Notes and Observations in International Commodity Markets

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KSU Agriculture Today Podcast Link – March USDA WASDE Comments: https://agtodayksu.libsyn.com/starter-fertilizer-management-for-cominternational-grain-market-update

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A Down Week for Commodities as Logistical Problems Make Headlines

GHA – It was a down week for ag commodities as a stronger US Dollar weighed on values. Lack of supporting fundamental news let prices drift lower.

Logistical issues dominated the headlines as a large container ship ran aground in the Suez Canal blocking traffic. The problem has yet to be resolved.

Flooding in Australia has stopped movement of coal and grain to the port of Newcastle, being the world’s largest port for coal exports.

In the US it was announced the Canadian Pacific Railway Ltd agreed to acquire the Kansas City Southern in a $25 billion cash-and-stock deal to create the first railway spanning the United States, Mexico and Canada. It would be the largest ever combination of North American railways by transaction value. It comes amid a recovery in supply chains that were disrupted by the COVID-19 pandemic, and follows the ratification of the US-Mexico-Canada Agreement (USMCA) last year.

This coming week we will see a USDA Stocks Report and the awaited planting intentions report. Corn and soybeans are competing aggressively for acres, with grain sorghum also making a strong run. Cotton has rallied, while spring wheat values continue to lag, even with support from increasing reports of increased wheat feeding both domestically and internationally.

US Dollar & Foreign Exchange

☐ US Dollar gains on the week, with modest losses on Friday
The dollar index on Friday fell slightly. Strength in stocks on Friday reduced the liquidity demand for the dollar. Also, mixed U.S. economic data on Friday weighed on the dollar. EUR/USD rose moderately on stronger-than-expected confidence in the Eurozone. USD/JPY rallied to a 9½ month high Friday on Covid vaccine optimism that boosted stocks and curbed the safe-haven appeal of the yen.
The dollar index (DXY00) on Friday fell -0.088 (-0.09%). June euro-fx futures (E6M1) closed up +0.0014 (+0.11%), and EUR/USD (^EURUSD) rose +0.0030 (+0.26%). June yen futures (J6M1) closed down -0.0048 (-0.52%), and USD/JPY (^USDJPY) rose +0.47 (+0.43%).

The S&P 500 and Dow Jones Industrials moved higher Friday and weighed on the dollar on vaccine optimism after President Biden late Thursday pledged to double US Covid vaccinations by the end of next month. US bank stocks are also moved higher Friday after the Fed late Thursday said that banks that clear the next round of stress tests would be allowed to resume dividend increases and stock buybacks at the end of June.

Friday’s U.S. economic data was mixed for the dollar. On the bearish side, U.S. Feb personal spending fell -1.0% m/m, weaker than expectations of -0.8% m/m and the biggest decline in 10 months. Also, Feb personal income fell -7.1% m/m, the largest decline since the data series began in 1946. In addition, the Feb PCE core deflator rose +1.4% y/y, weaker than expectations of +1.5% y/y. On the positive side, the final University of Michigan U.S. Mar consumer sentiment was revised upward by +1.9 to a 1-year high of 84.9, stronger than expectations of +0.6 to 83.6.

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Higher T-note yields are supportive of the dollar. The 10-year T-note yield on Friday rose +2.7 bp to 1.660%, moderately below last Thursday’s 14-month high of 1.753%.

Concern that a worsening of the pandemic in the U.S. could lead to tighter lockdown that curb economic growth is bearish for the dollar. New U.S. Covid infections on Wednesday increased by 89,008, the most in 1-1/2 months. Globally, Covid infections have risen above 126.210 million, and deaths have exceeded 2.769 million.

EUR/USD on Friday posted moderate gains and garnered support from better-than-expected confidence in the Eurozone. The German Mar IFO business confidence index rose +3.9 to a 1-3/4 year high of 96.6, stronger than expectations of 93.2. Also, the Italy Mar consumer confidence index fell -0.5 to 100.9, stronger than expectations of 100.3. Higher German bund yields are also supportive for EUR/USD, with the 10-year German bund yield today up +4.0 bp at a 3-session high of -0.345%.

EUR/USD is being undercut by concern about a resurgence of the pandemic in Europe. German Health Minister Spahn said today that Covid cases in Germany are rising too rapidly after data from RKI showed the Covid incidence rate (the number of people who have tested positive for the virus out of 100,000) over the past seven days has nearly doubled to 119.1. The situation in France is even worse as the Covid incidence rate is at 325, almost triple that of Germany. The worsening pandemic may lead to extended lockdowns and tighter restrictions that curb economic growth and are bearish for EUR/USD.

USD/JPY on Friday rallied to a 9-1/2 month high. The yen remains weak on negative carry-over from Thursday’s dovish minutes of the Jan 20-21 BOJ policy meeting that signaled the BOJ would maintain its easy monetary policies. Friday’s sharp rally in Japan’s Nikkei Stock Index for a second day also reduced the safe-haven demand for the yen and boosted USD/JPY.

**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.
3. Higher T-note yields that strengthen the dollar’s interest rate differentials as the 10-year T-note yield rose to a 14-month high of 1.753%.

**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.
5. The wide U.S. budget and current account deficits.

**Brazil’s Real hits 3-week high, scores longest winning streak since Nov**

Reuters - Brazil’s real jumped 1.5% on Friday to its strongest level against the dollar in three weeks after the central bank intervened in the foreign exchange market selling $1.75 billion with repurchase agreements.
The real's fourth daily rise against the US currency marks its longest winning streak since November, and comes in the week of the central bank's historic interest rate hike to 2.75% from 2.00%.

After the central bank's rate-setting committee (known as Copom) kicked off its tightening cycle on Wednesday, the first hike in six years and biggest in eleven, the real's upswing gathered pace on Friday.

"Copom was decisive for this rally to gain momentum thanks to its more hawkish stance, and the auctions helped too," said Jason Vieira, chief economist at Infinity Asset Management in Sao Paulo. "But the central bank has to keep up the hawkish signals until its next meeting, in its informal communications with the market and in the minutes next week."

The central bank on Tuesday will release the minutes from this week's meeting, offering the market a deeper insight into policymakers' thinking on their next steps.

The sales of $750 million in one auction and $1 billion in another were the latest in a series of recent interventions.

The central bank has also sold over $8 billion in FX swaps contracts and more than $6.5 billion from its FX reserves on the spot market this year. Most of that has been in the last month.

"The central bank has been aggressively selling dollars and they made a big change in rates. This should be the focus for any investment strategy from now on," a senior trader at a bank in Sao Paulo said.

**Wheat**

- **Russia's weekly wheat loadings lowest since July, corn and barley up**
  Russia's weekly wheat exports fell to the lowest levels since July 2020 in the week ending the 11th of March, while corn and barley exports accelerated ahead of a change in export taxes, data from the state food watchdog has shown.
  Wheat exports during the week amounted to just 100,000 mts, taking the total figure since the 1st of July to 34.5 mmts, 28% higher compared to the same period last year.
  Russia's typical main wheat buyers, Egypt and Turkey, were notably absent from the line up during the week.
  While wheat exports slowed, barley exports increased by 50% to 300,000 mts, ahead of €10/mt tax coming into force from the 15th of March. Of that volume, Saudi Arabia took 100,000 mts. Total barley exports now stand at 4.9 mmts, 57% up year-on-year.
  Russian corn exports again doubled to 400,000 mts, the highest weekly amount during the 2020/21 marketing year, as exporters tried to load as much as possible ahead of the arrival of a €25/mt tax, starting from the 15th of March. That move has been catalysed by ongoing high prices in the Ukraine corn market that means Russia has attracted additional demand recently on more competitive prices. Total corn exports have now reached 2.3 mmts, only 4% down compared to last year's result.

- **Australian wheat prices hit over 3-month low on tepid demand**
  Australian Premium White wheat hit a more than three-month low this week on the back of weak buying interest from end-users in southeast Asia and selling pressure ahead of the Black Sea new crop marketing year starting end-July.
  Millers in southeast Asia have been bidding their time all month, patiently waiting to catch the bottom, as prices continued to retreat amid a lack of bullish news.
  Southeast Asian flour millers are still open for May-June shipment and shipping capacity from major Australian ports is heard to be relatively tight for May as compared with June.
  "Overall, it's not as tight as what we have seen previously for Mar-Apr loading," said another Australian trader.
  Number of Australian suppliers, on the other hand, are in panic mode, facing a steep price inverse ahead of July, when new crop Black Sea wheat is available for exports.
  "We are lowering offers almost every day but there are no bids. It's like offering in thin air," said one trader in Australia.
  Feed millers in southeast Asia have also adopted a wait-and-see attitude, convinced prices are bound to come down further.
  This is in contrast to feed millers in South Korea, who have in total booked 459,000 mt of feed wheat throughout the week of March 21st. The 5th of August arrival cargo traded at $287/mt CFR while the sharpest trade was concluded at $268.40/mt CFR for Oct 20 arrival. Most of the seven cargoes were likely priced out of the Black Sea.
move comes as South Korean feed buyers have switched from corn to feed wheat with the price spread between the two feed components widening further in the negative territory, S&P Global Platts reported earlier.

Nonetheless, the market is expecting southeast Asian buyers to start covering from next week as they come under time pressure to cover demand for May-June shipment.

**CME CBOT Wheat Futures**

Wheat futures closed out Friday with a mixed tone amidst a 10-cent trading range. Futures faded the early session highs on Friday, but were still mixed to mostly higher on the day. CBT futures all ended ¾ of a penny in the black. KC HRW futures closed the last trade day of the week with gains of 1¼ to 2½ cents. Spring wheat futures ended in the red on Friday, with losses of 1½ to 3½ cents. For the week, all classes were 12-16 cents lower.

Canadian wheat loadings were 19% higher week-on-week, while marketing year-to-date loadings are 29% higher than last year.

Firm Black Sea new crop values have some private forecasts suggesting a target price of at least $240/MT.

Ethiopia was tendering for 400,000 mts of wheat. South Korea purchased 196,000 mts of feed grade wheat from their international tender; and had purchased 60,000 mts of optional origin wheat in a previous tender.

**CBOT July 2021 Wheat Futures**

New crop July 2021 wheat settle on Friday at $6.09¼/bu, up ¾ cents on the day, and losing 10 cents for the week.

The lead May contract settled on Friday at $6.15/bu, up 2½ cents on the day, and dropping 11½ cents for the week.

While opinions are all over the board, assessing the impact of export duties could trim off 4 to 5 mmts of Russian exports from some of the early and optimistic guesses.

CFTC’s weekly data release showed new selling from CBOT SRW spec traders. Managed money funds were reported at just 8,160 contracts net long as of 3/23, down from 31,803 contracts net long just 3 weeks earlier.

Fundamental headlines were once again quiet though a slightly weaker dollar did offer a little support.

Wheat feeding potential still a popular discussion point in both domestic and international markets. Bushels tributary to SW feedlots are well below traditional feeding thresholds, but buyers have been reluctant to commit to purchases as focus has turned from a “value of corn” consideration to an “opportunistic” bias that there is additional narrowing of the cash/board spread. While spot economics should work well into feed rations, the deferred relationships are not as logical. Chinese headlines also suggesting that more wheat could be used as a corn substitute making economists sharpen the balance sheet pencil.

**CME KC HRW Wheat Futures**
Kansas July 2021 HRW Wheat Futures - The July 2021 new crop HRW contract settle at $5.74½/bu on Friday, up 1½ cents on the day, but down 16¾ cents for the week.

The nearby May contract settled on Friday at $5.69/bu, up 2¼ cents on the day, and down 16½ cents for the week.

In KC HRW wheat, spec traders had exited longs and entered new shorts for a 12,100 contract reduction to their net long. Managed money was reported at 15,224 contracts net long in HRS wheat as of 3/23.

It’s been a rough 30 days for the wheat bulls with KC futures down nearly a $1/bushel. Wheat feeding has been a popular topic of late, but it will likely take another step up in corn supply concerns to build rationing panic in the wheat supply picture.

Feed wheat export competition is getting a lot of press. Yet, US unshipped corn sales to non-PRC / non-Unknown destinations are 2nd largest in a decade, trailing only 2017/18, when poor S AM crop cut their exports 20%/425 mbus. This was the 5th consecutive week of KC declines and 4th week of Chicago losses. For comparison, May corn futures lost 5 cents vs last Friday’s close.

MGE HRS Wheat Futures

MGE July 2021 HRS Wheat Futures contract settled Friday at $6.23¼/bu, off 3¾ cents on the day, and losing 13½ cents for the week.

The nearby May contract settled at $6.14 28/bu on Friday, off 3½ cents on the day, but losing 14 cents for the week.

COARSE GRAINS

CORN

CME CBOT Corn Futures

CME Corn December 2021 contract settled on Friday at $4.66½/bu, up 1 cent on the day, but losing 3½ cents for the week.

The nearby May contract made three-week highs, settling on Friday at 5.52 56¾/bu, up 5½ cents on the day, but losing 4¾ cents for the week. On Friday May futures led the late session rally, but pulled the other months higher as well.

USDA quoted corn oil prices at 54.44 cents/lb on 3/26. They were citing a 43% increase from 38 c/lb in January. The rise in world veg oil prices has benefitted the yellow grain as well.

Bloomberg trade estimates show corn acres at 92 to 94.5 million acres and March corn stocks at 7.573 to 7.980 bbus. Fairly sizeable ranges between both estimates which ensure plenty to talk about next Wednesday morning.

CFTC data showed managed money funds were net long 388,175 contracts of corn on Tuesday 3/23. That was up 17,275 contracts on new buying to their largest net long since February of 2011. The commercial short was a net 713 contracts stronger after OI dropped 76,305 contracts during the week.

Looking back on the week, there continues to be some weakness in nearby cash values. Markets like the river have backed off 3 to 4 cents. The river is over DVE for May and July and the spreads are squeezing the out of position short via the spreads.
to get corn to move. The question will be how does this all end when we are trading verse the July with the N/Z at +69 cents.

The South African ag attaché boosted his corn export forecast for the current year by 40%, to 3.5 mmts, which is a 1 mmts more than the latest USDA WASDE Report. Brazilian corn exports seen reaching up to 115,000 mts in March vs 136,140 mts last week.

➢ Old Crop and New Crop corn futures diverge

Corn - Futures Prices, Settle (currency/mass) - United States (CME)

This chart shows the July 2021 corn futures contract (in blue) versus the December 2021 futures contract (in green) on the Chicago Board of Trade (CBOT), represented in cents/bushel. July futures are currently trading at a steep premium to December futures.

Gro Intelligence - Old crop corn futures prices have been rising for several weeks. In the likely event that planting delays in Brazil reduce Brazilian corn exports, the US will have to supply a larger than usual share of global corn exports this year, even as historic levels of demand have caused US corn stocks to dwindle. At the same time, new crop futures prices have stumbled slightly as markets anticipate an acreage expansion in 2021.

The 2021 July-December corn spread (C N-Z) is currently trading at 69.25 cents/bu. July futures will largely follow the progression of Brazil’s corn crop and its impact on US exports while December futures will hinge on forecasts of US production for the coming year. Brazilian corn exports largely depend on the second crop, or safrinha. Planting of the safrinha crop has almost caught up with historical norms as drier weather allowed for a rapid planting pace last week. At this point 90% of the crop has been planted, vs. 96% last year, but the late planting makes it more susceptible to yield losses caused by dryness during pollination and/or freezing temperatures during grain fill. Production is almost certain to fall unless growing conditions are near perfect for the rest of the season.

The US has already committed to export 65 mmts of corn worldwide, of which 23.3 mmts has been sold (but not necessarily shipped) to China, plus an additional 4 mmts earmarked for “unknown”, of which at least half is assumed to be to China. This total figure represents 98% of the USDA’s annual export projection, with almost half the marketing year remaining.

Gro expects that the USDA will adjust its export and ending stock projections in future reports, but the extent of the adjustments will depend largely on the size of Brazil’s corn crop.

With an expected uptick in 2021 US planted corn acreage, new crop futures have since retreated as supplies are penciled in to rebound in the new marketing year beginning Sept. 1. Gro cautions against such an exercise as weather in the US still remains unknown amid a crop that has not fully been planted yet.

➢ OILSEEDS COMPLEX

➢ Canada’s oilseed production expected to increase 6%

USDA - Canada’s total production of oilseeds in the 2021/22 marketing year is expected to increase 6% from last year primarily due to an increase in area and yield recovery of canola, according to a report from the USDA’s FAS.

Total oilseed production, which includes canola, soybeans and sunflower seeds, is expected to reach 26.58 mmts. Soybean production is forecast to increase marginally and remains a third of the size of canola production.

Looking toward the spring planting season, FAS said significant precipitation is needed in the soybean-growing areas of Manitoba and the southeastern canola-growing area of Saskatchewan.

Total beginning stocks of canola, soybeans, and sunflower seeds in 2021/22 are forecast to fall 7% on smaller exportable supplies of canola. Total oilseed exports in 2021/22 are forecast to fall 7% on smaller exportable supplies of canola. Total oilseed exports are forecast to finish 2020-21 up from the previous year on strong demand from the E.U. and more soybean exports going to China, Algeria, and the United Kingdom, FAS said.

“Canola seed exports to China are strong despite China continuing to block Canada’s two largest canola exporters, Richardson International and Viterra, and China maintaining a restrictive dockage requirement of 1.0% on its canola imports,” FAS said. “There is currently no indication that these restrictions will change in 2021/22.”
Total canola, soybean, and sunflower oil production in 2021/22 is forecast to fall on reduced processing of canola seed due to lower seed supply and weaker crush margins compared to the current marketing year.

**Brazil’s soybean harvest reaches 59%, corn closes gap**

Agrural - Brazil’s much-delayed soybean harvest is now 59% complete after a period of dry weather gave farmers the break they needed to catch up, local consultancy Agrural has said in its weekly update.

The agency, which is forecasting a 133 mmts soybean crop this year, said that the harvest increased 13 percentage points over the week, after “drier weather… gave more rhythm last week to the harvest.”

At the same stage of last year, 66% of the planted area had been harvested, with this year’s crop expected to have been planted on a much bigger area.

However, Agrural warned that excess rain in Mato Gross, the country’s biggest soybean and corn producing state, is likely to bring a revision to the overall production figure when the consultancy updates its forecasts at the end of March.

Meanwhile, the delay to the soybean harvest has also delayed planting in the country’s safrinha second corn crop, although for regions in the centre south of the country, planting is now at 90% complete. That’s up 16 points week-on-week and compares to a 96% planting figure for the same point of last year, suggesting farmers have really closed the gap on the delay.

“The initial conditions for the development of the new harvest are good throughout the region, especially after the rains recorded in areas that were in need of humidity in Mato Grosso do Sul,” the update said.

**EU 2020/21 Imports of Soybean at 10.52 mmts, Rapeseed 4.87 mmts**

Reuters - European Union soybean imports in the 2020/21 season that started last July had reached 10.52 mmts by the 21st of March, data published by the European Commission showed on Monday. That compared with 10.26 mmts cleared by the same week last season, the data showed.

EU rapeseed imports in 2020/21 had reached 4.87 mmts, compared with 4.82 mmts a year ago.

Soymeal imports so far in 2020/21 were at 12.33 mmts against 12.97 mmts a year earlier, while palm oil imports were at 3.97 mmts versus 4.13 mmts a year ago, the data showed.

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 Britain.

**CME CBOT Soybeans Futures**

The lead contract CME May 2021 Soybean Futures settled on Friday at $14.01½/bu, down 12⅜ cents on the day, and off 15 cents for the week.

New crop CME November 2021 Soybean Futures settled on Friday at $12.07¼/bu, down 7½ cents on the day, and off 10½ cents for the week.

The weekly Commitment of Trader’s report showed soybean spec traders extended their net long 6,813 contracts on net new buying to 162,853 contracts. The commercials closed out both existing longs and shorts for a net OI drop of 9,291 contracts. Commercials were 272,802 contracts net short as of 3/23.

The unshipped sales of soybeans still looms large to China and ROW.

A late Fri headline from US Secretary of Ag Tom Vilsack said China “Could be doing more” on buying US biofuels, distiller’s dried grains and Dairy.

Next week we face a major USDA report on soybean stocks which is arguably more important than acreage intentions. Planting intentions average +7 mn y/o/y to 90 mn acres, ranging from 86 to 92mn acres. Combined corn+soy average up 9 mn acres at 183 mn acres. Feels like an early spring traders knee jerk reaction prob adds to the corn number USDA prints while may fade the bean acres, particularly if the spring stays favorable toward early field work and planting activities.

Brazilian soybean exports seen reaching 16.1 mmts in March vs 16.4 mmts last week. Argentina’s Ministry of Agriculture said that farmers have sold 12.45 mmts of the expected 44 mmts of harvest. For comparison, at this time last year farmers had sold 17.45 mmts of the 49 mmts crop.
**Chinese soybean imports forecast to hit record high**

USDA - Increasing feed demand has boosted China’s soybean import outlook, according to a Global Agricultural Information Network (GAIN) report from the USDA.

The USDA estimates China’s soybean imports for the 2021/22 marketing year is expected to hit a record high of 100 mmts.

Recovering feed demand is forecast to lift China's soybean crush volume to 99 mmts in the 2021/22 marketing year compared to 97.5 mmts in the 2020/21 marketing year.

Despite an increased demand from the feed sector China’s soybean production for the 2021/22 marketing year remains unchanged at 18.6 mmts due to stable acreage and minimal yield growth. The USDA noted a downward trend in the soybean subsidy rate in recent years is expected to discourage soybean acreage growth in the upcoming marketing year.

**China's soybean imports from Brazil plunged in Jan-Feb on delays**

Reuters - China's soybean imports from Brazil fell sharply in the first two months of 2021 compared to the same period last year, customs data showed on Saturday, as rain delayed some shipments from the top exporter.

China, the world's top buyer of soybeans, brought in 1.03 mmts of the oilseed from Brazil in Jan-Feb, down nearly 80% from 5.14 mmts a year earlier, data from the General Administration of Custom showed.

Rain in Brazil has slowed the harvest and exports in the South American country, forcing some crushers in China to consider curbing operations.

China's total imports of soybeans in the first two months of 2021 fell 0.8% to 13.41 mmts. Shipments from the US to China in Jan-Feb totaled 11.9 mmts, nearly double the volume of 6.1 mmts in the previous year.

China stepped up purchases of U.S. farm produce, including soybeans, after the two sides signed an initial trade deal in January 2020. Its appetite for the oilseed was expected to keep increasing thanks to good crushing margins and healthy demand from a fast-recovering pig sector.

Fresh cases of African swine fever in recent months, however, have cast doubts on the country's pork production, and stirred worries over demand for soymeal, the most important protein ingredient in animal feed.

Chinese crushers bring in soybeans to crush into soymeal, and for cooking oil. Crushers in Rizhao, Shandong, a major soybean processing hub, can make around 158 yuan ($24.28) for every metric tonne of the oilseed they crush as of the 19th of March, well above historical average levels in the past 10 years.

**CME CBOT Soybean Meal**

**CME May 2021 Soybean Meal Futures** settled on Friday at $404.00 07.90/short ton, off $0.60 on the day, and losing $3.90 for the week.

In soymeal, CFTC showed spec traders reduced their net long 3,616 contracts to 57,620.

The board crush fell 15’2 to 65’4 for May, but cash is king, and if you are penciling +8.5c/lb over crude degummed SBO basis FOB, and option price meal basis FOB, a western crusher pencils a hefty cash crush of $2.25/bu. Quite the story on cash crush margin and even better if you add in a refining margin to upgrade crude degummed to salad oil, which is currently preferred by newer RD plants in startup phases to minimize process startup problems.

**India steps in to plug oilmeal supply gap as exports triple in Feb.**

Indian oil-meal exported continued to surge for its fourth consecutive month in February with shipments tripling on the year amid a dip in Latin American supplies coupled with renewed demand from Iran, the US, and the EU, a trade association said on Friday.

Oil-meal exports last month hit 393,309 mts, compared with the 128,761 mts shipped in February last year, data from the Solvent Manufacturers Association of India (SEA) showed.

The dynamic has boosted Indian exports since last November and has placed total Indian oil-meal exports since its marketing year began last April at 3.36 mmts, up 49% on the year.

“The export of soymeal jumped mainly due to better realization, thanks to lesser supply from Argentina and Brazil coupled with good demand of Non-GMO soybean
meal from US and Europe and revival of export to Iran, lead to overall surge in export of soybean meal in last four months,” the SEA said Friday.

The SEA added that the surge in export came despite a continuous shortage of containers in the global shipping market.

Meanwhile, soybean crush margins in India have widened as global soybean oil prices surged to an eight-year high earlier this month, which has been driving up domestic supplies of soymeal.

South Korea has remained India’s number one oil-meal customer, taking in 762,000 mts so far this marketing year, down 3.6% on the year, while exports to Vietnam were boosted by 54.7% to 468,000 mts.

The largest increase in exports this marketing year has been to neighboring Bangladesh, which mostly buys Argentine meal, with Indian exports so far at 417,000 mts, up from the 51,000 mts shipped last year.

Argentina, the world’s largest soymeal and soyoil exporter, has been plagued by a series of strikes by local unions and soybean farmers reluctant to sell their crop.

U.S. exports were up 20% at 216,000 mts, while shipments to Thailand were down 12% at 194,000 mts.

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**CME Soybean Oil**

Soybean Oil made new highs early in the week reaching $58.25/cwt on Tuesday. By Friday the lead **CME May 2021 Soybean Oil Futures** settled at $52.48/cwt, dropping $2.50 on the day, followed the Thursday limit loss, and losing $5.72 from the highs.

In soybean oil, CFTC showed speculative funds were also less net long via new selling on the week that ended the 23rd of March. On net managed money was 93,977 contracts net long in soybean oil.

USDA reported Iowa biodiesel B100 prices were up 41 cents/gal on the week to $5.29 via the National weekly Ag Energy Round-Up report.

**Biodiesel demand drives up soyoil prices and stokes food inflation**

Soybean oil is a substitute for palm oil in some products, which translates into a close correlation between prices of the two commodities. The chart on the left represents a good proxy for understanding price movements for commodities in northern Europe.

**Gro Intelligence** - Accelerating demand for renewable biodiesel fuels is further squeezing tight soybean supplies and pushing soybean oil futures prices to their highest levels in nearly a decade. Energy companies have announced plans to increase their biofuel capacity twofold to fivefold by 2030, using soybean oil as a major feedstock. Such a move is already stoking inflationary pressures worldwide in a host of vegetable oils, including canola, palm oil, as well as soybean oil, that serve as key ingredients for many food products.

The so-called BO K-N spread, which compares the May vs. July contracts, is currently at an inverse of 3.1 cents/pound, only the second time there’s been an inverse in the past 15 years. On Monday, soybean oil futures prices closed limit up on the CME and are trading near highs not seen since 2012 at 57 cents/lb.

Demand for renewable biodiesel fuel is being driven largely by California’s Low Carbon Fuel Standard (LCFS) rule and its expected impact nationwide.
A new biodiesel plant, being constructed in North Dakota, will reach full production by the end of March, and vegetable oil cash prices in the state have soared.

Tight supplies and rising demand are pushing up prices of a broad range of vegetable oils, including palm and soy, the two most widely consumed edible oils.

**Other Related News**

- **China’s soybean demand threatened by hog disease outbreaks**

  Braun - Reuters News - China is taking in record amounts of soybeans from the United States and Brazil as its hog population recovers from a deadly disease that began nearly three years ago, but import expansion into the next marketing year might be minimal.

  Additionally, China continues to report new outbreaks of African swine fever (ASF). Many market-watchers are growing fearful that the disease could be worse than it appears, adding uncertainty around the direction of global feed ingredient trade over the next year or so.

  Beijing on Wednesday reported an ASF outbreak in the northwest region of Xinjiang, the latest in a handful of cases confirmed this year. The wider geographic distribution of these incidents adds to the concern that the problems might be more severe than is being publicized. Still, there is a general expectation that feed demand will continue to grow over the next year, even if at a slower rate.

  The USDA’s Beijing counterpart last week set Chinese soybean imports at 100 mmts for 2021/22, which begins on the 1st of October in China. That would be up from the 99 mmts estimated by USDA’s Beijing post for 2020/21, but it is identical to USDA’s official 2020/21 estimate, suggesting China’s appetite for U.S. soybeans through mid-2022 might not be much different than it is now.

  China’s interest in U.S. corn has entered a completely new paradigm, as the country has purchased at least 23.2 mmts to be shipped in the 2020/21 U.S. season. That will dwarf the prior export record of 5.15 mmts from 2011/12, but there are ideas that the volume will continue to grow into 2021/22.

  Last week, China’s agriculture ministry outlined a plan to lower corn and soymeal content in animal feed in favor of other grains, which could disrupt its need for corn and soy imports. However, analysts are skeptical because the availability of alternative feed ingredients pales in comparison to that of soybeans. Additionally, China might be hesitant to increasingly use grains like wheat and rice in livestock feed because those are heavily stockpiled by the government for purposes of food security.

  However, despite expectations that the hog herd will remain below pre-ASF levels through at least this year, the elimination of using food waste as feed amid a revamping of the pork industry is expected to increase China’s standard feed demand to a larger degree than the herd recovery itself.

**Stock Watch**

Chinese soymeal futures hit all-time highs in January and Chinese soybean futures did the same earlier this month, but both have retreated on ASF concerns. Dalian soybean futures are still much higher than usual, and part of that strength comes from the idea that Chinese farmers may favor planting corn over soybeans this year. However, most of the country’s domestic soybean crop is used in the food sector, not the feed sector.

Soybean meal stocks have risen 80% since hitting eight-month lows at the end of January, and supplies are now at record-high levels for the time of year. Port stocks of soybeans are average too low for the date, but that is about to change as Brazilian beans are beginning to arrive.

Despite Brazil’s delayed growing season and a rain-hampered harvest, its soybean exporters are now extremely busy. The top supplier’s March exports are seen easily topping March 2020’s record of 10.9 mmts. High volumes should continue through mid-year.

China’s soybean stocks will be a key factor to watch in the coming months for signs of ASF-linked demand problems. When the big outbreak of ASF began in 2018, soybean stocks at the ports started to build to unusually high levels given the relatively normal import volumes. By October 2018, soybean stocks had topped the prior all-time record by 20%, though that eased somewhat quickly in early 2019 since U.S. imports of the oilseed were all but choked off by the trade war.

The trade war was such a good cover for China, which at that time did not need anywhere close to the amount of U.S. beans the market believed it would, that industry participants for months remained in the dark about the severity of the ASF outbreak. That likely explains why the market is more attentive to the outbreaks this time around.

With the Phase 1 deal in effect and trade relations patched up for the time being, it will certainly raise red flags if China does not start ramping up U.S. soybean purchases in a few months. The country already had at least 2.3 mmts of U.S. soybeans on the books for 2021/22 as of the 11th of March, more than usual, but the bigger deals should start coming in by June or July.
LOGISTICS & TRANSPORTATION

How a giant container ship is blocking the Suez Canal

Reuters - A huge container ship has run aground and is blocking traffic in the Suez Canal, one of the world's busiest waterways and the shortest shipping route between Europe and Asia.

Marine traffic through the Suez Canal remained blocked on Friday for the fourth consecutive day, with dozens of ships stuck at both the north and south entrances to the shortest route between Asia and Africa.

Efforts to dislodge one of the world's largest cargo vessels, stuck sideways across the narrow canal since Tuesday, were picking up, and while one of the teams in charge of the operation said it could take weeks, an advisor to Egypt's president offered a more optimistic timetable.

Mohab Mamish, Egyptian President Abdel Fattah el-Sisi's advisor on seaports and the former chairman of the Suez Canal Authority, told the AFP news agency on Thursday that navigation through the canal "will resume again within 48-72 hours, maximum."

HOW DID THE SHIP GET STUCK? - The 400 metre-long Ever Given container ship ran aground early on March 23rd as it travelled north from the Red Sea towards the Mediterranean, twisting diagonally across the width of the canal.

The principal causes were high winds and a sand storm that reduced visibility and rendered the ship unable to keep a straight course through the channel, according to the Suez Canal Authority (SCA). As the incident happened, stormy weather was buffeting Egypt, forcing the closure of several Mediterranean and Red Sea ports.

When ships enter the Suez Canal, they are boarded and steered through in convoys, with the help of one or two tugs. Occasionally they get stuck but are usually freed quickly with little impact on other shipping.

WHY HAS TRAFFIC BEEN HALTED? - The Ever Given is blocking the southernmost stretch of the canal which has a single lane, meaning no other ships can pass.

In 2015, Egypt opened a second lane for simultaneous two-way traffic on a 35 km (22 mile) stretch of the canal, but the extension lies further north, beyond an area where the canal widens into the Great Bitter Lake.

The SCA allowed a convoy of ships to enter the canal from its northern end at Port Said on March 24, hoping that the Ever Given would soon be freed, but the vessels have dropped anchor in a Great Bitter Lake waiting area.

WHAT IS BEING DONE TO FREE THE SHIP? - At least eight tug boats, one with a towing power of 160 tons, have been trying to free the ship by pushing and pulling it away from the banks, with the help of the ship's own winches. Diggers have been clearing earth at the ship's bow, which was buried in the canal's eastern bank, and the SCA has deployed two dredgers. Local maritime sources said ballast water, which is used to help stabilize ships, had been offloaded from the Ever Given amid efforts to refloat it.
WHAT ELSE COULD BE TRIED? - The ship’s owner has appointed two professional rescue teams from Dutch firm Smit Salvage and Japan’s Nippon Salvage to help “design a more effective plan” to refloat the Ever Given. Martijn Schuttevaer, spokesman for Smit Salvage’s parent company Boskalis, said additional vessels could be deployed alongside the tugs, but a calculation would be needed on how much power could be used without damaging the container ship. Further options include dredging underneath the ship and offloading containers, though shipping sources say removing cargo could be a lengthy and complex logistical operation given the size of the ship and its position.

Consultancy Wood Mackenzie said the biggest impact was on container shipping, but there were also a total of 16 laden crude and product oil tankers due to sail through the canal and now delayed. The tankers were carrying 870,000 mts of crude and 670,000 mts of clean oil products such as gasoline, naphtha and diesel, it said. Russia and Saudi Arabia are the top two exporters of oil through the canal, while India and China are the main importers, oil analytics firm Vortexa said. Consultancy Kpler said the canal accounted for only 4.4% of total oil flows but a prolonged disruption would complicate flows of Russian and Caspian oil to Asia and oil from the Middle East into Europe.

Rain and flooding cuts Australia’s port of Newcastle rail path

Reuters - Heavy rains along Australia’s east coast over several days have caused the worst flooding in half a century, with thousands of people being forced to evacuate their homes. The downpour is expected to continue over the next few days, the weather bureau warned on Monday.
Torrential rain has cut the Hunter Valley rail line which links the New South Wales port of Newcastle, and bad weather is delaying the loading of wheat for export at its two terminals. The rail line closed on Thursday of last week and could reopen later this week provided repairs can be undertaken and safety of operations can be assured. Coal deliveries to Australia’s Port of Newcastle, the world’s biggest coal export port, have been halted because flooding in the Hunter Valley region has shut rail lines, with heavy rains also slowing ship movements at the port.
Pacific National hauls grain to Newcastle along the Hunter line. Its agricultural manager Hugh Cox said the line closure had stopped 16-20 trainloads of grain from getting to port. Each train carries around 2,800 mts at a time when Newcastle is loading big volumes of wheat while Port Kembla, NSW’s only other bulk port, concentrates on canola to shift the state’s first big export program since 2016-17. Australia’s Grain Central understands the terminals have enough grain on hand to load the vessels, even with the rail line temporarily out of action.
The Australian Rail Track Corporation (ARTC) owns and operates the Hunter Valley Network between Newcastle and Maitland and has temporarily closed it. “High rainfall, potential for more severe flooding beyond the current impacts to the network, strong winds, fallen trees and debris, power failures and fallen power lines and power poles are all concerns which led to operations being halted,” an ARTC spokesperson said. “Weather events such as these have the potential of damage to our network and increases risks to all those involved in the transport operations. When it is safe to do so, we will begin the process of reopening the tracks by undertaking a full assessment of rail operations; however, this will not be until conditions are safe and water levels recede.”
Port Authority NSW determines whether conditions are safe for vessels to enter Newcastle Harbour. In a statement provided to Grain Central, the Port of Newcastle said it was monitoring conditions and scheduling vessels in close communication with...
Port Authority NSW. “Each vessel is assessed on a case-by-case basis for its suitability at the time of each scheduled movement,” a spokesperson for the Port of Newcastle said. The shipping schedule is adapted relative to the weather conditions and safety assessments. “This type of temporary weather event typically does not have any lasting impact on port operations. The port continues to operate and is monitoring conditions closely.”

Soybean & sugar traders fight for space in Latin America’s largest port

Reuters - Soy and sugar traders are fighting for room in Latin America’s largest port, rushing to secure loading slots as the slowest Brazilian soy harvest in 10 years pushes the grains export window into the sugar season.

Congestion was hitting Brazil’s Santos port just as consumers worldwide have been turning to top exporter Brazil for sugar and soybean supplies. The glut of shipments waiting to leave is boosting transport costs and will likely delay arrivals at destinations.

Soybean prices hit a four-year high late last month, boosted by supply tightness. Soybean prices, already near seven-year highs, could rise further at a time when Brazil is effectively the world’s main supplier.

“It is a perfect storm, a combination of factors that are leading to soy and sugar to compete for logistics,” said Tiago Medeiros, Brazil head and executive director for Czarnikow Group, a food trader and supply chain services provider.

Brazil usually starts soybean exports in January, with volumes increasing in later months. This season, planting was delayed, as was the harvest, pushing that window further out.

Shipments from the new sugar crop usually start around April, but companies are still shipping stocks from a bumper crop in 2020. Brazil’s Agriculture Ministry saw sugar stocks at 7.3 mmts in mid-February, the highest for the last three years.

Market players expect growing delays in coming months, with ships likely waiting several weeks before being able to dock in Santos.

Medeiros noted that spot prices for both sugar and soybean futures are higher than deferred ones. This inverted chart position signals near-term supply tightness, he said, which could mean financial losses for sellers if they fail to deliver on time. “So everyone wants to get products out as soon as possible,” he said.

Most crops in Brazil are moved by truck, so truck freight costs spiked due to the rush of goods.

Traders said shipowners sharply raised demurrage, the daily fee charged for port delays, from around $18,000 per day to $30,000 per day on trips to Brazil.

Because of long vessel waiting times, French trader Sucden said India might be an alternate sugar supplier, but traders said its supply is constrained for several reasons. “Brazil mainly exports raws, while India has surplus of whites. So direct substitution is limited,” said a source at a large sugar trader in India.

Chinese soy buyers would normally turn to the United States to avoid Brazilian congestion, but U.S. farmers have little to offer. Due to strong demand, the United States will only have about 10 days worth of soybean supplies before the U.S. harvest starts in September.

The USDA forecast soybean stocks at the 31st of August end of the 2020/21 marketing year at 120 mbus, down sharply from 525 mbus a year earlier. It would be the smallest ending stocks since 2013/14.

By mid-March vessels were expected to load nearly 8.82 mmts of soybeans in Santos and Paranagua, the two largest Brazilian ports, 27% more than at this time last year, according to data from SA Commodities/Unimar shipping agency. Sugar loading at both ports was seen 71% up at 1.27 mmts.

Traders controlling terminals in Santos such as Bunge and COFCO and logistics operators usually turn berths from grains to sugar as the year progresses. That job will be harder this year, the sources said. Last year, some vessels in Brazil waited as long as 45 days to load sugar at the key sugar terminal operated by Rumo SA.

Canadian Pacific to buy Kansas City Southern in $25 billion

By Nandakumar D, Ann Maria Shibu, Rebecca Spalding, Reuters – The Canadian Pacific Railway Ltd agreed on Sunday to acquire Kansas City Southern in a $25 billion cash-and-stock deal to create the first railway spanning the United States, Mexico and Canada, standing to benefit from a pick-up in trade.

It would be the largest ever combination of North American railways by transaction value. It comes amid a recovery in supply chains that were disrupted by the COVID-19 pandemic, and follows the ratification of the US-Mexico-Canada Agreement (USMCA) last year.

“Think about what we’ve gone through, think about the importance in North America of near-shoring that is occurring. This network uniquely provides a supply chain that allows our customers and our partners to actually benefit from that and leverage that opportunity.” Canadian Pacific Chief Executive Keith Creel told Reuters in an interview.

The combination needs the approval of the U.S. Surface Transportation Board (STB). The companies expressed confidence this would happen by the middle of 2022, given
that the deal would unite the smallest of the seven so-called Class I railways in the United States, which meet in Kansas City and have no overlap in their routes. The combined railway would still be smaller than the remaining five Class I railways.

The STB updated its merger regulations in 2001 to introduce a requirement that Class I railways have to show a deal is in the public interest. Yet it provided an exemption to Kansas City Southern given its small size, potentially limiting the scrutiny that its acquisition will be subjected to.

“I don’t see it as the kind of consolidation that should raise concerns because it’s what you call an end-to-end or vertical merger. Their networks fit nicely with each other and help fill out North America with real service,” said economist Clifford Winston, a senior fellow at the Brookings Institution who specializes in the transportation sector.

An STB spokesman said the regulator had not yet received a filing by the companies, which would start its formal review process. He declined to comment further.

Still, Canadian Pacific agreed in its negotiations with Kansas City Southern to bear most of the risk of the deal not going through. It will buy Kansas City Southern shares and place them in an independent voting trust, insulating the acquisition target from its control until the STB clears the deal.

Were the STB to reject the combination, Canadian Pacific would have to sell the shares of Kansas City Southern, and one source close to the agreement suggested they could be divested to private equity firms or be relisted in the stock market. Kansas City Southern shareholders would keep their proceeds.

There is a $1 billion reverse breakup fee that Canadian Pacific would have to pay Kansas City Southern if it cannot complete the formation of the trust, sources say. Shareholders of Kansas City Southern will receive 0.489 of a Canadian Pacific share and $90 in cash for each Kansas City Southern common share held, valuing Kansas City Southern at $275 per share, a 23% premium to Friday’s closing price, the companies said in a joint statement. Including debt, the deal is valued at $29 billion.

DBRS Morningstar raised concern, however, about CP’s growing debtload after the deal, placing the company’s credit ratings under review. CP plans to return to its pre-acquisition debt to EBITDA leverage target, but not until at least 2023, the ratings agency said.

Kansas City shares jumped 11% to $249.09 but were still well short of the offer price of $275, a move that analysts attributed to the extended lead time for the deal, which is not expected to close until the middle of 2022. Shares of Canadian Pacific fell about 5%.

While it is the biggest M&A deal announced thus far in 2021 and is the largest ever involving two rail companies, it ranks behind Berkshire Hathaway’s purchase of BNSF in 2010 for $26.4 billion.

Creel will continue to serve as CEO of the combined company, which will be headquartered in Calgary, the companies said in a statement.

The companies also highlighted the environmental benefits of the deal, saying the new single-line routes that would be created by the combination will help shift trucks off crowded U.S. highways and cut emissions.
Rail is four times more fuel efficient than trucking, and one train can keep more than 300 trucks off public roads and produce 75% less greenhouse gas emissions, the companies said in the statement.

Calgary-based Canadian Pacific is Canada’s No. 2 railroad operator, behind Canadian National Railway Co Ltd, with a market value of $50.6 billion.

It owns and operates a transcontinental freight railway in Canada and the United States. Grain haulage is the company’s biggest revenue driver, accounting for about 58% of bulk revenue and about 24% of total freight revenue in 2020.

Kansas City Southern has domestic and international rail operations in North America, focused on the north-south freight corridor connecting commercial and industrial markets in the central United States with industrial cities in Mexico.

Canadian Pacific’s latest attempt to expand its U.S. business comes after it abandoned a hostile $28.4 billion bid for Norfolk Southern Corp in April 2016. Canadian Pacific’s merger negotiations with CSX Corp, which owns a large network across the eastern United States, failed in 2014.

A bid by Canadian National Railway Co, the country’s biggest railroad, to buy Warren Buffett-owned Burlington Northern Santa Fe was blocked by U.S. antitrust authorities more than two decades ago.

A private equity consortium led by Blackstone Group Inc and Global Infrastructure Partners (GIP) made an unsuccessful offer to acquire Kansas City Southern last year. The sources said that bid helped revive Canadian Pacific’s interest in Kansas City.

BMO Capital Markets and Goldman Sachs & Co. LLC are serving as financial advisors to Canadian Pacific, while BofA Securities and Morgan Stanley & Co. LLC are serving as financial advisors to Kansas City Southern.

Reporting by Nandakumar D and Ann Maria Shibu in Bengaluru; Rebecca Spalding and Greg Roumeliotis in New York; Writing by Denny Thomas; Editing by William Ochsenbeck said in a research note.


- USDA examines preferences for rail vs barge on the river system

USDA’s Agricultural Marketing Service recently published a synopsis of a study conducted in cooperation with the University of Oregon. The researchers studied the relationship between preferences for barge and rail transportation among Midwest corn shippers.

The analysis measured how a given shipper’s preference for each mode changed as the shipper’s distance to the waterway changed. Of movements originating near the Mississippi River network, nearly all barge shipments and about a quarter of rail ended at ports in the northern part of the Gulf of Mexico.

Prefered for barge was found to be strongest for shippers closest to a waterway and fell to approximately zero for shippers beyond 175 miles from the waterway.

- CP - KCS rail deal seen boosting farm sales

Reuters - Canadian Pacific’s $25 billion deal to buy Kansas City Southern will create a rail network from Canada to Mexico that farm groups say could smooth the flow of their goods to market.

The deal, subject to approval by the U.S. Surface Transportation Board, would combine CP’s cross-Canada network, which stretches as far south as Kansas City, Missouri, with its U.S. rival’s network, which extends south into Mexico. Mexico is a major buyer of U.S. corn and Canadian canola.

Mike Steenhoek, executive director of the Iowa-based Soy Transportation Coalition said the deal could increase market access for customers of each railway. “Many current Canadian Pacific customers currently only have access to export terminals in the Pacific Northwest,” he said in a statement. “Similarly, current KCS customers may enjoy new access to markets served by the Canadian Pacific network.”

Canadian grain handlers also see potential for enhanced sales, but are awaiting details on how much of a priority the combined company will place on customer service, said Wade Sobkowich, executive director of the Western Grain Elevator Association, whose members include Cargill Ltd and Richardson International. CP has effectively moved Canadian grain in the past year, but its spending on upgrading its network has lagged the agriculture sector’s growth during the past five years, Sobkowich said.

For Canadian oil, the merger may offer modest benefits for producers who ship with CP, said John Zahary, chief executive of Altex Energy, which operates rail uploading terminals connected to Canadian National, which handles more oil volumes.

The combination is likely to increase industry price competition and is thus unlikely to face regulatory roadblocks, analysts said.

“This is by default negative for the other railroads, including Canadian National, which faces a longer haul competitor into the Gulf Coast and Midwest,” J.P. Morgan analyst Brian Ossenbeck said in a research note.

- Rain and flooding continues along the Mississippi

Flooding continues along parts of the Mississippi River along the Missouri-Illinois border due to recent heavy rainfall.

At Cape Girardeau, Missouri, the river rose to 37.6 feet as of Sunday evening, topping the flood stage of 32 feet. The Mississippi is expected to crest at 38.5 feet Tuesday and eventually fall below flood stage by the end of the week, the NWS said.
Canada has also implemented its commitment to remove the requirement for official and Agri-Food tells RealAgriculture “in accordance with its CUSMA obligations, From the Canadian perspective, a spokesperson for Canada’s Minister of Agriculture are planted to varieties also registered in Canada (CNHR, CWRS, and CPSR). The current US wheat acres, 18% of wheat acres in North Dakota, and 12% in Montana process of registering US wheat varieties in Canada is not a practical solution. Of their variety in Canada, especially in cases where the primary purpose of registration would be for importation, where agronomic concerns are irrelevant. This restrictive system. The inclusion of criteria unrelated to quality or marketing to achieve a class designation such as agronomic requirements and disease resistance serves as an unnecessary barrier to US wheat varieties being registered. If the wheat variety grown by a farmer is not registered in Canada, it is not eligible for a CGC grade. This applies equally to both Canadian and U.S. farmers, which Canada once again says is in line with the “no less favourable” aspect of the text. Much of the attention during the USMCA negotiation focused on the above, but Secretary Vilsack may be referring to the last sentence of the USTR text: “Canada and the United States also agreed to discuss issues related to seed regulatory systems.” U.S. Wheat Associates is one of the groups turning up the volume with new Trade Representative Katherine Tai. According to a U.S. Wheat Associates’ briefing dated October 29th, 2020, Canada’s variety registration system is “overly burdensome”: USMCA did not resolve the overly burdensome nature of Canada’s variety registration system. The inclusion of criteria unrelated to quality or marketing to achieve a class designation such as agronomic requirements and disease resistance serves as an unnecessary barrier to US wheat varieties being registered. While the VRS has been modernized slightly over the past decade the system still only allows a small amount of US test plot data to be used, which makes it difficult for U.S. developers to register their variety in Canada, especially in cases where the primary purpose of registration would be for importation, where agronomic concerns are irrelevant. This restrictive process of registering US wheat varieties in Canada is not a practical solution. Of current US wheat acres, 18% of wheat acres in North Dakota, and 12% in Montana are planted to varieties also registered in Canada (CNHR, CWRS, and CPSR).

From the Canadian perspective, a spokesperson for Canada’s Minister of Agriculture and Agri-Food tells RealAgriculture “in accordance with its CUSMA obligations, Canada has also implemented its commitment to remove the requirement for official Canadian grading inspection certificates to indicate country of origin for U.S. grain. These changes address American concerns expressed during the negotiations while at the same time preserving the integrity of the Canadian grain quality assurance system.” It is unclear whether the U.S. Trade Representative’s office will file a complaint similar to the dairy TRQ disagreement with Canada, but according to one trade analyst, a U.S. challenge would not be surprising.

Canadian farm groups say Canada has a high bar for quality in terms of variety registration for good market reasons as it pertains to the requirements and expectations of global customers. At the same time, some Canadian groups want to see changes to the variety registration system, but for domestic purposes, not for the sole reason of serving American trade interests. “We have long felt the variety registration system in Canada works well for a public breeding system of which it was designed for, but it does not work quite as well for the private breeding sector,” says Tom Steve, executive director of the Alberta Wheat Commission. “We are for reforming the variety registration system and finding a more open path for private breeders to increase choice for Canadian growers.”

If the U.S. were to formalize a challenge, Dade says the argument for change could come down to the way Canada proves quality. “In a world where quantification of quality, measurement of gluten, protein, moisture, etc., can be easily achieved, and gets easier and cheaper to do every day via on-site testing, relying on archaic varietal registration and visual inspection would appear to be indefensible under any science-based, rules-based trading system.” “Canada clamours for ‘science-based’ trade rules on a seemingly hourly basis. This flies in the face of that advocacy elsewhere. There appears to be no public health, environmental, national security or other reason to bar American grain. Instead, it just looks like rank protectionism,” says Dade.

A source familiar with the Canadian variety registration, who asked to remain anonymous, stated to RealAgriculture “if the U.S. takes away Canada’s ability to guarantee quality by tearing apart the variety registration system, they have numbed our ability to compete in our most profitable markets.”

**EU demand for palm oil-based biofuel may evaporate before end-2030**

PETALING JAYA: Palm oil-based biofuel demand from the European Union (EU) might disappear before the end-2030 implementation deadline imposed by Europe’s Renewable Energy Directive II (RED II), according to Sumwin Group’s founder and CEO, U.R. Unnithan.

The directive’s indirect land-use change (ILUC) risk criteria dictate that the global production area of the feedstock should not increase more than 1% annually and more than 100,000 hectares after 2008 and not more than 10% of such expansion has taken space on land with high carbon stock.
The EU has stated that only palm oil fits such criteria and thus palm oil will be phased out from the biofuel market in the union.

“This decline will start with the implementation of RED II by the union’s member states in June 2021, culminating in zero palm biodiesel use by end-2030,” Unnithan said in his paper titled “Biodiesel Market Outlook 2021” at Bursa Malaysia’s Palm and Lauric Oils Price Outlook Conference & Exhibition on Tuesday. “But the reality is, that with many member states within the EU pushing for a non-palm biofuel agenda, one might see palm biofuel exports into the EU drop before 2030.” Unnithan pointed out that Malaysia and Indonesia are dependent on the EU for their biodiesel exports as nearly 80% of the two country’s combined volume goes to that market.

Outside the EU, he said, the demand for palm oil biofuel is dictated by a favorable palm oil-gas oil (pogo) spread; which determines voluntary biodiesel blending based on the prices of palm oil and heating oil to do so. Since April 2020, he said, the pogo spread has moved to well over US$400/mt, making it extremely difficult to find a market for discretionary blending.

Against this development, Malaysia has filed a case with the World Trade Organization on the EU’s palm biodiesel ban in January this year, while Indonesia initiated similar action back in December 2019.

On the global front, Unnithan said, there has been an explosion in biofuel production, particularly in North and South America, Asia and Europe.

In Malaysia, the B20 biofuel mandate has been a key driver since it was implemented in Sarawak last year. In Malaysia, the B20 biofuel mandate has been a key driver since it was implemented in Sarawak last year. This will be followed by its implementation in Sabah in June this year, and Peninsular Malaysia by December. “This initiative by the Malaysian government is expected to collectively absorb one tonne of crude palm oil (CPO) per year,” Unnithan said. However, he noted that the country’s biofuel production did not escape the impact of the Covid-19 pandemic as 2020 was not a good year compared with 2019.

Last year, biodiesel production stood at 906,156 mts against 1.42 mmts in 2019, with exports at 378,582 mts (2019: 609,777 mts).

However, the country’s local blended volume has increased to 803,307 mts from 641,878 mts in the previous year, as some transport companies and industries have adopted the B20 and B7 mandates, respectively.

Moving forward, Unnithan projected that supply pressure on crude palm oil will continue until the second half of this year, providing strong support for prices until then but once production improves, the market could come down in the third or fourth quarter of the year. “With that my projection for 2021’s CPO price average is RM3,500/mt,” he said.

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**International Crop & Weather Highlights**

- **USDA/WAOB Joint Agricultural Weather Facility – 23rd March 2021**
  - **Europe** – Cool And Wet
    - Cooler weather slowed winter crop development across much of Europe, with near- to above-normal temperatures confined to Spain, England, and Scandinavia.
    - Showers maintained favorable moisture supplies for spring growth from France eastward, with locally heavy rain reported in the Balkans.
  - **Western FSU** – Warmer With Rain
    - Warmer weather began to ease winter crops out of dormancy near the Black Sea Coast, while widespread rain boosted soil moisture supplies for spring growth.
  - **Middle East** – Good Rain In Turkey
    - Moderate to heavy rain in Turkey boosted moisture supplies for greening to vegetative winter grains, which will be reliant on spring moisture recharge following severe autumn drought.
    - Warm, dry weather elsewhere promoted wheat and barley growth; crops are still vegetative in the north but approaching reproduction in warmer southern growing areas.
  - **Northwestern Africa** – Timely Rain In Algeria And Tunisia
    - Sunny, cool weather in Morocco favored the development of reproductive wheat and barley; yield prospects are well above average and vastly improved over last year’s drought-affected crops.
    - Much-needed rain boosted soil moisture for vegetative to reproductive winter grains across Algeria and Tunisia.
  - **South Asia** – Hot Weather
    - Seasonable heat continued across India as rabi crop harvesting continued.
  - **East Asia** – Unseasonable Warmth
    - Warm, showery weather promoted development of reproductive rapeseed in eastern China, while warm, drier weather prevailed for vegetative wheat.
  - **Southeast Asia** – Showery Weather In Indonesia; Hot In Thailand
    - Showers throughout Indonesia maintained adequate to abundant moisture reserves ahead of dry-season rice sowing. Seasonably hot weather continued to build in Thailand and environs.
  - **Australia** – Heavy Rain Continued In The East
    - Another round of soaking rain overspread southern Queensland and northern New South Wales, maintaining unfavorably wet conditions during the summer crop harvest and causing local flooding.
  - **South America** – Much-Needed Rain Swept Across Argentina
Showers benefited later-planted corn and soybeans in **central and northwestern Argentina**, though the moisture arrived too late for early maturing summer crops.

- Scattered showers benefited corn and cotton in **central and northeastern Brazil**.
- In **southern Brazil**, patchy, light rain allowed fieldwork to progress, although moisture remained limited for late-developing soybeans in Rio Grande do Sul.

**South Africa** – Showers Returned To Western Sections Of The Corn Belt
- Rain increased moisture for immature corn in key **commercial production areas**.

### Contacts

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**U.S. Agricultural Weather Highlights – Friday 26th March 2021**

- **In the West**, a disturbance crossing the Intermountain region is producing scattered, generally light rain and snow showers. Despite recent precipitation, drought still covers nearly two-thirds (74.5%) of the 11-state Western region, according to the U.S. Drought Monitor, down slightly from 79.9% in early March. In Arizona, 88% of the rangeland and pastures were rated in very poor to poor condition on March 21, according to USDA/NASS.

- **On the Plains**, isolated rain showers are occurring in Kansas and portions of neighboring states. March precipitation has significantly boosted moisture reserves across the central Plains, improving prospects for winter wheat and conditioning soils in advance of spring planting. It has already become the wettest March on record in locations such as Grand Island, Nebraska, and Goodland, Kansas, eclipsing marks established in 1987 and 1981, respectively.

- **In the Corn Belt**, windy weather prevails east of the Mississippi River, especially in Ohio, in the wake of a departing storm system. Meanwhile, precipitation persists across Michigan but has ended in other areas of the Midwest. Some of Michigan’s precipitation has begun to change to snow or freezing rain.

- **In the South**, recovery efforts are underway in areas struck by yesterday’s severe thunderstorm outbreak. More than a dozen tornadoes were spotted on Thursday from east-central Mississippi into northwestern Georgia, including a deadly storm in Calhoun County, Alabama. Early today, thunderstorms have weakened but linger across parts of the Southeast. In contrast, dryness continues to intensify across southern Texas and peninsular Florida.

- **Outlook**: A storm system currently crossing the Great Lakes States will move eastward across northern New England later today. During the weekend, a new storm will develop over the south-central U.S. and follow a similar path, reaching the lower Great Lakes region on Sunday. That system could produce 1 to 3 inches of rain, as well as another round of locally severe thunderstorms and isolated tornadoes, across the interior Southeast. Other areas in the eastern half of the U.S. will receive weekend showers. Early next week, a Pacific storm system will move inland near the U.S.-Canadian border. Although parts of the

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April 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/apr_calendar.gif