Notes and Observations in International Commodity Markets

20th August July 2021

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MARKETS MOSTLY LOWER, AND THE DOG DAYS OF SUMMER

GHA – Agricultural commodities were not the only products under pressure as we ended the week, with crude oil dropping nearly 10%, metals lower to mixed, and cattle markets weaker before finishing the week firmer ahead of Friday’s USDA Cattle-on-Feed report. Feeder cattle, the US dollar and crypto-currencies were among the few markets that closed higher on the week.

- The September U.S. Dollar Index is trading down 0.07 at 93.52.
- The Dow Jones Industrial Average is up 235.24 points at 35,129.36.
- August gold is up $1.20 at $1,784.30. September silver is down $0.21 at $23.03 and September copper is up $0.0555.
- October crude oil is down $1.13 at $62.37. October heating oil is down $0.0537. October RBOB gasoline is down $0.0518 and October natural gas is up $0.034.

The grain markets struggled this week with a broader profit taking and long liquidation as the inflation anxiety continues to wane. After inside days on the corn, Minneapolis and KC wheat on Monday, markets broke lower and followed through the rest of the week. Corn and soybean futures closed below key moving averages this week with December corn’s 200-day moving average below at $4.95 versus Friday’s close at $5.37 and November’s 200-day moving average near $12.42 versus the week’s close at $12.90 ¾.

Despite trillions being pumped into the US and global economy, the Fed Reserve meeting minutes released this week from the previous FOMC meeting revealed that tapering will start as soon as this year. With optimism running high despite a continued increase in Delta variant cases, inflationary trades such as bonds, gold and Eurodollars are showing anything but signs of inflationary concerns, at least for the time being. However, it is a matter of when not if that these inflationary trades will be back in style.

China was back in the market for soybeans this week with twelve consecutive days of soybean purchases. The stronger US dollar has pressured commodities generally with China demand estimates and weather adjusted production uncertainties working to tip the scales.

The dollar index on Friday fell -0.070 (-0.07%). EUR/USD rose +0.0022 (+0.19%). USD/JPY rose +0.07 (+0.06%).

EUR/USD on Friday posted moderate gains after German July PPI rose a record +10.4% y/y/y, which is hawkish for ECB policy. USD/JPY on Friday rose modestly as the yen weakened on concern the worsening pandemic in Japan will lead to tighter restrictions that undercut economic growth after Japan reported a record 25,156 new Covid infections on Thursday.
Friday’s comments from Dallas Fed President Kaplan were dovish for Fed policy and negative for the dollar when he said he was watching carefully for any economic impact from the delta Covid variant and that he might need to adjust his views on policy “somewhat” should economic growth slow materially.

December gold (GCZ21) on Friday closed up +0.90 (+0.05%), and Sep silver (SIU21) closed down -0.118 (-0.51%). Precious metals on Friday settled mixed. Weakness in the dollar gave gold prices a boost Friday. Also, rising producer prices in Germany boosted demand for gold as an inflation hedge after German Jul PPI rose a record +10.4% y/y, stronger than expectations of +9.2% y/y. Silver prices were weighed down Friday by concern that the worsening global pandemic will curb economic growth and limit demand for industrial metals.

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 on Thursday rose to a 6-1/2 month high of 141,049. Also, Japan reported a record 25,156 new Covid infections on Thursday, ten times more than the daily count a month earlier.

Gregg Doud projects high commodity prices through harvest 2022

Western Farm Press - In the last nine months, the United States has set a record for all-time U.S. agricultural exports to China. Gregg Doud, former U.S. agricultural trade negotiator, doesn’t know if China will reach its promised level of $40 billion for the year, but he thinks there’s a legitimate chance it could come really close. This also could bring continued strength to U.S. commodity prices with China’s continued appetite of U.S. ag goods.

While speaking at the American Feed Industry Association’s Purchasing & Ingredient Suppliers Conference in Orlando, Florida, Doud shares China’s ag imports are enormous at roughly $150 billion per year from all over the world. “The fact we can do $48 billion is not a pipe dream at all,” say Doud, who now serves as the chief economist at Aimpoint Research.

The two-year deal negotiated under the Trump administration with China expires at the end of this year. “We have to be mindful on January 1st next year, the U.S. will still have $360 billion worth of tariffs on imports from China,” Doud says. He notes all of the structural changes negotiated in the Phase One agreement will stand, however, another conversation will likely be coming.

Once the deal is done, China likely will stir up situations to create leverage to do something about eliminating those $360 billion in tariffs. "Things are good now, and they can continue to be good, but there will be uncertainty I promise you and friction with all of this," Doud says.

Feed Demand: As China continues to recover from African Swine Fever, it has banned the feeding of swill - or food waste - to its herd. This has boosted demand for feed grains, including soybeans for crushing and corn. Doud says they don’t want to import meat, but rather want to import the feed.

He’s unsure on Chinese corn demand, which could range from 5 mmts to 40 mmts, because its hog herd continues to fluctuate, and transparency has dropped considerably in recent months with reports that African Swine Fever is still rampant across China’s hog herd. Doud says the lack of transparency is because “they don’t want to be in a situation where they feel trapped in the marketplace.”

He says soybean demand continues to be impacted by the price of hogs. When the hog price is as low as it is because of mass liquidation and product coming on the market, the demand for feed goes down and also sends soybean meal demand lower. China knows for corn from now until March, the United States remains China’s only likely supplier. Seasonally, imports of soybeans tilt to the United States’ favor from September until February. Doud says last year during that timeframe shipments were maxed out, and that was with a 500 mbus soybean carryout that isn’t there this year.

Ocean freight is also double what it was a year ago, Doud adds. The soybean crushing margin in China is negative. He says ocean-going boat freight may not expand for two to three years, which poses a real issue on the supply chain going forward. This is in addition to an already dramatic situation on the container availability side of the equation.

The global supply and demand for corn and soybeans remain very tight. With the price of corn in Brazil at over US$8/bu., and China priced at US$10-$11/bu, Doud doesn’t see much downside potential of lower commodity prices in the near term.

“I don’t think there’s potential for commodity prices to come down,” Doud says. “When it comes to the global supply and demand of protein, corn and soybeans, I don’t think there’s anyway to bring prices down until after next year’s U.S. harvest at the earliest.”

U.S. exports remain at record highs. Doud also says there’s a recognition to limit what goes to China to balance the portfolio to make sure not all the eggs are in one basket. Good news is US ag exports to all other markets in addition to China are strong.

The question going forward is whether at these price points for markets such as the Philippines and Indonesia for meat and feed grains, can these countries keep chugging along at the volumes they are buying today? The tell-tell sign will be whether trade starts to fall off at these higher prices. "If they can afford it, we’re in good shape for a long time," Doud says.

Protein Demand: Doud adds the demand for protein in China is "mind-bending." On the pork side, they don’t want to import meat, but they will if they have to as its herd size struggles to reestablish. "The whole notion of China being a constant $2 billion exporter of pork isn’t quite something we should bet the farm on," Doud says. There are "enormous opportunities particularly on the beef side of the equation" in meeting China’s protein demand.

As Brazil has slaughtered possibly as high as 50% of its herd, and Argentina even banned beef exports, the demand for beef to China could be important.
**U.S. Inflation continues in July at brisk pace**

The Consumer Price Index for All Urban Consumers increased 0.5% in July on a seasonally adjusted basis after rising 0.9% in June; U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index increased 5.4% before seasonal adjustment. The indexes for shelter, food, energy, and new vehicles all increased in July and contributed to the monthly all items seasonally adjusted increase. The food index increased 0.7% in July as five of the major grocery store food group indexes rose, and the food away from home index increased 0.8%. The energy index rose 1.6% in July, as the gasoline index increased 2.4% and other energy component indexes also rose.

The index for all items less food and energy rose 0.3% in July after increasing 0.9% in June. Along with shelter and new vehicles, the indexes for recreation, for medical care, and for personal care increased in July. The index for used cars also increased in July, but the 0.2% advance was much smaller than in recent months. The index for motor vehicle insurance declined in July, and the index for airline fares fell slightly.

The all items index rose 5.4% for the 12 months ending July, the same increase as the period ending June. The index for all items less food and energy rose 4.3% over the last 12 months, while the energy index rose 23.8%. The food index increased 3.4% for the 12 months ending July, compared to a 2.4% rise for the period ending June.

**Food:** The food index increased 0.7% in July after rising 0.8% in June. The index for food at home also rose 0.7%, as the index for meats, poultry, fish, and eggs continued to increase. This index rose 1.5% in July; this was its seventh monthly increase in a row and followed a 2.5%-increase in June. The index for cereals and bakery products, which declined in June, rose 1.2% in July, its largest 1-month increase since April 2020. The index for other food at home rose 0.8% in July, also the largest monthly increase since April 2020. The index for nonalcoholic beverages rose 0.7% in July, and the index for dairy and related products advanced 0.6%.

The index for fruits and vegetables was the only major grocery store food group index to fall in July, declining 0.9% after rising 0.7% in June. The index for fresh fruits fell 1.8% over the month.

The food away from home index rose 0.8% in July, its largest monthly increase since February 1981. The index for limited-service meals rose 1.0% in July, and the index for full-service meals increased 0.6%.

The food at home index increased 2.6% over the past 12 months. All six major grocery store food group indexes rose over the span, with increases ranging from 1.1% (nonalcoholic beverages) to 5.9% (meats, poultry, fish, and eggs). The index for food away from home rose 4.6% over the last year. The index for limited-service meals rose 6.6% over the last 12 months, and the index for full-service meals rose 4.3%. Both 12-month increases were the largest in the history of the respective series, which were first published in 1998.

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**WHEAT**

**World Wheat Supply and Demand (MMT)**

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<th>19/20</th>
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<td>Ending Stocks</td>
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<td>Food &amp; Seed</td>
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<td>Use Total</td>
<td>749</td>
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</tbody>
</table>

Source: USWA USDA

**USDA ERS - Wheat Production Slashed for Russia and Canada**

USDA ERS - Global wheat production is lowered this month by 15.5 mmts to 776.9 mmts with Russia and Canada accounting for the bulk of this change.

Year-to-year production swings for major wheat exporters

<table>
<thead>
<tr>
<th>Country</th>
<th>19/20</th>
<th>20/21</th>
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<td>Canada</td>
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<td>United States</td>
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<td>Australia</td>
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<tr>
<td>Kazakhstan</td>
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<tr>
<td>Argentina</td>
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<tr>
<td>Ukraine</td>
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<tr>
<td>European Union</td>
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</tbody>
</table>

Sources: USDA, World Agricultural Outlook Board; and USDA, Economic Research Service calculations.

Global production in 2021/22 is still forecast record-large, but production for the top 8 exporters is collectively down 9.2 mmts from the previous year.
Both Russia and Canada are projected to have crops down more than 10 mmts y/o/y with their exports consequently down significantly.

Exports for the United States and Kazakhstan are also projected down from the previous year based on smaller supplies.

The European Union, Argentina, and Ukraine are all projected to have larger production and exports, benefitting from reduced competition.

This year, Australia is projected to have slightly smaller production from last year’s record, but this year’s crop is still forecast as its third largest ever. With global prices trending upwards and tight supplies in key competitors, Australia is expected to have strong exports to nearby Asian markets.

**Russian and Canadian Wheat Drives Down World Production**

USDA - Global wheat production in 2021/22 is projected at 776.9 mmts, down 15.5 mmts this month. Russia and Canada lead the way with a combined downward revision of 20.0 mmts. The United States also saw a decrease in production of 1.3 mmts to 46.2 mmts.

Despite the large reductions, global wheat production is still forecast at a record due to partially offsetting increases to Ukraine, Australia, and the European Union.

**Russia:** Total wheat production in Russia is down 12.5 mmts to 72.5 mmts, primarily due to ‘ice crusting’ issues in winter wheat, which more than offset a slight increase in spring wheat production.

‘Ice crusting’ is a process where a freeze-thaw cycle causes the snow to melt providing moisture in and around the plant that then refreezes with colder temperatures causing winterkill. Central and Volga regions experienced ice crusting late February and early March of 2021. Russia experienced a similar scenario in 2003, which contributed to its production decreasing 16.5 mmts from the previous year.

Winter wheat production in 2021/22 is estimated to be down 13.5 mmts m/o/m with reductions to both harvested area and yield. Winter wheat harvested area is revised down to 15.2 million hectares due to updated estimates from Russia’s Federal State Statistical Service, Rosstat.

Russia spring wheat is revised upwards relative to last month based on improving conditions, specifically in the Siberian District. Table 2 breaks out the changes by class.

**Canada:** Wheat production in Canada is revised down 7.5 mmts to 24.0 mmts. This is the lowest wheat production for Canada since 2010/11. Hot and dry conditions have...
persisted throughout the Canadian Prairies, causing rapid maturation and expected yield loss.

In the past 30 days, areas of Saskatchewan, Alberta, and Manitoba have seen less than 50% of the average rainfall during the same time period of a year earlier. Much of the Prairies have seen less than 200 millimeters (or 8 inches) of accumulated precipitation during the growing season to date.

Dry conditions in are resulting in very tight supplies of high-protein wheat.

The Canadian yield is revised to 2.61 mts/ha, down 24% from last month and the 5-year average (3.42 mts/ha). This is the lowest yield since 2007/08.

Canada’s production of durum and spring wheat is dramatically smaller y/o/y, which mirrors the situation for the U.S. hard red spring and durum crops. Dry conditions in are resulting in very tight supplies of high-protein wheat.

Ukraine, Australia, and the EU partially offset these reductions with a combined increase of 4.9 mmts.

The Ukraine is forecast to have record production and yields due to optimal growing conditions. Production is revised upwards by 3.0 mmts to 33.0 mmts (30% increase y/o/y) and yield is estimated at 4.46 mts/ha (20% higher y/o/y).

Australia is the second largest upward revision with a production increase of 1.5 mmts to 30.0 mmts due to higher yield and area harvested. Australia saw a yield increase of 4.25% due to timely rains during plant establishment. While South Australia saw some planting delays, they received above average rainfall and a boost in planting progress.

The European Union saw an increase in production of 0.4 mmts to 138.6 mmts.

While there is an upward revision to yield, excessive rains have delayed harvest and raised grain quality losses. Production is revised upwards by 3.0 mmmts to 33.0 mmts (30% increase y/o/y) and yield is estimated at 4.46 mts/ha (20% higher y/o/y).

Production in Kazakhstan and Turkey each saw a month-to-month reduction of 0.5 mmts. Kazakhstan continued to see dry weather resulting in a 10% decrease in yield compared to last month. There was a increase in area (+700,000 hectares), but this was not enough to completely offset a lower yield. Turkey saw below average rainfall during the crop’s peak growing period. This led to yield and quality losses in the Southeast and Central Anatolia regions. Yield is estimated down 0.07 mts/ha to 2.36 mts/ha, which is 8% lower y/o/y.

Outside the major exporting countries, Brazil is estimated to reach a record production of 7.7 mmts (+0.8 mmts from the previous month). Yield in Brazil is expected to reach 2.85 mts/ha, 0.22 mts/ha above the 3-year average.

Morocco saw an increase in production of 0.7 mmts to 7.5 mmts. This change comes from an upward revision to yield as a result of optimal production conditions.

The United Kingdom (UK) saw an increase in production (+200,000 mts to 15.0 mmts) as an increase in yield offset the decrease in area harvested. During the month of July, the UK experienced above average rainfall leading to a higher yield estimate (+0.23 mts/ha to 8.57 mts/ha).

For the 2020/21 marketing year, production was revised for Moldova and Uruguay. Moldova was adjusted down 182,000 mts, while Uruguay was revised up by 191,000 mts offsetting the reduction.

Production in Paraguay was adjusted up 100,000 mts for the 2019/20 marketing year based on final data.

For an overview of all changes in wheat production estimates for the 2021/22 marketing year, see Table 3 above.

Global Wheat Consumption Declines Month-over-Month

USDA - As the global wheat supply situation has tightened, it is expected that wheat consumption will be rationed somewhat by higher expected prices.

Total global wheat consumption this month is projected lower at 786.7 mmts, mainly driven by a decrease in feed and residual use for Russia (-2 mmts) and Canada (-1.2 mmts). These revisions are driven by a decrease in production tightening the world wheat balance sheet even further. Tighter global supplies for wheat have driven global export prices higher over the past month.

The EU and Morocco partially offset these reductions in consumption with upward revisions of 500,000 mts and 200,000 mts, respectively. Feed and residual use in the EU is revised up to 46.0 mmts based on a larger crop and the likelihood of more feed quality wheat due to excessive wet conditions at harvest. Morocco is higher due to an upward revision to domestic production.

Food, seed, and industrial (FSI) consumption is slightly down month-to-month for 2021/22. Global FSI is adjusted down 852,000 mts to 627.5 mmts, driven mainly by a decrease to Russia (-500,000 mts). Peru, Sudan, and the UK each had a 200,000 mts decrease in FSI. These reductions are mainly driven by curtailed global production.

Partially offsetting these reductions are upward revisions to FSI for Nigeria, Yemen, and Uzbekistan based on stronger levels of trade and consumption in 2020/21. Nigeria’s FSI is boosted up 300,000 mts with larger expected imports (2020/21 FSI is boosted 400,000 mts to 5.5 mmts). Yemen was revised up 100,000 mts in 2021/22 and 300,000 mts in 2020/21. Uzbekistan is revised up by 200,000 mts in both 2020/21 and 2021/22.

A slight adjustment is also made to total global consumption based on the difference between global exports and imports on a local marketing year for 2021/22. This unaccounted trade is added to total consumption under the assumption that all wheat traded is eventually consumed as global exports and imports balance. This month, the unaccounted trade is increased by 185,000 MT to 1.8 mmts based on a local mts as a result of exports being lowered more than imports.
With this revision in mind, total adjusted consumption in 2021/22 is projected at 786.7 mmts this month. 2020/21 marketing year consumption is relatively steady m/o/m based on offsetting reductions.

Global Wheat Trade Lower Amid Tighter Supplies

USDA - Global wheat trade is reduced this month based on a rationing of tighter available supplies. See table 4 below for a summary of the changes among the major exporters.

Canada and Russia exports are reduced the furthest based on significantly smaller available supplies. Kazakhstan exports are marginally lower with a reduced crop, while Argentina’s export outlook is unchanged. With larger supplies and diminished competition, exports for Ukraine, Australia, and the EU are boosted this month.

U.S. exports are forecast unchanged this month despite a smaller crop and a slow early pace to sales. U.S. export prices are high relative to other major suppliers, but demand is expected to pick up later in the marketing year with competitor supplies diminished.

Outside of the major exporting countries, Turkey’s projected exports are reduced 500,000 mts to 6.0 mmts based on tighter domestic supplies and reduced imports for re-export.

Exports are boosted for Brazil (+300,000 MT to 1.3 million) based on larger supplies. India’s exports are forecast 300,000 mts higher to compensate for reduced competition from other. Contrasting with the tight supplies elsewhere in the world, India’s supplies are abundant, and its exports should be competitive to nearby markets.

Iran’s projected wheat exports are halved to 250,000 mts based on a return to normal historical levels.

Imports in 2021/22 are reduced for many countries, with most changes reflecting the general environment of tighter global supplies and expectations of demand rationing on higher expected export prices. Several countries are also reduced due to expectations of slower demand growth due to reduced imports in 2020/21.

See table 5 for a summary of the major trade changes this month.
Global stocks are also projected smaller this month to 279.0 mmt, the lowest level in five years.

China’s stocks are projected to shrink for the second consecutive year amid robust demand from the feed sector, but this total still represents 51% of the world’s stocks. Despite slightly stronger export demand, India’s stocks are still projected up slightly from the previous year.

Stocks held by the major exporting countries are projected to decline a total of 8.3 mmt to 50.2 mmt, the tightest level since 2007/08. Exporter-held stocks are considered to be an important metric for analysis since these are the supplies that are most available to the world market.

U.S. stocks are revised down to the lowest level in 8 years.

The largest stock reduction among exporters is for Russia, whose stocks are revised down 5.1 mmt this month, which is down only slightly from last year’s estimated stock level.

Also notable is that Canada’s stock total is projected to be the lowest on record.

Some importing countries are also expected to carry lower stock levels, with the possibility that buyers may delay purchases and work down existing inventories later in the year.

Wheat followed other commodities lower though weaker and for the week. Wheat markets closed off the lows, but still mainly red. CBT futures closed with Friday losses of 11 1/4 to 15 cents. From Friday to Friday Sept SRW gave back 6.3%.

French wheat harvest moved along 19% points to now 91% complete through 8/16. FranceAgriMer reported variable quality aligns with the late season storms.

The Philippines issued an international tender for 280k MT of feed wheat. Pakistan is also on the market for 400k MT of wheat.

The topic in the SRW mkt has been the low FN in Ontario and implications on spreads and mill demand. From a world perspective FOB TX Gulf 11’s vs Russian 11’s spread has narrowed into +$12 premium for Dec.

CFTC CoT data reflecting trader positions as of Tuesday’s close showed managed money was 24,185 contracts net long in CBT wheat. The 5,058 contract build from wk/wk reflected the 11k additional spec longs against the 6k new spec sellers.

CME KC HRW Wheat Futures

Kansas September 2021 HRW Wheat Futures settled on Friday at $7.02/bu, off 13½ cents on the day, and losing 40¼ cents for the week.

Wheat markets closed off the lows, but still mainly red. KC futures closed the last trade day of the week with 9½ to 13½ cent losses. From Friday to Friday that left September KC 5.42% lower.

The HRW TX Gulf market was quiet with most interest for either domestic or PNW blends. TX Gulf 11’s for Aug 122/130, Sep 130/135 and JFMAM 137/140.

KC protein scales were off sharply for higher protein as 13+'s and 14+'s were off 36 cents, 13’s off 15 cents, and 11.4 to 13.0 off 5 cents. KC 11% vs 12% protein spread is 30 cents and 12% vs 13% at 55 cents. There remains a huge incentive to blend HRW 11’s into HRS to make 14% or 13% blends.

There has been chatter of Alberta buying MT HRW origin for feed.

In KC wheat, the CoT report showed managed money funds were 1,785 contracts more net long to 46,548 contracts.

MGE HRS Wheat Futures

MGE September 2021 HRS Wheat Futures settled on Friday at $9.18 1/4 9.44¼/bu, up 1½ cents on the day, but losing 25¾ cents for the week.

Minneapolis wheat was the exception, with September rallying back to 1½ cents black at the bell. The other HRS futures ended 2¼ to 4¾ cents red.

HRS markets have been very quiet. The general theme for ND HRS yields is 5 to 15 bpa better than expected. Spot HRS basis rolled from September to December this week, and as the job of inverses, the nearby basis market is weaker as it has caused spot movement.

In MGE, the CoT report showed spec traders were 3,097 contracts more net long driven by net new buying. As of 8/17, managed money was 15,028 contracts more net long in spring wheat.
Widespread drought in the Northern and Western U.S. is forecast to reduce spring wheat yields.

Widespread drought across the northern and western regions of the United States has dampened prospects for projected production and exports in the 2021/22 marketing year of 3 classes of U.S. wheat: hard red spring (HRS), white, and durum.

Production of HRS is projected to fall 42% from the previous year to the lowest level in more than 30 years, while exports are projected at the lowest in more than a decade.

Canada’s spring wheat production is also down significantly this year because of drought, which magnifies the global shortage of high-protein wheat.

U.S. production of wheat by selected class, 2015/16 through 2021/22

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**Drought Dries up Production of Key U.S. Wheat Classes**

Approximately 99% of spring wheat production is within an area experiencing drought.

U.S. durum production in 2021/22, which is also concentrated in the Northern Plains, is down by nearly half from the previous year to the lowest level in 60 years. With the United States generally a net importer of durum, larger imports from Canada are expected. Canada is usually the world’s leading exporter of durum wheat by far, but its production is similarly affected by drought, resulting in tightening global supplies of this class as well.

Drought has also affected the Pacific Northwest region, where the majority of U.S. white wheat is produced, resulting in a 29 percent year-to-year decline in production of that class. With white wheat production at the lowest level on record (back to 1974/75), exports—mainly destined for markets in Asia—are projected down 41 percent from the prior marketing year. White wheat exports were robust in 2020/21 with strong demand from China, which left beginning stocks relatively tight this year.

With exports of both HRS and white wheat slashed this year, Australia stands as the
most likely contender to replace some of that demand, given the quality of its wheat, relatively close substitutability, and proximity to major Asian markets.

**COARSE GRAINS**

- **United States Drives Global Production Down; Outside the United States, Less Barley and Oats, but More Corn and Rye**

  USDA ERS - Global coarse grain production in 2021/22 is projected to reach 1,484.4 mmts, down 12.4 mmts this month.

  The U.S. coarse grain output is reduced 2.7%, with downward yield revisions for corn and barley, but with higher yield projected for sorghum.

  Non-U.S. coarse grain production (global minus U.S. output) is projected 1.95 mmts lower this month at 1,096.1 mmts, with reduced barley and oats output partly offset by higher corn and rye production. The projected non-U.S. production is 45.8 mmts higher than a year ago.

  The beginning of August is an important time for gathering information about global grain production prospects. In the Northern Hemisphere, winter grain harvests are being tallied, while summer crops like corn are going through critical reproductive growth stages.

  Some Southern Hemisphere crops for the 2020/21 crop year are still being harvested, while others are in the early stages of development, or await planting for the 2021/22 crop cycle.

  This month, for a number of key grain-producing countries, production for coarse grain for 2021/22 is being revised down: for Canadian barley and oats, EU corn and barley, Serbian corn, as well as for Russian and Kazakhstan barley. At the same time, yields for Ukrainian, Russian, Indian, and Canadian corn, as well as for Australian and Ukrainian barley, are projected higher. Coarse grain production for 2020/21 is also projected lower, with a significant 6% cut in Brazilian corn output.

  For a visual at a glance presentation of this month’s changes in corn and barley production, see maps A and B.

**World Coarse Grain Use and Stocks Projected Lower**

World coarse grain use in 2021/22 is projected down 4 mmts this month. Much of the reduction is in forecast U.S. use, but non-U.S. consumption is also projected down.

The use of non-U.S. coarse grain is projected 1.6 mmts lower; with a reduction for barley and oats, an increase for corn, and rye, and virtually unchanged sorghum. All revisions in domestic feed grain use follow changes in respective crops’ production and imports.

The most important changes include a sizeable reduction in Chinese barley feed use, projected 1 mmts lower this month, as Canada exports nearly all of its barley to China (barley output in Canada dwindled, thereby also limiting its own domestic use).

The reduction in coarse grain feeding for China is partly offset by higher sorghum use, owing to increased imports.
Both corn and barley feed use in Iran is reduced this month, leaving corn feed consumption on par with last year. The change follows a reduction in Brazilian corn output, and barley output for Kazakhstan, the major suppliers of Iranian feed grain. Barley feeding is reduced for Turkey, following a production cut. Numerous smaller changes are made across all coarse grain for a number of countries.

Global coarse grain ending stocks projected for 2021/22 were cut by 7.2 mmts this month. The United States accounts for 70% of the reduction, as non-U.S. stocks were forecast down 2.3 mmts.

Among numerous changes in ending stocks, the largest are a 0.5 mmts reduction for Brazil (lower corn production forecast for 2020/21) and for Mexico, with reduced corn imports from the United States and Brazil. Partly offsetting is an increase in corn stocks in Paraguay, reflecting a production revision for 2019/20.

### CORN

**Map A – Corn production changes for 2021/22, August 2021**

![Map A](https://example.com/map_a.png)

**World Corn Trade Reduced, U.S. Export Prospects Down**

With a 2 mmts reduction in corn exports projected for the United States, the total global trade for 2021/22 for the international October-September 2021/22 trade year is reduced by 3 mmts. With this reduction, global corn trade nonetheless is projected at the still record-high level of 191.4 mmts, up 7.3 mmts from the year before.

Corn trade in both the 2021/22 international trade year starts in October, and in the current 2020/21 trade year ending in September, is significantly altered this month by a sharp 5 mmts cut in export prospects for Brazil, a reduction expected to spread across both trade years. Corn exports from Brazil are projected down for both the 2020/21 and 2021/22 international trade years as low corn supplies for 2020/21 are expected to weigh down on Brazilian exports through February (the last month of the country’s local crop year), almost half a year into the October-September trade year. A 2 mmts reduction is projected to transpire before the end of September (trade year 2020/21) to a total of 28 mmts, while for the upcoming trade year of 2021/22, exports are projected to decline by 3 mmts to reach 34 mmts. For the local March-February 2020/21 marketing year, Brazilian corn exports are reduced 5 million tons.

Reduced Brazilian corn exports are expected to alter the corn imports of its largest buyers, such as Iran, Egypt, and Vietnam, whose imports from Brazil dwindled in July, in comparison with the last several years. Although some additional corn will likely be sourced by these countries from corn producers other than Brazil, elevated prices and the difficulties of finding full substitute foreign suppliers in the short run are expected to weigh down on their total corn imports.

Corn imports are also reduced for Saudi Arabia, South Korea, Mexico, Japan, and Algeria; the countries that source much of their corn imports from both the United States and Brazil.

**Map C – Corn trade year exports changes for 2021/22, August 2021**

![Map C](https://example.com/map_c.png)

As output in Romania, Hungary, and Bulgaria, the major eastern European corn producers that export outside the region, is expected to be reduced, corn exports are projected 0.5 mmts lower this month for the European Union, limiting corn shipments outside the region. Neighboring Serbia suffered from adverse weather conditions similar to Romania and Hungary, and Serbian exports are also reduced.

Corn exports by Argentina are boosted this month for both the 2020/21 and 2021/22 international trade years, up 1 and 0.5 mmts, respectively. Argentina is currently the most price-competitive corn exporter, and its recent pace of exports is strong.

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Source: USDA, Foreign Agricultural Service, Production, Supply and Distribution online database.
 Argentine higher exports are expected to partly offset the reductions for the United States and Brazil.

In the 2021/22 trade year, Ukraine and Russia are expected to share the opportunity offered by the projected increase in their corn output, partly filling the gap created by the Brazilian corn shortage. Ukraine is expected to export an additional 1.5 mmts of corn, bringing its exports to 32 mmts, an all-time record. Russian corn exports are boosted by 0.6 mmts just slightly more than half of its additional output, because corn area expansion is expected to have occurred to a large part in the Central District of the country (which has limited export opportunities). Exports are also projected higher in Moldova, a small country located southwest of Ukraine, expected to have record-high corn yield.

India is another large corn producer that is expected to expand exports because of higher output, increasing its sales to neighboring Bangladesh and Nepal, though also to Malaysia and Vietnam.

To view this month’s changes in corn trade year exports and imports, see maps C and D.

U.S. corn exports in 2021/22 for the October-September international trade year are projected at 61 mmts. This is a reduction of 2 mmts from July, followed by a cut in U.S. supplies and the weak recent pace of new crop sales. For the September-August local marketing year, exports are down by 100 million bushels to 2,400 million. Although outstanding new-crop sales for 2021/22 reached 18.1 mmts on the 5th of August 2021, up from 11.5 mmts a year ago, sales are slowing down just as Argentina and Ukraine begin to pose strong competition for U.S. corn exports. While U.S. corn supplies are still adequate despite the production cut, the country’s price competitiveness is declining, and both current and forward export prices for corn are floating above those for Argentina and Ukraine.

U.S. corn exports are forecast 0.5 mmts lower for 2020/21 trade year at 72.5 mmts, based on slower shipment data to date. Recently the United States became less price-competitive, as a successful corn harvest in Argentina is getting close to conclusion and production prospects in Ukraine are improving.

Brazil’s corn exports gain pace in August

As Brazil’s second corn crop safrinha harvest works advance, Brazilian corn exports are also picking up pace as the country shipped 1.4 mmts in the second week of August, double the volume loaded in the previous week. This brought total volumes exported in August up to 2.1 mmts at an average loading rate of 213,318 mts per working day, still 28% lower on the year but 49% higher on the week.

Meanwhile, the country imported nearly 55,000 mts of corn in the first two weeks of August with average imports per working day 65% higher on the year.

Market participants and analysts believe significant import volumes will be required in the remainder of the year to make up for the massive safrinha crop loss caused by drought and frosts.

CME Corn December 2021 new crop contract settled on Friday at $5.37, off 13¾ cents on the day, and losing 36 cents for the week.

Nearby CME September 2021 corn is now trading at $5.38½/bu, a 1½ cent premium to December showing a premium for early harvest deliveries. From Friday to Friday for September, that meant a net 5.2% loss. U.S. domestic end users in many cases are still struggling to cover remaining Aug through Sept needs, sustaining basis strength – U/Z spread reflecting all of this trading to a 1¾ inverse (vs 7¼ lw.)
Commodities in general continue to see pressure from an uptick in Coronavirus in some parts of the globe, along with pressure by fund selling on US Dollar strength. Corn futures went into the weekend with 1.98% to 2.5% losses.

The weekly CoT report showed corn spec traders were 278,911 contracts net long at the close on the 17th of August. That was a weekly build of 24,867 contracts mostly fed by new buying. Commercial traders were 16,398 contracts more net short to 502,858 contracts.

CIF NOLA cash markets are firmer, afloat notably firmer, August bids 2 cents firmer, with offers hard to find. September bids are 2 cents firmer as well. Z/H spread traded out to 7 ¼, closed unchanged at 7 ½ carry.

Seasonal weakness was compounded by Friday reports that EPA was recommending that the White House lower renewable fuels blending requirement when the official 2021 level is announced.

Pro Farmer crop tour results peg avg yield at 177 bpa (175.2 – 178.8 bpa range, USDA 174.6) with total production at 15.116 bbu (14.965 to 15.267 bbu range, USDA 14.750 bbu.)

Seeing a slightly drier U.S. forecast for this weekend. T-storm still anticipating up to two inches of rain to hit the northwest third of the major grain belt over the next ten days, while the southeastern US will see up to and 1½ inches the next 5 to 10 days, and temps expected to heat up again starting this weekend. Rains in portions of the US has pushed back harvest progress in the Southern US, weather permitting those areas mainly in the deep south should be back at it this weekend. Central through Southern Texas harvest it trying to roll ahead, hard to find truck transportation combined with space issues slowing progress. Drier warmer weather in other southern states has pushed start to harvest expectations a week to ten days ahead of estimates made 3 weeks ago.

Corn harvest in Argentina had reached 98.1% complete, as BAGE raised the estimated crop size 2.5 mmts to 50.5 mmts.

**U.S. Corn Production Lowered for 2021/22, Raising Grain Prices**

*USDA ERS* - The U.S. corn production projection was lowered to 14,775 mbus for 2021/22, due to a lower yield forecast from the National Agricultural Statistics Service’s (NASS) Crop Production report.

Tighter corn supplies reduce forecast usage for exports and feed and residual; slightly offset by higher food, seed, and industrial use. U.S. ending stocks are projected lower for the upcoming marketing year, raising the expected season-average farm price $0.15 to $5.75/bu.

Sorghum price projections for 2021/22 are also raised $0.15 to $6.15/bu, in line with higher expected corn prices.

**U.S. Corn Production Reduced for 2021/22 on Lower Yields**

The U.S. corn market outlook for 2021/22 is for tighter supplies, pared back use, and higher prices relative to the July outlook, based on the National Agricultural Statistics Service’s (NASS) August Crop Production report and the August World Agricultural Supply and Demand Estimates (WASDE). U.S. corn production in 2021/22 is projected to be 14,750 mbus, according to NASS’s first survey-based production forecast for the crop. This is a 415 mbus reduction from the WASDE’s previous production projection, which was based on NASS’s harvested area forecast, published in the June Acreage report) and a weather-adjusted trend yield starting from 1988/89. Although lower from the previous month, the current projection is still a 4% increase from the previous year.

NASS forecasts the national corn yield at 174.6 bu/acre; compared with the previous month’s model-derived projection of 179.5 bu/acre. The current forecast is also higher than the previous year’s crop yield of 172.0 bu/acre.

NASS’s harvested area forecast remained unchanged from the June Acreage report’s level of 84.5 million acres; up from the 2020/21 level of 82.5 million acres.

Total supplies for 2021/22 are projected to be 15,892 mbus, a 380 mbus decline from the July WASDE, as the lower production outlook is partially offset by higher beginning stocks, due to reductions in 2020/21 corn use.

U.S. corn imports are unchanged for 2021/22, projected to total 25 mbus.
Competing Uses Lower U.S. Total Feed and Residual Use

Overall, tighter supplies of feed grains and wheat used for animal feed, and the resulting higher feed prices, are likely to affect livestock and animal product markets. Grain-consuming animal units (GCAUs) for 2021/22 are projected at 101.1 million units. This is down from the current 2020/21 estimate of 101.5 million units. The y/o/y reduction is due largely to lower projected beef cattle inventories, where high feed prices have been exacerbated by drought conditions in the Upper Plains and Western regions of the United States. GCAUs for hogs, dairy, and poultry remain relatively flat compared with the previous year, however.

While inventories and implied feed demand may be lower y/o/y, the current levels are still significantly higher than they were as recently as 5 years ago. In 2016/17, GCAUs totaled 95.8 million units, more than 5% lower than the current projection, with the hog and beef sectors accounting for the majority of the additional units during this time. As result, the overall base for feed demand remains high from a longer-term historical perspective.

Total grain feed and residual (including corn, sorghum, barley, oats, and wheat on a September to August basis) for 2021/22 is projected at 148.9 million tons. This is down from the current 2020/21 estimate of 153.4 million tons. Feed and residual for all the commodities are lower on a year-over-year basis.

Domestic Usage Forecasts Mixed on Food, Seed, and Industrial Use

Domestic corn use for 2020/21 is projected at 12,235 mbus, a 40 mbus increase from July. For 2021/22, projected domestic use is lowered 90 mbus to 12,250 mbus. The increases are due to higher food, seed, and industrial use (FSI) estimates in 2020/21. Raised use estimates for starch (up 10 mbus to 240 mbus) and glucose and dextrose (up 5 mbus to 360 mbus), are due to the increased pace through the first three-quarters of the marketing year. The sustained pace is projected to carry over into 2021/22, with both categories raised 5 mbus from the previous month, at 235 mbus projected for starch use and 360 mbus projected for glucose and dextrose.

The fuel ethanol component of FSI is raised 25 mbus for the 2020/21 estimate, now totaling 5,075 mbus. The increase is based on the latest June monthly totals from the NASS Grain Crushings report and weekly data reported by the Department of Energy’s Energy Information Administration (EIA). The spring and summer seasons have seen a substantial recovery in consumers driving and in gasoline consumption, which has supported an increased rate of ethanol production. The weekly pace of ethanol production dipped in the EIA’s release ending August 6th, which may illustrate some of the tightness of corn supplies. The EIA’s weekly motor gasoline product supplied figures continue to be robust, however.

Corn used for fuel ethanol is projected at 5,200 mbus for 2021/22, unchanged from the previous month. This would be a 2.5% increase from the current 2020/21 forecast. Feed and residual use for 2021/22 is projected to total 5,625 mbus, a 100 mbus reduction from the July report. This would be a reduction from the current 2020/21 estimate of 5,725 mbus. More discussion on livestock inventories and feed demand can be found later in this report.

U.S. Corn Exports are at Record Levels, but pace declines

USDA ERS - U.S. corn exports estimate for 2020/21 are reduced, but still would be a record at 2,775 mbus. Through June, the U.S. Bureau of the Census has reported 2,402 mbus have been exported this marketing year; nearly matching the previous marketing year record of 2,437 mbus set in 2017/18.

June shipments were lower than the previous few months, although still relatively large. Additionally, export inspections data through the first week of August show a continued reduction in the pace, as limited available supplies and higher prices ration back foreign shipments.

The record pace of exports in 2020/21 is the result of a substantial increase in shipments to China, as well as maintaining shipments to other traditional export markets, despite increased prices and competition.

Tight global supplies and limited production from other major exporters that developed over the course of 2020/21, including Ukraine and Brazil, have resulted in strong demand for U.S. corn in the global market.

Corn exports for 2021/22 are projected at 2,400 mbus, a 100 mbus reduction from July.
Tighter supplies and higher prices in the U.S. market, along with increased competition from other major exporting-countries, are expected to result in the annual decline in exports; although, the current projection is still large by historical standards.

**Tighter Ending Stocks, Higher Prices Projected for 2021/22**

USDA ERS - U.S. corn ending stocks are projected to be 1,242 mbus for 2021/22; a 190 mbus reduction from the July projection.

The season-average farm price for 2021/22 is projected at $5.75/bus, a $0.15 per bushel increase from the July report, based on a tighter market outlook. This would also be a substantial increase from the current 2020/21 estimate of $4.40/bus.

Unlike the 2020/21 marketing year, which saw prices steadily increase during the marketing year, relatively elevated futures and cash prices for corn have been in the market since the crop was planted. As a result, the influence of forward contracted corn is expected to have an upward impact on prices received by farmers.

**Barley Price Lowered for 2021/22, but Remains Historically High**

USDA ERS - Barley production for 2021/22 is projected to be 106 mbus, a 9 mbus decrease from the July report.

NASS’s August Crop Production report reduced the national barley yield to 51.6 bus/acre, from the 55.9 bus/acre forecast the previous month. The current yield forecast is 33% lower than the previous year’s crop, as much the largest-producing barley States, such as Montana, North Dakota, and Idaho, have been significantly affected by drought conditions this year.

Imports for 2021/22 are unchanged at a projected 7 mbus, as drought conditions are also present in Canada’s barley-producing regions.

The reduction in barley supplies results in lower projected FSI use, down 5 mbus to 115 mbus.

The season-average farm price projection is lowered $0.20 to $5.75/bu, based on the June monthly levels reported by NASS; which was the first month of the marketing year. The current projection is still considerably larger than the previous year’s season-average price of $4.75/bu, as well as the recent historical average.

**Trade:** World barley exports are down 1.2 mmts this month. With lower projected barley output, Canadian, Kazakhstan, and Russian exports fell this month.

As the bulk of Canadian barley exports under normal circumstances go to China, barley imports for China are also reduced, although by a smaller amount, assuming additional barley coming from Ukraine. Because Kazakhstan is the major barley supplier for Iran, that country’s imports are also reduced.
With higher projected barley output, exports are raised for Australia, Ukraine, and the United Kingdom (UK). Some of the additional barley exports from Australia are expected to go to Thailand and Vietnam.

**GRAIN SORGHUM**

- **U.S. Sorghum Production Increased for 2021/22**

  USDA ERS - The August WASDE reports that sorghum production for 2021/22 is raised to 409 mbus, up 10 mbus from the 399 mbus reported in July. The increase in production comes from a forecasted national average yield of 70.8 bus/acre, according to the NASS August Crop Production report; a 1.8 bus/acre increase from the 20-year median used in the July WASDE.

  Export estimates for 2020/21 are lowered by 20 mbus to 285 mbus, based on the recent lower pace of shipments and relatively tight inventories remaining in the market. Feed and residual use for 2020/21 is revised higher at 95 mbus compared to the July report, reflecting additional U.S sorghum supplies in the market. Ending stocks remain unchanged at 13 mbus.

  No changes are made to 2021/22 projected sorghum exports at 320 million bushels in 2021/22, however, exports see a 12 percent increase from the previous market year estimate. Strong foreign demand for feed is expected to maintain sorghum exports into the 2021/22 crop year.

  The 2021/22 projected yield is 2.4 bus/acre lower than the previous year’s crop. Projected harvested acreage for 2021/22 remains unchanged from the July report at 5.8 million acres.
The 2020/21 season-average farm price is estimated to be $5.00/bus, down $0.15 from the previous month.

The projected average-farm price in market year 2021/22 is $6.15/bus, $0.15 higher than July’s projection and in line with raised corn price projections.

**Trade:** Several adjustments are made for world sorghum trade for the trade year of 2020/21. Exports are raised for Argentina (higher projected output) and Australia (fast recent pace of trade). Both countries are currently exporting sorghum to China, partly supplanting the United States, whose sorghum exports for 2020/21 are down 0.3 mmts this month to 7.5 mmts.

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**Oats**

- **CME CBOT Oat Futures**

  CME September 2021 Oats Futures settled on Friday at $4.95 4.68¾/bu, up 2¾ cents on the day, and up 26¼ cents for the week.

  CME September 2021 Oats Futures

  ![CME September 2021 Oats Futures graph]

- **Oat Supplies in 2021/22 are Reduced on Lower Imports**

  - **USDA ERS** - U.S. oat production for 2021/22 is projected to be 41 mbus, virtually unchanged from July.
  - NASS forecast this year’s national crop to be 57.4 bus/acre (versus 57.2 bus/acre in July) on 0.7 million acres of harvested area.
  - Oat imports are reduced sharply from the July report, down 15 mbus to 77 mbus. Most of the U.S. oat supply is imported. The decrease is due to lower production forecast from Canada, the largest foreign supplier of oats in the United States.

  The Canadian oat crop has been largely affected by the extreme heat and drought that has occurred in Canada’s Prairie region.

  The reduced oat supply outlook for 2021/22 lowers projected feed and residual use by 15 mbus to 50 mbus.

  The projected season-average farm price for oats remains unchanged from the previous month at $3.60/bu in 2021/22. This is a significant increase from the previous year’s price of $2.77/bu.

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**Ethanol**

- **CME Ethanol Futures**

  CME Ethanol September 2021 closed on Friday at $2.1650/gallon, off 3.500 cents on the day, and up 1.500 cents for the week.

  Corn oil prices were seen increasing (+0.81 to 1.47) during the week that ended the 20\textsuperscript{th} of August between 64 -69 c/lb spot price.

  **DDG’s** – The DTN's weekly average spot price for domestic distillers dried grains was higher versus one week ago. The DTN average price for domestic distillers dried grains from 33 locations reporting for the week ended Aug. 19 was $202 per ton, up $5 from one week ago. Prices were steady to higher as demand picked up and supplies are getting tight given the lower production the past six weeks.

  Wednesday's Energy Information Administration report showed domestic inventory of ethanol was drawn down 700,000 barrels (bbl) or 3.1% to 21.6 million bbl during the week ended Aug. 13, coinciding with a 13,000 barrels per day (bpd) or 1.3% decline in
output at U.S. ethanol plants to 973,000 bpd during the week reviewed. Midwest plant production slid 11,000 bpd or 1.2% to 921,000 bpd.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ended Aug. 5 was 102.84%. The value of DDG relative to soybean meal was 57.47%, and the cost per unit of protein for DDG was $7.48, compared to the cost per unit of protein for soybean meal at $7.40.

In its weekly DDGS export price update, the U.S. Grains Council said: "Increased market activity is supporting DDGS prices on the export market, with Barge CIF NOLA offers up $8 metric ton (mt) for September positions and up $20 for Oct/Nov. FOB Gulf offers are $11 to $15 higher this week at $266/mt for spot shipment. U.S. rail rates are following the trend, rising $16-18 this week, while 40-foot containers to Southeast Asia are up $9/mt from last week. The average offer for containerized DDGS to southeast Asia is $337/mt this week."

- **CME WTI Crude Oil Futures - Crude Oil Falls On Demand Concerns And Increased U.S. Rig Count**

  CME WTI September 2021 closed on Friday at $62.32 68.03/barrel, off $1.37 on the day, and down $5.71 for the week. September RBOB gasoline (RBU21) closed down -0.0579 (-2.78%).

  September WTI crude oil and Sep RBOB gasoline prices on Friday extended this week's sell-off, with crude falling to a 3-month low and gasoline dropping to a 3½ month low. Concern that the worsening global pandemic will lead to additional restrictions that undercut economic growth and energy demand weighed on energy prices this week. Crude prices fell to their lows Friday afternoon after weekly data from Baker Hughes showed that active U.S. oil rigs rose by +8 rigs to a 16-month high of 405 rigs, which points to increased U.S. crude output.

  Also weighing on crude prices Friday was weakness in the crack spread, which dropped to a 4-week low. The weaker crack spread discourages refiners from purchasing crude oil to refine into gasoline.

  Energy industry consultant FGE on Thursday cut its Asian crude demand forecast for August by -1.2 million bpd as pandemic lockdowns and travel restrictions have curbed fuel demand.

  Weak U.S. gasoline demand is bearish for energy prices after Descarte Labs reported that U.S. gasoline demand fell -1% w/w to 9.423 million bpd the week ended Aug 13, the third consecutive weekly decline.

  Tighter pandemic restrictions in China have curtailed energy demand and are bearish for prices. Bloomberg calculations from Chinese government data on Monday showed that China July daily crude processing fell -2.3% y/y to 13.47 million bpd, the weakest in 14 months.

  The spread of the delta Covid variant globally has slammed air travel worldwide and is negative for fuel demand. Globally, airline capacity stands at 64% of pre-pandemic levels. The 7-day average of new U.S. Covid infections rose to a 6-1/2 month high of 141,049 on Thursday. Also, Japan reported a record 25,156 new Covid infections on Thursday, ten times more than the daily count a month earlier.

  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.

  A decline in global crude oil stored on oil tankers throughout the world is supportive of 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 13 fell -3.4% w/w to 98.84 million bbl.

  Wednesday's weekly EIA report showed that (1) U.S. crude oil inventories as of Aug 13 were -5.8% below the seasonal 5-year average, (2) gasoline inventories were -2.9% below the 5-year average, and (3) distillate inventories were -7.9% below the 5-year average. U.S. crude oil production in the week ended Aug 13 rose +0.9% w/w to 11.4 million bpd and is down by -1.7 million bpd (-13.0%) 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 29 rose by +8 rigs to a 16-month high of 405 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.

- **Renewable fuel companies edge out some refiners on feedstock**

  Postmedia News - Both renewable fuel processors and oil refiners are trying to profit off the growing market for sustainable aviation fuel and renewable diesel, but high
prices for feedstocks like soybean oil has been more of a hazard for refiners, as their most recent earnings showed.

These renewable fuel products are a fraction of overall sales of gasoline, diesel and other products, but it is growing. However, demand has helped cause the prices of the ingredients needed - like soybean oil and animal tallow - to rise sharply. Refiners were forced to put off plans for expansion into renewable fuel production, but competitors who specialize in such fuels were able to shift to processing lower-cost feedstocks.

"We are making sure we are not dependent on one or the other feedstock," said Peter Vanacker, Neste's chief executive, in an interview with Reuters. "In the future it's going to be more and more about margin management."

Companies such as Renewable Energy Group Inc, Darling Ingredients Inc and Neste all beat estimates for second-quarter earnings even as refiners crowd into the market.

The companies have more flexibility to switch between feedstocks such as used cooking oil and animal fat to make in-demand renewable diesel, said Dhruv Kharbanda, an associate at investment bank Tudor, Pickering, Holt & Co.

Refiners, by contrast, are reliant on more carbon-intensive feedstock such as soybean oil that costs more because incumbent producers have used up much of the used cooking oil.

"Darling, Neste and Renewable Energy Group benefitted from feedstock flexibility during the quarter, whereas (CVR Energy) and Marathon highlighted the weak economics of running soybean oil," the bank said in a research note.

Margins to produce renewable diesel from soybean oil have averaged so far this quarter about $1.35 per gallon, while margins to produce the fuel from used cooking oil have averaged around $2.28 per gallon, according to the bank's data.

Soybean oil prices have more than doubled in the past year, causing Carl Icahn's CVR Energy to put off plans to produce renewable fuels at its Wynnewood, Oklahoma, facility after the refinery geared up for production.

Marathon Petroleum, which operates America's second largest renewable diesel facility in North Dakota that primarily runs soybean oil, called the feedstock's economics "challenged" because the heightened prices coupled with the relatively higher carbon intensity of the oil limits the refiners' ability to profit on production.

Renewable Energy Group's gross profit, meanwhile, rose by more than 400% from a year earlier by processing a higher percentage of lower carbon-intensive materials, said the company's chief executive Cynthia Warner.

Oilseeds Complex

- EU 2021/22 soybean imports at 1.47 mmtts, rapeseed 427,277 mmtts

Reuters - European Union soybean imports in the 2021/22 season that started in July had reached 1.47 mmtts by August 15th, data published by the European Commission showed on Tuesday.

That compared with 2.03 mmtts by the same week in the previous 2020/21 season, the data showed.

EU rapeseed imports in 2021/22 had reached 427,277 mttts, compared with 447,212 mttts a year earlier.

Soymeal imports so far in 2021/22 totaled 1.59 mmtts against 2.45 mmtts a year ago, while palm oil imports stood at 473,682 mttts versus 865,803 mttts.

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

- China's soybean stocks drop on low vessel landing, high crush

Soybean stocks in China in the week to August 15th dipped for a second consecutive week, according to data from the National Grain and Oil Information Centre (CNGOIC). The drop came as arrivals of soybean volumes declined week-on-week, while crushing volumes increased amid higher operation rates in oil plants.

Total stocks fell 150,000 mttts on the week to 6.82 mmtts, down 160,000 mttts m/o/m and 300,000 mttts lower than the level recorded at the same point last year.

"Domestic oil plants were active in operation, maintaining soybean crush at a high level. However, the arrival of soybeans decreased... and we expected soybean inventory would continue to fall," said CNGOIC.

Soybean crush rates increased to 1.97 mmtts, up 190,000 mttts from the previous week and 110,000 mttts from a three-year average of 1.86 million mttts.

Soymeal stocks were down mildly, just 80,000 mttts up to August 16 to 830,000 mttts, as procurement of downstream companies picked up speed.

At the same time, soyoil stocks also declined to 890,000 mttts, down slightly by 20,000 mttts on last week, but leaving the figure almost unchanged on the month.

Finally, CNGOIC has adjusted its estimate for China's August soybean imports to 8 mmtts, up by 400,000 mttts from its last forecast.

September soybean imports were also expected to increase by 100,000 mttts from the previous estimate to 6.5 mmtts.

Soybeans

- Lower Chinese Soybean Meal Demand and Higher Prices Lead to Brazil's Slower Pace of Soybean Exports

USDA ERS - Lower profitability for Chinese hog producers has mitigated soybean meal use, decreasing crush volumes and raising soybean inventories. As a result, old crop crush estimates are forecast down from 96 to 94 mmtts. Because this trend in crush volumes may persist, 2021/22 crush estimates have been dropped by 2 mmtts to 98 mmtts.
China is expected to rely on domestic soybean stocks to satisfy demand; lowering old and new crop import estimates to 97 and 101 mmts, respectively.

Not surprisingly, this reduction in Chinese crush is expected to decrease Brazil’s 2020/21 soybean exports by 500,000 mts to 82.5 mmts.

**Citation:** Aaron Ates, Candice Wilson, and Mark Ash, Oil Crops Outlook: August 2021, OCS-21h, USDA, Economic Research Service, August 16, 2021.

Brazil’s soybean exports gain pace in the second week of August

Brazil exported 2.2 mmts of soybeans in the second week of August as shipments gained pace to lift the month’s total to 3.6 mmts, official customs data showed late Monday.

The country loaded an average of 358,957 mts of beans per working day, 30% higher on the week and on the year.

Brazil is expected to ship between 6.1 and 6.5 mmts in August, estimates from the country’s grains exporters association Anec showed. Anec’s estimates are aligned with line up data from Cargonave shipping agency and are set at a higher level than volumes exported in August 2020 when the country loaded 5.8 mmts of beans.

**Brazil to export 6.2-6.5m mt of soybeans in August** - Brazil is expected to export between 6.2 mmts and 6.5 mmts of soybeans in August, according to the country’s grain exporters association Anec, a slight increase from last week’s forecast of 6.1 and 6.5 mmts. The figure would represent a 12.1% increase from last year when August exports reached 5.6 mmts, data from association showed late Tuesday.

For soybean meal, Anec expects 1.6 mmts to be exported in August, and close to repeating last year’s shipments in the same month.

**Brazil’s 2022 soy exports to hit unprecedented 90 mmts**

Reuters - Soybean exports from Brazil are expected to total 90 mmts in 2022, a potential new record from a projected historical high this year, agribusiness consultancy Safras & Mercado said on Friday.

In its first projection for Brazilian shipments next year, Safras said it would keep the estimate for 2021 soybean exports at 86 mmts, unchanged from a forecast made in June.

Brazil, the world’s largest soybean exporter and producer, will domestically crush an estimated 48.5 mmts of soybeans in 2022, above the 46.7 mmts projected for 2021, as demand for soy by-products is likely to remain strong.

Soy imports next year are forecast at 400,000 mts, a drop of 53%, as local supplies suffice to cater to demand, Safras data indicated.

Brazilian farmers are poised to harvest a 147.41 mmts crop next year, a 5% rise from 2021, as growers will expand acreage to take advantage of attractive prices.

**CME CBOT Soybeans Futures**

New crop CME November 2021 Soybean Futures settled on Friday at $12.90¾/bu, off 29¼ cents on the day, and losing 74¼ cents for the week. From Friday to Friday, September beans were 5.77% weaker.
A hard sell off to finish to the week as a combination of bearish news hit the market. A big down day on Friday in beans on rumors China may have sold upwards of 1.5 mmts of reserve beans to help crushers, along with concerns the EPA quota recommendations to the White House on biofuel blending will promote unchanged to possibly lower than 2020 quotas. Beans extended midday losses and closed 22 to 29¼ cents in the red.

The CFTC CoT report noted soybean specs were 97,179 contracts on the 17th of August. That was a 5,531 stronger net long via 5,067 contracts of net new spec buying through the week. Commercial soybean positions added 9,182 new shorts against 4,765 new longs for a 170,222 contract net short.

Final numbers from the ProFarmer Tour had the national soybean yield at 51.2 bpa and production at 4.436 mbus. Given the recent weakness in demand, a 51.2 bpa will be construed as negative. State yields compared to USDA: IN 62/60, IA 57/58, IL 66/64, NE 58/60, MN 46/43, OH 60/58, SD 41/39 bpa.

Forecasted rains are hitting key drought areas of west. NOAA’s updated 7-day QPF shows rain systems working East/Southeast as now northwest Iowa is forecasted with 3-4” accumulated but western South Dakota and Nebraska will get less. North Dakota will still get moisture as the Canadian rain moved down. Eastern Corn-belt is forecasted to get less than an inch over the week, while Minneapolis and Wisconsin will get a drink. USDA reported 31% of bean area is in some level of drought.

Not terribly overwhelming but U.S. weekly soybean exports top the 10 mbus mark last week for the first time since the 2nd week of May as China program appears to be underway with liftings of 5+ mbus. Chinese State Customs data showed July imports totaled 8.67 MMT, which was down 14.1% from July 2020. Imports sourced from the U.S. were higher relative to 2020, but still only seen as 42,277 MT. China reported 7.88 MMT of soybeans were brought in from Brazil, which was a 3.7% drop from 2020. China’s soybean crush posted a w/o/w gain of 11%/190 kmts to 1.97 mmts and bringing at least a temporary halt to the year-on-year decline of the past 2 months. Still, the recent 4-week average trails 2020 by about 10%. Based on recent Brazilian crush and export data, it looks like their end of October soybean stocks will be up about 6.0 to 6.5 mmts versus the fall of 2020. This should allow exports of approximately 160 mts beans during Sep-Jan this year

Twelve consecutive days of “flash” export sales continued through the week, primarily by China, and were supportive. Buying of a few cargoes on the break at approximate FOB Equivalents of +1.20 gulf and +2.05 PNW.

Total unshipped old crop sales now at 88 mbus, the smallest in 6 years. Non China buying the last 4 weeks is off 27% from last year. Total new crop sales at 2/3’s of last year’s pace, with Brazil still selling old crop tonnes.

Forecasted rains are hitting key drought areas of west. NOAA’s updated 7-day QPF shows rain systems working East/Southeast as now northwest Iowa is forecasted with 3-4” accumulated but western South Dakota and Nebraska will get less. North Dakota will still get moisture as the Canadian rain moved down. Eastern Corn-belt is forecasted to get less than an inch over the week, while Minneapolis and Wisconsin will get a drink. USDA reported 31% of bean area is in some level of drought.
USDA, National Agricultural Statistics Service’s Crop Production report this month forecasts the season’s first survey-based U.S. soybean yield at 50.0 bus/acre, down from the trend yield of 50.8 bus/acre last month. Consequently, the production forecast for 2021/22 (4.34 bbus) is lowered by 66 mbus from the previous forecast. Continued drought conditions and limited rainfall in Minnesota and the Dakotas are contributing factors to a below-trend yield.

**A Lower U.S. Soybean Production Estimate May Curb Demand**

Drought conditions continue to persist in the majority of the Western U.S. Yet, the only major soybean producing States feeling the repercussions of higher-than-normal temperatures and low levels of rainfall are Minnesota, North Dakota, and South Dakota. These States account for 23% of total U.S. soybean planted acreage. As of August 8th, the percentage of the U.S. crop rated in good-to-excellent condition per the Crop Progress report has remained relatively unchanged from last month but is 14 percentage points lower than a year ago.

Aligning with weather reports, unfavorable conditions are most acute across Minnesota and the Dakotas. Elsewhere, though, crops in the eastern Corn Belt and South are faring well.

Interestingly, overall crop development for soybeans this season is not far behind the pace of a year ago due to timely spring planting. 91% of planted soybean crops for the 2021/22 marketing year reached the blooming stage by August 8th with 72% beginning to set pods. Ultimately, August weather conditions will remain critical for soybean yield prospects.

This month, USDA released the first survey-based assessment of 2021/22 soybean yields in their Crop Production report. Results from the first field survey of the year are forecasting 2021/22 soybean yield down from July predictions to 50 bus/acre. Lower yield estimates for Minnesota, North Dakota, and South Dakota confirm poor crop conditions, placing downward pressure on overall soybean yield forecasts.

Specifically, yield estimates for Minnesota are down 6 bushels per acre from 2020 to 43 bus/acre, 9.5 bushels lower per acre in North Dakota from a year ago to 24 bus/acre, and South Dakota estimates are 6.5 bushels lower per acre to 39 bus/acre. Yield estimates for other soybean producing States are similar to last year. The combination of this yield estimate and harvested area projection of 86.7 million acres lowers USDA’s production forecast by 66 mbus from last month to 4.34 bbus, 203 mbus above the 2020/21 estimate of 4.135 bbus.

U.S. soybean exports in 2020/21 are forecast down by 10 mbus to 2.26 bbus while the 2021/22 forecast dropped by 20 mbus to 2.055 bbus. Higher soybean prices and decreased demand for soybeans in China, a major importer of U.S. soybeans, lead to the lower soybean export forecast.

In the new marketing year, a healthy prospective supply of soybeans in the U.S., Brazil, and Argentina is expected to foster strong trade competition. Ending stocks for 2020/21, at 160 mbus, are seen 25 mbus higher than July’s forecast. Lower 2021/22 production and use estimates leave ending stocks unchanged for the new marketing year.

While soybean cash prices have been higher in recent months, a higher proportion of soybeans were sold at lower price levels earlier in the marketing year. As such, the season-average price forecast for 2020/21 soybeans is lowered by $0.15 to $10.90/bus and new crop prices remained at $13.70/bus.

**CANOLA / RAPESEED**

**ICE Canadian Canola Futures**

New crop ICE November 2021 Canola Futures settled on Friday at C$864.50 894.30 891.80/mt, off C$25.00 on the day, and losing $29.80 for the week.

**Canadian and Australian Canola Production: A World of Difference**

USDA ERS - This month, USDA forecasts 2021/22 global rapeseed production down by 4.2 mmts to 70 mmts.

Lower expected production in Canada, Ukraine, and Kazakhstan are only slightly offset by higher output in Australia and Russia. Major consequences of these production losses are a reduction for global rapeseed trade, crush, and ending inventories. Rapeseed ending stocks are predicted to decline to 4.6 mmts in 2021/22; a 14-year low.
A global spike in prices is likely to ration 2021/22 demand by the major importing countries (including the European Union, China, Japan, the United Arab Emirates, and Pakistan).

**Canada:** Following several months of below-average rainfall, weather conditions across Canada were poor heading into July. According to Agriculture and Agri-Food Canada, major canola producing regions of North-Central Saskatchewan and parts of Southern Alberta were in moderate to severe drought whereas the South-Eastern Plains region in Manitoba was experiencing extreme to exceptional drought conditions. Combined, these regions account for virtually all Canadian canola production.

Above normal temperatures and scant rainfall throughout July have intensified the widespread moisture stress. Consequently, canola crop development has been severely affected in these major growing regions. Coupled with concern for potentially tight animal forage supplies, poor yield prospects have encouraged some producers to cut their canola for hay.

Considering this month’s 300,000 hectare reduction in available acreage for harvest and poor yields, USDA forecasts Canadian canola production for 2021/22 down by 3 mmts from 2020/21 to 16 mmts. This production decline, in conjunction with sustained domestic use, are expected to slash Canadian canola exports in 2021/22 by 3.7 mmts to 6.9 mmts compared to 2020/21. If realized, this would be the lowest canola exports from Canada since 2007/08.

Tightened supplies are also predicted to constrain domestic crushing, which are seen at 9.5 mmts down 900,000 mts from 2020/21.

**Australia:** Across portions of South Australia and Victoria, weather conditions in these major growing regions were drier than normal early in the growing season. In the last month, however, rainfall has been near to above normal. Because temperatures are also normal for this time of year, 2021/22 Australian canola production is expected to slightly increase by 100,000 mts from last month’s forecast to 4.4 mmts. This estimate is 400,000 mts above realized 2020/21 production. This month’s production increase is expected to boost Australian exports for 2021/22 by 250,000 mts to 3.45 mmts.

Nevertheless, increased rapeseed exports by Australia and Russia will be far too small to compensate for trade reductions from Canada and other countries.

Additional output of Ukrainian sunflower seed will help to counter a reduction in global rapeseed trade. USDA has raised its forecast of Ukrainian sunflower seed production by 800,000 mts from last month to 17.5 mmts in response to higher reported planting. Improved 2021/22 sunflower seed supplies are expected to boost Ukraine’s domestic crush and exports of sunflower seed by 550,000 mts and 200,000 mts, respectively.

In contrast to beneficial weather in Ukraine, conditions in southwestern Russia remained mixed, with pockets of dryness and extreme heat in key sunflower oblasts lowering overall crop prospects. Russian sunflower seed production was reduced by 1 mmts to 15.5 mmts.

While lower production for Russia offsets production gains for Ukraine, Kazakhstan, and Moldova, the global sunflower seed production forecast remains at an all-time high of 56.9 mmts for 2021/22.

**VEGETABLE OILS**  

- **India cuts soyoil, sunflower oil import tax**

  Reuters - India has cut base import taxes on crude and refined soyoil and sunflower oil to 7.5% from 15% for six weeks, a government order showed, as the world’s biggest vegetable oil buyer tries to cool near record high prices.

  The tax reduction could increase imports of soyoil and sunflower oil in September, although a big jump is unlikely as the lower duty is only applicable for a short period until September 30th, industry officials said.

  "Logistically it is not feasible to sign contracts now and ensure vessels are unloaded at Indian ports before September end," Sandeep Bajoria, chief executive of Sunvin Group, a vegetable oil broker, said. Refiners might divert two to three vessels heading to other destinations such as China towards India to in cash lower duty, said Bajoria.

  India buys soyoil and sunflower oil mainly from Argentina, Brazil, Ukraine and Russia.
India fulfills more than two-thirds of its edible oil demand through imports and has been struggling to contain a rally in local oil prices for the last few months. It had cut import tax on crude palm oil on June 29th.

"Import tax on soyoil and sunflower oil was higher than palm oil. With this duty cut, there is parity on the import tax front now," said B.V. Mehta, executive director of the Solvent Extractors Association of India.

After the tax reduction, soyoil and sunflower oil imports will be subject to a 30.25% tax in total, including 7.5% base import duty and other taxes. The government may restore higher duty structure from October, when supplies of summer-sown oilseeds would start, said a Mumbai-based dealer with a global trading firm.

"Soybean and ground nut supplies would start from October. Government will try to ensure farmers will receive higher prices," the dealer said.

ADM/ Marathon announced a 75/25 JV at ADM’s at previously announced crush plant in Spiritwood, North Dakota. The plant will be completed in '23 and 100% of the oil will go to Marathons Dickinson RD plant.

CME Palm Oil Swaps

CME September 2021 Palm Oil Swaps settled at $994.75 1,021.00/mt on Friday, up $6.00/mt on the day, but losing $26.25 for the week, as it makes new life of contract highs.

Reuters - Malaysian palm oil futures ticked up on Friday after falling to a 10-day low in the previous session, but the contract is set for a weekly loss on declining exports. For the week, it is on course for a 5.3% decline.

Exports of Malaysian palm oil products for August 1-20 fell 8.73% to 788,211 mts from the same period in July, according to independent AmSpec Agri Malaysia.

Prices rose on a technical rebound and bargain-hunting, after having dropped more than 300 ringgit over the last few days, a Kuala Lumpur-based trader said. "Good U.S. weather is expected to bring soybean complex lower, this can further accelerate downward pressure in the coming days for crude palm oil," he said.

Palm oil is affected by price movements in related oils as they compete for a share in the global vegetable oils market. Chicago soybean futures were on track for their biggest weekly drop in six weeks on Friday, as forecasts of rains in parts of the U.S. Midwest boosted hopes for better yields. Soyoil prices on the Chicago Board of Trade BOcv1 were up 0.5%, while Dalian’s most-active soyoil contract DBYcv1 fell 0.7% and its palm oil contract DCPcv1 lost 1.8%.

CME Soybean Oil

CME September 2021 Soybean Oil Futures settled on Friday at $57.49/cwt, off $3.11 on the day, and losing $6.23 for the week.

Soybean oil futures closed with triple digit losses of 311 to 329 points. October and December BO contracts did touch limit down during the afternoon. From Friday to Friday, September oil led the decline in the complex with a 9.8% drop.

The negativity from EPA news seems a bit overdone though as it appears soybean oils demand will be more than offset with increasing RD demand.

CFTC data for the soy products showed in soybean oil, managed money funds were net new buyers, though short covering also helped to extend the net long by 5,553 contracts to 69,095 as of August 17th.
India allocates $1.5 bln to raise palm oil output
Reuters - India has allocated 110 billion rupees ($1.48 billion) to boost domestic palm oil production to 2.8 mmts by 2029-30, Agriculture & Farmers Welfare Minister Narendra Singh Tomar said on Wednesday.

The government will support small farmers to expand areas under oil palm cultivation to 1 million hectares from the current 350,000 hectares, he said.

PLANT PROTEIN MEALS

CME CBOT Soybean Meal

CME September 2021 Soybean Meal Futures settled on Friday at $353.30/short ton, up $1.80/ton on the day, and losing $4.30/ton for the week.

The soy complex ended the Friday session mixed as soymeal showed afternoon strength to end with a $1.30 to $1.80 recovery.

No official announcement by the Indian government to allow GMO soybean meal imports of up to 1.5 mmts, but this has captured the attention of Vietnam crushers. Could have definite impact on trade flows as India faces 1 mmts soybean crop shortfall

Argentina to lose $575m on low protein soybean in 2020/21

The Argentine soybean complex is expected to record losses of $575 million in the 2020/21 marketing year due to lower protein levels in the soybean, a study by the Rosario Board of Trade (BCR) has estimated.

Federico Di Yenno, an analyst with BCR, said that the current average protein level of soybeans in the country’s main productive areas is 36.02%, compared to approximately 39% ten years ago.

Protein is a major factor that determines the value of soybeans, and the region’s beans have been losing protein year after year.

BCR said that these economic losses for the overall soybean complex are mainly due to higher energy costs incurred by crushers as they need to raise the protein level of soymeal to 46.5% through an additional drying process.

The negative impact is also due to lower income as a result of the loss of volume of soymeal as crushers also need to decrease humidity through drying.

“This problem in the composition of the grain results in growing efforts on the part of the national crushing industry to achieve a soybean meal that complies with international commercialization standards,” BCR said in the report, with the loss of protein from the country’s beans requiring greater efforts from crushers to maintain standards.

“All parameters that fall outside the established international standards imply penalties and discounts, and the parameters outside the tolerance limits will lead to the rejection of the merchandise,” the exchange said.

BCR also noted that the continuity in exports is related to the fact that soybeans and its derivative products are still a necessity in world animal feed markets, but these deviations in quality make Argentina a second option as a supplier.

Local crushers import soybeans, mainly higher protein Paraguayan beans, in order to meet standards with Di Yenno saying that local crushers are expected to import nearly 5 mmts of soybeans from Paraguay to improve protein levels.
Soybean crushing in Argentina reached a total of 22.06 mmts in the first half of the year, marking the highest volume since 2016, according to a recent report by BCR. Argentina is forecast to crush 40.5 mmts of soybeans this year, up 12.5% compared with nearly 36 mmts of soybeans crushed in 2020, which was the lowest since 2013, the country’s oilseed crushing chamber Ciara-CEC previously said.

OTHER RELATED NEWS

- **China Hog Boom Turns to Bust**
  China's hog market boom has turned to bust, feeding worries in corporate boardrooms and government offices. As profits and equity vanished, pig producers have pulled back on feed purchases and trimmed expenses.

  China's hog prices are now back where they started in 2018, a level at which most hog producers are said to be losing money. Farms monitored by China's Ministry of Agriculture and Rural Affairs posted a -9.7% loss in May 2021. Most corporate hog-farming companies reported substantial losses or declining profits for the first half of 2021.

  The popping of the hog price bubble is also wreaking havoc with balance sheets. Most of China's publicly listed hog-farming companies enjoyed soaring stock prices in 2019 as it became evident that a severe shortage of pigs was on the horizon. Most share prices doubled at some point during 2019-20, and some soared as much as 350 percent above their 2018 values. However, shares began deflating in 2020 in anticipation of a rebound in supply and thinning profits. Some shares are still above their 2018 values, but far off their earlier highs, but others have lost value, on net, since 2018. Apart from Muyuan and a few others, most hog-farming companies in China posted financial losses in the first half of 2021.

- **Lumber dealers are now reporting excess stock as prices cool**

  Yahoo - Supply conditions in the lumber market have shifted rapidly as prices have normalized, with 49% of dealers saying they had excess inventory in July, according to a survey first reported by Bloomberg.

  32% reported "normal" conditions and 19% reported "slightly low" inventory in July. No surveyed producers reported "very tight" inventory.

  In December, January, and February, the proportions of lumber dealers reporting tight, normal, slightly low, and excess inventory conditions were relatively stable, according to the survey.

  Sign up here for our daily newsletter, 10 Things Before the Opening Bell.

  Supply conditions in the lumber market have shifted rapidly as prices have normalized, with 49% of dealers saying they had excess inventory in July, according to a survey first reported by Bloomberg.

  Some dealers were facing less severe inventory build-ups: 32% reported "normal" conditions and 19% reported "slightly low" inventory last month. No surveyed producers reported "very tight" inventory in July. By contrast, in June, 19% reported very tight inventory - and in April, 40% did.

  The survey, conducted by John Burns Real Estate Consulting, took the temperature of lumber dealers and manufacturers doing over $25 billion in collective sales.

  From over $1,700 per thousand board feet in May, lumber prices now rest below $500. The wild price gyrations at first pushed producers to dial up output. At the same time, nearly everyone dealing in lumber was hoarding the stuff.

  "Everyone was buying more than they needed," Mike Wisnofske, a former lumber trader and CEO of MaterialsXchange told the Wall Street Journal. "There was this fear of lack of availability."

  But as more supply has come online and the pace of homebuilding has slowed, too much lumber is increasingly becoming the core problem.

  Before lumber's precipitous rise, supply conditions tended to be more constant. In December, January, and February, the proportions of lumber dealers reporting tight, normal, slightly low, and excess inventory conditions were relatively stable, according to the survey.

  September Lumber futures settled on Friday at $472.78 per thousand board feet.
**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](https://www.tradingview.com/chart/?symbol=INDEX%3ABDI)

- **Freightos Baltic Index (FBX): Global Container Freight Index**

* The main index also registered a 14.8% gain for the week, its best since the one ending on June 11.
* Shipping analysts have cited an overall rebound in commodities demand and shipping constraints, especially in China, as having contributed to the recent rally in the dry bulk sector.
* The capesize index also advanced 5% to a more than 11-year high at 5,997 points, marking a fifth straight weekly gain, up 25.8%.
* Average daily earnings for capesizes, which typically transport 150,000-tonne cargoes such as iron ore and coal, rose by $2,370 to $49,731.
* Meanwhile, Dalian iron ore eked out a small gain on Friday but marked its fifth consecutive weekly decline as market unease grew over demand prospects in top steel producer China.
* The panamax index advanced 31 points, or 0.8%, to its highest in more than a month at 3,785. The index rose 6.1% this week.
* Average daily earnings for panamaxes, which usually carry coal or grain cargoes of about 60,000 tonnes to 70,000 tonnes, increased by $281 to $34,063.
* Among smaller vessels, the supramax index added 39 points to 3,276, an all-time high as per Refinitiv Eikon data available since 2017. (Reporting by Rahul Paswan in Bengaluru; Editing by Maju Samuel).

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

Reuters - The Baltic Exchange's main sea freight index rose to a more than 11-year peak on Friday on solid demand for all vessels, with capesize rates scaling their highest since mid-2009.

* The overall index, which factors in rates for capesize, panamax, supramax and handysize shipping vessels, rose 116 points, or about 3%, to its highest since mid-2010 at 4,092.
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/

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

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/

### Logistics

**New $140 million grain terminal planned for East Port Said**

Suez Canal Economic Zone - Yehia Zaki, chairman of the Suez Canal Economic Zone (SCZone), recently joined Haytham Nouh, a representative of Roots Commodities and Rosa Grains, in signing a contract for the establishment of a bulk grain terminal at East Port Said in Egypt. Zaki said the two groups will invest approximately 2.2 billion Egyptian pounds ($140 million) in the new terminal, which is expected to be able to handle between 1.5 mmts to 7.2 mmts of grains per year.

The project is expected to create about 400 direct and indirect jobs, and will cover approximately 267,000 square meters at a length of 500 meters, Zaki said. East Port Said is located at the northern end of the Suez Canal, on the Mediterranean Sea.

**Parana river likely impassable for Paraguayan soybeans through 2021**

The Parana river is likely to be inaccessible for the transit of soybeans for the rest of the year due to its low water levels, the head of Paraguay’s maritime and shipping chamber CAFyM, said. Juan Carlos Munoz, CAFyM’s head, had previously said that a potential window could have been expected in September, but he now believes that this scenario is not likely to happen.

“The navigation in the Parana river is closed for barges transporting soybean. The scenario is not good as there are no forecasts of significant rains,” the executive said.

At the end of May, nearly 65 barges were able to navigate from Paraguayan ports to Argentina’s Rosario hub after the government struck a deal with the operators of a key dam, the Itaipu, to allow more water into the network.

The dam sits on the border between Paraguay and Brazil and is jointly operated by the two governments.

Water was released to temporarily raise Parana water levels, enabling the barges navigate towards Argentine ports, but authorities and representatives of the dam have reportedly ruled out any similar moves for the rest of the year.

Munoz also said that exporters with soybeans in ports located near the Parana River have moved them to ports located on the Paraguay River, in order to export them to Argentine ports, while nearly 1 million mt of soybeans were shipped to terminals located in Brazil’s Parana state via truck.

Paraguay River

Munoz warned that the situation in the Paraguay River is also critical, with declining water levels also in key sections of the system and barges loading 30-40% less grain.

“There are some forecasted rains in some areas of the Paraguay river but they will not be enough to modify this critical scenario,” the executive said.

Paraguay exported a total of 4.57 mmts of soybeans in the first seven months of 2021, down 4% compared with the 4.76 mmts registered in the same period of 2020, the latest data from the country’s central bank shows.

Exports to Argentina, Paraguay’s largest soybean importer, reached 3.25 mmts in the January-July period, down 15.4% year-on-year and representing 71.1% of Paraguay’s total soybean exports during the period.
Meanwhile, exports to Brazil increased 21.8% year-on-year in the first seven months of the year.

Daniel Hidalgo, head of BCP’s foreign trade department, previously said that soybean exports this year are forecast to reach 6.1 mmts, down 7.8% compared to the previous year.

**KCS Declines Canadian Pacific's Revised, $31B Takeover Offer**

Kansas City Southern’s board of directors spurned Canadian Pacific's revised offer to acquire KCS, but it could also hold off on a vote that would seal KCS’ commitment to merge with CN.

KCS late Thursday determined that CN's bid to acquire KCS is still the “superior proposal,” turning down CP’s revised offer.

Rivals CP and CN are seeking to acquire KCS. CP and KCS announced in March their plans to merge, but then CN put forth a competing bid and KCS opted in May to go with CN's bid instead.

On Tuesday, CP laid out a new offer: a stock-and-cash bid worth an estimated $31 billion. The proposal valued KCS at $300 per share. In contrast, CN's offer in May valued KCS at $325 per share in an offer worth $33.6 billion.

But KCS on Thursday still opted for CN's offer: “The KCS Board reaffirms its recommendation to KCS shareholders to vote in favor of the pro-competitive, end-to-end merger with CN, which will create the premier railway for the 21st century and offers unparalleled opportunities and benefits for customers, employees, shareholders, the environment and the North American economy,” KCS said.

However, the KCS board could also postpone a decision that would've sealed KCS' commitment to CN's merger proposal. KCS shareholders were planning to vote next Thursday on whether to approve CN and KCS' merger agreement, but the KCS board decided not to hold that vote if the Surface Transportation Board hasn’t yet issued a decision by next Tuesday on whether it approves CN's proposed voting trust, which would be used to acquire KCS.

The STB is the regulatory body that reviews proposed mergers between major freight railroads, and KCS has said its approval of the merger agreement between KCS and CN is predicated on STB's approval of CN's proposed voting trust.

The STB said on Tuesday that it would issue a decision on CN's voting trust sometime before August 31st.

"The KCS Board of Directors has determined, with the concurrence of CN, that if the STB has not released a public decision by the 17th of August 2021, at 6:00 p.m., Central Time, the Special Meeting will be adjourned to give all shareholders and the Board time to receive and consider the STB decision. If the meeting is adjourned, the Board will announce the date on which it will reconvene the meeting," KCS said.

CN and CP both said they viewed KCS' actions positively.

"We are pleased that the KCS board of directors has reiterated that the agreed transaction with CN is superior and recommends that stockholders vote FOR our pro-competitive combination," said CN President and CEO JJ Ruest.

He continued, "Together, we will enhance competition, drive economic growth and realize the benefits of a fully end-to-end transportation network connecting North America. We look forward to continuing to work with KCS to deliver this compelling combination to both companies’ stakeholders."

CN also affirmed that it supported the decision by the KCS board to adjourn the shareholder meeting next Thursday if STB doesn't issue a decision on CN's voting trust by Tuesday.

Meanwhile, CP said it "applauds" KCS' decision to adjourn Thursday's shareholder meeting.

"CP has always maintained KCS stockholders should have all relevant information, including the STB decision on the CN voting trust, to be able to make an informed decision, avoid being locked into the CN-KCS deal and preserve the ability to consider a better alternative proposal. ... We are confident that the STB will take the time needed to review the myriad of issues and concerns the CN voting trust raises. We continue to believe that CN's proposed use of a voting trust should not be approved because it is anti-competitive and not in the public interest," CP said.

CP noted that proxy advisers Institutional Shareholder Services (ISS) supported KCS' decision to hold off on approving the CN-KCS merger agreement if STB doesn't issue a decision beforehand.
Argentina lower tax, higher tech help corn displace soy

Reuters - Argentine farmers are expected to sow more corn than ever this season while soybean planting falls to a 15-year low as the country's export tax policy and lack of a regulatory framework for genetically modified beans spurs the shift.

Argentina surpassed drought-hit Brazil this season to become the world's second biggest corn exporter. With the help of the huge soy crushing plants that dot the banks of Argentina's Parana River, the country is the top supplier of soymeal livestock feed used to fatten hogs and poultry from Europe to Southeast Asia. But production of soy, once the unrivaled king of the Pampas farm belt, is lagging in part because of slow progress in enacting a law that seed companies want to ensure farmers pay royalties on soybean genetic technology. Lack of a "seed law" has hurt access to modified soy that can withstand increasing risk of drought.

Argentine farmers are expected by the Rosario grains exchange to sow an all-time high 7.84 million hectares of corn this year while soy falls to 16.40 million hectares, the lowest since 2006, marking the oilseed's 6th straight year of decline. The 2021/22 corn harvest is expected by the exchange at 55 mmts with the soy crop seen at 49 mmts.

"Corn has benefited from new technology over the last 10 years that allows us to plant later in the season. We used to be able to plant corn only in September, and then hope for rain around Christmas," said Santiago del Solar, a grower in the bread-basket province of Buenos Aires. "If it didn't rain in time, it was a big problem. Yields fell. Now we can plant half of our corn in September and the other half in November. This diversifies our risk," he said.

The Buenos Aires Grains Exchange forecasts 2021/22 corn planting at a record 7.1 million hectares. "Late planting allows corn yields to remain steadier in dry years while soy yields drop sharply," said Esteban Copati, chief analyst.

More corn from Argentina could help to supply the global market at a time of low supply and high prices. The U.S. government cut its outlook for corn production in the world's top producer by 2.7% last week.

Argentina imposes a 33% export tax on soybeans, which slips to 31% on soymeal and soyoil and then plummets to 12% for corn. A soymeal manufacturing executive based in Buenos Aires, who asked not to be named, said the tax pressure on soy exports was too high and soy genetics were not improving in the country because of the "lack of a reasonable seed law".

For years seed companies have been asking for a change in Argentine law on genetic patent rights by making growers pay royalties. But farmers have objected to many of the proposals made by seed companies and Congress has yet to vote on a bill.

Argentina's 2020/21 soy harvest ended in June at 43.5 mmts, the Buenos Aires Grains Exchange said. The 2020/21 corn harvest is almost in, and expected by the Buenos Aires exchange to reach 48 mmts. The next Argentine corn crop starts going into the ground in September, with soy following in October.

La Niña's Likely Return Could Impact Brazil, US Corn

Gro Intelligence - Even as damage from the 2020/21 La Niña continues to disrupt agricultural supply chains worldwide, climate experts are warning that the global weather event is likely to make a return appearance later this year.

To measure the severity of El Niño and La Niña events, scientists rely on the so-called MEI, or Multivariate ENSO Index, provided by the US agency NOAA. (ENSO itself is an acronym for El Niño Oscillation Index.) The Version 2, or v2, MEI includes factors such as sea level pressure and temperature, winds, and radiation. Each data point is reported for a two-month span, with months partially overlapping to lessen the effect of short-term oscillations.

In this chart, the entire MEI v2 history is shown, from 1979 to present. The 1982-83 El Niño is regarded as one of the most extreme El Niño events recorded, and is visible as several months of high positive values. Similarly, the prolonged and extreme 2010-12 La Niña event is visible as a long period of negative values.

Currently, ENSO-neutral conditions are in place—meaning neither El Niño nor La Niña are in effect—according to the Climate Prediction Center's Oceanic Niño Index, which is calculated based on ocean temperatures in a specific part of the Pacific Ocean. A separate index, the Multivariate ENSO Index, which includes additional variables such as sea level pressure, currently shows a negative value, suggesting La Niña conditions.

La Niña conditions for a second year in a row could have far-reaching effects on Brazilian corn production and on corn supplies in the US.

A Gro analysis shows that La Niña correlates strongly with increased levels of drought and reduced corn yields in Brazil, the world's No. 2 corn exporter. Previous La Niña years have seen year-over-year corn production declines of up to 20% in Brazil.
Brazilian crops have already suffered from deep drought in 2021. Continued drought into 2022 could force global demand to the US for the second year in a row. That in turn could put paid to the USDA's forecast for the US to rebuild currently depleted corn stocks in the upcoming year.

This chart shows the ENSO index (in green) plotted against the Gro Drought Index for Mato Grosso, Brazil (in blue). High levels of drought are strongly correlated with La Niña conditions. Negative values on the ENSO index indicate La Niña events whereas positive values indicate El Niño.

La Niña isn’t a perfect indicator of weather in Brazil. However, the US Climate Prediction Center recently issued a “La Niña Watch,” signaling that conditions are “favorable for the development” of La Niña “over the next six months.” The center said most global climate models predict a 70% chance that La Niña will emerge around November and last through the 2021/22 Northern Hemisphere winter.

A return of La Niña two years in a row isn’t unusual; according to NOAA, an analysis of 12 previous La Niña events found that two-thirds were followed by another La Niña a year later.

If La Niña does materialize by late fall or early winter, it could also help bring relief to some areas, including leading to above-normal precipitation in some of the drought-stricken areas of the US Pacific Northwest and additional rain to wheat-growing regions of Australia.

Return of La Niña - Possible Problematic Start to Brazil Planting

Michael Cordonnier/Soybean & Corn Advisor, Inc. - There is always a difference in opinion when it comes to long-range weather forecasts, but there are concerns building in Brazil that the 2021/22 spring planting season may be delayed again like last year due to a return of La Niña later this year and the resulting dryer-than-normal weather. The U.S. Climate Prediction Center now estimates there is a 62% chance of a La Niña weather pattern across the Pacific between September and November, up from a previous estimate of 55% last month.

Meteorologists from the Brazilian National Weather Service (Inmet) agree there could be a return of La Niña, but it will take several more weeks to confirm its intensity. If a La Niña reemerges, it could mean a dry and delayed start to spring planting in Brazil. Farmers in southern Brazil may plant their full-season corn any time they wish after August 1st, but soybean planting will not start until September 10th in Parana and September 15th in Mato Grosso and several other Brazilian states.

In Conab’s August Crop Report released last week, they published a map from Inmet indicating below normal rainfall for much of central Brazil for the period August-September-October. It’s a little more of a mixed bag for the states of Parana and Rio Grande do Sul in far southern Brazil.

USDA/WAOB Joint Agricultural Weather Facility – 14th August 2021

Europe – Cool, Wet Weather Lingered, But Continued Hot In The Southern Balkans
- Early-week showers and below-normal temperatures benefited filling summer crops across central and western Europe, though dry weather later in the period promoted fieldwork and crop maturation.
- 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 – Early Week Heat Followed By Torrential Rain
- Early in the period, warm weather with scattered showers in Ukraine maintained favorable prospects for filling summer crops, though some northeastern crop areas remained dry.
- In western Russia, early-week heat hastened corn and sunflower maturation, while moderate to excessive rain late in the period was untimely for summer crop drydown.

Eastern FSU – Crops Maturing Ahead Of Normal
- Additional showers in Russia’s Siberia District favored filling spring wheat.
- Spring grains in north Kazakhstan and central Russia approached maturity locally more than two weeks ahead of average due to this summer’s extreme heat.
- Hot, sunny weather accelerated cotton maturation in Uzbekistan and environs well ahead of normal.

Middle East – Turkey’s Summer Crops Approached Or Reached Maturity
- Despite heavy showers along the Black Sea Coast, Turkey’s summer crops approached or reached maturity under mostly sunny skies.

South Asia – Too Dry In Western India
- Unseasonably dry weather across western India continued to limit soil moisture for cotton and oilseeds.
**East Asia** — Favorable Rainfall For Summer Crops
- Widespread showers in southern China eased short-term dryness for late-crop rice, while rainfall in portions of the northeast sustained good soil moisture for reproductive corn and soybeans.

**Southeast Asia** — Seasonably Wet Weather Returns
- Renewed monsoon showers in Thailand and environs as well as the Philippines stemmed developing dryness for rice and other crops.

**Australia** — Good To Excellent Winter Crop Prospects
- Showers in the south and west continued to benefit vegetative wheat, barley, and canola.
- Sunny skies promoted crop development in the northeast, as wheat approaches reproduction.

**South America** — Showers Increased Moisture For Argentine Winter Grains
- Cool, showery weather benefited wheat and barley in central Argentina.
- In Brazil, dry weather supported corn and cotton harvesting, but moisture remained limited for vegetative to reproductive wheat.

**Mexico** — Beneficial Rain Continued Throughout The South And West
- Moderate to heavy showers benefited rain-fed corn, while increasing irrigation reserves.

**Canada** — Showers Came Too Late For Most Prairie Spring Crops
- Rain provided limited drought relief to the southern and eastern Prairies, as early spring grain and oilseed harvests are reportedly underway.

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**Agricultural Weather Highlights — Friday - August 20, 2021**

**In the West**, drought-easing precipitation has ended across the Intermountain region, although a few showers linger across the northern Rockies. The threat of new Western wildfire ignitions has diminished, despite ongoing dry weather in the Great Basin and Pacific Coast States. However, several existing wildfires continue to exhibit erratic and potentially dangerous behavior; the nation’s largest blaze—northern California’s Dixie Fire—has consumed nearly 700,000 acres.

**On the Plains**, heat is building across the southeastern half of the region, despite isolated showers. Today’s high temperatures will approach 100°F as far north as eastern Kansas. In contrast, cool, showery weather prevails on the northern Plains. Today’s high temperatures will remain below 70°F on the northern High Plains, where cool, rainy weather has arrived too late for most drought-stricken summer crops.

**In the Corn Belt**, warm, mostly dry weather favors corn and soybean development. Today’s Midwestern maximum temperatures should range from 85 to 90°F, except in the upper Midwest where cooler conditions and widely scattered showers are arriving.

Some drought-affected summer crops in the western Corn Belt are benefiting from late-summer rainfall; others—including dented corn—are too mature to be aided by the change in upper Midwestern weather.

**In the South**, unsettled, showery weather lingers in several regions, including the Mississippi Delta and portions of the southern Atlantic States. In other areas, including the western Gulf Coast region, hot, dry weather favors fieldwork, including rice harvesting.

**Outlook:** Tropical Storm Henri—expected to become a hurricane by Saturday—will move northward and could make landfall on Long Island or in southern New England by Sunday. Henri poses a significant threat to the northern Atlantic region due to the potential for flooding rain, damaging winds, heavy surf, and a coastal storm surge.

Meanwhile, a cold front crossing the nation’s mid-section will remain the focus for showers and thunderstorms. Additional rainfall across the northern Plains and upper Midwest could total 1 to 3 inches or more, starting the process of slow recovery from a protracted drought. In contrast, hot, mostly dry conditions will prevail across the Great Basin and Pacific Coast States. Hot weather will also return across the Southwest, following the recent monsoon surge. Elsewhere, heat will further build during the weekend and early next week across the central and southern Plains and middle and lower Mississippi Valley.

The NWS 6- to 10-day outlook for August 25 – 29 calls for the likelihood of above-normal temperatures nearly nationwide, although cooler-than-normal conditions will prevail in parts of the upper Midwest. Meanwhile, near- or below-normal rainfall across much of the country should contrast with wetter-than-normal weather across the lower Mississippi, portions of the central Plains, and the Appalachians and environs.

**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.

USDA FAS OGA Crop Calendar

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