Notes and Observations in International Commodity Markets

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

KSU Ag Manager Link: https://www.agmanager.info/grain-marketing/grain-market-outlook-newsletter/notes-and-observations-international-commodity


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Prices Retreat After WASDE Pushes Corn and Soybeans to New Highs!

GHA – Prices were generally lower after corn and soybeans made new contract highs following Tuesday’s USDA WASDE Report on Tuesday. Early in the week the USDA’s November WASDE Report caused a bullish surprise, as ending stocks for US corn and soybeans came in well below average analyst estimates. The downward adjustment to ending stocks, to their lowest levels in seven years, was due primarily to greater demand from China. We have been discussing since August that Chinese corn demand has been underestimated by the USDA, and most likely still is…

In its monthly World Agricultural Supply and Demand Estimates report, the U.S. Agriculture Department pegged 2020/21 U.S. corn ending stocks at 1.702 billion bushels and soybean ending stocks at 190 million bushels. The U.S. corn harvest was seen at 14.507 billion bushels and the soybean harvest at 4.170 billion bushels.

On the day of the report CBOT December corn futures settled up 14½ cents / 3.6% at $4.22/bu, while front month soybean futures rallied 36 cents / 3.3% to settle at $11.46½/bu.

It was also noted that the USDA cuts the EU’s corn use by 5.5 mmts, with estimated production down nearly 2 mmts and imports 4 mmts lower at 20 mmts. A reduced corn import number is understandable in view of much smaller Ukrainian crop, 8 mmts lower. Is it time to have a close look at US - EU trade relations?

However, the higher values early in the week seemed to scare away international buyers and new export sales were lacking for the remainder of the week. Futures volumes were also lower.

➢ USDA - China Grain Imports to Rise Higher

USDA – This week the USDA raised China’s combined grain imports are forecast at a record level in 2020/21 driven by demand for feedstuffs. The upsurge has partially stimulated grain trade and elevated prices in the world market. However, the USDA numbers fell short of trade expectations.

China’s imports of coarse grains for 2020/21 (Oct-Sep) are forecast higher this month, mirroring the level seen in 2014/15 when imports spiked due to strong prices in the domestic market. The rise for 2020/21 is supported by strong recovery in the swine sector, which has been driving feed demand higher. Corn prices in the domestic...
market have rallied since February, and in October, the national price averaged around $362/mt ($9.20/bu), the highest since August 2015.

Higher imports are primarily driven by an increase in corn. The surge in corn imports is partly based on China Customs Statistics and U.S. Grain Inspections data through early November, which indicate that imports will far exceed the tariff-rate quota (TRQ) level of 7.2 mmts in calendar year 2020. There have been no public statements that would indicate that additional quota has been allocated by the National Development Reform Commission, the authority governing the TRQs.

China wheat imports of 8.0 mmts in 2020/21 are forecast at their highest level in 25 years as State Trading Enterprises (STE) are helping bolster domestic stocks and taking advantage of competitively priced foreign supplies. The price spread between the average domestic price and import price was approximately $70/mt ($1.90/bu) in September, accounting for over one-fifth of the total domestic price. China is taking advantage of this arbitrage opportunity to help replace and rebuild aging government reserves. Moreover, the government’s domestic wheat procurements were down more than 13.5 mmts compared to last year, further incentivizing higher imports.

The demand for feed-quality wheat has surged because of significant inflation in the domestic corn market. The differential between the national average prices for wheat and corn was below $5/mt in October 2020, compared with almost $60/mt last year. The narrow price difference between corn and wheat (new-crop price) is driving significant auction sales of old-crop domestic wheat (at parity or lower than new-crop corn in some instances). In October 2020, domestic auctions sold more than 7.1 mmts compared with the previous year.

In contrast, China rice imports are forecast lower compared to last year. The challenges that exist in the feed market have not been as concerning for China in the food market. Food use, which accounts for the vast majority of use, is estimated to be lower in 2020/21 as the government has implemented policies to reduce food waste. Although feed use for rice is typically minimal, this year more rice is being used for feed as the government draws down the massive old crop supplies in sales at very low prices. Notably, the China export forecast is trimmed, with more of the old-crop supplies from auctions expected to meet the strong domestic feed demand rather than expanding to additional foreign markets.

➢ Biden - China Will Seek to Renegotiate Trade Deal

The South China Morning Post - Joe Biden's US election victory will encourage China to try and renegotiate Donald Trump’s trade deal, viewed in Beijing as being “twisted” in Washington’s favor, according to advisers to the Chinese government.

The Phase One Trade Deal was hammered out after months of painful negotiations and 18 months of trade war tariffs piling up on both sides. It saw China commit to buying US$200 billion in additional US goods on top of 2017 levels, but stopped short of forcing major structural changes to China’s economic model.

Even so, advisers see the deal as being unrealistic for China to implement, and view Biden as a more “rational and multilaterally minded” leader than Trump, despite former US officials thinking there is virtually no chance of Biden giving China a “softer” deal.
Shi Yinhong, an adviser to China's State Council, effectively the country's cabinet, said Beijing would see it as in its interests to reduce the heavy import targets and reduce tariffs on exports to the United States.

"Biden will sooner or later launch a renegotiation of the trade deal, as the current deal is unrealistic. A renegotiation is also in line with China's wishes," Shi said, adding that Beijing would expect Biden to seek more structural changes in any renegotiation. "The incoming Biden administration will probably take a tougher stance on Hong Kong, Taiwan, Xinjiang, South China Sea, other human rights issues, and the alleged Chinese intelligence activities in the U.S."

In his first address as president-elect on Saturday, Biden indicated he would immediately reverse Trump's decision to leave the Paris climate agreement and the World Health Organization, which could open the door for better cooperation with China.

"Joe Biden is from the establishment circle, he is experienced in handling international relations and he also understands multilateralism. He will be rational," said Wang Huiyao, president of the Centre for China and Globalization, a Beijing think tank, and an adviser to the central government.

Yu Wanli, a Beijing-based expert on US-China relations, said China would "definitely" seek to renegotiate the "twisted" trade deal, but acknowledged Biden would probably use it as a bargaining chip to get concessions on issues like intellectual property (IP) protection and human rights.

"It is possible for China to pledge more IP protections of US companies and further open its financial market, but China might not compromise in areas like protection of labour rights and human rights," Yu said.

However, US trade watchers said the US-China relationship would remain tense in the near term and that it would be a wishful thinking for the Chinese to try to renegotiate the trade deal.

Benjamin Kostrzewa, a Hong Kong-based trade lawyer at Hogan Lovells and a former Obama-era staffer in the Office of the United States Trade Representative (USTR), said Biden would be under immense pressure to maintain a strong trade stance against China, making significant shifts in current U.S. policies towards China unlikely in the early months. "A Biden administration is likely to conduct a strategic review of the Trump administration's trade and investment policies to determine which ones are working to strengthen the United States and which ones are not," he said. "Policies that are determined to not be helpful could be the basis for future trade negotiations with China on areas such as market access, IP protection, and other priorities."

Stephen Olson, a former USTR trade negotiator and now a research fellow at the Hinrich Foundation, said there would be "very little" political room for Biden to renegotiate the Phase One Agreement to make it easier on China given all the tough rhetoric about China during the campaign. Otherwise, it would validate Trump's claims that Biden was soft on China. "Trade issues will not be the highest priority for the incoming Biden administration," he said. "He has made it clear that he wants to make investments in U.S. workers before undertaking any new trade agreements. And of course the number one priority will be the coronavirus pandemic."

Many are watching to see whether China will stick to the terms of the deal under new White House stewardship. While its purchases of U.S. farm goods ratcheted up in the run up to the election, China is still not close to achieving its import targets for 2020. At the end of September, it was only on track to meet 54% of its purchase targets, US customs data showed.

While it ramped up imports of soybeans, corn and pork since the summer months, China is on track to meet just 65% of agricultural purchase targets this year.

**Brazil forecasts record grain output in 2020-2021 harvest season**

Xinhua - Brazil expects record grain production of 268.9 mmts this 2020-2021 harvest season, 4.6% more than the previous 2019-2020 season, the state-run National Supply Company (Conab) said on Tuesday.

An estimated 67.1 million hectares of land have been cultivated, or 1.8% more than last season, and is the most land cultivated on record.

Soybean production, the main export product of Brazilian agriculture, should reach 135 mmts, which would confirm the South American country's ranking as the world's largest producer of the oilseed, with a cultivation area of 38.2 million hectares.

Soybean exports this year are expected to amount to around 82.7 mmts, with 81.4 million tons already exported between January and October. Next year's exports are forecast reach 85 mmts, for an increase of 2.78%.

Corn production is expected to be the largest on record, at 104.9 mmts from an area of 18.4 million hectares.

Regarding wheat, about 80% of the 2020 harvest has already been completed, with an estimated production of 6.4 mmts from 2.3 million hectares cultivated.

**Argentina Planting Slow, Soybeans 4% Planted, Corn 31% Planted**

Many areas of Argentina have been in a moisture deficit since March and the spring rains have been very irregular. The forecast is calling for some rain this week in the southern areas but only light and scattered showers elsewhere in Argentina. This dryer than normal pattern should continue to slow the soybean planting.

The 2020/21 soybeans in Argentina were 4% planted as of late last week compared to 9% last year and 12.6% average. Most of the planting has occurred in south-central Argentina in the provinces of Buenos Aires and La Pampa where the soil moisture is better.

Argentina Corn - The 2020/21 corn in Argentina was 30.9% planted late last week compared to 43% last year and 38.2% average. This represents an advance of 1.1% for the week. The corn is rated 8% poor, 54% fair, and 38% good to excellent. The soil moisture for the corn is rated 9% short to very short and 91% favorable.
The early phase of corn planting in Argentina usually ends about the end of October, but only 61% of the intended early corn acreage has been planted compared to 70% last year and 74% average. So the question is will farmers in Argentina shift more of their corn to the second phase of planting or will they plant less corn overall. I think they will plant less corn overall, but we won’t know that until January when they finish planting the second phase.

- **Russia Proposes Grain-Export Curbs Again to Safeguard Supplies**
  Bloomberg - Russia is looking to limit grain exports to 15 mmt in the final third of the season, signaling another move to safeguard food supplies in the world’s top wheat shipper.
  **Past 3-Years Russian Final 1/3 of Exports**

![Russian Corn/Barley/Wheat Export Total (Mar/Apr/May/Jun)](image)

“It’s an absolutely normal figure,” said Eduard Zernin, head of the Russian Union of Grain Exporters. “Our members don’t see any pitfalls or problems.”

The Agriculture Ministry’s plan to limit sales from mid-February through June is in line with industry expectations and shouldn’t dent Russia’s potential to supply the global market, the nation’s grain-exporters union said. Still, it highlights how governments are looking to protectionist policies to ensure they can feed their people amid the risk of coronavirus-related supply disruptions.

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**US DOLLAR & FOREIGN EXCHANGE**

- **US Dollar Index**
  The US dollar extended its slide against all of the major currencies on Friday despite the recovery in stocks. As we’ve often said, currency traders are generally more cautious than equity traders and the greenback’s decline reflects their concern about the raging coronavirus pandemic in the US and its impact on the economy.
  
  Today’s University of Michigan consumer sentiment index gave us a first look at how Americans feel after the election. Not only do they worry about how the economy is doing but the sharp decline in the expectations component of the report tells us that they are concerned about the months ahead.
  
  This chart tracks the US Dollar Index which is a leading benchmark for the international value of the US dollar. It is also the world’s most widely-recognized, publicly-traded currency index. The US Dollar index measures the value of the U.S. dollar relative to a basket of top 6 currencies: EUR, JPY, GBP, CHF, CAD and SEK. By using the Dollar Index, traders can take advantage of moves in the value of the US dollar relative to a basket of world currencies or can hedge their portfolio of assets against the risk of a move in the US dollar in a single transaction. You may find more information by going to the Technical or Chart sections.
WHEAT & GRAINS COMPLEX

CME Wheat Futures

Wheat bulls had a little more to cheer about to close out the week with futures 5 to 7 cents higher in Chicago and KC, with MGE 2 cents higher. For the week, all three exchanges were marginally lower. Dollar Index was weaker which helped support the small daily rally.

Weekly export sales of 11.0 mbus were mildly disappointing given the 20+ mbus totals from weeks past. White wheat was most active followed closely by HRS. Guatemala was the biggest buyer, which this writer is guessing doesn’t frequently happen. Argentine wheat harvest now up to 16% which is slightly ahead of last year’s pace.

With a mostly neutral USDA WASDE Report on Tuesday, the lead CBOT December 2020 Wheat Futures had a mixed week, before settling on Friday at $5.92¾/bu, up 4½ cents on the day, but off 9 cents for the week.

The cloud of another shutdown weighs on the demand uncertainty. The empty flour shelves reminder would support a slight uptick in domestic demand if wanting to get ahead of a supply issue, but the balance between at-home and outside dining usage weighs against a big spike in demand. The April-June ’20 flour grind was the lowest across the last 6 years for those months.

Kansas December 2020 HRW Wheat Futures settled on Friday at $5.50¼/bu, up 6¼ cents on the day, but down 5 cents for the week. KC narrowed the gap on Chicago to a 6-month low.

Inter-month calendar spread weakness gave the hard wheat players a chance to lock in something above interest carry to new crop, if needing time to manage quality issues or really wanting a production hedge. The KC May/July is offering 7 cents more carry than Chicago May/July, which historically is a wide data point.

MGE December 2020 HRS Wheat Futures settled at $5.54¾/bu $5.58¼/bu on Friday, up 5¾ cents on the day, but down 3½ cents for the week.

Spreads firm for all exchanges, particularly HRS as it corrects towards the winter wheat classes.
Wheat harvest progressing in Australia with minor rain delays in Eastern regions. Some of the rainfall has been excessive though increasing concerns over quality and sprout damage. It’s still early, but general statements are better yields in the eastern states and disappointing results in Western Australia with a net impact likely inching higher as we get deeper into harvest. Surprisingly though, Australian export cash prices firmed $4 to $5/mt this week on light farmer selling.

➢ **USDA WASDE Report Neutral for Wheat**

The monthly USDA WASDE Report was generally neutral for wheat; however, major changes in corn and soybeans provided spill over support. Continuing concerns of dryness across the US HRW growing area, as well as key growing areas of Russia, also lent support.

A larger wheat crop in Russia, increasing by over 0.5 mmts, was offset by a reductions in Argentina, down 1.0 mmts.

Changes in US usage included a 5 mbus increase in food, along with a 1 mbus increase in seed. There were some minor changes to ending stocks for various classes highlighted by a 5 mbus reduction in exports for HRW and SRW, respectively.

World wheat production for 20/21 was reduced by 0.7 mmts, to 772.4 mmts, but still a record. Russian production was estimated to be up 0.5 mmts, to 83.5 mmts, with export increased by 0.5 mmts to 39.5 mmts, vs 34.5 mmts last year. The Ukraine’s production was unchanged at 25.5 mmts, with exports held steady at 17.5 mmts, vs 21.0 mmts. Kazakhstan production was also unchanged at 12.5 mmts, but exports were increased 0.2 mmts, to 6.5 mmts, vs 7.0 mmts last year.

The EU-27’s production was reduced by 0.2 mmts, to 136.6 mmts, while exports were increased 0.5 mmts, to 26.0 mmts. vs 26.4 mmts last year;

Australia’s wheat crop was unchanged at 28.5 mmts, with exports steady at 19.0 mmts, up nearly 10 mmts from last year’s 9.5 mmts.

Canadian production was steady at 35.0 mmts, with exports unchanged at 25.0 mmts, vs 24.6 mmts last year.

Argentina’s production was lowered 1.0 mmts, to 18.0 mmts, as exports were reduced by 0.5 mmts, to 12.5 mmts, vs. last year’s 13.5 mmts.

World carryout for 2020-21 dropped 1.0 mmts versus last month to 320.5 mmts, leaving the world ending stocks-to-use ratio for 2020-21 now at 42.6%; still a comfortable situation compared to corn and soybeans.

➢ **World Price Comparison FOB - Wheat**

USDA - World wheat prices remained firm this month, mostly due to dry weather impacting the start of the growing season in the Northern Hemisphere and unfavorable production conditions in Argentina.

![International Daily FOB Export Bids](chart.png)

Source: IGC

*Note on FOB prices: Argentina- 12.0%, up river; Australia- average of APW; Fremantle, Newcastle, and Port Adelaide; Russia - Black Sea- milling; EU- France grade 1, Rouen; US-HRW 11.5% Gulf; Canada- CWRS (13.5%), Vancouver

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Strong global export demand drove further price spikes in Canada, European Union, Russia, and the United States, demonstrated by robust export sales reports this month.

Concerns about the rise in COVID-19 infections worldwide and recent rains in Russia and the U.S. Plains softened price increases more recently.

➢ **Canada’s Wheat Exports Decrease**

USDA - Despite an increase in production Canada’s wheat exports fell in the 2019-20 trade year.

Wheat exports for 2019-20 decreased 4% compared to the previous trade year, but have increased significantly since March. The USDA attributes the recent uptick to diminished rail competition, which helped increase exports of wheat, flour, and wheat products. Exports for the month of April through August were up over the three-year average for that period. The pace has extended into the first quarter of the 2020-21 trade year.

Canada exported 5.1 mmts of durum on a 5 mmts crop, shrinking ending stocks to their lowest level in years.
Canada’s total wheat production is forecast to increase 5% compared with 2019 and both yield and quality are described as excellent, according to the USDA.

CBOT Corn December 2020
A volatile week with the USDA WASDE Report on Tuesday, shocking the market with a 2.6 bus/acre lower yield and 325 mbus jump in exports. After making new highs of $4.28/bu following the USDA Report earlier in the week, the lead December contract settled Friday at $4.09½/bu, up a penny on the day, and gaining 3¼ cents on the week. The rally early in the week saw heavy farmer selling, pushing markets lower.

Weekly export sales were on the low end at 38.5 mbus; however, but YTD sales at 1.345 bbus are 51% of annual already. France showed up in sales buying a small cargo, which is either non-GMO or a mistaken report. U.S. corn is currently cheap enough to work back into North Africa and the Middle East, being cheaper than both the Ukraine and Argentina.

Covid-19 is again slowing down the economy, and pushing the gas/ethanol markets lower as we saw some profit taking by fund longs. Late on Friday there were whispers of China asking for offers and spur the midday rally.

Nearby basis weakened on the river started to catch up on Friday, firming 5 to 7 cents, as the barge freight inverse breaks. Barge Freight was 25% to 50% lower nearby.

At the moment, December IWDS Basis remains 5 cents below DVE, while March is at DVE, with May and July above DVE values.

New crop 2021 December showed some activity this week as the market becomes increasingly aware of the acreage battle ahead between corn, grain sorghum, soybeans, and wheat. Cheaper fertilizer prices are lowering input costs by $50 to $75 per acre and helping corn to compete with soybeans. An inter-commodity spread of SX1/CZ1 at 2.57:1 would not appear to be high enough to buy the 6-8 million acres of soybeans needed to keep the balance sheet in 2021-22 from being significantly out of balance.

USDA WASDE Report Rallies Corn to New Contract Highs
A bullish USDA Report on Tuesday slashed the forecast US corn carry-out by 465 mbus to 1.702 bbus, over 300 mbus below the average trade estimate of 2.033 bbus, and below even the low end of the 1.85 bbus range.

The greatest part of the drop in ending stocks came from a 215 mbus smaller U.S. corn crop as yield was trimmed by 2.6 bus/acre to 175.8 bus/acre, along with a 325 mbus higher export estimate. The USDA finally acknowledged China’s high import demand increasing the number by 6 mmmts to 13.0 mmmts. This is still less than most trade estimates. In addition, the USDA slashed the Ukraine’s corn crop by 8 mmmts, or 22%; taking the drop all out of exports and dropping the forecast to 22.5 mmmts.

Ending Stocks to Use dropped to 11.5% and the producer price estimate rose 40 cents to $4.00/bu.

Globally, world ending coarse grain stocks estimates decrease 9.2 mmmts to 321.4 mmmts which is about a 10.3 mmmts year on year.

The biggest change in the numbers was seen on the demand side, with Chinese total corn imports increased from 7 mmmts to 13.0 mmmts, with their feed use up 3 mmmts to 195 mmmts. This is still under many trade estimates as China already has 11.0 mmmts of total corn shipments and sales already on the books for 2020-19.

Competitor corn production changes: No change in the South American numbers with Argentina continuing at 50.0 and Brazil, 110.0. Russian crop reduced 1; Ukraine crop severed by 8 to 28.5 while the USDA did increase South African production 2 to 16.0 (same as last year)

The EU corn crop was decreased by 1.9 mmmts to 64.2 mmmts, while imports were also reduced by 4 mmmts to 20.0 mmmts, compared to 19.0 mmmts last year, as domestic feed demand was cut sharply dropping 5.5 mmmts to 59.5, compared to 60.2 mmmts last year, with wheat feeding increased by 1 mmmts to 48.5 mmmts

The USDA cut its Mexican import estimates by 1 mmmts to 17.3 mmmts, compared to 16.5 mmmts last year. This was as Mexican corn production was left unchanged, but is up 1.5 mmmts from last year.

Non-US corn exports were reduced 8.4 mmmts (330 mbu) versus a year ago. For non-US corn exports; Argentina was steady at 34.0 mmmts compared to 38.0 mmmts last year. Brazil continued unchanged at 39.0 mmmts, compared to 34.0 last year. Russia declined by 0.8 mmmts to 3.1 mmmts, compared to 4.2 mmmts last year, and the Ukraine was adjusted 8 mmmts lower at 22.50 mmmts, compared to 29.2 mmmts last year. South Africa was increased by 0.5 mmmts to 2.8 mmmts, compared to 2.5 mmmts.
Global corn ending stocks were cut 9 mmts from last month to 291.4 mmts, and are now down nearly 12 mmts from last year.

➢ **USDA WASDE Report Supportive of Grain Sorghum Prices**

Changes within this week’s USDA WASDE Report saw estimates yields for grain sorghum increase slightly 74.2 bu/acre, while production was held steady at 371 mbus.

There were no changes on the demand side of the equation, with FSI held at 40 mbus, feed & residual steady at 70 mbus, and exports remain at 260 mbus with China as the primary buyer. Carry-out ending stocks remain at 30 mbus, versus 29 mbus last year. Producer price forecast were increased by 45 cent to $4.05/bu.

➢ **Record-Breaking Year for Ukraine Corn Slips Out of Reach**

USDA - Despite an initially promising outlook for the 2020/21 year, the forecasts for Ukraine corn production and exports have fallen substantially. In May 2020, Ukraine was forecast at 39.0 mmts of corn production, with 33.0 mmts of exports; as of this month, production and exports are down to 28.5 mmts and 22.5 mmts, respectively. Drought conditions across the country have devastated the corn crop and resulted in downward revisions. As an export-focused market, the cut to Ukraine’s corn production has corresponded to lower expected exports.

Ukraine’s competitors are in position to secure more volume in two major markets; the European Union and China. The Ukraine and the European Union are each other’s largest trading partners for corn; with the Ukraine historically the primary supplier of corn to China. However, Brazil is the second-largest exporter of corn to the European Union, and inspections of US corn to China (since September 1st) have exceeded 2.1 mmts.

Moreover, China is expected to import substantively beyond its tariff-rate quota of 7.2 million tons in CY 2020, with nearly 11.0 mmts of U.S. corn sales already on the books.

The deep cuts to Ukraine’s production and exportable supplies are expected to impact both the volume of trade with the European Union as well as market share in China.

With Brazil forecast to have record production in 2020/21 and the United States forecast to have both its second-highest production on record and ample supplies, global trade is seeing a rebalancing as the United States steps up its exports, filling the gap in global markets when other corn exporters fall short.

On top of the available supplies, U.S. corn is currently price-competitive against other bids as well.

➢ **World Price Comparison FOB - Corn**

USDA - Since the October WASDE, major export bids have continued their rallies as expectations for corn production in Ukraine have deteriorated. By late October, all exporters’ bids were at or above $230/mts, a price level not seen since 2014, though prices have eased a bit in the week leading up to the November WASDE.

Black Sea bids are up $28 to $231/mt on Ukraine crop size concerns. Brazilian bids are up $27 to $233/mt and Argentine bids are up $23 to $225/mt, both on tight near-by supplies. US bids are up $12 to $221/mts on strong sales and a weaker dollar.
Record-Breaking Year for Ukraine Corn Slips Out of Reach

Aside from China, the other countries in East Asia, such as Japan, South Korea, and Taiwan, have historically imported substantial volumes of corn from the United States. However, over the past few years, Brazil has captured some of this trade for itself. One possible rebalancing scenario would be a temporary reversal of this trend where Brazil exports smaller volumes to these markets in favor of the European Union, leaving more room for U.S. corn to fill East Asian demand.

So far in 2020/21, US Export Sales Reporting total commitments to each of these three countries are up from the same time last year.

Oilseeds Complex

CBOT Soybeans January 2021

Soybean saw the biggest gains this week as futures rallied sharply following the USDA WASDE Report as the lead January Contract on Wednesday made new highs reaching $11.62/bu. CME January 2021 Soybean Futures settled Friday at $11.48/bu, up 2½ cents on the day, and gaining 44½ cents for the week.

A constructive week for soybean. This past Tuesday’s production report lit the fire with a lowered yield, and consequently, lower carryout. New crop prices on Friday, traded higher than their old crop counterparts. SF22 closed 9 cents, while SF21 only closed higher by 2½ cents. After posting new highs on price on Tuesday, producer cash soybean sales have backed off. Interior river locations for soybeans are still showing defensive posturing. Gulf basis for soybeans continues to slide. With the large volume of sales on, more people are asking the question; What is the Gulf at capacity for soybean loading?

China was rumored to have purchased 8 or 9 cargoes out of Brazil during the week for July shipment, and maybe a couple August, hence pushing the back end higher.

Export sales were 54 mbus for the week, while the trade was looking for between 29-66 mbus. China spoke for about half at 27 mbu. Non-PRC sales pretty strong as well at 24 mbus, with 9 mbus to the EU; and 12 to East and South Asia. Soybean meal sales were light at 145 mts. While CIF NOLA basis is sliding the processor continues to stand in strong.

There is rain in the South American forecast over the next 10 days, but is expected to be less than normal. Brazil soybeans planted are now called 67.3% vs 65.9% last
year, and 64.7% on average. Mato Grosso is now considered 94.1% complete, which is fairly normal. Sao Paulo is lagging as only 30% planted against 70% average. Similar to US, it just doesn’t take long to catch up. On Monday we will get an update

- **USDA WASDE Report Spurs Soybeans to Four-Year Contract Highs**
  
  A friendly USDA Report spurred soybeans to new four-year contract highs as the US estimated yield was reduced 1.2 bus/acre to 50.7 bus/acre, 0.9 bus below the trade average. US production estimates dropped 98 mbus to 4.170 bbu, well below both the trade average 4.251 bbu, and at the low end of the 4.19 to 4.32 bbu range. Virtually all of the production decrease came out of forecasted US ending stocks, which were reduced by 100 mbus, to 190 mbus, 45 mbus below the trade average and at the low end of the 190 to 292 mbus range.
  
  On the demand side, exports were held steady at 2.2 bbu, with the domestic crush unchanged at 2.18 bbu.
  
  This left the revised ending stocks to use very tight at 4.2%, and prompting the USDA to increase its expected producer price estimate by 60 cents to $10.40/bu.
  
  Globally, the Brazil production estimate was held steady at 133.0 mmmts vs 126 mmmts LY, while the Argentina crop was decreased 2.5 mmmts to 51.0 mmmts, but still 2 mmmts above last year’s 49.0 mmmts. However, harvest in both Brazil and Argentina are still some time away, and South America’s growing season is being watched closely, especially in a year when China’s appetite for feed grain is disrupting corn and soybean balance sheets, and with a La Niña drought threatening to hurting yields across the region.
  
  No changes were made to South American export estimates; 85 mmmts for Brazil and 7 mmmts for Argentina, versus last year’s numbers of 92 mmmts, and 10 mmmts respectively. China’s imports were held steady at 100.0 mmmts, vs 98.55 LY, even though the USDA Attaché report last week suggested it could drop to 95 mmmts. China’s crush remained at 99.0 mmmts, vs 91.5 LY. The USDA did up China’s beginning stocks by 1.14 mmmts to 26.8. World 2019-20 soybean ending stocks estimate declined 2.18 mmmts to 86.5 mmmts.

- **USDA Attaché Sees China Soybean Imports Falling to 95 mmmts 2020/21**
  
  Reuters – According to a report issued by a USDA attaché in Beijing this week, China’s soybean imports are forecast to fall from October’s estimate of 100 mmmts, to 95 mmmts in 2020/21 due to excessive beginning stocks following a buying spree in 2019/20.
  
  Driven by concerns about COVID-related supply disruptions and an uncertain bilateral relationship with the United States, China imported an estimated 98.5 mmmts in 2019/20, a record high.
  
  Although feed production and soybean crush are projected to continue growing in 2020/21 to meet demand from the recovering swine herd and growing poultry sector, the beginning of a gradual drawdown in stocks is expected to constrain imports in MY20/21.

  China’s soybean production is forecast at nearly 18 mmmts this year, an increase of about 1 mmmts over last year on expanded area. This was driven by government subsidies and relatively high prices. However, the projected growth in production is less than previously forecast due to the impact of three late-season typhoons in the Northeast and flooding.

- **CBOT Soybean Meal January 2021**
  
  CBOT Soybean Meal January 2021

  CME January 2021 Soybean Meal Futures rallied to new life of contract highs on Tuesday, reaching $399.70/ton, before settling on Friday at $388.80
  
  $381.10/short ton, up $1.70 on the day, and gaining $7.70 for the week.
  
  As long as the trade has questions around the potential success of the South American crop due to its dry bias the impetus for higher prices will remain. However, soybean meal is balking at the $400 a ton, a level which has not been seen since the spring of 2018.

- **China’s Soy Meal, Soy Oil Stocks Sink to Multi-Month Lows**
  
  Soybean meal and soy oil stocks in China last week sank to the lowest level since summer this year as the continuous recovery of the pig herd boosted feed demand and an expanding economy saw cooking oil usage rise, according to China’s Grain and Oil Information Centre (CNGOIC).
Soybean stocks level fell 70,000 mts to 880,000 mts last week, down 110,000 mts month-on-month, but are 490,000 mts higher than the same week last year, CNGOIC data showed.

“Procurements were very active… As pig herd continued to recover, soymeal consumption in the fourth quarter will keep increasing,” the center said.

Soy oil stocks fell 20,000 mts to 1.26 mmt, which was also the lowest since late August this year, down 90,000 mts on month and flat-lined from the same point last year.

This was largely the result of slower crushing activities in China, which saw the weekly crush volume down 110,000 mts to 2.09 million mts last week. However, weekly crush volume still remained at a record level at 370,000 mts above the five-year average.

Meanwhile, soybean stocks rose 310,000 mts to 6.68 mmt last week given slower crush and stable vessel landings. The stock level was up 190,000 mts on month and was 2.56 mmt more than the same point last year.

CBOT Soybean Oil January 2021

CME January 2021 Soybean Oil Futures settling on Friday at $36.94/cwt, up 8 cents on the day, after making new highs of 37.34/cwt. The contract was up $1.66 cents for the week.

Soybean Oil values remained relatively strong this week as palm oil traded to an 8-year high. This was enough to keep the soybean market alive as soybean meal prices eased from the highs seen Tuesday, early Wednesday. Strength in soybean oil saw values make new contract highs that were set in January of 2020.

Palm Oil Up Nearly 3%, Hits 8-year High

Reuters - Malaysian palm oil futures rose nearly 3% on Wednesday, up for the third consecutive session, hitting an over eight-year high on tight October inventories and gains in crude and rival oils.

Palm is trading at its highest level since May 10, 2012 as the benchmark Bursa Malaysia Derivatives Exchange (MDE) palm oil contract for January closed at 93 ringgit, or 2.9%, higher at 3,349 ringgit (US$811.49/mt).

“Key factors influencing prices are the La Nina impact on oilseeds and palm oil supplies, China’s purchases to build up its stock reserves and policies on biodiesel mandates,” Ivy Ng, regional head of plantations research at CGS-CIMB Research, said in a note.

Malaysia's October palm oil inventories slumped to their lowest since June 2017, down 8.6% on-month, on lower production, according to the Malaysian Palm Oil Board on Tuesday.

According to cargo surveyor’s data exports during November 1st to the 10th fell between 17% and 19% with shipments to India contracting as pre-Diwali seasonal buying ends. November export figures will likely decline 9% month-on-month, also because demand in the Northern Hemisphere falls during winter. Palm oil solidifies in the cold, prompting consumers in countries like India to switch to other edible oils.

Dalian’s most-active DCE Soyoil Contract rose 1.9%, while its palm oil contract gained 2.6%. Soyoil prices on the Chicago Board of Trade were up 1.3%.

Oil prices rose 3% as hopes of an effective COVID-19 vaccine continued to bolster sentiment.

Palm oil is affected by price movements in related oils as they compete for a share in the global vegetable oils market. This also makes palm a more attractive option for biodiesel feedstock, although the edible oil is trading at a $445 premium over gas oil, its highest in nearly a decade.

China Reports Record-High Meat Imports in Jan-Sept

Xinhua - China’s meat imports hit a record high in the first three quarters of this year, meeting the rising demand of the national market, according to the Ministry of Commerce (MOC).

From January to September, total meat imports surged 72% y.o.y. to 7.41 mmt, said Li Chenggang, assistant minister of commerce, on the sidelines of the ongoing third China International Meat Import Expo (CIIE).

Meat imports totaled 23.1 billion US$ in the first nine months, up 83% y.o.y., a historic high, said Li at the 11th China International Meat Conference, one of the CIIE events.

China's upgraded consumption, growing population and a proactive import policy will create huge business opportunities for global meat producers in the future, he said.

As the world's largest producer, consumer and importer of meat, China has gradually overcome the impact of African swine fever and COVID-19, and the overall operation
of its meat market is stable and better than expected, said Wang Bin, a senior MOC official, at the meeting.
China's pork supply will continue to improve and return to normal levels in the second half of 2021, Wang noted.

TRANSPORTATION

➢ **Strikes at Argentina's Ports Delay Loading of Five Ships**

Reuters - The loading of five cargo ships in different grains ports in Argentina has been stalled for days due to strikes by port workers, the labor union representing the employees and an industry source said on Wednesday.

ADM and the local ACA cooperative have each had a ship waiting since Saturday to complete cargo loading at the companies' terminals in Puerto General San Martín and San Lorenzo, the shipping hub north of Rosario, according to the URGARA union.

Another ADM ship and one for Louis Dreyfus are also waiting to be loaded in the port of Bahía Blanca. The loading of a fifth ship for ACA has been stalled in the port of Quequén since Friday, said a spokesman for URGARA, which represents inspectors who check the quality of grains before they are loaded onto ships.

The URGARA union launched surprise strikes on Monday to protest stalled wage talks, impacting shipments in the world's top exporter of processed soy meal and soy oil, and one of the largest sellers of raw soybeans.

The striking workers have launched work stoppages in some cases and are refusing to work overtime, a union spokesman said.

"We are going to continue [with the protest] for as long as we do not receive a serious proposal," said Juan Carlos Peralta, a spokesman for URGARA.

A source from the agricultural export sector, who asked not to be identified, confirmed the delayed loading of the five ships.

Protests and strikes are common in Argentina's important agro-export sector, a leading global supplier of food. URGARA's protest comes at a time when there is less grain flow to ports due to the planting cycle.

- END -
November Crop Calendar

Canada
Corn, Soybeans, & Sunflower: Harvesting

United States
Corn, Sorghum & Soybeans: Harvesting
Winter Wheat & Rapeseed: Hardening

Europe
Winter Wheat & Rapeseed: Planting

FSU
Winter Wheat & Rapeseed: Dormant

China & East Asia
Late Rice: Maturing
Cotton, Corn, Sorghum, Soybeans, Sunflower & Groundnuts: Harvesting
Winter Wheat & Rapeseed: Vegetative

NW Africa & Egypt
Wheat: Planting
Rice (Egypt): Harvesting

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

South Asia (India)
Cotton (South): Maturing
Corn, Sorghum, Rice, Millet, Groundnuts & Sunflower: Harvesting
Winter Wheat & Rapeseed: Planting

East Africa
Sudan: Sorghum/Millet: Harvesting
Ethiopia: Wheat, Rapeseed, Corn, Millet & Sorghum (Meher): Harvesting
Kenya: Corn (Minor): Vegetative

West Africa
Rice, Corn, Sorghum, Cotton, Soybeans & Groundnuts: Harvesting

Brazil
South: Wheat: Harvesting
Corn & Soybeans: Vegetative
Groundnuts, Sorghum, Cotton, Sunflower, Rice & Millet: Planting
Center West:
Soybeans: Vegetative

Southern Africa
Wheat (Free State & Western Cape): Maturing
Corn, Cotton, Rice, Sunflower, Soybeans & Millet: Planting

Mexico
Sorghum, Rice & Soybeans: Harvesting
Sinola: Winter Corn (Irrigated): Vegetative

Argentina
Early Corn: Silking*
Late Corn & Cotton: Vegetative
1st Soybeans, Sunflower, Rice, Sorghum & Millet: Planting
Wheat: Maturing

*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/nov_calendar.gif
UNITED STATES –

- **In the West**, cold, mostly dry weather prevails. Early today, scattered rain and snow showers are confined to the northern Rockies and Pacific Northwest. Recent precipitation provided some relief from dry conditions, but more storminess will be needed for further recovery due to the extent and severity of the Western drought.

- **On the Plains**, weather conditions in Montana have improved, following recent snowfall, although this morning’s minimum temperatures fell below 10°F in some locations. Currently, snow has moved into Nebraska and portions of surrounding states, while lingering warmth is confined to eastern sections of Oklahoma and Texas. Despite recent and ongoing precipitation, more than one-fifth of the winter wheat was rated in very poor to poor condition on November 8 in Colorado (28% very poor to poor), Texas (27%), Kansas (23%), and Nebraska (21%).

- **In the Corn Belt**, a sharp cold front extends from Lake Michigan into northwestern Missouri. East of the front, record-setting warmth continues to promote corn and soybean harvesting. Farther west, however, cold weather accompanies a quick, post-frontal transition from rain to freezing rain and snow. Early today, accumulating snow is falling in parts of Nebraska and portions of neighboring states. By November 8, however, the soybean harvest was complete in Nebraska and North Dakota—and more than 95% complete in Illinois, Iowa, Minnesota, South Dakota, and Wisconsin.

- **In the South**, Tropical Storm Eta has drifted to a position just north of the western tip of Cuba, with diminishing wind- and rainfall-related impacts in Florida. Still, November 5-9 rainfall totaled 6 to 12 inches or more in many locations across southern Florida, causing local flooding and halting vegetable planting preparations, as well as citrus and sugarcane harvesting. Elsewhere in the South, warm, dry weather favors harvesting of crops such as cotton, peanuts, and soybeans.

**Outlook:** Tropical Storm Eta will continue to lurk over the eastern Gulf of Mexico, but additional U.S. impacts are not expected to be significant as the cyclone will soon encounter more hostile atmospheric conditions. Nevertheless, additional rainfall across Florida could total 1 to 2 inches. Meanwhile, the mid-week interaction between tropical moisture and a strong cold front will result in heavy rain (2 to 4 inches) from the central and southern Appalachians to the middle Atlantic Coast. Farther west, snow will spread northeasterward from Nebraska, ending tonight across the upper Great Lakes region. Late in the week, stormy weather will return across the Northwest, while scattered showers will develop in the eastern half of the U.S. The NWS 6- to 10-day outlook for November 15 – 19 calls for the likelihood of above-normal temperatures across most of the country, while cooler-than-normal conditions will be confined to northern California and the Northwest. Meanwhile, abovenormal precipitation in much of the West and Northeast should contrast with drier-than-normal weather in the southern Rockies and from the Plains and Mississippi Valley into the Southeast.

- **EUROPE** – Highlight: Rain In Spain, Showers Elsewhere
  - Locally heavy rain in Spain boosted moisture supplies for winter grain planting and establishment.
  - Widespread showers and above-normal temperatures were favorable for winter crop establishment from England and France into central and eastern Europe.

- **FSU** – Highlight: Warm, With Additional Much-Needed Showers In Western Russia
  - Widespread showers benefited winter crops in Ukraine and provided much-needed soil moisture for wheat in western Russia; persistent warmth has extended the window for winter crop establishment.

- **MIDDLE EAST** – Highlight: First Significant Rain
  - The season’s first significant rain eased or alleviated autumn drought and improved winter grain prospects from central and eastern Turkey into northern Iraq and northwestern Iran.

- **SOUTH ASIA** – Highlight: Seasonably Dry Across India
  - Seasonably dry weather supported rabi crop sowing across India and Pakistan.

- **EAST ASIA** – Highlight: Mild Weather In Eastern China
  - Sunny, warm weather across eastern China promoted wheat and rapeseed development.

- **SOUTHEAST ASIA** – Highlight: Super Typhoon Goni
  - Super Typhoon Goni produced heavy showers in portions of the eastern Philippines, but most crop impacts were limited.

- **AUSTRALIA** – Highlight: Un timely Rain In The West
  - In the west, wet weather slowed drydown and harvesting of the earliest-maturing winter crops.
  - In the southeast, sunny skies benefited early wheat, barley, and canola harvesting and immature crops.
  - In the northeast, dry weather favored wheat harvesting as well as cotton and sorghum sowing.

- **SOUTH AMERICA** – Highlight: Unseasonable Dryness Dominated Large Sections Of The Region
  - Warm, sunny weather promoted a rapid pace of summer crop planting in Argentina, following last week’s beneficial rainfall.
  - Unfavorably dry conditions prevailed throughout large sections of southern and central Brazil, reducing moisture for germination of soybeans and other summer row crops.

- **SOUTH AFRICA** – Highlight: Beneficial Rain Overspread The Corn Belt
  - A second week of rain maintained favorable prospects of corn and other summer crops.