Staff Report No. 2021-27 **April 14, 2021**

April Market Update
Corn, Soybeans, Rice, and Cotton

Dr. Michael Deliberto
Louisiana State University Agricultural Center
Department of Agricultural Economics & Agribusiness

WASDE Summary

This month's 2020/21 U.S. corn outlook is for greater feed and residual use, increased corn used for ethanol production, larger exports, and lower ending stocks. Feed and residual use is raised 50 million bushels to 5.7 billion based on corn stocks reported as of March 1, which indicated disappearance during the December-February quarter rose about 6 percent relative to a year ago. Corn used to produce ethanol is raised 25 million bushels based on the most recent data from the *Grain Crushings and Co-Products Production* report, and the pace of weekly ethanol production during March as indicated by Energy Information Administration data. Exports are increased 75 million bushels, based on export inspection data for the month of March that was the largest monthly total on record, surpassing the previous high set in November of 1989. The season-average farm price remains unchanged at $4.30 per bushel, as reported prices through February indicate much of the crop was marketed at lower prices.

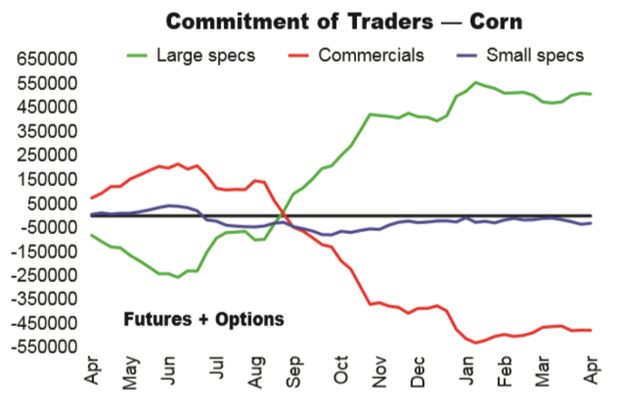
U.S. soybean supply and use changes for 2020/21 include higher exports, lower crush, residual use, and seed use. Soybean exports were raised on the strength of record exports through the first half of the marketing year. Soybean crush is reduced this month on a lower domestic soybean meal disappearance forecast and a higher projected extraction rate. Seed use is reduced in line with plantings for the 2021/22 crop indicated in the March 31 Prospective Plantings report. Residual use is reduced based on indications in the March 31 Grain Stocks report. Soybean ending stocks are projected at 120 million bushels, unchanged from the previous forecast. The season-average soybean price is forecast at $11.25 per bushel, up 10 cents.

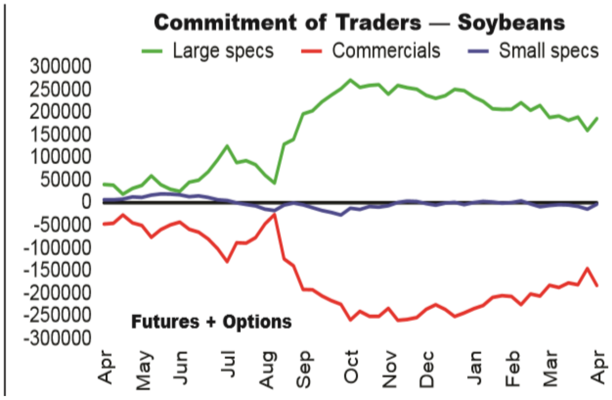
The outlook for 2020/21 U.S. rice this month calls for slightly lower supplies, reduced domestic use and exports, and higher ending stocks. Supplies are lowered, entirely on reduced imports with all the decrease for long-grain on a lower-than-expected pace. Domestic and residual use is lowered (all for long-grain) by 2.0 million hundredweight (cwt) to 158.0 million on the NASS Rice Stocks report, issued March 31st and usage expectations for the remainder of the marketing year. Exports are reduced by 2.0 million cwt to

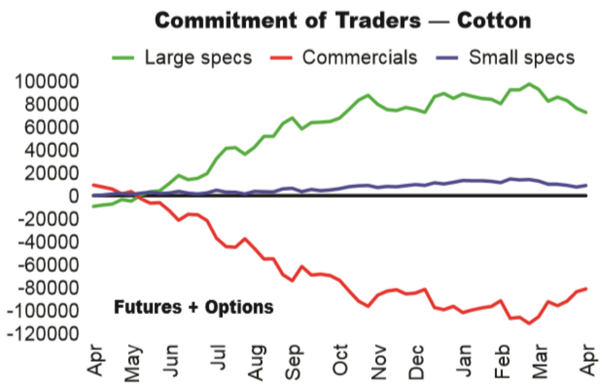
91.0 million, all for long-grain on a lower-than-expected pace of sales and shipments. Projected 2020/21 all rice ending stocks are raised by 3.5 million cwt to 42.9 million, up 49 percent from last year. The projected 2020/21 long grain rice season-average farm price is raised $0.10 per cwt to $12.50, The projected 2020/21 southern medium grain rice is also raised by $0.10 per cwt to $12.90. The increases in both long-grain and medium- and short-grain on NASS prices reported to date and price expectations for the remainder of the marketing year.

The 2020/21 U.S. cotton supply and demand forecasts show higher exports and lower ending stocks relative to last month. Production and domestic mill use are unchanged. The export forecast is raised 250,000 bales, to 15.75 million, based on the pace of recent sales and shipments. Ending stocks are now forecast at 3.9 million bales, equivalent to 22 percent of total disappearance. The marketing year price received by upland cotton producers is projected to average 68 cents per pound, a reduction of 1 cent from last month.

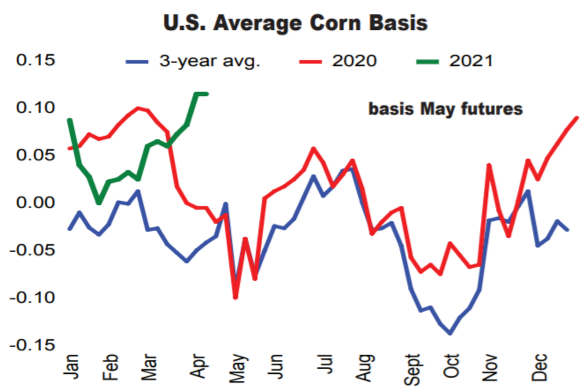
Commitment of Traders Report (COT) April 13, 2021

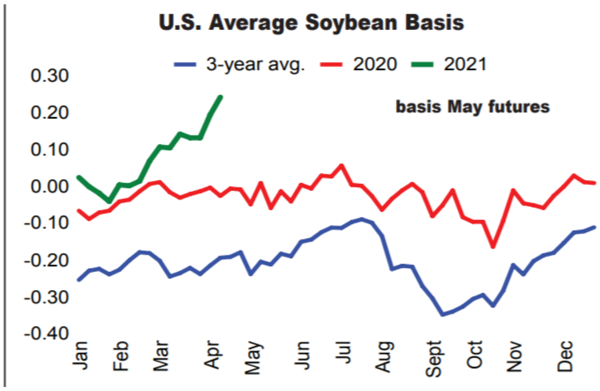


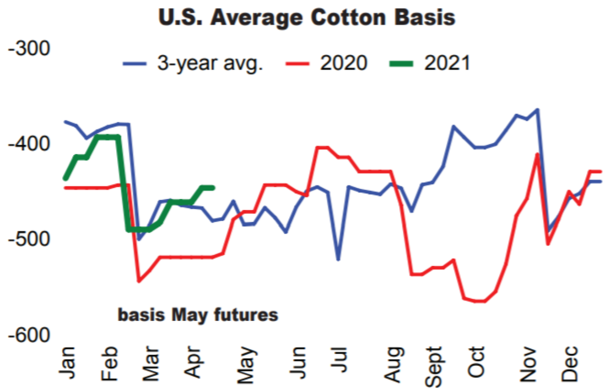




Cash Market Basis Charts April 14, 2021







Corn

Propelled by a late stretch of dry weather in the U.S. and what looks like sales of nearly a billion bushels of corn to China, spot corn prices hit a high of $5.74 ¼ in February. For December corn, prices hit a March high of $4.85 ¾. It seemed obvious with new-crop prices near six-year highs, planting incentives would be high this spring and many pre-report estimates favored corn acres over soybeans.

Prior to the Prospective Plantings and March 1st Grain Stocks reports, Dow Jones' survey estimate of 93.1 million corn acres seemed reasonable and was not the highest we heard. Also looming over the market is the uncertainty of China's demand in the new season. On Tuesday, we saw China's spot corn price fall to its lowest close in three months, a bearish sign China's large purchases are finally starting to bring down the domestic price, at least for now.

The bullish signs for spot corn convinced me to not rush and give corn prices room to trade. The basis for DTN's National Corn Index fell to 10 cents, the strongest showing for cash prices relative to the futures board since 2012-13. Before Wednesday, March 31, December corn was falling back from its recent high of $4.85 ¾ and even closed below its 50-day average on Tuesday in anticipation of a bearish USDA report. By Wednesday's close, it was apparent the uptrend for December corn was not yet over (DTN Prophet X chart).

Corn's seasonal tendency suggests there is still time for corn, as the usual declines in prices typically happen after early June. In 2021, we also have a lot to learn about early threats of drought in the Western Corn Belt. As usual, weather will be an important part of where prices go from here. For the next three months, traders may act with caution. For growers in areas not threatened by drought or that have the benefit of irrigation, there should soon be a better opportunity to make a cautious number of forward sales.

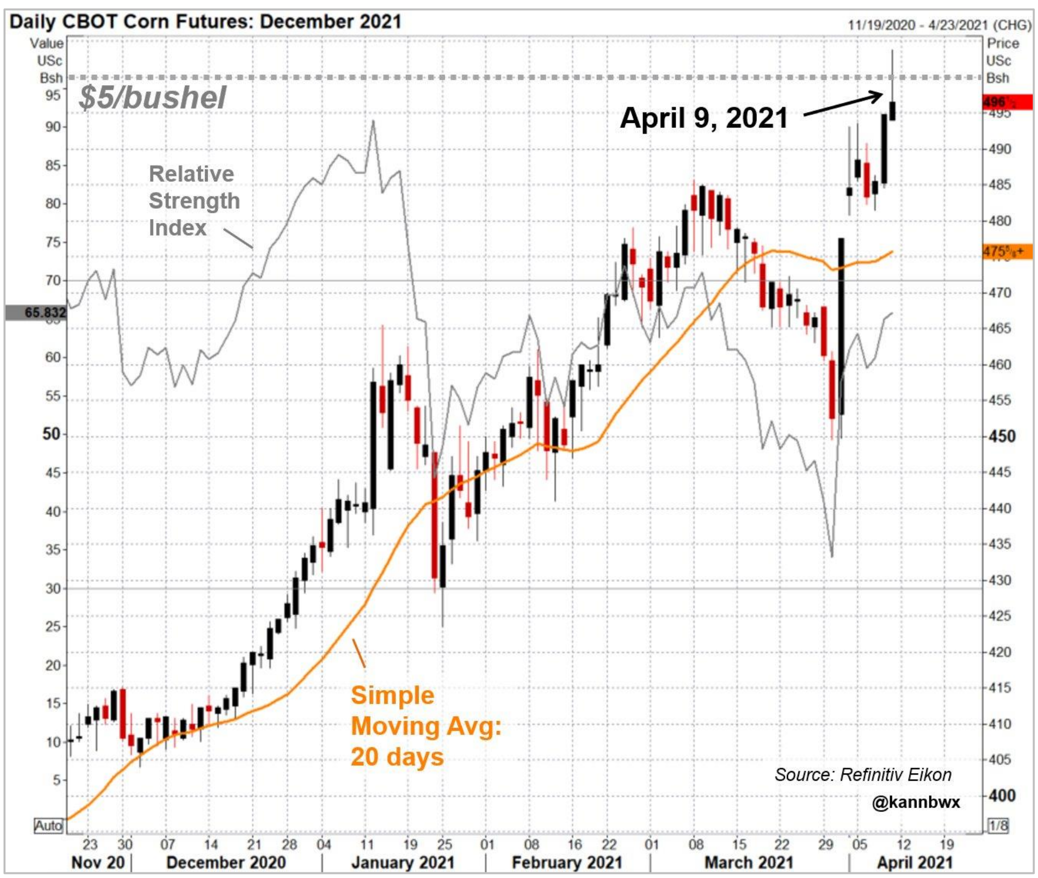
The initial April WASDE report response sent corn prices to new contract highs, but trade has subsequently backed off. Prices are still 4 ¼ cents in the black for old crop and up 2 ¾ to 4 cents for new crop. Old crop corn carryout was reduced by 150 million bushels to 1.352 billion. That was the largest March to April cut since 2008 (155 million bushels). Traders were anticipating a 124 million bushel cut on average. Ethanol was 25 million bushels higher to 4.975 billion bushels, feed and residual was raised 50 million bushels, and exports were increased by 75 million bushels to 2.675 billion. The U.S. export market share was 36.3%, up from 35.4% in March, as the 1.91 million metric tons additional exports were partially offset by a 1 million metric tons cut to Ukraine. Global corn trade on net was 710k metric tons higher to 187.26 million metric tons.

The attention of the corn market now turns to new-crop, with December corn rising to new highs last week. Large unshipped old-crop U.S. sales on the books mean traders will be focused on sustained weekly export inspections to confirm the tightening supply story. Better feed and fuel demand add support. Brazil's safrinha corn weather pattern is trending drier and warmer. With soil moisture already running low, the late-planted crop will need moisture before the typical dry season begins in May. Brazil's corn shortage is intensifying with prices at record levels, increasing the outlook for large imports from Argentina. That would also support a stronger U.S. export outlook. U.S. cash corn bids are strengthening and the improvement in basis is helping lead the corn market higher. Brazilian domestic corn prices hit a new record today at $7.36 per bushel.

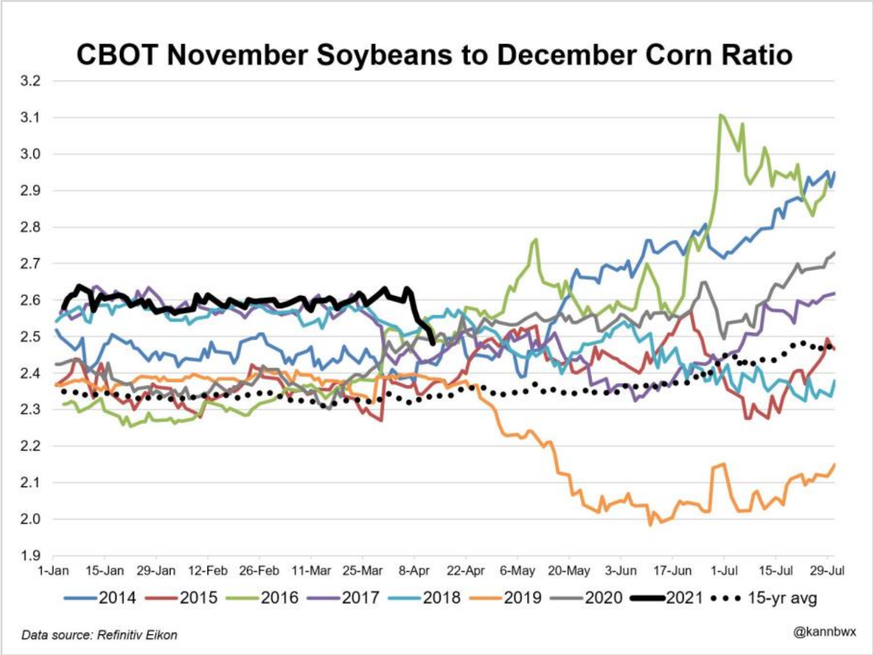
Over the next 30-days, weather patterns in the U.S. Corn Belt will take center stage as corn planting will begin in earnest during this period. A couple of cold surges in the region the next 10 days will raise some frost and freeze concerns in the Midwest and may slow some planters. Safrinha corn areas of Brazil will hold in a warm and dry weather pattern for another 10 to 14 days. The need for regular rainfall there is dramatically rising and a deeper cut in winter corn yields is feared. The dry season starts in May. Brazil's corn shortage is rising, increasing the outlook for large imports from Argentina. That would support a stronger U.S. corn export outlook in the coming months. Taking a 90-day view, China's ag ministry has hiked its 2020-21 corn import forecast from 10 million metric tons to 22 million metric tons, an overdue increase considering its purchases and imports to date. Soaring domestic corn prices have made Chinese traders and feed users voracious buyers of corn lately, to help rebuild its hog herd. USDA projects China will import 24 million metric tons of corn this marketing year and some analysts forecast the country could bring in more than 30 million metric tons of the grain.

The trade was expecting the April WASDE report to reflect higher corn exports and a 136 million bushel decline in ending stocks on rising corn exports. Instead, the ending stocks number fell to a slightly more bullish 1.352 billion bushels, down 150 million bushels from March. The decline was comprised of a 75 million bushel rise in U.S. exports, 50 million bushels higher corn for feed use and a 25 million bushel increase in corn for ethanol usage. Exports rose to 2.675 billion bushels, which many analysts feel is still way too low based on the current torrid pace, with sales already at 2.617 billion bushels and U.S. corn still competitive with five months left in the crop year. Perhaps a bit more surprising was the decision to raise corn used for ethanol, which is certainly warranted, and for feed and residual. The USDA's decision to raise exports makes it very likely that we will see future declines in ending stocks.

December CBOT corn futures set a contract high of $5.03-¾ per bushel, and it's the first time December corn has broken $5.00 in expiry year since 2014. Traders see strong corn demand keeping pace with or outpacing supplies through the end of the year. May corn also set a contract high of $5.95 per bushel on Friday, April 9th. It settled well off the high at $5.77-¼.

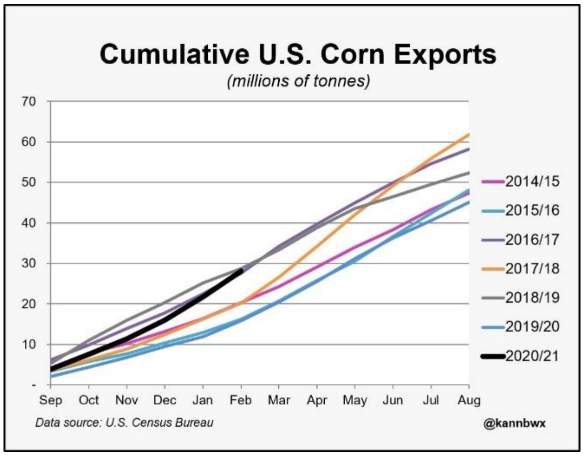


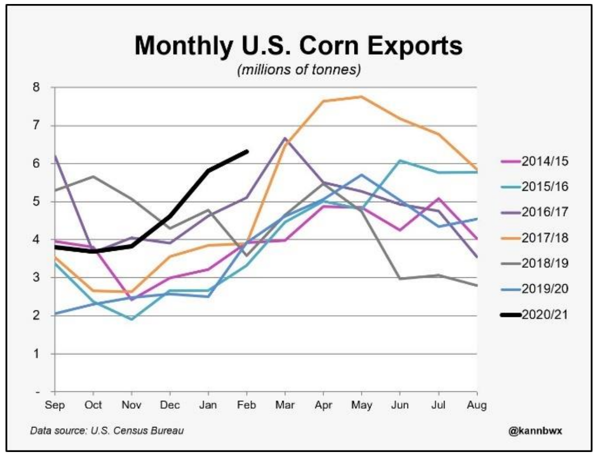
On April 13, the December corn futures reached another contract high at $5.05-3/4 per bushel. The resulting outcome was that November soybean futures are quickly losing ground as compared to corn. The SX/CZ price ratio rests at 2.48 and is the lowest since October. November beans are nearly 34 cents off their April 1 contract high, settling at $12.51-1/4.

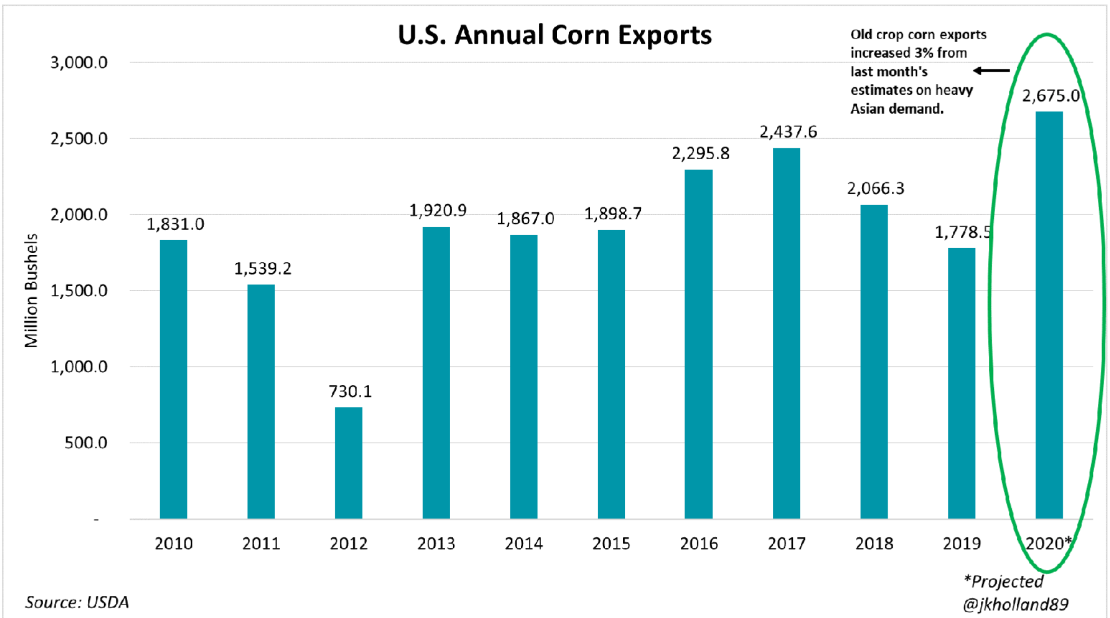


On the world front, there were few major changes. World ending stocks fell by roughly 3.9 million metric tons from March to 283.85 million metric tons (10.4 billion bushels). Ukraine corn exports were lowered 1 million metric tons to 23 million metric tons, while Argentina's corn crop fell by 500,000 metric tons to 47 million metric tons. Ukraine use of corn for feed was also raised by 1 million metric tons. The fact that Chinese corn imports were left unchanged, at 24 million metric tons, was baffling to some, as the U.S. alone has sold them close to that. Traders also believe that China has booked as much as 7-8 million metric tons of Ukrainian corn. With that in mind, more bullish China corn demand numbers could be in the cards.

The bullish combination of falling U.S. and world ending stocks were not enough to keep old-crop corn futures higher. Both May and new-crop December futures forged new contract highs prior to the report, but spot May ended up closing nearly 18 cents below the new high and down 2 ½ cents for the day.


Cumulative U.S. Corn Exports
(millions of tonnes)
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20
2020/21
Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug
Data source: U.S. Census Bureau
@kannbwx

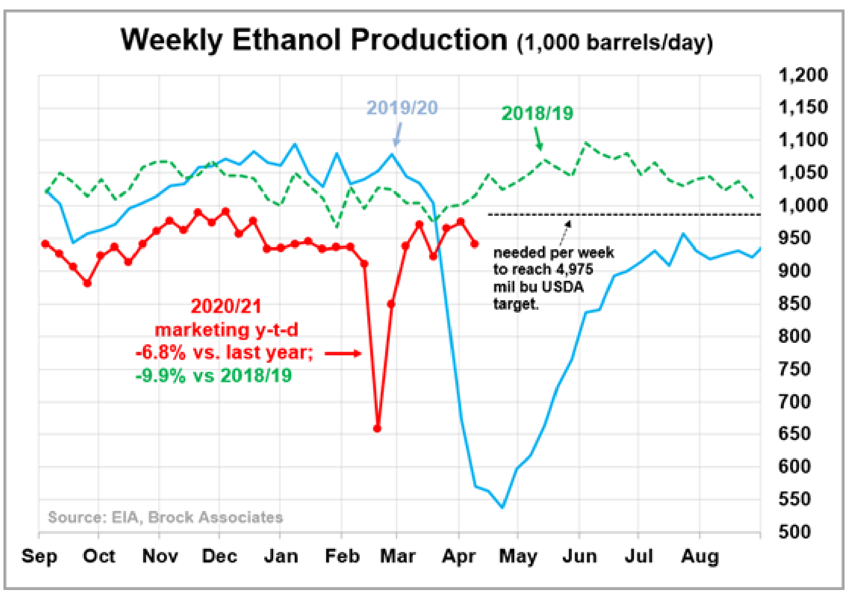

Monthly U.S. Corn Exports
(millions of tonnes)
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20
2020/21
Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug
Data source: U.S. Census Bureau
@kannbwx


U.S. Annual Corn Exports
Old crop corn exports increased 3% from last month's estimates on heavy Asian demand.
Million Bushels
1,831.0
1,539.2
730.1
1,920.9
1,867.0
1,898.7
2,295.8
2,437.6
2,066.3
1,778.5
2,675.0
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020*
*Projected
@jkholland89
Source: USDA

EXPORT SALES PROGRESS ANALYSIS	Corn (Mil Bu)	Milo (Mil Bu)
Cumulative Marketing YTD	2617	251
% of USDA Total	101%	85%
Seasonal Pace to Meet USDA	2011	203
% of USDA Total	77%	69%
Above/Below Pace Needed by	606.2	48.8
% Above/Below USDA Total	23%	17%
USDA Total Exports	2600	295
Total Exports with Current Pace	3206	344

SHIPPED VS. UNSHIPPED	Corn (Mil Bu)	Milo (Mil Bu)
Marketing YTD Sales	2617	251
Marketing YTD Shipments	1416	157
Unshipped	1201	94
% of Sales Shipped	54%	62%
Weeks Left in Marketing Year	21	21

Fuel demand and ethanol output in the week ending April 9 remained a bit disappointing to market observers. The EIA reported ethanol output of 941,000 barrels per day, was down from 975,000 the previous week. While up sharply from last year's total in the early stages of the COVID pandemic, the weekly output was down 7.4% from 1.016 million barrels per day in the same week two years ago. Ethanol stockpiles meanwhile were at 20.5 million barrels, down from 20.6 million last week and down 25.3% from last year. Gasoline demand of 8.944 million barrels per day was up from 8.781 million the prior week, but down 5.1% from 9.420 million two years ago.



Through the first 2 quarters of the marketing year, the United States has exported 154 million bushels of sorghum, more than double the previous year's first-half total of 63 million bushels. Most of those exports have been destined for China, due to the high Chinese domestic prices for corn and feedstuffs. Total 2020/21 exports are projected to be 295 million bushels, which would be a 45-percent increase from 2019/20, as the pace of monthly exports are expected to moderate in the 2nd half of the year due to limited available supplies. The projected average farm price of sorghum is raised $0.05 per bushel to $5.05, based on strong receipts through February.

Soybeans

Weekly soybean export sales showed a net reduction led by China, which is not unusual. The export focus into August will be on shipments to other importers. Weakening Brazilian export prices amid rising crop forecasts have kept a lid on old crop soybeans. Chinese demand for Brazilian beans remains strong, with traders watching for confirmation of a low in Chinese crush margins. U.S. soymeal exports in February were the second highest in a decade as shipments from Brazil and Argentina slowed. Soybean oil prices have paused after soaring to their highest levels since October 2011. The market will remain well supported from rising fuel and food demand into 2022.

Soybeans were in the red going into the report but bounced back to positive territory after the report's release. Beans are back in the red with 5 to 7 cent losses. The average cash price for soybeans increased a dime to $11.25 per bushel. Soymeal futures retreated down $2.70 to $3.80. BO futures are trading with midday losses of 7 to 14 points. Soybean carryout remains unchanged at 120 million bushels, compared to the average trade guess of 117. The USDA did however switch 10 million bushels from crush, moving it to exports which were 30 million bushels higher to 2.280 billion bushels.

Over the next 30 days, weather will remain a focal point as more and more producers begin spring planting. The market believes that the USDA's Prospective Planting estimates will likely be the low seasonal watermark, plenty of uncertainty remains about how many acres recent price rallies have bought.

Forecasts, so far, do not portend any major planting delays that could shift intended corn acres to soybeans. Impending National Weather Service's 30- and 90-day forecasts could provide some additional insight. Updates for the western Corn Belt will be of particular note given lingering drought for the region. Over the next 90 days, the USDA's June 30th Acreage Report will be a major focal point given that the USDA's survey-based projection for planted acres came in much lighter than expected. Otherwise, early planting/growing conditions will be the main focal point, with China shifting bean purchases to Brazil. Tightening global supplies of oilseeds paired with strong demand on both the food and fuel front should keep soybean oil well supported into 2022.

Despite the ongoing torrid pace of exports for U.S. soybeans, Dow Jones' pre-report estimates pegged ending U.S. soybean stocks as nearly unchanged. They were right, with ending soybean stocks once again remaining at 120 million bushels. To arrive at that, the USDA had to make some adjustments: Domestic crush was dropped by 10 million bushels, due to lower disappearance and higher extraction rates; U.S. exports were raised by 30 million bushels, while residual usage declined by 17 million bushels and seed usage fell by 2 million bushels. The unchanged ending stocks number certainly disappointed bullish traders.

World numbers showed a more bearish result than most traders had expected when the April WASDE report was released, with ending stocks rising by a greater-than-expected 3.2 million metric tons, to 86.9 million metric tons (3.19 billion bushels). Notable changes were a rise in world production of 1.4 million metric tons, primarily due to Brazil, where soybean production was raised to a record-large 136 million metric tons (5 billion bushels) from 134 million metric tons. In addition to the increased supply, there was also a fall in demand, with WASDE leaving China imports alone, but sending China crush lower by 2 million metric tons to 96 million metric tons. Following the report, May beans closed down 12 ¼ and meal dropped $5.60.

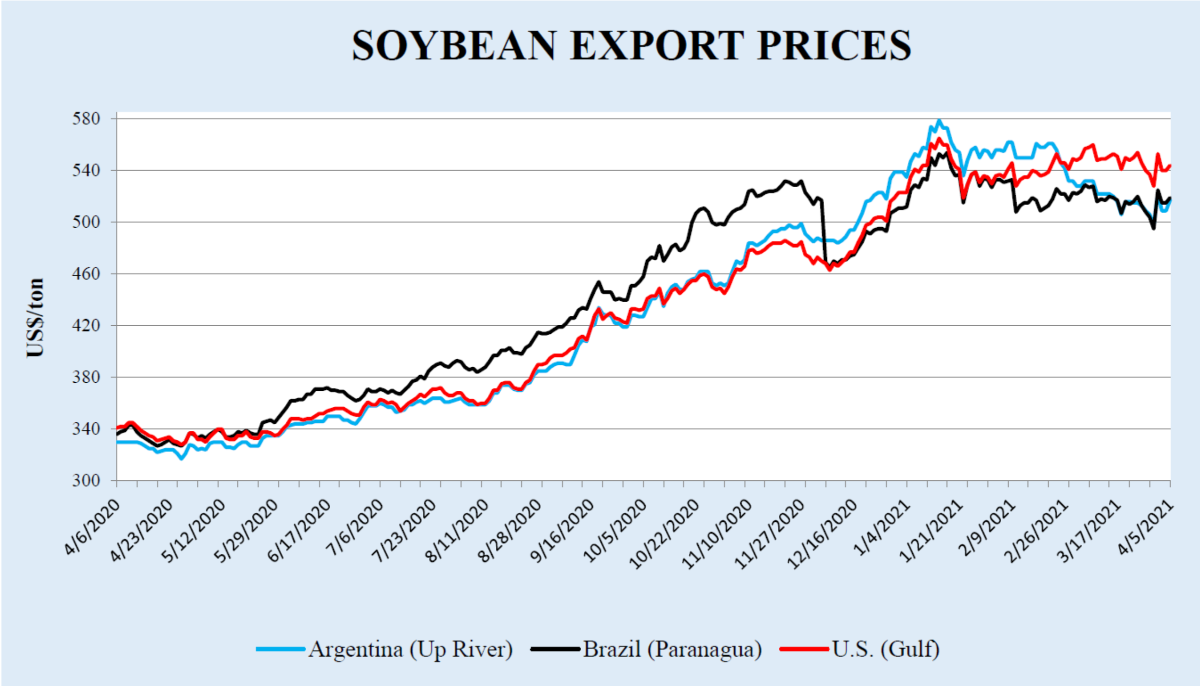
Amid strong demand for U.S. soybeans domestically and abroad in addition to unusually tight stocks, USDA has increased the season average price forecast from $11.15 per bushel to $11.25 per bushel. NASS reported farmer prices received in February at $12.70 cents per bushel. With approximately 25 percent of the projected soybean crop left to market, farmers hold 594 million bushels, significantly lower than past years. Recent cash prices and tight stocks look to support higher soybean prices for the remainder of the marketing year. Prior to this year, season average soybean prices had not exceeded $10.00 per bushel since the 2014/15 marketing year.

Export prices for U.S. soybeans rose slightly in March while Brazil prices held flat and Argentina prices saw a steeper decline. U.S. prices approached 7-year highs as continued late-season exports further tightened stocks. Brazil fell slightly due to expectations of seasonally large new-crop and higher exportable supplies. Argentine prices for soybeans fell as rains provided much needed moisture and slowed crop losses in drought-hit regions.

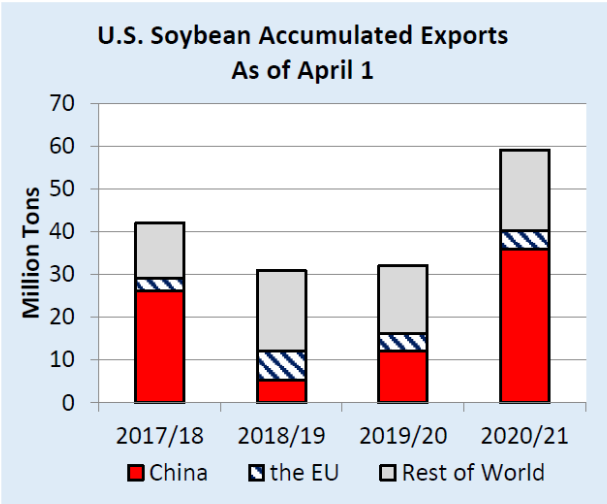
March 2021 Soybean Export Prices

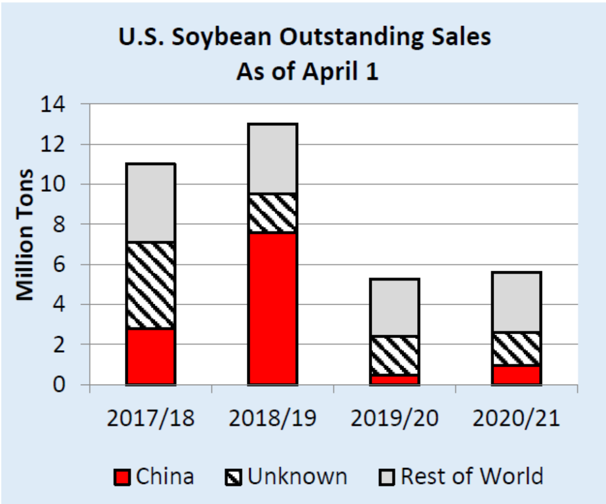
	U.S.	Argentina	Brazil
March Avg Price	**$548/ton**	**$520/ton**	**$517/ton**
Change vs February	**+ $10/ton**	**- $35/ton**	**- $4/ton**

Source: International Grains Council. All prices are FOB: U.S. Gulf, Argentina Up River, and Brazil Paranagua.



As of April 1, 2021, cumulative global U.S. soybean shipments reached 59.0 million tons, with China accounting for 60 percent (35.8 million tons). Exports to China have nearly tripled from the same period in 2019/20. Outstanding sales to all destinations are 5.6 million tons, up 6 percent from last year. These are led by outstanding sales to China of just over 900,000 tons, which are almost doubled from last year. Due to growth in sales and exports to China, total export sales commitments reached a record 64.7 million tons, up nearly 75 percent (27.4 million tons) from last year.



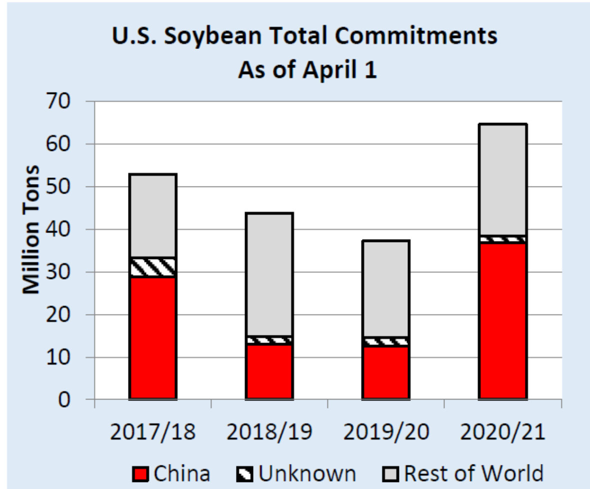


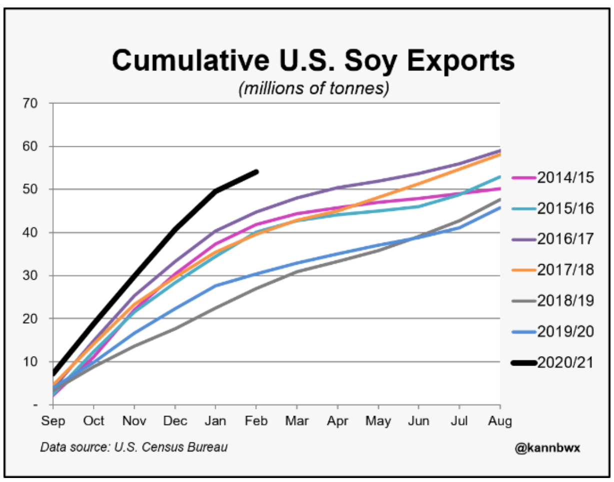
Exports to China have continued to flow, with volumes up 185 percent from last marketing year. At 1.27 billion bushels, this year's exports to China through February are record large. Additionally, February's export volumes to China were nearly three-fold higher than last year at 50.9 million bushels. This monthly increase year-over-year in U.S. export volumes is likely attributed to the slow pace of the

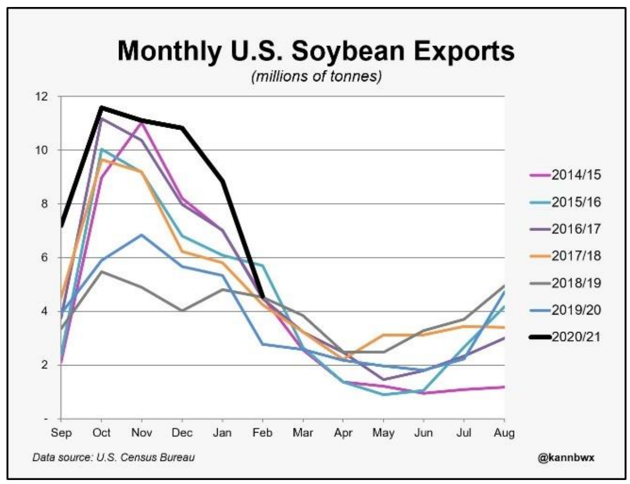
Brazilian soybean harvest and their inability to supply large export volumes to China at the beginning of their harvest season.

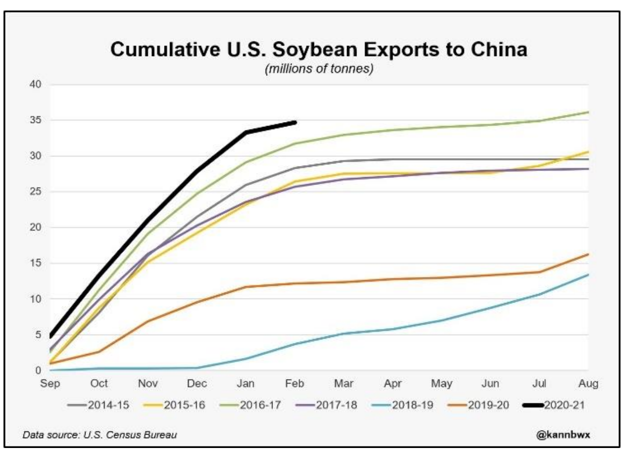
U.S. Soybean Export Sales as of Apr 1, 2021 (Million Tons)

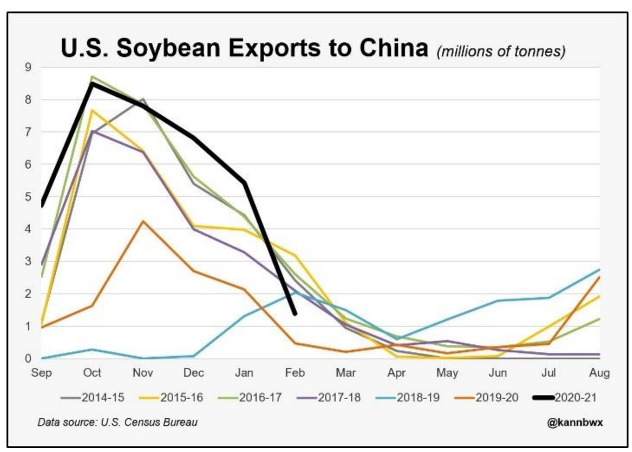
	Apr 2 2020	Apr 1 2021	Net Change YOY	% Change
Accumulated Exports				
China	12.1	35.8	23.7	195%
ROW	19.8	23.2	3.4	17%
Outstanding Sales				
China	0.5	0.9	0.5	98%
ROW	4.8	4.6	-0.1	-3%
Total Commitments				
China	12.6	36.8	24.2	191%
ROW	24.6	27.9	3.3	13%











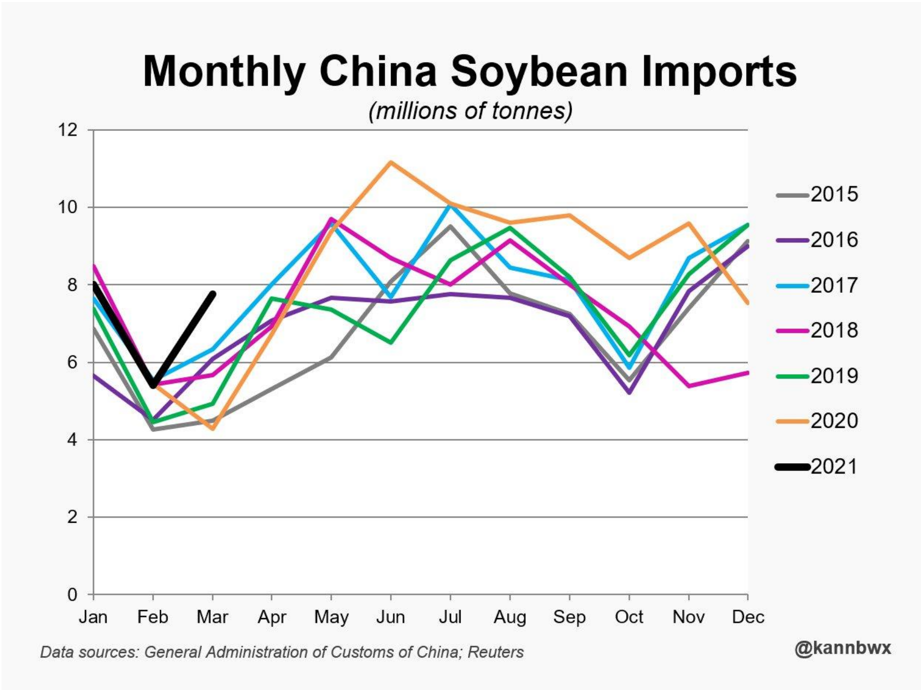
Chinese imports of soybeans, as well as grains like corn and wheat, soared in the first quarter, boosted by strong demand from the livestock sector, data from customs showed on Tuesday. Soybean imports almost doubled in March alone year-over-year, according to customs data, as cargoes of beans from top exporter

Brazil cleared customs after delays. Meanwhile first-quarter corn and wheat shipments jumped on elevated domestic corn prices amid a supply shortage, the data showed.

EXPORT SALES PROGRESS ANALYSIS	Soy Complex Beans (Mil Bu)	Meal (TMT)	Oil (TMT)
Cumulative Marketing YTD	2232	9064	655
% of USDA Total	99%	70%	56%
Seasonal Pace to Meet USDA	1988	9870	814
% of USDA Total	88%	76%	69%
Above/Below Pace Needed by	244.3	-805.6	-159.4
% Above/Below USDA Total	11%	-6%	-14%
USDA Total Exports	2250	12927	1179
Total Exports with Current Pace	2494	12121	1020

SHIPPED VS. UNSHIPPED	Soy Complex Beans (Mil Bu)	Meal (TMT)	Oil (TMT)
Marketing YTD Sales	2232	9064	655
Marketing YTD Shipments	2027	6709	539
Unshipped	205	2355	116
% of Sales Shipped	91%	74%	82%
Weeks Left in Marketing Year	21	21	25

China imported 7.77 million tons of soybeans in March, up 42% on the five-year average for the month. January to March imports of 21.2 million tons are a record and up 19% on the year. Cargoes from both U.S. and Brazil were arriving at Chinese ports in March.



Brazilian producers taking advantage of high prices with aggressive forward sales. Brazilian farmers have already sold 14.2% (18.9 million metric tons) of their 2021/22 bean crop that won't be planted for several more months, according to Safras & Mercado. "Pre-sales of the 2021/22 crop are well advanced because of the good prices," the consultancy says.

Brazil will likely boost soybean plantings by 1.5 million hectares (3.9%) in 2021/22, pushing planted acreage to 40 million hectares (≈98.8 million acres), according to a U.S. attaché there. That would likely push production to 141 million metric tons, 7 million metric tons from what the post expects the country to harvest this season. The attaché says that current "strong demand, high prices, and a favorable exchange rate" are likely to persist well into 2021/22, bolstering production. The post expects Brazil to export a record 85 million metric tons of soybeans this season, followed by 87 million metric tons in 2021/22. "Healthy returns will leave growers well capitalized to make future investments," the attaché observes.

Soybean exports in the 2021/22 (February 2022 to January 2023) marketing year are forecast at 87 million metric tons, 2 million metric tons higher than in the current marketing yeafr. The forecast is based on available supplies and a favorable exchange rate. Post anticipates continued weakness of the Brazilian real amid the expected sluggish domestic economy grappling with aftereffects of the coronavirus pandemic. The current government projection is that GDP will grow 3.2 percent in 2021; this number has been revised down several times already and may well continue to be downgraded.

At this point, the Post (along with many Brazilian market analysts) believes that global demand for soybeans will not see a severe downturn connected with the coronavirus pandemic. Unlike a multitude of other sectors, soybean consumption has limited elasticity. In China and Europe – key soybean importers – despite the expected continuing economic slowdown, meat consumption is not expected to suffer a dramatic downturn. China is expected to remain the top importer of Brazilian soybeans, notwithstanding the Phase One trade deal between Washington and Beijing that was announced in mid-December 2019.

Brazil's Top 10 Soybean Export Markets (in MMT)			
	2015/16	2019/20	% Δ in 5 Seasons
China	39.00	59.60	53%
EU 27	5.34	8.19	53%
Thailand	1.55	2.55	64%
Turkey	0.28	2.14	660%
Pakistan	0.48	1.22	156%
Russia	1.04	1.01	-3%
Taiwan	0.88	0.98	12%
Mexico	0.13	0.85	555%
Iran	1.18	0.71	-40%
Vietnam	0.32	0.71	120%
World Total	**52.10**	**81.63**	**57%**

The EU accounts for around 10 percent of all Brazilian soybean exports. Of all EU countries, the Netherlands is the largest importer of soybeans from all countries and it is also the EU's largest soybean importer from Brazil. Spain is another large EU importer of Brazilian soybeans. Around one-quarter of all soybeans imported by the Netherlands are directly re-exported to other countries as the country acts as a logistics hub and a point of clearance for products distributed to the rest of Europe. Over the last year, Brazil has come under intensifying criticism over the rollback of environment protection and rising rates of deforestation, linked to soybean production and farming practices writ large. Representatives of several European countries, including Ireland, France, Germany, and the Netherlands, have spoken publicly against ratification of the EU-Mercosur free trade agreement (FTA) due to concerns with the preservation of the environment and the Amazon. France's President Emanuel Macron has publicly urged buyers to eliminate soybean purchases from Brazil.

If this criticism does not subside and instead intensifies, soybean exports to Europe may decline. If Europe stops sourcing from Brazil, it will likely have to turn to the other large soybean supplier: the United States. Brazil would then re-direct the 10 percent of soybeans it currently ships to Europe to other destinations typically serviced by the U.S. supplies.

The 2020/21 soybean planting was delayed by dry weather in September and October and the subsequent harvest is now well behind the typical pace. Delays in the harvest produce a domino effect on port deliveries, with significant deferments registered to start the season. There are reports of multi-day delays for trucks waiting to unload soybean deliveries at ports because the harvest was initially delayed and then came all at once. As wet weather continues, there are now emerging concerns that port loading may also see significant delays. In Brazil, ports suspend loading operations during rainy weather.

To start the 2020/21 season, Brazil exported 2.9 million metric tons of soybeans in February. The volume is 40 percent below the 4.8 million metric tons shipped in February 2020, and 22 percent below the five-year average for the month. As of early March, the soybean lineup hit 19 million metric tons at Brazilian ports – the largest in history. However, Post sources indicate that as much as six million metric tons may have to be rolled over into subsequent months as logistics are severely hampered by the weather. According to the Center for Advanced Studies in Applied Economics (CEPEA) at São Paulo University, between truck traffic jams and inability to load, port logistics were so compromised for March that most agents gave up on negotiating soybean contracts with delivery before April 2021.

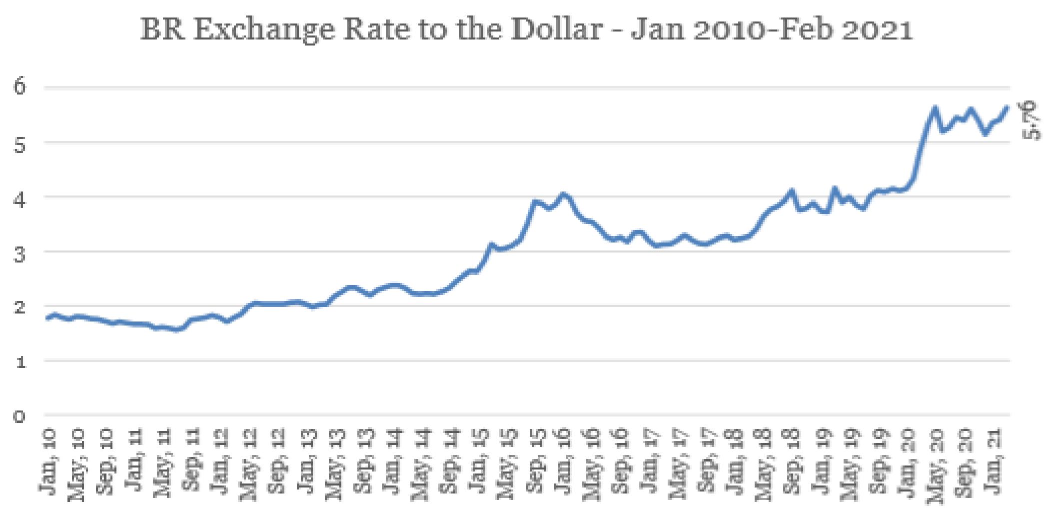
Despite a slow, problem-ridden start to the season, Post maintains its soybean export forecast for the 2020/21 (February 2021 to January 2022) marketing year at a record-setting 85 million metric tons. The forecast is based on expectations of available supplies and an extremely favorable exchange rate. The market expectation is that the Brazilian real will continue to trade at just above R$:US$ of 5:1 in 2021. The Post export estimate also assumes that global demand for soybeans will not see a severe downturn. There is limited risk to exports in the event of a serious second wave of the coronavirus pandemic. Notably, unlike a multitude of other sectors, soybean consumption has limited elasticity, particularly in the main importing hubs of China and Europe. Post estimates soybean meal exports at 17 million metric tons for 2020/21, nearly stagnant on last season. Exports of soy oil are forecast to decrease to one million metric tons from 1.1 million metric tons in 2019/20. Post anticipates that exports of both soybean meal and oil will continue to be supported by the relatively weak domestic currency. However, competition from the domestic crush industry will restrict potential export volumes.

The Post forecast for above-trend expansion of planted soybean area is based on current market conditions and trends detailed below that are expected to persist well into the 2021/22 season.

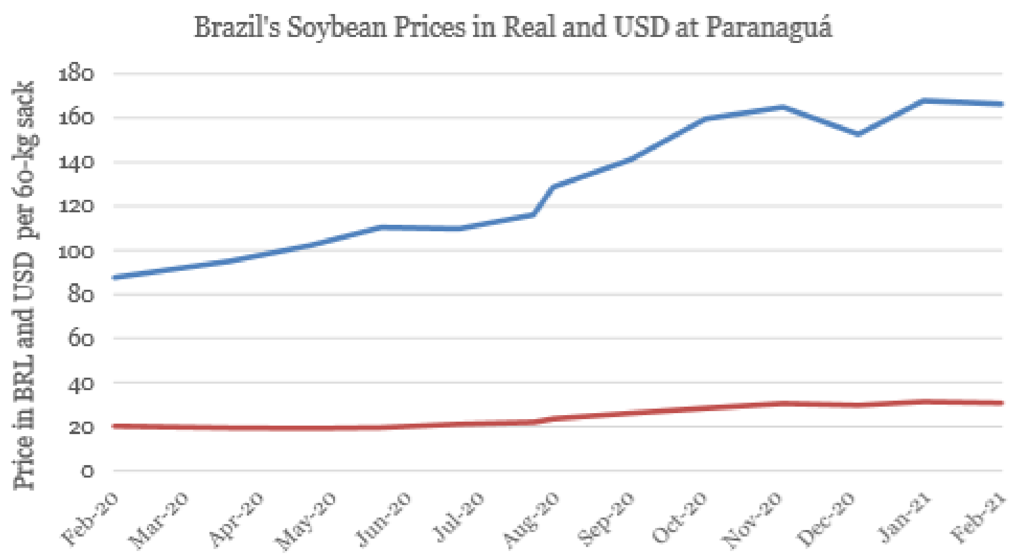
Global Demand: The global novel coronavirus pandemic has reinforced the market sentiment that soybean demand will remain on an upward trajectory regardless of any calamities and economic shakeups. Post contacts indicate that global soybean demand will likely continue to rise exponentially, as the commodity is used in food, feed, and fuel. The Brazilian market anticipates that soybeans will be increasingly used in the production of biodiesel with the growing push for sustainable, renewable energy sources. There is also an emerging global trend of consumers seeking to supplement their diets with plant protein and plant lipid ingredients all while rising meat consumption is expected to simultaneously create additional feed demand.

China is the primary driver of global demand, accounting for most soybean imports worldwide. Post contacts do not report major concerns about the U.S.-China Phase One Trade Agreement, which stipulates that China purchase significant volumes of agricultural commodities from the United States. The U.S. and Brazilian soybean harvest and export calendars are complementary and there is plenty of demand for both U.S. and Brazilian soybeans. Post contacts note that China is unlikely to significantly pull back on purchases of Brazilian soybeans because of established relationships and the inherently less politically charged relationship between Brasilia and Beijing. Needless to say, the Brazilian market is closely following reports that there may be a re-emergence of African Swine Fever (ASF) in Chinese pig herds, which could potentially impact Chinese soybean purchases negatively.

Favorable Exchange Rate: Due to the pandemic-induced economic turmoil, the Brazilian currency, the real (R$ or BRL) shed more than 30 percent of its value in 2020. Most analysts currently forecast that the Brazilian real will remain weak over the next two years, as Brazil's economy continues to be bogged down by the pandemic, a slow vaccination campaign, and limited government resources. As of early March, the Central Bank survey indicated that on average, the market expects the real to trade at R$5.15 to the USD in 2021, and at R$5.13 to the USD in 2022. So far, the real is hitting well above year-end targets. As of March 31, the BRL stood at R$5.76 to the USD, reflecting investors' concerns over prospects for economic recovery and reform.



Source: Brazilian Central Bank



	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Real	87.61	94.97	102.3	110.41	109.76	116.05	128.59	141.2	159.64	164.99	152.56	167.87	166.32
USD	20.16	19.41	19.2	19.58	21.11	21.99	23.55	26.13	28.36	30.44	29.68	31.33	30.73

Source: CEPEA data, OAA Brasilia chart

Steep devaluation in the BRL has had a positive impact on Brazilian commodity prices. For example, from February 2020 to February 2021, the average price for a 60-kilogram sack of soybeans at the Port of Paranaguá rose 90 percent when valued in BRL – to R$166.32. In those same 12 months, prices in USD climbed just over 52 percent – to $30.73 per 60-kg sack.

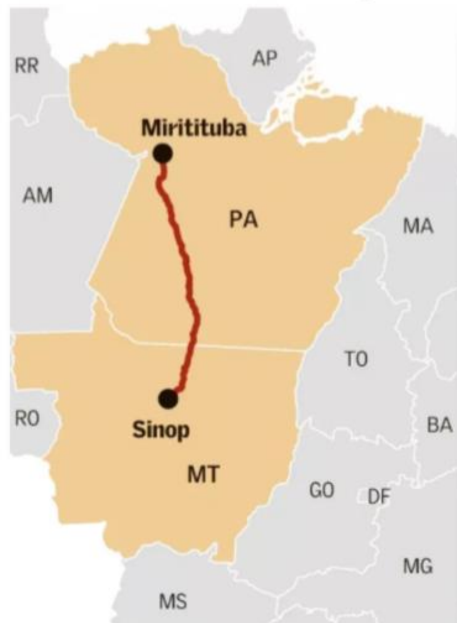
High Prices: While it is impossible to predict all the factors that will affect Brazilian soybean premiums, growers saw phenomenal growth in prices in 2019/20 and going into the 2020/21 season. Market analysts have indicated to Post that there is an increasing belief in the market that the global soybean sector may be entering a new super cycle for the next several years, with limited stocks and high prices, and despite rising production, demand will outstrip supply. The chart below shows the dramatic rise in soybean prices at the port of Paranaguá, starting in 2020 and into 2021. Notably, these prices are still far from the records set in 2012.

Brazilian soybean prices tend to reflect global soybean price trends. As already noted above, thanks to the substantial depreciation of the BRL in 2020 and 2021, sales revenues in domestic currency rose even higher. Currently, Brazilian soybean prices also reflect a domestic premium that is supported by the scarcity of the oilseed in the market. Due to strong exports in the first half of 2020, and weather-related delays for planting and harvest of the 2020/21 crop, the Brazilian market has been virtually without beans for several months. This situation has put further upward pressure on Brazilian soybean prices.

BR-163 Highway: According to the USDA's Agricultural Marketing Service (AMS), Brazil Transportation Report, the soybean shipping rates across the country declined 24 percent year-on-year in 2020. Although the steep devaluation of the Brazilian real was a key factor, infrastructure improvements cut down on driving time and brought down the costs of fuel and truck maintenance, further reducing freight rates. The most important development in roadway infrastructure was the inauguration of the mountainous BR-163 highway in December 2019. Known as the "soybean highway", BR-163 connects the state of Mato Grosso to the state of Pará running more than 1,000 kilometers in length, BR-163 ends at the river terminals of Miritituba, a significant grain shipping port on the Tapajós river. Before being fully paved, the trip could take several days to a week even in good weather. Post drove the newly paved section of BR-163 from Sinop to Itaituba in January 2020, a journey that only took 14 hours. The AMS estimates that the cost of transporting soybeans from Mato Grosso to the port of Santarém declined almost 25 percent – from US$ 52.04 per metric ton in 2019 to US$39.20 in 2020.

BR-163 Highway

EF-170 Railroad: Ferrogrão



Source: Valor

The paving of BR-163 has made Mato Grosso's soybeans more competitive in foreign markets and has increased profits for producers in the region. Those effects are expected to expand in the future, especially if the EF-170 or Ferrogrão (lit. *grain railroad*) is finally constructed adjacent to the BR163. Decades in the making, the $4 billion project is currently held up in the Supreme Court, pending a decision on the boundaries of the Jamanxim National Park, through which the railroad is currently slated to run. In recent months, there has been a rising tide of criticism of the rail link because it would potentially have adverse impacts on close to 50 indigenous areas and communities in Mato Grosso and Pará. Regardless of whether permission to build is ultimately granted, a fully functioning Ferrogrão is likely years away.   However, if it comes to fruition, this railroad link would have the potential to transport 35 million metric tons of grain and oilseeds each year from the Center West region to the river and ocean ports in the northern part of Brazil, known as the Northern Arc, unlocking expanded export potential.

Brazil is also on a verge of finishing a major railway project EF-151, or the North-South railway that would integrate four states: Tocantins (TO), Goais (GO), Minas Gerais (MG), and São Paulo (SP). Projected to be completed in 2021, EF-151 will connect the northeastern port of Itaquí-Sâo Luis, in the state of Maranhão, and the southern port of Santos, SP. Much of the railway has been operational for years. In March 2021, President Jair Bolsonaro inaugurated one of the last remaining sections, a 172-kilometer stretch from Estrela d'Oeste, SP and São Simão, GO – highlighted green in the figure. The concession operator company, Rumo Logistica pledged to bring the rail track to Porto Nacional in

Tocantins by the end of 2021, where it will link up with the north section of the North-South Railway, operated by another concession, VLI.

Now for an in depth discussion as to one of the main drivers of world soybean demand as a feed stock, we look at the swine herd situation in China where a wave of African swine fever (ASF) outbreaks this year has wiped out at least 20% of the breeding herd in northern China according to industry sources and analysts. This exceeds initial loss estimates and raises fears about the potential for further impacts in the south. The estimates point to the extent of the disease's resurgence in the first quarter of 2021 after more than a year of declining outbreaks, heralding a significant setback to China's efforts to replenish its hog herds after ASF reached the country in August 2018 and wiped out 50% of the country's pigs within a year.

The virus' impact slowed by late 2019 as pig numbers fell and large producers learned to minimize its spread by removing infected pigs from herds early, a process the industry calls "tooth extraction".

But an exceptionally cold winter, a higher density of pigs following a year of restocking, and new strains of swine fever triggered a fresh wave of outbreaks across the northeast, northern China and Henan province, the country's third-biggest hog producing province.

Henn lost between 20% and 30% of its breeding sows, a report by Founder Cifco Futures said on Monday, adding the damage could be "irreversible". Beijing Orient Agribusiness Consultant Ltd. said in a report last month that sow stocks in northern China fell by between 25% and 30% in March compared to February.

Food security is a sensitive issue in China and the government has confirmed few ASF outbreaks since the virus began spreading. Numerous industry insiders have described the impact as worse than official data show. The disease is not harmful to humans.

The agriculture ministry reported eight ASF outbreaks in the first quarter, mostly on small farms or in pigs in transit in southern China. It said the sow herd grew by 1.1% in January versus December and a further 1% in February.

While live hog prices fell sharply from January to March, piglet prices are rising because of the hit to the breeding herd. Piglets cost on average more than 1,800 yuan ($273.94) per head, it said, not far off the record 2,356 yuan in February 2020, and significantly up from 995 yuan in November. That will eventually translate to higher pork prices. Producers in the south are on high alert, said industry sources, after rain and floods were blamed for swine fever outbreaks last year. "With the arrival of the rainy season in the second quarter, it is still unknown how swine fever will impact the south" ($1 = 6.5708 Chinese yuan renminbi).

Rice

Cash rice demand remains in a lull as growers look to offload their final inventories before turning to the 2021 crop. In Arkansas, growers are asking $13.25 per cwt but are struggling to find a market at that price. Meanwhile, in Louisiana and Texas, the supply-stricken states are seeing what rice is left to maintain the 4-week sideways trading pattern. In the upper Delta, the market is also quiet which is likely the result of low milled rice interest.

The market is moving sideways in mostly low volume trading. As we have previously noted this reflects the lack of nearby interest in the rough. Even the news of the Iraq tender caused no excitement yesterday. Arkansas cash prices are following the board. Growers are holding for $13.25 flat price, but finding no nearby interest from mills, and weak buying interest from the barge/export market at $13.70, compared to offers at $14.25 CIF New Orleans. In the Delta new crop price indications remain in the area of $0.50 under the September futures. The Delta is beginning to warm up and dry out, with predictions that lots of rice will soon be planted. The report from Louisiana is that bids remain at $23.00 per barrel as the region is about out of rice. We are told that 90% of the crop is in the ground in the coastal parishes. The long-term weather forecast for April is for dryer weather. The trade does anticipate that growers will be able to get rice planted in relatively short-order, as opposed to the extensive rain delays experienced during the past two years.

The April WASDE report is deemed by some as being bearish on the prospects for U.S. rice, indicating a 2020 carryover of 30.8 million cwt compared to 27.3 in the previous report. Export sales are down significantly, showing a 21% decline from last week, and 30% off of the four-week average. Vessel loadings weren't any brighter, reporting in at a 51% drop-off from last week. Whereas the sales portion of this report is on account of high prices and low demand, the slow loadings are exacerbated by the logistics debacle that has marred 2021 thus far. The Futures market was largely unchanged as prices basically matched last week's figures. Average daily volume jumped 37% which would be more significant if the volume was higher, but as it stands, these metrics don't provide much in the way of market projections.

Total demand for U.S. long-grain recovered some from the past few weeks and was only recorded down 2.21% on the year. Although milled sales grapple to find a consumer, paddy demand continues unabated up 40%, year over year.

Between this year's larger production and the stiffened demand, it was no surprise to see what the USDA March first stocks report revealed. Long grain paddy stocks, as of March 1st were 72.352 million cwt, up 20% against last year. Milled stocks were only down slightly from 2019/20. As for U.S. medium and short-grain, paddy stocks were up only 1.2% despite a larger output, however, milled rice stocks were up sharply against year which is attributed to port and container constraints that have prevailed for much of the marketing year. Although the U.S. will move into the new crop year with greater stocks than the previous season, most already anticipate shorter supplies for the 2021/22 marketing year as U.S. rice acres are shed at significant levels.

All-rice exports were again lowered, this month (April 2021) by 2.0-million cwt to 91.0 million cwt, more than 3 percent below a year earlier and the fifth consecutive month of a downward export revision. The reduction was again only for long-grain and was largely based on Census-reported monthly shipments through February, weekly shipments and sales through April 1 reported in the U.S Export Sales, and expectations regarding shipments and sales the remainder of the market year.

Long-grain exports are projected at 63.0 million cwt, 2.0 million less than the previous forecast and 2.5 percent below a year earlier and the smallest since 2013/14. Sales to several traditional Latin American buyers—especially Colombia, Haiti, and Mexico—remain well behind their year earlier pace. Mexico is the largest market for U.S. long-grain rice, taking mostly rough-rice, and Haiti is the largest market for U.S. long-grain milled rice. The United States has shipped 120,200 tons of long-grain rough rice to Brazil in 2020/21, with no current outstanding sales to Brazil be shipped. Brazil is not a typical buyer of U.S. rice. In addition, through April 1, the United States had shipped or sold a total of 214,000 tons of long-grain rough-rice to Venezuela, well ahead of 54,600 tons a year earlier. In contrast, U.S. long-grain shipments to the Middle East are well behind a year earlier, mostly due to lack of any sales to Iraq thus far in 2020/21. U.S. medium- and short-grain rice exports in 2020/21 remain projected at 28.0 million cwt, down 5 percent from a year earlier. The United States is expected to make few--if any--sales beyond its regular sales to Japan, South Korea, and Taiwan as part of each importer's World Trade Organization commitments and its smaller regular sales to Jordan, Canada, and Mexico. California is expected to again account for the bulk of U.S. medium- and short-grain exports, with any exports from the U.S. South again expected to be very small.

The 2020/21 U.S. ending stocks forecast of 42.95 million cwt, up 3.5 million cwt from the previous forecast and 50 percent larger than the year earlier abnormally low level. The 2020/21 U.S. rice stocks-to-use ratio of more than 17.2 percent is well above the abnormally low 12.0 percent in 2019/20. By class, long-grain ending stocks in 2020/21 are projected at 30.8 million cwt, up 3.5 million cwt from the previous forecast and 82 percent higher than in 2019/20. The long-grain stocks-to-use ratio is forecast at 16.5 percent, well above the abnormally low 9.9 percent a year earlier. Medium- and short-grain ending stocks remain projected at 11.1 million cwt, 4 percent larger than a year earlier. The medium and short-grain stocks-to-use ratio remains projected at 17.7 percent, up from 15.9 percent a year earlier.

U.S. 2020/21 season-average farm-price forecasts (SAFP) were again raised this month for both long-grain and medium- and short-grain rice, primarily based on the NASS-reported monthly cash prices and marketings through February and expectations regarding prices and marketings the remainder of the market year. The long-grain 2020/21 U.S. SAFP forecast was raised 10 cents to $12.50 per cwt, up 50 cents from a year earlier despite much larger supplies. The 2020/21 southern medium- and short-grain SAFP is projected at $12.90 per cwt, up 10 cents from the previous forecast and up $1.30 from the 2019/20 SAFP. The year-to-year expected increase is likely due to a smaller crop in 2020/21 than a year earlier.

The USDA NASS *Prospective Planting* report indicated that U.S. long-grain acres would decline by 11%, however, most in the industry anticipate a greater decline, something closer to 15-20%. Similarly, the USDA's initial acre forecast for California appears more based on last year's water situation than the current one. Between water sales and water cuts, Californians are bracing for a substantial drop in planted areas, to the tune of 20-25%.

World rice prices held relatively steady this week, with only Thai prices edging lower. The dry bulk bull-market run doesn't appear to be losing steam anytime soon as the demand for coal, grains, and metals is expected to remain robust as the world climbs out of the COVID-induced economic hole.

As economies ramp up, pent-up demand is expected to spur demand for these vessels which will likely sustain the higher freights that exporters have had to negotiate this past year. Freight rates and a strong dollar could have a strong impact on what happens in the commodity sector in 2021.

The University of Arkansas provides a state-by-state breakdown of long-grain 2021 planting intentions and 2020 final acres. Arkansas is expected to have 54% of the US long-grain acres this year. Per the NASS survey, all states except Missouri and Texas will reduce acres this year. Arkansas, Louisiana and Mississippi all plan to increase corn and soybean acres. After the limit up moves and new highs in both those crops following the Prospective Planting report, those plans will most assuredly stay in place.

Planted Acres: Long-Grain	2020 Final	2021 March 31 Intentions	Change from '20	% Change
Arkansas	1,325,000	1,130,000	-195,000	-15%
California	12,000	8,000	-4,000	-33%
Louisiana	430,000	410,000	-20,000	-5%
Mississippi	165,000	120,000	-45,000	-27%
Missouri	220,000	225,000	+5,000	+2%
Texas	180,000	185,000	+5,000	+3%
United States	2,332,000	2,078,000	-254,000	-11%
Source: USDA NASS.				

Arkansas is looking at a 14% drop to 1.251 million acres (compared to 1.461 million planted in 2020). California acreage projections continue to fall based on their water situation and seems like a "how low can you go" situation. It's somewhat surprising to see Missouri and Texas acres flat from 2020 to 2021. Then Mississippi is expected to go much lower than 2020 and some think the report may still be too high.

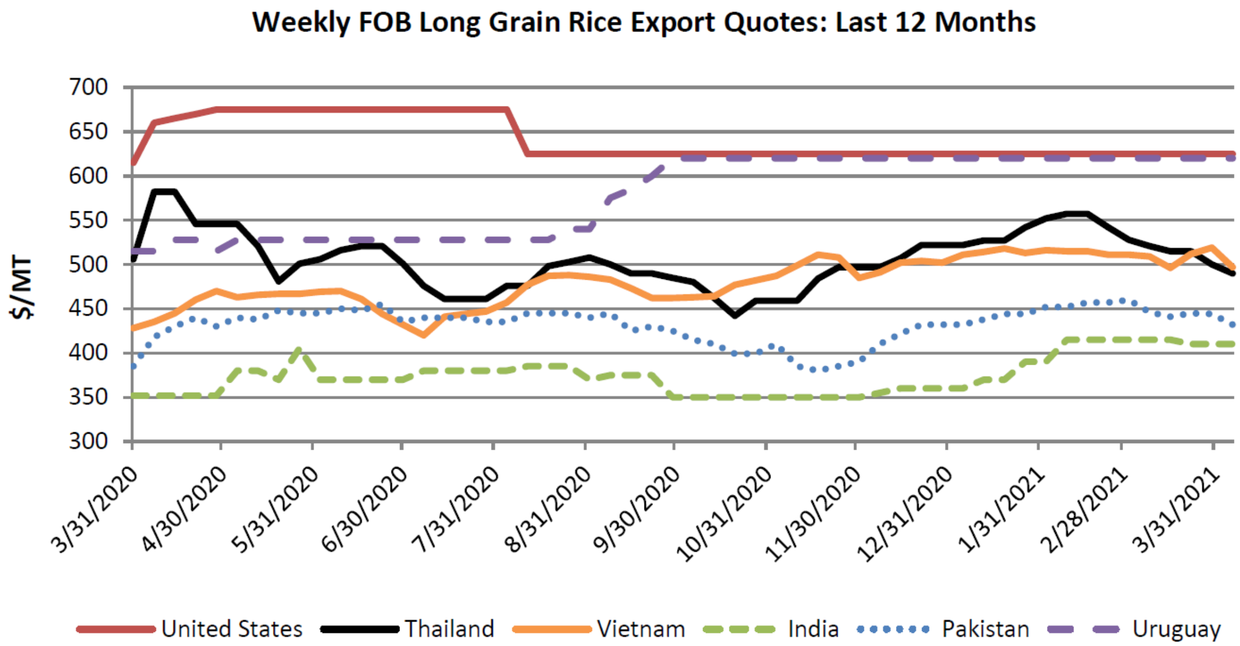
For Arkansas, the acreage estimate is in line with expectations for this year. However, the month of April will have a lot to say about whether we're able to get to that 1.251 million acres. Favorable planting conditions in April would likely allow us to get there, but if weather slows planting progress it will be easy to see more acres shift to soybean. Once we hit May, the thought of yield decline in rice, pushing rice harvest later into the fall, and soybean prices will play roles in final acreage decisions.

Looking ahead, the 2021 planted acreage used in the May WASDE will be based on the March *Prospective Plantings.* As a result, we may see a slightly larger 2021 production forecast for long-grain than shown in the USDA's February Ag Outlook Forum (table below).

Adjusted for March 31 planting intentions, long-grain harvested acres could be 76,000 higher than the February Outlook. Using the USDA's projected US average yield of 7,450 pounds would equate to a crop size of 151.7 million hundredweight—5.7 million larger. This is still well below 2020's 170.9 million cwt. crop. However, the USDA looks for much lower long-grain demand in 2021/22 with expectations for total use to slip from 190 million cwt. this year to 178 million in 2021/22. The first official 2021/22 balance sheets from the USDA will be released May 12th.

U.S. Long-Grain	USDA Feb. Outlook	Mar. 31 Planting Intentions	Difference
Planted Acres (mln.)	2.00	2.078	+78,000
Harvested Acres (mln.)	1.96	2.036	+76,000
Yield (lbs./ac)	7,450	7,450	-
Production (mln. cwt.)	146.0	151.7	+5.7

Prices quotes from Uruguay, Argentina, and Paraguay for their 5-percent broken kernel long grain milled rice were unchanged from a month earlier, with U.S. prices currently quoted about the same as quotes for similar quality shipments from Uruguay—quoted at $620 per ton—and Argentina—quoted at $600 per ton. The major South American exporters—located in the southern half of the continent—begin their harvests between late February and early April, depending on their distance from the equator. Production is projected to be smaller than a year earlier for Argentina, Brazil, and Paraguay. U.S. trading prices for long-grain milled rice were unchanged over the past month, despite a bumper 2020/21 crop. Prices for U.S. long-grain milled rice, Number 2 Grade, 4-percent broken kernels (free on board a vessel at a Gulf port, Iraq specifications) remain quoted at $625 per ton for the week ending April 6, unchanged since early August. U.S prices for Latin American milled-rice markets—Haiti, Colombia, and Mexico—remain quoted at $550 per ton for the week ending April 6, also unchanged since early August. Thai quotes trended down to $490 per ton and were, for the first time this quarter, below Vietnamese quotes which trended slightly down to $497 per ton. Pakistani quotes declined to $432 per ton on moderate import interest from traditional markets. Indian quotes trended slightly down to $410 per ton amid abundant supplies.



EXPORT SALES PROGRESS ANALYSIS	Rice (Mil CWT)
Cumulative Marketing YTD	62
% of USDA Total	67%
Seasonal Pace to Meet USDA	56
% of USDA Total	61%
Above/Below Pace Needed by	5.5
% Above/Below USDA Total	6%
USDA Total Exports	93
Total Exports with Current Pace	99

SHIPPED VS. UNSHIPPED	Rice (Mil CWT)
Marketing YTD Sales	62
Marketing YTD Shipments	46
Unshipped	16
% of Sales Shipped	74%
Weeks Left in Marketing Year	17

Without a doubt, the “big-ticket” item is the spot tender floated recently by Iraq. Whereas, it was issued, amid very little pre-advice, negotiations have been in the works by numerous traders and origins that submitted offers on the tender. Both the U.S. and Paraguay come away with the dubious distinction as being the two highest priced origins on the tender.

Upon first overview, what Iraq wants in the way of shipment, is a far cry from what any origin can facilitate arrival within two to three weeks of issuance. A vendor could hardly get the rice ready to load under this scenario. Upon second glance, the takeaways are clear. Throughout the shutdown, Iraq’s grain inventories of all soft commodities could very well be below what some would call their normal buffer stocks comfort zone. The good news is that Iraq is ready to buy, and fully recognizes the need for expediency. Whether they actually confirm something off this tender, negotiate privately, or scrap this tender and re-issue another in relatively short order, is another debate. The grand total, in order to properly service this kind of deficient destination market, could be huge with several hundred thousand tons. As far as the USA is concerned, some in the trade suspect a formal memorandum of understanding (MOU) to be signed, and U.S. rice be in contention for some substantive tonnage.

There was a considerable amount of tonnage from Brazil, Uruguay, and Paraguay (collectively – 150,000 metric tons) offered on the GBI tender, certainly the late harvest plays a formidable role in shipment. The Uruguayan and Brazilian rice were the most competitive origins of the bunch. Some might find India absent the Iraqi tender as being unexpected; however, India has more business out of West Africa than they can load- at least, for the time being. See the table of offers below.

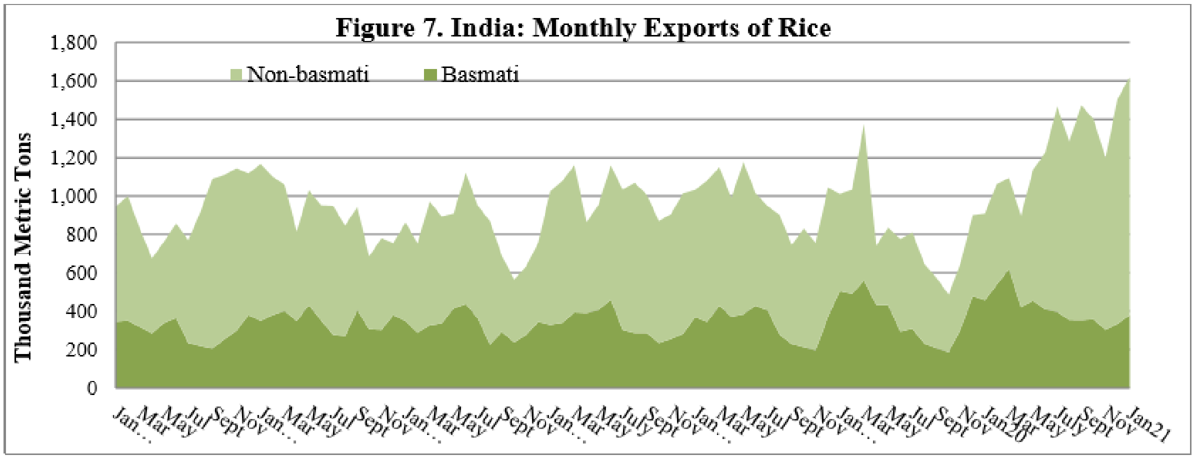
Iraq Global Tender Offers - April 5, 2021

Company name	Quantity	Origin	Price (CIF)	
			FOUT	LOUT
Supreme	33000	USA	705	
Hanalico	30000	Paraguay	725	
	30000-60000	Uruguay	699	
ADM	40000	Thailand	569.50	576.50
	30000	Brazil	689.99	696.99
	40000	USA	703.30	710.30
	30000	Paraguay	709.80	716.80
Swiss Singapore	30000	Thailand	575.95	582.95
Saif Int	30000	Pakistan	595	
	30000	Pakistan	595	

MOT/Rice/2/2021. Date : 4-5-2021

The current FAO report on the global rice market, largely because they do it so well: “Average international rice prices weakened m/m as supplies improved in key Asian exporters. Vietnamese offers declined as main (winter/spring) crop cutting peaked in the Mekong Delta, with some offsetting support from a sale to Bangladesh and anticipated demand from other regional buyers. Thai quotes weakened as off-season harvesting boosted supplies, while subdued demand continued to weigh on sentiment. In India, sales to key buyers underpinned quotes, including to Bangladesh. Some pressure came from improving availabilities amid slowing government paddy procurement, while loading delays at Kakinada Port reportedly continued to ease.”

India has become the world's leading rice exporter following the government's 2011 removal of its export ban on coarse rice. Rice exports in MY 2020/2021 are estimated at a record 15.5 million metric tons (111.5 million metric tons coarse rice and 4 million metric tons Basmati rice), an increase of 24 percent over the previous year. Post forecast MY 2021/2022 rice exports lower at 14 million metric tons (10 million metric tons coarse rice and 4 million metric tons Basmati rice) on expected higher MSP driven domestic rice prices and response from competing origins. India is unlikely to restrict rice exports.



Source: Directorate General of Commercial Intelligence (DGCIS), FAS New Delhi office research.

Official estimates for MY 2020/2021 rice exports during October 2020 to January 2021 are pegged at 5.7 million metric tons, compared to 2.9 million metric tons during the same period last year, largely on strong exports of coarse grain rice to the traditional Middle East and African markets. Based on the preliminary official export figures, MY 2020/2021 exports are estimated at 12.6 million metric tons, mostly to Saudi Arabia, Iran, Nepal, and African countries.

Cotton

The holiday-shortened week ending Thursday, April 1st saw ICE cotton futures trade sideways in a narrow band before starting to gyrate, then tumble. The nearby May '21 contracts settled down almost three cents on the day and over two cents on the week at 77.95 cents per pound. Continuing influences include reportedly light demand, mostly flat Chinese and world cotton prices, and weaker U.S. dollar/stronger stock markets at the week's end. Cotton-specific fundamental factors this week included weak U.S. export sales (despite recently weak prices) and somewhat expected prospective planting numbers from the USDA. Certified stock levels remain static.

The hopeful return to the upper 80's has stalled. The market (new crop Dec futures) was in a downtrend for the month of March and April is not starting out any better. There's no reason to panic– we very well yet could still see a return to higher prices. But amid all the previous optimism and hype, the market now shows it has no problem moving in the opposite direction instead. The USDA NASS Prospective Plantings report is based on surveys conducted the first two weeks of March. During this period, cotton prices were mostly 5 to 7 cents higher than their post-report levels. Given the decline in prices since, it remains an issue how accurate the 12-million-acre number will be. Can and will farmers' earlier intentions be altered because of decline in price? Because the survey results are from when prices were quite a bit higher and because, even so, intentions were not higher than last year, this could be interpreted as supportive of the market. So, 12 million acres will be the number the market deals with until the USDA's June 30th Acreage report.

The new crop December technical performance indicators are much more promising and suggest the contract will return 81-82 cents based on U.S. production concerns. While cotton futures prices took a hard tumble at week's end, both Chinese cash and futures prices maintained their full value. Additionally, world yarn prices maintained a very firm price structure and yarn demand was exceptionally strong. Thus, the up market for cotton gave every appearance of needing supplies despite New York's troubles, especially given the demand for yarn in various markets.

U.S. exports, by good measure, could have been considered very strong except for a very major cancellation. Weekly net sales were only 78,400 bales. However, this included a huge 126,500 bale cancellation from Indonesia. Absent that cancellation, sales would have exceeded 230,000 bales. Shipments remained very active at 324,700 bales – well on pace to meet or exceed the USDA estimate of 15.5 million bales. Nevertheless, one cannot overlook the Indonesian cancellation.

The March price sell off, coupled with the April Fool's day sell off, gave mills the opportunity to fix prices at a "lower" level. They were very aggressive in doing so. That did serve to relieve any upward price pressure for the May futures contract, but only partially offset the upward price pressure for the July contract. Yet, when taken in conjunction with December on-call sales, some upward price pressure remains. Granted, December on-call sales are typically well offset by December on-call purchases. The ratio of December on-call sales to call purchases is more favorable then typical.

The market does have more of an air of uncertainty than is typical. Much of the uncertainty can be traced to the military threat that China has employed against other countries, as well as against textile and apparel firms and retail outlets, over the Western world's banning of cotton, textiles and other goods from the military-controlled Xinjiang province.

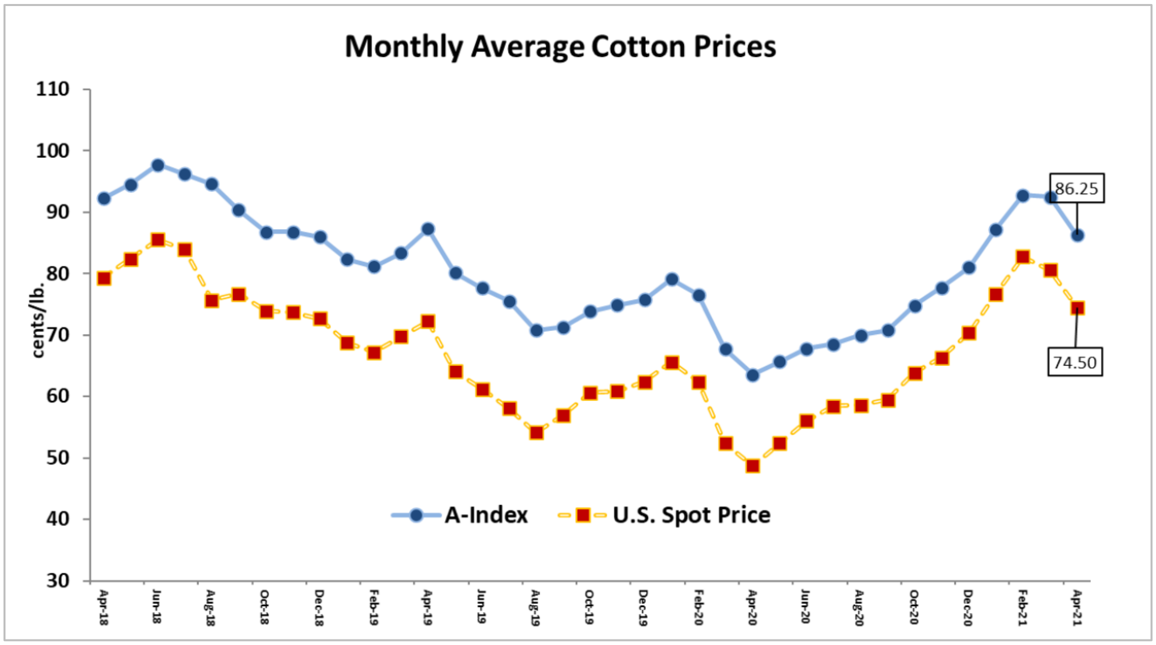
Additionally, the coronavirus spread in much on Asia, outside of China, has forced some textile operations to limit work schedules. However, the giant Chinese textile engine is pumping on all sixteen cylinders, and cotton demand is very steady and estimated to be increasing. Some suggest that China's saber rattling is their attempt to force prices lower in favor of making a large purchase of cotton.

There is total agreement that China does need sizeable quantities. They have purchased over 5 million bales of U.S. over the past two years in addition to Australian, Indian, Brazilian and other growths. Thus, it is difficult to sell the market much lower given the Chinese demand.

Old crop cotton futures are up 123 to 131 points after the USDA's report. The USDA's cash average price for cotton was a penny lower to 68 cents per pound. New crop prices are 37 to 64 points in the black so far. The USDA's April WASDE shows a net increase of 250k bales, shrinking carryout to 3.9 million. Globally, cotton carryout was 1.13m bales tighter to 93.46 million. Exports were 940k bales higher which slightly reduced the U.S. market share to 34.63%.

Futures have stabilized the past two weeks as the drop to three-month lows boosted merchant demand for U.S. cotton. Export demand also improved from Vietnam, Pakistan and China as global yarn prices are rising as the recovery from the pandemic picks up momentum.

The A-index and U.S. spot price have seen a sharp decline in recent weeks as mill demand weakened when the A-Index neared $1.00 per pound, and speculators liquidated long positions in the futures market.



The 30-day outlook requires that the market be aware of better exports to Vietnam, Bangladesh, Pakistan and other cotton importers after the sharp drop in prices during March enabled U.S. exporters to fix more bales at attractive prices. Rising world yarn prices and the growing global economic recovery will support better clothing and home goods into late 2021. Longer term, over the next 90 days, the cotton market outlook remains cloudy because of rising U.S./Chinese tensions. The Senate's approach to counter China is taking shape with a bill introduced April 8th. The measure seeks infrastructure investment and technology developments to compete with China on global supply chains, science and technology. The bill would strengthen arms-control measures with allies and require reports on Chinese weapons and space systems. It would also bolster alliances and multilateral institutions to defend human rights in China and address Beijing's advances in Asia and around the world. It also contains provisions to defend intellectual property and enforce export controls. The growing U.S. pressure my result in larger Chinese purchases of U.S. farm goods to try to meet its trade deal commitments. But China could take a tough line and that may curb buying. Remember, China only does something if it helps China.

April's WASDE report included higher cotton consumption and lower carryover of U.S. stocks. Estimated world consumption was increased, world production was lowered, and world carryover was lowered. The estimates were hailed as a "sight for sore eyes" as the market had spent the past month wishing and hoping that the USDA would finally adjust its numbers to industry estimates. The changes should be significant enough to bring speculative money back to the cotton market and providing the spark for more pricing opportunities. The market continues to feel that more bullish adjustments to carryover stocks, both in the U.S. and the world, will be forthcoming.

Dr. O.A. Cleveland notes that a tone of bullishness has returned to the market. Traders are looking for more speculative interest. Both May and July old crop futures contracts have returned to the low to mid 80's. The new crop December has traded back to 82 cents, just 6 cents below its high. Expectations are that the 88-cent high will be challenged. Two factors have risen to the apex of traders ideas of market activity. Old crop ideas relate to just how much cotton will be required to maintain current Chinese spinning activity. China has an immediate need for imports to keep its spinning capacity at current levels. Not only must China build stocks for immediate use, they must also replenish its reserve stocks of imported cotton. Essentially every single bale of U.S. high quality will get shipped to China in the coming months. As has been commented for months the demand for a combination of U.S., Brazilian, and Australian growths is paramount. With China starting a spitting contest with Australia, it enhances the need for not only U.S. and Brazilian, but also Indian, as well as limited amounts of other growths. Plain and simple, the world's largest spinning industry mush import cotton. The country cannot afford for its textile industry to slow down as the textile industry remains as the country's major source of employment outside of production agriculture. The unabashed principal requirement in the country is to keep the population employed.

Chinese import needs stretch well into the worlds 2021-22 crops. Thus, the potential drought facing nearly half of the U.S. crop becomes more of an immediate market issue with each passing day. The "market deadline" for the Texas Plains crop is the traditional Memorial Day rains (May 30- June 1).

The other factor is the persistent drought spreading across the Plains of Texas and Oklahoma. The Texas Coastal Bend and South Texas crops are up and growing but only with spotty stands. It is early, but yield potential is being second guessed.

The rains always come, or do they? The million-dollar rains have become the billion-dollar rains. The new crop December contract is beginning to feel the upward price pressure of the expanding drought. With U.S. stocks falling, and the coming absence of high-quality cotton, the New York ICE contract is upward bound and will only be slowed by rumors of light sprinkles of Mother Nature's rain.

The USDA made only two changes it its estimate of the U.S. cotton situation. It increased its estimate of U.S. cotton export sales to 15.75 million bales, up 250,000. Subsequently, it also lowered ending stocks for the 2020-21 marketing year to 3.9 million bales.

This is important in that the psychological trading view is overall much more price supportive when ending stocks are below 4.0 million bales, even if just barely so. Further, most analysts feel that stocks will be lowered 200,000 or more in the coming three months.

Changes in the world balance sheet were even more bullish: world production was lowered some 300,000 bales; world consumption was increased 400,000 bales; and world ending stocks were lowered 1.1 million bales.

Most likely the market had already faded some of these changes. Thus, the bullish impact of the report will likely be only 2-4 cents. The higher daily price increases just before the report's release were likely part of that price increase. Yet, as prices move higher the market will back and fill.

The most bullish point in the report was that the USDA increased its estimate of world cotton trade almost one million bales. A key thought here, the least of which was an increase in Chinese imports. The real meaning is that this is very hard evidence that pent-up demand for cotton is just beginning. The estimate for world trade has increased over 1.5 million bales in the past 60 days.

Cotton prices were already trending lower when the U.S., the E.U., U.K., and Canada issued joint sanctions on a few Chinese individuals accused of human rights abuses on March 22nd. Relative to the ban on Xinjiang content that the U.S. imposed on January 13th, these sanctions can be viewed as largely symbolic. Nonetheless, the announcement provoked a reaction in China, triggering boycott efforts against several western apparel companies.

Following these developments, there were steeper declines in cotton prices. These losses may have been driven out of concern for the trade relationship between the U.S. and China. China accounts for 32% of the current U.S. export commitment for 2020/21 delivery, and China has taken 39% of U.S. shipments so far this crop year.

In each of the five past crop years, China accounted for less than 20% of U.S. exports. The increase in China's share of U.S. exports comes from a meteoric rise in Chinese purchases in 2020/21. U.S. exports to China are up 276% year-over-year. The strength of Chinese demand has been the driver of the 15% year-over-year growth in overall U.S. shipments this crop year. Excluding China, U.S. exports are down 20% year-over-year.

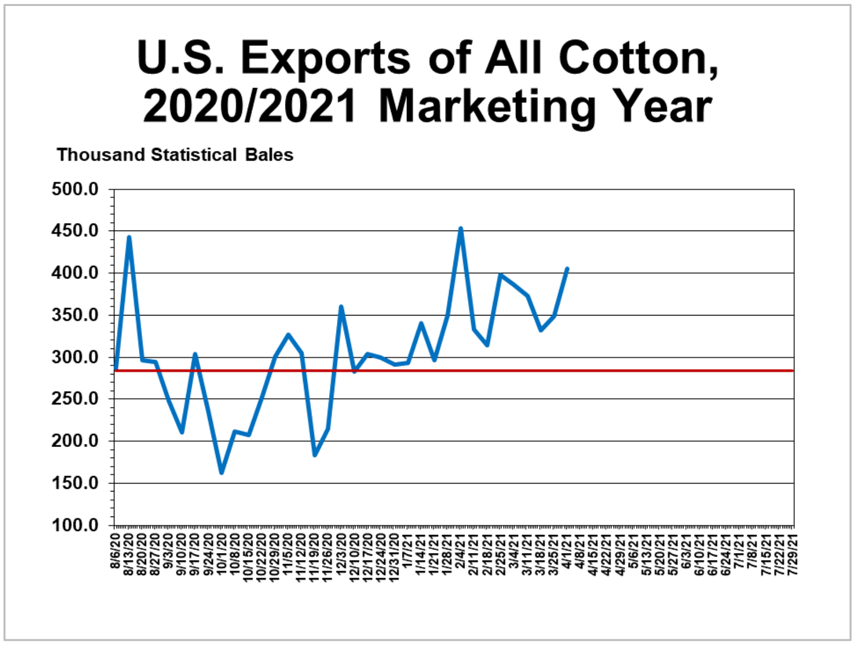
The importance of Chinese demand to U.S. exports creates uncertainty for the market. In the Phase One deal, China promised to increase agricultural purchases in the 2021 calendar year (+$7.0 billion beyond 2020 levels). If fulfilled, this could be a factor that pulls U.S. stocks tight in 2021/22. If political tension between the two countries causes the deal to be abandoned, a negative reaction in prices could be expected.

Meanwhile, demand from other markets should improve. COVID vaccines are being distributed. Along with fiscal and monetary stimulus, the hope that the pandemic will be contained has lifted forecasts for economic growth.

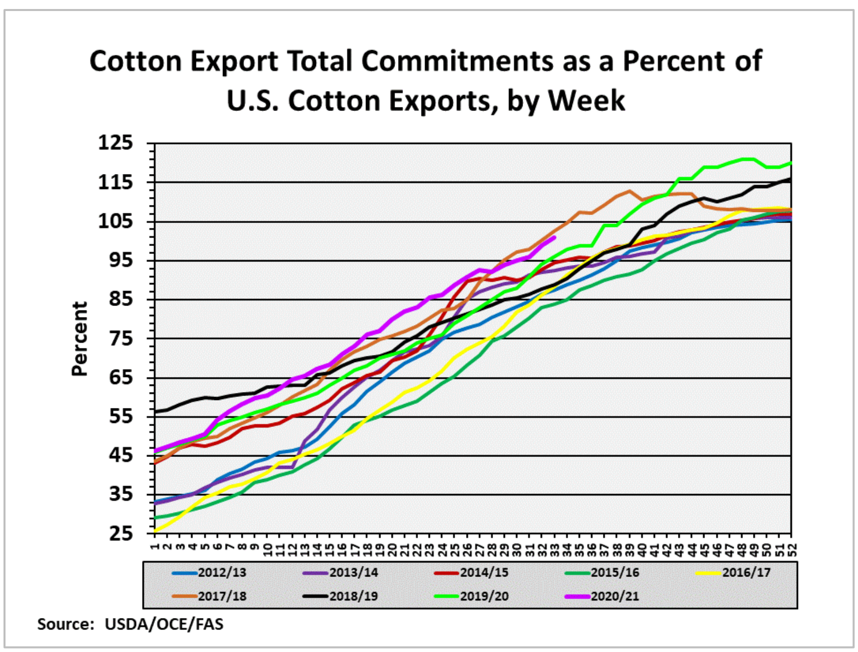
The International Monetary Fund (IMF) just released a prediction that the global economy will expand 6.0% in 2021. This represents the strongest rate of growth in nearly five decades. Although some recovery in cotton consumption has already been enjoyed in 2020/21, global GDP growth is correlated with global mill-use. The acceleration in economic growth predicted in 2021 suggests a further boost to mill demand into 2021/22.

For price direction, any increase in global mill-use will have to be balanced against production and stocks. The USDA will issue its first complete set of supply, demand, and trade forecasts next month. Although the weather, COVID, and trade policy will continue to create uncertainty for the outlook, their projections will help inform expectations for 2021/22.

The blue line in the figure below (compiled by Dr. John Robinson at Texas A&M University) 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 (i.e., upland and pima) required to meet the USDA 2020/21 projection (15.5 million bales since the February WASDE) of what total exports will be by July 31, 2021. The level of actual shipments (the blue line) has gyrated above and below the level needed to reach the USDA's target. For the week ending April 1st, export shipments remained strong and above par. Still, it's a long time till July, so we will see how weekly shipments average out in relation to the weekly target.



Dr. Robinson also point to 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 April 1, 2021 include 10,356,666 bales worth of accumulated exports of all cotton, i.e., Pima and upland sold and actually shipped. It also includes another 5,237,052 running bales of pima and upland sold but not yet shipped ("outstanding sales"). The total of accumulated exports and outstanding sales is 15,593,718 running bales of total commitments which, after converting to statistical bales, is 104% 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 or rolling forward of un-shipped sales by July. And/or the USDA may move the 15.5 million bale target higher in a forthcoming WASDE.



China's Cotton Imports by Country of Origin

Unit: Tons

Country	MY17/18	MY18/19	MY19/20	MY20/21*
United States	558,777	370,045	473,292	883,698
Brazil	82,148	476,494	565,352	495,981
India	120,125	271,955	130,162	214,126
Australia	282,467	555,463	203,903	58,828
Uzbekistan	85,020	81,484	13,014	
Benin	9,501	48,779	16,449	
Burkina Faso	10,501	35,567	14,612	
Cameroon	3,291	18,179	11,997	
Mali	502	26,931	15,301	
Mexico	22,010	33,783	14,253	
Cote d Ivoire	9,634	20,200	10,623	
Zimbabwe	3,544	11,369	1,165	
Others	55,602	146,013	83,566	
Total	1,243,122	2,096,262	1,553,689	1,802,220
Price $/ton	1,950	2,004	1,754	1,618

* First seven months data of MY20/21; Source: TDM

An expected increase in global mill use and the distribution of COVID vaccines offer some hope for recovery in the cotton sector but there are multiple issues that could derail progress, including tightening supplies and the continuing escalation of trade tensions between some of the world's top cotton-producers and consumers. On the positive side, mill use is expected to increase by 8% in the 2021/21 season and vaccines have slowly been making their way around the globe (ICAC).

However, vaccine deployment varies widely from one region to the next, with many countries having provided no vaccinations at all. In addition, consumer spending on goods has improved more than it has for services to date, so once people can return to traveling and socializing, a potential shift in spending could reduce demand for durable goods. Furthermore, while the global consumption estimate has increased from the previous month, the global production estimate has decreased, so lower stock levels could provide future support for prices, which set a season-high at the end of February. In addition, uncertainty abounds regarding the relationships between major buyers and sellers.

USDA Prospective Plantings Report for Louisiana (March 31, 2021)

Louisiana corn producers intend to plant 610,000 acres, up 22 percent from the 500,000 acres planted in 2020. Upland cotton acreage intentions are at 120,000 acres, down 29 percent from the 170,000 acres planted last year. All rice intended planted acres for 2021 are estimated at 445,000 acres, down 7 percent from the 480,000 acres planted in 2020. Long grain rice acres are down 20,000 acres from last year, and medium grain acres are down 15,000 acres from a year ago. Soybean producers intend to plant 1.10 million acres in 2021, up 5 percent from last year. The first sugarcane harvested acreage estimate for 2021 will be available on June 30, 2021.

Principal Crops: Area Planted and Harvested - Louisiana and United States: 2020 and 2021

Crop	Louisiana			United States		
	2020	2021 [1]	Percent of previous year	2020	2021 [1]	Percent of previous year
	(1,000 acres)	(1,000 acres)	(percent)	(1,000 acres)	(1,000 acres)	(percent)
Corn	500.0	610.0	122	90,819.0	91,144.0	100
Cotton, upland	170.0	120.0	71	11,890.0	11,894.0	100
Hay, all [2]	400.0	390.0	98	52,238.0	51,714.0	99
Rice, all	480.0	445.0	93	3,036.0	2,710.0	89
Long Grain	430.0	410.0	95	2,332.0	2,078.0	89
Medium Grain	50.0	35.0	70	663.0	593.0	89
Soybeans	1,050.0	1,100.0	105	83,084.0	87,600.0	105

[1] Intended plantings in 2021 as indicated by reports from producers.
[2] Intended area for harvest in 2021 as indicated by reports from producers.

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	$5.05	$3.95	--
Long Grain Rice	$12.50	$14.00	$1.50
Medium Grain Rice	$12.90	$14.00	$1.10
Seed Cotton**	$0.3454	$0.3670	$0.0216
Soybeans	$11.25	$8.40	--
Wheat	$5.00	$5.50	$0.50

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

Sources: USDA Agriculture Market Service (AMS), USDA Foreign Agriculture Service (FAS), USDA Farm Service Agency (FSA), USDA National Agriculture Statistics Service (NASS), USDA Economic Research Service (ERS), USDA FAS GAIN Report, USDA Office of Communications, USDA World Supply Demand Estimates (WASDE), 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.

LSU AgCenter Research · Extension · Teaching

Contact Michael Deliberto at 225-567-7267 or by email mdeliberto@agcenter.lsu.edu
Department of Agricultural Economics and Agribusiness
Louisiana State University Agricultural Center, Baton Rouge, LA