Staff Report No. 2020-70 **December 11, 2020**

December Market Update
Corn, Soybeans, Rice, and Cotton

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WASDE Summary

The U.S. corn supply and use outlook for 2020/21 remains unchanged for December. Ending U.S. corn stocks held steady, at 1.072 billion bushels, with analysts expecting a modest decline on an average trade projection of 1.691 billion bushels. Projected season-average farm price stays unchanged at $4.00 per bushel.

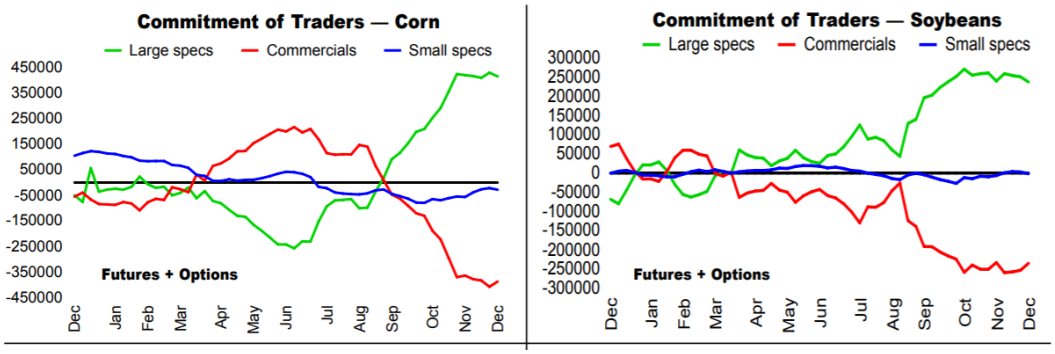
The USDA reported that domestic soybean stocks sank to their lowest level in nearly a decade, falling another 15 million bushels lower to 175 million bushels. The average trade guess was even lower, at 168 million bushels, but individual estimates did vary from between 120 million to 190 million bushels. Soybean and soybean product prices are forecast higher this month. The U.S. season-average soybean price for 2020/21 is projected at $10.55 per bushel, up 15 cents. The soybean meal price is projected at $370 per short ton, an increase of $15.00 per ton.

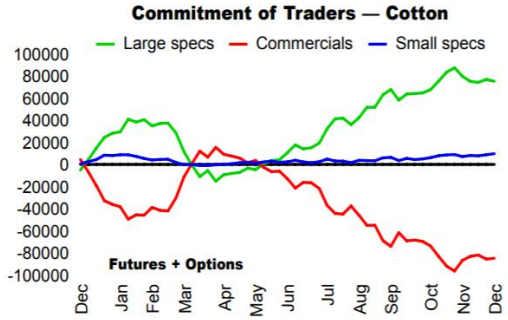
The outlook for 2020/21 U.S. rice this month is for slightly lower supplies, unchanged domestic use, decreased exports, and higher ending stocks. Supplies are lowered, all on reduced medium- and short-grain imports. Imports are lowered slightly as reduced shipments from China to Puerto Rico are expected. Exports are lowered on the continued weak pace of sales and shipments in the first half of the marketing year with all the reduction coming in the long-grain category. Projected 2020/21 all rice ending stocks are raised 1.3 million cwt to 50.8 million, an increase of 77% from last year, equating to the largest ending stocks since the 1986/87 MY. Average farm prices are increased by $0.10 to $11.80. Prices for Southern medium grain is predicted to hit $12.00 per cwt, up $0.20.

This month's outlook for U.S. cotton includes lower production, higher exports, and lower ending stocks. Production has been lowered by 1.1 million bales, mainly due to a 900,000-bale reduction in Texas.

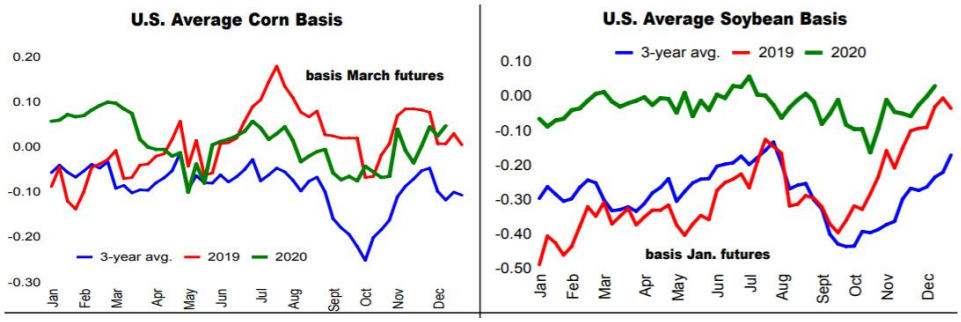
Domestic mill use is unchanged, but exports are raised 400,000 bales to 15.0 million as world consumption and U.S. export sales rise. Ending stocks are 1.5 million bales lower, at 5.7 million or 33 percent of use. This stocks-to-use ratio would be 8 percentage points lower than in 2019/20, and the second highest since 2007/08. Upland cotton's projected 2020/21 season-average price is 65.0 cents per pound, 1 cent higher than last month and 5.4 cents above 2019/20.

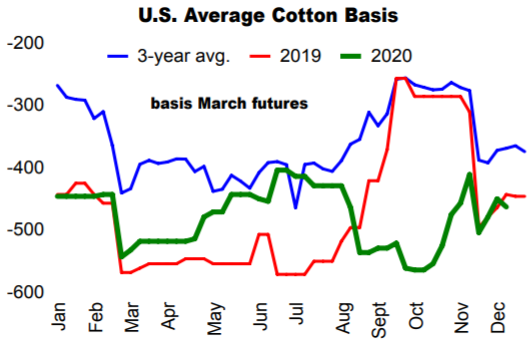
Commitment of Traders Report (COT) December 8, 2020





Cash Market Basis Charts December 9, 2020



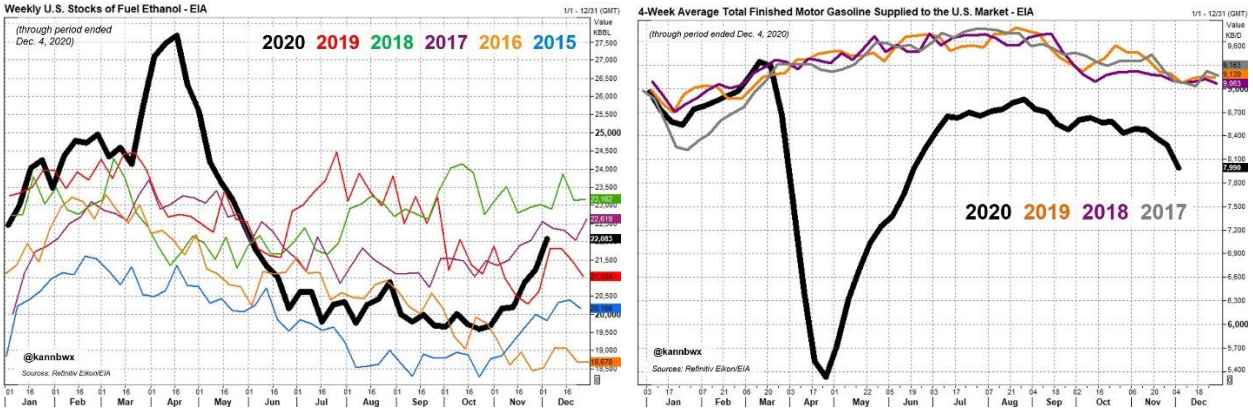


Corn

The WASDE report was neutral but will be viewed as being supportive of elevated prices for both corn and soybeans. Traders anticipated that ending stocks for U.S. corn were likely to fall by about 11 million bushels from the November WASDE. Instead, corn ending stocks remained completely unchanged at 1.702 billion bushels. Corn futures finished 1 1/2 to 2 1/2 cents lower as morning price strength faded after the USDA's monthly supply/demand report failed to delivery fresh bullish news, with the USDA leaving its 2020/21 U.S. corn balance sheet unchanged. Another good weekly export sales total, dry weather in southern Argentina and a cut to the USDA's Argentine crop estimate were not enough to support the market against speculative profit taking. A cut to Brazil's official corn crop forecast also did not excite traders. Most-active Mar. corn futures settled 2 1/2 cents lower at $4.21 1/4.

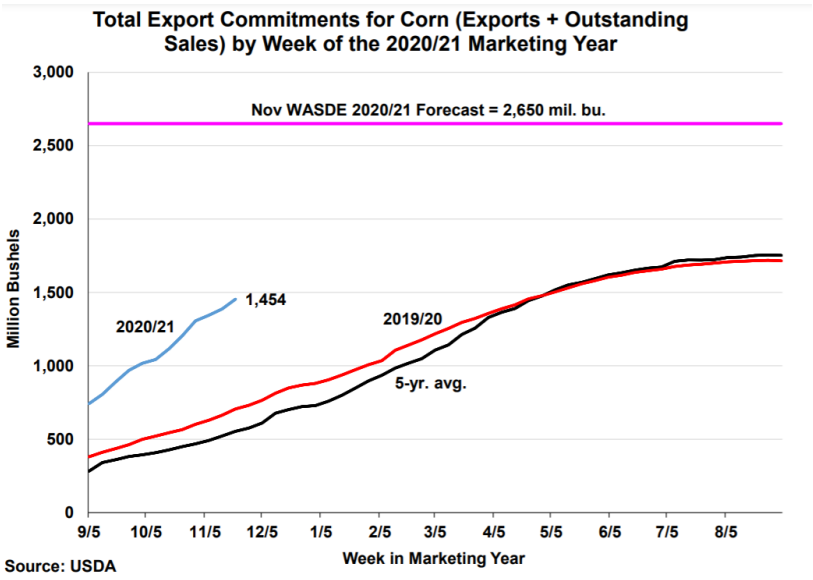
With the latest USDA report now disseminated, traders will focus increasingly on South American weather, but year-end positioning events will become a significant market factor and with large speculators still heavily long the market, it could put substantial near-term pressure on prices. Export demand figures remain a supportive market factor but are likely to slow through the holidays. Actual export shipments continue to lag expectations.

Concerns over ethanol production continue to plague the industry over concerns of a drop in fuel demand. U.S. ethanol output last week hit 991,000 barrels per day, its highest since March 20. Use, however, has been trending lower, stocks are up over 22 million barrels, a 12% rise in five weeks. Gasoline demand last week was 12% below its three-year average, the worst departure in five months.

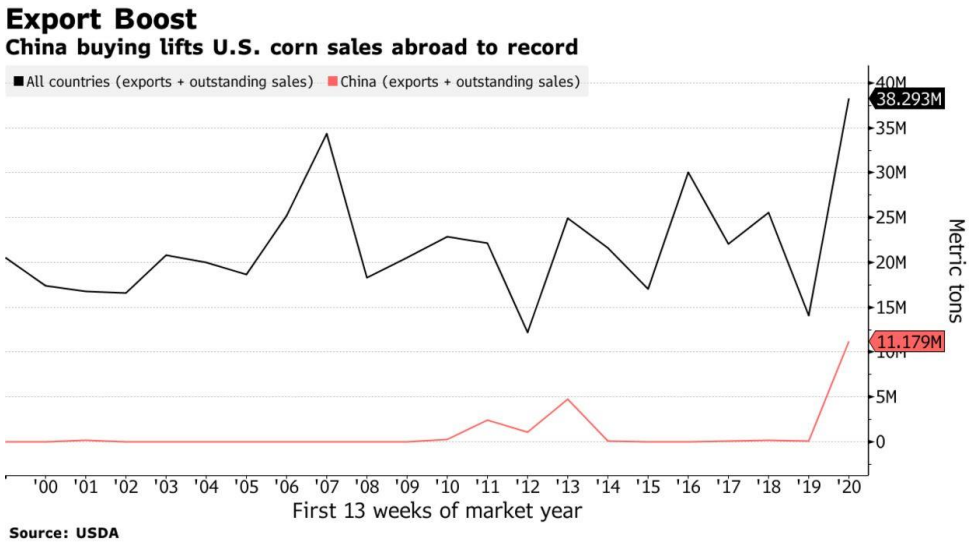


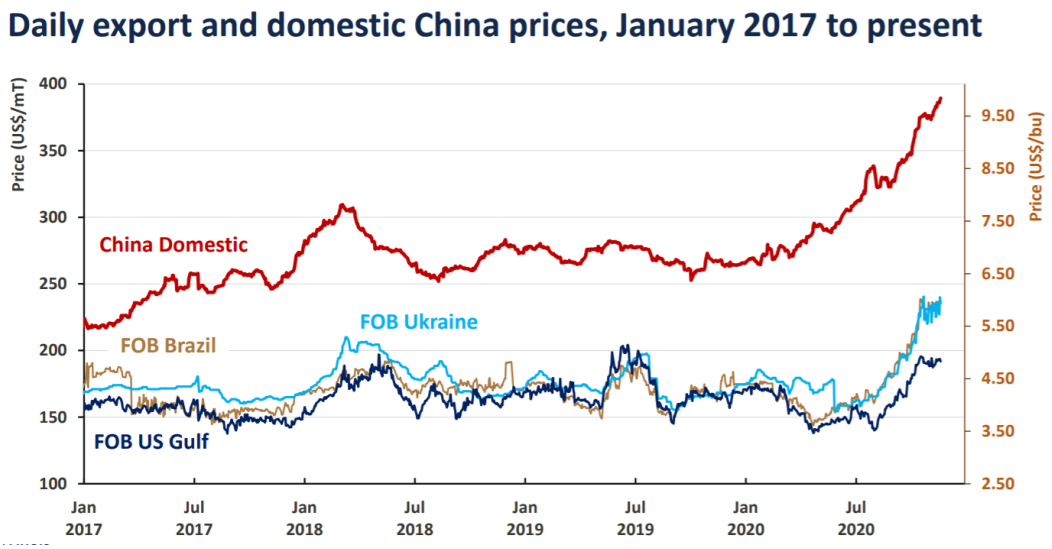
Corn exports totaled 145 million bushels in October, a 54.1-million-bushel improvement over last year's poor showing but still well shy of the 225 million bushel record for October two years ago. Two months into the marketing year, corn exports stand at 295 million bushels, 123 million bushels up from last year.

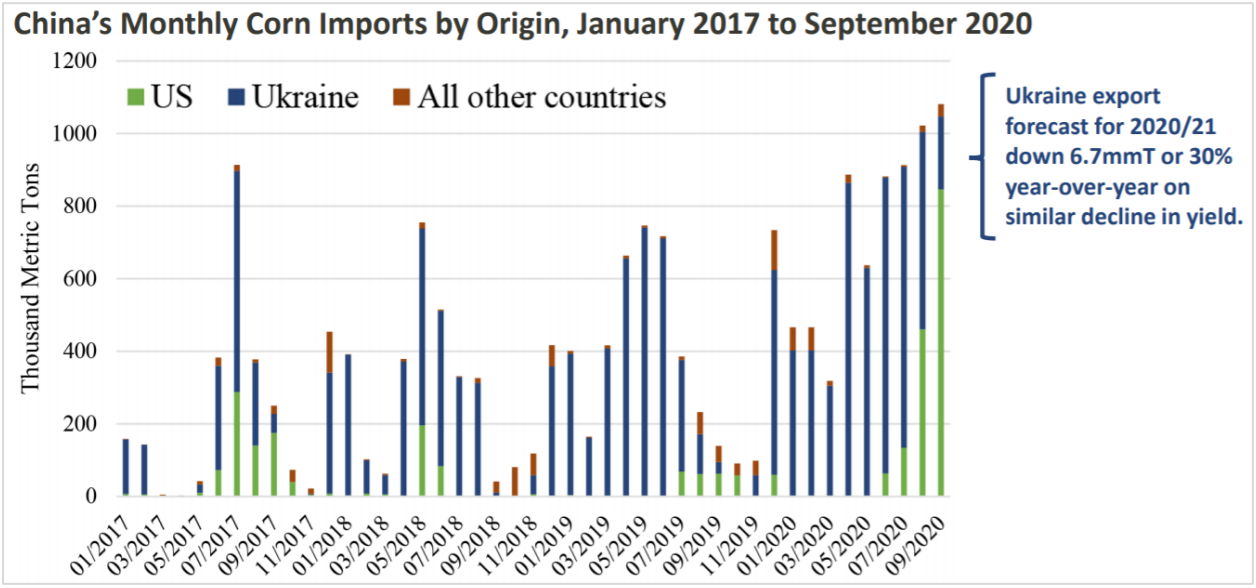
China accounted for 1.1 million metric tons of October shipments. Census Bureau data indicate that, as of ten months into the current calendar year, the U.S. has exported roughly 4.12 million metric tons of corn to China.



Bloomberg reports that when "measured by the bushel, the U.S./China relationship has never been stronger. Through the trade war and open hostilities at the highest political levels, pig farmers in China and crop farmers in the U.S. have become increasingly interdependent". Already America's biggest customer of soybeans and sorghum, for this season China bought an unprecedented 11.2 million metric tons of corn, up nearly 1,300% compared with pre-trade-war purchases. "For the moment, both sides seem happy. The American imports have helped China feed its hog herd, which is recovering faster than expected after the African swine fever outbreak created a shortage of the country's most staple protein. Meanwhile, U.S. farm profits are at a seven-year high, riding China's demand and additional support from federal aid to agriculture."





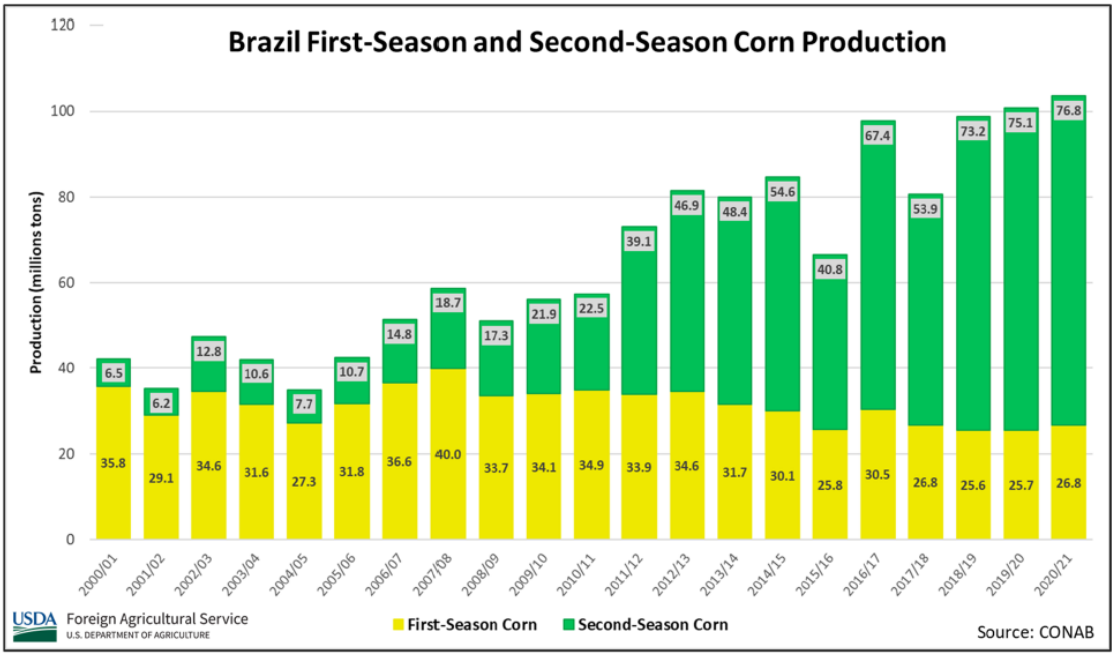


Trade data for 2019/20 (October-September) are largely complete. Many countries imported record volumes of corn, despite initial concerns over a potential slowdown in feed use due to COVID-19. For 2020/21, global trade for major feed grains is forecast to grow significantly over estimates a year ago. Corn imports are forecast to grow 7% from last year's record, while barley imports are expected to grow 6%. Sorghum imports are estimated up 53%. The primary driver behind the forecast growth is China. Domestic corn prices in China have been rising throughout calendar year 2020 reaching $378 per ton last month, their highest since July 2015. Since July, the country has been active in securing corn and corn substitutes (sorghum, barley, and field peas) to satisfy growing demand for feedstocks for its animal feedstock sector.

Chinese corn imports are forecast to more than double from last year. Although there has been no public announcement by the government authority on additional quotas being allocated, corn imports are already well above the TRQ allotment of 7.2 million tons. Barley imports are forecast to be larger than a year ago as China steps up purchases from Canada, France, and Ukraine, while imposing antidumping and countervailing duties on barley from Australia. For sorghum, global trade is forecast higher on China's

growing need for supplies from the United States and to a lesser extent Argentina. With domestic corn prices continuing to run at near-record levels, China is expected to be a key player in global trade for corn as well as corn substitutes. Given China's outsized impact on global commodity markets and as its import needs unfold into 2020/21, dynamic trade in coarse grains is expected.

The USDA estimates total corn production in Brazil at a record 110.0 million metric tons, unchanged from last month but up 8.0 million metric tons (8%) from last year's record. Total harvested area, for both the first-season and second-season corn crops, is estimated at a record 19.5 million hectares, up 1.0 million hectares (5%) from last year's record area of 18.5 million hectares. Yield is forecast at 5.64 tons per hectare, 2% higher than last year's crop, but slightly lower than the previous record of 5.77 tons per hectare in 2018/19 and up 8 percent from the 5-year average of 5.20 tons per hectare.



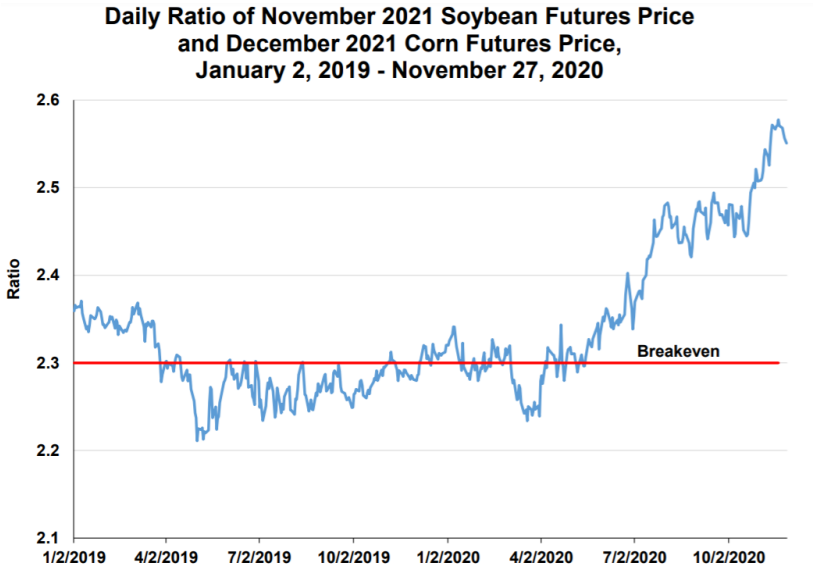
The first crop was planted from September through November with area forecast by CONAB (*Companhia Nacional de Abastecimento* or the National Food Supply Company), an agency within the Ministry of Agriculture in Brazil, at 4.15 million hectares (down 2% percent from last year) and area for second season corn at 13.8 million hectares. Production is forecast higher by CONAB for both seasons (3% for first-season and 2% for *safrinha* corn). With favorable corn prices, analysts expect the area for second-season corn to be larger than last season. Planting of the second-season crop generally starts in January immediately following soybean harvest. There is a strong potential for delays for the *safrinha* season due to the delays in soybean planting through early November because of late rains.

Corn and Soybean Acreage Influences for 2021 and Relative Price Ratio

Tighter carryover of corn and soybeans for 2020/21, smaller-than-expected South American crop production due to dry conditions caused by La Niña, and consistent buying of U.S. grain by China are collectively supporting grain prices. These factors are creating the rare occurrence of a curtailing in supplies and an uptrend in demand. Hence, that stage is set for a fierce corn/soybean acreage battle in 2021. Key marketing factors to watch early into 2021 include:

1. South American weather. Rain at the right time could shift production estimates in the growing season, which lasts until U.S. springtime.
2. Chinese demand. Will they continue to buy and exceed expectations?
3. U.S. agricultural policy. How will global trade react to a Biden administration?
4. COVID-19 impacts. Will concern over further shutdowns and food supply encourage countries to build strategic reserves? On the other hand, will a vaccine lessen that concern?
5. Valuation of the U.S. dollar. If the U.S. dollar trends lower- or drop dramatically- U.S. products become even cheaper, which would entice global buyers.

A soybean to corn price ratio above 2.30-2.35 typically favors soybeans. As of late November, the ratio has approached 2.57, favoring additional soybean acres for 2021.



Soybeans

It is hard to find a person who did not think that the report would increase U.S. soybean exports based on the torrid record pace of sales, which already accounts for nearly 88% of the current projection. Bullish traders were disappointed when the WASDE decided to leave exports untouched but raised crush by 15 million bushels. The resulting ending stocks level of 175 million bushels was about 10 million bushels higher than the average pre-report trade estimate and higher than where many think it could ultimately go. Ending stocks are still the lowest since 2013/14.

The WASDE was friendly for soybean prices, but that bit of optimistic news had already built into the futures market. The USDA's carryout estimate was 15 million bushels lower, but 7 million above the average of trade expectations. The cut came due to an increase in the U.S. crush estimate with projected exports being left unchanged at 2.200 billion bushels. Increases to projected exports could still be coming though since U.S. export sales and shipments are far ahead of the pace needed to meet the USDA's export forecast. The market is likely to remain very conscious of tightening U.S. supplies. To some analysts, the idea that the USDA could cut production again in January could be price supportive for soybeans. The USDA's soybean carryout could already be classified as extremely tight, with projected 2020/21 ending stocks/use ratio now forecast at only 3.9%.

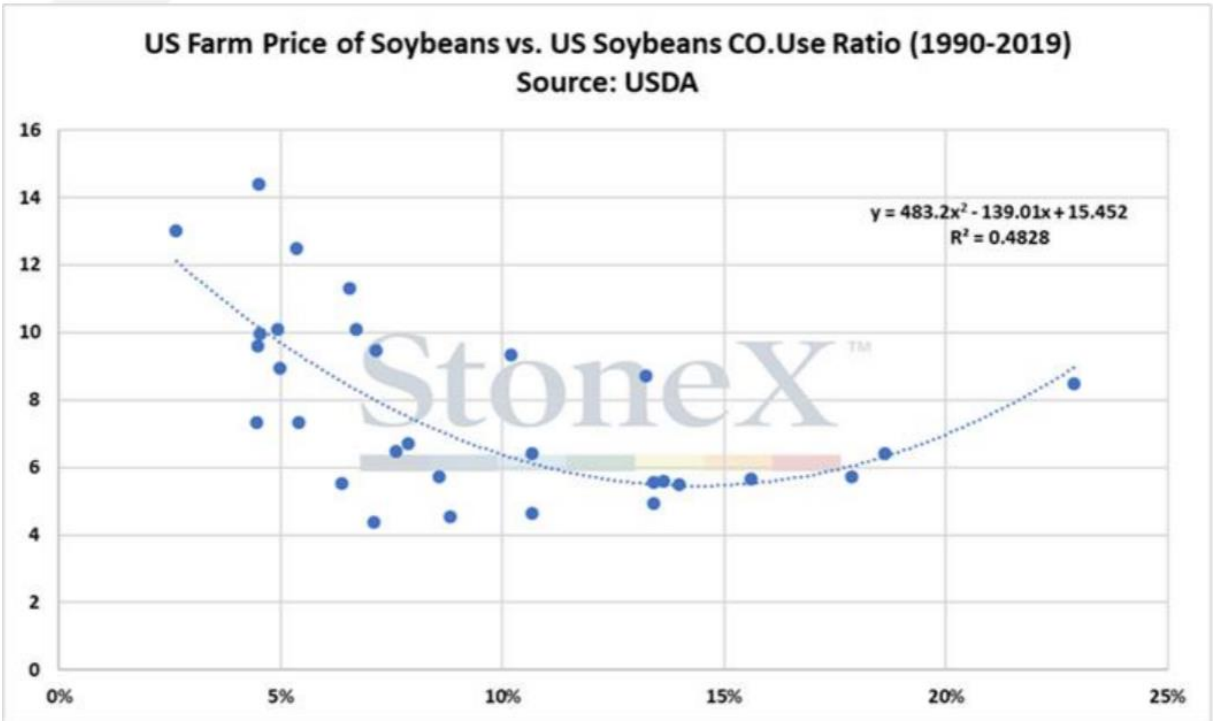
This 60-minute chart of January soybeans shows soybeans futures were up 17 3/4 cents just prior to the report release but quickly fell 27 cents from the highs before recovering a bit (DTN ProphetX chart).

Season average price on soybeans was increased 15 cents to $10.55 per bushel. The season average for soymeal was raised $15 to $370 per ton, and the average soybean oil price was boosted by 1.5 cents to 36 cents per pound. The report was mostly neutral for soybeans with many traders still expecting both the U.S. and world balance sheets to tighten. While still early in South America's growing season, the USDA was hesitant to make any major changes.

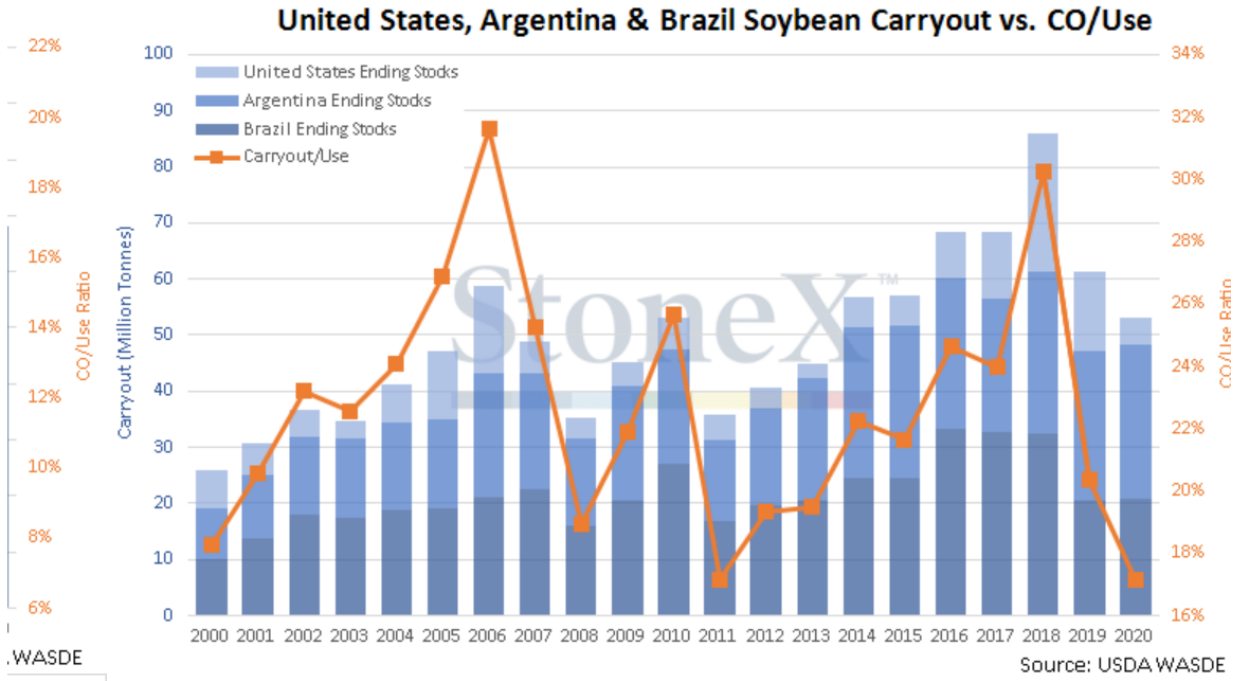
Soybean futures ended up sliding 2 to 5 3/4 cents and finishing near their session lows as their substantial morning rally fizzled after the USDA's monthly supply/demand report failed to provide and bullish surprises for the market. Speculative profit taking seems to be set as traders turned their attention back to improved crop weather in Brazil. Nearby January soybean futures settled 5 3/4 cents lower on the day at $11.52 3/4, 25 1/4 cents off their session high.

Technically, the information contained in the latest WASDE report seems likely to spur further profit taking on speculative long positions. Year-end position evening also figures to be a rising negative market factor. Key nearby chart support for Jan. soybeans remains at $11.42 1/2-$11.42 3/4 and futures could accelerate quickly lower if that is taken out. The market's 100-day moving avg. is now near $11.25. Key nearby resistance for Jan. beans is now up at $11.78, with major resistance remaining at $12.00. Nov. soybeans finished 11 cents off an 8-session high of $10.57. Nov. beans now have nearby chart support at $10.42 1/4 and $10.39 1/2, with major support still down at $10.22 1/4.

Below we have two charts to show how tight soybeans are this year in the US and around the world. The first is US farm price of soybeans vs the stock/use ratio. US soybean stock/use is now 3.86%. If stocks stay this tight or get tighter the chart below suggest soybeans can trade $13 or higher.



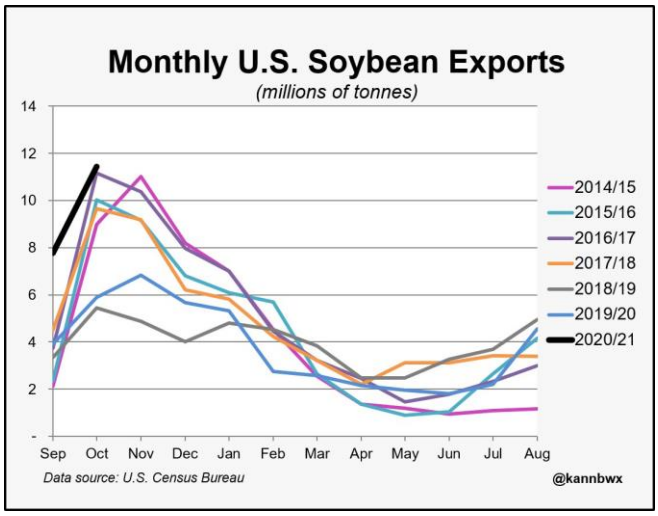
This chart shows the three major exporters carry outs vs their stock/use ratios. Things are going to get really tight not just in the US but in the global exporting market too.

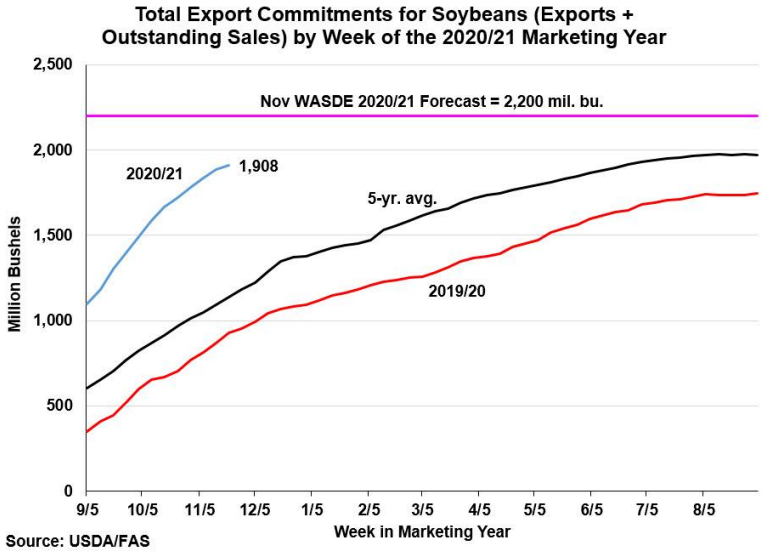


U.S. Census Bureau data indicate October soy exports totaled 420.3 million bushels, topping earlier estimates by more than 17 million bushels. This marks a soybean shipment record for any month and handily tops the previous October 2016 shipment record of 410.4 million bushels. Exports for the first two months of the crop year stand at 706.2 million bushels, this is nearly double last year's shipments

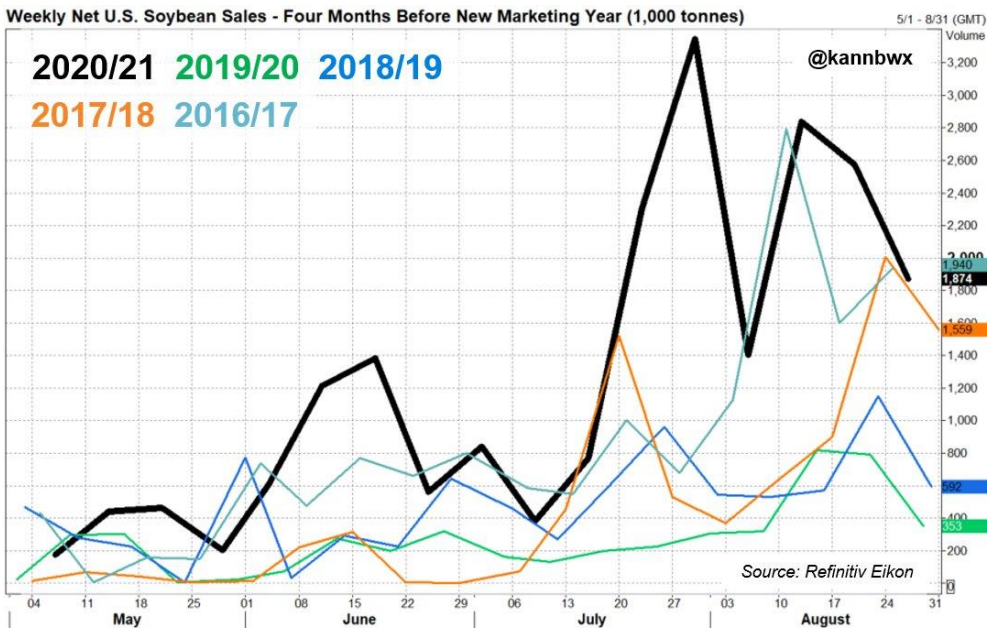
which totaled some 359.9 million bushels at this same point in time. Shipments are up 158 million bushels from the previous record for this two-month span that was set in 2016.

The U.S. exported an all-time record for soybeans in October, more than any other month. China took 73%, its largest monthly share since November 2016. October soybean shipments to China were 4% short of the all-time high set in October 2016 (8.7 million metric tons).

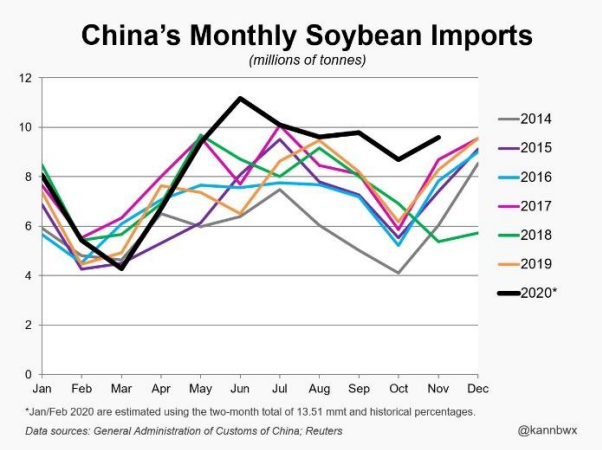


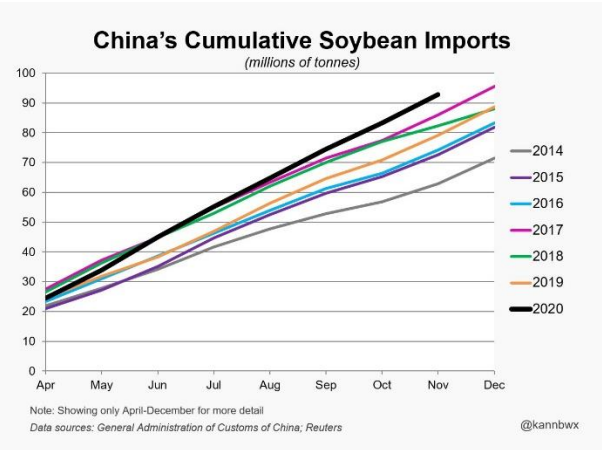


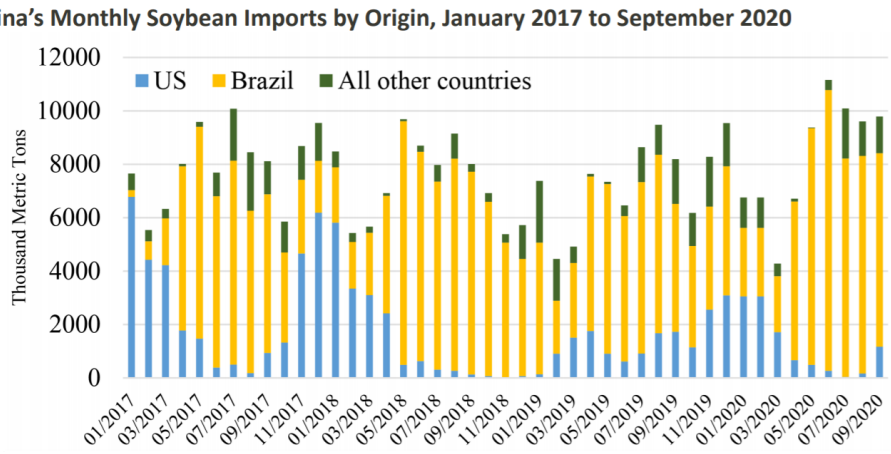
A contributing factor of what put 2020/21 soybean sales so far ahead was the strong pace observed before the commencement of 2020/21. It is impossible to get these numbers without huge purchases from China. Without Chinese purchases, some analysts feel that statistics for the 2018/19 crop year could be a reference, as that was a year in which there were global record sales exclusive of China.



China has imported a record monthly volume of soybeans in each month since June. In November, the haul was 9.59 million metric tons, thanks to an increase in U.S. arrivals. January to November total 92.8 million metric tons. That is a 17% year-over-year increase and an 8% year-over-year increase from the 2017 high.







China's top pig producer, Muyuan Foodstuff Co., Ltd., is trying to raise more hogs on a single site than any other company in the world - a risky investment since there are remnants of the deadly African swine fever lingering. The new farm, which began construction in March, commenced operations at the first of its 21 buildings in September. In the race to take share, companies like Muyuan are designing higher-density automated farms, betting they can keep disease out while increasing efficiency to satisfy the country's huge appetite for pork.

Muyuan's new mega farm near Nanyang, which will eventually house 84,000 sows and their offspring, is by far the largest in the world, roughly 10 times the size of a typical breeding facility in the United States. It aims to produce around 2.1 million pigs annually. China's hog herd, the world's largest, shrank by around half in 2019, causing an 11-million ton pork shortfall that far exceeded the capacity of global supplies. Imports of all proteins have since surged, spiking prices to record highs.

Image: Muyuan Foods newly built multi-story pig farm in Neixiang county, Henan province, China on November 6, 2020 (REUTERS).

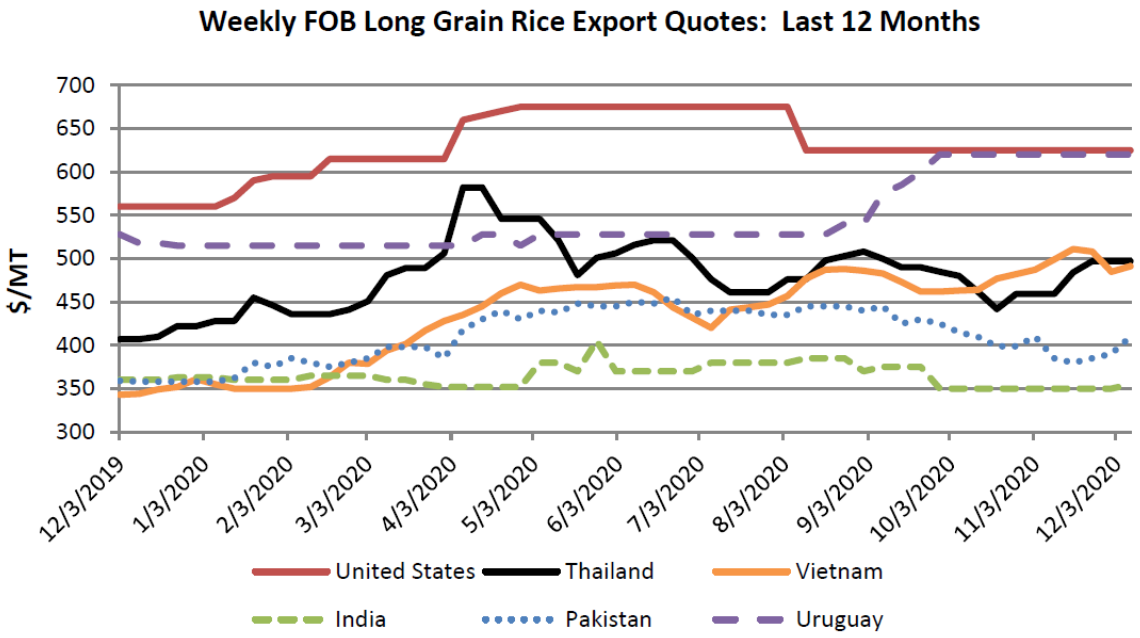
Rice

Rice futures ended modestly higher following a mostly uneventful December WASDE. January rice settled up 3 ½ cents to $12.40, and March rice was up 3 ½ cents to $12.57 ½. The USDA raised its U.S. all-rice ending stocks estimate by another 1.3 million cwt., while simultaneously raising their expected on-farm average price from $12.90 to $13.10. Long-grain ending stocks were raised by 2 mil. cwt. to 38.2

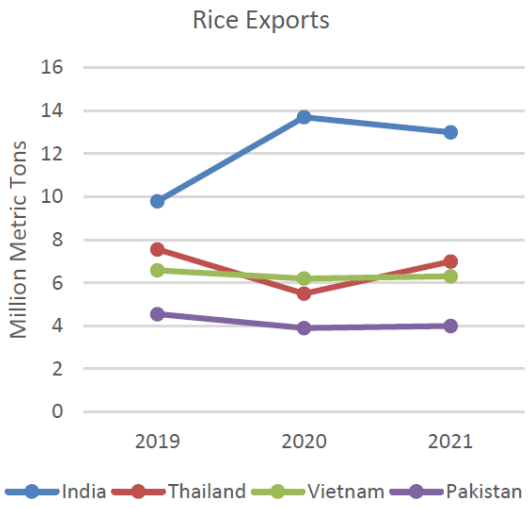
million, while the average long grain price was raised ten cents to $11.80. It would be the largest carryout since 1986/87.

Rough rice has steadily moved in Louisiana, and the feeling by many is that south Louisiana will sell its entire crop by the time the 2021 rice crop is harvested. Brazil, like Iraq, continues to be the central topic of conversation in the trade. There is, however, sparse fresh news for the market's consumption- although there are rumors of a potential Iraqi tender coming sometime in January.

Over the past month, U.S. long-grain export quotes have remained high at $625 per ton, while Uruguayan quotes continue at $620 per ton. Thai quotes escalated to $497 per ton on a stronger currency and new inquiries from foreign buyers amid tight Vietnamese supplies. Vietnamese quotes rose with strong domestic demand and then settled lower to at $491 per ton on reduced demand from the Philippines. With the recent harvest, Pakistani quotes dipped but then returned to $410 per ton, reflecting strong export demand. Meanwhile Indian quotes at $355 per ton continue to be the lowest among the major exporters, indicating an abundant supply situation.



For 2020, exports from India are expected to reach a record, whereas Thai exports are estimated to be at their lowest in 24 years, slipping from being the second to the third-largest supplier for the first time since 2012. Meanwhile, close competitors Vietnam and Pakistan have also seen a modest decline in exports.



What has caused the exports to soar dramatically for India but tumble for the other exporters in 2020? One factor has been import demand. Demand from many of India's key markets in the Middle East and Africa has been robust. Despite initial indications that Saudi Arabian import demand would decline, it rose this year and was primarily supplied by India. Likewise, demand in West African markets did not subside as much as expected. Neighboring Nepal also exhibited strong demand. Conversely, markets in Southeast Asia have seen lower import demand, dampening export opportunities for Thailand and Vietnam, traditional regional suppliers. Government buying in Indonesia was muted amid sufficient domestic supplies. Meanwhile, private sector imports in the Philippines have been stymied in recent months as the government has stopped issuing new import permits with unrest in the farm sector. Meanwhile, imports by China have slid to the lowest in nearly a decade, with purchases from Thailand down sharply.

The other key factor has been the sharp contrast of the supply situation and availability of rice from India versus other suppliers. With record production and stocks, India has had ample supplies throughout the year. Despite additional domestic consumption with increased distribution to low-income households during the COVID-19 pandemic and some initial port disruptions with the related lockdown, India has been able to maintain steady exports at very low prices, reflecting its abundant availability.

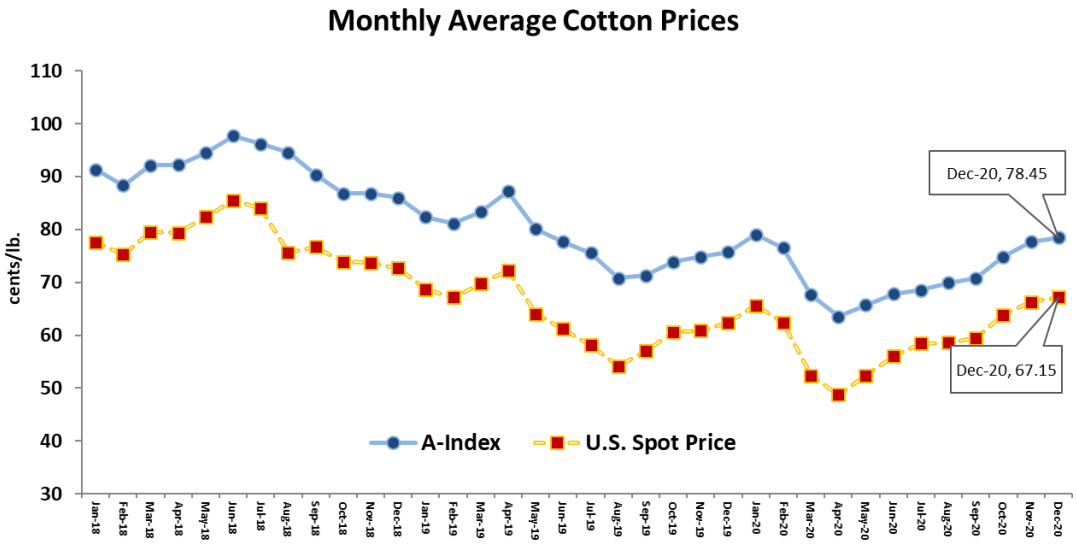
In contrast, Thailand began the year with expectations of a much reduced second crop and higher prices. While fragrant rice continued to flow to markets demanding the premium varieties, relatively high-priced parboiled rice and white rice suffered. In response, India's parboiled exports have soared more than 20 percent, capturing the vast majority of trade to West Africa. Likewise, Thai white rice exports have fallen as deeply discounted Indian white rice shipments have risen to a record, with significant gains in African markets. In addition, India has garnered market share from Pakistan, its competitor for basmati exports.

Looking ahead to 2021, India is still expected to dominate global exports, as its prices are still likely to remain low. However, with larger expected production, Thailand is anticipated to regain some market share and its position as the second-largest exporter, supported by higher forecasted imports in Southeast Asia.

Cotton

After two months of shocking traders with higher-than-expected cotton crop forecasts, the USDA surprised them with a much-lower-than-anticipated estimate. The USDA's Supply and Demand report was

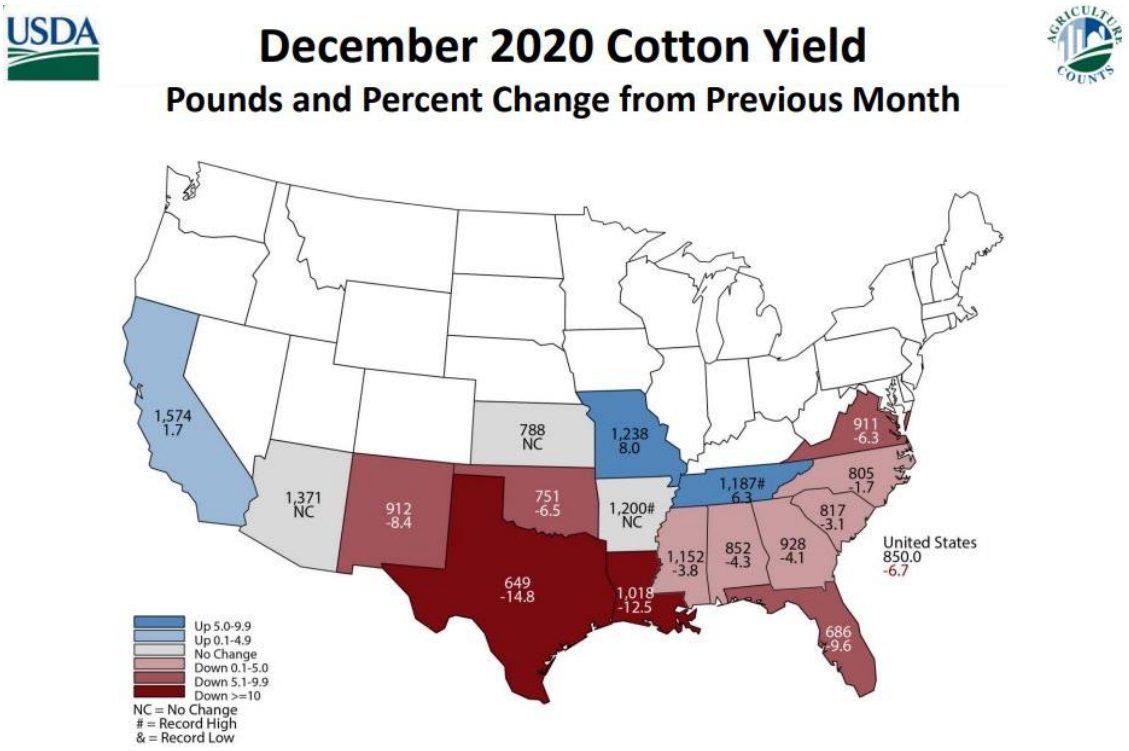
bullish for cotton as it slashed estimates for the U.S. crop and, as a consequence, futures rallied. March cotton ended up 1.21 cents to 74.26, after trading a range of 72.73 to 74.60. July cotton ended up 1.15 cents to 75.04. December 2021 cotton was up 82 points to 72.55. With today's move the futures market, which has been trending higher since the early stages of the pandemic, broke out to their highest levels in 18 to 24 months.

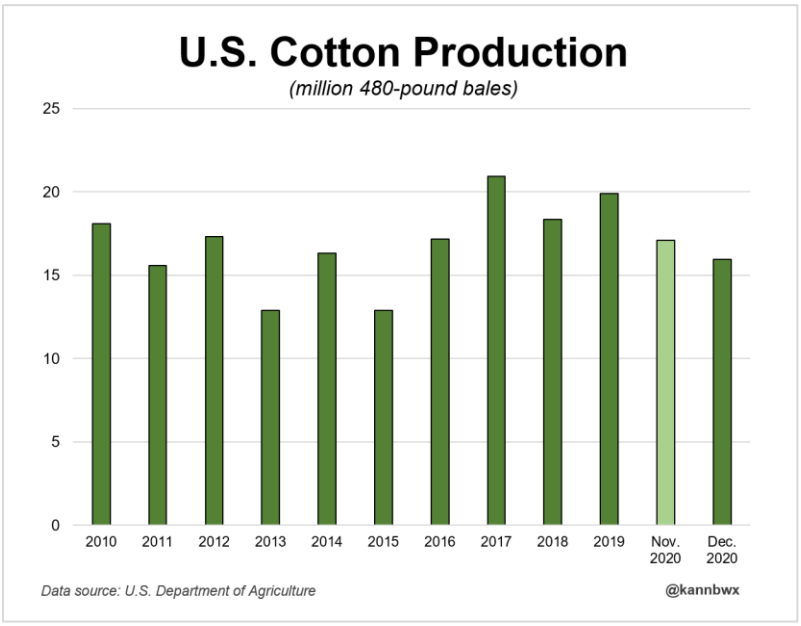


The USDA slashed 2020-21 U.S. cotton carryout by 1.5 million bales, cutting production by a bit more than 1.1 million bales and raising projected exports by 400,000. The USDA raised its projected 2020-21 average on-farm price for cotton by only 1 cent, though to 65 cents per pound. The agency made a larger-than-expected cut to its projected world cotton carryout of 3.92 million bales, largely due to lower production in the U.S., India and Pakistan.

The cut to U.S. production was due to a cut of 61 lbs. in the U.S. average cotton yield, now seen at 850 pounds per acre. Yield projections for Texas were slashed by 113 pounds and production by 900,000 bales. Georgia production was cut by 100,000 bales and smaller cuts were made in several other states, while production was raised for Missouri and Tennessee.

This map is from USDA/NASS's executive briefing, showing where cotton yields declined from the previous month. Yields fell in most states, though the drop was most pronounced in Texas and Louisiana. USDA cut the 2020 U.S. cotton crop by 6.7% from November, and that was all on yield. This year's harvest was 20% smaller than in 2019 and is the smallest crop in five years. Market participants had a pretty good idea that a cut was likely this month.



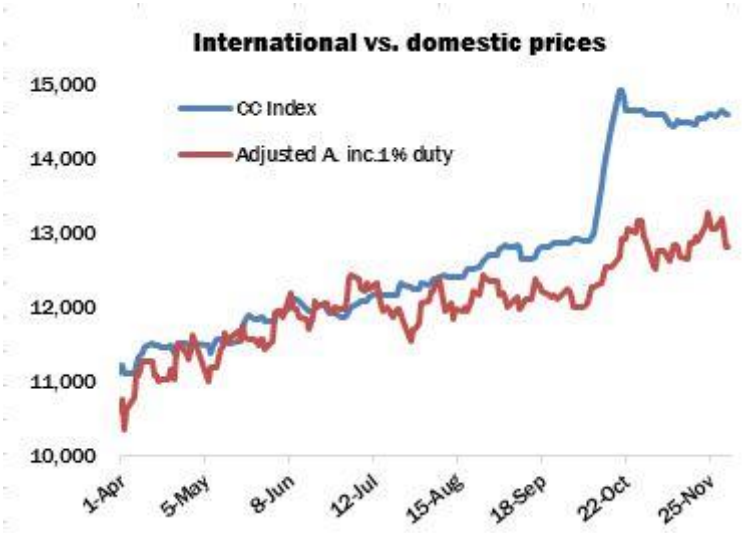


The strong upward movement of international cotton prices observed during October tended to lose some of its momentum during November. Towards the end of the month, the Cotlook A Index nonetheless briefly crossed the threshold of 80.00 cents per pound for the first time since late January. The world market thus consolidated its return to pre-pandemic price levels, an outcome that few would have predicted this soon after the market's low point was reached at the beginning of April.

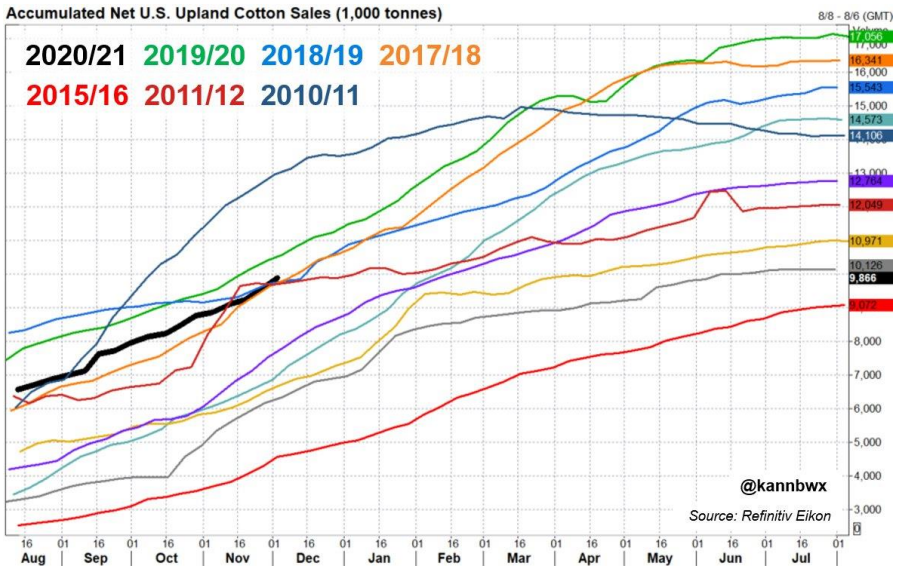
Trading activity presented a markedly less active appearance than during the previous month, when mill demand from China and Pakistan allowed for the disposal of trade holdings from various origins and assisted a further recovery of the basis levels achieved for various non-US cotton.

During November, the market was influenced in different ways by COVID. Cotton futures shared in the positive reaction of financial markets to developments on the vaccine front. However, the spread of cases in the United States and the public health measures introduced across much of Europe in response to the continued prevalence of the virus dictated a cautious mood on the part of many downstream textile manufacturers. Their apprehension affected yarn demand and selling prices, and in turn instilled caution in mill buyers of raw cotton.

The lull in Chinese import demand may also prove temporary. By the end of November, the scope for purchasing against 2020 import quotas was very narrow, either because the quotas in question had been exhausted or owing to the logistical challenge of meeting the associated shipment deadlines. On price considerations, however, the advantage of foreign cotton was still substantial. If that continues, a resumption of import activity is anticipated once mills have their quota allocations early in the new year.



Cotton exports are not as good as last year and well off 2010's pace, but solidly above average at 9.87 million running bales (2.15 million metric tons) as of November 26. The top buyers were China 36%, Vietnam 17%, Pakistan 8%, and Mexico 8%.



The cotton market seems unable to fully avoid the long-term bearish implications of the USDA's 2020/21 balance sheet. The longer-term damage to cotton consumption by the COVID-19 pandemic will surely take many months or years to resolve. In the near term, ICE cotton futures have found new strength on remaining production uncertainty and speculative buying, as well as Chinese state buying. There is also index fund buying, presumably influenced by unprecedented money flows created by the Federal Reserve. There is also the possibility of commercial buying from Chinese mills in response to 1) newly available import quota, 2) restrictions on Chinese sourcing of Australian cotton, and 3) potential impacts from sanctioning cotton exports from Xinjiang.

COVID-19 has dramatically impacted nearly every sector of the global economy and the cotton sector is no exception. Comparing the February 2020 USDA forecasts for 2019/20 and 2020/21 (presented at the USDA Outlook Forum) with this month's forecasts provides an overview of the impact. The February 2020 USDA forecast for world use in 2020/21 was 121 million bales, up 1.7% from the 2019/20 forecast that same month. As the extent of the COVID-19 impacts became clearer, the 2020/21 world use forecast was slashed. However, as components of the world economy have recovered, use has edged up in recent months and is now only 3% below February.

The forecast for World use in 2019/20 fell 14% between the February and December forecasts as spinning mills dramatically reduced operations. While the onset of COVID-19 impacts varied by country, forecast 2019/20 mill use was reduced in all major spinning countries. Monthly use fell by around 90% in the U.S., China, Pakistan, and India from the previous year at its worst in the year.

The pandemic's timing has limited its impact on cotton lint production; for example, the 2019/20 crop was already harvested in most Northern Hemisphere countries and well developed in the rest of the world. In addition, there has been remarkably little impact on 2020 plantings outside of West Africa: the 2020/21 crop forecast has largely been driven by weather and pest concerns, with lower production in Pakistan, the U.S., Greece, Mali, and Turkey.

Change in 2019/20 Use Forecast. Feb.-Dec.	
World	-14%
China	-12%
India	-18%
Pakistan	-15%
Bangladesh	-11%
Turkey	-8%
Vietnam	-10%
Brazil	-21%
Uzbekistan	-9%
Indonesia	-21%
United States	-28%
Mexico	-23%

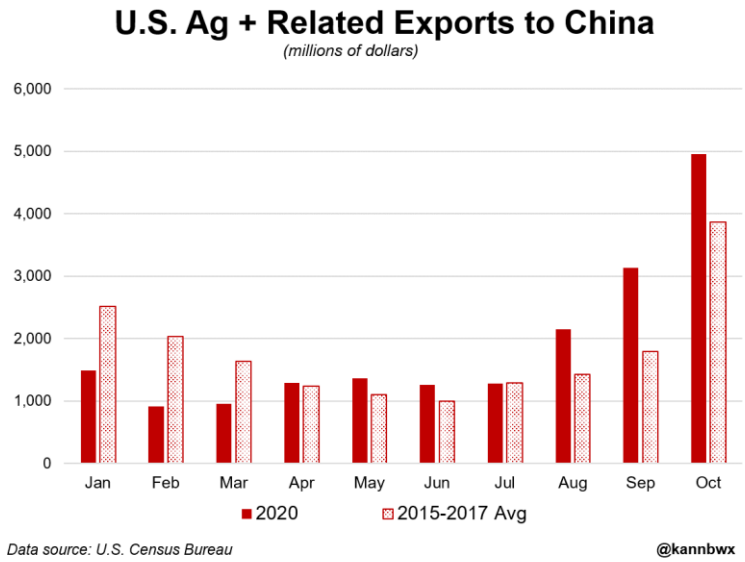
With global use forecast down, and with production remaining largely unaffected, 2020/21 ending stocks are forecast higher at 97.5 million bales, 19% (15.4 million bales) above the February Outlook. Prices, which had been trending up before the pandemic, retreated sharply from January to April, with NY futures falling to a 10-year low. However, prices have rallied and now exceed pre-pandemic levels as mill use recovers and other factors support the recent strength.

The reduction in world use is comparable to those experienced in the Global Financial Crisis (GFC) of 2007/08 and cotton price shock of 2010. However, there are differences. The GFC developed much more slowly, and as a result production responded to lower prices and global stocks did not experience a large buildup. The price shock of 2010 resulted in a large production response, which, coupled with the decline in demand, resulted in an even larger buildup of global stocks than is seen thus far in the pandemic. As with these previous shocks, it will likely take several years for the global cotton sector to fully recover from the pandemic.

The Trump administration has stepped up its trade war with China by banning the import of any cotton or cotton products from a major producer, Xinjiang Production and Construction Corps, accused of using forced labor of Uighur Muslims. The Chinese Foreign Ministry said the ban was based on "disinformation" and violates international trade rules, but several key House Democrats said the ban did not go far enough. The issue will soon be in the hands of the incoming Biden administration, which will also have to decide what to do with the 25% tariffs that Trump imposed on Chinese goods. During an interview with a New York Times columnist this week, Biden said he will not immediately remove the tariffs but would instead work with U.S. allies to pressure China to stop intellectual property abuses.

U.S./China Trade Update

The U.S. shipped $4.96 billion worth of agricultural & related goods to China in October, some 28% above the 2015-2017 average and 9% above the previous October monthly high set in 2013. Soybeans (71%) and corn (4%) were the top two items. January to October 2020 exports total $18.8 billion (in excess of 5% compared to 2017 figures). Pro Farmer comments that "this could grow now if China does indeed fulfill the terms of the Phase 1 [agreement] or if they continue purchasing what they didn't purchase for the total of Phase 1 into the second year of the agreement."



Meanwhile, White House National Economic Council Director Larry Kudlow says no new tariffs are in the works against China. Kudlow saying in a discussion with the Washington Post that U.S. Trade Representative Robert Lighthizer had advised him and the president that China is "abiding by a good chunk of the Phase 1 trade deal." That's despite the fact Beijing is behind on the purchase of some commodities.

Biden's Nominee for USDA Secretary

U.S. President-elect Joe Biden plans to nominate former Iowa Governor Tom Vilsack for agriculture secretary, according to two sources familiar with the decision. Vilsack, who led the U.S. Department of Agriculture (USDA) under former President Barack Obama, has a long relationship with Biden and served as a trusted adviser on rural issues during his campaign.

Biden's expected nomination of Tom Vilsack to take over the Agriculture Department for a second time would give Biden a policy veteran who shares his passion for addressing climate change and already has relationships with critical lawmakers and farm groups.

Vilsack's return to the USDA is likely to be applauded by Midwestern states that produce the bulk of commodity crops like corn, soybeans and wheat, and prefer him to someone from another region of the country. Vilsack is the chief executive of the U.S. Dairy Export Council and actively campaigned for Biden in farm states.

A coalition of progressive food, farming and environmental advocacy groups promoted rival candidates. Top among them was Democratic U.S. Representative Marcia Fudge of Ohio, who would have been the first Black woman to fill the role and had been expected to increase the department's focus on small farmers, global environmental changes, and racial and economic diversity. Biden has selected Fudge to be secretary of housing and urban development, Politico reported.

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	$4.00	$3.70	--
Grain Sorghum	$4.40	$3.95	--
Long Grain Rice	$11.80	$14.00	$2.20
Medium Grain Rice	$12.00	$14.00	$2.00
Seed Cotton	$0.3339	$0.3670	$0.0331
Soybeans	$10.55	$8.40	--
Wheat	$4.70	$5.50	$0.80

*national marketing year average (MYA) prices reflect the midpoint price level from the December 10, 2020 WASDE report.

ARC-CO Farm Program Price Parameters - 2020 CY

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

Covered Commodity	*2020/21 MYA Price**	*2020 ARC-CO Benchmark Price (5-yr Olympic Average)*
Corn	$4.00	$3.70
Grain Sorghum	$4.40	$3.95
Long Grain Rice	$11.80	$14.00
Medium Grain Rice	$12.00	$14.00
Seed Cotton	$0.3339	$0.3670
Soybeans	$10.55	$9.25
Wheat	$4.70	$5.50

*national marketing year average (MYA) prices reflect the midpoint price level from the December 10, 2020 WASDE report.

Sources: USDA Agriculture Market Service (AMS), USDA Foreign Agriculture Service (FAS), USDA Farm Service Agency (FSA), USDA National Agriculture Statistics Service (NASS), USDA Economic Research Service (ERS), USDA FAS GAIN Report, USDA Office of Communications, USDA World Supply Demand Estimates (WASDE), AgDay, Ag Fax Media, Ag Market Network, Agri-Pulse, Ag 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, 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, University of Arkansas, University of Illinois, U.S. Grains Council, USA Rice Federation, U.S. Soybean Export Council, and the Wall Street Journal.

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