Notes and Observations in International Commodity Markets

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KSU Ag Manager Link: https://www.agmanager.info/grain-marketing/grain-market-outlook-newsletter/notes-and-observations-international-commodity


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Focus Now On New Crop As USDA Releases Numbers for 2021/22

GHA – This week we experience historical cold weather across the southern United States, while export numbers and data coming out of the USDA’s Ag Outlook Forum all weighed on prices.

As supplies in the U.S. tighten and new crop harvest commences in the southern hemisphere, we are seeing other countries becoming more price competitive. This includes the Black Sea in wheat, Argentina and Ukraine in corn, and Brazil in soybeans. Analysts are also discussing with recent rains how the South America production may not be as bad as anticipated.

During the Forum, USDA’s new chief economist, Seth Meyer, stated the obvious and pointed out that the acreage picture largely hinges on spring weather. The first look at USDA 2021 planted acreage numbers show: 92 million acres of corn, 90 million acres of soybeans, and 12 million acres of cotton.

For corn these numbers are true to trend on yield projections of 179.5 bus/acre. Showing a 7.5 bus/acre. increase over last year and a 3.1 bus/acre increase from 2018/19.”

USDA increased soybean acres by 9% from last year, with a slight increase in yield, and a minor reduction in exports. This increase soybean ending stocks by 0.6%.

The USDA had total wheat supply approximately unchanged due to a minor increase in acres and a minor decrease in yield. Wheat exports were reduced by 6% resulting a 5.8% decrease in ending stock, 15.9% lower than two years ago.
USDA Projects Record Ag Exports, Increased Corn, Soybean Acreage

USDA - U.S. farm exports should hit a record $157 billion for fiscal 2021, an increase of $21 billion over the year before, according to a recent report by the Agriculture Department’s Economic Research Service and the Foreign Agricultural Service. The increase is attributable largely to increased purchases by China.

USDA also projected Thursday that U.S. farmers will plant a record 182 million acres of corn and soybeans this year, helped by strong domestic demand as well as surging exports. The forecast also assumes normal planting weather; farmers had trouble getting crops planted in both 2019 and 2020.

USDA Chief Economist Seth Meyer said in a webinar for USDA’s Farm Outlook Forum this week that the Corn Belt is expected to fare better in the next year because it produces corn, soybeans, beef and pork, but warned that “there are still a lot of uncertainties” about the overall farm economy.

USDA Sees Corn and Soybean Stocks Increasing Slightly In 2021/22

GHA - This week the USDA gave us their first look at their forecasts of coming spring planting intentions. This commences this season’s battle for planted area between corn and soybeans, as well as grains sorghum and spring wheat. At current price levels the competition promises to be intense. Final numbers are likely to change in coming weeks on planting weather and dynamics in price relationships.

On these initial USDA forecasts, US stockpiles of corn and soybeans are expected to increase slightly by the end of the 2021/22 marketing year, the USDA said on Friday, indicating a large crop planted this spring may alleviate some supply concerns.

With high prices seen as encouraging farmers to expand plantings of corn and soybeans to 182 million acres (73.7 million hectares), the most on record for the two crops combined, the USDA projected a record-large corn harvest of 15.150 billion bushels, up 7% from a year earlier, with an average yield of 179.5 bus/acre.

Corn stocks remaining at the end of the 2021/22 crop year, on Aug. 31, 2022, were projected at 1.552 billion bushels, up 50 million bushels over the previous marketing year, the USDA said in its first supply estimate for the upcoming crop.

Traders have been concerned about dwindling supplies of crops before the next U.S. harvest comes in. Total U.S. corn use in 2021/22 is forecast to rise 3% from a year on year on growth in domestic use and continued strength in exports“ the USDA said in a report released at an annual outlook forum.

For soybeans, the USDA estimated the crop at a record high 4.525 bbus, up 9% from the previous marketing year. Soybean ending stocks were seen rising to 145 mbus, up from 120 mbus a year earlier but still "historically low."

In addition, the USDA forecast that processors would crush a record 2.210 bbus of soybeans, driven by strong margins and robust domestic demand for soymeal, a livestock feed. However, 2021/22 soybean exports were forecast to fall to 2.200 bbus, down from 2.250 bbus in 2020/21.

The USDA projected a 2021/22 US wheat harvest of yield 1.827 bbus, mostly unchanged from 1.826 bbus in 2020/21. Total plantings were seen at 45.0 million acres (18.2 million hectares), up from 44.3 million acres (17.9 million hectares) the previous year. The USDA said seedings of winter wheat, which was planted last autumn, increased by 5% year-on-year, but may drop significantly to final harvested area on recent cold weather and “winter kill”. Spring wheat is expected to lose acreage in the northern Plains to corn and soybeans. The USDA forecast US wheat ending stocks to fall by the end of 2021/22 to fall to 698 mbus, the tightest in eight years, but still historically ”loose”, reflecting increased use of wheat as livestock feed.

Report - US and China on Path to 'Inevitable' Economic Decoupling

The South China Morning Post - The world’s biggest two economies are headed towards an inevitable divorce, but the US needs to manage it in a targeted way, according to an American study on economic ties with China.

"Decoupling is likely to continue in one form or another, even if it does evolve in a more measured, targeted way," the US Chamber of Commerce’s China Centre and New York-based research firm Rhodium Group said in a joint report released on Wednesday. "In both Washington and Beijing, political trust is at a nadir, and a return to the cooperative engagement policy that dominated the relationship since 1972 is difficult to imagine absent a sea change in both capitals."

The assessment comes as the administration of US President Joe Biden reviews tactics on China. Biden and his senior officials have labelled Beijing as a strategic rival, "the most serious competitor", and "the chief pacing challenge", suggesting that they will keep up the hardline position of the Trump era.

The report said the rivalry was set to increase and Washington needed to work out the best degree of economic engagement with Beijing. "Identifying the real consequences and costs of decoupling is urgent because initial steps toward such an act have already been taken," it said. "The US is debating... whether and how to continue down this path. The prospect of US-China decoupling has never been more real. But there is a strong rationale to limit decoupling to segments of trade, investment, people flows"
and technology that meaningfully impair US national security and not to act gratuitously without regard for economic welfare."

Citing falls in trade, investment flows, tourism and student exchanges, the report said "some degree of decoupling" of the two countries had already occurred, and many US firms were making changes in preparation.

Foreign firms were also asking whether they would benefit from the separation or whether their own home government would follow suit, it said. "An approach to decoupling that is targeted and fact-based will be more appealing for US allies and therefore has a better chance of success in the long run."

The report said the two economies were intertwined in many ways, making the costs of a complete decoupling "uncomfortably high".

The researchers estimated that a 25 per cent tariff on all trade between the two countries would cost the US economy about US$190 billion each year, on top of one-time losses of up to US$500 billion if US companies halved foreign direct investment in China.

A complete ban on Chinese tourists and students to the US would add up to US$30 billion in annual losses.

"A rational approach would be partial (tolerant of goods and services that have no bearing on national security or economic resilience), provisional (adjustable in response to future Chinese changes), and peaceful (stated without malice, to avoid gratuitous, costly escalation)."

It said that in strengthening state control, stifling private enterprise and pursuing hi-tech self-reliance, China had decoupled itself from liberal market economic norms.

Daniel Rosen, a leading author of the report and head of China research at Rhodium, said US-China engagement was always contingent on shared liberal economic goals, but as Beijing moved back towards greater state planning, "a less permissive stance is necessary". "But our self-interest lies in purposeful decoupling, not a gratuitous pulling apart. This study is a step toward resizing our engagement rationally."

**US DOLLAR & FOREIGN EXCHANGE**

**U.S. Dollar Index**

The US Dollar Index was stronger early in the week, but moves lower on Friday on a rally in G-10 currencies, and better than expected economic data The dollar index (DXY00) on Friday fell -0.251 (-0.28%). March euro-fx futures (E6H1) closed up +0.0030 (+0.25%), and EUR/USD (^EURUSD) rose +0.0026 (+0.22%). March yen futures (J6H1) closed up +0.0019 (+0.20%), and USD/JPY (^USDJPY) fell -0.23 (-0.22%).

A rally in GBP/USD on Friday to a new 2-3/4 year high weighed on the dollar along with strength in other G-10 currencies against the dollar. EUR/USD rose moderately on better-than-expected Eurozone economic data and higher German bund yields.

USD/JPY retreated as stronger-than-expected Japanese economic data and higher government bond yields boosted the yen.

U.S. economic data on Friday was mixed for the dollar. On the negative side, the U.S. Feb Markit manufacturing PMI fell -0.7 to 58.5, weaker than expectations of -0.4 to 58.8. Conversely, U.S. Jan existing home sales unexpectedly rose +0.6% to 6.69 million, stronger than expectations of a decline to 6.60 million.

Friday's release of next week's testimony from Fed Chair Powell to Congress was bearish for the dollar as it included the statement that "monetary policy will continue to deliver powerful support to the economy until the recovery is complete."

An easing of the pandemic in the U.S. is hawkish for Fed policy and supportive for the dollar as the 7-day average of new U.S. Covid infections fell to 72,188 on Thursday, a new 3-1/2 month low. Globally, Covid infections have risen above 110.951 million, and deaths have exceeded 2.454 million.

Bullish Factors: (1) safe-haven demand for dollar liquidity as underlying pandemic stress encourages flight into the world's reserve currency, (2) the influx of capital from overseas investors fleeing from over $10 trillion of negative-yielding debt, and (3) higher T-note yields that strengthen the dollar's interest rate differentials as the 10-year T-note yield rose to an 1-year high of 1.360%.

Bearish Factors: (1) the Fed's average inflation targeting scheme that is dovish for Fed policy, (2) the outlook for the Fed to keep the Fed funds rate near zero at least through 2023, (3) the severe U.S. and global economic damage caused by the Covid pandemic, which is dovish for Fed policy, (4) trade tensions and Washington political uncertainty, and (5) the wide U.S. budget and current account deficits.
**WHEAT**

- **USDA Global Production Raised Slightly**

Global wheat production is raised by less than 1 mmts this month to 773.4 mmts as a larger crop for Kazakhstan more than offsets cuts to Pakistan and Argentina. Production for Kazakhstan is revised 1.76 mmts higher to 14.26 mmts based on final official data from the Kazakhstan National Bureau of Statistics. Both area and yield are revised higher, mainly on account of three oblasts: North Kazakhstan, Akmola, and Kostanai.

Production for Pakistan is lowered by 500,000 mts to 25.2 mmts based on updated data from the Government of Pakistan. The reduction in production is primarily because of untimely rains at harvest.

Production for Argentina is lowered 300,000 mts to 17.2 mmts based on drought conditions during the earlier grain fill of the crop. This change is close to the updated production figure provided by Argentina’s Ministry of Agriculture. As harvest progressed and moved beyond regions that were most profoundly affected by dryness, yields improved, especially in areas in and around Buenos Aires.

- **Consumption Raised Slightly**

Global wheat consumption was raised 9.8 mmts to 769.3 mmts primarily driven by China, India, and Canada. Feed and residual use in China is up 5 mmts from the January forecast to a record 30 mmts. Government auction activity over the last several months shows a strong liquidation of stocks of old-crop wheat, much of which is several years old.

The spread between China’s domestic wheat and corn prices has collapsed in recent months so that wheat now holds a significant price discount to corn. Prices for corn skyrocketed amid tightening supplies, while wheat prices increased at a more modest rate.

Food, seed, and industrial (FSI) use in India was boosted 3.5 mmts to a record 96.5 mmts. The Government has been expanding distribution of subsidized food to ease the burden of COVID-19 on its population. Wheat consumption is believed to have been stronger because of this distribution effort. This increase to consumption, as well as the subsequent downward revision to India’s stocks, is supported by updated Government stock estimates.

Feed and residual use for Canada is raised based on larger-than-expected disappearance during the August-December period as reported by Statistics Canada Stocks of Principal Field Crops, 21 December 2020 report.

- **Expanded Global Wheat Supplies Spur Rise in Trade**

USDA - Global wheat supplies for 2020/21 are raised 0.8 mmts to 1,073.5 mmts this month on an equivalent increase in production. At 773.4 mmts, global production is forecast to reach a new record high following a 1.8 mmts increase for Kazakhstan.

Gains for the Black Sea nation more than offset relatively more modest reductions for Pakistan and Argentina, lowered 0.5 mmts and 0.3 mmts. Greater global supplies contribute to expanded global trade, raised 1.1 mmts to 194.8 mmts on higher exports for Kazakhstan and the European Union.

Exports for Kazakhstan are raised 0.5 mmts on strong demand from Central Asia and increased exportable supplies while EU exports are raised on increasingly competitive prices, especially compared to Russia, and the robust pace of recent wheat sales.
**CME CBOT Wheat Futures**

USDA’s weekly Export Sales data showed 399,121 MT of wheat booked on the week ending the 11th of February. That was down on the week, but up 15.26% yr/yr. New crop wheat sales were above trade estimates with 214,400 MT booked, mostly HRS. Syria is tendering for 200k MT of wheat. Pakistan issued an international tender for 300,000 MT of wheat.

The new crop USDA armchair forecasts matched the trade average guess for supply. The 21/22 all wheat acreage was 45m acres yielding a 1.827 bbu crop. Preliminary carryout on the other hand was below expectations at 698 mbu.

**CBOT May 2021 Wheat Futures** settled on Friday at $6.58/bu, losing 7½ cents on the day, but gaining 16¾ cents for the week.

**New crop July 2021 wheat settle on Friday at $6.45¼/bu, down 4½ cents on the day, but gaining 14¼ cents for the week.**

Higher OI from managed money on the week ending 2/16 left SRW spec traders 1,979 contracts more net long in the CFTC report (to +21,285).

**CME KC HRW Wheat Futures**

**Kansas May 2021 HRW Wheat Futures** settled on Friday at $6.39½/bu, off 3½ cents on the day, but gaining 12 cents for the week.

The July 2021 new crop HRW contract settle at $6.43¼/bu on Friday, down 3¼ cents on the day, but gaining 14 cents on the week.

**World Weather Lays Out Argument for Limited Winter Wheat Damage**

*Pro Farmer* – Trade talk has been suggesting that 15% to 30% of the HRW production region may have been damaged by the recent cold snap. But others say such damage assessments are likely overstated. World Weather Inc. says snow cover was likely adequate enough to protect most crops from arctic temperatures across much of the U.S.’s midsection, though it added that some damage cannot be ruled out. The weather watchers says the following factors must be considered:

Wheat in western Kansas and eastern Colorado was not well established and the moisture content in the plants was likely less than usual. The more moisture that is in plant cells at the time of damaging cold the more likely cell bursting is and the greater the potential for winterkill or at least some significant plant structural damage. The less moisture in the plants the higher survival is for crops in a situation like this as long as snow is on the ground. Snow-free conditions would raise the potential for plant death and most of the Central Plains had snow on the ground when it mattered most. The question is whether the snow was deep enough.

Sufficient hardening occurred prior to the coldest weather and plants were probably in the best possible condition to withstand a damaging freeze, but that does not guarantee no damage.

If winterkill has not occurred and crops are still alive but damaged, a cool and moist spring could allow plant recovery and some new tillering that could at least partially restore yield potential.
In HRW long liquidation and new selling left managed money 57,133 contracts net long. Funds were 12,212 contracts net long in spring wheat on 2/16.

**MGE HRS Wheat Futures**

MGE May 2021 HRS Wheat Futures settled at $6.40/bu on Friday, off 2¾ cents on the day, but gaining 14 cents for the week.

The new crop MGE July 2021 HRS Wheat Futures contract settled Friday at $6.47/bu, 3 cents lower on the day, but up 13 cents for the week.

**ABARES Forecasts Record Australian Wheat Crop**

Harvesting of all three crops is now over in all but a few very late crops, with wheat now forecast to produce 33.3 mmts, 5% higher than the previous record of 31.8 mmts set in 2016-17, and up 7% from the previous estimate issued in December.

<table>
<thead>
<tr>
<th>WHEAT</th>
<th>5yr avg to 2019-20</th>
<th>2019-20</th>
<th>2020-21 Dec Estimate</th>
<th>2020-21 Feb Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland</td>
<td>885,000</td>
<td>420,000</td>
<td>1,103,000</td>
<td>1,103,000</td>
</tr>
<tr>
<td>New South Wales</td>
<td>5,072,000</td>
<td>2,090,000</td>
<td>12,236,000</td>
<td>13,110,000</td>
</tr>
<tr>
<td>Victoria</td>
<td>3,208,000</td>
<td>3,600,000</td>
<td>4,720,000</td>
<td>4,768,000</td>
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<tr>
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<td>49,000</td>
<td>55,000</td>
<td>56,000</td>
<td>56,000</td>
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<tr>
<td>South Australia</td>
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<tr>
<td>Western Australia</td>
<td>8,327,000</td>
<td>5,800,000</td>
<td>8,150,000</td>
<td>9,500,000</td>
</tr>
<tr>
<td>Total Metric Tonnes</td>
<td>21,559,000</td>
<td>15,165,000</td>
<td>31,165,000</td>
<td>33,337,000</td>
</tr>
</tbody>
</table>

* Tonnes of wheat produced in all Australian states. Source: ABARES

AUSTRALIA’s national commodity forecaster ABARE has lifted its estimates for current-crop wheat, barley and canola in its latest Australian crop report to include the biggest wheat crop on record.

On wheat, all area estimates are unchanged, and the lift in production has come largely from higher-than-expected yields in Western Australia and New South Wales.

<table>
<thead>
<tr>
<th>Barley</th>
<th>5yr avg to 2019-20</th>
<th>2019-20</th>
<th>2020-21 Dec Estimate</th>
<th>2020-21 Feb Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland</td>
<td>238,000</td>
<td>60,000</td>
<td>240,000</td>
<td>240,000</td>
</tr>
<tr>
<td>New South Wales</td>
<td>1,654,000</td>
<td>696,000</td>
<td>3,040,000</td>
<td>3,230,000</td>
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<tr>
<td>Victoria</td>
<td>2,027,000</td>
<td>2,500,000</td>
<td>2,741,000</td>
<td>2,784,000</td>
</tr>
<tr>
<td>Tasmania</td>
<td>28,000</td>
<td>45,000</td>
<td>39,000</td>
<td>39,000</td>
</tr>
<tr>
<td>South Australia</td>
<td>2,009,000</td>
<td>1,850,000</td>
<td>2,300,000</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Western Australia</td>
<td>3,958,000</td>
<td>3,850,000</td>
<td>3,600,000</td>
<td>4,400,000</td>
</tr>
<tr>
<td>Total Metric Tonnes</td>
<td>9,914,000</td>
<td>9,001,000</td>
<td>11,960,000</td>
<td></td>
</tr>
</tbody>
</table>

* Tonnes of barley produced in all Australian states. Source: ABARES

ABARE’s national forecast for barley production came in at 13.1 mmts is up 9% from 12 mmts forecast in December but is below the national record set in 2016/17 of 13.5 mmts.

On barley, the South Australian area estimate has risen 20,000 hectares, but the bulk of the production rise has come from increased yields in New South Wales, South Australia, and Victoria, with Western Australia again the surprise packet.

**Coarse Grains**

Coarse Grain Production Raised on Changes in Southern Hemisphere

USDA - With the Northern Hemisphere harvest season concluding by the end of 2020, the coarse grain production outlook turns to the Southern Hemisphere’s summer crop production. Global coarse grain production for 2020/21 was projected to be 1,438.9 mmts, 0.4 mmts larger than the previous month.

World corn production is projected 0.2 mmts higher for 2020/21, totaling 1,134.1 mmts. Corn production in South Africa was up 0.5 mmts, to 16.5 mmts, accounting for the most significant change in the outlook. The increased production in South Africa was based on higher area from favorable conditions during the planting season that allowed addition. This was partially offset by a reduction in Paraguay, by 0.4 mmts to 4.2 mmts, due to lower expected yields caused by dry conditions.

Corn production in Brazil, the largest Southern Hemisphere corn producer, was projected at 109.0 mmts, unchanged from the previous month. Additional harvested area is expected in Brazil, however, offset by lower yields. Dry conditions have affected Southern Brazil during its first crop, which is currently being harvested.
However, high domestic and global corn prices are expected to incentivize growers to plant additional area for the country’s second corn crop, particularly in Brazil’s Center-West region that plants a substantial amount of corn after its soybean harvest, which is currently underway. Reduced yield projections are based on the slower planting progress of the second-crop corn in that region.

World barley production for 2020/21 was raised 0.2 mmts to 157.4 mmts. The only substantial change to the production outlook occurred in Argentina, where production is increased 0.4 mmts to 4.1 mmts. The raised production projection is based on domestic authorities reporting more harvested area from the crop that just concluded its harvest.

- **CME Corn March 2021**

Old crop futures go into the weekend on 6 to 7 1/2 cent losses. The nearby CME Corn March21 contract settled on Friday at $5.43/bu, closing down 6¾ cents on the day, but gaining 3½ cents on the week.

USDA Export Sales showed 999,165 mts of corn booked on the week ending 11th February. That was a 6-week low, but in line with pre-report estimates.

New crop contracts however ended the session mixed, and mostly higher by a penny. The new crop CME Corn December21 contract closed on Friday at $4.60 4.49/bu, up ¾ of a cent on the day, and gaining 11 cents for the week.

New crop corn sales were above pre-report estimates with 182,612 mts booked.

CFTC data showed managed money as 6,978 contracts more net long on new buying to 365,785 contracts. Commercials closed as many shorts as longs to stay firm net short 760,426 contracts.

For sorghum, a net of only 142 kmts were booked as China canceled 55 kmts of sales.

USDA’s Outlook Forum showed preliminary corn production below the average of pre-report estimates with a 15.15 bbu 21/22 crop. Carryout is forecasted at 1.552 bbu, only 50 mbus above the current WASDE old crop estimate. The initial average cash price estimate for 2021 crop is $4.20 per bushel, down 10 cents from this year.

- **Ethanol from Sorghum Cut as Exports Continue to Impress**

USDA - US sorghum production in 2021/21 remains unchanged at 9.477 mmts (373.0 mbus). Strong exports continue to highlight the global demand for sorghum, with most of the exports heading to China. Due to low reported levels of domestic use through December and high cash market prices that reduce processor margins, US sorghum use for ethanol was cut by 0.127 mmts (5.0 mbus) to 0.203 mmts (8.0 mbus). These 0.127 mmts (5.0 mbus) are diverted into exports, which are now forecast at 7.5 mmts (295.0 mbus).

The USDA season-average farm price is revised up by $0.10 to $4.80 per bushel.
**U.S. Ethanol Exports Surge on Purchases by China**

Weekly totals of U.S. ethanol production, net inputs, and ending stocks

<table>
<thead>
<tr>
<th>Million gallons</th>
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<tbody>
<tr>
<td>Production</td>
</tr>
<tr>
<td>Net inputs</td>
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<tr>
<td>Ending stocks</td>
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</tbody>
</table>

US corn used for fuel ethanol in 2020/21 remains at 4,950 million bushels, unchanged from the previous month.

Weekly data published by the U.S. Department of Energy’s Energy Information Administration (EIA) show that ethanol production has remained steady through early February, although it remains at a reduced level compared with the same period a year prior.

Net inputs of ethanol have trended lower in recent weeks, in line with lower consumption rates of motor gasoline, resulting in a buildup of ethanol inventories.

The US has seen increased trade activity for ethanol, with domestic demand still lagging, and in some cases, to markets where exporters do not consistently ship.

US exports of fuel ethanol to China and Hong Kong surged to in December, representing 21.9% of total exports for the month. Combined, the two countries were the largest destination for US ethanol, followed by Canada, South Korea, and Brazil.

US 2020/21 total ethanol exports through December have reached 402 million gallons, 7.9% lower than last year’s level at this point.

**OILSEEDS COMPLEX**

**South American Soybean Crops are Delayed but Advancing**

Leadership in global soybean exports is switching quickly

<table>
<thead>
<tr>
<th>Million metric tons</th>
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<tbody>
<tr>
<td>Oct-2019</td>
</tr>
<tr>
<td>Jan-2020</td>
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<tr>
<td>Apr-2020</td>
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<tr>
<td>Jul-2020</td>
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<tr>
<td>Oct-2020</td>
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<td>Jan-2021</td>
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USDA - Harvesting of the first of Brazil’s 2020/21 soybean crop is now underway, but progress is behind its usual schedule largely due to late planting. Only 4% of Brazil’s soybean harvest had been completed by the 4th of February, compared with 16% last year. On a 133 mmts crop, that year-to-year difference in the January progress amounts to 16 mmts fewer supplies harvested by the month’s end. Recent harvesttime rains have exacerbated the delays. Consequently, receipt of new-crop soybeans at Brazilian ports is also lagging.

Compared with 1.4 mmts of soybeans exported from Brazil in January 2020, and 4.8 mmts in January 2019, last month’s January 2021 shipments totaled less than 50,000 mts. A long backlog of vessels is now waiting at the ports ready to receive crop supplies when they arrive.
Nevertheless, the deficit in new-crop shipments might be made up by an accelerating pace throughout February and March. If this is the case, USDA sees its 2020/21 export forecast for Brazil unchanged at 85 mmts, yet well below the 2019/20 total of 92.1 mmts.

Brazil’s slow start is extending the U.S. shipping season by several weeks. Being the sole alternative, any continuation of Brazil’s delays could exert further upward pressure on US soybean prices.

In Argentina, sowing of the 2020/21 soybean crop is now complete and a majority of the crop has progressed into the flowering stage of development. Conditions for some of the soybean growing regions have stabilized after above average January rainfall. The Argentine Agriculture Ministry reports that a high percentage of soybean crops are currently in good to very good condition.

USDA left its forecasts for the 2020/21 Argentine soybean production and exports unchanged at 48 mmts and 7 mmts, respectively.

**CBOT Soybeans March 2021**

![CBOT Soybeans March 2021 Graph]

The lead CME March 2021 Soybean Futures settled on Friday at $13.78¼/bu, up 3¼ cents on the day, and gaining 7½ cents for the week.

Then new crop CME November 2021 Soybean Futures contract settled on Friday at $11.97½/bu, up 11 cents on the day, and gaining 24 cents through the week in the black as they bid for acres.

This week’s USDA’s Export Sales report showed 455,944 mts of soybeans sold on the week. That was down 43.3% on the week and was 8% below sales from the same week last year. New crop commitments were 167,944 MT bringing the total forward book to 4.593 mmts.

CFTC data showed long liquidation for soybean spec funds through the week ending the 16th of February. Managed money was still 161,410 contracts net long.

U BAGE reported that 11% of Argentina’s soybean crop rated poor to very poor, up from 8% last week.

SDA’s S&D for new crop beans matched the trade average estimate for acreage and production @ 90m acres and 4.525 bbu respectively. Carryout however was below trade expectations with 145 mbu as opposed to the 179 mbu expectation.

**Soybeans, Oil and Meal Export Shipments & Sales**

2020/21 soybean shipments are brisk but plunging outstanding U.S. export sales signal a slowing

Currently, US soybean shipments are the dominant force in global trade. Few old-crop stocks remain in Brazil and little of the new crop has been harvested in South America. Consequently, recent exports from both leading export competitors have slowed to a trickle.

In contrast, US export commitments as of the 28th of January totaled 58.8 mmts (2.16 bbus), its highest level ever recorded for the date.
Over the last 5 months, many of these sales have already been shipped. Even so, the rate of new sales is expected to cool fast due to plunging soybean stocks, a sharp increase in prices, and an impending Brazilian harvest. Throughout the second half of the marketing year, weekly US shipments will necessarily exhibit a sudden and dramatic decline from the earlier level.

Last week we saw the USDA thereby raises its forecast of 2020/21 soybean exports by 0.544 mmts (20 mbus) this month to a record 61.3 mmts (2.25 bbus). About 80% of the total exports forecast for 2020/21 have already been shipped by early February.

- **U.S. Seen Importing Soybeans This Year**

  Reuters - The United States may turn to imported soybeans this year to supplement tight domestic supplies, but large planting this spring by U.S. farmers will likely limit imported volumes, USDA Chief Economist Seth Meyer said on Thursday.

  "We often import small amounts of these products. But at 90 million acres (of projected U.S. soybean plantings), under normal weather, it's not something that we are going to have to do a lot of," Meyer said at the USDA's annual outlook forum.

  GHA – If imports occur, supplies will most likely come from Canada first. With the changing relationship in the "crush" between oil and meal, we could also see imports of canola / rapeseed, particularly into plants that have the capacity to switch seed types.

- **EU 2020/21 Soybean Imports at 9.17 mmts, Rapeseed 4.29 mmts**

  Reuters - European Union soybean imports in the 2020/21 season that started last July had reached 9.17 mmts by the 14th of February, data published by the European Commission showed on Monday. That compared with 8.85 mmts cleared by the same week last season.

  Since the 1st of January the European Commission's data has covered the EU's 27 countries only, whereas previous figures up to the 31st of December covered both the EU-27 and former EU member Britain.

  EU rapeseed imports in 2020/21 reached 4.29 mmts, compared with 4.40 mmts y/o/y. Soymeal imports so far in 2020/21 were at 10.79 mmts, against 11.59 mmts y/o/y.

  Palm oil imports were at 3.56 mmts compared with 3.50 mmts y/o/y.

- **Egypt's Soybean Imports Surge in January, Strong Supply From U.S.**

  Refinitiv Commodities Research - Egypt imported about 613,100 mts of US soybeans in January 2021, a substantial increase of 66% from the previous month. This is the second biggest monthly soybean imports into Egypt since 2017/2018 marketing year.

  As a result, Egypt’s soybean imports for the first four months of the current marketing year totaled about 1.48 mmts, an 8% increase from the same period last year, and 52% above the three-year average of 973,830 mts.

  Egypt is forecast to import about 404,526 mts of soybeans in February 2021, with Egypt’s soybean imports during the first five months of 2020/2021 expected to reach about 1.86 mmts, a 12% increase from the same period last year and 58% above the three-year average of 1.19 mmts.

  During the first four months of the current marketing year, the US dominated soybean exports to Egypt, with a market share of 90%, Ukraine (4%), Brazil (3%) and Uruguay (3%) were responsible for the balance.

  USDA data is showing that the country shipped 1.66 mmts of soybeans to Egypt between September 2020 and January 2021, an increase of 21% y/o/y.

  Egypt has been the fourth largest importer of US soybeans after China (68.1%), the European Union (7.5%) and Mexico (4.7%) between September 2020 and 28 January 2021, accounting for about 3.5% of the total U.S. soybean exports during that period.

  Egypt is expected to import about 344,840 mts of US soybeans in February 2021, with an additional 114,166 mts reaching Egypt during the first two weeks of March.

  Forecasts for cumulative US soybean exports to Egypt to reach about 1.66 mmts in February 2021, a 16% increase from the same period last year, and 57% above the three-year average of 1.06 mmts.

- **ICE Canola March 2021 (Canadian Dollars / mts)**

  USDA - Year-to-date canola shipments from Canada are on a record pace, prompting USDA to forecast an increase for the country’s 2020/21 exports to 10.7 mmts. This would be 700,000 mts above last month’s forecast and up from 10 mmts in 2019/20.
For the year to date, not quite half of the Canadian exports are destined for the EU-27+UK and China, where import demand has been robust.

Following a reduced Canadian canola supply, an increase for this year’s trade threatens to slash the country’s season ending stocks to an 8-year low of 1.2 mmts. As of the 31st of December, Statistics Canada reports that mid-year canola stocks were already down by 24% from a year earlier. The tight ending stocks outlook for next summer has rallied Canadian futures market prices for canola close to a historic high.

Rapeseed imports by China for 2020/21 are forecast 500,000 mts higher this month to 3 mmts, which could support a domestic crush level at 15.5 mmts. Even so, rapeseed oil supplies in China may be unable to support gains in consumption. Reduced imports of rapeseed oil in 2020/21 are likely to offset higher domestic output. Likewise, EU-27+UK rapeseed imports for 2020/21 are seen 200,000 mts higher this month to 6 mmts, only modestly lower than the 2019/20 record of 6.25 mmts. Now approaching the midpoint of the crop marketing year, EU importers have brought in nearly the same amount to date as they did a year ago. At the current rate of use, more EU-27+UK rapeseed imports have been needed to prevent an unusually low level of carryout stocks.

**CBOT Soybean Meal March 2021**

Soybean Oil values made new highs on Friday touching $47.85/cwt. The lead CME March 2021 Soybean Oil Futures settled Friday at $46.56/cwt, up 84 cents on the day, gaining $1.81 cents for the week. Managed money was still 110,396 contracts net long for soy oil with a 3,222 drop in spec Open Interest. USDA bean oil export bookings for the week came in below expectations at 4,351 mts.

**Soybean Oil Prices March Upward**

USDA - Based on a higher December crush, an increase in soybean oil production for the month contributed to a rise for month-ending stocks by 101 million pounds to 2.22 billion. A temporarily higher inventory for soybean oil has not much tempered the rally in prices, though, as the demand outlook remains strong.

Another factor reinforcing support for soybean oil prices is an ongoing recovery in crude oil prices, which affects the former through the biofuels market. In January 2021, central Illinois soybean oil prices swelled to 44.3 cents per pound from 40.9 cents in December 2020.
Market values are now 34% above the January 2020 level. The last time soybean oil prices were so high was in mid-2013. The price boom prompted the USDA last week to raise its forecast of the 2020/21 average price for soybean oil this month by $1.50 to $4.00.00 cwt.

Total domestic disappearance for soybean oil in 2020/21 is forecast up by 100 million pounds this month to 23.3 billion on account of higher demand by biodiesel producers. Last fall, use of soybean oil for biodiesel surged, with a 30% increase for October–November 2020 consumption versus a year earlier. In contrast, its use for biodiesel in 2019/20 did not pick up until the second quarter, when a $1 per gallon blending credit had been restored through 2022. Demand for soybean oil as a biodiesel feedstock also benefited last spring when pandemic-related disruptions led to sharp reductions in the use of other alternatives such as distillers corn oil and yellow grease. For 2020/21, subsequent gains for soybean oil may soon be limited by rebounding shares for these other biodiesel feedstocks. USDA raises its 2020/21 forecast for soybean oil use in biodiesel by 100 million pounds this month to 8.3 billion.

A very strong performance in January for U.S. soybean oil exports kept the 2020/21 trade on par with last year’s robust rate. A rare, but exceptionally large tranche of soybean oil exports to India paced last month’s shipments. USDA’s 2020/21 soybean oil export forecast is unchanged at 2.75 billion pounds.

Other Related News

- **CDC, FDA, USDA: No Evidence Food Packaging Transmits Covid-19**

  In a rare joint statement today, the CDC, the FDA and the USDA said there is no evidence that food packaging transmits COVID-19.

  In the discussion over how and where the coronavirus originated, Chinese officials have claimed the coronavirus may have arrived in China via food packaging.

  But, in today’s statement, the U.S. agencies reaffirmed, “Our confidence in the safety of the U.S. food supply remains steadfast. Consumers should be reassured that we continue to believe, based on our understanding of currently available reliable scientific information, and supported by overwhelming international scientific consensus, that the foods they eat and food packaging they touch are highly unlikely to spread SARS-CoV-2.”

  “Based on the scientific information that continues to be made available over the course of the pandemic, the USDA and FDA continue to be confident in the safety of the food available to American consumers and exported to international customers.”

- **New Logistical Problems for Grain Trucks in Northern Brazil**

  Michael Cordonnier/Soybean & Corn Advisor, Inc. - Once the paving of Highway BR-163 in northern Brazil was completed in late 2019, everyone assumed that the traffic jams of thousands of grain trucks heading north out of Mato Grosso to ports on the

Logistics & Transportation

- **Storm Wreaks Havoc for US Gulf Logistics, Raises Force Majeure Fears**

  17 Feb 2020 - Heavy snow across parts of the southern US has brought chaos to logistics in the key export hub of the US Gulf and is likely to bring further delays, particularly to a tight corn export program, as snowmelt raises river levels and complicates loading.

  The weather has sparked reports of forces majeures being declared in the region, with traders forced to trigger a Clause 20 claim under North American Export Grain Association (NAEGA) rules.

  “Loading operations in New Orleans and Houston have been adversely affected by the cold and ice. There have been some NAEGA Clause 20 claims applied for - this is our form of force majeure,” one trade source said, amid the closure of key waterways like the Houston shipping channel.

  A polar vortex has brought extreme low temperatures and heavy snow to large parts of Texas, where a significant portion of US wheat exports originate, and along the New Orleans coast, hitting the primary US export hub as it gears up to handle a huge corn export slate. Traffic resumed yesterday in most areas. The worst is behind us now.

  US logistics have been stretched in recent months by its record export pace, first for soybeans but increasingly now for corn as a huge slate of buying from China has brought bumper exports. Against that, the Gulf is the fulcrum for much of those exports and is the primary hub handling the bulk of the movement. USDA data showed the hub handled over 900,000 mts of corn in the week to the 11th of February, a second consecutive weekly record pace, alongside 350,000 mts of soybeans, and 60,000 mts of wheat.

  The USDA has also called for a record export total for corn at 66 mmts, with 21.5 mmts of exports currently executed, a 32.5% conversion rate versus the outlook with 28 weeks of the marketing year left.

  That means the US needs to hit an export rate of around 1.5 mmts of corn per week between now and the end of the marketing year if it is to hit that estimate, a stiff target, but one that sources are confident can be reached if logistics perform flawlessly.

  Trade sources also warned that as the snow melts, river levels, key components in the supply chain connecting the Midwest growing regions with the US Gulf export hub, are likely to rise, raising fresh fears of further delay in the weeks ahead.

  “Gulf loadings have certainly been impacted along with interior loadings along the river segment. Boat lineups in the Gulf will likely be 3-4 days behind after poor weather late last week,” a third source said, with key river and harbour links closed.

  “It is quite a mess, but the weather does look to warm up and improve next week. We have heavy snow cover in most of the Midwest, so high-water levels in the river segments will likely be the next issue,” the source said. Any delay to loadings could upset the export expectations and cycle more corn back into the global ending stocks.
Amazon River was a thing of the past. However, that does not appear to be quite the case.

Late last week, there were approximately 5,000 trucks parked along the side of Highway BR-230 waiting to get into the Port of Miritituba on the Tapajos River. All of these trucks carrying soybeans from Mato Grosso came from Highway BR-163, which can handle a much greater flux of trucks since the paving has been completed. Highway BR-230 is a federal highway except for the last seven kilometers before the port which is unpaved and that is the stretch parked full of trucks.

The port can unload an average of about 500 trucks per day, but the number of trucks arriving at the port exceeds the port's capacity. This sort of problem was anticipated once the early soybean planting had been delayed by dry weather resulting in a very concentrated planting of the soybeans. Wet weather is now slowing the start of the harvesting, so the harvest will be concentrated into a much shorter time frame as well.

The Port of Miritituba is not the only logistical problem for trucks in Mato Grosso. There is also traffic problems on Highway BR-158 which runs north and south along the eastern side of the state of Mato Grosso. In northeastern Mato Grosso, there is a 50 kilometer section of Highway BR-158 that is unpaved and is now virtually impassable due to torrential rains. Local officials are attempting to fix the problem, but as long as the heavy rains persist, it will continue to be an ongoing problem.

Problems at the Port of Miritituba is an inconvenience for the thousands of truck drivers parked along the side of the highway, but it is not impacting operations at the port where barges are being loaded with soybeans destined for export facilities along the Amazon River.

The soybean harvest in Mato Grosso will be very concentrated this year and as a result, there are expected to be reports of long lines of trucks waiting to unload at grain elevators and cooperatives throughout the state.

**Container Lines Ordered to Explain Detention, Demurrage Assessment**

Federal maritime regulators on Wednesday ordered container lines and marine terminal operators in the ports of Los Angeles, Long Beach, and New York and New Jersey to explain how they are assessing detention and demurrage.

The agency’s decision comes as dozens of vessels are regularly anchored in Southern California, and following complaints from draymen and importers about a surge in penalties due to port congestion. Federal Maritime Commissioner (FMC) Rebecca Dye, who has spearheaded the Fact Finding 29 investigation into detention and demurrage, said the information demand orders will also include questions about empty container returns and container availability for exporters.

Ocean carriers counter that detention and demurrage practices are necessary to encourage smooth cargo flow and that promptly retrieving and returning containers is necessary to quickly turn equipment to the next customer and successfully navigate the latest volume surge. Cargo owners that do not pick up containers from the terminal, or hold onto empty containers too long, exacerbate the supply chain slowdown, carriers argue.

With ocean reliability from Asia to both coasts below 30 percent in December, according to the latest reading from Sea-Intelligence Maritime Analysis, exporters have struggled to determine when their cargo will actually be loaded. The average delay for late vessels on the West Coast stood at 7.99 days for the month, up from 3.18 days compared with the previous December.

That makes it hard for US exporters to secure empty containers or deliver loads into a terminal because the earliest receiving date (ERD) is consistently pushed back.

Exporters say they are missing opportunities to sell products abroad because of pervasive breakdowns in the transportation supply chain, including container and chassis shortages, congested terminals, and decisions by some ocean carriers to reject their shipments in order to ship empty containers back to Asia to be refilled with higher-paying merchandise.

**Government**

- **Full Confirmation Hearing Set for Agriculture Secretary Nominee**
  
  The Senate will vote on the confirmation of Mr. Tom Vilsack, President Biden’s nominee for Agriculture secretary, on Tuesday, February 23.

  The Senate made the decision on Saturday after the vote on former President Donald Trump’s impeachment. Both the Senate and the House were out of session this week following the Presidents Day holiday.

- **Corn, Cotton, Soybean Groups Oppose Phosphate Tariffs**
  
  The American Soybean Association (ASA), National Corn Growers Association and National Cotton Council of America filed joint comments on Feb. 17 to the U.S. International Trade Commission (USITC) regarding a petition by the Mosaic Company to enforce countervailing duties on Russian and Moroccan imports of phosphate fertilizer.

  “We believe countervailing duties on these imports will have a negative impact on the availability of phosphate fertilizer in the United States and, in turn, adversely affect crop production and farmer livelihoods,” said Kevin Scott, ASA president and soybean farmer from Valley Springs, South Dakota.

  Mosaic’s petition in support of countervailing duties is not in the best interest of a healthy U.S. agriculture marketplace, says the groups, and jeopardizes domestic availability of phosphate fertilizer and reducing the competition and choices available to farmers.

  The USITC is expected to hand down a decision in March. If the USITC reaches the same conclusion as the Commerce Department, then the countervailing duties will go into effect for the next five years.
WTO Finalizes Director General Selection

The General Council of the World Trade Organization (WTO) agreed by consensus to select Ngozi Okonjo-Iweala of Nigeria as the seventh Director-General of the global trade club. Okonjo-Iweala will become the first woman and the first African to lead the Organization. Okonjo-Iweala will take office on the 1st of March and her term, renewable, will expire on the 31st of August 2025.

In her statement to the Council, Okonjo-Iweala said the WTO “faces a great many challenges but working together we can collectively make [it] stronger, more agile and better adapted to the realities of today.” She indicated she will work with members to address the economic and health consequences of the COVID-19 pandemic.

She also pledged to “restore and rebrand the WTO as a key pillar of global economic governance” and “an instrument for inclusive economic growth and sustainable development.” She stressed the need to ensure that the WTO supports the green and circular economy and addresses the nexus between trade and climate change.

International Crop & Weather Highlights

USDA/WAOB Joint Agricultural Weather Facility – 16th February 2021

EUROPE – Highlight: More Rain And Snow, Cold In The North
- Widespread rain and snow maintained adequate to abundant moisture supplies for dormant (north) to vegetative (south) winter grains and oilseeds.
- The coldest weather of the season settled over central and northern Europe, though most winter crops were protected by snow cover.

MIDDLE EAST – Highlight: Sunny And Warm, Though Rain And Snow Have Returned To Turkey
- Sunny, warm weather maintained favorable conditions following recent rain for dormant (north) to vegetative (south) winter grains, though rain and snow returned to Turkey at the end of the period.
- However, short-term dryness in eastern Iran continued to lower moisture reserves for spring growth.

NORTHWESTERNAFRICA – Highlight: Some Showers, But Short-Term Dryness Has Developed
- Despite some showers, short-term dryness has developed over much of the region; subsoil moisture remained adequate for winter grains following heavy rain in late December and early January.

SOUTH ASIA – Highlight: Warm, Sunny Weather
- Abundant sunshine and warmer-than-normal weather in northern-most India and neighboring Pakistan promoted wheat and rapeseed development.

EAST ASIA – Highlight: Showers And Unseasonable Warmth
- Much-needed showers in southern China eased drought conditions and boosted moisture reserves for early-crop rice sowing in southern-most areas.
- Mild weather benefited overwintering wheat and rapeseed in eastern China.

SOUTHEAST ASIA – Highlight: Region-Wide Rainfall
- Showers throughout the region supported good rice prospects including unseasonable wetness in Thailand and Indochina.

AUSTRALIA – Highlight: Scattered Showers
- In northern New South Wales and southern Queensland, warm, showery weather maintained good to excellent cotton and sorghum prospects.

SOUTH AMERICA – Highlight: Showers Intensified In Previously Dry Farming Areas
- Beneficial rain continued in Brazil’s more northerly soybean, corn, and cotton areas as warm, sunny weather promoted rapid development of immature corn and soybeans farther south.
- Rain benefited cotton and other summer crops across much of northern Argentina, but dry, generally mild weather returned to southern corn and soybean areas after several weeks of beneficial rain.

SOUTH AFRICA – Highlight: Warm, Sunny Weather Advanced Summer Crop Development
- Sunny skies benefited corn and other summer crops, following an extended period of showers.

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