



June Market Update

Corn, Soybeans, Rice, and Cotton

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WASDE Summary

Nationally, as temperatures move from colder than usual to high heat, weather shocks are likely to impact estimates for crop supply in the 2021/22 marketing year as demand continues to increase and push prices toward their highest levels since 2013. USDA estimates contained in the June 10th WASDE report roughly fell in line with what traders were expecting and attention has turned to the increasing dryness in Iowa as the growing season gets underway. Grain and soybean futures are mixed at mid-day following the USDA report, which looked supportive for certain markets such as corn and cotton, but overall did not dramatically alter the supply outlook.

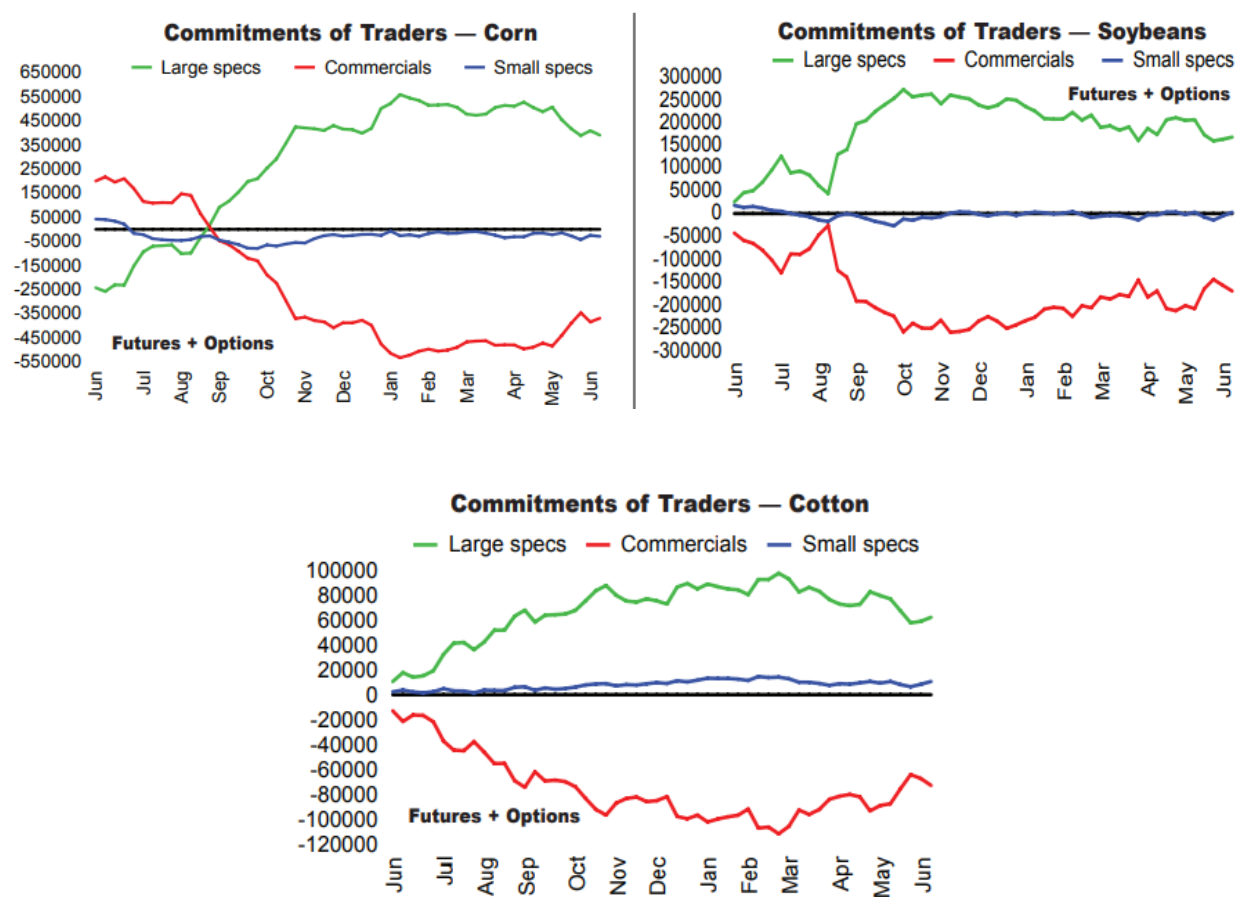
The outlook for the U.S. 2021/22 **corn** crop projects reduced beginning and ending stocks. Beginning stocks are down 150 million bushels reflecting projected increases for 2020/21 in corn used for ethanol and exports. Based on the latest data from the *Grain Crushings and Co-Products Production* report, corn used for ethanol was raised 75 million bushels which indicates that demand is almost back to pre-COVID-19 levels. Exports are raised 75 million bushels, based on export inspection data for the month of May that implies continued robust global demand for U.S. corn, despite high prices. With no use changes for 2021/22, ending stocks are lowered 150 million bushels. **The season-average farm price received by producers is unchanged at \$5.70 per bushel.**

The 2021/22 outlook for U.S. **soybeans** include higher beginning and ending stocks. Higher beginning stocks reflect a lower crush forecast for 2020/21. Soybean crush for 2020/21 is reduced 15 million bushels to 2.175 billion based on a lower forecast for soybean meal domestic disappearance and higher soybean meal imports. Soybean oil exports for 2020/21 are reduced 400 million pounds to 1.9 billion as high U.S. prices reduce U.S. soybean price competitiveness in the world market. Conversely, soybean oil domestic disappearance is increased 225 million pounds, reflecting strong consumption to date. With higher soybean beginning stocks and no use changes for 2021/22, ending stocks are projected at 155 million bushels, up 15 million from last month. **The 2021/22 season-average soybean price forecast remains unchanged at \$13.85 per bushel.**

The outlook for 2021/22 U.S. **rice** this month is for smaller supplies, unchanged domestic use and exports, and reduced ending stocks. All of the 2021/22 changes are the result of 2020/21 trade revisions. The 2021/22 all rice beginning stocks are reduced 2.0 million cwt to 40.9 million, due to a combination of lower imports and higher exports for 2020/21. All rice 2020/21 imports are lowered 1.0 million cwt to 34.7 million on reduced volumes from Asia in recent months. All rice 2020/21 exports are raised 1.0 million cwt to 92.0 million, primarily on increased export sales and shipments to Venezuela. Both of these trade changes are for long-grain. Since there are no other 2021/22 supply changes and no changes to the use categories, 2021/22 projected ending stocks are reduced by 2.0 million cwt to 39.0 million. **The 2021/22 long grain rice season average farm price remains forecasted at \$12.80 per cwt. The Southern medium grain rice price remains at \$13.20 per cwt.**

The U.S. **cotton** projections for 2021/22 show a 100,000-bale increase in exports from last month, to 14.8 million bales, as stronger than expected late-season 2020/21 shipments extend past July 31st. U.S. 2021/22 production and consumption are unchanged from last month, and with lower beginning stocks and higher exports, ending stocks are now 200,000 bales lower, at 2.9 million. **The upland cotton farm price for 2021/22 is unchanged, at 75 cents per pound, while the 2020/21 price is reduced 1 cent to 67 cents per pound.**

Commitment of Traders Report, Tuesday, June 15, 2021

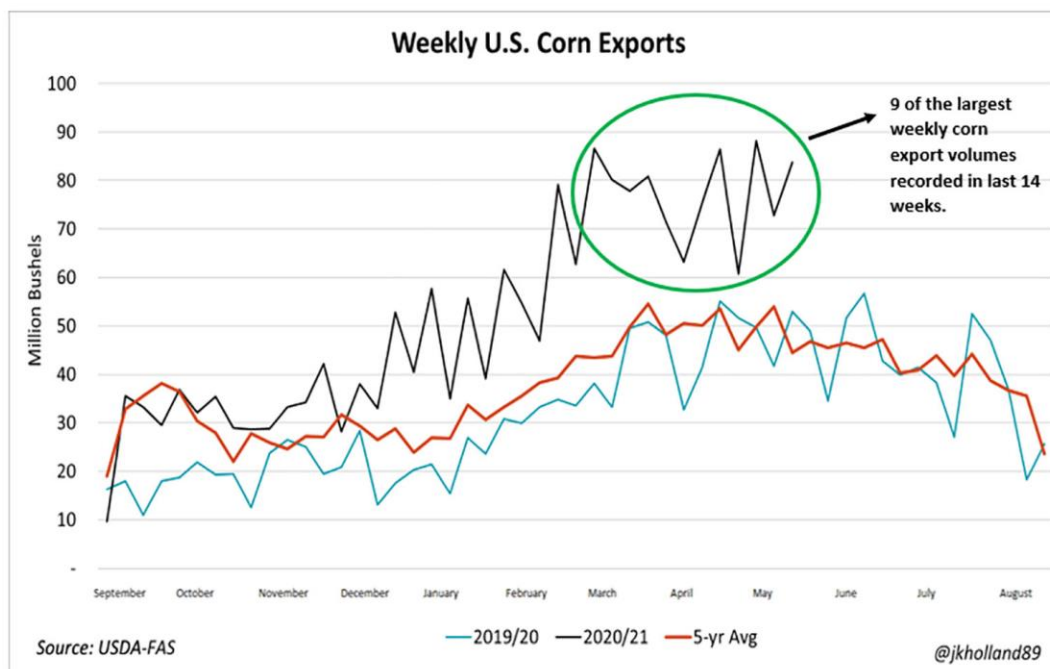


Corn

While a good portion of Brazil's second corn crop (aka 'safrinha') has been decimated by extreme drought conditions in the past few months and production estimates falling dramatically as a result, corn futures have been correcting to the downside. It would seem unlikely corn could plunge more ahead of the growing season and reach these extreme levels, but the funds do remain long and corn is fighting a seasonal pattern of falling prices past June.

In a typical year, seasonal pricing patterns for corn would see corn prices fall into harvest time beyond June. However, this is not a typical year. Just keep an eye on this pattern, which, if it comes to fruition, could see non-commercials liquidating more of their length. The fundamentals, however, remain clearly bullish. Trading has turned choppy and volatile recently, which is typical of a serious weather market scare. Look for more of the same until this latest weather market has run its course.

Peak corn export season is leveling off in the U.S., following an unusually strong early 2020/21 corn export season which will likely see corn exports record a new all-time high this marketing year. As of press time, the U.S. had already shipped 73% of USDA's 2020/21 projected 2.775-billion-bushel corn export target, with record-setting shipping paces likely to continue through August 31st.



Nine of the largest weekly loading volumes for corn exports have been recorded in the past 14 weeks. USDA expects U.S. corn exports in fiscal year 2021 to rise nearly 23% from 2020 to \$17.2 billion on the record shipping paces and rising corn prices. Corn exports are expected to account for 12% of U.S. agricultural exports in FY 2021 as international buyers seek increasingly scarce feedstuffs for the growing livestock herd.

The pace of Chinese buying has played a significant role in rising corn export demand as China seeks additional feed supplies for its growing livestock herds and poultry flocks. At nearly 580 million bushels, 2020/21 marketing year-to-date of exports for U.S. corn to China are 77 times higher than they were for the same period one year ago.

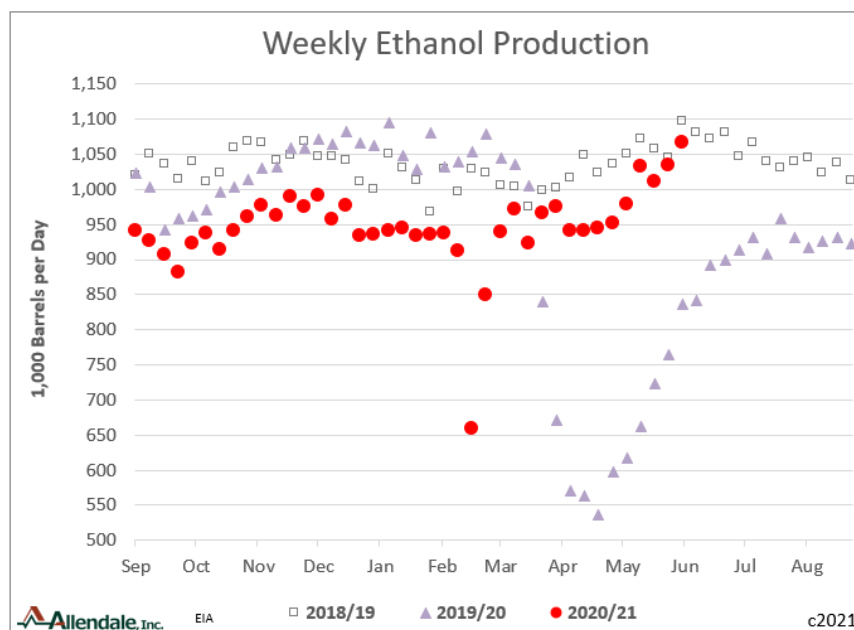
But year-to-date U.S. corn exports to all countries besides China are 21% higher than a year ago. Southeast Asian countries excluding China are primarily responsible for the uptick, as corn shipping volumes to those countries are 50% higher than the same time a year ago as Southeast Asian buyers increase demand for livestock feed and stockpiling capacity in the post-pandemic era.



Given the recent price correction for corn, a major point of concern that is starting to emerge is that demand may continue to slow in the corn market with exporters having backed away from the market, apparently content (and willing) to watch how the new crop develops and as new uncertainties arising about corn-for-ethanol use amid reports that the Biden Administration is considering easing restrictions regarding the renewable fuel standard biofuel blending mandate.

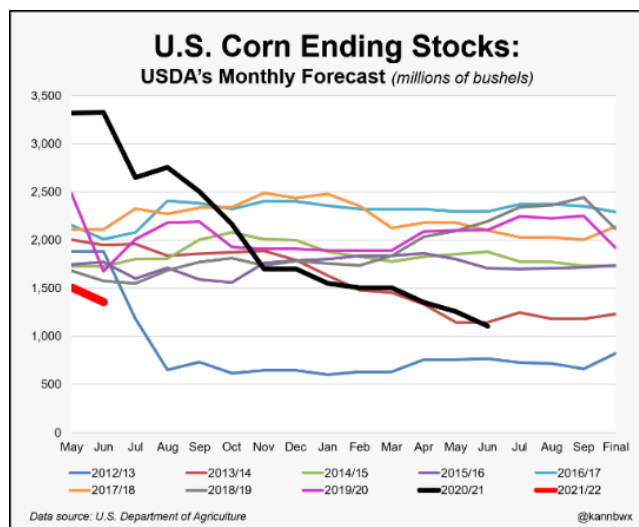
One factor helping to reduce ending corn supplies is the recent increase in ethanol production, now seen above 1 million barrels per day the last three weeks, as driving activity and the U.S. economy show signs of picking up. Corn's export estimate is also likely to be raised as old-crop sales on the books are within 54 million bushels of USDA's 2.775-billion-bushel export estimate. Large, early new-crop corn purchases from China and drought in Brazil are also possible contributors to higher U.S. corn export estimates Thursday. Private analysts have estimated Brazil's corn production near 90.0 million metric tons to 95.0 million metric tons, allowing plenty of room for the USDA to cut its current estimate from 102.0 million metric tons.

Weekly ethanol production rose from 1.034 million barrels per day two weeks ago to 1.067 million last week. Compared with two years ago, it fell from -1.0% to -2.6%. This can be considered a positive as the past four weeks have been on an improved production run. As the country opens up again, ethanol demand is recovering just in time for the peak summer driving season. Rising biofuel prices, however, have not been strong enough to offset high corn feedstock costs, keeping margins for processors under pressure.



Most traders and analysts entered the June WASDE report convinced that they would see a bullish outlook for corn, and the USDA did not disappoint. The USDA raised both U.S. corn exports and ethanol usage by 75 million bushels each. U.S. corn exports were pegged at a record-large 2.850 billion bushels. The net effect was a lower-than-expected 2020/21 stocks number of 1.107 billion bushels, compared to last month's 1.257 billion bushels. With the lower carry in stocks and no change to the 2021/22 yield and production estimates, new-crop ending stocks fell to 1.357 billion bushels. Although corn conditions reflected a solid 72% good-to-excellent rating as of last week, the abnormally hot and dry start to June and the still-solid export and ethanol demand will likely reduce corn stocks even more in future reports.

Post-WASDE report, the USDA's June estimate for corn old-crop carryout estimate of 1.107 billion bushels was down 150 million from last month, and 100 million below the average trade estimate of 1.207 billion. Projected U.S. corn stocks/use is seen hitting a 25-year low of 7.4% in 2020/21 after an increase in demand expectations. Exactly a year ago, 2020/21 stocks/use was predicted at 22.5%, the highest since the early 1990s. That translated to a lower-than-expected new crop carryout estimate as well, at 1.357 billion bushels, down from 1.507 billion last month and the average analyst estimate of 1.423 billion. The change to old-crop carryout was due to a 75-million-bushel increase in projected exports, and an identical increase in corn-use-for-ethanol.

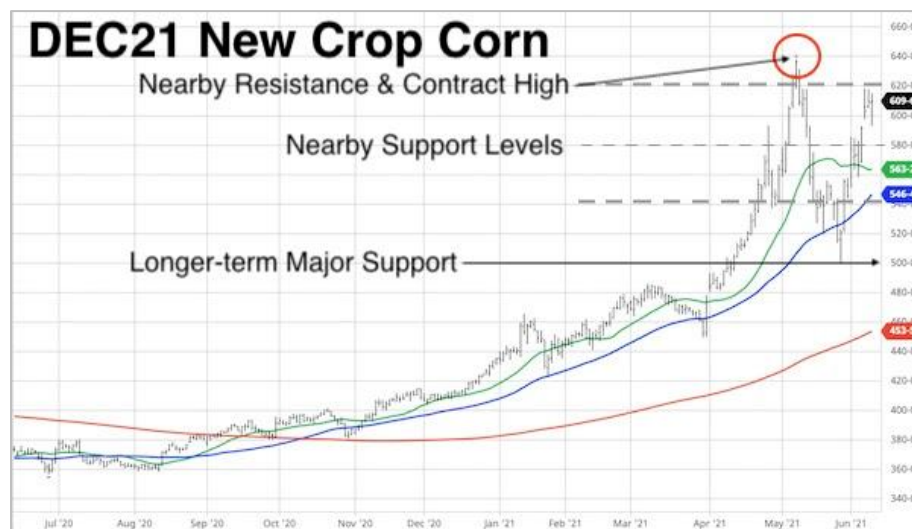


At market close on June 10th, corn futures were 6 to 8 ¼ cents higher at the close. July futures ended the session below the \$7 mark (\$6.99), but traded with a 29 ¾ cent daily range. December futures gained 6 ¾ cents at \$6.16 ½. The serious weather market in the grains continues to play out. Big-price-range trading days in corn should continue to be the norm for the near term. USDA's cash prices went un-adjusted in the June WASDE report at \$4.35 for old crop and \$5.70 per bushel for 2021/22 delivery. The bottom line right now is that most of the Corn Belt, World Weather states that the Corn Belt "will experience a net decline in soil moisture over the next 10 days to possibly two weeks."

As the markets opened on June 14th, there was an overnight sell-off that appeared to weigh on the technical aspects of corn futures. December futures sank as low as \$5.70 1/2 overnight, filling last Monday's chart gap and marking the contract's lowest price since \$5.68 on June 4th and slightly above the 40-day moving average. July futures fell as low as \$6.53, below the 40-day moving average around \$6.66. Grain futures fell sharply after recent weather models indicated a shift to cooler and wetter conditions in coming weeks, according to World Weather Inc. futures were lower for a variety of demand reasons, including: 1.) China cutting their estimated corn use by 3 MMT due to more substitution of wheat and rice, 2.) Mexico stalling import permits for US GMO corn, and 3.) news reports that President Biden is being pressured by several Democratic Congressmen to implement Trump-like refinery hardship waivers for ethanol use. Reuters report that the Biden Administration is considering ways to provide relief to U.S. oil refiners from biofuel blending mandates remains a bearish market factor for corn and soybean oil futures. On June 14th, corn futures plunged 13 ¾ to 31 ¼ cents under pressure from milder weather forecasts for the U.S. Corn Belt, technically-driven selling and concerns about the current administration's biofuel policy. Nearby July corn futures fell 25 ¼ cents to \$6.59 ¼, while most-active December futures fell 28 ½ cents to \$5.81 ¼.



The chart below illustrates the December corn futures performance prior to the June WASDE report's release date. Resistance and the contract high are both shown at the \$6.20 per bushel level. Post-WASDE, the report made an attempt to test that high closing at nearly \$6.17 per bushel, or three cents lower than illustrated.

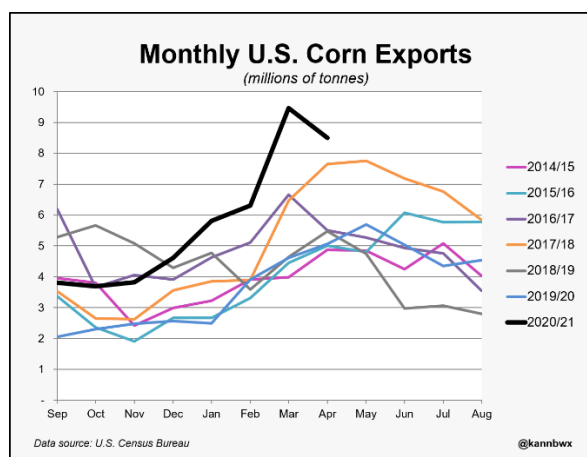
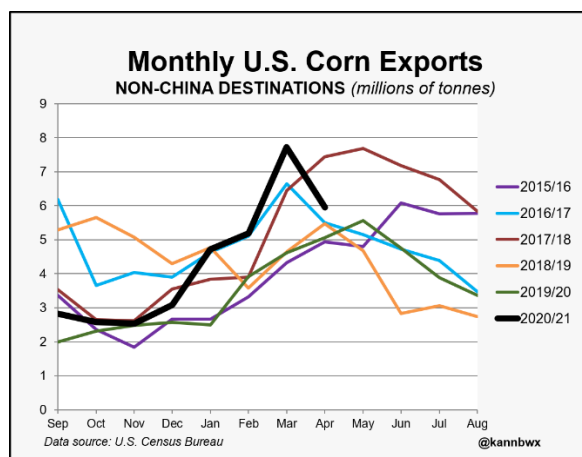


The market focus over the next two weeks will increasingly be on daily weather forecasts and USDA's Crop Acreage report due out June 30th. Some observers in the trade expect plantings to come above USDA's March intentions and a significant increase in corn acreage is one thing that could take the edge off of this weather market. That data has the potential to trigger a strong price reaction. Weather will be the primary price-driver once the calendar flips to July, as that is when the crop will pollinate, starting the

reproductive process that determines yields. The U.S. Climate Prediction Center says conditions will likely be ENSO-neutral through the growing season, but that doesn't eliminate chances for heat and dryness. The National Weather Service defines El Niño-Southern Oscillation (ENSO) as "a recurring climate pattern involving changes in the temperature of waters in the central and eastern tropical Pacific Ocean. On periods ranging from about three to seven years, the surface waters across a large swath of the tropical Pacific Ocean warm or cool by anywhere from 1°C to 3°C, compared to normal. This oscillating warming and cooling pattern, referred to as the ENSO cycle, directly affects rainfall distribution in the tropics and can have a strong influence on weather across the United States and other parts of the world. El Niño and La Niña are the extreme phases of the ENSO cycle; between these two phases is a third phase called *ENSO-neutral*" (italicized for emphasis).

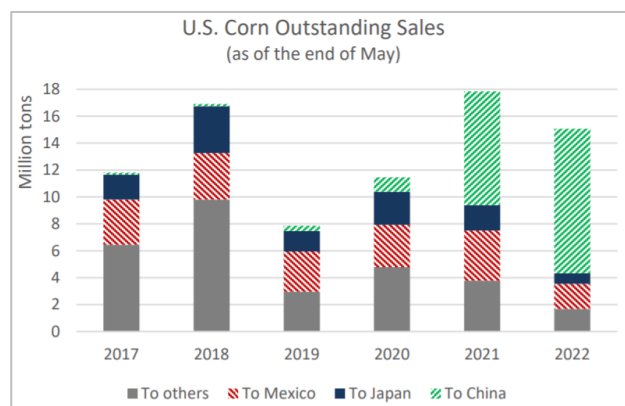
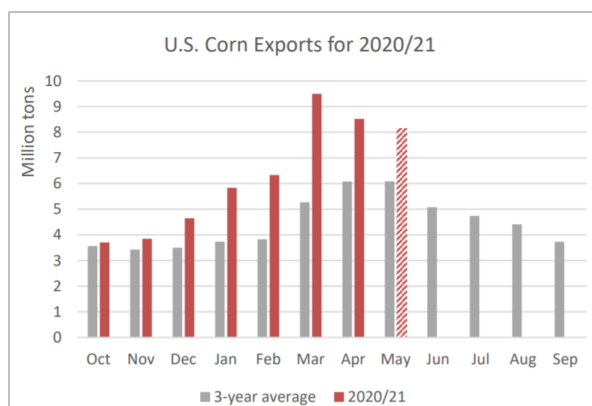
Given that the USDA cut its new-crop ending stocks projection to 1.357 billion bushels, one should be aware of just what this means for the market since the margin for error is thin on market tightness. Any major weather threat as crop development advances would negatively affect production potential, resulting in the need for higher prices to slow new-crop use from currently projected levels.

April U.S. corn exports to non-China destinations totaled 5.95 million metric tons (234 million bushels), the second most ever for the month after 2018, when U.S. exporters were making up for drought losses in South America. September to April exports to others total 34.6 million metric tons, above the five-year average. USA exported 8.5 million tons (335 million bushels) of corn in April, the second most for any month on record behind March 2021. Some 30% went to China. April was the third consecutive month with a new corn export record. January narrowly missed 1990's high.



That brings September to April U.S. corn exports to 46 million tonnes (1.81 billion bushels), record for the period. The previous September to April high was 44.3 million metric tons in 2007/08.

The global corn market is supplied primarily by four countries (accounting for a combined total of nearly 90 percent of global corn exports): Argentina, Brazil, Ukraine, and the United States. This month, U.S. exports are forecast higher to reflect continued strong foreign demand and limited supplies in Ukraine and Brazil. U.S. corn exports are forecast up 3.0 million tons to 73.0 million for 2020/21 (Oct-Sep). If realized, the volume would be the largest in history. The previous record was 63.7 million tons in 2017/18. For the first half of the current trade year, the export pace was well ahead of previous levels with large volumes to China and many other destinations. The pace of U.S. corn inspections for exports is still brisk according to export inspections data for May, totaling nearly 8.2 million tons, of which roughly 40 percent is destined to China.



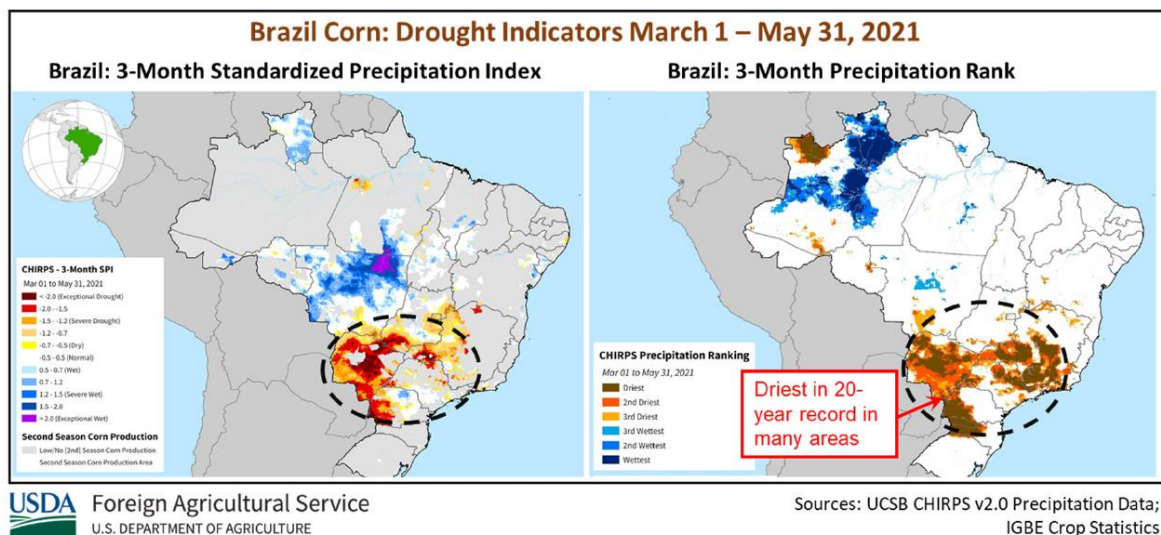
Ukraine's corn exports to China have more than doubled from a year ago despite smaller available supplies. This has left countries in North Africa, Middle East, and Asia to look to the United States for corn. For Brazil, exports are lowered this month reflecting persistent dry conditions in several states where *safrinha* corn is produced. *Safrinha* corn, particularly in the Center-West, is primarily destined for overseas markets, while the first-crop corn is used in the domestic market.

U.S. corn exports are expected to be robust for the remainder of the year with large sales on the books. Unfavorable crop prospects in Brazil could be supportive of U.S. exports into early 2021/22 (October to September). However, with the current forecast of larger exports for Argentina, Brazil, and Ukraine, U.S. exports are projected to decline for 2021/22. Still, this would be the third-largest exports on record.

The USDA estimates *total* corn production for marketing year (MY) 2020/21 in Brazil at 98.5 million metric tons, 3 percent lower than last month, and lower by the same amount from the previous year's record crop. For the *safrinha* growing season, however, prolonged drier-than-normal weather across the main corn growing states in Brazil is responsible for a further reduction in production. *Safrinha* (second-crop) corn is usually harvested from June to September; however, the bulk of the harvest will occur later this year because of the late planting.

Among the major *safrinha* states, Mato Grosso (43 percent of second-season production) is the sole one exhibiting above average crop conditions except for the southeastern region of that state, which received below-average precipitation. In contrast, crop conditions in Goiás (13 percent of second-season production) have worsened over the last few weeks presenting a crop below the past two seasons. The states of Paraná, Mato Grosso do Sul, Minas Gerais, and São Paulo (about 36 percent of second-season production) have seen some of the driest conditions for the 3-month period from March 1st to May 31st.

A difference comparison of the satellite-derived Normalized Difference Vegetation Index (NDVI) for the MY 2020/21 season to the MY 2019/20 season, displays crop vigor below the last season for these states. Producers in the southern states are investing little in crop treatments (e.g., fertilizers and pesticides). Much-needed rain in the past two weeks have worked to alleviate some losses but came too late to reverse the damage to much of the drought-affected crop. For Mato Grosso do Sul, the rains caused additional harm from hail and wind.



Soybeans

Near-term weather forecasts suggest limited precipitation across dry northern areas of the Midwest, while rains are expected to be heavier and more widespread across southern and eastern areas of the Midwest, along with the Mid-South, Delta and Southeast.

Pre-WASDE report release, the Dow Jones' survey did not expect much change in USDA's soybean production estimate, anticipating a 9 million bushels increase to 4.414 billion bushels, while using the same May yield of 50.8 bushels per acre. The yield estimate is optimistic, given the crop's dry early start, but it is less than the national record of 52.0 bushels per acre from 2016. USDA has kept its estimate of U.S. old-crop ending soybean stocks unchanged at 120 million bushels for four straight months. USDA has reported 2.26 billion bushels of U.S. soybeans sold in 2020/21 and only needs another 20 million bushels to hit its export estimate, but business has fallen off since February.

Since February, crush activity has slowed for soybeans, and, judging by the drop in soybean meal prices, it appears that soybean meal supplies are adequate for summer. The most recent bearish surprise has been a 33-cent drop in DTN's national soybean basis since the end of April. We won't have a report on June 1st soybean stocks until June 30th, but given the clues, it is possible old-crop soybean supplies will be adequate this summer.

For 2021/22, the Dow Jones' survey expects the USDA to slightly reduce the current 140 million bushels ending soybean stocks estimate to 139 million bushels. While much about the new season remains yet unknown, there may not be any changes other than what flows through from old-crop adjustments.

Post WASDE report release on June 10th, the soybean balance sheet saw a few bushels added to the carryout, but supplies are by no means comfortable. The USDA projected the old-crop carryout at 135 million bushels, up from 120 million last month and the average analyst estimate of 135 million. The increase was due to a lower soybean crush projection. New crop ending stocks are seen at 155 million bushels, up 15 million from last month and slightly above trade expectations. World soybean ending stocks were raised 1.45 million metric tons from last month both for old crop and new crop, as expected.

At the market close on June 10th, July soybean futures fell 18 ½ cents to \$15.44, while new-crop November rose 11 ¼ cents to \$14.59 ½. New-crop soybeans on the other hand ended 9 ¾ to 11 ¼ cents higher tightening the spread to 84 1/2 cents. Concerns over hot, dry weather stressing Midwest crops

continued to support soybean futures, mitigating slightly bearish USDA report numbers, which weighed on July futures and encouraged heavy spreading against the November contract. To open market trading on June 14th, November soybean futures fell as low as \$13.83 3/4 overnight, the contract's lowest price since \$13.81 on June 1st and slightly above the 40-day moving average around \$13.81 1/2. July dropped to \$13.83 3/4, the lowest intraday price since \$14.53 on April 21st. Changing weather forecasts and technically-driven long liquidation have placed soybean futures under heavy pressure to being the week on June 14th.

Soybean futures took a 31 3/4 to 43 1/2 cent decline under pressure from milder weather forecasts for the U.S. Midwest, technically-driven selling, and sharp declines in soybean oil prices spurred by the concerns about the Biden Administration's biofuels policy. Market traders feel that given the June 14th price action, technical performance suggests that old-crop soybean futures have peaked.



Turning our attention back to Midwest weather, forecasts calling for a continuation of hot and dry weather may be enough to keep the trade on edge about drought into the latter part of the month. While World Weather sees some relief from dryness in the northwest Corn Belt, there will still be net drying and “expansion of crop stress.” Temperatures will be well above normal across much of the Midwest through the weekend. The critical weather timeframe for soybeans is August. Even if weather trends hotter and drier until then, timely rains as the crop is flowering and setting/filling pods can do wonders for the soybean crop. Conversely, adverse weather in August can really hurt yields.

The increase of 15 million bushels that the USDA accounted for in its old-crop U.S. soybean carryout projection was largely unexpected and helped place downward pressure (though not major) on July futures. The 2020/21 ending stocks of 135 million bushels, and the projected ending stocks/use ratio of 3.0% are still extremely tight, as are projected 2021/22 ending stocks of 155 million bushels and ending

stocks/use ratio of 3.5%. The old-crop market has almost certainly topped out though, because end users have mostly given up chasing remaining old-crop stocks at this point. The old-crop export program is edging toward completion with Brazilian soybeans dominating the world market and crushers appear to have needs well covered, with weak soymeal demand offsetting strong demand for soybean oil from biodiesel/renewable diesel makers.

Farm Futures reports that the USDA “walked back” record highs for 2020/21 U.S. soybean crush volumes as processors scramble to source feedstocks from dwindling on-farm stocks following an aggressive export and crush season earlier in the 2020/21 marketing year. Cash offerings at crush plants in the Eastern Corn Belt have ranged between \$0.45-\$1.10/bushel over futures prices in recent days, reflecting scarce supplies and strong usage rates. Processing rates will likely decline until the 2021 crop is harvested, though it will face stiff competition from export markets at that time which could offer farmers some lucrative harvest pricing options. U.S. ending stocks widened back to the second-tightest level on record thanks to the lower crush rates. More biodiesel production capacity is expected to come online in the coming years as the demand for green energy- especially for commercial vehicles- soars. Even with tight capacities, the demand forecasts suggest that high soybean prices may be around for a while.

Oilseed prices have risen dramatically over the past year, mirroring gains in corn and other grains over this period. While tight supplies precipitated by production shortfalls in corn and oilseeds and rising vegetable oil prices are important factors, so is the turnaround in China demand for oilseeds and grains.

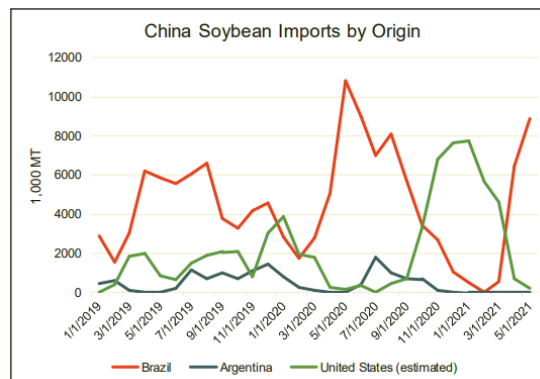
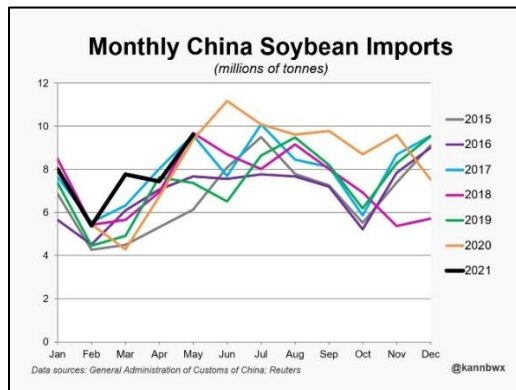


There have been dramatic shifts in the direction of China oilseed imports over the past five years that roughly correlate with price movements. Import demand began to decline in early 2018 in response to restrictions placed on Canada rapeseed and U.S. soybeans and accelerated with the onset of African swine fever (ASF) and its effect on hog numbers. These events led to significant soybean stock-building in the United States and rapeseed stock growth in Canada, which helped depress prices to the lowest levels in nearly a decade.

With ASF outbreaks waning and pig numbers rebounding, the pace of China’s demand began to turn positive, matching the growth rates seen earlier. Taking advantage of low prices in mid-2020, China’s increased purchases of U.S. soybeans and Canada rapeseed and products contributed to a rapid draw-down in these exporters’ stocks and to price appreciation.

China’s soybean imports rose in May from the previous month, customs data showed, as more cargoes from top supplier Brazil cleared customs. China imported 9.61 million tons of soybeans in May, just a

cargo and change off 2018's high for the month. January to May imports totaled 38.2 million metric tons, up 3% on 2017's record and up 13% year-over-year. Arrivals in the Asian nation for June and July are expected to exceed 10 million metric tons each.

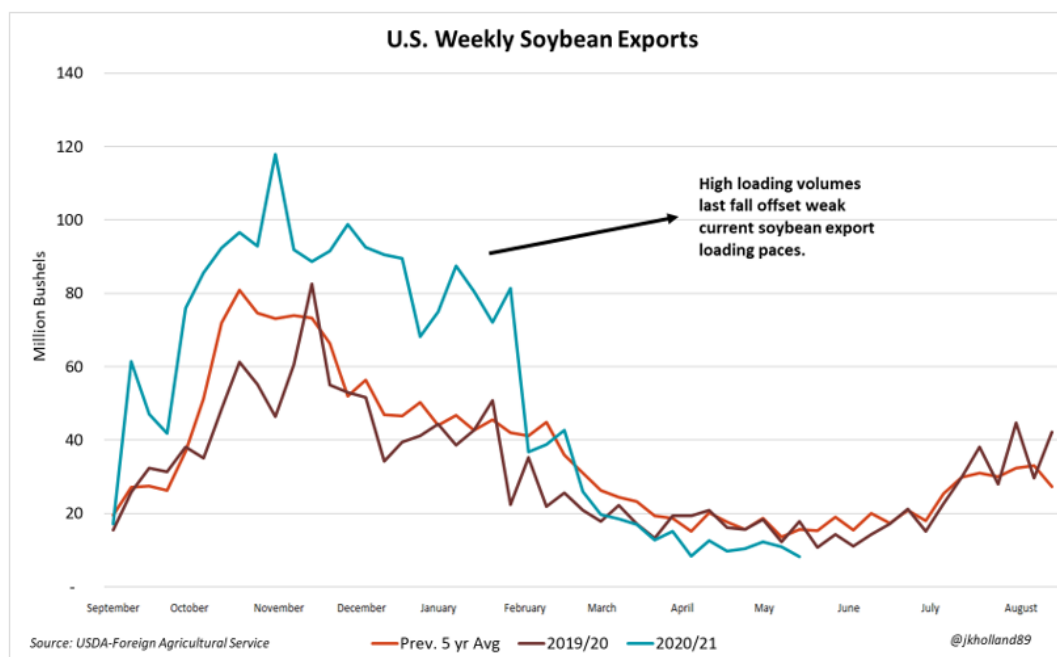


As of May 27th, the U.S. has exported 35.01 MMT to China, with an additional 0.70 MMT in outstanding sales. China has also purchased 3.09 MMT of 21/22 soybeans from the U.S., with 30 TMT of new purchases in May. Through May, China has imported 16.4 MMT from Brazil and 19.0 MMT from the U.S., per China Customs. June and July will likely see substantial Brazilian volumes reach China based on leading Brazilian export data.

The USDA expects 2021/22 soybean exports to shrink by 205 million bushels (9%) compared to last year to 2.08 billion bushels. Similar to corn, the size of the 2021 soybean crop is expected to prop up soy export volumes this year as the 2021 crop remains unlikely to meet demand potential in the new marketing year.

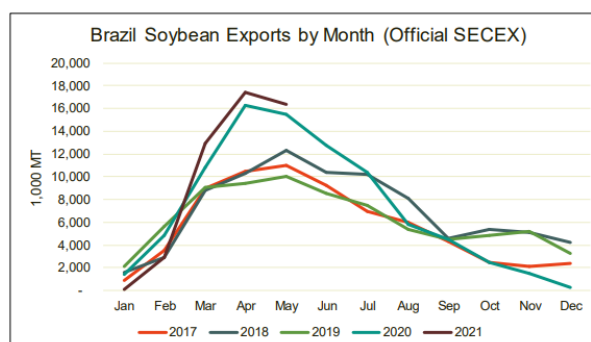
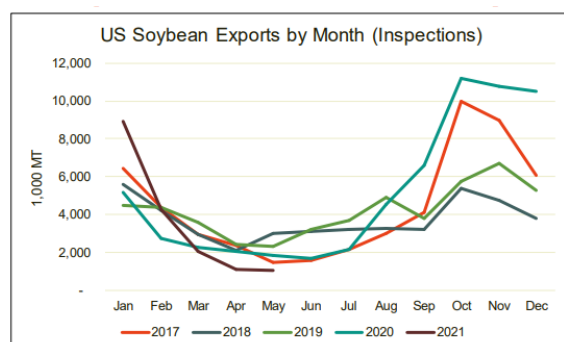
China will undisputedly be the top destination for U.S. soybean exports next year. Chinese buyers have already accounted for 56% of expected 2020/21 U.S. soybean exports, currently forecast by the USDA to reach 2.28 billion bushels by August 31st of this year.

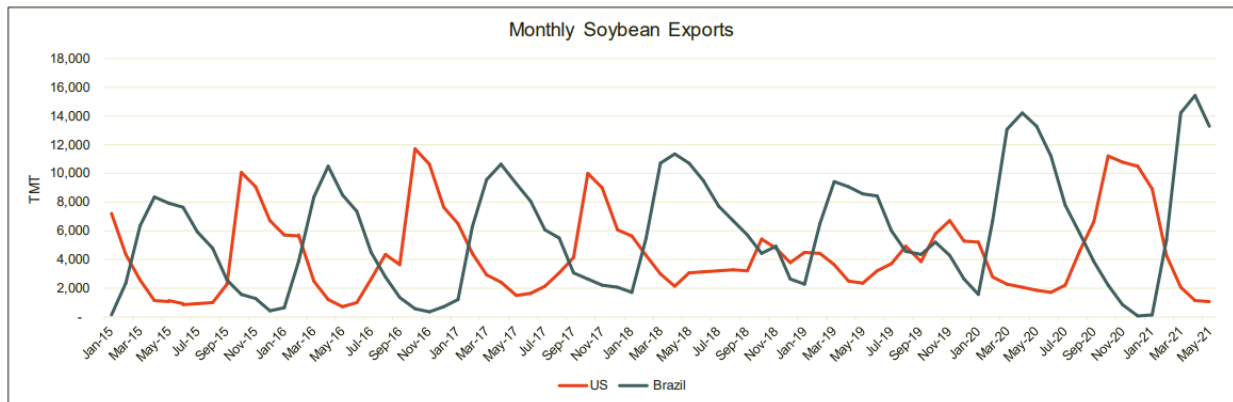
The USDA expects strong Chinese demand for soybeans and soy products to boost fiscal year 2021 soybean exports by 5% from the previous year to \$28.9 billion on record loading volumes. Soybean exports are expected to make up over 20% of FY 2021 U.S. agricultural exports, meaning U.S. soy shipments to China could contribute to approximately 10% of total fiscal year ag export volumes.



Soybean export volumes will ultimately be determined by international buyers' willingness to compete against U.S. soybean crushers for freshly harvested soybean supplies and how quickly Brazil's 5-projected billion-bushel harvest will enter export channels next spring. The pace of U.S. soybean export loadings bound for China this fall will provide the best indicator of how willing the Chinese will be to either stockpile U.S. soybeans or wait for Brazilian soybeans to be harvested next spring. A lot of China's willingness to buy soybeans this spring will depend on how competitive U.S. soybean crushers decide to price cash premiums for the newly harvested crop relative to exporters.

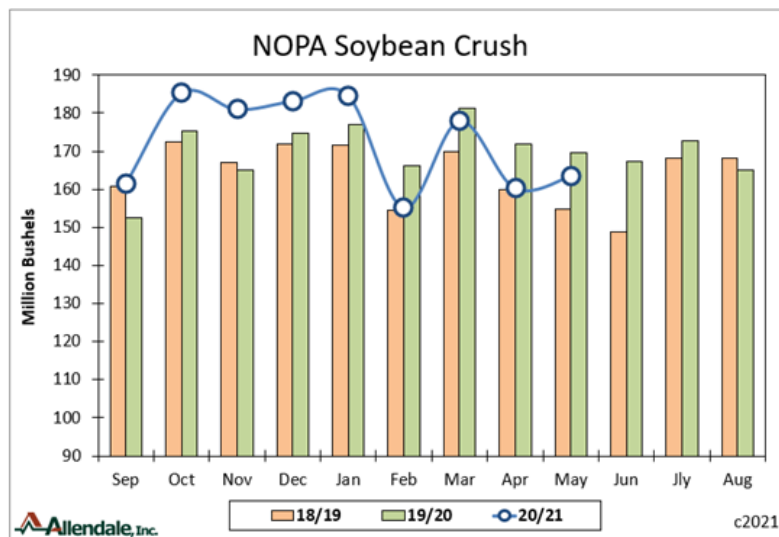
The US shipped 1.04 MMT of soybeans in May, the lowest total for May since 2016. Seasonal supply tightness compounded by aggressive early season selling limited export volumes in May; it is also the peak export window for Brazil. After exporting a single month record of 17.4 MMT in April, Brazil exported 16.4 MMT in May, trailing only April 2021, per official customs (SECEX) data. After a slow start in January and February due to harvest delays, accumulated January to May exports are now 49.7 MMT, based on official customs data.





Domestic crush demand is expected to top 2.22 billion bushels in 2021/22, a 2% rise from record 2020/21 crush rates on rising biofuel demand. More specifically, soybean oil consumption for biodiesel production has risen over 8% since the start of the year with more processing capacity expected to come online over the next couple years. The green energy push- fueled by rising demand for freight and commercial vehicles largely powered by biodiesel products- is likely to keep this bullish demand trend going for several marketing years to come.

As reported on June 15th, the NOPA crush report was disappointing, with the May crush rebounding only slightly from April. NOPA reported a crush of 163.521 million bushels, up from 160.310 million last month. The average trade estimate in a Reuters poll was 165.120 million. Soybean oil stocks as of May 31st declined to 1.671 billion pounds, down from 1.702 billion at the end of April and well below 1.880 billion a year earlier. The trade was on average expecting 1.713 billion according to Reuters.



Rice

Rice futures trading ranges were narrow as the September contract continued to find resistance near \$13.60 per cwt. Planting is complete and weather conditions and the June 30th Acreage will help drive the new crop contracts. As the month of June progresses, traders will start to position themselves ahead of the June 30th Acreage report, as this is a key piece of information for the rice market going forward. Traders are expecting to see some reduction in 2021 rice acres given the historically high prices in corn and

soybeans this year. Competition from soybeans along with drawn out planting this spring has the trade looking for a steeper than 11% annual decline in 2021 rice acres.

The milled rice market continues to remain “quiet.” Prices, however, remain relatively steady due to three primary factors: (1) carryover stocks are considered manageable, (2) the end of the marketing year is quickly approaching for many of the mills in Louisiana and Texas, and (3) new crop planting intention are down by as much as 15% to 18%.

The facts remain that the insurmountable challenges prevailing in Haiti have hampered U.S. exports; and, the lack of follow-up business from the Iraq Grain Board has not come to fruition for anyone. It does not appear to be budget related, moreover instability of government agencies, and their ability to function, in normal commercial terms. From a ‘needs’ perspective, the need for rice appears to be evident, as reflected in the Iraq supply and demand estimate. The Iraq Grain Board (GBI) will hold a “quasi-private” trade within the “Food Stuffs” division of the Ministry of Trade in a change to way in which they hold tenders. The Creed Rice Report states that this is in answer to the payment challenges that have plagued Iraq during the COVID pandemic, due to inability to generate a revenue stream from crude oil sales. The potential for U.S. participation is yet to be determined. It is reported that Uruguay sold two 33,000 MT under the new Iraqi purchase arrangement to the aforementioned Food Stuffs division of the Ministry of Trade.

There is no change in current crop rice in Louisiana as the market is bid at \$23.00 per barrel, basis FOB farm (\$13.90 per cwt 55/70). New crop is now bid at \$21.00 FOB farm. For the Mid-south, bid levels for barges of long grain CIF NOLA have decreased from \$13.00-\$13.75 to \$12.50-\$13.50 per cwt as growers in Arkansas work to get the water drained.

The June WASDE adjustments were somewhat favorable for rice. In the report, only minor changes were made to the rice supply and demand balance sheet. Changes to the current crop resulted in a 2.0 million cwt decline in the carryover. This means lower supplies to begin the new crop year, and that 2.0 million cwt was carried to the bottom line, reducing ending stocks for 2021/22. Otherwise, the USDA economists see unchanged domestic use and exports – no changes to acreage, yield, or production or any other part of the equation.

Rice futures ended lower amid brisk trading volume. July rice lost 15 ½ cents to \$12.93, after trading a range of \$12.80 ½ to \$13.06 ½. September rice settled down 14 cents to \$13.23, and November rice was down 9 ½ cents to \$13.44. Trading volume was near 1,800 contracts. Today's USDA report was mostly a non-event for rice. It did lower the domestic 2021/22 projected carryout by 2 million hundredweight, reflecting increased exports to Venezuela.

According to the National Weather Service, rainfall recorded on June 8th in Desha County Arkansas (just west of the Mississippi River) made for the wettest June day in the state of Arkansas since 1974. The storm brought more than 15 inches of rain to some areas, and with nowhere for that water to go due to the soil conditions that were already saturated, flash flooding occurred resulting in multiple road closures, power outages, home and business evacuations, and early crops completely submerged with floodwater. “In the worst affected areas, flooding has resulted in washed or breached levees and loss of our flood depth management,” said Dr. Jarrod Hardke, Rice Extension Agronomist, University of Arkansas Division of Agriculture. “This will have less direct, but lasting effects on our crop management. In some extreme instances, rice fields are completely underwater. Rice tolerates a shallow flood but does not like to be submerged. Fields that are older will start to die after seven days of submergence. However, young rice can survive for weeks if floodwater conditions are right.”

Rice Condition – Selected States: Week Ending June 13, 2021

[These 6 States planted 100% of the 2020 rice acreage]

State	Very poor (percent)	Poor (percent)	Fair (percent)	Good (percent)	Excellent (percent)
Arkansas	1	5	26	49	19
California	-	-	10	80	10
Louisiana	-	-	34	65	1
Mississippi	1	1	17	76	5
Missouri	-	6	28	53	13
Texas	-	5	27	54	14
6 States	1	3	24	59	13
Previous week	-	1	24	62	13
Previous year	-	3	26	57	14

- Represents zero.

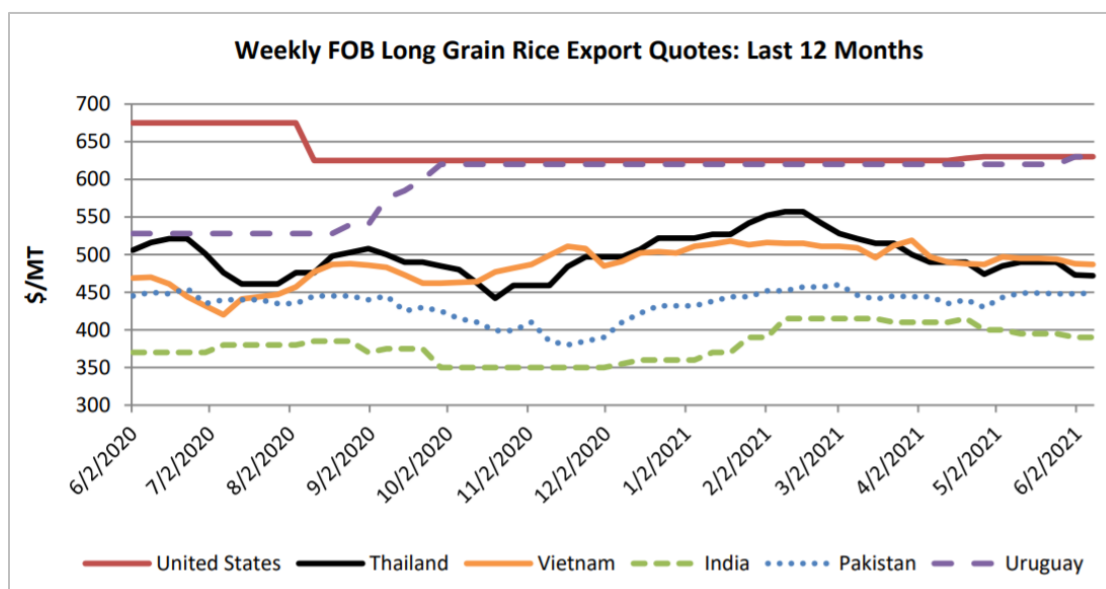
The market itself remains fairly dormant, with no new noteworthy milled business on the horizon. Mexico has been a steady paddy customer, but business from Iraq or Haiti is still the shot-in-the-arm the market needs to ignite any cash prices on the ground as well. Planting is essentially complete across all rice-producing states and is progressing as would be expected with the wet weather in Louisiana, and the dry weather in California. As a whole, the industry is pegged at 75% in the Good to Excellent condition for rice, and only 25% in the Fair to Poor categories.

There are eight reporting weeks left in the 2020/21 marketing year. This month's increase in exports was a surprise as long-grain sales and shipments lag the previous year's pace by 1 and 2% respectively. Export sales and shipments, reported this week ending June 3rd showed weaker sales but larger exports. Sales of 29,500 metric tons (MT) were up 21 percent from the previous week, but down 36 percent from the prior 4-week average. Increases primarily for Haiti (15,200 MT), Mexico (6,400 MT), Honduras (5,100 MT), Canada (1,400 MT), and Belgium (400 MT), were offset by reductions for Costa Rica (100 MT). Exports of 65,400 MT were up 92 percent from the previous week and 27 percent from the prior 4-week average. The destinations were primarily to Mexico (25,200 MT), Costa Rica (17,400 MT), Haiti (15,700 MT), Japan (2,200 MT), and Canada (1,900 MT).

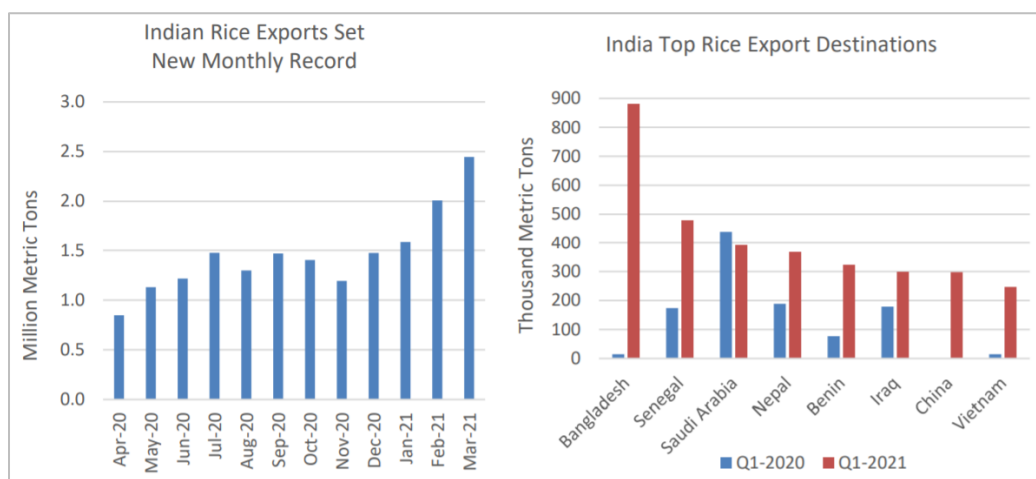
U.S. rice exports in 2020/21 are forecast at 92.0 million cwt, up 1.0 million from the previous forecast but more than 2 percent smaller than a year earlier. This month's upward revision was based on monthly U.S. Census export data, shipments and outstanding sales through May 27 reported in the weekly U.S. Export Sales, and expectations regarding shipments and sales for the remainder of the market year. The year-to-year decline is largely due to uncompetitive U.S. prices in many markets and continued movement of South American rice into key U.S. Latin American markets.

Long-grain exports are projected at 64.0 million cwt, up 1.0 million from the previous forecast but still down 1 percent from a year earlier. The upward revision is largely based on higher-than-expected shipments of rough rice to Venezuela, with reported shipments in 2020/21 of 270,900 tons through May 27, up from just 54,600 a year earlier. However, through late May, long-grain shipments and sales to several regular core U.S. markets- especially Colombia, Honduras, and Nicaragua- were well behind a year earlier. Although the United States made an unexpected large sale totaling 120,200 tons to Brazil early in the 2020/21 market year, it has yet to sell any rice to Iraq this market year and further sales to Brazil are unlikely due to its adequate supplies. However, food aid donations are sharply ahead of a year earlier, partly due to the April 14 tender for 78,640 tons of long-grain milled rice shipped bulk to West Africa. Even prior to this large bulk tender, total announced food aid tenders- all much smaller- were well ahead of a year earlier. In fact, total announced food aid tenders through early June 2021 already exceed total food aid shipments for any full market year after 2003/04.

Uruguayan quotes rose \$10 per ton to \$630 on higher exports and now match U.S. prices. Thai quotes trended down \$18 per ton to \$472 and continued below Vietnamese quotes which fell \$8 per ton to \$487. Pakistani quotes remained at \$449 per ton with moderate import interest from traditional markets. Indian quotes slid \$5 per ton to \$390 amid abundant supplies.



The 2021 rice export forecast for India has been raised to a new record of 17.0 million tons, nearly triple the next largest exporter, Vietnam. India also hit a new monthly export record in March of nearly 2.5 million tons, resulting in over 6 million tons shipped in the first quarter of 2021. Growth in Indian rice exports has been a result of stronger demand from its neighbors and from countries in Sub-Saharan Africa, as well as the emergence of new buyers (e.g., China and Vietnam). Indian rice exports have been supported by large supplies and successive bumper crops, the world's most competitive pricing, and improved export infrastructure capable of shipping rice in bulk. Meanwhile, major suppliers like Vietnam and Thailand have had reduced supplies while simultaneously experiencing strong domestic demand. These countries have also faced worldwide container shortages, creating delays and driving up costs. India has increased export capacity by using deep water ports where exporters can take advantage of shipping in bulk. For 2022, India is forecast to have abundant supplies while its exports are expected to decline moderately to 15.5 million tons, mostly on lower demand from Bangladesh



Cotton

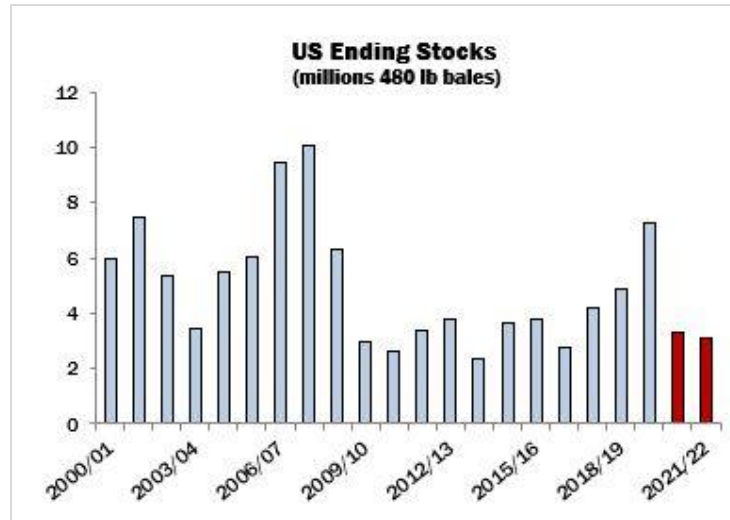
Much of the U.S. Southwest did initially receive the moisture it needed at the very last moment. Some areas did miss the moisture. However, many areas received potentially damaging rains that caused flooding and may actually delay planting beyond the final insurance related planting date. In those cases, that land may go to grain sorghum instead of cotton. The situation remains very dynamic, but much more than the normal rain-prevented plantings have and will continue to occur. It will be nearly a full month before actual plantings, and of what crop, is determined.

Additionally, it is now evident that some plantings in both the Southeast and Mid-South will not be seeded to cotton due to excessive moisture. The potential for reduced acreage has been mentioned, but it related to “last minute” plantings that would be switched to grains/oilseeds. Yet, more acreage will now be lost to cotton due to undesirable field conditions.

The potential shift in total U.S. cotton acreage has changed almost daily over the past two months. U.S. acreage could fall to 11.6 million acres- totally unbelievable, at least to me. Not only is the U.S. facing production problems, but all the other major production countries- China, India, Brazil, Pakistan and Turkey- will see reduced crops. Both the U.S. and world cotton yields will be lower in 2021 due to some very high yielding land switched to other crops this year.

The cotton market closed within earshot of February’s contract high on June 10th, as positive numbers from June’s WASDE report and a suffering weather outlook were the bullish drivers. July cotton settled 74 points higher at 87.36 cents and while December rose 87 points to 88.21 cents. Lending additional support is supply side uncertainty. Current weather woes across all production regions are likely to reduce planted acres from that already lost to grains. Support came by way of data confirming tighter cotton supplies and a growing economy poised to fuel demand. On June 11th, December futures closed at 87.92 for a gain of nearly seven cents since mid-May. As reported on June 14th, demand and concerns surrounding world cotton crop potential pulled December cotton futures to new life of contract highs and to the 88-cent level; with the fundamentals suggesting a price objective of 93 cents per pound.

In its crop report, the USDA slashed beginning stocks (to 3.15 million bales), increased exports (to 14.80 million bales), thereby lowering ending stocks (to 2.90 million bales). Then, unfortunately, there is this adverse and unrelenting weather. The U.S. supply position for the current season has continued to tighten, influenced by the pace of export sales and, in particular, shipments during the month. The USDA’s May supply and demand estimates raised the export projection for the season by 500,000 bales to 16.25 million. As a result, projected ending stocks were reduced to 3.3 million bales, versus an opening stock of 7.25 million. Shrinking inventories is the current driver behind the recent market advance. U.S. production of 17 million bales remains unchanged awaiting a more accurate accounting of planted acres. Even a slightly larger crop should not be viewed bearishly considering several hundred thousand bales could be shipped following the close of the marketing season through the months leading up to harvest. If so, the estimated 3.1 million bale ending stocks could possibly be as few as two million before new crop cotton has time to enter the pipeline this fall.

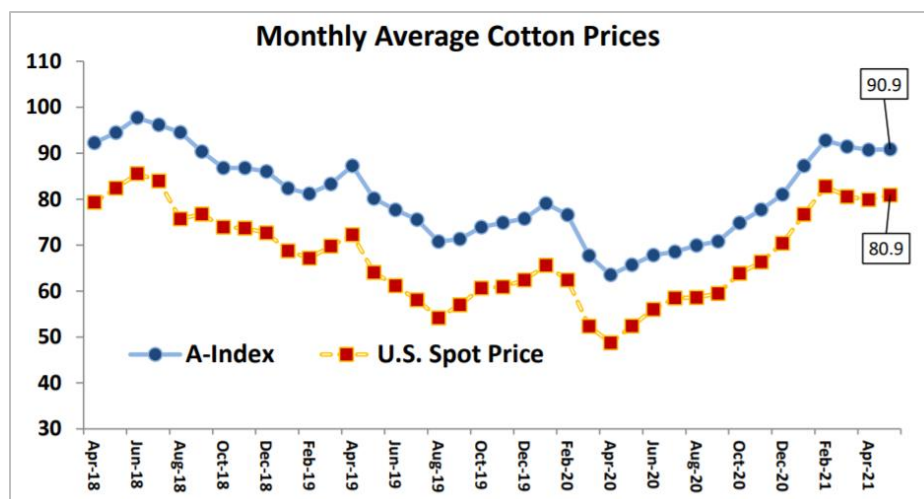


Dr. O.A. Cleveland reports that “The specific point is that U.S. carryover will fall below 3.0 million bales, and likely below 2.5 million bales. Given transportation patterns, storage locations and unfilled contracts, this means that the U.S. will effectively be out of cotton. In a market sense, the country never runs out, but simply there is not any to sell. At such a point, price activity becomes very erratic, and prices can move much higher than ever expected”.

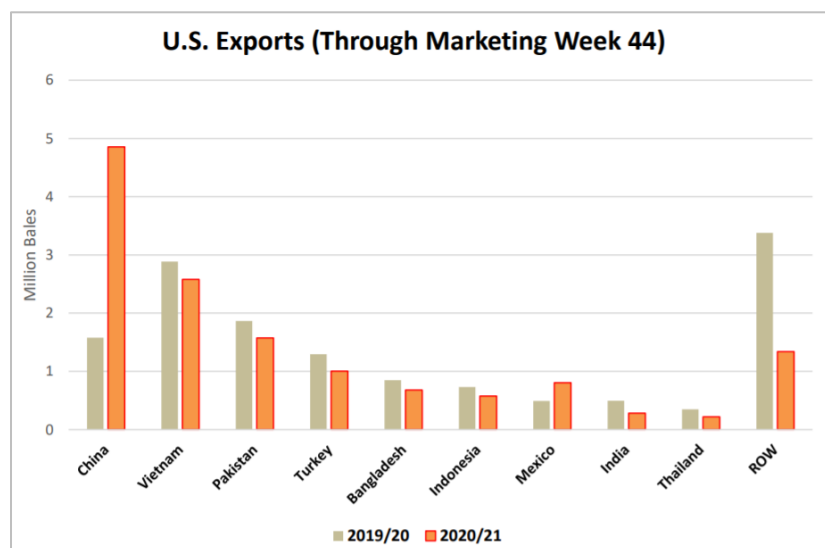
While there may be 90 million bales of cotton in carryover stocks around the globe according to the current USDA estimate, a year from now stocks may likely be as low as 75 million bales and half of that could be in China – cotton of unknown age, quality and usability but also known to be very questionable with respect to spinnability. The question arises, just how erratic might the market would be?

Cotton demand continues to remind traders that global cotton consumption is increasing at a much greater rate than projected. Domestic prices have risen in every cotton consuming country as mills scrambled to meet yarn demand. Cotton is becoming a scarce commodity in the eyes of mill buyers as they scramble to find the qualities needed. Both the Chinese ZCE and New York ICE had major gains on the week. The export market remains very brisk, and U.S. cotton will all but sell out. The price effect could be considerable appreciation for the December contract.

The A-index and U.S. spot price were mostly unchanged from the previous month. Buoyant global demand and strong U.S. exports supported higher prices, but additional precipitation in Texas (the largest cotton-producing state) capped any major upward movements.

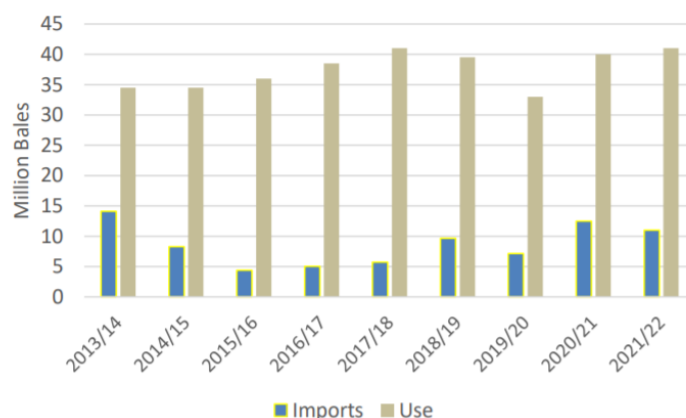


Key outside markets continue to perform well for the cotton market bulls and should continue to do so for at least the next few weeks. The U.S. dollar index remains in the lower third of this year's trading range, NYMEX crude oil prices this week hit a 2.5-year high and the U.S. stock market remains robust, with the major indexes at or near record highs. Over the next couple of months, it will be important to keep an eye on weekly U.S. cotton exports. U.S. cotton exports have topped 300,000 bales for 16 of the past 18 weeks, emphasizing export demand strength that is likely to continue in the coming weeks and should keep a solid floor under the cotton futures market.

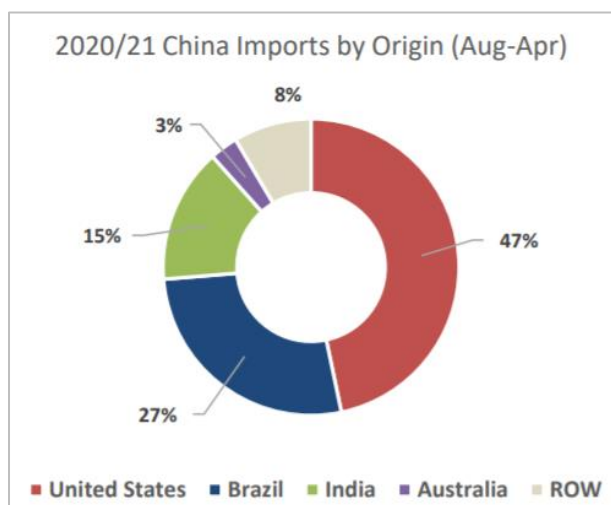


China's 2020/21 imports are forecast at a seven-year high, driven by the highest projected consumption in 3 years, robust State Reserve (SR) imports, and attractive prices for imported cotton relative to domestic supplies. Imports are expected to support China's record year-over-year rise in consumption. China's 2020/21 consumption is expected to recover from the lowest level in 16 years to surpass the previous year by 7 million bales, accounting for half of the gain in global use. Currently, spinners' spot margins are roughly 30 percent higher compared with the previous year due to robust demand for cotton yarn and significantly lower yarn stocks.

China: Strong Consumption and State Reserve Demand Drive 2020/21 Imports to 7-Year High



The highest SR imports in 7 years are also supporting strong China demand. Zero SR purchases of domestic cotton were reported for the December 2020 to March 2021 program and therefore recent imports are expected to further replenish SR supplies. U.S. cotton is suspected to account for most of SR imports in 2020/21 – instead of Brazil, the primary supplier in the previous 2 marketing years. The preference for U.S. cotton may have been partly spurred by the Phase One Agreement.



Favorable import prices have also played a role. China's widely used domestic price index (CC3128B) was 12 cents higher than a "landed" A-Index price (1 percent in-quota duty plus 9 percent VAT) in May 2021. This is more than 10 cents higher compared with the same period last year. The stronger relative prices for China's domestic supplies have been driven by stronger agricultural prices in China (e.g., corn and wheat), quality issues with China's 2020/21 crop, and a weaker U.S. dollar.

China's 2021/22 imports are forecast down from the previous year as State Reserve demand is projected to fall from the robust levels witnessed thus far in 2020/21. Nonetheless, 2021/22 imports are forecast at the second-highest level in 8 years, helping to support larger consumption that is projected to be equivalent to one-third of global use.

The latest USDA report featured a slight reduction to the 2021/22 production forecast (-570,000 bales to 118.9 million) and an increase to the projection for 2021/22 mill-use (+1.1 million bales to 122.5 million). Changes to 2020/21 estimates resulted in a minor downward adjustment to 2021/22 beginning stocks (-113,000 bales to 93.0 million). A net effect was a 1.7 million bale reduction to the forecast for 2021/22 ending stocks (to 89.3 million). Excluding the period when China was holding massive supply in its reserves (2012/13-2015/16), the projection for 2021/22 would rank as the third-highest on record.

World Balance Sheet			
million 480 lb. bales			
	2020/21	2021/22	
		May	Jun
Beg. Stocks	97.9	93.2	93.0
Production	113.3	119.4	118.9
Mill-Use	118.0	121.5	122.5
Ending Stocks	93.0	91.0	89.3
Stocks/Use	78.8%	74.9%	72.9%

China Balance Sheet			
million 480 lb. bales			
	2020/21	2021/22	
		May	Jun
Beg. Stocks	36.9	38.6	38.9
Production	29.5	27.5	26.8
Imports	12.5	10.5	11.0
Mill-Use	40.0	40.0	41.0
Exports	0.0	0.0	0.0
Ending Stocks	38.9	36.5	35.6
Stocks/Use	97.1%	91.3%	86.7%

World-Less-China Balance Sheet			
million 480 lb. bales			
	2020/21	2021/22	
		May	Jun
Beg. Stocks	61.0	54.6	54.2
Production	83.8	91.9	92.1
Imports from China	0.0	0.0	0.0
Mill-Use	78.0	81.5	81.5
Exports to China	12.5	10.5	11.0
Ending Stocks	54.2	54.4	53.7
Stocks/Use	59.8%	59.2%	58.1%

World Cotton Production			
million 480 lb. bales			
	2020/21	2021/22	
		May	Jun
India	28.5	29.0	29.0
China	29.5	27.5	26.8
United States	14.6	17.0	17.0
Brazil	11.3	13.3	13.3
Pakistan	4.5	5.3	5.3
Rest of World	24.9	27.4	27.6
World	113.3	119.4	118.9

World Cotton Mill-Use			
million 480 lb. bales			
	2020/21	2021/22	
		May	Jun
China	40.0	40.0	41.0
India	23.5	25.5	25.0
Pakistan	10.3	10.5	10.5
Bangladesh	8.1	8.0	8.4
Turkey	7.7	8.0	8.2
Rest of World	28.4	29.5	29.4
World	118.0	121.5	122.5

World Cotton Exports			
million 480 lb. bales			
	2020/21	2021/22	
		May	Jun
United States	16.4	14.7	14.8
Brazil	11.0	9.0	9.3
India	5.9	6.0	6.0
Australia	1.4	3.2	3.4
Benin	1.4	1.4	1.4
Rest of World	11.3	11.3	11.7
World	47.4	45.5	46.6

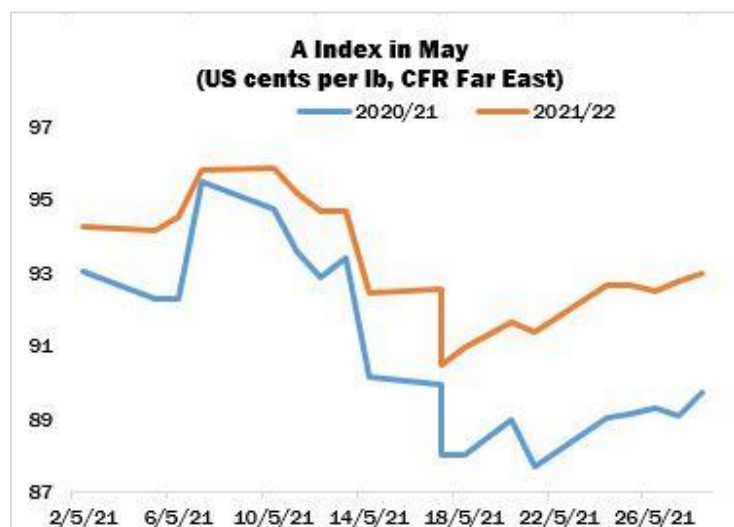
Although the world has ample supply, a potential source of concern has been the level of U.S. stocks. In the 2020/21 crop year, the U.S. experienced tightening that more than erased the buildup in 2019/20. The potential for a similar set of conditions in 2021/22 has fed anxiety that the world's largest exporter could effectively sell out.

U.S. exports are expected to reach 16.4 million bales. This ranks as the second-highest volume on record. Near-record exports are remarkable given that 2020/21 fell entirely within the COVID pandemic. While shipments to most markets are down 15% or more year-over-year, deliveries to China are up more than 200%. Much of the strength of Chinese demand for U.S. fiber may be related to the Phase One deal. Over the past few months, it appeared that the U.S. could face a similar set of circumstances in the upcoming 2021/22 crop year that brought about the tightening in 2020/21. Weather conditions early in the U.S. planting season included drought in much of West Texas. There is always uncertainty predicting hurricane activity, but La Nina conditions and last year's record number of storms suggest that the 2021/22 crop year could also be active. For exports, the Phase One deal remains in effect through the end of the 2021 calendar year. Beyond China, vaccinations and progress against COVID are expected to drive robust global economic growth. The improvement in macroeconomic conditions can be anticipated to support growth in global mill demand. In turn, this could result in growth in import demand for cotton from the U.S. and other markets.

As long as vaccines continue to promise effectiveness against variants, the argument for a general improvement in demand appears to remain valid. However, there is uncertainty surrounding the outlook for U.S. sales to China. Little has been revealed regarding what may follow the initial round of Phase One, and questions surrounding the subsequent agreement may linger until late in the calendar year.

Meanwhile, a challenge to the outlook suggesting U.S. supplies could tighten has emerged from the supply side. West Texas has received precipitation helping to move the majority of the region out of drought. Another round of moisture in the summer will be important, but these early rains promise to support germination and reduce the threat of abandonment on the scale suffered in 2020/21.

International cotton prices moved lower throughout most of May, in tandem with a sharp decline in ICE futures, before regaining some ground late in the month. The Cotlook 2020/21 A Index ended the period 335 cent points below its opening level, while the forward 2021/22 Index declined by a gentler margin, of 125 points. That dynamic reflected the shifting spread between the ICE July and December contracts, which displayed an inverted position until December assumed a premium over the nearby contract on May 20, for the first time since its inception. The differential between the indices was virtually eroded early in the period, when the values came within 30 points of each other largely owing to a sharp increase in the nearby value but subsequently widened out to over 300 cent points by the end of the month.



Import demand from China emerged to some extent following the Sliding-Scale quota announcement in late April. It is understood that some mills received confirmation of their quota allocations as the month progressed, and the relationship between local cotton vis-à-vis international supplies (as measured respectively by the China Cotton Index and Cotlook A Index, adjusted to comparable terms) presented a price advantage of over 12 cents per pound at its widest point. Various state-owned entities (including the State Reserve) continued to monitor international offering rates. However, another month passed without any major purchases, and the likelihood that state-sanctioned import purchasing will take place on a large scale this year is coming under question.

By virtue of earlier active purchasing, China has nonetheless been by far the largest destination for US cotton during the 2020/21 season. By the week ended May 20, China accounted for some 32 percent of US upland export commitments for the current season, but just 12 percent of the running total for 2021/22.

PLC Farm Program Payment Projections – 2021 CY

The table below projects the national marketing year average prices for purposes of the Price Loss Coverage (PLC) program. A PLC program payment is triggered when the national Marketing Year Average (MYA) price for a commodity falls below that commodity's effective reference price. The payment rate is then multiplied by the farm's program yield and made on 85% of base acres.

<i>Covered Commodity</i>	<i>2021/22 MYA Price*</i>	<i>Effective Reference Price</i>	<i>2021 CY PLC Payment Rate</i>
Corn	\$5.70	\$3.70	--
Grain Sorghum	\$6.10	\$3.95	--
Long Grain Rice	\$12.80	\$14.00	\$1.20
Medium Grain Rice	\$13.20	\$14.00	\$0.80
Seed Cotton	\$0.3824	\$0.3670	--
Soybeans	\$13.85	\$8.40	--
Wheat	\$6.50	\$5.50	--

*national marketing year average (MYA) prices reflect the midpoint price level from the June 10, 2021 WASDE report.

Sources and Acknowledgements: USDA Agriculture Market Service (AMS), USDA Foreign Agriculture Service (FAS), USDA Farm Service Agency (FSA), USDA National Agriculture Statistics Service (NASS), USDA Economic Research Service (ERS), USDA FAS GAIN Report, USDA Office of Communications, USDA World Supply Demand Estimates (WASDE), AgDay, Ag Economic Insights, Ag Fax Media, Ag Market Network, Agri-Pulse, 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, Delta Farm Press, DTN Progressive Farmer, Farm Futures, International Grains Council, Iowa State University, LSU AgCenter, National Cotton Council, Pro Farmer, Reuters, Refinitiv, Rice Market Letter, Southeast Farm Press, Successful Farming, Top Third Marketing, University of Illinois, U.S. Grains Council, USA Rice Federation, United Soybean Board, U.S. Soybean Export Council, VanTrump Report, and the Wall Street Journal.



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