Notes and Observations in International Commodity Markets

7th January 2021

by Guy H. Allen – Senior Economist, International Grains Program, Kansas State University

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GHA - News and information noted below are articles of Interest and gathered from numerous sources. This news and information do not reflect the opinions of KSU-IGP, but are provided as matter of interest.

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GRAIN OUTLOOK FOR 2022 REMAINS OPTIMISTIC

GHA – On Friday, soybean meal exploded to a new contract high about midmorning. Soybeans were quick to follow, reaching the highest level since June. Corn, under pressure early, followed those markets higher. Wheat appears to have stabilized, following the extreme weakness seen lately. A lot of trade talk regarding index fund rebalancing pushing the market higher on Friday.

Looking forward to the new year, grain and oilseed prices are expected to remain strong in 2022 on the back of good demand, underpin by near record high export forecasts, along with tightening supplies and increasing weather-related production concerns. Commodity prices have rebounded dramatically since the initial outbreak of worldwide COVID-19 lockdowns in the mid-2020.

Skyrocketing input costs, including fertilizer and chemical, are likely to erode producer profit margins; however, the potential reasonable profits remain for the coming production year.

The will continue to be a lot of moving parts driving the commodity markets over the next year that are going to influence price. Currently the market is paying close attention to drought concerns in parts of Brazil, Argentina and the United States. This will be an increasing concern as we mover forward of relief does not occur soon. Corn and soybean prices have jumped due to dwindling soy yields and corn development concerns in South America.

In December the market saw CBOT March corn was up more than 25 cents per bushel. We continue to see good demand for corn for both exports, and ethanol demand. However, ethanol margins will tighten up with corn jumping higher. There’s a possibility we could see more demand from China. But for now China is buying from the Ukraine.

CBOT March soybeans are up nearly $1.13 per bushel, supported by a good export pace. South American weather is currently in the forefront of market drivers. Interestingly, however, if CNGOIC’s January China soybean import forecast of 6.8 mmts is correct, the Sep-Jan import number is down 6.7 mmts yo/yr, or 15%.

This spring will be strong competition for planted acres, with the relationship between corn and soybean planted acres lands for 2022 will be a key factor in driving the price direction in coming weeks. Even with the high input costs, the market still appears to be favoring corn.

Until the final week of 2021, Kansas City wheat prices were finding support from worsening drought in the Southern Plains where winter wheat is grown. However, since Christmas March Kansas City wheat has fallen to its lowest price in over two months as export demand for U.S. wheat is waning. With the winter wheat crop now in dormancy, and a few months remaining until spring wheat planting commences, concerns for North American production are absent from the market.

With USDA estimates of ending stocks of all U.S. wheat at their lowest level in eight years, 2022 values should be seeing some support, with corn likely to take the lead in any rally. With tightening supplies wheat must stay priced out of any feed demand. The threat of drought in the southwestern Plains is giving HRW wheat bullish potential. Even though spring wheat supplies are estimated at their tightest level in 14 years, it looks like end users are comfortable with the wheat they have secured. Weather will continue to be a key factor of 2022 and many areas of the northwestern U.S. and western Canadian Prairies are still in need of moisture.

It would be further suggest that falling ocean freight rates, now half of what they were just three months ago, should also lend support to U.S. export demand across the board, as importers are now finding U.S. origin grains and oilseed to be increasingly competitive.

The Dow Jones Industrial Average is up 59.19 points at 36,295.66. February gold is up $6.50 at $1,795.70, March silver is up $0.17 at $22.36 and March copper is up $0.0500 at $4.4045.

On a macro economic note, I would expect U.S. inflation to reach double digit levels in the new year. Eurozone inflation hit 5% in Dec which was up from 4.9% in Nov. It remains well above the ECB’s 2% target. Argentina’s annual inflation rate is expected to exceed 50% in 2022.

Next week, on Wednesday the 12th of January, will be released the first USDA WASDE of 2022.

Wishing you the best marketing and merchandising through the 2022 New Year!😊
Record U.S. ag exports to China are confirmed for 2021

Cumulative U.S. Ag + Related Exports to China
(millions of dollars)

The Jan-Nov value reached $32.16B, topping 2013’s full-year high of $29.07B. Soybeans account for 37%, corn 15%, which are the top two commodities.

China’s 2021 soybean, corn markets in review and 2022 outlook

28 Dec 2021 - China’s fundamental outlooks for soybeans and corn through 2022 will be key once again in determining the price outlooks for the twin agriculture staples as the new year approaches.

While traders and analysts expect the supply and demand outlook for corn to be relatively stable entering 2022, there remains major question marks over the size of soybean imports due to a gap in supply but deteriorating outlooks for crush margins in the domestic market.

Soybeans - China’s soybeans import demand over 2021 was heavily impacted by surging international oilseed prices, higher freight costs and the plunge in hog values as production ramped up after the African swine fever outbreaks.

However, the market still holds mixed expectations on the importing pace of the world’s largest soybean consumer in 2022.

China had brought in a total of 87.65 mmts of soybeans between January and November 2021, according to data from the country’s customs agency, down 5.5% from the corresponding period in the previous year.

With estimates of China’s National Grain and Oil Information Centre (CNGOIC), showing around 9.3 mmts of soybeans was expected to arrive in December, together the figures would lift total volumes throughout the year to 96.95 mmts. That’s still 3.4% lower than the 100.33 mmts recorded for 2020.

The decline came as higher import costs were exacerbated by the twin effects of higher international prices and stronger freight rates that erased Chinese crushers’ importing profits.

Moreover, the domestic feed industry faced heavy losses in the wake of a plunge in hog prices earlier this year that helped curb the demand for soymeal, one of the leading products crushed from soybeans.

However, both the USDA and the Chinese government’s agriculture ministry predicted that China would increase its imports for the 2021/22 marketing year due to strong demand from the swelling pig population and shrinking domestic soybean output.

China’s soybean production in 2021 was estimated at only 16.4 million mt, 16% lower than the 19.6 million mt harvested in 2020, according to the latest Chinese Agricultural Supply and Demand Estimates (Casde) released in December.

At the same time, Casde pegged its forecasts for China’s 2021/22 soybean imports at 102 mmts, while the USDA also estimated the figure at 100 mmts, both up from earlier estimates set at 99.78 mmts.

According to customs data, official estimates, and other calculations, China still has to bring in around 70 mmts in the remaining eight months of the 2021/22 marketing year, which means China has to import an average of 8.77 mmts/month.

However, traders and analysts hold mixed opinions on whether the demand will be there from China in the next few months to facilitate such a level of imports - particularly in the wake of domestic soyoil and soymeal futures plummeting over the past two weeks.

January soyoil futures on the Dalian Commodity Exchange plunged by nearly 8% in December, hitting a multi-month low on December 20th and tipping gross crush margins back into negative territory.

"It also depends on the margins. Recently margins have been set back again," a China-based analyst said.

"I feel probably (China) will not buy fast, at least in the short term, because domestic crush margins have dropped too much and China has already booked many soybeans for January and February shipment," a Chinese trader said, although supply options could compensate for slow margins. "But Brazil’s soybeans for March loading are still relatively cheap," the trader added, with Brazil’s new crop planted early and on course for a huge 144 mmts record-breaking harvest.

China has already booked over ten cargoes from Brazil for its new crop soybeans in the week to December 19th, according to trade records tracked by Agricensus.
Up to the week of December 19th, China has almost completed its January purchase plan with 5.75 mmts of soybeans booked, and the country has already bought 6.4 mmts and 7.05 mmts for February and March demand, respectively.

**Corn** - After several years in which China’s corn demand has set new records, the outlook for the new year indicates clear and stable expectations for Chinese demand and supply over the first few months of 2022.

For imports, the total volume of corn bought by China in the current marketing year to date comes in at 5.62 mmts, slightly lower than 5.71 mmts recorded in the corresponding period a year ago, according to customs data.

But that y/o/y reductions in imports is expected to increase when entering the new calendar year, as some demand for international corn will switch to domestic crops after an excellent harvest.

According to China’s statistical bureau and the Casde estimates, the country has harvested 272.55 mmts of corn for the 2021/22 marketing year, as high corn prices, better profits and supportive policies from the government encouraged farmers to expand their corn planted areas.

China’s domestic corn prices have also surged since early last year, with corn futures on the Dalian reaching their record high in May 2021 in a dynamic that largely drove farmers to shift their lands to plant corn rather than other crops.

Larger domestic production squeezed some margins and demand expectations for imported corn, with imports expected to reach only 20 mmts for 2021/22, compared with 29.56 mmts recorded a year ago.

Similarly, the USDA has also pegged its estimate for China’s imports in 2021/22 12% below the previous year at 26 mmts, according to the latest update of its influential World Agriculture Supply and Demand Estimates (Wasde) report.

In 2022, “we expect that the demand for corn will be relatively stable, as most of the excessive production capacity of the pig industry can be only eliminated until the middle of next year,” a China-based analyst said. At the same time, despite the larger domestic production, the balance in supply and demand in China’s corn market remains tight, underpinning prices for the grain. “It is hard to see domestic prices having a strong surge in the next stage,” the analyst added.

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**US DOLLAR & FOREIGN EXCHANGE**

- **US Dollar Index – On Weaker-Than-Expected U.S. Payrolls**

  17 Dec 2021 – The dollar index on Friday fell -0.601 (-0.62%). The dollar index was under pressure Friday after U.S. Dec nonfarm payrolls rose less than expected. Also, strength in EUR/USD weighed on the dollar as signs of faster inflation in the Eurozone are hawkish for ECB policy and boosted the euro.

  Friday’s U.S. economic data was mixed for the dollar. On the negative side, Dec nonfarm payrolls rose +199,000, weaker than expectations of +450,000 and the smallest increase in a year. Conversely, the Dec unemployment rate fell -0.3 to a 22-month low of 3.9%, showing a stronger labor market than expectations of 4.1%. Also, U.S. Nov consumer credit rose a record +$39.99 billion (data from 1905), stronger than expectations of +$20.00 billion.

  USDJPY (^USDJPY) on Friday fell -0.24 (-0.21%). The yen moved higher Friday as weakness in global equity markets boosted the safe-haven demand for the yen. Gains in the yen were limited on Friday’s news that Japan Nov household spending unexpectedly fell -1.3% y/y, weaker than expectations of +1.2% y/y, and the fourth straight month spending has declined.

  February gold (GCG22) on Friday closed up +8.20 (+0.46%), and March silver (SIH22) closed up +0.219 (+0.99%). Gold and silver on Friday recovered from 3-week lows and settled moderately higher. Dollar weakness on Friday was supportive for precious metals, along with weakness in stocks, which boosted the safe-haven demand for precious metals. Gold also found support Friday on increased demand as a hedge against inflation after Eurozone Dec CPI rose a record +5.0% y/y (data from 2001), stronger than expectations of +4.8% y/y. Gold prices fell back from their best levels Friday after the 10-year T-note yield climbed to a nearly 2-year high.
The dollar and gold have continued safe-haven support from the negative impact of the worldwide spread of the omicron Covid variant on the global economic recovery. A record 10 million people worldwide became infected with Covid in the week through Sunday. The 7-day average of new U.S. Covid infections rose to a record 605,883 on Thursday.

- **EU Inflation Hits Record 5%**
  7 Jan 2022 AP - Consumer prices in the 19 countries that use the euro currency soared at a record rate, led by a surge in food and energy costs, figures showed Friday.

  Inflation rose to 5% in December compared with a year earlier, according to Eurostat, the European Union's statistical office. That is the highest level in the eurozone since recordkeeping began in 1997, breaking the record of 4.9% only just set in November.

  Energy costs spiked again in December, jumping at an annual rate of 26%, though that was a bit lower than the previous month, according to Eurostat's data. A stronger rise in food costs contributed to the increase in overall inflation, picking up pace to 3.2%, higher than the 2.2% rate posted in November.

  Soaring prices are compounding problems for European Central Bank policymakers who have been keeping interest rates at ultra-low levels to stimulate the economy as it recovers from the coronavirus pandemic.

  Despite the omicron variant of COVID-19 surging and its uncertain effects on the global economy, central banks elsewhere have been raising interest rates to fight soaring inflation or taking steps in that direction.

  The Bank of England became the first central bank in a major advanced economy to raise interest rates since the pandemic began. The European Central Bank has taken a much more cautious approach, but also decided to start carefully dialing back some of its stimulus efforts over the next year.

  The U.S. Federal Reserve is moving faster than Europe to tighten credit as consumer prices jumped 6.8% over the past year in November, the highest such inflation rate in 39 years.

- **Argentines expect in 2022, another record-breaking inflation year, 51.3%**
  29 Dec 2021 - Argentines expect that inflation in the next twelve months will reach on average 51.3%, according to the latest survey from the Torcuato Di Tella University. This is 0.9 percentage points higher than in the previous month of November when it was measured at 50.4%.

  The University's Finance Research Center points out that the expected inflation at Argentine national level in December was 51.3% on average but 50% on the median. The median is the value at which the distribution of individual replies above and below are the same in number. This value in December was 50%, as in November. Higher inflation expectations was uniform, both in low income and high income households.

  Regionally the median inflation was 50% in all the territory, but on average Buenos Aires City expectation was 53.2% and 53.1% in the rest of Argentina, while in metropolitan Buenos Aires it stood at 47%.

  Compared to November the average in all regions increased expectations, both for low and high income households. In effect for high income households expectations increased from 51.1% to 51.8% in December, while in low income households it climbed from 49.3% to 50.8%.

  The Torcuato Di Tella university survey was done in the first two weeks of December with the basic question of what expectations you have about an overall increase in prices in the next twelve months.

  The latest official stats office Indec release shows that the Consumer Price Index reached 2.5% in November, the smallest since 2001, together with August. In the eleven months inflation was 45.4% and in the last twelve months, 51.2%

- **Once equal to $1, Argentine peso now worth less than a penny**
  3 Jan 2022 By Natalia Kidd - Created 30 years ago as part of a plan to tame inflation, the convertible Argentine peso remained at parity with the dollar for a decade but now trades for less than 0.5 cents on the informal market.

  On the 1st of January 1992, the new peso replaced the austral, itself adopted in 1985 as a substitute for the old Argentine peso in an earlier attempt to bring inflation under control.

  The peso was maintained at parity with the dollar until Jan. 6, 2002, when Argentina's Congress repealed the law establishing one-to-one convertibility with the United States currency.

  Weeks later, on the 3rd of February provisional President Eduardo Duhalde issued an order converting dollar-denominated bank deposits and debt into already devalued pesos.

  Parity with the dollar was "sustainable" as long the government ran a balanced budget, according to economist Mariano De Rosa, who attributes the collapse of the policy to an abandonment of fiscal discipline starting in the mid-1990s.

  "The crisis at the end of 2001 was one of the greatest in Argentine history, with a devaluation of nearly 400 percent in two days," the founder and executive director of business consultancy Mas Inversiones (More Investment) told Efe.

  That crisis was brought to a head by the-then largest sovereign default the world had ever seen.

  The default was yet another legacy of Argentina's 1976-1983 military regime, which presided over a 465 percent expansion in public indebtedness while in the process of killing 30,000 people.

  Argentina's accumulated inflation since 2002 is 435 percent.

  The cost of a basic food basket sufficient to meet the nutritional needs of one person has soared from 61 pesos in late 2001 to 10,267 pesos now.
"The peso-dollar relationship was 1-1. Today it’s 200-1. That is a rise of 20,000 percent. In the '90s we bought a mobile telephone for the same amount that today buys maybe a carton of milk," De Rosa said.

A currency, he said, must serve as a store of value, a medium for transactions and a benchmark for prices.

"In Argentina, when the peso began to decline in value ever more, we stopped regarding it as a store of value. We don’t save in pesos, but rather in some other thing, principally in dollars," the economist said. "There is a complete lack of confidence in the currency. We are all expecting a devaluation because ours is a crisis of expectations. Regrettably, this relationship has been totally broken for 20 years," De Rosa said.

**WHEAT**

- **CME CBOT Wheat Futures**

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**U.S. Export SRW Wheat Values – Friday 7th January 2021**

SRW Wheat Gulf barge quotes, in cents per bushel basis CBOT futures:

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A lack of export demand for U.S. wheat also weighed on prices, although declining condition ratings for U.S. winter wheat were somewhat supportive.

Argentina’s wheat harvest is finished and it looks like they will have more to export. In fact, the Buenos Aires Grain Exchange increased Argentina’s wheat production estimate by 300,000 mts to 21.8 mmts. The USDA in December was 20 mmts.

Elsewhere in the Southern Hemisphere, Australia is offering wheat for export, though there are some limitations on their export capacity. Adding to the pressure have been poor U.S. exports; last week’s export sales of only 1.8 mbus were a new marketing year low.

All that being said, wheat futures are oversold technically and today’s action may be the beginning of a correction. South American weather seems to be the main factor. With temperatures of 100+ degrees, with highs near 120'f over the next ten days in northern Argentina and southern Brazil, weather in that region is becoming more of a concern each day. As for U.S. weather, the southern Plains remain mostly dry, with that situation predicted to stay the same into the spring.

The Kazakhstan situation is also getting worse, as it was reported that Russian troops are being sent in to suppress the conflict. As this news unfolds, it may have an impact on the wheat market, though what it means today is not known for certain.

This week China sold all 507 kmts of its government reserve wheat that it offered in the first auction of the year with participation limited to flour millers. A second auction of 500 kmts is scheduled in a week.
CME KC HRW Wheat Futures

Kansas March 2022 HRW Wheat Futures settled on Friday at $7.75/bu. up 6½ cents on the day, but dropping 26 ½ cents for the week. The weekly CoT report showed managed money in KC wheat were closing longs which reduced their net position 7,593 contracts to 51,813.

U.S. Export HRW Wheat Values – Friday 7th January 2021

COARSE GRAINS

China to give safety approval to more domestic GMO corn types

28 Dec 2021 Reuters - China plans to approve the safety of more genetically modified (GMO) corn varieties produced by domestic companies, the agriculture ministry said.

The move comes after Beijing last month proposed an overhaul of regulatory seed rules to pave the way for approval of GMO crops and as top policy makers urged progress in biotech breeding, seen as key to ensuring food security.

The three new corn products include ND207 produced by China National Tree Seed Corp and China Agricultural University, Zheda Rufeng 8 made by Hangzhou Rufeng Biotech Co and DBN3601T from Beijing Dabeinong Biotechnology Co, according to the notice posted on the website of the Ministry of Agriculture and Rural Affairs.

The plan to approve the new corn varieties, along with seven new GMO cotton products, will be open for public comment until the 17th of January, the ministry said.

The DBN3601T corn is an upgraded variety from DBN9501 and DBN9936, two corn traits owned by Dabeinong Biotech, parent company Dabeinong Technology Group Co said in a statement.

Dabeinong will work with partners to get ready for the commercialization of the product, and prepare inventories of the variety, Dabeinong Technology said.
The new variety, combining traits from both DBN9501 and DBN9936, will have stronger resistance to a wider range of insects, especially the fall armyworm, according to a statement released on the company's website.

Safety approval is seen as a major step towards commercialization of GMO crops, but it is still unclear when the new products will be ready for a market launch.

Beijing has so far not permitted the planting of GMO soybean or corn varieties, but it allows their import for use in animal feed.

Both Hangzhou Ruifeng, in which Yuan Longping High-Tech Agriculture Co Ltd owns 41.8%, and Beijing Dabeinong already own GMO corn traits approved as safe by the government.

Corn

CME CBOT Corn Futures

CME Corn March 2022 settled on Friday at $6.06 ¾/bu, up 3 cents on the day, and gaining 13½ cents for the week. Corn held closer to unchanged for most of the session, finishing slightly higher. The adverse South American weather was also supportive for corn.

Calendar spreads firmed through the day on the order flow but closed mixed; CH/K down 1/4c at -1/0 carry, CK/N up 1c at +3 2c inverse, CK/U down 2c at 33 inverse, and CU/Z up 3/4c at 13 6 inverse. CZ2/H3 was also up 3/4c at -6 6 carry.

The weekly Commitment of Traders report showed managed money firms were 365,905 contracts net long in corn. That was down by 7,440 from last week on long liquidation. Commercial corn traders reduced their board hedge by 21,450 contracts for a 648,855 contract net short as of the 4th of January.

In cash markets western rail values were starting to break on the front end. Eastern rail continues to weigh heavy on the front end and closer (still under DVE for springtime. PNW values are getting close to trading out in the springtime vs Ukraine. The CIF NOLA market looks heavy for Jan and FH Feb, while LH Feb forward continues to hang around DVE. Starting to see March and Jun-Jly trail a little under DVE, which is newer than we've seen and something to watch for spread weakness.

Freight everywhere continues to run firm w/ UP FH Jan 2500/? And LH Jan 2300/4006. BN 2500 FH Jan no offer. Barge freight continues to remain inverted and stronger the past few days as well w/ water levels/temps an issue. Eastern rail continues to drag logistically as well.

The Buenos Aires Grains Exchange mentioned Argentina has begun planting their late crop corn, with the national total (including both early and late seasons) having reached 70% of expected area. The Rosario grains exchange mentioned the heat and dryness could lead to yield losses of up to 40% for the early planted corn in Eastern Argentina.

The USDA's monthly supply/demand report will be released next week Wednesday, and pre-report positioning likely accounted for some of the activity.

U.S. Export Corn Values – Friday 7th January 2021

Corn CIF NOLA Gulf barge/rail quotes, in cents per bushel basis CBOT futures:
USDA (U.S. No. 2, 14.5% moisture, CIF NOLA
Changes are from the AM Gulf barge basis report.

CIF MORNING UPDATES - January 7, 2022

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<td>OCT</td>
<td>55 / 70</td>
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The USDA announced private export sales of 176,000 tonnes of corn to Mexico this morning.
U.S. corn export sales pace over the past month of 52 mbu+ per week has been the highest for this time period for at least the past 27 years. Shipments for this period stand at a 10-yr high and a few mbu/week better than last year. This, along with the large unshipped book, helps explain why the IWDS is at DVE vs Mar/May/July.

BARLEY

- **Canadian Barley Exports done in November**

  6 Jan 2021 Stats Canada - Canada’s barley exports in November totaled 308,719 mts, down sharply from the 611,287 mts shipped in October. China remains the primary destination, with 91% of the total volume shipped to this country.

  Despite the official estimate for Canadian barley production being 35.3% lower y/o/y, cumulative exports over four months are 9.9% higher than the same period in the 2020-21 crop year, while the government is currently forecasting exports to fall by 50.8% in 2021-22, a forecast that also includes the export of barley products.

  Barley exports remain well ahead of the steady pace needed to reach this forecast.

GRAIN SORGHUM

- **U.S. Export Grain Sorghum Values – Friday 7th January 2022**

  Quotes, in cents per bushel basis CBOT futures:

<table>
<thead>
<tr>
<th></th>
<th>1/6/2022</th>
<th>1/7/2022</th>
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<tbody>
<tr>
<td>CIF MILO</td>
<td></td>
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<tr>
<td>January</td>
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<td>na</td>
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<td></td>
<td>UNC</td>
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  **TX FOB VESSEL MILO (USc/MT)**

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<tr>
<th></th>
<th>1/6/2022</th>
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</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>210</td>
<td>215</td>
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<tr>
<td>March</td>
<td>210</td>
<td>215</td>
</tr>
<tr>
<td>April</td>
<td>215</td>
<td>K</td>
</tr>
</tbody>
</table>

- **USDA report indicates robust sorghum exports**

  5 Jan 2022 John Reidy - Strong demand from China drove new export sales commitments of US sorghum to a marketing-year high of 422,078 mts (16.6 million bushels), according to USDA data issued on the 16th of December.

  Tim Lust, chief executive officer of National Sorghum Producers, said export demand for sorghum, particularly from China, remains strong, as indicated by the report. “This marketing-year high is very assuring as we wrap up one growing season and head into the next, all the while as we continue to increase and diversify demand and development of new markets internationally and domestically for sorghum farmers,” Lust said.

  Sales reported the week of December 16th were up 27% from the previous week and up 57% from the prior four-week average. In addition to a marketing-year high in sorghum sales, 12.4 million bushels were shipped primarily to China, another marketing-year high, up considerably from the previous week and up 81% from the prior four-week average.

  Purchases of US sorghum as of the December 16th export report were just over 200 million bushels, or 63% of what was estimated in the December 2021 USDA WASDE Report with eight months remaining in the marketing year.

OATS

- **CME CBOT Oat Futures**

  CME March 2022 Oats Futures settled at $6.68¼/bu, off 2¼ cents on the day, and losing 14¾ cents for the week.
ENERGY

- CME WTI Crude Oil - Moderately Lower On Covid Concerns

On Friday, WTI crude oil and RBOB gasoline prices erased an early rally to new 7-week highs and closed lower. CME WTI February 2022 closed down $0.51 at $78.94/barrel, gaining $3.73 for the week.

A weaker dollar Friday initially pushed energy prices higher, although crude gave up its gains and turned lower on demand concerns after U.S. Dec nonfarm payrolls rose less than expected. A slump in the S&P 500 to a 2-week low Friday also undercut confidence in the economic outlook and energy demand and weighed on crude prices.

Crude has support as severe cold temperatures have temporarily prompted shut-ins or slowdowns at oil fields in North Dakota and West Texas and have stoked concerns that suppliers won't be able to meet contractual obligations for this month. That may force some suppliers into the spot market to purchase crude to fulfill their obligations.

OPEC+ on Tuesday agreed to boost its crude production output by 400,000 bpd in February, as expected. Crude prices gained even after the decision by OPEC+ to hike output since the group's production increases are likely to be less than what they agreed to. According to Energy Aspects, only 130,000 bpd of additional OPEC+ crude will hit the markets in Jan, and only 250,000 bpd will make it to global markets in Feb as some countries such as Angola and Nigeria struggle to hit their production targets.

In addition, OPEC Dec crude production only rose by +90,000 bpd.

Global economic data Friday was mixed for energy demand and crude prices. On the negative side, U.S. Dec nonfarm payrolls rose +199,000, weaker than expectations of +450,000 and the smallest increase in a year. Also, Eurozone Dec economic confidence fell -2.3 to a 7-month low of 115.3, weaker than expectations of 116.0. In addition, Japan Nov household spending unexpectedly fell -1.3% y/y, weaker than expectations of +1.2% y/y, and the fourth straight month spending has declined. On the bullish side, Eurozone Nov retail sales unexpectedly rose +1.0% m/m, stronger than expectations of -0.5% m/m and the biggest increase in 5 months.

Reduced crude output from Libya is supportive of prices after Libya’s National Oil Corp. said that Libya crude production has fallen by -200,000 bpd to about 700,000 bpd, the lowest in a year, as workers try to repair a damaged pipeline. The outage comes less than two weeks after militia shut down the Sharara oil field, Libya’s biggest oil field.

The rapid spread of the omicron variant has bolstered concern that countries may impose travel restrictions to slow the spread of the virus, which would hurt fuel demand and is bearish for crude prices. New pandemic restrictions are being imposed in parts of Europe. A record 10 million people worldwide became infected with Covid in the week through Sunday. The 7-day average of new U.S. Covid infections rose to a record 605,883 on Thursday.

An increase in global crude oil stored on oil tankers worldwide is bearish for crude prices. Vortexa on Monday said that crude oil stored on tankers that have been stationary for at least seven days in the week ended Dec 31 rose +8.6 w/w to 97.32 million bbl.

Wednesday’s weekly EIA report showed that (1) U.S. crude oil inventories as of Dec 31 were -12.8% below the seasonal 5-year average, (2) gasoline inventories were -1.1% below the 5-year average, and (3) distillate inventories were -21.6% below the 5-year average. U.S. crude oil production in the week ended Dec 31 was unchanged w/w at a 19-1/2 month high of 11.8 million bpd, which is -1.3 million bpd (-9.9%) below the Feb-2020 record-high of 13.1 million bpd.

Baker Hughes reported Friday that active U.S. oil rigs in the week ended Jan 7 rose by +1 rig to a 1-3/4 year high of 481 rigs. U.S. active oil rigs have risen sharply from the Aug-2022 15-year low of 172 rigs, signaling an increase in U.S. crude oil production capacity.
ETHANOL

- CME Ethanol Futures - Nearby Daily

CME Nearby Ethanol February 2022 closed on Friday at $2.14000, up 2.000 cents on the day, but losing 16.000 cents for the week. February heating oil is down $0.0004, February RBOB is down $0.0089 and February natural gas is up $0.098.

Wednesday's Energy Information Administration (EIA) report showed overall U.S. ethanol plant production fell 11,000 barrels per day (bpd) to 1.048 million bpd during the week ending the 31st of December and averaged 1.061 million bpd over the most recent four weeks.

The USDA reported corn oil spot prices averaged 57.5 to 59 cents/lb regionally during the week that ended the 7th of January. That compares to last week’s averages ranging 55.6 to 57.13 cents.

- U.S. Export Ethanol Values – Friday 7th January 2021

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<tr>
<td>Cedar Rapids, IA</td>
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<td>10</td>
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<tr>
<td>Decatur, IL</td>
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<tr>
<td>Fort Dodge, IA</td>
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<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Portland, IN</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

EIA: US biofuel capacity, feedstock consumption up in October
4 Jan 2022 Erin Voegele, Ethanol Producer Magazine - U.S. biofuels production capacity expanded to nearly 20.87 billion gallons per year in October, according to data released by the U.S. Energy Information Administration on Dec. 30. Feedstock consumption was also up significantly.
Ethanol production capacity remained steady in October, at 17.393 billion gallons per year, while biodiesel capacity fell slightly from 2.462 billion gallons per year in September to 2.461 billion gallons per year in October. Capacity for renewable diesel and other biofuels, including renewable heating oil, renewable jet fuel, renewable naphtha, renewable gasoline and other biofuels and biointermediates, expanded by 103 MMgy for the month, from 911 MMgy in September to 1.014 billion gallons per year in October.

Total feedstock consumption for October reached 28.076 billion pounds, up from 24.308 billion pounds in September.

U.S. biofuel producers consumed 26.204 billion pounds of corn in October, up from 22.799 billion pounds the previous month. An additional 69 million pounds of grain sorghum went to biofuels production in October, up from 27 million pounds in September.

According to the EIA, 832 million pounds of soybean oil was used to produce biofuels in October, up from 756 million pounds in September. Biofuel producers also consumed 217 million pounds of corn oil and 116 million pounds of canola oil in October, up from 167 million pounds and 106 million pounds, respectively, the previous month.

A total of 574 million pounds of waste oils, fats and greases went to biofuels production in October, including 15 million pounds of poultry fat, 141 million pounds of beef tallow, 67 million pounds of white grease, 321 million pounds of yellow grease and 30 million pounds of other forms of waste oils, fats and grease. Only 386 million pounds of waste oils, fats and greases went to biofuels production in September, including 18 million pounds of poultry fat, 90 million pounds of beef tallow, 54 million pounds of white grease, 219 million pounds of yellow grease and 5 million pounds of other waste oils, fats and greases.

The EIA also reported that approximately 64 million pounds of other feedstocks were used to produce biofuels in October, compared to approximately 67 million pounds the previous month.

**DDG’s – Prices push higher for the week**

7 Jan 2022 Mary Kennedy, DTN Analyst – The DTN average price for domestic distillers dried grains (DDG) from 34 locations reporting for the week ended the 6th of January was $207 per ton, up $8 per ton on average versus one week ago. DDG prices continue to push higher as soybean meal remains expensive, sending feeders to the DDG market.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ending November 18th was 96.00%. The value of DDG relative to soybean meal was 49.24% and the cost per unit of protein for DDG was $7.67, compared to the cost per unit of protein for soybean meal at $8.85.

In their weekly DDGS update, the U.S. Grains Council said, "DDGS markets are returning from the holidays with mixed pricing directions. Barge CIF NOLA and FOB U.S. Gulf offers are down $1 to $2 metric ton (mt) for January/early February shipment but are higher for deferred positions. Barge rates for late February and March are up $6 and $4/mt, respectively, while FOB Gulf offers are essentially steady for those positions. Offers for 40-foot containers to Southeast Asia are generally $3 lower, though values to Indonesia are up $8 to $9, product into Myanmar is up $3 to $4, while containers to Thailand are down $15 to $20/mt. The average price for containerized DDGS to Southeast Asia reached $360/mt this week."

U.S. Census Bureau reported Thursday that U.S. exports of DDGS totaled 1,019,430 mt in November, up from 1,058,697 mt in October and up 11% from a year ago. Mexico was the top destination in November, taking 30% of U.S. exports and was followed by Vietnam and South Korea. With one month remaining in 2021, U.S. exports of DDGS are up 6% from a year ago.

**VALUE OF DDG VS. CORN & SOYBEAN MEAL**

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<th>Settlement Price</th>
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<th>Bushel</th>
<th>Short Ton</th>
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<tr>
<td>Soybean Meal</td>
<td>1/6/2022</td>
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<tr>
<td>DDG Weekly Average Spot Price</td>
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<td></td>
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<tr>
<td>DDG Value Relative to:</td>
<td>1/6</td>
<td>12/29</td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>96.00%</td>
<td>92.02%</td>
<td></td>
</tr>
<tr>
<td>Soybean Meal</td>
<td>49.24%</td>
<td>47.91%</td>
<td></td>
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<tr>
<td>Cost Per Unit of Protein:</td>
<td></td>
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<tr>
<td>DDG</td>
<td>$7.67</td>
<td>$7.37</td>
<td></td>
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<tr>
<td>Soybean Meal</td>
<td>$8.85</td>
<td>$8.75</td>
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</table>

Notes: Corn and soybean prices take from DTN Market Quotes. DDG price represents the average spot price from Midwest companies collected on Thursday afternoons. Soybean meal cost per unit of protein is cost per ton divided by 47.5. DDG cost per unit of protein is cost per ton divided by 27.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ending November 18th was 89.91%. The value of DDG relative to soybean meal was 49.68% and the cost per unit of protein for DDG was $6.81, compared to the cost per unit of protein for soybean meal at $7.80.
OILSEEDS COMPLEX

2021/22 Brazil Soybean Estimate Declining Due to Dry Conditions

28 Dec 2021 Michael Cordonnier/Soybean & Corn Advisor, Inc. - Once again, the weather last week was mostly dry in southern Brazil and mostly wet in central and northern Brazil. I would estimate that 35-40% of Brazil's soybeans are in the dry areas and that 50-60% are in the wetter areas, but that is just a rough guess.

The differences between northern and southern growing areas in Brazil grew even larger last week. While northern Brazil continues to be inundated with heavy rains, some areas in southern Brazil have not has a significant rain in over 60 days. The drought in southern Brazil is the most immediate concern for the Brazilian soybean crop, but too much rain in northern Brazil could become a concern as well.

Farmers in the municipality of Candido Rondon in western Parana have harvested a few drought impacted soybean fields with yields of 8 sacks per hectare (7 bu/ac). These were 120-day maturity soybeans that were harvested at 90 days. Soybean yields in the municipality are expected to be down 65% and the first corn crop yields are expected to be down 85%. This is probably a worst-case scenario for the state.

Farmers in central and northern Brazil have been complaining for three months about the overcast skies, heavy rain, and lack of sunshine and unfortunately the forecast is calling for more of the same. The wet conditions have led to localized flooding and kept farmers from applying needed fungicides and insecticides. After days of torrential rains in southern Bahia, two dams burst on Saturday resulting in widespread flooding and evacuations. There is little commercial agriculture in the region, but it is an example of how the rain has been distributed in Brazil this growing season.

A few fields of soybeans in Mato Grosso may be harvested by the end of the week, but wet weather has slowed the harvest maturity. If these wet conditions persist for another 1-2 weeks, it could become a legitimate concern for the soybeans in the region.

Once a soybean plant reaches harvest maturity and the desired seed moisture (13% to 14% would be ideal), each time the pods go through a wet and dry cycle, there is an increased chance of moldy soybeans and poor seed quality. If harvest-ready soybeans in Mato Grosso stay constantly wet for 5-6-7 days, the seeds may start to sprout in the pods, which can cause huge losses.

One thing to remember, the weather in Mato Grosso and central Brazil at this time of the year can be hot with very high relative humidity and potentially off-and-on rain day and night. Under these conditions, it does not take long for the seed quality to deteriorate.

Brazil soybean crop falling short of record

6 Jan 2022 Reuters - Brazil is no longer expected to harvest a record 2021/22 soybean crop, agribusiness consultancy AgRural said on Thursday, as hot dry weather in southern states knocked 11 mmts off its crop forecast.

AgRural now sees Brazil's crop at 133.4 mmts, down from a forecast of 144.7 mmts. Brazil's last crop cycle produced a record 137.3 mmts of soybeans, the firm said. The outlook adds to growing signs that the La Nina weather pattern could leave a large swath of South America too parched to reach its potential grains output this year.

Earlier this week, consultancy StoneX also said it no longer expects Brazil to harvest a record soybean crop, trimming its estimated output to 134 mmts.

"Drought and the high temperatures seen in southern Brazil and in the south of Mato Grosso do Sul state since early November have hit the 2021/22 soybean crop heavily," AgRural said in a statement.

Brazil's average soybean yield is now expected to fall to its lowest since 2015/16 at 54.8 bags per hectare, the consultancy said.

The southern state of Parana, one of Brazil's major soy states, has been the hardest hit, AgRural said, adding that it has also slashed its output projections for the states of Rio Grande do Sul, Santa Catarina and Mato Grosso do Sul.

"In the rest of the country, the crop is well established and high yields are expected in (the top-producing state of) Mato Grosso, where initial areas are already being harvested," AgRural said.

Brazil's 2021 soybean exports hit 86m mt record

4 Jan 2022 - Brazil has exported 2.7 mmts of soybeans in December, a ten-fold increase on the same month of 2020, official customs data showed on January 1st and enough to guarantee the country ends 2021 with a new record export figure.

Export figures landed within expectations as reported by the country's grains exporters association ANEC on December 21st.

With December volumes, Brazil shipped 86.1 mmts of beans during the 2021 calendar year, an all-time high and over 3 mmts higher on the year.

The country also exported 13.4 mmts of corn through December, 32% lower on the year. Corn exports came in just short of the figures that had been suggested by line-up data on December 21st, but were within ANEC’s estimates that ranged from 3 to 3.9 mmts. Total corn volumes shipped through 2021 amounted to 20.4 mmts, 10 mmts lower on the year due to the massive weather-related crop loss.

Brazil’s December soymeal exports reached 1.8 million mt, 70% higher on the year, and lifted total yearly volumes to 17.3 mmts, slightly above 2020 figures.

China’s soybeans crush drops further, low stocks, New Year holiday

6 Jan 2022 - China’s weekly soybean crushing volume shrunk in the week to January 2, as oil plants shut down during the New Year holiday and coincided with “a shortage” of soybeans, the National Grain and Oil Information Centre (CNGOIC) said on Thursday.

Crushing rates dropped 200,000 mt on the week to 1.59 mmts, posting three consecutive weeks of decline, and were also down 120,000 mts from the level
recorded at the same point last year. "Soybean crush volumes continued to fall last week during the New Year holiday. At the same time, more oil plants shut down due to a shortage of soybeans," CNGOIC said.

Weekly soybean stocks slumped by 500,000 mts from the previous week to their lowest level since mid-April 2020 at 3.13 mmts, down 1.1 mmts m/o/m and 2.89 mmts y/o/y. Accordingly, soymeal stocks fell 40,000 mts on the week to 570,000 mts, almost unchanged from the level recorded a month ago.

"Soymeal output decreased amid lower crush volumes, but slow procurement pace from the feed industry inhibited the decline of meal inventories," the agency added.

Soyoil stocks remained stable versus the previous week at 780,000 mts, but were down 30,000 mts on the month and 190,000 mts on the year.

Finally, CNGOIC expected the volume of soybeans that would arrive in January at 6.8 mmts.

**EU 2021/22 soybean imports at 6.47 mmts, rapeseed 2.41 mmts**

4 Jan 2022 Reuters - European Union soybean imports in the 2021/22 season that started in July had reached 6.47 mmts by the 2nd of January, according to data published on Tuesday by the European Commission, which said that figures for France were only complete up to November.

The volume compared with 7.48 mmts by the same week in the previous 2020/21 season, the data showed.

EU rapeseed imports so far in 2021/22 had reached 2.41 mmts, compared with 3.65 mmts a year earlier.

Soymeal imports so far in 2021/22 were at 8.01 mmts against 9.17 million a year ago, while palm oil imports stood at 2.72 mmts versus 3.17 million.

The Commission had said previously it expected French data to be complete again from the start of January following partial transmission of figures in recent months due to a technical problem at France's customs service.

**China's Heilongjiang to expand soybean plantation area in 2022**

2 Jan 2022 - Northeast China's Heilongjiang Province will increase its soybean planting area by 10 million mu (about 666,667 hectares) in 2022, local authorities said.

The soybean yield is expected to increase by 1.3 billion kg, according to the provincial department of agriculture and rural affairs.

The decision aims to optimize the planting structure in the province, and enhance the supply guarantee ability of important agricultural products, the department said.

Heilongjiang is the major soybean production base in China, with the planting area and output remaining the first in the country.

**SOYBEANS**

**AgResource Co slashes Brazil soy crop forecast to 131 million T**

6 Jan 2022 Reuters - Consultancy AgResource Co cut its estimate of Brazil's 2021/22 soybean crop to 131.04 mmts, down 7% from its November estimate of 141.03 mmts, the company said in a statement on Thursday, citing drought in southern areas of the country.

"We find it difficult for production gains in northern Brazil to be able to offset the decline in the south," AgResource Brasil director Raphael Mandarino said in the statement.

"We are concerned about the Latin American offer because we also have Argentina and Paraguay with climate problems. Here in Brazil, our fear is that this drought will "extend into the second corn crop," Mandarino said.

**CME CBOT Soybeans Futures**

CME March 2022 Soybean Futures settled on Friday at $14.10¼/bu, up 23 cents on the day, and gaining 71 cents for the week. Soybeans and meal worked higher on Friday to close the week with sharp gains, as soy oil faded into the weekend. March traded to the highest levels since June and November to the highest price level ever for the month of January.

CFTC data showed managed money firms were 839 contracts more net long soybeans, to 98,919 contracts as of the 4th of January. Commercial soybean traders were 232,737 contracts net short, which was 4,504 contracts more net short than the week before.
Cash markets are dominated by freight and logistics and most markets well covered for the next 30 days. IWDS basis for March is 13 cents below DVE, which is either bullish basis or bearish the spread.

South American weather worries were a major supportive influence, with hot and dry forecasts for Argentina and southern Brazil raising concerns over the yield prospects. Lots of talk of 5 to 10 mmts crop losses in Southern Brazil and Paraguay. Argie crop scouts now starting to trim crop potential too. Noted that some weather experts are raising the possibility that a drier than normal January could lower combined soybean production from 6 to 13 mmts in 3 or 4 of the key Brazilian producing areas. Parana Sec of Ag saying soybean crop losses already at 8 mmts.

Brazil’s AgRural lowered their estimate for the size of the country’s soybean crop by 11.3 million tonnes, now estimating production at 133.4 million tonnes. While that would still be large, it would no longer be a new record as some had anticipated earlier in the growing season.

Next week should be interesting as we trade the weather and get a big update from USDA on Wed. Conab updates the Brazilian crop on Tuesday morning. Avg trade guess for next Wednesday’s USDA report has c/o at +8 mbus to 348 mbus.

➢ U.S. Export Soy Values – Friday 7th January 2021

U.S., FOB Gulf - $550.00/mt
U.S., FOB PNW - $5591.50/mt
Brazil, FOB - $532.00/mt
Argentina, FOB UpRiver, $543.50/mt

Soybeans Gulf barge/rail quotes, in cents per bushel basis CBOT futures:
USDA (U.S. No. 2, CIF New Orleans)

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<td>70 / 76</td>
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<tr>
<td>SEP</td>
<td>83 / -</td>
<td>90 / -</td>
</tr>
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</table>

The United States Department of Agriculture announced private export sales this morning of 102,000 mts of soybeans to unknown destinations.

China Sep-Jan imports on pace to be 6.7 mmt below last year, off -15%. Another big day of China meal trade at 383 kmst, mostly for deferred months where they have a margin. China’s is thought to have bought 4-6 US Gulf and 2-3 PNW cargoes for O/N this week as they start their 2022/23 program.

China set to become part of 15 member RCEP trade group which will eliminate 90% of tariffs to its members, of which the US is not.

China weekly crush at 1.587 mmts below estimates and 7% below last year. China’s Heilongjiang province estimates soybean acres to increase 1.5 mln acres as the government encourages more bean acres.

➢ U.S. shipped less soybeans to the EU-27

Soybean imports over the first five months of the running crop year into Europe amounted to around 5.8 million tonnes - just about 1 mmts less y/o/y.

Brazil and the US remained the top soybean suppliers to the EU, with volumes clearly shifting towards South America. Brazil delivered around 3.4 mmts in the period 1st July to 12th December 2021, one fifth more than over the same period a year earlier. This amounted to 59% of imports being sourced in Brazil.

By contrast, the US supplied only just 1.6 mmts, which was an 840,000 mts decline year over year. The US accounted for 27% of EU-27 soybean imports.

According to Agrarmarkt Informations-Gesellschaft (AMI), one of the reasons for the sharp drop in US shipments was likely to be the damage Hurricane Ida caused to export terminals in the Gulf of Mexico, which severely hampered exports.

Canada remained the third most important supplier, exporting 639,300 mts, followed by Ukraine with 104,911 mts. This translated to a share of 11% and just less than 2%, respectively. Uruguay ranked fifth with 16,530 tonnes.

➢ High prices, South America and China steering U.S. soy exports

6 Jan 2022 Karen Braun, Reuters - With harvest well in the past, demand and particularly exports are now in focus for U.S. soybeans and corn in the current marketing year. Exports are on an OK but not great pace so far, though the forward sales are of top concern for soybeans.

Some analysts believe government estimates for U.S. corn and soybean exports in the 2021/22 marketing year ending the 31st of August are too aggressive, especially as sales have cooled off in recent weeks.

To meet these targets, the sales and export volumes needed over the next eight months are not out of line with historical norms, but they might be when placed in context with price. For soybeans, U.S. export prices are in range of last year but about 50% greater than at the same point in 2020.
Export sales have been unimpressive as of late, including a marketing-year low for soybeans and a near-low for corn in the latest week. However, the commitment pace for corn is ahead of normal relative to expectations, largely owing to huge Chinese purchases early in 2021.

Some 65% of the U.S. Department of Agriculture’s 2.5 billion-bushel corn export forecast had been sold as of Dec. 30, identical to the year-ago pace. By the same date, soybean sales covered 75% of the 2.05 billion bushels predicted for export in 2021/22. That compares with 91% a year ago.

The soybean pace lags most typical years, though it exceeds the Dec. 30 rate for 2017, 2018 and 2019, and final exports in all three years came in lower than what was expected in December. Top buyer China owns just 57% of total soy sales, the lowest share in 13 years when excluding the two trade war years.

Price was likely a major deterrent for China and other buyers throughout last year as sales to both groups were notably below average in the second half of last marketing year. Soybean prices are well off their mid-2021 highs but still safely above typical levels.

SOUTH AMERICA VS. USA

Brazil’s first soybean shipments are imminent as harvest just began, so China’s lighter U.S. interest and high prices might be enough to justify a USDA reduction to U.S. exports in next week’s update. But the recent escalation of the South American drought complicates that idea.

Analysts expect USDA to cut Brazil’s soybean crop estimate to 141.6 mmts from 144 mmts previously due to the dryness and terrible crop conditions in southern states. But some outlooks reach as low as 131 mmts, which would be a huge blow for the top soybean exporter but a potential opportunity for U.S. business.

It is uncertain whether global soybean demand is strong enough for U.S. exports to fully replace whatever is lost in Brazil, but continued problems for South America could keep bean prices elevated, so end users may have to decide either to accept pricy U.S. offerings or seek alternatives to the oilseed.

USDA last month estimated 2021-22 U.S. soybean ending stocks at 340 million bushels based on exports at 2.05 billion bushels, the number that some market-watchers think is too heavy. Last year’s stocks came in at 256 million, so exports by themselves could have a long way to go to reverse the year-on-year supply increase.

The trade average for U.S. soybean ending stocks is 348 million bushels as the market awaits USDA’s update next week, hardly changed from last month. But Wednesday’s update will contain a lot of moving parts, including U.S. yields and quarterly stocks, on top of any demand tweaks.

If soy supplies this month remain close to expectations, there is a path to lighter soybean prices in the future, which could potentially stimulate demand. U.S. planting intentions coming March 31st are known to rock the boat, and in the meantime, it is not too late for parched South American crops, especially in Argentina, if the misfortunes are soon reversed.

CANOLA / RAPESEED

**ICE Canadian Canola Futures**

The ICE Futures canola market was up sharply hitting fresh contract highs as bullish chart signals kept speculators on the buy side. Values were supported by gains in CME soybeans, although soyoil was softer on the day and the Canadian oilseed outpaced the United States market to the upside.

**Canadian ICE January 2022 Canola Futures** settled on Friday’s at a new contract high reaching C$1,035.10/mt, up C$11.80 on the day, and gaining C$24.60 for the week.

While there are some ideas that canola is looking overpriced, Canada’s tight supply situation remained a supportive influence from a fundamental standpoint.

Strength in the Canadian dollar, which was up by roughly half of a cent relative to its U.S. counterpart, put some pressure on values.

About 20,913 canola contracts traded on Friday, which compares with Thursday when 17,885 contracts changed hands. Spreading accounted for 10,990 of the contracts traded.

**VEGETABLE OILS**

**USDA November soybean crush slides 4% m/o/m**

3 Jan 2021 USDA - US soybean crushing in November slipped 4% on the month to reach 5.17 mmts (190.5 mbus), landing below market expectations, USDA data showed late Monday.
The bean grinding figure slipped 4% compared to October volumes of 5.36 mmts (197 mbus), and was marginally lower versus the figures for November 2021 at 5.19 mmt (191 mbus). The figures were slightly below market expectations as industry analysts had looked for volumes to land at 5.22 mmts 191.8 mbus.

“The lower-than-expected crush was surprising as NOPA indicated a m/o/m increase in the daily crush rate,” Terry Reilly from Futures International said in a note to clients. The National Oilseed Processors Association (NOPA), which represents around 95% of US bean crushers, previously reported the November soybean crush figure at 179.46 mbus (4.88 mmts); marking the first monthly decline since June.

The USDA pegged crude soybean oil produced in November at 2.25 billion pounds, down 4% on the month, but 2% up on the year.

Soybean oil yield was estimated at 11.8 pounds per bushel, 1% lower on the month, but at an increase of 2% on the year.

Refined soybean oil production was pegged at 1.66 billion pounds in November, down 4% from October 2021, but up 5% from a year ago.

CME Soybean Oil

CME Palm Oil Swaps

CME February 2021 Palm Oil Swaps settled at $1,122.25/mt on Friday, up$5.25 on the day, and gaining $57.50 for the week. The contract made new highs on Wednesday touching $1,134.00/mt.

Palm Oil clocks best week since October on output concerns

7 Jan 2022 Reuters - Malaysian palm oil futures firmed on Friday to log their biggest weekly gain in three months, lifted by concerns over adverse weather hurting output in the world's second largest producer.

The benchmark palm oil contract for March delivery on the Bursa Malaysia Derivatives Exchange closed up 11 ringgit, or 0.22%, to 4,996 ringgit ($1,187.54) a tonne.

The contract has gained 6.5% this week, rising for a third straight week and clocking its best week since the week ended Oct. 8.

The Malaysian Palm Oil Association (MPOA) estimated December production declined 11.38% from a month earlier to 1.45 mmts, traders and analysts said.

The estimated drop is bigger than an 8.6% fall pegged in a Reuters poll, which may lead to a larger decline in inventories.

Market participants are eyeing industry data to assess the impact on production from flooding in recent weeks disrupting harvesting activities in several states. The Malaysian Palm Oil Board is scheduled to release its December data on Monday.
January production is also expected to weaken, with the Southern Peninsula Palm Oil Millers' Association on Thursday estimating a 45.8% month-on-month decline in Jan. 1-5 output, according to traders.

Meanwhile, Brazilian soybean prices climbed past last year's highs, as hopes for another record harvest are dashed by hot and dry weather in southern states, agribusiness consultancy AgRural said.

Soyoil prices on the Chicago Board of Trade were up 0.5%. Dalian's most-active soyoil contract rose 0.6%, while its palm oil contract gained 0.5%.

Palm oil is affected by price movements in related oils as they compete for a share in the global vegetable oils market.

**Top Palm Oil Grower Indonesia Warns Inflation May Hit Prices**
5 Jan 2020 Bloomberg - Indonesia, the world’s top oil palm grower, is finding it isn’t immune to the impact of soaring prices as it plans to subsidize cooking oil sold locally.

The government will spend 3.6 trillion rupiah ($250 million) of funds raised from palm oil export levy to temper cooking oil prices by paying for the price gap and scrapping tax on 1.2 billion liters of edible oil, Coordinating Minister for Economic Affairs Airlangga Hartarto said in a press briefing on Wednesday.

Palm oil, the world’s most consumed edible oil, surged to a record in October and posted a third straight year of gains. That added to concerns about global food inflation at a time when supply chains are hit by bad weather, Covid-19 disruptions and labor shortages. Prices of crude palm oil climbed for a fourth day to 5,037 ringgit a ton on Wednesday and are expected to stay elevated in the first quarter.

Indonesia has sounded caution about inflation after a year of muted price gains. A market intervention to stabilize costs during Christmas and New Year hasn’t stopped the surge in edible oil. The government asked producers to sell simple packaged cooking oil at 14,000 a liter, with companies pledging to supply as much as 11 million liters to retailers, but prices still hit 18,500 rupiah in January.

The soaring prices are due to a lack of market efficiency rather than a supply shortage. Indonesia only consumes 5.1 million tons of the 8 million tons of cooking oil it produces, but many companies aren’t integrated with local palm oil growers, the trade ministry said. Instead, the cooking oil producers buy at prices influenced by volatile global prices.

**Canola prospects brighten as EU turns its back on palm oil**
28 Dec 2021 Western Producer - Biodiesel consumption expected to fall as the move to electric vehicles continues, but canola demand is not likely to drop.

There is a good news/bad news scenario emerging for canola oil in the European Union’s biodiesel sector, according to a Rabobank report.

The bad news is that diesel demand is expected to fall with the increased adoption of electric and hydrogen vehicles.

The electric share of new car registrations in the EU is expected to surge to 65% by 2030, up from 1.6% in 2019. Hydrogen vehicles would account for another 13%.

That is a lot of new cars that won’t be burning biodiesel and renewable diesel. However, the vast majority of older vehicles still rely on gasoline and diesel fuel.

Rabobank is forecasting a 4% reduction in EU biodiesel demand by 2025. It will shrink a lot further by 2030 and beyond to the point where some production plants will be forced to shut down in the 2040-45 period.

An estimated 59% of EU biodiesel feedstock is imported, such as soybean oil from South America and the United States and palm oil from Indonesia and Malaysia.

“The rest (41%) is produced domestically in the EU, with the biggest share going to rapeseed oil,” stated the report authored by Maria Alfonso, senior grains and oilseeds analyst with Rabobank.

Some of that EU rapeseed oil is made from imported Canadian canola, so an overall reduction in biodiesel demand would hurt sales.

The good news for Canadian canola growers is that palm oil is being completely phased out of the EU’s biodiesel sector between 2023 and 2030.

That is why Rabobank is forecasting a six percent increase in rapeseed/canola oil use in 2025 over 2020 levels despite the overall reduction in biodiesel demand.

It expects rapeseed oil to receive an even bigger boost in demand after 2025 as palm oil’s retreat becomes even more pronounced.

Brian Voth, president of IntelliFARM, said the EU might not want to rely too much on increased canola imports to replace the lost palm oil supplies due to the looming wave of additional canola crush capacity in Canada. “When you factor in all the new crush demand, that’s like an extra five million tonnes of demand, 50% more crush demand when all these new plants are up and running,” he said. “That limits our ability to export unless they’re buying finished oil.” And for logistical reasons he doubts that would be the case.

So, the EU might have to focus on other feedstocks. Rabobank said used cooking oil will be the other main beneficiary of palm oil’s misfortunes, with an anticipated 18 percent increase in demand between 2020 and 2025.

The long-term outlook for all biodiesel feedstocks is grim in the EU. By 2045 most of the EU vehicle fleet will have been replaced by electric and hydrogen vehicles, according to Rabobank.

Voth is skeptical of these types of outlooks because a lot can change between now and then. In addition, he doesn’t think the EU has the infrastructure to support that drastic a shift in the vehicle fleet. “Maybe Europe’s infrastructure is better than North America but there’s a whole lot of changes that need to go on to be able to even have electrical vehicle fleets in that capacity,” he said.

“If all of New York City were to go to electric vehicles, it would use the entire power consumption of the whole U.S.”
PLANT PROTEIN MEALS

- **CME CBOT Soybean Meal**

  CME March 2022 Soybean Meal Futures settled on Friday at $425.00/short ton, up $14.00/ton on the day, and gaining $25.90/ton for the week. Soymeal closed with 3% to 3.12% on double digit gains, setting fresh LOC highs during the day.

  CFTC data showed managed money as of the 4th of January were 9,606 contracts more net long on the week to 70,768 contracts driven by net new buying.

  **U.S. Export Soybean Meal Values – Friday 6 January 2021**

  U.S., FOB Gulf - $489.75/mt
  Brazil, FOB Paranagua, $456.00/mt
  Argentina, FOB Upriver, $451.50/mt

  Soybean Meal Gulf barge/rail quotes, basis CBOT futures:

  USDA, CIF New Orleans)

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  **India sets stock limits on soybean meal**

  5 Jan 2022 Susan Reidy - India has set stock limits on soybean meal from December 23rd, 2021, to June 30th, 2022, in an attempt to check rising domestic prices, according to a report from the Foreign Agricultural Service of the USDA.

  For plants, millers, and processors, the maximum allowed stock is 90 days of production, as per their daily input production capacities.

  For trading companies, only government registered enterprises are eligible to stock soymeal, with a maximum stock limit of 160 mts with a defined and declared storage location.

  Imposing stock limits likely will prevent hoarding and ensure product availability for domestic crushers, according to trade and industry associations. Soybean processors do not typically stock soymeal because of high price economics.

  With domestic soybean production estimated at 11.9 mmts, it is unclear how stock limits on soymeal, as opposed to soybeans, will ensure price correction, the USDA said, and maintain availability for compound feed manufacturers.

  “Imposing stock limits on soymeal may reduce crushing, which in turn would lead to higher soybean availability and potentially keep soybean prices in check,” the USDA said.

  Domestic prices from September-December 2021, ranged from $706 to $892 per tonne, compared to the minimum support price of $526 per tonne. In the same time period, soymeal prices ranged between $693 to $799 per tonne.

  A bumper crop in Brazil arriving in February 2022 may result in global price moderation, the USDA said. India’s various poultry industry associations have welcomed the move. Domestic poultry companies have been the most affected by rising animal feed prices.
**COTTON**

- **CME Cotton – Daily Nearby**

**CME March 2022 Cotton Futures** settled on Friday at $115.12/cwt, up 0.40/cwt on the day, and gaining $2.55/cwt for the week.

At the closing bell, front month cotton futures were 40 to 87 points stronger. For the week March cotton rose 2.24%. New crop prices closed 35 to 53 points in the black.

CFTC data showed cotton specs extended their net long by 5,452 contracts through the week that ended the 4th of January. That net new buying left the group 80,277 contracts net long. The commercials added hedges through the same week, extending their net short 6,690 contracts to 156,337.

USDA reported cotton bookings were 143,152 RBs in the weekly Export Sales report. That was down 16% wk/wk as the lowest sale since 11/18, and was 6% lighter than the same week last year. Cotton exports from the same week were 104,869 RBs. That left the MYTD total at 3.04 million, which is 45% behind last season’s pace. Total cotton commitments as of 12/30 trail last season by 8% with 10.6m RBs committed. Census data showed 476,606 bales of cotton were shipped during November. That was 5% above October exports, but still 64% lighter yr/yr. MYTD cotton shipments reached 2.451m bales.

The Seam reported 30,667 bales were sold on 1/05 for an average gross price of 112.39 cents/lb. USDA’s 1/06 DSQ report showed 13,876 bales were sold at spot. The Cotlook A index was 128.5 cents on Jan 6, UNCH from yesterday. The AWP for cotton is 103.85 c/lb after a 473 point bump from the previous week.

**OTHER MARKETS & RELATED NEWS**

- **Sugar Prices Fall On The Outlook For Bigger Supplies**

On Friday, sugar prices extended this week’s losses, with NY sugar falling to a 5-month low and London sugar dropping to a 5-week low. Recent rain in Brazil’s Center-South region has improved Brazil’s sugar crop prospects and sparked long liquidation in sugar futures. Also, increased sugar production in India is negative for prices after the Indian Sugar Mills Association (ISMA) reported Monday that India’s sugar production from Oct 1st - Dec 31st rose +4.3% y/y to 11.56 mmts. Robust sugar export sales from India are bearish for sugar prices. The ISMA said India currently has an opening balance of +8.18 mmts of sugar as of October 1st and needs to export about 6 mmts in 2021/22, although that would be 15% y/y less than 7.1 mmts in 2020/21.

A bearish factor for sugar is the outlook for higher Thailand sugar exports after Czarnikow projected Thailand 2021/22 sugar exports would surge +67% y/y to 6.7 mmts. On September 8th, the Thailand Sugar Mills Corp forecast Thailand 2021/22 sugar production could climb +44% y/y to 11 mmts due to beneficial rain and increased plantings. Thailand is the world’s second-largest sugar exporter.

Reduced sugar output in Brazil is bullish for prices after Unica reported Dec 16 that sugar production in the second half of November in the Center-South region fell -62.8% y/y to 160,000 mts. Also, the sugar content in the sugarcane crushed fell -8.7% y/y to 133.72 kg/ton from 146.38 kg/ton a year earlier.

Sugar has underlying support from the recent damage to Brazil’s sugar crops from frost and drought. Conab, on Nov 23, cut its Brazil 2021/22 sugar production estimate to 33.9 mmts from an Aug forecast of 36.9 mmts, down -17.9% y/y. Conab projects...
Brazil's 2021/22 sugarcane crushing will fall to 525 mmts, down -13% y/y and the lowest in 10 years.

In a supportive factor, the International Sugar Organization (ISO) recently projected a global 2021/22 sugar deficit of -2.55 mmts.

**Big Picture Sugar Market Factors:**
- World sugar production in 2021/22 (Oct/Sep) will climb +0.08% y/y to 170.47 mmts from 170.335 mmts in 2020/21 (ISO).
- The world sugar deficit in 2021/22 will widen to a -2.55 MMT deficit from a -2.02 mmts deficit in 2020/21 (ISO).
- Sugar production by Brazil, the world's largest sugar producer, in 2020/21 (Apr/Mar) will climb by +32% y/y to 39.3 mmts from 29.8 mmts in 2019/20, as millers divert 46.4% of cane juice to produce sugar (up from 34.9% in 2019/20) (Conab).
- Sugar production from India, the world's second-largest sugar producer, will climb +13% y/y to 31 mmts in 2020/21 due to a good monsoon season (India Sugar Mills Association).
- Weather concerns in Brazil are a major bullish factor for sugar prices, with Brazil having experienced its worst drought in 100 years and as several bouts of frost in Brazil have damaged some sugar cane crops.

**TRANSPORTATION**

- **Baltic Dry Freight Index - Daily**

  The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index is a composite of three sub-indices that measure different sizes of dry bulk carriers: Capesize, which typically transport iron ore or coal cargoes of about 150,000 tonnes; Panamax, which usually carry coal or grain cargoes of about 60,000 to 70,000 tonnes; and Supramax, with a carrying capacity between 48,000 and 60,000 tonnes.

  Not restricted to Baltic Sea countries, the index provides "an assessment of the price of moving the major raw materials by sea. Taking in 23 shipping routes measured on a time-charter basis, for dry bulk carriers carrying a range of commodities including coal, iron ore, grain, and other commodities. Because dry bulk primarily consists of materials that function as raw material inputs to the production of intermediate or finished goods, the index is also seen as an efficient economic indicator of future economic growth and production.

  Source: [https://www.tradingview.com/chart/?symbol=INDEX%3ABDI](https://www.tradingview.com/chart/?symbol=INDEX%3ABDI)

- **IGC Grains Freight Index**

  [Source: IGC](https://www.igc.int/en/markets/marketinfo-freight.aspx)
The Baltic Exchange’s dry bulk sea freight index (.BADI) edged lower on Friday, as a decline in panamax and supramax vessel rates outweighed gains in the capesize segment.

- The overall index, which factors in rates for capesize, panamax and supramax vessels, fell 7 points to 2,289.
- The index has risen more than 3% this week, after posting two straight weeks of losses.
- The capesize index (.BACI) rose 76 points, or 3.2%, to 2,432.
- Average daily earnings for capesizes, which transport 150,000-tonne cargoes such as iron ore and coal, rose by $632 to $20,167.
- Dalian iron ore rose on Friday, and advanced nearly 6% this week as traders returned from New Year holidays feeling optimistic about potential demand recovery in top steel producer China.

- The panamax index (.BPNI) slipped 56 points, or 1.9%, to 2,957.
- Average daily earnings for panamaxes, which ferry 60,000-70,000 tonne coal or grain cargoes, fell by $507 to $26,610.
- The supramax index (.BSIS) fell 50 points to its lowest level since April 2021 at 2,074.

**Freightos Baltic Index (FBX): Global Container Freight Index**

FBX stands for Freightos Baltic Index. It is the leading international Freight Rate Index, in cooperation with the Baltic Exchange, providing market rates for 40’ containers (FEUs).

Prices used in the index are rolling short term Freight All Kind (FAK) spot tariffs and related surcharges between carriers, freight forwarders and high-volume shippers. Index values are calculated by taking the median price for all prices (to ignore the influence of outliers on active lanes) with weighting by carrier. 50 to 70 million price points are collected every month.

The weekly freight index is calculated as an average of the five business days from the same week and published each Friday.

Source: https://fbx.freights.com/
All eyes on the Transpacific as container rates look set to rise again

An easing of rates between China and the US could be the calm before the storm

7 Jan 2022 - Transpacific freight rates have dropped to their lowest levels in nearly six months despite a renewed threat to container shipments posed by a Covid-19 outbreak in China.

Freight rates between Asia and the US West Coast fell to $12,873 per 40-ft equivalent unit (feu) on Thursday, their lowest point since July, according to the Freightos Baltic Index (FBX).

The fall could be short-lived following a fresh outbreak of the Covid variant Omicron in the Beilun district of Ningbo that is threatening to disrupt port operations.

Liner operators reported that Covid-related issues have not so far led to closures at one of the world’s largest container ports.

AP Moller-Maersk said vessel call and departures to Ningbo were normal, and container load and discharge operations in the three terminals near the epidemic area were working as expected.

Access to the port remains limited, but CMA CGM reported that dedicated corridors for container haulage are channelling traffic towards the port.

The French carrier said its intermodal operations remain operational via feeder services from Zhapu, Wenzhou and Damaiyu.

The outbreak at a Ningbo garment factory comes as Chinese manufacturers are rushing to make shipments ahead of factory closures on Chinese New Year on 1 February.

Liner operators fear that strict implementation of China’s “zero-Covid” policy might result in the port being closed, which would prove hugely costly.

The UK consultancy Russell Group estimates that delays at Ningbo port are likely to disrupt $4bn worth of trade per week.

The spread of Omicron in China is likely to further hamper container movement there over the coming weeks, according to analysts at Fearnley Securities, limiting global throughput and bring more volatility to rates in the short term, as seen earlier in the pandemic.

The new virus variant is also reported to be spreading among port workers in Los Angeles and Long Beach.

That will slow operations at the two US ports, which continue to struggle with congestion and backlogs, said Judah Levine, research head at Freightos. “Rates are expected to climb as Lunar New Year rapidly approaches,” he said. “Any additional slowdown due to Covid will likely exacerbate the congestion and backlog, and continue to keep pressure on container rates as well.”

Although freight rates have eased in recent weeks, they remain at historically very high levels.

Rates from Asia to the US East Coast dropped to $16,018 per feu, while those from China to northern Europe were stable at around $14,240 per feu, according to FBX.

There is unlikely to be any major change until shoreside operations in China and the US are able to cope with higher container volumes, said Peter Sand, chief analyst at Xeneta. “The fact that capacity on the sea hasn’t been the limiting factor this year means the new ships being delivered in 2023 won’t solve the underlying problems brought to light this year.”

GOVERNMENT

Agriculture policy outlook for 2022 is like déjà vu all over again

3 Jan 2022 Reuters - You could be forgiven for thinking that the big policy stories that are likely to affect global agriculture in 2022 seem awfully familiar to the same themes that dominated the sector in 2021. To borrow a line often attributed to US baseball legend Yogi Berra, it feels like deja vu all over again as attention in the coming year remains focused on reforms to the European Union and India, while the US, Russia and Argentina remain areas to watch.

The EU will flesh out its new Common Agricultural Policy (CAP), which was formally adopted on December 2nd, while India’s government will have to recalibrate its agricultural strategy after Prime Minister Narendra Modi promised in November to...
repeal three controversial farm laws that promised to overhaul much of the country’s agriculture sector.

**Europe** - The EU’s reformed CAP aims to be better for the environment, with a quarter of payments reserved for green agricultural practices, and aims to be fairer with more payments going to small- and medium-sized farms as well as offering greater flexibility for members as they adapt rules to local conditions. The accord will take effect on the 1st of January 2023 and run until 2027.

“Some people fear that the green architecture of the CAP will result in decreased production, posing a threat to food security,” EU Agriculture Commissioner Janusz Wojciechowski said on December 9 at the bloc’s Agriculture Outlook Conference in Brussels, before adding that “we will be keeping a close eye on this aspect; but I do not think that green agriculture means less efficient agriculture.” However, environmentalists have expressed disappointment about the €270 billion ($306 billion) 2023-2027 CAP accord, which amounts to a third of the EU’s budget.

“This farming plan serves only the largest and most polluting businesses, leaving small farmers out in the cold – and does nothing to address the terrible impact that industrial farming has on nature, the climate and people’s health,” Greenpeace EU agriculture policy director Marco Contiero, said in a statement on November 23 after the European Parliament voted to adopt the plan.

The environmental organizations say that the changes are mostly cosmetic and will continue to support factory farming, allocate most farm subsidies based on the size, and leave countries too much leeway when they implement the program.

Germany is one EU member that is expected to enact additional legislation in 2022 that goes beyond the bloc’s requirements and are aimed at both reducing greenhouse gas emissions and the pollution that results from farming activities.

The country’s new coalition government has pledged to increase organic farming to 30% of the land used for agriculture, curb pesticide use and introduce new labeling that will inform customers about the way livestock was handled both before and during slaughter.

**India** - India’s parliament passed farm laws in September 2020 that aimed to deregulate the country’s agricultural sector in a move that many farmers believed would cut into their profits while increasing the influence of big business. But with farmers wielding substantial political power, and domestic concerns mounting over the legislation, the country’s supreme court stayed its implementation in January 2021 and the plans were formally repealed at the beginning of December.

Analysts said that the government’s retreat might be tactical, and new reforms could be introduced that will still liberalize the sector. The present system of subsidies encourages farmers to grow sugar, wheat and rice at the expense of other crops, which has led to both environmental destruction and left the country with huge stockpiles of wheat and rice. Such are the stock levels that supply can sometimes go to waste or have major impact on global prices as - particularly in the case of sugar - exports to the world market surge.

For wheat, the country has emerged in recent months as a surprise exporter catering to Southeast Asian demand centres as abundant stocks and high freight costs gave the origin an advantage over typical wheat producers and exporters. Pressure will now be on the ruling Bharatiya Janata Party (BJP) to build a proposal that will achieve both its aims while also keeping farmers on side - at a time when domestic food inflation has already forced the government to intervene in a series of calculated tax changes and the suspension of some derivative trading.

**The US** - Agricultural policy isn't high on the list of priorities of either the Democratic or Republican parties in the US, but if the Build Back Better bill is ever passed there will be changes ahead for the country’s farm sector.

The Congressional Budget Office said that agricultural provisions in the bill came to $81.7 billion over 10 years, with about $27.1 billion being spent on conservation.

The bill would extend the $1 a gallon biodiesel and renewable diesel tax credit through 2026 and include funds to encourage the development of renewable aviation fuels that can reduce greenhouse gas emission by 50%.

Both these measures play into a significant expansion of biodiesel capacity in the year ahead as producers gear up to boost their production in a dynamic that is likely to substantially increase domestic soybean demand. However, the passage of the bill is far from certain facing opposition from the Republican party as well as some internal Democratic reservations, and if something is finally passed it might not include all the measures that the present incarnation strives to implement.

**Rest of the world** - Ministers from members of the World Trade Organization were supposed to discuss agricultural trade policy at a meeting that was scheduled to begin on November 30th in Geneva but was delayed indefinitely because of Covid restrictions. If an accord can be reached, something that is far from certain, there would be a need for major policy changes in many agricultural producers.

For Russia and Argentina, much of the recent policy decisions have been focused on export duties and other interventions, but these are likely to continue to have a considerable impact on exports of wheat, corn and potentially soybeans and their derivatives through 2022.

Barring any other surprises in 2022 - with mounting tension in the Black Sea a key area of concern - it's a good bet that the places to watch as far as agricultural policy is concerned should remain the EU and India.

**U.S. Wins USMCA Dairy Dispute with Canada**

The United States has prevailed in the first dispute settlement panel proceeding ever brought under the United States-Mexico-Canada Agreement, writes Feedstuffs. A USMCA panel agreed with the United States that Canada is breaching its USMCA commitments by reserving most of the in-quota quantity in its dairy tariff-rate quotas for the exclusive use of Canadian processors.
Heat wave to hit Argentina, further stressing corn, soybean crops

6 Jan 2022 Reuters - Most of Argentina's agricultural region will be hit in the coming days by a heatwave accompanied by little or no rainfall, adding pressure to adverse conditions that its corn and soybean crops have suffered for weeks, the Buenos Aires Grains Exchange said on Thursday.

Argentina is the world's second largest corn exporter after the United States and the main global supplier of soybean oil and flour. The exchange estimated a record harvest of 57 mmts of soybeans and a production of 44 mmts of oil seed.

Since mid-December, a large part of the country's main agricultural areas have experienced dry conditions, while temperatures have soared with arrival of the southern hemisphere summer, cutting yields and causing fears of more losses.

In the next few days, "a prolonged and intense heatwave will begin, which will affect most of the agricultural area. Rainfall will remain low to zero in most of the agricultural area," the exchange warned in its weekly agroclimatic report.

A wide area with maximum temperatures close to 40° C (104°F) will cover the agricultural heart of the country, added the report.

The extreme weather is hitting at a time when early-sown 21/22 corn is in key stages of development and defining yields. On Tuesday, the exchange's head agronomist warned that due to the dry weather, they might have to cut their harvest estimate later.

According to the State and Condition of crops report published on Thursday, the percentage of corn plants in good-to-excellent condition fell to 40% from 58% last week, while the lots in fair-to-bad condition rose to 21% from 8% the week before.

The report said that dry conditions accompanying the high temperatures could generate losses in the 2021/22 soybean area, whose sowing was 86.8% complete as of last week. The planting of corn was 77.3% complete.

Little relief is in sight until the end of next week, when a cold front that would produce moderate to abundant rain between 10 and 50 millimeters (0.4-2 inches) is expected in most of the Argentine agricultural nucleus, accompanied by a moderate decline in temperature, the exchange said.

Currently, the La Niña weather phenomenon is hitting the main agricultural regions of Argentina and generating a reduction in the regular level of rainfall. However, until mid-December, the second half had seen regular rates of rainfall.

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- A band of rain pushed slowly across New South Wales and southern Queensland, hampering late winter crop harvesting but keeping summer crops well watered.
- In the south and west, mostly dry weather promoted rapid wheat, barley, and canola harvesting.

**South America** – Drought Intensified Over Southern Brazil

- Unseasonable dryness and warmth stressed reproductive corn and soybeans in Brazil’s southern production areas. In contrast, abundant rainfall and seasonable temperatures benefited reproductive to filling soybeans farther north.
- Dry, occasionally hot weather reduced moisture for early-planted corn and soybeans in high-yielding farmlands of central Argentina.

**South Africa** – Mild, Showery Weather Maintained Favorable Summer Crop Prospects

- Conditions favored corn and other rain-fed summer crops.


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**Agricultural Weather Highlights – Friday, 7th January 2021**

**In the West**, a storm system continues to deliver substantial Northwestern precipitation, extending eastward into the northern Rockies and southward into northern California. Meanwhile, mild, dry weather covers the southern half of the region. Although cautious optimism exists regarding the Western water-supply situation, more precipitation will be needed over the next 3 months to significantly dent drought, which still covers 89% of the 11-state region.

**On the Plains**, winds have turned to a southerly direction, allowing a warming trend to commence. In fact, today’s high temperatures could reach 60°F or higher as far north as southeastern Colorado; cold conditions linger, however, across the eastern Plains. Moisture remains limited across the southern half of the Plains, leaving rangeland, pastures, and winter grains in less-than-ideal condition. The end-of-December report for Colorado from USDA/NASS indicated that topsoil moisture was rated 84% very short to short, while 33% of the winter wheat crop was rated in very poor to poor condition.

**In the Corn Belt**, cold, breezy weather continues. Sub-zero temperatures were noted this morning as far south as central Illinois, while readings below -20°F were common across Minnesota and North Dakota. In the coldest areas of the upper Midwest, a substantial snow cover and windchill temperatures as low as -50°F are making care of livestock difficult.

**In the South**, lingering warmth is confined to southern Florida. Farther north, snow has ended across the interior Southeast and the middle Atlantic States, but some travel disruptions persist. This morning’s post-storm temperatures dipped to 10°F or below in parts of the Tennessee Valley and the mid-South, including the Ozark Plateau.

**Outlook:** For the remainder of today, heavy snow will shift northeastward along the northern Atlantic Coast before ending. Atlantic Coast cities from Washington, D.C., northward have already received significant snow, with colder air arriving in the storm’s wake. Meanwhile, a storm system currently affecting the Northwest will cross southern Canada, delivering weekend wind, snow showers, and another surge of cold air across the northern Plains and upper Midwest. Along the storm’s trailing cold front, widespread rain (locally 1 to 2 inches) will develop during the weekend across the Southeast, extending into the Ohio Valley.

By early next week, a more tranquil weather pattern will develop nearly nationwide, featuring mostly dry conditions and above-normal temperatures. Frigid weather may linger, however, from the Great Lakes States into the Northeast.

The NWS 6- to 10-day outlook for January 12 – 16 calls for the likelihood of near- or above-normal temperatures nationwide, except for colder-than-normal conditions from portions of the Great Lakes region into the middle and northern Atlantic States. Meanwhile, near- or below-normal precipitation from the Pacific Coast to the northern and central Plains, Midwest, and Northeast should contrast with wetter-than-normal weather across the South.

Contact: Brad Rippey, Agricultural Meteorologist, USDA/OCE/WAOB, Washington, D.C. (202-720-2397)

References

- **Conversion Calculations**
  - **Metric Tonnes to Bushels:**
    - Wheat, soybeans = metric tonnes * 36.7437
    - Corn, sorghum, rye = metric tonnes * 39.36825
    - Barley = metric tonnes * 45.929625
    - Oats = metric tonnes * 68.894438
  - **Metric Tonnes to 480-lbs Bales**
    - Cotton = metric tonnes * 4.592917
  - **Metric Tonnes to Hundredweight**
    - Rice = metric tonnes * 22.04622

- **Area & Weight**
  - 1 hectare = 2.471044 acres
  - 1 kilogram = 2.204622 pounds

- **Marketing Years (MY)**
  MY refers to the 12-month period at the onset of the main harvest, when the crop is marketed (i.e., consumed, traded, or stored). The year first listed begins a country’s MY for that commodity (2021/22 starts in 2021); except for summer grains in certain Southern Hemisphere countries and for rice in selected countries, where the second year begins the MY (2021/22 starts in 2022). Key exporter MY’s are:

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For a complete list of local marketing years, please see the FAS website (https://apps.fas.usda.gov/psdonline/): go to Reports, Reference Data, and then Data Availability.
January Crop Calendar

*Crop stage sensitive to moisture and temperature stresses.

https://ipad.fas.usda.gov/ogamaps/images/dec_calendar.gif