Staff Report No. 2021-57 **November 11, 2021**

November Market Update
Corn, Soybeans, Rice, and Cotton

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WASDE Summary

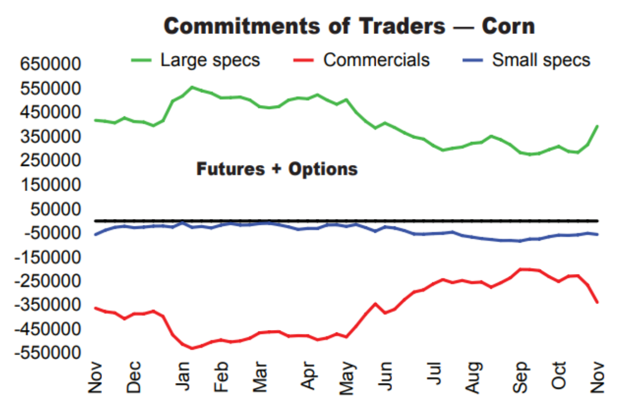
This month's 2021/22 U.S. corn outlook is for greater production, increased corn used for ethanol, and marginally lower ending stocks. Corn production is forecast at 15.062 billion bushels, 43 million bushels up from last month on news of a 0.5-bushel increase in yield to a record 177.0 bushels per acre. Based on September data from the *Grain Crushings and Co-Products Production* report and weekly ethanol production data as reported by the Energy Information Administration for the month of October, the quantity of corn used for ethanol was raised by 50 million bushels. With use rising slightly more than supply, corn ending stocks were lowered by 7 million bushels. The season-average corn price received by producers is unchanged at $5.45 per bushel.

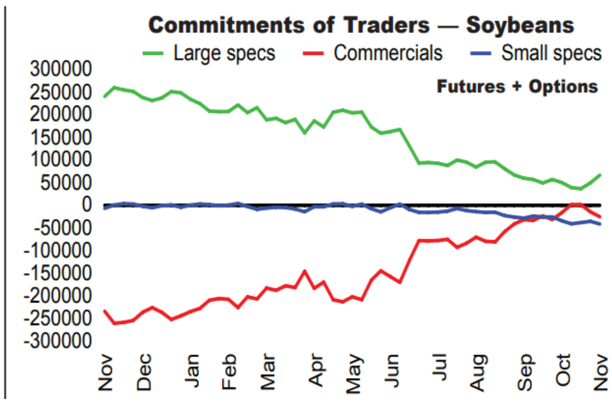
The U.S. soybean outlook for 2021/22 is for lower production and exports and higher ending stocks. Soybean production is forecast at 4.42 billion bushels, down 23 million on lower yields. Lower yields in Indiana, Iowa, Ohio, and Kansas account for most of this change in production. Exports are reduced this month reflecting reduced global imports and lower-than-expected shipments through October. With use falling more than supply, soybean ending stocks are raised 20 million bushels. The U.S. season-average soybean price for 2020/21 is forecast at $12.10 per bushel, down 25 cents.

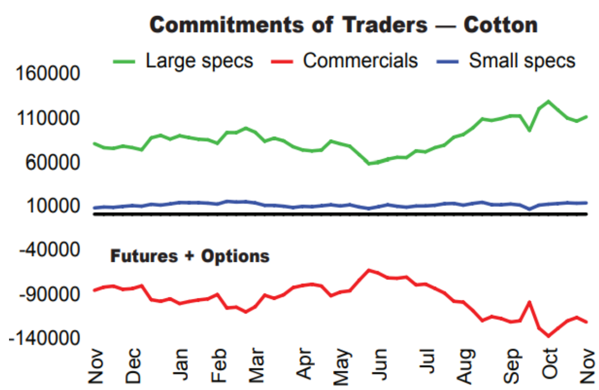
The outlook for 2021/22 U.S. rice this month is for increased supplies, higher domestic use, lower exports, and larger ending stocks. Supplies are raised as NASS increased rice production by 3.3 million cwt to 193.8 million, all on higher yields. All-rice yield is forecast at a record 7,756 pounds per acre, up 131 pounds from the previous forecast. Record yields are forecast for Arkansas, California, Mississippi, and Missouri. This increase in supply is partially offset by a reduction in imports, all long-grain, as monthly Census imports continue to run below last year's pace. All rice imports are reduced 1.0 million cwt to 35.0 million but remain above last year. Domestic and residual use is raised 1.5 million cwt to 147.5 million on increased supplies. Exports are reduced by 1.0 million cwt to 90.0 million, all for long-grain on a weaker-than-expected pace of sales and shipments. Projected 2021/22 all rice ending stocks are raised 1.8 million cwt to 35.0 million but are still down 20 percent from last year. The projected 2021/22 all rice season-average farm price is unchanged at $14.80 per cwt and up from a revised $14.00 for 2020/21.

This month's 2021/22 U.S. cotton estimates are largely unchanged from October. The U.S. production forecast is slightly higher, at 18.2 million bales, while domestic mill use and exports are unchanged. U.S. ending stocks are 200,000 bales higher at 3.4 million—19 percent of use—and 250,000 above the previous year. The projected marketing-year average price received by upland producers is unchanged this month at 90 cents per pound, a 36 percent year-to-year increase.

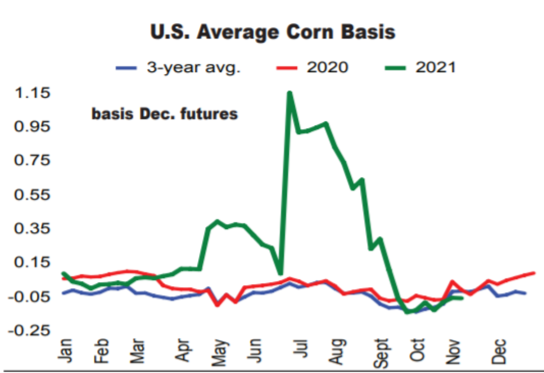
Commitment of Traders Report, Tuesday, November 9, 2021

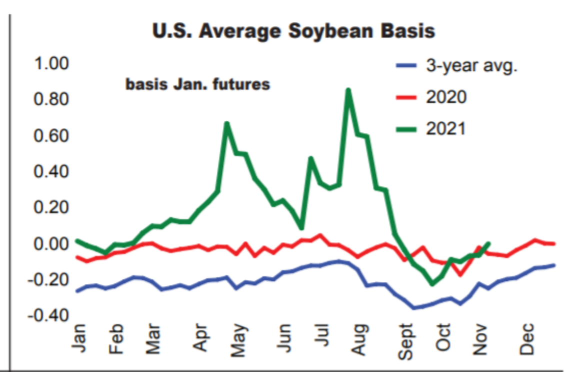


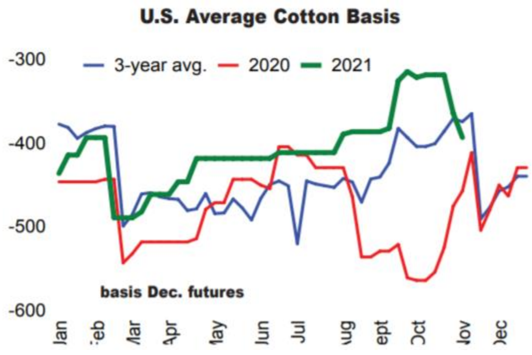




Cash Market Basis Charts, Wednesday, November 10, 2021



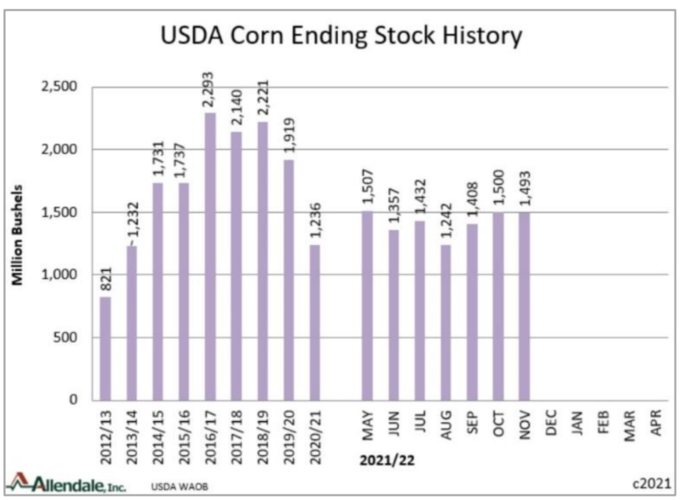




Corn

Prior to the release of the November WASDE report, the Dow Jones' survey of analysts expected USDA to estimate a slightly higher corn crop of 15.04 billion bushels based on a slightly higher yield estimate of 176.8 bushels per acre. Harvested acres are seen unchanged at 85.1 million. The Eastern Corn Belt has been wet this year and progress has been slower than usual in Indiana, Kentucky and Tennessee. Even in those three states, the rain has been interrupted by enough days of dry weather to keep harvest advancing. According to Dow Jones, USDA could lower its estimate of U.S. ending corn stocks from 1.500 billion bushels to 1.482 billion bushels. If there is a reduction in corn stocks, it will likely be because USDA acknowledges this season's stronger-than-expected start in ethanol production.

High shipping costs remain a concern for corn exports. Total U.S. sales commitments are down 7% from a year ago and China's purchases of U.S. corn have been quiet since May. Domestic Chinese corn prices remain high enough so as one could expect more U.S. purchases, but traders are still waiting for proof. Dow Jones also expected USDA to lower its estimate of world ending corn stocks for 2021-22 from 301.74 million metric tons to 301.4 million metric tons (11.87 billion bushels). Traders will be watching for any change in USDA's view of China. Overall, corn prices had a pretty good summer this year, helped by tighter-than-normal supplies.



Part of the drop in old-crop corn supplies came from a dry finish to the 2020 growing season, but the main bullish surprise of the year was China's record purchase of 845 million bushels of U.S. corn. For a country that rarely imported much corn and had never purchased more than 203 million bushels from the U.S., the 845 million bushels purchase was a stunning game-changer that lifted DTN's national index of cash corn prices from trading below $3.00 in August 2020 to a high of $7.48 per bushel by May 7, 2021.

With old-crop corn supplies tight and drought clinging to the northwestern Corn Belt in early 2021, there was plenty of interest from producers to see where December 2021 corn prices would land in the new season. For much of the summer, selling opportunities were good with December prices holding a wide, sideways range between their May 7 high of $6.38 and a May 26 low of $5 1/4. It was the highest December prices corn had seen in eight years.

As summer progressed, corn's back-and-forth trading formed a narrowing triangle formation with support defined by its 100-day average. It was impressive prices were not breaking lower after May, as they typically did. By the end of August, December corn fell to $5.37, finishing below the 100-day average for only the second time since the rally began in August 2020.

Prices were pressured by rain in the Dakotas that was expected to spread into the northwestern Midwest, including Iowa. On the same day, Reuters posted an article that said the Environmental Protection Agency (EPA) would recommend lower blending mandates for renewable fuels. If that were not enough, the spread of the COVID delta variant was raising concerns about grain demand from China.

With traders already anticipating the approach of harvest, the sell-off on August 20 was hard to argue with, and prices eventually traded lower, also succumbing to an extra bearish hit from Hurricane Ida at the end of August.

As gloomy as the combination of bearish factors looked at the time, December corn prices held together surprisingly well, and to their credit, noncommercial net longs did not jump ship. Prices briefly dipped below the $5 mark once, just before USDA's September 10 WASDE report.

USDA's September report was technically bearish for corn, increasing its estimate of the 2021 corn crop and ending stocks. Traders, however, were relieved to find the crop estimate wasn't larger, and December corn posted an outside bullish reversal -- a higher close that set the harvest low for the season.

On October 27, December corn closed above its 100-day average for the first time since the August 20 sell-off. The current outlook for prices is technically higher and fundamentally confusing.

USDA's most recent estimate of U.S. ending corn stocks is pegged at 1.500 billion bushels, a higher amount that suggests cash corn prices somewhere near $4.60 a bushel. However, DTN's National Corn Index of cash prices closed at $5.45 a bushel Thursday, well above $4.60. Clearly, the market thinks the USDA's assessment is too bearish and, given the uncertainty remaining this season, it is difficult to disagree.

The big wild card will be the size of China's U.S. purchases in 2021-22. USDA currently estimates China's production deficit at 21.0 million metric tons or 827 million bushels. January corn on China's Dalian exchange was priced at the equivalent of $10.28 Thursday (October 28), an expensive price that suggests China needs to buy corn. China is already on U.S. books for 469 million bushels. Just how much more China needs is difficult to say.

There will also be other issues for corn in the months ahead. How much will this year's shipping problems and higher shipping costs hurt U.S. exports? Will Argentine corn production suffer from La Niña conditions in 2022? Will problems obtaining affordable fertilizer get so bad that corn acres will switch to soybeans in the spring of 2022? And what about the chronic drought in the western U.S.?

This week's close back above the 100-day average is an impressive sign of bullish market behavior, not to be taken lightly. If Hurricane Ida and 15.0 billion bushels of new corn supplies can't break prices lower, I'm not sure what can -- at least in the near term. The good news for producers is that corn's seasonal tendency for prices to trade higher from early October until late May has a chance of repeating in 2021-22. With this week's bullish change in trend, corn prices seem to agree.

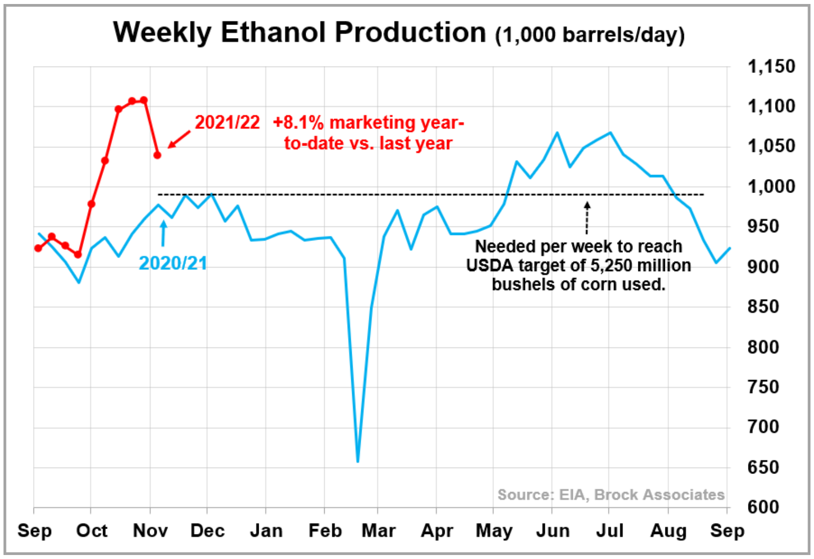
In the November WASDE report, the USDA raised its corn crop estimate by 43 million bushels from last month, which is the second largest crop on record. Production estimates moved modestly higher to 15.062 billion bushels. That is up from USDA’s October projection of 15.019 billion bushels and slightly higher than the average trade guess of 15.050 billion bushels. USDA increased the yield by 0.5 bushels to 177.0 bushels per acre, which would be a record. It left harvested area unchanged at 85.085 million acres. Domestic ending stocks for the 2021/22 marketing year were trimmed by 7 million bushels, to 1.493 billion bushels. Analysts were expecting to see a 20-million-bushel drop. World ending stocks moved 105 million bushels higher to 11.985 billion bushels

Corn yields are estimated higher than last month in Michigan (up 4 bushels to 175 bushels per acre), Minnesota (up 8 bushels to 186 bushels), Nebraska (up 1 bushel to 191 bushels), North Dakota (up 1 bushel to 108 bushels) and South Dakota (up 4 bushels to 137 bushels). USDA left its yield estimate unchanged in Iowa (201 bushels), Ohio (188 bushels) and Wisconsin (172 bushels). USDA cut its yield from last month in Illinois (down 3 bushels to 207 bushels), Indiana (down 5 bushels to 189 bushels), Kansas (down 1 bushel to 139 bushels) and Missouri (down 4 bushels to 160 bushels).

While USDA’s numbers were not particularly bullish for corn, futures losses over the past few trading sessions suggested traders anticipated an increase in available supplies. One could argue that was indeed the case after futures chased the soybean market higher after the legume numbers came in below expectations. Conversely, the ability of both markets to sustain the post-report highs diminished prospects for a bullish follow-through in the absence of fresh supportive news.

USDA reported 84% of the U.S. crop was harvested as of November 7th, which implies the harvest will be complete before Thanksgiving and increase the industry’s focus on demand. As is often the case, weekly exports and usage for ethanol production will be watched closely.

Over the past 6-week period, U.S. ethanol production had been increasing but that trend was broken as ethanol production fell for the first time to 1.039 mil. barrels per day down from 1.107 mil. a week earlier. That reduced output level, however, was still comfortably above the calculated level needed to reach USDA's increased 2021-22 corn-for-ethanol production forecast of 5.250 billion bushels. The lower output did not appear to dim bullish sentiment over ethanol production. Ethanol plant corn demand appears strong with basis bids steady to firm. Crude oil price weakness and a strong dollar may remain negative factors for the corn market in the near term. The dollar index surged to a 15-month-plus high today on support from the further strong rise in the Consumer Price Index during October, while nearby crude oil futures posted a bearish outside day after failing near their recent high.



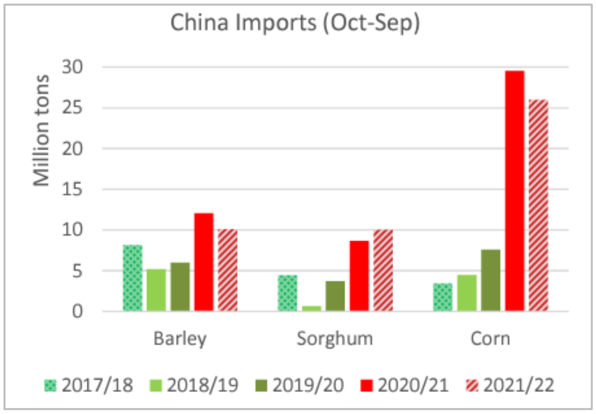
Export demand for U.S. corn is being hampered by the availability of cheaper Brazilian corn for some delivery slots. Corn is being offered for November and December shipment out of Brazil's Port of Paranaguá at 100 cents over CBOT December futures on a free-on-board basis, according to data available on Refinitive, while corn out of the Gulf is priced at 110 cents over December futures for the same periods. Brazil is expected to export 2.657 million metric tons (104.2 million bushels) of corn during November, the Brazilian Grains group ANEC estimated on Tuesday.

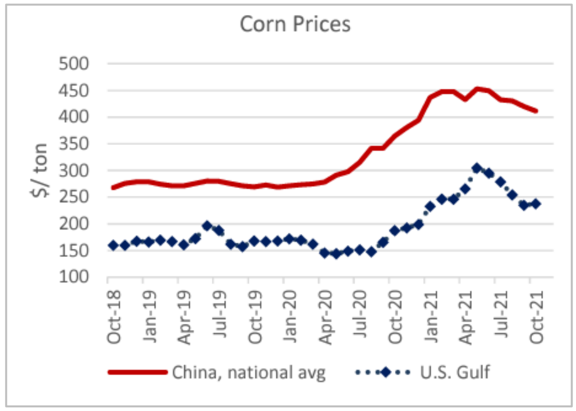
As outlined in various recent USDA reports, there is good reason for farmers to be bullish on 2022 corn acres. Even with a 0.5 bushel per acre increase to 2021 U.S. corn yields, which added 43 million bushels to 2021 production forecasts, a 50-million-bushel increase to 2021/22 ethanol production will likely snap up much of the newfound production.

High fuel prices amid a global energy crunch have increased demand for ethanol over the past month as it is preferred due to its cheaper price as compared to other fuel additives and the ethanol industry has been quick to respond to market incentives. Weekly output has increased over 21% over the past five weeks, justifying the upward revision for corn consumption rates for ethanol.

Other domestic demand categories were left unchanged. Upward revisions were made to Argentine corn production for both 2020 and 2021, contributing to the increase in global corn supplies. With U.S. ethanol demand rising once again – and with no signs of slowing down while global energy supplies remain tight – farmers are likely to continue enjoying lucrative harvest basis offerings at their local ethanol plants.

Data documenting Chinese coarse grain imports for 2020/21 are now complete. Based on Chinese Customs data, combined imports of corn, sorghum, and barley from the world totaled 50.2 million tons, doubling the previous record set in 2014/15. Imports of corn and barley reached new highs, while sorghum reached its second-largest volume on record. Major suppliers for corn were the United States (69 percent) and Ukraine (29 percent); for sorghum, leading suppliers were the United States (77 percent) and Argentina (14 percent); for barley, leading suppliers were Canada (29 percent), France (26 percent), and Ukraine (26 percent).





This growth in imports can be attributed to a convergence of events. Aside from the implementation of the U.S.- China Phase One agreement, the recovery in the Chinese swine sector from African swine fever favored the use of corn in feed rations, thus driving domestic corn prices higher. The run-up in prices widened the spread between imports and domestic corn, making imports highly profitable. Higher prices also boosted imports of sorghum and barley. These corn substitutes are not genetically modified, making imports and use less administratively burdensome. Since June, domestic Chinese corn prices have declined but are still above pricing levels a year ago despite expectations of a record harvest this fall.

Soybeans

Prior to the release of the November WASDE report, Dow Jones analysts expected the USDA to raise the estimate from a record high 4.448 billion bushels to an even higher 4.480 billion bushels, based on a higher yield estimate of 51.9 bushels per acre. Harvested acres are anticipated to stay at 86.4 million. The popular expectation for a higher soybean yield has been tempered lately by wet conditions slowing the remaining soybean harvest in the eastern Midwest. USDA's latest report of harvest progress showed Indiana and Michigan 15 percentage points below their five-year averages. Illinois was 11 points below. Wet soybeans sitting idle are vulnerable to crop quality issues and more rain is in this week's forecast.

Along with expectations for a slightly larger crop, Dow Jones' survey expected USDA to increase its estimate of U.S. ending soybean stocks from 320 million bushels to 360 million bushels in 2021-22, nearly twice as much as the 185 million bushels estimated just two months ago.

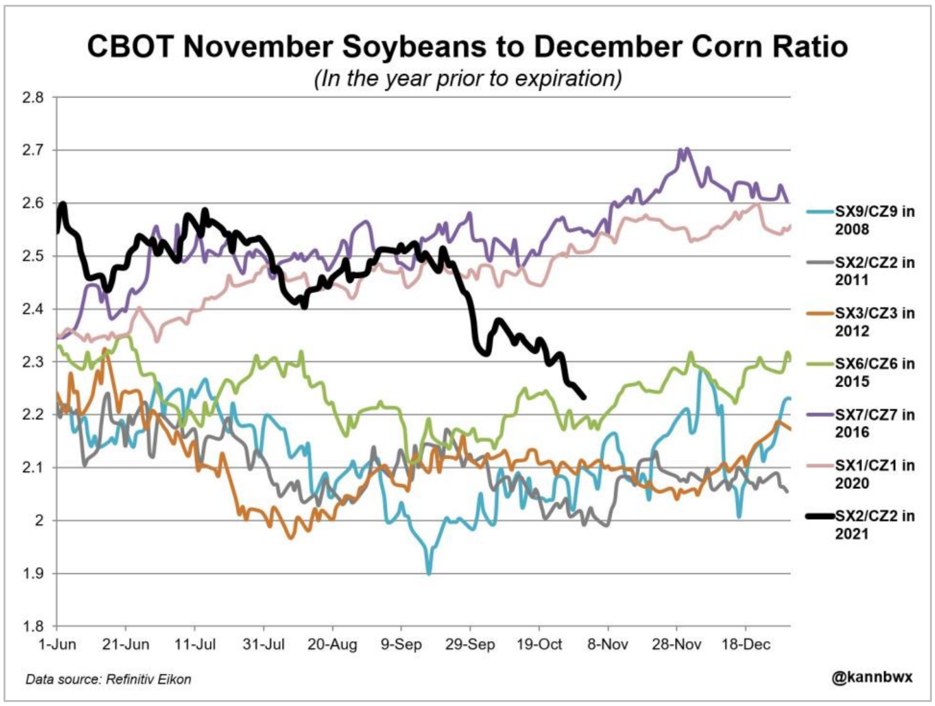
There is a risk USDA may estimate even more ending stocks than 360 million bushels and it will largely depend on USDA's view of the soybean export estimate. The current export estimate of 2.090 billion bushels is down 8% from the previous year, but so far in 2021-22, U.S. soybean sales on the books are down 33% from a year ago.

This year's shipping problems are probably part of the reason for this year's decline, but it also looks like something is causing lower demand in China. China's purchases of U.S. soybeans are down 36% from a year ago, and it doesn't help that Brazil's new soybean crop is off to an early start.

If there is good news regarding soybean demand, it is that crush values in the U.S. suggest increased crush activity ahead. However, crush in the first month of 2021-22 was disappointing, down 5% from last year, so it seems unlikely that the USDA will increase its crush estimate in Tuesday's report.

The soybean-to-corn price ratio is often used as one of several tools in measuring profitability of soybeans and corn. Higher price ratios indicate that soybeans are relatively more profitable than corn.

The CBOT November 2022 soybean contract is at a six-year low for the date versus December 2022 corn. That ratio ended at 2.23 on Monday, November 1st. When other years of interest are compared, the soybean-to-corn price ratio was high last year and in 2016 (favoring soybeans). But much more corn-favoring in 2008, 2011, and 2012. Some in the trade have concerns relating to the profitability of corn (more in the "fringe" acre areas). With input costs projected to increase significantly year-over-year, some marginal of acres corn will have difficulties generating a positive cash flow. One thought is that these corn acres might not go into soybeans but rather wheat, sorghum, or cotton.



Corn was emerging as a market favorite in the 2022 acreage debate. The new crop corn-soybean price ratio dropped below the 2.3 benchmark that signals a clear market preference for corn this past week, trading at a ratio of 2.26. Despite the rising fertilizer costs, corn remains the more lucrative choice for farmers in 2022 at this point. It is largely a demand-driven phenomenon, a direct reversal of much of the market movement experienced over the past year which was largely driven by tightening corn and soybean forecasts in the U.S.

But both corn and soybean supplies have edged back from historically tight levels and large harvest totals anticipated this fall will add more breathing room for stocks. On the demand side, a bounce back in ethanol production and strong export prospects from China in the coming marketing year are reviving corn demand forecasts while soybean prospects hang in the balance of Chinese export purchases and domestic crushing rates – both of which are trending lower as of press time.

But both crops face stiff competition from alternative crops – perhaps more than last year. Wheat, cotton, grain sorghum and barley prices are surging due in large part to international demand. Acres outside of the "*I*" states have more options for profitable rotations in the coming year and that could hinder acreage expansion for corn and soybean crops.

In its November WASDE report, the USDA projects soybean yields at 51.2 bushels per acre, versus the agency's October estimate of 51.5 bushels per acre and an average trade guess of 51.9 bushels per acre (which would have matched 2016's record-breaking output). That had USDA lowering production estimates by 23 million bushels – in contrast with analyst expectations of seeing that number move 36 million bushels higher. Domestic ending stocks for soybeans moved 20 million bushels higher, to 340 million bushels. Analysts were generally expecting to see a bigger jump, with an average trade guess of 362 million bushels. World ending stocks also saw a modest drop, moving from 3.824 billion bushels in October down to 3.813 billion bushels. USDA cut its soybean crop estimate by 23 million bushels from last month, whereas traders expected a 36-million-bushel increase. It lowered the yield by 0.3 bushels to 51.2 bushels per acre and left harvested acres unchanged at 86.436 million acres. Both production and yield would be the second highest on record.

Soybean yields are estimated lower than last month in Indiana (3 bushels down to 57 bushels per acre), Iowa (down 1 bushel to 60 bushels), Kansas (down 1 bushel to 41 bushels) and Ohio (down 2 bushels to 56 bushels). USDA left its yield estimate unchanged in Arkansas (50 bushels), Illinois (64 bushels), Michigan (50 bushels), Minnesota (49 bushels), Missouri (50 bushels), North Dakota (26 bushels) and Wisconsin (54 bushels). USDA raised its yield in Nebraska (up 1 bushel to 62 bushels) and South Dakota (up 1 bushel to 41 bushels).

While U.S. soybean supplies may not be as abundant as previously thought, 2021-22 stockpiles are still expected to be up 33% from last year, while exports are on track to decline nearly 10%, based on USDA reports. The still-ample supply outlook, combined with the mid-range close today, mutes the bullish impact of the surprise harvest reduction to some extent. Additionally, soymeal futures' strong close suggests the meal market may be assuming leadership in the soy complex.

The 60-minute chart of January soybeans showed a sharp reaction immediately to the USDA reports on Tuesday, November 9th, fueled by a lower-than-expected carryout, along with lower yield and production than most in the trade had anticipated (see chart on next page).

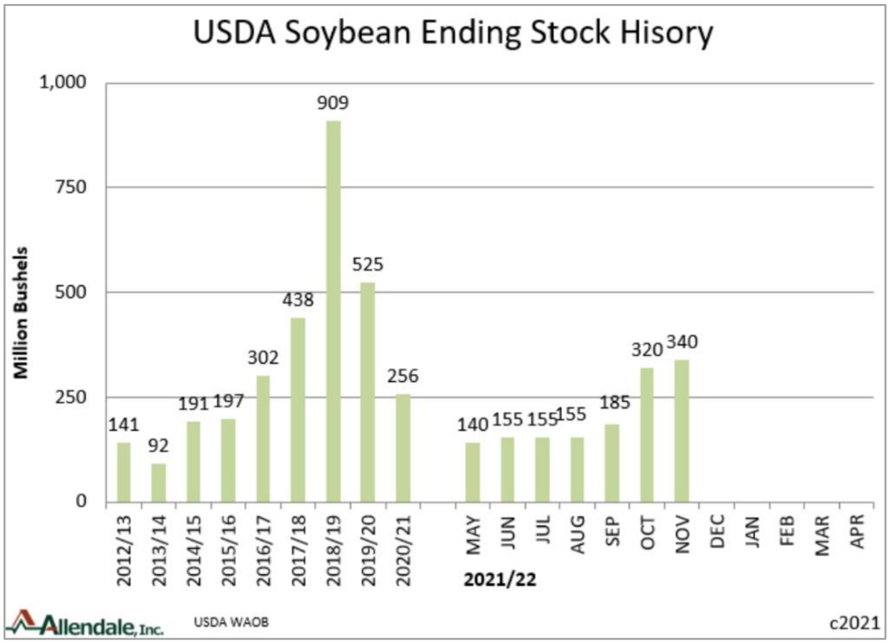
It was the soybean market that perhaps saw the biggest surprise of the report. With traders expecting a higher bean yield and production, along with a sizable 40 million bushel jump in ending stocks, USDA came back with a much different result. In fact, soybean yield fell by .3 bushels per acre to 51.2 bushels per acre, with production declining 23 million bushels to 4.425 billion bushels. Soybean exports were lowered by 40 million bushels per acre to 2.050 billion bushels. The net effect was an ending stocks number of 340 million bushels -- up 20 million bushels from October but 20 million bushels lower than Dow Jones' pre-report estimates had projected. The season average price for soybeans was lowered to $12.10 per bushel from $12.35 in October. Without export sales picking up, U.S. soybean exports could still be overstated. Prior to the report, January soybeans were trading down about 4 cents and finished up 21 1/2 cents by the close. The soybean futures market had been very oversold coming into the report, likely leading to the stronger reaction.

Soybeans were the big surprise and the market, though not ultra-bullish, was caught short, resulting in the sharp gain. All eyes will be on Chinese demand and South American weather over the next few months. If China does not return to buy in a big way, we may see even more of a decline in U.S. soy exports and a further increase in stocks.

Short-covering boosted soybean and soybean oil markets, extending the recent rally for soybean and soybean oil after USDA unexpectedly lowered its U.S. harvest estimate. USDA cut its 2021 production estimate to 4.425 billion bushels, running contrary to analysts' expectations for an increase of about 36 million bushels. USDA also raised projected U.S. soybean ending stockpiles for 2021/22 by a lower-than-expected 20 million bushels, to 340 million bushels, but supplies are still expected to be up about 33% from 2020/21.

Soybean futures' gains were limited by a mostly favorable start to South America's soybean-growing season. World Weather Inc. said weather in Brazil and Argentina is looking good for crop development and field work. However, there is still some concern over the longer-range outlook that may bring dryness to eastern most Argentina, Uruguay, southern Paraguay and southern Brazil later this month and in December. A strengthening U.S. dollar also limited upside.

From the perspective of technical analysis, soybeans and soybean oil feel "heavy," with soymeal presently the outperformer, with December futures hitting a seven-week high yesterday. The soybean bears still have the firm overall near-term technical advantage. Prices are currently in a five-month downtrend on the daily chart. The next near-term upside technical objective for the soybean bulls is closing January futures above solid resistance at $12.50. The next downside price objective for the bears is closing January below solid technical support at $11.50.

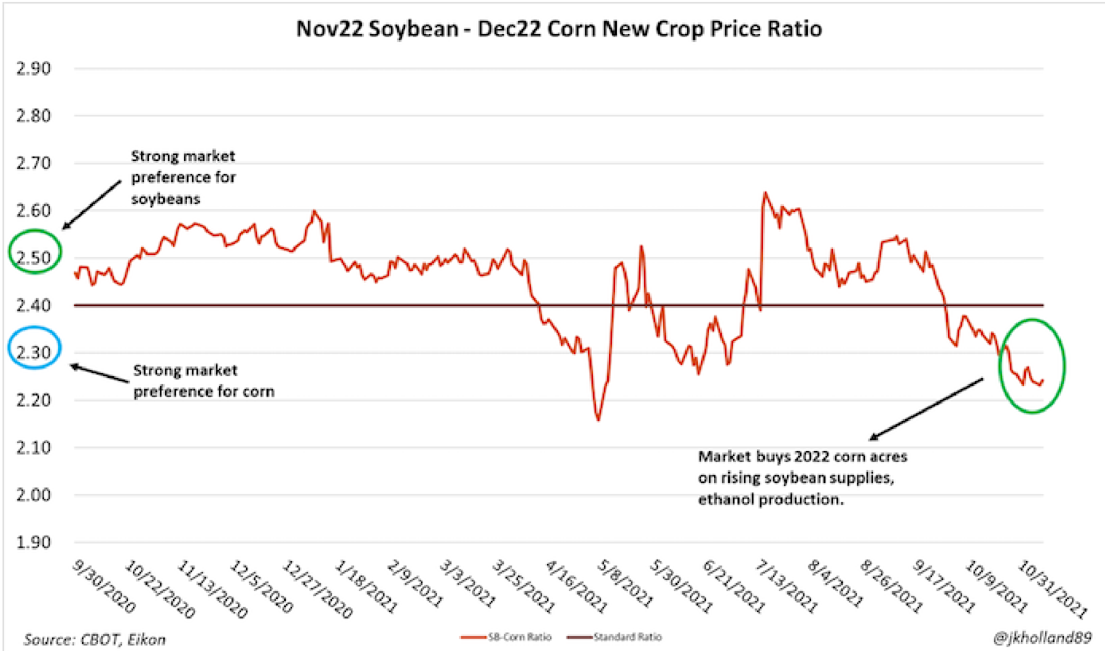


Despite a smaller than expected 2021 U.S. crop forecasted in yesterday's USDA reports, lack of Chinese demand overpowered tightening supply expectations. Soybean prices saw a surprising boost in the November Crop Production and WASDE reports from after an unexpected yield cut for the 2021 crop dropped the total crop to 4.425 billion bushels – now the second largest crop on record, narrowly following 2018's haul of 4.428 billion bushels.

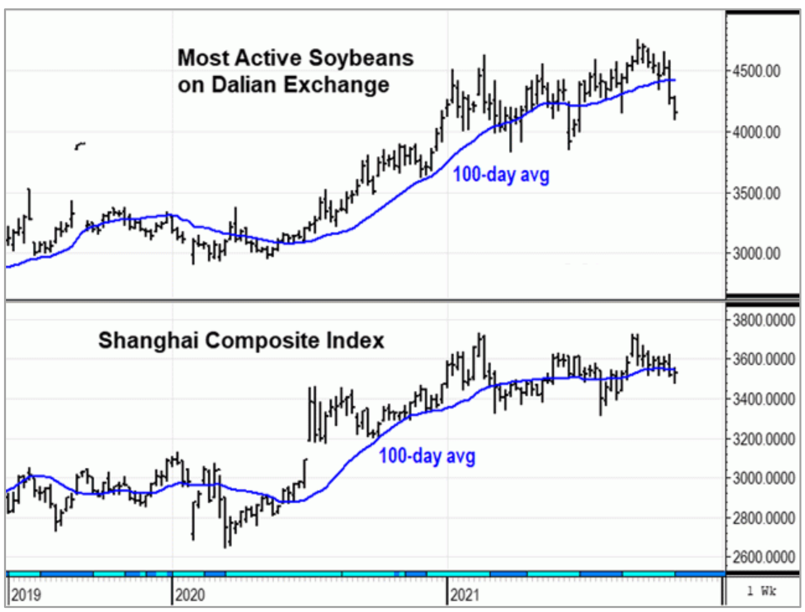
U.S. soybean yields for the 2021 campaign continue to stand at the second highest on record after USDA modified the latest projection to 51.2 bushels per acre. Trade guesses prior to the report projected this year's yield would top – or at least match – 2016's record of 51.9 bushels per acre.

Despite lower soybean imports forecasted for China over the next couple of months, the reduced soybean production forecast in Argentina and the Eastern Corn Belt of the U.S. helped prop up the post-report rally. Tight soymeal stocks also played a role in the morning's rally after soymeal futures soared 2.5%-3.5% higher in the aftermath of the report's release. January 2022 soybean futures traded on the Chicago Board of Trade rose 2.25% past the $12.00 per bushel benchmark on the tightened supply outlook after USDA dropped the most recent data yesterday. Ending soybean supplies will remain more comfortable than 2020/21 levels, at a stocks-to-use ratio of 7.8%. But even with the morning's rally, 2022 soybean acres still have not been able to buy any future acreage back from 2022 corn prices.

The new crop 2022 soybean-corn ratio continues to trade the 2.3 mark, at which the market exhibits a strong preference for corn acreage based on futures prices. Even with rising input costs and tightening global soybean supplies, corn remains a more lucrative option for growers on the fence about 2022 crop rotations.



As recently as September, January soybeans on the Dalian exchange were making new highs, looking quite bullish. By late October, prices had fallen below their 100-day average and are now dropping lower, pestered by several bearish concerns (note the DTN ProphetX chart below).



In 2020-21, China bought 1.306 billion bushels of U.S. soybeans, representing 29% of total U.S. demand. Trader sensitivity to news out of China is understandable, but the problem is that we don't always know what is happening inside China's borders and whether we can trust the reports we hear. China's news often seems to have a strategic purpose attached.

For much of the summer, we heard about outbreaks of the COVID-19 delta variant locking down areas in China and resulting in temporary port closures. As long as soybean prices on the Dalian exchange kept climbing higher, it was easy to overlook those concerns. However, as January soybeans fell below its

100-day average and slid to a new four-month low on November 4, ending at the equivalent of $17.69 per bushel. The possibilities of problems happening within China are numerous. Outbreaks of the delta variant are still a concern, and China's financial sector has been strained by insolvency issues at one of its largest real estate developers. More recently, China appears to be in the midst of an energy shortage, lacking available supplies of coal and scrambling to import large quantities of liquified natural gas (LNG).

According to several media sources, soybean crush plants were closed temporarily in several provinces as part of a national effort to conserve energy. It appears the closures were temporary, but it is odd that soybean prices have fallen in the face of crush incentives that appear attractive, based on Dalian futures quotes.

On October 17th, China's National Bureau of Statistics said GDP was up 4.9% in the third quarter from a year ago, less than expected and slower than the second quarter's pace. Coinciding with the news, the Shanghai Composite Index also closed below its 100-day average at the end of October and appears due for a correction.

While U.S. soybean supplies are expected to be higher in 2021-22, Brazil's new soybean crop is off to an early start with the help of beneficial weather. Over half the crop has already been planted, putting soybeans on track for a record harvest that could start becoming available by late January.

On Wednesday, November 3rd, rumors circulated that China bought soybeans from Brazil for December through February, a disappointing development for U.S. export hopes, if true. Even if the rumors were false, FOB prices for January soybeans are cheaper in Brazil than at the U.S. Gulf, a bearish concern for U.S. exports.

The latest bearish straw for soybeans happened Thursday, November 4th, as December soybean oil fell back below its 100-day average, leaving behind a lower high in October. Soybean oil has been the main driver of higher soybean prices for over a year, and the future of biodiesel looks bright. However, bean oil prices are now heavily influenced by crude oil, a commodity with its own recent headwinds.

For crude oil prices, this week's drop happened at a time when U.S. production just returned to pre-Hurricane Ida levels and OPEC is expected to stick to its planned monthly production increases of 400,000 barrels per day. Add in China's slowing economy, and the latest rally could be over.

As bearish as the situation in soybeans has become, there is one fresh bullish development of note: After five months of sliding lower and playing second fiddle to soybean oil demand, December soybean meal is starting to turn higher with an impressive sign of end user demand lifting prices from their October low of $309.30.Thursday's close of $335.80 in December soybean meal has not been strong enough to offset soybeans' other bearish factors, but it does contribute to an enticing crush estimate.

The good news for U.S. producers is that this time of year still favors more U.S. soybean export sales ahead, but with Brazil's crops off to a good start, the window of opportunity for U.S. demand appears to be narrowing quickly.

Rice

The market for U.S. long-grain remains firm as harvest winds down. Arkansas has 10 days or less, and the second crop in Louisiana is underway and moving along as expected, though some cooler weather may slow things down a bit. Rains earlier in the week along the gulf coast has paused the Texas ratoon crop harvest. Both the paddy market and milled market are looking steady, with no big shockers on the horizon. The huge sale to Iraq has hit the books and has both exports and sales surging ahead of last year's numbers. Iraq has been spreading their business around to Asia and South America, so there is little expectation that any more business will materialize for the U.S. until Q1 of 2022 at the earliest. It will be important to maintain paddy exports to Mexico and other key destinations while filling domestic milled business.

Prices in Texas are reported in the \$14.50-\$15.00/cwt range, while Louisiana is registering bids at \$12.75/cwt. Mississippi, Arkansas, and Missouri are all somewhere between \$13.25-\$13.50/cwt based on location and quality. Mills seemed to be largely covered for the coming weeks, but there are steady offers in the spot market to provide liquidity in the current environment.

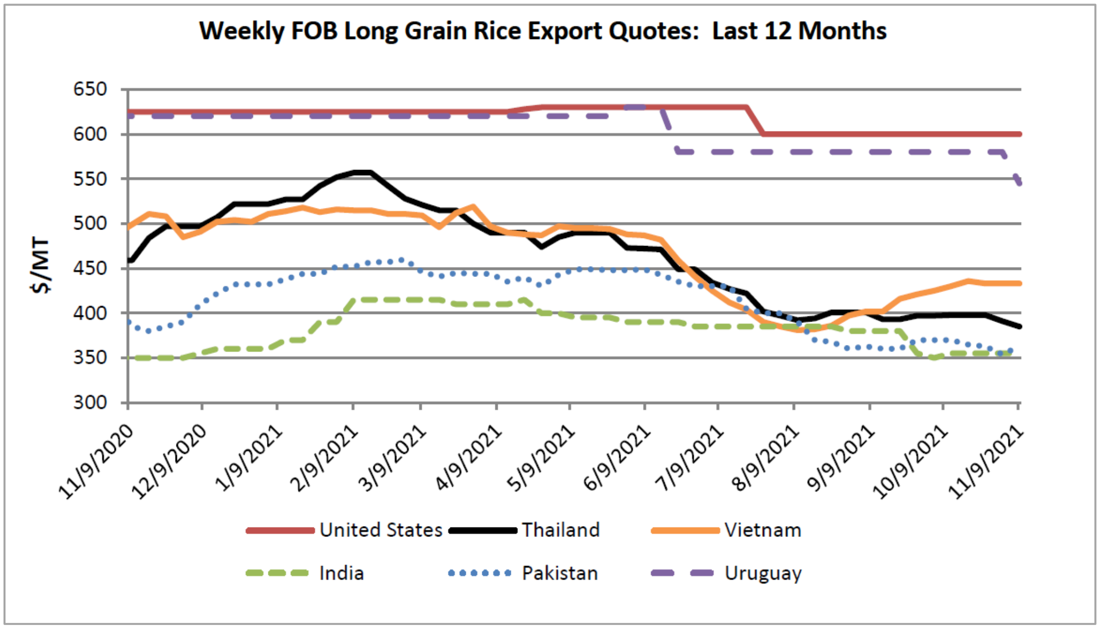
With this year's harvest complete in most places, focus is already turning to planting intentions for next year. Corn, beans, and other crops are commanding a premium over rice, and the increased cost of fertilizer and chemicals is weighing heavy on the planning process. Rice farmers are encouraged to book fertilizer early with the shortages that are already in the forecast, but if prices don't adjust, other crops with higher profit margins will be attractive. Prices of urea have reached \$800-\$1,000 per ton in Western Hemisphere countries. Planting season is well underway in the Mercosur countries. Government subsidies of fertilizer for farmers in Southeast Asia are being reported.

In Asia, pricing has remained steady for several weeks now. India is reported at \$360 pmt and has been within a \$5 pmt range for close to four weeks. The same can be said for Thailand and Vietnam, each registering at \$389 pmt and \$425 pmt this week, respectively. Loadings in India continue to defy gravity and the Covid clog, with the majority this week headed for West Africa. China has also been high on the list for India, as India is now China's top supplier of rice because of the seemingly insatiable appetite for animal feed.

In a bright spot for the U.S. rice industry, the 25% retaliatory duty on U.S. rice was removed by the EU this week. Among other items, this victory for U.S. trade includes milled and broken rice. Recall these tariffs were set in place as a response to the tariffs the Trump administration placed on European steel and aluminum to protect American jobs and industry. The removal of this 25% tariff is a good sign that U.S. rice will be competitive again in the European market, and this comes at a time when milled rice exports are needed for the U.S. industry. The situation in Haiti continues to crumble, and fresh Iraq business is a long way off. The industry looks forward to renewed business with the EU in the coming weeks and months.

Rice futures rallied along with grains. November settled up 21 cents to \$13.54 ½. January rice, the most active month, settled up 20 cents to \$13.79 ½ after trading in the range of \$13.52 to \$13.82. March rice settled up 20 cents to \$14.01. USDA'S November WASDE report looked a little negative for the market. Pertaining specifically to long-grain, USDA raised domestic carryout to 24.5 million cwt., up from 23.0 million last month but down from 29.7 million in 2020-21. The increase was due to increased production and reduced exports. The season-average price was left unchanged at \$13.00. Also, USDA raised its estimate of the U.S. all-rice crop by 3.3 million cwt. and raised its estimate of the U.S. 2021-22 all-rice carryout by 1.8 million cwt. but left its forecast for the on-farm avg. price of rice at \$14.80 per cwt. USDA raised its forecast for world rice ending stocks by 4.31 million metric tons or 2.3%. Rice futures ended higher for the fifth day in a row, setting up 9 to 10 cents. Nov. futures, soon to go off the board, settled at \$13.64 ½. January futures closed at \$13.89, after trading a rage of \$13.73 to \$13.94. At the start of last week when the market plunged, Jan. futures found support right at \$13. Now the question is whether \$14.00 will be resistance. If Jan. rice breaks through that level, the next target would be \$14.21-22.

Over the past month, U.S. quotes remained unchanged at $600/ton, while Uruguayan quotes dropped $35 to $545/ton due to ample supplies. In Thailand, quotes dipped to $385/ton, reflecting a return to normal market conditions following a surge of shipments in September and early October. Vietnamese prices trended up amid tight supplies and strong domestic demand, with an $8 increase to $433/ton. In Pakistan, quotes fell $7 to $363/ton, influenced by the weakening rupee and continued container shortages. Indian prices rose $5, but remain very competitive at $355/ton, amid robust supplies and steady demand.



In May of this year, the Biden Administration announced its intentions to enter into negotiations with the EU to remove the tariffs placed on U.S. imports in retaliation for the U.S. application of tariffs on European steel and aluminum imports under Section 232. Since May, U.S. Trade Representative Katherine Tai and Department of Commerce Secretary Gina Raimondo have been in talks with EU trade negotiators along with representative from the European steel and aluminum industries. Ultimately, the U.S. agreed to provide a duty-free quota for European steel and aluminum and will keep the Section 232 tariffs in place for any steel or aluminum shipped in excess of the quota, maintaining some level of protection for American-made steel and aluminum.

The announcement came just two days before an internal November 1st deadline that gives a one-month period for the European Commission to formally repeal the tariffs by December 1, when some EU retaliatory duties were set to double.

Like the EU, the United Kingdom (UK) also has tariffs in place on U.S. milled and broken rice in response to the U.S. steel and aluminum tariffs. The UK is in the process of reassessing the U.S. products subject to the retaliation and has proposed removal of rice from that list. Timing for the UK to announce the new retaliation list is still unknown.

The EU purchases mostly long-grain brown rice from the United States which it fully mills and then ships to markets in the region.

The USDA FAS notes that despite the uncertainty surrounding the lingering economic impact of COVID-19, EU rice imports are forecast to rise slightly in MY2021/22, driven by increased demand. Myanmar, Pakistan, Thailand, and Cambodia are expected to remain EU's leading rice suppliers. The restoration of

EU import duties on Indica rice from Myanmar and Cambodia in January 2019 resulted in a change of the type of rice imported rather than a decrease in total non-EU rice imports. Husked rice japonica imports have been increasing as only white rice Indica is affected by the increased duties.

Effective June 22, 2018, the EU is retaliating against various U.S. exports in response to U.S. Section 232 tariffs on EU aluminum and steel. Hence, U.S. rice is subject to a 25 percent ad valorem retaliatory duty. Nevertheless, the impact of the duties on U.S. rice exports to the EU was small as these exports target high-end customers, like sushi restaurants. The slowdown in HRI activity is seen as the main driver for the decline in U.S. rice imports in 2020, cushioned by the COVID-19 related rise in food delivery services demand.

Exports of rice to countries outside the EU are mostly subject to the issuance of an export license. Rice products for which an import license is required are as follows.

Husked rice under heading 1006 20: Period of validity is until the end of the second month following application. Security is €30 per metric ton. On March 8, 2019, the rate of duty was increased to €65 per metric ton for the second half of 2019, up from €30 per metric ton, as the imports of husked rice had reached more than 264,000 metric tons since September 2018.

Milled rice under heading 1006 30: Period of validity is until the end of the second month following application. Security is €30 per metric ton. Current rate of duty is €175 per metric ton.

Broken rice under heading 1006 40 00: Period of validity is until the end of the second month following application. Security is €1 per metric ton. Current rate of duty is €65 per metric ton.

As mentioned above, in retaliation for U.S. safeguard measures against EU aluminum and steel, the EU imposed additional tariffs of 25 percent on rice imports from the United States.

The COVID-19 crisis, the EU Green Deal, Common Agricultural Policy reform (CAP), and Brexit, have consumed agricultural EU policy makers in Brussels. The COVID-19 crisis shaped EU policy making and politics with concerns over resilient supply chains. These concerns influenced the EU Green Deal's agri-food vision under the Farm to Fork and Biodiversity strategies and sparked debates over CAP reform.

Cotton

As for cotton fundamentals, harvest efforts are trudging along with 55 percent of the crop still in the field. Despite yields being all over the board, the crop is surpassing expectations. Once again, weekly export sales were less than impressive. Current and new crop sales combined for a total of 193,000 bales, down 50 percent from the previous week with China and Turkey the primary buyers.

However, net sales to China were only 52,000 bales compared to 187,000 last week and 274,600 for the previous week. As more cotton enters the pipeline over the next few weeks, sales numbers should improve. With that, there is solace in the fact that current total sales commitments are very similar to those at the same time last year (9.05 million bales versus 9.5 million). Shipments are lagging with two million bales currently shipped versus 3.45 million last year. Logistical disruptions, which eventually will be resolved, are contributing to this short fall.

There is an unsettling sense the market is becoming lackadaisical, which is worrisome. After three weeks of profit taking, they did reverse course to a net long position of 7.8 million bales by only a meager 1,202 contracts compared to a recent high of over 10 million bales.

Keep in mind that NY futures normally track the Funds long position. Thus, the spec community is desperately searching for positive reassuring news cotton is still in demand. Tuesday's WASDE report and Friday's export sales figures will provide a good glimpse into this with the market sure to react.

The cotton market extended a rally on a strong demand outlook, even as UDSA's November WASDE estimates weren't exceptionally bullish. In its monthly Supply and Demand report, USDA forecast U.S. cotton production at 18.198 million bales, higher than trade expectations for 18.040 million bales. USDA increased its yield by 9 lbs. to 880 lbs. per bale and left harvested area unchanged at 9.922 million acres.

Among top cotton states, USDA raised its estimated Texas yield by 9 lbs. and its Georgia yield by 21 lbs. per acre. Global carryover saw cotton stocks at 86.93 million bales for 2021-22 down from 87.13 million bales in an October forecast and down from 89.28 million bales in 2020-21. USDA said the projected marketing-year average price received by upland producers was unchanged this month at 90 cents per pound, a 36 percent year-to-year increase.

Yesterday's USDA weekly crop progress report showed the U.S. cotton crop harvest at 55% complete, which compares to 60% done last year at this time and a five-year average of 57% harvested at this time of year.

The USDA report did not contain any particularly bullish news for cotton, but the market rallied anyway, led by nearby December. It settled up 2.83 cents to 119.38, after trading a range of 116.20 to 120.50. March cotton ended up 1.90 cents to $115.19, and Dec. 2022 cotton gained 47 points to 91.31. A jump of more than $2 in crude oil today was supportive for cotton, as was a weaker U.S. dollar.

Cotton gained despite small increases in USDA's estimates of U.S. production and ending stocks. USDA pegged the 2021 U.S. cotton crop at 18.20 million bales, up 200,000 from October on a higher yield and USDA also raised its U.S. ending stocks estimate by 200,000 bales, leaving its forecast for the 2021/22 on-farm avg. price of cotton at 90 cents per pound. USDA cut its forecast for world cotton ending stocks by a modest 200,000 bales.

U.S. cotton prices rose in early trading buoyed by the belief that export demand would remain robust despite the recent price surge, and despite China starting daily cotton sales from domestic stocks. That move likely reflects the ongoing Trump Administration ban on imports of Chinese apparel manufactured from cotton grown and/or processed in its Xinjiang province, since it's widely believed that much of that fiber is produced by its enslaved Uyghur people.

The CPI's unexpectedly strong jump spurred talk that the Federal Reserve could possibly hike U.S. interest rates sooner than previously thought, prompting selling in some commodity markets. Gold prices rallied in response to the CPI report, while the U.S. dollar index reached a 16-month high, a bearish development for U.S. commodities.

Fundamentally, U.S. cotton prices are supported by their large discount to global prices. Recent export demand however has been unremarkable, and cotton bulls will be looking for strong sales in tomorrow's weekly sales report. Yesterday, USDA pegged the 2021 U.S. cotton crop at 18.20 million bales, up 200,000 from October on a higher yield and has also raised its U.S. ending stocks estimate by 200,000 bales, leaving its forecast for the 2021/22 on-farm avg. price of cotton at 90 cents per pound. USDA cut its forecast for world cotton ending stocks modestly by 200,000 bales.

Technical analysis: Bulls still hold the technical advantage in the cotton market, with today's close in December futures within striking distance of the contract high at 121.67 cents per pound. Initial support extends from the 10-day moving average near 117.24 to the former contract high from October 8 at

116.48. Look for additional support around 113.93, then in the 110.00 area. Today's high at 120.75 will now likely mark initial resistance and it will be backed by the contract high at 121.67. A push above those levels would have bulls targeting the 125.00 level.

Reuters reports that China will start a new round of sales from its cotton reserves on November 10, with a total 600,000 tons of imported and domestic cotton to be sold off in daily auctions, according to an official notice. It is the second batch of cotton to be released from reserves this year and is designed to better meet demand for the fiber from spinning companies, said the China Cotton Reserves Management Company in a notice published late on Tuesday by industry website Cncotton.com.

Cotton prices in China are currently at three-year highs, bolstered by strong demand from both the domestic textile sector and export markets over the last year, and high global prices. However, demand has recently weakened while prices sought by growers in the main producing region Xinjiang for the recently harvested crop were very high, and unacceptable to spinning firms, said analysts at Cofco Futures in a report last month.

"There will be strong bidding, especially for the import lots," a Beijing-based cotton dealer commented on the upcoming auctions. The imported cotton, mostly from the United States and Brazil, is better quality and newer than much of the domestic cotton on offer, he said.

Cotton futures traded on the Zhengzhou Commodity Exchange moved little on Wednesday, hovering around 21,560 yuan ($3,369.80) per ton, their highest since May 2018. ($1 = 6.3980 Chinese yuan renminbi).

International cotton prices moved in very volatile fashion during October, under the lead of sharp fluctuations in New York futures, but overall continued the upward trajectory that has been in evidence since the middle of this year. The Cotlook A Index moved within a range of roughly ten US cents per lb, hitting a low of 113.05 mid-month, and ending the period at a high point of 123.10 cents, almost 750 points above its opening level.

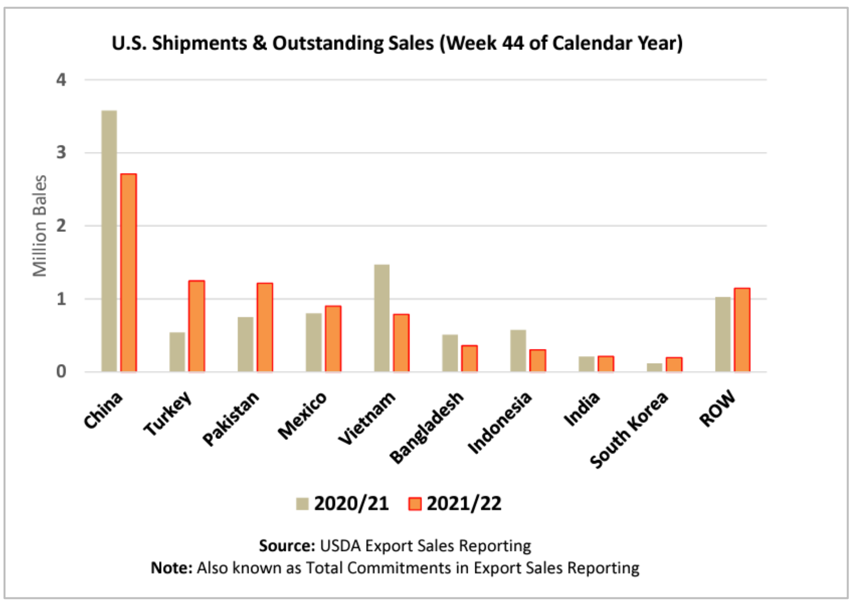
Well documented shipping difficulties and freight premiums showed few signs of lessening during October, but demand persisted from a broad range of markets, mainly for cotton available for shipment either side of the year end. Turkey, owing to an increase in downstream orders, was one of the more active buyers particularly from European customers, due in large part to the much shorter lead times associated with deliveries from that country than from manufacturers based further afield. Mills in Bangladesh continued to encounter severe difficulty in securing deliveries of raw cotton, to the extent that the continuity of some spinners' operations appeared under question. Forward mill purchasing meanwhile continued ‘on-call’ New York, at basis levels that reflected the above-mentioned freight uncertainties, as well as the strength of cotton prices at origin.

Chinese buyers remained very active during October, predominantly for US lint but also for some other growths including Brazilian and Indian styles. The discrepancy between domestic and international asking rates, which stood at the equivalent of more than 22 US cents per lb for much of the period, proved too attractive a price advantage for mills with unused 2021 import quota to forego. Various state-owned trading entities were also intermittent buyers during the period.

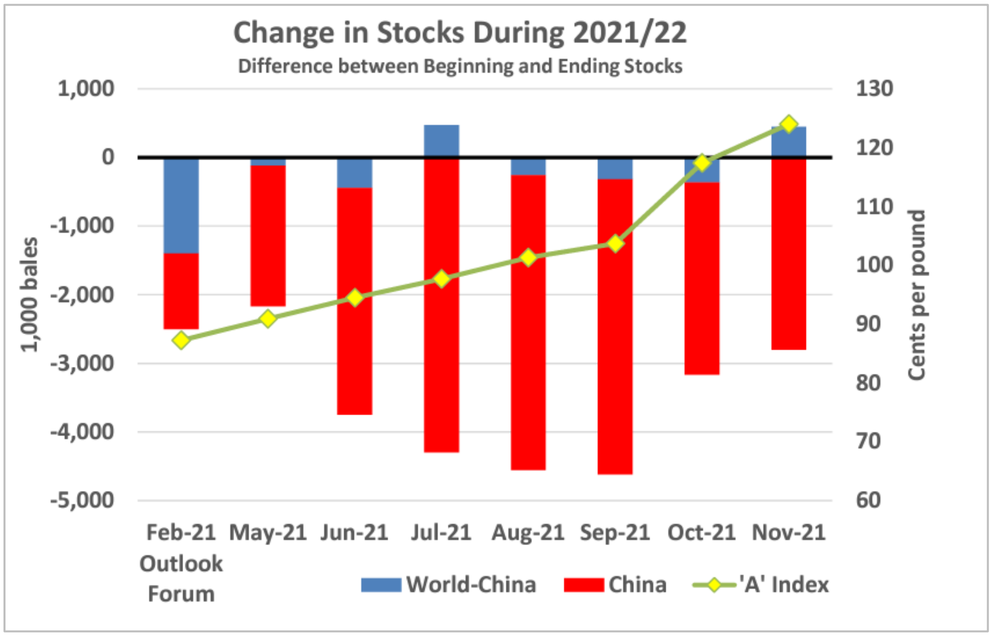
On the domestic Chinese market, daily turnover at the extended State Reserve auctions declined in proportional terms but (owing to larger daily catalogues) the actual volumes sold remained fairly robust: in the month of October, almost 250,000 tonnes were disposed of, all of which was cotton acquired in the period between 2011 and 2014. Hence, the volume of those older stocks residing in Reserve warehouses has been significantly depleted, to perhaps half a million tonnes or less, by Cotlook’s estimation. The impression is that the average quality of the ageing cotton left in the reserve is poor. Our calculations indicate that the volume held by the State Reserve by the end of October was roughly 1.75 million tonnes, most of which is US and Brazilian lint acquired since 2018 as well as some 2019/20 crop Xinjiang cotton.

Beijing’s intentions as regards the timing and volume of purchases to replenish the reserve remain a major point of conjecture in market circles. China appeared as the lead destination in three of the four weekly reports (falling from that position only during a holiday period, which limited business activity), and accounted for around 56 percent of the total net upland addition during the period.

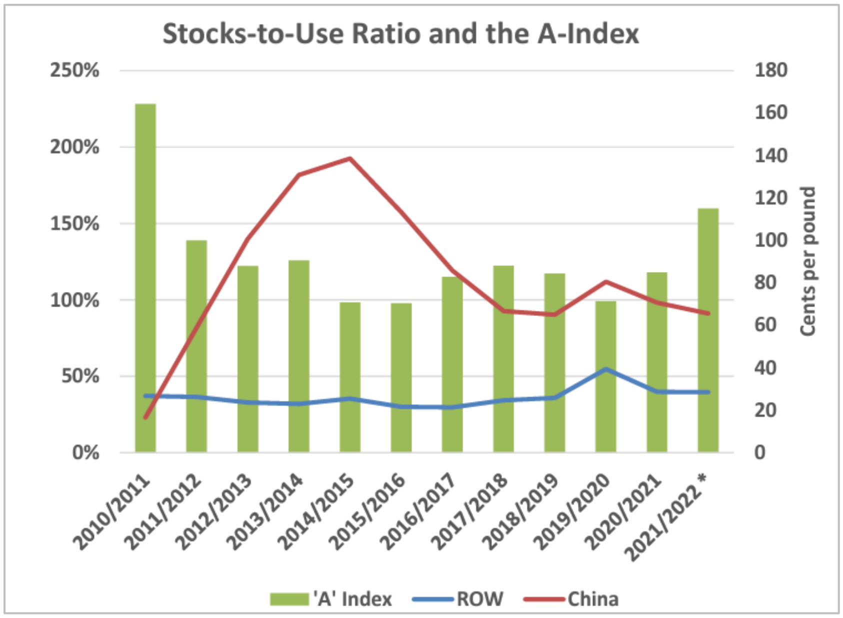
Overall, US upland export commitments in the season to October 21 were within five percent of the volume committed by the same date in 2020/21. Cumulative upland shipments by October 21 were just 65 percent of the amount shipped by the same point a year earlier, but it should be noted that early season deliveries last year were bolstered by the movement of cotton sales to China that were carried over from the previous marketing year.



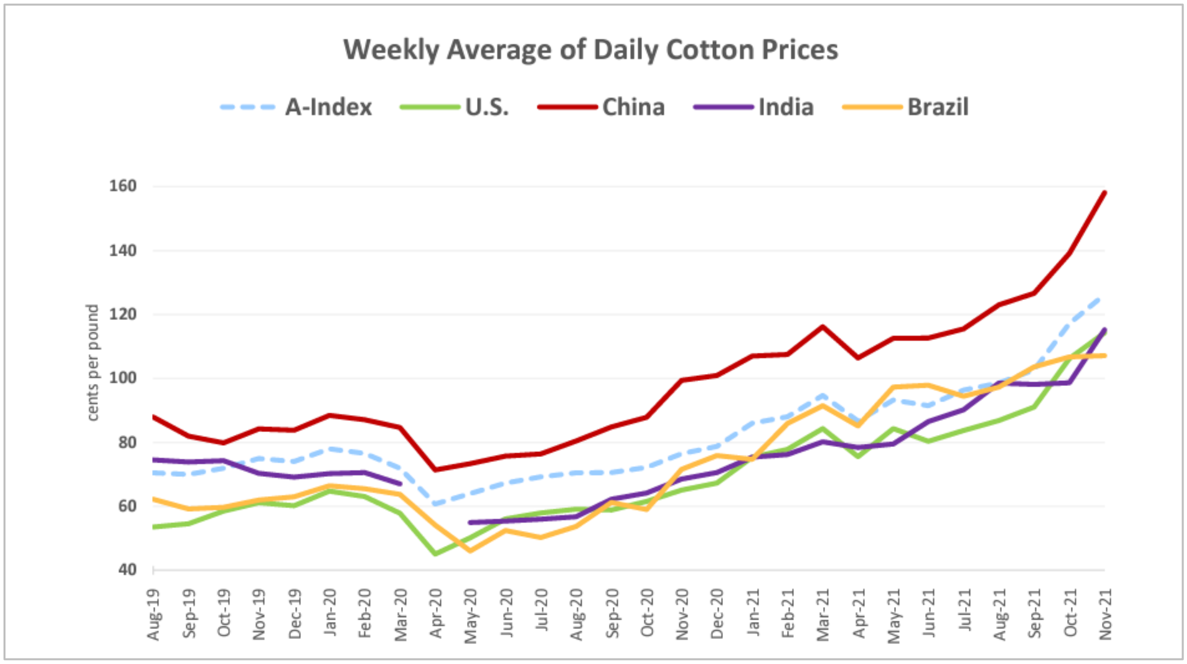
Both the A-Index and New York futures prices have experienced exuberant rallies in recent months, reaching levels well above $1.00 per pound. From the time of USDA’s first forecast for MY 2021/22 in February 2021 through September, the A-Index surged roughly 15 cents from the mid 80-cent range, coinciding with a tightening of world stocks in USDA's projected balance sheet. The February forecast for global 2021/22 ending stocks was 2.5 million bales lower than the previous year, with China accounting for roughly one-half of the downfall in global stocks. By September, the decline in stocks had increased to 4.5 million bales, with China accounting for nearly all of the downfall, as expectations improved for recovery from the impacts of COVID.



USDA forecasts in October and November both show smaller reductions in world stocks as global production expanded, primarily in Brazil, Australia, Pakistan, and Turkey. Coupled with lower global use in key markets, particularly in China and Vietnam, this has resulted in higher ending stocks than previously expected. Despite the outlook for higher ending stocks than previous USDA forecasts, prices have surged over the last 2 months with the A-Index reaching nearly $1.30, the highest level in 10 years.



Compared to recent years, the USDA forecast for the marketing year average for the A-Index is relatively high ($1.17 cents per pound) relative to the stocks-to-use ratios for both China and the rest of the world. The last time the A-Index averaged above $1.00 was in 2010/11 when China's stocks-to-use ratio was 23 percent compared with 91 percent forecast for 2021/22; stocks-to-use for the rest of the world was 37 percent compared with 40 percent for 2021/22. In 2010/11, the A-Index rose from the mid-80s in August to $1.30 per pound in late October before peaking at $2.40 in April 2011. The A-Index lost half its value within the next 4 months.



Global cotton prices rose since last month's WASDE following upward movements on the Intercontinental Commodity Exchange's December 2021 contract and strong global demand for nearby and available supplies. Spot prices in Gujarat (India) climbed more than 15 cents to exceed U.S. spot prices (Gujarat prices were roughly 7 cents cheaper than U.S. last month). Strong domestic and global demand for Indian cotton, coupled with lower supplies relative to last year, have helped to strengthen prices. China's spot prices remain significantly elevated relative to other origins despite robust sales from the State Reserve. More than 4.5 million bales have sold this year with the 2021 sales program set to expire later this month.

Changes Since October *WASDE* (cents per pound)

	A-Index	U.S.	China	India	Brazil
11-Oct	119.3	106.6	152.6	99.8	108.5
5-Nov	125.5	113.2	157.9	115.2	109.5
Change	**6.2**	**6.7**	**5.3**	**15.4**	**1.0**

PLC Farm Program Payment Projections – 2021/22 CY

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

Covered Commodity	***2021/22 MYA Price****	*Effective Reference Price*	***2021/22 CY PLC Payment Rate***
Corn	$5.45	$3.70	--
Grain Sorghum	$5.45	$3.95	--
Long Grain Rice	$13.00	$14.00	$1.00
Medium Grain Rice	$14.00	$14.00	--
Seed Cotton	$0.4583	$0.3670	--
Soybeans	$12.10	$8.40	--
Wheat	$6.90	$5.50	--

*national marketing year average (MYA) prices reflect the midpoint price level from the November 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), AgDay, Ag Fax Media, Ag Market Network, Agri-Pulse, Ag Resource Company, Ag Web, Agricultural Market Information System (AMIS), Allendale, American Farm Bureau Federation, Bloomberg News, Brock Report, CME Group, Cotton Grower, Cotton Incorporated, Cotton Outlook, Creed Rice Report, Daniels Trading, Delta Farm Press, DTN Progressive Farmer, Farm Futures, Fiber 2 Fashion, Intercontinental Exchange, International Grains Council, Iowa State University, LSU AgCenter, National Cotton Council, Peterson Institute of International Economics, Pro Farmer, Reuters, Rice Market Letter, Southeast Farm Press, StoneX, Successful Farming, Texas A&M University, University of Arkansas, University of Illinois, U.S. Grains Council, USA Rice Federation, U.S. Soybean Export Council, and the Wall Street Journal.

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