Notes and Observations in International Commodity Markets

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Corn and Soybeans Higher, While Wheat Lags Behind

- U.S. Corn Export Inspections Up 40% as Marketing Year Ends

US corn exports last week cleared more than 650,000 mts last week, up more than 40% week on week. However, final numbers for the 2019/20 marketing year totaled only 43.274 mmts, down over 11% from last year's 48.924 mmts. The decline was a result in lower US production this past year, and an increase in supplies from alternative exporters.

Net sales for the 2020/21 marketing year, which began September 1st, totaled 1,823,300 mts. Increases were primarily for China (1,194,500 mts, including decreases of 63,000 mts), Japan (255,900 mts), Mexico (215,000 mts, including 8,000 mts switched from Guatemala and decreases of 14,400 mts), Colombia (75,100 mts, including 53,000 mts switched from unknown destinations and decreases of 9,200 mts), and Panama (59,700 mts). Reductions were primarily for Jamaica (80,100 mts).

A total of 1,250,400 mts in sales were carried over from the 2019/20 marketing year, which ended August 31st. Exports for the period ending August 31st of 651,600 mts brought accumulated exports to 43,273,800 mts, down 14% from the prior year’s total of 49,292,100 mts. The primary destinations were China (201,700 mts), Japan (177,000 mts), Mexico (150,100 mts), Honduras (28,100 mts), and El Salvador (23,800 mts). Exports for September 1st - 3rd totaled 245,700 mts, with China (67,500 mts), Mexico (62,900 mts), Colombia (54,700 mts), and Canada (47,900 mts) being the primary destinations.
CBOT Corn higher on the week making new six-month highs

CBOT Dec20 Corn futures ended Friday at $3.68½ up 3½ cents on the day, and up 11¼ cents for the week, making highs on Monday at $3.64½/bu, the highest level since planting commenced across the corn-belt on the 25th of March. Prices were supported through the week on optimism the USDA reports would provide some support on Friday’s release. However, the USDA left their China corn import forecast numbers unchanged at 7 mmmts for both 2019/20 and 2020/21 in spite of already CONFIRMED sales volumes from the US for the 2020/21 marketing year of 8.8 mmmts.

U.S. Corn production estimates were at 14.9 bbus, virtually right on the trade average of 14.89 bbus, putting yield estimates at 178.5 bus/acre with acreage down 0.5 million acres. However, the USDA’s ending stocks forecast of 2.5 mbus came in 253 mbus below the trade average due mostly to the smaller crop, along with reductions in both Feed & Residual and FSI Use, while US exports were boosted 100 mbu. While this news was supportive, further confirmation of crop issues in the Ukraine as well as the depth of Chinese demand will be needed to propel the market much higher.

Annual U.S. Grain Sorghum Exports Up 268% Year on Year with the Aggressive Return of China

US grain sorghum exports final numbers for the 2019/20 marketing year totaled 4.529 mmmts, down over 268% from last year's 1.693 mmmts, with the aggressive return of China to the market being the dominate buyer.

Net grain sorghum sales for the 2020/21 marketing year, which began September 1st, totaled 56,000 mts. Increases reported for China (86,000 mts, including 30,000 mts switched from unknown destinations), were offset by reductions for unknown destinations (30,000 mts). A total of 107,900 mts in sales were carried over from the 2019/20 marketing year, which ended August 31st. Exports for the period ending August 31st of 100 mts brought accumulated exports to 4,529,300 mts, up 63% from the prior year's total of 1,693,800 mts. The destination was China (100 mts). Total exports for September 1st - 3rd of 33,000 mts were to China.
➢ **USDA Raises TRQ for FY 2020 Sugar Imports**

On September 10th the USDA announced several actions regarding fiscal year 2020 beet and cane sugar marketing allocations and the raw sugar tariff-rate quota (TRQ).

These included; a reassignment of surplus beet sugar marketing allocations among beet sugar processors of 130,000 short tons raw value (STRV) to raw cane sugar imports already anticipated; a reassignment of surplus cane sugar marketing allocations among cane sugar processors of 100,000 STRV to raw cane sugar imports already anticipated and 100,000 STRV (90,718 metric tons, raw value or MTRV) toward an increase in the TRQ for raw cane sugar; an increase in the raw sugar TRQ of 100,000 STRV (90,718 MTRV); an extension to October 31st, 2020, for the final date by which raw sugar charged against the raw sugar TRQ must enter the U.S Customs Territory. These actions are effective September 10, 2020.

Sugar imports compete directly with US high fructose corn syrup.

➢ **Wheat Futures continue steady to lower on the week…**

CBOT Dec20 Wheat Futures settled Friday at $5.42½/bu, down 5¾ cents on the day, and off 11 cents for the week. Kansas HRW Dec20 Wheat Futures settled Friday at $4.72/bu, down 2 cents on the day, but 2 cents higher for the week. Price action was choppy through the week as the market continues to closely monitor southern hemisphere weather, as well as 2021 northern hemisphere planting prospects. Friday’s USDA Reports were neutral to slightly bearish wheat as larger crops in Australia and Canada were only partially offset by a reduction in Argentina. Production estimates for Russia, Ukraine and Kazakhstan were all unchanged from August. Continued increases in production in Australia could limit Dec-May U.S. export prospects, although a further cut in Argentina output would be supportive.

There were no changes to the aggregate U.S. balance sheet, although there were minor adjustments seen in HRW, with ending stocks down 5 mbu and SRW stocks up 5 mbu.

➢ **Soybean futures have been surging on Chinese demand**

GHA - On Tuesday, prices of CBOT Soybean Futures rose to their highest levels since 2018 after the USDA reported that Chinese buyers purchased 664,000 mts, the largest daily total since July 22nd.

China’s soybean demand will continue to grow as the country’s hog herd numbers recover from an African swine fever outbreak. There is also a corresponding shift in production methods as backyard production, which pre-ASF made up over
60% of production, has been outlawed and commercial production is now the primary production method. Commercial demand for feed will drive more aggressive imports of both soybeans, as well as corn.

➢ **CBOT Soybeans end up, reach highest price since January**

![CBOT Soybeans Reach Higest Price Since January](image)

Today’s USDA reports estimates US ending stocks forecast at 460 mbus, 9 mbus less than the trade average, and down 150 mbus from last month, lending support to Friday’s prices. The trade estimates for the yield were spot on at 51.7 bus/acre, only 0.2 less than the USDA number. The USDA production estimate came in at 4.313, but the market moved above its pre-report levels on anticipation of further demand indications and a rather sharp decline in the estimated ending stocks to use ratios and they moved to 10.4% this month, from 13.7% in August.

CBOT Nov20 Soybean futures rallied to just below the $10.00 mark, and close to making new contract highs late Friday, as the November20 contract settled at $9.97½ / bu, gaining 20 cents on the day, and closing 28½ cents higher for the week. Daily buying from China continues to lend optimistic support.

December Soybean Meal rallied to new eleven-month highs, settling Friday at 324.80 / short ton, up $7.30 on the day, and $7.20 for the week. December Soybean Oil has been trading sideways through the week, settling at $33.77 per cwt on Friday, up 57 cents on the day, but off 5 cents for the week.

➢ **USDA Raises Forecasts for China’s Soybean Imports**

Agri-Pulse - The USDA’s Foreign Agricultural Service has raised its forecast for Chinese soybean imports in both the 2019-20 and 2020-21 marketing years as the country continues to make large purchases from the US.

The forecast for China’s imports is now set at 95 mmts for both marketing years, a 4 mmts increase above an earlier prediction for 2020/21 and a 5 mmts increase from the previous 2019/20 prediction.

“Feed production is projected to rise during the remainder of 2020 and into 2021 as the swine herd continues to recover from African Swine Fever and the poultry sector expands to meet growing demand,” FAS says.

On Tuesday, USDA reported sales of 664,000 metric tons of U.S. new crop soybeans to China.

➢ **Brazil 2019/2020 soybean crop estimated at 124.8 mmts Conab**

This week Conab estimated Brazil’s 2019/2020 Soybean crop to be 124.844 mmts versus 120.936 mmts last month, and 119.718 mmts in 2018/2019. Brazilian soybean exports are estimated to be 82 mmts.

➢ **Argentina 20/21 Soybean Crop Seen at 50 mmts**

Reuters) - Argentina’s soybean harvest for the 2020-21 campaign is forecast to be around 50 mmts, the Rosario grains exchange said on Wednesday, the first indication of the potential size of the grain-producing country's main cash crop.

Argentina, the world's top exporter of processed soy, will likely increase its area for soybean planting around 0.6% versus a year earlier to some 17.3 million hectares, the exchange said. Argentina's 2019-20 soybean harvest was 50.7 mmts.

Regarding corn, the exchange projected a 2020-21 harvest of 48 mmts. "The changes in external prices are encouraging corn even in a year where the climate has become the main adversary of the crop," the exchange said.

The exchange forecast wheat production at 18 mmts, at the lower end of its previous 18-19 mmts estimate.

Argentina is the world's leading exporter of soybean oil and feed, the third largest in corn and a major supplier of wheat.
➢ **U.S. Soybean Export Inspections Up 32% As Marketing Year Ends**

Two-thirds of the volume was cleared from the US Gulf, with a further 256,000 mts from the PNW. The rest was cleared from the Interior and North Texas. The sharp rise in inspections on the week and the year comes as the new harvest kicks in and Chinese state-owned buyers snap up cargoes in a bid to meet trade commitments made under the US-China trade deal.

➢ **Germany Confirms First Case of African Swine Fever**

Germany’s Ministry of Food and Agriculture said on Wednesday it had a suspected case of African swine fever (ASF) in a wild boar in the eastern state of Brandenburg. The Friedrich-Loeffler-Institute (FLI) confirmed the case on Thursday morning.

The animal was found just 6km from the Polish border and only 30km from the last confirmed case of ASF in Poland. This makes an entry by a migrating wild boar likely, although introduction by humans through contaminated food cannot be ruled out, the institute said.

The carcass was decayed suggesting ‘the entry took place a few weeks ago’, the institute said.

German Agriculture Minister Julia Kloeckner said the infected area will be cordoned off. The authorities have prepared for the eventuality of ASF occurring in Germany and will be putting in place measures to prevent the disease spreading further, she added.

Germany is the EU’s biggest pork producer and one of the world’s biggest pork exporters, shipping around 500,000 mts per year, including huge volumes to China.

➢ **USTR Considers Ban on Cotton Products from China’s Xinjiang Region**

DTN - The Office of the US Trade Representative (USTR) could ban the import of products made with cotton from the Chinese region of Xinjiang, in response to the abuse of minorities living there.
US Customs and Border Protection (CBP) would have to issue an order implementing the ban. The issue could affect tens of billions of dollars of US textile and clothing imports that include cotton, yarn or fabric from the Xinjiang Uygur Autonomous Region. A ban would cut deeply into apparel supply chains, and there is the potential that any US action could lead China to retaliate – possibly targeting US cotton producers.

➢ U.S., U.K. Enter Another Round of Trade Talks

POLITICO - On Tuesday, U.S. and U.K. trade negotiators begin their virtual fourth round of talks today on a free trade agreement, which are slated to last through September 18th. The two sides were scheduled to exchange market access offers for the first time ahead of this round.

In the face of uncertainty over when a final deal will be reached, some British businesses are pushing for a smaller agreement that would remove U.S. retaliatory tariffs on dozens of U.K. goods, including single-malt Scottish whiskey and a variety of cheeses. The WTO authorized USTR to impose those duties because of the EU’s failure to comply with rulings against subsidies provided by the U.K., Germany, France and Spain for the European aerospace giant Airbus.

Some U.K. food and beverage groups are proposing the U.S. drop those tariffs in exchange for the U.K. dropping the tariffs it has imposed on Kentucky bourbon and other U.S. goods in retaliation for Trump’s tariffs on U.K. steel.

➢ Grain Craft To Relocate Lab To Kansas Wheat Innovation Center

Baking Business – Grain Craft announced plans to relocate its corporate laboratory to The Kansas Wheat Innovation Center (KWIC) in Manhattan, Kansas. The new laboratory is expected to open in 2021. The laboratory will be housed in newly finished space within the innovation center, which is located on the Kansas State University Campus.

Grain Craft said the move is consistent with the company’s commitment to enhancing wheat quality as well as to flour quality and consistency and to “ongoing exploration of innovation activities.” A project of the Kansas Wheat Commission, the KWIC is a wheat research facility opened in 2012. The $15 million complex has 15,000 square feet of laboratories, 22,750 square feet of greenhouses and 10,000 square feet of office space. The center is a three-minute walk from the K-State Hal Ross flour mill and is 1 mile from Schellenberger Hall.

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