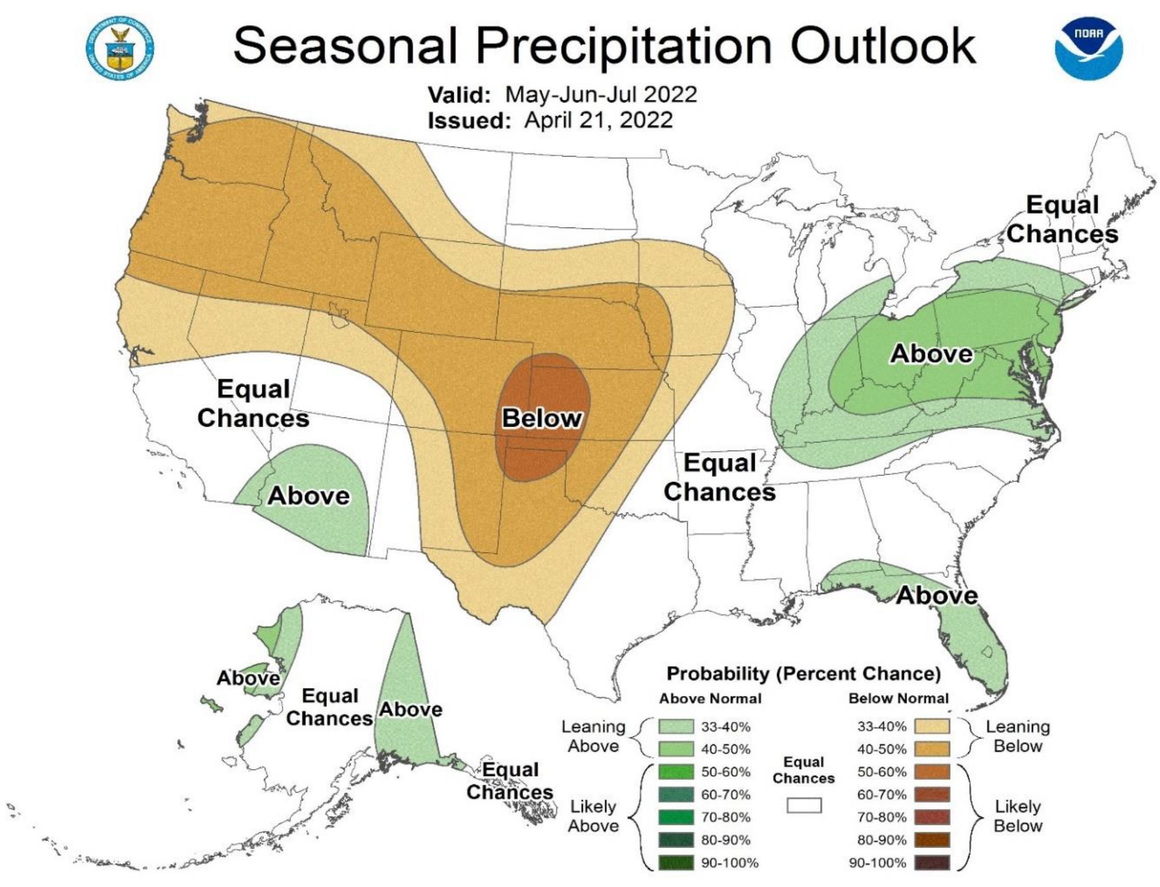
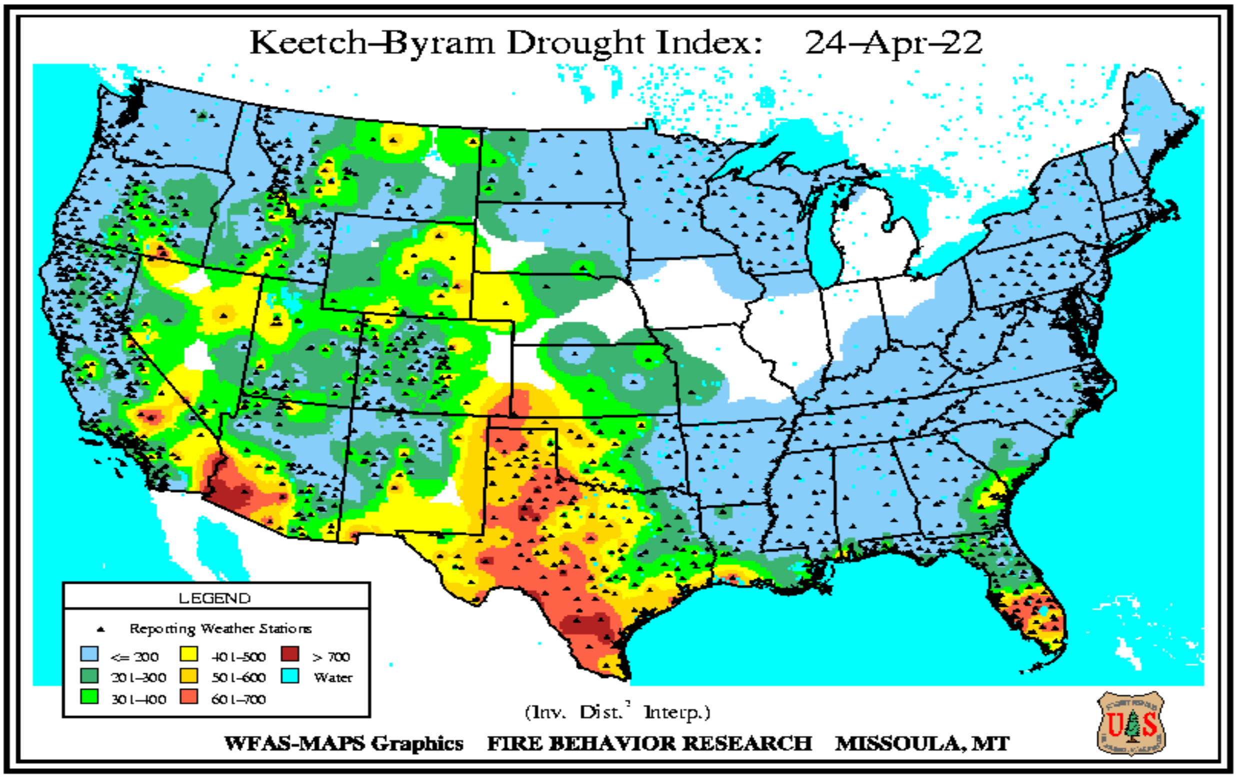
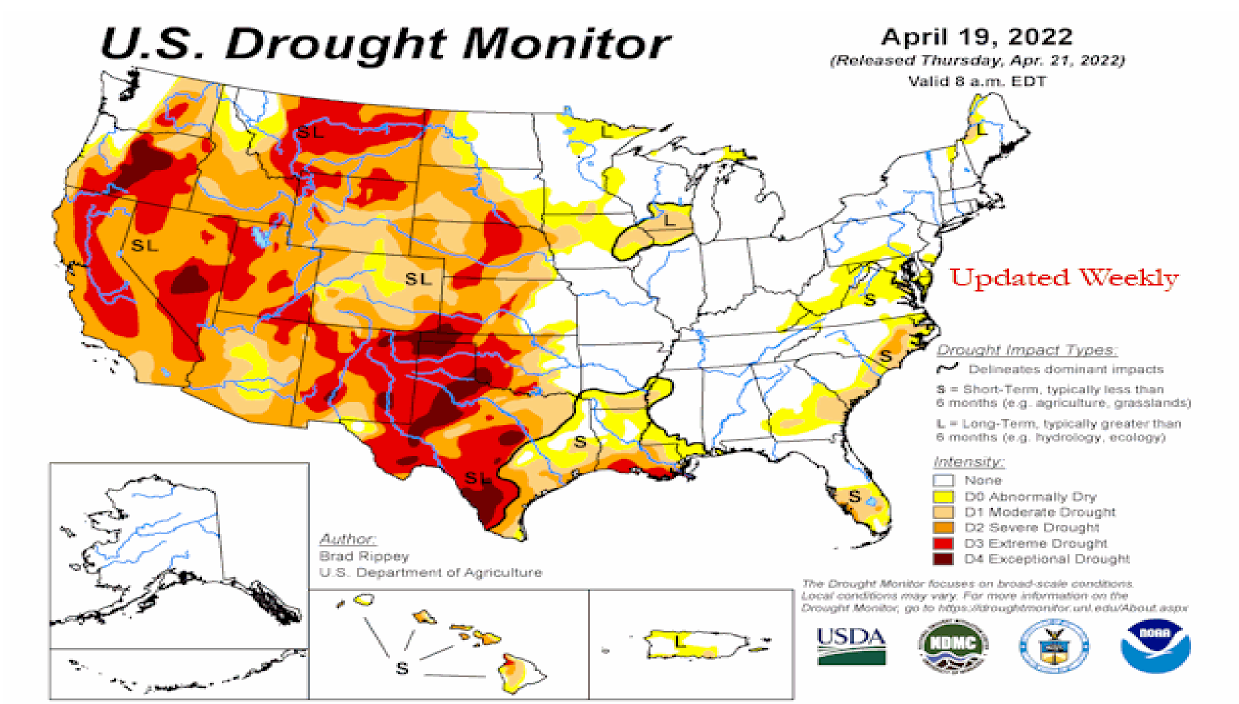
Carolina Clarity **April 24, 2022**

Weekly Bulls and Bears





IF THIS FORECAST PROVES CORRECT, THEN COTTON IS EXTREMLY BULLISH!!



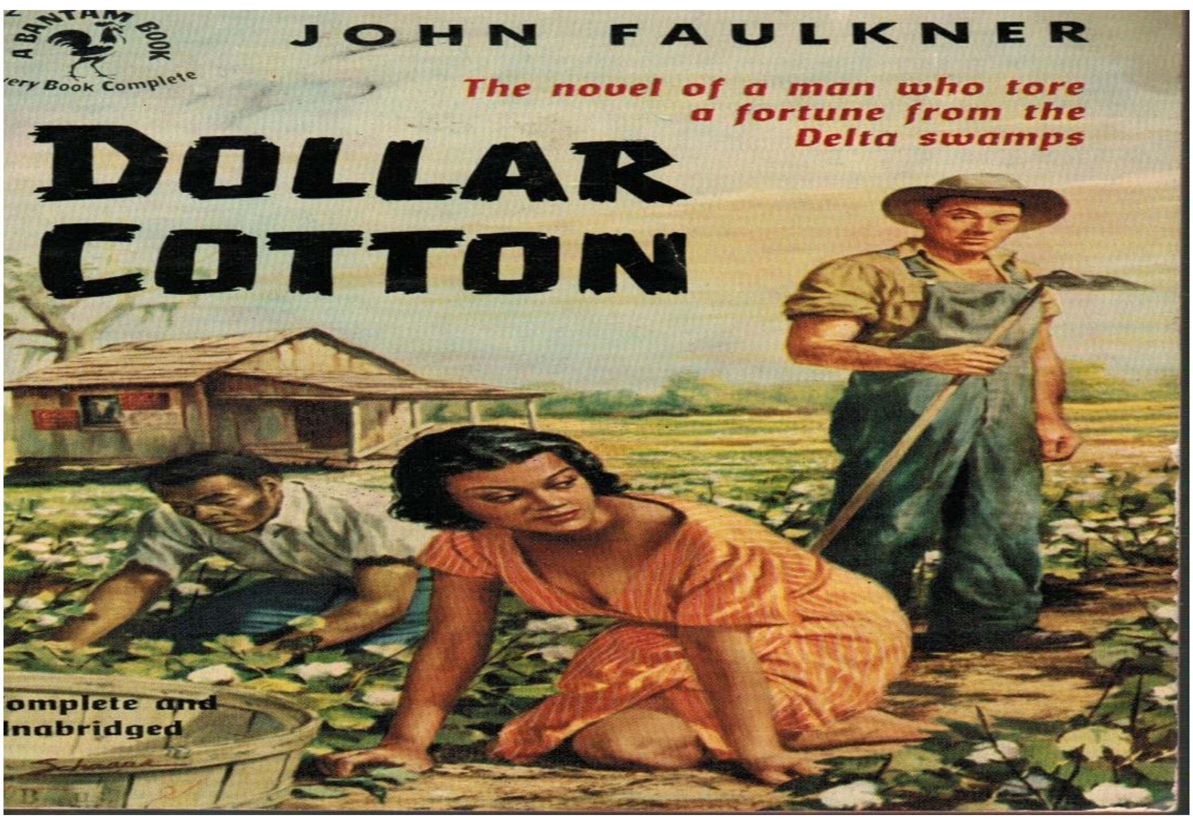
WAR IN UKRAINE IS CAUSING WILD MARKET MOVES - especially crude oil and wheat.

WHEAT MARKET HAS BEEN A CASINO - WILDEST TRADING EVER!

COTTON EXPORT SHIPMENTS WERE A MARKETING YEAR HIGH 378,216 BALES!!

U.S. COTTON IS REALLY THE ONLY GAME IN TOWN. INPUT COSTS HAVE BEEN RISING THIS WINTER.

CPI, Consumer Pricing Index (Inflation) on 4/10 was 8.3 percent. HIGHEST IN 40 PLUS YEARS!



USDA PROSPECTIVE ACRE REPORT

RJO'Brien

USDA 2022/23 Prospective Plantings Report

(million acres)	USDA	Average Estimate	Range of Estimates	Last Year	USDA Feb Outlook	January
Corn	**89.490**	92.001	89.7-93.5	93.357	92.0	
Soybeans	**90.955**	88.727	86.0-92.208	87.195	88.0	
All Wheat	**47.351**	47.771	45.9-48.892	46.703	48.0	
"Other" Spring Wheat	**11.200**	11.801	10.8-12.45	11.420		
Durum	**1.915**	1.727	1.5-1.835	1.635		
Winter Wheat	**34.236**	34.382	33.65-35.60	33.648		34.397
Cotton	**12.234**	12.251	11.7-13.0	11.220	12.7	
Sorghum	**6.205**	6.814	6.2-7.5	7.305	6.5	
Oats	**2.547**	2.632	2.3-3.0	2.550		
Barley	**2.941**	2.660	2.5-3.0	2.660		
Rice	**2.452**	2.510	2.08-2.7	2.532		
Total Grains/Cotton	**254.2**	**255.4**		**253.5**		

OAcotton April 22, 2022

Cotton is a Calling

Cotton is back in the doldrums, if you call 120-140 cents the doldrums, a dull quiet market that has no reason to go down but continues to hint of higher prices. The market is attempting to transition from the 2021-22 marketing year to the 2022-23 marketing year. Once the July contract goes First Notice Day, June 24, the new crop 2022-23 begins and the old crop goes in the history books. July is now the lead contract. The next nine weeks of trading will spotlight the speculators battle with textile mills. Mills, for all practical purposes, will be going hat in hand to the speculators asking them to let them out of the trading debacle mills themselves created. In the not-so-distant past Chinese mill executives were arrested after such a mess and reported by the press to have been executed. The coming weeks should be every explosive as mills fix prices against on-call sales. Too, the moisture situation, or lack of moisture, continues to dominate the headlines in West Texas, the Rolling Plains of Texas and Oklahoma, as well as the New Mexico and Kansas cotton producing areas. The worst drought on record continues. The U.S. national weather service released a forecast that indicates the drought will spread. Further, the service suggests even local rains showers will be so limited as to be all but useless for cotton production—words and phrases that have never been used before. Yet, this is not the Memorial Day weekend; thus, there is still time for beneficial moisture to fall over an area that accounts for about 45 percent of the U.S. cotton production. July has the potential to climb as high as 150 cents. Mother Nature controls the new crop December futures contract and prices are focused almost entirely on the moisture situation in the Southwest U.S.   December futures could climb as high as 150 cents between now and August.

As bullish as mill on-call sales have been the past seven months they rose to new heights this week as the on-call sales versus on-call purchases ratio jumped from about 9.1 to 15.1 on the July contract.   (May is all but a memory but including May and July the ratio is 16.1 to 1.) This provides statistical evidence that mills procrastinated all year in executing price fixations and will now pay dearly for cotton. The data tells us that mills even added 433,900 bales to their on-call portfolio just this past week—despite prices hovering near 140 cents. The ratio is at a historical high and promises that July futures trading will be very volatile. The data suggests that mills must buy futures contracts equivalent to 6,311,100 bales between now and June 24. Conversely, known selling of futures during this same period is only 420,300 bales. Limit up trading days are in front us. Combine this with the drought facing new crop contracts and one sees that cotton trading will continue to attract more speculative funds into May and June, likely longer. It should be noted that some suggest the on-call report should not be used and is misleading. Let me say, do not be misled by those saying such. They simply lack a historical perspective of the report and/or are doing nothing by trying to hide data. They want to mislead others and are against transparency in the marketplace. I also note that it is not unusual to attempt to hide data or couch data behind a mask. Growers are cautioned to take note of any entity that tries to squelch the data. If those attempting to hide the data are not scared, they will not attack its use.

The rise in prices above 140 cents has all but cut off any sales of cotton. Net export sales for the week were a marketing year low of only 50,500 bales of Upland. Cancellations included 13,500 bales from India and 9,600 bales from Turkey among others. Shipments totaled 367,100 bales of Upland, not enough to reach the USDA export projection of 14.75 million bales of Upland and Pima. Exports may fall to only 14.5 million bales which would push year ending carryover to 3.8-3.9 million bales.

Cotton is not trading, but mills must trade themselves out of a fiasco, they are trading past commitments and promises, the 150 cent forecast stands.

Give a Gift of Cotton Today

Bulls for Cotton

Beans are stealing cotton acres in the delta

- Demand is extremely strong. Chinese buying is bullish.
- Indian cotton prices have exploded higher.
- West Texas is extremely dry (see drought maps).
- Chinese government is committed to planting more soybeans.

Inflation!! And yes, we have been saying this for five or six months.

The two major exporters (US and Brazil) ended 2021 and entered 2022 with some of the leanest inventories of unsold, old crop on record, while mills have very limited forward coverage. These conditions suggest prices will continue to move higher.

Chinese Demand is Bullish!

Bears for Cotton.

- Acre numbers in West Texas will be huge due to insurance rates.
- Russia may try to pull China in to conflict with Ukraine.
- Shipping rates are rising like never before.
- Market price is high and some worry about summer demand.
- Demand Destruction might be taking place at these levels.

Bulls for Corn

- China bought 1.4 mmt of old and new crop corn on Friday. Mexico was also a reported buyer of 281 tmt of old and new crop corn.
- There is still quite a bit of rain and very little heat in the forecast for the next 15 days in the Midwest. #Plant22 is off to a very slow start.
- The 3-month outlook from NOAA was released earlier this week. WCB and Plains hot and dry bias through July. Does not necessarily mean drought for all areas but is something to be concerned about
- Ukraine has planted 20% of its spring crops so far. Current estimates are for 20-40% decrease in plantings due to Russian invasion. They gave no harvest or export update but it should be noted that Ukraine is the largest sunflower oil, 5th largest wheat, and 3rd largest corn and barley exporter in the world.
- The main 2nd crop corn area for Brazil has turned dry. This is a normal seasonal issue but could lead to some production concerns.

Bears for Corn

- Weekly export sales were disappointing. Corn sales totaled 1.269 mmt for the week. The range of estimates were 1.35 to 2.3. At this point, we are still on pace to exceed the USDA marketing year goal for export demand.
- December corn made new contract highs this week but failed to hold gains and finished down 10.6 for the week, most of the selling was Thursday and Friday. This could be a short-term topping action and will need to be monitored.
- Rosario Grain Exchange in Argentina is starting to raise production estimates for corn.

Bulls for Beans

- Indonesia banned cooking oil and raw palm exports starting 4/28 in an effort to stabilize domestic prices. Indonesia is the world's largest producer and exporter of palm oil. Palm oil is, by far, the leader in the veg oil market.
- Weekly exports were strong and in the mid to upper part of the expected range. This continues the counter seasonal strength and has us on pace to beat the USDA's marketing year goal by 117 million bushels. This should be addressed on future WASDE reports.
- Notes from corn about weather and Ukraine apply to beans as well.

Bears for Beans

- Beans posted an outside day down on the charts. July (front month) still finished up 22.6 cents on the week, but Nov. posted a weekly doji finishing within a penny of the open. It should be noted that Nov. posted a new high close but the negative action on Friday needs to be monitored.
- This will impact corn as well but crude was down $4.31 last week and is back down to the midpoint of its recent range. Weakness in energies can create a vacuum for selling in other markets, see 2008.

Harvey Gin & Cotton Co.

DECEMBER 22 cotton held the 20 day moving average. And that is bullish.

DECEMBER 22 CORN Holding 20 day average is key this week. Russia/Ukraine will be watched.

NOVEMBER 22 BEAN chart is bullish as the 20 day moving average held.