Staff Report No. 2021-39 **July 14, 2021**

July Market Update
Corn, Soybeans, Rice, and Cotton

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WASDE Summary

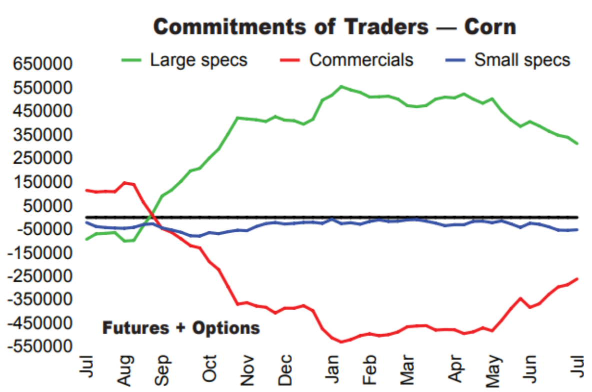
The outlook for the U.S. 2021/22 **corn** outlook is for larger supplies, greater feed and residual use, increased exports, and higher ending stocks. Corn beginning stocks are lowered 25 million bushels, based on greater feed and residual use for 2020/21 as indicated in the June 30 USDA *Grain Stocks* report. Corn production for 2021/22 is forecast 175 million bushels higher based on greater planted and harvested area from the June 30 USDA NASS *Acreage* report. The national average corn yield is unchanged at 179.5 bushels per acre. During June, harvested-area weighted precipitation for the major corn producing states was below normal but did not represent an extreme deviation from the 1988 to 2020 average. For much of the crop the critical pollination period will be during middle and late July and USDA will provide its first survey-based corn yield forecast of the season in the August 12 *Crop Production* report. Total U.S. corn use for 2021/22 is forecast 75 million bushels higher with increases for feed and residual use and exports. Feed and residual use is raised reflecting a larger crop. Corn exports are raised 50 million bushels, with sharply lower exports expected for Brazil. With supply rising more than use, ending stocks are up 75 million bushels. The season-average farm price received by producers is lowered 10 cents to **$5.60 per bushel**.

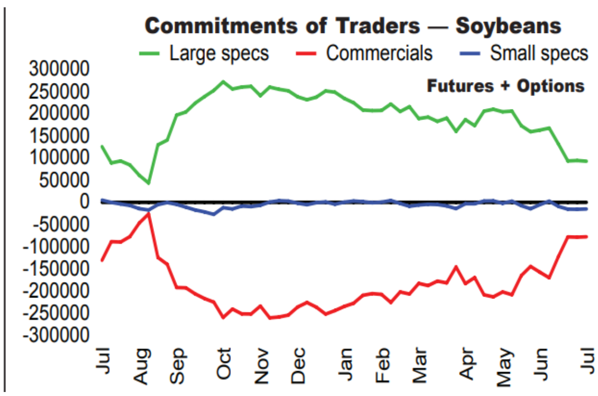
The 2021/22 outlook for U.S. **soybeans** estimates production to be at 4.4 billion bushels, unchanged from last month. Harvested area, forecast at 86.7 million acres in the June 30 *Acreage* report, is unchanged from last month but up 4.4 million from last year. The soybean yield forecast is unchanged at 50.8 bushels per acre. Soybean supply and use forecasts are unchanged from last month. Soybean changes for 2020/21 include lower imports, crush, and exports. With offsetting changes in supply and use, ending stocks are unchanged at 135 million bushels. The 2021/22 season-average farm price received by producers is lowered 15 cents to **$13.70 per bushel**.

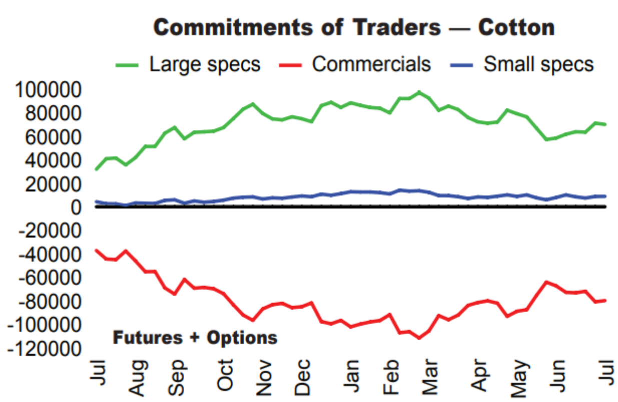
The outlook for 2021/22 U.S. **rice** this month is for slightly larger supplies, lower domestic use, higher exports, and larger ending stocks. Supplies are raised slightly as increased beginning stocks and imports more than offset lower production. Beginning stocks are higher, primarily due to lower estimates for domestic use and residual for 2020/21, as implied by the latest NASS *Rice Stocks* report. Domestic use is also reduced in 2021/22 by 3.0 million cwt to 153.0 million, although still a record. All rice production is reduced 2 percent to 199.3 million cwt with all the decline occurring in medium- and short-grain. The severe drought in California reduced medium- and short-grain area. The all-rice yield is also lowered based on less California area, which consistently achieves higher yields than the southern rice producing States. Because of reduced supplies of medium- and short-grain, imports for these classes are raised to a record 8.0 million cwt which increased all rice imports to a record at 39.0 million. All rice exports are raised 2.0 million cwt to 90.0 million (all long-grain) on expectations the U.S. will continue its recent expansion of rough rice exports to Venezuela and other Latin American markets. Projected 2021/22 all rice ending stocks are raised by 2.3 million cwt to 41.3 million with long-grain accounting for all the increase. The 2021/22 long grain rice season-average farm price is projected at **$12.80 per cwt**. The 2021/22 Southern medium grain rice season-average farm price is projected at **$13.50 per cwt**.

The U.S. **cotton** projections show higher production, exports, and ending stocks compared with last month. While the June 30 *Acreage* report shows 300,000 fewer planted acres for U.S. cotton than NASS's previous survey, a rainfall-driven reduction in projected Texas abandonment means U.S. harvested area is projected 9 percent higher. While 2021/22 production is 800,000 bales higher, consumption is unchanged, and exports and ending stocks are each projected 400,000 bales higher. The upland cotton farm price for 2021/22 is unchanged, at **75 cents per pound**, while the 2020/21 price is reduced one half cent to 66.5 cents per pound.

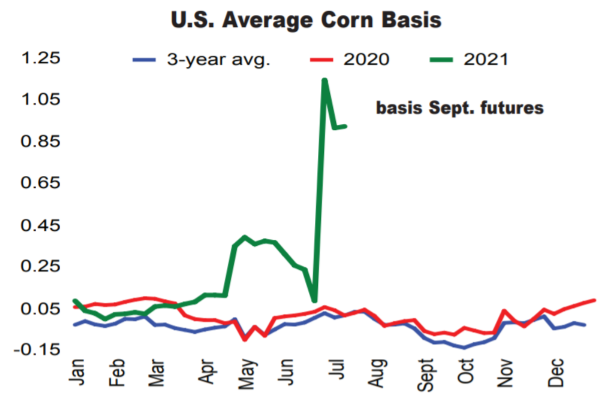
Commitment of Traders Report, Tuesday, July 13, 2021

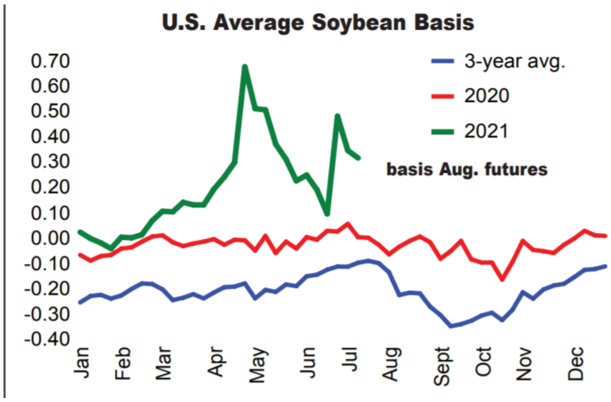


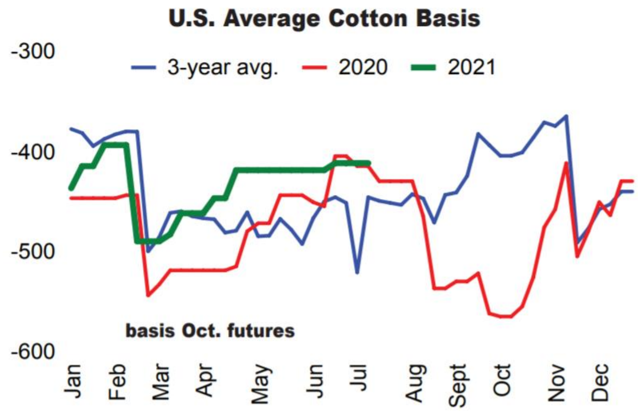




Cash Market Basis Charts, Wednesday, July 14, 2021







Corn

USDA estimates 2021 corn acres to be 92.7 million acres, this estimate was increased from March's forecast of 91.144 million acres and translates to be about 2% above 2020 totals. June's estimate of 92.7 million acres was more than a million acres less than the trade's guess of 93.787 million acres.

On July 6, CBOT December corn dropped by the daily 40-cent limit to $5.39-3/4 per bushel as the outlook for U.S. weather are forecasted as being favorable for pollination due to weekend rains in the Dakotas, Minnesota, and western Iowa. As forecasts are trending a little cooler and wetter, this should help the crop along in some drier parts of the Midwest. Rains probably caused a reported estimated yield decrease in July's WASDE. The contract is following a zig-zag pattern but the overall trend is downward as it has failed to return to its May 7 high of $6.38.

December corn posted its lowest settlement since late May on expectations of rainfall and milder temperatures across the Midwest boosting crop development into pollination. Two more weeks of favorable conditions are expected for much of the Midwest. World Weather Inc. reported that "Regular rounds of rain will occur through late next week, while a lack of excessive heat will continue for another week with some of the driest areas in the west-central and northwestern Corn Belt seeing improvements." As reported on July 7, December corn settled down 8.75 cents (1.6%) as rains are seen providing much-needed relief for the crop. Since June 1, the average absolute daily move in December corn is 2.6% (14.8 cents) with a max of 7.3%, moving the 40-cent limit three times. By comparison, the same period in 2020 saw an average move of 1.1% (3.75 cents) with a max of 4.7% (15.75 cents). The same period in 2017, a relatively low volatility year, produced an average move of 1% (4 cents) with a max of 3.2% (12 cents).

Because USDA will more than likely raise its planted and harvested corn acreage in the July WASDE report, based on the June 30 Crop Acreage report, the agency is not likely moving away from its weather-adjusted trend-line yield forecast of 179.5 bushels per acre. The report will likely forecast record U.S. corn production of roughly 15.167 billion bushels up from its June projection of 14.990 billion bushels, which should result in a larger ending stocks projection as well. The last time USDA changed its U.S. corn yield estimate in July was in the major drought year of 2012, when it slashed the projected yield by 20 bushels per acre. Outside of the northwest part of the Corn Belt, crop problems this year are not close to the level of 2012. However, we do not see the U.S. yield reaching USDA's current forecast amid the poor crop conditions in the northwest Corn Belt and expect the U.S. yield and production to fall in August when USDA releases its first survey estimate of the crop.

Ahead of the USDA data release, the trade is expecting old crop carryout to average close to 1.107 billion bushels with estimates ranging between 957 million bushels to 1.257 billion. New crop stocks are estimated to be reported at 1.402 billion bushels, which would be up 45 million bushels from the June WASDE. Production is expected to be up 117.5 million bushels on the higher acreage from the June 30 report.

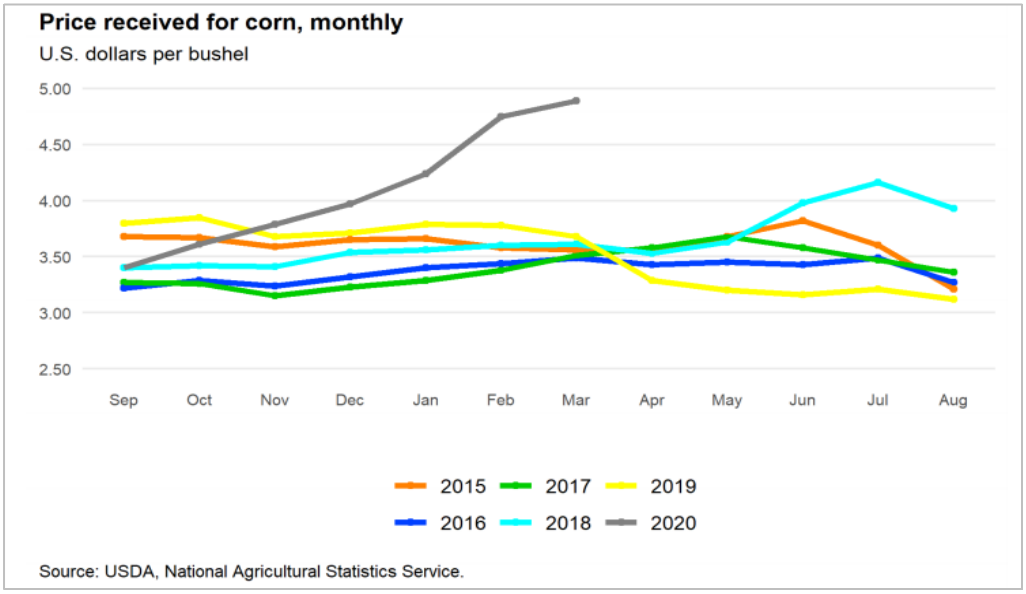
CFTC's weekly data release showed managed money was 26,063 contracts less net long in corn through the week ending July 6. The week of net new selling left the group 219,371 contracts net long. Commercials also reduced their net short to 513,443 contracts net short- their smallest hedge position since October as they try to clear out the house before harvest. USDA's weekly Export Sales report showed 173,177 MT of old crop corn was sold during the week ending 7/1. New crop bookings were 198,218 MT, down 73% from the same week last year. Outstanding sales for 2020/21 delivery are still 46% above last season with 11 MMT on the books. Forward bookings are 238% higher year-over-year with 15.95 MMT already sold.

USDA's 2021-22 corn carryout forecast of 1.432 million bushels was a modest 30 million bushels above the average of trade estimates, only because USDA, as expected, stuck with its weather-adjusted trend-line yield of 179.5 bushels per acre and pegged production at a record 15.165 billion bushels. That yield is likely too high. USDA raised its forecast for next year's U.S. corn exports by 50 million bushels based on lower Brazilian production, now estimated at 93.0 million bushels, down from 98.5 million in June. Argentina's production as raised to 48.5 million metric tons from 47.0 million metric tons, partially offsetting the losses in Brazil. USDA raised feed/residual use by 25 million bushels for both 2020-21 and 2021-22 based on the June 1st corn stocks total.

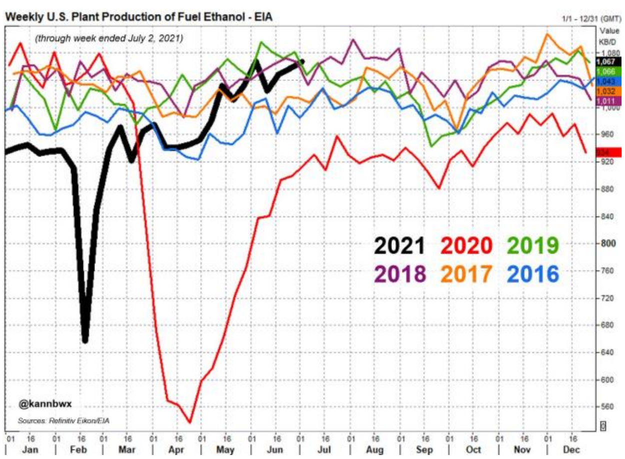
USDA lowered its old-crop U.S. corn ending stocks estimate by 25 million bushels from last month, which was slightly below trader expectations. The only change to the balance sheet was a 25-million-bushel increase to feed and residual use. USDA raised its 2020-21 on-farm average cash corn price estimate by 5 cents from last month to $4.40. For 2021/22, USDA raised projected ending stocks by 75 million bushels from last month. USDA lowered its 2021/22 national average on-farm cash corn price forecast by 10 cents from last month to $5.60 per bushel.

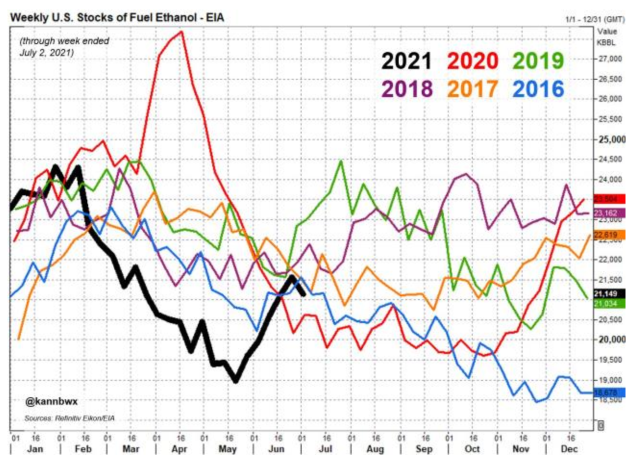
The corn market saw a bit of buying interest as less rain than expected fell in northeastern Iowa, northeastern Illinois and southern Minnesota during the weekend. However, much of the Corn Belt recently received much needed rain. More rain, except for the northwest part, is forecast for the Midwest. World Weather Inc. said today parts of the upper Midwest "will continue moisture-stressed and warmer temperatures along with continued dry weather for the period July 19-26 will bring along a new period of more heightened crop stress."

Divergent seasonal patterns in prices for the two marketing years are significant factors in the season-average price forecasts. The 2020/21 farm price has steadily risen during the marketing year. This rise is due to 2020/21 corn contracted earlier in the growing season likely receiving lower prices than corn priced during the harvest and post-harvest season. Therefore, monthly prices received by farmers lagged behind cash market prices. The increase in cash- and futures-market prices began in late summer 2020, as the global corn production outlook was reduced and the outlook for feed demand in China increased.

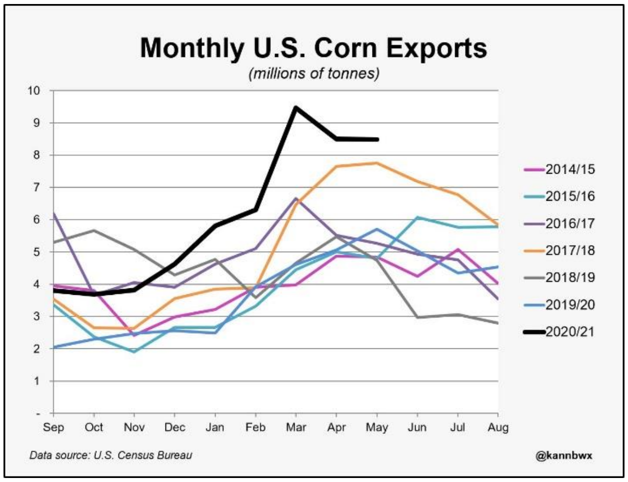


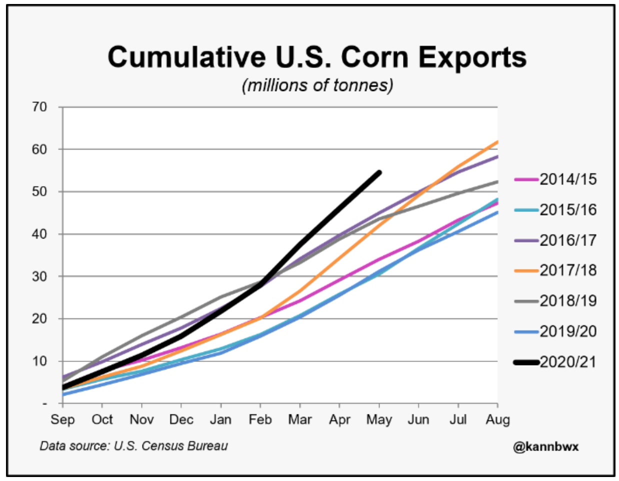
U.S. ethanol production last week tied its post-COVID high at 1.067 million barrels per day. Stocks fell 2%, their first decline in six weeks. USDA's 2020/21 corn for ethanol estimate at 5.05 billion bushels might need to come up about 75 million bushels or so. U.S. gasoline demand (as measured by total finished motor gasoline supplied to the market) hit 10.043million barrels per day last week, an all-time weekly record in data back to 1991.



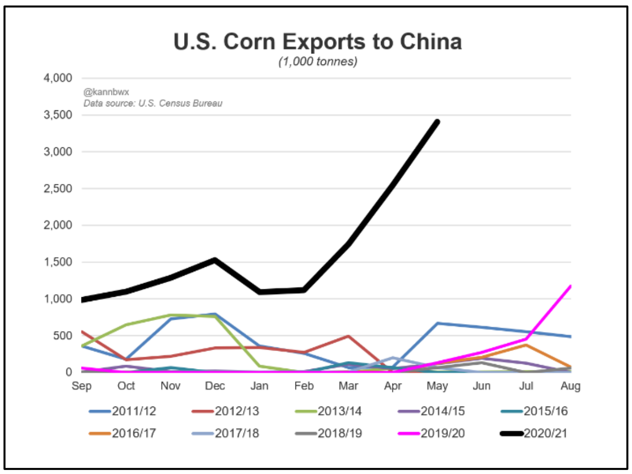


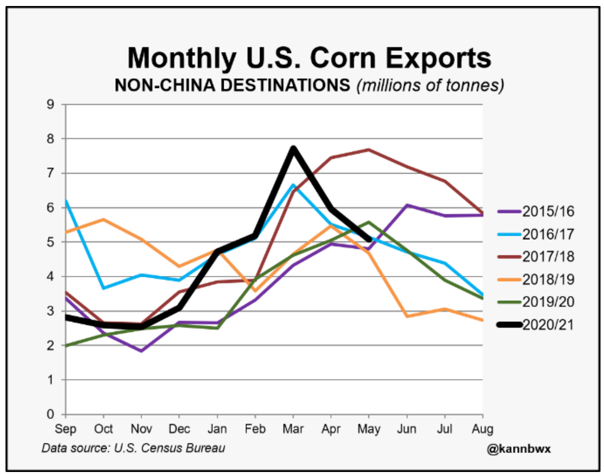
U.S. corn exports in May 2021 reached 8.48 million tons (334 million bushels), third largest for any month on record (behind March, April 2021). Some 40% of May corn exports were destined for China, the largest ever monthly share. September to May U.S. corn exports at 54.5 million tons (2.145 billion bushels) are 10%, cumulatively, above the 1980/81 record for the period and 75% more than a year ago.



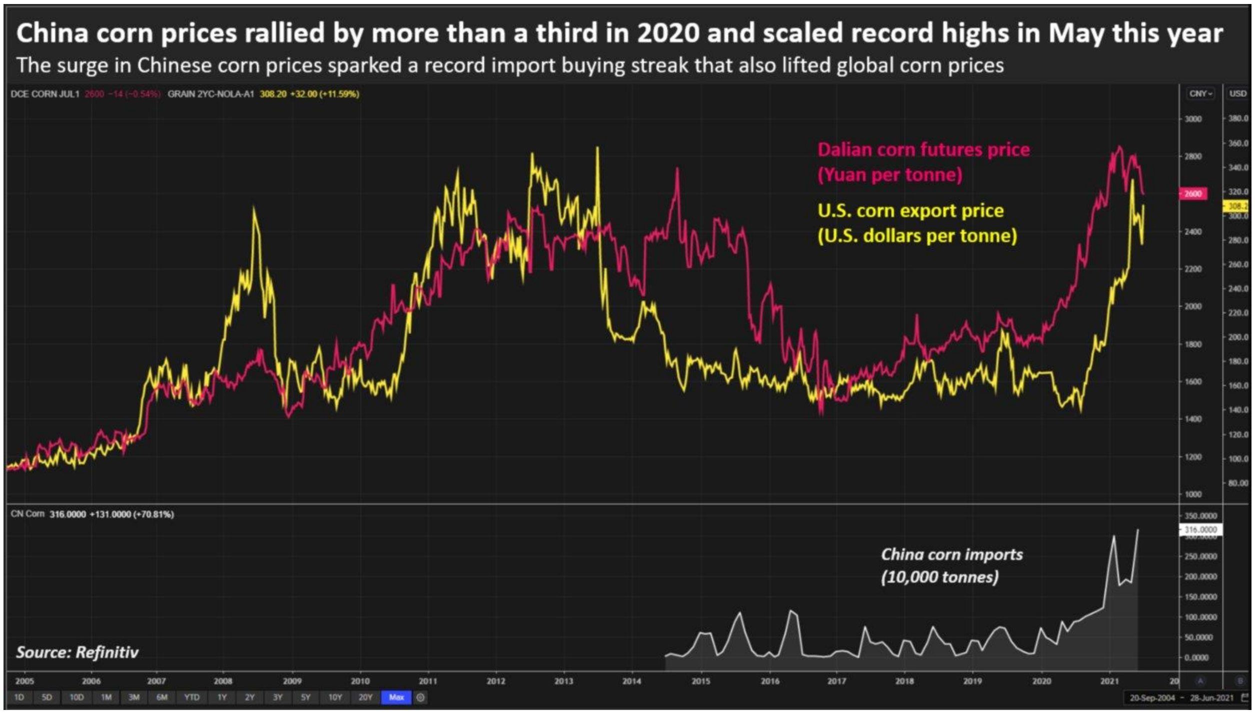


May U.S. corn exports to China totaled 3.4 million tons, a record, eclipsing April 2021's record of 2.55 million tons. September to May exports to China reached 14.8 million metric tons (583 million bushels).

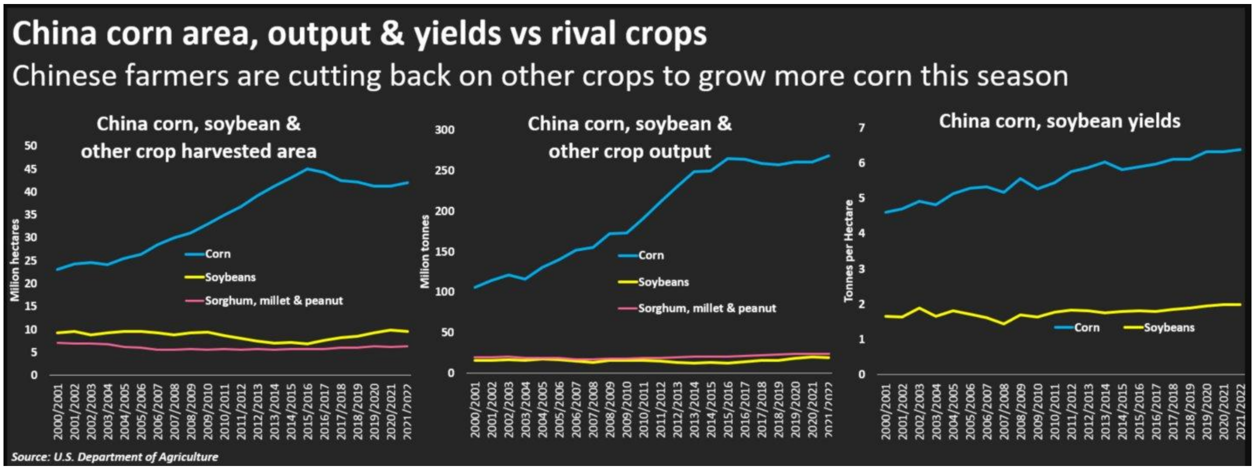


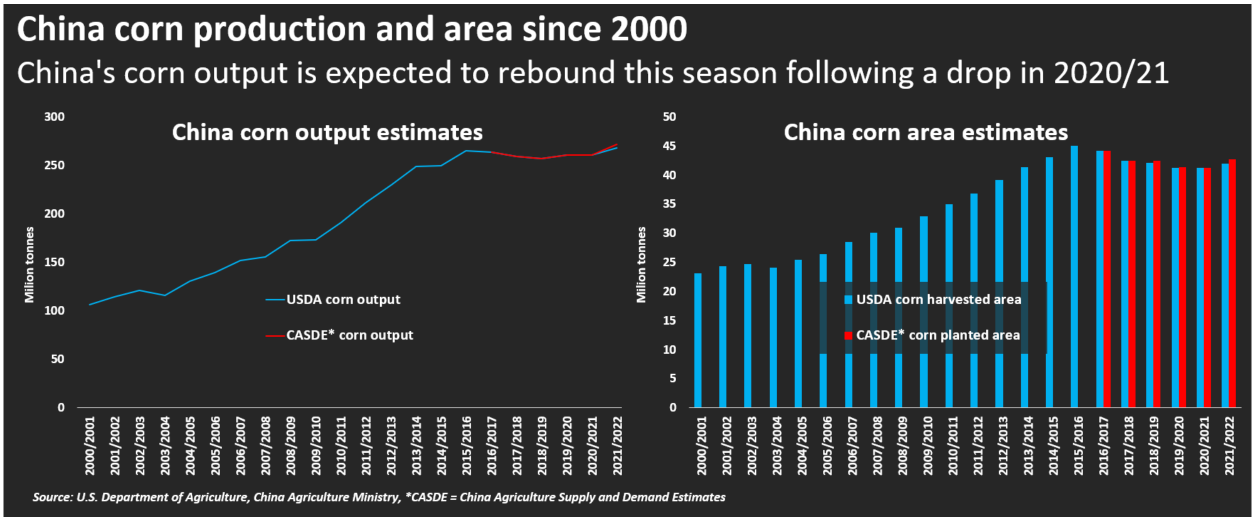


Chinese farmers have sharply increased corn planting this year to cash in on demand-fueled record prices, a trend that is likely to cool the country's recent rampant appetite for imports heading into 2022.The expansion, which comes mainly at the expense of soybeans and other crops including sorghum and edible beans, would boost China's maize output in 2021/22 by at least 6%, according to market participants. That will likely ease a repeat of last year when strong feed demand from the hog sector propelled China's corn use beyond local production and sparked a 26-million-ton import spree that turned the world's largest grain producer into the top corn buyer. The following chart shows Chinese corn prices versus U.S. export prices and Chinese imports. Dalian futures started their rise in early 2020 before U.S. prices rallied.



Consistent and accurate data on the footprints of the Chinese crop is hard to come by, especially following the unexplained suspension of Beijing-based agriculture information provider Cofeed. The private consultancy, which many in the market regarded as the most comprehensive supplier of information on grains and oilseeds in China, ceased updating data in April. With Cofeed offline, and other consultancies reluctant to diverge their crop views too far from government estimates that are often considered conservative, market participants have become increasingly reliant on anecdotal evidence for nearer-term readings on acreage shifts.

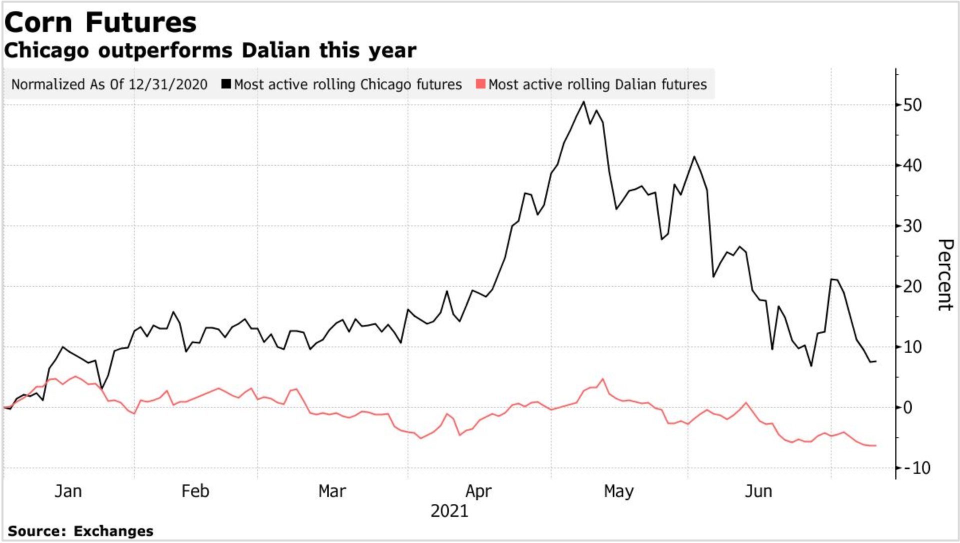




China is likely to take a break from buying large amounts of U.S. corn after record purchases this year because the domestic harvest is approaching, and local prices have slumped to their cheapest levels since late 2020. The world's largest importer has already bought more than 10.5 million tons of U.S. corn for the 2021-22 marketing year, and over 23 million tons for the current season, U.S. Department of Agriculture data show. Total imports next year will likely be 20 million tons, according to the USDA's FAS, while the USDA's official forecast for this year is 26 million tons.

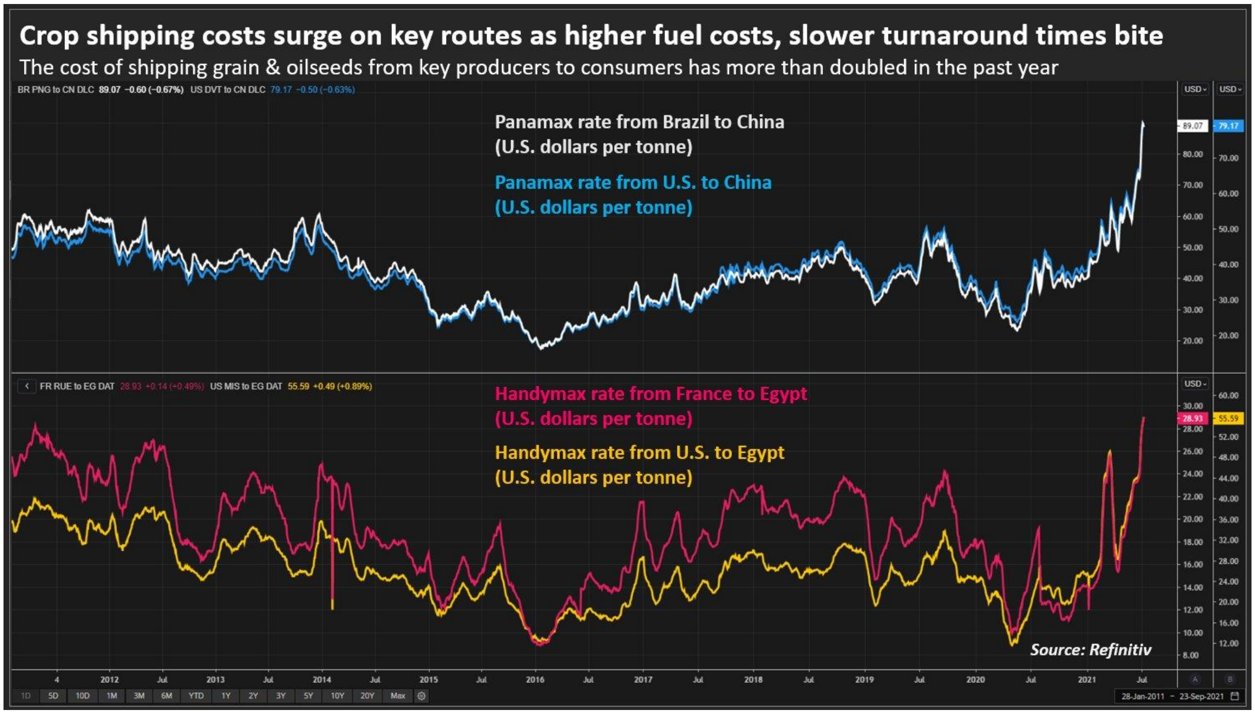
Bloomberg noted that, "The drop in the domestic market and higher shipping costs mean there's less incentive to buy from overseas. A fresh round of purchases from the U.S. for state stockpiles seems unrealistic, said one industry source. Meanwhile, private companies have already used up their quota allocations, so additional purchases are unlikely before the end of the year, said the source, who asked not to be identified commenting on buying strategy."

Even with a higher harvest, China still expects a corn supply deficit of more than 40 million tons in the next marketing year. This deficit would need to be filled by imports of corn as well as sorghum and barley. A fresh round of purchases could occur should there be any sign of improvement in bilateral relations between China and the U.S.

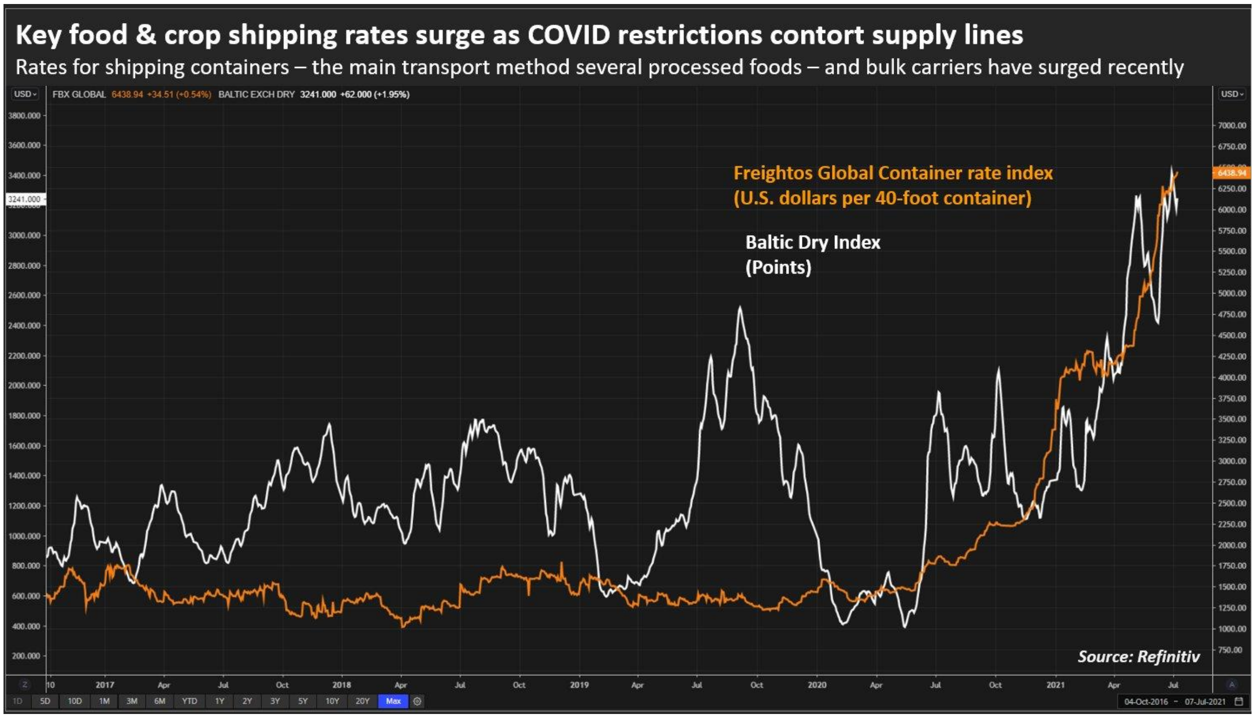


In a closer examination of higher shipping costs, Reuters reported that rising costs to ship crops globally are adding to concerns about food inflation that are already at decade-highs and are hitting cost-sensitive consumers in import-dependent markets. The cost of bulk carriers that move grains and oilseeds from production hubs in the Americas and Black Sea region to key consumers have roughly doubled from last year due to rising fuel costs, tighter vessel supply and longer port turnaround times amid COVID-19 curbs, according to grain and shipping sources. Freight cost has become a real challenge as it comes when we see huge increases in grain prices.

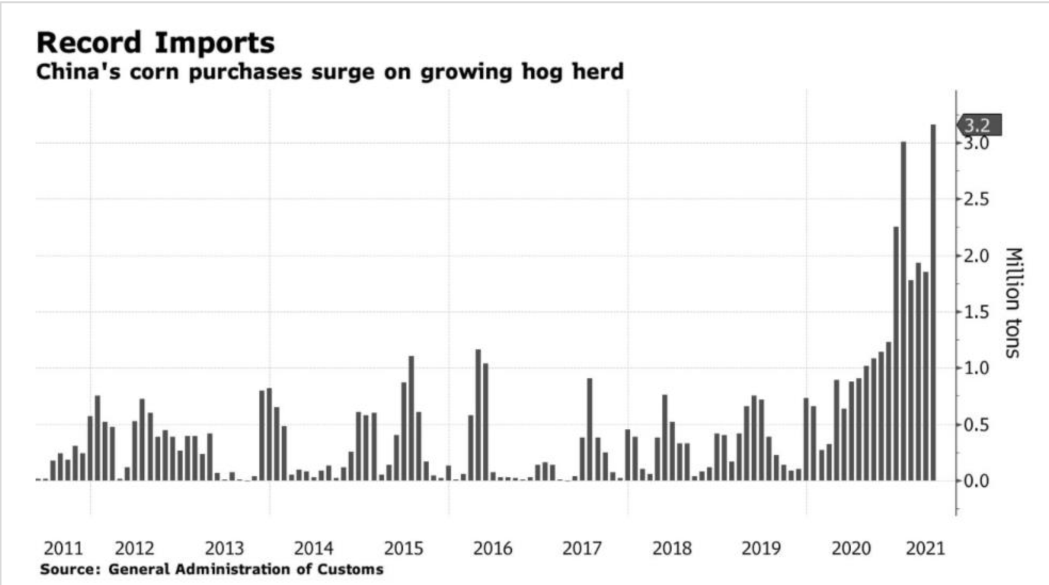
The double whammy of higher crop and freight prices is squeezing buyers in Asia, the top crop consuming region and home to China that accounts for more than half of the world's soybean purchases. Japan is one of the world's biggest corn buyers." And in news regarding domestic agricultural issues in China, Bloomberg News reported this week that "China plans to broaden its agriculture insurance policies to protect more farmers and bolster production of crops including rice, wheat and corn in a bid to improve the security of food supplies."



The cost of shipping crops from key origins like the Americas and Black Sea to big buyers in Asia has more than doubled in the past year. This comes on top of the surge we've seen in the price of those crops, which have helped fuel a rise in global food prices to their highest in 10 years. The jump in bulk vessel rates coincides with the surge to record highs in the price of shipping containers, which carry much of the world's processed food and bags of sugar, cocoa, edible oil, coffee, etc. This may pave the way to even higher food prices in the months ahead.

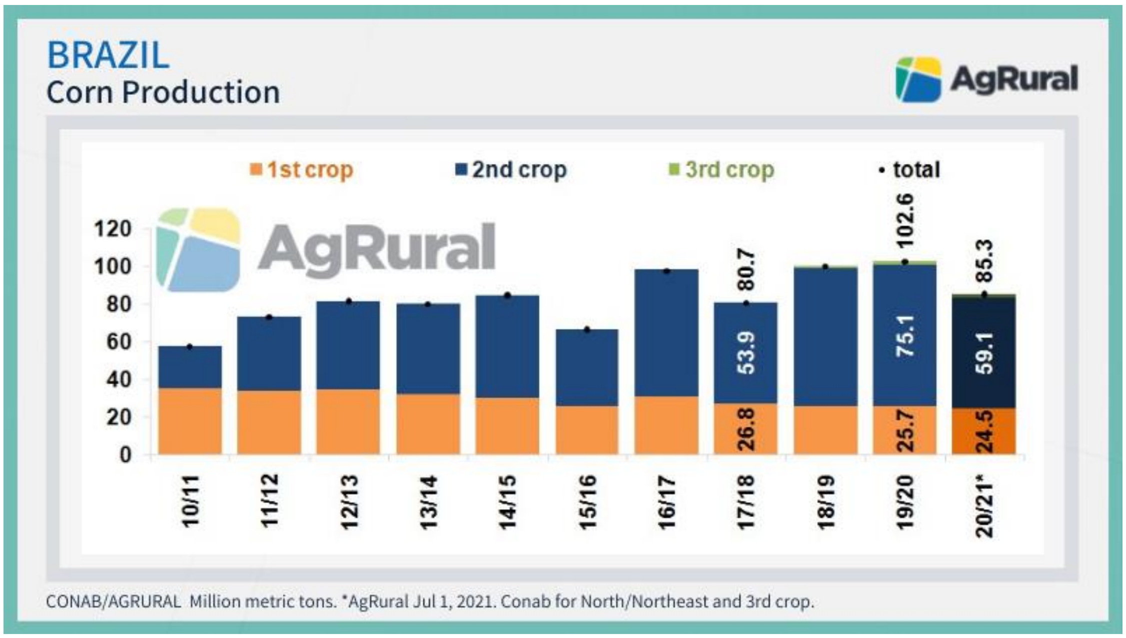


Given its enormous appetite for commodities, China is striving for basic self-sufficiency in the essential cereals of rice and wheat and seeks to restrain imports of corn as much as possible. Still, overseas wheat purchases may surge this year to the highest since the mid-1990s and corn imports have more than tripled to a record because of an expanding hog herd and crop woes.



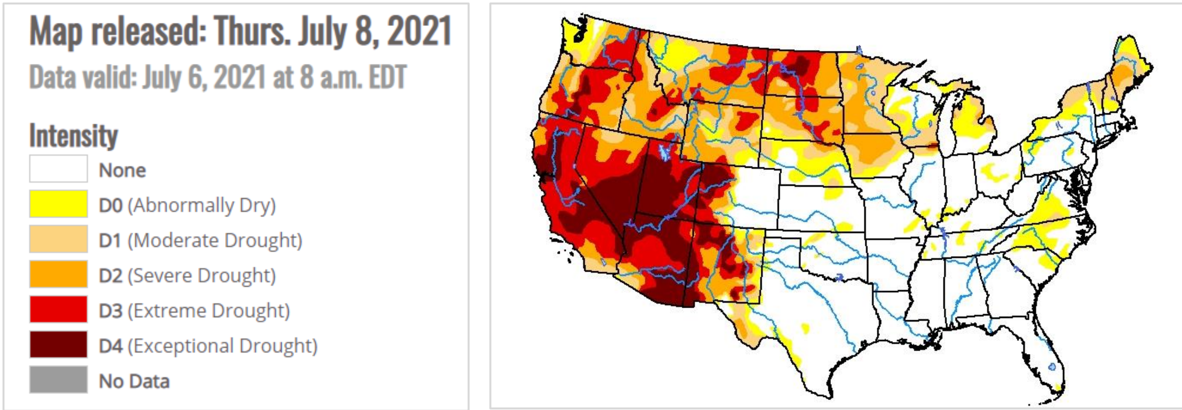
The Bloomberg article stated that, “China, the biggest consumer of farm commodities, strives for basic self-sufficiency in the essential cereals of rice and wheat, and seeks to restrain imports of corn as much as possible. Still, overseas wheat purchases may surge this year to the highest since the mid-1990s and corn imports have more than tripled to a record because of an expanding hog herd and crop woes.” The government is focused on supporting grower incomes and improving technology to increase productivity in a country where farmland is limited and rising affluence is boosting demand. President Xi Jinping has said that the rice bowl of the Chinese people, in any situation, must be held firmly in our own hands, Zou noted at a press conference."

Brazilian farmers have harvested about 12% of their second corn crop area in the Center-South region even as frosts are causing crop failure and output estimates are slashed, agribusiness consultancy AgRural. AgRural said bad weather led it to cut its forecast for second corn production in the Center South to 54.6 million tons, down from 60 million tons estimated in May. The consultancy also said harvesting is lagging last year's pace as Brazilian second corn was planted later than in the previous season. The second corn crop, representing the bulk of the country's annual production of the cereal, is sown in the same areas as soybeans after the latter are harvested. Total corn production in Brazil is now seen at 85.3 million tons, almost 17% below last year's level, AgRural said citing weather issues affecting the crop, particularly the second corn crop which was first hit by drought and later by frosts in states like Mato Grosso do Sul and Paraná.



Soybeans

The USDA soybean plantings figure of 87.555 million acres was actually slightly below the March intentions of 87.600 million and was 1.545 million acres below the average of trade expectations Bloomberg News recently reported. The lower-than-expected plantings will make it very difficult to rebuild U.S. soybean stocks in any significant way, especially with crop yield potential looking poor in the Dakotas and Minnesota, which accounted for about 18.7% of U.S. production last year.



Bearish Corn Belt weather patterns remain on the front burner of the soybean and corn markets. World Weather Inc. reports that "Weather in the heart of the U.S. Midwest will still be very good with sufficient moisture to carry on normal crop development without rain for two weeks. However, rain is expected periodically through the next ten days and that will preserve the subsoil moisture for crop use in the drier days of late July and August. Crop conditions are rated extremely well in the east while crops are most stressed in the northwest. While August is arguably the most important month for soybean plant development for most of the U.S. crop, the renewed weather market window for soybeans may begin to close in the next couple weeks, what with extended weather forecasts at that time reaching into August and if there is not threatening weather in them.

The trade does not expect many changes on July's WASDE soybean balance sheet. USDA's crop forecast should be only marginally different than its June estimate of 4.405 billion bushels as it should stick with its weather-adjusted trendline yield of 50.8 bushels. Any changes on the demand side of the balance sheet should be small for both old- and new-crop.

Pre report estimates going into the July WASDE call for basically no change in 2020/21 bean carryout. Some analysts are expecting cut to as low as 115 million bushels, while others estimate USDA could go as high as 165 million. New crop stocks are expected to be cut by an average of 7 million bushels to 148. The full range of survey respondents is for 102 to 185 million bushels. No analysts responded to the survey with higher new crop production, though the few expecting lighter output have the average at 4.394 billion bushels, down by 11 million bushels if realized. The Commitment of Traders report showed net new buying from soybean specs during the week ending July 6. That extended their net long to 82,180 contracts. USDA's weekly Export Sales report showed 63,808 metric tons of old crop beans were sold through the week that ended July 1. That was down 32% week-over-week, and was just 7% of sales from the same week last season. New crop sales were 118,500 metric tons, which was below estimates.

With USDA making no changes to its old or new-crop supply/demand numbers, industry experts indicated that the USDA's U.S. soybean supply/demand balance sheet would be interpreted as being neutral for the market. USDA did lower its projected on-farm average price of soybeans for 2020-21 by 20 cents per bushel to $11.05, while lower its 2021/22 price forecast by 15 cents per bushel to $13.70. USDA's world soybean balance sheet was a bit negative as it raised the projected world carryout for 2021/22 to 94.49 million metric tons from 92.55 million metric tons due to projected lower Chinese demand.

USDA lowered its forecast for Chinese 2020/21 soybean imports to 98 million metric tons from its June forecast of 100 million metric tons, with high prices seen limiting imports from Brazil and Argentina. USDA also cut China's projected 2021/22 imports to by 1 million metric tons to 102 million metric tons.

USDA cut projected exports and raised ending stocks for both Brazil and Argentina, while cutting projected Chinese ending stocks.

USDA's supply/demand report was neutral to slightly negative for soybean prices and capped gains along with crude oil market weakness and a strong dollar. Most-active November soybean futures rose 21 cents to $13.50 1/4, while August soybean oil futures jumped another 187 points to 64.05 points and August soymeal futures rose by $2.90 to $357.00. The short-term chart picture for soybean futures now looks firm again with Nov. beans posting their highest close in 5 sessions and moving back above their 18- and 10-day moving averages. The market's 40-day moving avg. near $13.65 now may be near-term technical resistance.

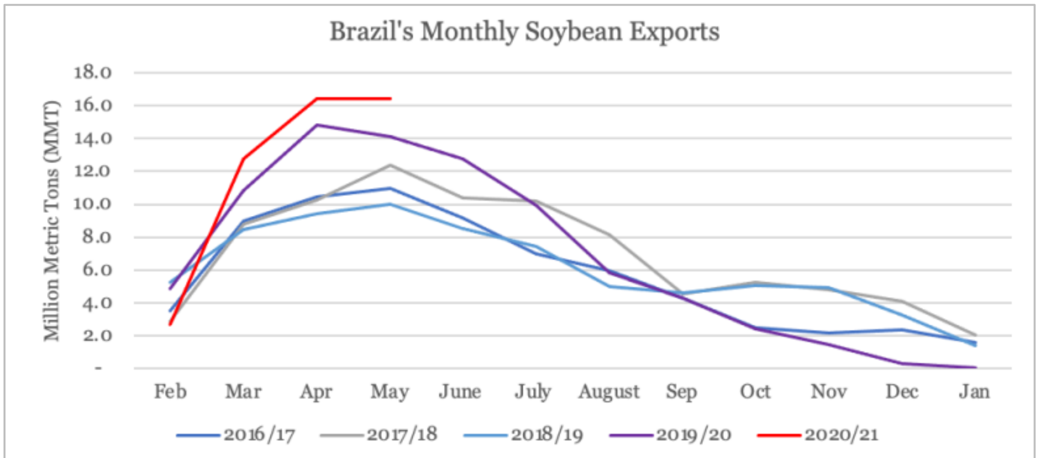
July 2021 USDA WASDE SOYBEANS: SUPPLY & USE	**2020/21**				**2021/22**	
	USDA Jun-21	**USDA Jul-21**	Change	USDA Jun-21	**USDA Jul-21**	Change
PLANTED	83.1	**83.1**	0.0	87.6	**87.6**	0.0
HARVESTED	82.3	**82.3**	0.0	86.7	**86.7**	0.0
YIELD (BU/A)	50.2	**50.2**	0.0	50.8	**50.8**	0.0
BEGINNING STOCKS	525	**525**	0	134	**134**	0
PRODUCTION	4,136	**4,136**	0	4,405	**4,405**	0
IMPORTS	35	**20**	-15	35	**35**	0
TOTAL SUPPLY	4,695	**4,680**	-15	4,574	**4,574**	0
CRUSH	2,175	**2,170**	-5	2,225	**2,225**	0
FEED, SEED, & RES	102	**102**	0	104	**104**	0
TOTAL DOMESTIC	2,280	**2,276**	-5	2,345	**2,345**	0
EXPORT	2,280	**2,270**	-10	2,075	**2,075**	0
TOTAL USE	4,560	**4,546**	-15	4,420	**4,420**	0
ENDING STOCKS	134	**134**	0	155	**155**	0
STOCKS/USE	2.9%	**3.0%**	0.0%	3.5%	**3.5%**	0.0%

With the report data out of the way, weather will be the main driver regarding price. Northern areas of the Midwest missed out of much of the recent rainfall, but there are some additional chances for rains in the 10-day forecast. Temps are expected to warm later this week and run above-normal through the remainder of the 10-day window, though oppressive heat is not expected. Since the key weather period for soybeans isn't until August, the market will continue to pull much of its direction from corn and wheat.

The USDA Post for Brazil revised the 2020/21 (February 2021 to January 2022) MY exports to 87 million metric tons, well above the previous record set in the 2017/18 MY when Brazil exported 83.7 million metric tons of soybeans. As is the case with the forecast for the next season, the trade estimate for the current MY is based on expectations of available supplies and an extremely favorable exchange rate.

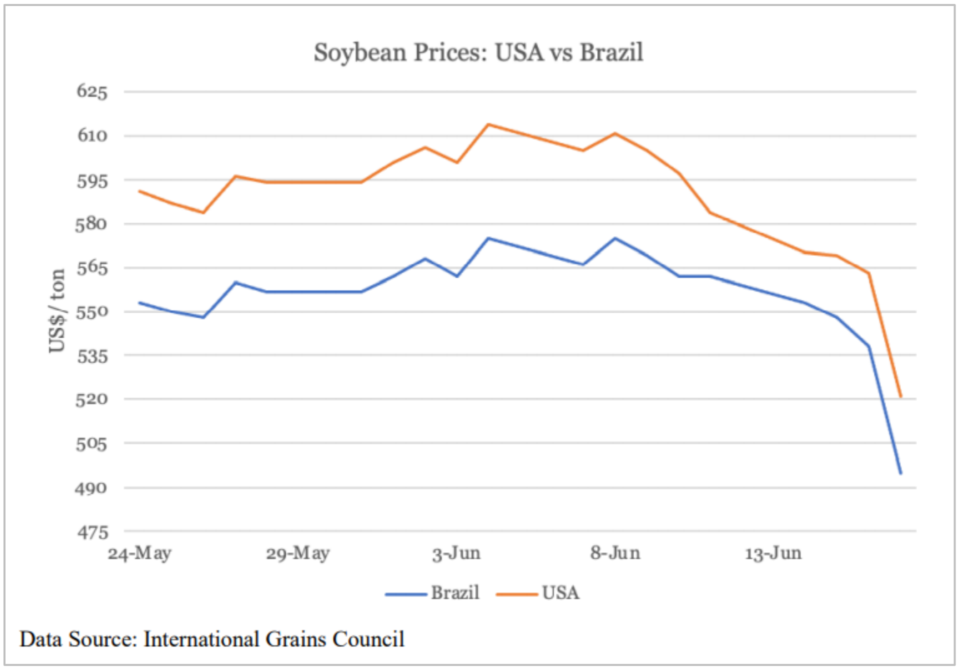
The soybean supply expanded on account of positive revisions to the volume harvested, as well as a somewhat lower crush estimate (see below for an expanded discussion on processed products).

After a slow and problem-ridden start to the export season owing to late planting and delay in the initial harvest, the Brazilian export pace has picked up substantially since March. Each of the last three months saw a record soybean export volume for their respective timeframe. Industry sources indicate that Brazil is almost certain to set another monthly export record in June. U.S. Post officials in Brazil anticipate that in the second half of the season exports will level off, following along the monthly export trajectory set in the 2019/20 season.

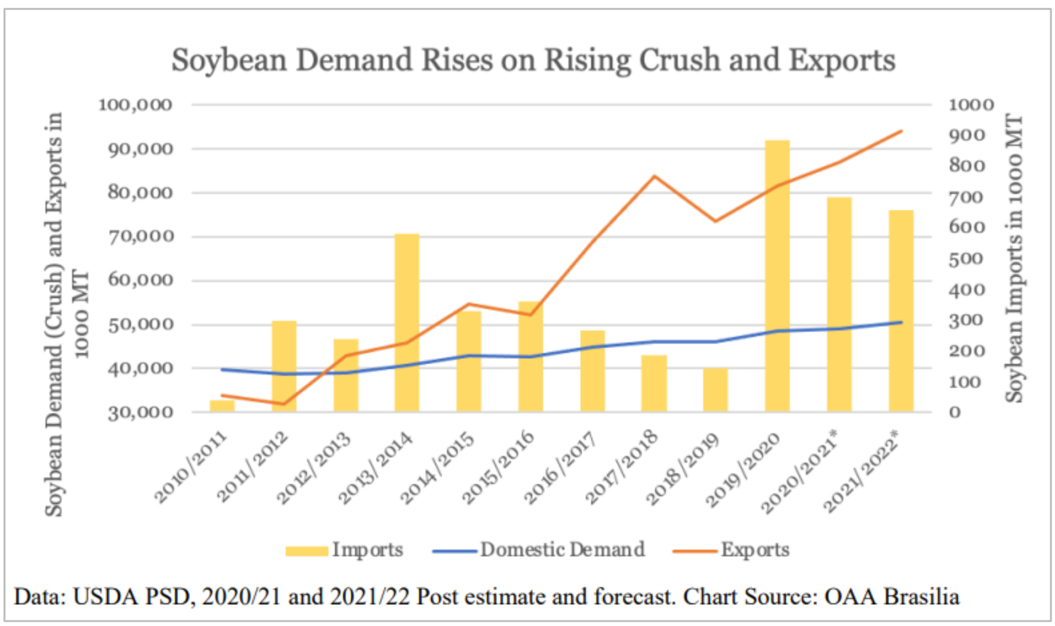


Data: SECEX, Chart Source: OAA Brasilia

China has long been the main buyer of Brazilian soybeans, and this trend continues to manifest in 2020/21 with over 70 percent of the total volume of soybean exports destined for China in the first four months of the MY. In 2019/2020, 73 percent of Brazilian soybeans were shipped to China. Notably, that volume would have been substantially higher if not for the drop in exports in the last two months of the MY. In December 2020 and January 2021, Brazil simply ran out of available beans, which contributed to the rising global soybean prices. However, USDA projects that China's soybean demand will remain strong as it looks to rebuild its swine herd that was decimated in 2019 by a severe outbreak of African Swine Fever (ASF). For the next several months, Post contacts in Brazil anticipate very strong exports, with over 70 percent of that volume destined for China. It is worth noting that China's appetite is driven by the comparatively low prices of Brazilian beans, which in the last four weeks, were on average $33 per metric ton cheaper than US-origin beans. As harvest estimates soared, Brazilian domestic soybean prices have trended down from the early season peak.



In 2020/21, the USDA's Brazilian Post states that Brazilian soybean imports will comprise about half a percent of its total supply of beans: 700,000 metric tons of 140 million metric tons respectively. Although extremely small in comparative terms, Brazil's current soybean imports are well above the historical norm of around 150,000-350,000 metric tons per season. The current rise in imports is driven by the steady expansion of the domestic crush volumes as well as accelerating exports resulting in scarcity of beans on the domestic market.

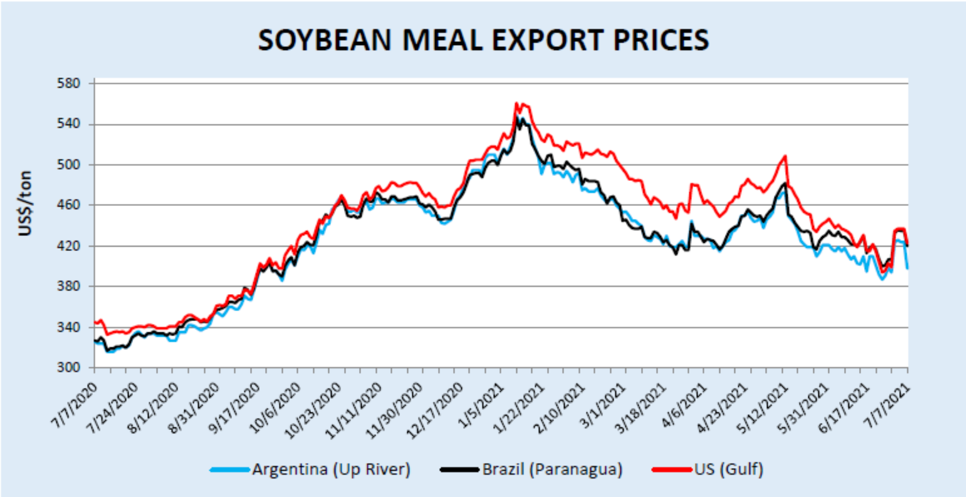


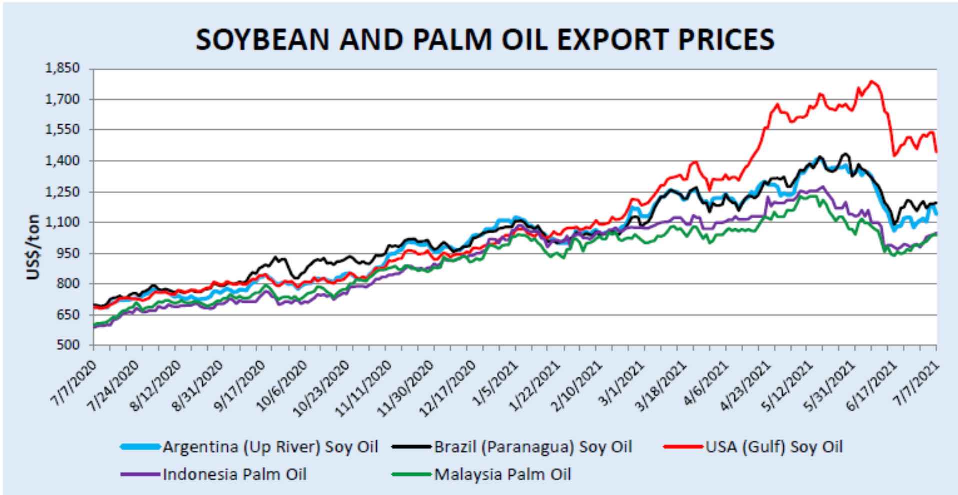
Global soybean trade has slowed in recent weeks. With Chinese demand normally acting as a major driver to the global soybean market, weakening export pace can be attributed to a softening in Chinese purchases. Soybean stocks in China, already at high levels, continue to grow as earlier imports exceeded the monthly crush pace. Large pork supplies have dragged pork prices lower, reducing feed margins and lowering soybean meal demand (at least in the short term). With large soybean supplies on hand, and markets offering lower prices for shipments in the last quarter of the year, lower global soybean shipments are expected over the next 3 months and prior to the U.S. harvest.

While this led to the lower export forecasts for Brazil and Argentina this month for the 2020/21 Oct/Sep trade year, it also portends higher available supplies for export from South America in the latter half of 2021. Larger availability in South America for the October-December period would normally cut U.S. exports and pressure U.S. prices lower. However, price levels later in the year will depend more on actual U.S. soybean yields and production. Market volatility has been high as markets react to acreage projections and weather models much more than weak global demand.

Over the last 30 days, contract prices have ranged nearly $1.00 per bushel either side of current quotes. Prices declined roughly $2.00 per bushel from early June as rain-soaked parts of the Corn Belt, only to give back much of the decline on limited acreage gains reported in the June USDA Acreage report. But with weather models showing more rain for some of the drier regions of the upper Midwest, November contract prices quickly shaved 80 cents per bushel off these highs, settling near $13.20 per bushel on July 9. This is about 50 cents per bushel below the August contract.

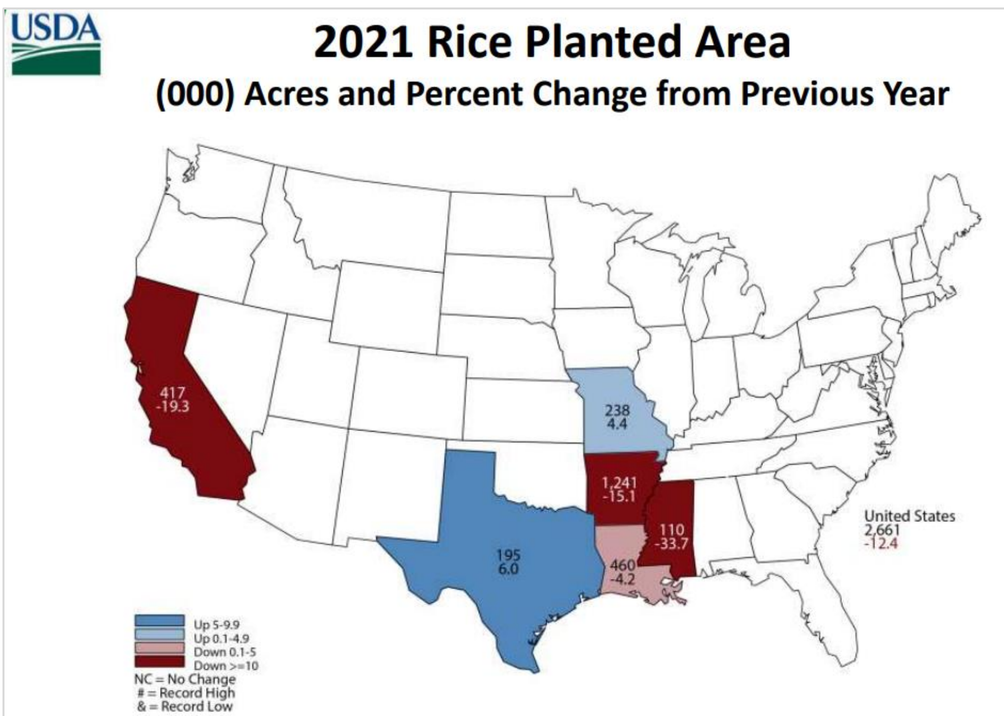
Export prices for the three largest soybean exporters fell in June due primarily to rainfall in the Midwest, lower soybean oil prices, and softer U.S. crush demand. However, the release of updated USDA acreage and stocks estimates led to a jump in prices in early July as U.S. soybean plantings came in lower than industry expectations. Soybean meal prices declined throughout June, reflecting a softening in soybean prices. Like soybeans, meal prices also jumped in early July following the updated USDA data. For the first time in over a year, average monthly soybean and palm oil export prices fell across the board. Soybean oil prices plummeted in the middle of June tracking softer palm oil prices and were further hampered late in the month by the U.S. Supreme Court ruling in favor of biofuel blending exemptions. In June, average U.S. soybean oil prices were at decade-high premiums to both Brazil and Argentina. Palm oil prices were lower mostly due to greater Malaysia production and the announcement of the reduced Indonesia export levy starting in July.





Rice

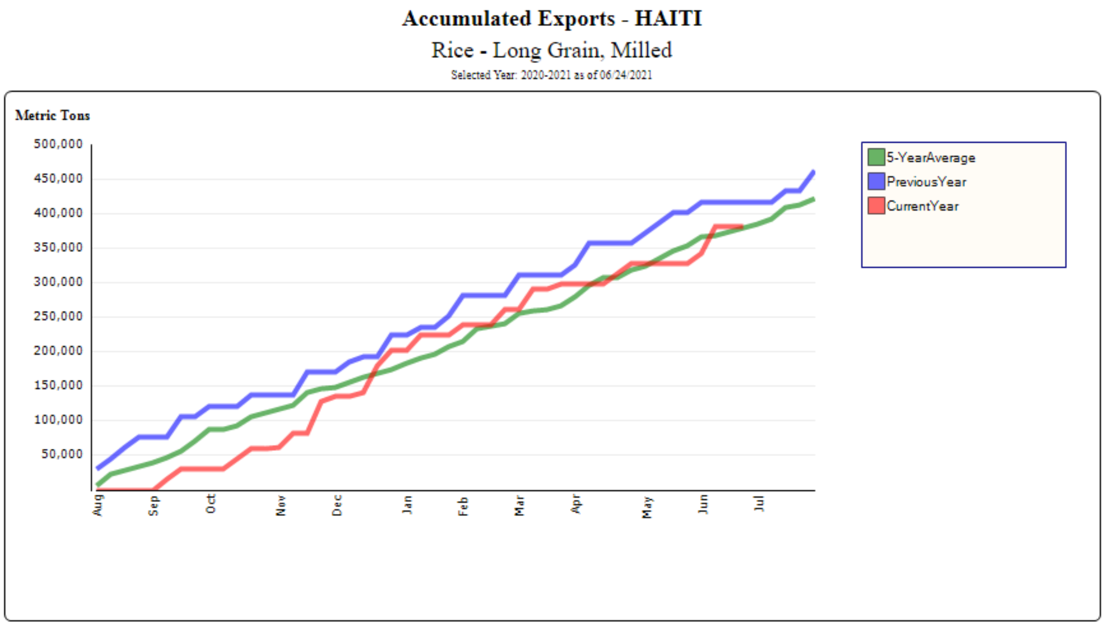
USDA data estimated rice plantings of 2.616 million acres were down from March planting intentions of 2.661 million and last year's acreage of 3.036 million.



While lowering their acreage expectations significantly, USDA also reported higher stocks. Rice stocks were up 35% from last June with Arkansas accounting for most of the increase. Rough rice in all positions in Arkansas was up nearly 12 million cwt against last June, Louisiana was up about 1 million cwt and California stocks increased by 2 million cwt. In general, the additional stocks in each of these rice-growing states are well received by the industry, especially in Arkansas and California where output is expected to be sharply down from last year. In the June Acre report, Arkansas's planted area was down 16% from 2020, or 215,000 acres. Collectively, Southern long-grain acres were estimated to be down

261,000 in 2021, which most of the industry still expect to be a best-case scenario. Given the crop damage and some last-minute decisions to plant a different crop, it's probable that harvested area will end a bit lower than the current estimates.

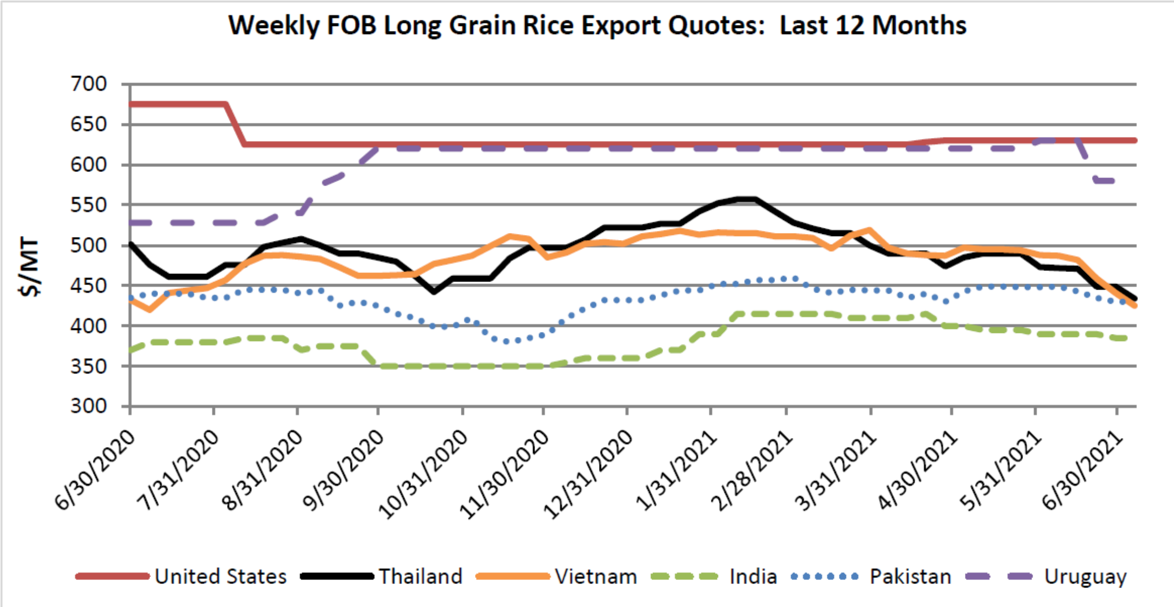
Haitian President Jovenel Moïse was assassinated July 7, 2021 by gunmen in his home has acted to exacerbate an already chaotic and dangerous situation on the island. Haiti is the top market for U.S.-grown long grain milled rice with a strong market preference for U.S. origin. Unfortunately, the geopolitical unrest in Haiti has made unloading rice shipments there difficult as rice is often targeted by gangs as a valuable food staple to be resold on the Haitian black market, never making it to its intended destination. In 2020, the U.S. shipped 460,000 MT of milled rice, valued at about $245 million. Because what's being shipped to Haiti is all value-added product, the sales go further in supporting American jobs on the farm, in the mills, and throughout the shipping industry.



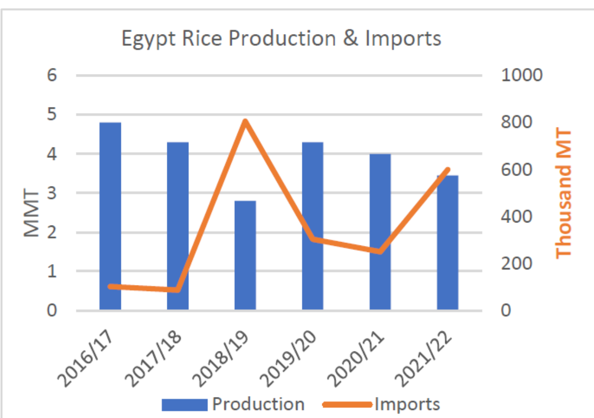
U.S. Representative Clay Higgins (R-LA) has asked the U.S. State Department to work with the United Nations to provide security for U.S. shipments to Haiti of rice and other food. Violence and theft have been putting the shipments at risk, and the chaos is only worsening after the assassination of President Moïse. A copy of the letter can be found at: https://clayhiggins.house.gov/sites/clayhiggins.house.gov/files/Haiti%20Rice%20Security%20Letter%20-%207-21.pdf

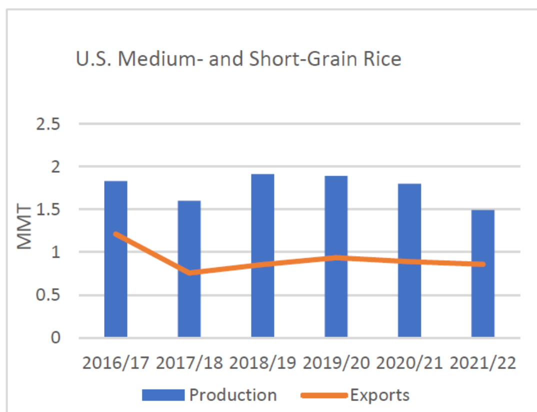
Post July- WASDE, rice futures were up slightly in very low volume. July rice settled up 6 cents to $12.66, while September was up 3 cents to $12.89 ½ per cwt, after trading a range of $12.85 to $12.98 per cwt. November rice gained 5 cents to $13.12 ½ per cwt.

Uruguayan quotes dropped $50 per ton to $580 amid ample supplies and limited demand, falling below U.S. quotes which held steady from last month at $630. Thai quotes trended down, dropping $38 per ton to $434, due to sluggish demand and a weaker currency, narrowing the price spread with Vietnam. Vietnamese quotes dropped $62 per ton to $425 for its Autumn crop, driven by the ongoing harvest and continued competition with Thailand and India. Pakistani quotes dropped $19 per ton to $430 spurred by slow exports and container shortages. Indian quotes fell slightly to $385 amid abundant supplies.



Declining production of medium-grain rice in Egypt and the United States will allow China and Australia to gain global market shares in 2021/22. Egypt's 2021/22 crop is forecast to drop 550,000 tons to its smallest level since 2018. Historical trends indicate that Egypt will increase supplies through imports as they did in 2018 when imports rose to a record of more than 800,000 tons in response to a small crop. In 2021/22, rice imports are forecast to rise to 600,000 tons. China has been the largest rice exporter to Egypt and is expected to continue to be its top supplier due to competitive prices.

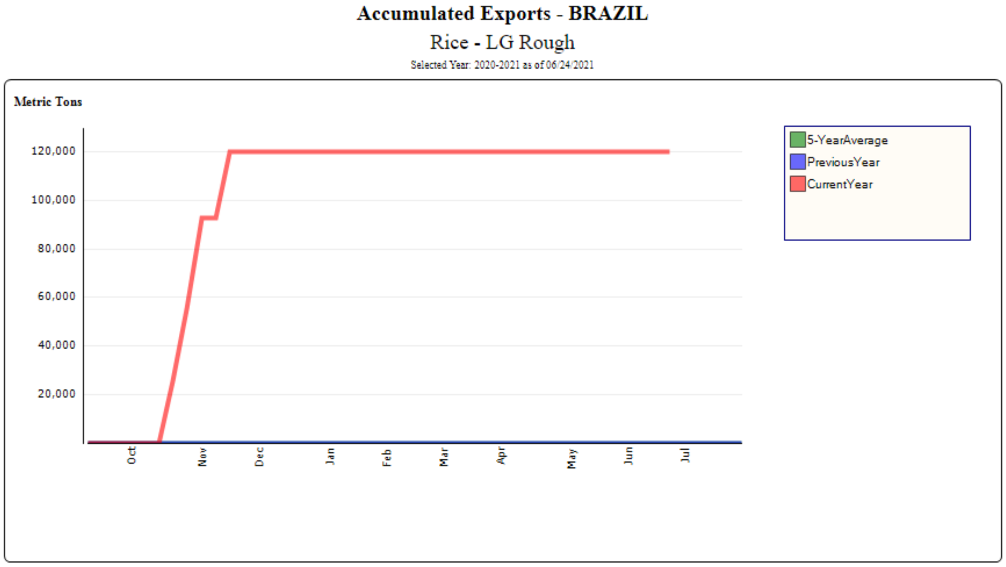




Like Egypt, U.S. medium- and short-grain rice production is expected to decline. As noted in the recent USDA *Acreage* report, medium and short-grain planted area is expected to drop by 17 percent, primarily due to the low irrigation supplies in California. The 2021/22 U.S. medium- and short-grain production is forecast at 1.5 million tons, down 17 percent. The smaller crop projected for 2021/22 is expected to lead to higher prices. U.S. medium and short-grain markets in Asia are expected to remain stable, but U.S. market share in the Middle East is expected to decline.

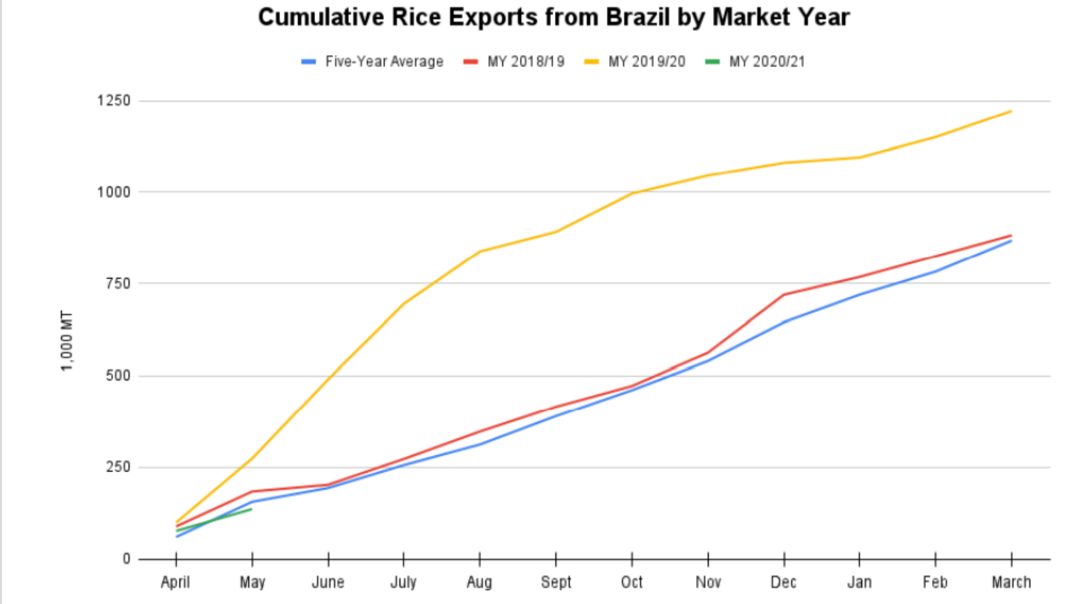
Australia, another major medium-grain exporter, is expected to make a strong recovery in production from the drought-reduced crop harvested in 2019/20. Australia's 2020/21 spring harvest was 9 times larger than the 2019/20 crop. Export pace through May 2021 was still weak due to the small 2019/20 harvest but the pace is expected to pick up soon and continue strong in MY 2021/22, with the 2021/22 harvest expected to increase nearly 75 percent, further boosting exports. Australia is well-suited to recapture markets in East Asia and the Middle East countries which it lost to China and the U.S. in 2019/20.

The USDA Post in Brazil lowered its estimate for MY 2020/21 rice imports to 800,000 metric tons, based on the larger-than-expected national crop. For MY 2021/22, they also are holding to their import forecast of 800,000 metric tons. An export boom in early MY 2019/20 led to unmet domestic demand and depleted stocks at the close of MY 2019/20 are collectively working together to support imports even with the larger Brazilian crop. In the graph below, U.S. rough rice exports to Brazil totaled 120,000 metric tons for the current marketing year (red line).



NOTE: Brazil has never imported more than 900,000 metric tons (milled equivalent) of rice in a market year, and market conditions last season have shown that millers are willing to let stocks dip extremely low, only purchasing supplies from abroad when absolutely necessary to meet demand.

Based on the larger MY 2020/21 Brazilian rice crop, the USDA Post raises its export forecast for the current market year to 950,000 metric tons, an increase of 150,000 metric tons over post's last forecast. Post maintains its MY 2021/22 rice export forecast at 900,000 metric tons. The weak Brazilian real (R$) throughout MY 2019/20 boosted Brazilian rice exports to 1.2 million metric tons, the highest level in nearly a decade and second highest level ever, behind only MY 2010/11 when Brazil exported 1.5 million metric tons of rice. However, the R$ has strengthened in the last month, recovering about 18 percent of its value against the dollar since the start of the year. If the R$ continues to strengthen, the situation will discourage Brazilian rice exports and could help rein in domestic rice prices even further. Moreover, higher shipping costs to many destinations have lessened the appeal of Brazilian rice on the global market, further hampering export potential for MY 2020/21. Brazilian rice exports in the first two months of MY 2020/21 have lagged far behind the levels seen in MY 2019/20. The volume is closer to the five-year average pace of rice exports from Brazil. Costa Rica, Peru, Venezuela, and the Netherlands have been the largest exports markets so far in MY 2020/21.



Data Source: Brazilian Foreign Trade Secretariat (SECEX)
Chart: FAS Brasilia

Cotton

USDA's estimate of cotton plantings of 11.72 million acres was down from the average trade estimate of 11.856 million in a Reuter's poll. Cotton acreage is down from 12.036 million in March, and 12.093 million a year ago. However, cotton futures have reacted negatively to the USDA data. Although 2021 acres were pegged at 11.70 million, that was below the industry trade guess of 11.84 million. Certainly, failed plantings and flooded out fields from the Southwest, Mid-South and Southeast already are a significant concern. Time will tell us if abandoned acreage in the Southwest will be as low as 15% or as high as 30%. Given the very inadequate subsoil moisture across most of the Southwest, it is difficult to project a crop of more than 16.5 million bales.

Dr. O.A. Cleveland notes that speculators hit cotton on the heels of the USDA Acreage report with triple digit losses, only to see prices climb back to 87 cents for the weekly settlement. The fact remains that world supplies outside of China are limited and, in fact, low. Supplies in major cotton exporting countries range from a low average quantity to being essentially out of cotton. Brazilian, Australian and U.S. merchants are selling forward 2021 crop cotton to only their long-time customers with the understanding that supplies are limited for now. New crop prices offered to mills are increasing as merchants simply do not want to sell more crop forward. They are very unsure if cotton availability will be there. Cotton supplies are very tight, and prospects are that supplies will become ever tighter. The bulls are holding tight to their positions and are buying call options on price dips back to 85 cents and below. Very few mills are fixing prices in the 85-cent area. The Cotton On-Call report continues to suggest bullish movement in prices. The bullish tone has been gradually gaining strength, but the past two weeks have seen the report become more bullish. During May through the first two weeks in June, call sales to mills increased some 4.7 million bales, while call purchases by merchants of grower cotton were up only 428,000 bales. During that six-week period, mill buying exceeded grower selling by a ratio of 10 to 1. That one indicator is very bullish for cotton. Further, another Chinese holiday is near its end, and then the market will see additional Chinese buying as Chinese prices climb higher.

Cotton futures were influenced by pressure from outside markets. Grain markets generally trended lower as of late, while the stock market mulled concerns regarding the COVID-19 Delta variant, worried that it could derail (or at least slow) economic recovery. Weakness in the U.S. dollar index has also helped limit seller interest in cotton. Fundamentally, West Texas weather remains generally favorable. After recent rains, a period of beneficial drier weather is expected, according to World Weather Inc. Improved rainfall in West Texas over the past month may prompt USDA to raise its harvested acreage figure in the USDA's July WASDE report, which it previously adjusted down to "reflect unfavorable moisture conditions." Preparations ahead of the July WASDE report should limit traders' willingness to actively add new positions.

Ahead of USDA's reports, traders are looking for a 290k bale higher production estimate on average. The full range of estimates is for between 16.6m and 18.5m bales. Traders surveyed anticipate USDA showing higher stocks, as the average of pre report estimates call for a 3.04 million bale carryout compared to 2.9 million seen in June. The Commitment of Traders report showed managed money was 52,717 contracts net long in cotton as of July 6. That was a weekly reduction of 777 contracts for the week. The weekly Export Sales report with data from the week ending July 1 showed 42,639 RBs of cotton was booked. New crop bookings from the weekly report were 133,917 RBs which was 97% above the same week last season.

USDA's weekly Cotton Market Review showed 2,864 bales were sold during the week that ended 7/8. The average spot price was 83.59 cents per pound, up from 83.18 cents last week, and 59.91 cents the same week last year. Daily Spot Quotations report for July 8 showed 1,129 bales were sold. The Cotlook A index for July 8 was 20 points stronger to 96.80 cents per pound. The AWP for cotton is 74.9 cents per pound.

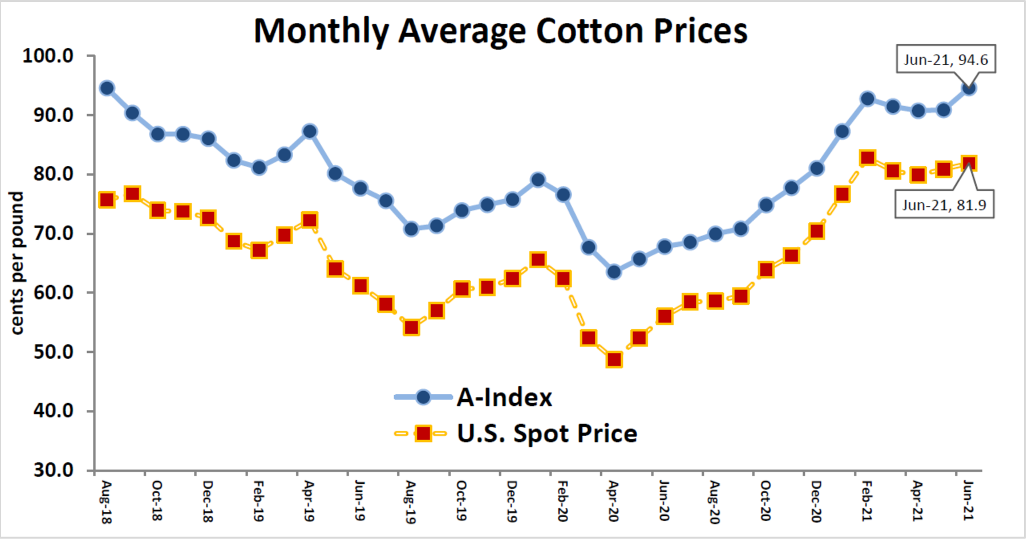
For 2021/22, the July WASDE forecast shows higher consumption with lower trade and stocks. Stronger cotton yarn prices and profit margins are expected to support larger consumption in India and Vietnam. Brazil's lower exportable supplies and smaller Chinese State Reserve imports are expected to shrink global trade slightly. Stocks are projected down more than 1.5 million bales led by China and India. The U.S. forecast shows higher production, exports, and ending stocks. The U.S. season-average farm price is unchanged at 75 cents per pound.

The cotton market recently got a boost from solid gains in the grain futures markets. USDA in its monthly supply and demand report made no changes to the supply or demand side of its old-crop cotton balance sheet. Cotton futures ended higher, gaining 45 points in the most-active December and March contracts. December settled up 45 points to 88.16, after trading a range of 87.17 to 88.29. March cotton was up 45 points to 87.85, also near the session high. USDA raised its estimate for the 2021/22 U.S. cotton carryout by 400,000 bales from June, pegging stocks above the average of trade expectations in a Bloomberg News survey, as it raised expected U.S. cotton production to 17.80 million bales from 17.0 million. USDA raised its forecast for harvested acreage despite cutting projected planted acreage due to expectations for lower acreage abandonment in Texas.

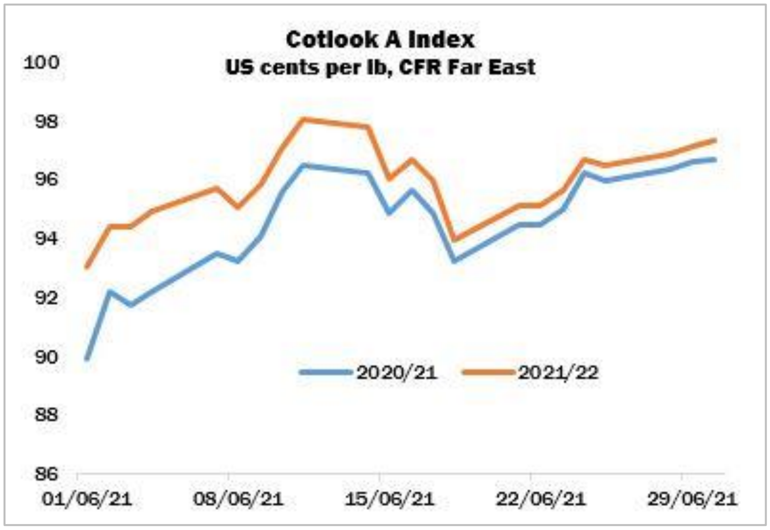
Weather patterns are seen favorably mixed for West Texas, the Blacklands, Delta and southeastern states, said World Weather Inc. today. "A few areas in the northern Delta may be a little too wet in the coming week, but drier weather in Texas Coastal Bend and South Texas will be welcome. The recent heat wave in California and Arizona has brought on a new wave of crop stress that must end soon to reduce crop stress."

The A-index edged higher but the U.S. spot price was mostly unchanged from the previous month. NASS plantings were mostly in line with trade expectations, capping any significant upward movements.

Robust global demand continues to support cotton prices despite downward price movements for corn, wheat, and soybeans.



International cotton prices advanced by a considerable margin during June, in reflection of an upward trend in New York futures. The Cotlook 2020/21 A Index ended the period 680 cent points above its opening level, while the forward 2021/22 Index rose by 430 points. The differential between the indices therefore narrowed from over 300 cent points at the beginning of the month, to just 60 points by June 30.

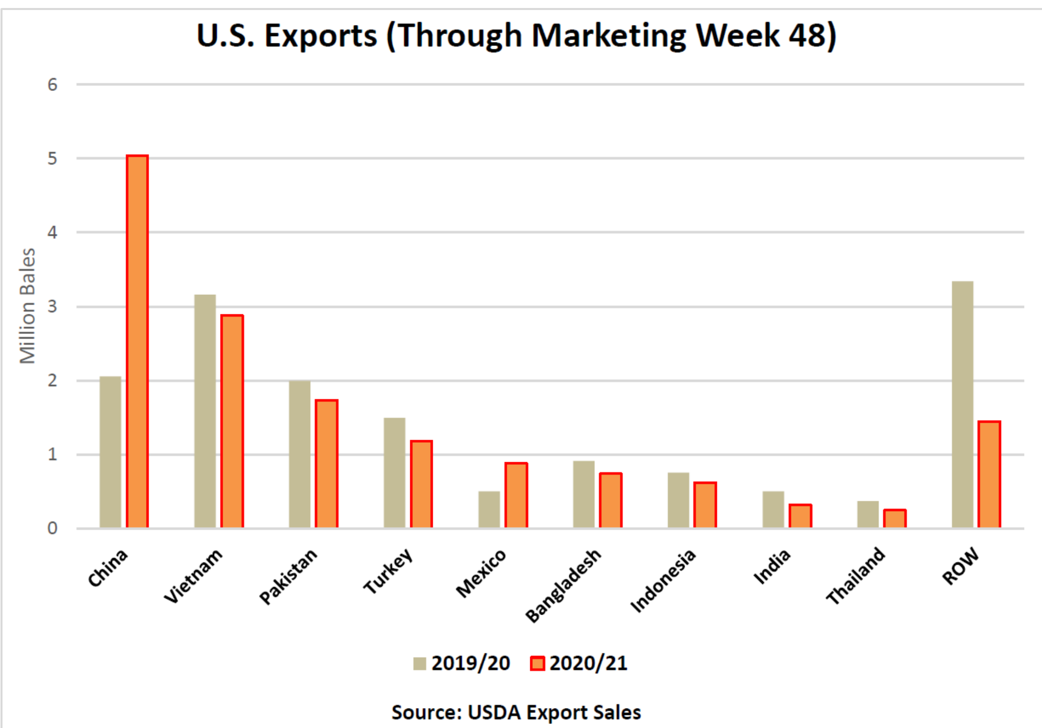


The rise in prices was supported to some degree by a generally bullish mood in other commodity markets, but the major drivers for asking rates were the outlook for US supply, adjustments to which sparked quite sharp price moves, and the increasing tightness of nearby shipment cotton. The advance of prices mid-month was prompted by the release of USDA's June assessment of supply and demand, which included increased export projections for both the current season and 2021/22. As a result, the estimated carryover on July 31, 2021 was reduced to 3.15 million bales and next marketing year's ending stock lowered to 2.9 million. This would be only the fourth time that ending stocks have dipped below three million bales since the turn of the century.

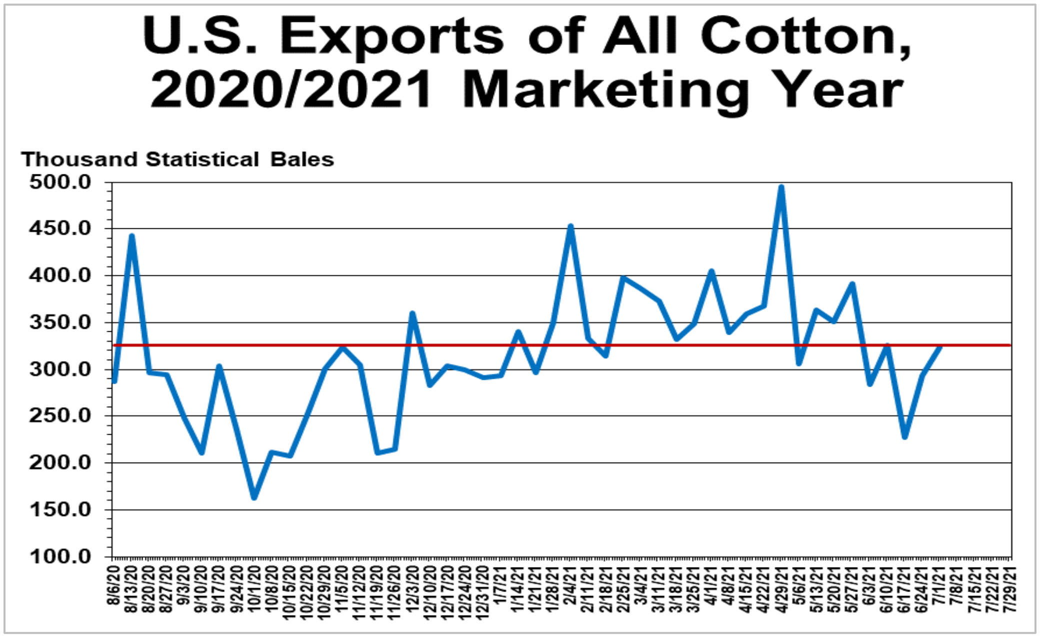
The increasing tightness of nearby supply was exacerbated by persistent logistical issues in some of the world's major ports. Availability of containers is very restricted, and some important destination ports, most notably Bangladesh, are experiencing significant congestion and delay. Some shippers have declined to accept new bookings for that country. Even cotton from those origins which are not experiencing as severe freight issues, meanwhile, is generally well committed: many shippers are now unwilling to offer Brazilian for August shipment, for example, to the frustration of mills with full downstream order books. That growth would usually be relied upon to bridge the gap between Northern Hemisphere crops. Hence, any cotton available nearby was a target for broad-based demand during June as spinners competed to cover their summer requirements.

Merchants reported that Chinese state-owned trading enterprises were regularly monitoring international asking rates and made some price-testing enquiries, those enquiries, however, failed to result in any significant import business during the month. Another point of interest in China was the fate of the huge volume of cotton consigned at Chinese ports, a large part of which is thought to belong to said state owned enterprises (SOEs). Trade estimates place the volume in bonded areas at China's ports as high as 600,000 tons. The long-anticipated allocation of mills' Sliding-Scale import quota would presumably see the movement of at least some of those consignment stocks, but no confirmation has yet been forthcoming and for the time being Chinese buyers have failed to enter the international market on a significant scale.

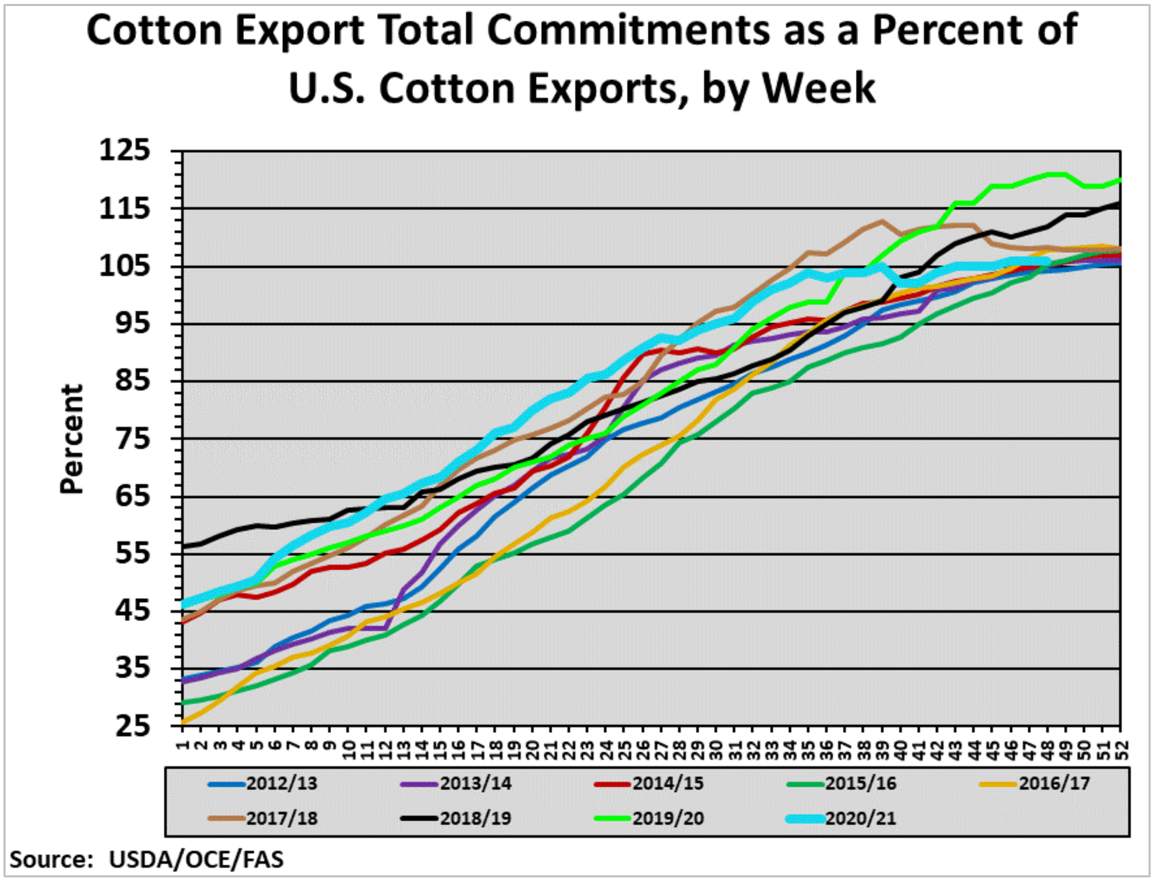
The recent paucity of demand from China was reflected in US export sales reports during June, wherein that destination barely featured as a buyer. Thanks to active purchasing earlier in the season, by the week ended June 24, China accounted for around 30 percent of the current season's upland and Pima commitments, and just nine percent of the total for 2021/22. Overall, US sales by the same point were around 105 percent of USDA's June forecast of 16,400 480-lb bales, while the volume shipped was almost 90 percent of that number. Meanwhile, upland sales commitments for shipment in the 2021/22 marketing year were the lowest at that point of the season for some years.



The *blue line* in the chart above shows actual weekly export shipments through the past week of the 2020/21 marketing year (converted from running bales into 480 lb. statistical bales, using USDA's conversion factor of 1.03- complements of Dr. John Robinson, TAMU). The *red line* shows the level of exports of all U.S. cotton (i.e., upland and pima) required to meet the USDA 2020/21 projection (16.4 million bales since the June WASDE) of what total exports will be by July 31, 2021. The level of actual shipments (the blue line) has gyrated above and below the level needed to reach USDA's target. For the week ending July 1, export shipments were at par.

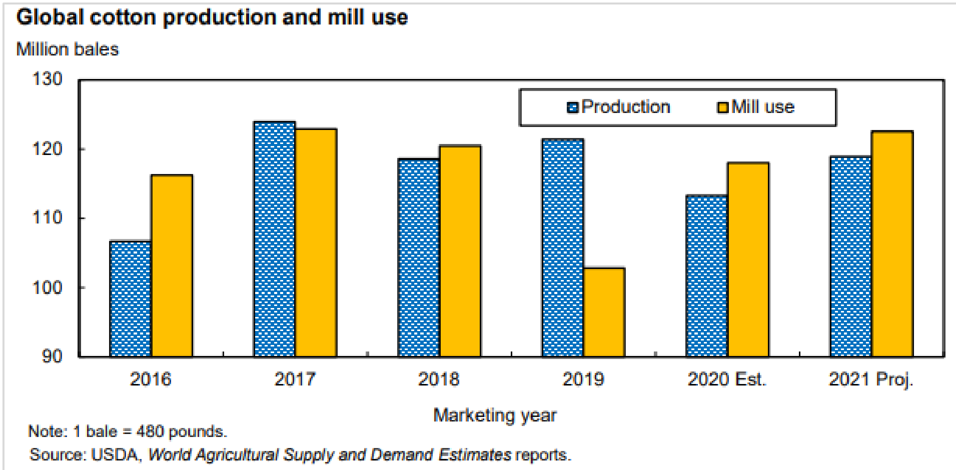


Another indicator of export demand is the percent of U.S. export total commitments to USDA's forecast export target of 16.4 million bales. Total commitments of all cotton as of July 1, 2021 include 14,653,499 bales worth of accumulated exports of all cotton, i.e., pima and upland sold and actually shipped. It also includes another 2,290,468 running bales of pima and upland sold but not yet shipped ("outstanding sales"). The total of accumulated exports and outstanding sales is 16,943,967 running bales of total commitments which, after converting to statistical bales, is 106% of USDA's 16.4 million bale target for 2020/21 U.S. exports. That puts 2020/21 export commitments at the historical upper end for this point in the marketing year (see *aqua-blue line* below).

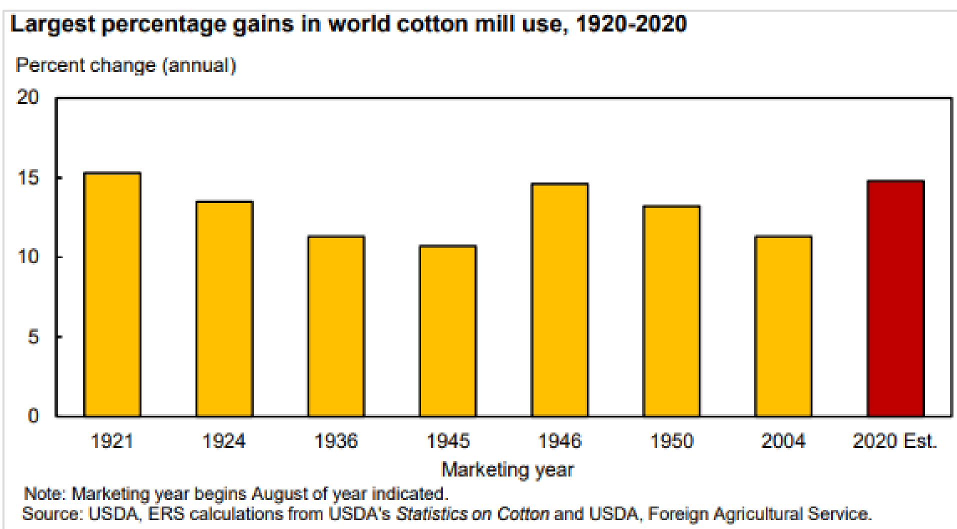


As the global economy continues to recover from COVID-19, cotton mill use is also expected to rise. World cotton mill use is forecast at 122.5 million bales in 2021/22, 4.5 million bales (nearly 4%) above 2020/21, which experienced an unprecedented year-over-year growth.

Each major cotton-spinning country is projected to expand, at varying rates, their use in 2021/22. For 2021/22, China, India, and Pakistan are expected to lead the way and account for a combined mill use forecast of 76.5 million bales, or 62% of the world total. Textile mills in these countries are expected to have access to plentiful supplies of domestic as well as imported cotton in 2021/22. Cotton mill use in China is projected at 41.0 million bales in 2021/22, 1 million bales (2.5%) above the year before and the highest since a similar amount was used in 2017/18. For India, cotton mill use is forecast to rise 1.5 million bales (nearly 6.5%) to a record 25.0 million bales in 2021/22. For Pakistan, 2021/22 cotton mill use is projected to expand modestly to 10.5 million bales, 200,000 bales (2%) above 2020/21 as their spinning industry volume remains below the pre-pandemic levels. Increases are also expected for Bangladesh, Turkey, and Vietnam, with cotton mill use forecast at 8.4 million bales (+300,000 bales), 8.2 million bales (+500,000 bales), and 7.5 million bales (+300,000 bales), respectively.



A rebound in MY 2020 world cotton mill use ensued as the global economy continues to recover from the pandemic. Based on USDA's June 2021 forecast, MY 2020 global cotton mill use is estimated to regain most of the past season's lost volume. In addition, the projected 14.8% year-over-year expansion is one of the largest on record. In fact, the MY 2020 percentage increase is slightly higher than the growth observed for MY 1946 and is the second highest during the past century. Global cotton mill use increased more than 10 percent year-over-year in only seven other years since MY 1920, with most of those gains following significant declines associated with recessions. A recent exception was in MY 2004, when world cotton mill use expanded due to a number of factors, including growing world incomes, favorable relative cotton prices, and the continued benefits from lower trade barriers. Although the global economy and cotton mill use is still recovering from the effects of COVID, the remarkable MY 2020 cotton mill use rebound is arguably just as dramatic and historic as was the unprecedented decline of the previous year.



The U.S. will add at least 30 companies to its economic blacklist on July 9, including 14 Chinese enterprises that are alleged to be involved in human rights abuses in the Xinjiang region and aiding the Chinese military, two people familiar with the move said. The entity list prohibits American firms from doing business with the specified companies without first obtaining a U.S. government license. The U.S. has repeatedly criticized Beijing over its actions on human rights, including alleged forced labor practices in Xinjiang, its dismantling of freedoms in Hong Kong as well as a threatening posture on Taiwan.

Washington has also put import bans on cotton, tomatoes and some solar products originating from Xinjiang. The U.S., European Union, U.K. and Canada have all announced sanctions on Chinese officials over their treatment of ethnic minorities in Xinjiang.

On July 5, China began its 2021 round of cotton sales from its State Reserve (SR) inventories. The sales program was not completely unexpected, but the official announcement of the sales was made just days before sales started. Rumors of imminent sales had been circulating in the market for several months, and Reserve sales in past years had tended to begin earlier in the year.

The announcement indicated that 600,000 tons (2.75 million bales) would be made available through the end of September, which represents about 20 percent of the estimated total held by the SR. Total stocks are estimated to consist of 1.5 to 1.7 million tons of foreign cotton (primarily U.S. and Brazilian), 1.1 million tons of Chinese cotton from the 2011-2013 crops, and 375,000 tons from the 2019 crop. The announcement indicated that sales would be limited to 2011/12/13 domestic stocks. The size of this season's offering is only slightly higher than the 500,000 tons offered in 2020 and well below the 1 million tons made available in 2019.

This year's sales mechanism is similar to previous years. Lots are offered every business day through an electronic auction platform. Minimum reserve prices for each lot are set based on domestic and international prices in addition to quality adjustments. An additional mechanism was introduced this year – if domestic prices drop by more than 3.5 cents/lb in a 3-day period, sales will be suspended until prices recover. Just under 10,000 tons have been offered each day.

These sales are part of a policy to rotate cotton held in the SR and will be partially offset by foreign cotton acquired by the SR in late 2020 and early 2021. Even if the entire 600,000 tons is sold, the size of the SR will increase this year as the amount of cotton acquired since the 2020 sales is believed to be more than the potential 2021 sales. Over the last 3 years, the size of the SR has fluctuated around 2.75

million tons, roughly the amount that would be held if this season's sales are robust.

As with previous years' sales, early sales have been very strong with 100 percent of the amounts offered being sold in the first week. This is similar to recent years' auctions which also showed very strong early season sales. China announced in May that 700,000 tons of Sliding-Scale import quota would be issued later this year; industry expectations are that the licenses will likely not be issued until after the SR sales end but before the arrival of the 2021 crop. Therefore, the volume of 2021 SR sales will largely reflect the current level of demand for cotton in China.

PLC Farm Program Payment Projections – 2021 CY

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

Covered Commodity	*2021/22 MYA Price**	*Effective Reference Price*	*2021 CY PLC Payment Rate*
Corn	$5.60	$3.70	--
Grain Sorghum	$6.00	$3.95	--
Long Grain Rice	$12.80	$14.00	$1.20
Medium Grain Rice	$13.50	$14.00	$0.50
Seed Cotton	$0.3824	$0.3670	--
Soybeans	$13.70	$8.40	--
Wheat	$6.60	$5.50	--

*national marketing year average (MYA) prices reflect the midpoint price level from the July 12, 2021 WASDE report.

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

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