Notes and Observations in International Commodity Markets

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KSU Agriculture Today Podcast Link – February USDA WASDE Comments:
https://agodayksu.libsyn.com/world-grain-report-dormant-pruning-of-fruit-trees?dest_id=544948&fbclid=IwAR2Ckp4yHTITvahH0vDZOJ84OVFSs_7971dIYinTrG6kBeKPhz-uO9JY

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New Crop Corn Makes New Contracts Highs

GHA – The market is now well focus on South America as weather and logistics are driving relative values. A slow harvest pace and complicated logistics are making for loading delays and a large line up of vessels waiting to load.

Weather is also determining final production numbers, as any decrease in South American production will continue to drive the battle for planted acres in coming weeks and through spring planting. Looking forward, and short fall in South American will drive an early switch back to the northern hemisphere supplies this coming autumn.

With the tightness in US corn, soybeans and grain sorghum any small change in supply or demand numbers will have a major impact on prices.

With the export pipeline running on “low” the situation will also have a significant impact on early shipment values as US commodities as fall harvest approaches. There is already a good premium in the market for early sales and shipments. September corn futures are a 16 cents/bu premium to December, while September soybeans are a 46 cents/bu premium to November. This is a significant incentive to move grain early.

Both September and December new crop CME corn settled at new highs on Friday, with September reaching $4.99¼/bu, just shy of five dollars, and December reaching $4.82¼/bu.

Soybeans continue to be supported by the oil component, as contracts across the strip set new highs, and the lead May contract reaching $52.17 cwt.
Wheat continues to follow moving sideways to lower though the week. The rally in corn and beans, tied to ongoing South American weather concerns, eventually pulled up wheat as well.

US dollar has rebounded significantly through the week, hitting a 3-month high today which, if the trend continues, will be bearish US commodities.

The market is looking forward to the monthly USDA WASDE Report on Tuesdays.

**U.S. Unlikely To Give Ground On Phase 1 Trade Deal With China**

*The South China Morning Post* - Soon after Joe Biden was elected POTUS, Beijing began talking up the possibility of renegotiating the so-called phase one trade deal it agreed to with Washington last year, but that might be easier said than done.

Foreign Minister Wang Yi said in December that while his country had the capacity and demand to buy more products from the US, its will to do so applied only to items that China actually needed or wanted. Redressing the two countries’ long-standing trade balance would be “a matter of time”, Wang said. He also suggested restarting negotiations on an investment deal between Washington and Beijing, which began during the administration of former US president Barack Obama.

But with Biden looking like he will stick to the tough stance on China adopted by his predecessor Donald Trump, Beijing is unlikely to have things all its own way.

At her confirmation hearing last Thursday, American trade representative nominee Katherine Tai said China had to deliver on the purchase commitments it made in the phase one deal.

Shi Yinhong, a government adviser and professor of international relations at Renmin University in Beijing, said Tai’s comments were the “toughest message” yet on Biden’s trade policy for China. “Tai fell short of talking about the possibilities for policy adjustment and instead underscored the need to make China live up to its purchase commitments,” he said. Beijing made huge concessions in the phase one trade deal, like committing to buying more goods than it needed to prevent ties with the US from completely derailing, he said.

An American businessman in Beijing who asked not to be named said the phase one deal was doomed to fail from the outset, “as no one expected China to be able to achieve those purchase numbers”. It was already technically out of compliance, as Beijing had failed to meet its first-year target, he added.

Under the deal, China agreed to buy an additional US$200 billion worth of American goods and services last year and this year, over 2017 levels. But with the effects of the coronavirus pandemic and souring relations between the two countries, it missed those targets by some way.

According to analysis by the Peterson Institute of International Economics (PIIE) in Washington, China fulfilled just 58% of its purchasing goals in the first year of the deal. Although it beat its targets for pork, corn, cotton and wheat, it fell behind on soybeans, sorghum, lobster and other agricultural products. Its purchases of American energy products also fell short, meeting just 40 per cent of the 2020 commitment, the report said.

Meanwhile, Biden has been trying to rally support from American allies to counter Beijing’s “economic abuses and coercion”, a phrase frequently used by Trump’s administration.

Washington also said recently that it would keep in place the tariffs imposed by Trump on Chinese products and evaluate how to proceed after a review.

Wang responded last week, saying the US should scrap the tariffs, and end the suppression of Chinese technology firms.

Under the terms of the phase one deal, top-level officials from the US and China are expected to meet every six months for talks. Once her position has been confirmed by the Senate, Tai will head the US team for such meetings.

The most recent talks were in August, when Vice-Premier Liu He and then US trade representative Robert Lighthizer agreed to continue implementing the deal. Insiders say talks have continued at a working level.

“We hope the consultation mechanism can resume as soon as possible,” said Lu Xiang, a fellow for US studies at the Chinese Academy of Social Sciences. “The phase one deal was an important sign of goodwill for China to improve the trade balance with the US, but the decline in US supply during the pandemic and [Washington’s] poisonous policies towards China undermined the consultation mechanism and led to difficulties in implementing some of the purchase commitments,” he said. “There will be no positive outcome if the US continues with its strategic competition with China.”

Chad Bown, who is in charge of trade deal analysis at the PIIE, said last month that Biden’s trade team should look at how the European Union’s investment agreement with China achieved commitments on such things as opening up its financial services market and ending compulsory technology transfers. Those were “an achievement won without the costs of a trade war”, he said.

Shi noted that China had demand for more American products and could increase its imports. But whether Beijing fulfilled its commitments under the deal was another
matter, he said. "There has been too much confrontation," he said. "Cooperation on trade is welcome but it won’t significantly alter the overall picture."

- **U.S. Trade Gap Widens to Near Record as Imports Surge**

  Bloomberg - The U.S. trade deficit widened to the third-biggest on record in January as imports surged to the highest since mid-2019.

  The gap in trade of goods and services expanded to $68.2 billion in January from $67 billion in December, according to Commerce Department data released Friday. That compares with a median estimate for a shortfall of $67.5 billion in a Bloomberg survey of economists.

  Total imports increased 1.2% to $260.2 billion, the most since August 2019. Outward-bound shipments of goods climbed 1% to $191.9 billion, but still remains below pre-pandemic levels.

  The merchandise-trade deficit fell 1.6% to $85.4 billion, while the nation’s surplus in services trade grew for the first time in seven months, increasing to $17.2 billion.

  The U.S. last year posted its biggest annual trade deficit since 2008 as the global health crisis depressed export markets for American companies. The pandemic played a pivotal role in spoiling Donald Trump’s four-year push to rebalance the deficit, with Covid-19 crimping demand and upending supply chains. The former president slapped hundreds of billions of dollars of tariffs on the European Union and on China, sparking a trade war that hurt U.S. manufacturing and agriculture even as it protected some slices of industry like steelmakers.

  While President Joe Biden criticized Trump’s strategy and promised to work with global allies to confront China on issues including intellectual property theft, he’s also indicated that he won’t immediately remove the tariffs, taking time to review U.S. policy.

  A global shortage of semiconductors has idled production at some auto plants and prompted President Joe Biden to direct his administration to address shortfalls in output of the chips as it reviews supply chains. Automakers are cutting workers’ hours due to the lack of semiconductors needed for everything from transmissions to touchscreens, and unions are raising alarm about the prospect of layoffs.

  Exports of U.S. autos fell the most since May, dropping 5% to $12.6 billion.

  The value of imports of semiconductors increased to $5.02 billion in January; they peaked at $5.7 billion last March. Despite the shortages in the U.S., exports of the chips climbed to $5.2 billion.

- **Australia Posts Record Year But Challenges Remain**

  Grain Central – ABARES A huge grain-export program has helped to fuel the turnaround for Australian agriculture seen this year. Pictured is a CBH cargo of malting barley loaded in January at Albany and bound for Mexico.

  A forecast of an all-time high $65.9 billion in production value this fiscal year confirms Australian agriculture is in the midst of an exceptional rebound from drought.

  ABARES figures released today at the virtual Outlook 2021 conference reveal the industry is both defying a pandemic and seeing off the effects of consecutive poor seasons.
The medium to longer-term outlook is less clear.

"While the sector has demonstrated resilience and the ability to adapt to COVID-19, other challenges remain. Shifting trade, along with macroeconomic and production uncertainties, will provide the backdrop for what we expect to be a more difficult environment in which to grow production and trade value. Over the longer term, we cannot forget that the fundamentals remain strong; middle-income growth, urbanization, population growth, will all be positive forces shaping sector fortunes.

“What will be important is creating the conditions to maximise the sector’s growth and contribution to the economy. Innovating and meeting consumer expectations around what we produce and how we do it, along with ensuring our export systems are efficient and reward producers for the quality of their product, will all be important in growing value in an uncertain future.”

Read the ABARES Agriculture Commodities March 2021 quarter report here.

US DOLLAR & FOREIGN EXCHANGE

- U.S. Dollar Index - Dollar Rallies To A 3¼ Month High On A Strong U.S. February Payroll Report And Jump In T-Note Yields

The dollar index on Friday extended Thursday’s rally and posted a 3¼ month high. A stronger-than-expected U.S. February payroll report pushed the dollar higher Friday, along with a jump in the 10-year T-note yield to a 1-year high.

EUR/USD fell to a 3¼ month low on dollar strength.

- USD/JPY (¥USDJPY) rallied to an 8% month high after BOJ Governor Kuroda pushed back on speculation the BOJ will widen its 10-year bond yield target range.

The dollar index (DXY00) on Friday rose +0.354 (+0.39%). March euro-fx futures (E6H1) closed down -0.0053 (-0.44%), and EUR/USD (^EURUSD) fell -0.0052 (-0.43%). March yen futures (J6H1) closed down -0.0037 (-0.40%), and USD/JPY (^USDJPY) rose +0.39 (+0.36%).

The dollar found support Friday on the rise in T-note yields after the 10-year T-note yield rose to a new year high of 1.624%, which improved the dollar’s interest rate differentials. 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 59,126 on Thursday, a 4-1/2 month low. Globally, Covid infections have risen above 116.341 million, and deaths have exceeded 2.583 million.

Friday’s monthly U.S payroll data was bullish for the dollar. U.S. Feb nonfarm payrolls rose +379,000, stronger than expectations of +200,000 and the biggest increase in 4 months. Also, the Feb unemployment rate unexpectedly fell -0.1 to an 11-month low of 6.2%, showing a stronger labor market than expectations of unchanged at 6.3%.

Additional U.S. economic data on Friday was negative for the dollar after the U.S. Jan trade deficit of -$68.2 billion was wider than expectations of -$67.5 billion. Also, Jan consumer credit unexpectedly fell -$1.315 billion, weaker than expectations of +$12.0 billion and the biggest decline in 5 months.

Friday’s comments from St. Louis Fed President Bullard were bullish for the dollar when he said, “we have a very strong outlook for the U.S. economy and we already have a very easy monetary policy,” so a shift in policy to lean against higher yields is currently “unwarranted.”

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 a 1-year high of 1.62%.

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.

- Not all commodities benefit from weak US Dollar...

CoBank - A weakening of the US dollar will not benefit all commodities equally, according to a new report from CoBank’s Knowledge Exchange.
Fundamental factors like tariffs and weather conditions in key agricultural producing regions often dominate market dynamics despite currency headwinds or tailwinds and should not be discounted.

“US agricultural exports are largely expected to continue a faster pace in 2021 with help from weakness in the US dollar,” said Tanner Ehmke, manager of CoBank’s Knowledge Exchange. “But our research indicates that some agricultural commodities like grains, oilseeds, and cotton will face a currency headwind.”

CoBank’s estimates on commodity-specific trade weighted balances reveals a nuanced view of currency implications for US agricultural exports in 2021.

The US trade weighted grain and oilseed index stands out relative to other agriculture commodities. The index strengthened by 14% in 2020 and is expected to gain another 4% to 5% in 2021.

The further strengthening of the grain and oilseed index is driven by the US dollar’s strength relative to the currencies of major exporters like Brazil, Argentina and Ukraine.

“A casual observer could argue that corn and soybean exports will face headwinds in 2021 since the index strength implies that US exports become less price competitive,” said Kenneth Scott Zuckerberg, lead grain and farm supply economist with CoBank. “But this was not the case in 2020 nor is it expected to be in 2021 due to Chinese demand.”

China has been aggressively buying US grain for feed as it rebuilds its hog herd, leveraging its strong currency relative to the US dollar despite the dollar’s strength in relation to other currencies.

**WHEAT**

- **FAO Forecasts Record Wheat Production in 2021**
  
  FOA - Global wheat production is expected to reach a new record of 780 mmts in 2021, according to a preliminary forecast issued the 4th of March by the Food and Agriculture Organization of the United Nations.
  
  The record forecast reflects an anticipated rebound in production in the European Union that is expected to more than offset weather-impacted production prospects for output in the Russian Federation.
  
  The preliminary forecast for 2021 was issued along with the FAO’s Food Price Index, which the agency said rose for the ninth consecutive month in February.
  
  The FAO Food Price Index, which tracks monthly changes in the international prices of commonly traded food commodities, averaged 116 points in February, up 2.4% from January and up 26.5% from February 2020.

  The FAO Cereal Price Index averaged 125.7 points in February, up 1.5 points, or 1.2%, from January and 26.3 points, or 26.5%, above its February 2020 level.

  “Among major coarse grains, international sorghum prices increased the most, rising 17.4% in February, up 82.1% above their values in the corresponding month last year, driven by ongoing strong demand from China,” the FAO said. “International maize prices also rose, albeit by only 0.9% from the previous month. Maize export prices in February were up 45.5% from the previous year, underpinned by continued strong import demand amidst shrinking export supplies. Wheat export prices remained nearly stable in February, but up 19.8% from last year’s level. International rice prices also edged up some more, driven by demand for lower quality Indica and Japonica rice.”

  The FAO Vegetable Oil Price Index averaged 147.4 points in February, up 8.6 points, or 6.2%, from January and marking its highest level since April 2012. The FAO said the continued strength reflected firmer prices of palm, soy, rape and sunflower oils.

  “International palm oil prices rose for a ninth consecutive month in February, fueled by concerns over low inventory levels in leading exporting countries following below potential outputs,” the FAO noted. “At the same time, soy quotations remained on an upward trajectory, mainly reflecting current global supply tightness prior to the arrival of the new crop in South America. As for rapeseed and sunflowerseed oils, international prices were underpinned by, respectively, lower than initially expected 2021 production prospects in the European Union and further tightening of export availabilities in the Black Sea region. Noticeably, rising crude oil prices also lent support to vegetable oil values.”

  The FAO Sugar Price Index rose by 6.4% from January, reflecting production declines in key producing countries together with strong import demand from Asia, which prompted ongoing concerns over tighter global supplies. Expectations of a production recovery in Thailand and a bumper crop in India dampened the increase.

  Meanwhile, the FAO Dairy Price Index rose by 1.7% and the FAO Meat Price Index increased 0.8% in February.

  In addition to its record forecast for global wheat production in 2021, the FAO said it’s expecting a new and higher estimate for world cereal production in 2020, now seen at 2.76 billion mts, a 1.9% increase from the previous year, lifted by higher-than-expected outturns reported for maize in West Africa, for rice in India, and wheat harvests in the European Union, Kazakhstan and the Russian Federation.

  The FAO also noted that new projections for 2020-21 include a 2% increase in global cereal utilization to 2.77 billion mts and 5.5% increase in world trade in cereals to 464 mmts. Additionally, global cereal stocks are now forecast by the FAO to end 2021 at 811 mmts, which would be 0.9% below opening levels. World rice and wheat stocks are expected to increase, while those of coarse grains to decline, the FAO said.

- **Ukraine Wheat Exports At Nearly 80% of Quota**

  Reuters - Ukraine has used nearly 80% of its 17.5 mmts wheat export quota for the 2020/21 season, Reuters reported, citing data from the economy ministry.
As of the 1st of March 2021, wheat exports totaled 13.7 mmts, down 2.86 mmts from the same time a year ago. The ministry expects wheat exports will reach 950,000 mts in March.

Last year grain traders and the government agreed that wheat available for export would not exceed 17.5 mmts in the 2020/21 season, which is from July to June.

CFTC data showed managed money funds were net buyers of Chicago wheat for the week ending the 2nd of March, extending the group’s net long to 31,803 contracts. In HRW spec funds were net sellers, reducing their net long to 42,173 contracts. The Commitment of Traders report showed managed money was 14,101 contracts net long in spring wheat, up 1,948 on the week.

CME CBOT Wheat Futures

CBOT July 2021 Wheat Futures - New crop July 2021 wheat settle on Friday at $6.45½/bu, up 4½ cents on the day, but losing 4 cents for the week.

Global wheat trade was more active Friday with the market supported by some noted technical buying.

The lead May contract settled on Friday at $6.54½/bu, up 3½ cents on the day, but down 6 cents for the week.

Monthly Census data showed wheat exports were 1.977 mmts in January. This was up 1.6% from December and was 5.6% above Jan 2020. Official MYTD wheat shipments were 640.9 mbus through January, which is 65% of USDA’s forecasted full year total. Yesterday’s weekly data suggest total commitments hit 88.7% of the forecast as of the 25th of February.

Late in the week South Korea booked 130 kmts of feed wheat, while the Philippines booked 55 kmts of feed wheat, Pakistan cancelled their 300 kmts tender.

Cash markets were quiet to end the week as the SRW N/Z spread tightened into 2¼ cents but closed in ¼ cent to 3¼ carry.

CME KC HRW Wheat Futures

Kansas July 2021 HRW Wheat Futures

The July 2021 new crop HRW contract settle at $6.32¾/bu on Friday, gaining 6½ cents on the day, but down 4¼ cents on the week.

The nearby May contract settled on Friday at $6.26¾/bu, gaining 5¾ cents on the day, but down 7 cents for the week.

HRW protein premiums were unchanged this week. New crop spreads tightened in, KC HRW N/Z closing at 12¾ cents carry, narrowing a ½ cent.

West Texas Panhandle HRW wheat for feed chatter continues, though the debate as to whether it pencils continues with the corn/wheat spread and concerns as to the true availability of significant enough wheat supplies remain. General numbers today have wheat in West Texas figuring in at 98% the value of corn. Drought like conditions have persisted through the winter thus far with aggressive buying from the dairy sector. Texas Panhandle and tributary southwest areas will struggle to keep livestock fed with local corn stocks and will likely be forced to included more wheat in the ration.
Welcome precipitation was seen across parts of the Western US HRW region. French wheat conditions per AgriMer showed a slight improvement wk/wk, +1% good/very good to 88%, well above last year’s level for this time of year at 64%. Milder weather in areas of Russia and the Ukraine, all pressuring values lower.

Ukraine Deputy Economy Minister is optimistic about Ukraine’s winter crops, noting the risk of adverse weather still exists as they progress through the entire growing season. His wheat crop estimate now at 29.5 mmts, up 17.5% y/o/y, with yields expected to be up just under 11%.

- **MGE HRS Wheat Futures**

**MGE July 2021 HRS Wheat Futures** contract settled Friday at $6.51/bu, up 1¾ on the day, and gaining 4 cents for the week.

The nearby May contract settled at $6.45 ¼ 6.38¾/bu on Friday, up 1¾ on the day, and gaining 6¼ cent for the week.

- **Coarse Grains**

  - **Brazil’s second corn crop sowings continue severely delayed**

Refinitiv - As second crop sowing delays remain at half the pace seen last season, 2020/21 total Brazil corn production is tentatively kept at 105.2 mmts.

Total corn area is still seen at 18.9 million hectares, although the prospect of lower second corn crop area continues to rise as sowings remain severely delayed. The area estimate is still 0.8 million hectares below USDA’s World Agricultural Outlook Board (WAOB) figure from February, which assumes total corn sowings at 19.7 million hectares and national-level yield of 5.53 mts/hectare. Brazil’s agriculture state agency (CONAB) in its February outlook fractionally raised first corn area to 4.2 million hectares, but lowered yields to 5.63 mts/hectare. Second crop area was raised to 14.4 million hectares, while yields were set at 5.58 mts/hectare, bringing total corn area and production to 19.1 million hectares and 105.5 mmts, respectively.

Continued severe delays to soybean harvests will now leave a significant portion of the second crop to be sown outside the favorable window not only in the Center West and northern South, but also in important producers in the Southeast and Northeast. These delays frequently translate to diminished yield potential, which in turn can mean reduced sown area as farmers seek to avoid risks of crop failure during critical reproductive periods.

While the past week featured dryness in most of the Center-South, rainfall in the northern Center West and Northeast made a catch-up for soybean harvests and second crop corn sowings difficult. Temperatures remained near-average in most of the country, with the exception of the northern Southeast and southern Center West were temperatures rose to nearly 3°C above average.

In its latest update, as of 26 February, CONAB reported soybean harvests at 23.4%, nearly half of last season's pace. Second crop sowings were seen at 31.6%, an important week-on-week gain, that is still half of last season's pace. The biggest
delays continue to be in Mato Grosso, Goiás and Paraná, where early-season soybean sowing delays and more recent rainfall has helped delay soy harvests and push corn sowings to one of the slowest paces in recent history. However, recent heavy rainfall in the East has sowings in minor producing states (Tocantins, São Paulo) severely delayed as well.

First crop corn harvests, on the other hand, were seen at 23.3%, on par with last year, as farmers in drier portions of the South and Northeast continue to harvest rapidly. Unfortunately for farmers, the latest GFS and EC model runs suggest rainfall to continue above-average in the areas seeing the largest delays, including the Southeast. However, expected dryness in the Northeast and northern Southeast will be beneficial, allowing for a catch up in minor producing states seeing heavy delays.

Yield estimates from models using recent and long-term weather outlooks maintain first crop corn yield at 5.79 mts/hectare. Second corn crop yield is tentatively kept at 5.61 mts/hectare, 3.8% above last season, although downside risks continue to increase with each week that sowings are further delayed.

CME CBOT Corn Futures

New crop CME Corn December 2021 made new contract highs on the close on Friday reaching $4.82¼/bu, before settling at $4.81½/bu, up 6 cents on the day, and gaining 10½ cents for the week. The nearby May contract settled at 5.45½/bu, rallying 13 cents on the day.

A drier Argentine forecast was said to be the main driver of the rally. However, the FOB cash market does not appear to be too be overly concerned, with trades of +47N for a July panamax. This is roughly +113N FOB PNW equivalent when using SE Asia destinations. The PNW rail bids are starting to recognize this as Jun-Jly basis values were down 5 cents for the week at +128N.

Spreads are reflecting this with the H/K at +16½ cents and K/N at +11½ cents. The job of the inverse / flat price is to bring cash to delivery values. As noted above, this process is underway as the nearby weakness likely starts to pressure the AM or JJ values.

CFTC data from the week ending the 2nd of March had corn spec traders 348,546 contracts net long. This was down 12,605 contracts on the week from liquidation. Commercials exited another 60k contracts on the week, leaving their OI 9% below February 9th at 1,969,583 contracts. Even after the exits, commercials were still net short 729,567 contracts.

Monthly Census data showed January corn exports were the largest for the month since the record 1989/90 shipment. The 5.81 mmts was the highest for any month since August of 17/18.

Official January ethanol exports were a record for the month with 164.6 million gallons shipped. China was the primary destination for 85.9 million gallons. DDGS exports were reported at 916 kmts in January, which was up from December, but still below the January record of 976 kmts from 2020.

Monday’s NASS Report showed corn ground for ethanol production at 416 mbu for January, was slightly below the 418-428 trade range being mentioned. Sep-Jan use is off 4% and BOY consumption will need to run about 9% above last year to reach USDA forecasted numbers.

OILSEEDS COMPLEX

China’s Soybean Futures Hit Record High As Supplies Tighten

Reuters - China’s soybean futures on the Dalian Commodity Exchange (DCE) hit a record high on Monday, on tight supply and as some farmers are expected to reduce soybean acres in favor of corn on higher profit potential. The most actively traded soybean futures on Dalian Commodity Exchange for delivery in May rose touch a high of 6316 RMB/mt (US$26.45 /bu) on Friday, settling at 6255 RMB/mt (US$26.20/bu or US$962.31/mt).

“(Domestic) soybean supplies are tight, and the downstream users are okay with the high prices,” an industry source familiar with the domestic soybean market said. “It is also expected that soybean planting acreage will decrease this year, as farmers will switch from soybeans to corn,” said the source, who declined to be named as he was not authorized to speak with the media.

Limited arrivals of imported soybeans are expected in March due to harvest delays in top exporter Brazil, helping bolster domestic bean prices. Rising domestic soybean futures were also supported by higher edible oil prices.

“Soybean oil prices are also up. Some consumers are willing to pay a premium to non-
GMO soybean oil and that helps support domestic soybean futures as well,” said Darin Friedrichs, senior analyst.

DCE Soybeans May 2021 Futures

Farmers in the northeast region, top producer of both soybean and corn, will likely grow more corn in the new crop year on higher profit as prices of the grain soared to record high levels, analysts said.

China will hike its corn planting acreage by at least 667,000 hectares in 2021, the country’s agriculture ministry said last week.

China does not permit planting of GMO soybeans and its domestic soybeans are mainly used in food sector to make tofu and soymilk, while crushers bring in imported soybeans, nearly all genetically modified, to crush into soymeal to feed the livestock sector.

Both beans can be used to make soybean oil for cooking, though some consumers in China have preference for non-GMO edible oils.

Brazil February Soybean Exports Hit 2.9 mmts, down 40% y/o/y

Brazilian soybean exports for the month of February came in at just under 2.9 million mt, according to official export data released late Monday.

That compares with exports of 4.83 mmts last February as the country continues to grapple with a slow harvest owing to heavy rainfall since the start of the year.

According to Curitiba-based consultants Agrural, the harvest continues to stand at a 10-year low with just 25% of the area now harvested compared with 40% a year earlier. But the agency’s production estimate was lifted to a record 133 mmts, with the likely ramification being a busier loading schedule at ports later in the year that could potentially disrupt corn loadings.

For corn, exports in February hit 822,892 mts, up from 340,256 mts in the previous February but down from 2.55 mmts in January. Expectations remain that the country’s core safrinha export crop in July will likely be delayed.

Heavy Rains Continue to Delay Soybean Harvesting in Central Brazil

Soybean & Corn Advisor, Inc. - Heavy rains in Mato Grosso continue to frustrate Brazilian farmers as they try to complete their 2020/21 soybean harvest. The Mato Grosso Institute of Agricultural Economics (Imea) reported that 57% of the soybeans in the state have been harvested, which is 31% slower than last year at this time.

In the municipality of Sorriso, which is located in central Mato Grosso, rainfall amounts over the last few days was as high as 250 mm (10 inches). Sorriso is the largest soybean producing municipality in Brazil with more than 605,000 hectares of soybean production (1.49 million acres). It is estimated that 30% of the soybeans remain to be harvested.

The timetable for harvesting the last 30% of the crop is up in the air due to more rain in the forecast. If the wet weather continues, there could be as much as 10% losses for the unharvested soybeans. The wet weather will make a slow harvest even slower.

DCE Soybeans May21 settled at 6255 RMB/mt (US$26.20/bu or US$962.31/mt)
In the neighboring municipality of Lucas do Rio Verde, which has 250,000 hectares of soybeans (617,500 acres), heavy rains are also delaying the completion of the harvest with also about 30% of the crop left to harvest. There will be some losses for the late harvested soybeans due to high seed moisture and some seeds rotting in the pods. If the weather would cooperate, it would take about another 20 days to finish the soybean harvest. Unfortunately, the forecast is calling more rainfall.

In addition to worrying about the soybeans, farmers are also concerned about the delayed planting of the safrinha corn. The ideal planting window for the second crop of corn closed at the end of February, but farmers are still trying to plant their corn. It is estimated that only about 50% of the intended corn acreage has been planted. Some of the earlier planted corn may also have to be replanted due to standing water and poor emergence.

**Argentina USDA Attaché Lowers Oilseed Production Estimates**

Argentina USDA Attaché lowers oilseed production estimates for Argentina's 2020/21 soybean and sunflower seed crops. The US Department of Agriculture (USDA) Attaché projects Argentine 2020/21 soybean production at 47.5 million metric tons (mmt), 500,000 mts below USDA official. 2020/21 sunflower seed production is lowered to 2.65 mmt, 250,000 mts below USDA official.

While heavy rains in January allowed for a recuperation of oilseed crops in much of the country, dryer weather in Buenos Aires Province is leading to lower yield projections.

After weathering a few turbulent months, the Argentine oilseed sector is in a strong position leading into harvest 2020/21 harvest season. While strikes, dry weather, and threats of government intervention preoccupied the sector in December, timely rains in January and recent deals struck with both unions and the government have given the sector breathing room.

Recent industrial actions have hampered the oilseed export complex. In December, crush plant and port workers and river pilots launched strikes which were mostly resolved by late December and early January. These strikes led to some of the lowest monthly crush numbers in recent history.

Inflation has continued to beleaguer an Argentine economy hit hard by the COVID-19 pandemic. In an effort to constrain food price inflation, the administration of President Alberto Fernandez has sought to use a complicated system of food price controls and voluntary agreements with industry to lower prices of many basic food items.

Government officials have spoken often of the need to “decouple” domestic food prices from rising international commodity prices. While higher global prices are providing the government with much needed foreign currency and higher import tax receipts, there is a perception among some members of society that farmers are benefitting from higher market prices at the expense of low-income Argentines who can no longer afford groceries.

Farmers have responded with studies showing that farm-gate prices make for a relatively low percentage of retail food prices. Some farm groups have suggested lowering the Value-Added Tax on more food items as a way to lower prices.

However, the government has warned that it might need to raise export taxes or impose export quotas to ensure sufficient, low-priced food supplies for the Argentine people.

**Argentine Soy Crop Forecast Could Fall If No Rain Soon**

Reuters - The Buenos Aires Grains Exchange said on Thursday that it could cut its harvest forecast for Argentina's 2020/21 soy crop, currently 46 mmt, if it does not rain sufficiently in key producing areas over the weeks ahead.

Argentina is the world's leading exporter of soymeal livestock feed and soyoil. Dryness that had afflicted the Pampas grains belt since mid 2020 was relieved by substantial rainfall early this year, but some parts of the soy belt are still dry.

"The interruption of rainfall, together with the high temperatures of the last seven days, aggravate the state of the crop over much of the center and south of the planting area," the exchange said in its weekly crop report.

Regarding 2020/21 corn, whose production estimate is also 46 mmt, the exchange said the lack of rain in eastern Argentina also threatens yields. Argentine corn starts
getting planted in September, with harvesting through July. The soy season is from October to May. Argentina is the world’s No. 3 corn exporter.

CME CBOT Soybeans Futures
The new lead CME May 2021 Soybean Futures failed to make new contract highs, but on Thursday touched $14.38¾/bu, before settling on Friday at $14.30/bu, up 22¼ cents on the day, and gaining 22½ cents for the week. This was the 4th weekly higher close for May soybeans.

Then new crop CME November 2021 Soybean Futures challenge last week’s contract but fell short by 5 cents reaching only $12.48/bu, before settling on Friday at $12.47¼/bu, up 16 ¾ cents on the day, and gaining 21½ cents through the week.

Hot/dry concerns in Argentina and harvest delays in Brazil continue to be the main feature this week as funds were buyers of over 6,500 contracts. T-Storm noted Argentina stays warm and dry for the next 7-10 days with limited rain the next two weeks. This is setting up for an interesting start to next week, as the forecast likely has an impact on how we open Sunday night’s trade.

Soybean board spreads inverted a more Friday with the K/N at a 16¼ cent inverse, compared to a 12¾ cent inverse last week. The N/X spread traded at 171¾ at one point Friday and saw nearly a 10 cent trading range on the session, settling at a 166½ cent inverse. The new crop X/F spread was 4½ cent inverse, trading into 3½ cents.

The weekly CoT report showed managed money was 155,561 contracts net long in soybeans on the 2nd of March. This was down 16,803 contracts from last week via long liquidation.

Soybean Oil values made new highs on Friday reaching touching $52.17/cwt. The lead CME May 2021 Soybean Oil Futures settled Friday at $51.80/cwt, up $1.09 on the day, gaining $1.72 for the week.

Soybean Oil futures added approximately 12½ cents of product value as the front months rallied triple digits to go into the weekend.

Soybean oil spec funds liquidated longs on the week as well, leaving the group 108,081 contracts net long.

Monthly Census data showed 324.42 mbus of soybeans were shipped in January. That was an all-time high for the month, and each month of the 2020/21 season has been a respective record. MYTD official soybean exports are 1.82 bbus through January. Through January China has been the destination for 1.223 bbus, or a whopping 67% of all soybean exports marketing YTD!

The USDA WASDE Report will be out Tuesday as the trade will be closely watching the US balance sheet along with the production estimates for South America. BAGE left the Argentina crop steady at 46 mmts. The average guess for the USDA report is 47.5 mmts, with a 46 to 48 range, vs a 48 mmts in February. The average trade guess for Brazil was 133.2 mmts, with a range of 132 to 134 mmts vs a 133 mmts in February.

As for the USDA carryout the average guess was 117 mbus, ranging from 110 to 125 mbus, vs a 120 mbus last month.
EU 2020/21 Soybean Imports at 9.58 mmts, Rapeseed 4.36 mmts

Reuters - European Union soybean imports in the 2020/21 season that started last July had reached 9.58 mmts by the 28th of February, data published by the European Commission showed on Monday. That compared with 9.38 mmts cleared by the same week last season, the data showed.

EU rapeseed imports in 2020/21 had reached 4.36 mmts, compared with 4.47 mmts a year ago.

Soymeal imports so far in 2020/21 were at 11.44 mmts vs 12.13 mmts a year earlier, while palm oil imports were at 3.69 mmts compared with 3.78 mmts a year ago.

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 December covered both the EU-27 and Britain.

MATIF Rapeseed Nearby – 10 Year History

Euronext May21 Rapeseed futures made new highs this week reaching the highest level since September 2012 on tight European inventories and firm international oilseed markets.

Tight EU Rapeseed Supplies To Suck In Imports

Oil World (Reuters) - Soaring prices of rapeseed in the European Union due to a sharp fall in supplies is likely to boost EU imports of the oilseed in the first six months of 2021, Hamburg-based analysts Oil World said on Wednesday.

Stocks in the 27 EU member states of rapeseed/canola, used for edible oil and biodiesel production, fell to an estimated 8.7 mmts in early January 2021 from 9.1 mmts in January 2020 and 10.7 mmts in January 2019, Oil World CEO Thomas Mielke told Reuters.

“Good profit margins have led to an increase in EU rapeseed crushings in October to December 2020 and EU crushings look like accelerating in the first quarter of 2021, also helped by large European export sales of rapeseed oil, mainly to China,” Mielke said. “Oil World expects EU imports of rapeseed/canola to rise to a record 6.55 mmts in the July 2020/June 2021 season, up from 6.08 mmts last season.”

“Australia will become the major origin and I estimate it will provide 2.25 mmts to the EU in January-June 2021 against 1.0 mmts the same time a year earlier.”

Mielke estimates the EU will import 600,000 mts from Canada in January/June 2021, mostly already shipped. But tight Canadian supplies mean this will be down from the 1.2 mmts Canada shipped to Europe in the same time in 2020.

“Uruguay is emerging as a larger exporter of rapeseed to the EU, and I forecast it will ship 80,000 mts to the EU in January/June 2021,” Mielke said.

With expectations of the EU 2021 rapeseed crop being cut after reduced plantings, supply tightness could continue into the second half of this year, compelling EU importers to seek supplies from unusual origins, Mielke said.
CME May 2021 Soybean Meal Futures settled on Friday at $418.20 422.40/short ton, up $1.60 on the day, but losing $4.20 for the week. Soymeal futures recovered from triple digit midday losses and ended the session $1.30 to $190/ton higher. In Soymeal, managed money was 65,424 contracts net long, down 4,063.

**OTHER RELATED NEWS**

- **SW China Reports New African Swine Fever Case**
  Xinhua - Southwest China's Yunnan Province reported a new case of African swine fever on Tuesday, said the Ministry of Agriculture and Rural Affairs. The disease occurred among 36 piglets illegally transported from outside the province in Funing County. Six were already dead, according to the ministry.
  Local authorities have taken immediate measures in response, including disposing of all the pigs, disinfecting related spots and roads, and investigating the case.
  African swine fever is believed to infect only pigs, and no humans or other species have thus far been infected.
  China reported its first case of the disease in August 2018 in the northeastern province of Liaoning. Later outbreaks were reported in other provincial regions.

- **Alert Raised Over Strains of African Swine Fever in China**
  *The South China Morning Post* - A Chinese state laboratory has detected two more-transmissible mutations of the African swine fever virus, a disease that has devastated pig herds across the country in recent years.
  In a paper published on Friday, researchers at the Chinese Academy of Agricultural Science's Harbin Veterinary Research Institute said they carried out genetic analysis of various natural mutations of the virus found in seven provinces between June and December.
  Two of the emerging strains were highly transmissible and less virulent than the dominant strain, making them more difficult to detect. "The emergence of lower virulent natural mutants brings greater difficulty to the early diagnosis of African swine fever and creates new challenges for control [of the virus]," they said.
  The team also detected mutated strains that were as lethal as the prevalent strain.
  The paper was published in Science China Life Sciences, a peer-reviewed journal co-sponsored by the Chinese Academy of Sciences and the National Natural Science Foundation of China.
  African swine fever does not infect humans but it spread like wildfire through the country's swine herds in 2018, killing 100 million pigs and inflicting heavy losses on farmers. There is no commercial vaccine or effective treatment for the disease.

China accounts for almost half of the world's consumption of pork, the price of which rose to record levels last year after swine fever forced farm closures, wiped out half of the nation's pig population and throttled supply to end consumers. The crisis prompted the central government to tap into its pork reserves and subsidise consumers to suppress inflation.

Fitch Ratings estimated the 2018 outbreak caused a shortfall of 4.3 mmtms of the staple meat last year. Last year's pork output fell 3.3% to 41.13 mmtms after dropping 21% in 2019.

Last year, the Ministry of Agriculture and Rural Affairs announced a swine fever vaccine developed by the Harbin institute was advancing to the next phase of clinical and production trials. But experts say low standards of biosecurity, lack of oversight and local government cover-ups of outbreaks allow the disease to spread.

The disease is a global issue that arises from the competing demands of raising livestock to feed growing populations and managing the disease risks for animals and humans that come with the expansion of meat production.

- **China Notifies HPAI Outbreak In Jiangsu Wild Birds**
  USDA - On the 21st of February 2021, China’s Ministry of Agriculture and Rural Affairs (MARA) notified the U.S. Embassy in Beijing that on the 4th of February 2021, China detected highly pathogenic avian influenza (HPAI) H5N8 subtype in wild birds in a scenic area in Lianyungang City. China also notified this HPAI outbreak to the World Organization for Animal Health (OIE) and is monitoring the situation.

- **NSW to lift ban on use of GM crops from July**
  Grain Central - The New South Wales Government yesterday announced it will lift its ban on the use of genetically modified (GM) crops by allowing an 18-year moratorium to lapse on the 1st of July.
  Minister for Agriculture Adam Marshall said this would allow NSW’s primary industries sector to embrace new GM technologies, and these were forecast to deliver up to $4.8 billion in total gross benefits over the next 10 years.
  “The potential agronomic and health benefits of future GM crops include everything from drought and disease resistance to more efficient uptake of soil nutrients, increased yield and better weed control,” Mr Marshall said. He said GM technology could save farmers up to 35% of their overheads and boost production by almost 10%.
  “This is also great news for consumers as by lifting the ban we are empowering companies to invest in GM technology that has the potential to remove allergens such as gluten, improve taste and deliver enhanced nutrition.”
The GM moratorium was enacted to manage the trade and marketing issues related to the emerging branch of agriculture, and Mr Marshall said there had been few if any implications in more than a decade.

Mr Marshall said there was already a “robust safety system in place” with all applications to grow GM crops in Australia assessed by the Federal Government’s Office of the Gene Technology Regulator (OGTR).

Queensland, Western Australia and the Northern Territory do not have a moratorium in place, and the moratorium in South Australia now only applies to Kangaroo Island. The OGTR in 2018 stated that around 20% of canola grown in Australia was GM.

**Logistics & Transportation**

- **Ocean Freight Rates Follow Rising Bulk Commodity Demand**
  
  *Claire Hutchins, USW Market Analyst* - A spike in ocean freight rates is creating some heartburn for dry bulk commodity buyers who may be uncovered over the next few months as strong global demand for grain and coal stresses vessel supply. Fortunately, lower freight futures prices in the second half of 2021 could hold if commodity demand eases, as expected.

  “We believe most of our wheat buying customers have booked freight already for April or May deliveries,” said USW Vice President of Overseas Operations Mike Spier. “We hope this spike in freight prices is short term because it obviously increases the landed cost of wheat from the United States and all other suppliers.”

  “The freight story is all about demand and supply for dry bulk vessels,” said a former U.S. grain trader. “There’s just too much dry bulk movement right now and not enough vessels to cover it.”

  “There’s an absolute frenzy now to secure panamax and smaller vessels to ship coal and grains,” said one U.S.-based freight trader. Usually, bigger ships are more expensive to run than smaller ships and the cost to operate a vessel increases with its size. But the current situation is anything but usual. Because medium-sized, panamax vessels are more versatile in their loading and unloading capabilities, they are trading at a premium to even capesize vessels, which can ship more than 125,000 MT of dry bulk commodities in one voyage.

  Between March 1st and 2nd, panamax quotes for nearby delivery jumped 17% to trade at $21,350/day, a $6,700 premium to the capesize vessel operating cost. According to independent transportation consultant Jay O’Neil, PNW to Japan panamax rates for nearby delivery increased 18% between early and late February to $32.00/mt.

  Freight rates for shipping wheat and other grain in panamax dry bulk vessels are spiking as global demand grows.

- **Chinese Demand Factor**

  China’s current outsized demand for global commodities is adding the most pressure on the whole dry bulk shipping system. In a unique situation, dozens of vessels loaded with coal are idle off Chinese shores because of the ongoing trade dispute with Australia. Heightened Chinese purchases of corn, soybeans, wheat and even grain sorghum from North and South America also reduces vessel supply around the world.

  Looking ahead, “It all comes down to what China will do in Q2, Q3 and Q4,” said another grain exporter. The trade believes if China continues to buy North and South American agricultural commodities at a substantial pace, like in Q3 and Q4 of 2020, panamax availability could remain tight through 2021 and the landed price of U.S. wheat could remain high.

  **Bright Spot**

  As of March 3rd, however, panamax futures for Q4 delivery traded at $15,200 per day, substantially lower than the $21,350 per day panamax futures quoted for nearby delivery. Perspective also comes from looking back to dramatically higher freight rates more than 10 years ago when wheat buyers were paying close to $100 per MT and, only one year ago, when rates were near all-time lows.

  If global panamax demand and supply factors reach more of an equilibrium throughout the year, for example, if Chinese demand for imported coal and agricultural products does ease, customers could take advantage of the inverted panamax futures curve to price more competitive freight options for future delivery.

- **Cargill Turns To Capesize For Brazil-EU Route Amid Panamax Surge**

  Global agriculture giant Cargill is thought to have booked a capesize cargo vessel to ship dry bulk products out of Brazil to Europe, substituting the bigger vessel for the more typical panamax-sized ship after freight prices for smaller vessels jumped in recent weeks, trade sources said Wednesday.

  Cargill is said to have booked the 180,000 mt MV Pacific Myra to carry grains out of Santos to Rotterdam in a move that is likely to save the company millions of dollars, according to sources.

  The vessel is currently in route from the Chinese port of Ningbo and heading to Paranagua, where she is expected to arrive on March 23, according to tracking software. Though the exact product type cannot be confirmed, many sources expect it to be carrying soybeans.

  “The estimated savings in freight [costs] could be up to $13-15/mt,” one trade source said.

  However, many sources expect this to be a one-time fixture as capesize vessels are typically used to ship coal and metal products, meaning extensive cleaning will be needed. Ballasting an empty capesize cargo from China to Brazil costs about $10,000 per day while the costs would double for ballasting a panamax-size vessel for the same voyage.

  Panamax, which typically carry up to 70,000 mt of products, and supramax vessels, typically 50,000-60,000 mt, are more widely used in shipping dry bulk agricultural products.
But prices for these two vessel types rose sharply in February amid strong short-covering demand from agricultural trading houses, with the rise in freight costs making their CNF trades unprofitable.

Hence, major players including Cargill have started looking for alternatives to replace panamax vessels where possible.

Spot outright price for supramax cargoes sailing from Brazil's Santos port to the Netherlands surged by more than 35% during February to nearly $32/mt this week.

GOVERNMENT

- **USTR Releases 2021 Trade Agenda And 2020 Trade Report**
  On Monday, the Office of the United States Trade Representative delivered President Biden’s 2021 Trade Agenda and 2020 Annual Report to Congress.

  In the accompanying press release, USTR noted that, “the President wants a fair international trading system that promotes inclusive economic growth and reflects America’s universal values. Trade policy must respect the dignity of work and value Americans as workers and wage-earners, not only as consumers."

  “The President’s trade agenda will restore U.S. global leadership by combatting forced and exploitative labor conditions, corruption, and discrimination against women and minorities around the world. Through bilateral and multilateral engagement, the Biden Administration will seek to build consensus around trade policies that address the climate crisis, bolster sustainable renewable energy supply chains, level the playing field, discourage regulatory arbitrage, and foster innovation and creativity.”

- **Senators Reintroduce Great Lakes Icebreaker Bill**
  *Marine Log* - This week, U.S. Senators Tammy Baldwin (D-Wis.), Todd Young (R-Ind.) and Gary Peters (D-Mich.) are reintroducing the Great Lakes Winter Commerce Act, bipartisan legislation that aims to codify the U.S. Coast Guard’s icebreaking mission on the Great Lakes and increase the icebreaking capacity of the Great Lakes fleet.

  They say that icebreaking is critical for commerce in the Great Lakes, and increasing icebreaking capacity will help the many businesses and workers that rely on the maritime industry to transport their goods to market and grow our regional economy.

  “Inadequate icebreaking capacity in the Great Lakes is costing us thousands of American jobs and millions in business revenue. We must boost our icebreaking capacity in the Great Lakes to keep our maritime commerce moving,” said Baldwin.

  “I’m proud to partner with Senators Young and Peters on this bipartisan effort that will move our region closer to getting the sufficient icebreaking resources needed to support our maritime industry, mitigate devastating climate-related events and protect our Great Lakes for generations to come. I will keep working with my colleagues to get this job done for Wisconsin businesses and workers.”

  Icebreaking capacity in the Great Lakes supports more than 90 million tons of cargo annually. A study commissioned by the Lake Carriers’ Association found that during the 2018-2019 ice-season, businesses that depend upon the Great Lakes maritime industry lost over $1 billion in revenues because of delays caused by inadequate icebreaking. These economic losses resulted in the loss of over 5,000 jobs throughout the Great Lakes Region.

  The bill would update the U.S. Coast Guard’s (USCG) Great Lakes icebreaking mission and increase the icebreaking capacity of the Great Lakes fleet.

  The bill authorizes $350 million for the construction of a new Great Lakes Icebreaker and authorizes the USCG to expedite its procurement.

  “This historic bill will codify into law a long time Coast Guard mission that protects national and economic security,” said Jim Weakley, President of the Lake Carriers’ Association. “It provides Congressional direction and performance metrics. Currently, the Coast Guard interprets the ‘reasonable demands of commerce’ as meaning that an ice covered waterway is open until a second vessel is stuck in the ice for more than twenty-four hours. As a result of another vessel’s inability to move. They only report to Congress ice restrictions in four connecting channels for the entire Great Lakes.”

- **Secretary Vilsack Meets with Canadian and Mexican Ministers**
  The Agriculture Department late Tuesday released statements that were different in nuance, says *The Hagstrom Report*, after Secretary Tom Vilsack met virtually with Canada’s Minister of Agriculture and Agri-Food Marie-Claude Bibeau and Mexican Agriculture and Rural Development Secretary Victor Villalobos.

  In the statement, USDA Communications Director Matt Herrick said:

  “This morning, Secretary Vilsack had a friendly and constructive call with Canada’s Minister of Agriculture and Agri-Food Marie-Claude Bibeau and Mexican Agriculture and Rural Development Secretary Victor Villalobos.

  In the statement, USDA Communications Director Matt Herrick said:

  “This morning, Secretary Vilsack had a friendly and constructive call with Canada’s Minister of Agriculture and Agri-Food Marie-Claude Bibeau. They discussed items of mutual interest and noted areas for future collaboration, including both countries’ commitment to a multilateral trading system that is rules- and science-based. Secretary Vilsack confirmed his interest in fully implementing the USMCA trade agreement, including Canadian commitments on dairy and wheat. Both sides recognized the importance of agriculture in dealing with climate challenges, and look forward to collaborating on ways to implement sustainable agricultural practices, and work together to fight animal and plant health threats.”

- **US Suspends Tariffs on UK In Goodwill Gesture**
  The United States on Thursday agreed to a four-month suspension of retaliatory tariffs imposed on British goods such as Scotch whisky over a long-running aircraft subsidy row, with both sides pledging to use the time to resolve the dispute.

  The U.S. administration under former President Donald Trump imposed tariffs on Scotch whisky and other European Union food, wine and spirits, which the industry says have put its future at risk.
"The United Kingdom and the United States are undertaking a four-month tariff suspension to ease the burden on industry and take a bold, joint step towards resolving the longest running disputes at the World Trade Organization," a joint statement said.

“This will allow time to focus on negotiating a balanced settlement to the disputes, and begin seriously addressing the challenges posed by new entrants to the civil aviation market from non-market economies, such as China."

International Crop & Weather Highlights

- **South America Weather Forecast for March 4, 2021**

**ARGENTINA 10-DAY OUTLOOK:** Despite some uncertainties in recent model guidance, dryness remains the main feature in the forecast for most of the Pampas. Rainfall deficits are expected to reach 30-40 mm for the next 10-day period across central areas. At the same time, a tendency towards the low-pressure influence in the next week is strengthening, and the chances for a decent surplus of rainfall later next week are increasing. The most misleading and variable element in the recent forecasts is the temperature and although the average leans towards slight coolness, day-to-day anomalies fluctuate within 4 °C of normal. The recent SMAP data clearly shows a declining tendency of soil moisture content and this unfavorable trend will be maintained at the final stages of soybean/corn prime growing season.

**BRAZIL 10-DAY OUTLOOK:** A developing negative AAO phase will also have its impact on the weakening of rainfall in the country. For the next 5 days, a moderate rainfall pattern with 40-50 mm surpluses in Mato Grosso and Paraná will continue. However, the rainfall zone will shift northward towards Amazonia through the next week and rain across the south and center will become less frequent. Temperatures will remain mostly near normal, although slightly warmer conditions (up to 1-2 °C above normal) across Bahia are likely, while the coolness from Paraguay may spread to the surrounding regions in the south. Considering that the unfavorable weather pattern for harvest and sowing will continue only a few days longer, weather during the next week should provide some chances for a catch-up.

- **USDA/WAOB Joint Agricultural Weather Facility – 2nd March 2021**

**EUROPE – Highlight: Very Warm**
- Much-warmer-than-normal weather hastened winter crops out of dormancy in France and Germany; the very early green up has increased the risk for burnback from potential late-season hard freezes.
- Showers in Spain were beneficial for vegetative winter wheat and barley, while dry weather elsewhere in Europe promoted early season fieldwork.

**MIDDLE EAST – Highlight: Generally Dry And Cool**
- Mostly dry, cool weather in Turkey and northwestern Iran favored early season fieldwork but kept winter grains dormant.
- Increasingly dry conditions in eastern Iran continued to lower moisture reserves for spring growth.

**NORTHWESTERNAFRICA – Highlight: Timely Rain In Morocco**
- Timely showers in Morocco boosted soil moisture for reproductive wheat and barley; yield prospects are vastly improved over last year’s drought-affected crops.
- Short-term dryness continued to reduce soil moisture for vegetative to reproductive winter grains across much of Algeria and inland portions of Tunisia (the latter primarily a barley area).

**SOUTH ASIA – Highlight: Hot Weather**
- Seasonable heat began to build in India, promoting rapid maturation of rabi crops.

**EAST ASIA – Highlight: Unseasonable Warmth And Showers**
- Showers and unseasonably warm weather in eastern China promoted spring vegetative development of wheat and rapeseed.

**SOUTHEAST ASIA – Highlight: Showery Weather**
- Rainfall in the eastern Philippines and southern Indonesia (Java) maintained favorable moisture conditions for rice and other crops, while drier weather in oil palm areas of Malaysia and Indonesia reduced soil moisture.

**AUSTRALIA – Highlight: Showers for Summer Crops**
- In southern Queensland and northern New South Wales, widespread showers continued to benefit immature cotton and sorghum, but locally heavy rain hampered dry-down of early maturing crops.

**SOUTH AMERICA – Highlight: Rain Was Needed In Argentina And Southern Brazil**
- Dry, unseasonably warm weather reduced moisture for summer grains, oilseeds, and cotton in Argentina’s main production areas.
- Unfavorably dry weather persisted in Brazil’s southern corn, soybean, and sugarcane areas.
- Beneficial rain continued in Brazil’s more northerly corn and cotton areas.

**SOUTH AFRICA – Highlight: Widespread Rain Benefited Corn, Other Summer Crops**
- Conditions remained overall favorable for corn, sugarcane, and other summer crops advancing through critical stages of development.

March 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)