Notes and Observations in International Commodity Markets

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USDA WASDE Report Pushes Markets Higher

GHA – Grains and oilseeds finished the week stronger following a supportive USDA WASDE Report on Thursday which notably change the underlying market direction. All commodities; wheat, corn, and soybeans, all had noticeable changes in the August USDA WASDE Report. Most noted was the drop in non-U.S. competing wheat exporter production of some 15.1 mmts from last month’s numbers, along with a 5½ million decline in their forecasted exports.

For corn, the WASDE report was very friendly with yields down 4.9 bus/acre from last month to 174.6 bus/acre with old-crop carryout at 1.127 bbus, up 50 mbus and new-crop carryout down 190 mbus to 1.242 bbus with demand expected to fade. The market seem to be adding in acres and yeld to USDA’s Thursday numbers, as priced failed to show the rally that USDA numbers suggested.

Brazil will continue to move along toward the end of the second-crop corn harvest. Questions still surround the size of the export program, with estimates trending lower.

Ethanol margins will narrow a bit if energies can’t sustain a bounce from here, with demand waning in the short term and cheaper fall blends coming.

The WASDE report showed U.S. soybean yields at 50.0 bus/acre, down 0.8 from last month with old-crop carryout at 160 mbus, up 50 mbus, and new crop unchanged at 155 mbus. The oilseed / soybean markets were supported this week by a string of export sales; including 126,000 mts to China and 326,000 mts to unknown.

U.S. weather patterns are wetter in the extended forecast, which should support good pod-fill.

South America has lost its price advantage to the U.S. into fall harvest, with Canola fading Friday morning. U.S. basis levels have been flat to weaker in recent days and are now below DVE.

Have a good weekend! 😊

US Dollar & Foreign Exchange

- US Dollar Index- Dollar Tumbles On Flagging Consumer Sentiment

The dollar index on Friday fell to its lowest level this week and finished with moderate losses. Bearish factors included the weak U.S. consumer sentiment report and reduced liquidity demand for the dollar with a rally in the S&P 500 to a new record high. Also, a sharp decline in T-note yields weakened the dollar’s interest rate differentials after the 10-year T-note yield fell -6.6 bp to 1.293%.

The dollar index on Friday fell -0.512 (-0.55%). EUR/USD rose +0.0067 (+0.57%). USD/JPY fell -0.83 (-0.75%).

EUR/USD on Friday rallied moderately on dollar weakness and a strong Eurozone inflation report that was hawkish for ECB policy. The German July wholesale price index rose +11.3% y/y, the fastest pace of increase in 46 years.

USD/JPY on Friday tumbled to a 1-week low as a sharp drop in T-note yields undercut the dollar. The yen rallied Friday despite the worsening pandemic in Japan after Tokyo reported a record 5,773 new Covid infections on Friday.

Friday’s U.S. import price report eased inflation concerns and was dovish for Fed policy and negative for the dollar. U.S. July import prices ex-petroleum rose by only +0.1% m/m, weaker than expectations of +0.5% m/m and the smallest increase in 8 months.

An unexpected decline in U.S. consumer sentiment was negative for the dollar after the University of Michigan’s Aug U.S. consumer sentiment index unexpectedly dropped -11.0 points to a 9¾ year low of 70.2, weaker than expectations of unchanged at 81.2.
December gold on Friday closed up +26.40 (+1.51%), and September silver closed up +0.663 (+2.87%). Precious metals moved higher Friday due to a weaker dollar, lower T-note yields, and the worsening pandemic.

The dollar and gold have continued safe-haven support from concern the worldwide spread of the delta Covid variant will crimp the global economic recovery. The 7-day average of new U.S. Covid infections rose to a 6½ month high Thursday of 123,734.

WHEAT

**USDA WASDE - Wheat**

**USDA WASDE** - The USDA global wheat outlook for 2021/22 is for reduced supplies, lower consumption, reduced trade, and smaller ending stocks.

World wheat supplies are projected to decline by 16.8 mmts to 1,065.7 mmts, primarily on lower production for Russia, Canada, and the United States. Partially offsetting these reductions are production increases for Ukraine and Australia.

Russia’s production is reduced 12.5 mmts to 72.5 mmts on decreased winter wheat production, which is only slightly offset by higher spring wheat output. Winter wheat harvested area is reduced on updated area data from Rosstat, Russia’s statistical agency, while yield is lowered on harvest results reported by the Ministry of Agriculture. A series of thawing and refreezing events during February and March, referred to as “ice crusting,” resulted in reductions for both area harvested and yield for Russia’s winter wheat.

Canada’s production is lowered 7.5 mmts to 24.0 mmts on worsening drought conditions across the Prairie Provinces during July. This would be the smallest Canadian wheat crop since 2010/11.

Ukraine is raised to a record 33.0 mmts on increased area as reported by its State Statistical Service and a higher yield on harvest results to date.

Australia has increased 1.5 mmts to 30.0 mmts as continued abundant precipitation has benefited crop conditions.

Global consumption is revised lower for those countries and numerous others with demand rationing expected to occur amid rising prices. Projected 2021/22 world consumption is reduced by 4.2 mmts to 786.7 mmts. Most of the consumption decreases are for feed and residual use with the curtailed supplies in Russia and Canada.

Projected 2021/22 global trade is lowered 5.8 mmts to 198.2 mmts on reduced exports for Canada and Russia only partially offset by higher exports by Ukraine, Australia, and the EU.

The reduction in aggregate exportable supplies from major exporters resulted in decreased imports from several countries including Afghanistan and Algeria, while larger crops in Brazil and Morocco reduce import demand there.

Projected 2021/22 world ending stocks are lowered 12.6 mmts to 279.1 mmts with China accounting for 51% of the total.

The projected USDA 2021/22 season-average farm price is raised $0.10 to $6.70/bus.

**Wheat Exports Adjust to Tighter Global Supplies**

Since the release of USDA’s first 2021/22 forecast in May, the outlook for global wheat supplies has fallen by nearly 2%. Production is estimated down, based on ice crusting in Russia and drought affecting North American spring wheat crops.

Meanwhile, global consumption is nearly unchanged since May as food, seed, and industrial use remains robust while feed use is now modestly lower.

As a result, global stocks are cut more than 5% from the initial forecast to the lowest level in 5 years. Stocks held by the major global exporters are forecast to decline, reflecting tightness in supplies available to the global market.

Price-sensitive importers are expected to respond to the reduced supplies by tightening inventories, lowering global trade by nearly 3.5 mmts from the initial forecast.

Sharp declines for some top exporters are only partially offset by gains for other exporters. The most significant year-to-year export decline is for Canada, where carry-in stocks are at the lowest in decades and production is being decimated by a
widespread drought across the Prairie Provinces. Canada’s exports will be down by more than a third, its lowest since 2011/12.

Global durum supplies are expected to be particularly thin this year, with not only Canadian exports plummeting but U.S. durum exports also dropping to the lowest since 1964/65.

Reduced Russia winter wheat production is only partly offset by larger spring wheat production and sizable carry-in in response to export constraints at the end of 2020/21. As Russia continues to tax exports, it will likely lose market share to both the European Union and Ukraine, both of which have much larger crops.

Ukraine exports are forecast at a record, with Australia at near-record.

Canada Wheat: Production and Yield Revised Down 24 Percent Due to Drought

USDA estimates Canada wheat production for marketing year 2021/22 at 24.0 mmts, down 7.5 mmts (24%) from last month, 11.2 mmts (32%) from last year, and 26% below the 5-year average.

Harvested area is estimated at 9.2 million hectares, unchanged from last month, but 8% below last year, and 3 percent below the 5-year average. Yield is estimated at 2.61 mts/ha, down 24% from last month and the 5-year average.

The severe drought this summer on the Prairies had deleterious effects on spring and durum wheat in the region. Recent analysis using the satellite-derived Normalized Difference Vegetation Index (NDVI) indicates crop health for spring wheat declined substantially in July, lowering yield expectations for both spring and durum wheat, which are grown in the same areas. The NDVI time series graph shows that crop health for spring wheat has been below average through most of the marketing year 2020/21 season, as crops were planted into drier soils following below-average precipitation in the preceding fall and winter. This is followed by a rapid drop in the NDVI values shown for the second half of July, as a lack of adequate rainfall in the summer months worsened conditions further.

Provincial reports from the Prairies have noted the prevalence of early maturation, poor heading, and stunted spring cereal crops. Early estimates from Alberta suggest the spring wheat yield is 45% below average. Farmers are now being asked or incentivized to salvage poor crops for feed due to increasing feed shortages.

Warm spell to help Europe’s wheat harvest, but rain damage done

Reuters - A warm, dry spell in western Europe this week should let wheat farmers catch up on harvesting but heavy summer rain has already hurt crop yields and quality, analysts and traders said.

French analyst firm Strategie Grains on Thursday cut its monthly forecast of the European Union's soft wheat crop, which it said could contribute to an "explosive" global supply outlook.

In France, farmers in northern plains are expected to speed through harvesting this week before showers may return on Monday. "There are some people who’ll be doing their third round of harvesting since July," a French trader said. "We all hope it gets finished but it could be tough before the next rain."

Strategie Grains reduced its estimate of the French crop to 37 mmts, bringing it closer to the farm ministry's current estimate of 36.7 mmts. French output is still seen well above last year's poor crop of around 29 mmts, but grain quality has emerged as more of a setback this year. The wet summer has led to weak readings for test weights as well as varied results for Hagberg falling numbers, among key measures of wheat's suitability for milling. The share of the French crop of milling standard was now seen at just over two-thirds compared with nearly 90% last year, Strategie Grains estimated.

In Germany, about two-thirds of the crop has been gathered, with much work still to do in northern export-reliant regions. "Quality, especially test weights, has suffered from the rain, one German grains analyst said. "But I do not think Germany is facing the same difficulties as in France and overall quality in Germany is still reasonable."

Forecasters have cut German production estimates due to rain. Some analysts now see the crop between 22 mmts and 22.5 mmts, below the farm cooperatives association's 22.8 mmts estimate in mid-July.

In Poland, prospects were also less favourable. Sparks Polska now estimates wheat production at 11.9 mmts, down from the 12.1 mmts projected in July and 12.0 mmts harvested in 2020, the analyst firm said, citing lower than expected yields. Heavy rain was expected to lead to a smaller share of milling wheat than last year, with concerns...
centred on test weights and falling numbers, Sparks Polska's Wojtek Sabaranski said. "It seems likely that in the present season there will be a premium paid to wheat with high quality parameters." Quality fears were focused on the south, where heavy rain meant harvesting was not even half complete, Sabaranski said, adding quality was better in the west and north where field work was nearly over.

Repeated rain has also hampered Britain's wheat harvest. "We are yet to get into the bulk of the wheat harvest, but the availability of quality grain will remain a concern," CRM Agri analyst Peter Collier said. Forecasters have been expecting the British crop to rise by about half from last year's low level to 14.5 million to 14.8 million tonnes, driven by a recovery in planted area.

Asian wheat buyers return as global prices firm ahead of USDA Wasde
Masha Belikova - Wheat buyers from both the Philippines and Thailand have returned to the market looking for feed and milling wheat, just after wheat prices spiked worldwide, trade sources said Wednesday. Thailand's TFMA opened a tender for a total of 137,500 mt in three handy-sized consignments of optional origin feed wheat for October-December shipment dates. The Philippines’ SMC also invited offers for a total of 160,000 mt of feed and 120,000 mt of milling wheat for October-December shipments. SMC was also looking for Australian barley for the same dates. Both tenders are set to close on Wednesday, but traders are skeptical about the purchase amid the run up in global prices. "They will be shocked to know the price," a trader said. Both the Philippines and Thailand usually look for a wide range of shipment windows to give flexibility in securing the cheapest prices, and usually buy only the one that is the most appropriate. However, the tenders came on the day after wheat futures and cash prices worldwide jumped higher ahead of the release of the USDA’s influential monthly Wasde report, where reductions in wheat production estimates were widely expected. Asian buyers have been quiet for several weeks amid high cash prices and firm freight, with the last purchase from Thailand’s end users concluded on July 7 when TFMA booked 65,000 mt of feed wheat for August-September shipment at $281/mt CFR LO. The last time the Philippines took feed wheat was on July 20, when Import Group booked a 50,000 mt cargo of feed wheat at $287.50/mt CFR Philippines for September 4-24 dates.

EU wheat harvest losses create ‘explosive’ world supply outlook
Reuters - Adverse weather in the European Union has sharply reduced prospects for wheat harvests, contributing to a potentially ‘explosive’ global supply outlook for the cereals, analyst firm Strategie Grains said.

In a monthly report, the French firm reduced its forecast for 2021 soft wheat production in the 27-country EU by 1.5 mmts to 131.5 mmts.

Wet weather in the run-up to harvesting had led to disappointing yields in France and Germany while high temperatures in June had lowered yields in Poland and northern Europe, Strategie Grains said. The revised EU soft wheat crop forecast would nonetheless be 12.7 mmts above Strategie Grains’ estimate of last year’s output. But the downgrade comes as harvest prospects have also deteriorated in other exporting zones like North America and the Black Sea region. Strategie Grains reduced its projection of world wheat production, including durum, by 14 mmts to 750.3 mmts.

Despite high prices and the spread of the Delta coronavirus variant, global wheat demand was expected to expand in 2021/22. This could contribute to the stocks-to-use ratio in major exporting countries falling to its second-lowest level on record after 2012/13, Strategie Grains said.

Forecast EU soft wheat exports in 2021/22 were raised by 1.7 mmts from last month to 32.7 mmts, despite mixed quality in the EU harvest, the firm said. The share of livestock feed-grade crop in the soft wheat harvest was expected to be higher than last year, reflecting the impact of heavy rain, it said.

Australia wheat outlook for 2021/22

USDA forecasts Australia marketing year (MY) 2021/22 wheat production at 30.0 mmts, up 1.5 mmts or 5% from last month, but down 3.0 mmts or 9% from last year’s record. Harvested area is estimated at 13.2 mha, up 0.1 mha from last month, and up 0.2 mha or 2% from last year. Yield is forecast at 2.27 mts/hectare, up 4% from last month, but down 11% from last year.

The wheat area estimate for marketing year 2021/22 is supported by the high world wheat prices, and favorable seasonal conditions across much of the grain growing
regions of Australia. Yield potential remains above average, particularly in the two largest producing states of Western Australia (36%) and New South Wales (26%).

Abundant precipitation since sowing has benefited crop establishment. The recent satellite-derived Normalized Difference Vegetation Index (NDVI) depicts strong crop vigor, especially in the wheat belt of New South Wales and Western Australia.

**Wheat Prices**

Major wheat exporters’ quotes have all risen over the past month. Russian prices are currently the lowest among major suppliers but have increased $29/ton, reflecting lower-than-expected volumes harvested. European quotes have surged $38/ton in line with its major competitor.

**Australia wheat exports higher for June, highest for at least 11 years**

*Masha Belikova - Australia has updated its figures to show that monthly wheat exports reached in 2.8 mmts in June, which is the highest in at least 11 years.*

The government figures were up 6% from the May figure, which already was a record one over the 11-year period for which data is available. This brings the total Australian wheat exports since October to 18.5 mmts, while USDA puts the export estimate at 19.5 mmts.

Indonesia (at 822,525 mts) remained the leading importer, followed by Vietnam (at 366,955 mts), Philippines (at 318,602 mts), China (at 235,832 mts), South Korea (at 163,679 mts) and Japan (156,419 mts).

Australia barley exports through June dropped by half to 397,812 mt and moved the total exported from November to the date to 6.1 million mt, coming very close to the USDA's figure at 6.7 million mt. Vietnam (95,385 mt) appeared to be the biggest importer, followed by Japan (80,780 mt), Iraq (64,824 mt), Thailand (60,250 mt), Kuwait (33,571 mt).

Despite the remaining amounts of Australian grains having very limited availability, this origin continued to attract buying attention for wheat grades with higher protein content amid its relatively cheap price in contrast to the US and Canada, its primary market rivals.

In contrast, the Argentine and Australian quotes have each risen only $9/ton, reflecting relatively ample supplies in both countries. U.S. quotes reflect reduced availability of supplies. Canadian quotes have skyrocketed $42/ton, well above the others on persistent drought and a dire harvest outlook.

USDA - Export quotes for all U.S. wheat classes moved higher this month, reflecting a tighter situation especially for wheat in the Northern Plains, and lifted further by meager production expectations for Canada.
Hard Red Winter (HRW) escalated $44/ton to $318 and Soft Red Winter (SRW) went up $32/ton to $283. Meanwhile, Soft White Winter (SWW) went up by $17/ton to $358. Hard Red Spring (HRS) soared $47/ton to $398 on exceptionally poor crop conditions. According to the NASS Crop Progress Report, only 10% of spring wheat was rated good to excellent for the week ending August 9th, compared to 69% last year.

**CME CBOT Wheat Futures**

It was an exciting week for wheat with the big downgrade in world production; Canada and Russia combined down 20 mmts. Some believe there are more downward revisions expected for Canada. The tight world ending stocks/use ratios reinforce that the market no longer can afford to put wheat into the feed ration. This was evident by the South Korean tender earlier this week for November arrival where corn traded cheaper than wheat.

Friday’s wheat futures followed up on Thursday’s bullish reports, with positive movement. The leader was MGE, up 5 to 11 ½ cents in most front months, though the 3.06% gain on the week was the smallest of the three exchanges. Chicago wheat posted 7 to 9 ½ cent gains to round out the 6.02% weekly rally. KC wheat was 2 to 4 ¼ cents higher in the nearby months, taking the week’s gain to 5.17%. All three exchanges posted multiyear highs this week.

**CBOT September 2021 Wheat Futures**

settled on Friday at $7.62/bu, up 8¾ cents on the day, and gaining 43 cents for the week.

The weekly Commitment of Traders report out of CFTC showed money managers in CBT wheat futures and options had added another 3,819 contracts to their net long position by Tuesday. That is now the largest since early March at 19th, 127 contracts. In KC wheat, they added another 6,597 contracts to their net long position at 44,763 contracts by August 10th.

**CME KC HRW Wheat Futures**

Also of note; France is 72% harvested with a large warehouse reporting only 35% of their inbound receipts being of milling quality.
Kansas September 2021 HRW Wheat Futures settled on Friday at $7.42¼/bu, up 3½ cents on the day, and gaining 32½ cents for the week.

A majority of the USDA cut to US wheat production came from a 28 mbus cut to US HRW output. Most of that came from the PNW as WA yield was slashed 11 bus/acre and production trimmed by 18 mbus. The loss production is expected to ration the feed used by 10 mbus but took the US ending stocks estimate to 627 mbus.

The question the trade is wrestling with, is when will the world market have to come to the US to buy HRW. TX Gulf 11% Aug traded at +125KU. The KU/KH closed at 21 carry with JFM TX Gulf 11% 137/144. BNSF shuttles for JFM +150/+300. The KH/KK is now trading a penny inverse and KK/KN near 40 inverse. KC scales were steady.

**MGE HRS Wheat Futures**

MGE September 2021 HRS Wheat Futures settled on Friday at $9.44¼/bu, up 11½ cents on the day, and gaining 28 cents for the week.

MU/MZ continues to trade in a 10 to 15 inverse range.

The HRS harvest theme seems to be consistent. One of extremely variable yields and yields that are 5 to 10 bus/acre better than expected. With rain in the forecast next week, this is expected to be a busy harvest weekend. SAS reported 7% of wheat has been harvested.

**Slashed Durum Supplies in North America will Constrain Global Trade**

A severe drought in Western Canada and the Northern Plains of the United States will sharply reduce North American durum wheat production. Canada is the top durum producer globally, producing 6.6 mmts in 2020/21. This year, however, Canada is expected to have a dramatically lower yield, leading to substantially lower durum production.

Canada consistently leads not only as the top global durum producer, but also the largest exporter. In 2020/21, Canada exported nearly 6.0 mmts of durum wheat, 90% of its crop. The majority of Canada durum exports are destined for Italy, North Africa, and the United States.

The U.S. durum crop is also down significantly year-on-year, dropping 50% to 900,000 mts. U.S. durum wheat exports pale in comparison to Canada, supplying just 600,000 mts to international markets in 2020/21. The United States is a residual supplier, mostly exporting to Europe and North Africa. With reduced durum production, U.S. exports are forecast to drop below 400,000 mts in 2021/22.

With slashed durum supplies in Canada and the United States, Mexico and the European Union have an opportunity to expand exports in 2021/22. EU durum production is forecast up 7% to 7.7 mmts, while Mexico’s crop is up 9% to 1.3 mmts. However, these slight boosts to durum production in Europe and Mexico will not be sufficient to offset declines elsewhere.

Italy, the world’s top pasta-producing country, continues to demand imported durum wheat grain, which is then re-exported as pasta. Italy imported nearly 2 mmts of durum wheat from Canada and the United States in 2020/21. Despite increased supplies in Europe, Italy will struggle to find the necessary supplies in 2021/22 to continue its robust pasta production.
Turkey, another major pasta producer, sources nearly half of its imported durum wheat from Canada. With pasta exports on the rise and lower production in 2021/22, Turkey must turn towards lower-priced suppliers such as Mexico to fulfill demand from its domestic millers and pasta producers.

North African countries, meanwhile, consume durum wheat for both semolina milling and pasta production. Because Morocco and Algeria primarily source durum wheat from Canada, imports are expected to diminish significantly in 2021/22. In addition, Morocco’s domestic wheat production has nearly tripled from the previous year, easing some of its durum supply issues. Algeria also imports a significant amount of durum wheat from Mexico, and it will likely shift to sourcing more from there in 2021/22 to ease some loss of supplies from Canada.

**COARSE GRAINS**

**USDA WASDE – Coarse Grains**

USDA WASDE - The USDA global coarse grain outlook is for lower production, slightly lower trade, and smaller stocks relative to last month.

**Corn:** Global corn production for 2021/22 is down, as cuts to the European Union and the United States more than offset larger crops in India, Russia, and Ukraine. Non-US corn production is forecast higher relative to last month. Ukraine corn production is raised as a reduction in area is more than offset by a boost in yield prospects. Russia corn production is increased based on expectations of greater area. EU corn production is lowered, mostly reflecting reductions for Hungary, Romania, and Bulgaria that are partially offset by increases for France, Croatia, and Germany. Other notable corn production changes include projected increases for India, Canada, and Moldova, with a reduction for Serbia.

Global corn production for 2020/21 is down from last month as a cut to Brazil far offsets gains in the European Union and South Africa.

Global trade is lower than last month on smaller exportable supplies for the United States and shrinking expectations for Brazil exports over the October 2021 through March 2022 period, overshadowing gains for Ukraine and Russia. Major global coarse grain trade changes for 2021/22 include forecast corn export increases for Ukraine, Russia, and India with reductions for Serbia and the EU.

Global imports are down in conjunction with the smaller exportable supplies. Corn imports are raised for Bangladesh, Thailand, and the United Kingdom but are reduced for Iran, Vietnam, Mexico, Egypt, Japan, Morocco, Saudi Arabia, and Algeria.

For 2020/21, for the local South American marketing year, beginning March 2021, corn exports are lowered for Brazil, but raised for Argentina.

Non-US corn ending stocks for 2022/23 are down 1.7 mmts to 253.1 mmts. The USDA season-average corn price received by producers is raised 15 cents to $5.75/bus.

**Barley:** Non-US barley production is lower, with reductions for Canada, Kazakhstan, Turkey, the EU, and Russia more than offsetting increases for Ukraine, Australia, and Morocco.

China barley imports are reduced reflecting sharply lower exports for Canada.

**Poultry Producers in Brazil Want Farmers to Grow More Corn**

*Cordonnier/Soybean & Corn Advisor, Inc.* - Poultry producers in southern Brazil are concerned about the impact of tight corn supplies and high prices on their bottom line. The safra corn crop in Brazil, which accounts for nearly three quarters of Brazil’s total corn production, has been severely impacted by a historic drought and freezing temperatures. The result has been record high corn prices and squeezed profits.
The Union of Poultry Producers and Industries in the State of Parana (Sindiavipar) is holding a series of meetings with its members to develop incentives for farmers in the state to increase their full-season corn production.

Full-season corn production has been declining for years as farmers prefer to plant their soybeans first and then plant a second crop of corn. Domestic corn prices are near record highs making full-season corn more profitable than soybeans, but the problem is if a farmer plants full-season corn, he cannot plant a second crop of soybeans because soybeans are not allowed to be planted after December 31st. Even though a single crop of corn may be more profitable than a single crop of soybeans, farmers can make more money overall if they plant a crop of soybeans first followed by a second crop of corn. Farmers start planting full-season corn in August or September depending on the weather and the full-season corn is harvested starting in January. The second corn crop is planted in February and won't be harvested until next June or July.

In order to overcome the trend for fewer full-season corn hectares, poultry producers and industries are offering forward contracts for corn at very attractive prices to try and incentivize farmers to at least plant some of their farm to full-season corn.

The poultry sector is also in the process of importing more corn from Paraguay and Argentina to fill the void until new crop corn is available starting in January. From January through the end of June, 71% of Brazil's corn imports came from Paraguay, 28% came from Argentina, and 1% from the United States. The state of Parana imported 58.7% of the corn thus far this year followed by Santa Catarina with 23% and Rio Grande do Sul with 17.4%. One of the problems with imports is the fact that the logistics and ports in Brazil are geared for exports and not imports. Importing corn this time of the year will also cause congestion at the ports because this is when fertilizers are imported into Brazil.

Parana is the largest poultry producing state in Brazil and the poultry sector directly employs 85,000 and for every direct job there are 17 indirect jobs connected to the poultry sector according to state employment data. Approximately 10% of the population of the state is directly or indirectly impacted by the poultry sector.

Farmers in Parana may start planting their soybeans on September 10th, but rainfall will be needed to replenish the soil moisture after one of the driest periods in 80 years. If they receive the needed rainfall in September, the soybean planting should be finished by the end of October, allowing soybeans to be harvested in February and the safrinha corn planted in February and then harvested in June and July.

**CORN**

**Corn Prices**

USDA - Since the July WASDE, major export bids have been mixed. Brazilian bids are up $15/mt to $267/mt, with production expectations looking rather poor after new reports of frost damage to the safrinha corn crop.

With Brazilian offers jumping, international interest shifted to Argentina, underpinning a $21/ton spike to $240. Ukrainian bids are down $6/ton to $268 amid expectations of a record crop.

U.S. bids are down $8/ton to $276, reflecting a slowdown in old crop exports and lack of competitiveness relative to other export origins such as Argentina.

**CME CBOT Corn Futures**

CME Corn December 2021 new crop contract settled on Friday at $5.73, off ¼ cents on the day, and gaining 16½ cents for the week.
Nearby CME September 2021 corn is now trading at $5.68½/bu, a 4½ cent discount to December, compared to 1½ cents last Friday.

A wetter weather pattern in the 7-day QPF shows 1-2 inches expected in parts of the Corn Belt over the next week.

The Friday CFTC Commitment of Traders report indicated that spec funds added 7,544 contracts to their net long position in corn futures and options, placing bullish bets ahead of the crop reports. On August 10 they held a net position of 254,044 contracts. Commercials trimmed their large net short to 486,460 contracts by that date.

This week’s price action felt as though the trade added acres, as well as yield to USDA’s Thursday’s numbers; perhaps as much as 200 to 300 mbus.

While FSA final plant data compiles weekly and trickles into NASS systems over time, historically they don’t make a big adjustment on area till the October report. Yield wise the rows around were set long ago, but still defining filling and ultimate test weight, and weather forecast read more favorable, playing into the yield bump sentiment.

On the demand side, we are finding it hard not to add to USDA’s assessment on ethanol, even a little to feed/residual. However, US corn exports to China remain skeptical as pig numbers are highly questionable. China sold 123,568 mts or 47% of the imported corn offered at an auction on Friday. That was the 17th auction of imported corn since early June.

**BARLEY**

- **Barley Prices**

  USDA - Hot and dry weather in the provinces of Alberta and Saskatchewan has sharply reduced prospects for barley. With smaller supplies, exports for 2021/22 (October-September) are forecast at 2.7 mmts, down 40% from last month.

  As an exporter, Canada has been a relatively small player in the global barley trade. However, the share of its production destined for export has trended upward in recent years, and about a third of the crop is slated for foreign markets in 2020/21.

  China has been the top destination, followed by the United States and Japan. Limited exportable supplies will impact exports to China, given that China accounts for the lion’s share of Canada exports. For October 2020 through June 2021, Canada supplied about 30% of China’s barley imports.
For the domestic market in Canada, barley has been a major feed grain used for cattle in western provinces, where the cattle inventory is concentrated. Tight supplies of barley and other grains (i.e., oats, rye, and wheat) in the region are expected to trigger the need for alternative feedstuffs to mitigate impacts. Some domestic corn, grown predominantly in Ontario and Quebec, could flow west for feed purposes. Additional corn, however, is unlikely to lessen tightness of feedstuffs.

Combined feed and residual use for grains in Canada is currently forecast to fall substantially year-over-year.

- **Australia Barley Successfully Finds New Markets In 2021/22 (Oct-Sep)**

  **USDA** - Prior to China's Commerce Ministry imposing an 80.5% duty on Australian barley in May 2020, China accounted for approximately two-thirds of Australia's barley exports. In 2020/21, however, there have been only 34,000 mts of barley exported to China (accounting for 0.5% of 6.2 mmts exported so far in 2020/21), which was entirely in November. There have been no exports of barley from Australia to China in the 7 months since then.

  Following a bumper harvest, Australia barley exports have exploded, as exporters have successfully found markets to re-direct feed barley exports previously destined for China to other Asian markets, particularly Thailand, Japan, and Vietnam. In fact, the larger 2020 harvest has enabled Australian barley to fill the feed grain deficit in Asia. Australian barley has also found a home as well in Middle Eastern markets, most notably Saudi Arabia. In the first 7 months of 2020/21, Saudi Arabia has gone from importing 70,000 mts of barley for the same period in the previous year to importing 2.5 mmts, accounting for 44% of Australia barley exports.

  It is unclear whether Australia barley exports will sustain their current pace, as the increase in demand from Middle East countries this year is partially due to supply constraints and export policy decisions from their usual suppliers (Argentina and EU suppliers diverted shipments to China), as well as high feed prices.

  In this vein, Australian feed barley has become much more competitively priced, especially in comparison to alternative origins for Saudi imports, such as Russia and Ukraine; however, a return to more normalized prices and trade patterns would likely put pressure on Australia barley exports in light of the continued prohibitive Chinese duties.

  Australian barley producers already made adjustments to account for potential difficulties finding export markets in 2021/22 by shifting some barley planted area to canola, taking advantage of the high prices on offer.

- **Saudi Arabia Barley trade, demand decreases**

  **USDA GAIN** - On the 15th of April 2021, the Saudi government represented by the Saudi Grains Organization (SAGO) handed back the barley imports and distribution business to the private sector by selling 1.8 mmts of barley through an open and competitive bidding process to six local grain traders. The move officially ended a
longstanding government monopsony in barley trade that Saudi Arabia established several decades ago.

For marketing year 2020/21, from July 2020 - May 2021, USDA Post projects total Saudi barley imports at 6.87 mmts, which is an increase of approximately 3% compared to the previous marketing year.

No country registered barley exports to Saudi Arabia in June 2021, and importers also confirmed no shipment arrived at Saudi seaports during that same time.

During 2020/21, Russia was the leading feed barley supplier to the Kingdom at 2.684 mmts, accounting for a 39% market share and an increase in exports by 51% over the previous year.

Australia was the second largest supplier of barley accounting for 2.575 mmts, a 37% market share. The country was absent from the Saudi barley import market in 2019/20, due to a drought and a short crop, but is expected to actively compete with Russia and the EU-27 later this year.

The EU-27 was the third largest supplier to Saudi Arabia at 1.282 mmts, accounting for a 19% market share, a decrease in exports of nearly 53% from the previous year.

Finally, Ukraine was a distant fourth with 0.334 mmts, a 5% market share. Note that until this past marketing year the Ukraine had been the leading supplier of barley to Saudi Arabia.

Since the privatization of the barley business this past April, four of the eleven licensed private sector barley importers reportedly purchased 1.4 mmts for a July-September arrival from the international market. This amount is 17% below the 1.6 mmts that was purchased by SAGO at the same time last year.

The current import rate is reasonable considering the decreased barley demand that is currently prevailing throughout Saudi Arabia. According to various experts, there is no definitive explanation why demand for barley is slowing down; especially, during an extremely hot summer season when demand traditionally reaches its climax as no pasturing alternatives are available.

Some say it is due to the high barley price mixed in with a low fixed government monthly cash payment to farmers, which has forced many to explore other investment options. Others say demand is low because farmers are reducing waste, thus buying less barley, while others comment that no one fully knows the actual consumption rate of barley since traditional farmers routinely switched between barley and other products depending on the price.

In the past, farmers reportedly purchased the highly subsidized grain more than their real consumption demand leading to inefficiency and huge wastage. Currently, there is no indication that livestock farmers have increased using alternative feed, such as ARASCO (the largest processed feed producer in the country).

There is also no early indication that the demand for barley will increase either in the next few months, unless there is a huge decline in domestic barley prices, and it remains unclear exactly how livestock farmers will respond.

As a result, USDA Post's early projection for total Saudi barley imports for 2021/22 is 6 mmts, down 20% compared to the USDA official estimate of 7.5 MMT.

➢ **Australian June Barley exports slump**

Liz Wells – Australia exported 361,124 mts of feed barley and 35,680 mts of malting barley in June, according to the latest export data from the Australian Bureau of Statistics (ABS).

The feed figure is down 55% from the May total of 805,545 mts, and the malting tonnage is down 45% from the 64,749 mts shipped in May, to reflect the run-down in stocks as the current shipping year enters its closing months.

**Australian malting barley exports for January to June 2021**  
Source: ABS

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Vietnam was the volume destination for June malting exports on 32,964 mts.

On feed barley, Japan on 80,030t, Iraq on 64,824 mts and Vietnam on 62,421mts were the three biggest markets.

Iraq has not bought Australian barley for some considerable time and is back in the market now that drought has impacted its own production.

Flexi Grain pool manager Sam Roache said June feed barley shipments were the lowest seen since November last year. “We note a gap in Saudi shipments globally over the period, along with continually sliding Asian demand, as the market there makes room for new-crop Black Sea feed wheat,” Mr Roache said.

“Interestingly, we expect July and August barley shipments to be around 500,000 to 600,000 mts above June, with Saudi shipments picking back up as we finish our program there.

Mr Roache said barley stocks were running fairly tight in Australia, which matched well with Northern Hemisphere harvest and its peak shipping period from July to October.

“We expect a continued decline in shipping volumes due to tight stocks here until new crop, which would pick up from November forward.”

He said the soft conditions and soft spring forecast could lead to a late crop, and this could delay the start of new-crop shipments. “Depending on shipping significant volume earlier than last-half November may be hazardous.”
On prices, Mr Roache said feed barley values had lifted US$30-40/mt over the past three weeks after a significant drop in price on Ukrainian and Romanian harvest pressure.

“[T]he downgraded Canadian crop in terms of quantity and malt selection, support from the wheat market and the recommencement of Chinese buying in Ukraine and France has added buying to the global market, with Saudi a reported buyer of multiple cargoes for the August-September period too. “Values have recovered to levels we were seeing pre-Black Sea harvest and this has lent support to current and new-crop barley bids in Australia.

“Today, Australia is well priced versus competing countries for new-crop November-December forward, and we expect robust demand in the market as we get closer to that period.”

Australian feed barley exports for January to June 2021. Source: ABS

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- **EU barley harvest losses create ‘explosive’ world supply outlook**

 Reuters - Adverse weather in the European Union has sharply reduced prospects for barley harvests, contributing to a potentially ‘explosive’ global supply outlook for the cereals, analyst firm Strategie Grains said.

 Wet weather in the run-up to harvesting had led to disappointing yields in France and Germany while high temperatures in June had lowered yields in Poland and northern Europe, Strategie Grains said. The downgrade comes as harvest prospects have also deteriorated in other exporting zones like North America and the Black Sea region.

 Projected EU barley production was lowered by 2 mmmt from July to 53.0 mmmt, contributing to a 7 mmmt cut to Strategie Grains’ forecast of global barley output.

 With drought ravaging crops in major exporter Canada, the market was facing “explosive situations for barley and wheat”, putting the onus on maize (corn) to pick up additional demand for livestock feed, it said.

 Forecast EU maize production was raised to 66.3 mmmt from 65.7 mmmt in July. Rain has boosted crops in France, Germany and Poland, offsetting reduced prospects in Hungary, Romania and Bulgaria due to dryness, it said.

- **GRAIN SORGHUM**

- **Grain Sorghum Prices**
Argentina Sorghum Has Eyes on China

USDA – As China continues its grain buying spree, Argentina sorghum exports have been a beneficiary of this increased demand.

Just in the last few months, Argentina has exported nearly 500,000 mts of sorghum to China. As a point of comparison, Argentina exported about 90,000 mts to China in total over the prior years of the decade.

Current Argentina sorghum exports for 2020/21 (Oct-Sep) are forecast at 1.2 mmts, more than twice the volume of the previous year.

The United States is, as the world’s largest sorghum producer and exporter, the primary supplier of this grain to China. However, the level of China’s demand relative to production has left the U.S. sorghum balance sheet very tight for 2020/21; ending stocks are currently forecast to be the lowest in USDA’s database.

Beyond the tight U.S. balance sheet, Argentine sorghum is also substantially cheaper than U.S. sorghum, potentially reflecting lower palatability for animals due to higher tannin levels, and has benefited from the steady depreciation of the Argentine peso against the U.S. dollar. These factors make Argentine sorghum a very price-competitive grain on the world market.

In the last decade, Argentina exported most of its sorghum to Japan. As Japan’s incorporation of sorghum into its feed rations has fallen in favor of corn, import demand has been declining over the period. Though Chile and Colombia were also once major export markets for Argentine sorghum, these markets have seen import demand shrivel as well.

The resurgence of China sorghum imports will buoy Argentina’s sorghum growers, at least until the new-crop supplies become available in the United States.

Australian June Grain Sorghum exports rise

Liz Wells – Australia exported 188,466 mts of grain sorghum in June, according to the latest export data from the Australian Bureau of Statistics (ABS).

Australian sorghum exports for January to June 2021. Source: ABS

Grain sorghum exports rose 72% over June to 188,466 mts from 109,892 mts to reflect the availability of new-crop sorghum shipped mostly out of Brisbane.

China was again the major market for sorghum, taking 115,182 mts, with Kenya on 35,000 mts and Japan on 31,179 mts the other major bulk customers.

CME CBOT Oat Futures

OATS

CME CBOT Oat Futures
CME September 2021 Oats Futures settled on Friday at $4.68¾/bu, up 1½ cents on the day, and up 1¼ cents for the week.

**ETHANOL**

- **CME Ethanol Futures**

CME Ethanol September 2021 closed on Friday at $2.21500/gallon, up 3.500 cents on the day, and up 7.500 cents for the week.

Wednesday’s Energy Information Administration report showed domestic ethanol plant production fell a fifth consecutive week, dropping 27,000 barrels per day (bpd) or 2.7% to 986,000 bpd, the lowest level since the first week of May. The four-week average output was at 1.010 million bpd, down 14,000 bpd from the four-week average the prior week.

**DDG’s** - The DTN average price for domestic distillers dried grains from 33 locations reporting for the week ended August 12th was $197/ton, up $11 from one week ago.

Prices moved higher once again this week as demand has been firm and supplies are tight given lower production the past five weeks. Continued strength in protein feeds is also helping pump up values. Cash corn has been cheaper, except where plants needed to push basis to buy old crop. The DTN National Corn Index is down 3 cents versus one week ago, while the national average basis was also down 3 cents.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ended Aug. 5 was 97.28%. The value of DDG relative to soybean meal was 55.43%, and the cost per unit of protein for DDG was $7.30, compared to the cost per unit of protein for soybean meal at $7.48.

In its weekly DDGS export price update, the U.S. Grains Council said: “Exporters and merchandisers report export DDGS markets have been quiet this week. Market participants were reportedly waiting for Thursday’s WASDE report before making substantial moves. Barge CIF NOLA prices are $4-$8 per metric ton (mt) higher for September/October positions, while FOB Gulf offers are $3 higher for spot shipment and down $2 for October/November. Container market logistics are supporting prices for 40-foot containers to Southeast Asia and the average price is up $9/mt to $328 for spot shipment.”

- **CME WTI Crude Oil Futures Drop on Demand Concerns**

CME WTI September 2021 closed on Friday at $68.03/barrel, off $1.06 on the day, and down $0.25 for the week. September RBOB gasoline closed down -0.0128 (-0.56%) at $2.2518.

Sep WTI crude oil and Sep RBOB gasoline prices on Friday settled moderately lower on Covid concerns and an unexpected plunge in the University of Michigan’s U.S. August consumer sentiment to a 9-3/4 year low. Crude oil prices sank to their lows Friday afternoon after Baker Hughes reported that active U.S. oil rigs climbed to a 1¼ year high.

A decline in the crack spread to a 1-week low on Friday is bearish for crude since the weak spread discourages refiners from purchasing crude to refine into gasoline. A bearish factor for crude was Thursday’s statement from the IEA that global crude demand “abruptly reversed course” last month due to the surge in Covid infections. The IEA also cut its global crude demand forecast for all of 2021 to 96.2 million bpd from 96.4 million bpd.
The spread of the delta Covid variant in China, the world's second-largest crude consumer, has slammed domestic air travel in China and is negative for fuel demand. Data from aviation specialist OAG showed the number of seats being offered by Chinese carriers plunged -32% in one week and sent global carrier capacity down -5.5%. Globally, airline capacity stands at 64% of pre-pandemic levels. The 7-day average of new U.S. Covid infections rose to a 6-1/4 month high Thursday of 123,734, and Tokyo reported a record 5,773 new Covid infections on Friday.

U.S. gasoline demand fell for a second week after data on Tuesday from Descarte Labs showed U.S. gasoline demand in the week ended Aug 6 fell less than -1% to 9.486 million bpd. Weak fuel demand in India, the world's third-largest crude consumer, is bearish for prices. Data from India's three biggest fuel retailers showed diesel sales in July at 5.449 MMT, down -11% below the same period in 2019 before the pandemic began. Sales of diesel account for 40% of all Indian oil consumption. An increase in global crude oil stored on oil tankers throughout the world is bearish for crude prices. Vortexa on Monday said that crude oil stored on tankers that have been stationary for at least seven days in the week ended Aug 6 rose +6.7% w/w to 92.13 million bbl.

Wednesday's weekly EIA report showed that (1) U.S. crude oil inventories as of Aug 6 were -5.8% below the seasonal 5-year average, (2) gasoline inventories were -3.7% below the 5-year average, and (3) distillate inventories were -5.3% below the 5-year average. U.S. crude oil production in the week ended Aug 6 rose +0.9% w/w to 11.3 million bpd and is down by -1.8 million bpd (-13.7%) from the Feb-2020 record-high of 13.1 million bpd. Baker Hughes reported Friday that active U.S. oil rigs in the week ended Aug 13 rose by +10 rigs to a new 1-1/4 year high of 397 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.

OILSEEDS COMPLEX

USDA WASDE – Oilseeds

USDA WASDE - Global 2020/21 oilseed production is forecast at 600 mmts, down marginally from July. Soybean production is also down slightly on lower Argentina soybean production. Oilseed imports are down 1 mmts from July on lower China soybean imports. Oilseed crush is down 3 mmts on lower China, U.S., and Canada soybean crush. Global oilseed stocks are up 2 mmts on larger China and U.S. soybean stocks partially offset by lower South American soybean stocks. The USDA 2021/22 global oilseed supply and demand forecasts include lower production, crush, exports, and slightly higher ending stocks compared to last month.

The non-US global oilseed production was reduced 3.6 mmts to 501.4 mmts, reflecting lower canola production for Canada, along with lower sunflower seed production for Russia. Partly offsetting this drop was a higher Ukrainian sunflower seed. Canada's canola crop is lowered 4.2 mmts to 16 mmts on drought in the Canadian Prairies.

Russian sunflower seed production is lowered 1.0 mmts to 15.5 mmts as pockets of dryness and extreme heat in key regions lower overall crop prospects. In contrast, Ukraine's sunflower seed production is forecast higher as a wet spring followed by beneficial rains during June and July in southern Ukraine improved yield potential. Global 2021/22 oilseed crush was 4 mmts lower to 530 mmts mainly on lower soybean crush for China and lower rapeseed supplies leading to reduced crush for the EU.

Soybean crush for China was lowered 2.0 mmts to 98 mmts, in line with downward revisions to crush and soybean meal consumption in the prior year. With lower demand, China's 2021/22 soybean imports are lowered 1.0 mmts to 101 mmts. Oilseed imports are down 4 mmts driven by lower EU and China rapeseed imports and lower China soybean imports. Exports are down 4 million on lower Canada rapeseed and U.S. soybean exports.

Global oilseed stocks are slightly higher as lower production is paired with lower use. Lower rapeseed and sunflower seed stocks are offset by higher global soybean stocks, which are raised 1.7 mmts to 96.1 mmts mainly on higher stocks for China. The USDA season-average soybean price for 2021/22 is forecast at $13.70/bus, unchanged from last month.

Argentine Soybeans: Harvest Completed for the MY 2020/21 Season
USDA estimates Argentina soybean production for marketing year 2020/21 at 46.0 mmts, down 1% from last month and 6% from last year. Area is estimated at 16.6 million hectares, the same as last month, but down less than 1% from last year. Yield is estimated at 2.77 mts/ha, down 1% from last month and 5% from last year.

Harvest was slightly slower this season than last, according to the Argentina Ministry of Agriculture. Yields this season varied based on an unequal distribution of rainfall throughout the crop cycle. Dryness prevailed during February and March in most regions.

The last of the crop to be harvested was cut in the provinces of Buenos Aires and La Pampa, where yields were quite variable. Yields in portions of Entre Rios were much lower than the 5-year average yield due to low soil moisture availability during much of the season. Average yields in the northern portion of the country tended to be just lower than historical averages.

Rains in mid-March to early April helped the crop, particularly around Buenos Aires and La Pampa. First-crop soybeans did better than second-crop soybeans, not only due to the longer season but also due to better yields as conditions during flowering and pollination were less stressful on first-crop soybeans than the later flowering second-crop soybeans.

### China slows soybean imports in July-August amid low crushing margin

**Refinitiv** - Rapid soybean imports in the first half of the year have slowed in China since July amid high soybean stocks, high prices and low soybean crushing margin. According to Refinitiv's trade flows, China received 10.5 mmts of soybeans in June and 7.0 mmts in July. July figure is the lowest for the month over the past three years.

In addition, 8.9 mmts of soybeans are headed for and will arrive in China in August, which is also lower than August imports for prior three years. Brazil remains the dominant origin of China soybean imports, with small amount of soybean arrivals from Argentina and Uruguay.

Despite recent sluggish imports, year-to-date imports (January-July) totaled 53.5 mmts, 4% above last year's same period. China soybean supplies remain adequate.

On the other hand, global soybean prices remain at the highest levels since 2014. The high import prices and recent negative soybean crushing margin in China have reduced soybean crushing.

China’s soybean imports may remain weaker than last year over the next months. However, considering feed demand in China and record high corn feed prices, we expect that 2021/22 China soybean imports remain at high levels.

US soybean production is challenged by the adverse weather in the west. Refinitiv agriculture research forecasts U.S. soybean production at 118 mmts, 2 mmts below USDA’s July estimate. Together with the low beginning stocks, 2021/22 U.S. soybean supplies should decline from a year ago.

The shortage in U.S. soybean supplies indicate that soybean prices will unlikely ease in the near future.

Considering current adequate domestic supplies and high soybean prices in the international market, China will unlikely purchase massive amount of U.S. soybeans in the first half of the market year, as occurred last season (34.5 mmts during September 2020-February 2021). More likely, China may expect for a bumper Brazil soybean harvest in 2021/22 to replenish global soybean supplies and ease soybean prices.

**GHA** - China’s July soybean imports fell nearly 20% from June to 8.67 MMT and were 14% less than the July 2020 total. Oct-July imports are however, up 4.2 million/5.3% versus the 19-20 total. This continues to raise questions on the recovery of China’s actual pig numbers, and the volume of continuing demand as we move forward.

### EU 2021/22 soybean imports at 1.27 mmts, rapeseed 414,077 mmts

**Reuters** - European Union soybean imports in the 2021/22 season that started in July had reached 1.27 mmts by August 8th, data published by the European Commission showed on Tuesday. That compared with 1.79 mmts by the same week in the previous 2020/21 season, the data showed.

EU rapeseed imports so far in 2021/22 had reached 414,077 mts, compared with 310,167 a year earlier.

Soymeal imports so far in 2021/22 were at 1.21 mmts against 2.01 mmts a year ago, while palm oil imports stood at 377,083 mts versus 723,520 mts.

The report is not complete for the full EU as data from Italy has been missing for the previous four weeks, the Commission said.

### India to launch $1.48 bln plan to raise oilseed output, cut imports

**Reuters** - India will launch a 110 billion rupee ($1.48 billion) plan to boost domestic oilseed production to make the country self-sufficient in edible oil, Prime Minister Narendra Modi said on Monday, a move that will cut costly vegetable oil imports.

India is the world's biggest vegetable oil importer and spends an average of $8.5-$10 billion annually on edible oil imports.

The country produces less than half of the roughly 24 mmts of edible oil that it consumes annually. It imports the rest, buying palm oil from Indonesia and Malaysia, soyoil from Brazil and Argentina, and sunflower oil, mainly from Russia and Ukraine.

India does export agricultural commodities such as sugar and rice on the world market, but domestic oilseed production is nearly six times lower than rice and wheat on average.

"The government will invest more than 110 billion rupees via the National Mission on Oilseeds and Oil Palm to provide farmers everything possible, including better seeds and technology," Modi said on Twitter.
"When India is emerging as a major exporter of farm goods, we should not depend on imports for our edible oil requirements," Modi said.

India’s vegetable oil imports have surged to 15 mmts from 4 mmts only two decades ago, according to traders and industry officials. They said imports could reach 20 mmts by 2030, boosted by a growing population with higher incomes and a taste for calorie-laden curry and fried food.

Atul Chaturvedi, president of the Solvent Extractors Association of India, an industry body, said it was a giant step to help India to become self-sufficient in edible oil.

Earlier this year, Reuters reported that India was expected to announce a five-year plan to cut vegetable oil imports by providing farmers with financial incentives to switch to oilseeds from grains.

**SOYBEANS**

- **Soybean Export Prices**

  ![SOYBEANS GRAPH]

  New crop CME November 2021 Soybean Futures settled on Friday at $13.65/bu, up 24 cents on the day, and gaining 28½ cents for the week.

  The nearby August contract close a $14.24/bu, a 59 cent premium to November.

  Newly appointed nearby September closed out the week with a 2.14% gain.

  The Commitment of Traders (CoT) data from CFTC showed managed money spec funds in soybean futures and options raising their net long position by 13,362 contracts as of Tuesday. That took the position to net long 91,648 contracts on the 10th.

  A number of “flash” export sales through the week, and primarily by China were supportive. Export sale announcements of 126,000 mts of new crop soybeans to China and 326,200 mts to unknown (200 mts for 20/21 and the balance for 21/22).

  Decent China meal trade again at 358 kmt, helping support their US bean buying.

  Nearby CIF bids fell a dime, but offers are thin too. PNW bids around +1.70x for new crop, with buyers trying to cover the recent sales being made. Processor bean basis continued down the mountain this week, cracking the old/new inverse, many dropping 50+ cents. DVE on IWDS basis for LH September is 8 cents below delivery, which should push UX towards a carry. LH November is 5 cents below DVE and January at 6 cents below. As such, board spreads should move to a wider carry.

  South America has lost its price advantage to the U.S. into new crop, with Canola fading Friday morning as well. Basis levels have been flat to weaker in recent days. Rosario Grain Exchange expecting Argentina farmers to plant 3% less beans next year, 2021/22 production estimate is 3 mmts below USDA’s. Low water likely to stop any further shipments from Paraguay into the Parana River.
Ahead of Monday’s NOPA report, analysts expect July crush among members to be 159.06 mbus on average. That would be above the June number but well below the 172.8 mbus from July last year. Soy oil stocks are seen at 1.505 billion lbs on July 31. New crop Brazil farmer selling has picked up on the price strength and causing new crop spread firmness as those hedges hit the H/K 22.

CANOLA / RAPESEED

- **Tight Canada Rapeseed Supplies Impact Global Oilseeds Markets**
  
  *USDA* – Hot and dry conditions for much of the Canadian Prairies have significantly impacted rapeseed production this growing season.
  
  The 2021 production forecast is reduced more than 4 mmts this month to 16.0 mmts. Average yield is reduced nearly 20% while harvested acreage is lower in response to anticipated abandonment or increased harvesting for forage.
  
  With lower production and reduced carry-in from last season, rapeseed supplies are forecast to decline more than 20% to the lowest level in nearly 10 years. With beginning stocks already at minimal levels due to the strong demand observed over the past few years, most of the decline in availability will be reflected in the seed exports.

Outside of Canada and the United States, rapeseed supplies (production plus beginning stocks) are forecast to rise more than 2%, with increased exports out of Eastern Europe and Australia offsetting some of the decline out of Canada.

With Canada representing more than 60% of global trade over the past 4 years, importers such as China and the EU will face the greatest challenges, requiring drawdowns in local stocks and increased substitution with other protein meals and oils.

An expected strong rebound in sunflower seed production in Europe will be instrumental in offsetting the reduced availability of rapeseed in Canada.

- **Lingering hot and dry weather slashes Canada rapeseed production**

  *Refinitiv Commodity Research* – Canada’s 2021/22 rapeseed production was slashed by 3% to 18.3 [16.5–20.2] mmts, as scorching heat continues to hit large swaths of Western Canada amid lack of moisture.

  Statscan’s current estimate puts planted area at 8.6 million hectares, up 2% from last season, which is below the StatCan’s latest estimate of 9.1 million hectares in its *Principal Field Crop Areas* report (29 June).

  The USDA’s *World Agricultural Outlook Board* (WAOB) pegged its estimate of Canada rapeseed production at 20.2 mmts in early July.

  The next StatCan update will be released in its *Production of Principal Field Crops* report, which is scheduled for late August.

  Unfavorable hot and dry conditions continued across much of the Southern Prairies over the past two weeks, depleting soil moisture reserves even further. Abnormally high temperatures were observed in Alberta and the western parts of Saskatchewan (3-5 °C above average), amid a continued lack of moisture (with deficits between 10-20 mm below normal throughout key areas of Saskatchewan and Manitoba).

  Alberta Agriculture and Forestry rated only 19.7% of its crop in good to excellent condition, far worse than the 5-year average of 70.8% and the 10-year average of 71.4%. Vegetation densities derived from satellite imagery continue to remain well below historical median levels across most major production regions, and are even nearing record lows in Manitoba.

  A weather system next week may bring some wetness to core crop areas near the Alberta/Saskatchewan border (where more than 60% of Canada’s total rapeseed is grown), but hot conditions are likely to continue into mid-August, warranting close attention.

- **ICE Canadian Canola Futures**

Crush is also expected to decline; however, with continued strong demand for canola meal and oil in the United States, and positive margins for Canadian crushers, the impact on domestic crush volume is expected to be less significant. Crush volume is forecast to fall just 9% while exports are forecast to decline by one-third.
New crop ICE November 2021 Canola Futures settled on Friday at C$894.30 891.80/mt, up C$10.90 on the day, and gaining $2.50 for the week.

- **Uzbekistan Turns to Sunflowers and Soybeans**

Over the past decade, Uzbekistan has transitioned from importing virtually no sunflower seed to a top five sunflower seed importer.

Uzbekistan imported less than 500 mts of sunflower seed in 2007/08, compared to more than 100,000 mts during each of the past 5 years.

Soybean meal and sunflower seed oil imports have experienced similar upticks over the same period. Imports of all three have jumped in response to growing meal and oil demand coupled with falling Uzbekistan cottonseed production.

Ten years ago, cottonseed meal accounted for almost 90% of Uzbekistan feed waste on a soybean meal-equivalent basis but is only forecast to account for 65% in 2021/22. Likewise, cottonseed oil as a percentage of total food use consumption is forecast to fall from 60% to one-third over the same timeframe.

This trend is likely to continue in the future as domestic demand for meal and oil grows. Over the past decade, the chicken flock has grown 10% annually spurred by rising domestic per capita consumption. Starting in June 2021, the Uzbekistan government will provide new subsidies for egg and poultry producers based on output, likely leading to immediate and long-term poultry production growth that will require more feed. Likewise, Uzbekistan oil consumption is assumed to rise in tandem with the relatively consistent 2% annual population growth.

Cottonseed production is likely to lag demand with relatively flat growth. A major contributing factor will be the effects of a March 2020 Presidential decree that liberalized the cotton market, cancelling state regulated production and prices. It is unclear what effect the change will have on production as an influx of foreign and domestic investments could increase cotton production while some farmers are likely...
to use their expanded autonomy to shift into alternative agricultural products like fruits and vegetables.

Local crushers have been preparing for an uptick in sunflower seed imports as continued investments to processing facilities are expected to increase sunflower seed crush capacity to more than 1 mmts by 2022. With forecasts of record global sunflower seed production and Uzbekistan cottonseed production at its lowest level in the USDA database, 2021/22 is forecast to be another strong year for Uzbekistan sunflower seed and sunflower seed oil imports.

Effective with this publication, USDA’s Production Supply and Distribution database has been expanded to include sunflower seed and sunflower seed meal for Uzbekistan back to marketing year 2005/06 (sunflower seed oil data already exists back to 1999/00). This addition accounts for much of the change in sunflower seed trade balances this month.

**VEGETABLE OILS**

- **Soybean & Palm Oil Export Prices**

  ![Soybean and Palm Oil Export Prices Graph](image)

<table>
<thead>
<tr>
<th>July 2021 Soybean and Palm Oil Export Prices</th>
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<tbody>
<tr>
<td>U.S. Soybean Oil</td>
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<tr>
<td>July Avg Price</td>
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<tr>
<td>Change vs June</td>
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Source: International Grains Council; all prices are FOB: U.S. Gulf, Argentina (upriver, Brazil Parana, Brazil-

**CME Palm Oil Swaps**

CME September 2021 Palm Oil Swaps settled at $1,021.00/mt on Friday, off $0.25/mt on the day, but gaining $67.75 for the week, as it makes new life of contract highs.

Reuters - Oil prices fell for a second day on Friday after the IEA warned that demand growth for crude and its products had slowed sharply as surging cases of COVID-19 worldwide has forced governments to revive restrictions on movement.

The benchmark palm oil contract for October delivery on the Bursa Malaysia Derivatives Exchange slid 37 ringgit, or 0.83%, to 4,437 ringgit ($1,047.95)/mt, although the contract was on track to post its seventh weekly gain in eight following data that showed July supply fell more than expected.

Palm has gained 3.8% so far this week. Exports of Malaysian palm oil products for August 1st - 10th rose 4.2% to 423,888 mts from July 1st - 10th.

Palm oil export prices rose on tight supplies.

USDA global 2020/21 vegetable oil production is down slightly on lower China soybean crush and Malaysia palm oil production. Vegetable oil exports are down marginally mostly due to lower Malaysia palm oil exports. Vegetable oil consumption is down slightly while ending stocks are up fractionally.

Global 2021/22 production of oils is down 1 mmts on lower rapeseed crush and consumption is down slightly.

The USDA season-average soybean oil price forecast is unchanged at 65.0 cents per pound.
Malaysia's palm oil stockpiles hit a four-month low at July end, falling below expectations, as production and imports shrank, according to the Malaysian Palm Oil Board (MPOB) on Wednesday. Palm oil is affected by price movements in related oils as they compete for a share in the global vegetable oils market.

- **CME Soybean Oil**
  
  CME September 2021 Soybean Oil Futures settled on Friday at $63.72/cwt, up $1.47 on the day, and gaining $1.91 for the week.

- **Argentina Reduces Biodiesel Blending Requirements**

  Argentina cut biodiesel blending requirements in half, reducing the percentage of biodiesel required for blending in the domestic market to 5%.

  This is expected to increase the quantity of soybean oil available for export by nearly 500,000 mts based on historic blend rates. However, further analysis suggests a more muted increase in availability.

  COVID-19 restrictions on travel in 2020 likely reduced demand for transport fuels which reduced biodiesel demand in both domestic and export markets. Furthermore, the rock-bottom petroleum prices observed in 2020 likely nibbled around the edges of biodiesel demand, adding to the availability of soybean oil for export last year.

  With a return to higher petroleum prices and travel restrictions easing in many markets, demand for biodiesel, particularly for export, is rising as noted in the year-to-date Argentine biodiesel trade. Biodiesel refiners are likely to be aggressive marketers in the coming year to keep plants operating near capacity.

- **Soybean Meal Export Prices**

  With gains to soybean oil availability last year, a consequence of declining fuel demand, and rising biodiesel use this year as global demand for transport fuels rebounds, the year-over-year increase in soybean oil for export is likely to be a fraction of the potential gains from the cut in domestic blending requirements.
USDA - Prices for U.S. and Brazil soybean meal in July were little changed overall, as China demand growth has slowed and Northern Hemisphere harvests have begun, leading to more plentiful meal supplies.

Global demand for Brazil soybean meal continues to rise, keeping prices high. Argentine meal prices are down slightly on substantial soybean meal stocks, despite challenging Parana River export logistics.

USDA global 2020/21 protein meal production was down 2 mmts on lower soybean crush. Global protein meal exports were up 2 mmts tons mostly on higher Brazil soybean exports. Global protein meal domestic consumption is down 2 mmts on lower China and Brazil soybean consumption.

Global 2021/22 production of protein meals is down 3 mmts. Consumption of meals is down 2 mmts as lower consumption of rapeseed and soybean meal is partially offset by gains in sunflower seed meal.

The USDA season-average soybean meal price is forecast at $385 per short ton, down 10 dollars.

CME CBOT Soybean Meal

Symbol: @SMU1

India to allow import of 1.5 mmta of GM soymeal

AIPBA - India's government has signaled that it will allow the import of up 1.5 mmta of genetically modified soybean in order to meet the country's existing supply shortfall in the first such authorization, a poultry industry group has disclosed.

The decision was disclosed in a statement released by the All India Poultry Breeders Association (AIPBA) on August 9th in which Bahadur Ali, Chairman of the AIPBA, thanked India's Prime Minister for allowing GM soymeal imports for the first time.

The development follows a period of intense lobbying by representatives from the Indian poultry, aquaculture (fisheries and shrimp), dairy and animal feed industries aimed at securing approval for the import of soymeal from the Ministry for the Environment. According to industry representatives, a shortage in domestic feed availability has contributed to surging soymeal prices that are damaging the livestock, poultry and aquaculture industries as high feed prices squeeze production margins.

On the futures trading platform National Commodity and Derivatives Exchange (NCDEX), hipro soybean meal peaked at INR10,211/quintal ($1,370/mt) - up 157% from a closing price of INR3,966/quintal ($530/mt) on August 1 2020 – before prices dipped to INR9,500/quintal ($1,270/mt) on August 10th.

Imports of any GM material is governed by the Environment Protection Act 1985 and GM import proposals are considered by the Genetic Engineering Appraisal Committee (GEAC) under the Environment Ministry.

India currently imports approximately 500,000 mts of oil meals and about 300,000 mta of oilseeds from non-GM origins each year. The Indian government is expected to officially announce the new policy by the end of the week.

Cotton Climbs To New 10 year highs

CME September 2021 Soybean Meal Futures settled on Friday at $357.60/short ton, up $2.40/ton on the day, and gaining $1.80/ton for the week.
October cotton futures settled on Friday at $95.21, approaching a 10 year high as strong demand continues to underpin prices.

Cotton futures rallied into new life of contract highs this week and netted a gain of 2.8% for the week. That is on top of a 2.6% advance the previous week.

Thursday’s USDA reports were bullish for cotton. USDA cut projected harvested acres, and trimmed average yield to 800# per acre from 814 in July and 847 last year. Exports were cut 200,000 stat bales due to higher prices and reduced supply, with USDA boosting the expected cash average price to 80 cents from 75 cents.

The weekly CoT data indicated the large managed money spec funds were net long 73,282 contracts on August 10th, adding 5,802 contracts on the week.

**TRANSPORTATION**

- **Baltic Dry Freight Index - Daily**

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.

Not restricted to Baltic Sea countries, the index provides *an assessment of the price of moving the major raw materials by sea. Taking in 23 shipping routes measured on a time-charter basis, for dry bulk carriers carrying a range of commodities including coal, iron ore, grain, and other commodities.

Because dry bulk primarily consists of materials that function as raw material inputs to the production of intermediate or finished goods, the index is also seen as an efficient economic indicator of future economic growth and production.

Source: https://www.tradingview.com/chart/?symbol=INDEX%3ABDI

**Baltic Dry Index - Demand propels DBI to highest in over a decade**

Reuters – Thu, August 12, 2021, 9:31 AM

The Baltic Exchange’s main sea freight index, which tracks rates for ships carrying dry bulk commodities, jumped to its highest level in over a decade on Thursday, powered by strong demand across vessels segments.

- The overall index, which factors in rates for capesize, panamax, supramax and handysize shipping vessels, jumped about 3% or 93 points at 3,503, the highest level since mid-2010.
- The capesize index rose 224 points, or 5.1%, to 4,608, a fresh record since May 12.
- Average daily earnings for capesizes, which typically transport 150,000-tonne cargoes such as iron ore and coal, rose by $1,863 to $38,217.
- “Physical demand has been strong along with the paper market, with demand coming in from the Pacific, and helped by a underlying fundamental of strong demand for commodities from the start of 2021,” said Rebecca Galanopoulos Jones, head of research at Alibra Shipping.
- “Congestion in Chinese ports, along with some weather concerns in the Pacific have also helped, but where we go from here is anyone’s guess,” Jones added.
- Congestion off China’s top two container ports Shanghai and Ningbo is worsening following the shutdown of a container terminal in Ningbo where a COVID-19 case was detected this week.
- The panamax index advanced 34 points, or 1%, to its highest since June 22 at 3,550.
- Average daily earnings for panamaxes, which usually carry coal or grain cargoes of about 60,000 tonnes to 70,000 tonnes, increased by $309 to $31,949.
- Among smaller vessels, the supramax index rose about 30 points to 3,079, an all-time high as per Refinitiv Eikon data available since 2017.
Freightos Baltic Index (FBX): Global Container Freight Index

FBX stands for Freightos Baltic Index. It is the leading international Freight Rate Index, in cooperation with the Baltic Exchange, providing market rates for 40’ containers (FEUs).

Prices used in the index are rolling short term Freight All Kind (FAK) spot tariffs and related surcharges between carriers, freight forwarders and high-volume shippers. Index values are calculated by taking the median price for all prices (to ignore the influence of outliers on active lanes) with weighting by carrier. 50 to 70 million price points are collected every month.

The weekly freight index is calculated as an average of the five business days from the same week and published each Friday.

Source: https://fbx.freightos.com/

FMC Launches Inquiry Into Ocean Container Carrier Surcharge Practices

On August 4th, the Federal Maritime Commission (FMC) launched an expedited inquiry into the practices of eight ocean container carriers with respect to certain surcharges. The carriers were asked to provide details confirming that any congestion or related surcharges they “implemented or announced” accorded with legal and regulatory obligations.

The carriers have until August 13th to respond. FMC’s Bureau of Enforcement (BoE) will review their responses to determine if the carriers implemented the surcharges with proper notice, if they clearly defined the purpose, and if they identified a clear event or condition that would terminate the surcharge.

FMC Chair Daniel Maffei stated, “I want to know the carriers’ justifications for additional fees and I strongly support close scrutiny by the FMC’s Bureau of Enforcement aimed at stopping any instance where these add-on fees may not fully comply with the law or regulation.”.

Freightos West Coast N.A. – China/East Asia Container Index - Daily

Source: https://fbx.freightos.com/

Congestion building in US while China battles outbreak at Ningbo

Maritime News - With COVID restrictions already slowing operations at major Chinese ports, a new outbreak yesterday in Ningbo has shut down one of the port's terminals. Outbreaks are impacting manufacturing and port operations just as demand for exports hit their peak-season stride: US import volumes in August are projected to set a new monthly record.

Disruptions in Asia will likely contribute to more delays for US importers, and even more pressure on already extremely elevated rates. Though prices had already spiked last August, current rates from Asia to the US are more than six times their levels a year ago.

- Asia-US West Coast weekly prices (FBX01 Daily) increased 1% to $18,556/FEU. This rate is 571% higher than the same time last year.
Asia-US East Coast weekly prices (FBX03 Daily) increased 5% to $19,620/FEU, and are 514% higher than rates for this week last year. COVID-19 outbreaks in Vietnam and parts of China are closing factories and slowing logistics, even as peak season demand and congestion at US ports continue to surge. On top of the recent restrictions on port workers and ship crews that were already slowing operations and driving congestion at China’s major sea ports and at Shanghai’s Pudong airport, an outbreak among port operators today has reportedly shut down one of Ningbo’s container terminals.

These additional complications couldn’t come at a worse time. Though US demand for imports has surged for more than a year, peak season is just hitting its stride and pushing volumes to new heights. The National Retail Federation projects that August will set a new monthly container import record, surpassing last August’s volumes by 12.6%. Congestion and delays are already growing at the ports of LA and Long Beach and though disruptions at Asian origin ports could result in a temporary lull of arrivals in the US, they will only add to delays for US importers.

Though some carriers are adding capacity (again) via Oakland and others are getting creative with a rail-sea service to the East Coast, peak demand continues to put tremendous pressure on freight rates. Asia - US rates are more than six times their levels a year ago, and Asia - North Europe prices are 719% higher than this time last year. As capacity is moved to meet the demand ex-Asia, rates on other lanes, like the transatlantic are climbing too: Europe - US East Coast prices climbed 10% to $6,658/FEU this week, nearly four times their level a year ago, and Europe to South America rates increased 12% to $3,459/FEU, a 250% climb over last year.

High scrapping prices bring surge in vessel demolition
Nick Blenkey – The first half of 2021 saw 275 Cargo vessels sold for scrap, up 40% and 33% compared to 2020 and 2019, respectively. The 275 scrapped vessels have a combined DWT of 11.9 mil and a total scrap value of over USD 1 bil. 131 tankers were scrapped, accounting for nearly half of all cargo vessels scrapped in H1 2021.

The increasing scrapping numbers are a direct result of exceptionally high scrapping rates, which rose and continue to rise throughout 2021. The end of H1 2021 saw Container scrapping prices reach 600 USD/LT, levels not seen for nearly 13 years. The surge in scrapping prices has been fueled by the ever growing rise in steel price and demand. A demand catalyzed by lockdown restrictions causing logistical issues for construction sites across the world.

The unprecedented earnings seen in H1 2021 for the Bulker and Container sectors saw owners capitalize in both the charter and S&P market, turning their back on the demolition market despite the lucrative scrapping prices. Tanker owners, however, were more tempted by the high scrapping prices, but still, the majority are choosing to cling onto older assets in the hope of a full market recovery.

Financial pressures forced upon the Offshore sector due to Covid-19 has seen many owners scrapping their non-core assets. This is a result of pre agreed bankruptcy agreements which requires complete fleet reviews.
was 92 and 91 respectively. It would not be a surprise if Tanker scrapping continues to grow as earnings continue to remain at extremely low levels.

Despite the high scrap prices, Bulker owners are tentative to scrap any older tonnage due to the exceptionally high earnings. Scrapping numbers have remained comparatively low for H1 2021, down 13% from H1 2020.

Expectedly, Container scrapping numbers are down 78% from 2020 as the sector relishes the extreme earnings. 7 of the 10 Containers scrapped this year, were small Feedermaxes, all 25 years or older. Even if scrap prices continue to rally upwards it is unlikely that we will see many more Containers scrapped in the second half of the year.

The Small Dry sector experienced a generous uptick in scrapping numbers (up 60% from 2020), as several owners opted to benefit from the high scrapping rates and scrapping their older tonnage. The average scrapping age for H1 2021 was 34 years.

### Cargo Scraping by Delivery Country

![Cargo Scraping by Delivery Country](image)

- **Bangladesh**: 106 vessels (up 80% from H1 2020)
- **India**: 53 vessels (down from its impressive performance in the latter half of 2020)
- **Pakistan**: 51 vessels (down from its impressive performance in the latter half of 2020)
- **Other**: 14 vessels

Since the second half of 2019, the number of vessels scrapped each year has grown year on year.

The battle for the top spot for 2020 and 2021 pulled numerous untested elements into play such as rising Covid-19 cases, yard lockdowns and lack of oxygen supply which were all unchartered waters for recycling yards.

Bangladesh was briefly knocked off its top spot in March as Pakistan offered more competitive scrap pricing. During April, all three countries, Bangladesh, India and Pakistan suffered due to rising Covid-19 cases. India was particularly impacted as it saw another set of lockdown restrictions imposed.

Notwithstanding the relentless pandemic, scrapping prices and numbers continued to rise. Bangladesh took the lion’s share in H1 2021, scrapping 106 vessels, up 80% from H1 2020. India and Pakistan scrapped 53 and 51 vessels respectively, down from their impressive performance in the latter half of 2020.

### Conclusion

Extreme scrap prices, costly new environmental regulations (sulphur cap, BWMS etc) and an ever ageing fleet was the perfect blend to see scrapping numbers blown out of the water and some impressive records to be set.

However, with Containers and Bulkers making so much money, and Tankers having done so previously, owners are holding onto their vessels despite the huge temptation from scrapping prices.

If the steel demand continues to rally the demolition scrap price for shipping, then it is likely that scrapping numbers will increase throughout the year, especially if Bulker and Container rates begin to soften.

The high steel price is positive for market fundamentals in oversupplied sectors as it encourages scrapping but bad for undersupplied sectors as it heightens new building prices.

VesselsValue data as of July 2021

Disclaimer: The purpose of this blog is to provide general information and not to provide advice or guidance in relation to particular circumstances. Readers should not make decisions in reliance on any statement or opinion contained in this blog.

### Logistics

**Canadian Pacific challenges Canadian National with $27 bln KCS bid**

By Greg Roumeliotis, Reuters - Canadian Pacific Railway Ltd presented a new $27 billion offer for U.S. peer Kansas City Southern on Tuesday, lower than a $29 billion rival bid from Canadian National Railway Co (CNR.TO), hoping antitrust concerns over the latter will give it an edge.

Canadian Pacific Chief Executive Keith Creel had refused to raise his previous $25 billion bid for Kansas City Southern after losing to Canadian National in May, arguing that the transaction that Kansas City Southern had chosen to pursue was "not a real deal" because the Surface Transportation Board (STB), the U.S. rail regulator, would shoot it down. read more

But with less than 10 days to go until Kansas City Southern shareholders are asked to vote on the deal with Canadian National on August 19th, the STB has yet to rule on the proposed "voting trust" structure of that transaction. A voting trust insulates the acquisition target from the acquirer's control until the STB clears the deal on a permanent basis.

Canadian Pacific had been hoping that the STB would come out against Canadian National's bid by now, according to people familiar with the matter. The STB said on Tuesday it would announce its decision on the Canadian National voting trust by August 31st.
Another consideration behind Canadian Pacific's u-turn was the opinion of influential proxy advisory firms, the sources said. Institutional Shareholder Services and Glass Lewis recommended that Kansas City shareholders vote in favor of the Canadian National, but left the window open for them to revise their opinions if Canadian Pacific came in with a new bid.

"As Canadian Pacific went out telling (Kansas City Southern shareholders) to vote no, the feedback they got from investors was there was no other offer from you to help us make a decision," said Cowen analyst Jason Seidl.

The acquisition of Kansas City Southern by either of its Canadian peers would create the first direct railway linking Canada, the United States and Mexico.

Canadian National Railway has said it will divest Kansas City Southern's 70-mile rail line between New Orleans and Baton Rouge to eliminate overlap between the two railroad operators. It has agreed to pay a $1 billion fee to Kansas City Southern should regulators shoot down their deal.

Canadian Pacific argues that Canadian National and Kansas City compete for the business of different shippers and terminals in the same region that would lose out should the merger go through. It also points out that the STB has greenlighted its voting trust structure for a deal with Kansas City Southern.

In a statement on Tuesday announcing the new Canadian Pacific bid, Creel cited U.S. President Joe Biden's executive order on "Promoting Competition in the American Economy" as making the Canadian National deal less likely.

Biden has nominated Karen Hedlund, a former Federal Railroad Administration deputy administrator, to be a board member of the STB. U.S. lawmakers could approve her nomination in the fall, making it more likely that the STB would take a tougher stance on antitrust if it has not approved the Canadian National deal by then.

KANSAS CITY SHARES RISE

Canadian Pacific's sweetened $300 per share offer consists of $90 in cash and 2.884 of its shares for each share of Kansas City. Canadian National's cash-and-stock bid is currently worth around $321 per share.

Kansas City Southern shares had been trading at a wide discount to the Canadian National deal price, reflecting investor uncertainty over the transaction's regulatory prospects. They were up 7% on Tuesday afternoon at $288.77, indicating that investors saw Canadian Pacific's chances for a deal improving.

Canadian Pacific said in its statement it has offered to pay back a $700 million break-up fee it would have to pay Canadian National to abandon the latest deal.

It has also offered to make Kansas City Southern whole for a $700 million break-up fee it would have to pay Canadian National to abandon the latest deal.

STB examining CN-KCS motion on proposed voting trust agreement

The pending acquisition of Kansas City Southern (KCS) by Canadian National Railway (CN) was the focus on an announcement made today by the Surface Transportation Board (STB), with the STB saying today it is now considering a joint motion filed by CN and KCS, regarding approving the parties' voting trust agreement.

The pending acquisition of Kansas City Southern (KCS) by Canadian National Railway (CN) was the focus the Surface Transportation Board (STB), an independent adjudicatory and economic-regulatory agency charged by Congress with resolving railroad rate and service disputes and reviewing proposed railroad mergers, with the STB saying today it is now considering a joint motion filed by CN and KCS, regarding approving the parties' voting trust agreement.

STB said that by a decision served on May 17th, 2021, it determined that the proposed transaction between CN and KCS would be governed by the regulations set forth at 49 C.F.R. part 1180, as adopted in Major Rail Consolidation Procedures, 5 S.T.B. 539 (2001).

"Since then, the Board has received numerous submissions containing information and argument both in support of, and opposing, approval of the voting trust," it said. "The Board has also received many inquiries from industry stakeholders, the public, and the media as to the timing of a Board decision on the pending voting trust motion, particularly in light of the anticipated vote of the KCS shareholders on the proposed merger, which is currently scheduled for August 19th, 2021. In response to these inquiries and to provide as much information as is possible with respect to the timing of a decision, the Board is issuing this statement today to announce that the Board expects to issue a decision on the proposed voting trust no later than August 31st, 2021."
This is the most recent development in a months-long squabble between CN and Canadian Pacific, in their respective pursuits of acquiring KCS.

As reported by LM, on May 21, CN and KCS said that they have reached a deal and have entered into a definitive merger agreement, which they said will “create the premier railway of the 21st century.”

In a joint statement, CN and KCS said that their respective Boards of Directors have signed off on the terms of the agreement, with KCS shareholders receiving $325 per common share based on CN’s $33.6 billion offer made on May 13. That figure, the companies said, included the assumption of roughly $3.8 billion of KCS debt.

As for next steps, CN and KCS said that the Surface Transportation Board (STB) and other regulatory authorities must approve control of KCS, with the completion of the acquisition expected to take place over the second half of 2022. And they added that when the deal is official that KCS will begin the integration process.

This announcement was far from certain given the myriad moving parts related to the battle between CN and CP, for KCS, going back to when CP announced on March 20 that it was acquiring KCS for $29 billion, in a deal that it said, at the time, would establish the first freight railway connecting the United States, Canada, and Mexico. CP officials said that this $29 billion deal was a stock and cash transaction and included the assumption of $3.8 billion of outstanding KCS debt and values KCS at $275 per share, representing a 23% premium, based on the CP and KCS closing prices on March 19th, 2021.

One month later on April 20th, CN threw its hat into the ring, making what it called a “superior proposal.” That CN proposal was comprised of a cash-and-stock offer to acquire KCS for $33.7 billion, or $325 per share, which, it said, marks a 21% premium over the proposed CP offer, coupled with an expected EBITDA close to $1 billion annually, driven largely by the conversion of truck traffic, and combined annual revenues in excess of $13 billion.

Since then, there have been punches thrown between CP and CN, mostly in the form of press releases, with CP announcing in late July that it filed a proxy statement that asked KCS shareholders to vote against the proposed CN-KCS merger and adjourn a shareholder vote so that CN’s proposed acquisition can be decided at a later date, when more information will be available to KCS’s stockholders.

As for CN, in early July, along with KCS, it outlined in a joint STB filing how the proposed combination of CN and KCS will preserve and promote competition, growth and more choice for rail customers, port operators, employees, stakeholders and communities in various ways, including: delivering more choices to rail shipper customers; keeping gateways open in commercially reasonable terms; using confidential, voluntary, binding arbitration to enforce the gateway commitment; and creating greater price transparency.

What’s more, earlier this week, CP said it has submitted a new offer for KCS, which it called a “superior proposal” in a stock and cash transaction, for roughly $31 billion, adding that it offers KCS shareholders an alternative recognizing the premium value of KCS while providing more regulatory certainty.

“This superior proposal represents improved terms to those agreed to in the CP-KCS merger agreement entered into on March 21, 2021 that are substantially similar to the CN merger agreement, but offers significantly higher regulatory certainty than the proposed CN merger and significantly higher value than our previously agreed combination,” said CP.

As for CN, it subsequently issued a statement, saying that CN and KCS’ agreed transaction remains superior and the best option for both companies’ stakeholders to deliver on a combination that will enhance competition and provide new servicing options for customers.

“CN and KCS’ joint voting trust application, which was filed on May 26, 2021, is currently under review by the Surface Transportation Board (‘STB’),” said CN. “We await the STB’s decision following a comprehensive comment period which resulted in overwhelming support from customers, suppliers, elected officials, organized labor, local communities and other stakeholders. CN and KCS are confident that the voting trust meets all the standards set forth by the STB and believe that, after a fair and thorough review by the STB, it should be approved. KCS shareholders will receive the merger consideration immediately upon the closing of CN’s voting trust. Together, CN and KCS would create the premier railway for the 21st century, connecting ports in the United States, Mexico and Canada to expand North American trade and power economic prosperity. We will continue to take the necessary steps to deliver the many compelling benefits of this transaction to CN and KCS stakeholders.”

In a recent interview, Larry Gross, president of Gross Transportation Consulting, said that even though CN and KCS have come terms on a deal, there are still some significant questions regarding regulatory approval.

“The next hurdle is whether or not the STB will approve the placement of KCS into a voting trust, which will essentially allow the merger to proceed during the approval process, which is quite lengthy,” he said. “CN would own KCS but would be able to sort of affect its operations. Call it a state of suspended animation. It is conceivable that if the STB is uncomfortable with the deal, it may not approve it, with CN liable for a $1 billion breakup fee.

As for next steps regarding the STB, Gross said it is hard to say what the next steps may look like, calling it a considerably heavier lift, from a regulatory standpoint, for a CN deal than a CP deal.

“If the deal goes through, there will be conditions placed on the merger, and you could easily end up with a split scenario, where the STB says one piece [of KCS] goes to CN, and CP has an overlap somewhere else, and maybe co-own and operate the Mexican piece,” he said. “The biggest STB issue is that I suspect it is somewhat concerned that a CN-KCS merger is destabilizing, because it leaves CP kind of like an orphan out in the cold…and essentially a sixth railroad among five giants. It could seek inclusion in one of the other four U.S. railroads, which is potentially a destabilizing event. That may color STB’s thinking in terms of how they color the merger.”
Low Water Levels on the Parana River Basin Complicate Exports

USDA - Two years of dry weather have cut river levels in both the Paraguay and Parana Rivers. The Parana River, which runs past the main Argentine loading facilities at Rosario and San Lorenzo, has been reduced to its lowest level in over 75 years, which has in turn reduced loadings 20 percent from normal.

Expectations are for water levels to decline further until rains return later in the year. The low water level complicates and increases the cost of shipping from Rosario and San Lorenzo as additional supplies of soybeans and products must be barged further down the river where draft is deeper and ships can be fully loaded.

While Argentina soybean meal exports have rebounded from last year and are near normal levels (April – July) observed in 2016, 2017, and 2019, volumes could be even higher, if the logistical hurdles and added costs were not in play as evidenced by the strong pace of Brazilian soybean meal exports.

Brazil soybean meal exports are forecast to reach record volumes this year at 17.3 million tons, a situation likely augmented by the difficulties faced in Argentina. Low water levels are also an issue in Paraguay where soybean exports to Brazil are elevated. While it is generally less expensive to barge soybeans down the Parana river, added costs and logistical complications have improved the relative economics of shipping soybeans by truck and rail to processors in Brazil. With larger crush volume and strong meal exports, processors are offering attractive prices for soybeans.

The assumed return of rains later in the year will reduce the issues for both Paraguay and Argentina, particularly if precipitation exceeds normal levels. However, with reservoir levels unusually low, some of the returning flow will be required to refill reservoirs. This will slow the return to more normal river levels so logistical and cost factors may linger into the new year and next year’s harvest.

International Crop & Weather Highlights

India Southwest Monsoon Update - July 2021

USDA GAIN - On August 2nd, the Indian Meteorological Department (IMD) issued its Long-Range Forecast for rainfall during the second half (August-September) of the 2021 Southwest Monsoon.

The rainfall over the country during the second half of the season is likely to be normal between 95% to 105% of the long period average (LPA).

The cumulative rainfall for the Southwest Monsoon 2021 as of July 31st, 2021, was 1% below normal. Deficit rains during last two weeks of June delayed planting in southern India, which was compensated by excess rains in July. However, overall pace of kharif crop planting is 5% lower than last year, but still 1% above the five-year average.

Government

Soy growers criticize Brazil antitrust ruling on Bayer biotech seed JV

Reuters - Brazilian soybean producers’ group Aprosoja, representing 240,000 farmers, on Tuesday criticized federal antitrust agency CADE’s decision to clear a joint venture formed by rivals Bayer AG, Corteva and Syngenta.

The joint venture (JV) was approved by CADE unconditionally last week and offers a platform for the collection of royalties from genetically modified soybeans in Brazil. The farmers’ group complained that CADE ignored its misgivings about the venture, which it says will perpetuate a royalties collection system long opposed by local growers.

Cultive Biotec, as the JV is known, says it will make more soy biotechnologies available in Brazil. It also said the JV includes the companies mentioned in Aprosoja’s statement as well as BASF adding it will stimulate competition among biotechnology developers and increase the competitiveness of Brazil’s farm sector, which will have more seed biotechnologies to choose from.

CADE says it strives to maintain competition, guaranteeing the diversity and quality of products and services offered to consumers.

Tuesday’s statement by Aprosoja underscores tensions between soy farmers and biotechnology companies operating in Brazil, the world’s biggest producer and exporter of that oilseed and other agricultural commodities like coffee and sugar.

Starting in 2009, soy farmers began resorting to the courts to challenge the royalties payment system in the Brazilian market, where Aprosoja says farmers pay more for use of the technology than in neighboring countries.

Aprosoja said Bayer holds a virtual monopoly of the genetically modified soy market in Brazil, adding it is now “opening up its royalty collection model to all potential and future competitors.”

Bayer declined to comment.

Currently, Bayer faces direct competition from Corteva Agriscience, which will start selling its own soybean biotech seed in Brazil. In five years’ time, Corteva hopes one third of Brazil’s soy area will be cultivated with its biotech seed product.

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USDA/WAOB Joint Agricultural Weather Facility – 7th August 2021

Europe – Cool, Wet Weather Continued, But Heat And Dryness Lingered In The Southern Balkans
- Moderate to heavy rain benefited filling summer crops across central and northern Europe, though wetness was hampering fieldwork and crop maturation from eastern France into central Poland.
- Hot, dry weather further trimmed yield prospects for filling corn and sunflowers in the lower Balkans.
- Sunny skies and cool temperatures favored irrigated corn in northern Spain.

Western FSU – Beneficial Showers In Ukraine, Hot And Dry In Russia
- Warm, wet weather in Ukraine maintained good to excellent prospects for reproductive to filling corn, sunflowers, and soybeans, though some northeastern crop areas remained dry.
- In western Russia, hot, dry weather hastened summer crops toward maturity in the south, while showers maintained good growing conditions for reproductive corn and sunflowers in the north.

Eastern FSU – Eastern Rain Contrasted With Western Heat
- Additional showers in Russia’s Siberia District favored reproductive to filling spring wheat.
- Extreme heat in northern Kazakhstan and central Russia renewed stress on filling spring grains.
- Hot, sunny weather accelerated cotton toward maturity in Uzbekistan and environs.

Middle East – Hot In Turkey
- Despite scattered showers, extreme heat in Turkey hastened summer crops toward maturity and may have trimmed yield prospects somewhat.

South Asia – Drier In Most Of India
- Unseasonably dry weather prevailed across much of India, though flooding rainfall was reported in some western oilseed areas.

East Asia – Favorable Rainfall For Summer Crops
- Widespread showers in northeastern China maintained favorable yield prospects for corn and soybeans.
- A tropical cyclone (Lupit) brought beneficial rainfall to late-crop rice in southeastern China, albeit with some localized flooding.

Southeast Asia – More Unseasonable Dryness
- Drier weather expanded across Thailand and environs, with seasonable rainfall limited to only a few locales.

Agricultural Weather Highlights – Friday - August 13, 2021

South America – Dry Weather Supported Seasonal Fieldwork
- In Argentina, mild, dry weather supported late corn harvesting.
- Warmer weather spurred growth of Brazilian wheat, though additional moisture would be welcome.
- Meanwhile, corn and cotton harvesting advanced.

Mexico – Showers Benefited Summer Crops, While Boosting Reservoir Levels
- Showers continued across the southern plateau corn belt as well as in northwestern watersheds.

Canada – Unseasonable Warmth And Dryness Persisted Across The Prairies
- Warm, mostly dry weather maintained stress on spring grains and oilseeds.
Web Site: https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf
Source: USDA https://www.usda.gov/oce/weather-drought-monitor/publications

Agricultural Weather Highlights – Friday - August 13, 2021

In the West, monsoon-related showers are mostly confined to Arizona and New Mexico, while extreme heat persists in northern California and the Northwest. On Thursday, Portland, Oregon, experienced its fifth day this year with a high temperature of 100°F or greater, tying an annual record set in 1941 and 1977. Later today, lightning-sparked wildfires could be a threat in parts of Oregon and northern sections of California and Nevada.

On the Plains, overnight thunderstorms produced heavy rain in parts of Kansas and environs. Except where paired large hail or high winds, the rain benefited immature summer crops. Meanwhile, heat lingers across the southeastern Plains, where today’s high temperatures will approach 100°F, while hot weather is again spreading across the parched and drought-ravaged northern Plains.

In the Corn Belt, cool, dry conditions in drought-affected sections of the upper Midwest contrast with warm, humid weather in the Ohio Valley. Early today, showers in the vicinity of a cold front are relatively inactive, except in Missouri, where some rain is occurring. Initial 2021 estimates from the USDA/NASS Crop Production report indicate that corn and soybean yields will be reduced by 12 to 28%, compared to last year, in Minnesota and the Dakotas.

In the South, hot, humid weather prevails in advance of an approaching cold front. Scattered showers are occurring early today in a few areas, including parts of Florida and near the Gulf Coast. In general, Southern growing conditions remain mostly favorable for summer crops, despite the recent turn toward hotter, drier weather.

Outlook: A late-summer cold front draped across the nation’s mid-section will edge southward, interacting with moisture associated with the Southwest monsoon circulation. Heavy showers and locally severe thunderstorms will occur in the vicinity of the cold front, helping to boost 5-day rainfall totals to 1 to 3 inches or more in parts of the Southwest, southern half of the Plains, Ohio Valley, lower Mississippi Valley, and the Southeast. During the weekend and early next week, as Tropical Storm Fred

Web Site: https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf
Source: USDA https://www.usda.gov/oce/weather-drought-monitor/publications
reaches Florida and crosses the Southeast, significantly higher rainfall totals (3 to 10 inches) may occur from Florida into the southern Appalachians.

In contrast, negligible rain will fall during the next 5 days from the Pacific Coast to the northern Plains and upper Midwest. However, the Northwest's latest round of extreme heat will end early next week, with cooler air eventually reaching the northern Plains.

The NWS 6- to 10-day outlook for August 18 – 22 calls for the likelihood of above normal temperatures in northern California, the Pacific Northwest, and throughout the eastern half of the U.S., while cooler than normal conditions will cover southern California, the interior West, and the northern High Plains. Meanwhile, below normal rainfall in southern Texas, the Northeast, and the Far West should contrast with wetter-than-normal weather in the Southeast and from the Rockies to the Mississippi Valley.

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
August Crop Calendar

*Crop stage sensitive to moisture and temperature stresses.

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