

Understanding Farm Bill Spending

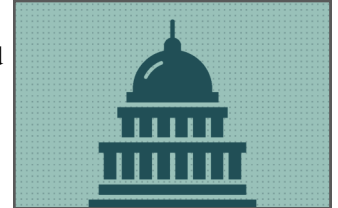
As Congress is in the initial stages of crafting legislation for a new Farm Bill, it does so in an economic setting of increasing farm-sector incomes, general supply and logistical disruptions and uncertainty associated with the Coronavirus. The next Farm Bill is expected to address many competing policy priorities. Given overall constraints on federal spending, efforts to manage Farm Bill costs may create heightened tensions among a range of U.S. farm policy stakeholders. There is also uncertainty regarding as to how the Biden Administration will implement its farm policy priorities.

Historically, omnibus Farm Bill legislation has focused on commodity-based revenue support—namely, the mechanisms and levels of federal support provided to agricultural producers. Congress may face competing calls to focus on commodity-based revenue support and to address a range of equity concerns within the food and agricultural sectors. With each Farm Bill, Congress typically reauthoriz-

es and amends various components of U.S. farm safety net programs which include commodity support programs and have incorporated the Federal Crop Insurance Program (FCIP) and, more recently, added permanent disaster assistance programs.

New to the next Farm Bill debate may be a variety of issues highlighted by the COVID-19 pandemic and subsequent trade disruptions.

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Land O'Lakes

What's inside this Issue?

Farm Bill budgeting; June Acreage Report; Inflation; Food Nutrition Spending; Crop Market Updates; and more!

USDA's June Acreage Report

The USDA released its annual Acreage Report, which provided the markets with a more accurate idea of spring planting progress and what potential supply implications may be in store for the 2023 crop year. On the demand side, USDA also released its Quarterly Grain Stocks report, which shows usage rates between March 1, 2022 and June 1, 2022. These supply levels will change 2021/22 ending stocks and 2022/23 beginning stock levels in the July 2022 World Agricultural Supply and Demand Estimates report, which will be released July 12th.

For only the third time in history, USDA shocked the markets by forecasting higher soybean acres than corn in its March 31st report. It seems, however, that markets have accepted the new reality of higher input costs and lucrative alternative crop options to corn and soybeans. Crop return margins are expected to be much tighter than the March 31st Prospective Plantings report estimated after planting season was delayed by cool and wet weather, forcing growers in the Upper Midwest and Northern Plains to abandon their initial planting plans. Pre-report trade estimates suggested 90.4 million acres for soybeans versus 89.9 million acres for corn.



Agri-Pulse

Normally, the biggest fundamental factor determining corn and soybean price action during July are climatological in nature. Currently, those weather forecasts are looking mostly favorable for crop development and unfavorable for prices. Outside influences have been negative for agricultural futures so far, with crude oil futures weaker, the dollar stronger and U.S. stock index futures under renewed pressure from economic worries.

Overall, the report resulted in a rather muted market response. A slightly larger corn area at the expense of soybeans had been anticipated for some time so confirmation came as little surprise. USDA estimates corn plantings just 60,000 acres above the average pre-report trade estimate and up 431,000 from the Prospective Plantings Report at the end of March. At 89.921 million, corn acres are down 3.436 million acres this year from just a year-ago. USDA says on June 1, 2022, there were still 4.027 million acres of corn left to plant. That compares to 2.175 million unplanted acres for June 1, 2021.

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Farm Bill Spending (cont.)

These include agricultural supply chain challenges, price inflation, the effects of international trade disputes, industry consolidation, and to what extent to continue (if at all) temporary policies enacted in legislation passed in response to the pandemic.

Further, the Biden Administration has prioritized climate change as an overarching federal policy priority. Debate over the next Farm Bill may include consideration of policies related to agriculture and climate change—how federal programs and policies can or should support agriculture’s adaptation to changing climatic conditions, as well as agriculture’s potential contributions to climate change mitigation. Legislation that would advance the Administration’s climate policy priorities in food and agriculture has been introduced in the 117th Congress. If the majority party in the House or Senate changes with the 2022 elections, congressional policy priorities for a new Farm Bill in the 118th Congress also may change.

Federal spending for agriculture is divided into two main categories: mandatory and discretionary. In the Farm Bill, mandatory spending—which does not require a separate appropriation—is authorized primarily for farm commodity programs, crop insurance, conservation, and nutrition assistance programs. Discretionary spending is authorized for everything else. Programs with discretionary spending—include most rural development, research, and credit programs—are authorized in the Farm Bill but are funded separately in annual appropriations acts. Some research, bioenergy, or rural development programs may have both types of funding, but their primary funding source is discretionary.

Mandatory spending programs usually dominate the Farm Bill debate and budget. The Farm Bill provides mandatory spending and determines its policy by following a framework of laws for budget enforcement that use a projected baseline and scores that are provided by the Congressional Budget Office (CBO).

The CBO baseline represents budget authority and is a projection at a particular point in time of what future federal spending on mandatory programs would be assuming the continuation of current law. This baseline is the benchmark against which proposed changes in law are measured. Having a baseline essentially gives programs built-in future funding if policymakers decide that the programs are to continue.

The impact (score) of a proposed bill that alters mandatory spending is measured in relation to the baseline. Changes that increase spending relative to the baseline have a positive score; those that decrease spending relative to the baseline have a negative score. *Budget neutral* refers to having a zero score. Increases in overall cost beyond the baseline may be subject to budget constraints such as pay-as-you-go requirements. Reductions from the baseline may be used to offset a bill’s other provisions that have a positive score or used to reduce the federal deficit. The annual budget resolution determines whether a Farm Bill would be held budget neutral or whether it would be directed to reduce spending or authorized to increase spending.

Farm Bills have 5-year and 10-year budget projections according to federal budgeting practices. When the 2018 Farm Bill was enacted, the five-year span of the act was projected to cost \$428 billion (FY2019-FY2023). The 10-year cost was projected to run in the neighborhood of \$867 billion (FY2019-FY2028). Four titles accounted for 99% of the 2018 Farm Bill’s mandatory spending: Nutrition (Title IV; primarily SNAP), Commodities (Title II), Crop Insurance (Title XI), and Conservation (Title II). Appendix 1 contains CBO scores for the 2008, 2014, and 2018 Farm Bills.

The CBO updates its government spending projections based on new information about the economy and program participation. However, any reductions in projected Farm Bill spending after its enactment do not generate savings that can be credited elsewhere. Similarly, any increases in projected Farm Bill spending after enactment do not require additional resources from Congress. Mandatory programs operate as entitlements, with eligibility and formulas that are followed once enacted.

The official baseline to write the next Farm Bill does not exist. The CBO is expected to release its official “scoring baseline” for the 2023 legislative session in early 2023, which would cover the 10-year period FY2024-FY2033. Presently, the July 2021 CBO baseline is the best indicator of future funding availability. Using the July 2021 CBO baseline projection that covers the major Farm Bill programs, and funding indicated in law for other Farm Bill programs that have not been included in the annual projection, an estimated current baseline for Farm Bill programs is \$527 billion over the next 5 years (FY2022-FY2026) and \$1,033 billion over the next 10 years (FY2022-FY2031). New CBO baselines later in 2022 and again in 2023 would update these amounts and add future fiscal years.

Figure 1 provides the total outlays by fiscal year (FY) projected by CBO through FY2032. From the topline, CBO is projecting decreased outlays beginning in FY2024. For example, CBO projects total spending in FY2024 that is \$31.5 billion below FY2023 and almost \$53 billion below FY2022 (University of Illinois).

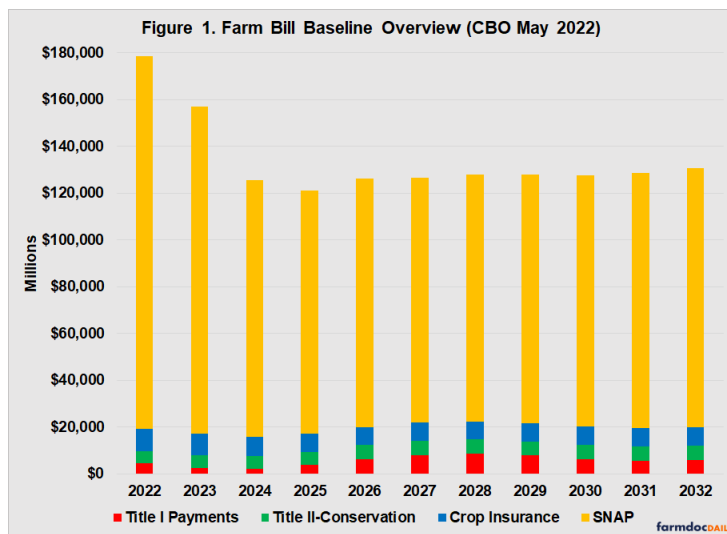


Figure 2 breaks down spending by program and fiscal year for the Commodities Title. Higher expected crop prices are resulting in much lower expected spending for the Agriculture Risk Coverage, county option (ARC-CO) and Price Loss Coverage (PLC) programs in Figure 2. The lowest levels are estimated for FY2023 and FY2024, which correspond to crop years 2021 and 2022. Combined ARC-CO and Agriculture Risk Coverage, Individual Coverage (ARC-IC) do not keep pace with Price Loss Coverage (PLC) in terms of spending.

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Farm Bill Spending (cont.)

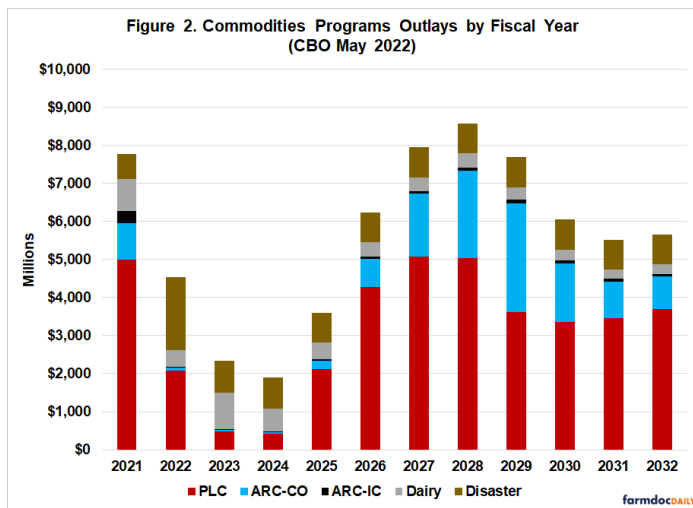
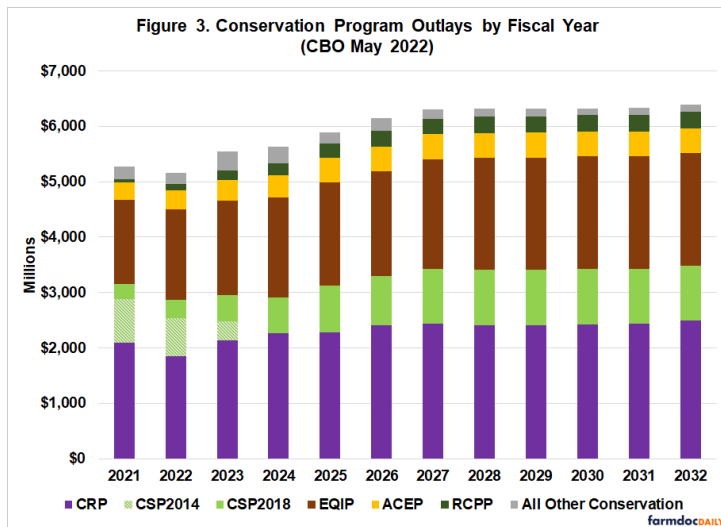


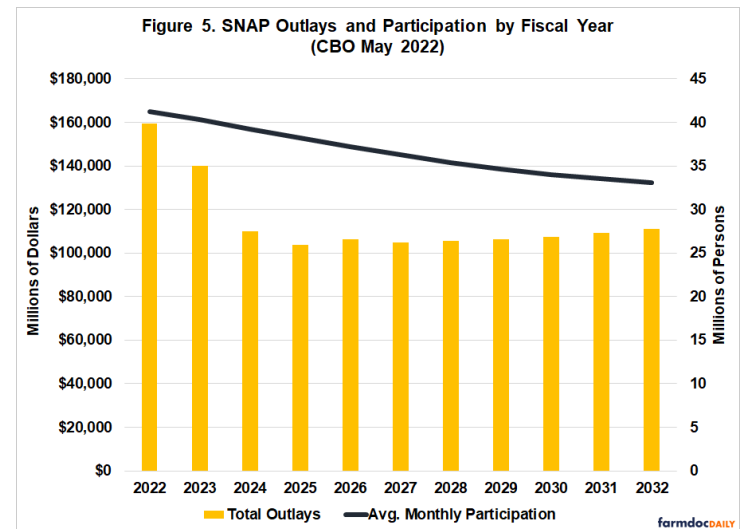
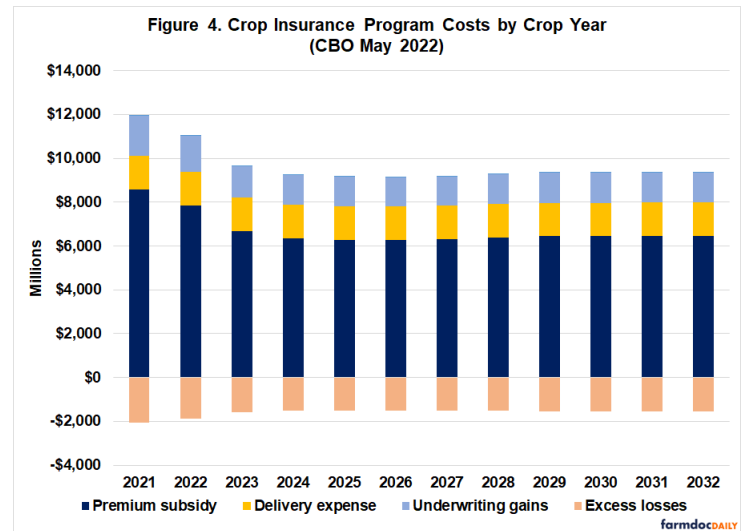
Figure 3 illustrates outlays by fiscal year for each Title II conservation program. The CBO projects conservation programs to continue to steadily grow from just over \$5 billion in FY2022 to nearly \$6.3 billion by FY2032. In terms of outlays, the Conservation Reserve Program (CRP) remains the largest program at an average of \$2.4 billion per fiscal year from FY2023 to FY2032; CRP accounts for just under 40 percent of the conservation baseline. The Environmental Quality Incentives Program (EQIP) is the second largest, averaging just under \$2 billion in outlays per fiscal year from FY2023 to FY2032. EQIP accounts for approximately 32 percent of the total conservation baseline. Spending on the Conservation Stewardship Program (CSP) drops noticeably in FY2023 and FY2024 as the program finishes its transition from the 2014 Farm Bill as revised by the 2018 Farm Bill.



Spending on crop insurance, as illustrated in Figure 4, also decreases noticeably. FY2024 outlays come in at more than a billion dollars below FY2023. Looking at the costs per crop year, CBO is projecting that premium subsidy costs decrease by \$1.2 billion from crop year 2022 to crop year 2023. This is close to the reduction in the fiscal year estimates.

Finally, the Supplemental Nutrition Assistance Program (SNAP) in Title IV remains the largest spending item among the major mandatory farm bill programs, accounting for just under 85 percent of total

outlays from FY2023 through FY2032. Total SNAP outlays drop off significantly after FY2024 when the Covid-19 pandemic assistance expires. For example, FY2024 spending is almost \$50 billion below FY2022 and \$30 billion below FY2023. CBO also estimates a reduction in the average monthly participation from 41.2 million persons in FY2022 to 33.1 million persons in FY2032. CBO baselines provide useful information about the mandatory



programs in the farm bill and, in the year of reauthorization, the CBO baseline is one of the most important drivers of the debate. CBO's May 2022 indicates expectations for decreases in spending for SNAP and some initial decreases in ARC and PLC programs due to expected high prices. Lower prices in the outyears appears to drive estimates that crop insurance outlays will reduce. Conservation programs are expected to continue incremental increases. Finally, a closer look at the PLC projections illustrates vast disparities in that program's operation amongst the major program crops.

Information for this article was sourced from Coppess, J., K. Swanson, N. Paulson, G. Schnitkey and C. Zulauf. "Reviewing the Latest CBO Farm Bill Baseline." farmdoc daily (12):80, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, June 1, 2022.

Planting Intentions (cont.)

Compared to March intentions, USDA sees more corn plantings in Iowa (up 100,000 acres), Minnesota (up 500,000), Missouri (up 100,000), Ohio (up 50,000), Texas (up 100,000) and Wisconsin (up 300,000). Corn acres fell short of intentions in North Dakota (down 600,000) and South Dakota (down 300,000). Corn acres were unchanged from the Prospective Plantings Report in Illinois, Indiana, Kansas, Michigan and Nebraska.



Soybean plantings are 2.121 million acres below the average pre-report trade estimate and are 2.63 million acres below estimates published in the Prospective Plantings Report. At 88.325 million, soybean plantings are up 1.13 million from levels a year ago. USDA says on June 1, 2022, 15.806 million bean acres were left to plant. That compares to 9.836 million unplanted bean acres on June 1, 2021. USDA's June 1st bean planted acreage estimate is 410,000 acres below lowest pre-report trade estimates.

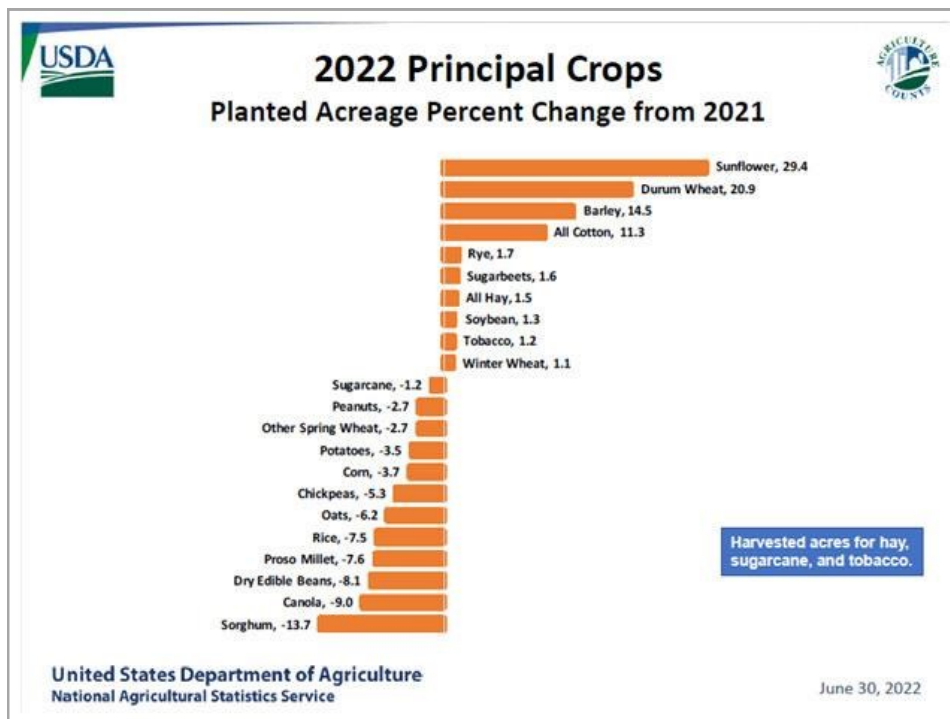
Compared to the March Prospective Plantings Report, soybean acres exceeded intentions in Illinois (up 200,000 acres). Bean plantings fell short of intentions in Arkansas (down 50,000 acres), Indiana (down 150,000), Iowa (down 100,000), Michigan (100,000), Minnesota (down 500,000), Missouri (down 200,000), Nebraska (down 100,000), North Dakota (down 1.1 million), Ohio (down 150,000), South Dakota (down 200,000) and Wisconsin (down 50,000 acres from March intentions). Plantings matched intentions in Kansas with regards to soybeans.

There was no big cotton news for the market in the USDA report, which pegged U.S. all-cotton plantings about 180,000 acres above the average of trade expectations. Dry weather in West Texas is a supportive market factor along with an absence of rainfall in near-term forecasts. Cotton futures are up slightly following the release of the USDA report.

Despite mildly supportive USDA acreage numbers, rice futures are feeling pressure from weakness in other grain markets.

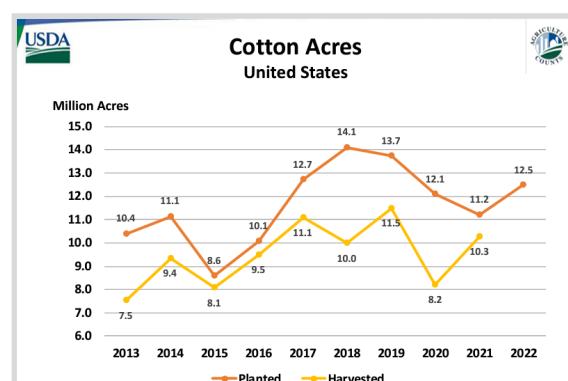
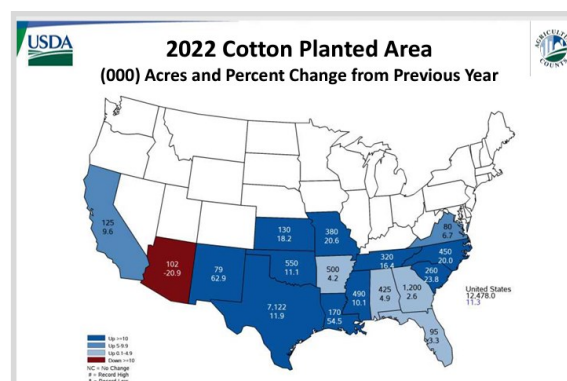
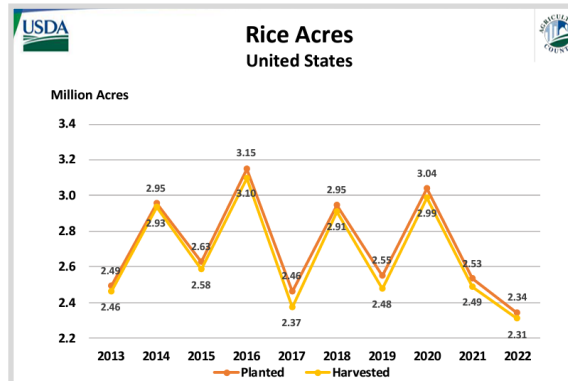
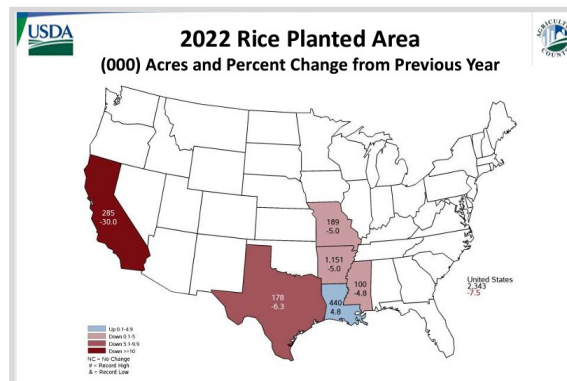
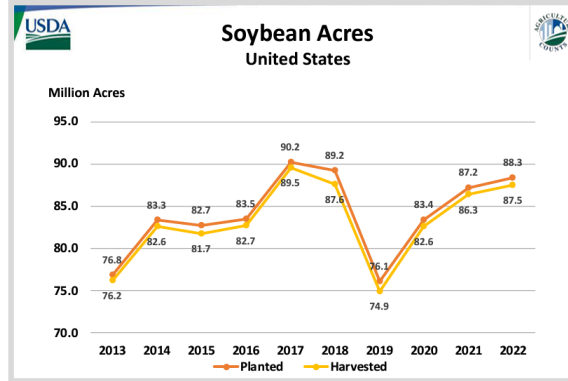
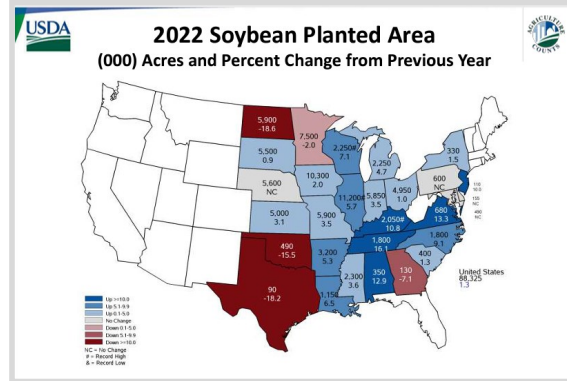
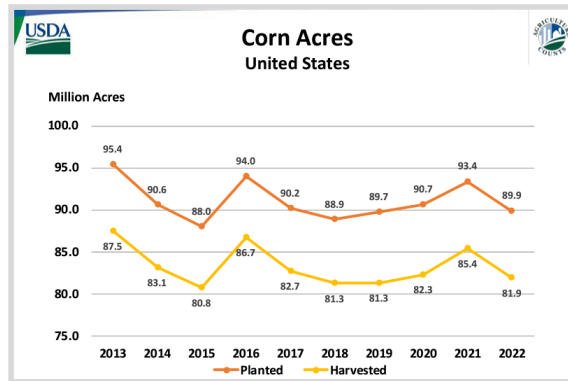
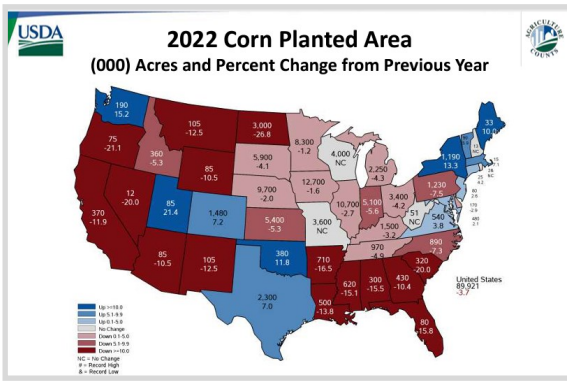
USDA pegged U.S. all-rice seedings at 2.343 million acres, below the average of trade expectations and down nearly 200,000 from last year. Rice futures are up 14 cents in the most-active September contract.

Charts continued next page.



Area Planted and Harvested - Louisiana and United States: 2021 and 2022						
Crop	Area planted			Area harvested		
	2021 (1,000 acres)	2022 (1,000 acres)	Percent of previous year (percent)	2021 (1,000 acres)	2022 ¹ (1,000 acres)	Percent of previous year (percent)
Louisiana						
Corn	580.0	500.0	86	565.0	485.0	86
Cotton, upland ²	110.0	170.0	155	104.0		
Hay, all ³	(NA)	(NA)	(NA)	370.0	400.0	108
Rice, all	420.0	440.0	105	414.0	434.0	105
Long grain	380.0	390.0	103	375.0	385.0	103
Medium grain	40.0	50.0	125	39.0	49.0	126
Soybeans	1,080.0	1,150.0	106	1,060.0	1,130.0	107
Sugarcane (sugar and seed) ³	(NA)	(NA)	(NA)	495.3	492.0	99
United States						
Corn	93,357.0	89,921.0	96	85,388.0	81,940.0	96
Cotton, upland ²	11,089.0	12,322.0	111	10,148.5		
Hay, all ³	(NA)	(NA)	(NA)	50,736.0	51,507.0	102
Other ³	(NA)	(NA)	(NA)	35,490.0	36,042.0	102
Rice, all	2,532.0	2,343.0	93	2,488.0	2,308.0	93
Long grain	1,970.0	1,905.0	97	1,936.0	1,878.0	97
Medium grain	526.0	417.0	79	516.0	409.0	79
Short grain	36.0	21.0	58	36.0	21.0	58
Soybeans	87,195.0	88,325.0	101	86,332.0	87,511.0	101
Sugarcane (sugar and seed) ³	(NA)	(NA)	(NA)	935.2	924.3	99

Planting Intentions (cont.)

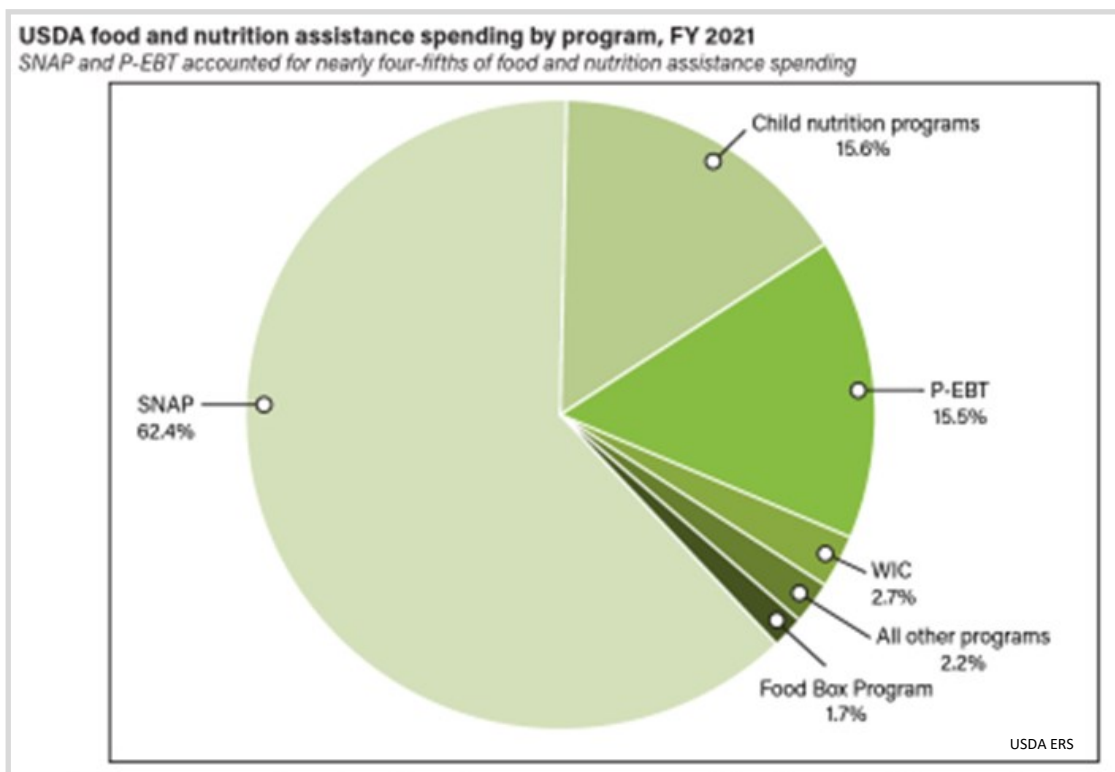


USDA Food and Nutrition Program Spending in FY 2021

Fifteen domestic food and nutrition assistance programs (accounting for roughly two-thirds of the USDA's annual budget allotment) are administered by the USDA that, together, affect the lives of millions of people. In response to COVID-19 which flared at the beginning of fiscal year (FY) 2020 and continuing into FY 2021, USDA introduced additional temporary programs and implemented numerous policy changes that expanded the scope and coverage of existing programs. As a result, participation in and spending on these programs changed substantially. This report examines trends in USDA's largest U.S. food and nutrition assistance programs through FY 2021 (October 1, 2020, to September 30, 2021). This report also documents policy changes that took effect throughout FY 2021 and trends in economic and social indicators affecting participation in and spending on food and nutrition assistance programs. It also summarizes two recent USDA, Economic Research Service (ERS) studies: one that examines the prevalence of household food insecurity in the United States in 2020; and another that examines the expansion of free meal sites targeting children in the early months of the COVID-19 pandemic.

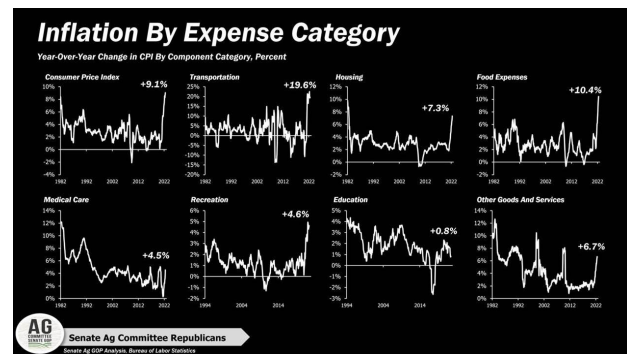
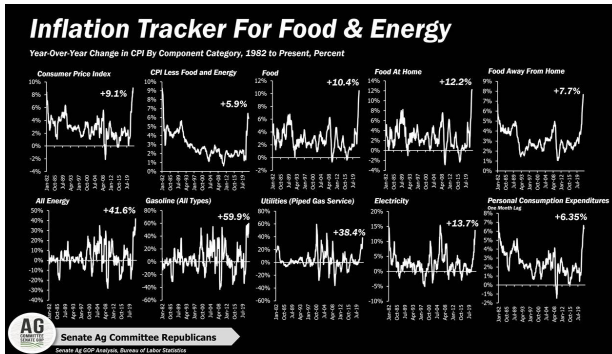
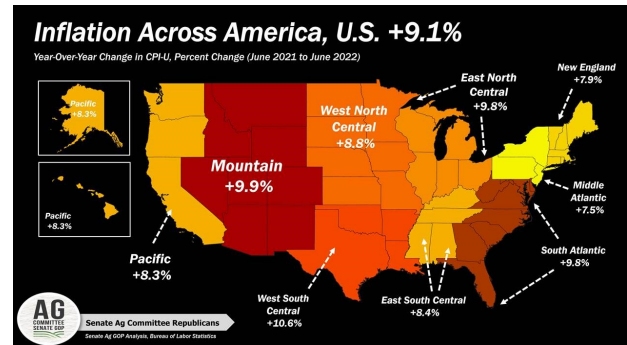
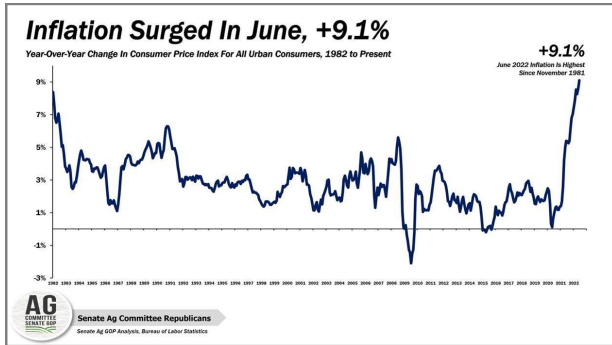
What Did This Study Find?

- Spending on USDA's domestic food and nutrition assistance programs in FY 2021 reached a historic high of \$182.5 billion, 43 percent greater than the previous inflation-adjusted high of \$127.5 billion in FY 2020. The increase in spending was primarily driven by increases in USDA's Supplemental Nutrition Assistance Program (SNAP) and Pandemic Electronic Benefit Transfer (P-EBT) spending (see summary figure).
- On average, 41.5 million people participated in SNAP each month, 4 percent more than in the previous fiscal year. A temporary benefit increase, the expansion of emergency allotments, and higher participation contributed to a historic high in Federal SNAP spending of \$113.8 billion, 44 percent more than in FY 2020.
- On average, 6.2 million people participated in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) each month, nearly the same as the previous fiscal year. Total WIC spending was \$5.0 billion, 1 percent more than in FY 2020.
- Pandemic-related disruptions to child nutrition programs resulted in 8.4 billion total meals being served across the National School Lunch Program (NSLP), School Breakfast Program (SBP), Child and Adult Care Food Program (CACFP), and Summer Food Service Program (SFSP). The number of meals served through SFSP increased to 3.0 billion, about 133 percent greater than in FY 2020. Total spending on these programs was \$26.8 billion, 27 percent more than in FY 2020.
- USDA continued to operate two temporary programs in FY 2021. P-EBT benefits were issued to eligible families at a cost of \$28.3 billion, or 162 percent greater than the amount issued in FY 2020. The Farmers to Families Food Box Program distributed about 73.1 million boxes of produce, dairy, and meat products to food banks and other charitable organizations nationwide at a cost of \$3.0 billion.



Inflation and Agriculture

Inflation surged 9.1% in June, spiking to its highest level since November 1981 as Americans faced record gas prices, soaring rents and abnormally high grocery bills. On a monthly basis, the Consumer Price Index rose 1.3% from May to June. The core CPI, or the price of goods excluding volatile food and energy costs, was 5.9% on an annualized basis. The core index climbed 0.7% in June from May. Prices were up for most every good and service across the economy, with gasoline far outpacing other categories with an 11.2% gain over the prior month. The national average cost of a gallon of unleaded gas peaked at about \$5 last month. The national average for a gallon of gasoline on Wednesday was \$4.63, more than two cents below Tuesday's price, according to the AAA motor club. Gasoline has fallen 17 cents over the last week and 37 cents over the last month. The price is still well below the \$3.15 motorist paid a year ago. Month over month, the pace of food price increases slowed slightly, to a growth of 1.0% in June, down from 1.2% the previous month. The data showed broad price increases across most categories of food, with especially sharp increases in butter, sugar, sweets and flour. One area where we did see relief was in prices of beef, pork, poultry, fish and eggs, which have driven rising grocery bills this year but fell from the previous month in May. Market impact: The two-year Treasury yield, which is closely tied to expectations for interest rate increases from the Federal Reserve, shot higher after the inflation data was released, rising 0.12 percentage points to 3.14%. The information cemented expectations the Federal Reserve will deliver another large interest rate increase this month. Now 41.6% odds for 1% hike by Fed; 58.4% odds of 75 basis points. Infographics courtesy of Pro Farmer and the Senate Committee of Agriculture (Republican Minority Office).



U.S. Seasonal Farm Price Outlook

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

Crop	2019/20	2020/21	2021/22	2022/23	2022/23
	Estimate	Estimate	Estimate	June	July
Corn	\$3.56	\$4.53	\$5.95	\$6.75	\$6.65
Cotton	\$0.596	\$0.663	\$0.920	\$0.950	\$0.950
Rice (LG)	\$12.00	\$12.60	\$13.70	\$15.50	\$15.50
Rice (Southern MG)	\$11.60	\$13.00	\$14.00	\$16.00	\$16.00
Sorghum	\$3.34	\$5.04	\$5.95	\$6.65	\$6.55
Soybeans	\$8.57	\$10.80	\$13.35	\$14.70	\$14.40

Crop Market Situation for the 2022 Marketing Year

The information that is presented in this market update reflects current information as of July 12, 2022.

Corn

U.S. feed grain production in 2022 is expected to be slightly higher than last month, reflecting higher planted acreage for corn in the June 30th Acreage report. U.S. corn production is raised 45 million bushels on increased harvested acreage. Corn yield remains unchanged, leading to corn production totaling 14,505 million bushels. Adjustments were made to June 1st stock estimates lowering corn usage by 25 million bushels for 2021/22. Corn ending stocks for 2021/22 increased 25 million bushels to 1,510 million bushels. Corn usage in the 2022/23 marketing year remains unchanged.

Total corn consumption for the third quarter of the 2021/22 marketing year is estimated at 3,410 million bushels, leaving 4,346 million bushels of corn stored at all positions, according to the National Agricultural Statistics Service's (NASS) June 30th Grain Stocks report. Corn stocks in all positions are up 6 percent, the on-farm component of corn stocks is up 22 percent, and commercially held stocks are down 6 percent from the same period in the 2020/21 marketing year. Due the pace of use shown in the third quarter, corn use for marketing year 2021/22 is down 25 million bushels, on projected lower feed and residual use. U.S. corn exports for 2021/22 are estimated at 2,450 million bushels—unchanged from the June estimate. Despite early July sales cancellations and weakness in export inspections, the export pace through this point in the marketing year supports the current forecast. The lower corn use has led to 2021/22 ending stocks estimated to be 25 million bushels higher at 1,510 million bushels.

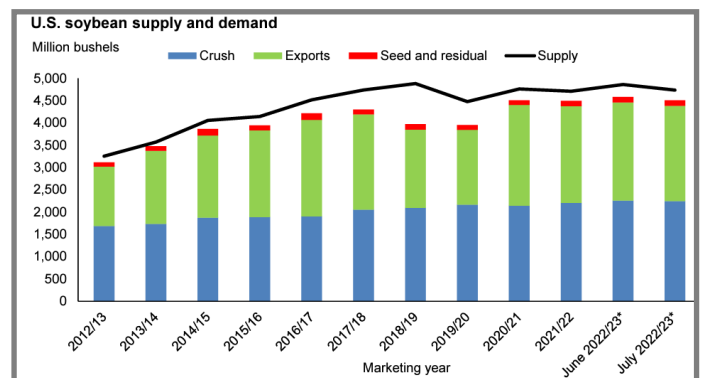
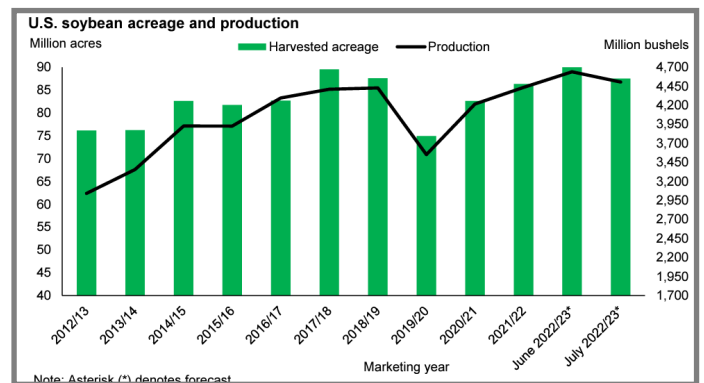
Feed and residual use for 2022/23 is unchanged from last month but 275 million bushels lower than the 2021/22 marketing year at 5,350 million bushels. Food seed and industrial use for 2022/23 is also projected to remain unchanged from the June estimate of 6,820 million bushels. Export demand for 2022/23 previous month is projected at 2,400 million bushels, also unchanged from the and 50 million bushels lower than a year ago. The higher projected supplies for 2022/23 are expected to carry over to higher ending stocks of 1,4 million from last month's estimate. The season 70 million bushel average farm price for s, up 70 corn in marketing year 2022/23 is projected at \$6.65 per bushel — a \$0.10 reduction from the previous month.

Soybeans

USDA's Acreage report last month indicated that the 2022/23 soybean acreage is 88.33 million acres, a 1-percent increase from last year, but a 3-percent decrease from March planting intentions. Crop conditions as of July 10, 2022, are slightly better than last year with 62 percent of the crop rated in good-to-excellent condition. USDA lowered its 2022/23 soybean production forecast by 135 million bushels to 4.51 billion bushels based on a harvested area estimate of 87.51 million acres and an unchanged yield estimate of 51.5 bushels per acre. Expectations of a slight increase in beginning stocks is not enough to offset the reduction in production, lowering total supply. This is expected to impact 2022/23 soybean crush and export volumes, lowering the ending stocks estimate by nearly 50 million bushels to 230 million.

Declining crush margins have contributed to a 10-million-bushel reduction in the 2021/22 soybean crush forecast that now sits at 2.21 billion bushels. Consequently, the soybean meal estimate was slightly lowered to 51.66 million short tons. Domestic demand for soybean meal continues to remain strong, resulting in a 200,000-short ton increase in domestic disappearance to 38.5 million. Conversely, foreign demand for U.S. soybean meal is seen waning, with the 2021/22 soybean meal export forecast reduced to 13.7 million short tons. Considering export volumes for the 2021/22 marketing year in conjunction with outstanding sales, the soybean oil export forecast was lowered by 25 million pounds this month to 1.78 billion. Domestic demand of soybean oil is also expected to decline, particularly for food, feed, and other industrial usage, and was lowered this month by 100 million pounds to 14.19 billion. The 2021/22 soybean oil for biofuel use estimate remains unchanged this month at 10.7 billion pounds. Supply reductions, linked to lower crush and import volumes, offset these changes and leave ending stocks unchanged.

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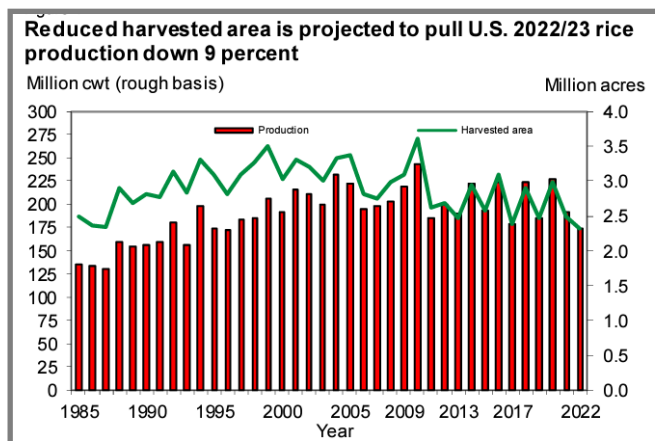


In-depth Crop Market Update (Cont.)

The information that is presented in this market update reflects current information as of July 12, 2022.

Rice

The forecast for U.S. 2022/23 rice production was lowered 8.2 million cwt to 174.5 million based on a smaller harvested area estimate and slightly lower yield. Production is 9 percent below a year earlier and the smallest since 1996/97. Long-grain production was lowered 1.9 million cwt to 139.0 million cwt, 4 percent below a year earlier and the smallest since 2019/20. Medium- and short-grain production was lowered 15 percent to 35.5 million cwt, 25 percent smaller than a year earlier and the lowest since 1985/86. In early June, USDA's National Agricultural Statistics Service (NASS) surveyed U.S. growers regarding actual 2022/23 rice planted acreage and released the survey results on June 30 in its Acreage report. NASS reported U.S. 2022/23 rice plantings at 2.343 million acres, down 109,000 acres from the March intended plantings and 7.5 percent below a year earlier and lowest since 1983/84. Based on historic abandonment, NASS estimated 2022/23 harvested area at 2.038 million acres.



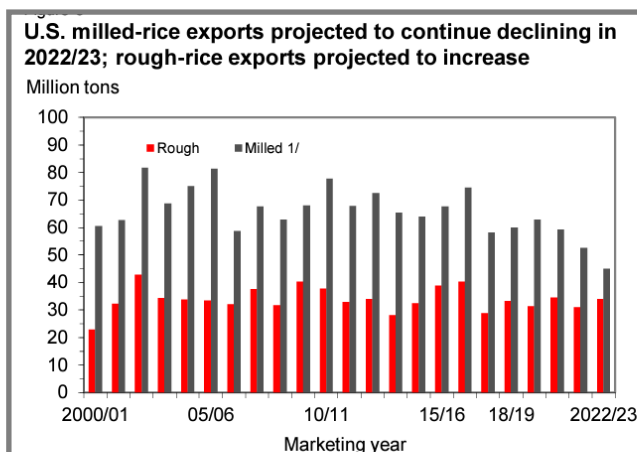
The U.S. average yield was lowered 37 pounds per acre to 7,561 pounds, 2 percent below the year-earlier record. The downward revision was based on a smaller share of the U.S. crop coming from California, which achieves the highest yields. The U.S. average yield is based on 10-year trends by class, adjusted to reflect the smaller California acreage. The first survey based yield estimates for the 2022/23 U.S. rice crop—including State yield estimates—will be released by NASS on August 12 in its Crop Production report. Yields by class and State will be released by NASS in January 2023 in its Crop Production 2022 Summary.

The U.S. 2022/23 all rice export forecast was lowered almost 4 percent to 79.0 million cwt, 5 percent below a year earlier and the lowest since 1996/97. The U.S. rough-rice export forecast of 34.0 million cwt is up almost 10 percent from a year earlier but little changed from 2018/1920/21. The United States is facing increasing competition from South American rough rice exporters in key Latin American markets that is preventing any long-term increase in these shipments.

U.S. milled rice exports are forecast at 45.0 million cwt, 14 percent below a year earlier. These are the lowest milled-rice exports since 1965/66, as U.S. prices are well above those from Asian and Latin American suppliers. Long-grain exports of 60.0 million cwt are projected to be nearly 5 percent below a year earlier and the lowest since 1996/97. The Middle East is expected to account for most of the decline in 2022/23. Medium- and short-grain exports of 19.0 million cwt are projected to be 7 percent below a year earlier and the lowest since 2006/07. The United States is expected to make few sales outside of its core markets in East Asia and Canada due to record-high prices and very tight supplies.

U.S. 2022/23 ending stocks were revised up to 35.5 million cwt, still 15.5 percent below a year earlier. The long-grain ending stocks forecast was raised to 21.9 million cwt, down 12 percent from a year earlier. Medium- and short-grain ending stocks were lowered to 11.1 million cwt, 24 percent below a year earlier and the lowest since 2019/20.

In 2022/23, season-average farm prices (SAFP) are projected to be higher than a year earlier for both classes of rice in both regions. Tighter U.S. rice supplies, much higher input prices, and substantial price increases for other grains and oilseeds are the major reasons for the higher expected rice prices in 2022/23. This month, USDA raised its 2022/23 SAFP forecasts for medium- and short-grain rice for both the U.S. and California. In California, the 2022/23 medium- and short-grain SAFP was raised \$2.00 to a record \$31.00 per cwt, up 19 percent from a year earlier. The upward revision was largely based on the much smaller reported California acreage. The higher California SAFP boosted the U.S. medium- and short-grain SAFP to a record \$26.20 per cwt, 18 percent above a year earlier. The 2022/23 southern medium- and short-grain SAFP remains forecast at \$16.00, up \$2.00 from a year earlier and the highest since 2012/13. The long-grain SAFP remains forecast at a record \$15.50 per cwt. The U.S. 2022/23 all rice SAFP was raised 40 cents to a record \$18.20 per cwt, up \$2.40 from a year earlier.



Continued next page

USDA WASDE Report Release Dates for 2022

World Agricultural Supply and Demand Estimates (WASDE) Report: Jan. 12, Feb. 9, Mar. 9, Apr. 8, May 12, Jun. 10, Jul. 12, Aug. 12, Sep. 12, Oct. 12, Nov. 9, and Dec. 9.

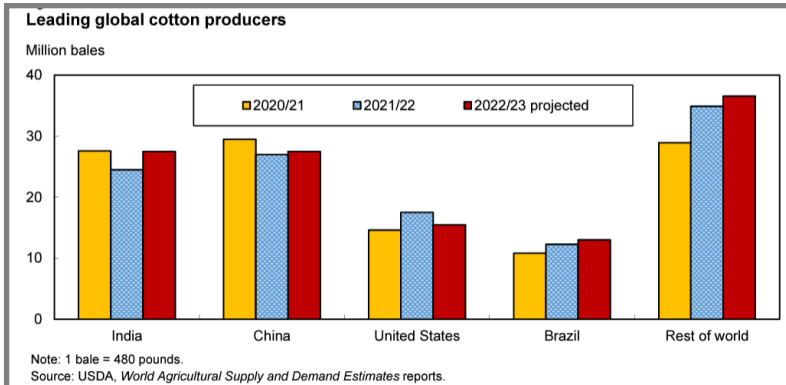


In-depth Crop Market Update (Cont'd)

The information that is presented in this market update reflects current information as of July 12, 2022.

Cotton

The latest U.S. Department of Agriculture (USDA) cotton projections for 2022/23 (August-July) indicate that global cotton production is forecast 3 percent higher than the year before, the result of increased harvested area. World cotton production is projected at 120.1 million bales in 2022/23, with the top 4 producers contributing 70 percent of the total. India and China are each expected to produce 27.5 million bales in 2022/23, with the United States and Brazil accounting for an additional 15.5 million bales and 13 million bales, respectively.



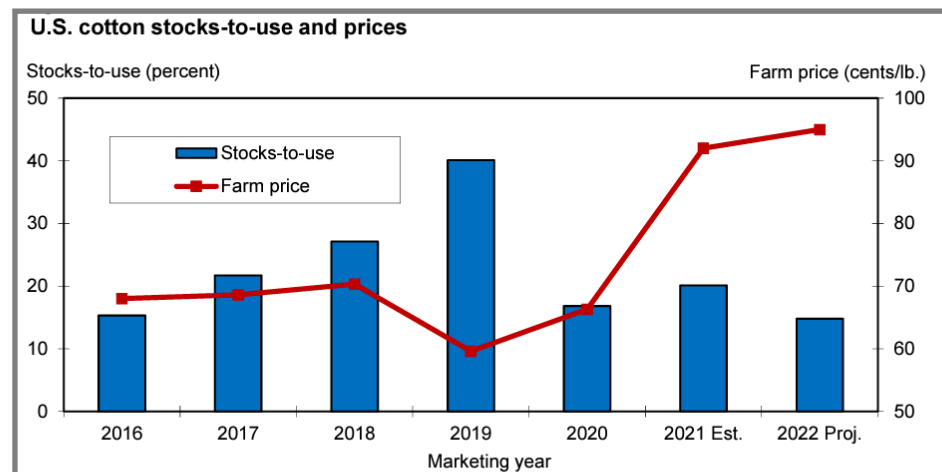
World cotton mill use is projected marginally higher at 119.9 million bales in 2022/23, the sixth highest on record. Global cotton trade is forecast to expand to 46.4 million bales, with gains for Brazil and Australia more than offsetting declines for the United States and India. With world cotton production and mill use approximately balanced in 2022/23, stocks and the global stocks-to-use ratio are nearly unchanged from 2021/22. As a result, above-average prices are expected to continue into 2022/23.

U.S. cotton production in 2022 is projected at 15.5 million bales this month, 1 million bales lower than the June projection and 2 million bales (11.5 percent) below the 2021 crop. Based on USDA's Acreage report released June 30, U.S. producers planted or intended to plant approximately 12.5 million acres to cotton in 2022, about 2 percent (less than 250,000 acres) above the March indications but 11 percent higher than the final 2021 plantings. However, below-average rainfall in Texas during 2022 is expected to increase abandonment there considerably and reduce total harvested acreage this season.

Total 2022 cotton harvested area is projected in July at 8.55 million acres, nearly 17 percent below 2021. U.S. abandonment in 2022 is forecast at 31.5 percent, compared with 8.5 percent last season and 32 percent in 2020. The abandonment projection is based on 10-year averages by region, with the Southwest adjusted to nearly 50 percent—the third highest on record—reflecting the extreme drought conditions to date. The U.S. cotton yield—projected at 870 pounds per harvested acre—is based on 10-year average yields by region. The U.S. yield would be the highest in 4 years, as a large proportion of lower-yielding Southwest acreage is abandoned, elevating the national yield. In August, USDA's National Agricultural Statistics Service (NASS) will publish its first survey-based estimates for 2022.

The U.S. cotton demand (mill use plus exports) forecast for 2022/23 decreased in July to 16.5 million bales—500,000 bales below the June projection. The estimate is 800,000 bales below 2021/22 and the lowest since 2015/16. For 2022/23, U.S. cotton mill use is forecast at 2.5 million bales, slightly below 2021/22. Lower 2022/23 U.S. supplies—the smallest in 7 years—are expected to limit exports which are projected at 14 million bales. Also, higher supplies for other exporting countries are expected to support increased shipments, leading to a lower U.S. share of world trade; for 2022/23, the U.S. share is projected at 30 percent, compared with approximately 33.5 percent in each of the previous 2 years.

U.S. cotton exports for 2021/22 are unchanged this month at 14.75 million bales and are forecast to be the lowest since 2015/16. However, 2020/21 U.S. cotton exports were adjusted slightly (-19,000 bales) to 16.35 million bales based on revisions to the U.S. Census Bureau data, which are used in conjunction with Export Sales shipment data to determine the USDA export estimate. Based on USDA's July supply and demand estimates, 2022/23 U.S. cotton ending stocks are projected at only 2.4 million bales, 1 million below the year before and



the lowest in 9 years. In addition, the 2022/23 stocks-to-use ratio (15 percent) is forecast at its lowest in 12 years (figure). As a result, U.S. supply and demand estimates are expected to continue to support cotton prices. For 2022/23, the U.S. upland farm price is forecast at a record 95 cents per pound, compared with 92 cents per pound estimated for 2021/22 and 2020/21's 66.3 cents per pound.

In-depth Crop Market Update (Cont.)

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Sugar

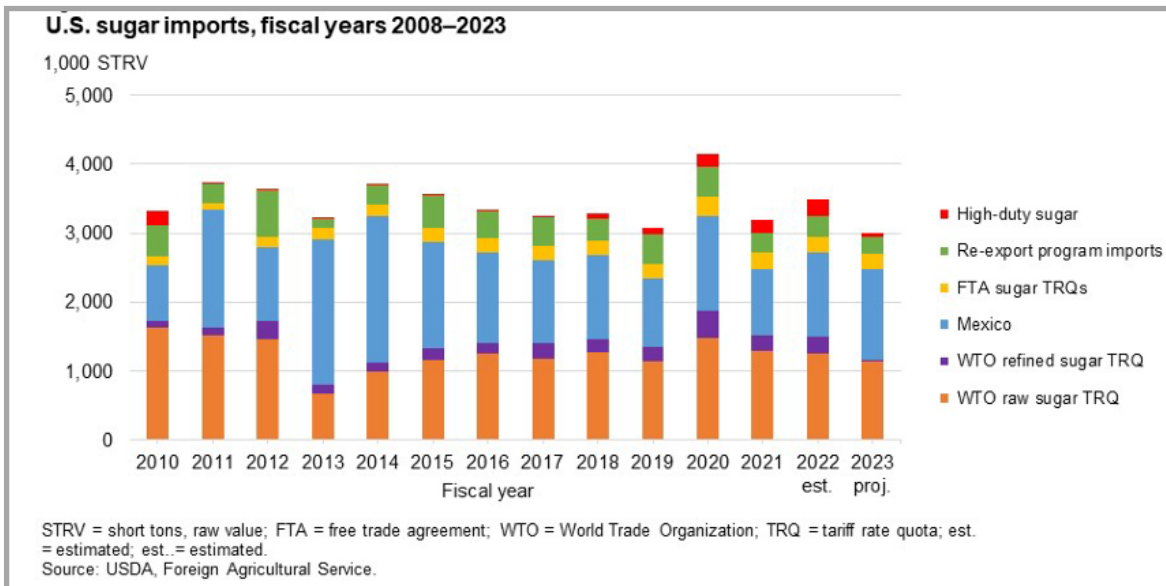
Estimated U.S. ending sugar stocks for 2021/22 are increased 64,410 short tons, raw value (STRV) to 1,781,774, as an increase in supply is only partially offset by an increase in use. USDA estimates imports to increase by 217,197 STRV. On July 1, the Department of Commerce increased the 2021/22 Mexico export limit by 135,000 STRV. This is counted as “Additional U.S. Needs Sugar” that has a polarity of less than 99.5 degrees, meaning that it is considered as raw sugar. All of this sugar is projected to enter in 2021/22. Last week USDA increased the 2021/22 raw sugar TRQ by 99,999 STRV and also extended the period for this sugar to enter the United States until the end of October. Although USTR has not yet allocated the TRQ to supplying countries, USDA projects that 38,270 STRV will enter in September for 2021/22 and 55,115 will enter in October for 2022/23 with the remainder adding to the raw sugar TRQ shortfall.

USDA increased its estimate of high-tier tariff imports by 43,927 STRV to 278,436 on additional high duty raw sugar entering in June and on an increase in the expected pace of high-duty refined sugar entering for the remainder of the year. Other than imports, supply is slightly decreased by a reduction in Florida cane sugar production only partially offset by a small increase in beet sugar production as reported by processors.

A partial offset to the supply increase comes from a 150,000 STRV increase in deliveries for human consumption to 12,600,000. The delivery pace for the first 8 months of the fiscal year is up 3.9 percent compared with the same period average for the 5 preceding years. The strong pace of deliveries is expected to continue into 2022/23 for a period of time and is presently projected to add 75,000 STRV to bring the total up to 12,525,000.

	2020/21	2021/22 Est.	2022/23 Proj. Jun	2022/23 Proj. Jul
<i>1,000 Short Tons, Raw Value</i>				
Beginning Stocks	1,618	1,705	1,717	1,782
Production 2/	9,233	9,118	8,822	8,947
Beet Sugar	5,092	5,156	4,809	4,934
Cane Sugar	4,141	3,961	4,013	4,013
Florida	2,090	1,933	2,000	2,000
Louisiana	1,918	1,906	1,910	1,910
Texas	134	122	103	103
Imports	3,195	3,699	3,013	3,501
TRQ 3/	1,749	1,766	1,390	1,445
Other Program 4/	292	300	250	250
Non-program	1,154	1,634	1,373	1,806
Mexico	968	1,355	1,323	1,756
High-tier tariff/other	186	278	50	50
Total Supply	14,046	14,522	13,553	14,229
Exports	49	35	35	35
Deliveries	12,252	12,705	12,555	12,630
Food	12,135	12,600	12,450	12,525
Other 5/	116	105	105	105
Miscellaneous	40	0	0	0
Total Use	12,341	12,740	12,590	12,665
Ending Stocks	1,705	1,782	963	1,564
Stocks to Use Ratio	13.8	14.0	7.6	12.4

1/ Fiscal years beginning Oct 1. Data and projections correspond to category components from "Sweetener Market Data" (SMD). 2/ Production projections for 2021/22 and 2022/23 are based on Crop Production and/or processor projections/industry data and/or sugar ICEC analysis where appropriate. 3/ For 2021/22, WTO raw sugar TRQ shortfall (77) and for 2022/23 (99). 4/ Composed of sugar under the re-export and polyhydric alcohol programs. 5/ Transfers accompanying deliveries for sugar-containing products to be exported (SCP) and polyhydric alcohol manufacture (POLY), and deliveries for livestock feed and ethanol. Total refiner license transfers for SCP and POLY inclusive of WASDE-reported deliveries: 2020/21 -- 298; estimated 2021/22 -- 314; projected 2022/23 -- 315



Projected beet sugar production in 2022/23 is increased by 124,335 STRV to 4,933,728 based on the 3.1 percent increase in NASS estimated planted area in the June 30th Acreage report over that indicated in Prospective Plantings at the end of March.

Continued next page

In-depth Crop Market Update (Cont.)

The information that is presented in this market update reflects current information as of July 12, 2022.

Sugar Cont'd

Most notably, area planted in the Upper Midwest is estimated 7.4 percent higher than in Prospective Plantings as additional area was planted to compensate for expected low yields due to delays in planting in May. Sugarbeet harvested area is projected at 1,146,100 acres, up 3.5 percent over last year. Yield and recovery parameters, as well as August-September production (500,000 STRV), are unchanged from last month.

Imports for 2022/23 are projected at 3,501,025 STRV, an increase of 487,829 over last month. As indicated above, some of the increase is due to additional raw sugar entering in October from the increase in the 2021/22 raw sugar TRQ. Sugar entering under the 2022/23 TRQs is still projected at the minimum levels with the WTO and FTA bindings and with a raw sugar TRQ shortfall projected at 99,208 STRV. To date there has been no announcement regarding additional specialty TRQ sugar. Given these aforementioned 2022/23 projections and under the terms of the AD/CVD Suspension Agreements, sugar imported from Mexico would be expected to be projected at a level resulting in an ending U.S. stocks-to-use ratio of 13.5 percent assuming sufficient Mexican sugar for export after meeting domestic requirements in Mexico. Because USDA is not making any changes to Mexico supply and use projections for 2022/23 at this time, the implied maximum sugar available for export to the U.S. is projected at 1,756,180 STRV. This is less than the 1,900,775 STRV needed to result in ending stocks of 1,709,775 for a 13.5 percent stocks-to-use ratio.

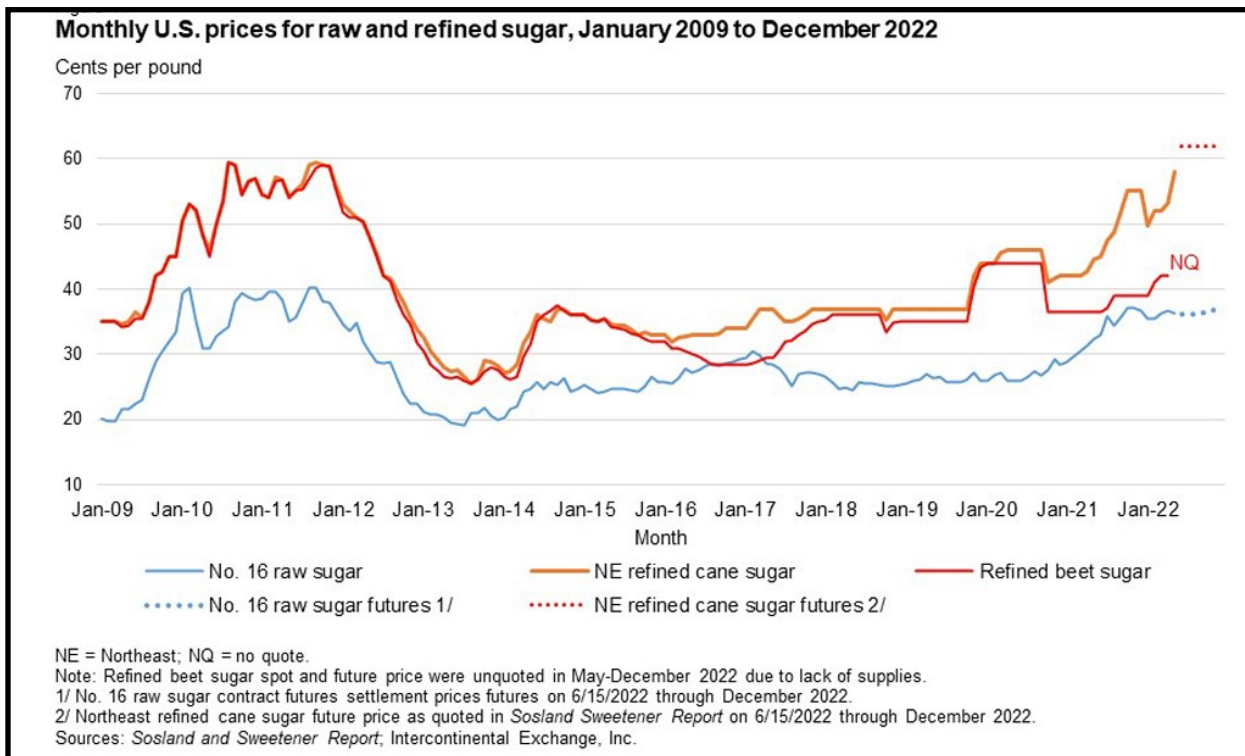
Persistently high U.S. prices have provided an opportunity to import sugar economically, despite paying the high-tier duty rates. Even after the recent USDA actions mentioned earlier, the U.S. No. 16 raw sugar price remained at multi-year highs and above 36 cents per pound. High-tier raw sugar imports have been entering in the past months despite the margins between the U.S. No. 16 and the world No. 11 raw cane sugar—15-16 cents per pound—being below the presumed 18.6-cent level where high-tier raw sugar imports would be economical. Given that refined cane sugar prices have been persistently high, it can be the case that import-dependent refiners may have contracted the raw sugar at an earlier time when the margin was more attractive. It can also imply that the actual logistic costs of bringing in this sugar may be lower than thought, perhaps due to efficiencies gained over the sustained period of high-tier imports.

Northeast refined cane sugar prices through the end of December are increased to 62 cents per pound since June 1. If prices remain at this level or rise in the remaining weeks, the refined cane sugar price in June will average at 62 cents per pound, thus would surpass the prior record high of 59.5 cents per pound in August 2010. With the current margin between U.S. refined cane prices and the world No. 5 re-

fining sugar—34 cents per pound—being greater than the 22.4-cents per pound cost of importing high-tier refined sugar (assuming a 6.1-cent per pound logistic cost on top of the 16.3-cent per pound tariff), high-tier refined imports remain attractive.

The beet sugar price is in uncharted territory in the aftermath of several events: Michigan Sugar's force majeure—a situation causing inability to fulfill contracts; late plant-

ing that reduced expectation for the new crop production; and strong pace of sugar deliveries. Since April 13, when the last quoted price was 42 cents per pound, beet processors have not been offering sugar in the remainder of the 2021-22 nor the 2022-23 seasons. As a result, Midwest refined beet sugar prices have been unquoted in the Sosland Sweetener Report for an unprecedented 9 weeks. Consequently, because Sosland is the main source of refined beet sugar price data, no price information for May 2022 was reported in the USDA, Economic Research Service Sugar and Sweetener Yearbook Tables, causing a break in the beet sugar price time series since 1960.



The Ocean Shipping and Reform Act of 2022

On June 16, 2022, President Biden signed into law the Ocean Shipping Reform Act of 2022 (OSRA), a package of U.S. shipping law reforms that address supply chain disruptions, rising ocean shipping costs, and inadequate vessel service. U.S. agricultural exporters and importers of retail goods and raw materials that depend on competitive and efficient international ocean transportation services have faced ongoing challenges in securing timely and adequate vessel space, skyrocketing shipping costs, and inefficiencies in the pickup and delivery of cargo. OSRA increases the Federal Maritime Commission's (FMC) authority to address the operating practices of the global ocean shipping lines that service our nation's seaports.

Lead sponsor of the bill, Rep. John Garamendi, D-Calif., says as he was hearing from exporters about problems with containers and ocean shipping. "The more we researched it, the more we discovered that the Federal Maritime Commission, which was supposed to be solving the problems of international trade imbalances, simply didn't have the power to do so," Garamendi says.

For the first time since 1998, the laws regulating international shipping were to be addressed and amended. Garamendi says the bill empowers the FMC to actually carry out its purpose to create a fair import and export marketplace.

Specifically, OSRA prohibits ocean carriers from "unreasonably refusing cargo space accommodations when available or resorting to other unfair or unjustly discriminatory methods" and "unreasonably refusing to deal or negotiate, including with respect to vessel space accommodations provided by an ocean common carrier." The FMC will conduct rulemakings to clarify the scope of these prohibitions and ocean carriers will be required to provide the FMC with quarterly reports detailing the total import and export tonnage and total loaded and empty 20-foot units per vessel.

OSRA also addresses concerns over the fairness of terminal demurrage charges assessed against loaded containers that sit at a port beyond a "free period" when port congestion or other events beyond an importer's control cause delays. It requires an FMC rulemaking to clarify what constitutes unreasonable demurrage and detention rules and practices, prohibits carriers from assessing such charges contrary to the FMC's rules, and creates a new expedited FMC process to address demurrage disputes. It gives the FMC authority to issue civil penalties for violations and/or refunds to aggrieved parties.

The America Farm Bureau stated that "the Ocean Shipping Reform Act is a bipartisan bill that would take key steps to resolving maritime supply chain obstacles that are increasing costs to our U.S. agricultural exporters and preventing our farmers from getting their products overseas. Now that it's law, it will provide a new oversight and enforcement authority through the Federal Maritime Commission, expanding the opportunities for our shippers to solve conflicts with the ocean carriers and to increase transparency and accountability among those ocean carriers".

Still, farm leaders like USA Rice President and CEO Betsy Ward said the OSRA "is a major step by Congress towards holding ocean carriers accountable and hopefully easing the burden on U.S. rice exporters that have been operating at a competitive disadvantage over the past few years."

Rice farmers continue to be hit hard by vessel-operating common carriers (VOCCs) that refuse to load up containers full of ag commodities when they deliver Chinese goods to U.S. ports. Ag shippers are often unable to get their rice, oranges, hay, wine, almonds, cheese, pork, beef, chicken and apples onto Asia-bound ships when Chinese exporters are paying VOCCs extra to get containers back to China as quickly as possible, which means bringing them back empty.

Information for this article was sourced from Farm Futures, the American Farm Bureau Federation, and the USA Rice Federation.



Farm Futures

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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