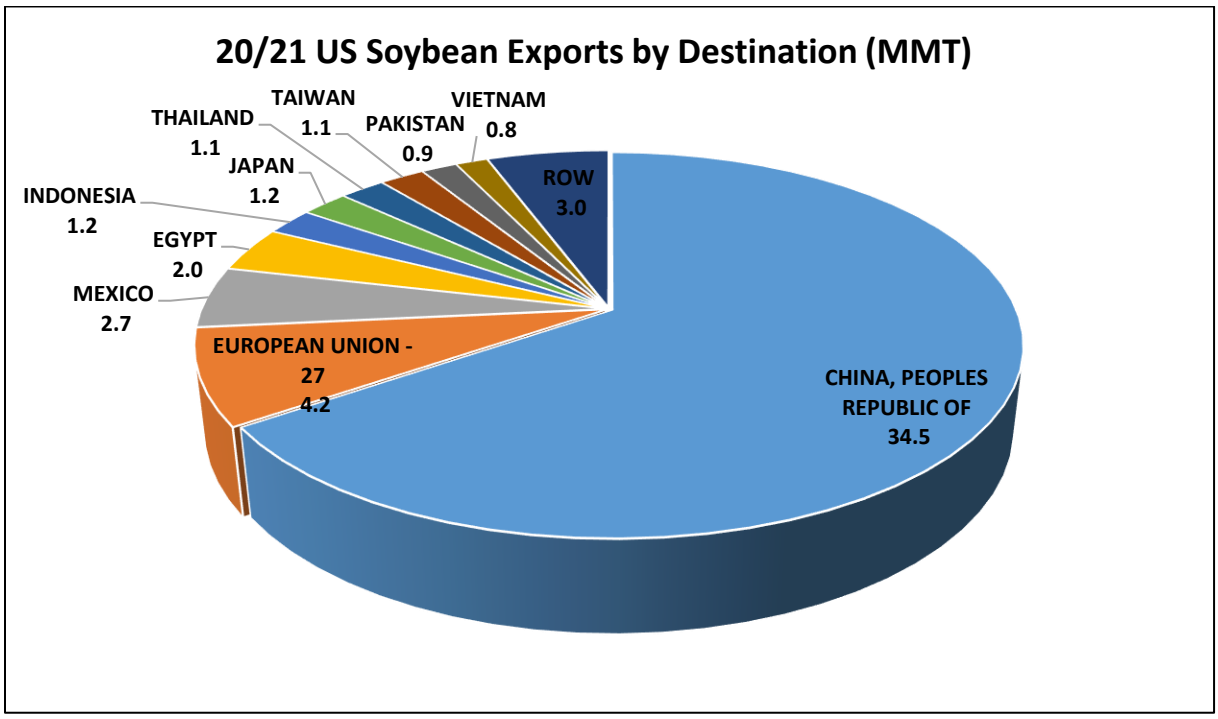
The U.S. shipped 3.8 million metric tons of soybeans in February, a steep decline from January's record shipments of 8.9 million metric tons. Notable destinations in February include China (1.2 thousand metric tons); the EU (605 thousand metric tons); Mexico (408 thousand metric tons); Egypt (278 thousand metric tons); Taiwan (259 thousand metric tons). For the first 5 months of the marketing year, exports have totaled a record 52.7 million metric tons. In February, the USDA projected 2020/21 U.S. soybean exports at an all-time record of 61.2 million metric tons.



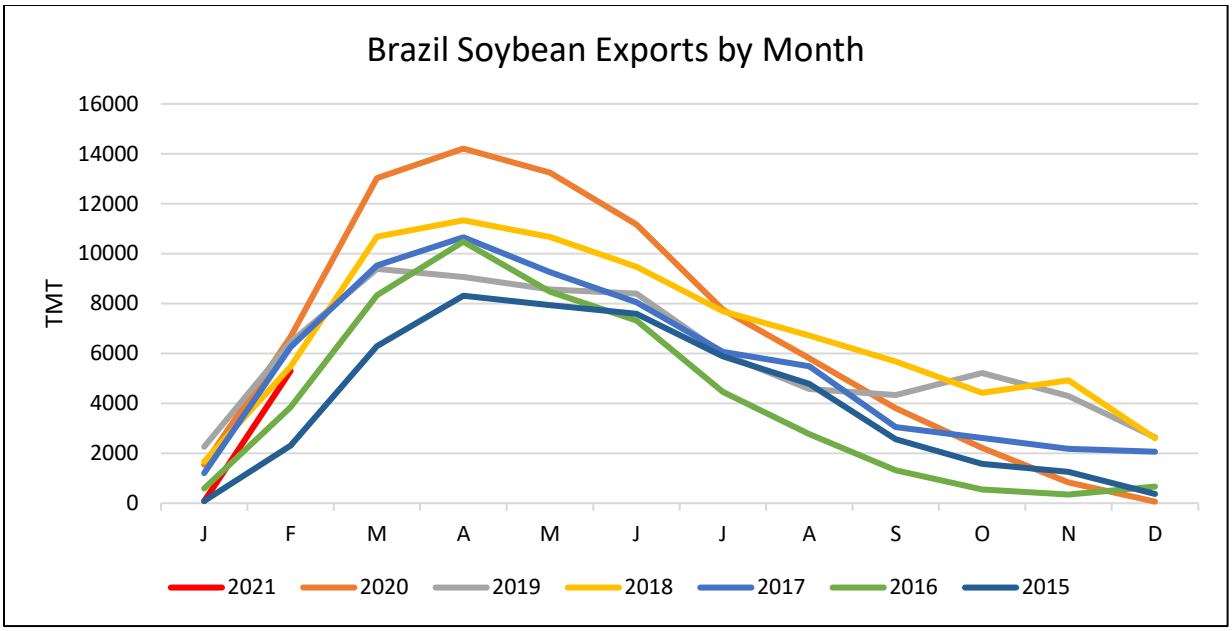
Through February 25th, U.S. soybean exports totaled 52.7 million metric tons, 78% up from the 29.6 million metric tons exported at the same point in the 19/20 marketing year. The U.S. exported

approximately 3.8 million metric tons in February alone – outpacing February 2020. Annualized growth is mostly due to China (34.5 million metric tons, up 189% from 11.9 million metric tons through this point in 19/20). Exports to Mexico, Egypt, Indonesia, Thailand, and Vietnam are also growing at double-digit rates relative to last year. (See slide 34) Total commitments for the 20/21 marketing year are over 60.1 million metric tons – over 98% of the USDA's projected exports of 61.2 million metric tons – and a record for this point of the marketing year.

U.S. soybean 2020/21 export sales through week 26 of the marketing year is shown below.

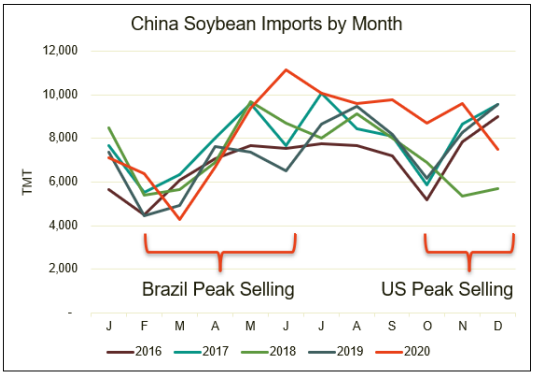


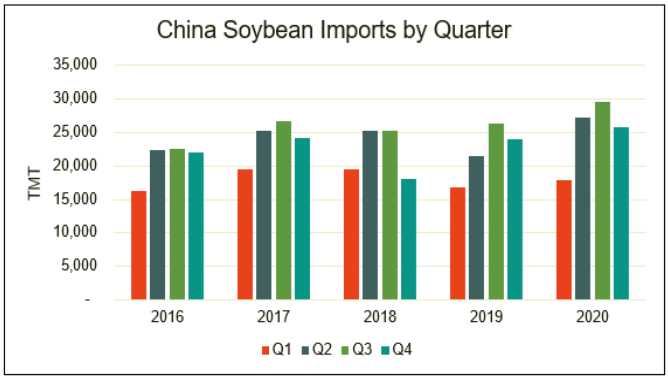
After shipping only 80 thousand metric tons in January due to harvest delays, Brazil exported 5.3 million metric tons of soybeans in February – in line with 2018 but 20% below February 2020 shipments. Of the volumes exported in February, 3.4 million metric tons were shipped to China. Other notable destinations in February include the EU (636 thousand metric tons); Thailand (270 thousand metric tons); Turkey (159 thousand metric tons) and Pakistan (116 thousand metric tons).



After shipping only 80 thousand metric tons in January due to harvest delays, Brazil exported 5.3 million metric tons of soybeans in February – in line with 2018 but 20% below February 2020 shipments. Of the volumes exported in February, 3.4 million metric tons were shipped to China. Other notable destinations in February include the EU (636 thousand metric tons); Thailand (270 thousand metric tons); Turkey (159 thousand metric tons) and Pakistan (116 thousand metric tons). Vessel lineups indicate that Brazil is scheduled to export 15.2 million metric tons in March, which would surpass the 13 million metric tons exported in March 2020 and is reflective of the peak export window moving forward due to harvest delays. As of March 4th, harvest was 35% complete – the slowest pace in 10 years. However, expectations are still for a large crop over 130 million metric tons (4.78 billion bushels). Accumulated farmer selling of the 20/21 crop is now 63%, up only slightly from January (62%) but outpacing both the 5-year average and the aggressive sales pace through last February. A weakening Brazilian real coupled with high overall prices has incentivized forward selling. Sales of the 21/22 crop started in August and now stand at roughly 12%, slightly above the pace of 20/21 sales that had occurred through February 2020.

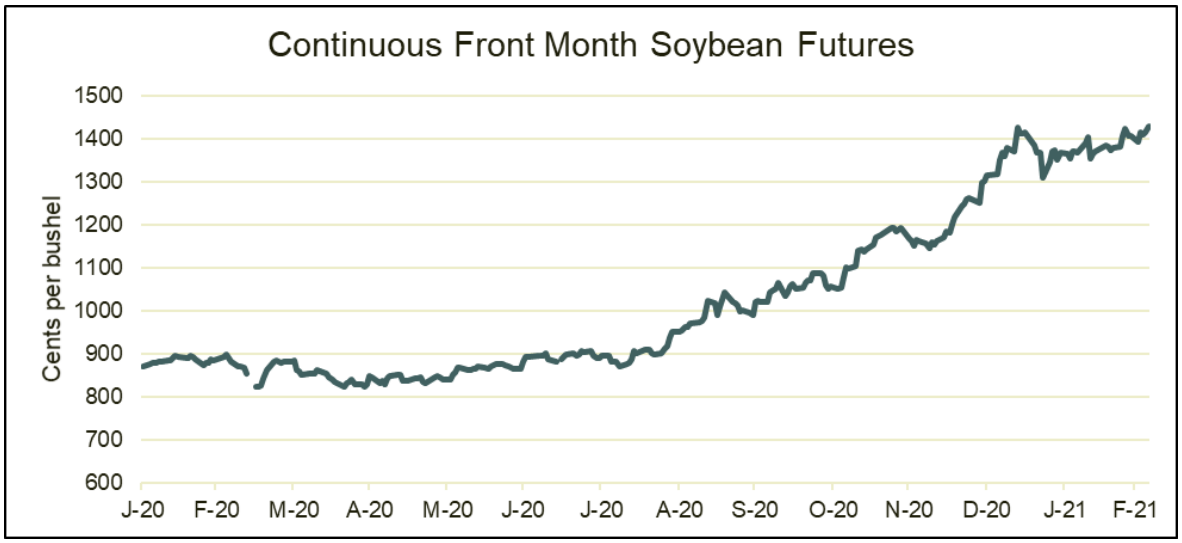
For 2015-2019, China's second half purchases have accounted for 53% of total imports. For 2020, the H2 share was slightly higher, at 55%. As of February 25th, the U.S. has exported 34.5 million metric tons to China, with an additional 1.28 million metric tons in outstanding sales. China has also purchased 2.27 million metric tons of 21/22 soybeans from the U.S.





Over the month of February, soybean prices increased by over $0.40 per bushel, closing the month at $14.08 per bushel, down from a peak of $14.24 per bushel on February 24. Prices jumped $0.15 per bushel following the February WASDE report, which indicated additional supply tightness as projected 2020/21 ending stocks were revised down by 25 million bushels to 120 million bushels- an implied stocks/use ratio of 3%, the lowest since MY 13/14. Ongoing concerns about the South American harvest and overall export strength (while exhibiting seasonal slowdown), coupled with overall tightness across the vegetable oils complex kept prices strong in February.

Soybean meal prices were down slightly on the month, but the overall soybean value was buoyed by soybean oil. December strikes in Argentina have also slowed down Argentine crush pace, further compounding tight supplies and price appreciation in the edible oils complex.



Reflecting losses at all key origins, average (global) soybean values were modestly weaker month-over-month during February. Despite ongoing harvesting delays, prospects for a heavy Brazilian crop pressured, outweighing underlying support from dwindling US supplies after a season of heavy exports. Softer buying interest from China featured at times, with activity partly muted by the Lunar New Year celebrations, while movements in soybean product values were sometimes influential. Although the USDA's projected 8 percent increase in U.S. acreage in 2021/22 mildly weighed, prospects for continued supply tightness were supportive. In Brazil, declines in FOB quotations were amplified by a plunge in export premiums as harvesting advanced, albeit slowly, and port line-ups lengthened ahead of an expected upswing in dispatches in coming weeks.

Concerns about slow movement of Brazilian soybeans into the export market are not likely to go away as there is no significant change in the weather outlook for Brazilian growing areas, which favors slow harvest progress. However, so far, there is no indication the delays are creating increased demand for U.S. soybeans from Chinese buyers. U.S. soybean export sales and shipments have started to drop off seasonally. U.S. soybean export sales for the week ended Feb. 25 are expected to run 7.5-25.5 million bushels compared with the previous week's sales of just 8.8 mil. bu., which included only 6.2 million for 2020-21 delivery.

Hot, dry weather in Argentina is likely to continue to spur concerns about that country's production. In a report released on Tuesday afternoon, the U.S. Agricultural Attaché in Buenos Aires pegged Argentina's

2020-21 production at 47.5 million metric tons, 500,000 below the USDA's official estimate. The Buenos Aires Grains Exchange still forecasts output at only 46.0 million metric tons.

The Brazilian soybean harvest continues to lag behind historical paces due to dry planting conditions last fall and persistent rain showers the past several weeks. Quality issues with the Brazilian crop increasingly necessitate the need for blending as harvests in Mato Grosso report increasing amounts of fungus damage. This adds another roadblock for soybeans destined for Brazilian export terminals.

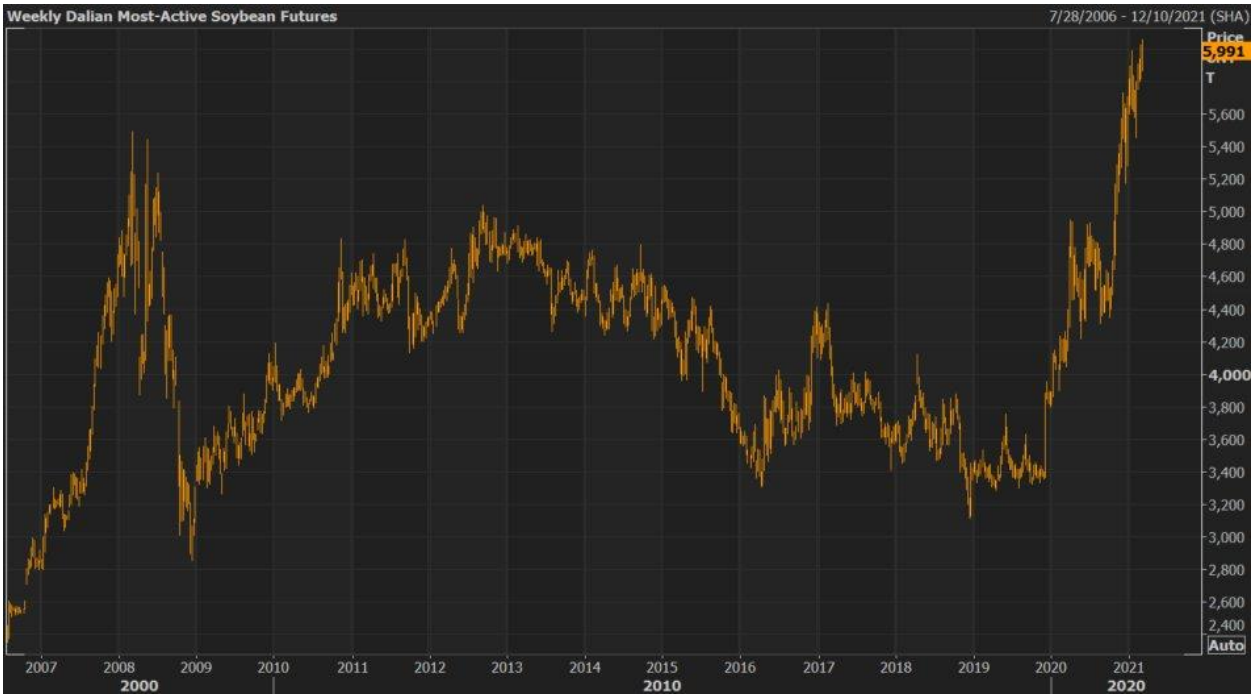
Meanwhile in Brazil, freight prices on soybean shipments have peaked at a two-and-a-half-year high on the delays. Truck freight rates ran about $0.66/bushel in February 2021, the highest since July 2018 according to Reuters.

The cost increase does not bode well for Brazilian farmers, who typically accrue higher costs than U.S. competitors. A weaker Brazilian real gives Brazilian soybeans a competitive price advantage in the international market over U.S. soybeans, but increased costs could limit those cost advantages, especially if harvest delays and quality issues persist.

Chinese soybean imports in the first two months of 2021 fell on the year as rains in Brazil hampered shipments. Argentina could be in line to get some rain as well which could delay soybean shipment from that nation as well. Brazil's soybean harvest advanced 10 percentage points in the week ending March 4, with harvest now estimated to be 35% complete, the slowest it has been for this time of year since 2010-11, according to the consultancy AgRural. It also reported 54% of the safrinha corn crop had been planted across the country's Center-South, well behind 80% planted last year at this time. Corn production is still vulnerable to a more notable decline depending on when the summer monsoon will end, normally at the end of April.

Reuters reports that Chinese soybean crushers are expected to curtail operations sharply in the coming months due to harvest delays in top exporter Brazil, pushing up prices and likely leading to a rundown in inventories. The shortage will be widely felt and probably last till at least mid-April, analysts, crushers and traders told Reuters, and comes just days after Beijing issued a major policy document stressing the importance of food security in the world's most populous country. Drought delayed soybean planting in Brazil in late 2020 and constant rains have disrupted harvest this year. That is similar to what happened early last year when Chinese crushers had to wind back operations, inventories fell to record lows and soymeal prices rallied. Detailed forecasts about the extent of the production cuts and their impact on inventories and prices were not immediately available. Chinese national weekly soybean meal stocks were at 758,800 mts as of February 23, more than double the levels in the previous year. Soybean inventories were at 5.73 million metric tons, on par with levels last year. China's soymeal futures prices have risen 6% this month to 3,587 yuan (U.S. $555 per MT), while domestic soybean prices have rallied 8%, near record high levels that were logged in July 2008.

China's most-active Dalian soybean futures hit a record high on March 1 of 6,058 yuan ($937.23) per ton. Supplies are tight and Chinese farmers are expected to favor corn over soy on higher profit potential. Notably, the most-active CBOT soybeans ended at $511.20 per ton on March 1. Chinese soybean futures on the Dalian Commodity Exchange shot more than 3% higher to another record-high on March 2, the second record-breaking move thus far in March. This as domestic crush demand intensifies amid a slow start to Brazil's shipping season. Rising prices for edible oil and expectations for delayed arrivals of Brazilian soybeans have lifted the market. The increase in soybean prices comes despite another news report of African Swine Fever (ASF) reported in a truckload of piglets in Yunnan province in southwest China. A few analyst estimates peg a fifth of China's breeding herd in the north was impacted by ASF fever and other diseases during the winter.



Less than two years ago the United States was drowning in excess soybean supplies, mostly due to trade interruptions with top buyer China. But relative to domestic demand, U.S. stockpiles are forecast to be record-tight later this year, and according to the USDA, not even a record crop this summer can ease the situation much by mid-2022. The USDA, on Friday, tentatively slated U.S. soybean acres to rise 8% on the year, which could lift the 2021 harvest to a new record when combined with the second largest ever yield.

However, despite a slight downtick in demand, the agency pegged domestic ending stocks for the upcoming 2021/22 year at 145 million bushels, the second smallest in eight years after the current year's projection of 120 million bushels. This prompts the question of what exactly would be required to raise the carryout levels more substantially, and how long that would take. The answer depends on forward Chinese demand, disease control and production recovery in China's hog herd, top soy grower Brazil's expanding production and export capacity, U.S. summer weather and corn prices, among other items.

Those things are nearly impossible to predict but there may be some lessons from the past that could help traders be ready for the next supply shift. Two recent events stand out, the 2017 easing of Chinese imports and complacency over the 2019-20 U.S. carryout reduction, both of which contributed to the sharp surge and decline in U.S. stockpiles over the last three years.

Several years ago, the soybean market finally got used to China's booming appetite for the oilseed and was unprepared for any hiccups in that trend, though signs of the slowdown that occurred late last decade are easier to see in hindsight. One clue was that in the typical October-December U.S. soy shipment peak in 2017, exports to China were actually sitting at a four-year low. That can partially be explained by an increased volume out of Brazil, but USDA forecasts were also predicting the Chinese demand pullback at the time.

In late 2017, the USDA saw 2017-18 Chinese soybean imports rising just 3-4% on the year compared with an average increase of nearly 12% per year in the previous four seasons. In the end, the 2017-18 volume rose only fractionally on the year due to reduced trade with the United States and the outbreak of

African swine fever (ASF) in its hog herd. But the soybean market in early 2018 was distracted from China's slowing imports by a crop failure in Argentina, the world's leading exporter of soy products, and prices signaled U.S. farmers to plant another massive soybean area. That led to a record U.S. crop and drove stockpiles to unfathomable highs as trade was choked off with China in mid-2018. It is unclear why China's demand trajectory slowed in late 2017, but it is possible that imports in the prior year had finally caught up to and surpassed the needed levels for the time being.

A more sinister though plausible theory is that the first ASF impacts may have arisen as early as 2017, regardless of whether China was aware at the time. Beijing first officially acknowledged ASF in August 2018, though the wider industry did not understand its severity until seven months later. Following 2018, a correction to the massive stockpiles was needed. But the soybean market a year ago probably underestimated the risks of cutting U.S. ending stocks in half from the prior year, since the reduced levels were still elevated versus history. Soybean prices were weak in early 2019 and farmers intended to cut acres. But historic spring flooding and relatively better corn prices caused growers to plant 8.5 million fewer soybean acres that year than originally planned, an unprecedented change of course.

At the time, that acreage loss seemed like a disguised blessing to adjust the enormous inventory, which ended up falling more than 40% year-on-year. But looking back, the market showed too little concern in early 2020 over the effects of slashing carryout so sharply, basically leaving no room for error on the 2020 U.S. crop. Soybean prices were not sufficiently attractive a year ago to gain enough acres as uncertainties over trade with China and the unfolding pandemic loomed. Still, the market thought at several points during the 2020 season that farmers had planted more soybeans than they did, perhaps misjudging the true weakness of the economics. The late-summer 2020 drought amplified the effects of underplanting, as yields were clipped in several major states, producing just an average crop instead of the strong one that was expected. The return of robust Chinese demand in mid-2020 capped off the recent supply squeeze.

The soybean market is clearly still learning how to adjust to the exceptional supply and demand swings that resulted from recent events related to ASF, the trade war and weather, ultimately leading to the overplanting in 2018 and the underplanting in 2020. But in terms of price impacts, the year-on-year changes in U.S. supply and Chinese demand probably deserve more attention. The USDA currently sees Chinese soybean imports at 100 million tons in 2020-21, up 1.5% on the year.

U.S. soybean stocks-to-use in 2020-21 is seen at an all-time low of 2.6%, slightly edging 2013-14, and that is down from 13% a year earlier and nearly 23% in 2018-19. The 2020-21 ratio had been predicted as high as 13.7% back in August. The USDA's latest figures place 2021-22 stocks-to-use at 3.2%, the third-lowest on record. Following 2013-14's low of 2.6%, the ratio was at 5% in each of the next two years before climbing to 7% in 2016-17 and 10% a year later. But soybean prices were significantly lower in those subsequent years than the ratios might suggest because the USDA had a habit of underestimating soybean demand at the time.

Historically tight soybean stocks mean that supply risks will linger for at least another year despite the slight expected increase. Summer weather will undoubtedly be under more scrutiny than normal, and it may take more than a few decent weather forecasts by mid-July for confidence on a big U.S. output.

Rice

After several weeks of the cash market trading sideways, slower export demand and domestic use appears to be a negative for the market. Rice prices have softened, albeit by minimal amounts. Rice acres are looking to be flat as corn and soybeans will likely compete with one another. Early guidance suggests

growers will consider corn and soybean acres as demand is forecast to be strong moving into the 2021 marketing year.

Louisiana continues to market the dwindling supplies at $22.00 per barrel for long grain rough rice or $13.75 per cwt basis 55/70. Also, there are a couple of contracts out for new crop long grain. In the Delta CME rice futures prices are down $0.01 - $0.175. Bid/asked levels for barges of long grain CIF NOLA are $13.75/$14.00 per cwt. By the time that the Plantings Intention report comes out of the USDA on March 31, Gulf Coast growers will be well planted. There is some talk in Arkansas that bids for rice will rise in an attempt to buy acres away from soybeans. Some in the trade are not convinced that this is a viable plan, as it looks to us that the USDA is still over-estimating exports and the end of season stocks are likely to rise. For perspective, during the end of February, an Arkansas grower could book new crop (November-December) long grain at $12.75 or January-February for $13.00. This compares to over $5.00 for corn and over $12.00 for soybeans, both of which are historically very profitable levels. The issue is that the market faces is a lack of mill rice buyers- in particular Iraq. At that time, rumors (to be later confirmed) are that Iraq has purchased rice from Uruguay, where better quality, lower prices, and better commission have shut out U.S. rice.

Between sluggish demand in rice and robust demand in corn and beans, it's no surprise that growers intend to supplant rice ground for these other commodities. Early projections are that long-grain acres in Arkansas will decline by 210,000, Louisiana down 35,000, and Mississippi is forecast down 21,000. Only Texas is expected to match last year's planted area. California acres are expected to see a sharp reduction as well, however, that is not market driven, it is strictly water related. There is some potential risk for U.S. farmers attempting to chase corn and bean prices as reports are coming in that suggest China plans to increase acreage by over 1.65 million acres in the upcoming marketing year.

The University of Arkansas reports that it is realistic to point toward at least a 10% reduction in acreage for 2021, resulting in 1.3 million acres planted. Further complicating the rice plantings estimates center around the continued price support for competing commodities and what happens with ground that was forced to take prevented planting for two years.

It's entirely possible that Arkansas could see a reduction in acres back to near the 1.1 million acre mark- as was the case in 2013, 2017, and 2019. However, a favorable April planting window would likely ensure that Arkansas rice plantings could exceed those levels. When considering the opportunity for growers to plant ground that has been out of production for multiple years, the 1.1- and 1.3-million-acre range seems most likely as of right now.

Export demand for U.S. long-grain rice remains suppressed as the market struggles to compete with Asian and even South American origins. The lack of export activity is catching up to the cash market where spot prices throughout the delta are unchanged or showing further signs of softening. Demand for paddy is considered weak as mills work feverishly to generate demand. With the expectation that paddy prices will edge lower as we move into in planting, buyers are generally operating with patience, and only procuring hand to mouth.

The latest USDA export sales report cited total long-grain demand to be down over 18% YTD. Export sales and shipments, reported this morning for the week ending February 18th continued to show sub-par performance. The Jan-Dec 2020 export figures show a 9% drop in total shipments. The number one destination was Mexico, down 12%. Second was Haiti, up 19%, followed by Japan, off 5%. By type, rough rice exports were steady, but long grain milled rice loadings were 22% lower.

Export demand improved by 2% against last year's numbers this week, but is still reported to be down 16% year to date. Milled shipments to Mexico are up this year, but exports to Haiti are down 13%, and are ultimately weighing on milled rice demand. Although paddy shipments are down year over year, total paddy sales are on par which is providing some much-needed support to the market.

During the last week in February, the nearby contract closed at $12.805 per cwt in trading session which marks a $0.20 per cwt decline over the past two-weeks. Volume is also down significantly, recorded at only 496 while open interest was relatively steady at 9481. With little change in pricing for the June 2022 and March 2022 contracts, the board seems to be signaling that more acres are not needed in the market. As the month of March began, rice futures posted some small gains against last week but were generally quiet as volume shrank to the lowest levels seen in over a month. Without a rally in far contracts or a strong new crop forward cash contract, the industry's current expectation of a significant decrease in acreage will likely hold true.

Following the release of the March WASDE report, rice futures were mostly lower. March settled down 5 ½ cents to $12.91 ½, and May settled down 6 cents to $13.19. September rice ended down ½ cent to $12.81 ½. Trading volume was almost nonexistent despite the USDA report, barely topping 100 contracts.

The USDA did not change its U.S. all-rice carryout forecast but did raise its on-farm avg. price forecast slightly to $13.60 from $13.40 and cut its world carryout forecast slightly. It left its long-grain rice balance sheet unchanged, but also raised the price forecast by 20 cents, to $12.40.

Creed Rice reports on the state of affairs regarding Iraqi demand for rice summarized in five key points. 1.) Iraq went nearly 18 months without holding a single GBI tender, purchasing only small lots of basmati rice from India, and some other rice from Turkey. 2.) Iraq bought two cargoes from Uruguay. 3.) Crude oil is hovering around $70 per barrel, which has stimulated sales and replenished budget deficits. 4.) U.S. industry leaders have been working diligently with the USDA, and Congressional partners to solidify a new memorandum of understanding, and subsequent "U.S. Only" GBI tender. 5.) The outlook is now more promising than it's been in over a year, and something the mills dearly need to operate at full capacity.

News from South America (MERCOSUR) dented the lateness of the crop and its staggered nature coming into harvest operations. The lateness was first caused by late planting due to insufficient rainfalls, followed by an inordinately wet month of February. Uruguay has accumulated rice export sales of over 50,000 MT of parboiled brown rice to the European Union. Argentina reported an export sale of 30,000 metric tons to Cuba. The rice crop in Paraguay will be short and there are still ongoing shipments being made to Brazil against old crop inventories. Brazil has been a formidable export seller, before they surfaced as the critical buyer in the region. Combined with their sale to Cuba, they have recently sold two vessels to Costa Rica (all paddy). All of a sudden, this regional set of markets is seemingly simmering, amid a bullish undertone.

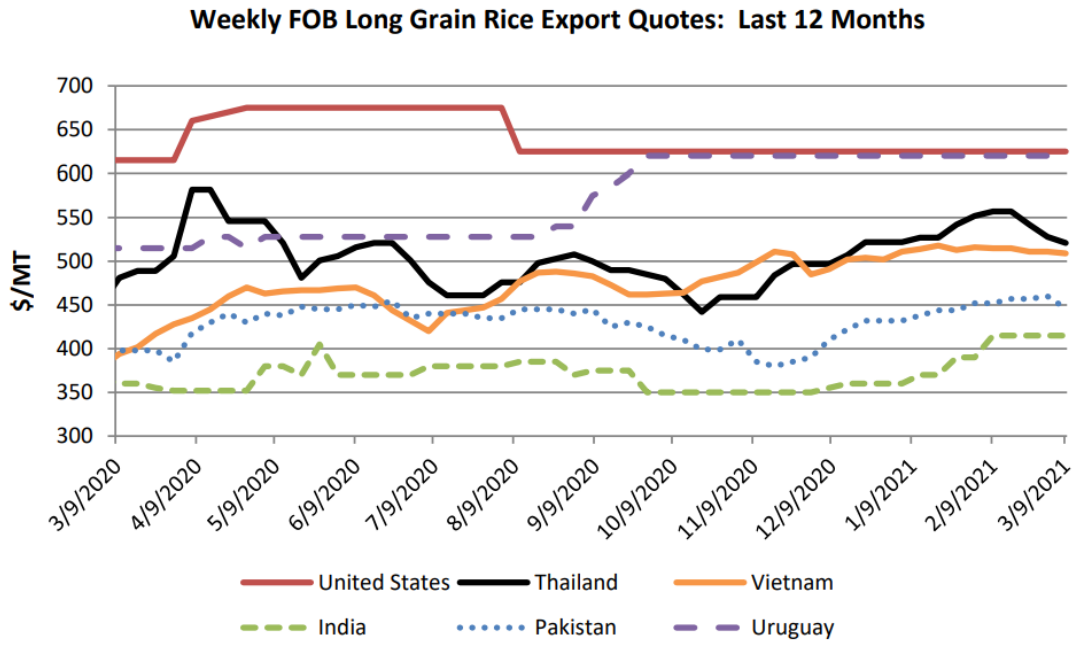
U.S. rice exports to Colombia in 2020 increased by 12 percent over 2019 levels, due in large part to a surge in consumer purchase as Colombia announced strict pandemic restrictions. However, in the latter half of the year, demand started to normalize as the national harvest began, which exceeded production expectations, reaching a total of 590,000 hectares (more than 1.4 million acres); the value of the Colombian rice crop was reportedly a record figure. The first auction in 2021 was held in January and for the first time in the history of the TPA, it was undersubscribed with only 8 percent of the tonnage awarded.

"Because of the unprecedented outcome of this auction, it is important that any unawarded quota be rolled forward to future auctions held this calendar year, to remain available for use by exporters within this calendar year," said USA Rice Chair Bobby Hanks in a letter sent this week to the COL-RICE Board of Directors on behalf of USA Rice. "While COL-RICE is authorized to set parameters regarding auction frequency and tonnage, the TPA is clear that the increasing annual quota tonnage is to be available throughout the entire calendar year."

With the exception of India, most major Asian exporters have seen few market developments over the past couple of weeks. While Vietnam is rumored to be in talks with Iraq regarding a tender, that sale has yet to come to fruition and in the meantime, Viet prices have slipped further to $505-510 per metric ton. Thailand is experiencing some market volatility as the local market reached 10-month highs on supply scarcity. Ultimately, this price action has kept many Thai exporters at bay, paving the road for India to capture additional market share.

Although market activity in much of Asia was subdued amid Lunar New Year celebrations, average international rice prices were stronger month-over-month. Thai quotes were supported by concerns about off-season output, although weak international demand pared price gains. Prices in India rose on robust buying interest and government paddy procurement, while loading delays showed signs of easing as the first vessel sailed from Kakinada's deep-water port. In Vietnam, early new crop arrivals and slow demand weighed on offers, but with some support from reports of harvesting delays.

Over the past month, U.S. and Uruguayan quotes persisted at $625 per ton and $620 per ton, respectively. Southeast Asian prices trended slightly lower with Thai quotes down to $521 per ton and Vietnamese quotes down slightly to $509 per ton on increased exportable supplies with the arrival of the spring crop. Pakistani quotes slid to $446 per ton on muted buying interest from traditional markets. Indian quotes held at $415 per ton amid with continued demand from Bangladesh and the private sector.



In Asia, the strength dominating Thai and Vietnamese Indica markets extended into the first half of February, as supplies remained tight ahead of the arrival of the Thai offseason harvest and the Vietnamese winter-spring crop into the market. Although a slow pace of offshore sales successively capped or

reverted gains, February closed with quotations in both origins generally higher month-on-month. Increases were especially pronounced for fully broken supplies, which drew additional support from strong domestic demand. Meanwhile, consistent buyer interest kept Indian export values on the rise. Sentiment in the country was also influenced by expectations of easing port congestion following an early-month official move permitting the use of the Kakinada deep water port for rice exports. Prices also edged-up in Pakistan on African demand and appreciation in the Rupee.

Agri-Pulse reports that Cuba *could* be buying a lot more poultry, corn, dairy and other agricultural commodities produced in the U.S., but first the U.S. needs to reverse course and begin strengthening ties with the island nation. That is the message from some of the largest American farm groups to the Biden administration.

Cuba imports about $2 billion worth of ag commodities per year, but the U.S. gets only about 10% of that business despite the fact that the two countries are so close. Even with its proximity to Cuba, financing, shipping and other restrictions reduce trade opportunities between the U.S. and Cuba.

There are other actions the Biden administration could take, outside of a complete lifting of the embargo. An important one would be to suspend the U.S. policy- Title III of the Helms-Burton Act of 1996- that allows U.S. nationals to sue Cuba for reclaiming property confiscated by the Cuban government 60 years ago. The provision, widely seen as discouraging international investment in Cuba, was never allowed to go into effect until the Trump administration.

Cotton

The market posted a large bearish reversal on the daily chart on February 26 that will support the school of thought that a top has been established in the market. But the cotton market has been in an uptrend for 11 months now, and has defied talk of a top before. May cotton formed a massive key reversal down after forging to new contract high and then closing limit down. Carryover selling is likely to put initial pressure on the market, with most major trend-following studies turning lower as well. A close below 88.68 cents would form a weekly (February 26th) key reversal to the downside.

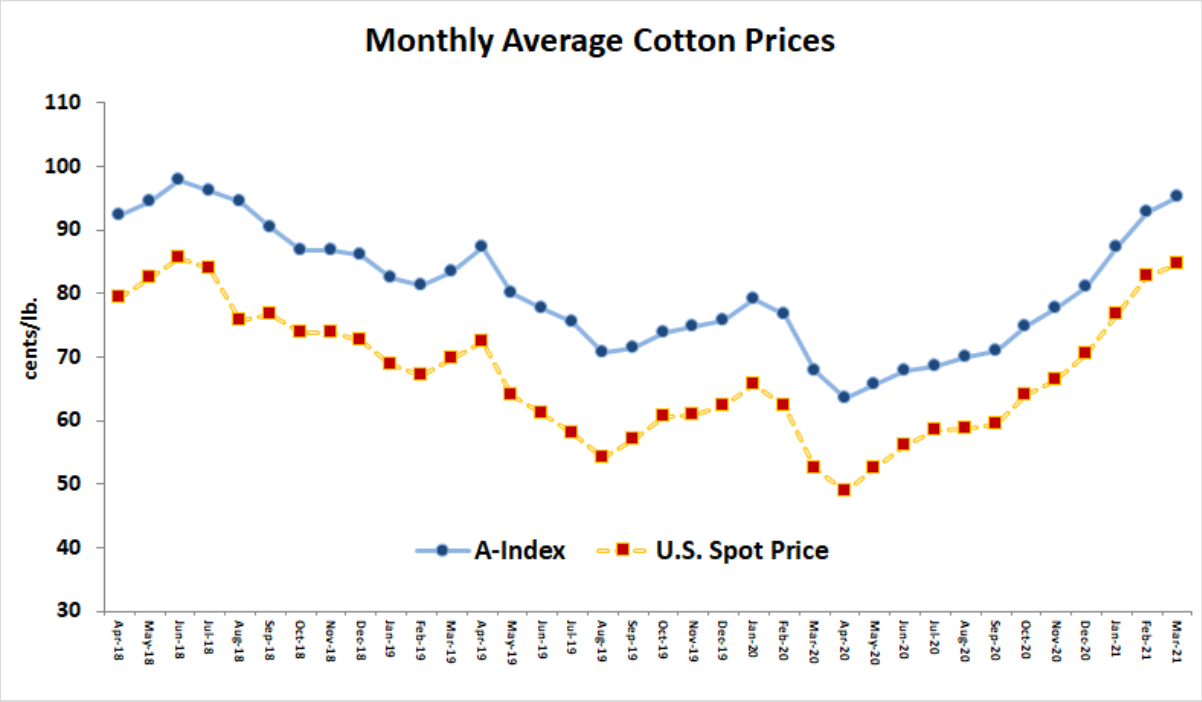
The cotton market experienced a “strange session,” as the market was off 3 cents just prior to the release of the March WASDE. Analysts believe that speculative selling and position realignment were the drivers, which ultimately resulted with a limit-down settlement. Technically, the market has decidedly worked off its overbought condition. The origins of that pattern started last October. Fundamentally, the WASDE report itself was friendly enough. It showed a 150,000-bale reduction to the 2020 crop, and a 100,000-bale reduction to domestic carryout. Additionally, world ending stocks fell over 1.16 million bales. Nonetheless, rigorous selling overwhelmed any attempt at recovery.

There were also apparently strong expectations that the USDA would cut its U.S. carryout more than it did. The USDA pegged the U.S. 2020-21 cotton carryout at 4.2 million bales, down from 4.3 million in February. They lowered production slightly, but this did not raise projected exports as many expected. The USDA did raise its season average on-farm cotton price forecast to 69 cents per lb. from 68 cents.

Cotton bulls were under severe pressure and continued following a neutral USDA report, as futures fell limit-down. March settled down 4 cents to 82.77, and May was down 4 cents to $84.32. December cotton was down 3.94 cents to 81.40. The market fell despite a retreat in the dollar. Tomorrow's trading limit will be expanded to five cents. With no fresh news overnight or this morning, the selloff appears to be largely technical and driven by ideas the market has made a top after climbing steadily for nearly 12 months.

It's hard to say to what extent the March WASDE report was a negative factor, as cotton futures were already down more than 2 cents before it was released. The USDA pegged U.S. 2020-21 cotton carryout at 4.2 million bales, down from 4.3 million in February. The USDA lowered production slightly, but it did not raise projected exports as many had expected. The USDA did raise its season average on-farm cotton price forecast to 69 cents per lb. from 68 cents. While the market doesn't typically ascribe much weight to those price projections, it is worth noting that prices are currently far above that level, and have been for months. Meeting that projection would require significant losses from here.

The A-index and U.S. spot price have climbed sharply on strong mill demand. Both remain at near the highest levels since June 2018.



Continuing influences include reportedly strengthened demand, rising Chinese cotton prices, a rallying U.S. dollar and U.S. Treasury yields, and a rising-then-falling stock market. Cotton-specific fundamental factors this week included decent export sales (which sort of defies the high level of prices).

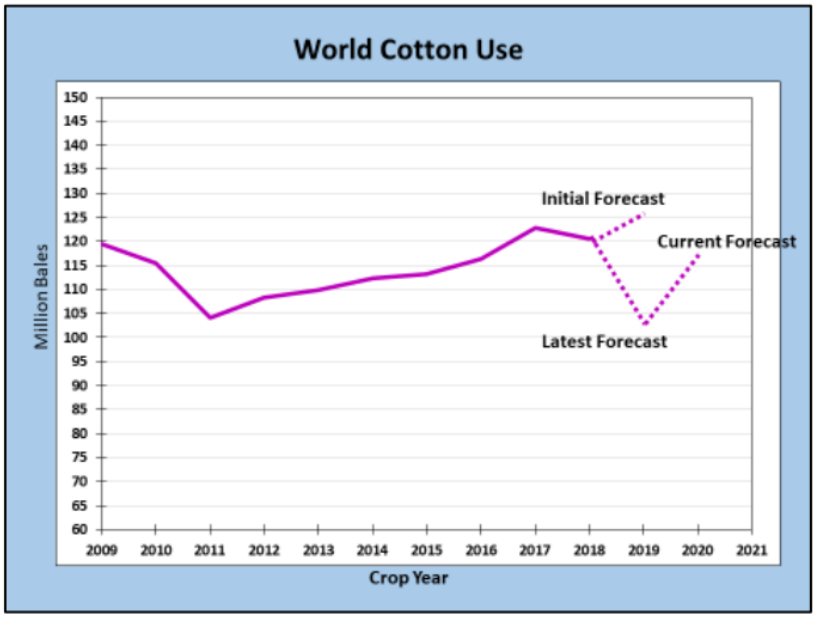
The regular Tuesday snapshot (through February 23) of speculative positioning in ICE cotton futures showed about 4,500 more hedge fund net longs, mostly from new buying. The same CFTC report showed little week-over-week change in the index fund net long position. So, all combined there was speculative fuel for the early price gains this week.

For U.S. cotton, the two main demand categories are domestic mill use and exports. Domestic U.S. consumption is estimated by the USDA at 2.7 million bales. Exports are generally a more important source of demand as they represent over 85% of projected total use of 2020/21 U.S. cotton. The main indicators of export demand are weekly sales and shipments of U.S. cotton. The most recent week of export sales (through February 18) were lower week over week, but still strong given the relatively high level given the concurrent high price level. The pace of actual export shipments of all cotton (i.e., upland and pima combined) was on par for the week ending February 18.

Prices have continued to show upward strength, although down sharply today—putting a halt to 9 consecutively higher days. The remarkable run-up in prices are fueled by multiple factors—all valid, but the chief among them in terms of real economics is demand—the increasingly optimistic outlook for cotton use to rebound from its pandemic stricken level. It is the category of demand/use that makes relevant other factors like production and stocks.

What is this expected level of use and expectations regarding demand? Weekly export reports do nothing to answer these questions—they only serve as evidence to confirm and gauge the degree of optimism in the short term. World Use for the 2018 crop year was 120.46 million bales. The first USDA forecast for the 2019 crop year (August '19-July '20) was 125.93 million bales—up 4.5%.

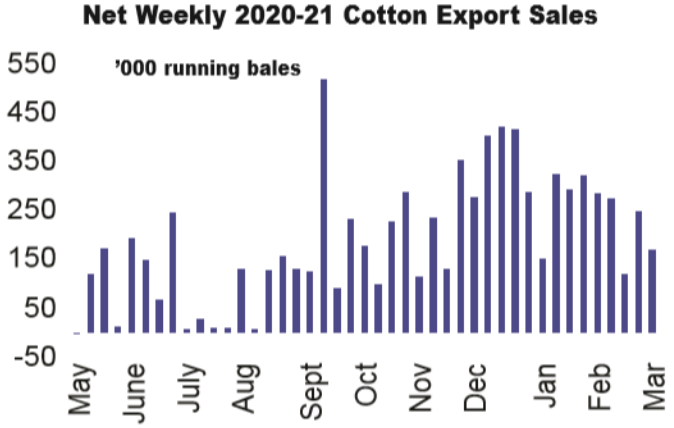
Due to COVID-19, cotton use fell to only 102.61 million bales—down over 18% from the initial estimate and almost 15% below 2018. So what is the motivating factor(s) that are fueling the current optimism for cotton and where is use/demand headed? The current forecast for the 2020 crop year (August '20-July 21) is 117.21 million bales. If realized, this would be 14% higher than last season. But this is still almost 9 million bales less than the USDA's initial (pre-pandemic) forecast for the 2019 crop. Use is expected to continue to rebound and this has implications for 2021 production and ending stocks. If production is less than use, this draws down and will tighten stocks further.



The National Cotton Council survey estimated that there would be 11.47 million acres of cotton planted this year. From last week's Outlook Forum, the USDA's early estimate was 12.0 million acres—essentially the same acres planted last year. More importantly, if abandonment returns to more the norm, acres harvested and production this year (depending also on yield) will be more. But there are already concerns over dry conditions in Texas and elsewhere. New crop futures had a little hiccup at the idea that acres might decline less than expected or may not decline at all. This sentiment has since appeared to have been shaken off. Still, it brings up the question, if prices remain high, so high as to keep cotton acres in the 12-million acre range (or possibly higher), will this market eventually begin to lose some of its bullishness? The USDA's Prospective Plantings report will be out the end of March.

Lackluster sales but improved shipments have the cotton market still trading with a choppy attitude. Cotton export sales were lackluster with China only a minor buyer. Ever since the big reversal high of last

Thursday, the market has struggled to regain its bullish composure. Next week the market will look at supply-demand numbers from the USDA, and those are expected to be underwhelming.



The futures reaction to the USDA's March WASDE has cotton trading within 12 points of a limit loss. May prices are near 84.43 cents per lb. and new crop Dec prices are near 81.95 cents per lb. The Cotlook A index for March 8th was back up by 55 points to 93.15 cents per lb. The AWP for cotton is 73.95 cents per lb. The USDA sees 2020/21 cotton ending stocks at 4.2 million bales, which is 100k bales lower from the Feb estimate. That came mostly via a yield cut to 811 lbs/acre. That reduced production 250,000 bales to 14.7 million, and resulted in lower domestic use. This was disappointing to bulls, with an average pre-report guess for U.S. stocks at 4.06 million bales.

Dr. O.A. Cleveland points out that U.S. export sales continue strong, and export shipments continue very strong. The old crop/new crop spread moved to its tightest level of the year. Additionally, on-call sales continue to offer good fundamental news for the bulls. The slight selloff on the week resulted from (1) a volatile and skittish equity market fueled by the Fed's comments regarding inflation, and (2) the slippage of Chinese cotton prices, basis the ZCE. Textile activity around the world has not slowed, and mills are presently seeking cotton on an as-needed basis.

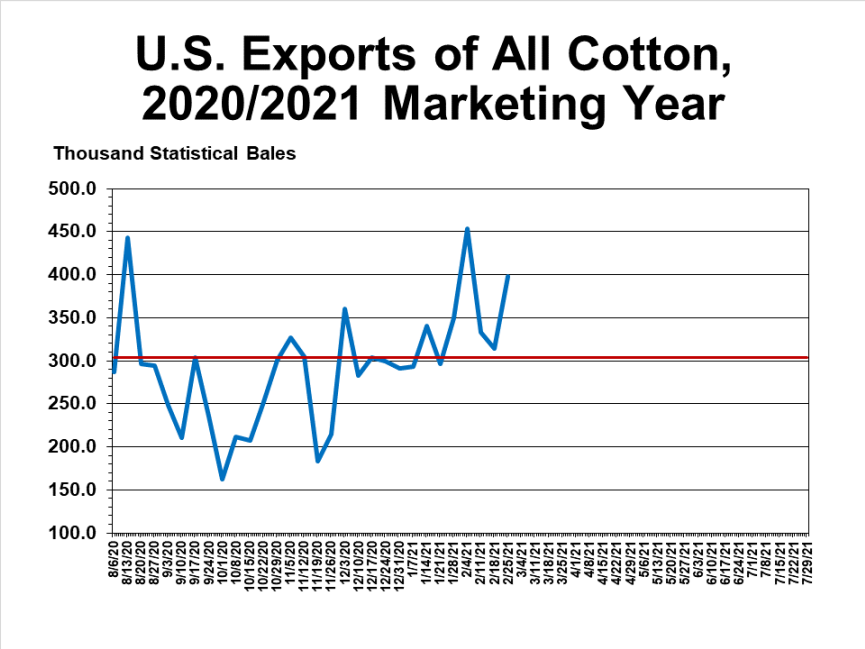
The on-call sales versus on-call purchase ratio favors higher prices for both the May and July contracts. December cotton will continue to follow the old crop contracts. There is mounting concern about Texas drought conditions. With those concerns, old crop contracts could continue to challenge the low 90s and to pull the December back to the high 80s.

U.S. export sales slowed but remained above the level required to reach the USDA's shipment level of 15.5 million bales. In fact, one should expect the USDA to increase its estimate of U.S. export exports in March's supply demand report. Weekly net sales totaled 218,400 bales, including 40,600 bales for marketing year 2021-22, Pima sales of 7,800 bales and upland sales of 169,000 bales for the current year.

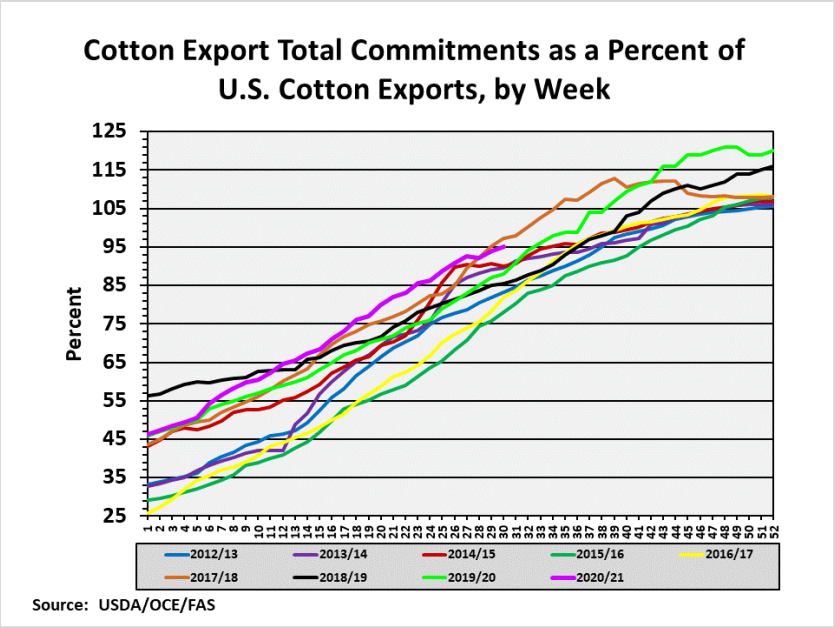
Some 16 countries were buyers of U.S. cotton, and six purchased at double-digit levels. Primary buyers were Vietnam, China, Pakistan, Indonesia, Turkey and Bangladesh. Export shipments were an impressive 386,500 bales, consisting of 377,400 bales of upland and 9,100 bales of Pima. Vietnam, China and Pakistan were the primary shipment locations. Shipments should remain impressive.

The blue line in the chart below shows actual weekly export shipments through the past week of the 2020/21 marketing year (converted from running bales into 480 lb. statistical bales, using the USDA's conversion factor of 1.03). The red line shows the level of exports of all U.S. cotton required to meet the USDA's 2020/21 projection (15.5 million bales) of what total exports will be by July 31, 2021. The level

of actual shipments (the blue line) has fluctuated above and below the level needed to reach the USDA's target. For the week ending February 25, export shipments were higher week over week and above par.



Another indicator of export demand is the percent of U.S. export total commitments to the USDA's forecast export target of 15.5 million bales. Total commitments of all cotton, as of February 25, 2021, include 8,563,978 bales worth of accumulated exports of all cotton, i.e., pima and upland sold and actually shipped. It also includes another 5,722,277 running bales of pima and upland sold but not yet shipped ("outstanding sales"). The total of accumulated exports and outstanding sales is 14,286,255 running bales of total commitments which, after converting to statistical bales, is 95% of the USDA's 15.5 million bale target for 2020/21 U.S. exports. That puts 2020/21 export commitments at the historical upper end for this point in the marketing year (see magenta line below). The potential risk to this picture is cancellations of un-shipped sales. On the other hand, the USDA may move the 15.5 million bale target higher in a forthcoming WASDE.

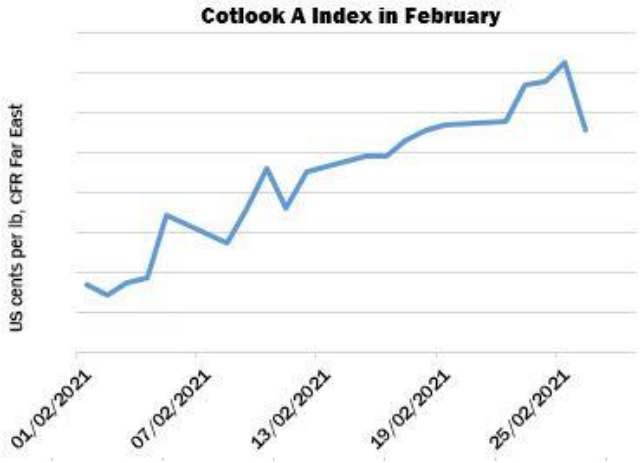


The global 2020/21 cotton supply and demand estimates in the March's WASDE report indicate lower production and ending stocks compared with last month, but higher mill use and trade. Estimated global production is reduced nearly 830,000 bales, largely due to lower Brazilian and U.S. production.

Cotton import pace and indications of recovering global consumption helped boost consumption estimates for Turkey, Bangladesh, Pakistan, and Vietnam, more than offsetting lower projections for the United States and Taiwan. Imports are also projected higher in the countries with larger consumption, and the forecast for 2020/21 world trade is more than 600,000 bales higher this month.

On the export side, higher Indian exports account for most of the increase as auctions by the Cotton Corporation of India have released much of the cotton purchased last year under the Minimum Support Price program. World ending stocks in 2020/21 are forecast 1.1 million bales lower than last month, at 94.6 million bales.

February saw the continued advance of world prices from their nadir in early April 2020, when the impact of COVID-19 on the cotton textile supply chain was at its most severe. Since then, the recovery has proceeded more or less unchecked. The Cotlook A Index rose in tandem with New York futures for most of February and looked poised to reach the psychologically important dollar mark around the end of the month. Since it was created in the 1960s, a 'dollar Index' has been an infrequent occurrence and rarely sustained for long. In the event, a sudden sell-off in New York (mirrored in other financial markets) provoked a sharp but partial correction. At the end of February, the Index stood at 95.10 cents per lb, having made a net gain of 8.50 cents, almost ten percent.

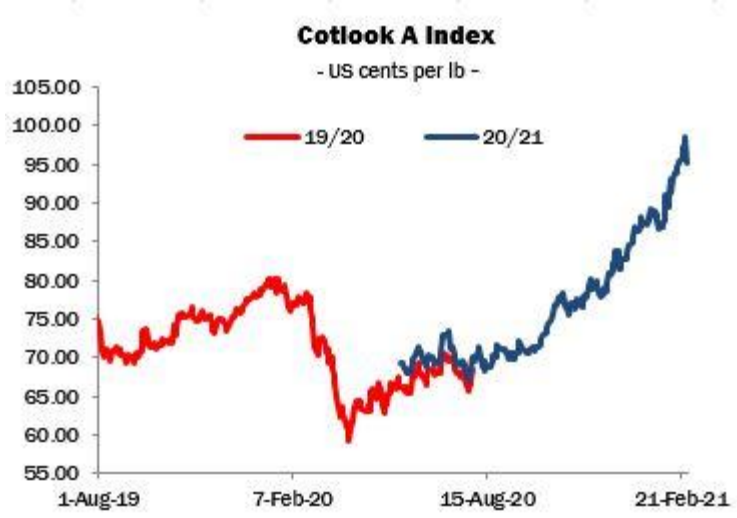


For most of the period, cotton futures shared in the buoyancy exhibited by other commodity futures and equity markets. Financial stimuli and the economic optimism engendered by the progress of vaccination programs have contributed to a rising tide that lifted the value of all assets. The Dow Jones Industrial Average recorded an all-time high on February 24, the day before the sharp downward correction alluded to above.

Cotton prices also derived strength from supply and demand fundamentals and in particular from a tightening United States balance sheet (only U.S. cotton can of course be delivered against the New York cotton futures contract). Despite escalating prices, the pace of U.S. export sales remained robust during the month.

In its February supply and demand estimates, the USDA raised its forecast of exports during the 2020/21 season by 250,000 bales (480 lbs) to 15.5 million. As a result, the projected ending stock was reduced to 4.3 million bales – versus a beginning stock of 7.25 million. Most industry observers predict that this season's carryover will prove to be well below four million bales, given that export commitments were within seven percent of the Department's forecast by mid-February, the strong pace of shipments, and ginning and classing data, a further reduction in the production forecast is anticipated in March. The 2021/22 marketing year should therefore commence with a much-reduced beginning stock, a prospect that has contributed to a generally bullish outlook for the season ahead.

One consequence of the relentless rise of futures during February was to prompt a flurry of trading activity in Indian cotton. For some time, offers from that origin had gained rather less traction in export markets than might have been anticipated, given its relative cheapness vis-à-vis other origins. Some spinners have become more accustomed to machine-picked cotton in recent years and are wary of Indian on quality grounds. During the second half of February, however, the Cotton Corporation of India disposed of a substantial volume from its 2020/21 holdings to the local and international trade. A good proportion was also sold onwards, principally to buyers in China who were eager to lock in the price advantage on offer.



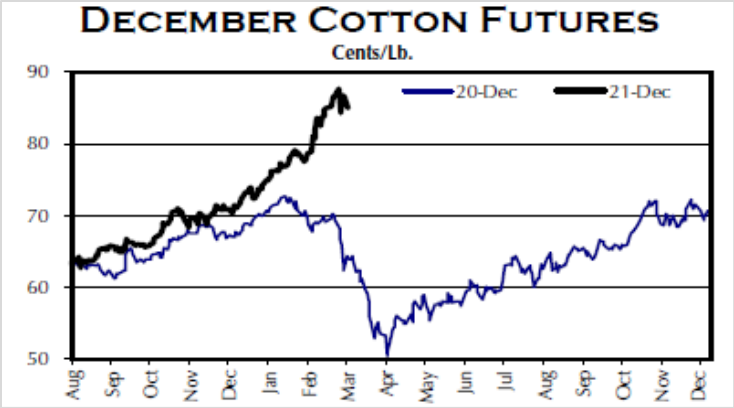
More generally, mill buying on most raw cotton import markets became more selective as asking prices continued to rise under the lead of New York. Spinners for the most part appear to have been generating good margins on their recent yarn sales but late in the month became more apprehensive of a market reversal that might undermine yarn selling rates.

On February 25, Cotton Outlook published initial forecasts of world production and consumption during the 2021/22 season. As always, these early projections are accompanied by strong caveats, given that sowing for cotton has yet to begin in the Northern Hemisphere and forecasts of consumption concern a period that will not begin for several months. Production next season is placed at just over 25.2 million tonnes, and consumption at just over 25.5 million, suggesting a second successive season during which a moderate reduction in global stocks will take place.

Given the major reduction of U.S. stocks that will have occurred by the end of the current season, particular attention will be devoted to the outlook for the U.S. crop over the coming months. In New York, December 2021 futures (the key contract as far as new crop prices are concerned) ended February at 84.33 cents per lb, no less than 35 percent above the corresponding settlement (for the December 2020 delivery) a year earlier.

In addition to relative prices, a key influence on the eventual size of the US crop will be the scale of abandonment and the dryland yields obtained in the West Texas growing region that accounts for roughly half of U.S. cotton area in a typical season. The period of exceptional wintry weather that brought great hardship to Texas in February also delivered some welcome moisture. However, more will be required over the coming months if the state's crop is to realize its potential.

The National Cotton Council reports that "as growers consider their 2021 planting decisions, uncertainty exists among the pricing prospects for cotton and alternative crops. For most of the 2020 crop year, December 2021 cotton futures have traded at higher values relative to values the year prior. Since the beginning of January, December 2021 cotton futures have traded approximately 11 cents per pound higher than the comparable December 2020 values. Over the month of February, the 2021 contract has traded roughly 74 cent per bushel higher than last year's contract. The November 2021 soybean contract has traded above the November 2020 contract most of the time since early August 2020 through early-March 2021. During February 2021, soybeans have traded approximately $2.78 per bushel higher than the comparable November 2020 values."



PLC Farm Program Payment Projections - 2020 CY

Below are projections for the Price Loss Coverage (PLC) program national Marketing Year Average (MYA) prices for the 2020/21 crop year. A PLC program payment is triggered when the 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 is made on 85% of base acres.

Covered Commodity	*2020/21 MYA Price**	*Effective Reference Price*	*2020 CY PLC Payment Rate*
Corn	$4.30	$3.70	--
Grain Sorghum	$5.00	$3.95	--
Long Grain Rice	$12.40	$14.00	$1.60
Medium Grain Rice	$12.80	$14.00	$1.20
Seed Cotton**	$0.3506**	$0.3670	$0.016**
Soybeans	$11.15	$8.40	--
Wheat	$5.00	$5.50	$0.50

*national marketing year average (MYA) prices reflect the midpoint price level from the March 9, 2021 WASDE report. ** estimate not official at time of report release.

ARC-CO Farm Program Price Parameters - 2020 CY

The table below presents the five-year Olympic average national marketing year average prices for purposes of the Agriculture Risk Coverage (ARC-CO) program in addition to the projected national MYA price used for in the calculation of actual county (parish) revenue. An ARC-CO program payment is triggered when the actual parish revenue for a particular commodity falls below that commodity's historical revenue guarantee. ARC-CO farm program payments are capped at 10% of the benchmark revenue. The payment rate is then made on 85% of base acres. No individual farm level production data is used for the purposes of ARC-CO program payment calculation.

Covered Commodity	*2020/21 MYA Price**	*2020 ARC-CO Benchmark Price (5-yr Olympic Average)*
Corn	$4.30	$3.70
Grain Sorghum	$5.00	$3.95
Long Grain Rice	$12.40	$14.00
Medium Grain Rice	$12.80	$14.00
Seed Cotton**	$0.3506**	$0.3670
Soybeans	$11.15	$9.25
Wheat	$5.00	$5.50

*national marketing year average (MYA) prices reflect the midpoint price level from the March 9, 2021 WASDE report.

USDA FSA Program Signup Deadlines are Approaching

Agricultural producers who have not yet enrolled in the Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) programs for 2021 must do so by March 15. Producers who have not yet signed a 2021 enrollment contract or who want to make an election change should contact their local USDA Farm Service Agency (FSA) office to make an appointment. Program enrollment for 2021 is required in order to participate in the programs, but elections for the 2021 crop year are optional and otherwise remain the same as elections made for 2020. Contact your FSA office at your local USDA Service Center for more information or visit https://www.farmers.gov/arc-plc.

The USDA is extending the deadline from March 5 to April 9 for agricultural producers to apply for the Quality Loss Adjustment (QLA) Program because of recent winter storms and some clarifications to program rules. This program assists producer who suffered crop quality losses due to qualifying 2018 and 2019 natural disasters. To apply, contact your local USDA Service Center. Additional information is also available at www.farmers.gov/quality-loss. Producers can also obtain one-on-one support with applications by calling 877-508-8364. USDA FSA will issue payments once the application period ends. If the total amount of calculated QLA payments exceeds available program funding, payments will be prorated.

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), Atria Brokers, AgDay, Ag Fax Media, Ag Market Network, Agri-Pulse, Ag Web, Agricultural Market Information System (AMIS), Allendale, American Farm Bureau Federation, Bloomberg News, CME Group, Cotton Grower, Cotton Incorporated, Cotton Outlook, Creed Rice Report, Delta Farm Press, DTN Progressive Farmer, Farm Futures, Fiber 2 Fashion, Karen Braun, International Grains Council, Iowa State University, LSU AgCenter, National Cotton Council, Peterson Institute of International Economics, Pro Farmer, Reuters, Rice Market Letter, Stone X, Southeast Farm Press, Successful Farming, Texas A&M University, University of Arkansas, University of Illinois, U.S. Grains Council, USA Rice Federation, U.S. Soybean Export Council, and the Wall Street Journal.

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