

Acreage Report and Market Sentiment

Traders are still pondering the near-term impact of the USDA's most recently released planted corn acreage numbers that were, in traders' eyes, surprisingly low. This apprehension has rekindled concerns over tighter supplies. USDA's corn plantings estimate at 92.692 million acres fell short of market expectations by over 1 million acres.

USDA's unexpectedly low soybean acreage estimate reported yesterday remains squarely in trade focus, fueling renewed concern about persistent dryness in parts of the Midwest and tighter supplies next year. USDA estimated soybean plantings at 87.555 million acres, down about 45,000 acres from its March forecast and about 1.4 million acres below industry expectations.

In the wake of USDA's bullish acreage report, one question remains whether it creates some anxiety in China over supply.

Abundant rains are expected to continue over the next 10 days in the Texas cotton belt. World Weather Inc. says rains may be heavy enough in some areas to reduce cotton conditions, though it's rarely

negative (outside of flooding) to have too much moisture on a crop once it's planted.

USDA's latest estimates for 2021 corn acres is 92.7 million acres, increased from the March forecast of 91.144 million acres

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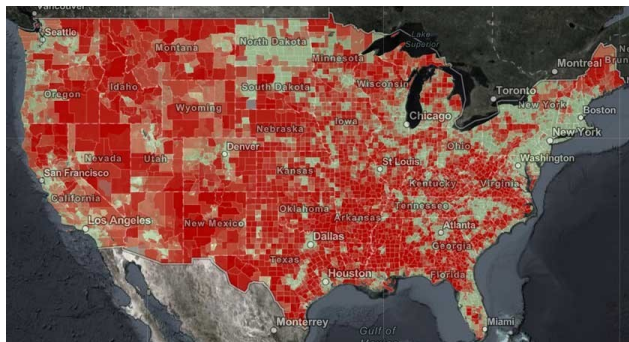
USDA
Ag Web.

What's inside this issue?

June Acreage Estimates, Broadband Access, Stepped-up Basis Proposal, WOTUS Rule, Phase One Trade Perspective, Market Updates, and more!

Broadband Mapping Tool Shows Need for Access

The White House unveiled a new interactive broadband mapping tool showing the majority of rural America still in need of access to high-speed internet. The tool was developed by the White House in partnership with the National Telecommunications and Information Administration (NTIA) in the Department of Commerce. The color-coded map (left)



Agri-Pulse.

indicates areas of "need" (red), "no need identified" (green), and "no data available" (gray). The map shows areas of the country where people are online at slow speeds and where large percentages of people lack an internet-connected device. Layers in this map were created from data sourced from the U.S. Census (the American Community Survey), Ookla Speedtest results, Measurement Lab (M-Lab) speed test results, Microsoft, the Federal Communications Commission (FCC), the Department of Education and internal NTIA data resources. All data is shown at one of three Census geographic levels: county, census tract, or census block. A user's guide can be accessed at <https://broadbandusa.ntia.gov/sites/default/files/2021-06/Indicators%20of%20Broadband%20Need%20-%20User%20Guide%20062421.pdf>

Federal agency partners will share information about existing or planned projects in attempting to reach 100% broadband coverage. In accordance with the Broadband Interagency Coordination Act, leaders will consult and exchange information about the distribution of new funds from the Federal Communication Commission's (FCC) high-cost program that support broadband infrastructure in rural areas, the USDA's Rural Utilities Service grant and loan programs, and programs administered or coordinated by the NTIA. As part of the agreement, each federal partner will share information about existing or planned projects that receive funding from federal monies. Each partner will identify entities providing broadband service in a specified geographic area (to include the levels of broadband service in that area, broadband speeds, and technologies deployed), the geographic scope of broadband service in the area, as well as each entity in that area that has or will receive funds.

Interagency coordination has been a frequent target of criticism for the delays in expanding rural broadband coverage, and is noted in response to the recent bipartisan infrastructure deal agreed to in-principle between President Biden and the Senate. The White House announced that the infrastructure deal included \$65 billion for broadband.

Acreage (cont.)

and 2% above 2020 totals. The June estimate of 92.7 million was more than a million acres less than the average trade guess of 93.787 million acres. The acreage number overshadowed favorable weather in the U.S. Corn Belt and raises concerns about poor crop prospects in the northwest part of the region. Stronger weekly ethanol production was also a supportive market factor.

In the futures market, corn prices soared on technical buying triggered by the release of unexpectedly bullish USDA acreage and grain stocks data on June 30. July corn futures rose 25.75 cents to \$7.2025, while September futures rose 40 cents (limit up) to \$5.9925. December corn finished 60 1/4 cents off its session low of \$5.28 1/4. Corn futures across the board charted large bullish outside trading days after going into the June 30 report release day lower, which suggests they could continue to head higher in the near term.

Soybean futures, similar to corn, recorded gains ranging from 39 to 90 1/4 cents in response to USDA's lower-than-expected U.S. soybean plantings estimate and confirmation of tight old-crop soybean supplies from USDA's quarterly Grain Stocks report. Strength in soybean-product prices (e.g., oil and meal) was also supportive for the market. July soybeans rose 90 1/4 cents to \$14.50, while November futures increased 86 1/2 cents to \$13.99. From a technical perspective, soybean futures charted huge bullish outside days and their highest closes in nearly three weeks after going into the USDA report under significant pressure.

USDA 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. Traders had hoped the high-flying corn and bean markets would have siphoned off more cotton acres. In addition, weather conditions are looking ideal for Texas, the top U.S. producer. The cotton market moved lower as planted acres proved to be not bullish enough for traders. The losses reflected that reduced acreage has already been priced into the market. A bout of cool, wet weather expected in

West Texas next week may have also weighed on futures.

Thinly-traded July cotton ended down 2.46 cents at 84.03. December cotton was down 2.68 cents to 84.90, after trading a range of 84.68 to 87.61. Technically, the market fell below its 40-day moving average. There is still potential support at the 100-day moving average. December cotton has closed below that average only once in the past year. That average is currently at 83.93.

Rice futures ended lower, losing 6 to 10 cents. July rice settled at \$13.17 1/2, and September rice closed at \$13.47 1/2, after trading a range of \$13.38 to \$13.80 per cwt. Rice futures received initially supportive news from USDA data as rice plantings of 2.616 million acres were down from the March planting intentions of 2.661 million and last year's acreage of 3.036 million. Technically, futures hit a one-week high before retreating, and have strong resistance at \$14.00. Potential support is at \$13.31-\$13.36, with major support around \$12.50 per cwt.

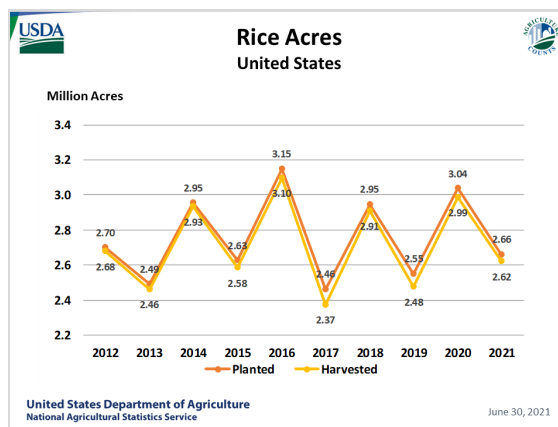
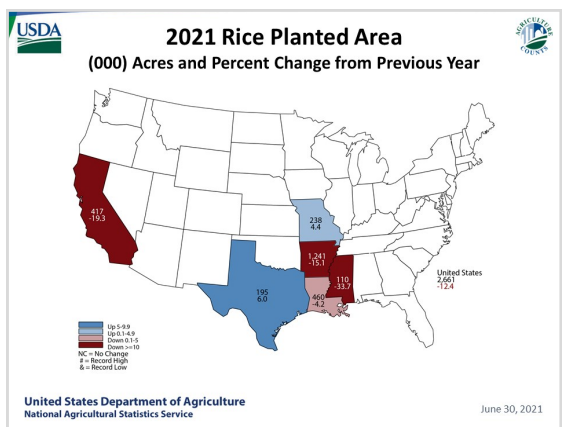
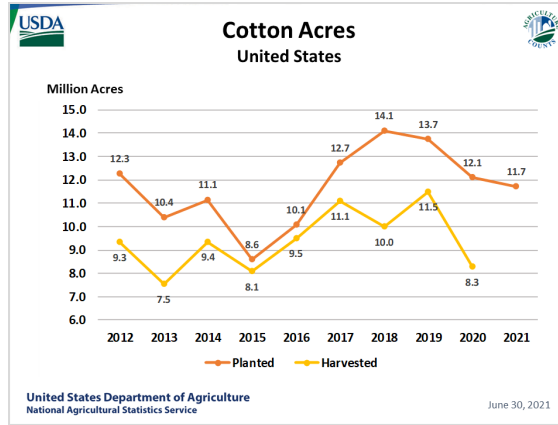
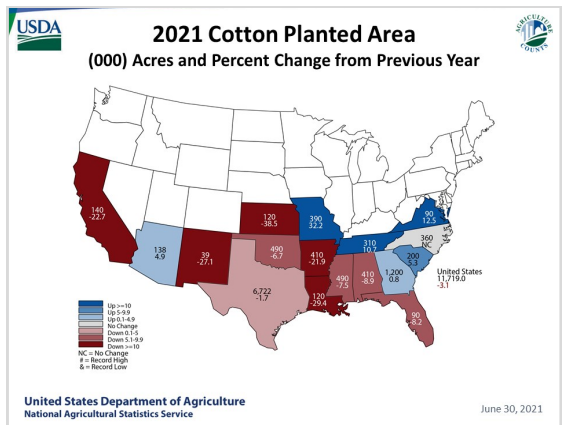
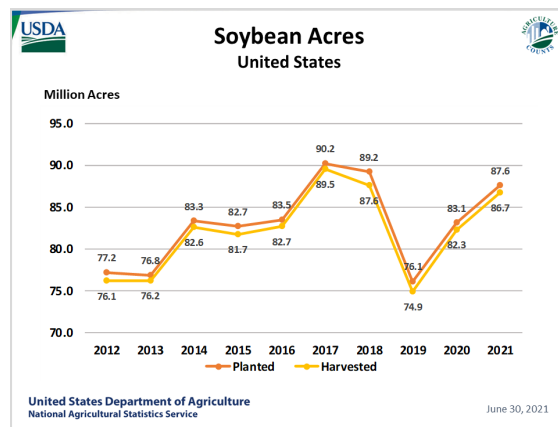
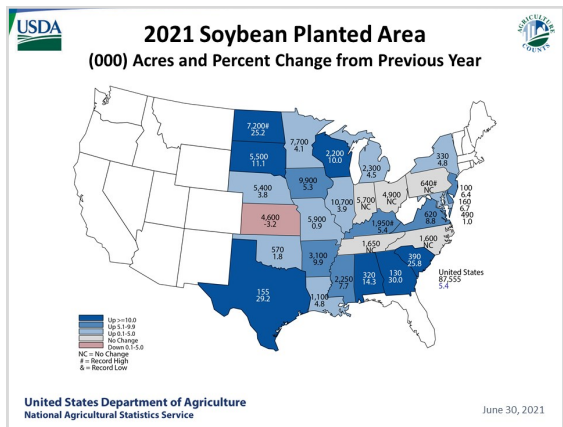
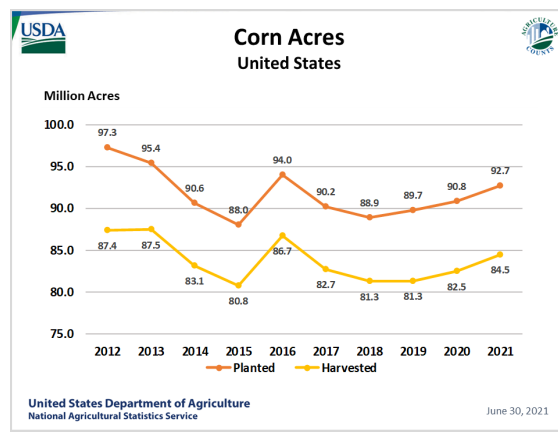
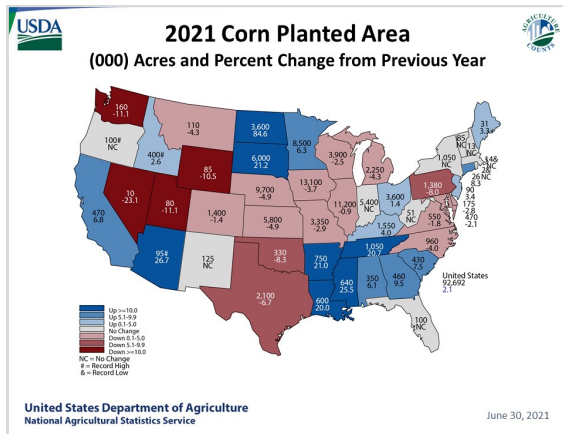
- Louisiana corn planted area is estimated at 600,000 acres, up 100,000 acres from a year ago but down 10,000 acres from March planting intentions.
- Upland cotton planted acres is estimated at 120,000, down 50,000 acres from a year ago, unchanged from March planting intentions.
- All rice planted area for 2021 is estimated at 460,000 acres, down 20,000 acres from a year ago but up 15,000 acres from March planting intentions. Breakout is 420,000 acres for long grain and 40,000 acres for medium grain.
- Soybeans planted area is estimated at 1.10 million acres, up 50,000 acres from a year ago but unchanged from March planting intentions.
- Sugarcane for sugar and seed harvested acres is estimated at 490,000 acres, up 1,600 acres from a year ago.

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Crop	Area planted			Area harvested		
	2020	2021	Percent of previous year	2020	2021 ¹	Percent of previous year
Louisiana	(1,000 acres)	(1,000 acres)	(percent)	(1,000 acres)	(1,000 acres)	(percent)
Corn	500.0	600.0	120	485.0	585.0	121
Cotton, upland ²	170.0	120.0	71	165.0		
Hay, all ³	(NA)	(NA)	(NA)	400.0	390.0	98
Rice, all	480.0	460.0	96	474.0	454.0	96
Long grain	430.0	420.0	98	425.0	415.0	98
Medium grain	50.0	40.0	80	49.0	39.0	80
Soybeans	1,050.0	1,100.0	105	1,020.0	1,060.0	104
Sugarcane (sugar and seed) ³	(NA)	(NA)	(NA)	488.4	490.0	100
United States	(1,000 acres)	(1,000 acres)	(percent)	(1,000 acres)	(1,000 acres)	(percent)
Corn	90,819.0	92,692.0	102	82,467.0	84,495.0	102
Cotton, upland ²	11,890.0	11,577.0	97	8,080.5		
Hay, all ³	(NA)	(NA)	(NA)	52,238.0	51,537.0	99
Other ³	(NA)	(NA)	(NA)	36,008.0	35,414.0	98
Rice, all	3,036.0	2,661.0	88	2,987.0	2,616.0	88
Long grain	2,332.0	2,077.0	89	2,302.0	2,041.0	89
Medium grain	663.0	548.0	83	644.0	539.0	84
Short grain	41.0	36.0	88	41.0	36.0	88
Soybeans	83,084.0	87,555.0	105	82,318.0	86,720.0	105
Sugarcane (sugar and seed) ³	(NA)	(NA)	(NA)	947.6	948.0	100

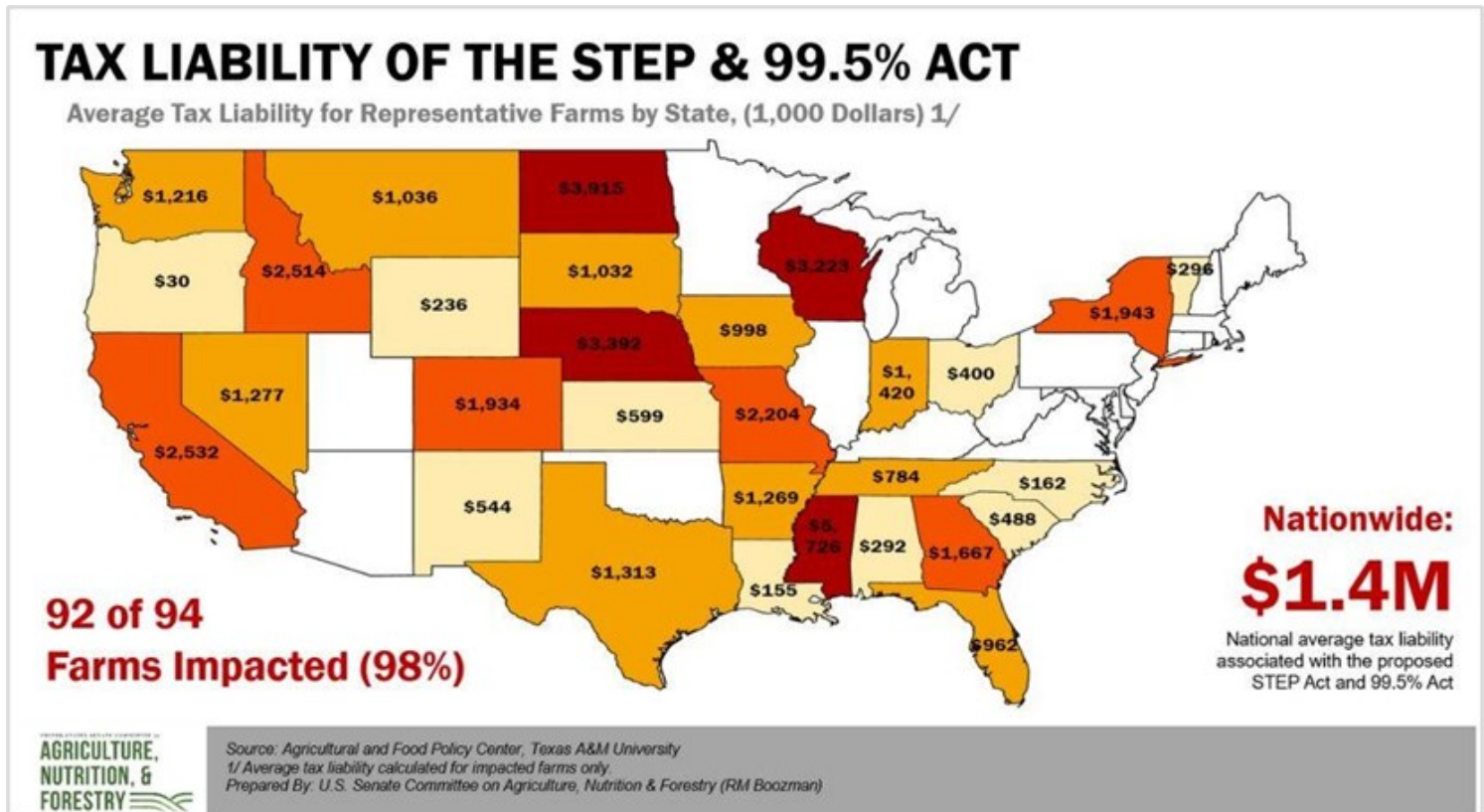
(NA) Not available.
¹ Forecasted.
² First estimate of area harvested to be released August 12, 2021, in the Crop Production report.
³ Area harvested only.

Acreage (cont.)



Proposed Changes to Inheritance Taxes: Implications for Agriculture

The Agricultural and Food Policy Center (AFPC) at Texas A&M University recently developed a study showing the impact of changing inheritance taxes. It looks at the potential impacts of the Sensible Taxation and Equity Promotion (STEP) Act, and the 99.5 Percent Act. The STEP Act, announced by Sen. Van Hollen, proposes to eliminate stepped-up basis upon death of the owner, and the 99.5 Percent Act introduced by Sen. Sanders decreases the estate tax exemption down significantly from where it is today. Texas A&M's Agricultural and Food Policy Center found that the number of farms and ranches paying more in taxes would be dramatically higher if proposed tax code changes become reality.



Proposed changes to stepped-up basis and other tax provisions from the Biden administration and Democratic members of Congress have raised alarm bells on farms and ranches.

Under current law, when the owner of a farm or ranch dies, the estate is subject to federal estate taxes. As of 2021, \$11.7 million per individual and \$23.4 million per couple in assets are exempted from the estate tax, effectively protecting most farms from the estate tax. In addition, when a decedent passes farm assets to an heir, the heir is allowed to take fair market values as their basis in the property (i.e. stepped-up basis), effectively avoiding capital gains taxes. Given that cropland values have roughly tripled over the past 25 years, most producers are extremely sensitive to any changes to the estate tax exemptions or stepped-up basis.

The Sensible Taxation and Equity Promotion (STEP) Act proposes to eliminate stepped-up basis upon death of the owner. While the 99.5 Percent Act would decrease the estate tax exemption to \$3.5 million, or \$7 million per couple, among other things.

Under current law, \$11.7 million per individual and \$23.4 million per couple in assets are exempted from estate tax when a farm owner dies. Then when the decedent passes farm assets to an heir, the heir is allowed to take fair market values as their basis in the property, otherwise known as stepped-up basis. These two rules protect most farms from estate taxes and capital gains taxes.

AFPC maintains a database of 94 representative farms in 30 states. And so, this took a look at what the impact would be. It found that if both the STEP Act and the 99.5 Percent Act were simultaneously implemented, 92 of the 94 representative farms would be impacted, with additional tax liabilities incurred averaging \$1.43 million per farm.

To minimize the impact of burdensome capital gains taxes, farmers and ranchers use stepped-up basis, which provides a reset for the asset value basis during intergenerational transfers. The magnitude of the tax burden that would be felt if basis is taken away or reduced would likely significantly exceed the annual income generated by the assets, something that has American farmers concerned.

U.S. Agricultural Exports at Record Levels thus far in 2021

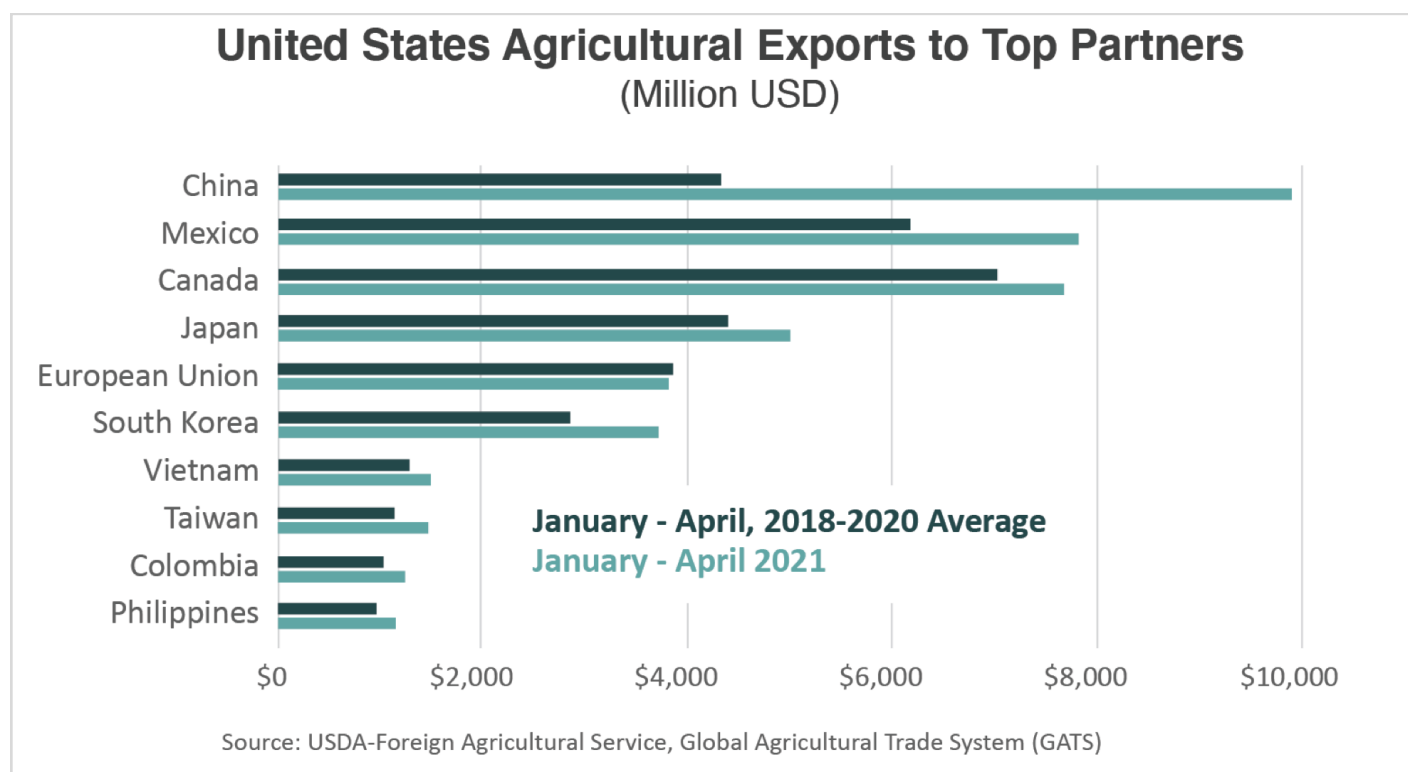
The USDA FAS report stated that U.S. agricultural exports in the first four months (January – April) of 2021 were a record \$59 billion, exceeding the previous record set in 2014 by nearly \$5 billion. Robust global demand, high commodity prices, and increased U.S. competitiveness have led to record exports of corn, sorghum, beef, food preparations, and other products. Soybeans, soybean meal, wheat, and dairy have also seen large increases during recent years and have contributed significantly to early-year export levels. At the current pace, there is a strong possibility of a record-breaking year for U.S. agricultural exports surpassing the 2014 mark of \$154.5 billion.

Coming out of a strong year in 2020, the United States appears to be well-positioned for an even stronger 2021. An August 2020 World Trade Organization report examining the impact of COVID-19 on agricultural trade described the resilience of the sector as a whole and highlighted the essential nature of food. U.S. agricultural exports during the pandemic reinforce this idea. While the export value of a few products like tree nuts, beef, and cotton declined in 2020, total exports were up significantly. Record harvests causing low prices were the main drivers for the decline in tree nut export value (despite volume increases), but declines for beef and cotton could be partially attributed to COVID-19 due to reduced hotel, restaurant, and institutional sector demand and a slowdown of global apparel consumption. All other top export products performed as well as or better than 2019. In the first four months of 2021, exports of top products have met, exceeded, or in some cases greatly exceeded exports from the same period in 2020, contributing to an overall increase of more than \$12 billion.

Many upward trends from 2020 have continued into the new year. Global demand is rising, driven in part due to record purchases by China as it rebuilds its swine herd from African Swine Fever and demand for animal feed surges. The early 2020 signing of the Phase One agreement between the United States and China created a pathway for U.S. producers to step in and fill both the demand for pork, beef, and poultry products as well as the rising demand for animal feed. Production shortfalls reduced competition from feed exporters in South America, which also had an important effect on trade in the early months of 2021. The combination of increased global demand and reduced supply has led to price increases in the past year that look to benefit U.S. exporters. For more information on driving factors for U.S. bulk product and livestock product exports in early 2021, see additional commodity trade reports.

Two additional major trade agreements were also implemented in 2020. The U.S.-Japan Trade Agreement entered into force at the beginning of the year, providing tariff reductions for a wide range of agricultural products including beef, pork, and dairy, as well as preferential market access provisions for others including wheat and wheat products. While tariffs on many products were eliminated immediately, others will be gradually reduced in the coming years. The U.S.- Mexico-Canada Agreement (USMCA) entered into force in mid-2020, containing provisions to expand market access for U.S. exporters of dairy, poultry, eggs, and others while strengthening science-based trade rules and other processes. These agreements and the Phase One agreement with China serve to facilitate trade with four of the United States' top trading partners and will have lasting positive benefits for agricultural producers in 2021 and beyond.

With respect to export destinations, FAS indicated that another notable achievement is that not only are year-to-date exports up across product groups, they are also up across nearly all major U.S. partners. For each of the top 10 markets for U.S. products in 2020 (China, Canada, Mexico, Japan, the European Union, South Korea, Vietnam, Taiwan, the Philippines, Colombia), total exports are higher in January – April 2021 compared to the same period in 2020.



President Biden's Climate Policy

In his initial executive actions upon coming into office, President Joe Biden signed an executive order launching an all-of-government effort to confront climate change. As part of those efforts, the Biden administration has set an ambitious national conservation goal of conserving at least 30% of the nation's lands and waters by 2030.

For farmers there has been a considerable amount of misinformation regarding what actions will be taken to meet the administration's ambitious climate goals. USDA Secretary of Agriculture Tom Vilsack says this administration will not use eminent domain to obtain farmers' land to reach its climate goals, and instead stressed the integral role that working lands would play in meeting climate and environmental goals. Vilsack says Biden's 30x30 plan honors private property rights and supports voluntary stewardship efforts of private landowners. The Conserving and Restoring America the Beautiful Plan states, "Efforts to conserve and restore America's lands and waters must respect the rights of private property owners. Such efforts must also build trust among all communities and stakeholders, including by recognizing and rewarding the voluntary conservation efforts of private landowners."

Biden does not have any plans to limit meat consumption as part of his broader climate plan, according to Vilsack who quickly downplayed the rumors in a speaking engagement with agricultural journalists at the end of April.

What is a carbon bank? Many farmers are asking that question and USDA continues to flesh out a concept that has become more widely discussed in recent months. If USDA does establish a carbon bank, it will likely still require Congressional approval as well as partnering with private markets.

Any USDA action on climate should take a "walk before you run" approach and test drive actions before introducing wholesale changes. Pilot projects are also a major component of new recommendations from the more than 70-members of the Food and Agriculture Climate Alliance. In an update to their 40 recommendations offered in November 2020, Federal Advisory Committee Act management (FACA) developed more detailed recommendations on how a USDA-led voluntary carbon bank could help reduce barriers that may prevent participation in voluntary carbon markets and the deployment of critical climate infrastructure on working lands.

The federal government will be looking for ways to bolster the locally-led conservation efforts as well as the inherent flexibility of the farm bill conservation programs to work with producers, landowners, conservation groups and states to accomplish the goal of not just preservation but conservation. In late April, USDA expanded the Conservation Reserve Program by offering new incentives, higher rental rates, and more focused attention on sensitive lands with a goal of enrolling 4 million acres. USDA also announced investments in partnerships to increase climate-smart agriculture, including \$330 million in 85 Regional Conservation Partnership Program projects and \$25 million for On-Farm Conservation Innovation Trials.

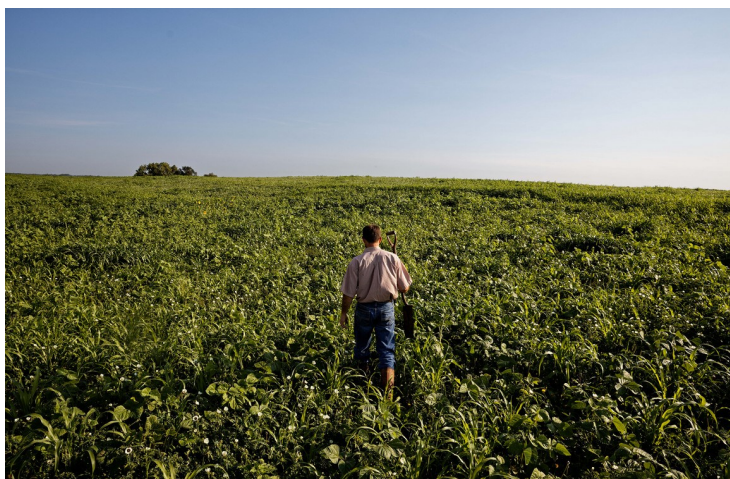
In the Senate, a bipartisan group of over one-third of senators introduced the Growing Climate Solutions Act which would create a certification program at USDA to help solve technical entry barriers to farmer and forest landowner participation in carbon credit markets. It would include access to reliable information about markets, qualified technical service providers and protocol verifiers. A companion bill is introduced in the House, but floor advancement remains unknown.

President Joe Biden's goal of paying farmers and ranchers to help battle climate change is running into the reality of how complicated and costly it will be. Six months into the administration, officials have yet to unveil their plan. That's in part because it's logistically complex and difficult to make the economics work: While corporations are eager to buy credits that pay farmers to pull carbon dioxide out of the air and into their soil, the credits aren't yet lucrative enough to entice enough farmers to rethink how they grow crops to maximize capturing carbon. Farmers are a key piece of Biden's overall strategy to slash greenhouse gases across the U.S. economy: American agriculture contributes about 9 percent of U.S. emissions, but in theory has the potential to more than offset its own footprint. Recent interest among farmers and buy-in from powerful food and ag industry groups are giving Biden a rare opportunity to enlist agriculture in his sweeping climate agenda. But the window for action may be limited as the new president's political capital wanes and midterm elections draw closer.

Despite talk about positioning farms to save the planet, the number of acres currently engaged in these carbon programs is minuscule, according to a POLITICO examination of existing markets. There are also numerous technical challenges to scaling up to a point where such efforts could meaningfully cut greenhouse gases in the atmosphere.

Those challenges haven't stopped lawmakers from pushing for voluntary programs to involve farmers, rather than urging mandatory limits on emissions or other regulations that would be political non-starters. The Senate last week overwhelmingly approved a bill to support these new voluntary markets — a rare bipartisan move on climate legislation.

The momentum behind agricultural carbon offsets goes beyond Capitol Hill. The CME Group announced it will soon launch a futures market for "nature based" offsets, including projects on farm and forest land. With all the news regarding carbon offsets, the Biden administration continues to stress that any participation by farmers will be strictly voluntary which is essential for keeping the agriculture industry on board.



Politico.

WOTUS Rule Repeal?

The Biden administration announced June 9 it will redefine “waters of the United States,” claiming the Trump administration’s rule left streams unprotected, particularly in the arid Southwest.

The federal Clean Water Act regulates the discharge of pollutants into navigable waterways. WOTUS defines a navigable waterway. Farm groups complained the Obama rule extended federal jurisdiction to pastures, fields and ditches that were dry most of the year. Environmentalists supported the Obama rule and opposed the Trump rule. Shortly after telling senators that he wanted a “long-term, durable solution,” EPA administrator Michael Regan said on Wednesday that the Biden administration would write a new definition of the upstream reach of clean water laws. The process would include repeal of the 2020 Trump-era rule that replaced 2015 Obama water regulations the farm sector decried as federal overreach.

Trump’s Navigable Waters Protection Rule “is leading to significant environmental degradation,” said Regan in a joint statement with the U.S. Army Corps of Engineers. Regan said the new “waters of the United States” definition would be based on Supreme Court precedent and “lessons learned from the current and previous regulations.”

The Justice Department was expected to file a motion in federal court, where the Trump rule is under challenge, to return the Navigable Waters rule to EPA custody. The motion is a reflection of the administration’s “intent to initiate a new rulemaking process that restores the protections in place before the 2015 WOTUS implementation,” said the EPA.

The water rule has been a point of contention for decades. EPA administrator Regan has pledged to issue a new rule that protects water quality while not overly burdening small farmers. President Biden set the WOTUS pendulum swinging again on Jan. 20. That day, he announced that the EPA and the Defense Department would review Trump’s narrow definition of federal waters. Biden also signed a separate executive order revoking a 2017 Trump order calling for a review and reversal of the Obama rule.

The Trump rule, known as the Navigable Waters Protection Rule, or NWPR, lifted federal jurisdiction over some small streams and ditches—a rollback of the Obama administration’s 2015 expansion of water protections. The new rule prevents developers from needing a federal permit for work in those waterways.

Absent of any court action, the Biden administration’s options for reversing Trump’s WOTUS rollback would mean writing its own rule, which is likely to take years and leave many once-protected waters without federal oversight during that time.

The EPA declined to comment about its strategy and next steps. But the agency did say in a statement that it “will follow the science and law in accordance with the Biden administration’s executive orders and the Clean Water Act in reviewing the definition ‘waters of the United States’ to ensure that it protects public health and the environment.”

The biggest challenge for the Biden administration is revising the WOTUS definition in a way that increases protections for streams but passes muster before a conservative majority on the Supreme Court.



U.S. Seasonal Farm Price Outlook

The following table represents national seasonal average farm prices (\$/unit), as per the USDA WASDE report.

Crop	2018/19	2019/20	2020/21	2021/22	2021/22
	Estimate	Estimate	Estimate	May	June
Corn	\$3.61	\$3.56	\$4.35	\$5.70	\$5.70
Cotton	\$0.703	\$0.596	\$0.670	\$0.750	\$0.750
Rice (LG)	\$10.80	\$12.00	\$12.60	\$12.80	\$12.80
Rice (Southern MG)	\$12.30	\$11.60	\$13.00	\$13.20	\$13.20
Sorghum	\$3.26	\$3.34	\$5.15	\$6.10	\$6.10
Soybeans	\$8.48	\$8.57	\$11.25	\$13.85	\$13.85

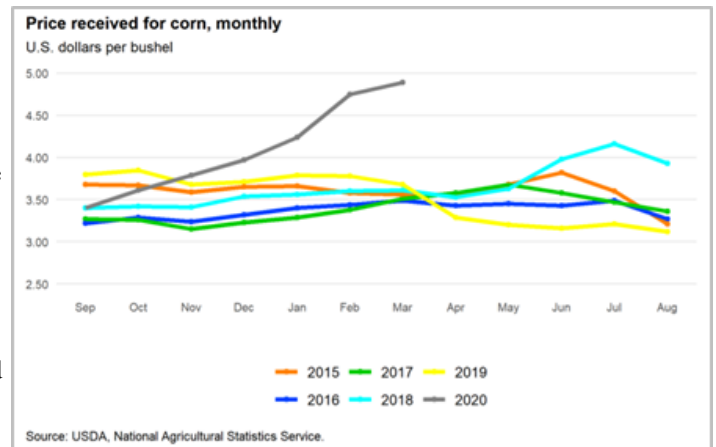
Crop Market Situation for the 2021/22 Marketing Year

The information that is presented in this market update reflects current information as of July 1, 2021.

Corn

USDA's latest estimates for 2021 corn acres is 92.7 million acres, increased from the March forecast of 91.144 million acres and 2% above 2020 totals. The June estimate of 92.7 million was more than a million acres less than the average trade guess of 93.787 million acres

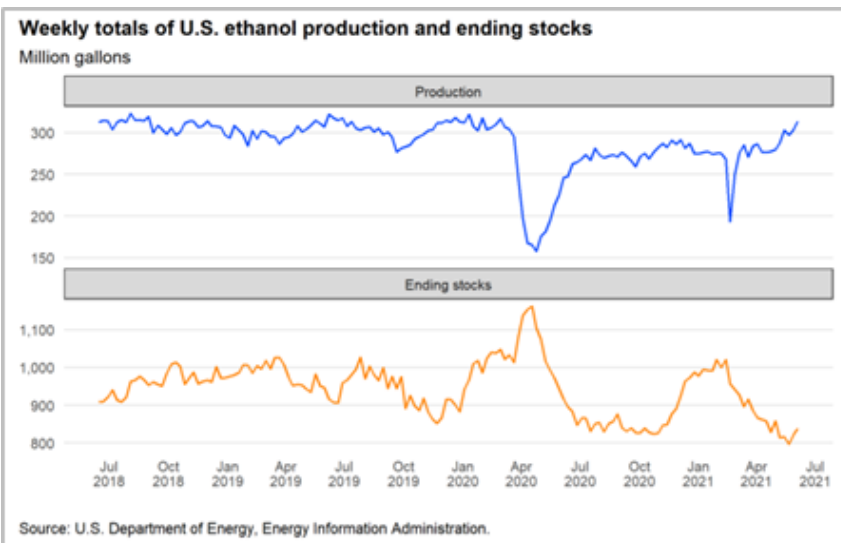
Larger corn use and unchanged supplies result in September 1, 2021 stocks estimated at 1,107 million bushels—150-million-bushels lower than May's estimate. This reduces carryover into the next marketing year, resulting in 2021/22 ending stocks projected at 1,357 million bushels. The season-average farm price forecasts are unchanged, with estimates for 2020/21 at \$4.35 per bushel and projections for 2021/22 at \$5.70. Divergent seasonal patterns in prices for the 2 marketing years are significant factors in 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 outlook for global corn production was reduced and the outlook for feed demand in China increased. For 2021/22, cash and futures prices have been at elevated levels from the start of the planting and growing season. Corn priced using forward contracts and delivered during the fall and early winter, will likely reflect the current cash- and futures-price levels.



Sorghum markets continue to experience strong export demand, particularly shipments destined for China's livestock feed markets. This demand is expected to continue into 2021/22. No changes are made to the sorghum balance sheet for either the 2020/21 estimates or 2021/22 projections from the previous month's forecasts. The season-average farm price estimates for 2020/21 are raised \$0.10 to \$5.15 per bushel, while the projection for 2021/22 remains unchanged from the previous month at \$6.10. Like corn, the season-average farm price for 2021/22 is expected to be impacted by producers that contract at the relatively high current cash-market levels.

Domestic corn use in 2020/21 is also raised, primarily due to recent trends in the gasoline market. Food, seed, and industrial use is estimated to total 5,700 million bushels—including 5,050 million bushels used for fuel ethanol—representing a 75-million-bushel increase from the May report. Ethanol production has rebounded through the spring, with the busy summer driving season approaching. The Department of Energy's Energy Information Administration (EIA) has reported a steady increase in motor gasoline product supplied for several months

and has raised its outlook for gasoline consumption during the summer in its most recent Short Term Energy Outlook (STEO), mainly due to vaccination rates being increased and COVID-related restrictions being lifted throughout the country. Weekly ethanol production has steadily trended up, as well—with the exception of brief, isolated weather and supply chain-related disruptions. Additionally, ending stocks of ethanol had been declining until recent weeks, indicating that the increased rate of ethanol production has not kept up with the pace of motor gasoline use over the past few months.



Soybeans

USDA's surprisingly low U.S. soybean plantings and stockpiles estimates stoked concerns over tight supplies. USDA's estimate of 2021 U.S. soybean plantings, at 87.555 million, acres fell short of industry expectations closer to 88.955 million acres. In USDA's quarterly Grain Stocks report, June 1 U.S. soybeans supplies totaled an estimated 766.8 million bushels, below the 787 million analysts expected.

The lower plantings figure seems likely to have a sustained impact on prices.

The pace of soybean crush has slowed from its torrid start of the marketing year in recent months. The lower crush levels shown in the National Agricultural Statistics Service (NASS) Fats and Oils: Oilseed Crushings, Production, Consumption and Stocks report saw daily crush rates drop to 5.7 million bushels a day in April. Thus, USDA has revised the crush estimate for soybeans down 15 million bushels to 2,175 million bushels. The reduced crush forecast reflects stagnant demand for animal feed, leading to a reduction in domestic soybean meal disappearance. Additionally, USDA's change to soybean crush has led to a downward revision in soybean oil production, declining 135 million pounds to 25.4 billion pounds. With soybean exports unchanged at 2.28 billion bushels, the anticipated decline in crush has led to an increase in soybean stocks of 15 million bushels to 135 million bushels. Although there are no changes to new crop use, the increase in stocks to the current marketing year have increased projected ending stocks for 21/22 to 155 million bushels.

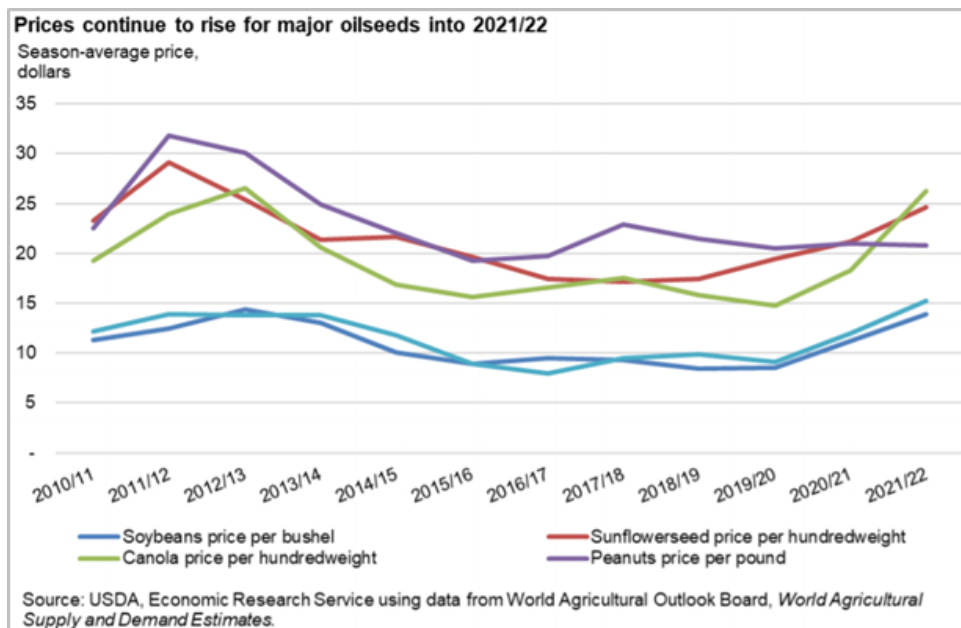
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In-depth Crop Market Update (Cont.)

The information that is presented in this market update reflects current information as of July 1, 2021.

Soybeans (Cont'd)

Despite reduced crush volumes, domestic demand for vegetable oils and other oilseeds continues to remain high. Food, feed, and other industrial use for soybean oil has been increased by 225 million pounds to 14.3 billion pounds. As COVID restrictions are lifted, increased restaurant dining has likely increased demand for cooking oil. Accompanying this anticipated increase in demand and continued strong demand for soybean oil for biofuel use, the season average price for soybean oil has been increased by \$0.04 to \$0.59 per pound. This increase in price for soybean oil has led to a dramatic decline in soybean oil exports. The 130 million pounds of soybean oil exported in the month of April are the lowest volume since January 2020. Argentinian and Brazilian soybean oil exports are expected to remain price competitive through the end of the marketing year as strong domestic demand drives high U.S. soybean oil prices. Given this pricing disparity and increased domestic demand for soybean oil, USDA anticipates soybean oil exports will total 1.9 billion pounds, a 400-million-pound decrease from last month's estimate. However, the increase in domestic use for soybean oil offsets lower exports thereby leaving ending stocks relatively unchanged at 1.81 billion pounds. Although USDA has maintained its season-average price forecast of \$11.25 per bushel for soybeans, other oilseeds have been buoyed by strong soy oil prices.



Rice

Projections for U.S. exports of all rice in 2021/22 remains at 88.0 million cwt, more than 4 percent down from the year-earlier revised estimate and the lowest since 2017/18. The decline in exports is based on smaller supplies and less-competitive U.S. prices. Long-grain exports in 2021/22 remain projected at 61.0 million cwt, down almost 5 percent from a year earlier and the lowest since 1996/97. The United States is expected to face stronger competition from the South American suppliers in key Latin American markets in 2021/22. Most South American exporters are expected to harvest larger crops next spring compared with their 2020/21 crops, which in several countries were adversely impacted by drought.

Combined medium- and short-grain exports in 2021/22 remain projected at 27.0 million cwt, down 1.0 million cwt from 2020/21. The slight reduction is based on a continued decline in sales by the United States outside its core markets in Northeast Asia—where the bulk of U.S. medium- and short-grain exports are shipped—and smaller regular sales to Jordan, Canada, and Mexico. U.S. medium- and short-grain sales to North Africa and the Middle East have declined in recent years, with no growth expected in 2021/22. In addition, by late spring in 2022, Australia is expected to be in position to increase its exports due to a projected strong production recovery from 2 years of drought.

By type, U.S. rough-rice exports in 2021/22 remain projected at 33.0 million cwt, down 2.0 million cwt from the year-earlier revised level. The U.S. is expected to lose some sales in Latin America to the South American exporters—mostly to Argentina, Brazil, Paraguay, and Uruguay. Almost all U.S. rough-rice exports are shipped to Latin America. Milled-rice exports (milled-and brown-rice exports on a rough-rice basis) remain projected at 55.0 million cwt, down 2.0 million cwt from a year earlier and the lowest since 1973/74. The United States is expected to make few sales of milled rice beyond its core markets of Northeast Asia, Haiti, Canada, Saudi Arabia, Jordan, and Mexico. Although primarily a rough-rice market, Mexico regularly imports much smaller quantities of U.S. milled rice. U.S. milled-rice exports are limited by much-lower-priced rice from Asia as well as growing competition from several South American exporters.

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USDA WASDE Report Release Dates for 2021

World Agricultural Supply and Demand Estimates (WASDE) Report: Jan. 12, Feb. 9, Mar. 9, Apr. 9, May 12, Jun. 10, Jul. 12, Aug. 12, Sep. 10, Oct. 12, Nov. 9, and Dec. 9.



In-depth Crop Market Update (Cont'd)

The information that is presented in this market update reflects current information as of July 1, 2021.

Rice (Cont'd)

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

Tighter supplies of both long-grain and combined medium-and short-grain rice are projected to push U.S. rice prices higher in 2021/22. For long-grain, the 2021/22 SAFR remains projected at \$12.80 per cwt, up 20 cents from 2020/21. The southern medium- and short-grain SAFR remains forecast at \$13.20 per cwt, up 20 cents from 2020/21. The California medium- and short-grain 2021/22 SAFR remains forecast at \$21.00 per cwt, up \$1.30 from 2020/21. These two regional SAFRs resulted in a U.S. 2021/22 medium- and short-grain SAFR of \$18.50 per cwt, up 90 cents from a year earlier.

Cotton

USDA estimate of cotton plantings of 11.72 million acres was down from the average trade estimate of 11.856 million solicited in a Reuters poll. Cotton acreage is down from 12.036 million in March, and 12.093 million a year ago.

U.S. cotton demand (exports + mill use) for 2021/22 is projected at 17.3 million bales—slightly up from May's forecast—compared with the 2020/21 estimate that also increased in June to 18.7 million bales. The lower 2021/22 forecast is attributable to expectations for the smallest U.S. cotton supply in 6 years. As a result, the lower supply is projected to limit U.S. exports, while mill use continues to rebound from the COVID-19 impacts on cotton demand.

For 2021/22, U.S. cotton exports are forecast at only 14.8 million bales, 1.6 million below 2020/21 which was the second highest on record. In addition to lower domestic supplies, a less robust growth in global cotton mill use in 2021/22 is expected to keep U.S. cotton exports near the 2018/19 level. Despite lower U.S. exports in 2021/22, the United States is forecast to remain the world's leading cotton exporter, but other producing countries—like Australia and Mali—are expected to have considerably larger supplies to compete on the global market compared with the previous year. As a result, the U.S. share of global trade in 2021/22 is projected to decline to about 32 percent, the lowest since 2015/16. Nevertheless, U.S. cotton exports are forecast to account for more than 85 percent of U.S. cotton demand in 2021/22, similar to the average of the past 4 years. Meanwhile, U.S. cotton mill use is projected to rise 200,000 bales to 2.5 million in 2021/22 as U.S. spinning operations continue to recover with the reopening of the U.S. economy.



Based on USDA's June supply and demand estimates, 2021/22 U.S. cotton ending stocks are projected at 2.9 million bales, 250,000 bales (nearly 8 percent) below the beginning level and the lowest in 5 years, when ending stocks were 2.75 million bales. Meanwhile, the stocks-to-use ratio is forecast at a relatively low 17 percent in 2021/22. Although equal to the 2020/21 level, the ratio is forecast well below the 41 percent recorded for 2019/20. With stocks at their lowest since 2016/17, the 2021/22 U.S. upland farm price is forecast to increase from 67 cents per pound estimated for 2020/21 to 75 cents per pound, which would be the highest since 2013/14.

As the global economy continues to recover from COVID, 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 percent) above 2020/21, which experienced an unprecedented year-over-year growth (see figure 4 and the Highlight section in this report).

Each major cotton-spinning country is projected to expand their use in 2021/22 at varying rates of growth. 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 percent 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 percent) 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 percent) 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 percent) 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.

In-depth Crop Market Update (Cont.)

The information that is presented in this market update reflects current information as of July 1, 2021.

Sugar

In USDA's June World Agricultural Supply and Demand Estimates (WASDE) report, U.S. supplies of sugar for 2021/22 total 13.717 million short tons, raw value (STRV), down 50,000 STRV from the May WASDE figure (table 1). Beginning stocks are lowered by 50,000 STRV based on a reduced estimate for 2020/21 imports for re-export. For 2021/22, production, imports, and deliveries are unchanged. Ending stocks are consequently projected 50,000 STRV lower at 1.452 million, with the implied stocks-to-use ratio adjusted to 11.84 percent.

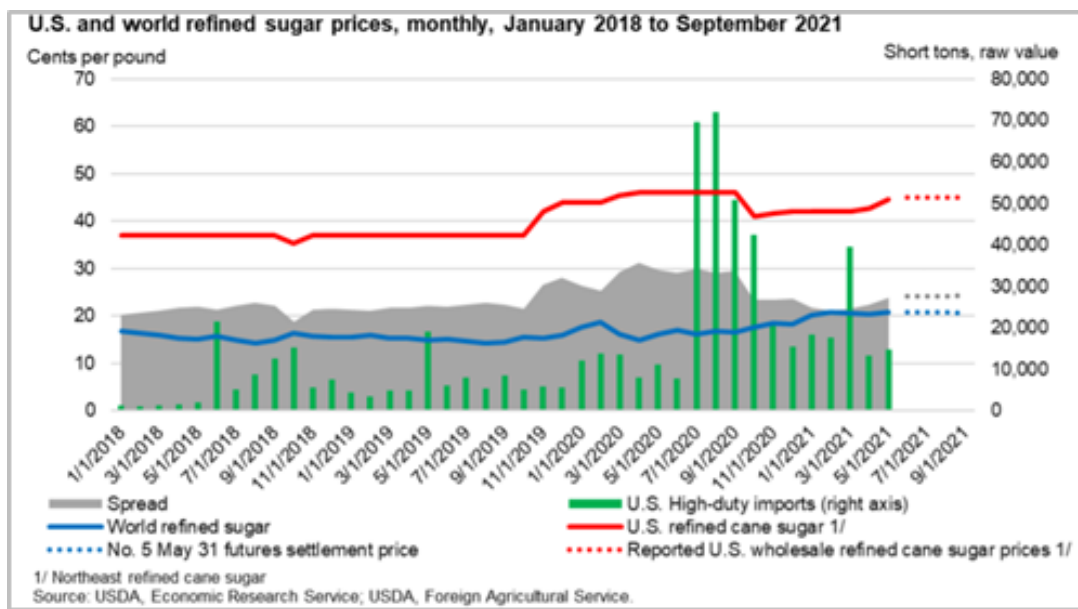
Total cane sugar production for 2021/22 is unchanged at 4.085 million STRV. USDA's National Agricultural Statistics Service (NASS) reports that Louisiana sugarcane conditions as of June 13 are 3 percent excellent, 53 percent good, 36 percent fair, 8 percent poor, and 0 percent very poor. These ratings are slightly below last year and the 5-year average (table 2). The first processors' estimate of Louisiana's cane sugar production for 2021/22 of 1.891 million STRV was published in the May Sweetener Market Data (SMD) report, published by USDA's Farm Service Agency (FSA), and is slightly higher than the WASDE forecast of 1.850 million STRV.

Total cane sugar production for 2020/21 is also projected unchanged from last month. The processing season is already complete for Texas with output at approximately 132,000 STRV. Louisiana's processing season is also complete, but the fiscal year sugar production will depend on the early harvest of the 2021/22 crop, which typically begins in September. October-April cane sugar production for Louisiana is 1.904 million STRV. The full fiscal year projection in WASDE is 1.95 million, which assumes 46,000 STRV production in September 2021. Louisiana's cane sugar production in September 2020 was 70,000 STRV, well above the five-year average of 45,000. Sugarcane processing in Florida typically continues through April or May, but this year is expected to extend into June, which would be the latest on record (going back to 1992). Florida's sugar production October-April stands at 1.836 million STRV, while the full fiscal year estimate remains at 2.1 million STRV. The Florida processors' estimate in the May SMD was reduced from 2.102 million to 2.091 million STRV, narrowly different from the WASDE estimate.

U.S. beet sugar production in 2021/22 is projected unchanged from last month at 5.225 million STRV. The sugar beet crop is still forecast at 35.14 million short tons with area harvested estimated at 1.144 million acres based on the NASS area planted figure and a typical ratio of acres harvested/planted. The July WASDE figures will incorporate the first official NASS projection for area harvested. Yield is currently projected at 30.71 short tons/acre, which nearly matches the recent 5-year average.

Unlike cane sugar, beet sugar is produced year-round, although production in the summer months is generally smaller. Geographically, sugar beet production is spread over a wide variety of regions and harvest and processing seasons vary. For instance, sugar beets in California are sliced starting around April through early August, whereas most other production zones only begin in August (or later). Year-round production of beet sugar is also a reflection of the processing method as sugar beets are first processed into a product often called 'thick juice', which can be crystallized into sugar at a later date to optimize capacity. Also, the leftover molasses from the production of beet sugar can be reprocessed after the fact to extract even more sugar (this is known as de-sugared molasses). Beet sugar output for fiscal year 2020/21 is also dependent on early harvest and processing of the 2021/22 crop. The faster planting of the 2021 sugar beet crop correlates with a higher possibility of a large August-September output, but this also depends on weather in the coming months and harvest conditions. August-September 2021 beet sugar production is assumed to be 665,000 STRV, in-line with the five-year average, but this needs to be monitored as the season progresses.

The spread between the U.S. refined cane sugar price (Northeast) and the world refined sugar price rose in May to 23.74 cents per pound (figure 11), up from 22 cents in April. Note that for raw sugar, the tariff is set at 33.87 cents per kilogram or 15.4 cents per pound; for refined sugar, it is set at 35.74 cents per kilogram or 16.21 cents per pound. Depending upon the country of origin, the cost of freight and associated logistics can be as low as 2-4 cents per pound for raw sugar and 4-6 cents per pound for refined sugar. Theoretically at least, the spread of domestic prices above world prices appears to be close to levels at which high-tier imports could be competitive.



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In-depth Crop Market Update (Cont.)

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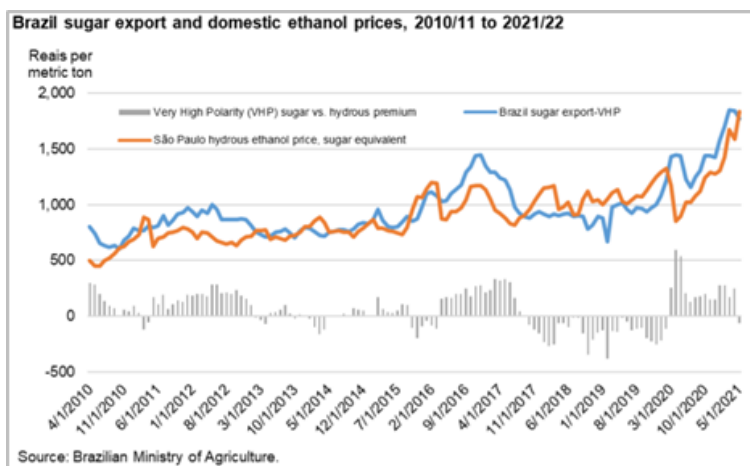
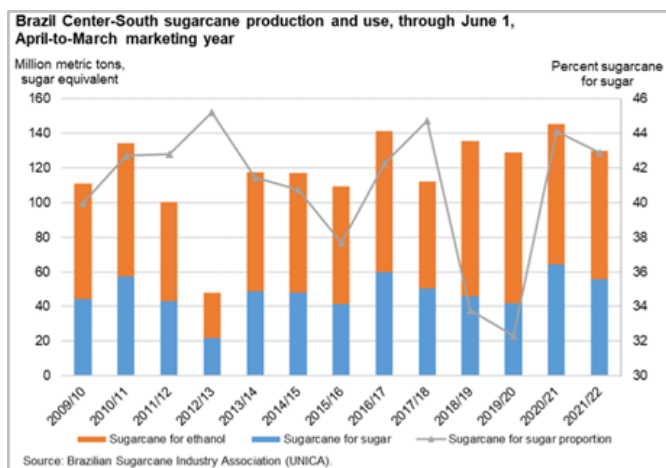
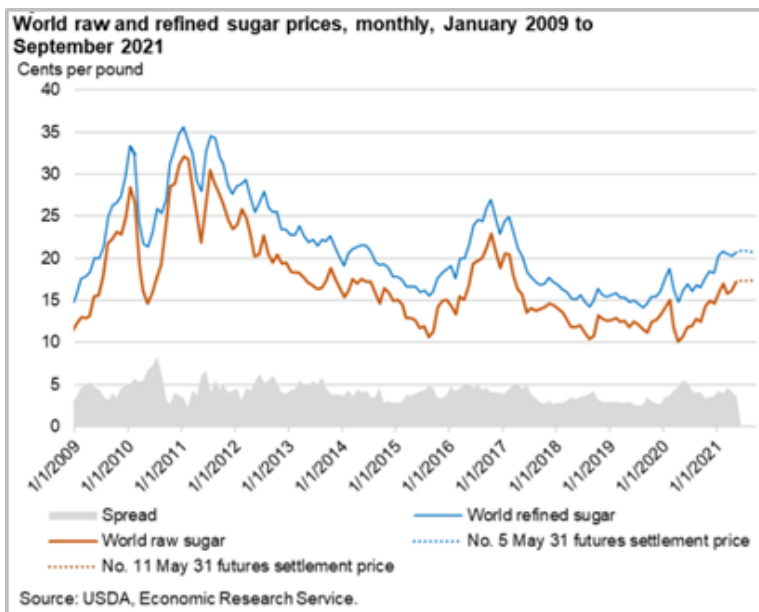
Sugar Cont'd

World sugar prices, as represented by the price of futures contracts for both raw sugar and refined sugar, have trended upward for much of the last year. Concerns over dryness in Brazil's sugarcane areas has been a major factor supporting these prices in recent months.

Nearby futures for global raw sugar (#11 contract) during May averaged 17.2 cents per pound, up 71 percent from the low reached in April of last year. Similarly, nearby refined sugar (#5 contract) averaged 20.76 cents per pound, up 40 percent from April of last year. Price levels in recent months have been the highest in about 4 years but are still significantly below the levels of earlier years when price volatility was more significant. Additionally, even though concerns remain, the global sugar market is reasonably well-supplied, with 2021/22 production expected to exceed consumption once again according to USDA estimates.

Even with production and exports slightly down in 2021/22, Brazil is still forecast to lead the world in both categories. Brazil's production ramped up in 2020/21 with an increased share of its domestic sugarcane being diverted into sugar, at the expense of ethanol. Those larger supplies enabled Brazil to export more to the world, making up for shortfalls in other areas such as Thailand and the European Union. While fuel prices have ticked higher in the last year, sugar prices also rose substantially, and sugar has generally been a more profitable option than hydrous ethanol. From April through the end of May, approximately 43 percent of Brazil's sugarcane production in the Center-South region has been used for sugar production, down slightly from 44 percent at the same time last year, but still well above the proportions of the previous 2 years. With the proportion of sugarcane used to produce sugar only slightly down from a year ago, the main reason for Brazil's smaller expected sugar output this year is reduced sugarcane production. Dry conditions in major production regions during August-October 2020 reduced the potential sugarcane output. Related to the dry weather, some areas saw a higher incidence of fires in fields. As of June 1, 129.6 million tons of sugarcane have been crushed, down 11 percent from the same time last year.

Significant market uncertainties remain, particularly regarding the dynamic between ethanol and sugar. In line with global oil trends at the time, Brazil's hydrous ethanol price hit a low point in April 2020, but has generally been recovering since. The relative prices for Very High Polarity (VHP) sugar (marketed for export) at that point was at a substantial premium to domestic hydrous ethanol. VHP prices dropped a few months later but recovered quickly. The price levels of these products have otherwise followed mostly parallel price trajectories for much of the past year, with VHP generally holding a premium. It bears noting that in May 2021, the ethanol price surged higher and began to hold a small premium over VHP. If this development were to continue in the coming months, then the proportion of sugarcane used in sugar production could decline, which would be even more impactful considering Brazil's tighter overall supplies of sugarcane.



Phase One Agreement: Year 1 and Year 2 (so far)

The Phase One Agreement, signed by the United States and China in January 2020, committed China to large, huge even, purchases of U.S. agricultural products in 2020 and 2021. Phase One laid out that over the course of 2020 and 2021, total exports of U.S. agricultural products to China would increase by \$73.8 billion, which is equivalent to \$80 billion in Chinese imports, once shipping and freight are added. The agreement split the total purchases into individual annual commitments – 45% of the total, or \$33.4 billion, was to be purchased in 2020 and 55% of the total, or \$40.4 billion, was to be purchased in 2021. China missed the 2020 target by \$6.15 billion and is 22% behind through the first four months of 2021, but purchases are coming on strong.

According to Census Bureau data, total exports of agricultural and related products covered under the agreement for the most recent month available, April 2021, were \$2.2 billion. April was the first month in 2021 in which actual exports met or exceeded the value of exports needed to reach the year-end goal. January – April 2021 agricultural and related product exports totaled just over \$10 billion, which is 22% less than the \$12.9 billion needed to reach the year-end goal.

Figure 1. U.S.-China Phase 1 Tracker for Agriculture Products

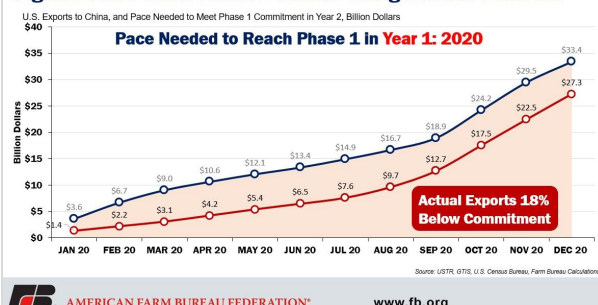


Figure 2. U.S.-China Phase 1 Tracker for Agriculture Products



Figure 3. U.S. AGRICULTURAL EXPORTS TO CHINA – PERCENT OFF TARGET

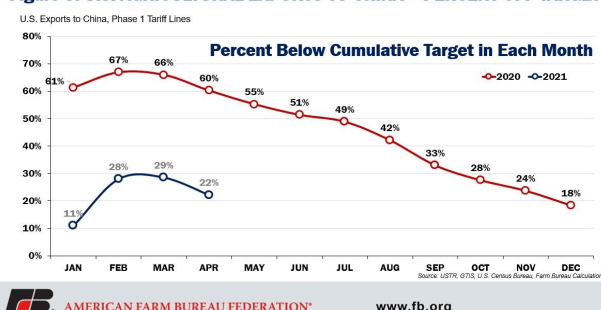
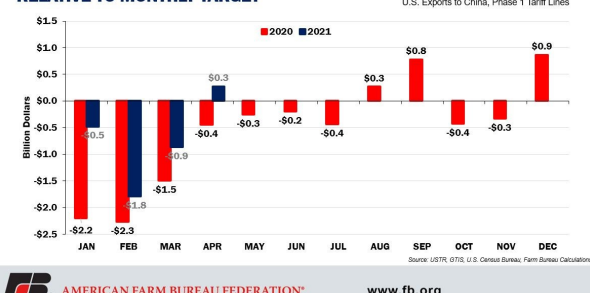


Figure 4. MONTHLY U.S. AGRICULTURAL EXPORTS TO CHINA RELATIVE TO MONTHLY TARGET



While being behind the goal seems like bad news, U.S. agricultural exports, relative to Phase One commitments, are in much better shape in 2021 than they were over the same period in 2020. Cumulative exports from January through April 2020 were 60% below the cumulative total that would have been needed to achieve the 2020 target. U.S. exports started gaining considerable ground relative to the needed pace in April 2020, with the first month in which actual exports exceeded “needed” exports occurring in August. That increasing pace brought the gap between China’s purchasing target and China’s actual purchases to 18%. And while missing the 2020 target by 18%, or \$6.15 billion, is significant, it’s sizably better than when exports were two-thirds off the target during the early months of 2020.

Given what we’ve seen thus far in 2021 in terms of sizable purchase commitments of new crop commodities expected to ship in the latter months of 2021 and current commodity prices, there is a real chance that the 2021 Phase One commitment level might be reached.

Newsletter Information

A group of growers inquired about a quarterly newsletter being delivered to them containing relevant market news and agricultural policy events. As a result, this publication will be delivered electronically per the release schedule. Please contact Dr. Mike Deliberto at mdeliberto@agcenter.lsu.edu to be added to the email distribution list. As always, subscription is 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 direct questions and comments to Dr. Michael Deliberto, Department of Agricultural Economics and Agribusiness, LSU AgCenter. Mailing Address: 101 Martin D. Woodin Hall, LSU Campus, Baton Rouge, LA 70803. Office Phone: 225-578-7267. Email: mdeliberto@agcenter.lsu.edu

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