Notes and Observations in International Commodity Markets

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KSU Agriculture Today Link - Grain market update, World grain supply and demand report: https://agtodayksu.libsyn.com/grain-market-update-world-grain-supply-and-demand-report

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HURRICANE IDA DISRUPTS U.S. EXPORTS

GHA – U.S. export capacity has been significantly reduced in the wake of Hurricane Ida, as commodity prices fell during the week showing a widening spread between interior prices and FOB values. The trade continues to be busy shifting the large export programs to working ports, as well as to Texas Gulf, the PNW and other locations. Some nearby “optional origin” business was seen shifting back to South America.

Board spreads were also generally wider pressured by harvest pressure and reduced export capacity as carries were generally wider. On Friday after a week of mostly beneficial rains and problems on the lower Mississippi River:

- December KC wheat closed up 14 cents,
- December Chicago wheat was up 9¼ cents,
- while December Minneapolis wheat was up 13 cents.

- September corn closed down 8¼ cents and December corn was down 1½ cents.
- September soybeans closed up 3 ¾ cents and November soybeans were up 8 ½ cents with help from another sale of new-crop beans to China.

- The September U.S. Dollar Index is trading down 0.22 at 92.02.
- The Dow Jones Industrial Average is down 26.95 points at 35,416.87.
- December gold is up $22.40 at $1,834.65, December silver is up $0.87 at $24.79 and December copper is up $0.0355.

- October crude oil is down $0.43 at $69.56, October heating oil is down $0.0035, October RBOB gasoline is down $0.0050 and October natural gas is up $0.067.

Have a good Labour Day weekend as the U.S. markets are closed on Monday! ☺

Hurricane Ida damages Louisiana grain terminal, disrupts exports

Reuters - Hurricane Ida damaged a grain export elevator owned by global grain trader Cargill Inc, and rival shipper CHS Inc warned on Monday its grain facility may lack power for weeks after the storm tore though the busiest U.S. grains port.

Cash premiums for grain delivered by barge to Gulf terminals for export fell sharply on Monday as traders feared a prolonged recovery from the storm.

The storm has disrupted grain and soybean shipments from the Gulf Coast, which accounts for about 60% of U.S. exports, at a time when global supplies are tight and demand is strong from China.

- Images of the damaged Cargill terminal, with a twisted and partially collapsed grain conveyor system, circulated on Twitter and were shared among grain traders and barge shippers.

Cargill said its Reserve, Louisiana, terminal, one of two the company operates along the Mississippi River near the Gulf of Mexico, "sustained significant damage" when the storm roared ashore. "This area in SE Louisiana is still facing significant personal safety concerns and power outages, so we are just able to start assessing the storm’s
Hurricane Ida Shutters Ag Exports with No Clear Timeline on How Long Shipping Delays Could Last

AgDay 08/31/21 - Hurricane Ida packed a punch of 150 mph winds this weekend, leaving more than 1 million people in New Orleans without power. In the process, the monster storm crippled some grain shipping facilities in a key export area along the lower Mississippi River, creating concerns over how long export activity could be shuttered.

The shipping issues caused by Hurricane Ida could have a major impact on the overall export picture. The Port of South Louisiana is a major shipping hub, as it's the largest grain port in the United States. Grain elevators within the Port handle more than 50% of all U.S. grain exports annually.

"You have a system that's overall, under stress and then you insert a weather event like this, and it kind of just adds insult to injury," says Mike Steenhoek, executive director of the Soybean Transportation Coalition (STC).

Markets Tumble Over Export Uncertainty - The initial reaction was part of the spark that sent commodity prices tumbling Sunday night into Monday. ProFarmer’s Brian Grete says while technical selling spurred a sell-off, the fundamental concerns over Hurricane Ida and the impact on a key shipping area also fueled the price pressure.

"In the Gulf of Mexico, Hurricane Ida really did have an impact there," says Grete. "But it's going to take some time, and markets don't like uncertainty. We know that at a minimum (the) export situation will be slowed for a little bit. It could be slowed significantly, depending on what kind of damage there is to those loading rigs and those types of things. So, it's kind of a wait and see."

Corn, Soybean Shipments at Risk - Fears surfaced in the markets Monday as questions started to circulate over just how long the supply chains and river facilities will be disrupted in the lower Mississippi River area. As of Saturday night, the U.S. Coast Guard ordered no vessel movement on the lower Mississippi River from the Gulf of Mexico to river mile 303. To put that into perspective, Steenhoek says Baton Rouge is at river mile 232 and New Orleans is at river mile 100.

According to STC, the lower Mississippi River is by far the largest export region for soybeans (61%) and corn (58%). Therefore, he says any lengthy disruption to export activity in this key region warrants industry attention and concern.

"They know that hurricanes are a frequent, unwanted guest in the area, so they build those facilities with resilience in mind to be able to absorb a punch, but 150 mile an hour sustained wind is quite a punch," he says. "And you can't really experience that kind of sustained wind, that severity of it, without having some degree of damage. And so that's something that we're going to certainly be monitoring, because that can be more long-lasting and have a real detrimental impact on our export program moving forward, particularly as the fall season starts to arrive."

STC notes that while August isn’t a key time for soybean exports, there’s still a healthy amount of corn typically loaded onto barges this time of year. During the week ending August 19th, STC notes 464,138 mts (18.3 mbus) of corn, 141,859 mts (5.2 mbus) of soybeans, and 71,696 mts (2.6 mbus) of wheat were exported from the terminals along the lower Mississippi River. In total, 487 barges of grain were unloaded in the area that week alone.

Shipping Delays Add "Insult to Injury" - As shippers enter September, the concern for soybeans is over further delays, as any backup could impact soybean exports that start to pick up in September and typically run strong through February.

"The good news is we’ve got what looks to be a pretty healthy supply that can accommodate that demand. But as we all know, if you can’t connect supply with demand the transaction never occurs, and farmers will never be profitable. And so that's something that is a real concern for us moving forward,” says Steenhoek. "When you put it within the broader context of an overly subscribed supply chain that is under stress, not only for like containerized shipping, but for bulk vessels as well, then all of a sudden, you insert a significant weather event like Hurricane Ida, and it can essentially add insult to injury."

Reuters reported that Hurricane Ida damaged a Louisiana grain export elevator owned by Cargill Inc., with reports the elevator "sustained significant damage."
Flashbacks to Hurricane Katrina - From power outages to barges and ships placed on the sidelines while the area tries to recover, Steenhoek says the longer the system is disrupted, the more impact it could have on U.S. farmers.

“This is something that if the repercussions of this become more long-lasting, you'll see farmer profitability suffer,” says Steenhoek. “We saw this with Hurricane Katrina 16 years ago, where farmers all of a sudden saw the price that they were offered 900 miles from the affected area in New Orleans, their price declined not because the demand fundamental had changed, not because the quality of the crop was compromised, but just simply because the supply chain wasn't operating. And certainly, we don't want to see something like that repeat itself,” he says.

Runaway Barges - As individuals in the impacted areas assess the total damage from Hurricane Ida, Steenhoek says the course of this week will provide clarity on the extent of shipping issues. But he says it's more than just power outages that could influence the recovery timeline.

“When you think about these facilities, you know, you have the storage facilities, you have the loading apparatus that connects the storage to the actual vessels. We've heard reports of barges and other maritime vessels becoming unmoored and getting pushed along the river. And that's never a welcomed development. And if it runs into a bridge, that could have an impact on that,” he says.

On Monday, that fear became a reality as officials reported 22 barges on the loose with one hitting a bridge in Laffite, La. Leaders believe the bridge is now structurally unsound, but no word on how that could impact barge traffic moving forward.

US Dollar & Foreign Exchange

- **US Dollar Index Falls On Weaker-Than-Expected U.S. Nonfarm Payrolls**

  The dollar on Friday fell to a 4-week low and finished moderately lower. The dollar retreated Friday after U.S. Aug nonfarm payrolls rose less than expected, which may force the Fed to delay tapering of QE.

  The dollar index on Friday fell -0.175 (-0.19%). EUR/USD rose +0.0010 (+0.08%). USD/JPY fell -0.29 (-0.26%).

  EUR/USD on Friday rose to a 2-month high. A weaker dollar was the main supportive factor for EUR/USD on Friday. Gains in the euro were limited on weak Eurozone economic data that showed Eurozone July retail sales unexpectedly fell -2.3% m/m, weaker than expectations of no change. Also, the Eurozone Aug Markit composite PMI was revised downward to 59.0 from the previously reported 59.5.

  Friday USD/JPY fell to a 1½ week low. The yen moved higher Friday on the increase in Japanese bond yields after the 10-year JGB bond yield climbed to a 1½ month high Friday of 0.046%, which strengthens the interest rate differentials of the yen.

  December gold on Friday closed up +22.20 (+1.23%), and Dec silver closed up +0.884 (+3.70%). Gold and silver on Friday rallied to 4-week highs. The smaller-than-expected increase in U.S Aug non-farm payrolls Friday knocked the dollar down to a 4-week low and boosted metals prices. Gold also found support Friday after U.S. Aug average hourly earnings rose more than expected, which boosted demand for gold as an inflation hedge.

  Friday's U.S. economic data was mostly bearish for the dollar. U.S. Aug nonfarm payrolls rose +235,000, weaker than expectations of +725,000 and the smallest increase in 7 months. Also, the Aug ISM services index fell -2.4 to 61.7, close to expectations of 61.6. On the positive side, U.S. Aug average hourly earnings rose +0.6% m/m and +4.3% y/y, stronger than expectations of +0.3% m/m and +3.9% y/y, which is hawkish for Fed policy.

  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 Wednesday rose to a 7-1/4 month high of 167,680.

- **Key U.S. Inflation Gauge Posts Fastest Annual Price Gain in 30 Years**

  Tom Ozimek - The Federal Reserve's preferred inflation gauge, the so-called core personal consumption expenditures (PCE) price index, vaulted in the 12 months through July to levels not seen in 30 years.
The Commerce Department said in a release Friday that core PCE rose 3.6% over the year in July, matching last month’s level, which was an increase from 3.5% in May and 3.1% in April.

The last time the core PCE inflation gauge saw a similar year-over-year vault was in July 1991, while the highest level the measure has hit is 10.2% in February 1975, when the economy was gripped in a troubling upwards wage-price spiral fueled by rising inflation expectations on the part of consumers.

The Fed looks to core PCE as a key inflation measure that informs its monetary policy, which has an inflation target of a longer-run average of 2%.

On a monthly basis, the core PCE gauge rose 0.3% between June and July, after rising 0.5% the prior month, suggesting inflationary pressures may have peaked.

It comes as Fed officials are meeting virtually for an annual economic symposium in Jackson Hole, Wyoming, on Friday, with investors watching closely for signs of when and how the central bank may begin to roll back its extraordinary support measures for the economy while reiterating his oft-repeated view that price pressures would moderate once supply-side shortages and bottlenecks further abate.

In a speech Friday, Federal Reserve Chair Jerome Powell addressed inflationary pressures, acknowledging a “sharp run-up in inflation” driven by the rapid reopening of the economy while reiterating his oft-repeated view that price pressures would moderate once supply-side shortages and bottlenecks further abate.

Powell acknowledged the relatively high level of Friday’s core PCE print, noting it’s “well above our 2% longer-run objective” and that both businesses and consumers “widely report upward pressure on prices and wages.”

“Inflation at these levels is, of course, a cause for concern. But that concern is tempered by a number of factors that suggest that these elevated readings are likely to prove temporary,” he said, arguing that the current spike in inflation is largely driven by a relatively narrow group of goods and services that have been directly impacted by the pandemic and the reopening of the economy.

“We are also directly monitoring the prices of particular goods and services most affected by the pandemic and the reopening, and are beginning to see a moderation in some cases as shortages ease. Used car prices, for example, appear to have stabilized; indeed, some price indicators are beginning to fall,” Powell said. Powell added that officials have not, so far, noted broad-based inflationary pressures but acknowledged that evidence of such pressures spreading more broadly through the economy would be concerning and would prompt a swift policy response.

The Fed chief also addressed wage pressures. In the 1970s, upward pressure on wages combined with growing consumer expectations of further price increases to push prices higher, prompting the Fed to raise interest rates. Powell said there is little evidence of this phenomenon today.

“If wage increases were to move materially and persistently above the levels of productivity gains and inflation, businesses would likely pass those increases on to customers, a process that could become the sort of ‘wage-price spiral’ seen at times in the past,” Powell said.

“Today we see little evidence of wage increases that might threaten excessive inflation. Broad-based measures of wages that adjust for compositional changes in the labor force, such as the employment cost index and the Atlanta Wage Growth Tracker, show wages moving up at a pace that appears consistent with our longer-term inflation objective,” he said.

Powell also noted disinflationary forces like technology and globalization, arguing that there is little evidence these have suddenly reversed or abated, arguing that “it seems more likely that they will continue to weigh on inflation as the pandemic passes into history.”

He said the baseline economic outlook is for the economy to continue progressing towards maximum employment, with inflation returning closer to the Fed’s goal of averaging 2% over time.

➢ Record-Breaking Agricultural Exports Expected to Continue Through 2022

This year and next year are looking to break records when it comes to U.S. agricultural exports. USDA is out with its new ag export forecast for both this year and next, and it’s showing exports could hit $173.5 billion in 2021, which is $4 billion more than 2020. Experts say it’s due to higher livestock, poultry and dairy exports. For 2022 exports values could reach $177.5 billion due to growth in dairy and poultry exports.

“Producers are facing what’s really good domestic and export demand,” says Seth Meyer, USDA Chief Economist. “This is how you get a signal for producers to enhance, expand, production, you know, exports have certainly have a job multiplier when we think about what we send overseas. I think it’s a good sign that folks love and want American agricultural products, even as prices rise, as they come in for more.” The U.S. will also buy more foreign ag products, but the U.S. ag trade surplus is expected to continue to grow.

“Producers are facing what’s really good domestic and export demand,” says Meyer. “This is how you get a signal for producers to enhance, expand, production, exports have certainly had a job multiplier when we think about what we send overseas. I think it’s a good sign that folks love and want American agricultural products, even as prices rise, as they come in for more.”
USDA ERS - U.S. Agricultural Exports in Fiscal Year 2022 Forecast Up $4.0 Billion to a Record $177.5 Billion; Imports at $159.5 Billion

U.S. agricultural exports in fiscal year (FY) 2022 are projected at $177.5 billion, $4.0 billion higher than the revised forecast for the preceding year. The FY 2021 export forecast of $173.5 billion represents an increase of $9.5 billion from May’s projection, mainly due to higher livestock, poultry, and dairy exports, as well as the adoption of a new definition of “Agricultural Products.”

Beginning with this publication, the August 2021 release, the report is adopting the World Trade Organization’s (WTO) definition of “Agricultural Products,” which adds ethanol, distilled spirits, and manufactured tobacco products, among others, while removing rubber and allied products from the previous USDA definition. The net effect of the definitional change on historical values is that U.S. agricultural exports under the new definition averaged $4.7 billion higher per year during FY 2018-2020 from the previous definition, and U.S. agricultural imports averaged $9.9 billion higher annually during the same period.

The FY 2022 forecast value increase is primarily driven by higher export values for soybeans, cotton, and horticultural products. Soybean exports are projected to increase by $3.3 billion from FY 2021 to a record $32.3 billion on higher prices, which more than offset lower projected volumes. Cotton exports are forecast up $500 million to $6.8 billion on higher unit values. Horticultural product exports are forecast up $600 million to a record $37.7 billion, led by higher exports of tree nuts. Livestock, poultry, and dairy exports are forecast up $400 million to $36.8 billion in FY 2022, primarily due to growth in dairy and poultry products. Grain and feed exports are forecast down $1.1 billion from prior forecast levels, primarily due to lower corn export prospects. Agricultural exports to China are forecast at $39.0 billion—an increase of $2.0 billion from FY 2021—largely due to higher expected soybean prices and strong cotton and sorghum demand.

Outlook for U.S. Agricultural Trade

Table 1—U.S. agricultural trade, fiscal years 2015–22, year ending September 30

Table 2—U.S. agricultural exports: Value and volume by commodity, fiscal years 2020–2022
Agricultural exports to Canada and Mexico are forecast at $23.8 billion and $22.3 billion, respectively.

FY 2021 imports are forecast at $157.5 billion, up $15.7 billion from the previous forecast, primarily resulting from the inclusion of distilled spirits and other products in the new "Agricultural Products" definition. Record-level import values in the third quarter of FY 2021 largely due to pent-up demand from the pandemic shutdowns of entertainment and service industries, which was released driving up purchases and prices of wine, beer, fruits and vegetables, and other horticultural products, at least in the short term.

U.S. agricultural imports in FY 2022 are forecast at $159.5 billion, $2.0 billion higher than the revised FY 2021 due to higher imports of livestock and beef products, oilseeds and products, and horticulture products.

Effective January 1, 2021, the separation of the United Kingdom (UK) from the European Union-27 (EU27) was complete, including trade between both entities. Starting with this August 2021 release, the Outlook for U.S. Agricultural Trade is reporting on EU27 and the UK separately, rather than a joint EU27+UK in previous quarters.

The forecasts in this report are based on policies in effect at the time of the August 12, 2021, World Agricultural Supply and Demand Estimates (WASDE) release and the U.S. production forecasts thereof.

**Wheat**

**Outlook for U.S. Agricultural Trade – Grains and Feed**

FY 2021 U.S. grain and feed exports are forecast at $42.9 billion, up by $1.7 billion from the May forecast, as higher wheat, corn, and feeds and fodders exports more than offset lower sorghum exports.

Wheat exports are forecast at $7.1 billion, up $200 million on higher unit values. With lower 2021/22 production for the United States and other major exporters, wheat prices have climbed higher.

Rice exports are forecast at $2.0 billion, unchanged from the May forecast.

Corn exports are forecast at $18.1 billion, up by $900 million, as volumes are expected to reach a record high on top of higher unit values.

Sorghum exports are forecast at $2.2 billion, down $200 million on slightly lower volumes and unit values.

Feeds and fodders exports are forecast at $8.7 billion, up by $600 million on both higher volumes and unit values, particularly for distiller's dried grains with solubles (DDGS).

FY 2022 U.S. grain and feed exports are forecast at $41.8 billion, down by $1.1 billion from FY 2021 on lower corn and feed and fodder exports, despite higher sorghum exports.

Wheat exports are forecast at $7.1 billion, unchanged from the previous fiscal year. Because of tight exportable supplies, unit values are expected higher but are offset by lower volumes.

Rice exports are forecast at $2.0 billion, unchanged from the FY 2021 estimate as lower volumes offset higher unit values. New sales to Iraq and continued strong demand from Venezuela will not be enough to offset the expected loss in sales to Brazil.

Corn exports are forecast at $17.1 billion, down by $1.0 billion on reduced volumes from stronger foreign competition, though unit values are expected to be higher.

Sorghum exports are forecast at $2.5 billion, up by $300 million from the FY 2021 estimate on larger exportable supplies and expected continued strong demand from China.

Feeds and fodders exports are forecast at $8.3 billion, down $400 million, as lower unit values more than offset higher volumes.

Total grains and feed imports for FY 2021 are expected to remain constant at $15.3 billion but increase in FY 2022 by $200 million to $15.5 billion to support growing animal product consumption and exports.

**Ukraine expects record harvest in 2021-22**

Reuters - According to preliminary data, Ukraine is expected to harvest a record 80.6 mmts in 2021, Reuters reported.

That record amount will allow for the export of 60.68 mmts, according to ministry data. The anticipated harvest will include 32 mmts of wheat and 37.1 mmts of corn.

Ukraine is expected to export 23.8 mmts of wheat and 30.87 mmts of corn in the 2021/22 season.

The share of milling wheat could reach 60% of the harvest and the total wheat export volume could include 14.2 mmts of milling and 9.6 mmts of feed wheat, according to the ministry.

A total of 7.64 mmts of various grains were exported so far in the 2021/22 July-June season. This included 3.8 mmts of wheat, 2.5 mmts of barley and 1.25 mmts of corn.

**Dryness in Argentina seen damaging wheat crop, may not hit output**

BCR - Scarcity of water in Argentina's farm belt is seen adversely impacting the wheat cultivation, according to a recent report by Buenos Aires Grains Exchange or BCR.
However, the damage is unlikely to affect the country's wheat production in marketing year 2021-22 (December-November). The exchange has kept its estimate for Argentina's wheat output unchanged at 19 mmts. In MY2020/21, the exchange had pegged Argentina's wheat output at 17 million mt. The USDA had also kept its estimates for wheat output in Argentina in MY2020/21 at 20.5 mmts in its World Agricultural Supply and Demand Estimates report on August 12th. It had pegged wheat exports at 13.5 mmts.

The South American country is a key wheat supplier, primarily to neighboring Brazil. The dryness has started to alarm farmers amid forecasts that the La Nina phenomenon may reduce precipitation over the next few months and hit the output. "The lack of rain aggravates the water deficit situation and causes a decrease in crop growth and delays in plant development, delaying the transition to reproductive stages of later sown fields," the exchange said. In the week to August 26th, the growing condition good to excellent fell 5.3%. "It is mainly due to the absence of rains in the entire national agricultural area, which continues compromising both growth and development of the cereal," it added. The report said that only 32% of wheat are in good to excellent condition while 40% of the crop was in fair condition. However, the overall condition of the planted crop is better compared with same period last year. During the corresponding period last year, only 18% of the crop was in excellent to good condition and 44% was in fair condition.

The BCR report also said that 52% of the wheat area reported poor or dry soil moisture content. According to BCR, light showers are expected at the end of this week but that may not be enough to make a difference to most parched wheat areas.

CBOT December 2021 Wheat Futures settled on Friday at $7.26¼/bu, up 10½ cents on the day, and losing 6¼ cents for the week. The nearby September contract settled at $7.14½/bu, showing a 12 cent / bushel carry to December. CFTC data as of the 31st of August showed managed money was 612 contracts less net long in SRW wheat, as the short covering and long liquidating nearly offset. The funds were still 11,370 contracts net long on a 9% managed money open interest reduction.

The week felt "weak" regarding wheat, but when compared to other grains, Chicago wheat only lost 6 cents for the week and KC only lost 1 – all in the wake of Hurricane Ida's wrath on the markets since Monday. Also adding pressure to futures this week was rain in the western Plains that will help fall planting conditions for winter wheat, with more rains expected to fall in Kansas next week as well. In contrast, the northwestern states remain dry, but should help spring wheat harvest come close to wrapping up this week and next.

The bullish outlook for wheat hasn't changed. USDA in their August report estimated US ending wheat supplies at their lowest in 8 years, and this week we continue to see global supplies tighten with projection models of Russia and Canada continuing to shrink. Hearing Russia's export tax for next week will be $46.50/mt vs $39.40/mt last week. FranceAgriMer reported wheat harvest at 99% complete as of 8/30. Quality has suffered from the wet weather as the crop reached maturity and a delayed harvest.

Drought shrinks Canada's wheat crop to 14-year low

Reuters - Drought has shrunk Canada's wheat crop to its smallest in 14 years, a government report showed on Monday.

Parched soils and record-hot temperatures in Canada's western crop belt sharply reduced farm yields of one of the world's biggest wheat-exporting countries. The drought has forced millers and bakers to pay more for spring wheat.

Statistics Canada, in this year's first report on crop production, estimated the all-wheat harvest at 22.9 mmts, down 35% from last year and slightly larger than the average trade expectation of 22.6 mmts.

"I think buyers around the world have already made major shifts," said Brian Voth, president of Intelli FARM, a farmer advisory service. "A lot of rationing has to happen." U.S. mills that depend on Canadian wheat to produce flour may need to blend in wheat from other countries, Voth said.

Statscan used satellite imagery and agro-climatic data up to July 31st for the report. It will provide updated crop estimates on September 14th.
CME KC HRW Wheat Futures

**Symbol:** @KWZ1  
**Go** Future Symbol Search

Kansas December 2021 HRW Wheat Futures settled on Friday at $7.23/bu, up 14 cents on the day, and losing a penny on the week. The nearby September contract settled at $7.15¼/bu, with a volume of only 15 contracts today, showing a 12¼ cent / bushel carry to December.

CFTC data as of the 31st of August showed KC wheat managed money funds were seen adding positions during the week that ended 8/31. The new spec buying and selling nearly offset for a 314 contract stronger net long of 47,705.

MGE HRS Wheat Futures

**Symbol:** @MWZ1  
**Go** Future Symbol Search

MGE December 2021 HRS Wheat Futures settled on Friday at $9.12½/bu, up 13 cents on the day, but losing 7 cents for the week. The nearby September contract settled at $9.34¾/bu, showing a 22¼ cent / bushel premium to December.

CFTC data as of the 31st of August showed MGE spring wheat spec traders were 15,715 contracts net long on 8/31 as 217 longs were liquidated.

Durum - Global perspective

Liz Wells - In its World Markets and Trade report released earlier this month, USDA said global durum supplies were expected to be thin this year, with Canadian and US durum exports plummeting to their lowest since 1964-65.

Because of drought, USDA estimates the US durum crop will be down 50% from last year to 900,000 mts.

Canada consistently leads not only as the top global durum producer but also the largest exporter.

In 2020-21, Canada exported nearly 6 mts of durum, 90% of its crop, and its production and exports are expected to fall at least 10% in the current marketing year because of its drought-affected yields.

<table>
<thead>
<tr>
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AUSTRALIAN EXPORT - by destination

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<td>Nigeria</td>
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<tr>
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<td>4,780</td>
</tr>
<tr>
<td>TOTAL</td>
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</table>
Table 1: Canadian and Australian durum exports since August 2019. Source: Canadian Grain Commission and Australian Bureau of Statistics. * Australia’s July 2021 durum export figures will be added when released.

The U.S. exported 600,000 mts in 2020/21, mostly to Europe and North Africa, and its exports are forecast to fall to 400,000 mts in 2021/22.

EU durum production is forecast to rise 7% to 7.7 mmts in 2021-22, while Mexico’s crop is seen as up 9% to 1.3 mmts. Combined, the EU and Mexico increases will not be sufficient to offset North America’s decline.

Italy, the world’s top pasta-producing country, continues to demand imported durum to re-export it as pasta, and imported nearly 2 mmts of durum from Canada and the U.S. in 2020/21. Turkey, another major pasta producer, sources nearly half of its imported durum from Canada.

North African countries, meanwhile, consume durum for both semolina milling and pasta production. Morocco and Algeria primarily source durum from Canada, and their imports are expected to diminish significantly in 2021/22. In addition, Morocco’s domestic wheat production has nearly tripled from the previous year, easing some of its durum supply issues.

**Australian durum shapes up for price, volume double**

*Liz Wells* - Kind growing conditions to date are boosting the likelihood of Australian durum having its second big export year in a row, and this time into a global market rallying in response to the impact of drought on North America’s export surplus.

Indicative new-crop multi-grade prices delivered to Newcastle, Australia’s major port for durum exports, are now at around A$525/mt, up from roughly A$440/mt this time last year.

“This is one of the very rare years where it looks like our yield prospects are solid and we can get the double in with good prices too,” Priag Marketing principal Kevin Schwager said. “Historically, we don’t get a good line of sight on pricing at this time of year because we’re waiting to see what the Canadian crop is like, but we know it will be small because of all the news emanating from the Prairies, and from the northern United States, about the dry.”

While Australian durum production is so small it did not rate a mention in the USDA’s report on global durum supply and demand issued earlier this month (see Global Perspective below), its quality enables it to sell into the world’s key markets.

They include Italy, which has been the destination for most of Australia’s 350,000 mts or so shipped since January from the 2020 harvest which yielded around 570,000 mts.

“Durum grown in northern NSW is some of the best in the world, and it’s one of the places buyers in North Africa and Italy will look to.” Australian Durum Company is one of Australia’s major durum exporters, and principal Peter Howard said while new-crop prices will be very high, volume will be down because of the smaller crop. “I think the new-crop exports will be lucky to be 150,000t; we are expecting a much smaller crop,” Mr Howard said.

Italy and Africa are again expected to be the major export destinations for Australian durum, provided it hits its quality parameters and does not suffer a major downgrading if harvest 2021 turns out to be a wet one.

Area ideas mixed - Perspectives about new-crop production are mixed, mainly because the Liverpool Plains and some other pockets of northern NSW got too wet to continue planting all intended durum area.

Mr Schwager said recent rain had underpinned the crop’s yield potential ahead of the harvest which was expected to be in full swing by mid-November. “That rain…is going to go a long way to finishing the crop; its price and yield prospects look outstanding.” While the northern NSW durum area might be smaller, yield potential is seen as above average. Mr Schwager estimates new-crop production will be about the same as last year.

Chickpeas and durum typically are the later-planted crops in Australia’s winter-crop planting program, and a late swing into durum in NSW and Queensland was prompted by news of North America’s cruel summer coupled with lackluster chickpea market prospect in June-July.

Past dry - The unusually dry 2017 NSW growing season saw national production come in at below the 300,000 mts or so from the bumper 2016 harvest.

In early 2018, the market for ADR1, the top grade of Australian durum, was quoted at around $340/mt delivered Newcastle, around two-thirds of today’s new-crop price.

Severe drought in 2018/19 and 2019/20 in northern NSW, where Australia’s durum export surplus is generated, saw only a few thousand metric tonnes shipped each year. However, production in South Australia, Victorian and southern NSW ensured Australia’s domestic requirements were covered. They include roughly 120,000 mts as used by pasta manufacturer San Remo in South Australia, and 100,000 mts from consumers in eastern states.

**COARSE GRAINS**

**CORN**

- **Brazil corn exports down 35% in August**

  *ANEC* - Brazilian corn exports decreased 35% year-on-year, to 4.3 mmts, also below the 4.7 mmts of corn that had been expected.

  From January to August, corn exports reduced by 28.8%, to 10.9 mmts.

- **Brazil’s corn prices down**
IMEA - Corn prices in the Brazilian domestic market tumbled on the week, with available prices down 1.0% to BRL78.31 ($15.10) per 60kg bag.

As a result, the gap between domestic prices and CBOT futures widened by 9.7% on the week to BRL10.11 ($1.95) per bag.

Brazilian futures at the B3 stock exchange also edged 2.7% lower on the week to BRL95.36 ($18.39) per bag.

- Brazil's 2021/2022 first corn area seen growing marginally

Reuters - The area planted with Brazil's first corn crop in the center south is expected to grow just 0.6% in the 2021/2022 cycle as growers will prefer to plant soybeans, according to agribusiness consultancy AgRural on Monday.

The area to be planted with Brazil's first corn, which competes with soybeans in the Southern Hemisphere's spring and summer, is estimated at 2.973 million hectares (7.3 million acres) this season, AgRural said.

"Even with corn prices at a very attractive level, the higher production cost compared to soybeans, in a year marked by a considerable increase in input prices, especially fertilizers, is weighing on the farmers' decision," AgRural said. Fear of crop failure due to weather issues is also a factor, AgRural said.

In 2021, Brazil's second corn crop, which represents about 70% of output, was compromised by drought and ill-timed frosts that slashed output and hurt Brazil's export prospects this year.

AgRural sees Brazil's first corn crop growing by 2.7 mmts to 21.5 mmts in the center south during the 2021/22 cycle, which is starting now. Brazilian farmers have already planted 5.3% of their first corn area for the current season, less than 8% at this time in 2020, according to AgRural data.

Brazil's second corn harvest for the 2020/2021 cycle, which was planted in the first quarter of the year, reached 89% of the area, AgRural said.

- Gro Models Predict Tight US Corn Supplies After Upcoming Harvest

Gro Intelligence - With the start of the US corn harvest just two weeks away, models indicate that new crop corn production will provide only modest relief for tight corn supplies both in the US and around the world.

Gro's US Corn Yield Forecast Model currently projects a national yield of 175.75 bushels/acre, which suggests a corn stocks-to-use ratio, a measure of available supply, at one of the lowest levels since 2013. While Gro's yield forecast improved slightly over the past week, it is down 2% from early August, mainly on declines in South Dakota, Kansas, and Nebraska. Yields across the Corn Belt are varying widely this year, as was highlighted during the 2021 Digital Yield Tour, a partnership between Gro and DTN. Most of the Dakotas, Minnesota, Nebraska, and Iowa continue to be hit by considerable drought, as shown via the Drought Index, while conditions are favorable in most of the Eastern Corn Belt.

A fresh round of rains forecast for the Midwest and Plains later this week is likely too late to recover top yields lost due to summer drought stress. Some 59% of the US corn crop is in its dent stage, just shy of physiological maturity, and late-season rains aren't likely to boost yield.

Still, rains will provide some relief to parched soil conditions in the Western Corn Belt. Remnants of Hurricane Ida could also bring rain to some Eastern Corn Belt states, but this is more likely to benefit soybeans than corn. The US corn harvest typically begins in mid-September, with Southern states starting earlier.

The US is the largest producer and consumer of corn, accounting for a third of the world's corn production. Demand for US corn following this year's harvest will be even greater than usual, after ongoing drought in Brazil, the No. 2 corn exporter, reduced that country's corn crop by 15%.

- CME CBOT Corn Futures

CME Corn December 2021 new crop contract settled on Friday at $5.24/bu, off 1½ cents on the day, and losing 13 cents for the week.

The nearby September contract, which is in delivery, settled at $5.08/bu, showing a 16 cent / bushel carry to December.

CME Corn December 2021 new crop contract settled on Friday at $5.24/bu, off 1½ cents on the day, and losing 13 cents for the week.

The nearby September contract, which is in delivery, settled at $5.08/bu, showing a 16 cent / bushel carry to December.

The weekly CFTC report showed managed money funds were net long 258,785 contracts in corn as of 8/31. That was a 12,209 contract reduction from week to week,
mainly long liquidation. Commercials were also closing positions with a 84,829 contract (6%) lighter open interest and a 10,531 contract lighter net short.

September 1st marked the beginning of the new marketing year. For a start cumulative forward export sales have already reached 33.5% of the USDA forecast for the 2021/22 marketing year versus the 5-year average of 17.8%. While export sales are off to a good start for the marketing year keep in mind much of those sales were to China in spring. They were likely insuring supply prior to the growing season.

Unshipped corn sales to non-PRC destinations are up quite a bit versus last year, +22%/60 mbu, but well below prior Brazil short crop years in 2015 (465 mbu) and 2017 (411). All of this year’s increase is for western hemisphere markets; the far east destinations are lagging.

The impending harvest and a three-day weekend, along with Hurricane Ida and its disruptions, all weighed on futures this week. A warmer forecast would suggest that maturity will push along faster than normal. It is not unusual to hear producers indicate they might be in the field one two weeks sooner than normal. This is also a function of a dry spring in which planting progress was rapid.

Domestic interior U.S. basis continue to fade as export channels have been limited at NOLA, and evidence that end users are only buying as needed. LH Sep CIF NOLA +56Z with freight of 600% of tariff implies Zone 3 at 41 cents under DVE. LH Dec CIF NOLA +73Z CIF and freight of 440% comes to 1½ cents under DVE. Market is putting more carry into the forward months. Seeing more cash carry develop in bids. Markets tributary the gulf are especially telling us to make more room to store grain as export capacity has been significantly reduced in the short term to keep nearby bushels off the market in the delivery system until gulf exports becomes more orderly.

Some good news out of NOLA with Marathon’s Garyville LS refinery restarting back up this afternoon, which is good sign as its not far from Cargill’s Reserve facility, but will take time for NOLA to recover.

Informa raised their planted area for U.S. corn to 1.75 million to 94.4 m acres, harvested to 86.0 acres, with the yield at 175.4 nus/acre; which implies 15.091 bbus crop. IHS Markit forecasts corn acreage at 94.4 m acres planted and 86 m harvested, with a 175.4 bus/acre yield. This is against a USDA 14.751 bbus estimate.

NASS mentioned intentions to review acreage estimates for next Friday’s report, with USDA currently at 92.7 planted and 84.5m harvested acres.

The USDA report will be released next Friday, September 10, 2021 at 11:00 central.

BARLEY

- **Chinese buyers cancel Black Sea barley shipments**

  *Reuters 3 Sept 2021* - Chinese importers have cancelled a series of animal feed barley shipments from the Black Sea region in recent weeks due to weaker than expected domestic demand and expectations for a large corn crop, traders in Asia and Europe said on Friday.

  Some traders said at least five shipments of barley from Ukraine were cancelled. Others put the volume at around seven shipments, totaling some 400,000 mts. The shipments were due to load in the fourth quarter of this year.

  Low profit margins for hog farmers have reduced demand for feed grains in China, while congestion at major Chinese ports continued to delay import shipments.

  China is also expecting to receive its new bumper corn harvest, seen bigger than last year, in around a month’s time, curbing appetite for imports, at least temporarily.

  One trader estimated that barley shipments to China in August were around 1.3 mmts, from Ukraine, France and Australia the main suppliers.

  China imported 6.42 mmts of barley in the first seven months of the year, up 124.8% from the previous year, according to official data.

  “Domestic prices were not good (enough) to bring them in, so (the vessels) were washed out,” said a trader with an international trading house.

  **WTO barley decision breakthrough as appeals agreement reached**

  *The Land 1 Sept 2021* – An agreement between Australian and Chinese officials in their World Trade Organisation dispute over alleged Australian dumping of barley into the Chinese market means a meaningful finding is likely to be made.

  A July 27th agreement to use a multi-party interim appeal arrangement (MPIA) means the loser cannot stall proceedings on a technicality.

  And an Asia-Pacific international relations expert believes Australia is well placed to win the dispute, which dates back to 2018 when China launched an internal investigation into dumping claims, before hitting Australian barley exporters with 80 per cent tariffs in May 2020.

  Jeffrey Wilson, research director at the Perth USAsia Centre, said he believed Australia was in the box seat in the dispute. “It is highly likely Australia will prevail in many of their claims, given that the Chinese barley tariffs have not been applied consistently with existing WTO anti-dumping rules,” Dr Wilson said.

  He said there was a loophole in place at present due to the WTO’s appeals board not operating at present, but both parties were agreeing not to use it. "The WTO's appellate body is inquorate, due to a US veto on new appointments," Dr Wilson said.

  He said countries could use this non-functional body to drag a process out by appealing to the appellate body knowing the appeals hearing would not be heard.

  "It means that any country which loses a dispute can 'appeal into the void' to escape an adverse finding - as they appeal goes into an indefinite queue," he said. "The
Australia-China agreement to use the MPIA for the barley case means that this will not be possible, as the MPIA mechanism can be used to manage appeals instead."

The MPIA is a mechanism for hearing appeals for WTO disputes that members can voluntarily consent to use if both parties agree that can be used in lieu of the formal appeals board.

Dr Wilson said the agreement to use the MPIA would not speed up the main dispute case but said it would avoid post-decision delays by closing the appeal into the void option. "A Chinese agreement to use the MPIA means any finding cannot be held up by an appeal," he said. He said China's decision to commit to the MPIA process, in spite of being less likely to succeed in the case, would allow it to present as a global citizen committed to the WTO and abiding by the umpire's decision.

This would be positive PR for the Asian giant, which has been accused by others of riding roughshod over global trade rules.

Dr Wilson, however, said China's decision did not mean necessarily mean it was moving towards some sort of pre-finding settlement. "It is certainly a concession by China, but given the geopolitical drivers and significance of the barley case, it would be very surprising if China settled 'out of court," Dr Wilson said.

The story Breakthrough in WTO barley decision first appeared on Farm Online.

 Turkey tenders to buy 245,000 tonnes of feed barley -trade

Reuters - Turkey’s state grain board TMO has issued an international tender to purchase about 245,000 mts of animal feed barley, European traders said on Tuesday. The deadline for submission of price offers is September 7th. Shipment is sought between September 15th and October 8th, with supplies already in Turkey also able to be offered.

A series of consignments of between 20,000 and 25,000 mts are sought for unloading in the Turkish ports of Derince, Iskenderun, Mersin, Izmir, Bandirma, Tekirdag, Samsun and Trabzon. The TMO reserves the right buy up to 5% more or less than the tender volume at its own discretion, the traders said.

The tender continues recent brisk grain import demand from Turkey to ensure good domestic supplies after a disappointing harvest, traders said.

The TMO has also issued an international tender to purchase about 300,000 mts of milling wheat, with the tender closing on September 2nd.

 A Look at AAFC’s Barley Forecast

Cliff Jamieson - Canadian Grains Analyst - Agriculture and Agri-Food Canada has estimated Canada’s barley production at 7.450 mmts, an estimate that is 30.6% lower than the 10.741 mmts produced in 2020/21, while would be the smallest annual production realized since 2014/15.

The 30.6% drop in year-over-year production compares to the 30.8% drop seen in 2014/15, as seen in Statistics Canada estimates.
GRAIN SORGHUM

➢ U.S. Export Values – Friday 3 September 2021

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<td>185</td>
</tr>
<tr>
<td></td>
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<td>UNC</td>
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</table>

| TX FOB VESSEL    | 9/2/2021 | 9/3/2021 |
| Sorghum (USc/MT) | 265      | 225      |
| September        | 230      | 220      |
| October          | 225      | 220      |
| November         | 225      | 220      |

OATS

➢ CME CBOT Oat Futures

CME December 2021 Oats Futures settled on Friday at $509¾/bu, up 3¾ cents on the day, but off 12 cents for the week.

➢ No, Oats do not know...

Jon Scheve 30 August 2021 (part of article) - Corn and beans continue trading within tight ranges. Yield estimates seem less certain than usual for this time of year. Therefore, a sideways market may be likely until the September USDA report is released. With so much uncertainty, there are those searching for some sign of where the corn and bean markets are headed. The following looks at each case and illustrates why other market similarities are more likely coincidences than correlated.

Do Oats Know?

For decades there has been the phrase “Oats Know” where the rest of the grain futures market is headed. It’s possible this was true decades ago. However, the chart below compares oat and corn futures for the last 8 years and shows there’s only been a few times when oats led the market both up and down.

Despite little evidence of correlation between the oat and corn market in the last 8 years, some in the trade are asking if oats know something and are signaling a corn rally is near. While corn could rally soon, it’s likely just a coincidence. It could be argued that “Corn Knows” more about oat price direction than the other way around as seen in the chart below:

Daily Trading Volume - Another consideration when comparing both oat and lumber futures to corn, beans and wheat are the relatively fewer market participants trading
them. On average less than 1,000 contracts are traded daily for either lumber or oats. To compare, following are the daily average contracts traded by corn, beans and wheat:

- Corn – more than 200,000 contracts
- Beans – more than 100,000 contracts
- Chicago Soft Wheat – more than 100,000 contracts
- Kansas City Hard Red Winter Wheat – more than 50,000 contracts
- Minneapolis Spring Wheat – around 15,000 contracts

Arguable, smaller traded commodities, like oats and lumber, could actually be easier to manipulate in the short-term compared to the much larger corn, bean and wheat markets.

Oats Are Not a Substitute for Corn

I’ve traded cash oats and oat futures for nearly 20 years. During that time, I’ve often seen the oat market go for several minutes without having a single future contract trade occur, which never happens with the corn market. I’ve also seen a one contract future trade move the entire oat market by 10 cents.

The oat market also has considerable nuance. On a per ton basis, oats are one of the most expensive feed grains and are usually substituted out of most feed rations. Also, the quality of oats delivered against a futures contract isn’t what most food or feed users want to use. Largely oats consumed in the US are imported from Canada or Europe, which means the oat delivery process doesn’t provide the market with a natural end user of delivered oats. These are not issues that the corn market encounters, so it’s difficult to imagine how oats could be a reliable indicator of corn market performance.

**Bottomline:** In my opinion, oats don’t really know anything about any other commodity, and since lumber is not a food or feed commodity it isn’t similar enough to compare. Therefore, using oats or lumber futures as a trading indicator for corn price direction probably isn’t a good idea.

**ETHANOL**

**Outlook for U.S. Agricultural Trade – Ethanol**

**FY 2021**

U.S. ethanol exports are forecast at $2.2 billion, down by $60 million from the previous year with higher export unit values only partially offsetting lower export volume.

U.S. exports of fuel ethanol to Brazil in FY 2021 have fallen to levels not seen in a decade. Colombia’s lower blend mandate has reduced imports from the United States. Export sales to Mexico and Nigeria are down from last year’s records, following the earlier demand surge for medical-grade ethanol.

U.S. industrial ethanol sales to India are lower due to higher U.S. prices and the substitution of surplus sugar supplies to ethanol. U.S. fuel ethanol exports to China reached their second highest level on record due to low, early-year U.S. prices.

U.S. sales to Canada and South Korea are up on fuel demand recovery and record demand for industrial product, respectively.

**FY 2022**

U.S. ethanol exports are forecast at $2.4 billion, up $200 million from FY 2021 on volume and unit value gains. Higher expected corn prices keep ethanol unit values elevated.

Modest volume gains are projected for many markets, as gasoline fuel markets continue to recover and demand for industrial ethanol grows with the economic recovery and continued elevated demand for disinfectants.

The largest export gains for U.S. ethanol are expected for Brazil and the United Kingdom. An expected sharp sales increase to Brazil is supported by the recent drought and frost damage that lowered sugarcane yields, higher sugar prices, and ongoing fuel demand recovery. The United Kingdom raises its fuel ethanol blend to E10 this fall, increasing their overall demand.

India’s push to meet its E20 by 2025 target continues to expand the demand for industrial ethanol, whereas uncertainty persists on the future of fuel ethanol exports to China.

The proportion of U.S. ethanol exports used as fuel remains at an historically low 60% since the pandemic eroded gasoline use and spurred demand for disinfectants.

**U.S. EPA recommends lowering 2020 biofuel mandates retroactively**

Reuters - The US Environmental Protection Agency has recommended retroactively lowering biofuel blending mandates for 2020, two sources familiar with the matter said, after the agency on Thursday sent a proposal on the mandates to the White House for review.

The move could provide immediate relief to oil refiners that have to comply with the blending requirements. It also is likely to drag the Biden administration further into a clash between oil refiners and the biofuels industry over the requirements.

Under the U.S. Renewable Fuel Standard Program, oil refiners must blend billions of gallons of biofuels into the nation's fuel mix, or buy tradeable credits, known as RINs, from those that do.

Farmers and biofuel producers argue that reducing mandates harms demand for their products, though refiners reject that claim and say the costs of the program puts blue-collar refinery jobs at risk.

The EPA confirmed on Thursday that the agency had sent the biofuel blending proposal to the White House's Office of Management and Budget (OMB). "The proposal aims to get the (Renewable Fuel Standard) program back on track while
addressing challenges stemming from decisions made under the prior administration," an EPA spokesperson said in a statement.

The agency was also expected to recommend to the White House reducing mandates for 2021, while boosting mandates for 2022 above the previous two years, Reuters reported last week, citing sources. The agency did not provide details on the proposal or confirm Reuters' reporting.

Lowering mandates retroactively for 2020 could benefit in particular merchant refiners such as PBF Energy and Delta Air Lines' Monroe Energy, which slowed or halted purchases of renewable fuel credits this year as they lobbied the Biden administration for regulatory relief.

Those refiners and others had amassed earlier this year a more than $1 billion shortfall in the credits they need to comply with the mandates, an apparent bet that the Biden administration would let them off the hook or that the credit prices would fall.

The deadline for refiners to prove compliance with the 2020 requirements was extended in April to Jan. 31, 2022. Reducing the mandates would help refiners who have outstanding obligations for that compliance year.

U.S. renewable fuel (D6) credits traded at $1.32 each on Thursday, down from $1.48 in the previous session, traders said.

CME Ethanol Futures

Spot gross ethanol margins are benefitting from lower corn basis, stronger ethanol and DDGs.

Wednesday's Energy Information Administration report showed domestic inventory of ethanol was drawn down for a fifth consecutive week through August 27th as production dropped an eighth straight week, sliding to the lowest level since the end of February. Data show production tumbled 28,000 barrels per day (bpd) or 3% in the week reviewed to 805,000 bpd, sinking 162,000 bpd since the downtrend began in July.

DDG's – Weekly Average DDG Price Moves Lower

D7N - The average price for domestic distillers dried grains (DDG) from 33 locations reporting for the week ending the 2nd of September was $201/ton, down $4 from one week ago. Prices moved lower on average this week even as production was lower again, slowing DDG output.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ending the 2nd of September was 109.02%. The value of DDG relative to soybean meal was 59.44%, and the cost per unit of protein for DDG was $7.44, compared to the cost per unit of protein for soybean meal at $7.11.

The U.S. Census Bureau on Thursday reported U.S. exports of DDGS totaled 1,064,550 mts in July, up from 939,177 mts in June, but down 1% from a year ago. Mexico was the top destination in May, taking 23% of U.S. exports and was followed by Turkey and Vietnam. In the first seven months of 2021, U.S. exports of DDGS are up 8% from a year ago.

In its weekly DDGS export price update, the U.S. Grains Council said: "Exporters report the DDGS market should not be as impacted by Hurricane Ida as the corn, wheat and soybean markets. One source noted DDGS offers are appearing again as "floating rigs are expected to be functional again" in the near future.

Barge CIF NOLA prices are $8 to $10/mt lower, while FOB Gulf offers are down $5 to $6/mt for October/November/December shipment.

U.S. rail rates are lower this week but that could change quickly if commodities formerly destined for export from the Gulf are to be re-routed to the PNW. Offers for 40-foot containers to Southeast Asia are mixed this week but steady overall at $335/mt for Q4 positions."

USGC added, "Please note that FOB Gulf markets will likely be more volatile than normal as the industry works to recover full capacity in New Orleans area export facilities. There are significant questions about elevator capacity and availability and the DDGS market will have to compete with other grains as the U.S. new-crop harvest approaches. Consequently, both flat prices and spreads versus other markets may see greater than normal volatility."
CME WTI Crude Oil Futures Lower On Global Energy Demand Concerns

CME WTI December 2021 closed on Friday at $69.21/barrel, off $0.78 on the day, and up $0.47 for the week. RBOB gasoline (RBV21) closed down -0.0095 (-0.44%). Oct WTI crude oil and Oct RBOB gasoline prices on Friday posted moderate losses. Friday's U.S. economic data showed weaker-than-expected U.S. payroll growth that is negative for economic growth and fuel demand. Losses in crude were limited after the dollar index on Friday dropped to a 4-week low.

Global economic data on Friday was weaker than expected and negative for energy demand and crude prices. U.S. Aug nonfarm payrolls rose +235,000, weaker than expectations of +725,000 and the smallest increase in 7 months. Also, the China Aug Caixin services PMI fell -8.2 to 46.7, weaker than expectations of 52.0 and the steepest pace of contraction in 16 months. In addition, Eurozone July retail sales unexpectedly fell -2.3% m/m, weaker than expectations of no change.

A supportive factor for crude is the slow pace that U.S. crude production in the Gulf of Mexico is returning from Hurricane Ida as 90% of Gulf of Mexico crude output was still offline as of Thursday afternoon.

OPEC+ on Wednesday agreed to boost its crude output by 400,000 bpd, in line with its previously agreed-upon plan. The cartel has restored 45% of its 5.8 million bpd production cuts and will continue to gradually return the remainder of the output through Sep 2022.

A bearish factor for crude oil is the closure of refineries along the Gulf Coast due to Hurricane Ida, which puts upward pressure on U.S. crude inventories as refineries are unable to process crude while they are closed. About 2.11 million bpd of refining capacity, or about 12% of the U.S. total, was closed or reduced due to the hurricane. According to Lipow Oil Associates, many refineries could be closed for 4-6 weeks because of the effects of the hurricane.

A negative factor for crude is increased OPEC crude output after OPEC Aug crude production rose +290,000 bpd to 27.11 million bpd, a 16-month high. An increase in global crude oil stored on oil tankers throughout the world is bearish for crude prices. Vortexa on Monday said that crude oil stored on tankers that have been stationary for at least seven days in the week ended Aug 27 rose +0.2% w/w to 93.65 million bbl.

The spread of the delta Covid variant is negative for crude prices since it may lead to tighter restrictions that curtail economic growth and energy demand. On Wednesday, the 7-day average of new U.S. Covid infections rose to a 7-1/4 month high of 167,680. Also, the EU on Monday announced that it would impose travel curbs on non-essential travel from the U.S. amid a surge in new Covid infections.

Wednesday's weekly EIA report showed that (1) U.S. crude oil inventories as of Aug 27 were -6.7% below the seasonal 5-year average, (2) gasoline inventories were -1.9% below the 5-year average, and (3) distillate inventories were -8.4% below the 5-year average. U.S. crude oil production in the week ended Aug 27 rose +0.9% w/w to a 15-month high of 11.5 million bpd, which was -1.6 million bpd (-12.1%) below the Feb-2020 record-high of 13.1 million bpd.

Baker Hughes reported Friday that active U.S. oil rigs in the week ended Sep 3 fell -16 rigs to 394 rigs, moderately below the 16-month high of 410 rigs from Aug 27. U.S. active oil rigs have risen sharply from last August's 15-year low of 172 rigs, signaling increased U.S. crude oil production.
OILSEEDS COMPLEX

Outlook for U.S. Agricultural Trade – Oilseeds

FY 2021 oilseed and product exports are forecast at $40.3 billion, down by $300 million from the May forecast. Soybeans are forecast at $29.0 billion, up $100 million on higher unit values.

Soybean volumes are slightly lower, though still a record. Soybean meal exports remain at record value and volumes, despite a downward revision of $100 million to $5.9 billion on slightly lower volumes and unit values.

Soybean oil exports are down $400 million to $800 million on lower volumes and unit values. High premiums for U.S. soybean oil have reduced export volumes 60 percent year-over-year to the lowest level in 10 years.

In FY 2021, imports of oilseeds and products are forecast to grow by $2.2 billion from the previous forecast to $11.9 billion, due to increases in oilseed prices resulting from unfavorable weather in many oilseed producing parts of the globe.

FY 2022 oilseed and product exports are forecast at $43.5 billion, a new record, up $3.5 billion from FY 2021 mostly on higher soybean unit values.

Soybean export values are projected to reach a new record of $32.3 billion although volumes are expected to fall below the previous year. U.S. soybean volume exports are expected to decline from last year due to a combination of factors, including higher soybean prices, tight U.S. supplies, slowing growth in China’s global demand, and increased competition from Brazil.

Soybean meal exports are forecast at $5.7 billion, down by $200 million from FY 2021 on lower unit values.

Soybean oil exports are forecast at $1.0 billion, up nearly $200 million from FY 2021 as higher unit values offset lower volumes.

In FY 2022, oilseed and product imports are expected to continue to grow by $500 million to $12.4 billion.

EU Soybean imports in 2021/22 fall to 2.03 mmts as of 29 August

Reuters 31 Aug - European Union soybean imports in the 2021/22 season that started in July totaled 2.03 mmts as of Aug 29th, down from 2.59 mmts at the same time last season, data released by the European Commission showed on Tuesday.

EU rapeseed imports in 2021/22 plunged to 574,664 mts, down from 809,917 mts at the same time last year.

Meanwhile, soymeal imports in 2021/22 fell to 2.19 mmts from 3.06 mmts a year ago, while palm oil imports stood at 747,484 mts compared with 1.13 mmts at the same time in 2020/21.

This season’s figures are not complete, as data from Italy in recent weeks are missing, the Commission said. As of the 1st of January, the European Commission’s data covers only the 27 EU countries, while previous figures also incorporated Britain.

Egypt, Saudi and Turkey’s soybean imports sluggish in 2020/21

Refinitiv Commodities Research - Refinitiv trade flows tracked 2.94 mmts of soybean imports in Turkey in 2020/2021 season (September/August), a 7% decrease from the previous season.

Similarly, Egypt’s soybean imports during the first 11 months of the current season (October/September) summed to 4.41 mmts, a 14% decrease from the same period last year, but 16% above the three-year average.

Likewise, Refinitiv trade flows indicate Saudi Arabia’s soybean imports are down by 17% to 645,423 mts during the same time frame. Additionally, Brazil is the leading supplier of soybeans to Turkey and Saudi Arabia with market shares of 78% and 65%, respectively.

The U.S. remains the largest supplier of Egypt soybean imports, accounting for 65% of total imports in 2020/2021. However, accumulated Egypt soybean imports from the U.S. have declined by 22% to 2.85 mmts from the preceding season. Similarly, the USDA commodity exports sales data indicates the country exported 2.78 mmts of soybeans to Egypt between 1st September 2020 and 12th August 2021, a 24% decrease from a year ago.

Egypt is the fourth largest importer of U.S. soybeans, after China (59%), Mexico (8%), and the European Union (7%), accounting for about 5% of the total U.S. soybean exports in 2020/2021.

While Saudi poultry meat production doubled over the past decade to about 900,000 mts in 2020, local soybean production remained negligible. On the other hand, soybeans are one of the key ingredients in poultry feed, resulting in peaking of Saudi Arabia’s soybean imports in 2019/20 (786,737 mts according to Refinitiv trade flows and 23% above the 5-year average).

Meanwhile, corn (the main ingredient in poultry feed) imports into Saudi Arabia declined by 25% to 2.93 mmts during the first 11 months of 2020/21 (October/September), according to Refinitiv trade flows. However, Saudi Arabia’s soybean and corn imports are expected to rebound in 2021/22 amid relatively strong demand from the animal feed industry.

Brazil’s soybean crush margins

IMEA - Soybean crush margins in the state of Mato Grosso, Brazil’s agriculture powerhouse, fell 20% over the week pressured by lower futures and an appreciating domestic currency, the state’s agriculture institute IMEA said in its weekly bulletin.
The Brazilian real appreciated 3.4% against the US dollar on the week to August 27th, pressuring domestic bean and meal prices.

"With the devaluation of the US dollar last week, the IMEA indicator for bean prices available in the state fell 1.8% on the week," the institute said. "With lower domestic bean and meal prices, gross crush margins fell 20%," IMEA added.

**SOYBEANS**

- **Brazil soybean exports up 3.8% in August**
  
  *ANEC* - Brazilian soybeans exports reached 5.8 mmts in August, a 3.8% increase from last year when August exports stood at 5.6 mmts, data from Brazil’s grain exporters association Anec showed late Tuesday. The figure fell just outside the 5.9 - 6.5 mmts range the agency had forecast for the month.

  Between January and August, Brazilian soybean exports totaled 74.2 mmts, down 1.3% versus the 75.2 mmts exported in 2020.

  Soymeal shipments dropped 14.8% in August, to 1.4 mmts, below the 1.6 mmts forecasts. From January to August, Brazilian soymeal exports reached 11.4 mmts, 2.5% lower than last year’s 11.7 mmts.

- **CME CBOT Soybeans Futures**

  *CME November 2021 Soybean Futures* settled on Friday at $12.92 12.90¾/bu, up 8¾ cents on the day, and gaining 1¼ cents for the week. A daily flash sale of 130 kmts range the agency had forecast for the month.

  The combined long liquidation and new spec selling left the group 69,141 contracts net long; their weakest net long since August 11th 2020. Commercial soybean traders were 11,081 contracts net long to 143,392 contracts. In soymeal, the weekly CoT report showed specs were 11,856 contracts net long on August 31st. That was a new selling driven 8,872 contract reduction to the group’s net position from week to week. Funds were seen simultaneously closing longs and adding new shorts in bean oil, reducing their net long by 11,681 contracts to 55,306.

  Recent rains were viewed as beneficial, helping to increase yield potential. A nice round of rains hit much of the dry areas over the past week to help fill out the beans.

  Crop conditions were down 4% in G/E this week, which historically points toward USDA lowering September yields, but given the recent rains and that this report will include actual field counts, it is doubtful we see a lower yields.

  Informa update today had their yield at 50 bus/acre -1.5 from last month, but same as USDA for August. Informa did raise acreage to 88.1 m acres, 550k above USDA.

  But the news of the week mostly focused on the aftermath of IDA with hopes that come Tuesday we will get a better status on operations and timelines till normalcy. It was a difficult week as hurricane Ida has many concerned how logistically the Gulf will load out. Once prices began to slip, technical selling developed. This seemed noticeable once November futures dropped under 13.00. Bullish traders have likely had the wind taken out of their sails.

  Once more assessment is known regarding the damage in New Orleans, traders are likely to prepare for a slowdown in exports at a time when harvest will be picking up steam. Will elevators become full of beans quickly and unable to move them? Will this backup supply in fields? Maybe. At present we don’t know how to assess the damage in a conclusive enough manner. Our bias is that export loadings will be slowed yet in the long run likely a temporary issue.

  CIF NOLA bids were hard to find for September, but going home were bid at +50X, down 40 cents from week ago. Even though we’ve not seen any deliveries against the CBOT September, SU/SX fell to a 9 cent carry, down 45 cents from last week. Fob IWDS for September futures are currently 44 cents below DVE. FH October soybeans in the IWDS are down 19 cents and LH November were down 6 cents and now 9 cents below SX DVE values. This is bearish the SX/F and forward month board spreads, which can change quickly, but for now would expect spreads to weaken till we see the basis perk back up. Crop size, farmer selling and how much gulf export biz we lost are all critical pieces yet to get determined.

  Meanwhile the PNW values are benefiting from both the higher ocean freight and now the Gulf back log. Bids for November are approaching +2.00X. Rail cars are also higher and trading near $1000k/car for October.
Brazil has an estimated 8 mmts more beans on hand than a year ago at this time, and will be shipping corn and beans at 25% or so of peak loading rates from October through January. This might allow them to capture much of the immediate Gulf business that need to be switched. Interesting that the latest Brazil soybean line-up is just 14 mbu/9% smaller than last year at this time, a sharp improvement when mid-month data had the line-up down 20% year to year. Picking up some Gulf business? According to CNGOIC, China’s weekly crush eased 30 K/1.5% last week to 1.98 mmts. This week’s total was 3% short of the corresponding year ago level. Latest 4-week average is down 4%; USDA forecasting 4.3% gain for 21-22.

China will auction another 300 kmt next Wed from their reserves. They have been a buyer of beans to replace reserve stocks lately. If they wanted to wait on taking U.S. soybeans for O/N and instead buy beans from Brazil for F/M, it would save them over $1.50 bu. The USDA WASDE is out next Friday.

Will The US Produce Enough Soybeans To Meet Demand This Year?

Gro Intelligence - Even as US soybeans approach the halfway point in the critical pod-filling stage, it is still a close call whether production will keep up with demand, a Gro analysis shows. That raises the possibility of critically low soybean stocks, and high prices, for a second year in a row.

US Soybean Yield Forecast Model currently projects a final soybean yield of 51.36 bus/ acre, as record yields in Arkansas, Michigan, North Carolina, and Ohio are seen offsetting drought-stricken yields in northern areas of the Western Corn Belt.

But with only 87.6 million soybean acres planted in 2021, production will struggle to meet the USDA’s recently lowered expectations for demand of 4.38 bbu.

Canola / Rapeseed

Drought shrivels Canada’s canola harvest yo a 9 year low

Reuters - Drought has shriveled Canada’s canola harvest to a nine-year low, a government report showed on Monday.

Parched soils and record-hot temperatures in Canada’s western crop belt sharply reduced farm yields of one of the world’s largest canola-growing nation. The drought has drove canola prices to record highs.
Canola production looked set to reach 14.7 mmts, down 24% from last year, and also larger than the average trade forecast of 14.1 mmts.

"I think buyers around the world have already made major shifts," said Brian Voth, president of IntelliFARM, a farmer advisory service. "A lot of rationing has to happen." Canola importers may turn to Ukraine, western Europe and Australia for substitutes.

ICE Canada November canola futures were little changed after the report, trading up 0.4%. Canola, a cousin of rapeseed, is used largely to produce vegetable oil.

Statscan used satellite imagery and agro-climatic data up to July 31st for the report. It will provide updated crop estimates on September 14th.

### ICE Canadian Canola Futures

New crop ICE November 2021 Canola Futures settled on Friday at C$886.20/mt, off C$6.30 on the day, and losing $26.50 for the week.

### VEGETABLE OILS

- **Ukraine sunflower oil exports seen rising 18% to 6.35 mln T in 2021/22**

  Reuters - Ukraine, the world largest sunflower oil exporter, may increase sunoil exports to 6.35 mmtns in the 2021/22 season from 5.38 mmtns expected in 2020/21, the agriculture ministry preliminary data showed on Monday. The data showed Ukraine's 2021 sunseed harvest may rise to 16.5 mmtns from around 14 mmtns in 2020.

- **Egypt's GASC buys 10,000 mts of soyoil, 19,000 mts of sunflower oil**

  Reuters - Egypt's state grains buyer, the General Authority for Supply Commodities (GASC,) said on Thursday it had bought 10,000 mts of soyoil and 19,000 mts of sunflower oil in an international tender for arrival between October 20th and November 5th. GASC gave no more details.

  European traders said the soyoil was purchased from trading house Belluno at $1,310/mt c&f with at sight (immediate) payment terms. Traders said the sunflower oil was purchased from Viterra at $1,240/mt c&f with payment also at sight.

  GASC sought offers for importing soyoil and sunflower oil with payment through 180-day letters of credit or at sight.

  GASC on Thursday also held a separate local tender for 3,000 mts of Egyptian-produced soyoil and 1,000 mts of sunflower oil for delivery in the same period as the import tender but with payment in Egyptian pounds.

  GASC bought about 34,000 mts of Egyptian produced soyoil in the local tender from three sellers all at 20,550 Egyptian pounds, which traders calculated equated to $1,303.9/mt. No sunoil was bought in the local tender, traders said.

- **CME Soybean Oil**

  CME October 2021 Soybean Oil Futures settled on Friday at $59.00/cwt, up $0.13 on the day, and losing $1.52 for the week.

  On Friday going into the Labor Day weekend bean oil prices were 13 to 21 points stronger on Friday, with September 1 point lower.
CME September 2021 Palm Oil Swaps settled at $986.50/mt on Friday, up $16.00/mt on the day, but losing $16.50 for the week, as it makes new life of contract highs.

Malaysian palm oil futures climbed more than 2% on Friday, poised to extend their weekly gains, as they tracked the strong performance in rival oils on the Dalian Commodity Exchange.

The benchmark palm oil contract FCPOc3 for November delivery on the Bursa Malaysia Derivatives Exchange climbed 2.5% to 4,350 ringgit ($1,048.95) a tonne. The contract is set to rise 0.3% on a weekly basis, after closing 1.6% firmer last week.

"BMD crude palm oil futures is seen trading sharply higher following bullish momentum in Dalian Palm olein, Chicago Board of Trade (CBOT) soy oil," Mumbai-based vegetable oil brokerage Sunvin Group said in a note to clients on Friday.

Palm DCPv1 and soybean oil DBYv1 prices on the Dalian Commodity Exchange snapped three-day losses to jump 4.1% and 3.1%, respectively.

CBOT’s soybean oil contract BOcv1, meanwhile, jumped 1.1%.

Palm oil FCPOc3 may rise into a range of 4,310 ringgit to 4,358 ringgit per tonne, as it managed to stabilize around a support at 4,155 ringgit, Reuters technicals analyst Wang Tao said.

CME October 2021 Soybean Meal Futures settled on Friday at $338.10/short ton, up $0.90/ton on the day, but losing $12.30/ton for the week.

On Friday going into the Labor Day weekend soymeal prices also firmed for the 3-day break, closing 90 cents to $3.00/ton higher.

India seals deals to import 250,000 mts soymeal, buys back cargoes

Reuters 1 Sep - India has contracted to import 250,000 tonnes of soymeal, including 15,000 tonnes that Indian dealers had shipped out only two months ago, traders said.

New Delhi last month allowed imports of genetically modified (GM) soymeal for the first time to help the poultry industry, which is reeling from a surge in local soymeal prices that tripled in a year to a record high.

But even before the government allowed GM soymeal imports, traders started booking shipments to meet rising demand in the country.

"Sensing huge profit, traders this week brought back Indian soymeal that was exported two months ago," said a Mumbai-based dealer with a global trading firm.

Three other global traders confirmed India’s soymeal import deals, including the 15,000-tonne cargo being shipped back to India.

A sharp rise in Indian soymeal prices meant that sending the cargo back to India was profitable by at least $500 a tonne more than selling the consignment to Europe, said...
a German trader. It was a good move to "re-export back to India, as crazy as it sounds. This was a shipment of about 15,000 tonnes," he said.

Another German trader said more shipments of soymeal bought by other Asian countries are currently being diverted to India. India could buy the bulk of soymeal from Argentina, and some cargoes from a few Asian countries, said a third German trader, with 100,000 tonnes of Argentine soymeal purchased in the last two weeks of August following about 90,000 tonnes of soymeal from other Asian countries.

Traders are keen to import soymeal in large volumes, but India has allowed overseas purchases of the animal feed only through the Nhava Sheva Port, primarily for containers. Only relatively small container loads are possible when container shipping is costly, said a third German trader.

Logistical bottlenecks seen limiting India's soymeal imports

Reuters - Indian traders are scrambling to secure prompt shipments of soymeal after New Delhi relaxed rules to allow the import of 1.2 mmts of the animal feed, but logistical bottlenecks could limit volumes to less than 400,000 mts, industry officials told Reuters.

New Delhi on Tuesday allowed imports of genetically modified soymeal for the first time to help the poultry industry after soymeal prices tripled in a year to a record high.

But the government said shipments must arrive before October 31st and only through Nhava Sheva port on the west coast and the Petrapole checkpost on the Bangladesh border to the east.

"Nhava Sheva port is only for containers and securing containers is a challenge. Traders can bring soymeal via roads from Bangladesh but there is a congestion issue at Petrapole checkpost," said B.V. Mehta, executive director of the Solvent Extractors Association of India, an industry body.

Soymeal prices in India are around 85,000 rupees ($1,145.26)/mt, at least 40% more than in neighboring countries, dealers said.

Traders will try to import soymeal from Bangladesh, Vietnam and other Asian countries rather than from Argentina or Brazil because of the longer transit time, said Manoj Agrawal, managing director at exporter Maharashtra Oil Extractions. "Large scale imports are not possible unless the government allows imports at a port that handles bulk shipments," Agrawal added.

Anticipating Indian demand, soymeal suppliers in Bangladesh have raised prices to $650/mt from $540/mt a month ago, dealers said.

A few Indian buyers have already placed 100,000 mts orders that could arrive in the next few days from south Asian countries, said Prasanna Pedgaonkar, general manager at Venky's, India's biggest poultry producer. The imports are feasible because of price disparity but if local prices fall in October with the new season soybean crop then traders may stop buying overseas.

Activists have opposed imports of GM soymeal as the country hasn't approved cultivation of any GM food crop so far.

India - Civil society platform: GM soymeal import 'patently illegal'

Times of India - The Coalition for a GM-Free India, a civil society platform that has been opposed to transgenic technologies being deployed in the country, has termed the Centre's recent decision to import GM soymeal as patently illegal, saying the move will now be legally challenged as the import would expose citizens to the hazards of unsafe gene technologies.

Acting on the demand of the poultry industry and shortage of animal feed, the commerce ministry had on Tuesday relaxed rules for import of crushed and de-oiled GM soya cake to benefit poultry farmers and fishermen. The ministry cited approval of the environment ministry while taking the decision to allow imports of 12 lakh metric tonne of crushed and de-oiled GM soya cake (only non-living organism) till October 31st or until further orders, whichever is earlier.

The environment ministry had earlier on the 6th of August clarified that soya de-oiled and crushed cake does not contain any living modified organism, and therefore it has no concerns and no objection for import of soya cakes from environmental angle.

Citing 1989 Rules of the Environment Protection Act 1986, which govern matters related to deployment of gene technologies amongst others, the Coalition for a GM-Free India, however, said, "This is patently illegal, and an obvious case of regulators abdicating their legally mandated responsibilities". It said the decision was also a violation of the 'Cartagena Biosafety Protocol' to which India is a signatory as it clearly referred to both living modified organisms as well as products thereof.

"How can India escape its regulatory mandate of assessing the safety of such imports?" asked the Coalition. Raising concerns over associated health risk, the Coalition in a statement claimed, "There is scientific evidence that points to the hazards of GM livestock feed. In India too, after Bt cotton seed cake was fed to the animals, there were reports of ill health as well as adverse effect on milk yields.
Outlook for U.S. Agricultural Trade — Cotton
FY 2021 U.S. cotton exports are forecast at $6.3 billion, up by $200 million from the May forecast due to greater unit values.
Robust global import demand, low levels of available nearby exportable supplies, and expectations of sustained progress in recovering from COVID-19 have boosted prices significantly higher compared with FY 2020.
FY 2022 cotton exports are forecast at $6.8 billion, up by $500 million from FY 2021, the highest in over a decade, owing to higher unit values amid strong projected import demand and consumption.
Global consumption is projected at a 14-year high, driven by forecast world economic growth particularly in China and the United States.
China is the world’s largest consumer of cotton lint and the United States is the largest importer of cotton apparel and end products.

Outlook for U.S. Agricultural Trade — Livestock and Poultry
FY 2021 livestock, poultry, and dairy exports are raised by $2.2 billion from the May forecast to $36.4 billion due to increases in all product groups except pork.
Beef is forecast up by $800 million to $8.4 billion on higher unit values and volumes to China, Mexico, and South Korea.
Dairy product exports are raised by $300 million to $7.3 billion due to higher unit values and higher volumes of skimmed milk powder and whey and whey products to China.
Hides, skins, and furs are raised by $100 million to $900 million as prices strengthen on global economic recovery. Pork is unchanged at $7.2 billion.
Poultry and poultry products are forecast $300 million higher to $5.8 billion on elevated prices and volumes to major markets.
In FY 2021, livestock, dairy, and poultry imports are raised $700 million to $19.3 billion. Beef imports are forecast up by $800 million to $7.2 billion on strong unit values and volumes.
The cattle import forecast is adjusted down by $100 million to $1.6 billion.
Dairy is revised down by $400 million to $3.3 billion largely due to the adoption of the World Trade Organization’s recognized definition of “Agricultural Products,” which excluded some products previously identified as dairy products.
Pork imports are forecast $100 million higher to $1.8 billion on tighter expected pork supplies. Live swine imports are unchanged.

Mexico to import £50m of UK pork
Mexico has opened its doors to imports of British pork in a deal thought to be worth £50m to UK pork producers over the first five years of trade.
This comes after four years of negotiations and inspections as well as similar deals for poultry to the US, Japan and Taiwan.
UK pork exports were worth more than £420m last year.

African swine fever is spreading rapidly in China, again
The Economist Aug 28th - Less than two years ago Chinese officials warned that the spread of a deadly and highly transmissible virus was threatening the country’s economic stability and its people’s prosperity. Curbing the outbreak was a “major political task” said Hu Chunhua, a deputy prime minister and member of the Communist Party’s ruling Politburo. He said his instructions on how to tame the disease were to be treated as a “military-style order”.
Mr Hu was speaking in August 2019, months before covid-19 was identified. He was referring to another virus—the one that causes African swine fever. This haemorrhagic disease is harmless to humans but deadly to the pigs that provide one of China’s most important sources of food and a livelihood for tens of millions of the country’s farmers.
In contrast with its remarkably effective battle against covid-19, China has failed to conquer swine fever. "It seems like China can’t do for pigs what it did for people," says an executive at a Chinese pig firm.

With one of the world’s highest rates of pork consumption, China is normally home to about half of global pig stocks. But its porcine population has been severely affected by a swine fever panzootic (the animal equivalent of a pandemic) that began in 2018 and has threatened herds in many countries. It has wrought havoc in the supply of China’s staple meat, creating wild swings in the prices of pork and feed grains. Officials say that in 2019 it resulted in the loss of between one-fifth and one-third of the country’s pigs from disease or culling. That year swine fever cost the industry between $50bn and $120bn, according to the Asian Development Bank.

In 2020 stocks recovered swiftly. But by late last year infections began to rise again.

Pigs in a poke - In late 2019 and early 2020, as the pandemic of covid-19 began developing in the city of Wuhan, the government kept the public largely in the dark. Since then it has become more open about new coronavirus infections. It has been far less forthcoming about swine-fever cases. In July officials said there had been 11 outbreaks of the disease since the beginning of 2021, twice the number reported in the whole of the previous year. The new hotspots are widely separated, with some in the far north-east and others in the south-west. Officials hint at the scale of the problem. Efforts to control it, they say, are “complicated”. But pig-industry insiders say the government is painting too rosy a picture. “It’s out of control,” says one. Only a small share of infections are being reported, say executives at several Chinese swine firms.

One reason for China’s secretiveness is that admitting the scale of the problem would raise questions about whether it should do what other countries have done to end it. During this panzootic and earlier outbreaks, some have culled large portions of their pig stock and closely monitored the destruction of carcasses. Were this to happen in China it could cause years-long disruption in pork supplies on a scale too large to be alleviated by imports or government stockpiles. Shortages and high prices of pork could infuriate the public.

During the covid-19 pandemic, China has mobilized millions of party members to enforce lockdowns and help ensure the supply of essentials to affected people. It has devoted far less energy to controlling swine fever, which would also require considerable vigilance and manpower. About 40% of China’s pork is produced by small family farms. Many have neither the money nor the know-how to raise pigs hygienically. They often feed hogs with household swill that contains infected meat and can easily spread the disease unless it is superheated first, which it rarely is. When cases of swine fever are reported near their farms, owners often sell their animals before they show symptoms. This helps the virus to spread and causes surges of supply which can depress prices. Live hogs are more than 60% cheaper than at the beginning of this year. The glut has forced many sellers out of business.

The government is even being secretive about market data. Recently it has ordered news outlets only to use official figures relating to the prices, supply and consumption of pork. These are often unreliable. Two Chinese consultancies, Cofeed and jc Intelligence, which had supplied more widely trusted numbers, have been closed in recent months with little explanation. Some of their employees have reportedly been detained. It is a vicious circle. A lack of good information is making it hard for farmers to make sound decisions about breeding and selling. That causes fluctuations in supply, which in turn makes the market even murkier.

As with the coronavirus pandemic, vaccination offers hope. Several countries are trying to develop one. America is cooperating with Vietnam, conducting field tests of a vaccine among infected herds there. China has said little about its own efforts. Linda Dixon, a swine fever specialist at the Pirbright Institute, a British research centre, says a vaccine, if proven safe, effective and easy to distribute, “could be a game changer”. But the most optimistic prediction is that approval of one could be at least a year away. Meanwhile, China will continue to be plagued by fake vaccines. These are commonly used by small farmers who are more susceptible to persuasion by the snake-oil merchants who promise protection for herds without the need for costly biosafety precautions.

The collapse of many small businesses may worry officials, who forever fret about social stability. But some producers are suffering less, having alternative sources of revenue such as from other kinds of livestock and crops. The government may even see some benefit in a shake-up of the industry. It is keen to promote the development
of larger pig farms. These are usually better managed and more able to invest in effective virus-control measures.

China crows about its crushing of covid-19. It has achieved success by deciding early on to put extraordinary effort into stamping out infections. But because people cannot die of African swine fever, they are less likely to complain about its consequences. So the government’s instinct is to use the kind of tactic with the pig disease that it initially tried with the coronavirus: covering up. The party has shown remarkable strength in its handling of covid-19. In the face of another viral outbreak, its inadequacies are abundantly evident, too.

**China pork production to decline by 14% in 2022 -USDA attaché**

**USDA FAS** - In 2022, China's hog production is forecast to decline by 5%. Low prices and disease outbreaks in 2021 led to significant slaughter and delayed restocking. Pork production in 2022 will decline by 14% as fewer hogs come to market and government policies designed to limit price fluctuations inadvertently undermine expansion. Pork imports will rise to 5.1 mmts as consumer demand for pork exceeds domestic production.

Cattle and beef production will grow slowly in 2022. High beef prices will encourage investments by large producers. However, small producers with poor herd genetics and space constraints will continue to dominate production. Cattle imports will be stable at 350,000 head. Beef imports will grow to reach 3.3 mmts, but at a slower rate, as high beef prices are balanced by more diverse beef suppliers entering the market.

**China to buy more pork for reserves to support prices**

**Reuters** - China's state planner said on Monday it will continue to buy pork for state reserves to support weak prices in the world's top pork consuming market.

Beijing bought more than 50,000 mts of the meat during July after hog prices plunged below the cost of raising pigs. Although that helped prices recover last month, they have declined again in recent weeks, with farmers across the country making a loss on slaughtered hogs.

The National Development and Reform Commission said in a statement on its official WeChat account that it would "once again launch the central pork reserve purchasing work within the year".

It also urged local governments to buy pork for local reserves to "ensure the smooth operation of the live pig market" and said food processing firms should take the opportunity to replenish their inventories.

**U.S. seeks to protect pork exports if African swine fever hits territories**

**Reuters** - The United States said on Thursday it is seeking to avoid disruptions to pork exports if the territories of Puerto Rico or the U.S. Virgin Islands detect the fatal pig disease African swine fever.

The risk for infections in the territories is higher after the Dominican Republic in July confirmed the Americas' first outbreak of African swine fever in nearly 40 years.

The USDA will work with the World Organization for Animal Health (OIE) to designate Puerto Rico and the Virgin Islands as separate zones from the mainland to "ensure the continued flow of U.S. pork and live swine exports," according to a statement. The OIE allows zones in areas free of disease in response to an increased risk from a neighboring country, the USDA said.

The designations would allow the United States to maintain its status of not having African swine fever if the territories confirm cases, according to the National Pork Producers Council, a U.S. industry group.

African swine fever is harmless to humans, but deadly to pigs. To prevent transmission, governments often block pork imports from countries where the disease is found. African swine fever has never been detected in the United States. It originated in Africa before spreading to Europe and Asia and has killed hundreds of millions of pigs.

Brazilian pork and poultry lobby ABPA and 21 private organizations from 18 Latin American countries met this month and formed a committee to discuss strategies to prevent African swine fever (ASF) in the region.

The USDA told Reuters on Aug. 5 that OIE "provides no designation between a country and its territories when determining ASF status." "In the event of a detection, we would quickly work with trading partners to regionalize Puerto Rico from the U.S. mainland and to show mitigations that are in place to prevent disease spread from Puerto Rico to the mainland," the USDA said in an email.
TRANSPORTATION

- **Baltic Dry Index – 3 September 2021 Daily = 4001**

The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. The index is a composite of three sub-indices that measure different sizes of dry bulk carriers: Capesize, which typically transport iron ore or coal cargoes of about 150,000 tonnes; Panamax, which usually carry coal or grain cargoes of about 60,000 to 70,000 tonnes; and Supramax, with a carrying capacity between 48,000 and 60,000 tonnes.

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

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

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

- **Baltic Dry Index - drops to 2-week low as smaller vessels fall**

Reuters - Sept 2 The Baltic Exchange’s main dry bulk sea freight index fell to a two-week low on Thursday, as a retreat in panamaxes and supramaxes offset a slight uptick in the larger capesize segment.

- The overall index, which factors in rates for capesize, panamax, supramax and handysize vessels, declined 12 points, or 0.3%, to 4,011, lowest since Aug. 19.
- The panamax index fell 57 points, or 1.5%, to 3,649.
- Average daily earnings for panamaxes, which usually carry coal or grain cargoes of about 60,000 tonnes to 70,000 tonnes, decreased by $508 to $32,846.
- Among smaller vessels, the supramax index extended its fall to a second day to 41 points at 3,393.
- The capesize index, meanwhile, advanced 50 points, or 0.8%, to 5,716.
- Average daily earnings for capesizes, which transport 150,000-tonne cargoes such as iron ore and coal, increased by $420 to $47,407.
- Chinese coking coal futures soared 8% to hit their daily upper limit and an all-time high on Thursday as sluggish imports and production control at mines stoked supply concerns. (Reporting by Rahul Paswan in Bengaluru; Editing by Vinay Dwivedi)

GHA: Last week I attended the U.S. Soy Global Trade Exchange and Specialty Grains Conference in St. Louis, Missouri, August 25th – 26th. About 300 people attended in person, with another 900 attending online, all from 59 countries.

An interesting presentation and discussion on world demand for identity preserved soybeans and specialty U.S. soybeans was presented at the conference.

A key point of concern was the availability of containers, continued poor performance for container shippers and higher shipping costs were highlighted in a number of sessions.

In a Specialty Soya and Grains Alliance (SSGA) breakout session Commissioner Carl Bentzel of the Federal Maritime Commission appeared with SSGA Secretary/Treasurer Darwin Rader, international sales manager for Zeeland Farm Services, and Bryan Paskewicz, account executive for Ray-Mont Logistics, to discuss the current challenges facing exporters who ship by container.

A summary of issues surrounding the container crisis, going back to its beginning, were discussed:

- Early 2020 sailing cancellations by ocean carriers due to the early impact of the COVID economy resulted in booking and transit time challenges.
- Mid 2020 saw the start of a surge of imports to U.S. from increased consumer purchases. As ships returned to service container rates began a sharp rally.
- By fall of 2020 in increasing number of ocean carriers begin avoiding handling agricultural exports as economics encouraged the quick return of empties back to China.
- Early 2021 U.S. import demand continues to surge pushing import rates to record high levels.
- The situation is still trying to work itself out as strong demand and out of position containers continue to encourage quick turn-around leaving grain shippers short as we enter the fall harvest period of peak demand.

Freightos Baltic Index (FBX): Global Container Freight Index

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

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

The weekly freight index is calculated as an average of the five business days from the same week and published each Friday. Source: https://fbx.freightos.com/

Confronting the Container Imbalance

The Marine Executive 31 Aug - Procurement managers, technical directors, and purchasing agents are feeling it in high prices and long delays: As the global economy surges back to life, a massive imbalance in shipping container traffic is exacerbating bottlenecks in the supply chain.

Container bookings are hard to find. Delays are long, with many shippers waiting 6-8 weeks for a container. Prices are high: often 3-5 times normal rates, according to Alex Durante, global sales director at Horizon Air Freight. And air freight alternatives are even more expensive.

The container imbalance is impacting all sectors of the global economy. It contributes to inflation, which is on the rise, reducing consumer buying power in the midst of persistent shortages of key consumer goods. Small and medium enterprises are priced out of global trade by the high costs of shipping. Time-sensitive shipments of food are stuck in home ports. Even recovery from wildfires in the U.S. West is slower and more expensive because of the rising costs of building supplies.

What's Causing the Container Imbalance?

In the early days of the COVID-19 pandemic, countries around the world went into lockdown. Many factories shut down, reducing supply. Simultaneously, demand for many consumer and business products plummeted.

With many ports closed and crewing complicated by public health restrictions, shipping companies took many container ships offline to wait out the crisis. This left empty back-haul containers stranded, with no ships available to collect and return them to net exporting countries such as China.

Over the past year, as the global economy has come back to life, recovery has been uneven. Many countries in Asia came out of lockdown first but found themselves with a shortage of head-haul containers for export, while continuing restrictions in Europe and the Americas stranded back-haul containers.

With restrictions now loosened, demand in the Americas has rebounded strongly in recent months, amplifying the historic trade imbalance between Asia and the Americas.

This has all prompted aggressive measures by Asian exporters to retrieve any available containers, placing other regions in competition for an insufficient supply. Throughout the global shipping network, port congestion caused in part by staffing shortages and lockdown regulations continues to further delay any attempt to rebalance container supply.

How Are Container Imbalances Impacting Procurement Managers, Technical Directors, and Purchasing Agents?

“First, air freight rates right now are through the roof,” says Durante, “because there’s limited capacity. In some cases, air freight pricing is 2-4 times higher than what it was pre-COVID. That has led to a fundamental shift toward ocean freight, because ocean freight is much cheaper than air freight. So you have a huge shift of cargo that needs to be moved by sea now because it’s cost-prohibitive to move it by air.”

However, that cargo, including smaller ship spares, that might once have been moved quickly by air must now compete for an insufficient supply of shipping container space. Meanwhile, oversized equipment and bulk supplies that have always been too large or too costly to ship by air are taking longer to deliver by sea, at much higher prices.
Procurement managers, technical directors, and purchasing agents are having to make sometimes impossible choices. Wait 6-8 weeks to ship by container, at 3-5 times normal ocean rates or ship by air, at 10 times what the same shipment would cost by sea?

For critical equipment needed urgently to keep a ship in service, delays can be catastrophic, yet the solutions can quickly exceed a fleet’s budget.

**What Is Horizon Doing to Help Customers Keep Their Fleets Running Smoothly Without Exceeding Their Budgets?**

“We’re doing the same thing we always do,” says Durante, “but putting in a lot more overtime doing it. All of our attention is focused on finding solutions, because we know that every order is critical.”

Horizon has always managed emergency shipments for our clients, finding ways to move critical parts halfway around the world when every hour counts. We take pride in always finding a way, no matter how hard the ask. However, in the current crisis, even shipments that once would have been routine are requiring the full force of our agents’ experience, creativity, and persistence.

“Whereas in the past we might go to 2-3 steamship lines to find available capacity at a good price and schedule, now we’re going to 10 or more to find the best availability,” says Durante. “We have to move quickly, too, because pricing that was once stable is now changing every day.”

Throughout the crisis, our staff has often pulled rotating 12-hour shifts to find, confirm, and monitor appropriate bookings for every delivery, so that our customers get what they need, where they need it, to keep their fleets safe, able, and sailing.

**What Can Procurement Managers and Purchasing Agents Do to Secure the Best Available Shipping Options for Their Fleet’s Equipment and Supplies?**

In short, two things: plan ahead, and confirm quickly.

Planning ahead is good practice even in the best of times, but it’s really essential while the container imbalance persists. As much as you can, anticipate what your ships will need in two months, then go ahead and order it now rather than waiting until the last minute. The more lead team you give us, the better we’re able to find solutions that balance costs with your deadlines.

Whether you order with plenty of lead time or need a last-minute shipment because of an unexpected emergency, we’ll work hard to find available container capacity that meets your timeline and won’t bust your budget.

When we present you with a good option, please confirm it with us as quickly as you can. Because of the intense demand for container space right now, that available space may disappear hours later. If it’s still available the next day, the price may have gone up.

The sooner you confirm a price and schedule with us, the sooner we can go back to the steamship line and lock in that space for you.

**When and How Will the Container Marketplace Rebalance?**

The short answer: We don’t know. With current container shipping delays averaging between 45 and 60 days, we know this will continue for many months at the least.

“I think this is going to go on for at least another year,” says Durante. “The port congestion alone is not letting up anytime soon. That paired with the labor shortages that we’re experiencing, there’s not enough hands, there’s not enough equipment to conduct regular operations. Just think of a traffic jam where they’re not clearing the accident from the road.”

However long the crisis lasts, we’ll do whatever it takes to deliver to our customers, door to deck, on budget and on time. Despite all the challenges, ships will keep moving the world, and we’ll be by their side, ready and able to help.

The container imbalance is complicating shipping, but we love a challenge. Contact Horizon Air Freight and they will get you what you need, where you need it, on budget, with our industry leading 99% on-time delivery.

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

![Graph showing Freightos Baltic Index (FBX) trends for North America East Coast - China/East Asia from Sep to Aug.](https://fbx.freightos.com/)
Sea freight sector grapples with shortage of container ships

AFP 1 Sept - Global sea freight was severely disrupted by the Covid crisis but is now recovering and prompting a boom in new container ship orders as the industry grapples with a shortage of vessels.

Shipping companies, buoyed by soaring freight prices, are splashing out cash on expanding their fleets. New shipping capacity is now forecast to hit a record-matching level by 2023, steaming ahead as the post-pandemic recovery gathers speed.

"The container ship order book is booming," said Italian maritime brokerage Banchero Costa.

Orders have been placed for at least 276 new vessels in the first seven months of this year which would add slightly more than 10 percent capacity to the large global container fleet as of 2020, according to data it provided. However, it takes at least two years to build a new ship, so the market will remain overheated in the short term.

Banchero Costa expects only modest 3% year-on-year growth in shipping capacity in 2021 and 2022.

Freight price surge - Freight prices have meanwhile surged in recent months, sparking a major shortage of vessels to meet runaway demand. The Freightos Baltic Index of international shipping prices shows that rates for the route from China to the West Coast of North America have gone up by more than five times in one year.

"Every single vessel that can float is in deployment right now," by the industry, said Alan Murphy, head of Danish consultancy Sea-Intelligence.

Covid had brought global shipping to a virtual standstill in the initial stages of the pandemic. Yet demand for sea cargo transportation has grown strongly since mid-2020 and especially this year.

This growth "should continue until the first half of 2022," French shipping giant CMA-CGM predicts.

Demand recovers from Covid -

The industry is now ready to splurge on new vessels following a decade of short supply.

The world's largest container carrier, Danish giant AP Moller-Maersk, saw its net profit jump to $3.71 billion (3.14 billion euros, £2.7 billion) in the second quarter of 2021, up 30% on the full-year figure for 2020.

France's CMA-CGM meanwhile logged a second-quarter net profit of about $3.5 billion, twenty-five times more than the same period last year.

'Unprecedented demand' - "The strong rebound of the global economy has resulted in unprecedented demand for transportation and logistics services," said CMA-CGM chief executive Rodolphe Saade.

CMA-CGM has meanwhile ordered 22 new container ships, expected to launch in 2023 and 2024. The company will receive only 14 new ships this year. Second-hand ships are also in demand with CMA-CGM adding a total of 32 such vessels this year.

Overcapacity risks - Such expansion comes despite the fact that the market was depressed before the pandemic "due to overcapacity," said Murphy, questioning what the effect will be of a massive increase in new ships from 2023.

However, he said a reduction in the number of leading players and new environmental legislation should make it possible for the sector to absorb these new capacities without damaging its business.

A planned environmental measure to limit speed, backed by France at the International Maritime Organization (IMO), means that more ships could be required just to service old levels of demand. Carrying capacity will also be reduced because cleaner fuels in some newly-built vessels need new tank storage. At the same time, ships whose scrapping has been delayed will also need to be replaced.

Banchero Costa said this means that while the number of ships scrapped this year will be one of the lowest since 2011, but by 2023, the number of discarded ships will be among the highest in recent years.

LOGISTICS

Brazil's Tietê-Paraná waterway halted on low water levels

The transport of grains, oilseeds, sugar cane and fertilisers through the Tietê-Paraná waterway in Brazil has been suspended since August 28th due to low water levels amid further signs that the impact of dry conditions is having for the region's logistics.

The waterway is a key artery for the region, with 1.2 mmts of Brazilian soybeans and corn using the river in 2020.

In the first seven months of 2021, Tietê-Paraná barges have transported nearly 850,000 mt of beans and soymeal, but with the country's second, safra, crop suffering under the hot conditions, the closure of the waterway is not expected to have a major impact - at least in the short term.

"The near-term impact on the soybean and corn markets are to be minor," Daniele Siqueira from Agrural stated. "The export window for beans is almost over and corn volumes that could be transported through the waterway in the second semester will be limited due to the safra crop loss," Siqueira added.

Barge companies decided to completely halt operations at the waterway as the condition shows no sign of improving, while transit along the waterway has already been limited since June, in terms of volumes loaded and number of barges in use.

30
However, there is no official timetable for resuming waterway operations as yet, with the decision coming as government authorities said water will need to be stored at upstream dams to preserve hydroelectric energy generation.

Water levels in the southeast and centre-west are at historically low levels and continue to fall at a fast pace, with an increasing number of experts saying electricity rationing may be required.

According to Siqueira, “if the waterway remains halted into next year, with the upcoming soybean and safrinha corn harvests, the country may take the hit, less in terms of export volumes and more in terms of higher costs.”

The stoppage has the potential to increase freight costs in the country as grains, oilseeds and agriculture inputs need to go via more expensive freight options like roads and railways. In principle, higher costs tend to jeopardize trading companies’ margins as most origination and export contracts for deliveries through the coming months have already been settled.

Depending on how long the waterway remains out of operations, though, Brazilian farmers may feel the effects on their pockets as traders price higher freight costs into future contracts.

The proposed use of a voting trust in the context of the impending control application does not meet the standards under the current merger regulations and therefore denies the applicants’ motion for authorization to establish and use the proposed voting trust,” the STB said.

The ruling comes amid sweeping executive orders issued by U.S. President Joe Biden aimed at promoting competition in the U.S. economy. One of them specifically asks to take into account the rights of passenger railroad Amtrak, which is majority owned by the U.S. government, when considering railway mergers.

Amtrak had opposed CN's voting trust, saying its pledge to divest the Baton Rouge to New Orleans line will harm future passenger service in Louisiana.

CN says it has the support of thousands of KCS customers and other stakeholders for the deal. The railway had no immediate comment on the STB ruling, but previously said it is committed to working out any issues that arise.

“As we have stated before, we are committed to addressing any competitive concerns under the current merger rules in order to successfully complete a CN-KCS combination,” CN said earlier this summer when it was announced the STB would review the deal.

The decision does not kill the proposal entirely, but does mean that CN will have to completely rework the details of the offer if it wishes to continue.

Navios to merge tanker and bulker companies

Nick Blenkey - In what Chairwoman and CEO Angeliki Frangou calls a “transformative transaction,” dry bulk specialist Navios Maritime Partners L.P. (NYSE: NMM) and tanker specialist Navios Maritime Acquisition Corp. (NYSE:NNA), are to combine.

“...The combined entity will be the largest U.S. publicly-listed shipping company in terms of vessel count, with 15 vessel types diversified across three segments, servicing more than 10 end markets. About one-third of our fleet will be in each of the dry bulk, containership and tanker segment,” says Frangou. “We believe that this combination will result in a stronger, more resilient entity, mitigating sector specific cyclicality. This should enable us to capitalize on opportunities throughout the industry and provide even returns to our stakeholders across cycles.”

The transaction will see shareholders of Navios Acquisition receive 0.1275 of a common unit of Navios Partners for each outstanding common share of Navios Acquisition. All of Navios Acquisition’s outstanding 8.125% First Priority Ship Mortgage Notes, due on November 15, 2021, will be redeemed in accordance with their terms with the proceeds of a cash contribution from Navios Partners and newly arranged secured term loan financings (the “Transaction”).

“This combination of two companies with similar core values and beliefs, as it relates to our service offerings, will allow us to continue to deliver the high-quality service that our customers expect,” says Frangou. “We have a proven model to execute seamless

CBC News - Canadian National Railway and Canadian Pacific Railway are both trying to buy Kansas City Southern in a bid to create a rail network that stretches across Mexico, the U.S. and Canada.

American railway regulator the Surface Transportation Board has blocked Canadian National Railway’s bid to buy Kansas City Southern in its current form because the deal would include a voting trust that runs afoul of the rules.

CN has been trying to buy KCS for several months, in a protracted takeover battle with its rival Canadian Pacific Railway (CP), which is trying to do the same thing. Both companies are seeking to build a continental railway network with assets across Canada, the U.S. and Mexico.

CN’s offer has the support of KCS’s board, which has rejected CP’s offer. But CP has the advantage that the Surface Transportation Board has no objection to its offer despite incorporating a voting trust structure of its own.

The voting trust in question is a structure ostensibly set up by CN to keep Kansas City Southern’s assets independent and while the deal gets ironed out, but the regulator’s ruling says in its current form, such a voting trust runs afoul of regulations.

“...The voting trust in question is a structure ostensibly set up by CN to keep Kansas City Southern’s assets independent and while the deal gets ironed out, but the regulator’s ruling says in its current form, such a voting trust runs afoul of regulations.
combinations, as evidenced by our prior successful roll-up transactions, and we anticipate a smooth execution for this combination as well."

According to a preparation prepared for an analyst conference call, the current value of the combined company’s vessels is estimated at $4.2 billion based upon the average of publicly available broker reports; the combined company will also have an enterprise value of approximately $2.25 billion. With a $1.6 billion pipeline of contracted revenue coupled with about 47,634 available days in 2022, the combined fleet is well-positioned to take advantage of the healthy dry cargo markets as well as any future upturn in the tanker market.

**Goverment**

- **WTO to investigate China, US trade dispute**
  
  **Susan Reidy** - The World Trade Organization (WTO) will investigate a dispute between China and the United States over Beijing’s use of rice, wheat and corn import controls, Reuters reported.

  In 2019, WTO ruled against China’s use of tariff-rate quotas for agricultural imports, which the US said had limited market access for its exports. The quotas allow a specific quantity of goods to be imported at lower-than-normal rates.

  China said it has implemented WTO recommendations, but the United States disagrees and believes it is due countermeasures against Beijing.

  The WTO usually presents its ruling to the parties involved within six months, after a series of hearings and consultations.

- **Brazil looks to close GMO seed tax loophole**

  Politicians in Brazil’s lower chamber may be on the cusp of addressing a legislative loophole that has created uncertainty for farmers around tax liabilities on GMO seeds, the local business newspaper Valor Econômico reported late Tuesday.

  A tax bill under discussion in the chamber is expected to contain an amendment enabling seed producers to get a full tax deduction from expenses associated with GMO seeds royalties, the paper said.

  Brazilian seed producers currently pay royalties to multinational companies that have developed the seeds’ biotechnologies, with the royalty fees that can be deducted from seed producers’ income tax payments capped at 5%.

  However, in practice, seed producers consider royalties as operational expenses, and typically do not pay any income tax on them, irrespective of the 5% limit, but this arrangement has started to be challenged by the country’s taxation office in recent months.

  “A seed producer from Mato Grosso said fines get as high as - and even above - BRL300 million ($56.9 million),” Valor said in its article, but producers and some lawyers have opposed the legal understanding set out by the Brazilian tax office on the issue.

  The argument is that it would lead to a double taxation as royalties are already included in the biotechnology multinationals’ income statements and that these values are not incorporated by seed producers, but only passed through to the owners of the royalties’ rights.

  “If approved, the law amendment will bring about more legal certainty to Brazilian seed producers overcoming the taxation office’s misplaced understanding,” market sources have said. That in turn could boost purchasing power for farmers.

- **Argentina’s biofuels struggle continues**

  **World Grain** - Argentina’s biofuel production in 2021 is struggling with the impacts of the COVID-19 pandemic, which reduced fuel demand, a prolonged domestic recession and recent changes in policy, according to a report from the Foreign Agricultural Service of the USDA.

  Ethanol production is estimated at 980 million liters, which, except for 2020, is the lowest volume since 2016.

  The recently passed Biofuels Law 27640 maintains a minimum ethanol blend rate of 12% but allows the Energy Secretariat to adjust the blend rate downward, but not lower than 9%.

  The biodiesel industry will see one of its worst years since its creation in 2007, the USDA said. Production is estimated at 1.54 billion liters, which, except for 2020, is the lowest since 2010. Idle capacity is estimated at 65%, the second lowest figure for the last 11 years. Production to meet the official blend mandate is expected to only reach 500 million liters, well less than half the pre-pandemic use and the lowest since the start of the program, with an average blend rate of only 4%.

  The USDA said the main reasons for this are a lack of enforcement of the existing mandates, changing policies that reduced blend rates in the first three months of the year, delays in updating official prices to match increased production costs, low diesel consumption due to the economic recession, and the implementation of the new Biofuels Law 27640 in the last part of 2021, which will reduce the official blend rate from 10% to 5% or even 3%.

  Exports are forecast at 1.1 billion liters, similar to 2019, prior to COVID-19. The EU continues to be the only market where Argentine biodiesel is being shipped and sales to additional markets are not anticipated, the USDA said.
International Crop & Weather Highlights

- USDA/WAOB Joint Agricultural Weather Facility – 28th August 2021
  - Europe – Widespread Soaking Rain, But Dry In France And Southern Balkans
    - Soaking rain maintained adequate to abundant soil moisture for winter crop planting and establishment over central and eastern Europe, though the wetness hampered fieldwork and summer crop dry down.
    - Sunny skies and cool temperatures favored filling to maturing summer crops in France and Spain.
    - Dry weather lingered in southern Romania and northern Bulgaria, where moisture is needed for winter wheat and rapeseed sowing.
  - Western FSU – Additional Showers, But Heat And Drought Lingered In The East
    - Showers in Ukraine maintained favorable prospects for filling summer crops, while locally heavy rain in western Russia improved soil moisture for upcoming winter wheat sowing.
    - Dry weather in southeastern Ukraine and southwestern Russia provided a welcome respite from recent downpours.
    - In Russia’s Volga District, extreme heat and dryness hastened corn and sunflower maturation.
  - Eastern FSU – Hot, Dry Weather Favored Spring Grain Harvesting
  - Middle East – Seasonably Dry Weather Favored Harvesting
    - Dry weather favored summer crop harvesting in Turkey.
  - South Asia – Dryness Returned To Western India
    - Unseasonably dry weather in western India lowered soil moisture for cotton and oilseeds.
  - East Asia – Favorable Rainfall For Summer Crops
    - Widespread showers in northeastern China and parts of the south continued to benefit immature summer crops.
  - Southeast Asia – Seasonable Showers Return
    - A return of wet weather in Thailand and environs as well as the Philippines improved moisture supplies for rice, corn, and other summer crops.
  - Australia – Good Crop Conditions
    - In the east, soaking rain sustained good to excellent winter crop prospects and further increased moisture supplies in advance of summer crop planting.
    - In the south and west, passing showers favored vegetative to reproductive wheat, barley, and canola.
  - South America – Moisture Remained Limited For Wheat In Southern Brazil
    - Warmth and dryness persisted in wheat areas of Parana, Brazil, though beneficial showers were moving through Rio Grande do Sul.
    - Cool, sunny weather favored winter grains in Argentina.
  - Mexico – Hurricane Nora Grazed The Southwest
    - Hurricane Nora generated heavy showers throughout southwestern Mexico.
  - Canada – Widespread Showers Continued Across The Prairies
    - Rain brought drought relief but was untimely for spring grain and oilseed harvesting.

Web Site: https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf
Source: USDA https://www.usda.gov/oce/weather-drought-monitor/publications

Agricultural Weather Highlights – Friday, 3rd September 2021

- In the West, mostly dry weather accompanies a gradual warming trend. Early today, any lingering showers are confined to the Rockies. According to the August 31 U.S. Drought Monitor, extreme to exceptional drought (D3 to D4) is affecting 54% of the 11-state Western region, with coverage ranging from 15% in Colorado to 88% in California and Utah.
  - In the Plains, rainfall in the vicinity of a cold front is heaviest early today across eastern Kansas. Today’s high temperatures will remain below 80°F across the northern half of the region, but heat (temperatures approaching 100°F) persists on the southeastern Plains. Winter wheat planting preparations are underway—or soon will be—with statewide topsoil moisture rated very short to short ranging from 41% in Texas to 89% in Montana.
  - In the Corn Belt, cloudy, rainy weather prevails across the upper Mississippi Valley, where today’s high temperatures will remain below 70°F. Showers and thunderstorms also extend southward into the lower Missouri Valley. Meanwhile in the eastern Corn Belt, cool but dry weather favors corn and soybean maturation. On August 29, corn denting was ahead of the 5-year average pace in all Midwestern States except Missouri, with statewide progress ranging from 36 to 73%.
  - In the South, hot, humid weather stretches from the western Gulf Coast region to the lower Mississippi Valley. Hurricane recovery continues in the central Gulf Coast region, amid ongoing power outages and difficult outdoor working conditions due to the heat and humidity. Meanwhile, cooler, less humid air is overspreading the Tennessee Valley and the middle Atlantic States.
  - Outlook: During the next several days, mostly dry weather will favor hurricane recovery in the central Gulf Coast region and flood recovery in the middle Atlantic States. Meanwhile, a cold front currently crossing the nation’s mid-section will push into the southern and eastern U.S. Loosely organized showers in the vicinity of the front could...
total 1 to 2 inches or more in scattered locations, mainly in the Great Lakes region and from the central Plains into the Ohio Valley. In contrast, no rain will fall during the next 5 days across much of the West, while any showers today on the northern Plains will be replaced by dry weather during the weekend and into next week.

During the Labor Day weekend, late-season heat will develop across the West and continue across portions of the southern Plains. However, generally cool conditions will linger across the Midwest and neighboring areas.

The NWS 6- to 10-day outlook for September 8 – 12 calls for the likelihood of near- or above-normal temperatures nationwide, except for cooler-than-normal conditions in the Appalachians and environs. Meanwhile, near- or below-normal rainfall across most of the country should contrast with wetter-than-normal weather in southern Texas, New England, the Great Basin, and the Desert Southwest.

Contact: Brad Rippey, Agricultural Meteorologist, USDA/OCE/WAOB, Washington, D.C. (202-720-2397)
Web Site: https://www.usda.gov/sites/default/files/documents/TODAYSWX.pdf

- **Reference: Conversion Calculations**

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

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

  Metric tonnes to hundredweight
  - Rice = metric tonnes * 22.04622

  Area & weight
  - 1 hectare = 2.471044 acres
  - 1 kilogram = 2.204622 pounds
September Crop Calendar

USDA FAS OGA Crop Calendar

*Crop stage sensitive to moisture and temperature stresses.

U.S. Department of Agriculture (USDA)
Foreign Agricultural Service (FAS)
Office of Global Analysis (OGA)
International Production Assessment Division (IPAD)

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