Notes and Observations in International Commodity Markets

30th January 2021

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- Argentina Considering Limiting Corn and Wheat Exports
- International Crop & Weather Highlights
- Rainy Slow Brazil’s Soybean Harvesting, Pushes Back Corn Planting
- USDA/WAOB Joint Agricultural Weather Facility
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Corn Sets New Highs On Record Chinese Purchases

GHA – With market focus shifting from soybeans to corn as CME corn made new contract highs on Friday following the “flash” USDA export report of another large sale to China of 2.108 mmt of old crop corn, the second largest daily corn sale on record. This saw the week’s total US corn sales covered by the daily reporting system to 5.848 mmt (230 million bushels) for China and 316,400 mts for unknown. With this week’s daily USDA announcements to previously commitments; export sales to China would total 17.693 mmt of US old crop corn commitments. This will easily make China the largest U.S. corn buyer, after ranking 21st last year, 2019/20.

On another note, Argentina has considered limiting corn and wheat exports as part of an effort to ensure ample domestic food supplies as the local economy gets battered by recession and high inflation. Consumer prices in the country rose by 4% in December alone.

With the lightness in forecast US ending stocks, even a small change in supply and demand expectations is going to have a significant impact of prices across agricultural commodities. Spring planted crops of corn, grain sorghum and soybeans are going to strongly compete for planted area, as spring wheat is likely to be the big loser given current price relationships. Expect this price volatility to remain with us into the through the summer the coming summer months and ahead of the northern hemisphere autumn harvest. Interesting times ahead!

- Grain Production Records Projected For Next Five Years

IGC - Total grains production is expected to reach successive records in the next five years, keeping pace with demand, but leaving little room for stock rebuilding, the International Grains Council (IGC) said during its virtual conference session on January 22nd.

World soyabeans production is projected to reach successive highs through 2025/26, mainly on increases in the United States and Brazil. Consumption is seen reaching successive highs as well, but a modest recovery in world inventories is likely, tied to

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expectations for some stock rebuilding in the major exporters. Trade is predicted to expand, largely tied to bigger deliveries to Asia.

Global rice production is anticipated to trend higher, the IGC said. While population growth will continue to underpin larger food requirements, changing consumer preferences in Far East Asia may contain growth in uptake. Global inventories are likely to continue growing, led by gains in India, while trade is projected to expand on larger shipments to sub-Saharan Africa.

At the council session, members agreed to signing of and understanding between the IGC and the Eurasian Economic Commission and the International Trade Centre.

**US Farmers Expected to Expand Corn and Soybean Acreage**

Reuters - US farmers are expected to increase acreage of both soybeans and corn this year in response to high prices, Cynthia Nickerson, deputy chief economist at the U.S. Department of Agriculture (USDA), said on Thursday. In an initial projection in November, the USDA had forecast an increase in the soybean area and slightly lower corn acreage in 2021. It will update its forecasts next month.

"Since the price of both soy and corn are higher, the price signals are really to plant more of both, and that's what we expect to see - expansion of both into 2021," Nickerson told the Paris Grain Day conference. Extra area this year is seen coming mainly from the return to cultivation of a high level of prevented plantings in 2020, she said. Farmers reported some 10 million acres of prevented plantings last year, compared with 4-5 million typically. U.S. growers can declare prevented plantings, usually due to weather conditions, as part of crop subsidy programs.

The ratio between soybean and corn prices has also been broadly neutral in recent years, slightly favoring soybean planting but not suggesting a significant shift away from corn, Nickerson added. Other analysts have pointed to higher U.S. acreage of corn, soybeans and also wheat this year as growers react to multi-year price highs against a backdrop of rising Chinese demand and tightening U.S. and global supplies. However, longer-term prospects for expansion of U.S. soybean plantings would be capped by limited land availability and crop rotation needs, Nickerson said, pointing to greater potential for area growth in South America. Asked about the possibility for cultivation of some land in an 8.9 million hectare U.S. conservation program, she cautioned that such land tended to be less productive and was bound by 10-year rolling contracts.

**US Dollar & Foreign Exchange**

Barchart - The U.S. Dollar Index recovered on Friday from early losses and posted moderate gains settling at 90.534, up 0.296 last week’s settlement at 90.238. A sell-off in stocks on Friday, along with better-than-expected U.S. economic data, helped push the dollar higher. The dollar on Friday initially moved lower as a glut of liquidity signaled a reduced demand for dollars as the 3-month Libor rate on Friday fell to a record low 0.20188%. Also, strength in China’s yuan also undercut the dollar as the yuan rose to a 2½ year high against the dollar on Friday.

**U.S. Dollar Index**

EUR/USD on Friday rose slightly after an ECB Governing Council member said an interest rate cut by the ECB is not warranted at this time. USD/JPY surged to a 2½ month high Friday as weaker-than-expected Japanese economic data sparked speculation the BOJ may need to boost its stimulus measures.

Friday's U.S. economic data was supportive of the dollar. U.S. Dec personal spending fell -0.2% m/m, stronger than expectations of -0.4% m/m, and Dec personal income rose +0.6% m/m, stronger than expectations of +0.1% m/m. Also, the Dec PCE core deflator rose +1.5% y/y, stronger than expectations of +1.3% y/y. In addition, the Jan Chicago PMI unexpectedly rose +5.1 to a 2½ year high of 63.8, stronger than expectations for a decline to 58.5. Finally, the Q4 employment index rose +0.7% q/q, stronger than expectations of +0.5% q/q.

The ongoing Covid pandemic is leading to prolonged lockdowns, which slows economic growth and is dovish for central bank policies and negative for the dollar. Globally, Covid infections have risen above 102.150 million, and deaths have exceeded 2.203 million.

EUR/USD on Friday posted modest gains. Hawkish comments on Friday from ECB Governing Council member Makhlof gave the euro a boost when he said he's cautiously optimistic about the economic outlook in the Eurozone and an interest rate cut is "not warranted" right now. Stronger-than-expected German economic data was also positive for EUR/USD after German Q4 GDP of +0.1% q/q and -2.9% y/y was stronger than expectations of unch
q/q and -3.2% y/y. In addition, the German Jan unemployment change unexpectedly fell -41,000, showing a stronger labor market than expectations of +7,500. On the negative side for EUR/USD, Eurozone Dec M3 money supply rose +12.3% y/y, stronger than expectations of +11.0% y/y and the fastest pace of increase in 13 years. USDA’s estimate of two-thirds of the world corn ending stocks. As China could draw supplies from reserves.

Volatility has increased as KC and Chicago have had only one session in January with less than a 10-cent daily trading range, with most days closer to 20 cents. The CoT Report showed managed money was 21,275 contracts net long in SRW as of the 26th of January. That was a 657 contract increase on the week with lighter spec open interest.

Russia has been aggressively exporting wheat ahead of increased tariffs that will start next month, but weather delays and increasing transportation costs slowing that race to empty bins.

For the U.S., Taiwan purchased 85,340 MT of U.S. wheat in a tender. Jordan is tendering for 120,000 MT of wheat.

### CME CBOT Wheat Futures

**CBOT March 2021 Wheat Futures** reached a high of $6.72½/bu during the week, settling on Friday at $6.63, down 16 cents on the day, and 28½ cents higher for the week. SRW wheat rallied 22 cents over the month, with a 68.75 cent range. New crop July 2021 wheat settle on Friday at 17¾ cents, with most days close to 20 cents. Volatility has increased as KC and Chicago have had only one session in January with less than a 10-cent daily trading range, with most days closer to 20 cents. The CoT Report showed managed money was 21,275 contracts net long in SRW as of the 26th of January. That was a 657 contract increase on the week with lighter spec open interest.

### Wheat

It was a strong finish for wheat as prices settled near session highs and capped off another volatile week. Corn was lending strong support for wheat as it made new highs. Futures across all three exchanges closed 12-16 cents higher. At the close for the last trade day of the month, wheat futures were double digits higher. SRW prices were up 10¾ to 16 cents and KC HRW prices ended 12 to 13 cents higher. Spring wheat futures were 11½ to 14 cents in the black at the close.

World wheat fundamentals have not seen a big change yet, but will need to increase wheat feeding a corn makes new highs. There is open debate in the trade as to the accuracy of Chinese wheat stocks; as USDA numbers show China holding approximately half of the world’s wheat ending stocks. This is in addition to the USDA’s estimate of two-thirds of the world corn ending stocks; numbers which the trade is heavily discounting. If there is a shift away from China’s corn imports, it would appear (in theory) China could draw wheat supplies from reserves. (???)
CME KC HRW Wheat Futures

Kansas March 2021 HRW Wheat Futures moved lower through the week, settling on Friday at $6.38/bu, up 12 cents on the day, and gaining 26¼ cents for the week.

The July 2021 new crop HRW contract settle at $6.38¾/bu on Friday, up 12¾ cents on the day, but dropping 7¼ cents on the week.

With the rally in corn, HRW continues to price itself into some feed wheat trades markets, as the market still has to manage through the historically tight feed grain situation as we move through the spring.

The July/Dec KC wheat spread traded as narrowed, now showing a 3 cent carry, which is seasonally the firmest point since 1996. Historically, the warehousemen has had a July/Dec KC spread closer to 35 cents the past 5-10 years, as new crop merchandising choice would favor back-to-back sales, and not “hedge” cash and carry.

HRW’s monthly change was a net 34.25 cents/bushel. The SRW/HRW premium weakened 12¼ cents over the month, but the new crop July spread dropped 17½ cents to 3½ cents. The wheat/corn narrowed fell 29 cents (HRW-Corn) over the course of the month.

The CoT Report showed HRW speculative traders were 2,146 contracts more net long to 60,239 contracts on new buying interest. Managed money also extended their net long in HRS futures and options, up 1,337 contracts to 14,659.

MGE HRS Wheat Futures

MGE March 2021 HRS Wheat Futures settled at $6.33½/bu on Friday, up 14 cents on the day, and gaining 22½ cents for the week.

The new crop MGE September 2021 HRS Wheat Futures contract settled Friday at $6.47¼/bu, 12½ cents low on the day, and gaining 22 cents for the week.

COARSE GRAINS

China Books the Biggest Deal Yet For US Corn

Reuters - China booked its biggest purchase of U.S. corn yet, the U.S. Agriculture Department said on Friday, buying more at once than any country except the Soviet Union 30 years ago, as it tries to meet a surge in demand for animal feed.

The purchase, and a string of deals earlier this week, mean China is on course to become the world’s largest corn importer. Its buying spree has driven up global prices of corn and other grains and may stoke food inflation in economies already reeling from the COVID-19 pandemic.

USDA reported private sales of 2.108 mmts of corn for delivery to China in the 2020/21 marketing year. It was the second-biggest daily U.S. sale on record, eclipsed only by a deal for 3.72 mmts to the USSR in January 1991. It also topped China’s previous biggest U.S. purchase of 1.937 mmts in July 2020.
The latest sale follows deals earlier this week that netted China a combined 3.74 mmts of US supplies, closing out what will be one of the largest U.S. corn export sales weeks on record.

Chinese buyers also picked up an additional 132,000 mts of soybeans, about two cargoes, for delivery in the 2021/22 marketing year, USDA said on Friday.

This week’s sales bring China’s total U.S. corn import commitments for the current marketing year to at least 17.7 mmts, above the latest USDA forecast for only 17.5 mmts in imports from all suppliers. The U.S. corn stockpile is large enough to meet the greater demand, analysts said.

China has been looking to boost corn imports, three industry sources told Reuters in October, after storms and drought damage tightened domestic supplies and as the country’s pork industry recovers from a deadly swine disease that reduced the hog herd by nearly half. The country’s corn imports could climb to between 25 mmts and 27 mmts in the current crop year, including 18 to 20 mmts from the United States.

If realized, that would make China the world’s biggest corn buyer. In the 2019/20 marketing year, Chinese corn imports totaled just 7.6 mmts.

The sales follow a steep drop in futures prices last week that opened up a buying opportunity for China, traders and analysts said, though prices rose again this week in response to the purchases.

Chicago Board of Trade corn futures were up 15 cents at $5.49-1/2 a bushel near midday on Friday, approaching the 7-1/2-year high hit on Thursday.

Front month corn futures closed with double digit gains on Friday, and set new contract highs for March and May. The nearby CME Corn March21 made new contract highs of $5.53 1/4, before settling on Friday at $5.47/bu, closing UP 12 1/2 cents on the day, and gaining 46 1/2 cents on the week. For the first month of 2021 March corn futures gained 63 cents.

The new crop CME Corn December21 contract closed on Friday at $4.44 1/2/bu, up 6 1/2 cents on the day, and gaining 12 1/2 cents for the week. For the first month of 2021 March corn futures gained 63 cents.

CFTC’s weekly CoT data released Friday showed managed money funds extended their net long by 14,734 contracts to 364,229 as of Tuesday night. Commercials continued to unwind their record net short, lowering it 10,855 contracts on a 12,896 increase to longs. On net, commercials were 753,073 contracts net short on the 26th of January.

Basis has firmed in the western corn belt, with rail markets up a nickel or more across forward months. The river is firmer as well, with upper Illinois river terminals posting +15K, and St. Louis at +40K for May. With the river basis firming, and the K/N at a +11-cent inverse grain will be moving through the export pipeline at a good rate.
The next few months will allow a more thorough assessment of South America’s soybean production potential, and US farmers will begin planting as Spring commences in the Northern Hemisphere. China will likely keep up its blistering pace of soybean imports, but another Chinese outbreak of African Swine Fever (AFS) was reported last week which bears watching - in 2018 an AFS outbreak began that lasted over a year; it decimated China’s hog herd by up to 50 percent and reduced China’s overall need for soybeans. The same could theoretically happen again, although one would assume that Chinese authorities have learned from prior experience and could contain any AFS outbreak more effectively than in 2018.

In any case, soybean supplies have tightened, usage has grown, and it will be several months before the next South American crop can be harvested and the new Northern Hemisphere crop can be planted. It is an interesting time indeed in global soybean markets.

CBOT Soybeans March 2021

The CME March 2021 Soybean Futures settled on Friday at $13.70/bu, up 16 ⅛ cents on the day, and gaining 56 ¼ cents for the week. March soybeans had a low on Monday at $12.98, and a high of $13.94¾ on Wednesday, a range just shy of $1.00 on the week. Through January, March beans rallied 56 3/4 cents.

Then new crop CME November 2021 Soybean Futures contract settled on Friday at $11.44 ¾/bu, up 13½ cents on the day, and gaining 30% cents through the week.

CME February 21 Ethanol Futures settled at $1.710/gal on Friday, up 11.0 cents on Friday, and gaining 11 cents from last week's close of $1.600/gal.

Oilseeds Complex

World’s Two Largest Soybean Exporters Have Depleted Their Supplies.

Forbes Magazine - In October, Brazil, the world’s largest producer and exporter of soybeans, announced it had sold too many soybeans and would lift import restrictions in order to have enough domestic supply. Now the world’s second largest exporter, the United States, is running low on soybeans. The USDA predicts the US may actually have to follow Brazil’s lead and more than double the small volume of soybeans it usually imports prior to next season’s new harvest.

To be clear, there are enough soybeans in the world for everyone. The actual amount of soybeans the US is projected to import is truly minuscule, but the fact that the US has to import more soybeans than it normally does is reflective of an unusual tightness in supply. Soybean prices have already responded, having rallied significantly since August 2020.

How did the two largest soybean exporters on the planet run so low on supplies? The simple answer is demand from China. China is again expected to break its own record for soybean imports this season, with the USDA projecting 100 mmts of soybean imports and some private forecasters predicting 101 mmts or more. That’s more than 3.6 billion bushels, or just under 28% of all the soybeans produced on the planet. It’s also just under six out of every 10 bushels of soybeans exported by all soybean producing countries combined. China is importing at a frenetic pace because it needs to feed its expanding hog herd; it also seems to be building inventories of excess soybean supplies for reasons unknown, but most likely just to have an adequate supply buffer in case of unforeseen supply or price disruptions.

Indeed, the Asian powerhouse and world’s most populous nation has increased its total usage of soybeans annually for years, with usage rising from 102 mmts in crop year 2018/19 to over 117 mmts estimated for the 2020/21 crop year. Over the same time period, the USDA says total global production isn’t keeping pace with total global demand, with global ending stocks of soybeans falling from just under 113 mmts in the 2018/19 season to a projected level of just under 85 mmts in the current 2020/21 crop year. That’s why soybean prices rallied so sharply these past six months, although markets have now stalled, with prices pulling back from recent highs.

Late January is always an uncertain time of year in the world of soybean production; Brazil’s gargantuan soybean crop is planted but not yet harvested, and the United States’ bean crop isn’t yet in the ground because it’s midwinter. That’s what makes markets nervous this time of year. Some early season concern about dryness affecting Brazil’s crop caused prices to spike earlier this month to highs unseen in several years, but recent rains and projections that Brazil’s soybean crop is healthy and may actually be record high have eased concerns and prices for now.
On Friday, along with record corn purchases, China purchased 132 kmt for new crop 2021/22 soybeans. Large corn sales announcements to China may have had as much positive impact on soybean pricing for the week as soybeans themselves.

The CoT report, with data as of the 26th of January, had soybean specs extending their net long with little change to their OI on the week. From January 19th to the 26th spec traders covered 3,304 shorts and added 1,388 new longs for a net long of 156,590 contracts. Managed money was 3,041 contracts less net long in soymeal on the week. Funds were net buyers for 16,635 contracts of bean oil leaving them 107,334 contracts net long.

Conditions in Brazil and Argentina seem to be improving. Analysts will discuss too much water in parts of Brazil, along with some areas that are too dry in Argentina. In general, the market feels more comfortable about the South American crop, with some room for improvement on the later planted crop. The challenge now facing the market is the timing of the logistics to deliver it to port. A truckers’ strike is being rumored in the trade for Monday, the 1st of February.

The longer it takes for the South American crop to move through the pipeline, the longer it will take for the inverse in CME board spreads to relax. The market is trying to convey to both the U.S. and South American shipper to hurry up.

Basis on the Illinois Waterway Delivery System (IWDS) for March suggest a value 2½ cents under DVE. With carryout bushels getting smaller with every new export sale announcement, the board spreads become ever more sensitive to anything detrimental to getting beans into the pipeline. If we keep selling beans, the spread will continue to give more incentive to get the beans moving. Remember, "Inverses have no limits!"

**Brazil Soybean Crop Seen at 128 mmts as Rain Causes Concern**

Reuters - AgResource sees Brazil's 2020/21 soybean crop reaching 128 mmts following a field tour, the consultancy said on Wednesday.

The forecast was 5 mmts below the USDA's forecast of the harvest and AgResource saw downward potential to its estimate given excess rains in some regions that were causing concern, Dan Basse, the consultancy's president, told the Paris Grain Day conference.

**Argentina 2020/21 Soybean Crop Cut Slightly to 46 mmts**

Reuters - Argentina's upcoming soy crop is expected at 46 mmts, the Buenos Aires Grains Exchange said on Thursday, citing dry, hot weather as its reason for shaving a preliminary estimate of 46.5 mmts. "Due to high temperatures and limited water supply in key farming regions, our soybean production estimate has been reduced to 46 mmts" the exchange said in a report. Planting of Argentina's 2020/21 soy crop ended over the last week on a total estimated area of 17.2 million hectares, the exchange said. Soy harvesting starts in March and ends in May.

The country is the world's top exporter of soymeal livestock feed used to fatten hogs and poultry from Europe to Southeast Asia. But this season Argentina's famously fertile Pampas farm belt has been stricken by months of unusually dry weather.

Argentina is also the No. 3 global corn exporter and the world's No. 7 wheat supplier. Argentina is feeling the effect of a mild episode of the La Nina climate phenomenon this season, which tends to bring dryness to the region. This is happening at a time of tight international stocks and high demand for grains and oilseeds.

"La Nina conditions began in August-September 2020 and are currently forecast to continue from January to March," according to the report. In the outlook for February through April, there is "a fair probability" of rainfall being below-average across much of Argentina, it said. “Other factors are bringing uncertainty in the corn and soybean markets, such as export policies in the case of Argentina, and logistical issues in both Argentina and Brazil.”

Argentina has considered limiting corn and wheat exports as part of an effort to ensure ample domestic food supplies as the local economy gets battered by recession and high inflation. Consumer prices in the country rose by 4% in December alone.

Pushback from growers and exporters who say agricultural export caps stifle farm investment and production has so far stopped the government from limiting international grains shipments.

**China Forecasted to Import 110 mmts of Soybeans in 2021/22**

Ecofin Agency - For more than a decade, China has been the main driver of the world's soybean trade. The country is the largest consumer and importer of oilseeds. In 2021/22, this status is expected to be confirmed further.

By 2021/22, China's soybean purchases could reach a historically high level.

According to the recent forecasts of the analysis firm S-amp;P Global Platts Analytics, the Middle Kingdom is expected to import 110 mmts of the oilseed during the new campaign, which will start next October.

Such a volume would account for more than 60% of global imports and about 25% of world soybean production. This upward trend in Chinese purchases is the latest manifestation of the consolidation of the hog industry in the country, which imported nearly 100.33 mmts of soybeans throughout 2020, an already record stock.

According to local authorities’ data relayed by the firm, China is well on its way to recovering by next June, the entire population of its pig herd before the start of the African Swine Plague (APP) in August 2018. This outbreak has led to the slaughter of about 200 million head.

**US Soybean Crushers Buying Up Soybeans as Supply Scramble Looms**

Reuters - U.S. soy processors, fresh off their busiest year on record, have booked soybean purchases well beyond their normal few weeks of supply due to soaring export demand, rising prices and fears of soy shortages later this season, traders and
analysts said. The aggressive buying foreshadows an expected battle for beans between exporters and processors this spring and summer that will likely increase prices further and could result in rare imports to the United States, the world’s No. 2 soybean producer and exporter.

At least one processor in the eastern Midwest has already booked its soybean needs through May, the “most in the history of the company,” a soybean merchant said. Other U.S. crush plants, which process raw soybeans into soymeal livestock feed and soyoil for cooking and biofuel, are believed to have booked soybean needs for 60 days or more, up from the usual 30 to 40 days, industry sources said.

The scramble for beans comes as record U.S. soybean exports and an historically large domestic crush whittled down supplies and sent prices to the highest since 2014. Crop concerns in South America due to dry weather have further stoked worries over supplies and global food security during the coronavirus pandemic.

The scale of forward purchases, which crushers normally do not disclose for competitive reasons, reveals the depth of concern about shrinking soybean supplies among the buyers of more than half of every US crop. It also suggests that processors are increasingly likely to slow their crush rates, buy beans from exporters or be forced to import supplies at a premium ahead of the next U.S. harvest.

“He who has beans, rules. If you own beans at the end, you can make decisions. If you don’t have beans, you have limited choices and are at the mercy of others’ decisions,” said Kent Woods, owner of advisory CrushTraders Market Info.

Western Midwest crushers have soybeans booked for 60 to 90 days, while soy ownership in the eastern Midwest is even higher, Woods said, citing conversations with crushers and soy product consumers.

Farmers were more willing sellers of their soybeans during an atypical harvest-time rally that began in August and took prices up more than 50%. Meanwhile, commercial storage elevators sold off stored soybeans to capitalize on price premiums for near-term deliveries.

The USDA said in its quarterly-stocks report that supplies of US soybeans as of December 1st dropped nearly 10% from a year earlier despite 2020 production rising more than 16%. Supplies are forecast to reach a seven-year-low by September, drawn down by a record US crush and the largest soybean exports ever as countries try to lock in supplies.

The National Oilseed Processors Association (NOPA), which represents 95% of the U.S. industry, said the 2020 crush was the largest on record, helped by demand for diesel biofuel and unusually weak production in top soymeal producer Argentina.

The final three months of the year featured three of the four largest crush months ever, according to NOPA data, a brisk pace that analysts say could continue for only a few more months, after which soybean supplies are uncertain.

“They’ve got a program in place that will keep crush rates strong until maybe about May. Thereafter there is some openness to it,” said Dan Basse, president of Chicago-based consultancy AgResource Co.

➢ **China’s Soybean Stocks Near 8-mth Low as Crush Volumes Soars**

China’s soybean stocks level fell sharply on the week to the lowest level since May as robust demand for soymeal ahead of the upcoming Chinese New Year holiday boosted soybean crush volumes to near a two-month high.

Soybean stocks fell 520,000 mts on the week to 5.71 mmtms, which is down 760,000 mts on the month but still 610,000 mts higher y/y, data from China’s National Grain and Oil Information Centre (CNGOIC) showed Thursday.

“Animal feed and farming companies were still actively replenishing inventory prior to the holiday. Soymeal trade and procurement were large, which stimulated a high operating rate from crushers,” said CNGOIC.

Soybean crush volume jumped 130,000 mts to 2.11 mmtms last week, reaching the highest level since mid-November. Nevertheless, both soymeal and soybean oil stocks continued to fall as higher crush was not enough to offset demand. The former was down 150,000 mts to 490,000 mts and the latter fell 30,000 mts to 190,000 mts.

➢ **CME Soybean Oil March 2021**

Soybean Oil values made new highs on Friday touching $45.58/cwt. The lead CME March 2021 Soybean Oil Futures settled Friday at $44.62/cwt, down 3 cents on the day, but gaining $2.35 cents for the week.

Soybean oil prices closed the month of January 20 cents/lb higher than the beginning of the year.
➢ India to Unveil Plan to Boost Oilseeds Output, Cut Veg Oil Imports

Reuters - India is likely to announce a five-year plan to cut expensive vegetable oil imports worth $10 billion a year in next week's federal budget by providing farmers with financial incentives to switch to oilseeds from grains, said three senior government officials.

Higher oilseed production in India, the world's biggest buyer of cooking oils, will cut palm oil imports from Malaysia and Indonesia and trim soyoil and sunflower oil purchases from Brazil, Argentina, Russia and Ukraine.

The officials, who asked not to be named as the discussions are still private, said the plan could dramatically cut India's import bills. “A country of India's size cannot afford to be so heavily dependent on edible oil imports, and that's why in the upcoming budget you will likely see a new push to raise domestic oilseed production,” said one of the officials. The government has already mapped out an ambitious five-year program aiming to boost the country's oilseed production to more than 47 million tonnes from over 30 million tonnes now, said the official. “It is likely to have a budgetary allocation of 180 billion rupees to 200 billion rupees.”

A finance ministry spokesman was not immediately available for comment. Finance Minister Nirmala Sitharaman is set to present the fiscal 2021-22 budget on the 1st of February.

Cut to Subsidy Spend

A switch toward oilseeds would also bring down India's surplus output of wheat and rice and effectively slash subsidies of billions of dollars on a food grain procurement program that farmers fear New Delhi may want to discontinue after the rollout of the government's new farm laws.

Thousands of farmers have been protesting on the outskirts of New Delhi for months against the new laws they say help large private buyers at the expense of producers. India's vegetable oil imports, the third biggest import item after crude oil and gold, have surged to 15 mmts from 4 mmts two decades ago. Trade estimates suggest vegetable oil imports could reach 20 mmts by 2030, boosted by a growing populace with higher incomes and appetite for curries and deep-fried food.

The government would encourage farmers, especially from states such as Punjab, Haryana, Uttar Pradesh and Madhya Pradesh to switch to sunflower and rapeseed from rice and wheat, said a second official. “Farmers won't switch to oilseeds unless they're compensated for any possible losses, and that's why the government plans to provide a per hectare subsidy for the switch,” he said.

Oilseeds are now mainly grown in rain-fed areas impacting crop yields. However, with efficient irrigation higher yields can be expected, in states like Punjab and Haryana, farming experts say.

If implemented successfully, the new program would help India raise its edible oil volumes to 18 mmts from a little over 10 mmts now, both officials said.

➢ CBOT Soybean Meal March 2021

CME March 2021 Soybean Meal Futures settled on Friday at $431.00/short ton, up $3.90 on the day, and gaining $9.40 for the week. Meal prices end the month of January up by $1.30/ton, but traded within a $53.80/ton range.

South Korea purchased 60,000 MT of optional origin soymeal.

OTHER RELATED NEWS

➢ China's Pigs Become Unexpected Threat to Palm Oil's Rally

Bloomberg - Palm oil's bull run will face more headwinds in the coming year as leading importer China buys increasing amounts of soybeans to power an aggressive expansion of the country's hog industry.

The world's biggest pork producer and consumer is scooping up unprecedented quantities of soybeans and corn on world markets to feed domestic hog herds that are rebounding after being devastated by African swine fever.

The crushing of beans produces not only meal, a component of livestock feed, but also oil, palm's top rival in the food and biofuel industry. Those increased supplies now threaten China's purchases of palm oil just two years after they surged to a record when a U.S.-China trade war curbed imports of beans.
“The extra soyoil supplies will replace imports of palm oil and other edible oils,” said Shi Lihong, an analyst with China Futures Co. The recovery in hog numbers will boost soymeal demand by 8% to 10%, and drive bean imports to a fresh record, she said. Overseas purchases of palm oil by China, the second-biggest importer, will likely drop to a three-year low in 2020-21, she said.

Palm oil has also been very expensive compared with soybean oil in global markets, trading around parity for a while in the final quarter of last year versus the usual discount, and discouraging purchases by global buyers. Benchmark palm oil futures doubled from their low in May to reach a 10-year high this month on the back of shrinking supplies in Malaysia, the second-largest producer. Soybean oil trailed, increasing just 70% over the same period.

The rally has squeezed margins for buyers, and may cut Chinese imports to 400,000-500,000 tons a month in the first quarter from 650,000-750,000 tons in October-December, according to the China National Grain and Oils Information Center. Purchases may drop 8.8% to 6.2 million tons in 2020-21, it said.

On top of the high prices and export taxes that may deter aggressive buying, China has completed restocking for the Lunar New Year, said Ivy Ng, head of research at CGS-CIMB in Kuala Lumpur. The festival, in mid-February, typically drives up consumption of palm oil to fry dumplings and spring rolls.

“Judging by the palm oil volumes bought at the end of last year, they could have enough to take them through Chinese New Year, so they wouldn’t be buying now,” she said. “Buyers may do some restocking in March or April, but that’ll depend on the take-up during the festive season and by how much they’ll need to replenish reserves.”

CME Palm Oils Swaps March 2021

Palm oil futures in Malaysia traded 0.3% higher at 3,290 ringgit ($814) a ton by 4:08 p.m. in Kuala Lumpur on Monday.

TRANSPORTATION & LOGISTICS

Shipping Woes Spell Trouble for Consumers

The Washington Post - One year after the coronavirus pandemic first disrupted global supply chains by closing Chinese factories, fresh shipping headaches are delaying US farm exports, crimping domestic manufacturing and threatening higher prices for American consumers.

The cost of shipping a container of goods has risen by 80% since early November and has nearly tripled over the past year, according to the Freightos Baltic Index. The increase reflects dramatic shifts in consumption during the pandemic, as consumers redirect money they once spent at restaurants or movie theaters to the purchase of record amounts of imported clothing, computers, furniture and other goods. That abrupt and unprecedented spending shift has upended long-standing trade patterns, causing bottlenecks from the gates of Chinese factories to the doorsteps of U.S. homes.

The commercial disorder is just the latest blow to globalization's finely tuned engine, capping more than a decade of financial crisis, trade wars, contagion and recession. Each shock has triggered swings in the flow of cash and goods through the $91 trillion global economy. But reverberations from the pandemic are exposing vulnerabilities in the physical plumbing of cross-border commerce that may linger, according to exporters, port officials and trade specialists.

"It's crazy. Prices are at record highs. Multiple things are happening all at once," said Phil Levy, an economist with Flexport, a San Francisco-based freight forwarder. "People work off of expectations. But now there's just so much uncertainty."

At the Port of Los Angeles one day last week, 42 ships were anchored offshore, waiting to unload their cargoes, even as every warehouse within 60 miles was already full. A shortage of dockworkers amid California's worsening coronavirus outbreak is further complicating operations; inbound cargo volumes in December were more than 23% higher than one year earlier.

"Some areas of the supply chain need to be sharpened," Gene Seroka, the port's executive director, said. "People are a little bit on edge."

It's a global problem, and it may get worse before it gets better. More than one-third of the containers transiting the world's 20 largest ports last month failed to ship when scheduled, according to Ocean Insights, a data provider.

Glimmers of sticker shock are starting to vex corporate planners. The cost of imported industrial supplies jumped 4.2% in December and is up 27% since April's pandemic low, with manufacturers complaining of shortages of materials such as steel.
Shipping issues are affecting familiar brand names such as Gap, where an executive recently told investors that “port issues” were hamstring operations. At WD-40, higher freight and warehousing costs dented profit margins last quarter, Jay Rembolt, the chief financial officer, told investors this month. Bang & Olufsen, a maker of music systems and televisions, said it had resorted to more expensive airfreight to compensate for a lack of seaborne options.

“It seems to be getting worse, not better. I don’t see this ending anytime soon,” said Nate Herman, senior vice president for policy at the American Apparel and Footwear Association.

Last year’s stop-and-go global economy effectively shifted 5 million shipping containers from the first half of the year to the second half - on top of customary trade flows, said Lars Jensen, chief executive of SealIntelligence, a Copenhagen-based consultancy. “It’s multiple different bottlenecks all at the same time,” Jensen said. “It’s like a train wreck in slow motion.”

At the nation’s busiest container port, officials in Los Angeles have seen cargo volumes soar and plunge in dizzying cycles. Inbound shipments fell in the first months of the pandemic before roaring back in August. Average monthly import volumes in the second half of 2020 were more than 50 percent greater than during the first six months of the year, according to Seroka, the port’s executive director.

Since there is more demand to send goods from China to the United States than to ship in the other direction, ocean carriers - after delivering their cargoes to Los Angeles, are refusing to wait for their containers to be reloaded with US exports before returning them to China. In December, the port processed about 2.5 times as many empty containers headed to China as full ones.

That practice has irked American farmers, who say the shippers’ refusal to bring containers into the heartland is raising their costs and causing them to lose overseas sales of soybeans, grains and lumber. A coalition of agricultural exporters wrote to Biden transition officials this month complaining of “supply chain dysfunction” and backing an ongoing Federal Maritime Commission probe of shippers’ behavior.

The World Shipping Council, representing the cargo carriers, said the industry is doing its best. But “no part of the supply chain is geared to managing the extremes currently occurring,” it said this month.

Even as the carriers rush containers to Asia, some companies in China are struggling to get their U.S.-bound products out of the country. Manufacturers of specialized products such as fireworks are paying twice per container what they were a few months ago.

“Even paying the high price, we can’t get all the containers we need. We can only get a small percentage,” said one executive in China, who spoke on the condition of anonymity to preserve relationships with Chinese shippers. This executive fears that up to 40% of his annual production will be stranded in China. That shortfall will ripple through to the company’s U.S. distributors, denting their profits and potentially confronting consumers with shortages for Independence Day.

Problems getting Asian goods through West Coast ports are crimping the rebound in U.S. manufacturing, and the situation is getting worse. In December, factories recorded “minimal gains in inventory levels and difficulties in expanding imports. Supply chains continue to struggle compared to November,” the Institute for Supply Management said in its monthly report. The group noted that 16 industries reported that supplier deliveries were slowing and no industry reported improvement.

James Keane, chief executive of Steelcase, told investors last month that the office furniture manufacturer was facing an “acute shortage of steel” amid ongoing shipping
constraints. “There is [a] shortage of containers on the water, and then even in domestic shipping there [are] shortages of drivers, shortages of carriers and therefore upward pressure on fleet costs,” he said.

Many companies, frustrated by soaring shipping costs, blame the problems on the ocean carriers, saying they deliberately idled vessels last year to raise prices. But while the number of “blank sailings,” or canceled routes, did rise last year, carriers have increased their total capacity, Larsen said. On the key trans-Pacific route, he said, capacity is up 30% from one year ago. It’s just that demand has risen even more. Whatever the problems at sea, they are matched by those ashore.

In Los Angeles, Seroka is offering financial incentives for trucking companies to pick up and drop off their loads more quickly. The 93-minute average turnaround time should be more like 25 minutes, he said. Seroka would also like to see the federal government take steps to make U.S. exports more competitive - which would make trans-Pacific trade more balanced.

Still, the supply-chain disruptions will probably continue until the pandemic wanes and consumer buying patterns return to normal, analysts said. “There’s only one thing that can fix this,” Jensen said, “and that’s time.”

➢ Brazil Trucker Group Urges 800,000 Members to Join Strike

Reuters - Brazil's National Confederation of Transport and Logistics Workers (CNTTL) on Tuesday urged its 800,000 members to join a February 1st trucker strike, raising the prospect of a fresh economic hit to a country still reeling from the coronavirus pandemic.

A similar nationwide strike three years ago paralyzed Brazil and sent shockwaves through its economy. Although it remains to be seen how widely the industrial action will be taken up, a major strike would be a hammer-blow to Brazil's economy.

Truckers are upset that a minimum freight price set by the government is too low. CNTTL spokesman Carlos Alberto Litti Dahmer denounced lack of government support to improve working conditions of truck drivers, calling on members of his group to join the move. In a CNTTL statement, he said minimum freight quotes set by Brazil's land transport agency ANTT are insufficient for the drivers to make a living.

“We will cross our arms on the first of February,” the truck leader said, adding that minimum freight prices were authorized to rise by only 2.51%, which is not enough to offset rising costs, including to replace auto parts. “The minimum freight price equates to hunger.”

In May 2018 a trucker’s strike brought Brazil’s economy to a virtual halt, as the world’s largest exporter of agricultural commodities like soybeans and poultry could not get goods to ports or food to supermarkets.

➢ Argentina’s Atlantic Ports Paralyzed as Lorry Drivers Strike Deepens

The indefinite strike action called by independent truckers earlier this week has paralyzed activity at the ports of Bahia Blanca and Necochea, cutting off supply completely to two key ports on Argentina’s Atlantic coast, data from a leading logistics firm shows. The ports are major infrastructure for the country’s bulk agriculture exports, while strike action is also said to be affecting grain loadings at several ports located in the Up River hub at Rosario.

The protest is being carried out by members of the TUDA union, which comprises around 2,000 independent truck owners and drivers.

Grain exports had been disrupted by a prolonged strike action carried out by the country’s two oilseed crushing unions, grain receivers and maritime workers demanding higher salaries.

TUDA members are demanding higher freight tariffs, as well as infrastructure improvements at national roads and increased security for drivers, with truckers partially blocking the Buenos Aires-Rosario highway along with other strategic routes.

The government of Santa Fe province announced that are prepared to use the police to evict road blockades, while the country’s main grain and trade chambers also issued a joint statement to demand the intervention of the national government in the conflict.

A source at exporters chamber Ciara-CEC confirmed that the activity at local grain ports has been severely impacted by the strike action and said that the intervention of the national government was urgently needed.

➢ Argentina Considering Limiting Corn and Wheat Exports

Reuters - Argentina has considered limiting corn and wheat exports as part of an effort to ensure ample domestic food supplies as the local economy gets battered by recession and high inflation. Consumer prices in the country rose by 4% in December alone.

➢ Argentina Considering Limiting Corn and Wheat Exports

AP - The U.S.-Chinese trade war isn't going away under President Joe Biden. Biden won't confront Beijing right away, economists say, because he wants to focus on the coronavirus and the economy. But he looks set to renew pressure over trade and technology grievances that prompted President Donald Trump to hike tariffs on Chinese imports in 2017.

Negotiators might tone down Trump's focus on narrowing China’s multibillion-dollar trade surplus with the United States and push harder to open its state-dominated
economy, which matters more in the long run, economists say. But no abrupt tariff cuts or other big changes are expected.

"I think Biden will focus more on trying to extract structural reforms," said Louis Kuijs of Oxford Economics. "It's going to take some time before we get any shift or explicit announcements."

Biden is evaluating tariffs on Chinese goods and wants to coordinate future steps with allies, White House spokeswoman Jen Psaki said Monday. She gave no indication of possible changes. "The president is committed to stopping China's economic abuses," Psaki said.

A Chinese foreign ministry spokesman, Zhao Lijian, appealed to Washington to learn from Trump's "erroneous policies" and adopt a "constructive attitude" but gave no indication of possible changes by Beijing. "Cooperation is the only correct choice for both sides," Zhao said Tuesday.

Trump acted on complaints that are shared by Europe and other traders, but Washington has little to show for its bruising war. It brought President Xi Jinping's government to the bargaining table but roiled global trade, raised consumer prices and wiped-out jobs.

The last major development was a year ago, when Beijing promised in the "Phase One" agreement of January 2020 to buy more soybeans and other U.S. exports and stop pressuring companies to hand over technology.

China fell short on those purchases. Amid the coronavirus turmoil, it bought about 55% of what it promised. As for tech policy, some economists say those changes matter but question whether it counts as a win. They say Beijing might have made them anyway to suit its own plans.

China faces more opposition than ever in Washington due to its trade record, territorial disputes with neighbors, crackdown on Hong Kong, reports of abuses against ethnic Muslims and accusations of technology theft and spying.

"The ground has shifted in a significant way," said Nathan Sheets, a former Treasury undersecretary for international affairs in the Obama administration.

Katherine Tai, Biden's choice to succeed U.S. Trade Representative Robert Lighthizer, sounded a hawkish note on China in a speech this month. "We face stiffening competition from a growing and ambitious China," said Tai. "A China whose economy is directed by central planners who are not subject to the pressures of political pluralism, democratic elections or popular opinion."

That means China has to make changes if it wants to make progress, said Raoul Leering, global trade analyst for ING. He said that while many of Trump's statements were "close to nonsense," he was right that China has more trade barriers and official intervention in the economy than the United States. "It will depend on China, the speed at which they reform and change policies, to see whether Biden will roll back trade barriers," he said.

After 2½ years and 13 rounds of talks, negotiators have yet to tackle one of the biggest irritants for China's trading partners, the status of politically favored state companies that dominate industries from banking to oil to telecoms.

Europe, Japan and other governments criticized Trump's tactics but echo complaints that Beijing steals technology and breaks market-opening promises by subsidizing and shielding companies from competition.

Those complaints strike at the heart of a state-led development model Communist Party leaders see as the basis of China's success. They are building up "national champions" including PetroChina Ltd., Asia's biggest oil producer, and China Mobile Ltd., the world's biggest phone carrier by subscribers. The party in 2013 declared state industry the "core of the economy."

Outside the state sector, the party is nurturing competitors in solar power, electric cars, next-generation telecoms and other fields.

Beijing could offer to drop its claim to being a developing economy, a status it insists on despite having become one of the biggest manufacturers and a middle-income society, Leering said. Under WTO rules, that allows the Communist Party to protect industries and intervene more in the economy. Giving that up "would be a very important gesture," Leering said.

Biden wants to hold Beijing accountable for "unfair and illegal practices" and make sure American technology doesn't facilitate its military buildup, Psaki said.

Zhao, the Chinese spokesman, called on Washington not to "politicize or weaponize" science and technology and to avoid "groundless accusations to smear China."

Biden's envoys have the option of fine-tuning Trump's penalties by dropping some in exchange for Chinese policy changes, said Kuijs. But he and other economists say rolling back tariffs and curbs on access to technology and financial markets is unlikely to be a priority.

"It is difficult to see a U.S. reversal of the recent hawkish trends in China policy," Sylvia Sheng of JP Morgan Asset Management said in a report.

Tech curbs are unlikely to be eased because Washington "regards China as a competitor," said Tu Xinquan, director of the Institute for WTO Studies at the University of International Business and Economics in Beijing. Tariff cuts look like the only short-term option, Tu said. He said Biden could defend getting rid of taxes the World Trade Organization says were improperly imposed. "In that case, he wouldn't lose face," said Tu.
International Crop & Weather Highlights

➢ **Rains Slow Brazil’s Soybean Harvesting, Pushes Back Corn Plantings**

Reuters - The return of rains over Brazilian soybean-growing areas is disrupting harvesters, slowing down field work in the world's largest soy producer and potentially delaying planting of the country's second corn crop.

Agribusiness research firm AgRural estimated Brazilian soy farmers had harvested just 0.7% of the planted area through January 21st, a 0.3 percentage point rise from the previous week, limited by heavy rainfall. Last year, farmers nationwide had harvested an estimated 4.2% of the soybean area, AgRural said.

Agroconsult, another agribusiness consultancy, estimates no more than 5 mmts of the new soy crop will be harvested in January, less than half the volume for the month last year.

The delayed harvest means the country is poised to export less in the first weeks of 2021 than last year, according shipping data.

Planting and now harvesting delays may also push back sowing of Brazil's second corn crop, which is planted after soybeans are removed from fields. Brazil's second corn harvest represents about 75% of the country's output, and some of it may be planted after the ideal window if soy harvesting delays persist.

"There is never a perfect year," said Bartolomeu Braz, head of grains grower group Aprosoja. "We have no reports of lost soy, but [the rain] ends up hindering the development of the second corn crop," said Pereira.

On the other hand, rainfall is welcome for soybean crops that were sown later, benefiting farmers in states such as Rio Grande do Sul, which should get large volumes of rain through the end of January. Over the past seven days, rainfall has also been above average in most of Parana state and in southern Mato Grosso do Sul, according to data from Refinitiv.

➢ **USDA/WAOB Joint Agricultural Weather Facility – 26th January 2021**

- EUROPE – EUROPE – Highlight: Warmer, With Additional Rain And Snow
  Widespread rain and snow across much of central and western Europe maintained good moisture supplies for dormant (north) to vegetative (south) winter grains and oilseeds.
  Temperatures moderated, with near- to above-normal readings reported in most growing areas.

- MIDDLE EAST – Highlight: More Rain
  Additional rain in Turkey improved moisture reserves for wheat and barley spring growth.

Locally heavy showers continued from the eastern Mediterranean Coast into northwestern Iran.

- NORTHWESTERNAFRICA – Highlight: Additional Light Showers
  Lingering light showers maintained good moisture supplies for wheat and barley across the region.

- SOUTH ASIA – Highlight: Sunny Weather
  Warmer-than-normal weather promoted rabi crop development in interior India, while more seasonable temperatures in northern India sustained good wheat and rapeseed conditions.

- EAST ASIA – Highlight: Showers For Rapeseed
  Light to locally moderate showers in southern China added to moisture reserves for overwintering rapeseed and other crops.

- SOUTHEAST ASIA – Highlight: Wet Weather
  Rainfall throughout the Philippines and southern Indonesia (Java) maintained abundant moisture supplies for rice.

- AUSTRALIA – Highlight: Continued Good Weather For Summer Crops
  In southern Queensland and northern New South Wales, warm, showery weather continued to favor cotton and sorghum development, further increasing yield prospects.

- SOUTH AMERICA – Highlight: Widespread Showers Soaked Brazilian Soybeans
  Widespread rain improved prospects of immature soybeans and first-crop corn throughout most of Brazil's main production areas.
  Warm, sunny weather promoted development of corn and soybeans in central Argentina, following last week’s beneficial rainfall.

- SOUTH AFRICA – Highlight: Conditions Remained Favorable For Rain-Fed Summer Crops
  Warm, sunny weather benefited corn, sugarcane, and other rain-fed summer crops, which have received weekly rounds of beneficial rain for most of the season.

Web Site: https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf
Source: USDA https://www.usda.gov/oce/weather-drought-monitor/publications
February Crop Calendar

*Crop stage sensitive to moisture and temperature stresses.

U.S. Department of Agriculture (USDA)
Foreign Agricultural Service (FAS)
Office of Global Analysis (OGA)
International Production Assessment Division (IPAD)

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