Agricultural Policy and Market Situation Newsletter

Volume I, Issue 1

Cotton Eligible for Title I Support in 2018

Through dedicated lobbying efforts from the cotton industry and support from Washington policymakers, "seed cotton" is now declared a covered commodity, eligible to receive support under ARC/PLC of the current farm bill.

Producers and landowners will first be faced with the option (decision) in either converting or reallocating generic base acres to seed cotton base or reallocating to the proportionate share of covered commodity plantings (on those generic acres) from 2009 through 2012. Producers will also be able to update cotton yields (period covering 2008 to 2012), for purposes of establishing a new seed cotton PLC payment yield. This lint yield is multiplied by a factor of 2.4 so as to establish a seed cotton yield (lint and seed combination). The merits of the seed cotton program involve calculating a lint and cottonseed price relative to the weighted share of U.S. production. The PLC reference price of seed cotton is established at $0.367 ¢/lb.

This seed cotton program is in effect for the 2018 crop year. It is assumed that policymakers will include seed cotton as a Title I commodity in the new farm bill once markup begins. One major point of emphasis to bear in mind is that that the decision to convert generic acres must be made within a 90 day window that started on February 9th. The USDA FSA has not published any regulations to-date, we will continue to closely monitor any forthcoming USDA FSA rulings/comments regarding seed cotton.

What's inside this issue ?

Prospective plantings; Section 199 fix; Trade tensions/anxiety with China mount; Market update; House releases Farm Bill draft; and more!

Prospective Plantings Report: *Where did the soybean acres go?*

With corn plantings considered 'low' and soybean planting intentions being even 'lower', the March 2018 *Prospective Plantings* report was highly anticipated. Over the past two decades, the actual plantings correlating with annual March planting intentions have fluctuated. In 2016 and 2017, the June Acreage report for corn was higher compared to the March 2016 and 2017 planting intentions, respectively. Although variability exists, there is not a high degree of probability that corn will find *more* acreage. The market is signaling a green light for new crop corn, but there is a likelihood that a weather premium may be built into the pricing structure this summer. Given reduced acreage for corn in 2018, there is a potential for strong prices in the new marketing year.

Like corn, the correlation in intended versus final reported acreage for soybeans has also varied. Soybean plantings expanded in 2016 and 2017 and "found" acres by 1.462 million and 660,000 acres, respectively. It is more feasible that soybeans may find more acres than corn moving forward. Market fundamentals suggest that the outlook for soybeans is still not bullish; however, the market situation can be classified as cautiously optimistic with new crop marketing opportunities. Decent consumption estimates, strong crush, and "acceptable" export estimates would support the cautious optimism reported by some in the industry. This news comes before recent developments in trade tensions between China (a major consumer of U.S. soybeans) and the United States. A major point of emphasis will be placed on the acreage gains of the oilseed (likely) and the national yield estimates.

The *Grain Stocks* report takes a bearish stance on corn with on and off-farm corn stocks being larger than analysts initially thought (stocks at their highest level in the past decade), at 8.88 billion bushels. This is seen as being negative for old crop prices. Soybean stocks were also bearish with 2.11 billion bushels reported. In the current marketing year, more stocks imply less usage. The favorable price outlook for cotton contributed to the acreage increase nationally. Rice acreage (as expected) was indicated to return to normal planting levels in four of the six rice-producing states, especially in Arkansas. Rice prices are improving compared to a year earlier.

(cont.)

Prospective Plantings Report (cont.)

National planting intentions appear in the following table. Planted acreage for Louisiana are presented in the second table. Corn plantings in Louisiana of 450,000 acres are 50,000 acres less (-10%) than 2017 plantings. Upland cotton planting intentions at 180,000 acres show an acreage decline of 40,000 acres (-18%) for 2017. Long grain acres are up by 10,000 acres to 380,000 (+3%). Soybean plantings of 1,320,000 acres are 50,000 acres greater than 2017 (+4%).

U.S. Crop	2013	2014	2015	2016	2017	2018 Pros. Plantings*
Corn	95,365,000	90,597,000	88,019,000	94,004,000	90,167,000	**88,026,000**
Cotton (upland)	10,206,000	10,845,000	8,422,000	9,878,000	12,360,000	**13,469,000**
Rice (LG)	1,781,000	2,211,000	1,879,000	2,442,000	1,811,000	**2,030,000**
Rice (S/MG)	709,000	743,000	746,000	708,000	652,000	**660,000**
Soybeans	76,840,000	83,276,000	82,650,000	83,433,000	90,142,000	**88,982,000**
Wheat (all)	56,236,000	56,841,000	54,949,000	50,119,000	46,012,000	**47,339,000**

Louisiana Crop	2013	2014	2015	2016	2017	2018 Pros. Plantings*
Corn	680,000	400,000	400,000	620,000	500,000	**450,000**
Cotton	130,000	170,000	115,000	140,000	220,000	**180,000**
Rice (LG)	396,000	396,000	355,000	413,000	370,000	**380,000**
Rice (MG)	22,000	70,000	65,000	24,000	30,000	**30,000**
Soybeans	1,130,000	1,410,000	1,430,000	1,230,000	1,270,000	**1,320,000**
Wheat	265,000	160,000	110,000	25,000	20,000	**15,000**

Section 199A “Grain Glitch” Gets Fix in the Omnibus Spending Bill

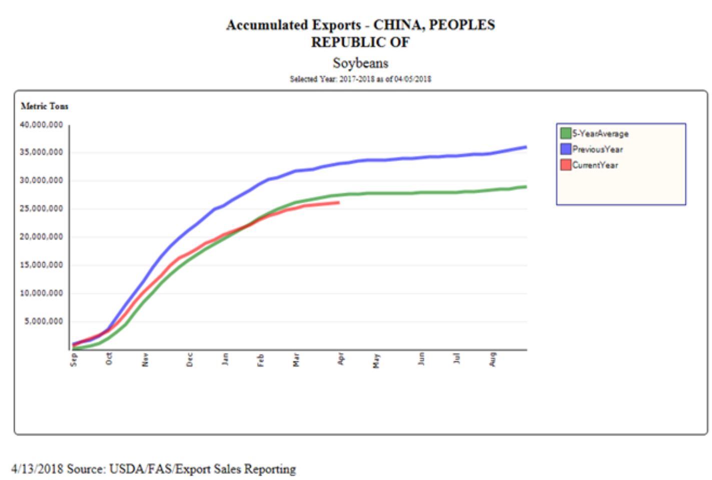
An unforeseen interpretation and unintended consequence of the 199A provision that gave producers a financial incentive to sell grain to cooperatives instead of private companies has been addressed in the omnibus bill signed on March 22nd. The 199A fix will equalize tax treatment of commodity sales to cooperatives and non-co-ops, while also providing a flow-through deduction from co-ops to their members similar to the old Section 199 deduction for domestic production activities (DPAD). IRS guidance is still needed on several issues pertaining to Section 199A.

Trade Anxiety Looming

Grain sorghum, soybeans, aluminum and steel find themselves enmeshed at the center of the debate in the current environment of U.S./Chinese trade tensions. It was reported April 4th that China planned to impose tariffs on U.S. goods, including soybeans, corn, and beef (among other products). But the date of the implementation will depend on when the U.S. imposes tariffs on Chinese products. China is a large buyer of U.S. soybeans, therefore, soybean producers are vulnerable to any potential Chinese trade retaliation. A formal hearing on this issue is scheduled for May 15th at the U.S. International Trade Commission.

Researchers at Purdue University stated that Chinese soybean imports from the U.S. could potentially drop by 71% if China were to impose trade restrictions on U.S. soybeans in response to U.S. tariffs. Chinese tariffs on U.S. soybeans ranging from 10% to 30% were used in the study.

Will trade tensions threaten the U.S./China rice agreement? Rice has long awaited entry in the lucrative Chinese market. Back in July, the countries signed a phytosanitary protocol needed to allow rice into the Asian giant’s market Now that mills have answered questions addressing Chinese concerns, those reports have been turned over to the USDA APHIS. China would then select potential mills for an on-site visit. A major concern is whether or not this rice agreement will become hostage to escalating political trade rhetoric. (cont.)



Comparison graph of accumulated soybean exports to China.

Trade Anxiety Looming (cont.)

China, the largest customer of U.S. soybeans, announced a proposed tariff of 25% on U.S. soybeans. According to the American Soybean Association, China purchases the lion's share (61%) of total U.S. soybean exports, which equates to almost 33% of the United States' entire annual soybean production. China is the world's largest soybean importer and America's biggest soybean customer. Its purchases have climbed to record levels as expansion in large-scale livestock farming operations and a shortage in protein-rich feed grains help to spur increased soymeal consumption as per Bloomberg News. Interestingly enough, with such large purchases from the U.S., China, last year, actually bought more soybeans from Brazil than from the United States.

Chinese officials responded quickly to the Trump administration's proposed 25% tariffs on $50 billion in Chinese imports by announcing higher tariffs on 106 U.S. commodities/goods. The newly proposed reciprocal tariffs would be placed on a range of products including ag commodities, automobiles and chemical products, worth a total of $50 billion. Soybeans are at the top of that list. The Chinese Ministry of Commerce did not indicate when the tariffs would take effect. If the tariffs do go into effect, the tariffs on soybeans would jump from 3% to 28%, according to the USDA Foreign Agricultural Service.

Source: U.S. Department of Agriculture, Economic Research Service, *Oil Crops Yearbook*.

Hypothetically, if China were to abandon the U.S. soybean market for Brazil, the resulting lack of available Brazilian supplies for other traditional markets for Brazilian soybeans would almost surely send them to the U.S. for shortfalls in soybean deliveries. China's protein meal consumption, derived mostly from soybean meal, is trending up annually. In calendar year 2017, China imported a record 95.5 million metric tons (MMT) of soybeans. Of that 95.5 MMT, Brazil supplied 50.9 MMT, the U.S. 32.9 MMT, and Argentina 6.6 MMT. Outside of Brazil, the U.S. and Argentina, the remaining soybean exporters could only supply 5.1 MMT of soybeans to China in 2017.

Total global soybean trade, excluding China, that originated from sources outside the U.S. totaled 31 MMT last year, nearly 2 MMT short of what the U.S. supplied to China. So, in the most extreme case where China would completely shut off U.S. soybean imports, it would not be able to source its soybean import needs from other sources. Simply, there are not enough soybean supply outside of the U.S. for that to happen. Under that extreme scenario, China would source even more of its needs from Brazil and Argentina. But that would leave the rest of the world in need of more soybeans for which the U.S. would need to supply. Basically, it would just be a shifting of supplies. China could temporarily draw down its domestic supplies to alleviate any short-fall, but that would be a short-term fix, not a long-term strategy.

The date on which China's tariffs will be implemented depends on the outcome of negotiations with the U.S. (Bloomberg News). Sorghum is another commodity that has been closely watched since China announced an investigation into imports from the U.S. in February, China accounts for about 80% of total American sorghum exports, resulting in a trade valuation worth about $957 million last year.

Cotton represents another significant trade flow from the U.S.; exports of cotton fiber in its raw form fetched $5.8 billion last year, government data show. China was the top destination for U.S. cotton after Vietnam. China's imports of U.S. corn, wheat and tobacco totaled about $740 million in 2017, according to official customs data (Bloomberg News).

The National Cotton Council is concerned that China's announcement of significantly higher proposed tariffs on U.S. raw cotton shipped to that country would significantly harm the economic health of the U.S. cotton industry. For the current 2017 crop year, China stands as the second largest export market with purchases of approximately 2.5 million bales of U.S. cotton. According to the USDA Foreign Agriculture Service GAIN Report, cotton has been listed among multiple U.S. agricultural products that could potentially be hit with higher tariffs from China -- specifically an in-quota tariff that would increase from one percent to 26%. Following the announcement, the cotton market reacted accordingly – almost limit down on nearby contracts (NCC).

A potential trade war between the US and China could provide opportunities for Indian oilseed meal, cotton and maize producers, say companies and traders. India, the 2nd largest exporter of cotton after the US, could potentially benefit. Of the 5 million bales of cotton imported by China, 40% was from the US, said experts. "With China imposing 25% duty on US cotton, we can leverage our position. There is no duty on import of Indian cotton," said the Cotton Association of India (Economic Times).

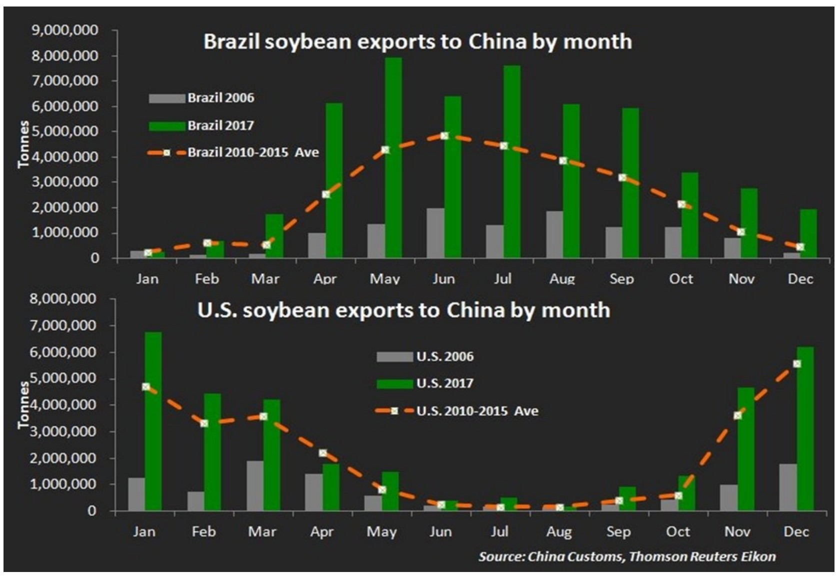
References: AgWeb, Bloomberg News, CNBC, Economic Times, Pro Farmer, National Cotton Council, and Agri-Pulse News.

Louisiana Soybean Exports: 2017 Market Share

Data from the USDA's Foreign Agricultural Service and the U..S Census Bureau provides statistics on the value of various commodities at the state level. In 2017, total soybean exports from Louisiana were valued at $10.692 billion. By locale, 53% of the soybeans exported from Louisiana were destined to China. The value of these soybean exports to China are valued at $5.648 billion. Louisiana's second leading destination for soybean exports was the Netherlands. Soybean exports bound for the Netherlands is estimated to be worth $1.08 billion and comprise a 10% of total state soybean exports.

Nationally, 57% of the total U.S. soybean exports were sent to China in 2017. Mexico and the Netherlands were the second and third lading importing counties for U.S. soybean exports, coming in at 7% and 5%, respectively. The total value of U..S. soybeans exported in 2017 was $21.58 billion, with China commanding a $12.35 billion share of that $21.58 billion.

U.S. / Brazil Soybean Export Seasonality



Due to the opposing harvest periods for soybeans in North versus South America, China is able to secure most if its soybean purchases from Brazil from April to October, when the new U.S. crop will be available for export. But China's massive monthly soybean needs implies that the country may struggle to rely solely on South America alone for long.

In 2000, only 20% of U.S. soybean exports were purchased by China. By 2017, the Chinese allocation had grown to 57%.. However, with large crops being produced un Brazil, Brazilian exports into China have eclipsed U.,S. soybean imports by China. Last year, Brazilian soybean imports were 53% of total Chinese purchases followed by the U.S. at 34%.

National Market Price Outlook

The following tables represents season average farm prices ($/unit), as contained in the 2018 USDA WASDE reports,

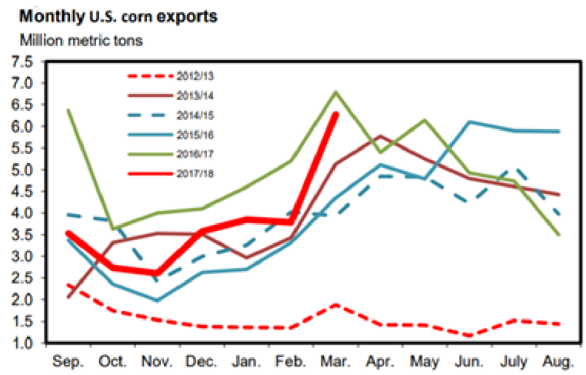
Crop	January Midpoint	February Midpoint	*March Range*	March Midpoint	*April Range*	April Midpoint
Corn	$3.25	$3.30	*$3.15-$3.55*	$3.35	*$3.20-$3.50*	$3.35
Cotton	$0.69	$0.69	*$0.68-$0.70*	$0.69	*$0.67-$0.69*	$0.68
Rice (LG)	$11.80	$11.70	*$11.40-$12.00*	$11.70	*$11.50-$11.90*	$11.70
Rice (Southern MG)	$12.00	$11.90	*$11.60-$12.20*	$11.90	*$11.90-$12.30*	$12.10
Sorghum	$3.15	$3.15	*$2.95-$3.35*	$3.15	*$3.05-$3.35*	$3.20
Soybeans	$9.30	$9.30	*$9.00-$9.60*	$9.30	*$9.10-$9.50*	$9.30

Multi-Crop Market Update

The information that is presented in this market update reflects current USDA information as of April 12, 2018.

Corn

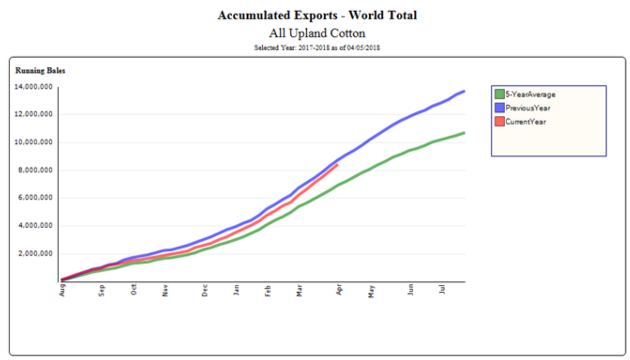
In the March outlook, projected corn exports for 2017/18 were raised as reduced export prospects for Argentina and the slow place of Brazil shipments collectively have provided the U.S. an opportunity for improved trade opportunities in the global marketplace. Since December, export prices have been the lowest among major exporters, boosting sales and driving up the pace of recent shipments. U.S. price competitiveness and strong international demand are expected to support corn exports in the second half of the marketing year. The average price received by producers is estimated at $3.35 per bushel.



Source: USDC, U.S. Census, March 2018 *Grain Inspections*.

Cotton

This month's 2017/18 U.S. cotton forecasts show lower production, higher exports, and lower ending stocks relative to last month. Production was reduced 233,000 bales to 21.0 million, based on the March 8 *Cotton Ginnings* report. The final estimates for this season's U.S. area, yield, and production will be published in the May 2018 *Crop Production* report. Domestic mill use is unchanged from last month, but exports were raised to 15.0 million, based on stronger world demand and expectations of above-average shipments during the second half of the marketing year. Ending stocks were lowered to 5.3 million. The projected range for the marketing year average price received by producers of 68-69¢ per pound was narrowed by 1¢ on each end from last month.



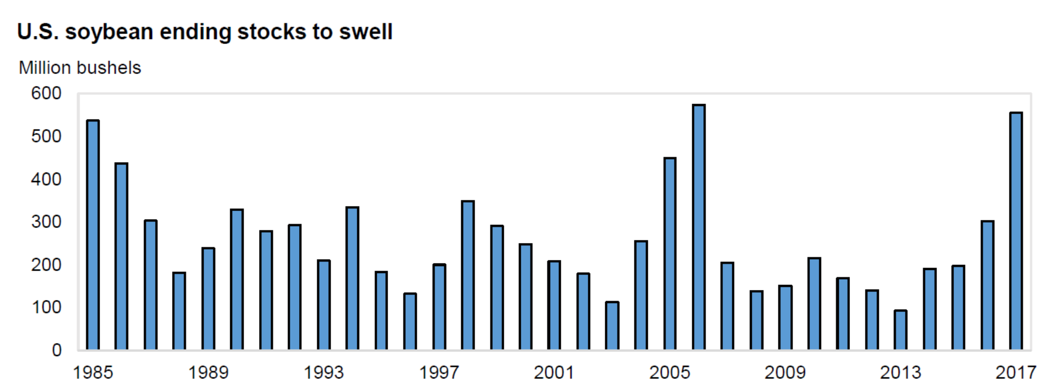
4/13/2018 Source: USDA/FAS/Export Sales Reporting

Rice

The 2017/18 U.S. rice crop remains estimated at 178.2 million cwt, more than 20% below a year earlier. The substantial year-to-year production decline is the result of a 23% decrease in harvested area to 2.37 million acres, the smallest since 1987/88. . Total U.S. rice exports in 2017/18 are lowered to 96 million cwt, 18% below a year earlier. The Western Hemisphere is the largest market for U.S. long-grain rice, with the majority of the rice shipped as un-milled rough-rice. Outside the Western Hemisphere, the Middle East is currently the largest market for U.S. long-grain rice. Combined U.S. medium- and short-grain exports in 2017/18 remain projected at 27 million cwt, 29% below a year earlier. Long grain prices are estimated at $11.70 per cwt. Southern medium grain prices are estimated at $12.10 per cwt. The all rice stocks were reported 22% below last year (91.2 million cwt). This was still a bit higher than the trade expected, as exports have weakened.

Soybeans

Soybean ending stocks for 2017/18 increased in the month of March to 550 million bushels. This was a consequence of a lowered export forecast for February and March. While this generally tracks a seasonal pattern, cumulative shipments through February fell even further behind the 2016/17 pace. It would take the highest ever March-August soybean shipments to realize even this scaled back forecast of annual exports. Yet, export sales may well revive in the second-half of 2017/18, despite record supplies from competitors in Brazil. Current and deferred price bids at the U.S. Gulf are still quite competitive with South American origins, which could eventually stimulate additional sales. Buying interest could heat up by next summer with the possibility of sluggish soybean shipments from Argentina. A brighter outlook for U.S. soybean meal exports is elevating prices and supporting the domestic crush market. Sluggish soybean meal exports from India and dimmer Argentine prospects are making U.S. supplies more attractive to importers. The season-average soybean price range (cont.)



Source: USDA, National Agricultural Statistics Service, Grain Stocks.

Multi-Crop Market Update (cont.)

The information that is presented in this market update reflects current information as of April 12, 2018.

Soybeans (cont.)

forecast of $9.00 to $9.60 per bushel is unchanged at the midpoint of $9.30 per bushel. The stocks report indicated soybean stocks at 2.1 billion bushels. Larger soybean inventories have accumulated in the first half of 2017/18 not only due to higher beginning supply but also due to a decline in September to February use– particularly exports.

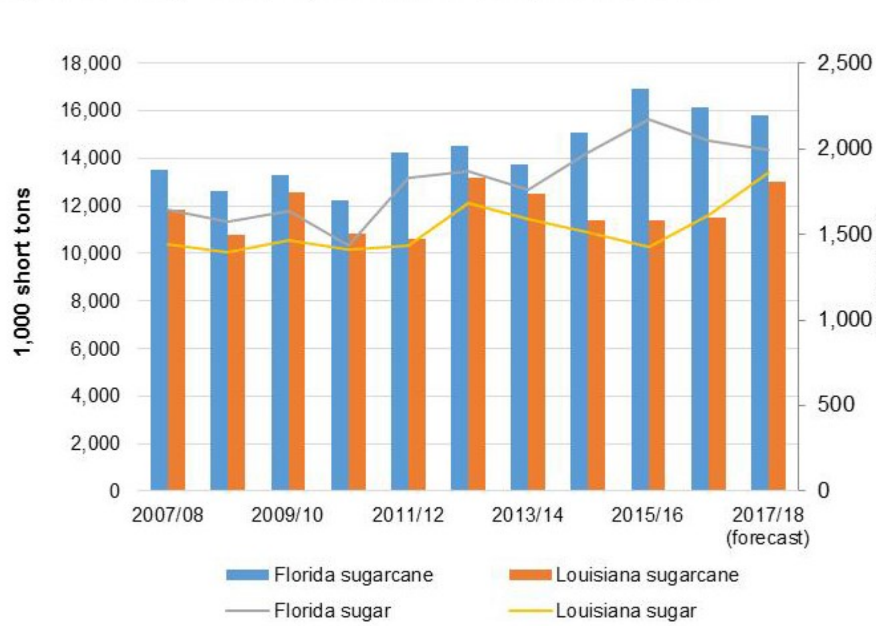
Sugar

Favorable weather conditions for sugar beet and sugarcane processors have continued through February, maintaining the strong outlook for the respective slicing and harvesting campaigns. Sugar beet processors across the country have faced relatively favorable conditions since this year's crop has been harvested. Temperatures started off cold after the harvest and have mostly remained below freezing, allowing for good storage conditions. These developments are positive for the shrink of this year's crop, as well as for maintaining the high sucrose extraction rates. Beet sugar production is reduced on lower sucrose recovery, to 5.139 million STRV for 2017/18. Total U.S. sugar production in 2017/18 is projected to total 9.140 million short tons, raw value (STRV) .

U.S. sugarcane growers have also seen strong crops through the harvest season. Florida sugarcane regions, which was affected by Hurricane Irma in September and by a warm and wet start to the growing season, have seen some areas impacted by adverse weather. This has mostly affected the sugar recovery rates from the cane and, in some isolated areas, sugarcane yields where the crop was unable to recover.

Louisiana cane sugar production is projected to be a record 1.859 million STRV, unchanged from the previous month. Increased harvested area, good yields, and favorable weather conditions that allowed the harvest season to continue several weeks longer than normal, into mid-January, all contributed to the higher production total. Cane sugar production in Texas was raised, totaling 170,000 STRV, as growers in the region continue to recover from several down years between 2013/14 and 2015/16.

Sugarcane and Sugar Production, Florida and Louisiana, 2007/08 to 2017/18



Source: U.S. Department of Agriculture, National Agricultural Statistics Service.

Imports under the WTO raw sugar TRQ are projected to be 1.788 million STRV, which incorporates a 99,000-STRV shortfall for the 2017/18 TRQ allotment. Imports from Mexico are projected to be 1.269 million STRV, an increase of about 1,000 STRV from the previous month. The increase is due to the recognition of sugar that entered under a 2016/17 Export Limit license in October but was recorded as entering in the 2017/18 fiscal year according to Census data. The 2017/18 Export Limit is expected to remain at 1.268 million STRV when the U.S. Department of Commerce (USDOC) announces an updated and Export Limit amount subsequent to the March WASDE release.

Based on the terms of the suspension agreements signed by the USDOC and the Government of Mexico in December 2017 and amended in June 2017, the U.S. Needs based on the March WASDE is 1.021 million STRV. However, the Export Limit will remain unchanged, as it reflects the Export Limit established in September and December, which was 70% of the calculated U.S. Need from September's WASDE report.

USDA Report Release Dates

World Agricultural Supply and Demand Estimates (WASDE) Report: May 10, Jun. 12, Jul. 12, Aug. 10, Sep. 12, Oct. 11, Nov. 8, and Dec. 11.

House Releases Farm Bill Draft (H.R. 2)

House Agriculture Committee Chairman Conaway (R-TX) released H.R. 2, the Agriculture and Nutrition Act of 2018. This draft legislation largely preserves the language of the 2014 farm bill, with some modifications.

Beginning with the 2019 crop year, producers will be offered an irrevocable decision to select ARC or PLC for covered commodities. As it pertains to seed cotton, the definition recognition of a as a covered commodity is retained for eligible in Title I program participation. Yield data used for purposes of the ARC-CO program will be sourced from the USDA RMA on a non-irrigated and irrigated production basis.

The effective reference price (relating to the PLC program) definition includes the lesser of the following: amount equal to 115% of the reference price; or an amount equal to the greater of the reference price or 85% of the 5-year Olympic average of the MYA. Alternative stated, when commodity prices are above the reference price, the reference price invokes an escalator clause and increases by 15%. Given the past price performance on soybeans, this oilseed crop is likely to be affected by this proposed provision.

The Congressional Budget Office (CBO) released new cost estimates on agriculture –related provisions. CBO confirmed its previous projections that grain and oilseed producers will elect PLC in the new farm bill; a drastic movement away from the 2014 election of the ARC program.

On the Senate side, Chairman Roberts (R-KS) and Ranking Member Stabenow (D-MI) are pursuing a bipartisan approach (less major changes to nutrition) in their development of a farm bill with a goal of obtaining 70 votes for the bill. This would place the Senate in a strong position for negotiations with the House.

There is little time left on the legislative calendar to pass a major piece of agriculture legislation like the farm bill this year. This makes the likelihood of an extension of current law more and more likely an option. An extension introduces a number of uncertainties, including a lapse in funding for expiring programs and would afford Democrats more say in the shaping of the next farm bill, assuming they increase their numbers (or even control) in the House in the November elections. What is unprecedented this year is the level of partisanship at the committee level. That partisanship when combined with the limited amount of time remaining for Congress to act legislatively are some of the primary reasons farm bill veterans are starting to become pessimistic about the chances of passing a bill this year.

Beyond the Ag Committees, House Speaker Ryan (R-WI) has indicated a desire to begin welfare reform measures with the nutrition title being one possible avenue of pursuit. However, news of the Speaker's retirement adds more uncertainty to the process. The nutrition title changes reduces enrollment and expand the work requirements for adults 18-59 year old without dependents and work capable be in job training or working 20 hours per week. The nutrition title has traditionally received the most attention, and will likely be at the center of the political debate.

The draft language reauthorizes the sugar program through the 2023 crop year in the same manner as current law.

LSU AgCenter Begins Sugarcane Production School: Class II

Last year, the American Sugar Cane League and the LSU AgCenter were instrumental in creating a *Sugarcane Production School* aimed at aiding local producers in developing and enhancing their skillsets in areas of agronomy, economics, weed science, entomology, plant pathology, breeding and genetics, labor, and sugar policy. The class met twice a month for a scheduled six month period (although Tropical Storm Cindy canceled one of out meetings). Personnel from the American Sugar Cane League, the USDA ARS Houma Research Station and faculty from the LSU AgCenter welcomes students in Class II, which begins on April 19th. For growers, millers, lenders, and field staff that are interested in enrolling in Class III, please contact the American Sugar Cane League at 985-448-3707.

Newsletter Information

A couple of years ago, a group of growers inquired about a quarterly newsletter being delivered to them containing relevant market news and agricultural policy happenings. As a result, this publication will be delivered electronically per the following release schedule. Please contact Dr. Mike Deliberto at mdeliberto@agcenter.lsu.edu to be added to the email distribution list, free of charge.

QUARTER	Reporting Period	Release Date
1	January 1 through March 31	April 15
2	April 1 through June 30	July 15
3	July 1 through September 30	October 15
4	October 1 through December 31	January 15

Please send questions and comments to Dr. Michael Deliberto of the Department of Agricultural Economics and Agribusiness, LSU AgCenter. Mailing Address: 101 Martin D. Woodin Hall, LSU Campus, Baton Rouge, LA 70803. Phone: 225-578-7267. Email: mdeliberto@agcenter.lsu.edu Staff Report 2018-16, April 2018.