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August Market Update
Corn, Soybeans, Rice, and Cotton

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WASDE Summary

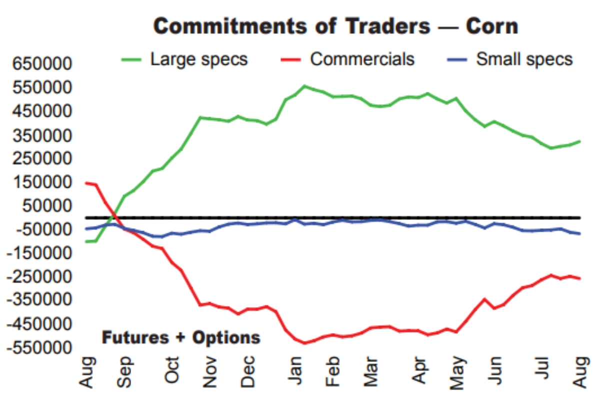
This month's 2021/22 U.S. corn outlook is for lower supplies, reduced feed and residual use, increased food, seed, and industrial use, lower exports, and smaller ending stocks. Projected beginning stocks for 2021/22 are 35 million bushels higher based on a lower use forecast for 2020/21. Reduced exports are partially offset by greater amounts of corn being used for ethanol, starch, and glucose and dextrose. Corn production for 2021/22 is forecast at 14.8 billion bushels, down 415 million from July's projection. The season's first survey-based corn yield forecast, at 174.6 bushels per acre, is 4.9 bushels below last month's trend-based projection. Among major corn producing states, there are indications that there will be record-high yields in Illinois, Indiana, and Ohio. In contrast, yields in Minnesota and South Dakota are forecast to be down below those of a year ago. Total U.S. corn use for 2021/22 is down 190 million bushels to 14.7 billion. Feed and residual use is down 100 million bushels based mostly on a smaller crop and higher expected prices. Exports for 2021/22 are lowered 100 million bushels to 2.4 billion. With supply falling more than use, ending stocks are down 190 million bushels to 1.2 billion. The season-average corn price received by producers has been raised 15 cents to $5.75 per bushel.

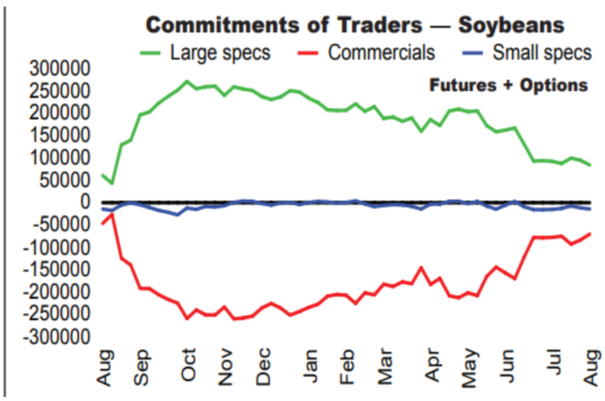
Changes in U.S. soybean supply and use for 2021/22 include higher beginning stocks and lower production, crush, and exports. Beginning soybean stocks were raised on reports of lower 2020/21 crush and exports. Soybean production for 2021/22 is forecast at 4.34 billion bushels, down 66 million on lower yields. Harvested area is forecast at 86.7 million acres, unchanged from July. The first survey-based soybean yield forecast of 50.0 bushels per acre is reduced 0.8 bushels from last month. Soybean supplies for 2020/21 are projected at 4.5 billion bushels, down 3 percent from last year. Soybean crush is reduced 20 million bushels on a lower domestic soybean meal disappearance forecast which is reduced in line with the prior year, and lower soybean meal exports. With soybean exports down 20 million bushels on lower supplies, ending stocks are forecast at 155 million bushels, unchanged from last month. The U.S. season-average soybean price for 2021/22 is forecast at $13.70 per bushel, unchanged from last month.

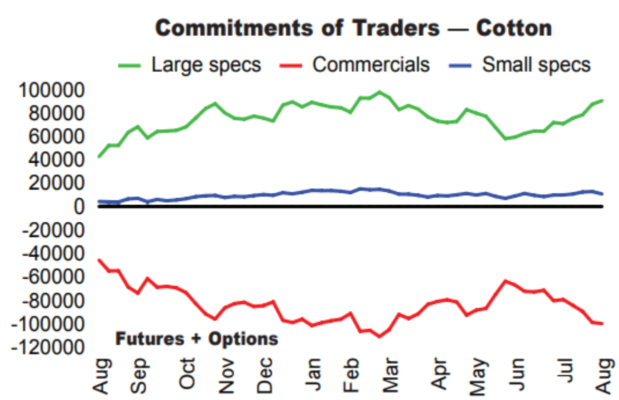
The outlook for 2021/22 U.S. rice this month is for reduced supplies, lower domestic use, higher exports, and smaller ending stocks. Supplies are reduced on the combination of lower beginning stocks, smaller production, and decreased imports. Beginning stocks are lower based on higher exports and fewer imports in 2020/21. The first survey-based 2021/22 production forecast reduced total rice production by 2.0 million cwt to 197.4 million, all on lower yields. All rice yield is 7,544 pounds per acre, down 76 pounds from the previous forecast. Total rice imports are lowered 1.0 million cwt, all for long-grain, to 38.0 million on the reduced availability of shipping containers and higher freight costs, which are expected to persist into 2021/22. Total domestic and residual use is lowered by 2.0 million cwt to 151.0 million on the smaller crop size and fewer imports. Total exports are increased to 91.0 million cwt as higher long-grain exports more than offset lower medium- and short-grain exports. Long-grain exports are raised by 2.0 million cwt to 65.0 million on sales to Iraq for the first time in two years. Medium- and short-grain exports are lowered 1.0 million cwt to 26.0 million on reduced supplies and increased competition. Projected 2021/22 all rice ending stocks are reduced by 4.0 million cwt to 37.3 million, down 15 percent from last year.

In this month's 2021/22 U.S. cotton projections, beginning stocks are slightly larger, and a 536,000-bale decrease in production results in lower exports and ending stocks. Beginning stocks are larger as estimated exports for 2020/21 are reduced 50,000 bales based on final Export Sales data and Census Bureau data through June. NASS's first survey-based estimate of production for 2021/22 is 17.3 million bales. Exports are 200,000 bales lower than in July, and ending stocks are 300,000 bales lower, equating to 17 percent of expected use, the same as in 2020/21. The U.S. season-average price for upland cotton is forecast 5 cents per pound higher than in July which, at 80 cents, would be its highest since 2011/12.

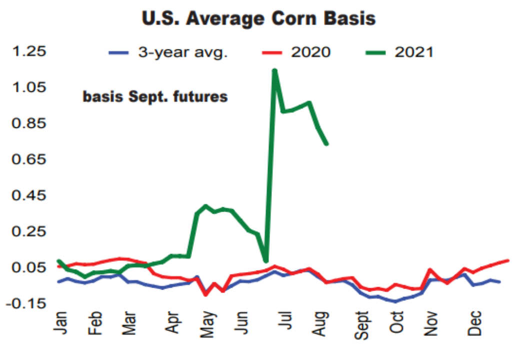
<u>Commitment of Traders Report, Tuesday, August 10, 2021</u>

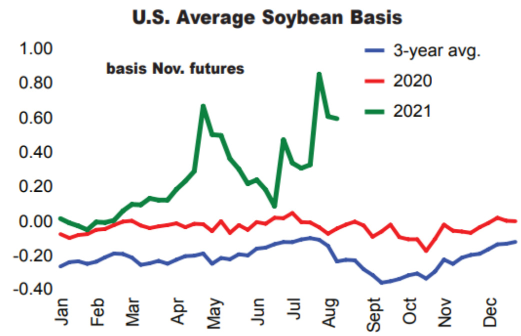


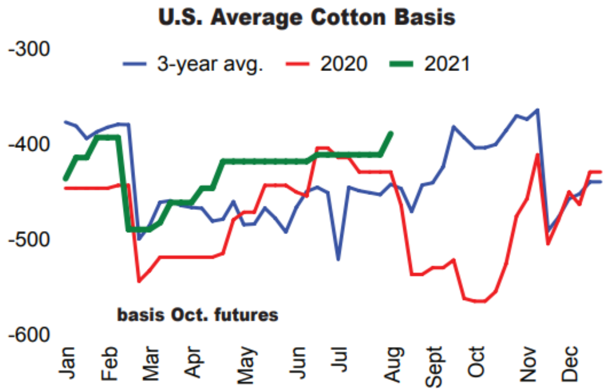




Cash Market Basis Charts August 11, 2021



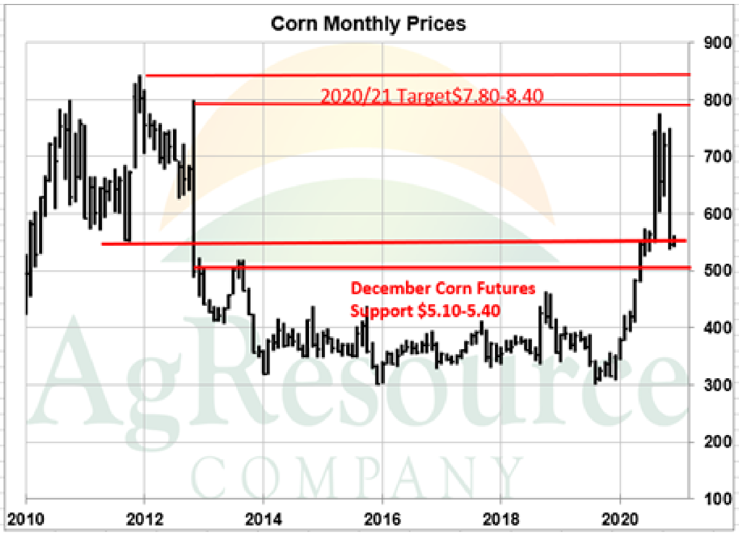




Corn

Corn futures continued to move higher in recent weeks as modest buying interest returns amid falling U.S. yield estimates and rising new crop export demand. An important issue to monitor in the corn market may be the ongoing surge in Black Sea feed wheat prices and Brazilian corn still quoted above $8.00 per bushel. Both will extend their rally into late year, and U.S. Gulf corn is expected to be the world's cheapest feed grain soon. A shift in feed demand to the U.S. is imminent. New crop cash basis bids are historically high.

Prior to the August's WASDE, it was thought that the USDA would have to account for a final Brazilian corn crop size of 85 million metric tons, or less, by raising new crop U.S. exports 250 to 400 million bushels. Hypothetically, a U.S. yield loss of just two or three bushels per acre would pull the 2021/22 stocks-to-use ratio to historical lows. The monthly corn chart (below from Ag Resource Company) reflects that there is strong support on any fall in December corn to the mid-$5.00 level, while the upside price target for 2021/22 highs is above $7.00. In a world that is short of feed grains/oilseeds, the risk following the USDA report is to the upside.



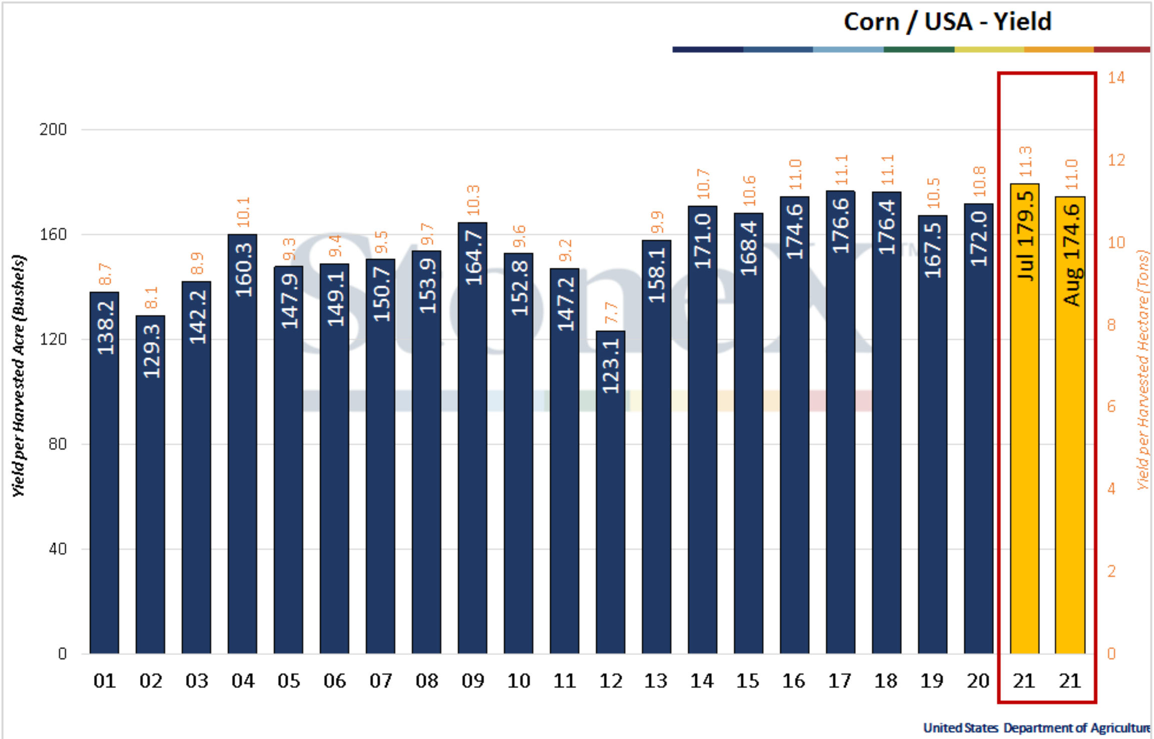
Corn's outlook appears to be bullish on historically tight stocks and another year of China importing 30 to 36 million metric tons from all sources. Brazil's domestic corn market is quoted at $8.30 to 8.50 per bushel into year-end. Spot European corn settled at $8.55 per bushel on July 30th. A massive shift in world feed demand- which has not yet occurred- is imminent as only the U.S. has the inventory necessary to fill the supply gap left by Brazil's year-over-year decline in production of 21 to 25 million metric tons. U.S. and world exporter corn stocks/use determines price beyond the U.S. yield debate. A new record low in world corn exporter stock-to-use ratios is forecasted. La Nina is developing, and the 2021 US corn yield is estimated at 173 to175 bushels per acre and the last two weeks of stressful Midwest weather. Like 2020, a demand rationing cash led rally is ahead.

In its previous July estimate, the USDA pegged the U.S. corn average yield at 179.5 bushels per acre. The pre-report trade U.S. corn yield estimates range from 180 to 175.7 bushels per acre. The current high yield mark is 176.6 bushels per acre, which, when combined with all previous projections, leads to trade expectations of a record yield. With that, the trade is expecting the USDA to drop that estimate by nearly two bushels. If realized, it would mean that the U.S. would produce about 100 million *fewer* bushels of corn this year than projected in July's estimate. It seems to be a done deal that the Brazilian corn crop has suffered a massive failure with no less than three frost/freezes at the end of their growing season, yet the futures market remains relatively 'unfazed'. Given all the hype and rhetoric in corn, despite the fact that the market has strayed little from the $5.50 level for the past six weeks, it's that U.S. corn number that will have the biggest impact.

USDA surprised the marketplace with an unexpectedly large 2.7% cut in its forecast for U.S. corn production, indicating that persistent dryness in parts of the Midwest has taken a bigger toll on the crop than previously thought and tightening the global supply outlook. Post-WASDE report release, corn futures are rallying on a USDA report that was bullish for corn in particular. As a result of the bullish USDA numbers, corn futures markets jump up double-digits. At midsession, the September corn futures are 25 3/4 ¢ higher at $5.82 1/2. New crop December futures are 27¢ higher at $5.86 1/2. March corn futures are 26¢ higher at $5.93. Corn prices spiked significantly higher immediately following the WASDE report, with lower-than-expected yield and production data triggering a round of technical buying. Prices faded after that but still closed with gains of around 2%. September futures added 9 cents to $5.6525, while December futures rose 12.25 cents to $5.7150. The near-term outlook turned more bullish, with December futures breaking above the trading range over the past month and closing above most moving averages, including the 20-day around $5.55. Upside targets include the psychologically important $6 level.

From the graph below, December corn futures jumps 14 cents per bushel (2.5%) to $5.73-1/4 on bullish U.S. yields from USDA. It was up as much as 35 cents just after the data landed, reaching its highest point since July 2.

In addition to USDA's big cut to the projected corn yield, the complex also has support from solid weekly export sales. Corn is up 26 to 30 cents, making a new six-week high. Probably the biggest surprise from USDA was its aggressive cut to expected corn production. USDA lowered its yield estimate to 174.6 bushels per acre, from 179.5 previously. Last year's disappointing crop had a final yield of 172.0. Analysts were on average expecting USDA to lower its corn crop yield to 177.6 bushels per acre, and today's number was below the range of analyst estimates in a Reuters poll. USDA noted record yields are expected in Illinois, Indiana and Ohio, but that is offset by poor crops in South Dakota and Minnesota. USDA estimates record yields in eight states — California, Illinois, Indiana, Michigan, New York, Ohio, Oklahoma and Pennsylvania. In the top 12 corn producing states, USDA estimates corn yields at 214 bushels per acre in Illinois, 194 bushels in Indiana, 193 bushels in Iowa, 138 bushels in Kansas, 169 bushels in Michigan, 166 bushels in Minnesota, 171 bushels in Missouri, 186 bushels in Nebraska, 106 bushels in North Dakota, 193 bushels in Ohio, 133 bushels in South Dakota and 167 bushels in Wisconsin.



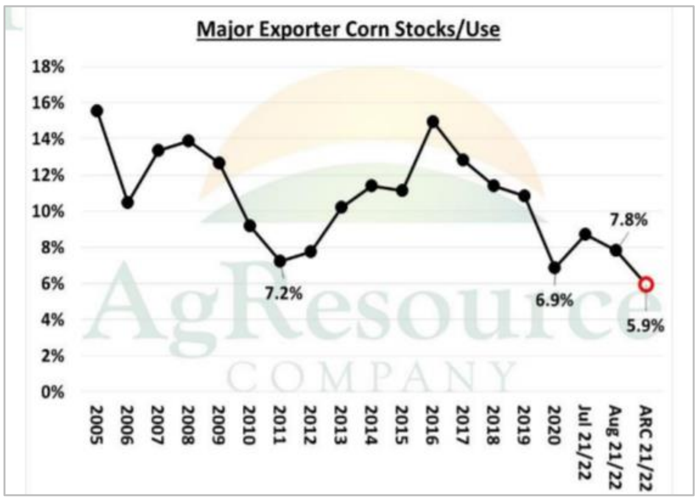
USDA's first corn crop estimate was 254 million bushels below the average pre-report trade estimate and down 415 million bu. from the July projection. USDA estimates the national average corn yield of 174.6 bushels per acre, which is down 4.9 bushels from trendline. USDA did not change harvested acres, which are estimated at 84.495 million acres.

With reduced production, USDA now sees the 2021/22 corn carryout at 1.242 billion bushels, down 200 million from last month although still up from USDA's revised 2020/21 carryout estimate of 1.117 billion. Analysts were generally expecting USDA to project a new crop carryout somewhere around 1.297 billion bushels. The reduced production was offset in part by lower exports, which USDA now sees at 2.4 billion bushels from the current marketing year, down from 2.5 billion last month and 2.775 billion bushels for the current marketing year, which is about to end on September 1st. The old-crop export estimate was cut by 75 million bushels.

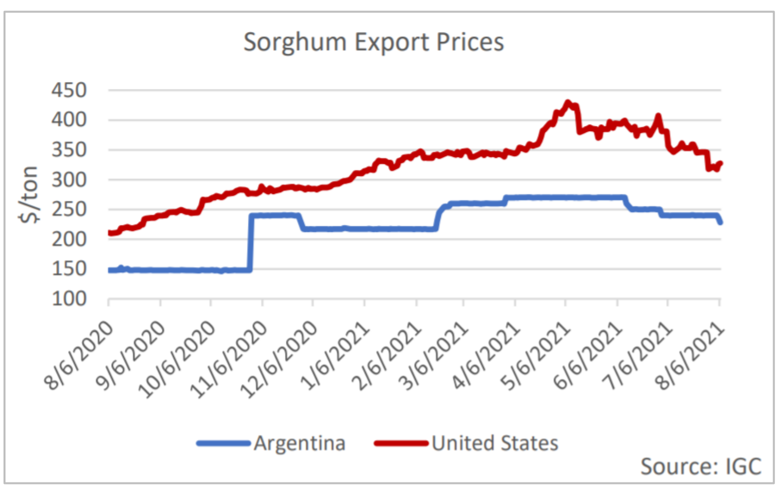
That is a stocks-to-use ratio for corn of about 8.5% and constitutes only about 31 days of supply for the 2021/22 marketing year. Brazil corn production was reduced to 87 million metric tons from 93 million metric tons last month. Global carryout was reduced to 284.63 million metric tons from 291.18 last month. Cuts were expected in all categories but they were larger than trade expectations. New crop global wheat carryout was reduced 9 million metric tons lower than expectations.

Corn exports found 14.9 million bushels of old crop sales, plus another 23.7 million bushels of new crop sales, for a total of 38.6 million bushels in the week through August 5. That was near the upper end of trade estimates, which ranged between 11.8 million and 43.4 million bushels. Cumulative totals for the 2020/21 marketing year are still nearly a billion bushels ahead of last year's pace, reaching 2.543 billion bushels. Corn export shipments slipped 12% below the prior four-week average, meantime, to 41.7 million bushels. China (13.9 million) and Mexico (13.3 million) were the top two destinations.

As mentioned, the USDA August WASDE report cut Brazil's total corn crop 87 million metric tons. Some in the trade think that another three to four million metric tons reduction is probable heading into the September report. However, the USDA raised Ukrainian production to a new record 39 million metric tons and raised Russian production 2.6 million metric tons (20%) to a record 16.5 million metric tons. Black Sea corn production of 55.5 million metric tons would exceed the current record by a full 5 million metric tons. The increase in Black Sea output allowed USDA to reduce 2021/22 U.S. exports. The market is trading the current iteration of the USDA's global trade matrix, and the bullish argument is a bit dampened by tepid new crop U.S. corn export sales. China's absence from the U.S. sorghum market also suggests feeders there are not rushing to the import this grain for feed. However, Brazilian & Black Sea corn exports will be lowered 6 to 7 million metric tons, which, along with strengthened Chinese demand, lifts U.S. exports to over 2.8 billion bushels. Corn's bull market will take time to evolve but newer highs are expected by mid-autumn. Dec corn below $5.50 is too cheap, but we do not see a reason to rally above $6.00 December until October or later.



As China continues its grain buying spree, Argentine sorghum exports have been a beneficiary of this increased demand. Just in the last few months, Argentina has exported nearly 500,000 tons of sorghum to China. As a point of comparison, Argentina exported about 90,000 tons to China in total over the prior decade. Current Argentine sorghum exports for 2020/21 (Oct-Sep) are forecast at 1.2 million tons, more than twice the volume of the previous year.



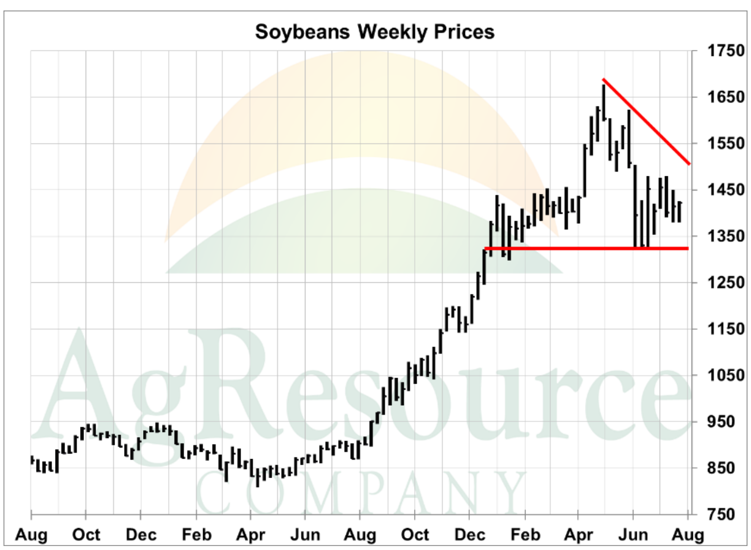
The United States is, as the world's largest sorghum producer and exporter, the primary supplier of this grain to China. However, the level of Chinese demand relative to production has left the U.S. sorghum balance sheet very tight for 2020/21; ending stocks are currently forecast to be the lowest in USDA's database. Beyond the tight U.S. balance sheet, Argentine sorghum is also substantially cheaper than U.S. sorghum, potentially reflecting lower palatability for animals due to higher tannin levels, and has benefited from the steady depreciation of the Argentine peso against the U.S. dollar. These factors make Argentine sorghum a very price-competitive grain on the world market.

In the last decade, Argentina primarily exported the bulk of its sorghum to Japan. As Japan's incorporation of sorghum into its feed rations has fallen in favor of corn, import demand has been declining over the period. Though Chile and Colombia were also once major export markets for Argentine sorghum, these markets have seen import demand shrivel as well. The resurgence of Chinese sorghum imports will buoy Argentina's sorghum growers, at least until the new-crop supplies become available in the United States.

Soybeans

To end the month of July, soybean futures settled higher with nearby futures up to $14.1475. Tightening old crop supplies along with massive soymeal cash trade in China will likely underpin the complex early prior to the August WASDE report's release. The nearly 2.0 million metric tons of cash soymeal trade in China occurred as the Government announced support for the hog industry including sizeable pork purchases for the reserve. The Government intervention rallied Chinese pork prices and feeding margins. This in turn caused the industry to secure soybean and feed amid the concern of their own siding grain/soy production on regional flooding. China has imported record tonnages of Brazilian soybeans and is forecast to import 40 to 43 million metric tons of U.S. soybeans in 2021/22.

Soybean futures remained firm into the month of August. A surprising increase in U.S. crop conditions sent the market lower, while a rally in canola along with confirmation of new Chinese demand produced late buying. China is well behind on its U.S. soybean purchase pace and the declining volume of CBT trade makes pricing those purchases arduous. Trading is expected to slow in front of the August WASDE report, with a volatile price response to follow. World end users are hoping for a bearish report to extend their forward coverage. Rising cash basis bids are confirming that Brazil is nearly sold out. World soybean demand will be routed to the US for the next six to seven months.



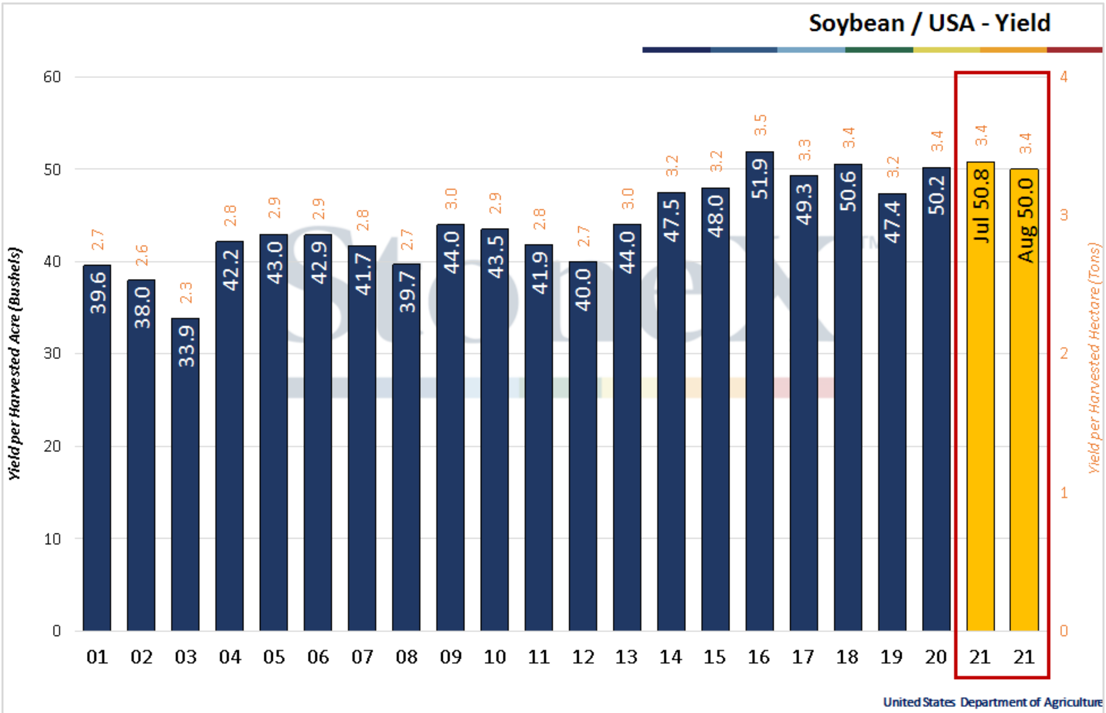
As of August 4th, soybean futures this month are below the 20- and 50-day and remain well above the 200-day moving average. On August 4th, soybean futures dipped below the 100-day moving average for the first time in nearly one month. Not only were soybeans down, they actually closed below the 100-day average for only the third time since June 2020. From a seasonal perspective, this technical break in the uptrend was about a month late, but still in line with the usual tendency for soybean prices to head lower toward harvest. This is a case where the technical break does not match the fundamental context for soybeans. Into early August, traders remain fixated on weather and are trying to estimate the size of this year's soybean crop. It is well known by now that soybean crop conditions are severely stressed in the Dakotas and could suffer some loss in Minnesota and Iowa but are in generally good shape everywhere else. The most bullish piece of recent evidence comes from Brazil where FOB soybean prices for September have become more expensive relative to the U.S. Thursday's closes showed the gap at 47 cents per bushel in favor of U.S. soybeans at the Gulf, enough to overcome Brazil's advantage in shipping costs and still look attractive to Chinese importers.

The bottom line is, similar to a year ago, China has so aggressively purchased Brazilian soybeans that they will soon be turning to the U.S. for more new-crop soybeans. Even after buying much of Brazil's record soybean crop, September soybean prices on China's Dalian exchange show no sign of breaking down and are priced at the equivalent of $18.29 per bushel. Uncertainty is always a factor when one tries to look ahead, and surprises do occur.

The soy complex futures received neutral to slightly friendly data from USDA. Soybean prices, post-WASDE release, followed corn and soybean prices higher immediately following the report but sputtered after that, ultimately closing with mixed results after some uneven technical maneuvering. August futures fell 4 cents to $14.0150, while September futures firmed half a penny to $13.4750. At midday, September soybean futures are 21¢ higher at $13.68. November soybean futures are 21¢ higher at $13.61. January soybean futures are 21¢ higher at $13.65. The soybean bulls have gained the slight overall near-term technical advantage. The next near-term upside technical objective for the soybean bulls is closing November prices above solid resistance at $14.00. The next downside price objective for the bears is closing prices below solid technical support at the August low of $13.08 3/4.

Traders will be closely watching for further export demand ahead of the next crop report. As of July 29, known advance soybean sales for next marketing year to China totaled just over 161 million bushels, a little over half of what they were at the same point last year. Total U.S. soybean export sales commitments for next marketing year are down more than 30% compared to a year ago.

In its previous report, the USDA pegged the U.S. soybean average yield at 50.8 bushels per acre with a total production estimate of 4.405 billion bushels. In pre-report estimates, the trade sees the USDA pegging the U.S. soybean yield similar to its July estimate. In the soybeans category, late August rains always make or break the soybean crop, so an August estimate is just that. Since May, the USDA's good/excellent crop ratings have dropped by 10 points to 62% in corn and 7% to 60% in soybeans. Both are 5% below each crop's 5-year average rating. It's worth noting that in the last 60 days, a large portion of the Midwest has received only 25% to 70% of its normal rainfall.

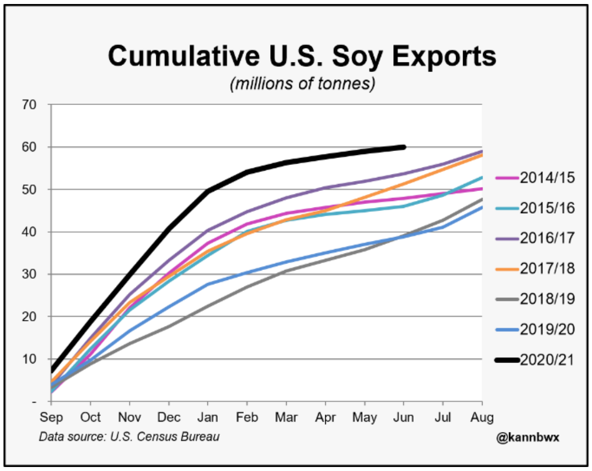


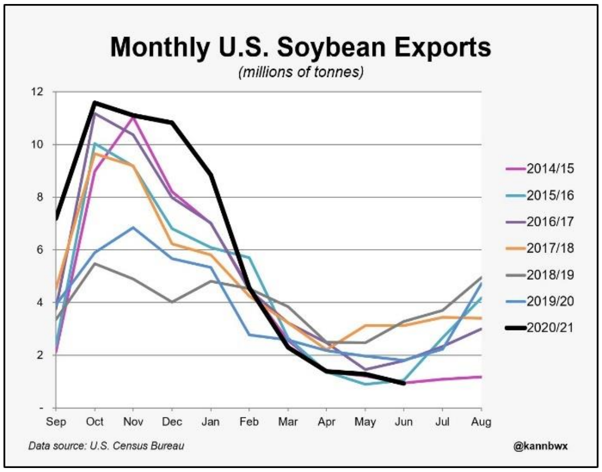
USDA was more conservative on its soybean crop revision, but still lowered it to 50.0 bushels per acre, down from the 50.8 bushels per acre it had previously projected. While August yield projections are initially survey driven, for soybeans there is still more potential for change based on this month's weather. The trade was on average expecting USDA to estimate the soybean yield at 50.4 bushels per acre. USDA estimates record soybean yields in nine states- Illinois, Indiana, Maryland, Mississippi, Missouri, New York, Ohio, Pennsylvania, and Texas. In the top 13 production states, USDA estimates the soybean yield at 49 bushels per acre in Arkansas, 64 bushels in Illinois, 60 bushels in Indiana, 58 bushels in Iowa, 41 bushels in Kansas, 48 bushels in Michigan, 43 bushels in Minnesota, 50 bushels in Missouri, 60 bushels in Nebraska, 24 bushels in North Dakota, 58 bushels in Ohio, 39 bushels in South Dakota and 49 bushels in Wisconsin.

Despite the smaller yield estimate and reduced production, the new crop soybean carryout estimate was left unchanged at 155 million bushels. This was due to 20-million-bushel reductions in exports and the crush, plus a 25-million bushel increase in 2020/21 ending stocks to 160 million. USDA's initial soybean crop estimate was 36 million bu. below the average pre-report trade estimate and down 66 million bu. from the July projection. USDA left its harvested acreage estimate at 86.72 million acres.

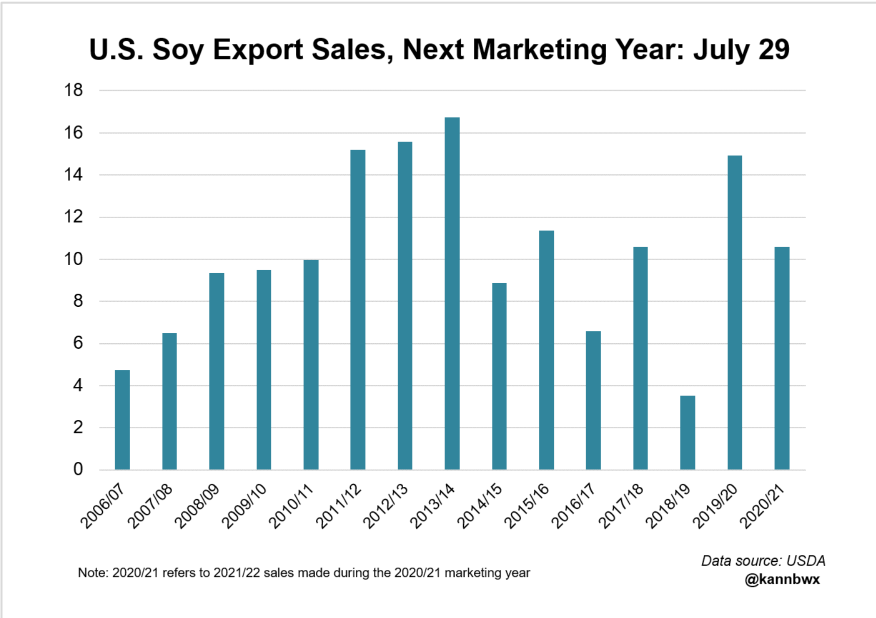
Soybean exports saw 3.6 million bushels in old crop sales and another 41.2 million bushels in new crop sales for a total of 44.8 million bushels. That was better than the entire range of trade estimates, which came in between 13.7 million and 36.7 million bushels. Cumulative totals for the 2020/21 marketing year are nearly 700 million bushels ahead of last year's pace, with 2.184 billion bushels. Soybean export shipments tumbled to a marketing-year low of 4.8 million bushels, in contrast. Mexico was the No. 1 destination, with 1.4 million bushels.

U.S. soybean exports September to June hit nearly 60 MMT (2.2 billion bushels), a record for the period, with 59% of those export going to China. However, the path to this record is a tale of two halves. Shipments of soybeans hit monthly records from September to January, but below average volumes have been going out since March.





China's apparent lack of interest in the upcoming U.S. soybean harvest has put bullish traders on edge and U.S. export prospects in question. The world's top soybean buyer has been relatively inactive in the U.S. market for the last several months, a stark contrast with a year ago when China's buying was rampant.



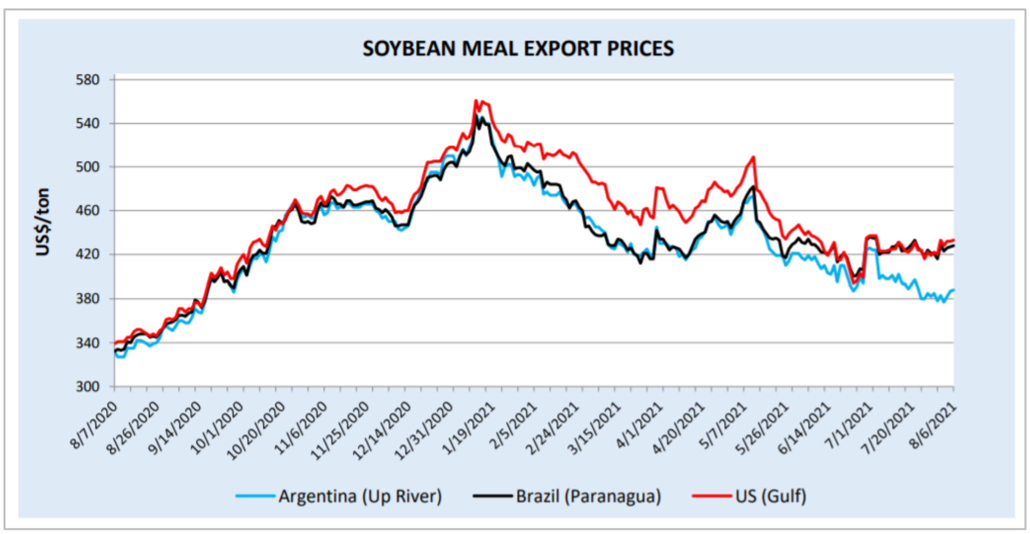
Chinese soybean imports fell in July from the same period the previous year, customs data showed on Saturday, as poor crushing margins weighed on demand. The world's top buyer of the oilseed brought in 8.67 million tons of soybeans in July, down 14.1% from 10.09 million tons the previous year, data from the General Administration of Customs showed, as sliding hog margins curbed appetite for soymeal.

China lowered its soybean import projection for 2020-21 by 1.84 million metric tons to 98.6 million metric tons, noting sliding crush margins in recent months and delayed purchases of the oilseed, in its monthly China Agriculture Supply and Demand Estimates (CASDE) report. A collapse in hog production margins have also curbed soymeal use, with the country also working to use more wheat in feed. Forecasts for 2021-22 Chinese soybean imports are holding steady at 102 million metric tons. Also of note, the report calls for China to import 22 million metric tons of corn in 2020-21 and 20 million metric tons in 2021-22, amid a 4.3% jump in production. China's cotton imports are also expected to slide from 2.8 million metric tons in 2020-21 to 2.5 million metric tons in 2021-22.

Another year, another acreage increase for Brazil's upcoming soybean crop. According to Brazilian agribusiness consultancy Datagro, Brazilian soy growers will likely plant 100.2 million acres of soybeans in 2021/22, a 4% increase from the prior marketing year. It will mark the 15th consecutive year Brazil has increased its soybean acreage. Datagro forecasts 2021/22 Brazilian soy production at 5.3 billion bushels by the time harvest begins next January, marginally higher than USDA's current projection for the crop. Barring any weather issues, Datagro expects Brazil will also harvest a larger corn crop next year as higher acreage and a hopeful return to more regular weather patterns encourage higher production.

Lower energy prices due in large part to a sharp drop in China's manufacturing activity weighed on prospects for global edible oil demand overnight, dragging soybean oil and soybean prices down in tandem. The European Union will continue to impose tariffs on U.S. biodiesel imports for another five years, according to comments released overnight. The European Commission determined that U.S. production remains at artificially low levels due in large part to government subsidies. The Commission also purported that some U.S. biodiesel exports to developing countries were at prices lower than the cost of production. The ruling on the anti-dumping tariffs, which range up to $235.36 per ton, is not a surprise to U.S. soy exporters all too familiar with similar roadblocks faced in trade relations between the U.S. and the European Union.

Prices for U.S. and Brazilian soybean meal in July were little changed overall, as Chinese demand growth has slowed and Northern Hemisphere harvests have begun, leading to more plentiful meal supplies. Global demand for Brazil soybean meal continues to rise, keeping prices high. Argentine meal prices are down slightly on substantial soybean meal stocks, despite challenging export logistics along the Paraná River.



Rice

Sales of 80,000 tons of U.S. rice to Iraq have just been announced by ADM (subject to letter of credit approval), and an additional 40,000 tons were sold by Supreme Rice, also pending letter of credit approval. They are the first sales to Iraq in two years, slated to arrive at Iraq's Umm Qasr port in October and November. Earlier this month, USA Rice signed a memorandum of understanding (MOU) with Iraq's new purchasing entity, Al Awees, to provide certainty to a top U.S. rice export market.

Even though some still await confirmation, sales to Iraq now total some 120,000 metric tons of no.2 or better long grain milled. We are also hearing that quite a bit of long grain rough is being bought by an exporter for nearby shipment, we are guessing, to Mexico, Central or South America. These sales will at least make a dent in the 33 million cwt carryover predicted by USDA in its last Supply/Demand estimates.

Iraq has been a top market for U.S. rice for decades, providing up to 150,000 metric tons in recent years. For the past two years, Iraq has not imported any U.S rice amid drastic revenue shortages, given that crude oil exports account for 90% of Iraq's revenue and crude oil's depressed prices for most of 2020. Preceding this new MOU, seven Senators and twelve Congressmen wrote to the U.S Ambassador in Iraq, Matthew Tueller, requesting urgent attention to the recent changes in procurement and highlighting the importance of the Iraqi market to many of their constituents. Ambassador Tueller swiftly conveyed these concerns directly with Iraq Prime Minister Kadhimi and Minister of Trade Al-Jabouri.

It is paramount in helping offset the lost business from Haiti as a result of the assassination and political confusion in that country. Haiti had become the steadiest milled rice market for the U.S. as of late, but with their focus turned inward, they are unable to coordinate their rice purchases with success.

As the marketing year approaches its end, long-grain rough rice sales are up 27% from last year. Sales of 120,150 tons to Brazil have helped. But the largest year-on-year increase in rough rice business has been to Venezuela with sales up 490%. Sales to Mexico and Nicaragua are both up 21% and 27% respectively from last year levels. Rough rice sales have been the bright spot in trade as milled sales are 26% behind last year

With the information of 120,000 tons having been sold to Iraq for shipment going into new crop, and reports of a good slug of long grain rough being assembled by an exporter, neither of which really excited the market, prices in Chicago decided it was time to back away from the higher levels a bit. Technically, the market has just now moved into lower territory but is not yet even close to being oversold, in our opinion. It may be a bit too aggressive to think it might be closed at this time, but the gap down at 12.63 or 12.61 on the continuation chart is still unfilled.

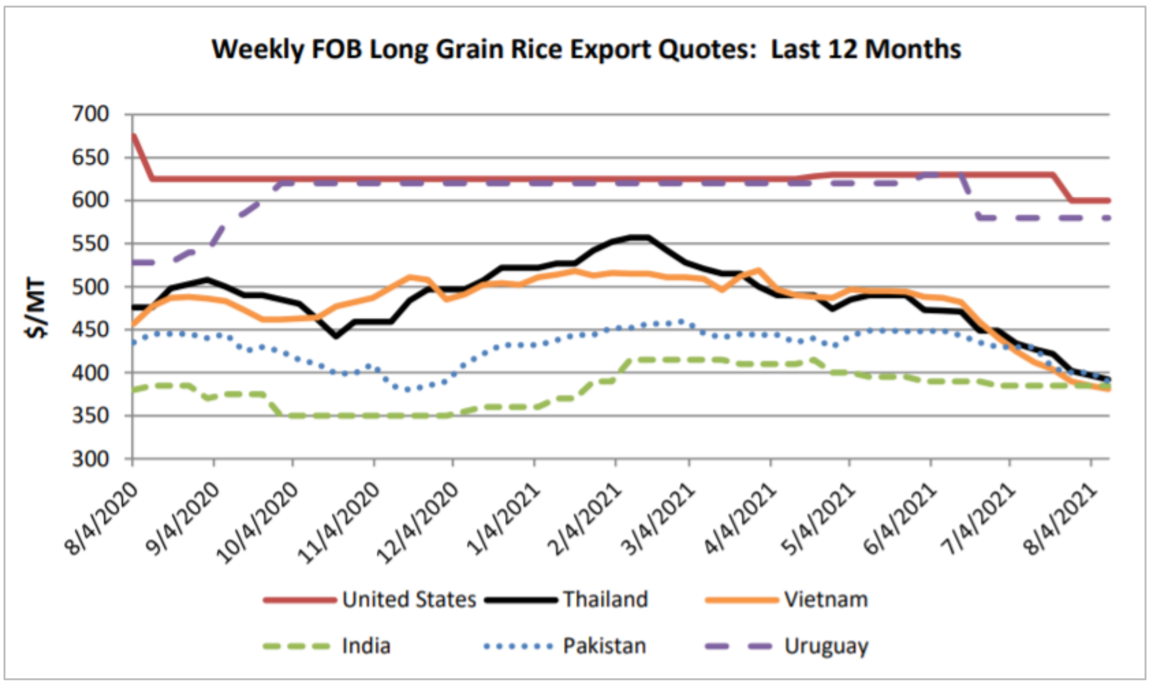
Pre WASDE, many in the trade were expecting that last year's long grain carryover in Arkansas would be substantial. There is no question that the 80,000 tons sold to Iraq from Arkansas plus the 40,000 tons from Texas and south Louisiana, along with some sizeable paddy sales would help reduce the carry, there will still be a good bit of long grain rough in the bins up north when this year is completely underway in all of the Southern states. Milled export demand looks like it will be relatively thin again this year, but the Iraqis may come through with more purchases of long grain rice as the marketing year progresses. Paddy exports will certainly be a big part of the market, but, at least for now, the demand for long grain rough seems to be fairly quiet.

In August's WASDE, the USDA lowered its projected U.S. all-rice carryout as well to 37.4 mil. cwt. From 41.4 mil. in July, trimming expected U.S. production slightly and raising expected exports marginally. USDA raised its projected on-farm average all-rice price by a dime to $14.50 per cwt. Rice futures were modestly higher. September settled up 9 ½ cents to $13.52 ½, after trading a range of $13.34 ½ to $13.58. November rice was up 9 ½ cents to $13.80 ½, and January rice was up 10 ½ cents to $13.92 ½.

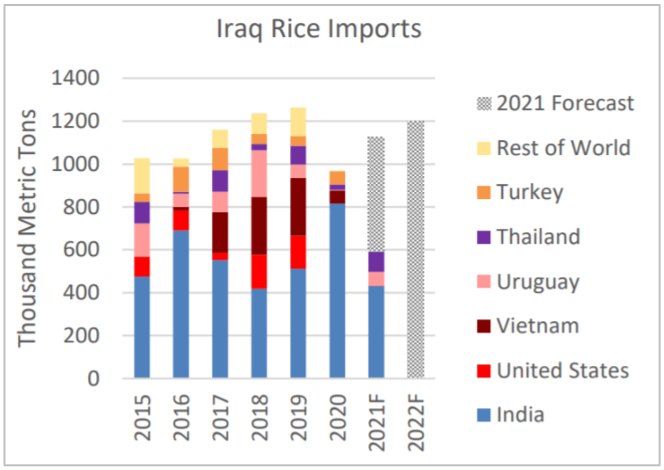
Most observers continue to expect 1.0 to 1.1 million acres of long grain and are looking for a decent to good quality crop, with the later planted acres holding the promise of good outturns and good quality. Someone described some of the rice maturity to be about where it would have been at this time with the "old" varieties of years past. The big bulk sales to the Iraqis will certainly help the millers as well as assist in making room for the new crop. The new strain of the corona virus has a lot of school lunch suppliers wondering just what the various state agencies will do about school this coming year. Buying interest for paddy is noted around even the Board in Chicago, but we are told there are few, if any interested sellers at present.

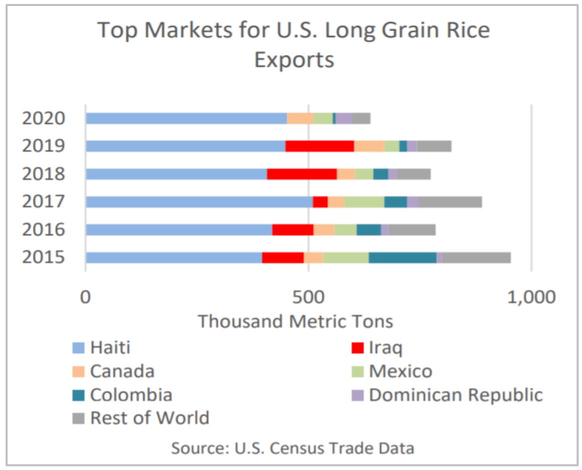
Louisiana is estimated to have been a third way through its harvest as of August 8th, all in the southern part of the state for now. It's early yet, particularly for accurate dried numbers, but in some parts along I-10, we are told that field yields on hybrids are running in the area of 50 barrels, while milling is a bit disappointing in the 52-53 head/71 total range. The conventional varieties at present, on the other hand, are reporting field yields in the area of 30-plus barrels, but with milling in the 63/72 outturn. Buyers for immediate shipment ae said to be at the $22.50/$23.00 barrels level at the farm. As more rice comes in, that may fade a bit, but for the most part, folks are looking for fairly good prices on their long grain this year. As time goes on, however, the prices may feel a little pressure from the big carryover in Arkansas.

U.S. quotes dropped $30 per ton from last month to $600, reflecting exporter willingness to lower prices to garner sales to Iraq. Uruguayan quotes are unchanged from last month at $580 per ton. Thai quotes continue to trend down by $42 per ton to $392 amid sluggish export demand, a weak Thai baht, and ample supplies from its autumn crop. Vietnamese quotes kept the downward pace with its competitors and decreased $38 per ton to $387 spurred by container shortages and supply chain disruptions, as well as favorable crop prospects. Pakistani quotes likewise dropped $40 per ton to $390. Indian quotes remain at $385, held steady by its record-breaking export pace and ample supplies. These four Asian suppliers are now trading within a narrow range.



In July 2021, Iraq purchased 120,000 tons of U.S. long-grain rice (though it has not yet shipped), the first purchase since 2019. The United States has been an important supplier of long-grain rice to Iraq for over two decades. Iraq is a major rice importer in the Middle East and imports from both Asian and Western Hemisphere suppliers. However, 2020 was atypical for the Iraqi rice market, as its overall imports were down by approximately 20 percent with India supplying most followed by small amounts from Vietnam, Turkey, and Thailand.





While traditional suppliers lost market share in Iraq in 2020, Indian milled rice exports to Iraq increased by almost 40 percent. The Government of Iraq has traditionally been a major buyer for its Public Distribution System (PDS), buying mainly from approved origins including the U.S. Non-PDS, private-sector rice imports have been rising, and private-sector buyers have been attracted to India's competitive prices for basmati in 2020. Almost all India rice exports to Iraq are milled rice, with the majority being basmati rice.

This new sale is welcomed by U.S. rice exporters and the rice milling industry since the Iraqi rice market has also been a historically significant market for U.S. long-grain rice producers. Other than in 2020, in recent years Iraq consistently lands as a top-five export market for U.S. long grain rice. In contrast to sluggish imports in 2020, Iraq is forecast to increase its rice imports in 2021 driven by projections for higher consumption, thus granting U.S. exporters the opportunity for additional future sales. However, Iraq appears to be diversifying its suppliers, as demonstrated by recent purchases from Uruguay and Thailand.

As India expands its record-setting rice exports, it has surprisingly added Vietnam, the second-largest rice exporter, to its list of destinations for Indian rice. Vietnam has become the current second-largest market for India. Traditionally, Vietnam imports paddy rice from neighboring Cambodia. Given the new unprecedented import patterns of importing broken and milled rice from India, the forecast for Vietnam's total rice imports is up sharply this month to a record of 1.2 million tons.

Cotton

The talk of a forthcoming big crop, as well as the outside markets selloff, took its toll on prices according to Dr. O.A. Cleveland. Cotton weather finally arrived throughout the cotton belt. Many began talking a huge crop as excellent cotton weather spread across the Cotton Belt. The market is wanting to see a combination of more export sales, a better definition of the crop size, and less uncertainty about future economic activity. Uncertainty leads to lower prices and relatively less economic activity. Now that Washington has now joined the panic discussion surrounding the Chinese coronavirus, market uncertainty has raised its ugly head. Nevertheless, the market remains poised to trek back to a challenge of 93 cents.

It is noted that Chinese purchases for 2021/22 have been almost nonexistent and were again minimal on the week. After purchasing some five million bales in each of the past two years there is growing concern that China will not live up to the trade agreement negotiated with the Trump administration. The market will come under considerable pressure if the agreement is not honored. However, China needs a large influx of cotton. If they do not buy from the U.S., other markets will be available. The world is facing a significant shortage of cotton. Likely China is playing its cards very-very close to the chest to force world cotton prices lower.

The ploy will be unsuccessful as it is noted that domestic Chinese cotton prices are rising and Chinese Reserve sales continue to be fully subscribed every day- as they have been throughout the entire sale period. China has increased its imports of yarn and this could slow imports of raw cotton. However, the country's yarn spinning industry is the unquestioned largest in the world and cotton imports are necessary to keep its population employed. In fact, Chinese textile exports to the U.S. are setting record levels each month; thus, export sales of raw cotton will be made to China.

A variety of technical factors, including on-call sales and on-call purchases also worked to support the bull's call for higher prices. Price resistance will continue to force the market to work extra hard to move above 93 cents. The market does respect the potential of a very large crop- 19 million bales or more. Yet, it is likewise observed that the crop is unusually very late and that a realized crop below 18 million bales is a real possibility.

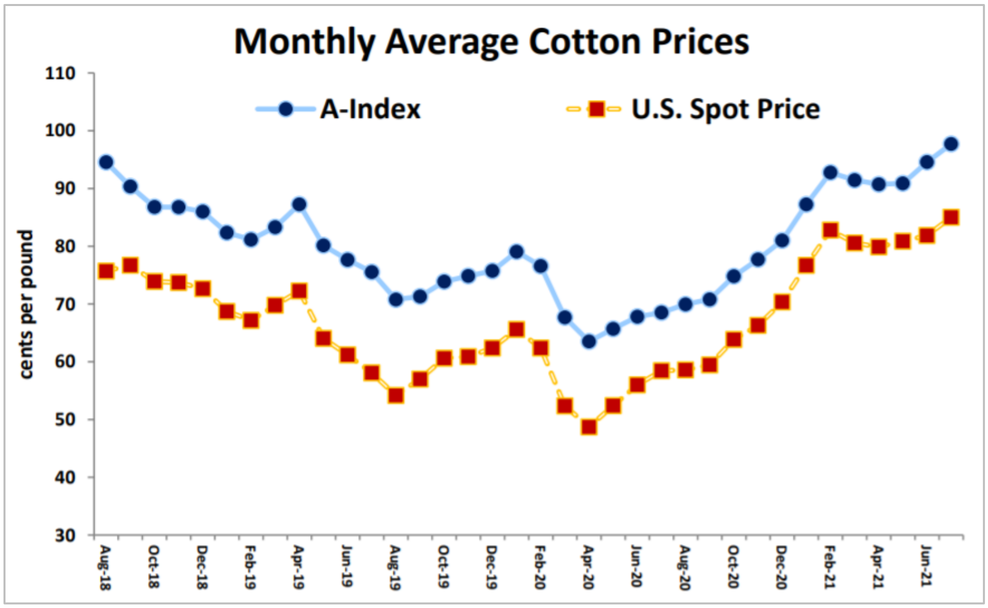
While demand remains exceptionally strong, export sales are somewhat lagging. The softness in export sales is attributed to the fact that U.S. exportable supplies will be limited until early December. Demand is not the issue. Denim demand is frantic and retailers report that they cannot keep product in stock.

Despite Chinese coronavirus concerns in major textile countries, textile operations are fully booked. China is consuming every bale it can obtain. Additionally, it is a major importer of yarn. Yarn sales have maintained excellent strength and yarn prices have not met any consistent price resistance. Chinese Reserve sales continue to be fully subscribed. An estimated 40% of the Reserve's total sales for the year have been offered and every single bale has sold. Again, Chinese textile mills need cotton. Thus, the 90-cent level did not generate any other than normal price resistance.

The cotton market got a bullish surprise from the August WASDE report, as the USDA projected a U.S. cotton crop of 17.264 million bales, which was lower than the average trade expectation for a crop of 18.150 million bales and compares to 17.800 million bales forecast in July. USDA estimated the average U.S. cotton yield at 800 lbs., down 47 lbs. per acre from last month. USDA lowered its harvested acreage by 140,000 acres from July, to 10.36 million acres. USDA also lowered its new-crop cotton ending stocks estimate by 300,000 bales from July. The agency also lowered projected new-crop cotton exports by 200,000 bales and increased unaccounted use by 20,000 bales. USDA raised its 2021-22 national average on-farm cash cotton price by 5 cents from a July forecast, to 80 cents.

The cotton bulls have the solid overall near-term technical advantage and gained more power today. Prices are in a 4.5-month-old uptrend on the daily bar chart. The next upside price objective for the cotton bulls is to produce a close in December futures above solid technical resistance at 95.00 cents. The next downside price objective for the cotton bears is to close prices below solid technical support at 90.00 cents. First resistance is seen at 94.00 cents and then at 95.00 cents. Initial support is seen at 92.50 cents and then at this week's low of 90.32 cents.

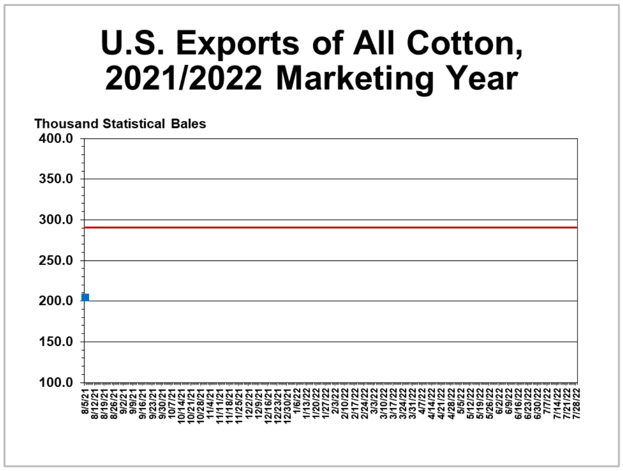
The A-index and U.S. spot price were higher for the third consecutive month in July. Greater demand in India and lower crop prospects in Brazil have strengthened the A-Index. The U.S. spot price edged higher with strong global demand for U.S. cotton, larger speculative long positions on the ICE exchange, and strong demand and rising cotton prices in India, Brazil, and China. All cotton in China put up for sale in July by China's State Reserve sold out, signifying robust demand for nearby supplies in the world's largest consuming market.

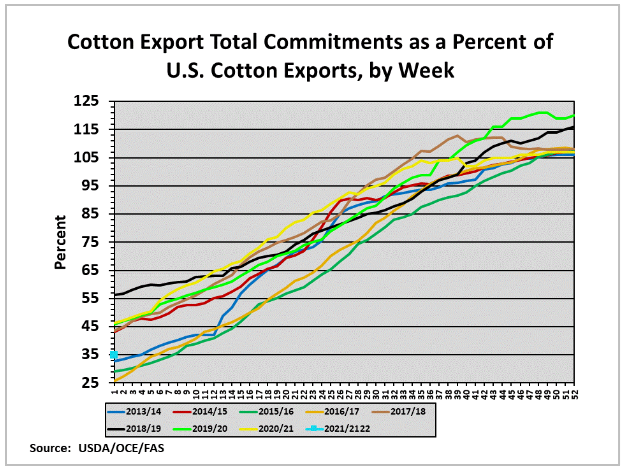


August's WASDE showed tightening in the 2021/22 crop balance sheet for foreign and world cotton. The new crop world numbers reflected lower production month-over-month, mostly in Brazil (-750,000 bales), the U.S. (-540,000 bales), and Central Asia (-150,000 bales), all of which outweighed smaller increases in Australia and several African countries. The world trade categories were up 330,000 bales relative to the July forecast, while world consumption was up 170,00 bales, mostly in Bangladesh (+100,000 bales) and Pakistan (+100,000). The bottom line was that world ending stocks were a modest 510,000 bales lower, month-over-month, which is fundamentally price neutral/supportive in the monthly adjustment.

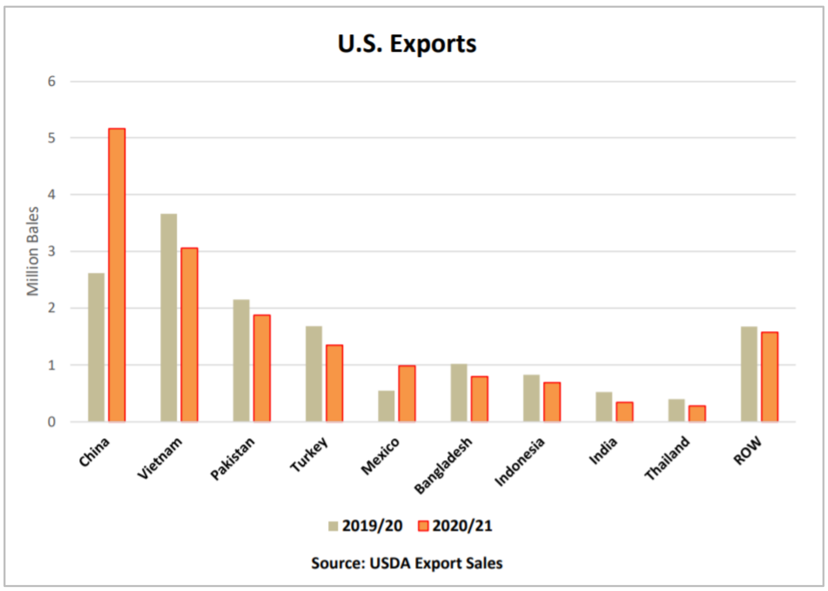
Dr. John Robinson (TAMU) notes that the U.S. new crop picture also saw modest month-over-month tightening. First, the old crop carry-in was cut 50,000 bales month over month because of lowered old crop exports. Forecasted new crop production was lowered, contrary to pre-report expectations, from both raising the abandonment and lowering the average yield. New crop ending stocks were thus whittled down to 300,000 bales, which is bullish in the monthly adjustment. This also is an historically tight level.

The blue line in the chart above shows actual weekly export shipments through the past week of the 2021/22 marketing year (converted from running bales into 480 lb. statistical bales, using USDA's conversion factor of 1.03). The week August 5 saw export shipments that were below par. But it's early.



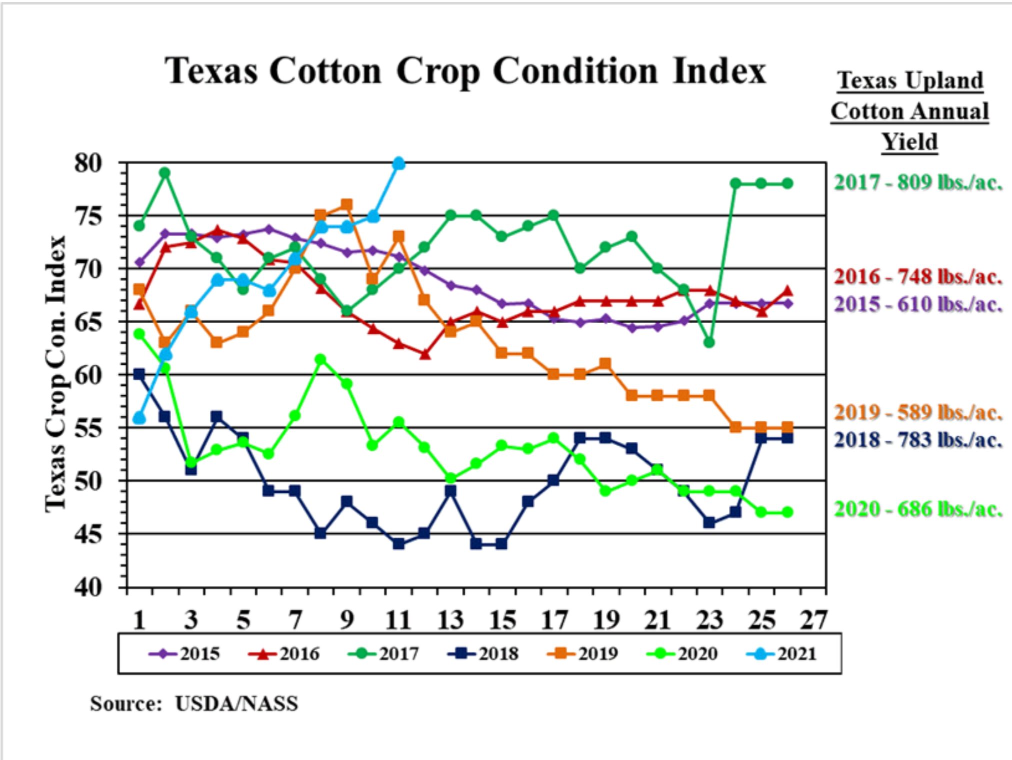


Another indicator of export demand is the percent of U.S. export total commitments to USDA's forecast export target of 15.0 million bales. Total commitments of all cotton as of August 5, include 198,313 bales worth of accumulated exports of all cotton, i.e., pima and upland sold and actually shipped. It also includes another 4,891,773 running bales of pima and upland sold but not yet shipped ("outstanding sales"). The total of accumulated exports and outstanding sales is 5,090086 running bales of total commitments which, after converting to statistical bales, is 35% of USDA's 15.0 million bale target for 2021/22 U.S. exports. That puts 2021/22 export commitments in the middle of the historical pack for this point in the marketing year.



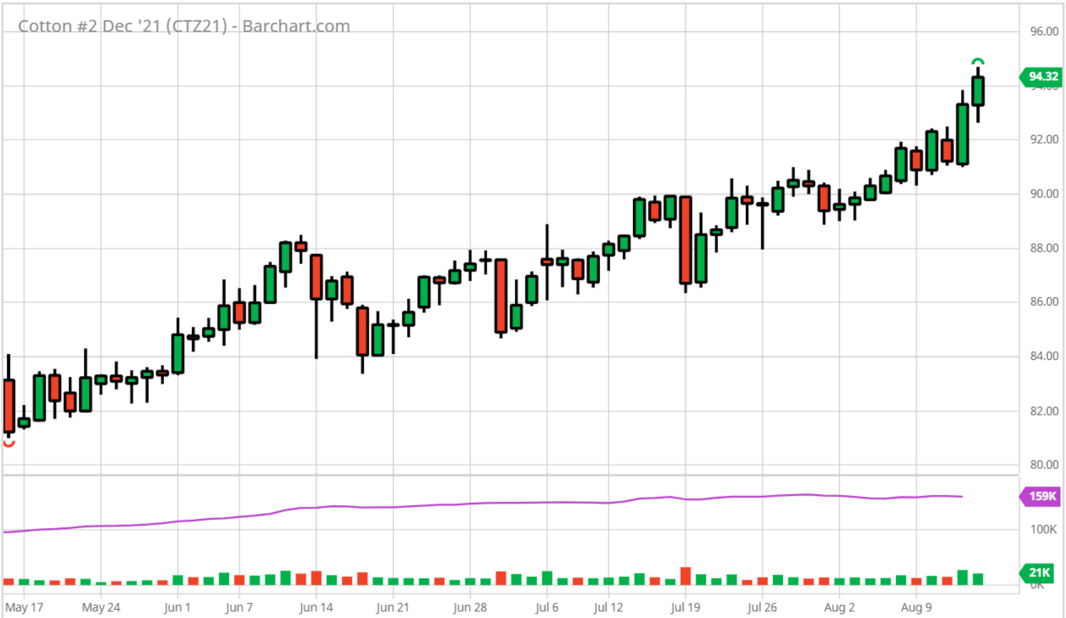
Dr. Robinson goes onto state that continuing influences of U.S. cotton price include reportedly inactive physical trading with light demand, mostly higher Chinese cotton prices and mixed world cotton prices, a mixed/weakening U.S. dollar, sideways grain/oilseed futures which then rose after bullish WASDE numbers, and continually strengthening stock markets which reached their all-time highs. U.S. cotton certified stock levels continued to erode after peaking in late June. Cotton-specific fundamental factors this week included a surprisingly low U.S. crop size forecast, continued good demand for the Chinese Reserve sales, strong weekly U.S. cotton export sales, continued hot summer weather in the U.S., and continued Indian monsoon rains after the recent resumption of normal Indian monsoon weather.

The supply question for the 2021 is still an open question. Planted acreage is a mostly settled variable with 11.72 million acres of all U.S. cotton currently projected by USDA NASS. The next question concerns moisture and growing conditions. The U.S. crop condition rating for the week ending August 8 still puts U.S. cotton at 60% good/excellent with another 32% fair. This is better than in recent years, especially in Texas (see blue dots on the chart below).

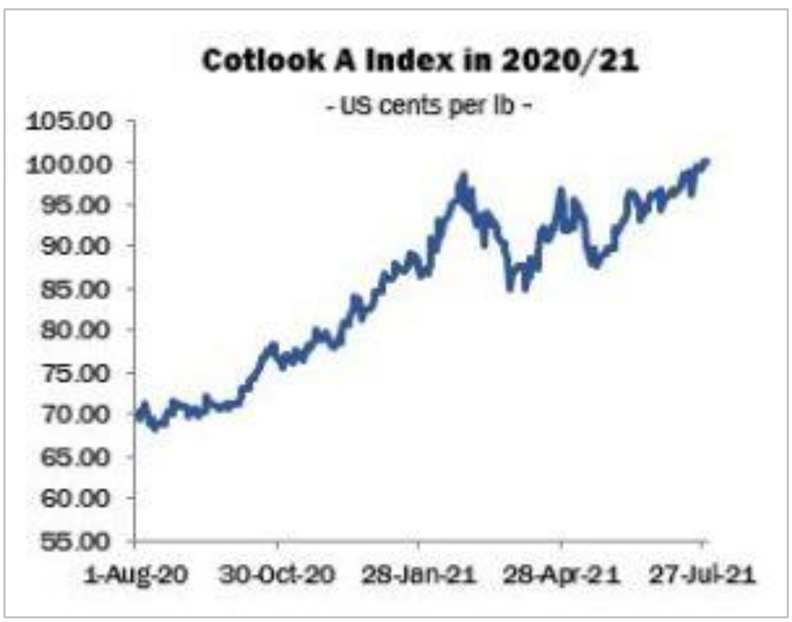


USDA is assuming 11.72 million planted acres, historically low U.S. abandonment (11.6%), and below average yield (8oo pounds per acre) per the August balance sheet. USDA appears to be assuming that 1) while more Texas dryland will be harvested than previously thought, 2) it won't yield enough to maintain a higher average U.S. cotton yield. Time will tell, beginning with USDA's proven yield field sampling that presumably will expand across Texas in September. There could be 'room' for price volatility in both directions as the current balance sheet gets updated. The current three million bale ending stocks outcome should support futures in the in the upper 80s or low 90s.

For the week ending August 13, December 21 ICE cotton futures moved sideways in a 2.5 cent range above 90.30 cents before increasing another two cents following the bullish August WASDE report from USDA. Then Friday saw even more fireworks, with mid-day prices up to an intraday high of 94.70 cents per pound. Friday's settlement was 94.32 cents per pound, up one cent on the day.



The end of July marked the transition from one marketing year to the next, and with it the disappearance of the 2020/21 Cotlook A Index. World prices maintained an upward trajectory for most of the season, retreating briefly on only two occasions in the first and second quarters of 2021 before resuming their advance. The Cotlook A Index began the season at its low point of 69.55 U.S. cents per pound and has ended the period at 100.25, the first time the A Index has exceeded the dollar mark since mid-June 2018. Historically, a dollar Index has been a rare occurrence. The seasonal average for 2020/21 was slightly below 85 U.S. cents per pound.



Underlying demand was evident during July, despite rising asking rates, and mills in many countries remained in need of cover for the summer months. Spinners tended to focus mainly on supplies to meet their more pressing requirements, availability of which became increasingly tight. The now well-attested freight issues continued to blight deliveries and many international merchants appeared to have little cotton to ship ahead of the arrival of Northern Hemisphere new crops. Even the Brazilian crop, usually relied upon to bridge the gap between seasons, is well committed both from origin and (for earlier shipments) from trade holdings. Little selling pressure is evident on the part of growers, thus merchants have found it difficult to replenish their positions.

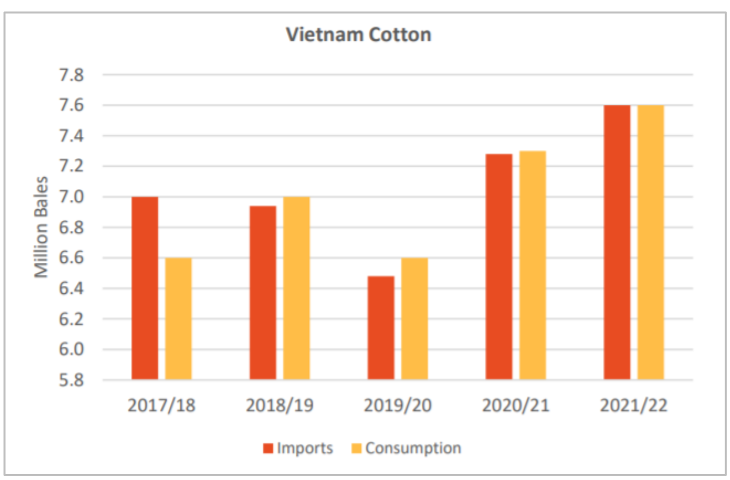
In China, State Reserve auctions began at the beginning of the month to robust demand: all daily catalogues offered during July sold out, to a total of over 190,000 tons (almost a third of the total volume to be offered in this year's series). A small portion of transactions involved Xinjiang cotton produced in the 2019/20 season, which began to appear in sales figures mid-month, despite earlier indications that only 2012/13 and 2013/14 cotton would be included in the auction series. Between December 2019 and March 2020, the Reserve acquired some 371,000 tons of Xinjang 2019/20 crop.

The assumption remains in some circles that Chinese authorities will sanction import buying to replace the stocks disposed at auction, under the 'rotation' principle that has heretofore informed State Reserve policy. However, the timing of any entry into the international market, and the origins likely to be targeted, owing to the lack of nearby supply and the self-imposed deadline of end of February arrival, remain imponderables to the international trade.

The process of allocating Sliding-Scale import quotas to mills (from the 700,000 tons announced at the end of April) finally began in mid-July, but a notable upturn in demand from Chinese buyers for shipment cotton has so far failed to emerge. Spinners in receipt of quota turned predominantly to stocks held at ports, ostensibly owing to a price advantage, as well as the ease of delivery compared with shipment cotton, which has been subject to the above-mentioned delays.

That lack of activity was reflected in reports of US export sales during July: by the week ended July 22, China accounted for just eight percent of all upland sales for shipment in 2021/22, versus around 31 percent of upland sales and shipments in 2020/21. Total upland sales commitments for 2021/22 stood by late July at roughly 3.16 million running bales, the lowest forward commitment since 2016.

Robust growth in Vietnamese cotton yarn and product exports is projected to drive 2020/21 cotton consumption to a record 7.3 million bales, 700,000 higher than the previous year's downfall from COVID-19. Yarn exports in 2020/21 have already exceeded the previous year's record by more than 10 percent through the first 11 months of the marketing year. Foreign demand has been primarily driven by China, with Vietnam's cotton yarn exports to the country accounting for roughly 60 percent of Vietnam's total cotton lint consumption.



China is the world's largest cotton yarn importer and Vietnam's largest customer with the geographic proximity and foreign investment by Chinese companies driving record exports. China's August to June imports of Vietnamese cotton yarn were a record (for the period) and equal to roughly 4 million bales of cotton lint consumption. China's robust demand is expected to persist with projected growth in China's cotton fabric and product exports, in addition to greater domestic consumption of cotton products.

The United States WRO (Withhold Release Order) on cotton lint from China's Xinjiang region is further supporting current and future demand for Vietnam's cotton yarn. Practically all cotton yarn spun in Vietnam is produced with cotton lint imported from outside of China. Garment and textile manufacturers in China seeking to circumvent the WRO are likely substituting imported cotton yarn for domestic with roughly two-thirds containing Xinjiang lint.

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 CY PLC Payment Rate*
Corn	$5.75	$3.70	--
Grain Sorghum	$6.15	$3.95	--
Long Grain Rice	$12.90	$14.00	$1.10
Medium Grain Rice	$13.50	$14.00	$0.50
Seed Cotton	$0.3807	$0.3670	--
Soybeans	$13.70	$8.40	--
Wheat	$6.70	$5.50	--

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

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, CME Group, Cotton Grower, Cotton Incorporated, Cotton Outlook, Creed Rice Report, Daniels Trading. Delta Farm Press, DTN Progressive Farmer, Farm Futures, Fiber 2 Fashion, International Grains Council, Iowa State University, LSU AgCenter, National Cotton Council, Peterson Institute of International Economics, Pro Farmer, Reuters, Rice Market Letter, Southeast Farm Press, StoneX, Successful Farming, University of Arkansas, University of Illinois, U.S. Grains Council, USA Rice Federation, U.S. Soybean Export Council, and the Wall Street Journal.

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