1st October 2021

by Guy H. Allen – Senior Economist, International Grains Program, Kansas State University

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Notes and Observations in International Commodity Markets

1st October 2021

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Wheat Surges Higher this Week
Following USDA Sept 1st Stocks Report

GHA – December Chicago wheat closed up 29¾ cents, December KC wheat was up 27¾ cents, and December Minneapolis wheat was up 16½ cents, the percentage leaders among Friday’s grain contracts with a second day of support from Thursday’s bullish USDA estimates. November soybeans fell 9½ cents to their lowest close in six months.

CME Ethanol October 2021 closed on Friday at $2.09000/gallon, up 0.500 cents on the day, and gaining down 2.500 cents for the week.

November crude oil is up $0.81 at $75.84, November heating oil is up $0.0446, November RBOB gasoline is up $0.0585 and November natural gas is down $0.211.

December gold is up $2.10 at $1,759.10, December silver is up $0.52 at $22.57 and December copper is up $0.1115. After trading sharply higher through the week, the December U.S. Dollar Index was down 0.22 at 94.02. The Dow Jones Industrial Average is up 506.05 points at 34,349.97.

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. However, the pandemic in the U.S. has improved after the 7-day average of new U.S. Covid infections fell to 112,960 on Thursday, a 1-3/4 month low.

In Europe, investors continued to assess the German election result and a looming gas supply shortage. On Tuesday London’s FTSE 100 fell 0.6%. The pan-European Euro Stoxx 50 dropped 1.4%, and Frankfurt’s DAX lost 0.9%. Eurozone inflation hit a 13yr high of 3.4%. Germany’s inflation rose to a 29yr high of 4.1% in Sep as energy prices move higher. The inflation gains have led several prominent unions to demand pay increases of 3%-4% to help compensate rising costs for employees.

Several US funds including Saba Capital, Redwood Capital, Silver Point, and Contrarian Capital continue to buy up Evergrande’s bonds this week as they bet Beijing will help restructure the company rather than let it collapse.

It’s estimated that 21% of the entire bulk freight fleet is waiting in line at a port. Of the 2,411 bulkers waiting, 713 or 29% are sitting in the East China Sea.

Hog prices in China are reported to be down more than 50% since the 1st of the year; quite a contrast from a year ago when they were selling stocks. The government now plans to buy 30 kmts of pork into its state reserves.

USTR Katherine Tai said the WH plans to ‘build on’ existing tariffs with China and address their failure to fulfill its obligations under the trade agreement. USTR Tai is expected to outline the WH’s intentions in better detail next Monday in a speech to a think-tank.

China is celebrating its National Holiday next week from the 1st – 7th of October. Their noted absences from the market will provided a bearish undertone next week.

Have a good weekend! ☺

China Orders Top Energy Firms to Secure Supplies at All Cost

The order came directly from Vice Premier Han Zheng, who supervises the nation’s energy sector and industrial production, and was delivered during an emergency...
meeting earlier this week with officials from Beijing’s state-owned assets regulator and economic planning agency, the people said, asking not to be named discussing a private matter. Blackouts won’t be tolerated, the people said.

Oil futures erased earlier losses in New York. West Texas Intermediate crude climbed as much as 1.4% to $75.84 a barrel on Nymex. Natural gas futures in New York extended gains, and shares of U.S. gas exporter Cheniere Energy Inc. rose. Chinese coal futures earlier surged to a record as the country grapples with shortages of the fuel ahead of a week-long holiday. Prices have more than doubled this year amid soaring electricity demand from factories and slow output growth from mines.

Volatility in the energy markets is poised to intensify on the order from the central government, said Bjarne Schieldrop, chief commodities analyst at SEB. China’s statement “to me implies that we are in no way on a verge of a cool-off. Rather it looks like it is going get even more crazy,” he said. “They will bid whatever it takes to win a bidding war for a cargo of coal” or liquefied natural gas.

In a sign of how worried Chinese officials are, Premier Li Keqiang has vowed that every effort will be taken to maintain economic growth. China will ensure the needs of basic livelihoods are met and will keep industrial and supply chains stable, Li was cited as saying by China National radio during a meeting with foreign diplomats Thursday.

China’s move “brings security of supply back on the forefront,” said Leslie Palti-Guzman, president of New York-based consultancy Gas Vista LLC. “This is bad news
for European governments and consumers who will deal with elevated gas and electricity prices for the rest of the winter” as they compete with China for supply.

**US DOLLAR & FOREIGN EXCHANGE**

- **US Dollar Index- Declines Friday after trading higher thru the week**

The dollar index on Friday fell -0.190 (-0.20%). EUR/USD rose +0.0016 (+0.14%). USD/JPY fell -0.17 (-0.15%). A rally in stocks on Friday reduced the liquidity demand for the dollar. Also, lower T-note yields on Friday weakened the dollar’s interest rate differentials and weighed on the dollar.

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. However, the pandemic in the U.S. has improved after the 7-day average of new U.S. Covid infections fell to 112,960 on Thursday, a 1-3/4 month low.

EUR/USD on Friday posted moderate gains. The euro recovered from Thursday’s 14-month low after Friday’s Eurozone inflation data was hawkish for ECB policy. Eurozone Sep CPI rose +3.4% y/y, stronger than expectations of +3.3% y/y and the biggest increase in 13 years. Gains in EUR/USD were limited after German Aug retail sales rose +1.1% m/m, weaker than expectations of +1.5% m/m.

USD/JPY on Friday moved lower for a second day. The yen strengthened Friday on increased safe-haven demand after Japan’s Nikkei Stock Index sank -2.3% to a 4-week low. Positive economic data also supported gains in the yen after the Japan Q3 Tankan large manufacturing business conditions unexpectedly rose +4 to a 2-3/4 year high of 18, stronger than expectations of a decline to 13. In addition, the Japan Sep consumer confidence index rose +1.1 to a 19-month high of 37.8, stronger than expectations of 37.5.

Friday’s U.S. economic data was bullish for the dollar. U.S. Aug personal spending rose +0.8% m/m, stronger than expectations of +0.7% m/m. Also, the Sep ISM manufacturing index unexpectedly rose +1.2 to a 6-month high of 61.1, stronger than expectations of a decline to 59.5. In addition, the University of Michigan U.S. Sep consumer sentiment rose +1.8 to 72.8, stronger than expectations of no change at 71.0.

Fed comments on Friday were bearish for the dollar. Minneapolis Fed President Kashkari said the job market has a long way to go before it’s healed and that he doesn’t believe the Fed will raise interest rates until 2024.

December gold (GCZ21) on Friday closed up +1.40 (+0.08%), and Dec silver (SIZ21) closed up +0.489 (+2.22%). Precious metals prices on Friday moved higher on a weaker dollar and lower global bond yields. Signs of rising global price pressures boosted demand for gold an inflation hedge. The U.S. Aug PCE core deflator rose +0.3% m/m and +3.6% y/y, stronger than expectations of +0.2% m/m and +3.5% y/y with the +3.6% y/y gain the largest year-on-year increase in 30 years. Also, the Eurozone Sep core CPI rose +1.9% y/y, right on expectations but the largest increase in 13 years. Gains in gold were limited after a rally in stocks reduced the safe-haven demand for gold.

**WHEAT**

- **USDA lowers all-wheat crop estimate to 1.646 billion bushels**

30 Sep 2021 USDA - The US Department of Agriculture on September 30th, in its Small Grains 2021 Summary, estimated the 2021 US all-wheat crop at 1.646 billion bushels, down 51.041 million bushels from the most recent previous forecast made in the USDA’s August Crop Production report and down 182.279 million bushels, or 10%, from 1.828 billion bushels in 2020. As estimated, the 2021 crop was the smallest since 2002, when 1.606 billion bushels were harvested. The recent five-year (2016-20)
average US wheat outturn was 1.939 billion bushels. The estimate for the 2021 crop fell below the average of pre-report trade estimates at 1.68 billion bushels.

The USDA, in comments accompanying its final wheat estimates of the year, said, “Area harvested for grain totaled 37.2 million acres, up 1% from the previous year. The US yield was estimated at 44.3 bus/acre, down 5.4 bushels from the previous year.”

The USDA lowered its estimates of both winter wheat and spring wheat other than durum production in the summary report.

The USDA estimated production of spring wheat other than durum at 331.14 million bushels, down 12.27 million bushels from the August outlook and down 256.365 million bushels, or 44%, from 587.505 million bushels in 2020. The 2021 crop was the smallest since 205.46 million bushels in 1988, another year of severe drought, and compared with the recent five-year average other-spring wheat outturn at 544 million bushels. The average of pre-report trade guesses was 327 million bushels.

In commentary accompanying the other-spring wheat summary, the USDA said, “Harvested area totaled 10.2 million acres, down 16% from 2020. The US yield was estimated at 32.6 bushels per acre, down 16 bushels from the record-high 48.6 bushels per acre in 2020.”

The USDA estimate for hard red spring wheat production in 2021 was 297.366 million bushels, down 8.055 million bushels from the August forecast and down 233.813 million bushels, or 44%, from 531.179 million bushels in 2020. It was the smallest crop since 181 million bushels in 1988 and compared with the recent five-year average hard red spring wheat outturn at 502 million bushels.

The USDA’s estimate for the 2021 winter wheat crop was 1,277 billion bushels, down 41.37 million bushels from the August estimate but up 105.968 million bushels, or 9%, from 1,171 billion bushels in 2020. The recent five-year average winter wheat outturn was 1,323 billion bushels. The average of pre-report trade estimates for 2021 winter wheat production was 1,321 billion bushels.

“The US yield, at 50.2 bushels per acre, was down 0.7 bushels from 2020,” the USDA said. “Area harvested for grain was estimated at 25.5 million acres, up 11% from the previous year. Record low acres were estimated in Utah in 2021. Record-high yields were estimated in Alabama, Illinois, Indiana, New Jersey, New York, Ohio, Pennsylvania, and Texas for 2021.”

The USDA estimated hard red winter wheat production at 749.489 million bushels, down 27.366 million bushels from August but up 90.512 million bushels, or 14%, from 658.977 million bushels in 2020. Trade analysts had expected a 2021 estimate at about 780 million bushels. The recent five-year average hard red winter wheat outturn was 800 million bushels.

The USDA’s estimate for soft red winter wheat production in 2021 was 360.689 million bushels, down 4.819 million bushels from the August estimate but up 94.45 million bushels, or 35%, from 266.239 million bushels in 2020. The recent five-year average soft red winter wheat production was 286 million bushels. The average of pre-report trade estimates for the soft red winter wheat crop was 364 million bushels.

The soft white winter wheat crop was estimated at 146.904 million bushels, down 13.337 million bushels from the August estimate and down 87.083 million bushels, or 37%, from 233.987 million bushels in 2020. The recent five-year average soft white winter wheat crop was 217 million bushels. The average of pre-report trade estimates for the 2021 crop was 176 million bushels.

The USDA estimated the 2021 durum outturn at 37.259 million bushels, up 2.599 million bushels from August but down 31.882 million bushels, or 46%, from 69.141 million bushels in 2020. The average trade guess for the durum crop was 34 million bushels. The recent five-year average durum production was 72 million bushels.

“Area harvested for grain totaled 1.53 million acres, down 8% from the previous year,” the USDA said. “The US yield was estimated at 24.3 bushels per acre, down 17.2 bushels from the 2020 yield.”

Brazil's Abitrigo says millers won't buy GMO wheat from Argentina

Sept 27th Reuters - Brazilian domestic flour millers are threatening to stop buying wheat from Argentina if Brazil commercially approves GMO wheat imports from the neighboring country, Rubens Barbosa, head of the Brazilian Wheat Industry Association (Abitrigo), said on Monday.

Local millers are against processing GMO wheat coming from Argentina or anywhere, according to Abitrigo, and that sentiment is shared by groups representing bakers and other companies that use wheat to make products like bread and biscuits.

Brazil's biosecurity agency CTNBio is evaluating a request to approve the sale in Brazil of genetically modified wheat produced in Argentina, and a decision on the matter could be taken next week.

Abitrigo's Barbosa said the entire wheat supply chain is worried about the request for approval of GMO wheat here, adding that companies have concerns related to the effects of transgenic wheat on the health of consumers.

"There is no country in the world that accepts the import of GMO wheat. Brazil would be the first," Barbosa said. "We don't want to be the guinea pigs."

Brazil imports 60% of the wheat that is consumed domestically, with 80% of the imports coming from Argentina, Barbosa said. He added Brazil could increase non-GMO wheat imports from Uruguay, Paraguay and also buy wheat from the United States, Canada and Russia in order to avoid buying GMO wheat currently being grown in Argentina.

Argentina-based Bioceres SA developed a wheat that has been genetically modified to resist drought, and is now being planted on 55,000 hectares, according to public disclosures. While Argentina has approved the commercialization of Bioceres' HB4 GMO wheat, exports will depend on Brazil granting import authorization.
Pakistan demand for wheat rising

USDA GAIN - Although Pakistan produced a record wheat crop of 27 mmts in the 2021/22 marketing year, it was insufficient to meet the country’s domestic consumption requirements and maintain large strategic reserves.

The report noted that at 2%, Pakistan’s annual population growth rate is among the highest in the world; so future supplies, either through domestic production or imports, must be increased to meet consumption and stock management goals.

The USDA said Pakistan’s wheat import estimate for 2021/22 is unchanged from the previous forecast at 2 mmts.

“Even though in June 2021, the government announced intentions to buy 3 mmts during 2021/22, as of September 20th only 57,000 mts had been imported,” the USDA said, noting that the government recently bought another 110,000 tonnes for arrival in early October.

Recent wheat imports have come from the Black Sea region, and that is expected to continue in 2021/22 due to price and quality considerations, the USDA said.

The USDA said the domestic wheat demand situation likely will be impacted by neighboring Afghanistan becoming increasingly politically unstable. Afghanistan imports almost all of its domestic flour from Pakistan, which might pressure Pakistan to import more wheat for stocks.

Milling wheat picture tight in the UK

28 Sept World Grain - Wheat quality remains a major concern in the United Kingdom, said Alice Jones, a senior analyst with the Agriculture and Horticulture Development Board (AHDB). In her market commentary on September 28th, Jones said the milling wheat picture is particularly tight and premiums have continued to soar.

Delivered milling wheat into Northamptonshire (October delivery) was quoted £36.50/mt over feed wheat futures. That is £19.86/mt higher than the 2015/16 to 2019/20 average for the same week.

This is on the back of supply concerns, she noted, as not only is quality wheat tight but freight availability also is supporting domestic prices.

“With freight difficult to price and obtain, traders are having to sift through the more variable quality domestic crop to fulfill requirements,” Jones said. “While logistics and quality remain difficult, continued support could remain in the domestic milling wheat market.”

Although there are quality concerns, wheat production in the UK is projected to reach 15 mmts, according to a recent forecast from the Foreign Agricultural Service of the US Department of Agriculture. If realized, the 2021/22 crop would be 5 mmts larger than last year’s output.

CME CBOT Wheat Futures

GHA - Wheat in all classes as been the leader in the agriculture commodity sector as the market turns the calendar to October. At the close for the Friday session, wheat markets were another double digits higher.

Fresh inputs from the USDA yesterday showed its all wheat production estimate downward by over 50 million bushels, with hard red winter losing 28 million, other spring losing 12 million and white winter losing 9 million from the August estimate. This comes after recent declines in output from Canada and Russia.

After further digesting of the NASS reports, wheat markets are adding double digits to the upside ahead of the weekend. Chicago SRW futures are trading 14% to 24% cents higher. KC wheat is up by 12 to 21½ cents at midday. Minneapolis spring wheat futures are trading with midday gains of 15½ to 16½ cents. In summary, an already short crop got smaller.

The USDA September 1st Wheat Stocks Report – Dr. Larry Snikweller

September Stocks report was bullish, reflecting a much smaller-than-expected 2021 all wheat production estimate. Updated crop size of 1.646 bbu was 51 mbu below the August estimate, highlighted by a 27 mbu reduction in HRW. Sept. 1 stocks of 1.780 bbu were 75 mbu below the average trade guess and near the low end of the range of estimates. Implied feed/residual usage during June-Aug was approximately 265 mbu, which is up almost 25% from a year ago. The report suggests the potential for a 50-60 mbu decrease in all wheat carryout in the Oct. 12 USDA WASDE, due primarily to the larger-than-expected crop. Market attention is likely to now focus on southern hemisphere crop prospects, as well as export policies from Russia.

NOAA’s updated 7-day QPF shows ECB SRW territory receiving some rain as residual precipitation from TX drifting North/Northeast meets E. Coast rain. The amounts for the ECB are limited to 1½” with most areas expecting 1” or less. This forecast does follow a wet week in OH last week, as some fields were still drying out. OH winter wheat planting trailed their 5-yr average as of 9/26 in an otherwise quick national pace.

The European Commission raised their EU wheat output forecast by 3.8 mts to 131 mmts. The Commission maintained their EU export forecast at 30 mts of wheat for the 2021/22 season. Russia announced next week’s wheat export tax at $57.8/mt. That is up from $53.5/mts during this week. European Union milling wheat futures pushed to a new contract high on the news, while Russian wheat export tariffs will reach a new high of $57.80/mt for the week of October 6-12, a $4.30 jump from the week prior. The weekly formula-based duties intended to curb food price inflation have climbed steadily since their June launch.

Weekly Sales - USDA reported U.S. wheat export demand tapered back for the second straight week, coming in about 30% below the five-week average at 10.7 mb. Year-to-date sales now stand at 407 mb, which is 21% behind a year ago and 17% below average. Top seller was hard red winter with 5.5 mb, putting sales 20% behind a year ago and 14% below average at 157 mb.
White wheat registered 2.7 mb and with 73 mb in commitments, now sets 33% behind last year’s strong pace and 28% below average.

Hard red spring saw only 1.9 mb in new business, putting sales at 109 mb; 27% below last year at this time and 23% behind the five-year pace.

Top Buyers - Wheat sales were scattered to a long list of buyers but top buyer for the week was Japan with 1.9 mb, followed closely by Taiwan with 1.8 mb and Nigeria booking 1.6 mb.

Weather in the Plains looks wetter short term as planting expands with little fresh news on Southern Hemisphere weather so far.

**CBOT December 2021 Wheat Futures** settled on Friday at $7.55 ¼/bu, up 29¾ cents on the day, and gaining 31½ cents for the week.

The weekly CoT report showed CBT wheat specs were 9,815 contracts net short on the 28th of September at 4,324 contract larger net short from the week prior via new shorts added.

**U.S. Export SRW Wheat Values – Friday 1st October 2021**

SRW Wheat Gulf barge quotes, in cents per bushel basis CBOT futures: Changes are from the AM Barge basis report. Source: USDA

<table>
<thead>
<tr>
<th>CIF SRW WHEAT</th>
<th>9/30/2021</th>
<th>10/1/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCT</td>
<td>45 / 55</td>
<td>45 / 55</td>
</tr>
<tr>
<td>NOV</td>
<td>60 / 68</td>
<td>60 / 68</td>
</tr>
<tr>
<td>DEC</td>
<td>70 / 80</td>
<td>70 / 80</td>
</tr>
<tr>
<td>SEP</td>
<td>25 / 35</td>
<td>25 / 35</td>
</tr>
</tbody>
</table>

**U.S. Export HRW Wheat Values – Friday 24th September 2021**

HRW Wheat Texas Gulf Rail quotes, in cents per bushel basis KCBT futures: Changes are from the AM Barge basis report. Source: USDA

<table>
<thead>
<tr>
<th>TX GULF HRW</th>
<th>9/30/2021</th>
<th>10/1/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>12% Protein</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OCT</td>
<td>173 / -</td>
<td>168 / -</td>
</tr>
<tr>
<td>NOV</td>
<td>173 / -</td>
<td>175 / -</td>
</tr>
</tbody>
</table>

**CME KC HRW Wheat Futures**

Kansas December 2021 HRW Wheat Futures settled on Friday at $759½/bu, up 27¾ cent on the day, but gaining 39¾ cents on the week.

The weekly CoT report on the 26th of September that funds were reported as 46,127 contracts net long in KC wheat as of 9/28. That was a 7,093 contract boost w/o/w on new buying interest.

The flat price rally.tighter stocks have firmed calendar spreads with HRW’s Z/H into -7 after trading past -10 in July and past -9 earlier this month. Ultimately the job of the market is to make sure enough OND wheat moves through basis firmness and spread tightening.

The last two years Chicago wheat has held a premium over KC for the most part and in a few instances traded to 90 cents over KC. Today Chicago wheat settled at a 41/4 cents under KC. In the absence or shortage of quality Spring wheat or Milling wheat futures has severely dwindled, potentially making the higher protein KC variety more sought after than soft-red winter or Chicago wheat. In 2011 and 2014, KC wheat traded as much as $1.45 over Chicago.
MGE HRS Wheat Futures settled on Friday at $9.29/bu, up 16¼ cents on the day, and gaining 13 cents for the week. The weekly CoT report showed on the 28th of September managed money at 14,788 contracts net long in spring wheat as of 9/28.

U.S. Export PNW Wheat Values – Friday 24th September 2021

<table>
<thead>
<tr>
<th>Date</th>
<th>#1 SWW (bu)</th>
<th>White Club</th>
<th>DNS 14%</th>
<th>HRW 11.5%</th>
<th>#2 Corn (ton)</th>
<th>#2 Barley</th>
</tr>
</thead>
<tbody>
<tr>
<td>09-01-21</td>
<td>5.35</td>
<td>5.70</td>
<td>6.51</td>
<td>6.20</td>
<td>163.00</td>
<td>130.00</td>
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<tr>
<td>01-01-20</td>
<td>6.65</td>
<td>6.65</td>
<td>7.14</td>
<td>7.38</td>
<td>211.00</td>
<td>145.00</td>
</tr>
<tr>
<td>08-01-21</td>
<td>9.25</td>
<td>10.75</td>
<td>10.33</td>
<td>8.33</td>
<td>246.00</td>
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<tr>
<td>09-23-21</td>
<td>10.85</td>
<td>12.85</td>
<td>10.50</td>
<td>8.80</td>
<td>248.00</td>
<td>240.00</td>
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<tr>
<td>09-30-21</td>
<td>9.75</td>
<td>11.75</td>
<td>10.48</td>
<td>8.87</td>
<td>250.00</td>
<td>240.00</td>
</tr>
</tbody>
</table>

COARSE GRAINS

CME CBOT Corn Futures

CME Corn December 2021 new crop contract settled on Friday at $5.41 ½ 5.26 ¾/bu, up 4¾ cents on the day, and gaining 14¾ cents for the week. For the week, December corn futures traded with a 24½ cent range. December was a net 2½ cents stronger through the month of September with a 51 cent range.

Corn futures closed up 4 to 10 cents with the back-end futures leading the charge. New crop corn closed stronger on Friday as well, outgaining the nearbys to tighten the December to December spread to a dime. Market wondering if rising input costs will lead to a reduction in marginal corn acres? Feels like this problem will continue to rear its ugly head.

CFTC data reflecting trader positions as of the 28th of September settle confirmed managed money was 244,741 contracts net long. That was a 30,391 contract boost from week to week. Commercial traders were 18,257 contracts more net short to 459,488 contracts.

This week USDA reported export sales of 150,000 mts of corn for delivery to Mexico during the 2021/2022 marketing year.

The flood gates were tripped open over the past week in terms cash white wheat selling, as historically strong basis levels triggered a wave of commercial hedges being lifted. White wheat prices and spot basis reflected the impact, with cash bids down more than a dollar and nearby basis to Chicago also weakening more than a dollar, setting $1.50 below the historically high levels registered earlier this month.

The USDA September 1st Corn Stocks Report – Dr. Larry Shonkwiler: September continues to be a month of surprises when it comes to the USDA’s stocks report. Corn
stocks were reported at 1.236 billion, 83 million more than the average trade estimate and towards the top end of the 998 -1.252 bbu trade range. The stocks figure was 49 million more than the USDA’s September WASDE forecast and, 6-7 cents negative immediately following the report. The USDA made only an incidental revision to the prior June 1 stocks, down 2 million to 4.110 billion and as a result, the preliminary, implied 4th quarter feed/residual use is approximately 596 million, a drop of nearly 360 million bushels from the 4th quarter of the 19-20 crop year. The corn crop was revised 71 million lower to 14.111 billion. The new stocks number suggest a December 1 CZ equilibrium price of around $5.05 per bushel.

Overall, the nearby corn market and demand for exports continues to be driven by logistics and harvest. Barge freight continues to be sky high along the river, pushing grain into storage and onto the ground, and off the market. Harvest progress should be around 27% on Monday, up another 9%, and 5% ahead of average.

Barge freight is nominally 800%+ on the IL River for Sep/Oct, 700% for LH Oct, 550% for FH Nov. LH Nov freight drops to around 450%, its all-freight carry. FOB Illinois River values for LH November are actually 1 to 2 cents over DVE. Rail freight on the other hand showed signs of weakness w/ BN freight dropping $200 for returns.

The CIF market is 30 to 45 cents under delivery for October and 13 cents under delivery for FH November. December is only slightly under DVE, and so is January; but February forward continues to be at levels of 1 to 4 cents over DVE.

Various other key markets also continue to be over DVE into 2023 around the US. The bottom line is the lack of producer movement and demand (tight year into relatively tight year) is keeping cash values strong November forward. Market is encouraging more producer movement.

The monthly Grain Crushings report showed August’s ethanol corn draw was 417,317 mbus. That was up from 411,111 mbus last year but was otherwise the lowest corn grind since April. USDA revised July’s corn use lower for a MY total of 5,031 billion bushels. That was about 3.5 mbus short of USDA’s September WASDE forecast. The monthly update reported DDGS production at 1.82m tons. USDA reported corn oil prices between 55 and 60 c/lb during the week ending the 1st of October. That was up about 2.8 cents/lb on the week.

Wide cash carries, and logistics are making it hard for ethanol plants to originate bushels to bridge the gap and we are seeing some extremely high numbers getting paid again for this time of year. Ethanol margins continue to be very strong on the front end and look heavy into the 2nd quarter. RIN’s trading +13 cents at $1.22 with anticipation of RVO coming this afternoon.

The Buenos Aires Grains Exchange reported corn planting had reached 16.8% of the expected 7.1m HA area. Corn harvest in France was seen 2% complete as of 9/27 according to the FranceAgriMer. That compares to 31% complete at the same point last season. FranceAgriMer maintained their 89% good to very good condition ratings. The European Commission reduced their forecast for EU corn output by 2.2 MMT to 68.8 MMT.

**U.S. Export Corn Values – Friday 17th September 2021**

Corn CIF NOLA Gulf barge/rail quotes, in cents per bushel basis CBOT futures:

USDA (U.S. No. 2, 14.5% moisture, CIF New Orleans, La) Changes are from the AM Barge basis report. Source: USDA

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<thead>
<tr>
<th></th>
<th>9/30/2021</th>
<th>10/1/2021</th>
<th>Del. Mo.</th>
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<tbody>
<tr>
<td>OCT</td>
<td>79 / 84</td>
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<td>APR/MAY</td>
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**BARLEY**

**Tunisia buys 100,000 T of soft wheat, 50,000 T of barley, traders say**

1 Oct 2021 Reuters - Tunisia’s state grains agency is thought to have purchased 100,000 tonnes of soft wheat and 50,000 tonnes of animal feed barley in an international tender on Friday, European traders said.

**Jordan makes no purchase in barley tender, traders say**

30 Sep 2021 Reuters - Jordan’s state grain buyer made no purchase in an international tender on Thursday seeking 120,000 tonnes of animal feed barley, European traders said. Three trading houses had participated in the tender, they said.

27 Sep 2021 Reuters - Jordan’s state grains buyer has issued a new international tender to purchase 120,000 tonnes of animal feed barley, European traders said on Monday. The deadline for submission of price offers in the tender is September 30th.

A new tender had been anticipated after Jordan had made no purchase in its previous tender for 120,000 tonnes of barley on September 23rd, in which three trading houses participated.

Shipment in the new tender is sought in a series of possible combinations in 60,000-tonne consignments, traders said.


Jordan has also issued a separate tender for 120,000 tonnes of milling wheat closing on September 29th.
**GRAIN SORGHUM**

- **U.S. Export Grain Sorghum Values – Friday 17th September 2021**

  Quotes, in cents per bushel basis CBOT futures:

<table>
<thead>
<tr>
<th>CIF MILO</th>
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<td>October</td>
<td>225</td>
<td>220</td>
<td>Z</td>
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<tr>
<td>November</td>
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<td>Z</td>
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<tr>
<td>December</td>
<td>220</td>
<td>220</td>
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- **Gene discovery could increase grain size of sorghum**

  26th Sept Arvin Donley - Researchers at The University of Queensland are optimistic the value and versatility of one of the world’s top crops will be improved following the discovery of genes that could increase the grain size of sorghum.

  Use of the drought-resilient summer crop has been constrained by the small size of sorghum grains, but Professor David Jordan from the Queensland Alliance for Agriculture and Food Innovation said that could be about to change.

  “Sorghum is Australia’s third largest grain crop, providing vital feed to animals, but it is increasingly being used in cereals and other foods for human consumption,” he said.

  “Sorghum has been an important dietary source of starch in Africa for thousands of years, but it is increasingly valued in Western diets as a low-GI, gluten-free and nutritious grain. Larger grains make it more digestible for both people and animals and improves processing efficiency.”

  Sorghum is popular among Australian growers, particularly in Queensland and New South Wales, and the research will help breeders to expand the crop’s potential.

  The project began six years ago, involving UQ and the Queensland Department of Agriculture and Fisheries.

  QAAFI Research Fellow Dr Yongfu Tao initially mapped the sorghum genome to help identify which genes were associated with grain size, narrowing the search with existing genetic information for rice and maize.

  “New variants have been identified that are capable of doubling grain weight,” Tao said. “These traits are strongly inherited, with genes accounting for as much as 80% of the grain size characteristics.”

  Tao said 125 regions in the sorghum genome had now been identified where variation in the DNA sequence was associated with grain size and response to environmental conditions.

  The analyses included wild relatives of domesticated sorghum and Australian native sorghum.

  “We demonstrated that genetic diversity exists in the sorghum gene pool for grain size,” he said. “Genetic makeup largely determined an individual sorghum plant’s grain size. However, environmental conditions also had an effect. This allows us to identify the genetic control of grain size with minimal change to environmental resources, such as water or nitrogen.”

  The project also delivered additional information and tools to help plant breeders improve sorghum cultivars.

  The research was funded by the Australian Research Council, with additional support from the Queensland Department of Agriculture and Fisheries, the Grains Research and Development Corporation and UQ.

- **OATS**

  - **CME CBOT Oat Futures**

    - CBOT December Oats set new historical highs again on Friday touching $5.95/bu. **CME December 2021 Oats Futures settled on Friday at $5.91 5.75¼/bu, up 8¾ cents on the day, but gaining 15¾ cents for the week.**

    - **CME 1969-2021 Nearby Oats Futures** on Friday rallied to new historical highs again as the December contract touched $5.95/bu, not only a fresh contract high, but also the highest level ever traded on the continuous active chart.

    - The US oat crop was harvested in early September. Typically futures prices hit lows following harvest as additional product is available, pressuring supply. Markets are...
concerned that production will be revised even lower when the actual harvested acres are calculated. This year’s drought could have lasting effects on oats prices for several months. In 2021, US farmers planted 2.4 million acres of oats, 20% below the previous year as competing crops took greater share. The heightened drought in the Northern Plains also impacted yields, dealing a double blow to production.

North Dakota historically has produced about 10% of the total US oat crop, with Minnesota and South Dakota also major producers. But this year Iowa took the reins as the top producing state because of declining output in the Northern Plains. Drought pressures also hit crops in Canada, where production of oats fell 44% versus last year, which represented the lowest canola production in a decade.

ENERGY & ETHANOL

Global crude oil stocks were reported mostly traded lower Tuesday as investors gauged the potential impact of China’s energy crunch on the global supply of goods, while oil continued to make gains. That shortage and a natural gas squeeze helped drive Brent crude’s price above $80 a barrel, three year high, while West Texas Intermediate advanced 1.06% to $76.25 a barrel.

The electricity crisis in China that initially hit factories has spread to homes. Already, the widening power shortage has held back production at several Chinese factories, including Apple and Tesla suppliers. That has ignited concerns of a manufacturing squeeze in China that could roll into global supply chains, driving prices higher.

Goldman Sachs and Nomura overnight downgraded their forecasts for China’s economic growth in 2021. China’s energy problems are a factor in gains for oil, alongside a natural gas shortage set to spread worldwide. Demand for natural gas should spill over into oil as an alternative.

"The driver is clearly what appears to be escalating energy shortages in China, with winter not even here yet, with Asian buyers competing with Europeans for spot natural gas supplies, and now I suspect, spot oil supplies," said Jeffrey Halley, a senior market analyst at Oanda, in a note.

ENERGY & ETHANOL

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**China backs away from ethanol commitment**

30 Sep 2021 Sean Pratt, Western Producer – China has unofficially abandoned its national E10 mandate plan, which would have had a major impact on corn market.

China’s ethanol consumption continues to fall well short of the government’s 10 percent blend mandate. The blend rate in 2021 is forecast at 2.1 percent, according to a recent report by the USDA’s Foreign Agricultural Service.

China declared in 2017 that it was moving to a nationwide E10 ethanol mandate by the end of 2020. The announcement created a stir in the U.S. corn market because much of the mandate was expected to be met by imported U.S. ethanol.

But the Chinese government unofficially abandoned its objective in 2019 as high corn prices and stagnant ethanol prices eroded biofuel profit margins in China.

“China’s ambitious E10 plan never had viability and at this stage will never truly be adopted though the goals and policies may stay on the books,” said the FAS. “Industry contacts have shared rumours that the People’s Republic of China may eventually move unofficially from the E10 to an E5 mandate in coming years,” said the FAS.

The report indicated that there is still work going on at the city and provincial levels to boost existing mandates and nationally the government seems to still have some scaled-back ambitions to boost consumption.

In the meantime, northern corn-producing provinces have slowed or abandoned construction of new plants while southern provinces continue to import ethanol when the price is right.

Ethanol consumption in 2021 is estimated at 4.2 billion litres, a far cry from the 20 billion litres that would have been consumed under an E10 mandate this year.

Corn is the top feedstock for China’s ethanol sector, followed by rice, cassava and wheat. The country’s production plants are expected to consume 4.07 million tonnes of corn in 2021.

If the feedstock ratios stayed the same they would have consumed almost five times that amount under an E10 mandate, which would have had profound implications for world corn markets.

A nationwide E5 mandate would still result in a substantial increase in domestic corn use and also imported ethanol, largely from the U.S.

But according to Brian Healy, director of global ethanol market development with the U.S. Grains Council, there will not be a nationwide E5 policy. “It would be a few additional provinces that would go E5,” he said.

That would still result in an incremental increase in Chinese corn consumption and more imports of U.S. corn-based ethanol.

It wasn’t that long ago that U.S. ethanol was shut out of the Chinese market due to import tariffs amounting to 70%. Those have since fallen to 45% and some U.S. ethanol is now moving to that market.

The U.S. shipped about 500 million litres of the fuel to China in the first 11 months of 2020-21. China is forecast to produce 3.4 billion litres of ethanol in 2021, making it the world’s fourth largest producer of the commodity behind the U.S., Brazil and the European Union. It will need to import another 800 million litres of the product to meet estimated consumption levels.

The FAS said China’s biofuel policy is not driven by environmental goals as it is in other countries. The motivating factor was using ethanol production as a means to draw down the government’s plentiful corn stocks, which were built up in an effort to support corn prices and farmer incomes.

But corn stocks have been depleted due to poor Chinese crops and healthy consumption by the livestock sector and other industries, reducing the need for ethanol production and the policies that support it.

“Provincial authorities have not renewed processing subsidies since 2019 as government commitment to supporting the biofuel industry has waned with corn stocks depleted,” said the FAS.

Healy pointed out that even though blending rates are down from the high of 2.8 percent 10 years ago, total consumption is up about 1.36 billion litres over that period due to rising gasoline consumption in the country. He said China is going to continue to be a key market for ethanol because it is the world’s second largest gasoline consumer behind the U.S.

Chinese President Xi Jinping recently committed to having China’s carbon dioxide emissions peak by 2030 and for the country to be carbon neutral by 2060.

Healy believes ethanol could be a leading contributor to meeting both of those objectives. However, the FAS pointed out there has been no mention yet of using biofuels to help achieve those goals.
DDG’s – Weekly Average DDG Price Steady
VALUE OF DDG VS. CORN & SOYBEAN MEAL

<table>
<thead>
<tr>
<th>Settlement Price:</th>
<th>Quote Date</th>
<th>Bushel</th>
<th>Short Ton</th>
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<tr>
<td>Corn</td>
<td>9/30/2021</td>
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<td>$191.70</td>
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<tr>
<td>Soybean Meal</td>
<td>9/30/2021</td>
<td>$326.20</td>
<td>$195.00</td>
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DDG Weekly Average Spot Price

<table>
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<tr>
<th>DDG Value Relative to:</th>
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<th>9/23</th>
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</thead>
<tbody>
<tr>
<td>Corn</td>
<td>101.72%</td>
<td>103.16%</td>
</tr>
<tr>
<td>Soybean Meal</td>
<td>59.78%</td>
<td>57.93%</td>
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Cost Per Unit of Protein:

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<tbody>
<tr>
<td>DDG</td>
<td>$7.22</td>
</tr>
<tr>
<td>Soybean Meal</td>
<td>$6.87</td>
</tr>
</tbody>
</table>

Notes: Corn and soybean prices take from DTN Market Quotes. DDG price represents the average spot price from Midwest companies collected on Thursday afternoons. Soybean meal cost per unit of protein is cost per ton divided by 47.5. DDG cost per unit of protein is cost per ton divided by 27.

DTN –The DTN weekly spot price for domestic distillers dried grains during the week ended September 30th was unchanged on average versus one week ago. DTN’s average price for domestic distillers dried grains (DDG) from 33 locations reporting for the week ended September 30th was $195 per ton, unchanged on average from one week ago.

DDG prices were mixed this week, while the cash corn price hasn’t changed much from one week ago to have a big effect on the market. The DTN National Corn Index is 4 cents higher from one week ago, while average basis was 7 cents weaker. Some merchandisers have said trucks are hard to come by and freight is expensive.

Based on the average of prices collected by DTN, the value of DDG relative to corn for the week ended Sept. 30 was 101.72%. The value of DDG relative to soybean meal was 59.78% and the cost per unit of protein for DDG was $7.22, compared to the cost per unit of protein for soybean meal at $6.87.

In its weekly DDGS export price update, the U.S. Grains Council said: “On the export market, DDGS values are higher with sellers accounting for higher freight rates. Barge CIF NOLA rates are up $6 to $7 metric ton (mt) for November / December shipment while FOB NOLA offers are up $4 to $5/mt. U.S. rail rates are higher as well with offers for product into Lethbridge, Alberta, up $6/mt this week. Offers for containerized DDGS to Southeast Asia are spotty with brokers amid the uncertainty in freight rates. Bid/ask spreads are wide this week with few trades confirmed so far. On average, offers are up $1/mt at $348/mt this week.

SPECIAL: Year-to-Date Ethanol and DDGS Transportation Update

USDA GTR - As a result of the pandemic, the ethanol industry has witnessed significant changes, including lower profit margins, declining demand and production, and changing trade patterns. All of these factors affect demand for transporting ethanol and distillers’ dried grains with solubles (DDGS).

This article looks at year-to-date (YTD) changes in the ethanol market, their effect on demand for transporting ethanol, and the factors that will influence that demand in the near future. Please see the Biofuels dashboard on USDA’s Agricultural Transportation Open Data Platform to view, access, and download extensive biofuels data, including that used in this feature.

Ethanol Production, Rail Movements, and Export Volumes - Ethanol production and rail movements rebounded from first to second quarter. Along with unusually cold weather in February 2021 extending across the Midwest, low profit margins disrupted ethanol production in the Midwest. As a result, ethanol production fell by 9% to 3.4 billion gallons from fourth quarter 2020 to first quarter 2021. Along with ethanol production, Class I rail movements of ethanol, fell for the same period, dropping 4% (from 80,546 carloads to 77,333), 17% below the same time last year. However, second quarter 2021 saw a significant turnaround: boosted by the economic recovery and higher gasoline demand, ethanol production rose to 3.8 billion gallons, 3% above the 5-year average. At the same time, rail shipments of ethanol rose by 10% to 85,282 carloads, 50% higher than same time last year (fig. 1) and 5% above the 5-year average.
Ethanol exports rose in first quarter, but fell in second. While ethanol production and rail shipments fell from fourth quarter 2020 to first quarter 2021, ethanol exports increased 15%, mainly because of greater purchases from China. In first quarter 2021, China purchased a record 76 million gallons of ethanol, which accounted for 19% of total U.S. ethanol exports. Still, despite China’s increased share, total first-quarter 2021 U.S. ethanol exports were 16% below the same time last year (pre-pandemic level) and 4% below the 5-year average. From first to second quarter 2021, ethanol exports dropped 34% because of reduced exports to China, Brazil, and India based on USDA’s Foreign Agricultural Service’s data. Partly responding to higher U.S. prices, India used its surplus sugarcane to produce more ethanol domestically.

**Changing Players in the Ethanol Market and Effects on Port Activity** - Over the last several years—and especially during the pandemic—the structure of the export market for U.S. ethanol has shifted significantly. However, because the post-pandemic economy is still developing, it remains to be seen which, if any, of these changes become normal patterns, and which changes will be very temporary.

**Canada and Brazil switch rankings** - Canada and Brazil have long been the top importers of U.S. ethanol. Canada surpassed Brazil as the top U.S. ethanol importer in 2020, mainly due to reduced imports by Brazil. This drop in Brazil’s imports was the result of lower fuel demand caused by the pandemic. Brazil also reduced its U.S. ethanol imports in response to a new 20-percent tariff rate on those imports, after the country ended its tariff-free imports of U.S. ethanol in December 2020.

**China and India sharply increase ethanol imports in first quarter** - Historically, China has not been a major ethanol buyer. However, several factors have contributed to China’s rising share of U.S. ethanol purchases during first quarter 2021. These include China’s tightening supplies of domestic corn available for ethanol production, high domestic ethanol prices, increased demand for disinfectants, and low U.S. ethanol prices in early 2021. However, given the decline in second-quarter 2021 imports, it remains uncertain whether China will become a stable importer of U.S. ethanol. Since India set an “E20” goal for its biofuel in 2018, this country has also emerged as one of the top U.S. ethanol importers. In January 2021, the Indian government advanced, from 2030 to 2025, its deadline for achieving a 20-percent-ethanol (E20) blend for all gasoline. The country retained its more immediate goal of E10 by 2022.

**Changing port activity reflects shifting demand for U.S. ethanol exports**

As Brazilian ethanol imports declined, the share of exports through Houston, TX (the top port of exit for exports to Brazil) started falling after second quarter 2020. However, Houston’s share rose again with increased exports to India and China in first quarter 2021. From fourth quarter 2020 to first quarter 2021, the share of exports through Houston jumped from 48% to 67%.

In second quarter 2021, Houston’s share declined again to just 40%, with a decrease in China’s and India’s imports. Fluctuations in shares for the Pembina, ND, and Detroit, MI, ports—the top ports for shipments for Canada—reflect changes in Canadian demand. As exports to Canada increased from first to second quarter 2021, the share of ethanol exports through these ports almost doubled (fig. 2).
Impact on the DDGS Market - Because DDGS production depends on ethanol production, lower U.S. ethanol production in first quarter 2021 hampered DDGS production. DDGS production fell by 8% from fourth quarter 2020.

In first quarter 2021, containerized DDGS shipments—the second-largest containerized grain exports after soybeans—declined 15% from fourth quarter 2020 to almost 692,000 mts (fig. 3).

Bulk shipments of DDGS decreased by 4% during this period. Because DDGS can easily ship either as bulk or in containers, it is less affected than other U.S. agricultural commodities by container shortages. This adaptability is reflected in the increased share of bulk DDGS shipments in second quarter 2021.

In second quarter 2021, DDGS production rose 14% from the first quarter, 44% from the same time last year, and 9% above the 3-year average. As such, bulk shipments increased 17%, while containerized shipments increased only slightly, by 1%.

CME WTI Crude Oil Prices Fall On Dollar Strength, Russian Exports

FGE on Wednesday said that the global oil market looks "extremely tight" in Q4 and if OPEC+ sticks with its plan to boost crude production by +400,000 bpd in Nov instead of an +800,000 bpd increase, oil prices will likely surpass $90 per barrel.

Friday's U.S. economic data was bullish for energy demand and crude prices. U.S. Aug personal spending rose +0.8% m/m, stronger than expectations of +0.7% m/m. Also, the Sep ISM manufacturing index unexpectedly rose +1.2 to a 6-month high of 61.1, stronger than expectations of a decline to 59.5. In addition, the University of Michigan Sep U.S. consumer sentiment rose +1.8 to 72.8, stronger than expectations of no change at 71.0.

Crude has carry-over support from Thursday on expectations for strong Chinese energy demand after China Vice Premier Han Zheng ordered top state-owned energy companies to secure supplies for the approaching winter at all costs.

Concern about tighter global crude supplies is bullish for prices. According to data from Kayros, global onshore crude supplies dropped by 20.9 million bbl in the week ended Sep 19, led by a 14 million bbl decline in Chinese crude inventories. The surge in natural gas prices to a 7-1/2 year high on Tuesday may also prompt some consumers to switch to oil, which could tighten the market further ahead of the northern hemisphere winter.

An improvement in the pandemic in the U.S. may lead to an easing of lockdowns and lifting of travel restrictions, which would be positive for fuel demand and crude prices. The 7-day average of new U.S. Covid infections fell to 112,960 on Thursday, a 1-3/4 month low.

A positive factor for crude is the outlook for increased jet fuel demand after the U.S. last Monday lifted restrictions on air travel to the UK and EU. According to Energy Aspects Ltd, the lifting of U.S. travel restrictions could increase demand for jet fuel by as much as 200,000 bpd.

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 Sep 24 rose +12% w/w to 77.76 million bbl.

The outlook for sanctions to remain on Iranian crude exports in the near term is supportive of crude prices. Iran's new government continues to increase the production of enriched uranium and has failed to resume full cooperation with international monitors. The International Atomic Energy Agency recently said that Iran has increased its stockpile of uranium enriched close to the levels needed for weapons-grade and continues to restrict monitoring of facilities and an investigation into undeclared activities. However, Iran said last week that it expects to resume talks with world powers to revive the 2015 nuclear deal within the next few weeks.

Wednesday's weekly EIA report showed that (1) U.S. crude oil inventories as of Sep 24 were -7.2% below the seasonal 5-year average, (2) gasoline inventories were -2.7% below the 5-year average, and (3) distillate inventories were -12.2% below the 5-year average. U.S. crude oil production in the week ended Sep 24 rose +4.7% w/w to
11.1 million bpd, which was -2.0 million bpd (-15.3%) below the Feb-2020 record-high of 13.1 million bpd.

Baker Hughes reported last Friday that active U.S. oil rigs in the week ended Oct 1st rose by +7 rigs to a 17-1/2 month high of 428 rigs. U.S. active oil rigs have risen sharply from last August’s 15-year low of 172 rigs, signaling increased U.S. crude oil production.

**OILSEEDS COMPLEX**

- **China’s Power Crunch Will Shut Down More Soybean Crushing Plants**

  China’s energy crisis will shut more soybean processors in its biggest producing regions, signaling that the disruption to local food supplies is growing due to a serious power shortage.

  Some soy crushing operations in the northeastern regions of Jilin and Liaoning were halted last week and more could be suspended later this week or the next, according to people familiar with the situation. A plant belonging to Wilmar International Ltd.’s Yihai Kerry unit was partially affected, according to the people, who asked not to be identified as the information is private.

  This follows similar shutdowns in the northeastern city of Tianjin, including some operations of Louis Dreyfus Co. and Bunge Ltd. The processors in Tianjin stopped production last week and may not resume until next month.

- **China soybean imports drop in September-October**

  As expected, high prices, low soybean crushing margin, relatively adequate inventory, and slow deliveries of U.S. soybeans have slowed soybean imports substantially in China.

  According to Refinitiv’s trade flows, 7.0 mmts of soybeans arrived in China in August, down 9% from a month ago and 28% below last August. In September, soybean imports continued to decline. As of 27 September, only 5.8 mmts of soybeans were discharged or are discharging in China. In addition, 4.7 mmts of soybeans are heading for China and will arrive in October, well below 3-year average for the month, primarily due to small U.S. soybean imports. In spite of the record fast imports in the first half of the year, total imports during January-September totaled 67.2 mmts, compared to 68.4 mmts for the same period of last year.

  Compared to last year, Brazil soybean exports to China since February are so far close to last year’s level. Considering more soybean supply than last season in Brazil and concerns about availability of U.S. soybeans, China will likely import more Brazilian soybeans over the next several months than last year for the time.

  Regarding U.S. soybeans, China’s imports from the U.S. usually peak during October-March. However, due to damages caused by hurricane Ida in the Gulf Coast late August, 2021/22 U.S. grain exports started slowly. As a result, less than 0.5 mmts of U.S. soybeans will arrive in China in October, compared to 3.3 mmts for last October. But soybean imports from the U.S. will likely pick up strongly in November-December.

- **EU 2021/22 soybean imports at 2.97 mmts, rapeseed 1.02 mmts**

  - **EU 2021/22 soybean imports at 2.97 mmts, rapeseed 1.02 mmts**

    29 Sept Reuters - European Union soybean imports in the 2021/22 season that started in July had reached 2.97 mmts by September 26th, data published by the European Commission showed on Wednesday. That compared with 3.62 mmts by the same week in the previous 2020/21 season, the data showed.

    EU rapeseed imports so far in 2021/22 had reached 1.02 mmts, compared with 1.61 mmts a year earlier. Soymeal imports so far in 2021/22 totaled 3.35 mmts against 4.17 mmts a year ago, while palm oil imports stood at 1.33 mmts versus 1.61 mmts.

    The Commission said the data lacked figures from France since August 12th and from Italy since September 10th. The weekly data had been delayed from Tuesday due to a technical problem.

- **Brazil to export 4.7 million mt of soybeans in September: Anec**

  29 Sept ANEC - Brazil’s grain exporters association, Anec, cut its outlook for the country’s soybean exports in September by 6% in its weekly update, released late Tuesday.

  Soybean shipments are now expected to reach 4.7 mmts over the month, versus last week’s 5 mmts forecast. However, the figure represents a 20.9% increase from last year when September exports stood at 3.9 mmts.

  If the forecast is confirmed, Brazil’s annual soybean exports will reach 79 mmts, which itself is down 56.1% on the year.

  Brazilian corn exports for the year are forecast to reach 12.6 mmts by the end of the month, versus 20.2 mmts in the same period last year.

  Soymeal shipments are also expected to decrease in September and reach 1.5 mmts, 200,000 mts down from last week’s forecast, but up 15.3% in comparison to the same month of 2020. Brazilian soymeal exports are set to reach 12.8 mmts between January and September, below 13 mmts in the same period last year.

- **Argentina could grow 70 mmts of soybeans with tax cut**

  ACSOJA - Argentina could potentially produce 70 mmts of soybeans within a decade if the government implements the right conditions, including cutting the tax burden, the head of Argentine soybean association ACSOJA Luis Zubizarreta, said.
“The current tax burden is huge and also negatively impacts the capacity of the
government to collect tax from soybean producers as farmers produce less as a
consequence of export duties. A lower tax burden will result in a higher soybean
production, resulting in a higher tax collection by the government,” Zubizarreta said.
The executive also highlighted use of more technology, improved seeds and
investment in logistics.
Zubizarreta added that the goal of achieving soybean production of 70 million mt could
be achieved with a limited increase in the area without affecting the environment, with
much of the increase coming from higher yields.
During the ACSOJA conference on September 22nd, the newly appointed agriculture
minister, Julian Dominguez, said that the government and the rural sector needed to
work together to set a goal of reaching soybean production of 70 mmts.
Soybean export duties for the largest producers currently stand at 33% while export
duties for soymeal and soyoil stand at 31%, with the government recently sending its
draft 2022 budget bill to Congress last week. It included an article to extend
government powers to manage grain export duties until the end of 2024.
The powers are currently set to lapse at the end of this year, but the change is
planned so that the government can extend the power for another three years -
beyond the span of the current president, Alberto Fernandez.
According to the latest update by the Rosario Grain Exchange (BCR), soybean
production in the 2021/22 cycle would reach 48.8 mmts, with an expected area of 16.2
million ha, the lowest area in the last 15 years.
In the previous cycle, the country produced 45 mmts of soybean with an overall area
of 16.9 million ha.

Paraguay crushes 1.83 million mt of soybean in Jan-Aug: chamber
September 27th - Paraguay’s crush industry processed 1.83 mmts of soybeans in the
January-August period, down 24.7% compared with the three-year average of 2.43
mmts, the national grain and oilseed crushing chamber has Cappro said. “This volume of
crushing in the January-August period represents the lowest volume for the period
since the severe drought that had affected the country in 2012,” Cappro said.
In August, local crushers cruised a total of 181,454 mts of soybean, marking the
lowest crushing volume for the month.
The entity also said that crushing activity in the period had been negatively impacted
by a number of strikes carried out by lorry drivers that had blocked key routes across
Paraguay, which forced some crushing plants to halt production.
Paraguay processed 3.29 mmts of soybeans through 2020, down 7.9% compared with
the three-year average of 3.57 mmts.
Cappro also noted that the crush sector’s overall utilization rate reached 59% at the
end of August, down from 61% at the end of the previous month and also down 13%
points compared to the end of August 2020, showing the lowest levels of utilization
since 2013.
“For the coming months, the outlook for the soybean crushing industry is not positive
and utilisation rates will stay low compared to previous years,” Cappro said.
Cappro also reported that exports of meal, oil and beans during the January-August
period amounted to 6.66 mmts, down 5% compared with the same period in 2020.
Of the total exports in the first half of the year, soybeans contributed 5.07 mmts,
soymeal added 1.24 mmts and soyoil another 320,619 mts.
Local exporters are currently facing logistical obstacles to ship soybeans via the
Parana river due to the very low water levels, a situation that had affected exporters
during most of last year too.
The Parana river is likely to be inaccessible for the transit of soybeans for the rest of
the year due to its low water levels, the head of Paraguay’s maritime and shipping
chamber CAFyM, Juan Carlos Munoz, recently told Agricensus.
Munoz warned that the situation in the Paraguay river was also critical, with declining
water levels also in key sections of the system and barges loading 30-40% less grain -
even with recent rains reaching the region.
According to its latest update, the USDA expects soybean exports in 2020/21 to reach
6.6 mmts and soybean production to reach 9.9 mmts in the current crop cycle.
The USDA also forecast soybean exports of 6.5 mmts and an overall production of
10.5 mmts for the 2021/22 cycle.

SOYBEANS
The USDA September 1st Soybean Stocks Report – Dr. Larry Shonkwiler: The
September stocks report was even more bearish for beans. Stocks came in at 256
million, 81 million ABOVE the September WASDE estimate and largely as a result of
an 80 million UPWARD revision to last fall’s soybean crop. The 80+ mbu upward
revision in the 20-21 soybean crop combined with exceptionally good yield reports and
a fairly narrow window for Chinese bean business could push the 21-22 U.S. carry-out
close to the 500 mbu mark.
Trade ideas on the stocks figure had an average of 175 with a 145-202 range. The
revised 4.216 production figure was 80 million ABOVE the trade average AND far
surpassed even the high end of the 4.19-4.115 bbu range. June 1 stocks were revised
2 million higher, implying 4th quarter residual use of a negative 106 mbu, against just
15 million last summer. Implied SX November 1 equilibrium value is around $12.10 per
bushel. Beans would seem to have further downside, considering the USDA added
8/10’s of a bushel to last year’s yield in today’s report. And, yields are coming in very
impressive.
CME CBOT Soybeans Futures

CME November 2021 Soybean Futures settled on Friday at $12.46½/bu, off 9½ cents on the day, and losing 48½ cents for the week. Soybean futures closed the last trade day of the week with 5¼ to 9½ cent losses. For the week, November soybean futures traded in a 55 cent range week. During the month of September, November soybeans traded in a 59 cent range for a 45 cent net loss. Red Nov futures were also weaker on Friday, giving back 4 cents to tighten the November to November spread to 6¾ cents.

CFTC’s weekly Commitment of Traders report had soybean spec funds 59,311 contracts net long on 9/28. That was a 9,610 contract stronger net long from week to week reflecting both spec short covering and new buying. Commercial bean traders extended their net short 8,731 contracts to 131,442.

Soybean harvest rolling forward in the central belt ahead of welcomed weekend rain forecast. Cash carry in the delivery market is pushing soybeans into every inch of available storage- FH October FOB barge to January DVE in Zone 3 is ~70 cents carry (before interest) with X/F @ -10 carry. X/H pushed 2 wider at -18 carry.

With the USDA upping the 20-21 ending stocks, using USDA yields for the current harvest, the IL/WI soybean exportable surplus is record large. YTD soybean inspections of 35 mbus are running considerably behind the corresponding 2020/21 y/o/y total of 184 mbus, with some suggesting it will take a Brazilian crop failure in order for the U.S. to achieve the USDA’s 2.090 bbus export forecast.

It is interesting to note that more soybeans are scheduled for export from Brazil this week (93 million) than there were in the year ago period (87). Soymeal exports are also higher, 1.1 mmts against 962 kmts in 2020.

USDA’s monthly Fats and Oils update showed soybean processors crushed 168.24 mbu of beans in August. That was just below the average trade guess of 169, but within the range of estimates. USDA revised July’s crush lower to 166.3 mbu, bringing the 20/21 total crush to 2.14 billion bushels. That matched USDA’s September WASDE forecast. CAIR reported soybean oil stocks at 2.183 lbs, which was above the expected 2.128. The monthly update implied an 11.83 lb/bu soy oil yield and a 44.32 lb/bu meal yield.

U.S. Export Soy Values – Friday 30th September 2021

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Soybeans Gulf barge/rail quotes, in cents per bushel basis CBOT futures:

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<td>AM</td>
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CANOLA / RAPESEED

ICE Canadian Canola Futures

[Graph of ICE Canadian Canola Futures]
New crop **ICE November 2021 Canola Futures** settled on Friday at C$903.10/mt, up C$9.60 on the day, and gaining $15.20 for the week. Canadian Canola Prices are trading in the black through midday. That would leave Canadian canola 15 C$/mt higher for the week, but still below the July LOC high of 949 C$/mt.

EU’s European Commission sees 2021/22 rapeseed production at 16.95 mmts, firm with their prior forecast. European Rapeseed Futures were higher on Friday after pulling back from the new LOC highs. The record high for the front month is still up at 685 euro/mt.

**VEGETABLE OILS**

- **CME Soybean Oil**

CME December 2021 Soybean Oil Futures settled on Friday at $58.82/cwt, up $0.13 on the day, and gaining $0.95 for the week.

CFTC’s weekly Commitment of Traders report had soybean oil, managed money firms covering shorts to boost their net position to 47,490 contracts long.

Oil stocks up vs last month. Oct-Aug implied domestic oil use up 4.3% vs previous year but pace is slightly behind USDA forecast.

- **Palm oil futures hit all-time high as China rushes to fill soy oil shortage**

1 Oct 2021 Commodity News - Palm oil futures prices set a new all-time high in Malaysia on September 30th as news of supply concerns and higher exports coincided with Chinese buyers rushing to book palm oil shipments to make up for a potential shortage in sooybean oil ahead of China’s week-long Golden Week national holiday. Many Chinese soybean crushers had suspended or slowed down activities in the week ended September 26th due to power outages. This may translate to a loss of 160,000-180,000 mts of soybean oil in the September-October period, Anil Kumar Bagani, research head of vegetable oil brokerage Sunvin Group said.

China is the second-largest buyer of palm oil after India and imports about 6 to 7 mmts every year.

In Malaysia, the benchmark December palm oil futures contract on the keenly-watched Bursa Malaysia Derivatives index rose 120 points during trading to a record high of MR4,579/mt ($1,093.75/mt) on Sept. 30 as traders reported “heavy” buying from China.

The earlier record price for a third-month future contract was MR4,560/mt ($1,089.22/mt) seen on August 12th.

“The restocking activities in India over August and September as well from China more recently prior to the Autumn festivities on their improving import margins and a higher local basis vs a tight situation at destinations has lead prices higher,” said Marcello Cultrera, institutional sales manager and broker at Kuala Lumpur-based Phillip Futures.

Malaysia’s exports of palm oil products in September are expected to be up between 33%-43% on the month, according to data released on Sept. 30 by cargo surveyors ITS and Amspec.

Supply problems ahead - Analysts say that palm oil prices may not ease quickly as its supply may be severely constrained in 2021 due to production issues in Malaysia and Indonesia, which account for 85% of the world’s palm oil supply.

Malaysia’s pandemic-led border closures have starved the country’s oil palm estates of foreign workers for much of this year. Meanwhile, in Indonesia, heavy rains are slowing down harvesting work in some regions, sources told Platts.

In a recent veg oil conference, head of Hamburg-based analyst firm Oil World, Thomas Mielke cut his forecast of Malaysian palm oil production by 4 million mt citing a fall in yields and lack of labor on oil palm estates.

At the same conference, Godrej International director Dorab Mistry also cut his 2021 estimate for Malaysia’s production to 18.2 million mt. Both industry watchers expect production to rise in 2022, provided the labor crunch is alleviated.

Palm oil prices in India, Indonesia and Rotterdam are at their highest since June this year, according to price assessments by Platts. Since June 1, the CPO FOB Indonesia price has gone up by 9% to $1,180/mt on Sept. 29.

During the same time, the CPO CIF Rotterdam price rose by 11.5% to $1,230/mt, while the CPO CFR WC India price rose by 10% to $1,210/mt, Platts data showed.
CME Palm Oil Swaps

CME October 2021 Palm Oil Swaps settled at $1,085.00/mt on Friday, up $35.50 on the day, setting new all time highs, and gaining $38.00 for the week.

Duty cut lifts India's palm oil imports in Sept to a record 1.4 mmts

1 Oct Reuters - India's palm oil imports in September more than doubled from a year ago to a record 1.4 mmts as buyers increased purchases of refined palm oil ahead of key festivals and to take advantage of newly lowered duties, brokers and dealers said.

Higher purchases by India, the world's biggest buyer of vegetable oils, could support palm oil prices that are trading near a record high hit earlier this week.

The country's total vegetable oil imports in September jumped 72% from a year ago to a record 1.8 mmts, including more than 400,000 mts of refined palm oil, Sandeep Bajoria, chief executive of Sunvin Group, a vegetable oil broker, said. "Imports jumped because of government decision to lower import tax and festive season demand."

India lifted restrictions on imports of refined palm oil and slashed base import taxes on palm oil, soyoil and sunflower oil in recent months as New Delhi tries to cool near-record price rises.

Edible oil consumption usually jumps in the December quarter with the start of the wedding season as well as festivals like Dhanteras and Diwali.

Top palm oil producer Indonesia supplied a big chunk of India's palm oil imports in September as it was offering refined palm oil at a discount to number two supplier Malaysia, said a Mumbai-based dealer with a global trading firm.

PLANT PROTEIN MEALS

CME CBOT Soybean Meal

CME October 2021 Soybean Meal Futures settled on Friday at $326.90/short ton, off $1.80/ton on the day, and losing $2.10/ton for the week.

CFTC's weekly Commitment of Traders report showed managed money was 14,964 contracts net short in soymeal as of 9/28, that was 3,589 contracts less net short w/o/w.
August NASS crush came in at 168.3, 700K below the average trade estimate. Sep-Aug crush at 2.141 bbus, slightly above the Sept WASDE estimate. Domestic meal in that same window is 1.5% below the previous year.

U.S. Export Soybean Meal Values – Friday 30th September 2021

U.S., fob Gulf - $420.00/mt
Brazil, fob Paranagua, $400.25/mt
Argentina, fob upriver, $389.75/mt

Soybean Meal Gulf barge/rail quotes, basis CBOT futures:

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OTHER RELATED NEWS

Delta Air to buy sustainable aviation fuel from Aemetis in over $1 bln

Sept 30 Reuters - U.S. carrier Delta Air Lines Inc will buy sustainable aviation fuel (SAF) from Aemetis Inc in a 10-year deal worth over $1 billion, including tax credits, the renewable energy firm said on Thursday.

Airlines have been under pressure from environmental groups to lower their carbon footprint, with the Biden administration setting targets to boost SAF output and help the domestic aviation industry shift away from traditional fuels.

Aemetis' pact with Delta follows a similar deal agreed by JetBlue Airways Corp on Wednesday with bioenergy firm SG Preston to procure SAF for its flights from New York's airports.

Shares of Aemetis were up 11.1% at $18.12 at market open, a near five-month high.

Aemetis will deliver 250 million gallons of fuel containing SAF, which is made from feedstocks such as used cooking oil and animal fat, and is expected to be available for use by Delta in 2024.

Atalanta, Georgia-based Delta, which has a goal of replacing 10% of its conventional jet fuel consumption with SAF by the end of the decade, also has an agreement with U.S. oil major Chevron Corp to buy a test batch of SAF.

Robust capesize demand propels dry bulk index to 13-year high

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 Freight Index – 1st October 2021 Daily = 5167, +523 w/o/w

The Baltic Dry Index rose to its highest in 13 years on Wednesday on higher rates for all vessels, with the capesize segment soaring to its highest level since 2008.
The overall index, which factors in rates for capesize, panamax, supramax and handysize vessels, jumped 235 points, or 4.7%, to 5,197, its highest since September 2008. The main index mirrored a jump in capesizes, with the index advancing 696 points, or 8.4%, to 9,018, also the highest in 13 years.

Average daily earnings for capesizes, which transport 150,000-tonne cargoes such as iron ore and coal, rose $5,773 to $74,786.

“The increasing number of spot fixtures from the world’s largest iron ore exporters are clearly providing a boost to the dry bulk sector, in particular to the capesize market, as iron ore exports from Brazil and Australia represent the lion’s share of total capesize demand,” BIMCO’s chief shipping analyst Peter Sand said in a note.

Congestion around China and the approach of the traditionally strongest period of the year for the dry bulk sector will keep spot freight rates high until at least end-2021, Sand added.

- The overall index, which factors in rates for capesize, panamax, supramax and handysize vessels, rose 35 points, or 0.7%, to 5,202, its highest level since September 2008. The index has risen 12% this week.
- The capesize index increased by 122 points, or 1.4%, to 9,066, also scaling a 13-year peak. The index is up 22.6% this week.
- Shipping analysts have attribute the gains in capesize to congestion in China, high iron ore exports and abundant coal imports.
- Average daily earnings for capesizes, which transport 150,000-tonne cargoes such as iron ore and coal, rose $1,014 to $75,190.
- The panamax index fell 21 points, or 0.5%, to 3,992, and registered a 0.5% fall this week.
- The supramax index added 1 point to 3,383.

Container spot rates fall marginally, long-term keep climbing

1 Oct 2021 Marcus Hand - The last week has seen a marginal decrease in spot container freight rates, however, long-term rates are up more than 90% year-on-year. The Drewry World Container Index (WCI) declined by 0.2% for the week ended 30 September to $10,360.87 per feu, remaining some 291.8% higher than a year earlier. The marginal drop in average, follows a flat index week earlier, which marked a stabilisation after 22 weeks of consecutive increases.

The overall w/o/w decrease was driven by the transpacific trade with Shanghai – Los Angeles down 2% at $12,172 per feu, which remains up 198% year-on-year. The backhaul LA – Shanghai saw a 1% decrease last week to $1,383 per feu.
Spot rates on Asia – North Europe rose though with Shanghai – Rotterdam up 1% at $14,558 per feu, with rates up 535% year-on-year.

“Drewry expects rates to remain steady in the coming week,” the analyst said. The stabilising of spot rates coincided with CMA CGM’s announcement that it would be freezing spot increases until 1 February next year.

Xenata little evidence that the fundamentals are weakening and expects rates to remain strong. “This year has seen a unique convergence of Covid-19 disruption, port congestion, strong demand and maxed-out capacity, and that has stoked the flames of record-breaking rates,” explained Berglund. “The global supply chain is under immense pressure and desperate shippers have no choice but to pay up to secure deliveries, or at least try to, ahead of key trading periods such as Christmas. It’s a crazy market out there.”

Xenata noted that with market strongly in their favour lines were looking to lock in customers in long-term bookings with some even offering multi-year deals with guaranteed shipments. “Shippers are treading carefully in this regard, but there is some appetite for longer-term commitment – raising the question of whether both parties might look beyond the traditional tender?” Berglund said. It was noted that long-term contracts already account for 60% of Maersk’s bookings.

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

![Freightos Baltic Index (FBX) Year on Year: FBX02 North America West Coast – China/East Asia 01-Oct-21](source)
Joiner Co. and Tradewest Brokerage Co. as cited in the US Department of Agriculture’s weekly Grain Transportation Report. That price was $147 lower than in the previous week and $721 lower compared with the same week last year. There were no non-shuttle bids/offers in the week.

**Barge activity** - Barged grain movements totaled 187,590 tons in the week ended September. 25, up 11% week over week but down 63% compared with the same week in 2020, the US Army Corp of Engineers said.

In the same week, 112 grain barges moved down river, two fewer barges than the previous week. There were 391 grain barges unloaded in New Orleans Region, 53% higher than last week, according to the Corps and the USDA’s Agricultural Marketing Service.

**IL RIVER FREIGHT**

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**Ocean freight activity** - Nineteen oceangoing grain vessels were loaded in the Gulf in the week ended September. 23, down 21% from the same week a year earlier, the AMS said. In the 10 days starting September. 24, 53 vessels were expected to be loaded, 13% fewer than the same period last year.

The rate for shipping one tonne of grain from the US Gulf to Japan was $82.50, up 1% week over week. The rate from the US Pacific Northwest to Japan was $45.50 per tonne, also up 1% from the previous week.

**Argentina faces $620 million in export losses on Parana water levels**

**BCR September 27th** - Argentina’s export revenue losses have been estimated at $620 million for the year to mid-September due to the severely low water levels at the Parana waterway, a new report by the Rosario Grain Exchange (BCR) shows.

The low water levels, which are leading more vessels to partially load in Argentina and top-off at other ports, have lowered the competitiveness of Argentina’s main by-products of the soy complex, according to the BCR.

"The Parana’s low water levels have limited the possibilities of cargo loading in the Up River ports, leading to lower export prices of the main by-products of the soy complex: soymeal and soyoil," the BCR said.

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**U.S. Gulf loadings rise after Ida**

**Sept 27th Reuters** - U.S. soybean exports jumped last week to a six-month peak, while corn shipments were the highest in a month as Louisiana Gulf Coast terminals steadily ramped up operations disrupted nearly a month ago by Hurricane Ida, preliminary data showed on Monday.

The export pace remained well below normal for this time of year as some terminals remain shuttered or running at reduced capacity after the storm flooded and damaged some facilities and wrecked the region’s power grid.

Ida crippled overseas grain shipments weeks before the start of the Midwest harvest and the busiest period for U.S. crop exports, sending export prices soaring and stoking global worries about food inflation.

On Monday, grain merchant Archer-Daniels-Midland Co said its Ama and Reserve, Louisiana, terminals and mid-river loading rigs were fully operational, while its facility in Destrehan will be by the end of the week. Bunge Ltd’s Destrehan terminal was also fully operational after running only “intermittently” last week, a spokesperson said.

Weekly USDA grain inspections data, an early indicator of shipments abroad, showed 11 export vessels were loaded with corn, soybeans, wheat or sorghum at facilities along the lower Mississippi River in the week ended September 23rd. That was up from just seven vessels loaded a week earlier but well below the same week a year ago, when 24 vessels were loaded for export at the busiest U.S. grains hub, the data showed.

Weekly corn inspections at all U.S. ports totaled 517,539 mts last week, down 37% from the same week a year earlier, while soybean inspections were down 66% at 440,742 mts.

Almost a month into the 2021/22 marketing year that began September 1st, corn inspections are at less than half of last year’s pace, and soybean inspections are at just a fifth of the year-ago rate, according to USDA data.

About 11 bulk vessels were docked and loading at Louisiana Gulf Coast elevators on Monday and nearly 60 more were lined up along the Mississippi River and waiting to load, an industry vessel lineup report and Refinitiv Eikon shipping data showed.

Most of the nearly dozen large grain terminals owned by ADM, Bunge, Louis Dreyfus Co and others escaped the storm with minor damage. One of two terminals owned by Cargill Inc sustained the worst damage.
Furthermore, according to the report, the severe water situation has caused domestic soymeal and soyoil exports to be shipped at prices which lower the competitiveness of the country's products, thus limiting Argentina's export revenue.

The BCR estimated the revenue losses for soymeal and soyoil by calculating a monthly average of the FOB daily price differential between Up River ports and Brazil's Paranagua market, the 2021 monthly spreads were then compared it with the 2014-2019 averages.

The agency calculated the product of the monthly loss made for the shipments made throughout the first eight and a half months of 2021, and the sum of these losses gives an overall total loss. For soymeal, a total of 1.05 mmts was loaded in the Up River ports in the first half of September, bringing cumulative export volumes from the start of the year to date to 21.28 mmts, and resulting in a revenue export loss of $484.88 million.

For soyoil, a total of around 179,990 mts were loaded in the Up River ports in the first half of September, bringing cumulative export volumes from the start of the year to date to 4.39 mmts, and resulting in a revenue export loss of $135.23 million. 2020 was omitted from the yearly averages as the Parana was also experiencing low water levels that year, the report said.

Corn dynamic shifts - The low Parana water levels have also resulted in an increase in corn loadings from Bahia Blanca in southern Buenos Aires, exports from which have broken historical records, the BCR said.

Domestic corn prices have also been affected as premiums between the ports of Bahia Blanca and the Up River ports has widened this year. The premium between these two ports have risen to $38/mt for corn in September, with corn prices at Bahia Blanca at $230/mt, versus $192/mt at Rosario, marking a sharp contrast with premiums recorded a year ago, when the differential between was around $2/mt in favour of the Up River ports.

**U.S. Soybean Meal Export Hub Damage May Take Months to Fix**

Bloomberg 24 September - Shipments from a U.S. West Coast terminal that handles almost 20% of the nation's soymeal exports have been curbed while damage from a crane collapse earlier this month is repaired, marking the latest setback to global trade flows.

A loading boom at farm cooperative Ag Processing Inc.'s export facility in Aberdeen, Washington, fell September 1st as a bulk carrier was being loaded, according to a person familiar with the matter and a shipping agent notice to customers seen by Bloomberg.

The damage could take months to repair, according to the notice. Omaha, Nebraska-based Ag Processing declined to comment on the matter.

The disruption puts yet another kink in global supply chains with the U.S. still reeling from the export chaos caused by Hurricane Ida in the Gulf of Mexico, home of America's busiest agricultural port. The terminal in Grays Harbor handles the bulk of America's soy meal shipped to Asia from the West Coast.

It's certain to put big importers like the Philippines, which needs the product to feed livestock, in a bind just as soy processing slows in China as well. Plants in a key region in China were ordered to shut down for at least a week as the Asian country contends with a severe energy crisis.

"The timing couldn't have been worse," said Jay O'Neil, proprietor of HJ O'Neil Commodity Consulting in Oregon. "This will dramatically impede U.S. soybean meal exports."

Soybean meal futures in Chicago have fallen 1.9% this month. A ship waiting to load at Ag Processing's facility when the crane collapse occurred was diverted to a grain terminal in Longview, Washington, operated by EGT LLC, according to the notice.

The dock shutdown also affects exports of dried distillers grains, a byproduct of ethanol production that's a key ingredient in feed for beef cattle and dairy cows. The U.S. harvest season is kicking off, a time when exports of soybeans and soy products typically increases.

AGP's facility is especially important because soy meal isn't as easily shipped from terminals focused on grains like corn, as it flows differently and can cake up. The bulky commodity also isn't meant to sit around.

"People hate to store meal," O'Neil said. "It's not something you can store for months."

**CP-KCS Executives Tout Merger Do-Over**

*Rail Execs See Canadian Pacific Kansas City Becoming 'Game Changer' for Ag Rail Shipping in USMCA Corridor*

16 Sep DTN - With their victory over rival Canadian National in hand, executives from Canadian Pacific on Thursday said the railroad's merger with Kansas City Southern railroad will be "a real game changer" in the flow of agricultural commodities, especially for Canada and upper Midwest states.

Speaking to analysts, Canadian Pacific executives again laid out some of the opportunities they first championed in mid-March when CP first appeared to strike a deal to buy KCS before a six-month regulatory battle after CP's initial bid appeared to be usurped by Canadian National.

Kansas City Southern's board of directors on Wednesday unanimously voted that Canadian Pacific's purchase proposal was now the "company superior proposal," leading KCS to break its agreement with Canadian National. For its part, Canadian National agreed to waive a five-day match period, allowing its proposal to terminate.

The merged rail line will be called Canadian Pacific Kansas City (CPKC). It will remain the smallest Class I railroad in the U.S. with about 20,000 miles in rail line. But, as executives stressed, it creates one aspect the other five Class I rail lines do not have, which is a single line going from throughout Canada, down the central U.S., and deep
to central Mexico, connecting with shipping ports in all three countries along the way. The deal was sparked partially by the U.S.-Mexico-Canada Agreement (USMCA) trade deal that went into effect in 2020.

On the intermodal front, the linkage of the two railroads, "Gives us access from Mexico into the U.S. and Canada and will create new competition and powerful opportunities to take trucks off the road," Brooks said.

It will also help link Mexican auto manufacturers with more routes to move autos and parts into Detroit, other upper Midwest cities and into Canada as well.

Canadian Pacific CEO Keith Creel said the single USMCA line with the efficiencies of a single railroad can help clean up some of the current logistical challenges shippers are facing.

"We can bring some supply chain stability to North America, connecting three countries that provides the backbone platform for all those companies sitting there today pulling their hair out because their supply chains are upside down, pulling their hair out because their costs and their inflation's went up because they have so much risk into supply chains that are off-shore," Creel said.

Highlighting the prospects of port access in all three countries in both the west and east, CP officials stressed the value of KCS rail access in the Port of Lazaro Cardenas along the Pacific Ocean in central Mexico. With the logjams that have tied up the ports of Los Angeles and Long Beach, the Mexican port offers a "pretty attractive and compelling proposition" for shippers and actually offers a shorter rail line to Texas and the Gulf Coast," Brooks said.

"As the situation on the West Coast gets tighter and tighter, we think that can be very valuable," Brooks said. "Lazaro is kind of a sweet spot as a stand-alone port."

Canadian Pacific's winning bid is worth $31 billion (U.S. dollars) for KCS shareholders, which includes taking over $3.8 billion in outstanding KCS debt. That puts KCS stock at $300 a share, which is a 34% premium from the Aug. 9, 2021, price for the stock.

Canadian Pacific's overall bid was $2.6 billion lower than Canadian National's bid, but CP and KCS do not have the complications of parallel rail tracks and resistance from regulators. The federal Surface Transportation Board had rejected Canadian National's multiple attempts to gain a voting trust, including a unanimous vote on Aug. 31 that effectively ended Canadian National's bid. CP had gotten approval for a voting trust from the regulators back in May. That voting trust is a significant step in getting final approval for a complex rail merger of larger Class I railroads.

Mapping out the process going forward, Canadian Pacific and KCS shareholders are expected to vote on approval in December. After that, the railroad will need regulatory approval from Mexico. Creel told analysts company executives had just returned from Mexico and had been working to address any regulatory concerns there. If the U.S. Surface Transportation Board continues to approve CPKCS, full control could be expected by the second half of 2022, company officials said.

"CPKC truly unlocks new capacity for the industry and builds supply chain resiliency at a time we all know we need it more than ever," said John Brooks, executive vice president and chief marketing officer of Canadian Pacific. "No customers will be left behind. There aren't winners and losers. We'll provide new markets, new routes and new alternatives to reach customers across North America."

Citing the growth opportunities for agricultural shippers, Brooks said, "I look at our ag-book business, and this becomes a real game changer to create new links, origins and reduce production risks that CP customers simply can't get to now.

Brooks later added that CPKC will help existing shippers, create new customers, create new infrastructure and "move more grain out of the Midwest into Mexico to grow our overall share in growing that pie, which is the objective."
**GOVERNMENT**

- **India PM Modi releases resilient crop varieties: How will they help India?**

  28 Sept Hindustan Times - Prime Minister Narendra Modi on Tuesday launched 35 crop varieties which are climate resilient. He said that climate change is a big challenge for agriculture and the entire ecosystem and stressed on the need to step up efforts to fight it.

  According to the Prime Minister’s Office (PMO), the crops launched today have special traits and will lead to awareness about the adoption of climate resilient technologies.

  **What are these crop varieties with special traits?**

  The crop varieties have been developed by the Indian Council of Agricultural Research (ICAR) to address the twin challenges of climate change and malnutrition. They are climate resistant and have high nutrition content, the PMO said in a release.

  The 35 varieties include a drought tolerant variety of chickpea, wilt and sterility mosaic resistant pigeon pea, early maturing variety of soybean, disease resistant varieties of rice and biofortified varieties of wheat, pearl millet, maize and chickpea, quinoa, buckwheat, winged bean and faba bean.

  **Climate change and its impact on agriculture**

  A report by the Intergovernmental Panel on Climate Change (IPCC) last month said that climate change will have economy-wide repercussions in India if not mitigated and could lead to shrinking of the agriculture cover in the country.

  The IPCC report also said that the impact of climate crisis, like changing monsoon patterns, rising sea levels, deadlier heat waves, intense storms and flooding will pose an acute risk to the agriculture sector.

  According to ongoing studies by the Indian Council of Agricultural Research (ICAR), farming now consumes up to 30% more water due to “high evaporative demand and crop duration due to forced maturity” in states such as Andhra Pradesh, Punjab and Rajasthan.

  **The need for climate resilient crop** - Experts have been warning about the adverse effects of climate change for years. And India turned it into an important area of concern for India to ensure food and nutritional security for growing population.

  Accordingly, National Innovations in Climate Resilient Agriculture (NICRA) was launched under ICAR on 2011.

  According to ICAR, the project aims to enhance resilience of crops to climate change through strategic research and technology demonstration. It also covers livestock, fisheries and natural resource management. The ICAR also said that climate change is predicted to reduce agricultural yields by 4.5 to 9%.

  According to a June presentation by the Union finance ministry, Indian scientists are focusing on developing climate resilient crops, instead of just going for higher yield varieties. "Varieties tolerant to diseases, insects pests, drought, salinity, and flooding, early maturing and amenable to mechanical harvesting also developed," the ministry said in its presentation.

  **The crops will also address the anti-nutritional factors** - According to PMO, these special traits crop varieties also include those that address the anti-nutritional factors found in some crops that adversely affect human and animal health.

  According to national library of medicine, anti-nutritional factor can be defined as those substances generated in natural food substances by the normal metabolism of species and by different mechanisms which exert effects contrary to optimum nutrition.

  The PMO said that crop varieties like Pusa Double Zero Mustard 33, first Canola quality hybrid RCH 1 with <2% erucic acid and <30 ppm glucosinolates, and a soybean variety free from two anti-nutritional factors namely Kunitz trypsin inhibitor and lipoygenase. Other varieties with special traits have been developed in soybean, sorghum, and baby corn, among others, it added.

**International Crop & Weather Highlights**

- **Cyclone damages Indian crops just before harvesting**

  29 Sept Reuters - Heavy rains brought by cyclone Gulab damaged India’s summer-sown crops such as soybeans, cotton, pulses and vegetables just before harvesting in key growing regions, which could reduce production and lift prices, industry officials told Reuters.

  Lower production could force India, the world’s biggest importer of edible oils and pulses, to increase overseas purchases of these commodities, and it could also reduce cotton exports from the world’s top producer.

  Cyclone Gulab, which originated in the Bay of Bengal, made landfall on the east coast on Sunday and then weakened to a deep depression that brought heavy rainfall to the southern states of Andhra Pradesh and Telangana and western states of Maharashtra and Gujarat.

  “I was hoping for a bumper soybean crop and good returns since soybean prices were attractive,” said 35-year old farmer Anand Mane from Latur in Maharashtra. "But just before harvesting, rainfall hit and destroyed everything." said Mane, whose soybean and sugar cane crops on eight acres were damaged, leading to a loss of more than 250,000 rupees ($1,850).

  Maharashtra, the country’s second biggest producer of soybeans, cotton and sugar cane and top producer of summer-sown pulses, received 381% more rainfall than usual on Tuesday.

  Farmers have expanded areas under soybean, but rainfall is limiting the rise in production, said Davish Jain, chairman of the Soybean Processors Association of India.
Industry officials were expecting India to produce more than 10 mmts of soybean in 2021, up from last year’s 8.9 mmts. But the rainfall damage could limit the rise to 9.5 mmts, said a dealer with a global trading firm.

Leading cotton-producing states have received excessive rainfall in the past four days, which badly affected cotton fiber production, said Chirag Patel, chief executive at Jaydeep Cotton Fibers Pvt Ltd, a leading exporter. "Within a week the cotton production outlook changed. We were expecting higher yields, but now yields will go down and even the quality of harvested crop would be inferior at the beginning," Patel said.

**USDA/WAOB Joint Agricultural Weather Facility – 25th September 2021**

**Europe** – Rain In The South And West
- Widespread showers over western and southern Europe favored winter crop establishment and eased dryness in the lower Danube River Valley.
- The rain in Italy and on the Iberian Peninsula signaled a favorable start to the 2021-22 wet season.

**Western FSU** – Widespread Moderate To Heavy Rain
- Moderate to heavy rain hampered summer crop harvesting in Belarus, Ukraine, and Russia but boosted moisture reserves for winter crop establishment; soil moisture is vastly improved over last year.

**Middle East** – Early-Season Showers In Turkey
- Additional early-season showers in central Turkey boosted soil moisture for winter grain planting.
- Seasonably dry weather prevailed from Syria into Iran, with rain typically returning in October.

**South Asia** – More Beneficial Rainfall
- Continued monsoon showers across India provided late-season moisture for kharif crops, while a tropical cyclone (Gulab) approached the eastern coast.

**East Asia** – Wet Weather In China
- Rainfall pushed through eastern China, boosting moisture reserves for upcoming winter crop sowing but was unfavorable for maturing summer crops.

**Southeast Asia** – Downpours In Indochina And Thailand
- Monsoon showers and a weak tropical cyclone (Dianmu) inundated Indochina and parts of Thailand, causing localized flooding but further boosting moisture supplies for rice and other crops.

**Australia** – Drier
- Dry weather in the west and northeast reduced soil moisture for reproductive to filling winter crops but favored early cotton, sorghum, and other summer crop planting in the northeast.
- Scattered showers benefited local winter grain and oilseed development in the southeast.

**South America** – Showers Increased Over Central Brazil
- Soybean planting reportedly began in Mato Grosso, Brazil.
- Drier conditions returned to much of southern Brazil, where moisture was needed before soybean and first-crop corn planting could become widespread.
- Light to moderate rain benefited flowering winter grains in some southern farming areas.

**Mexico** – Light Showers Returned To Northwestern Watersheds
- Scattered showers returned to the northwest, giving a late-season boost to reservoirs.
- Showers maintained favorable conditions for rain-fed summer crops in southern Mexico.

**Canada** – Dry Weather Supported Rapid Harvesting Of Prairie Crops
- Harvesting of Prairie spring grains and oilseeds advanced rapidly toward completion.
- In Ontario, heavy rain slowed corn and soybean harvesting while providing abundant moisture for winter wheat establishment.

Source: USDA https://www.usda.gov/oce/weather-drought-monitor/publications

**Agricultural Weather Highlights – Friday, 1st October 2021**

**In the West**, lingering showers are confined to the southern Rockies. The remainder of the region is experiencing dry weather, accompanied by a warming trend. In fact, today’s high temperatures should top 90°F throughout the Desert Southwest and much of California’s Central Valley. On September 26 in California, cotton bolls were 80% open, versus the 5-year average of 52%, while the rice harvest was 25% complete, compared with the average of 17%.

**On the Plains**, rain is falling in several areas, including the eastern Dakotas and parts of Texas. Meanwhile, dry weather prevails across the northern High Plains, where scattered frost was reported early today. Although many sections of the Plains have received beneficial rain in recent days, some areas remain very dry. For example, September rainfall totaled less than one-half inch in Oklahoma City, Oklahoma (0.46 inch, or 12% of normal); Wichita Falls, Texas (0.34 inch, or 11%); Havre, Montana (0.05 inch, or 5%); and Glasgow, Montana (0.03 inch, or 3%).

**In the Corn Belt**, showers across Minnesota and the eastern Dakotas are further easing drought but temporarily slowing harvest activities. Meanwhile, dry weather in the eastern Corn Belt favors corn and soybean maturation and harvesting, along with winter wheat planting, following the heavy-rain event of September 20-23.

**In the South**, heavy rain across the western Gulf Coast region continues to delay late-season fieldwork. Meanwhile in the Southeast, warm, mostly dry weather favors crop development, including cotton and soybean maturation, as well as harvest efforts for crops such as corn, rice, and peanuts.
Outlook: Rain across the nation's mid-section will linger into Saturday, followed by the return of warm, dry weather. During the weekend and early next week, showers will shift into areas from the Mississippi Valley eastward. Five-day rainfall totals could reach 1 to 2 inches or more along and east of a line from eastern Texas into the lower Great Lakes region. In contrast, negligible precipitation will fall during the next 5 days across California, the Great Basin, the Northwest (except along the northern Pacific Coast), and the northern High Plains.

By early next week, warmth will replace previously cool conditions across much of the western and central U.S., with maximum temperatures regularly rising to 80°F or higher as far north as eastern Montana and the Dakotas.

The NWS 6- to 10-day outlook for October 6 – 10 calls for the likelihood of near- or above normal temperatures nationwide, except for cooler-than-normal conditions in northern California and the Pacific Northwest. Meanwhile, near- or above-normal precipitation across much of country should contrast with drier-than-normal weather on the central and southern High Plains and from the Great Lakes region to New England.

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
October Crop Calendar

**Canada**
Corn, Soybeans, & Sunflower: Maturing
Spring Wheat & Canola (Rapeseed): Harvesting

**United States**
Soybeans, Sunflower, Cotton, Millet, Rice, Corn, Sorghum & Groundnuts: Harvesting
Winter Wheat & Rapeseed: Vegetative

**Europe**
Corn, Soybeans, Sunflower, Sorghum & Cotton: Harvesting
Winter Wheat & Rapeseed: Planting

**FSU**
Cotton (Central Asia), Corn & Sunflower: Filling
Winter Wheat & Rapeseed: Vegetative

**China & East Asia**
Late Rice: Filling
Cotton, Single Rice, Corn, Sorghum, Soybeans, Sunflower & Groundnuts: Harvesting
Winter Wheat & Rapeseed: Planting

**South Asia (India)**
Cotton (South): Boll Formation
Corn, Sorghum, Rice, Rice, Millet, Groundnuts & Sunflower: Harvesting

**East Africa**
Sudan: Sorghum/Millet: Harvesting
Ethiopia: Wheat, Rapeseed, Corn, Millet & Sorghum (Meher): Harvesting
Kenya: Corn (Minor): Planting
S. Sudan/Uganda: Sorghum/Millet: Harvesting

**Southern Africa**
Wheat (Free State & Western Cape): Filling-Harvesting
Corn & Cotton: Planting

**Argentina**
Wheat: Heading*-Filling
Early Corn: Vegetative
Late Corn: Planting
Cotton: Planting
1st Soybeans: Planting

**Brazil**
South: Wheat: Harvesting
Corn & Soybeans: Vegetative
Center West:
Soybeans: Planting

**Mexico**
Sorghum, Rice & Soybeans: Maturing
Cotton & Corn: Harvesting
Sinaloa: Winter Corn (Irrigated): Planting

**NW Africa & Egypt**
Rice & Cotton (Egypt): Harvesting

**West Africa**
Sahel: Corn, Sorghum, Cotton & Groundnuts: Maturing
Nigeria: Soybeans: Harvesting
Mali: Rice (irrigated): Harvesting
Coastal: Rice, Corn & Sorghum: Harvesting

**Turkey, Middle East & Afghanistan**
Cotton, Rice & Corn (Turkey): Harvesting
Wheat (Highlands): Planting

**Southeast Asia**
Rice and Corn: Harvesting

**Australia**
Wheat & Rapeseed: Filling
Cotton, Corn & Groundnuts: Planting

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*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