Notes and Observations in International Commodity Markets

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Volatility High, USDA WASDE Mixed

GHA – The recent action on the CBOT comes as U.S. grain supplies are extremely tight and amid heightened demand from China and others. U.S. corn and soybeans ending stocks-to-use ratios are at the lowest levels in years and a rebound in US domestic biofuel consumption has further drawn down available supply. Lowered estimates for the Brazilian corn crop has increased the need for the US to produce a sizable crop to ease tight supplies globally.

Volatility in grain futures trading has risen sharply since spring planting in late May. The past month’s volatility for corn futures is nearly double the level from a year ago, and nearly triple the five-year average.

CBOT corn volatility has been at 57% in the past month. That compares with realized volatility for the rolling front-month futures of 29.8% in the past year, compared to 22.2% over five years. Soybean futures, volatility has bee 47% over the past month, compared with 17.8% over five years.

Soybean oil futures have shown even greater deviation, with one-month volatility at 65% versus a five-year rate of 21.2%. Vegetable oil prices have risen sharply, contributing to worldwide food inflation, amid tight supplies and rebounding demand.

This past Monday USDA’s monthly WASDE and Crop Production reports were mixed, supporting wheat, but leaving corn and soybeans relatively calm versus the typical August (which includes yield updates) or June reports (which include the spring acreage survey).

The USDA did cut deep into its spring wheat production outlook as a result of hot and dry conditions in spring wheat producing areas. The September MGE futures contract for the spring crop has jumped more than 20% in the past two months, posting a new closing high of $8.5725 per bushel. Crop conditions continue to deteriorate, with the latest week’s readings for South Dakota at just 3% good-excellent, Montana at 13%, North Dakota at 16%, and Minnesota at 26%. Nationally, US spring wheat conditions are at the lowest levels since 1988.

The USDA estimated spring wheat production of 345 mbus, down 41% from last year and the smallest crop since 1988. Spring wheat yield is expected to slump 37% year over year to 30.7 bush/acre. Spring wheat harvested acreage is still very much unknown, because abandonment is likely to spike as producers opt to forgo harvest costs. In past years of similar drought conditions, farmers abandoned 15% of spring wheat acres in 2002, while in 1988 over 20% of acres were left unharvested. Currently the USDA is forecasting a 3% harvest loss, but this is bound to be much higher given current growing conditions. Dry conditions in the US and Canada continue to cut the spring wheat production outlook. Forecasts are for hot and dry conditions are expected to return to both the US Northern Plains and Canadian Prairies, further stressing spring wheat crops. Similar dry conditions also threaten spring wheat production in Canada, the world’s biggest producer of spring wheat.

Despite ongoing drought conditions in the northwestern corn belt, the USDA stuck with its corn yield estimate of a record 179.5 bushels/acre, delaying any downward adjustment at least until its first survey-based corn yield forecast in early August.

Despite analysts’ predictions for a small yield cut based on poor conditions in the western Corn Belt, USDA left corn yield unchanged at 179.5 bus/acre and soybeans stayed at 50.8 bus/acre.

USDA’s statistics agency will publish its first survey-based yield estimates next month, but the inclusion of field measurements will not enter the mix until September.

One factor that raises questions on USDA’s high trend yields is how poorly the spring wheat crop is doing in the Northern Plains. As of Sunday, some 55% of the crop was rated poor or very poor and just 16% was considered good or excellent, the worst ratings on either end since 1988.

USDA pegged U.S. spring wheat production at 345 mbus, the smallest since 1988 with yield at a 19-year low. North Dakota, Minnesota and South Dakota, which planted 68% of the U.S. spring wheat, are also key corn and soybean growers. The poor wheat conditions extend to corn and soybeans. The share of U.S. corn and soy plantings in the Dakotas is record high this year at 12.4%.

This will put more pressure on top producers Iowa and Illinois, where record yields might be needed to offset production losses in the northwestern Corn Belt. Some 66% of Iowa corn is rated good or excellent, up 10 percentage points from three weeks earlier, but Illinois dropped 5 points on the week to 60%, a season low. Iowa notched its record corn yield in 2016 and Illinois did it in 2018. During this week in those years, Iowa corn was 79% good or excellent and Illinois was 81%.

Market focus continues on the weather as corn is pollinating and we are approaching the critical weeks for soybeans of late July and August.

- The Dow Jones Industrial Average is down 161.07 points at 34,825.95.
- August gold is down $15.60 at $1,813.40, September silver is down $0.67 at $28.73 and September copper is down $0.0035.
- August crude oil is up $0.37 at $72.02, August heating oil is up $0.0038, August RBOB gasoline is up $0.0033 and August natural gas is up $0.062.

Expect continued volatility with any small changes to the supply and demand equation. This 2021 summer rodeo isn’t over yet!
US DOLLAR & FOREIGN EXCHANGE

➢ U.S. Inflation Hits Fastest Rise Since 2008
AGDAY TV - U.S. inflation rose 5.4% in June, which marks the highest annual rate since 2008. However, some good news may be on the horizon as a survey shows economists expect inflation to ease off historic highs later this year.

The economists were surveyed by the Wall Street Journal. The survey found the group raised their forecasts for U.S. gross domestic product (GDP) growth, with an average GDP now expected to advance to 9.1% annual pace in the second quarter, and 6.9% for the year. That would be the fastest year of growth since 1983.

The survey also showed signs that components of the U.S. economy have peaked, as inflation is expected to ease off historic highs, and GDP is expected to grow at a solid but slower pace.

Not every economist is on board with the forecast for inflation to slow. According to Pro Farmer, economists from Morgan Stanley said last week in a note to clients, "There is nothing more sinister going on here. Second half growth will still be quite elevated, for both GDP and inflation."

➢ US Dollar Index - Modest Gains On Strong US Jun Retail Sales
The dollar index on Friday posted modest gains on stronger-than-expected U.S. Jun retail sales data. The dollar also garnered some support from a fall in the S&P 500 to a 1-week low, which boosted the dollar’s liquidity demand.

The dollar index on Friday rose +0.084 (+0.09%). Sep euro-fx futures closed down -0.0002 (-0.01%), and EUR/USD fell -0.0006 (-0.05%). Sep yen futures (J6U1) closed down -0.0021 (-0.23%), and USD/JPY rose +0.26 (+0.24%).

The dollar fell back from its best levels Friday after a gauge of U.S. consumer sentiment unexpectedly declined. EUR/USD fell slightly on dovish ECB comments, and USD/JPY gained as the yen weakened after the BOJ cut its 2021 Japan GDP forecast.

Friday’s U.S. economic data was mixed for the dollar. On the positive side, U.S. Jun retail sales rose +0.6% m/m and +1.3% m/m ex-autos, stronger than expectations of -0.3% m/m and +0.4% m/m ex-autos. Conversely, the University of Michigan U.S. Jul consumer sentiment unexpectedly fell -4.7 to a 5-month low of 80.8, weaker than expectations of an increase to 86.5.

A bearish factor for the dollar is concern that the Covid delta variant is boosting U.S. Covid infection rates. The 7-day average of new U.S. Covid infections rose to a 1/3 month high Thursday of 26,262.

EUR/USD (^EURUSD) on Friday fell back slightly on comments from ECB Governing Council member Kazimir who said the health situation in the Eurozone is still "very fragile," and the Eurozone economy is definitely "not out of the woods." A slump in German bund yields has also weakened the euro’s interest rate differentials after the 10-year German bund yield fell to a 3-1/2 month low Friday of -0.354%.

USD/JPY (^USDJPY) on Friday posted moderate gains as the yen weakened after the BOJ cut its Japan 2021 GDP forecast to 3.8% from a previous forecast of 4.0%. Also, comments from BOJ Governor Kuroda were bearish for the yen when he said the BOJ does not intend to reduce bond purchases as uncertainties are high for the main scenario of economic pickup.

The BOJ voted 8-1 to keep its policy balance rate at -0.1% and maintain the 10-year JGB yield target at about 0% following Friday’s 2-day policy meeting. The BOJ also cut its Japan 2021 GDP forecast to 3.8% from a previous forecast of 4.0% and raised its Japan 2021 core CPI estimate to 0.6% from 0.1%.

Bullish Factors: (1) the Fed’s median projections for two 0.25 point rate hikes by the end of 2023, (2) safe-haven demand for dollar liquidity as underlying pandemic stress encourages flight into the world’s reserve currency, (3) the influx of capital from overseas investors fleeing from over $10 trillion of negative-yielding debt, and (4) higher T-note yields that strengthen the dollar’s interest rate differentials as the 10-year T-note yield recently rose to a 1-1/4 year high of 1.774%.

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) reduced liquidity demand for the dollar with the all-time highs in U.S. stock indexes, and (6) the wide U.S. budget and current account deficits.

Bearish factors for EUR/USD include (1) the ECB's very low -0.50% deposit rate, (2) the ECB's 1.85 trillion-euro Pandemic Emergency Purchase Program and its regular 20 billion euro/month QE program, (3) the action by the ECB to adopt a symmetric 2% inflation goal over the medium term that allows for overshoot when needed, replacing the previous target of "below, but close to 2%," which implies the ECB is willing to keep monetary policy dovish for longer, (4) the severe economic damage done to the Eurozone economy by the pandemic, and (5) the extremely low 10-year bund yield, which illustrates the euro's poor interest rate differentials.

**Wheat**

- **Australia Wheat Production Revised Higher**
  USDA forecasts Australia marketing year 2021/22 wheat production at 28.5 mmts, up 1.5 mmts or 6% from last month, but down 4.5 mmts or 14 percent from last year’s record.

  ![Graph showing Australia Wheat Area, Yield, Production](image)

  Area is estimated at 13.1 mha, down 0.1 mha from last month, but up 0.1 mha or 1% from last year. The area revision is largely based on the latest information from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

  Yield is forecast at 2.18 mts/ha), up 6% from last month, but down 14% from last year. Yield potential remains above average particularly in the two largest producing states of Western Australia (36%) and New South Wales (26%).

  Abundant precipitation prior to sowing and again in June benefited emergence and crop establishment.

  Recent satellite-derived Normalized Difference Vegetation Index (NDVI) depicts strong crop vigor, especially in the wheat belt of New South Wales and Western Australia.

- **Western Australia on track for another record winter crop**
  Grain Central – As another rain front crossing the Western Australian grain belt is consolidating the excellent start to the grain growing season in WA, setting the scene for another potentially record crop.

  All regions of the state have received top-up rain recently and this has continued to drive tonnage estimates up.

  In its latest crop report, the Grain Industry Association of WA (GIWA) says the very wet areas in the south-west and south coast of WA are now becoming very, very wet and tonnage estimates are down at least 10% to 15% in the southern areas of the Albany Port zone and the coastal strip in the Esperance Port Zone. But, the solid crops across the rest of the state will make up the difference to neutralize the impact on total grain production for WA.

  ![Graph showing 2021 Season GIWA July Western Australia Crop Production Estimates (tonnes)](image)

  Total winter rainfall to date has only been equal to, or slightly less than the median (middle point) for the last 45 years for most of the grain growing regions. This is except for the south coastal region.

  GIWA crop report author, Mike Lamond, said the reasons behind the positive outlook were more to do with the early start, the level of subsoil moisture from autumn rains, the very good growing conditions, and the large area of crop; a combination of factors that do not come together often. He said current tonnage estimates for the state are conservative as crops still have to make it through the inevitable frost that can shave off significant tonnage in the spring.

  Most regions will still require a reasonable spring with close to average rainfall and average temperatures to minimize the impact of heat shock on final grain yields.
Mr. Lamond said whilst there still was risk of grain tonnages falling away, with the very large total area sown this year, coupled with the good growing conditions right across all zones, it was hard to see how the state wouldn’t be in for a record total tonnage. “This combined with even average conditions going forward means it could be a record by a substantial margin.”

The large areas of wheat in the low rainfall regions of the Geraldton, Kwinana and Esperance Port Zones are in better shape this year than they have been since 2016 which was a record tonnage year. The 10.6 mmts of wheat that was produced in 2016 was from just under 4.5 million hectares. There is 14% more wheat area this year than in 2016 and the increase in area sown to wheat in 2021 will have a big impact on the final total grain production.

Barley and canola area estimates have come back slightly from last month due to lost areas to waterlogging. Whilst these wet areas are now likely to obtain only average grain yields, the grain yield potential for barley and canola is still very good for the remainder of the state’s crop.

The total oat area is down on previous years due to the reduction in area sown for hay. However, the tonnage outlook for oat grain is well up on recent years due to very good growing conditions in areas where oats are grown. This includes more area planted in the medium to low rainfall regions where there were early planting opportunities, reasonable prices, and the swing out of hay to grain for the dedicated hay growers.

Lupin area is down due to the strong canola prices at planting time. Crops in the central and north of the state are very good whilst in the southern regions, they have much lower grain yield potential due to the cold wet growing conditions.

China may open up to more wheat

Reuters, Sean Pratt - China suddenly imported 10.5 mmts of wheat in 2020/21, doubling the previous year’s total. Rumours have surfaced that China may double its tariff rate quota (TRQ) for wheat in 2021/22, which would be extremely bullish for the crop, says an analyst.

The current TRQ is set at 9.64 mmts. That is the amount of wheat China will allow into the country per year at a one percent duty. Anything beyond that amount faces a 65% duty.

In the past, China did not come anywhere close to filing its TRQ. But that changed last year after China lost a World Trade Organization dispute launched by the United States that contended the country was mismanaging its program. China suddenly imported 10.5 mmts of wheat in 2020/21, doubling the previous year’s total.

Other factors that influenced the surge in imports were China’s Phase One trade agreement with the U.S. and sky-high corn prices.

The USDA is forecasting a repeat performance in 2021/22, penciling in another 10 mmts of Chinese wheat imports. But the USDA’s Foreign Agricultural Service indicated it could be far more than that.

“There are rumours that China will issue an additional 10 mmts of wheat TRQ to state-owned enterprises,” stated the FAS in its July 1st China Grain and Feed Update report. However, it added that industry sources are skeptical there is enough market demand to support that additional volume of imports unless they are intended solely to replenish government reserves. In fact, the FAS is forecasting 8 mmts of imports, 2 mmts below the USDA’s official estimate.

It noted that wheat silos are full in China due to high imports in 2020/21 spurred by Phase One agreement purchases and fears of COVID-19 supply chain disruptions. MarketsFarm analyst Bruce Burnett has heard the same rumour about China possibly doubling its TRQ. “Overall, that would be very positive from a demand point of view for global wheat,” he said. “It would be very, very supportive.” It would be particularly bullish for spring wheat if China is using the imported wheat to restock its reserves because the government tends to use high quality, high protein wheat for that purpose, said Burnett.

However, if that caused wheat prices to rally, China would likely hold off on restocking its reserves until prices calmed down.

If the wheat was required for food or feed purposes, that would be a different story. China would likely keep importing the product despite a price rally.

Burnett noted China recently issued new guidelines recommending that hog and poultry producers use less corn and soymeal in their rations, substituting more wheat, rice and other crops.

That could be the reasoning behind the rumoured doubling of wheat TRQ. A lot will depend on how the U.S. corn crop turns out and what that does to prices, Burnett said. The FAS said very little wheat was imported for feed purposes in 2020-21 with the exception of some French wheat that was originally destined for the milling market. “Multiple contacts confirm that any imported wheat used for feed was either old or only sent to feed mills after it was unsuitable for milling,” stated the FAS. “Both flour and feed mills report that the economics of feeding imported wheat do not make financial sense.”

USDA WASDE - Wheat

World: The global wheat outlook for 2021/22 is for reduced supplies, fractionally lower consumption, increased trade, and lower ending stocks.

Supplies are projected to decline 5.3 mmts to 1,082.6 mmts on reduced beginning stocks in several countries and lower US production not offsetting higher foreign
production. Global wheat production was lowered 2.0 mmts to 792.4 mmts but still remains at a record.

Australia’s production was raised 1.5 mmts to 28.5 mmts, based on continued widespread precipitation benefiting emergence and crop establishment.

Russia’s wheat production was lowered 1.0 mmts to 85.0 mmts. Winter wheat production is reduced 0.5 mmts to 64.0 mmts on decreased harvested area from a damaging early spring freeze more than offsetting higher yields on continued favorable conditions across Western Russia. Spring wheat is also lowered 0.5 mmts to 21.0 mmts on reduced yields with hot and dry conditions affecting the spring wheat region of Central Russia.

Kazakhstan was lowered 1.0 mmts to 13.0 mmts on similar unfavorable conditions. The EU and United Kingdom are increased a combined 1.4 mmts to 138.2 mmts and 14.8 mmts, respectively on continued favorable conditions across Northern and Central Europe.

Projected 2021/22 world consumption was fractionally lower at 790.9 mmts on lower feed and residual use in Russia, the United States, and Kazakhstan mostly being offset by higher food, seed, and industrial use in several countries.

Projected 2021/22 global trade was raised 0.8 mmts to a record 204.0 mmts, on increased exports by the EU, Ukraine, and Australia offsetting reductions in Canada, Kazakhstan, and the United States.

Projected 2021/22 world ending stocks were lowered 5.1 mmts to 291.7 mmts, but remain above last year.

*Note on FOB prices: Argentina- 12.0%, up river; Australia- average of APW; Kwinana, Newcastle, and Port Adelaide; Russia - Black Sea- milling; EU- France grade 1, Rouen; US- HRW 11.5% Gulf; Canada- CWRS (13.5%), Vancouver

Global wheat prices further spread into three tiers over the past month. The highest quotes by far are from Canada, reflecting concerns about crop conditions and persistent dryness. Australian, U.S., and Argentine quotes are currently in a tight range. Australian quotes declined with ample supplies and good weather for the upcoming crop. U.S. quotes for HRW have recently eased with the NASS Acreage Report indicating larger area. Argentine quotes are little changed over the past month. Both Russian and EU quotes have slid lower on improved outlook for the crop and the two remain in tight competition for price-sensitive markets.

**United States:** The outlook for 2021/22 U.S. wheat this month is for reduced supplies, lower domestic use and exports, and decreased ending stocks.

U.S. supplies were lowered on reduced wheat production and beginning stocks.

U.S. wheat imports were raised 20 mbus to 145 mbus.

Projected U.S. exports and feed and residual usage were lowered to 875 and 170 mbus, respectively, on the reduction in durum and other spring wheat supplies. These would be the smallest U.S. wheat exports since the 2015/16 marketing year.

U.S. beginning stocks are reduced on the latest NASS Grain Stocks report, which indicated lower 2020/2021 ending stocks than previously estimated.

Projected 2021/22 ending stocks were reduced 105 mbus to 665 mbus and are the lowest since 2013/14.

The USDA projected 2021/22 season-average farm price was raised $0.10 per bushel to $6.60.

**Favorable weather boosts Russian wheat yields, heat threatens spring wheat**

Russia wheat production for the 2021/22 crop year is estimated at 85.0 mmts, down 1% from last month and down slightly from last year’s record, but up 9% from the 5-year average. The estimate includes 64.0 mmts of winter wheat and 21.0 mmts of spring wheat.

USDA crop production estimates for Russia exclude forecast output from Crimea. The all-wheat yield is estimated at 2.93 mts/hectare, down 2% from last year.
Total harvested area is expected to increase slightly from last year to a record 29.0 million hectares.

**Ukraine Wheat: Higher Yield Boosts Production**

Ukraine wheat production for marketing year 2021/22 is forecast at 30.0 mmt, up 18% from last year, 2% from last month, and 12% from the 5-year average. Yield is forecast at a record 4.18 mts/ha, up 13% from last year and 2% from last month. Harvested area is estimated at 7.2 mha, up 5% from last year. Winter wheat accounts for about 97% of Ukraine wheat area. The month-to-month increase in yield is due to favorable spring weather, which aided crop development. The Normalized Difference Vegetation Index (NDVI) showed vegetation vigor was much above average in the Steppe zone, which accounts for about 50% of Ukraine’s winter wheat production.

Planting of spring wheat is complete. June rain showers maintained above-average soil moisture and provided favorable conditions for crop establishment. Widespread spring rainfall also helped crop development and improved crop conditions in the northern Forest-Steppe zone.

Harvest of winter wheat is expected to begin on time in July.

**EU Wheat: Production Raised on Improved Weather**

European Union-27 (EU) wheat production is estimated at 138.2 mmt, up 0.7 mmt from last month, 12.3 mmt from last year and 5% above the 5-year average. Harvested area is estimated at 23.9 mha, up 80,000 ha from last month, and 0.8 mha or 4% higher than last year, but 1% below the 5-year average.

Yield is estimated at 5.78 mts/ha, up slightly from last month, 6% from last year, and 7% above the 5-year average.

The largest EU changes this month include France – the EU’s largest wheat producer – with production estimated up 0.6 mmt to 38.1 mmt, of combined soft and durum wheat. Recent rains in France have created quality concerns and have further delayed the harvest. Romania, where much of the country continues to receive very favorable precipitation, particularly in its highest productive southeastern region, is up 0.3 mmt to 9.5 mmt. Similarly, Bulgaria, has benefitted from above-average rainfall, with production estimated up 0.2 mmt to 6.1 mmt. Wheat in Poland is estimated down 0.3 mmt to 11.7 mmt due to dryness.
A cold, dry April, followed by a cooler-than-average May, delayed the wheat crop by one to two weeks. The above-average rainfall in May, however, erased growing concerns about dryness during April and early May in much of Europe. Satellite-derived Normalized Difference Vegetation Index (NDVI) depicts a jump in the vegetation vigor in wheat growing areas of Europe during June and into July. While increased temperatures have assisted with advancing crop maturation, harvest remains late in much of Europe, but should begin in earnest during early or mid-July. While dryness has been persistent in the Central European Plain (Hungary/western Romania/eastern Austria), observers continue to report high yields.

- **UK wheat production rises on beneficial rain and warmer temperatures**

Wheat production in the United Kingdom (UK) is estimated at 14.8 mmts, up 0.7 mmts from last month, up 5.1 mmts from last year and 10% above the 5-year average. Area is estimated at 1.8 mha, unchanged from last month, 28% higher than last year, and 4% above the 5-year average. Yield is estimated at 8.34 mts/ha, up 5% from last month, up 20% from last year, and up 6% from the 5-year average.

The previous season (marketing year 2020/2021) was particularly poor due to heavy rains at planting, which significantly lowered area and yield. After a cool and dry April and early May had slowed wheat development, relief came in late May and June with above-average rainfall and higher temperatures. These conditions reduced the delay in development and facilitated crop improvement. Satellite-derived Normalized Difference Vegetation Index (NDVI) depicts a responding jump in the vegetation vigor and improved crop conditions in late June and July.

- **Australia to Expand Wheat Exports as North American Supplies Tighten**

Both Canada and the United States are forecast to have lower wheat exports in 2021/22 with reduced supplies and higher prices, especially for spring wheat. As U.S. and Canadian exportable supplies contract, importers seeking high-quality wheat are increasingly likely to shift toward Australia for additional supplies.

Canada exports are expected to plummet 18% from record 2020/21 exports to 23.0 mmts in 2021/22. The supply situation is being constrained by beginning stocks which are forecast at the lowest in decades, drawn down in part by large exports to China throughout 2020/21. Wheat production in Canada was forecast lower as a shift toward barley and oilseeds led to reduced wheat plantings. In addition, yields were forecast lower amid unfavorable weather conditions. Current high prices in Canada reflect the tight carry-in and the lower expected production.

Meanwhile, U.S. wheat exports are projected to tumble nearly 8% to 24.5 mmts. While winter wheat production is up from the prior year, durum and other spring wheats are lower, reflecting favorable returns for other crops and dry conditions in the Northern Plains. The United States is also starting with much tighter beginning stocks of all wheat, the lowest since 2014/15.
The smaller exportable supplies of durum and spring wheat from Canada and the United States have are likely to underpin high prices this marketing year. The tightening supply situation for Canada and the United States contrasts with the more ample supply situation for Australia, a close competitor in Asian markets. Australia exports are forecast up 13% to 22.0 mmts as a large crop is expected for the second year since emerging from a multi-year drought. While Canada and the United States will likely continue to dominate supplies into the Western Hemisphere, Australia has the potential to both solidify and grow market share in Asia, especially in white wheat markets.

U.S. wheat classes continued to move in opposite directions. Hard Red Winter (HRW) fell $17/ton to $274 and Soft Red Winter (SRW) plummeted $38/ton to $250 as the harvest is well under way and updated NASS survey data indicate larger winter wheat area. In addition, improved prospects for competitors have weighed on prices. Meanwhile, Soft White Winter (SWW) shot up by $18/ton to $341 amid concerns about crop conditions and tightening supplies. Hard Red Spring (HRS) rose $20/ton to $351 on lower area reported by NASS and deteriorating crop conditions. According to the NASS Crop Progress Report, only 20% of spring wheat was rated good to excellent for the week ending July 4th, compared to 70% last year.

*Note on FOB prices: HRW (Hard Red Winter); SRW (Soft Red Winter); SWW (Soft White Wheat); HRS (Hard Red Spring) Source: IGC

CME CBOT Wheat Futures

*Wheat Futures (Dec 2021, Jul 2022)*

- **HRW (Hard Red Winter)**: $350 (July 2022), $351 (Dec 2021)
- **SRW (Soft Red Winter)**: $300 (July 2022), $301 (Dec 2021)
- **SWW (Soft White Winter)**: $340 (July 2022), $341 (Dec 2021)
- **HRS (Hard Red Spring)**: $350 (July 2022), $351 (Dec 2021)

*Source: IGC*
All three U.S. wheats close higher Friday, they also closed higher on the week. The largest weekly gain of $1.03 a bushel went to September Minneapolis wheat with hot and dry conditions expected to continue next week in the northwestern U.S. Plains and north of the border as well.

Friday wheat trading continued the production reduction rally through Friday. Spring wheat futures were another 2.6% to 2.9% stronger on the day, with both Sept and Dec above $9/bu going into the weekend.

**CBOT September 2021 Wheat Futures** settled on Friday at $6.92½/bu, up 20½ cents on the day, and gaining 83 cents for the week.

CBT futures were another 1.9% to 3% stronger, closing with March and May contracts in $7 territory. USDA announced a private export sale of 134,000 MT of SRW sold to China in the morning.

The weekly Commitment of Traders report from CFTC showed CBT wheat specs were another 10,019 contracts less net long as of 7/13. The week of new selling left managed money 23,636 contracts net short, the most since July of last year.

Total OI from the report was 6,409 contracts higher from wk/wk across all groups.

**CME KC HRW Wheat Futures**

Kansas September 2021 HRW Wheat Futures settled on Friday at $6.37½/bu, up 11½ cents on the day, and gaining 53½ cents for the week.

HRW futures closed 1% to 1.7% stronger, as the September contract gained 10% from the week’s open.

In KC wheat, funds were shown to be net buyers through the week ending 7/13. The additional 6,517 contracts opened from managed money expanded their net long 787 contracts to 21,667.

The market is realizing that HRW demand needs to shift away from feed and into milling demand, to substitute for the lack of HRS availability. KC protein scales saw 11.0 and 11.2% down 10 cents with balance steady.

HRW basis continues to have a firmer feel for 11’s. KC spreads were a penny firmer on the day with KU/KH closing at 17½ carry.

**MGE HRS Wheat Futures**

MGE September 2021 HRS Wheat Futures settled on Friday at $9.24¼/bu, up 23¼ cents on the day, and gaining 126 cents for the week.

Indications suggest that abandonment of spring wheat acres will significantly increase this summer across the Northern Plains due to the severe drought. As a result, a higher level of abandonment in your HRS production model. After reducing harvested acreage estimates for individual states, the latest USDA spring wheat crop conditions generate a 2021 HRS production estimate of 296 mbus.

USDA estimated other spring wheat’s yield at 30.7 bu/a in the Crop Production report. This week the market saw protein values invert with a 15% train trading at a 25 cent discount to 14.5% train. Most likely a trend that will continue with the short crop and high protein expected out of US and Canadian spring wheat.
North Africa Wheat Outlook

North Africa wheat consumption is forecast to reach a record 47.8 mmts in 2021/22 as population growth continues to push food, seed, and industrial (FSI) use higher. North Africa supplies more than 40% of its wheat consumption through domestic production. The remainder is supplied through imports, which are forecast up slightly in 2021/22, reaching a record 29.2 mmts.

Egypt accounts for nearly half of North Africa wheat imports and has been the largest global wheat importer for 15 years. Proximity to the Black Sea has given Russia and Ukraine a competitive advantage there, capturing nearly 90% of the import market. Despite Russia’s export quota and tax, state buyer GASC has continued to rely on Russia for the vast majority of its imports in 2020/21.

Algeria, meanwhile, imports between 7 to 8 mmts of wheat annually, mostly from France and other EU member states. France’s smaller crop in 2020/21, as well as expanding trade to China, limited exportable wheat supplies, allowing Germany, Poland, and Canada to increase market share. Russia has not sent significant shipments of wheat to Algeria since the 2016/17 marketing year. However, state buyer OAIC recently relaxed import specifications that had prevented Russian wheat from entering the market. Russia may seek to expand shipments in the upcoming marketing year, though historically it has not met the quality specifications of Algerian millers.

All North African countries have implemented domestic support policies that encourage domestic wheat production and seek to lower dependency on international suppliers. In particular, Morocco’s regular implementation and suspension of wheat import duties depending on its domestic supply situation has led to volatile import trends. A small 2020/21 crop drove the Moroccan government to repeal its import duty through May 2021, allowing for a growth of over 1.0 mmts of imports in 2020/21. These imports
were mostly supplied by the European Union given its proximity and freight advantage and favorable prices, followed by Canada and Ukraine. Despite depleted stocks, Morocco reimplemented its 135% wheat import duty on May 15th due to higher production prospects for the 2021/22 marketing year. Imports are projected to drop to 5.0 mmts as the country recovers from drought, and the European Union is expected to continue supplying the majority of Morocco’s imported wheat.

While the European Union, Russia, Ukraine, and Canada continue to compete for market share in North Africa, the United States has become a residual supplier to the region and only has gained market share in years where other suppliers suffer a production shortfall. Relatively high FOB export bids, combined with a freight disadvantage, prevent U.S. wheat from regaining a competitive advantage in these export markets that previously bought from the United States.

**Coarse Grains**

- **USDA WASDE – Coarse Grains**

*World:* This month’s 2020/21 corn production was down from last month driven by lower numbers for Brazil. Global trade is down as smaller exports by Brazil more than offset a boost for Argentina. For 2021/22 non-U.S. coarse grain outlook is for lower production and use, larger trade, and smaller stocks relative to last month.

U.S. corn production was forecast to be larger based on higher area indicated in the June Acreage report. Non-U.S. corn production was higher, with a projected increase for Russia based on higher indicated area.

Barley production is raised for Australia but lowered for Canada, the EU, Russia, Kazakhstan, and India. For 2020/21, foreign corn production is lowered, with reductions for Brazil and Paraguay more than offsetting an increase for Argentina. Major global trade changes for 2021/22 included larger corn exports for the United States and Russia with a reduction for Mexico. Corn imports are lowered for the EU and Iran. For 2020/21, corn exports are raised for Argentina but lowered for Brazil for the local marketing year beginning March 2021.

Non-U.S. corn ending stocks for 2021/22 are virtually unchanged from last month.

Since the June WASDE, major export bids have declined. With advancing harvests, bids for both Argentina (late corn) and Brazil (second-crop corn) have moved lower. Argentine bids are down $37/ton to $219 and Brazilian bids are down $42/ton to $252. Ukrainian bids are down $24/ton to $274 amid expectations of a record crop. U.S. bids are down $23/ton to $284 reflecting generally favorable weather conditions across much of the Midwest.

**United States:** This month’s 2021/22 U.S. corn outlook was for larger supplies, greater feed and residual use, increased exports, and higher ending stocks.

U.S. corn beginning stocks are lowered 25 mbus, based on greater feed and residual use for 2020/21 as indicated in the June 30th Grain Stocks report.
Corn production for 2021/22 is forecast 175 mbus higher based on greater planted and harvested area from the June 30th Acreage Report. The national average corn yield was left unchanged at 179.5 bus/acre. During June, harvested-area weighted precipitation for the major corn producing states was below normal but did not represent an extreme deviation from the 1988 to 2020 average. For much of the crop the critical pollination period will be during middle and late July and USDA will provide its first survey-based corn yield forecast of the season in the August 12th Crop Production Report.

Total U.S. corn use for 2021/22 was forecast 75 mbus higher with increases for feed and residual use and exports. Feed and residual use is raised reflecting a larger crop. U.S. corn exports were raised 50 mbus, with sharply lower exports expected for Brazil.

The USDA season-average farm price received by producers is lowered 10 cents to $5.60 per bushel.

**Brazil sees spate of corn contract washouts, threatening exports**

Reuters - Weather-related problems with Brazil’s second corn crop have sparked a spate of companies exiting their contracts on washout clauses, causing what some traders described as potentially the biggest wave of export cancellations for the world’s No. 2 supplier in five years.

Brazil’s second corn crop, being harvested now, is forecast to be 8 mmts lower than last year, with imports likely to rise 58% driven by strong domestic demand. Brazil’s corn exports, in turn, may fall around 15% to 29.5 mmts this season, the government said.

According to grain traders and brokers who spoke to Reuters on condition of anonymity, a lot of the corn earmarked for exports is being redirected to the domestic market as premiums are attractive due to shortfalls after the crop was hit by drought and an ill-timed frost.

"It will be really difficult to execute corn contracts," said a trader at a large U.S. firm. "After crop failure ... firms are doing washouts when possible."

Prices have run up to a record level in the southern states, where poultry and swine production is concentrated. To help cool down prices, the government issued a decree in April exempting the 8% import duty on corn from outside of MERCOSUR countries through the end of 2021. There is no limit on import volumes under the decree.

Corn imports have been primarily from Paraguay and Argentina due mainly to lower prices relative to domestic corn. Imported corn has been mainly destined to the states of Parana, Santa Catarina, and Rio Grande do Sul in the South. It is costly to move corn from production areas in the Center-West to feed users in these southern states.

Meatpackers, which use corn as feed, are eager buyers of the redirected product, brokers said. Pork and poultry processors are also importing corn from Argentina thanks to a favorable exchange rate, Ricardo Santin, president of meat lobby ABPA, told Reuters.

Some of the corn trades now being reversed were set at between 40 reais ($7.82) and 45 reais per 60-kilo bag of corn, one broker said. Domestic buyers are prepared to pay 90 to 95 reais, hence the washout bout.

The same broker said grain merchants Cargill and Gavilon would not export any corn via the key Paranaagu port this year.

Abramilho, a corn farmers association, said there is uncertainty regarding the amount farmers will be able to harvest, hampering sales to traders.

**Brazil turns to corn imports**

Brazil corn imports (Oct-Sep) are forecast at 2.6 mmts for 2020/21. If realized, it would be the largest volume on record. The forecast volume reflects strong domestic prices amid worsening prospects for the second crop corn.
Imports of U.S. corn have been insignificant reflecting in part the differences in biotech regulations. In June, Brazil approved the remaining genetically engineered corn event clearing the path for U.S. exports. However, it seems unlikely that Brazil will purchase an appreciable amount of U.S. corn in the short term given high U.S. corn prices as well as logistical advantages enjoyed by Paraguay and Argentina.

CME CBOT Corn Futures

CME Corn December 2021 new crop contract settled on Friday at $5.52, off 4 ¼ cents on the day, but gaining 45 cents for the week.

The nearby September CME Corn contract settled at a 4 cent premium at $5.56/bu. Front month corn prices pulled back during the afternoon trading to close weaker on the day. The national average cash price spread still holds a $1.03 3/4 premium for spot delivery vs. new crop.

Sept/Dec felt a lot of pressure closing down 3 ¼ with a 4 ½ settle as we remain below DVE in FH Sept while the spread might get some near-term support at these levels with the export pull and as tight as the pipeline will be heading into new crop.

For the week, September futures were 5.2% higher while December was up 7% from the open. The September to December spread tightened 8 1/2 cents per bushel from the Monday open to 4 cents.

It will be interesting to see how the nearby September premium for early delivery U.S. corn this fall, particularly as the Brazilian second safrinha crop is having problems.

CFTC data showed managed money corn traders were 208,799 contracts net long as of Tuesday. That was a drop of 10,572 contracts from their net long the previous week due to long liquidation. Commercials were also reducing exposure with a 30,378 contract lighter OI and a 15,466 contract lighter net short.

Though not unanticipated, probably the two biggest take-aways from this week’s USDA WASDE Report was a 5.5 mmts cut in production for the Brazilian corn crop and a related 5 mmts drop in exports. We also saw a 2 mmts drop in China’s soybean imports for the current 2020/21 marketing year.

Private firm Planalytics raised their national corn yield estimate by 0.1 to 175.1 bus/acre. The firm estimates Iowa yields at 193.9, Illinois at 196.8, and Indiana was up 1.3 bus/acre to 185.

NOAA’s updated 7-day QPF shows Iowa and Minnesota are to remain dry over the next week. A rain system along the 4-state border of Texas/Louisiana is expected to bring as much as 4 inches through the week; it stretches North into Central Nebraska but weakens to just 1.5” by the Nebraska/South Dakota border. Eastern Cornbelt states are estimated to receive showers accumulating in pockets of up to 3 inches. Cash basis levels in east continue to be defensive especially for the ethanol producer as many are getting closer to bridging the gap to new crop and with the compressed margins, we should start to see the ethanol industry slow production.

Ethanol margins where higher today bouncing after being pressured heavily early in the week. Margins closed near unchanged w/o/w with $2.221 trading late in the platts window putting spot margins in the 16th percentile.

We should see ethanol imports in next week’s EIA as the Brazilian boat (Stavanger Poseidon) landed into California this week with approximately 12.5 million gallons while the next Brazilian boat does not look to arrive until early August.
CME Ethanol August 2021 closed on Friday at $2.18000/gallon, up 2.000 cents on the day, and up 10.000 cents for the week.

COVID-19 related restrictions and dramatic reductions in fuel consumption caused severe disruptions to the ethanol industry throughout 2020, with production facilities sitting idle or operating well below capacity.

The DTN average price for domestic distillers dried grains from 33 locations reporting for the week ended July 15 was $170/ton, down $3 from one week ago.

While weekly DDG prices were steady to lower, prices seem to be stabilizing for now as the cash corn market has turned higher and soybean meal prices have increased as well. The DTN National Corn Index was 30 cents higher versus one week ago, and cash soybean meal prices have increased $5 to $10 on average versus last week.

Crude Oil Tumbles To 4-Week Low On Dollar Strength, Covid Concerns

August WTI crude oil and Aug RBOB gasoline prices this morning are moderately lower, with crude falling to a 4-week low and gasoline falling to a 1-week low. A stronger dollar today is undercutting energy prices. Crude prices are also under pressure on concern the spread of the delta Covid variant throughout the world will trigger new pandemic restrictions that could curb economic activity and energy demand.

The UAE's energy ministry on Wednesday said that there had been significant progress in resolving its standoff with OPEC+ and that a compromise deal is being discussed that will raise the UAE’s crude production quota to 3.65 million bpd from about 3.17 million bpd currently.

The monthly OPEC+ meeting broke down last Monday in acrimony after the UAE refused to go along with the preliminary plan to boost production by 400,000 bpd each month from August through December. The lack of an agreement meant that OPEC+ rolled over its current agreement and will not raise production in August unless there is a new agreement in the meantime.

The International Energy Agency (IEA) on Tuesday warned that global oil markets are set to “tighten significantly,” with “the potential for high fuel prices to stoke inflation and damage a fragile economic recovery,” unless OPEC+ resolves its standoff and agrees to increase production.

U.S. economic data today was mixed for economic growth prospects and energy demand. On the negative side, the University of Michigan U.S. Jul consumer sentiment unexpectedly fell -4.7 to a 5-month low of 80.8, weaker than expectations of an increase to 86.5. Conversely, U.S. Jun retail sales rose +0.6% m/m and +1.3% m/m ex-autos, stronger than expectations of -0.3% m/m and +0.4% m/m ex-autos.

A bearish factor for crude was today’s action from the BOJ to cut its Japan 2021 GDP forecast to 3.8% from a previous forecast of 4.0%, which is negative for energy demand.

A negative factor for crude is concern about the worldwide spread of the delta Covid variant, which has forced renewed lockdowns across parts of Asia and Australia and undercuts economic activity and energy demand. Tokyo reported 1,308 new Covid infections on Thursday, the most in 6 months, and the U.S. infection rate has increased after the 7-day average of new U.S. Covid infections rose to a 1-3/4 month high Thursday of 26,262. Globally, Covid infections now stand at 189.925 million, with deaths climbing above 4.086 million.

An increase in global crude oil stored on oil tankers throughout the world is bearish for crude prices. Vortexa on Monday said crude oil stored on tankers that have been stationary for at least seven days in the week ended July 9 rose +1.9% w/w to 93.12 million bbl.

Wednesday's weekly EIA report showed that (1) U.S. crude oil inventories as of July 9 were -8.1% below the seasonal 5-year average, (2) gasoline inventories were -0.5% below the 5-year average, and (3) distillate inventories were -3.7% below the 5-year average. U.S. crude oil production in the week ended July 9 rose +0.9% w/w to a 14-month high of 11.4 million bpd and was down by -1.7 million bpd (-13.0%) from the Feb-2020 record-high of 13.1 million bpd.

Baker Hughes reported last Friday that active U.S. oil rigs in the week ended July 9 rose by +2 rigs to a new 1-1/4 year high of 378 rigs. U.S. active oil rigs have risen sharply from last August's 15-year low of 172 rigs, signaling increased U.S. crude oil production.
U.S. DDGS exports rebound despite slow start to 2021 for ethanol

While ethanol production rebounded going into the beginning of the 2020/21 marketing year (Sept/Aug), only within the last month have production levels have recovered to pre-pandemic levels.

Ethanol production during the September-May period from 2019/20 to 2020/21 is estimated to have been relatively flat year-over-year, increasing 250,000 liters (0.7%); this followed a full-year decline of over 4 billion liters from MY2018/19 to MY2019/20.

The output of distillers' dried grains (DDGS) has risen proportionally, up 0.6 million tons (2.2%) during the September-May period from MY2019/20 to MY2020/21, following full-year declines of 4.0 million tons from MY2018/19 to MY2019/20.

In welcome news for ethanol producers, export demand for DDGS has strongly recovered, up 800,000 tons (10.9%) to pre-pandemic levels for the September-May period. This has been driven primarily by large increases in shipments to China (up over 150,000 mts) and Turkey (up nearly 325,000 mts), as the respective feed sectors search for outside supplies to serve domestic livestock and poultry growers.

In Turkey, increases in international commodity prices and the Turkish lira’s depreciation against other currencies have had large effects on domestic food and feed prices: YoY increases in broiler 58%, layer 36%, dairy cattle 44% and beef cattle 42% feeds in 2020.

In an effort to manage runaway food prices, the Turkish feed sector has had to turn to cheaper imported raw materials. As DDGS have become more attractively priced relative to traditional feed inputs like corn and soybean meal, importers have been turning an alternative for more price competitive rations.

In China, efforts continue in the rebuilding of its swine herd. High corn prices (On July 8 the Dalian Commodity Exchange corn contract finished at $435, up 32% from last year, are forcing the feed sector to shift to less expensive imports of alternative inputs, as producers are already beginning to shift away from domestic corn and soymeal.

This has been a boon for U.S. exporters since, as part of the Phase One Agreement, the General Administration of Customs re-certified 88 U.S. ethanol producers to export...
to China, which has presented an opportunity for U.S. DDGS exports to be re-integrated into the Chinese feed mix.

Looking forward, DDGS could see continued export growth, as the Ministry of Agriculture and Rural Affairs issued guidelines in April that recommend the reduction of corn and soymeal in pig and poultry feed, and a transition to alternatives, including DDGS, with the aim of “improving the usage of available raw materials and creating a formula that better suits China’s conditions.”

**BARLEY**

- **USDA NASS - Barley**
  
  U.S. barley production was forecast at 114 mbus, down 31% from 2020. If realized, this would be the lowest production since 1900.

  Based on conditions as of July 1st, the average yield for the United States is forecast at 55.9 bushels/acre, down 21.6 bushels from last year. Barley producers are expecting the lowest yield since 2002. Area harvested for grain or seed, at 2.04 million acres is unchanged from the Acreage Report released on June 30, 2021, but down 4 percent from 2020. Record low production is expected in California.

  95% of the U.S.’s barley acreage was planted by May 30th, three percentage points ahead of last year and 1 percentage point ahead of the 5-year average. By June 6th, 87% of the U.S.’s barley acreage had emerged, 2 percentage points ahead of last year and 1 percentage point ahead of the 5-year average. 47% of the nation’s barley acreage had reached the headed stage by June 27th, 7 percentage points ahead of last year and 6 percentage points ahead of the 5-year average.

  On June 27th, 31% of the U.S.’s barley acreage was rated in good to excellent condition, compared with 75% at the same time last year.

**GRAIN SORGHUM**

- **USDA NASS – Grain Sorghum**
  
  41% of the U.S.’s grain sorghum acreage was planted by May 30th, seven percentage points behind the previous year and 4 percentage points behind the 5-year average.

  72% of the nation’s grain sorghum acreage was planted by June 13th, 5 percentage points behind the previous year and 3 percentage points behind the 5-year average. By June 13th, 13% of the U.S.’s grain sorghum acreage had reached the headed stage, 3 percentage points behind both last year and the 5-year average.

  95% of the grain sorghum acreage was planted by June 27th, equal to both the previous year and the 5-year average.

  By July 4th, 22% of the Nation’s grain sorghum acreage had reached the headed stage, 2 percentage points behind last year and 3 percentage points behind the 5-year average. By July 4th, with progress limited to Texas, coloring advanced to 14%, 1 percentage point ahead of last year but equal to the 5-year average.

  72% of the nation’s grain sorghum acreage was rated in good to excellent condition on July 4th, 24 percentage points above the same time last year.

**OATS**

- **USDA NASS - Oats**
  
  U.S. oats production was forecast at 41.3 mbus, down 37% from 2020. If realized, this would be the lowest production on record. Growers expect to harvest 722,000 acres for grain, unchanged from the Acreage Report released on June 30th, 2021, but down 28% from 2020. Record low production is expected in Michigan, Minnesota, and Wisconsin. Based on conditions as of July 1st, the United States yield is forecast at 57.2 bus/acre, 7.9 bushels below the 2020 average yield.

  As of July 4th, 84% of the Nation’s oat acreage was headed, 5 percentage points ahead of last year and 5 percentage points ahead of the 5-year average.

  As of July 4th, 34% of the Nation’s oat acreage was rated in good to excellent condition, compared with 62% at the same time last year.

**OILSEEDS COMPLEX**

**SOYBEANS**

- **Global Soybean Trade Slows on Weaker China Demand**
USDA - Global soybean trade has slowed in recent weeks. While trade had been matching last year’s strong pace earlier in the year, June trade volumes are estimated to fall 3.6 mmt below last year.

With China demand a major driver, the weakening export pace can be attributed to a softening in China purchases. Soybean stocks in China, already at high levels, continue to grow as earlier imports exceeded the monthly crush pace.

Large pork supplies have dragged pig prices lower, reducing feed margins and lowering soybean meal demand at least in the short term.

With large soybean supplies on hand, and markets offering lower prices for shipments in the last quarter of the year, lower global soybean shipments are expected over the next 3 months and prior to the U.S. harvest.

While this led to the lower export forecasts for Brazil and Argentina this month for the 2020/21 Oct/Sep trade year, it also portends higher available supplies for export from South America in the latter half of 2021.

Larger availability in South America for the October-December period would normally cut U.S. exports and pressure U.S. prices lower. However, price levels later in the year will depend more on actual U.S. soybean yields and production. Market volatility has been high as markets react to acreage projections and weather models much more than weak global demand.

Over the last 30 days, contract prices have ranged nearly $1.00 per bushel either side of current quotes. Prices declined roughly $2.00 per bushel from early June as rain soaked parts of the Corn Belt, only to give back much of the decline on limited acreage gains reported in the June USDA Acreage report. But with weather models showing more rain for some of the drier regions of the upper Midwest, November contract prices quickly shaved 80 cents per bushel off these highs, settling near $13.20 per bushel on July 9th. This is 50 cents per bushel below the August contract.

**China's June soybean imports hit third highest monthly level**

Reuters - China's soybean imports in June hit their third highest monthly level on record, customs data showed on Tuesday, boosted by a jump in shipments from Brazil.

China, the world's top buyer of the oilseed, took 10.72 mmt in June, slightly below a record of 11.16 mmt in the corresponding month a year earlier, the data showed, as Brazilian soybean cargoes, booked earlier, cleared customs.

The imports were up 11.6% from 9.61 mmt in May, data from the General Administration of Customs showed.

**Brazil soybean exports loosing some grip, 2.7m mt shipped in July**

Brazil exported 2.7 mmt of soybeans in the first two weeks of July, with daily shipments edging down from the month prior as the peak bean season is now over and Chinese buying interest has been slim for July cargoes, official customs data showed late Monday.

The country loaded an average of nearly 390,000 mts per working day over the last few weeks, down by 26% on the month and 10% on the year. The decline in volumes shipped was seasonally expected as harvest works have been concluded for over a month, reducing the outflow of beans from farms to ports.

Relatively muted Chinese buying interest, due to the long-lasting negative crush margins in the Asian country, has also contributed to the loss of momentum in Brazil’s bean exports.

Looking ahead, nearly 9.0 mmt of beans are scheduled to leave Brazilian ports during the month, according to line-up data from shipping agency Cargonave.

The Brazilian grain exporters association Anec has a more conservative approach and expects the country to ship between 7.6 and 8 mmt in July. These figures compare to nearly 10 mmt shipped year-ago. Meanwhile, the country exported 153,866 mts of beans in the first two weeks of July, at a daily rate that was 87% lower on the year.

The country continues to import larger corn volumes than in the previous year, but inward volumes registered during the first weeks of July were not large.

**USDA attaché lowers Argentina 2020/21 soy crop estimate to 44.5 mmt**

Reuters - Following are selected highlights from a report issued by the U.S. Department of Agriculture's Foreign Agricultural Service post in Buenos Aires:

"With the MY 2020/2021 harvest season almost complete, the USDA post lowered its soybean production estimate 500,000 mts, to 44.5 mmts, 2.5 mts below USDA's June official number. Argentina's soybean exports are lowered 500,000 mts to 5.0 mmts. Sunflower seed production is left unchanged at 2.65 mmts, 0.25 mmt below USDA official number. Argentina's soybean exports are lowered 500,000 mts to 5.0 mmts. Soybean production estimate 500,000 mts, to 44.5 mmt.

"With the MY 2020/2021 harvest season almost complete, the USDA post lowered its soybean production estimate 500,000 mts, to 44.5 mmts, 2.5 mts below USDA’s June official number. Argentina’s soybean exports are lowered 500,000 mts to 5.0 mmts. Sunflower seed production is left unchanged at 2.65 mmts, 0.25 mmts below USDA official number, as exports were raised to 180,000 mts matching USDA June official figures.

Peanut production is projected at 1.3 mmt, down 50,000 mts, matching USDA official figures, while peanut exports were projected at 880,000 to mts, 100,000 mts below USDA June official figures.

"With the MY 2020/2021 harvest season almost complete, the USDA post lowered its soybean production estimate 500,000 mts, to 44.5 mmts, 2.5 mts below USDA’s June official number. Argentina’s soybean exports are lowered 500,000 mts to 5.0 mmts. Sunflower seed production is left unchanged at 2.65 mmts, 0.25 mmts below USDA official number, as exports were raised to 180,000 mts matching USDA June official figures.

Peanut production is projected at 1.3 mmt, down 50,000 mts, matching USDA official figures, while peanut exports were projected at 880,000 to mts, 100,000 mts below USDA June official figures."
According to a recent report, an executive at Cargill Uruguay said that the country’s soybean production could potentially reach 2 mmts or less this cycle, compared to 2.2 mmts in the previous crop. According to the report, soybean yields are ranging from 0.5-2 mts/ha depending on the region, compared with an average national yield of 2.12 mts/ha in the previous crop as the region's dry conditions cause problems for farmers. For the 2021/22 crop, the country will have a soybean production of 3.12 mmts with an estimated export volume of 2.9 mmts, the USDA had said.

- **June 2021 Soybean Export Prices**

Export prices for the three largest soybean exporters fell in June due primarily to rainfall in the Midwest, lower soybean oil prices, and softer U.S. crush demand. However, the release of updated USDA acreage and stocks estimates led to a jump in prices in early July as U.S. soybean plantings came in lower than industry expectations.

- **CME CBOT Soybeans Futures**

The USDA’s decision to cut back Brazil’s 2020/21 soybean exports by 3 mmts (or 3%) appears well founded as shipments the first seven days of July are down 10% and June’s 11.1 mmts total was 13% below a year ago; another indication that China’s demand may be easing.

A supply shortage of glyphosate, the primary herbicide used in Brazil could be a problem for the country’s 2021/22 soybean crop, escalating input costs and raising the specter of some potential yield loss. June’s 152.4 mbus NOPA crush number came in below every trade estimate reported; reflecting large downtimes as well and apparently poor domestic soybean meal demand. Another 10 to 15 mbus cut in crush demand seems inevitable.

New crop CME November 2021 Soybean Futures settled on Friday at $13.91¾/bu, up 11¾ cents on the day, and gaining 61½ cents for the week. The nearby CME August contract settles at a 58 cent premium to new crop values at $14.49½ /bu.

After trading the Friday session with double digit gains, leading November to a 2-week high, soybeans faded into the close. Prices were still up 7¼ to 11¾ cents going home. Soymeal futures also pulled back to end the last trade day of the session $0.50 to $1.80/ton in the black. Soybean oil closed 79 to 100 points stronger on the day. Managed money soybean traders were 82,773 contracts net long as of the 13th of July per the Commitment of Traders report. That was a 593 contract stronger net long on the week, as short covering outweighed long liquidation. Commercials were also reducing bean exposure through the week, as CFTC data showed 19,418 fewer contracts open for that group.

- **China Seen Speeding Up U.S. Soybean Purchases as Margin Rebounds**

Crush margins for China’s soybean processors have rebounded from the lowest level in more than two years, according to Shanghai JC Intelligence Co., which should encourage plants to speed up purchases from American farmers.
Chinese crushers haven't been particularly active in covering their needs for soy loaded from September, the sales season for U.S. beans, because of poor returns, according to the China National Grain and Oils Information Center.

So far, the world's top buyer has booked only about 4 mmts of new-crop soybeans from the U.S., lagging last year's pace. The U.S. is China's second-biggest source after Brazil and the two alternate as suppliers due to their different growing seasons. The negative crush margin (the profit on processing soybeans into oil and meal) is likely to hamper China's imports in the intervening months, which could drop below last year's levels, according to the CNGOIC.

But the outlook for demand from Chinese farmers is improving after China's hog herd grew 29% in the first half and the sector completes its recovery from African swine fever. Soybean meal is an important source of protein in livestock diets.

**CANOLA / RAPESEED**

New crop ICE November 2021 Canola Futures settled on Friday at C$917.50/mt, up C$5.40 on the day, and gaining $101.30 for the week.

Canadian Canola Prices pulled back some during the afternoon, but were still $5.40 CAD/mt higher on the day.

The contract set new highs on Tuesday touching C$949/mt on drought conditions in the Canadian production areas and a declining production outlook.

European Rapeseed Futures turned red for the close, giving back half a Euro/mt. Tuesday was the LOC high for August contracts at 562.25 Euros/mt.

**Canadian Drought Pushes Canola To New Contract Highs**

Canola futures pushed to new contract highs as the crop continues to be engulfed by unrelenting hot and dry weather.

November canola futures have surged 70% since January as soaring demand for vegetable oils sparked a global oilseed price rally.

The canola weighted Gro Drought Index for Canada is currently at its highest level in 20 years for this time of year. Gro’s forecast models show another two weeks of stress-inducing conditions in the Canadian Prairies, adding to crop production concerns.

Stocks of major oilseeds, such as Canadian rapeseed and US soybeans, are minimal. Supply is now uncertain and is driving limit-up price moves as high temperatures and dry soils curtail production in Canada.

Analogous years of 2012, 2007, and 2002 saw sizable yield declines caused by high temperatures. In 2012, canola yields in Canada were 16% lower than the year before.

A similar cut in yield today would result in production of 17.2 mmts, versus the USDA’s July projection of 20.2 mmts.

In the July WASDE, the USDA slashed US spring wheat production, as Gro highlighted here, but made only minor tweaks to the Canadian wheat and canola estimates.
Canada Rapeseed area estimate revised upward, production down

USDA - USDA forecasts Canada rapeseed production for marketing year 2021/22 at 20.2 mmts, down 0.3 mmts or 1% from last month, but up 1.2 mmts or 6% from last year, and 1% above the 5-year average.

Rapeseed is primarily grown in Saskatchewan and Alberta, which have experienced a challenging start to the growing season, with high temperatures and drier-than-normal conditions.

The ongoing Prairie drought is affecting key growing areas, including those in southern Alberta and parts of the Peace River Valley, which are experiencing the worst dryness relative to normal since April 1st.

Provincial reporting indicates signs of moisture stress throughout the region, highlighting uneven development in many areas, and a rapidly maturing crop, some of which is attributable to the rapid pace of planting as the season began.

Going forward, July precipitation will be a crucial determinant of yield potential for the marketing year 2021/22 crop.

EU 2020/21 rapeseed imports hit record high to 6.5 mmts

European rapeseed imports in the 2020/21 marketing year reached a new record at 6.5 mmts, up by 5% on year, on increased demands for rapeseed oil and meal, German oilseed union UFOP said Tuesday.

The total supply in the EU for the 2020/21 marketing is estimated at 17.6 mmts, only 300,000 mts up from 2019/20, due to the low initial stocks.

"At the same time, the monthly demand forecast had to be constantly adjusted because the demand for by-products had developed more dynamically than expected," UFOP said.

This cranked up the processing pace of rapeseeds, with the crushing volumes in 2020/21 rising by 6.4% to 23.1 mmts.

The EU’s rapeseed imports from Ukraine in the 2020/21 marketing year came in at 2.2 mmts, around 24% less than the levels in 2019/20, on the lower output in 2020 in the largest rapeseed exporter the EU.

This led the share of Ukrainian origins in EU’s total rapeseed imports to fall from 49% in 2019/20 to 34% in the current marketing year.

This gap was partially closed by deliveries from Canada, with imports jumping by 13% on year to 2.1 mmts.

Finally, Australia has delivered a total of 1.8 mmts since February 2021. "More Australian imports will be necessary if the start of the harvest in the EU is further delayed," said UFOP.
VEGETABLE OILS

- **China raises forecast of 2020/21 edible oils imports**

  Reuters - China raised its forecast on imports of edible oils in 2020/21 marketing year, on increase of palm oil and sunflower oil shipments, the country’s agriculture ministry said on Monday.

  China's 2020/21 edible oils imports were seen at 10.23 mmts, up 900,000 mts from last month’s forecast, the Ministry of Agriculture and Rural Affairs said in its monthly crop report.

  Estimates on output, planting acreage and imports of corn, soybeans and cotton in the 2021/22 year remain unchanged from a month ago, according to the ministry.

- **June 2021 Soybean and Palm Oil Export Prices**

  Global vegetable oil production and trade volumes are up marginally, while ending stocks are mostly unchanged.

  For the first time in over a year, average monthly soybean and palm oil export prices fell across the board.

  Soybean oil prices plummeted in the middle of June tracking softer palm oil prices and were further hampered late in the month by the U.S. Supreme Court ruling in favor of biofuel blending exemptions. In June, average U.S. soybean oil prices were at decade-high premiums to both Brazil and Argentina.

  Palm oil prices were lower mostly due to greater Malaysia production and the announcement of the reduced Indonesia export levy starting in July.

- **CME Soybean Oil**

  CME August 2021 Soybean Oil Futures settled on Friday at $68.31/cwt, up $1.00 on the day, and gaining $9.45 for the week.

  Funds were net buyers of soy oil during the week. CFTC data showing managed money was at 48,927 contracts net long, up from 48,174 contracts last week.

- **Brazil raises biodiesel mixture to 12%, still below 13% target**

  Brazil will raise its biodiesel mandate to 12% of the diesel mixture, halfway between what industry groups and consumer groups had advocated for.

  The new mandate will be valid for the public tender that will cover September and October deliveries and was published late Monday by ANP, the national oil, gas and biofuels agency.

  Soyoil comprises about 71% of the feedstock in Brazil’s biodiesel. Brazil lowered its biodiesel mandate in early-April from the 13% target established in the national biofuels policy to 10% due to surging soyoil prices, and the mandate remained at this level for two tenders covering deliveries for May, June, July and August.

  While the biofuel industry wanted the mandate to return immediately to the B13 target, consumer groups wanted it to remain at the B10 level for longer.

  "The increase in the mandate will lead to higher passenger and cargo transportation costs, increasing the price of goods to the whole society," the country’s fuel distributors association Brasilcom said in a note released in May.
On the other hand, the Brazilian vegetable oil industry association Abiove has set forth in several occasions its contrariety to the reduction of the mandate earlier in the year and expected a prompt return to the B13.

In early-June, the agriculture minister Tereza Cristina had said the mandate would return to B13 in this auction for September and October deliveries - which did not happen - and went as far as saying the mandate could be lifted further to 15% by the end of the year, “conditions allowing”.

- **CME Palm Oil Swaps**

  CME August 2021 Palm Oil Swaps settled at $966.75/mt on Friday, up $31.50/mt on the day, and gaining $41.50 for the week.

  Malaysian Palm Prices were another 1.5% stronger on Friday, completing the week with a 7.9% rally.

- **Malaysia palm ending stocks hit 9-month high as output, imports grow**

  Reuters - Malaysia's palm oil stockpiles expanded to a nine-month high of 1.61 mmts at the end of June, as rising production and imports offset a sharp rebound in exports, data from industry regulator Malaysian Palm Oil Board (MPOB) showed on Monday. Inventories at the world's second-largest producer rose 2.82% on-month to their highest since last September, MPOB data showed. Crude palm oil production grew 2.21% to 1.61 mmts from May, up for a fourth consecutive month.

  Planters have been putting in efforts to collect loose palm oil fruits to boost yield amid the peak production season, but output remain constrained by a labour shortage that have been aggravated by pandemic-induced border closures.

  Data showed production increasing at a lower rate compared with estimates of 3%-6% output growth, while demand was in line with market expectations, said Marcello Cultrera, institutional sales manager & broker at Phillip Futures in Kuala Lumpur. Exports in June jumped 11.84% to 1.42 mmts, after dropping 6% in the prior month, according to MPOB data.

  Imports spiked 27% from May numbers, much higher than anticipated and an indication that the market is tight, analysts and traders said.

  Domestic consumption saw a 38% decline. It was expected to drop after Ramadan festival and COVID-19 curbs also hurt consumption, Anilkumar Bagani, research head of Mumbai-based vegetable oils broker Sunvin Group said.

  A Reuters survey forecast inventories rising 7.5% from May-end to 1.69 mmts, production climbing 7% and exports jumping 10%.

- **CME CBOT Soybean Meal**

  CME August 2021 Soybean Meal Futures settled on Friday at $363.20/short ton, up $0.50/ton on the day, but losing $9.10/ton for the week.

  The weekly CoT report showed managed money was 16,704 contracts net long in soymeal as of the 13th of July. That was down 4,260 contracts from last Tuesday’s net long on net new selling.
Global protein meal production and meal trade volumes are mostly unchanged, and stocks are up fractionally.

Meal prices declined throughout June, reflecting a softening in soybean prices. Like soybeans, meal prices also jumped in early July following the updated USDA data.

**June 2021 Soybean Meal Export Prices**

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Argentina</th>
<th>Brazil</th>
</tr>
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<tbody>
<tr>
<td>June Avg Price</td>
<td>$423/ton</td>
<td>$407/ton</td>
<td>$421/ton</td>
</tr>
<tr>
<td>Change vs May</td>
<td>- $45/ton</td>
<td>- $32/ton</td>
<td>- $24/ton</td>
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</tbody>
</table>

Source: International Grains Council. All prices are FOB: U.S. Gulf, Argentina Up River, and Brazil Parana.aa.

Meal prices declined throughout June, reflecting a softening in soybean prices. Like soybeans, meal prices also jumped in early July following the updated USDA data.

**OTHER RELATED NEWS**

**USDA WASDE – Livestock, Poultry and Dairy**

The USDA forecast for 2021 red meat and poultry production was lowered from last month on lower pork, broiler, and turkey forecasts. The beef production forecast was unchanged as higher slaughter is offset by lower expected carcass weights. Pork production was reduced on lower expected second-half commercial hog slaughter. Broiler and turkey production were lowered on the pace of production in the second quarter. However, the forecasts for the remainder of the year are unchanged. The egg production forecast is lowered from last month on recent production and flock data.

For 2022, the red meat and poultry production forecast was lowered, primarily on lower pork production as well as slightly lower beef production.

USDA’s Quarterly Hogs and Pigs report indicated producers expect to farrow fewer sows in the second half of 2021 which, when coupled with slower forecast growth in pigs per litter, will tighten supplies of market-ready hogs in 2022 relative to last month.

Milk production forecast for 2021 was lowered from last month as slower-expected growth in milk per cow more than offsets higher forecast cow numbers. However, the 2022 milk production forecast is raised from last month on higher cow numbers.

USDA will release the Cattle report on July 23rd, which will provide an indication of the mid-year inventory and producer intentions for heifer retention. Broiler, turkey, and egg forecasts are unchanged from last month. The report will also provide a mid-year estimate of the dairy cow inventory and producer intentions regarding retention of heifers for dairy cow replacement.

**A drop in China pork imports expected**

China’s pork market is the world’s biggest. The country eats and produces more pork than any other. Its pork import volumes are also the largest, and have grown to record highs as African swine fever (ASF) decimated China’s hog herds. The country must import what it can. US pork exports to China hit a record in 2020. The data is an important measure of China’s pork self-sufficiency.

Gro Intelligence - China’s two-year run of huge pork imports is coming to an end. As the country’s hog population grows, domestic pork prices have slumped since early this year, and hog producer margins slipped into negative territory. To support prices, China’s government recently announced two domestic pork reserves purchases less than a week apart.

The message is clear: Future pork purchases will favor producers within China, not from abroad, impacting big exports of pork from Brazil and the US and furthering China’s self-sufficiency goals.

**China’s New Push for Food Security**
Although a recovery in China’s hog population is nearly complete, after nearly half the herd was wiped out by the 2018 African swine fever epidemic, the country’s import demand for feed grains will continue to grow as the herd matures and continues to expand, and the industry becomes more industrialized.

But Gro expects wheat and other grains could increasingly take the place of corn in feed, cutting into China’s recent sky-high corn imports. Indeed, China hasn’t purchased any corn from the US in two months.

Gro predicts that China’s corn for feed use in 2021/22 will be flat or lower compared with the prior year. That contrasts with the USDA’s forecast of an increase of 5 mmts, to 211 mmts, in China’s corn for feed use.

Domestic corn cash prices have traded at a premium to wheat for an unprecedented nine months, pushing many hog producers to switch away from corn in feed formulas. If corn prices maintain their high levels relative to other grains, producers are increasingly likely to favor alternatives in feed such as rice, sorghum, barley, and wheat.

A key measure for gauging China’s hog industry viability is the ratio of domestic hog prices to feed grain prices. The Chinese government is seen as ready to intervene to support domestic producers when this ratio drops below 5, as it did recently when Beijing announced its pork reserves purchases.

**USDA WASDE – Cotton**

The cotton A-index edged higher but the U.S. spot price was mostly unchanged from the previous month. NASS plantings were mostly in line with trade expectations, capping any significant upward movements.

**World:** Global 2021/22 ending stocks of cotton were projected 1.6 million bales lower than in June as largely offsetting changes in production and consumption do little to offset lower estimated beginning stocks.

Beginning stocks are 1.5 million bales lower, largely due to reduced 2020/21 Brazilian and Indian production and higher Indian consumption.

World cotton production in 2021/22 was projected at about 500,000 bales higher this month as a larger U.S. crop more than offsets a 300,000-bale decline for Pakistan.

Consumption is slightly more than 600,000 bales higher largely due to an increase for India.

World trade is projected 670,000 bales lower, with China’s imports 1 million lower and Brazil’s exports 1.1 million bales lower. Record global trade is boosted, led by robust demand in Pakistan, Vietnam, and Turkey. Record Brazil exports are raised due to strong late-season shipments, and India exports are forecast at their highest level in more than 7 years.

**United States:** The U.S. 2021/22 cotton projections show higher production, exports, and ending stocks compared with last month.

While the June 30th Acreage Report shows 300,000 fewer planted acres for U.S. cotton than NASS’s previous survey, a rainfall-driven reduction in projected Texas abandonment means U.S. harvested area is projected 9 percent higher.
While 2021/22 production is 800,000 bales higher, consumption is unchanged, and exports and ending stocks are each projected 400,000 bales higher.

The USDA upland cotton farm price for 2021/22 was unchanged, at 75 cents per pound, while the USDA 2020/21 price was reduced one half cent to 66.5 cents per pound.

**TRANSPORTATION**

- **Baltic Dry Freight Index**

  The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index is a composite of three sub-indices that measure different sizes of dry bulk carriers: Capesize, which typically transport iron ore or coal cargoes of about 150,000 tonnes; Panamax, which usually carry coal or grain cargoes of about 60,000 to 70,000 tonnes; and Supramax, with a carrying capacity between 48,000 and 60,000 tonnes. The Baltic Dry Index takes into account 23 different shipping routes carrying coal, iron ore, grains and many other commodities. Source: [https://www.tradingview.com/chart/?symbol=INDEX%3ABDI](https://www.tradingview.com/chart/?symbol=INDEX%3ABDI)

  Thursday, the 15th of July 2021, the Baltic Dry Index decreased by 66 points, reaching 3073 points. Baltic Dry hit a temporary peak on May 20, 2008, when the index hit 11,793. The lowest level ever reached was on Wednesday the 10th of February 2016, when the index dropped to 290 points.

  **Baltic Dry Index - Index hits a month’s low on weaker demand**

  Reuters - The Baltic Exchange's main sea freight index fell to its lowest level in a month on Thursday as lower demand weighed, with the panamax index declining for a ninth consecutive session.

  - The overall index, which factors in rates for capesize, panamax and supramax shipping vessels that carry dry bulk commodities, dropped 66 points, or 2.1%, to 3,073, the lowest since June 15.
  - The panamax index dropped 140 points, or 3.6%, to 3,708, the weakest level in nearly three weeks. The index posted its biggest one-day percentage fall since April 12th.
  - Average daily earnings for panamaxes, which usually carry coal or grain cargoes of about 60,000 to 70,000 tonnes, dropped by $1,260 to $33,370.
  - "In general, it would appear that there is simply less demand in both the Atlantic and Pacific basins at the moment," shipbroker Fearnleys stated in its weekly report on Wednesday.
  - "The slight flow of fresh requirements in the North Atlantic is also seeing competition from larger vessels cutting size."
  - The capesize index fell 52 points, or 1.5%, to 3,460, the lowest since July 6.
  - Average daily earnings for capesizes, which typically transport 150,000-tonne cargoes of iron ore, dropped by $434 to $28,694.
  - Dalian iron ore futures ticked higher in range-bound trade, while the Singapore benchmark slipped on Wednesday, pressured by concerns about demand prospects for the steelmaking raw material in top steel producer China.
  - The supramax index fell 34 points to 2,799. (Reporting by Seher Dareen in Bengaluru; Editing by Ramakrishnan M.).

  **Low water level of Argentina’s Parana River to cost $315 mln**

  July 8 Reuters - The shallowness of the Parana River in Argentina threatens to cost the country’s grains farmers and exporters almost $315 million over a six-month period through August, the Rosario grains exchange said in a report.

  Lack of rain in Brazil, where the river originates, has brought water levels down in Argentina, forcing cargo ships to reduce the amount of grains that are loaded for export.

  “This entails logistics, transportation and industrial costs of an estimated $315 million between March and August 2021,” the exchange said in the report.

  The port hub of Rosario, on the banks of the Parana in Santa Fe province, is seeing some of its lowest water levels in decades. About 80% of Argentina’s agricultural exports are transported down the Parana to the Atlantic.

  "The increase in costs is related to the need to adjust the volume of cargo in certain types of ships at Rosario," it said. And there are costs in industrial activity at Rosario,
where soybeans are crushed into livestock feed and soyoil, as more ships are needed to carry standard amounts of cargo, the exchange added.

The navigation problems are hitting at high export season as growers bring in their 2020/21 soy and corn crops. The South American grains powerhouse is the world’s No. 3 corn exporter and No. 1 supplier of soymeal feed used to fatten hogs and poultry from Europe to Southeast Asia.

The shallowness of the Parana has caused delays as ships have been stranded, needing to be towed into deeper waters in order to be free to sail.

The farm sector is of strategic importance to Latin America’s No. 3 economy. Grains are Argentina’s top source of export dollars at a time when central bank reserves are getting hit by a weak peso and economic weakness caused by COVID-19.

Paraguayan government declares river ‘state of emergency’

The Paraguayan government has passed a law declaring a state of emergency for navigation of the Paraguay, Parana and Apa rivers, local press has reported, in a move that is expected to clear the way for emergency funding to dredge the river.

Low water levels and a lack of rain has left the rivers, key elements of the region’s export logistics, at historically low levels and at levels that mean vessels can no longer transit the river smoothly.

The law stipulates that the government can allocate resources for emergency dredging in both Paraguay and Parana rivers.

The regulation effectively allows the government to spend up to $21 million for dredging activities in both rivers, Juan Carlos Munoz, the vice president of country’s maritime and shipping chamber CAyM, told Agricensus.

The regulation also stipulates that 70% of the resources will be used for dredging works in the Paraguay river, while the remaining 30% will be allocated for dredging activities in the Parana river, in the section that goes from Confluencia to the Yacyreta dam.

Munoz said that the country’s Public Works Ministry had previously awarded the contract for dredging the rivers, but the financing was finally approved by this law.

Ports in the Paraguay river usually manage around 70% of the country’s soybean production, while the rest is shipped via ports located along the Parana river.

Typically, barges ship soybean and derivative products to the ports of Rosario, in Argentina, and Nueva Palmira, in Uruguay, for crushing or export.

Canada, The Western Producer - A coalition of container shippers from different sectors of the Canadian economy have sent multiple letters to minister Omar Alghabra expressing the need for an investigation into the practices of steamship lines.

Canada’s pulse and special crops sectors want Transport Canada to take marine shipping companies to task for neglecting containerized exports. But so far their calls have fallen on deaf ears.

“We need a government partner and we don’t have one,” said Greg Northey, vice-president of corporate affairs with Pulse Canada.

“Quite frankly, the response we have gotten is nothing. Nothing,” said Northey.

That is in stark contrast to what is happening on the issue in the United States.

U.S. President Joe Biden issued an executive order on July 9th calling on federal agencies to strengthen oversight and enforcement of regulations to maintain market competition and prevent unfair monopolistic practices.

The U.S. Specialty Soy and Grains Alliance said the order applies to a broad swath of the economy but ocean carriers and railroads “occupied centre stage” of the order.

The Federal Maritime Commission (FMC) said it welcomed the call for the Justice Department to collaborate with FMC to investigate ocean carriers and possibly issue fines for uncompetitive practices, said the alliance in a news release.

The group says 10 ocean container lines control 85% of container shipping around the globe and they operate in three vessel-sharing alliances.

Pulse Canada and the Canadian Special Crops Association want a similar investigation launched in this country.

The container crisis began at the start of the COVID pandemic when China stopped shipping containers to importing countries. There were a number of cancelled sailings during the January through May 2020 period. Then everything flipped. The four-month lull was followed by a period of huge demand for Chinese consumer goods.

Any available container that was emptied at ports in North America and elsewhere around the world was quickly shipped back empty to China instead of being filled with commodities for the backhaul.

Shippers are making four to five times the regular amount for hauling containers filled with consumer goods out of China so there is a mad rush to get containers back and get them refilled with consumer goods.

“It just made no sense for them to provide empty containers to Canadian exporters or U.S. exporters or European exporters,” said Northey.
That has resulted in a global container crisis. Northey estimates there has been a 50% reduction in capacity at Canadian transload facilities in the past six to eight months. Shipping lines are cancelling traditional container routes to destinations in Southeast Asia and elsewhere in order to focus on getting empty containers back to China. “It seems almost weekly we’re losing shipping routes right now,” he said. Those fortunate enough to get their outgoing product into a container are getting rolled over to the next vessel because priority is being given to empty containers. That can result in a 60- to 80-day delay waiting for the next ship. Detention and demurrage costs are eating up any profit associated with the shipment.

Northey said this is a particularly big problem for the pulse and special crops industry, which is comprised of many small exporters supplying niche products and buyers who don’t want to purchase bulk commodities.

About 30% of Canada’s peas, more than 50% of its lentils and the vast majority of its special crops travel by container to markets around the world. “It has hit us really hard,” he said. The lack of containers is “significantly worse” than it was heading into last year’s harvest, when the issue first started to surface. “There’s a lot of concern in the sector,” he said.

About 75 exporters, transloaders and trade-forwarders attended a Canadian Special Crops Association webinar last week on the topic. They stressed the need for federal government involvement in the issue. The group is considering launching a Competition Bureau complaint but a Transport Canada investigation is the more preferred option. They want an investigation into why shipping lines are failing to provide export containers, cancelling trade routes and causing demurrage fees at ports.

Has the response of the shipping lines been proportional to the problem? Have shipping lines been providing a fair level of service to Canadian container exporters?

The concern is that the ocean carriers are making big money on this new business model and may continue to thumb their noses at backhaul exports for the foreseeable future. “The marine carriers are making decisions that are making it harder and harder for exporters to do what they need to do,” said Northey.

**LOGISTICS**

- **Bunge finalizes sale of elevators to Zen-Noh**

World Grain - On July 9th Bunge announced it has completed the previously announced sale of 35 US interior elevators to Zen-Noh Grain Corp. (ZGC). ZGC, a subsidiary of the National Federation of Agricultural Cooperative Associations of Japan (Zen-Noh), reached the agreement with Bunge North America, Inc., a subsidiary of St. Louis-based Bunge Ltd., in April 2020.

“This transaction will allow Bunge to operate more efficiently and reinvest in higher returning areas of the company while reducing costs and strengthening our balance sheet,” Greg Heckman, chief executive officer of Bunge, said when the sale was first announced. “Bunge will continue to be an industry leader in the US grain marketplace through global grain trading and distribution with our export terminals in Destrehan, Louisiana, which we are expanding, and EGT, our joint venture in the Pacific Northwest. We will also continue our strong presence in the soybean processing business and milling operations.”

ZGC said its affiliate, CGB Enterprises, Inc., Covington, Louisiana, US, will operate the acquired facilities through its wholly owned subsidiary, Consolidated Grain and Barge Co. CGB currently operates more than 100 grain origination facilities in the United States.

Through certain supply agreements, Bunge said it will be able to access a larger and stronger origination and distribution network through Zen-Noh to better serve American farmers and global export customers.

In addition to the export terminals in Destrehan and the EGT joint venture, Bunge will retain ownership in Bunge-SCF Grain, Bunge’s joint venture with SCF, and the Bunge elevators in Indiana that directly support Bunge’s soybean processing plant in Morristown.

Prior to the sale to Zen-Noh, Bunge ranked seventh in grain storage capacity in North America with 170.1 million bushels, according to Sosland Publishing’s 2021 Grain & Milling Annual. CGB ranked fifth at 243.1 million bushels of storage capacity.

- **China to increase grains storage capacity by 10.85m mt in 2021**

China will add another 10.85 mmt of capacity to its national storage capability in 2021, as it bids to bolster grain inventories, Sinograin has said on its formal WeChat account on Sunday.

The country’s state grains stockpiler will start to build 120 new storage facilities across 18 provincial administrations this year. “We will further improve the overall arrangement of storages… and constantly strengthen our capability to serve and secure the national grain security infrastructure facilities,” Sinograin said on social media.

The move comes after China’s state council emphasized the requirement “to improve grain storages and logistics facilities, and optimize the scale and structure of grain reserves” in a meeting hosted by Premier Li Keqiang in May.

China’s grain storage capacity currently stands at over 600 mmt, of which Sinograin has over 100 mmt, according to state backed China Central Television reporting earlier this month.

**GOVERNMENT**

- **Argentine agricultural sector holds protest against export caps**
Argentina's draft biofuels bill heads to Senate with 5% diesel blend cut
A new biofuels draft bill which proposes lowering the use of biodiesel in Argentina's finished diesel mix by five percentage points to 5%, while maintaining the ethanol blend ratio at 12%, is on its way to be made into law by the upper chamber of Argentina's Congress, local media reports have said.

The new biodiesel draft bill is likely to slash the volume of soy-based biodiesel being blended into diesel oil by 50%, and also brings new powers to the Energy Secretariat to lower the mandate to as little 3% depending on market conditions.

The government recently extended the current biofuel law, which has been in force since 2006, until August 27 while it awaits the passage of the new draft bill to be made into law by the country's Senate.

Reuters - Argentine grain farmers and cattle ranchers protested last Friday in the town of San Nicolas in Buenos Aires province to voice complaints about export taxes and limits placed on beef shipments that critics say are bad for investment in the farm sector.

Thousands of farmers showed up in tractors and trucks and bearing Argentina's pale blue and white flags, for the roadside demonstration, which was organized by the rural associations of Buenos Aires and La Pampa, or CARBAP, to coincide with Argentina's Independence Day holiday.

"The rally is being held to raise the voice of citizens and farmers in favor of policies that support production and to call for an end to state intervention in the market," CARBAP said.

The government did not respond to a Reuters request for comment.

Nicolas Pino, president of the Argentine Rural Society, said a lack of engagement with the powerful sector would harm all Argentines. "Dialogue is the only way that we are going to get the country to move forward," he said. Argentina is the world's No. 3 corn exporter and No. 1 supplier of soymeal livestock feed used to fatten hogs and poultry from Europe to Southeast Asia.

It has in recent years been ranked the world's No. 5 meat exporter, primarily to China. Farm leaders are protesting the policies of center-left Peronist President Alberto Fernandez' government of curtailing beef exports as a way of controlling inflation, expected to hit 50% this year.

In June, the government placed a 30-day ban on meat exports and is flirting with increasing taxes or limiting exports of wheat and corn.

Omar Barchetta, a 56-year-old agricultural and livestock producer, said an export cap was better than June's ban but was still doing significant damage.

"The opening up again of exports was a big relief, it allowed us to plan ahead more, so there has been a lot of disappointment and ultimately, financial loss (with export caps)," he told Reuters on Friday. "It essentially makes cattle ranching unprofitable."

Disastrous weather for crops in Canada will intensify in the next week
Refinitiv Commodities Research - While the neighboring U.S. spring wheat regions endure the worst year since 1988 in terms of crop conditions and expected production, the situation is also concerning in Canada. Over the last week, dry conditions prevailed across the rural regions of Alberta and Manitoba, with continuous warmth in the first region (3-4 °C above normal). Moderate rainfall episodes in Saskatchewan were hardly a consolation, as soil moisture content is still much below the levels recorded in the last 5 years (see SMAP chart below) and rainfall deficits for the last month are still overwhelming for all Southern Prairies.

FORECAST DISCUSSION: While the MJO (Madden-Julian Oscillation) will continue to be insignificant for the next 2 weeks, the AO (Arctic Oscillation) is likely to remain positive. It will support domination of warmth/dryness across Canada and the northern U.S. for most of July.

On 10-day numerical model performance, the EC and GFS have recently leveled verification errors on both temperatures and precipitation for the Midwest U.S. The EC remains to have a significant positive bias towards warmer temperatures, while GFS is closer to observations. Therefore, both models are reasonable to use for the 10-day outlook, while GFS may be more realistic on temperatures.

CANADA: 10-DAY OUTLOOK: The extremely unfavorable scenario presented in the recent outlooks for the croplands in Canada is upheld in today's guidance. An upper-level trough over the eastern Pacific will pull warm air directly from the south again and its stationary character will favor gradual heating of the airmass over the Southern Prairies. Temperatures will surge to 7-11 °C above normal, with the highest extremes in the next week and max temperatures reaching nearly 40 °C (over 100 °F).

Environmental conditions will not favor the creation of rainfall zones, and dryness will prevail with the expected rainfall deficits 15-20 mm below normal/10 days. Needless to say, another heat wave with dry conditions will significantly lower wheat/rapeseed conditions across the country and negatively impact yield estimates.
After a lull, India's monsoon splashes entire country, easing concerns

Reuters - India's monsoon has splashed back into life after a lull, covering the entire country including the capital New Delhi and lifting the threat of a slowdown in planting crucial summer crops such as rice, cane, corn, cotton and soybean.

The monsoon covered the entire country on Monday, including major grain and oilseed regions, five days later than usual, said the state-run India Meteorological Department (IMD).

After lashing the southernmost Kerala coast on June 3rd, the monsoon spread to two-thirds of India by the end of the first half of the month, nearly 15 days earlier than normal. As a result, rains were above average during the first three weeks of June, before the monsoon tapered off.

While overall monsoon rains were still above average in June, they turned below average in July, raising concern about delays in planting of crops in a sprawling country where two-thirds of its 1.3 billion people inhabit the countryside and farming sustains nearly half of the population.

The IMD defines average, or normal, rainfall as between 96% and 104% of a 50-year average of 88 cm for the entire season.

According to the Ministry of Agriculture & Farmers' Welfare, crop planting fell 10.43% to 49.9 million hectares (123 million acres) as monsoon rains turned patchy.

India, one of the world's biggest producers and consumers of farm goods, relies on June-to-September rains for watering 50% of its farmland that lacks irrigation. Any failure of the monsoon can force New Delhi to import agricultural produce, sending international prices higher.

The country, with a vast landmass that contains nearly all climates and soil types, last faced widespread drought in 2014 and 2015, when summer rains were 12% and 14% below average respectively, making for India's first back-to-back drought in three decades, and only the fourth in more than a century.

USDA/WAOB Joint Agricultural Weather Facility – 10th July 2021

Europe – Widespread Rain, But Some Southeastern Dryness Lingered

- Widespread moderate to heavy showers and thunderstorms boosted moisture supplies for vegetative to reproductive spring grains and summer crops across most of Europe.
- Short-term dryness reduced soil moisture for reproductive summer crops from central Italy into Hungary and the western Balkans.

Western FSU – Heavy Rain In The South

- Heavy rain in southern growing areas maintained abundant to excessive moisture supplies for vegetative to reproductive summer crops but impeded winter wheat drydown and harvesting.
- Locally dry conditions have developed from northern Ukraine into west-central Russia.

Eastern FSU – Despite Some Showers, Drought Persisted

- Despite some showers, drought continued to afflict spring grains in northern Kazakhstan and parts of central Russia. Conversely, spring wheat prospects remained favorable in the Siberia District.
- Heat maintained very high irrigation demands for flowering cotton in Uzbekistan and environs.

Middle East – More Showers In Northern Turkey, Drought In Southern Turkey

- Showers favored reproductive summer crops across northern Turkey. In contrast, drought maintained high irrigation demands in southern portions of the country.

South Asia – Favorable Rain In Eastern India; Too Dry In Western India

- Monsoon showers benefited rice in eastern India, while unseasonably dry weather reduced soil moisture for cotton and oilseeds in the west.

East Asia – Beneficial Moisture For Most Summer Crops

- Wet weather maintained favorable moisture supplies for summer crops in northeastern China and the Yangtze Valley, but hot, dry weather returned to the far south, stressing late-crop rice.

Southeast Asia – Widespread Showers

- After a lengthy period of weak monsoon rain, seasonably wet weather in Thailand and environs benefited rice.

Australia – Continued Favorable For Winter Crops

- Rain in the west and northeast helped maintain good to excellent winter grain and oilseed prospects.
- Lighter showers fell across the southeast, but winter crop prospects were generally good here as well.

South America – Dry Weather Dominated The Region

- Mostly dry, favorably warmer weather fostered growth of corn and wheat throughout southern Brazil, following last week's untimely freeze.
- In Argentina, summer crop harvesting and winter grain planting advanced under clear skies.

Mexico – Monsoon Showers Continued Over Northwestern Watersheds

- Much-needed rainfall helped to replenish reservoirs in northwestern watersheds.

Canada – Showers Brought Some Relief To Prairie Spring Crops

- Rain overspread the southern and western Prairies, though other locations remained unfavorably dry in the wake of last week's heat wave. Warmer weather accompanied additional showers across central and northern

Web Site: https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf

Source: USDA https://www.usda.gov/oce/weather-drought-monitor/publications
U.S. Agricultural Weather Highlights – Friday 16th June 2021

In the West, monsoon-related showers have decreased in coverage but continue to pepper portions of the Southwest and Intermountain region. However, dry thunderstorms remain a threat regarding wildfire ignition from the Great Basin to the northern Rockies. In addition, several large and potentially dangerous wildfires—including the 227,000-acre Bootleg Fire in southern Oregon—are already burning across northern California and the Northwest.

On the Plains, a few showers crossing Montana and Dakotas are not providing appreciable relief from ongoing drought. In addition, heat has returned across the northern High Plains, where today’s high temperatures should range from 90 to 100°F. Meanwhile, showers in the vicinity of a cold front linger across the southeastern Plains.

In the Corn Belt, a slow-moving cold front is producing showers and thunderstorms from the lower Great Lakes region into Missouri. Meanwhile in the upper Midwest, a protracted period of mostly dry weather has begun, following some beneficial rainfall. Midwestern temperatures—generally expected to range from 75 to 85°F this afternoon—are highly favorable for reproductive corn and soybeans, but parts of the northwestern Corn Belt lack adequate soil moisture.

In the South, mostly favorable growing weather—featuring very warm, humid conditions and isolated showers—continues for pastures and summer crops. Heavier showers are overspreading the mid-South due to an approaching cold front.

Outlook: A cold front stretching from the Northeast to the southern Plains will continue to drift southeastward, clearing the northern Atlantic Coast and settling across the South by early next week. Additional rainfall associated with the front could reach 1 to 3 inches, with locally higher amounts, along and south of a line from the southern Plains to Lakes Erie and Ontario. Meanwhile, dry weather will prevail during the next 5 days across the upper Midwest, while only light showers will dot the drought-stricken northern Plains. Monsoon-related showers will affect portions of the Great Basin, Intermountain West, and Southwest, but hot, dry weather will persist in California and the Northwest. Heat will also continue across the northern High Plains and gradually spread eastward. The NWS 6- to 10-day outlook for July 21 – 25 calls for the likelihood of above-normal temperatures in southern Florida and much of California, the Great Basin, and an area stretching from the northern Rockies into the Midwest. Cooler-than-normal conditions will cover the Northeast and much of the South. Meanwhile, near- or below normal rainfall across much of the country should contrast with wetter-than-normal weather in the southwestern and southcentral U.S.

Web Site: https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf

Reference: Conversion Calculations

Metric tonnes to Bushels:
- Wheat, soybeans = metric tonnes * 36.7437
- Corn, sorghum, rye = metric tonnes * 39.36825
- Barley = metric tonnes * 45.929625
- Oats = metric tonnes * 68.894438

Metric tonnes to 480-lb bales
- Cotton = metric tonnes * 4.592917

Metric tonnes to hundredweight
- Rice = metric tonnes * 22.04622

Area & weight
- 1 hectare = 2.471044 acres
- 1 kilogram = 2.204622 pounds
July 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/may_calendar.gif